

Announcement

ANNUAL GENERAL MEETING (AGM) TO BE HELD ON 30 APRIL 2021 RESPONSES TO SUBSTANTIAL AND RELEVANT QUESTIONS

19 April 2021, Singapore – United Overseas Bank Limited (UOB or the Bank) refers to the announcement of 31 March 2021 on the alternative arrangements for the AGM, in particular, the invitation to shareholders to submit questions in advance of the AGM. The Bank thanks shareholders for the questions submitted.

The Appendix sets out the Bank's response to the substantial and relevant questions received from shareholders. For shareholders' easy reference, the questions and answers have been arranged by topic. Where questions overlap or are closely related, they have been merged and rephrased for clarity.

By Order of the Board

Company Secretary

Responses to Shareholders' Questions

Outlook and Strategy

1. What is the outlook for 2021-22, especially in relation to the geographies in which UOB operates?

Overall, we expect a strong economic recovery in 2021 as economic activities pick up and business and consumer sentiments improve, following the sharp gross domestic product contraction across various economies in 2020.

The outlook is largely dependent on each country's ability to roll out mass vaccination programmes effectively so as to normalise economic activities and to enable the re-opening of borders. However, countries and regions such as Singapore, Vietnam and Greater China, which have been able to contain COVID-19 cases more effectively in the local community, should see a faster pace of recovery vis-a-vis other Southeast Asia countries, which may only see growth picking up in the second half of 2021 or 2022.

2. What are UOB's plans for growth in the coming years and to increase market share?

Our customer-focused regional strategy to capture opportunities that will drive ASEAN's growth in a sustainable manner include the following:

- Sharpening our Wholesale Banking strategy and sector specialisation capabilities across the region to focus on seven sectors that drive ASEAN economic growth and its connectivity with Greater China. We help businesses advance responsibly and support initiatives in line with national sustainability development plans through our comprehensive Sustainable Finance frameworks;
- Creating wealth and investment solutions incorporating environmental, social and governance considerations for ASEAN's burgeoning middle class. We continue with our omni-channel strategy to deepen our relationship with our customers, leveraging our digital platforms and ecosystem partnerships to scale our presence in ASEAN; and
- Riding the digitalisation wave through responsible innovation by attracting, serving and enabling customers:
 - We launched TMRW – ASEAN's first mobile-only digital bank in Indonesia, our second market, a year after introducing it in Thailand. This enables us to scale our retail business across ASEAN, especially for young families and young professionals; and
 - For our corporate clients, we launched UOB Infinity, a customisable digital banking solution that makes it easier for them to manage their company's finances at a glance and in real time.

3. What are UOB's comparative advantages versus its local bank peers?

Within ASEAN, UOB has the most extensive regional network among our Singapore peers. Our integrated regional platform enables us to provide customers with a seamless customer experience, faster time to market and more robust risk management and operational efficiency. Building on our strong franchise, UOB is well-placed to serve the rising affluent across the region. The region's connectivity with Greater China enables us to help businesses seize fast-growing cross border opportunities.

We are the first bank in ASEAN to establish a dedicated foreign direct investment advisory team in 2011 which enables us to provide customers with deep market knowledge, local access and regional connectivity. In 2020, we generated more than \$1 billion in income from our cross-border business.

4. Why is UOB focusing on ASEAN and which ASEAN countries would UOB further scale its franchise and why?

ASEAN is one of the most promising regions for growth. In terms of demographics, it has one of the world's fastest-growing and youngest consumer bases with about 150 million people in its burgeoning middle class. In terms of economic growth, geopolitical dynamics and supply chains shifts are likely to reinforce the link between ASEAN and Greater China. For the first time in 2020, ASEAN became China's largest trading partner, and China remains ASEAN's largest trading partner for 12 years in a row.

COVID-19 has accelerated digital adoption and we successfully launched our award-winning Digital Bank TMRW in Indonesia, acquiring new customers digitally. TMRW has been prioritised for countries with bigger populations, lower banking penetration and high growth potential such as Thailand, Indonesia and Vietnam. By 2025, we hope to acquire three to five million customers as we scale and expand across ASEAN, our focus region for Retail business.

Our Wholesale Banking strategy is to focus on sectors that drive ASEAN economic growth and its connectivity with Greater China. Among the Southeast Asian markets, Vietnam has emerged as a favoured manufacturing hub as part of companies' strategy for a more resilient supply chain in light of geopolitical dynamics. We are in a sweet spot as the only Singapore bank in Vietnam to have a subsidiary. Our expanded collaboration with the country's Foreign Investment Agency in 2020 is expected to facilitate investments into key sectors such as sustainable energy, manufacturing, infrastructure, healthcare and technology.

