

NEWS RELEASE

UOB Group First Half Net Earnings Up 12% to S\$1.4 billion

Strong Momentum in Fee Income Delivering on Regional Strategy

SINGAPORE, 7 August 2012 – The UOB Group (“Group”) reported net earnings of S\$1.40 billion for the first half of 2012 (“1H12”), up 12.3% compared with the corresponding period last year. In the second quarter of 2012 (“2Q12”), net earnings increased 3.6% over the first quarter (“1Q12”) to S\$713 million.

The 1H12 results were underpinned by strong growth across all business units as the Group continued to benefit from strengthening its regional franchise. Fee income delivered another record quarterly result. The Group’s regionalisation strategy continues to deliver with 1H12 operating profit from the region rising 32.6% over the first half of 2011 (“1H11”). The Group continued to focus on balance sheet management, making sure its funding and liquidity position remain robust and assets quality remain intact.

First half 2012 earnings

Net interest income rose 10.9% to S\$2.0 billion from higher loans volume. Loans growth was broad based across Singapore and the region and increased 14.2% to reach S\$150 billion. Loans from the regional countries continue to grow at a faster pace of 22.8% while Singapore grew 12.6%. Net interest margin was 1.95% in 1H12, an increase of 4 basis points.

Fee and commission income grew 12.0% to S\$748 million in 1H12. Significant increases were registered in corporate finance, wealth management, trade and loan-related activities. Trading and investment income was S\$354 million in 1H12, higher than 1H11 mainly due to gains from the sale of investments.

Expenses increased 12.3% to S\$1.3 billion in 1H12 as the Group continued to invest in talent and infrastructure across Singapore and the regional countries. Expense-to-income ratio improved 0.4% point to 41.4% with higher income growth.

Asset quality remained sound. Compared with 1H11, total loans charge off rate stabilised at 30 basis points, while non-performing loans (“NPL”) coverage was strong at 136.6%. NPL ratio was 0.1% point lower at 1.4%. Total impairment charges for 1H12 were S\$208 million mainly for individual impairment on loans.

The Group’s funding and liquidity position remained strong, with an overall loans-to-deposits ratio at 87.1% and the US\$ loans-to-deposits ratio improving to 95.2%. With a robust deposits franchise, the Group was able to use its distribution channels and strong credit ratings to increase customer deposits to keep pace with loans growth. Deposits grew 13.8% to S\$169 billion across territories. Deposits in Singapore rose 7.3% while the regional countries recorded a significant increase of 31.1%. To diversify the Group’s funding mix further more than US\$800 million in senior notes were raised under the Euro Medium Term Note Programme during the period.

Shareholders equity rose 5.9% to S\$23.8 billion, largely due to higher retained earnings. Return on shareholders equity grew 0.5% point to 12.7% for 1H12.

The Group is well capitalised with core Tier 1, Tier 1 and total capital adequacy ratios at 12.3%, 13.9% and 17.0% respectively as at 30 June 2012, well above the minimum required by the Monetary Authority of Singapore.

The Board has declared an interim cash dividend of 20 cents per ordinary share.

Second quarter 2012 earnings

For 2Q12, net interest income decreased 1.7% from 1Q12 to S\$981 million as loans yields declined. Net interest margin declined 6 basis points to 1.92% amid high liquidity and keen competition in the market. The lower net interest income in 2Q12 was however more than compensated for by higher fee and commission income. Fee and commission income hit a new quarterly high of S\$386 million, an increase of 6.7%, driven by strong loans processing and corporate finance activities. Overall, risk-adjusted returns improved as the Group continue to focus on total customer profitability.

Expenses declined 1.5% to S\$666 million in 2Q12. The Group remained vigilant in its cost management with lower staff costs and revenue-related expenses. Expense-to-income ratio improved 0.2% point to 41.3%.

Loans grew 1.4% in 2Q12 in-line with moderating economic growth. The increase was broad based across Singapore and the regional countries. Singapore loans expanded 1.3% while the regional countries loans rose faster at 3.0%.

The Group's liquidity position in 2Q12 was kept intact. Customer deposits rose 0.2% to S\$169 million with loans-to-deposits ratio at 87.1%.

Compared with the second quarter of 2011 ("2Q11"), Group net profit rose 12.1% while operating profit grew 14.4% to S\$944 million. Net interest income increased 7.4% due to higher loans volume. Net interest margin was maintained at 1.92%. Non-interest income grew 20.0% led by strong fee income as well as higher trading and investment income. Expenses rose 8.8% with expense-to-income ratio improving 1.3% points to 41.3% as income growth outpaced the increase in total expenses. Total impairment charges were higher due to higher individual impairment on loans in Singapore.

CEO's statement

Mr Wee Ee Cheong, the UOB Group's Deputy Chairman and Chief Executive Officer, said: "We delivered record core earnings, with our key regional markets contributing strongly in both loans and fee income. In pursuing risk-adjusted returns, we will continue to seek fee income growth to drive overall profitability through further institutionalising cross-selling initiatives and building capability.

"We believe in Asia's resilience, despite headwinds from the West. We remain on track to achieve our regional growth targets through capturing the rise in intra-regional trade flows and consumer affluence. Navigating a region with such a diverse landscape requires deep understanding of the markets. This is where UOB has a distinct advantage, with its long operating history and knowledge of the region. Even as global banking landscape evolves, we are committed to investing in people, products and platform for the future."

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About United Overseas Bank

United Overseas Bank Limited (UOB) is a leading bank in Asia with a global network more than 500 offices in 19 countries and territories in Asia Pacific, Western Europe and North America. Since its incorporation in 1935, UOB has grown through a series of strategic acquisitions and organic growth and today operates major banking subsidiaries in Singapore, Malaysia, Indonesia, Thailand and mainland China.

UOB provides a wide range of financial services including personal financial services, wealth management, private banking, commercial and corporate banking, transaction banking, investment banking, corporate finance, capital market activities, treasury services, futures broking, asset management, venture capital management, insurance and stockbroking services. UOB also has diversified interests in travel and property management.

In Singapore, UOB is a market leader in the credit and debit cards business, and the private residential home loans business. It is also a key player in loans to small and medium enterprises. Its fund management arm, UOB Asset Management, is one of Singapore's most awarded fund managers.

UOB is rated among the world's top banks, with a rating of Aa1 from Moody's and AA- from Standard & Poor's respectively.

UOB also plays an active role in the community, focusing its corporate responsibility efforts on the arts, promoting education and helping children. For three decades UOB has organised the prestigious Painting Of The Year Competition and Exhibition. In recognition of its contributions to the arts, UOB has been conferred the National Arts Council's Distinguished Patron of the Arts Award for the seventh consecutive year. UOB also encourages its employees across the region to be involved in its corporate responsibility programme through regular volunteer activities. This includes the annual UOB Heartbeat Run which is held in Singapore, Malaysia, Indonesia, Thailand and mainland China.

For more information about UOB, visit UOBGroup.com.

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