

Announcement

ANNUAL GENERAL MEETING (AGM) TO BE HELD ON 21 APRIL 2022 RESPONSES TO SUBSTANTIAL AND RELEVANT QUESTIONS

9 April 2022, Singapore – United Overseas Bank Limited (UOB or the Bank) refers to the announcement of 23 March 2022 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. It also includes answers to questions received from the Securities Investors Association (Singapore) (SIAS). 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

Macro and Business Strategy

1. What are the macro challenges faced by the Bank? How are you navigating through them?

After more than two years of the COVID-19 pandemic, the world was hopeful for some signs of recovery. However geopolitical risks, rising inflation, slowing growth, rising interest rates, climate risks and potential virus mutation have added to near-term uncertainties.

As a Southeast Asian regional bank, UOB is more focused on intra-Asia and ASEAN trade. Therefore, we are less directly impacted by the Russia-Ukraine conflict. We are monitoring closely any indirect impact and are working with the industry to ensure compliance with sanctions.

Rising inflation signals recovering global demand although it is partly caused by supply chain disruptions. While the Russian-Ukraine conflict will add pressure to global consumer prices with higher commodity prices, the impact on economic growth is likely to be moderate at this point. As economies recover from the pandemic, business activities have increased. Financing costs have remained low and as most Southeast Asian countries are net exporters of commodities, they should benefit from the rising prices.

As a result of the Russia-Ukraine conflict, we expect inflation rates to be lifted by an average of 1% point in 2022 and the average GDP growth rate lowered by 0.3% point to 4.1% across the major and regional economies. We remain positive on the long-term prospects of Asia, especially ASEAN, with the gradual reopening of economies. Our average growth forecast for ASEAN is about 5% for 2022 compared to 4.2% in 2021.

Orderly normalisation of interest rate curves globally augurs well for the Bank given our current asset and liability profile. We do not expect any material impact on our resilient and well-collateralised loan portfolio.

Even as Southeast Asia, like the rest of the world, is facing high climate risks, there are opportunities in green technologies and business models, sustainable cities and infrastructure. The sector is projected to be valued at about US\$1 trillion annually. Climate risk is an integral component of the Bank's sustainability strategy. For our efforts, we received the Singapore Apex Corporate Sustainability Award 2021 – Sustainable Solutions for our regional U-Solar programme.

For more information on our sustainability approach, please refer to our 2021 Sustainability Report which can be accessed at <https://www.uobgroup.com/investor-relations/assets/pdfs/investor/annual/uob-sustainability-report-2021.pdf>

We are monitoring these global developments closely and will adjust our business plans accordingly. We have always been disciplined in credit selection and management in order to build a sustainable business with resilient asset quality. We have a strong capital position and general provisioning buffers. The Bank continues to maintain a long-term and prudent approach that enables us to ride out business cycles, and continue to invest in the future.

2. **What are UOB's competitive advantages versus its peers?**

Within ASEAN, UOB has the most extensive regional network among our local 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.

In 2021, our cross border income grew 10% to more than \$1 billion, contributing to a third of Wholesale Banking income. We expect continued growth, especially as ASEAN has been a beneficiary of globalisation and supply chains disruption accelerated by the pandemic.

We established a dedicated foreign direct investment advisory team in 2011, the first bank in ASEAN to do so. Through this, we provide customers with deep market knowledge, sectoral expertise, local access and regional connectivity. We have supported more than 3,500 companies to expand regionally. These companies are projected to invest about \$34 billion and to generate nearly 160,000 jobs. For our efforts in contributing to the region's growth, we were recognised at the ASEAN Business Award 2021 with the Priority Integration Sector (Finance) Award.

We will continue to invest to advance our position as a leading regional bank. We remain focused on deepening our capabilities in connectivity, digital innovation and sustainability, as well as areas of growth in Asia for the years to come.

3. **What is UOB's exposure to Russia and Ukraine? Please share the impact of the ongoing war on the Bank.**

As a Southeast Asian regional bank, UOB is more focused on intra-Asia and ASEAN business flows. Therefore, we are less directly impacted by the Russian-Ukraine conflict. We have no direct exposure to Russian or Ukrainian entities, including banks. We have advised a handful of clients with trade flows affected by potential sanctions to manage down their exposure accordingly.

