

NEWS RELEASE

UOB Group Delivers Record Operating Profit of S\$3.33 billion

Strengthened balance sheet and capital position, coupled with prudent provisioning

Bank is confident of growth

SINGAPORE, 26 February 2010 – The UOB Group reported a record operating profit of S\$3.33 billion for 2009. The performance underscores the stability of the Group's core operating franchise, which sustained a well-diversified revenue stream even under challenging conditions.

Total operating income remained resilient and rose 3.0% to S\$5,405 million, supported by higher net interest income and higher trading and investment income. Net interest income rose 2.7% to S\$3,674 million, mainly due to higher net interest margin, which increased 9 basis points to 2.36%, coupled with better gapping profit. Non-interest income grew 3.4% to S\$1,732 million, contributed largely by higher trading and investment income.

Total operating expenses increased 1.2% to S\$2,074 million. This was due to higher staff costs, which rose 3.1% to S\$1,116 million from higher bonus accruals. The overhead income ratio remains well managed at 38.4% for the year.

2009's strong operating performance was however negated by higher impairment charges, which increased 38.9% to S\$1,121 million. This included a collective impairment of S\$506 million that we have proactively set aside. This strengthened our overall balance sheet significantly and provides a strong buffer for any uncertainties ahead as well as to seize any opportunities which may be available. As at end 2009, UOB has one of the highest collective impairment coverage over performing loans of 1.6%.

Whilst the individual impairment charges rose, the level of increase was lower than anticipated. Asset quality continued to show resilience with credit costs further declining during the quarter. Individual impairment on securities and other assets fell due largely to a writeback of provision for a long-term investment, coupled with lower provision for investment securities as capital markets continue to recover.

The Group's net profit after tax in the fourth quarter also rose 57.2% to S\$522 million when compared to the same quarter in 2008, largely on reduced impairment charges.

The Board of Directors recommended a final one-tier tax-exempt dividend of 40 cents, giving a total net dividend of 60 cents for the year. The Board of Directors intend to propose a Scrip Dividend Scheme (the "Scheme") to give shareholders the option of receiving dividends in the form of new ordinary shares in lieu of cash. Subject to the necessary approvals being obtained, the Scheme will be applied to the final dividend for 2009.

Loans

Net customer loans of S\$99.2 billion as at 31 December 2009 was 0.9% higher than the previous quarter. This was mainly driven by housing loans and loans to the general commerce sector. Against 31 December 2008, net customer loans declined 0.6% as a result of our prudent approach in seeking quality loans and growing selectively in the overseas markets. The Group continued to grow in Singapore, expanding its Singapore-dollar loans by 7.0% in 2009. As at year end, UOB maintained its market leadership with the largest Singapore-dollar loan book at S\$60 billion.

Deposits

The Group also grew its customer deposits to S\$121.5 billion, up 4.3% from the last quarter across product groups and countries. Compared to a year ago, customer deposits increased 2.8%. The enlarged customer deposits base provides the Group with a stable source of funding.

Asset Quality

Compared to a year ago, non-performing loans (NPLs) increased 9.6% to S\$2.3 billion as at 31 December 2009. The higher NPLs were largely from Singapore, Indonesia and OECD countries. However, we are seeing signs of asset quality stabilizing. Against last quarter, NPLs declined 9.0% across most territories and

industries as economic conditions improve. Consequently, NPL ratio improved 0.2% point quarter on quarter to 2.2% as at 31 December 2009.

Shareholders' Equity

The Group's shareholders' equity increased 4.2% over 30 September 2009 to S\$19.0 billion as at 31 December 2009. The increase was largely contributed by higher retained earnings and improved valuation of the investment portfolio. Against 31 December 2008, shareholders' equity grew 21.9% largely attributed to higher valuation of the investment portfolio.

Capital Adequacy

The Group's capital position continued to improve with Tier 1 and total capital adequacy ratios reaching 14.0% and 19.0% respectively as at 31 December 2009. Core Tier 1 capital adequacy ratio also strengthened to 11.9%. The increase was due primarily to higher retained earnings coupled with lower risk-weighted assets. This improvement in risk-weighted assets is a result of the Group rebalancing its overall balance sheet by shifting to better rated loans and reducing its investment portfolio.

CEO's Statement

Mr Wee Ee Cheong, the UOB Group's Deputy Chairman and Chief Executive Officer, said: "UOB achieved a record operating profit in 2009, driven by a stable and resilient core franchise, despite one of the most challenging times in recent history.

The global economy appears to be getting back on its feet. However, 2010 will be volatile as the de-leveraging process takes time to work through. Asia is well-positioned for the post-crisis era, barring major shocks in the global system.

At UOB, we are confident of growth. Our long-term strategy is intact. Our regional pillars are in place. Our focus now is to harness the potential of this network, by building an integrated, seamless platform. It is about disciplined execution and long-term commitment and we are making good progress."

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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 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.

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