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NEWS RELEASE

United Overseas Bank Group Posts Operating Profit of S$2,384 million for the nine months in 2008

Performance in challenging global environment underpinned by steady core banking business

SINGAPORE, 31 October 2008 – The United Overseas Bank Group ("the Group") recorded an operating profit of S$2,384 million year-to-date, up 11.7% from a year ago. On a profit after tax basis, the Group managed to record a year-to-date profit of S$1,605 million, relatively flat compared to the same period last year.

Core businesses continued to record a steady performance benefiting from the strong economic performance in the first half of the year. Net interest income grew 17% to S$2,618 million from a year ago and 2.3% from the previous quarter.

Customer loans experienced a broad-based increase of nearly 18% year-on-year to S$100,433 million as at end September. The healthy loan growth benefited from the facilities granted mainly to support the various infrastructure projects and the strong economic growth in the preceding quarters. Going forward, the Group expects loan growth to slow as the economic environment becomes more challenging.

Deposits also grew 8% year-on-year to S$113,123 million. Despite the global liquidity crisis, the Group has been able to maintain its deposits base, reflecting depositors' confidence. The deposit guarantee announced by the Monetary Authority of Singapore will also help ensure that deposits stay within Singapore's borders. However, the cost of deposits is expected to trend upwards.

Net interest margin held up at 2.21% during the third quarter, as compared to 2.23% in the last quarter. Although loan yields improved in Singapore as a result of the tighter credit conditions, short-term interest rates also went up during the quarter. Along with a flatter yield curve, and the Group's policy of keeping the funds short to preserve liquidity, gapping activities were reduced.

Non-interest income was adversely impacted by the lack of investor confidence in the global markets. A sharp decline in worldwide equity prices and widening credit spreads for fixed income securities in the third quarter caused non-interest income to fall to S$319 million. This represented a reduction of 42% as compared to the last quarter. Fee and commission income from fund management and market-related activities, as well as trading and investment income, were all significantly impacted.

The Group continued to be disciplined in its expense control with overall expenses growing only 3.8% from a year ago and down 2.8% from the last quarter. Expense-income ratio was 38.9% for the nine months ended September 2008, an improvement from the 40.7% of the same period last year.

Despite the drastic measures employed by major central banks, it is increasingly evident that economies will slow and businesses will be impacted. The Group's operating profit of S$709 million for the quarter was 21.7% lower than the previous quarter.

Impairment charges for the first 9 months also increased significantly by 148% to S$427 million from a year ago. The increase was primarily the result of higher individual charges on loans (S$142 million) and debt and other securities (S$101 million). In view of the expected slow down in the global economy, the Group provided another S$184 million in collective impairments. This brings the coverage ratio of total provisions to NPLs at 127%. Total impairment for the third quarter was S$158 million, a 12.5% drop as compared to the preceding quarter.

NPL ratio continued to remain low at 1.5% as at 30 September 2008, an improvement from 2.3% a year ago. The Group will continue to closely monitor its loans portfolio for early signs of weakness. With a strong coverage ratio, it will be in a better position to cushion the impact of any deterioration in asset quality.

In view of the uncertainty and volatility in the external environment, the Group continued to focus on strengthening its balance sheet. Its diversified loans portfolio and strong liquidity position should provide a strong platform to weather further economic shocks. Loans-to-Deposits ratio was 88.8% as at 30 September 2008.

Total exposure to collateralised debt obligations (CDO) remains unchanged at S$274 million, adjusted for translation differences. Of this, S$85 million in Asset-backed Securities CDO had been fully provided for since March 2008. Of the remaining S$189 million in the Corporate CDO portfolio, a further collective impairment allowance of S$37 million was made this quarter, bringing the total allowance to S$114 million, giving total Corporate CDO a coverage ratio of 60%.

The Group's capital base was further strengthened in September 2008 when investors subscribed to S$1.32 billion of UOB's non-cumulative, non-convertible preference shares. Tier 1 Capital Adequacy Ratio (CAR) improved to 11.2% and total CAR was at 15.5% as at end September 2008. These were 5.2% points and 5.5% points above the Monetary Authority of Singapore's minimum requirements.

Mr Wee Ee Cheong, the UOB Group's Deputy Chairman and Chief Executive Officer said, "The Group's latest set of numbers are not unexpected, given the unprecedented market developments in the past nine months, and especially in the last quarter. Despite the continued market turmoil, our core business, fundamentals and balance sheet remain sound. We are mindful of the fast changing global banking landscape, the intense liquidity and credit squeeze in the global system. The impact of de-leveraging and credit crunch will be increasingly evident in the real economy.

While companies brace themselves for tougher times ahead, it is important not to be caught in the bubble of 'extreme pessimism'. We should also not lose sight of long-term objectives and should selectively seize opportunities to build our core franchise.

As a steady, committed player in this region, UOB will continue to be vigilant in monitoring and managing risks, and prudent and disciplined in the way we operate. Beyond the turbulent period, we have confidence in Asia's resilience and long-term growth prospects, and remain focused on our goal of building a premier regional bank."

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About United Overseas Bank

United Overseas Bank Limited (UOB) is a leading bank in Singapore with a strong presence in Asia. It provides a wide range of financial services through its global network of over 500 offices in 18 countries and territories in Asia Pacific, Western Europe and North America, including banking subsidiaries in Singapore, Malaysia, Indonesia, Thailand and mainland China.

In Singapore, UOB is a market leader in the credit and debit cards business, and the private residential home loan business. It is also a dominant player in loans to small and medium-sized 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 by Moody’s Investors Service, receiving B for financial strength, and Aa1 and Prime-1 for long-term and short-term bank deposits respectively.

UOB also plays an active and meaningful role in the community, focusing on children, education and the arts. It has organised the prestigious Painting Of The Year Competition and Exhibition since 1982, and supports Very Special Arts Singapore which provides art programmes for the disabled. 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 third consecutive year. UOB has also established the annual UOB Heartbeat Run to raise funds for charity.

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