4. **On wealth management, does UOB have the capacity/capability to take a more prominent role, compared to other local leading bank; for example, to be a lead underwriter for bonds and other securities? If there is capacity/capability, are there reasons for the bank not expanding this business?**

Our wealth management strategy focuses on the mass affluent segment and High Net Worth ("HNW") segment with the long-term goal of wealth protection. Our value proposition is anchored on personalised advisory and a 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 of their wealth based on their financial goals. We set up a Private Wealth group last year to better serve our HNW clients with our holistic advisory capabilities, which includes tax planning and discretionary portfolio management.

Through our capital markets and global markets teams, we actively participate in primary bond market issuances for suitable credits which are aligned with our Risk-First approach as well as our clients' investment objectives. In 2021 according to Bloomberg, we were ranked second on the SGD Bonds league table and third on the ASEAN local currency bonds league table. The collaboration between our capital

markets teams and wealth management business enables us to capitalise on our franchise value across our ASEAN footprint.

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 TMRW or through their relationship managers:

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

We continue to enhance our customers' experience through our service and capabilities in wealth management. With our One-bank approach, as well as care and dedication towards servicing our clients, we are confident these will differentiate us in the market.

5. Besides growth via acquisitions, please share UOB's plans for other growth avenues. Any innovative products and services being planned?

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

- In Wholesale Banking, we focus on seven key sectors that drive ASEAN economic growth and its connectivity with Greater China. We differentiate ourselves by our deep industry knowledge and specialisation to better understand and meet our clients' requirements with innovative solutions.
 - We continue to invest and enhance our core digital product platforms including solutions in cash management, payments, financial supply chain management and treasury.
 - In addition, we are building capabilities in data analytics and distributed ledger technology. Through strategic alliances with digital exchange platforms, we participate in the development of the digital capital market infrastructure to bring new investment opportunities to our clients and to help them issue security tokens. We were the first financial institution in Singapore to pilot a digital bond issuance on MarketNode's digital exchange platform.
 - Using blockchain in trade finance and supply chain, we are leading the Green Trade Finance initiative, leveraging SGTradex and MAS' Greenprint ESG Registry to enable green trade financing in various sectors. In the area of central bank digital currencies (CBDC), we are collaborating closely with the Monetary Authority of Singapore, the People's Bank of China and regional central banks in various CBDC studies, capitalising on our ASEAN presence.

- In addition to our award-winning U-Solar programme, we continue to develop comprehensive Sustainable Finance frameworks and solutions to support our clients in their journey to transition responsibly to a more sustainable future. We have rolled out integrated financing platforms such as U-Drive and U-Energy to facilitate the growth of the electric vehicle sector and to promote energy efficiency respectively.
- In Retail Banking, we continue with our omni-channel strategy to deepen our relationship with our customers, riding on our digital platforms and ecosystem partnerships to scale our presence in ASEAN. For customers from the mass market to High Net Worth (HNW) segments, we offer a comprehensive suite of products including insurance, managed funds and treasury products to serve their varied needs through different stages of their lives.
 - We are transforming our branches to focus on wealth advisory, catering to ASEAN's growing middle income, affluent and high HNW client base, as well as offering a full range of services to small- and medium-sized enterprises (SMEs) for their business growth, and cross border and digital needs.
 - In light of the increased demand for impact investing due to environmental concerns, evolving societal expectations and increasing regulation, we created an award-winning sustainable investing programme that offers a suite of solutions across different asset classes and markets.
 - Our unified digital platform UOB TMRW serves the full spectrum of our digitally enabled retail customers. We plan to roll it out across our key ASEAN markets over the next 18 to 24 months, doubling our base of digitally enabled customers to 7 million by 2026. Leveraging data as a differentiator, UOB TMRW provides a hyper-personalised banking experience based on our customers' lifestyle needs. Upcoming new features include an auto-save function, which encourages good savings habits and a carbon insights function, which allow our customers to track their carbon footprint based on their spending habits.
 - We launched TMRW Pay, an e-commerce loan that enables consumers to manage their budgeting needs conveniently with a leading e-commerce player in Indonesia. In 2022, we plan to roll out TMRW Pay across a range of digital partners.

6. The Bank stated that the acquisition of Citigroup's consumer banking franchise in Indonesia, Malaysia, Thailand and Vietnam will enable it to achieve its growth targets earlier, double its retail customer base in ASEAN, strengthen its competitiveness and reinforce its position as a leading bank in the region.

