

NEWS RELEASE

UOB Group Full Year Profit up 42% to a Record S\$2.7 billion, as Regional Franchise Continues to Grow

***The Board recommends a special dividend of 10 cents to reward shareholders,
in addition to the final dividend of 40 cents***

SINGAPORE, 25 February 2011 – The UOB Group (Group) posted record full year after-tax profit of S\$2.7 billion, a 41.8% increase over last year.

For the quarter, after-tax profit was S\$706 million, a 35.2% increase over the same quarter last year. Compared to third quarter 2010, after-tax profit grew 2.6%.

The full year performance reflected the Group's disciplined approach in pacing growth and focusing on risk-adjusted returns. The Group's strong regional franchise continues to gain traction.

In Singapore and the key regional markets, loan volumes accelerated and provided a solid conduit to cross sell and expand the base for fee income generation. Amidst a subdued interest rate environment coupled with massive liquidity and keen competition, interest margin compression was countered by higher loan volumes and fee income. Impairment charges were markedly lower as assets quality improved with the economic recovery.

Supported by a solid regional integrated platform, the Group achieved double-digit broad based growth in fee and commission income across Singapore and the regional countries, as well as across all business activities. Investment-related, loan-related, trade-related and credit card businesses all registered significant increases year-on-year.

The Group continued to focus on a quality loan book and delivered loan growth of 13.1% to S\$115.1 billion over last year. Singapore loans increased 12.2% while that in the key regional markets rose faster by 22.9%. Besides home loans, increases were

also seen in loans to non-bank financial institutions, general commerce and professional and private individual sectors. Loan growth is managed on a risk-adjusted returns basis, resulting in a lower increase in risk-weighted assets of 5.9% as against the 13.1% loan growth.

On the deposits front, efforts were reinforced to further entrench its deposits franchise. Deposits rose 17.1% over last year as the Group continued to grow its funding base ahead of loan growth.

The Group continued to adopt a disciplined approach in managing costs while it remains committed to invest in talent and technology to support business expansion. For the year, the cost-to-income ratio was 38.9%.

Loan quality improved over the year with non-performing loans ratio lower at 1.8%. Total loan charge-off declined to 35 basis points from 76 basis points last year. Capital remained strong, with core Tier 1 and Tier 1 capital adequacy ratios (CAR) well above the new Basel III capital requirements at 13.3% and 15.3% respectively.

The Board of Directors recommended a final dividend of 40 cents and a special dividend of 10 cents, bringing the full year total dividend to 70 cents. The scrip dividend scheme will be applied to the proposed dividends.

Net Interest Income

Net interest income for 2010 was S\$3,532 million, 3.9% lower year-on-year whilst net interest margin declined to 2.09%. The decline was partly negated by an expanded average asset volume that grew 8.7% year-on-year. Quarter-on-quarter, net interest income was 2.1% lower at S\$865 million with net interest margin at 1.91%. Compared to same quarter last year, net interest income was 3.0% lower with net interest margin at 2.28%.

Non-Interest Income

Non-interest income rose 31.0% to S\$2,268 million for 2010, contributed by fee and commission income as well as trading and investment income. Fee-based income grew 19.1% to S\$1,163 million. The increase in trading and investment income was due to higher gain on sale of investment securities as a result of stronger market sentiments. Compared to the previous quarter, non-interest income grew 19.8% to S\$700 million on higher investment income and higher fee income. Against 4Q09, non-interest income doubled from S\$350 million with increases registered across all business activities in the key markets.

Expenses

Expenses increased 8.8% to S\$2,258 million in 2010 due to continued investments in staff and technology. Cost-to-income ratio remained under control at 38.9%. Quarter-on-quarter, expenses rose 11.6% to S\$620 million on higher staff costs and advertising expenses for the seasonal festive promotions. The increase was 12.0% compared to the same quarter last year with a higher cost-to-income ratio of 39.6% due to staff costs and occupancy expenses.

Loans and Deposits

Gross loans rose 13.1% from last year end and 4.9% from last quarter to S\$115.1 billion, with increases registered across Singapore and the key regional countries. Deposits grew 17.1% year-on-year and 7.4% over last quarter to reach S\$142.3 billion as at end 2010. Loans-to-deposits ratio stood at 79.0% as at year end.

Asset Quality

With the economic recovery, non-performing assets declined to S\$2.6 billion as at 31 December 2010 from end 2009 with non-performing loans ratio improving to 1.8%.

Impairment coverage for the Group was high at 216% against unsecured non-performing assets while cumulative impairment stood at S\$3.0 billion as at 31 December 2010.

Capital Position

The Group remained strongly capitalised with Tier 1 and total CAR at 15.3% and 19.8% respectively as at 31 December 2010.

CEO's Statement

Mr Wee Ee Cheong, the UOB Group's Deputy Chairman and Chief Executive Officer, said: "We are pleased to deliver another year of record profits. Our regionalisation has gained momentum, with key regional centres achieving 23% loan growth during the year.

Looking ahead, the global dichotomy remains -- Asia will grapple with the impact of liquidity inflows and asset inflation as the West struggles to recover. Barring major shocks in the West, Asia will remain in sweet spot, as economic activities gravitate to this region.

At UOB, we are confident of delivering robust growth this year. Our strong balance sheet, extensive distribution network and customer franchise position us well to tap the growing consumer wealth and rising intra-regional needs of customers in Asia."

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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 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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