

## NEWS RELEASE

### **UOB Group Third Quarter Net Profit at S\$522 million**

#### ***Core Banking Business Steady Balance Sheet and Liquidity Position Strong***

**SINGAPORE, 2 November 2011** – The UOB Group (Group) reported net profit after tax of S\$522 million for the third quarter of 2011 (3Q11). The Group's core banking business was resilient. Loans grew another 7% in 3Q11, with a year-on-year increase of 28% to reach S\$140 billion. Regional markets led the growth, up 13% in 3Q11 and 41% year-on-year as fundamentals in the region continued to stay strong.

Net interest income edged higher to S\$915 million in 3Q11 as the Group actively managed its balance sheet following the US and Eurozone uncertainties. Assets were rebalanced towards customer loans which enjoyed higher average yields of 3.34% while exposure to interbank lending and securities was reduced.

Asset quality remained sound with the non-performing loans ratio at 1.5% and the loans charge off rate at 30 basis points as collective impairment continued to be set aside in tandem with loans growth. Individual impairment remained low at 8 basis points in 3Q11.

The Group's liquidity position continued to be strong. With uncertainties on the global front, less reliance was placed on interbank borrowings as a funding source. Borrowings from banks were reduced by 8% in 3Q11. Instead, the Group leveraged on its regional franchise to build up further its deposits base. Deposits were up 7% in 3Q11 to reach S\$158 billion as at 30 September 2011. The recent debt issuances for longer-term funds also strengthened the Group's liquidity position. The loans-to-deposits ratio stood steady at 86.9% in 3Q11. The Group's capital adequacy ratios (CAR) remained well above regulatory requirements, with Core Tier 1, Tier 1 and total CAR at 12.3%, 14.0% and 17.5% respectively.

Compared with the second quarter of 2011, the Group's net profit after tax declined 18% mainly due to lower contributions from the Group's market-related income following the recent financial market downturn. For the first nine months of 2011 (9M11), core net profit after tax was 6% lower year-on-year at S\$1.77 billion.

#### Net Interest Income

Net interest income rose 0.2% quarter-on-quarter and 1.2% year-on-year as the expansion in loan volume more than compensated for the compression in net interest margin amidst competitive pricing pressure and rising cost of funds. Net interest margin in 3Q11 slipped 3 basis points to 1.89% compared with the previous quarter.

#### Fee and Commission Income

Fee and commission income for 3Q11 was 4% lower at S\$323 million, largely due to lower loan processing fees, despite higher fees generated from investment-related products and trade business. The Group intensified cross-selling to reinforce fee income and improve customer-driven non-interest income. For 9M11, fee and commission income reached S\$992 million, an increase of 16% over the same period last year. Loan-related fee income growth was robust at 32%. Fee income from credit card and trade-related businesses as well as investment-related products also rose.

#### Trading and Investment Income

Trading and investment income in 3Q11 was S\$56 million, down 31% amidst weaker global market sentiments. For 9M11, trading and investment was S\$303 million, 19% lower year-on-year.

#### Expenses

Expenses rose 3% to S\$631 million in 3Q11 and 12% to S\$1.83 billion in 9M11 due to higher staff costs and business promotion expenses. The Group continued to pace investments to improve capabilities and to expand product offerings to further entrench the Group's presence across the region.

#### CEO's Statement

Mr Wee Ee Cheong, the UOB Group's Deputy Chairman and Chief Executive Officer, said: "We have delivered a resilient set of financials amidst volatile markets. Our core business held up well, with robust loans growth led by the region, healthy fee income and stable asset quality."

“The global growth outlook is still patchy and hinges upon policy responses from the West. It remains to be seen how plans to resolve the Eurozone debt crisis will pan out. Developments over the next few months will determine if Asia goes through another financial shock, or a moderate economic slowdown.”

“This turbulent global environment gives new meaning to the strength of Asian commercial banking. Today, deposits are banks’ greatest assets, given the sharper focus on funding. At UOB, we believe that a strong balance sheet enables us to support customers and ride out credit cycles. Since 2008, we have further strengthened our balance sheet, including our liquidity and funding positions. With our strong deposit-funded franchise, robust capital position and diversified portfolio, we are confident of weathering uncertainties ahead.”

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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 seventh 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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