

## NEWS RELEASE

### **UOB Group First Quarter Net Profit Reached S\$700 million, Increase of 71.2% Year-on-Year**

*Results driven by strong non-interest income;  
Group to step up growth in core overseas markets*

**SINGAPORE, 7 May 2010** – The UOB Group (Group) recorded robust after-tax earnings of S\$700 million, 71.2% over the same quarter last year. Excluding a one-time gain of S\$82 million from the divestment of UOB Life Assurance Limited (UOB Life), the year-on-year increase was 51.1%.

Operating profit before allowances increased 39.4% quarter-on-quarter to S\$960 million, driven by healthy growth in non-interest income, including fund management and loan-related activities, as well as trading and investment activities.

Net interest margin declined 3 basis points quarter-on-quarter to a respectable 2.25% in 1Q10. Net interest income grew 0.9% quarter-on-quarter to S\$900 million, led by higher loan yields and growth in interest bearing assets.

Loan growth was well paced to ride the economic recovery. Increasing focus was placed on growth in core overseas markets, as the Group harnessed the strength of its regional franchise. Asset quality improved whilst the Group's liquidity and capital position remained strong.

Operating expenses amounted to S\$542 million, a slight decline of 2.1% over the last quarter. Compared to the same quarter last year, expenses were higher by 10.5% as costs were under tight control at the height of the financial crisis.

Cost-to-income ratio stood at 36.1%, compared to 44.6% in the last quarter and 35.5% in the same quarter last year.

Individual impairment was significantly lower with a loan charge-off of 4 basis points as loan quality continued to improve. Collective impairment of S\$77 million was set aside in the current quarter to position for additional loan growth ahead. Comparing year-on-year, total impairment charges were S\$269 million or 71.3% lower, reflecting the improved asset quality.

#### Net Interest Income

Quarter-on-quarter, net interest income grew 0.9% to S\$900 million, led by higher loan yields and increased volume in interest bearing assets. Year-on-year, net interest income was lower by 5.2% due to lower margins as interest yields declined faster than the decrease in funding costs.

#### Non-Interest Income

Non-interest income was strong, registering a significant increase of 71.9% to S\$602 million quarter-on-quarter, supported by growth in almost all business areas. Excluding the one-time divestment gain from UOB Life, non-interest income increased 48.4% to S\$520 million. Income from trading and investment activities, as well as fees from loan-related and fund management business posted strong gains. The steady flow in loan approvals generated a significant increase in loan-related fee income of 38.6% to S\$77 million. Year-on-year, non-interest income increased 38.6% resulting from broad-based growth across most businesses.

#### Loans

Net customer loans increased 1.4% from last quarter and 0.9% from a year ago to S\$100.6 billion as at 31 March 2010 mainly due to increase in housing loans. Malaysia led the loan growth for the quarter while both Singapore and Malaysia contributed to the improvement year-on-year.

#### Asset Quality

Non-performing loans (NPL) declined 4.7% from last quarter and 1.5% from a year ago to S\$2,153 million as at 31 March 2010. Consequently, NPL ratio improved against both comparative periods to 2.0%.

#### Capital Position and Liquidity

The Group continued to maintain a strong capital position. Tier 1 capital adequacy ratio (CAR) increased to 14.9%, and total CAR reached 20.0%, well above the regulatory minimum of 6% and 10%, respectively. These ratios improved from last

year end's 14.0% and 19.0% respectively, contributed largely by retained earnings. Core Tier 1 CAR was 12.8% as at 31 March 2010.

Liquidity remained strong as customer deposits grew 3.3% during the quarter with a stable loans-to-deposits ratio of 81.5%.

Return on equity was 14.2% compared with 12.1% in the previous quarter and 11.2% a year ago, while return on assets was 1.37% compared with 1.16% and 0.90%, respectively.

### **CEO's Statement**

Mr Wee Ee Cheong, the UOB Group's Deputy Chairman and Chief Executive Officer, said: "UOB's strong operating profit, in particular its robust non-interest income, underscores the Bank's ability to ride on Asia's economic recovery and deepen relationship with our clients.

Asian economies appear to be back on track, and we believe that this part of the world is well-positioned for the post-crisis era. However, as stated previously, the rebound will be volatile as the West continues to grapple with de-leveraging issues.

At UOB, we are confident of growing in the region, serving the increasing intra-regional needs of individuals and companies. Our focus is to harness our network to provide our customers seamless access and services across the regional cities in which we operate in. We are poised for growth and will continue to actively seize opportunities as we build a sustainable franchise."

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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](http://uobgroup.com).

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