(a) For shareholders' benefit, can the bank (re)state its growth targets in the key markets?

With the acquisition, we expect to double the scale of our retail businesses in ASEAN to 5.3 million customers, achieving our customer acquisition target 5 years ahead of schedule. We will also double our personal financial services revenue target in our key markets with the incremental annual income of \$1 billion from the Citi assets. We continue to maintain our ambition to be the top three retail banks in the region.

- (b) Would management also help shareholders better understand how it sees the growth rate and the capital allocation between wholesale banking and retail banking in the mid-to-long term?**

Our mid- to long-term growth rates for assets is expected to be in the mid to high single rates depending on prevailing market conditions. Both Wholesale Banking and Retail Banking continue to be strong engines of growth for the UOB franchise.

- (c) Operating profit from Singapore accounted for 51.8% in FY2021, with rest of Southeast Asia and North Asia accounting for 24.2% and 11.0% respectively. Has the board set management any target on the bank's operating profit by geographical areas?**

While the Group continues to grow its overseas banking franchise, UOB Group remains focused on sustaining our significant market share in our home market.

- (d) How significant is the overlap with Citi's customer base in the 4 markets? Given that Citi's customers profile is substantially different (international bank vs regional bank), how did management assess that Citi's customers will be retained following the acquisition? What are the bank's strategies to ensure high retention rate of the targeted customers?**

One of the reasons for our Citi acquisition is our complementary customer segment and product fit. We believe any possible overlap will be manageable as there are opportunities to cross sell products such as deposit and secured products to deepen our wallet share.

- (e) It is estimated that income attributed to unsecured products will increase from 21% to 36% as a result of the proposed acquisition. Is it the bank's strategy to increase its exposure to unsecured products?**

At the exposure level, unsecured loans remain at 10% of our consumer book. The revenue generated from unsecured loans will now contribute 36% of our income as their operating model is able to generate a superior return. The Citi portfolio which has been tested in the last two years during the pandemic is of high quality, resilient with superior returns.

Digital

1. What are the challenges from the fintech industry?

We monitor our competitive landscape closely and while there is steady growth in the fintech space, many of these developments are complementary and augment the capabilities of banks and accelerate our speed-to-market, that is, through B2B fintech.

At UOB, we actively invest in our digital capabilities to improve customer experience and engagement. At the same time, we establish strategic ecosystem partnerships on and off line to enhance the overall experience and to deliver greater value and convenience to our customers. We have many strategic collaboration and partnerships with fintechs, such as Personetics, an AI-powered digital engagement platform for UOB TMRW.

2. How will the new digital banks affect UOB's market share and revenue going forward?

For UOB, we expect limited impact in near term from new digital banks (~5% revenue at risk) as the Singapore banking market is highly penetrated and incumbent banks are well trusted by consumers.

3. What is the Bank's strategy to address challenges from new digital banks and continue to be one of the leading banks in Singapore?

Digital is at the core of UOB's growth strategy. We continue to invest in our technology capabilities from artificial intelligence, data analytics and robotic process automation to cloud computing to make banking simpler, smarter and safer for our customers. Our Digital Bank TMRW was recognised by The Digital Banker as the Best Digital Bank in Southeast Asia in the last two years. It has enabled us to accelerate growth and extend reach outside of Singapore beyond our branch footprint.

Through our omni-channel customer-centric approach, we also offer our customers choices in how they wish to bank with us. Our progressive digital banking solutions include:

- UOB TMRW: Consistently the highest-ranked banking app in Singapore, UOB TMRW is our all-in-one digital banking platform that provides individuals with a wide range of digital products, services and solutions to make banking simple, engaging and transparent;
- UOB BizSmart: an integrated suite of business solutions that help our small business customers automate their day-to-day administrative processes for better productivity;
- UOB Infinity: our customisable digital banking solution for our corporate clients to manage their day-to-day banking transactions in a simple and personalised manner; and
- The FinLab: our digital learning platform which helps SMEs and start-ups to develop digitalisation strategies and business operating solutions through collaboration with ecosystem partners. We also support them to go green with our Sustainability Innovation Programme through education, assessment of their green position and recommendations for green practices and solutions for their business.

Financial Performance

1. Should interest rates rise (as widely expected), how soon will the bank start to see improvements in its net interest margin (NIM)?

