
NEWS RELEASE

UOB Group Posts Operating Profit Growth of 9.3% to S\$1,831 million for First Half 2009

The Board has declared an Interim Dividend of 20 cents per Ordinary Share

SINGAPORE, 5 August 2009 – The United Overseas Bank Group recorded an operating profit of S\$1,831 million, an increase of 9.3% compared to the first half 2008, and up 5.0% over the preceding quarter.

On a post-tax basis, the Group recorded a 22.1% decrease in net profit year-on-year, largely due to higher collective impairment set aside as a result of the global economic uncertainty, but showed a 15.0% increase to S\$470 million when compared to the previous quarter, mainly due to higher investment income and lower tax.

Net interest income grew 7.6% to S\$1,857 million year-on-year, driven by loan growth, but declined 4.4% to S\$908 million when compared to the previous quarter, mainly due to lower contributions from interbank money market activities and decreased loan volume.

The Group's net interest margin increased 16 basis points from a year ago to 2.38%, mainly due to improved asset mix and better pricing especially in Singapore, but decreased 6 basis points from the first quarter of 2009 to 2.35% due to narrowing of interbank spreads.

Year-on-year, non-interest income increased 2.1% to S\$985 million on the back of higher trading and investment income. This was partly offset by lower fee and commission income as customer sentiments remained cautious. Compared to the first

quarter of 2009, non-interest income rose 26.8% to S\$551 million, mainly due to higher investment income and higher dividend income, partly negated by lower fee and commission income mainly from loan-related activities.

For the first half of 2009, total operating expenses was well controlled at S\$1,011 million. However, when compared to the preceding quarter, total operating expenses increased 6.1% to S\$520 million. The increase was due to higher bonus provision as well as higher revenue-related expenses.

Impairment charges rose 212.9% to S\$842 million year-on-year. Collective impairment of S\$495 million was provided for loans, investments and foreclosed assets in the first half of 2009 in view of the uncertain global economic outlook. The increase in individual impairment on loans was from borrowers affected by the economic slowdown.

Compared to the previous quarter, impairment charges grew 23.1% to S\$465 million. Collective impairment of S\$321 million was set aside for loans, investments and foreclosed assets in the quarter on a prudence stance in view of the unstable global economic conditions. This was partly offset by write-back of individual impairment on investments and lower individual impairment on loans.

The Group's net customer loans of S\$97.8 billion as at 30 June 2009 was 0.4% higher than a year ago but 1.9% lower than the last quarter, due to prudent and selective loan growth. Increase in housing loans was negated by decrease in loans to financial institutions, manufacturing and general commerce sectors.

Customer deposits decreased 2.0% from the last quarter due to lower fixed deposits, partly offset by higher savings and current accounts. Compared to 30 June 2008, customer deposits increased 7.3% due largely to higher savings and current accounts. When compared to the previous quarter, loans to deposits ratio improved by 10 basis points to 83.6% as at 30 June 2009.

Non-performing loan (NPL) ratio increased to 2.4% from 1.5% a year ago and from 2.1% in the previous quarter. The Group's asset quality remained sound and the credit deterioration was not as bad as what many have predicted.

Underlying asset quality remained strong. AFS reserves recovered by a further S\$1.2 billion during the quarter from higher debt and equity valuations, as market sentiments improved.

The Group's Tier 1 and total capital adequacy ratios (CAR) of 12.6% and 17.5% respectively as at 30 June 2009, were well above the minimum of 6% and 10% required by the Monetary Authority of Singapore. The increase in CAR over 31 March 2009 was largely attributed to lower risk-weighted assets.

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

Mr Wee Ee Cheong, the UOB Group's Deputy Chairman and Chief Executive Officer, said: "Overall, we delivered a decent set of results in a profoundly challenging environment. Focusing on the basics of banking over the years and building a strong franchise have provided us with sustainable revenue even as we maintain an even keel in rough waters.

Looking ahead, we are certainly more upbeat about prospects as global sentiments improve. However, there are still structural issues confronting the global system. The bottoming out process and economic recovery will be gradual. One thing is clear though: 'maximum fear' is behind us and it would take a lot more shocks to bring us back to the panic mode in late 2008.

At UOB, whether in good or bad times, we continue to build capabilities to achieve synergies across our regional network. With our long-term commitment to building a sustainable franchise, we stand ready to capture opportunities when the upturn comes."

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About United Overseas Bank

United Overseas Bank Limited (UOB) is a leading bank 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 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 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 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.

For more information about UOB, visit uobgroup.com.

For media queries, contact:

Vivian Song
Group Communications
Email: Vivian.SongKY@UOBgroup.com
Tel: 6539 3990

For investor/analyst queries, please contact:

Anna Choo
Investor Relations
Email: Anna.ChooML@UOBgroup.com
Tel: 6539 4439