

NEWS RELEASE

UOB Group's second quarter core earnings up 4% quarter-on-quarter to S\$636 million

Strong loans growth drove net interest income for second consecutive quarter; fee income sustained

SINGAPORE, 12 August 2011 – The UOB Group (Group) recorded S\$636 million in core net profit after tax for the second quarter of 2011 (2Q11), up 4% from the previous quarter and 6% from a year ago. The performance was driven by a steady increase in net interest income which has shown positive growth in two consecutive quarters. Fee and commission income continued to trend upwards as the Group's cross-selling efforts gained further traction. For the first half of 2011 (1H11), core net profit after tax grew 2% to S\$1.25 billion year-on-year.

The Group's strong loans growth in the first quarter of 2011 continued into the second quarter with another 7% increase, bringing year-to-date loans growth to 14%. Outstanding loans stood at S\$131 billion as at 30 June 2011. Compared with end-June 2010, loans expanded 23%. The strong momentum came from Singapore and the regional countries as the Group leveraged its integrated regional platform.

Net interest income grew 5% quarter-on-quarter to S\$913 million, underpinned by robust loans growth and stable interest margins. Net interest income for 1H11 was S\$1.79 billion, the same level as that in 1H10. Net interest margin for 2Q11 improved to 1.92% as deposits collected in previous quarters were deployed for higher-yielding customer loans.

Fee and commission income continued to rise, up 2% to reach S\$338 million in 2Q11. The positive momentum was attributed to higher income generated from the credit cards business while loans-related fee income remained high at S\$102 million. Fee and commission income in 1H11 increased 17.3% year-on-year to reach S\$668 million, with broad-based improvement in Singapore and the region.

Expenses were kept under control with the cost-to-income ratio at 42.6% in 2Q11 as the Group continued to pace investments to support business expansion. Quarter-on-quarter, expenses increased 5% to S\$612 million. Staff costs rose in line with investment in people and higher headcount to drive growth opportunities in tight labour markets. Other expenses also increased as a result of the Group's revenue-generating activities in buoyant Asian economies.

Benign asset quality saw further improvement in credit costs. Total impairment charges declined further from the previous quarter to S\$96 million, bringing it to \$198 million in 1H11. Total credit costs remained at 30 basis points in 2Q11. Individual impairment charges for 2Q11 were lower at 7 basis points compared with 1Q11. The non-performing loans (NPL) ratio improved further to 1.5% from end-March 2011 as NPL fell 4% to S\$1.93 billion.

The Group's funding capabilities remain strong, with deposit-gathering through its regional branch franchise supporting business growth. Customer deposits rose S\$1.78 billion for the quarter to reach S\$148 billion as the regional countries garnered more fixed deposits while Singapore had higher savings deposits.

The loans-to-deposits ratio increased to 86.6% as at end-June 2011 from 82.1% in March 2011 as the growth in deposits was outpaced by overall loans growth. The Group further diversified its funding base by tapping the capital markets through various commercial paper issuances in the US and an inaugural Australian-dollar senior debt issuance, raising more than S\$1 billion of long-term and short-term funding.

The Group continued to maintain a strong capital position with core Tier 1, Tier 1 and total capital adequacy ratios at 12.6%, 14.5% and 19.2% respectively as at 30 June 2011. These ratios were well above the current as well as newly announced regulatory requirements.

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

CEO's Statement

Mr Wee Ee Cheong, the UOB Group's Deputy Chairman and Chief Executive Officer, said: "We are encouraged by the robust performance in our core businesses. Both net interest income and fee income continued their growth momentum, with the loans volume in Singapore and the region registering strong increases. We are confident that our healthy loans pipeline, coupled with fee-enhancing capabilities, will help drive our core revenue streams.

On the macro front, we expect global uncertainties and volatility to persist from ongoing events in the West, including the recent US credit downgrade. The impact on Asia will likely be via a sharp pull-back in global liquidity and credit. We are monitoring the situation closely. The balance sheets of Asian corporates and individuals remain sound, so Asia should stay on course, although the pace of growth will moderate.

Our approach remains unchanged. We continue to be disciplined in balancing growth with stability to ensure sustainable returns. Our investment in building an integrated regional platform is also yielding results, with greater operational efficiency, more cross-border business flows and deeper customer relationships."

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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 more than 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 loans 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 sixth 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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