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NEWS RELEASE

# United Overseas Bank Group Posts Record Second Quarter Profit of S$601 million And an Operating Profit Growth of 10.6% for First Half 2008

## The Board Has Declared an Interim Dividend of 20 Cents Per Ordinary Share

**SINGAPORE, 5 August 2008 –** The United Overseas Bank Group ("the Group") recorded a net profit after tax of S$1.13 billion for the first half of 2008. This represents an increase of 2.5% over the same period last year. The core banking operations performed well, with strong growth in net interest income and operating profit of 13.3% and 10.6% respectively. Collective impairment of S$112 million was provided in the first half of 2008 in the light of the unstable global equity and credit markets.

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

The S$601 million second quarter 2008 net profit is a record for the Group. This represents a growth of 13.5% over the last quarter and 2.7% over the corresponding quarter last year. Similarly operating profit grew by 17.6% over the last quarter and 14.2% over the same period last year.

Loans grew by S$4.7 billion or 5.1% over last year end and 18.1% year-on-year. The loans growth was mainly in Singapore as the Group continued to benefit from the strength of the economy. The growth in loans was broad-based across industries and business segments.

Net interest margin continued to improve to 2.23% in the second quarter. The continued improvement in margin reflects tightening credit conditions in Singapore and the benefit of a steeper yield curve offering much gapping opportunities.

Non-interest income was flat for the first half of 2008 at S$964 million. Core fee and commission income remained strong as a result of growth in loans and trade-related business and credit cards. The challenging and volatile markets in the first half resulted in lower fund management income, as well as mark-to-market losses from trading and investment-related activities. However, these were more than offset by the realised gain on investment securities.

Expenses remained under control and the expense to income ratio for 1H 2008 improved to 37.7%. Despite the challenges of a very tight labour market, staff cost grew only by 6.4% over the same period last year. The Group continued with infrastructure investment, and information technology cost is 14% of total expenses for the period.

Assets quality remains strong with the non-performing loans ratio improve to 1.5% from 2.8% a year ago. The Group will continue to closely monitor its portfolio to ensure resilience, especially so in view of the expected global economic slowdown. At the same time, the Group's impairment coverage is 128% at the end of 1H 2008. There is no sign of weakness in the Group's overall portfolio thus far, and individual impairment charges on loans is 15 basis points for the period. Including the collective impairment provision, loan charge-off rate was 35 basis points for the period.

The Group continued to focus on liquidity management. It maintains a S$32 billion portfolio of high quality liquid assets - cash, balances with central banks and government securities - representing 22% of deposit base. On the liability side, the Group is well-diversified with 75% of deposits from non-bank customers. Together with its core deposit strategy and contingency funding plan, the Group is confident of its liquidity position. Customer loan to deposit ratio remained healthy at 89.3%. The Group has reviewed all its exposures to avoid any concentration risks.

Our capital position remained strong with total and tier 1 capital adequacy ratios at 14.4% and 10.2% respectively.

Mr Wee Ee Cheong, the Group's Deputy Chairman and Chief Executive Officer said, "The past six months have been challenging, and it's not going to be any easier as global institutions seek ways to rebuild their balance sheet and economies cope with slowdown and inflation."

“We are mindful of the risks amidst these challenges and will remain prudent and disciplined in managing our business. At the same time, we will stay focused in pursuing our long-term goal of building a premier regional bank. We will continue to strengthen our core franchise and invest in our regional platform. That said, while seizing business opportunities, we will strike a balance between short-term gains and long-term viability to ensure balance sheet quality and sustainability,” he added.

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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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