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## NEWS RELEASE

### **UOB Group Posts First Half Net Profit of S\$1,302 million, Increase of 48.0% Year-on-Year**

***Fee and commission income contribution strong;  
regional focus sharpened, key markets delivered 11.7%  
loan growth***

**SINGAPORE, 10 August 2010** – The UOB Group (Group) posted after-tax earnings of S\$1,302 million in the first half of 2010, 48.0% higher than the first half of 2009.

For the quarter, after-tax profit was S\$602 million, representing a 27.9% increase over the same quarter last year.

For the first half, the performance was due to robust contributions from fee and commission income coupled with a reduction in impairment charges as the quality of the Group's assets remained sound. Net interest income was stable amidst the declining interest rate environment and was underpinned by an increase in interest bearing assets. Volatile financial markets resulted in lower trading and investment income.

The Group continued to be disciplined in controlling expenses and at the same time maintained a balance with increased spending on higher business volumes and infrastructure investment.

The Group is reaping the benefits from its regional franchise. Loans in the regional countries expanded 11.7% from end 2009. Concerted efforts to harness the strength from this franchise will continue.

Overall, net loans grew 4.6% from end 2009 as the Group reduced its exposure in the West and grew corporate loans selectively by avoiding participating in finely priced loans. The Group continues to be a key player in home loans. Loans pipeline remains healthy and loan applications will continue to be evaluated on a risk adjusted returns basis.

The balance sheet and capital position remained strong. Loan quality continued to improve whilst most of the debt securities exposure to Europe is of investment grade. Core Tier 1 capital and Tier 1 capital adequacy ratio (CAR) strengthened further by another 1.1 percentage points to 13.0% and 15.1% respectively, compared to last year end.

### **Net Interest Income**

Net interest income decreased 3.9% year-on-year to S\$1,784 million with net interest margin declining 19 basis points to 2.19% in the first half of 2010. Quarter-on-quarter, net interest income declined 1.8% to S\$884 million and net interest margin was 11 basis points lower.

The decline in net interest margin was due to interbank and securities as gapping opportunities were limited and higher yielding bank debt securities were replaced with lower yielding corporate debt securities in anticipation of the new Basel requirement. Loan margins also declined as competition remains intense.

### **Non-interest income**

Non-interest income was maintained at S\$984 million for the first half of 2010. Excluding the one-time gain from the sale of UOB Life Assurance Limited, non-interest income registered a decline of 8.5% compared to the first half of 2009 due to lower trading and investment income.

Fee and commission income was robust at S\$570 million, increasing 22.5% year-on-year and remained steady quarter-on-quarter. The improved performance was across all business areas both within and outside Singapore and was supported by increased cross selling efforts in the Group. Loan-related fee income benefited from increased loan activities whilst strong sales from trade and credit card businesses boosted the income. There was also increased contribution from fund management and investment product sales.

Trading and investment income was lower as it was affected by market volatility in the second quarter of 2010.

### **Expenses**

Expenses in the first half of 2010 increased 7.1% to S\$1,082 million as costs were under tight control last year due to the financial crisis.

### **Loans and Deposits**

Net customer loans increased 6.1% from a year ago and 3.2% from last quarter to S\$103.8 billion as at 30 June 2010. The increase was driven mainly by housing loans and loans to the general commerce sector. Both leapt 11.1% and 10.4%, respectively from last year end. Deposits grew 7.5% year-on-year and was unchanged at S\$125.7 billion quarter-on-quarter. Loans-to-deposits ratio remained strong at 82.5%.

### **Asset Quality**

The Group's asset quality continued to improve with non-performing assets declining further to S\$2.5 billion as at 30 June 2010. Non-performing loans (NPL) ratio dropped to 1.9% as NPL improved across all territories, particularly in Singapore and Malaysia. There was also significant improvement in the manufacturing and financial institution sectors.

Impairment coverage for the Group was high at 209.5% against unsecured non-performing assets while cumulative impairment stood at S\$2.9 billion as at 30 June 2010.

The quality of the Group's investment securities remained intact. Bank debt securities were pared down to prepare for the new Basel requirements. Compared to last year end, bank debt securities decreased 16.9% to S\$6.1 billion, across all geographies. The reduction is not significant as credit quality of the portfolio is still good.

Debt securities exposure to Europe was S\$2.8 billion as at 30 June 2010, of which more than 80% are of investment grade. With stability returning to the markets in Asia, the corporate debt portfolio in this region is being built up as it offers stronger credits and better pricing.

### **Capital Position and Shareholders' Equity**

The Group continued to maintain a strong capital position. As at 30 June 2010, Group Tier 1 CAR increased to 15.1% and total CAR reached 20.1%, well above the regulatory minimum of 6% and 10% respectively. The increase in CAR over

31 March 2010 was primarily contributed by the issuance of new ordinary shares pursuant to the scrip dividend scheme, as well as lower risk-weighted assets.

Shareholders' equity increased 1.9% over 31 March 2010 to S\$20.3 billion as at 30 June 2010 mainly due to the scrip dividend scheme. Compared to a year ago, shareholders' equity grew 16.4% largely attributed to higher retained earnings as well as improved valuation of the investment portfolio.

The Board has declared an interim dividend of 20 cents per ordinary share. The scrip dividend scheme will be applied to the interim dividend.

### **CEO's Statement**

Mr Wee Ee Cheong, the UOB Group's Deputy Chairman and Chief Executive Officer, said: "We delivered a set of results consistent with the Asian economic recovery story, with our first half results driven by strong fee income and lower credit costs. In line with our targeted approach, key regional markets recorded strong loans growth of 12% year-to-date.

On the macro front, the de-leveraging process in the West is still working through. We believe concerted policy responses should minimise risks of a double-dip recession for the global economy. Barring major shocks to the system, Asia should continue to be a bright spot.

At UOB, our strong balance sheet allows us the capacity and flexibility for sustained growth. We continue to adopt a disciplined approach in executing our strategy and are confident of delivering in our key markets, even as we continue to invest in building our regional franchise. At the same time, we will ensure balance sheet strength amidst global volatility, keeping in mind risk-adjusted returns and a long-term perspective to growth."

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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 19 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 fifth consecutive year. UOB has also established the annual UOB Heartbeat Run to raise funds for charity.

For more information about UOB, visit [uobgroup.com](http://uobgroup.com).

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