5. Does UOB intend to pursue any mergers and acquisitions (M&A) in the future?

The Bank takes a long-term perspective and focuses on growth drivers that are sustainable. For M&A opportunities, we will invest only in what we believe are right for the long term. In the near term, the base case is for growth to be driven organically. Nonetheless, we are always open to considering appropriate acquisition opportunities with a strategic fit and at the right price.

6. Please provide an update on the impact of the military coup in Myanmar on UOB's business and operations.

The Group's operations in Myanmar are relatively small, with only one bank branch and a United Overseas Insurance (UOI) representative office. We are monitoring the developments closely. We continue to support our clients' banking needs and do so in full compliance with local and international rules and regulations. There is no new or incremental exposure other than supporting or renewing existing clients' requirements.

We have also put in place additional security measures for our people on the ground and are in constant contact with them to keep them informed of what they can do to minimise the risk to their personal safety.

Digital

7. What are UOB's wealth management strategy and expected enhancement in services?

Our wealth management strategy focuses on the mass affluent segment with the long term goal of wealth protection. Our value proposition is anchored on personalised advisory and Risk-First approach to help customers understand the potential risks of any investment before considering the returns. We want to help customers achieve sustainable growth for their wealth based on their financial goals.

In line with our omni-channel strategy to engage our customers both offline and online for their wealth management needs, customers can purchase products digitally via UOB Mighty or through their relationship managers:

- Our relationship managers use digital tools, such as our Portfolio Advisory Tool which taps historical market data to simulate portfolio performance against investment objectives.
- For customers who wish to access equities, we offer unit trusts that invest in equities or notes that sell options on underlying equities, which is commensurate with their risk appetite.
- Customers can also purchase insurance with just a few clicks and a simple health declaration rather than a full medical check.

We continue to enhance our customers' wealth management experience and will be announcing more self-serve digital solutions in the coming months as part of our omni-channel strategy.

8. Does the proliferation of payment systems and e-wallets pose a threat to the bank's credit and debit card business?

The Bank has been in the forefront of digital payments, continuously innovating banking by embedding digital solutions into consumer lifestyles. These include building payment partnership ecosystems and using technology such as APIs to enable payments in partner apps. We also leverage data and analytics to provide contextual offers and personalised offerings via UOB Mighty and other touchpoints.

While more individuals are using digital payments, most are still funding them through credit and debit cards. As such, we do not foresee any near term impact. Nonetheless, we will continue to monitor developments closely and innovate to meet our customers' lifestyle needs.

9. What is UOB's digital banking strategy especially for SMEs?

Digital is at the core of the Bank's strategy. We continue to invest in our technology capabilities from AI, data analytics and robotic process automation to cloud computing to make banking seamless, simpler, smarter and safer for our customers.

Through our omni-channel approach, we offer our customers choices in how they wish to bank with us. With more customers relying on their mobile devices for daily transactions, we offer a range of progressive digital banking solutions, including mobile banking apps, to attract and to serve our customers in innovative ways. These solutions include:

- UOB Mighty: our all-in-one mobile banking app available in Malaysia, Singapore and Thailand;
- TMRW: ASEAN's first mobile-only digital bank for the region's digital generation, available in Thailand and Indonesia;
- UOB Infinity: our new digital banking service for our corporate clients to manage their day-to-day banking transactions in a simple and personalised manner; and
- UOB BizSmart: an integrated suite of business solutions that help our small business customers automate their day-to-day administrative processes for better productivity.

We also collaborate with our ecosystem partners to help SMEs access the technology needed for their digital transformation. Our initiatives include:

- launching FinLab Online, a digital learning platform which helps SMEs and start-ups to develop digitalisation strategies and business operating solutions;
- helping retail SMEs access digital solutions through our partner, Synagie, in order for them to access multiple online e-commerce platforms in ASEAN;
- offering the SME Leadership Academy, a customised online video series in collaboration with Google Singapore, helping the country's retail, travel and food & beverage (F&B) industries to accelerate digital transformation;
- collaborating with F&B digital solutions providers to help F&B SMEs in Singapore and Malaysia expand their client reach through online storefronts; and
- partnering with SourceCode, a technology solutions provider in Thailand, to help SMEs in the hospitality and property rental sectors digitalise their business operating models.

Financial Performance

10. Lately, UOB's share price has been lagging behind DBS. Please explain why and advise action to be taken.

We continue to believe in the mid- to long-term growth potential of the region, underpinned by opportunities relating to growing connectivity and rising affluence. We encourage shareholders to take a long-term perspective as we build for the future and continue to invest in the right capabilities and technology to drive transformation and strengthen our regional franchise. These attributes are key to our ability to deliver better returns for our shareholders.

