

Net profit after tax grew 4.6% to S\$529 million

*Net interest income rose 14.6% to S\$852 million,
driven by improved interest margin and loan growth*

Singapore, 6 May 2008 – The United Overseas Bank Group (the “Group”) recorded a net profit after tax of S\$529 million in the first quarter of 2008, up 4.6% from the last quarter of 2007.

The Group’s core banking business remained strong. In the first quarter of 2008, net interest income rose 14.6% to S\$852 million, driven by higher interest margin and loan growth. Net interest margin increased 26 basis points to 2.20% over the preceding quarter, due to the tight credit and liquidity conditions in the market, as well as a steeper yield curve.

Non-interest income reduced 22.1% to S\$414 million over the previous quarter. The decrease was mainly attributable to mark-to-market losses on our investment portfolio, coupled with lower fee income from fund management and investment-related activities due to difficult market conditions. This was partially offset by higher fees from loan-related activities, reflecting the strong performance of the regional economies.

The Group’s customer loans continued to grow strongly, up 1.8% and 19.4% over 31 December 2007 and 31 March 2007 respectively to S\$94,373 million. The increase was broad-based across most industries. Quarter-on-quarter, customer deposits increased 2.4% to S\$109,580 million. Loan-to-deposit ratio stood at 86.1%.

Compared to the preceding quarter, the Group’s total operating expenses decreased 10.7% to S\$496 million. The decrease was mainly in bonus provision and business promotion expenses. Expense-to-income ratio improved 4.4% points to 39.2% over the preceding quarter.

The Group’s investment in collateralised debt obligations (“CDO”) further reduced to S\$268 million, of which S\$82 million were in asset-backed securities (“ABS”) with the remaining in Corporate CDO. The decrease was mainly due to maturity of certain holdings. In view of the continued weakness in the ABS CDO market, we have provided a total of S\$43 million, comprising specific provision of S\$18 million and general provision of S\$25 million in the profit and loss account during the quarter. Together with the provisions set aside in the previous year, we have fully provided for our ABS CDO holdings.

The Group continued to see improvement in its asset quality. Non-performing loans (“NPL”) decreased 6.5% to S\$1,602 million as at 31 March 2008. The NPL ratio improved to 1.6% from 1.8% and 3.7% as at 31 December 2007 and 31 March 2007 respectively. The charge-off ratio for loans remained low at 4 basis points. The Group also set aside additional S\$22 million in general provision for new loans booked during the quarter.

Shareholders’ equity reduced 1.9% to S\$16,992 million over 31 December 2007. The decrease was attributed mainly to unrealised mark-to-market losses on the investment portfolio, reflecting the wider credit spreads and liquidity crunch in the financial market. The unrealised losses should reverse when the market conditions ease.

The Group adopted Basel II for its computation of capital adequacy ratios (“CAR”) in accordance with the revised MAS Notice 637 with effect from January 2008. The tier-one CAR of 9.9% and total CAR of 14.3% are well above the minimum 6% and 10% required by the Monetary Authority of Singapore.

Mr Wee Ee Cheong, the Group’s Deputy Chairman and CEO said, “Amidst current market volatilities, we expect loans growth to moderate this year. But there are always opportunities during challenging times. Looking ahead, we will continue to stay focused on building our core business and regional platform, adopt a disciplined approach in balance sheet management, while seeking opportunities for long-term, sustainable growth.”

About United Overseas Bank Limited

UOB is a leading bank in Singapore that provides a wide range of financial services through its global network of over 500 offices in 18 countries and territories in Asia Pacific, Western Europe and North America. It has banking subsidiaries in Singapore, Malaysia, Indonesia, Thailand and China.

UOB is focused on enhancing its leadership in the consumer market, and is today, the largest credit card-issuing bank in Singapore with a card base that has exceeded one million. The Bank also has the largest base of merchants in Singapore, both for consumer and commercial credit card acceptance. UOB is also a market leader in the private residential home loan business and is a dominant player in loans to small and medium-sized enterprises. Its fund management arm, UOB Asset Management, is one of Singapore's most awarded fund managers.

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