11. What is the meaning of Stage 1 to 3 ECL Allowance and is it mere 'paper loss'? Please provide the breakdown.

Expected Credit Loss (ECL) is an estimate of the loss that may arise due to the possibility of customers defaulting. The amount of ECL will increase when the likelihood of customer defaulting increases.

Stage 1 to Stage 3 is a method to classify customer default risk from low to high. Stage 1 relates to performing customers, Stage 2 relates to customers showing signs of vulnerability and hence higher likelihood of defaulting and Stage 3 relates to customers that have already defaulted. When combined, Stages 1 to 3 ECL represent the amount of loss the Group may be required to recognise should customers default, classified into different risk buckets.

As Stage 1 and Stage 2 ECL allowances relate to exposures to customers that have not defaulted, this is typically viewed as pre-emptive in nature. Stage 3 ECL, on the other hand, relates to exposures to customers that have already defaulted.

Details of ECL allowance breakdown from Stages 1 to 3 can be found in Note 12 of the Annual Report (page 148).

S\$ million	Year 2020	Year 2019
Stages 1 and 2 ECL allowance	916	(19)
Stage 3 ECL allowance (write-back) for :		
Loans	679	469
Others	(5)	3

Asset Quality

- 12. Given the quick steepening of the US Treasury yield curve, is UOB encountering any stressed loans and is further provisioning for industries hard hit by COVID-19 required?**

We do not expect any material impact on our asset quality due to movements in the UST Yield curve. The account-specific reviews performed in 2020 increased our confidence that our well-collateralised loan portfolio remains healthy and resilient.

The vulnerable exposures identified amounted to \$2 billion, or 0.7% of our loan portfolio, and are mostly well-collateralised. Combined with the fact that pre-emptive provisions were already set aside in 2020, we expect total credit costs for 2021 to decline to around 30 to 40 basis points.

- 13. I would like to know the percentage of non-performing loans (NPL) for Year 2020 and the forecast for Year 2021.**

Our NPL ratio for FY2020 stood at 1.6%. We expect NPL ratio for FY2021 to be slightly above 2% as support measures taper off progressively this year. We are of the view that the deterioration in asset quality to be manageable given our higher reserve buffers and strong capital position.

Dividends

- 14. When does UOB expect to resume normal dividend payment to shareholders given that the overall economy is recovering?**

UOB's current dividend payout is in line with the Monetary Authority of Singapore's (MAS) directive of 29 July 2020, where FY2020 dividend per share (DPS) is capped at 60 per cent of FY2019 DPS. The MAS recently informed banks that it will provide an update by July 2021. The Bank intends to resume our 50 per cent dividend payout ratio if the dividend cap is relaxed by MAS.

- 15. Why doesn't UOB pay quarterly dividends?**

UOB's practice of paying half-yearly dividend takes into account the overall industry norms and prudent capital management. UOB continues to review this on a periodic basis.

Directors' Fees

- 16. Please explain why directors' fees have increased from S\$2,495,068 in 2019 to S\$2,509,795 in 2020 when dividend payouts to shareholders have been capped by MAS.**

There was no change to the directors' fee structure. The increase of S\$14,727 in the directors' fees is due to changes in the directors' appointment to the Board committees. In 2020, a new board member was appointed and some directors were appointed as additional members to the Board Committees as part of the Board's succession planning. Details of the changes in appointments are set out below:

No.	Director	Changes in Appointment
1	Wee Ee Lim	- Appointed as additional member of the Remuneration and Human Capital Committee on 5 Aug 2020
2	Steven Phan	- Appointed as additional Audit Committee member on 5 Aug 2020 - Appointed as additional Nominating Committee member on 2 Sept 2020
3	Chia Tai Tee	- Appointed as a Director on 1 Oct 2020 - Appointed as additional Audit Committee member on 1 Oct 2020 - Appointed as additional Board Risk Management Committee member on 1 Oct 2020

- 17. Since MAS has curbed the dividend payouts to shareholders, should the directors not align with the shareholders and Management by reducing their fees?**

The last increase in Directors' fees was in 2015. In 2019, an independent consultant firm found that existing fees were below peer banks and the market. It recommended an increase in 2019. The Board accepted this but in view of the then uncertain COVID-19 situation in early 2020, the Board decided not to proceed with the increase in Directors' fees for 2019. Similarly, the Board also decided that for 2020, the Directors' fees should remain frozen at present levels in view of the economic uncertainties still ahead.

In other words, the Board's decisions last year and this year were taken to align with shareholders and Management's interests.