With 70% of our portfolio on floating rates, the Bank is well-positioned to benefit from rising rates. Every 25 basis points in Fed funds rate hike should translate to about 4 basis points of NIM improvement or \$150 million of incremental net interest income per annum based on our existing balance sheet. There will however be some time lag as the loans are re-priced.

- 2. Are there any revenue and profitability growth opportunities as banks in Singapore transition from Swap Offer Rate (SOR) to Singapore Overnight Rate Average (SORA)?**

The SOR to SORA transition is part of the international benchmark reform to ensure market integrity and transparency. The transition is coordinated at the industry level and expected to be smooth with no major impact on revenue and profitability.

- 3. What is the loan book that is still under government and the bank's relief programmes (i.e. loan moratorium)? With these programmes withdrawn and/or being withdrawn, will this lead to an increase in non-performing loans?**

As at December 2021, the Group's loans under relief were 5.8% of total loans, down from 9% in the previous year. Loans under relief have been declining across all countries due to the progressive expiry of relief programmes.

Our portfolio remains resilient and well collateralised. Majority of the loans under relief are either secured or mitigated via government risk sharing schemes, thereby mitigating loan losses in the event of default.

- 4. The decrease in CET1 CAR by 1.2% to 13.5% as at 31 December 2021 can be attributed to the increase in risk-weighted assets (RWA), specifically credit risks that increased from \$199.7 billion to \$232.5 billion. Can management help shareholders better understand the main factors that contributed to the increase in credit risks?**

The increase in credit RWA was mainly due to loan growth, particularly to larger corporate and institutional clients with good access to credit market during this challenging pandemic period.

- 5. There is an expected CET1 impact of 70 basis point from the acquisition of Citigroup's consumer business. What guidance has the board given to management with regard to its capital adequacy? Has it set any internal limits?**

With the Citi acquisition, we expect a manageable CET1 impact of 70 basis points, resulting in a pro-forma CET1 of 12.8%. Our CET1 target operating range is now between 12.5%-13.5% which provides us with the flexibility to seize growth opportunities.

Sustainability

- 1. Please elaborate on the decarbonisation pathways for the Bank and its customers.**

We recognise that there is a global call for net zero by 2050 in alignment with the Paris Agreement and the 1.5°C trajectory outlined by the Intergovernmental Panel on Climate Change. We are committed to strengthening our portfolio resilience and to being a positive force in the fight against climate change. At the same time, we are cognisant of the challenges faced by ASEAN countries as they continue to deliver economic growth and societal development while managing their sustainability commitments.

We endorsed the recommendations of the Task Force on Climate-related Financial Disclosures in 2019, and reported on our transition risk in 2020 and our physical risk in 2021. We achieved operational carbon neutrality for our own footprint in 2021 by focusing on energy efficiency and by purchasing renewable energy and carbon credits.

We are strengthening our approach on climate scenario analysis, especially for the accounting of financed emissions and are investing in new environmental data collection infrastructure to better guide our business strategy. We are currently exploring viable pathways with time-bound targets to decarbonise our portfolio and building strategies for supporting our clients' journey to decarbonisation. We expect to complete our study by the end of Q3 2022, after which we will develop our sectoral portfolio targets on the back of this work.

2. How does the Bank, including its asset management arm, guard against greenwashing? How does it verify or certify that its ESG-focused investments had delivered on their promises and are aligned with global climate targets such as the Paris Agreement?

We partner reputable product specialists to screen, to score, to provide and to monitor sustainable investment products for our customers. In line with our due diligence framework, our product provider partners must have operationalised policies and processes in place and/or adopt or align to globally-recognised standards such as the United Nations (UN)-supported Principles for Responsible Investment (PRI), Task Force on Climate-related Financial Disclosures (TCFD), Sustainability Accounting Standards Board (SASB) and Carbon Disclosure Project (CDP). In working with these specialists, we ensure that we incorporate robust and industry-leading criteria and methodologies when identifying sustainable investment solutions.

On our asset management front, we utilise our own materiality maps to adapt the scores to allow for a fairer comparison across countries and sectors, as well as to take into account other factors such as the level of ESG development in different countries to produce an ESG score, which is then used to complement fundamental research in the investment decision process.

Fair Dealing and Regulators

1. Please share what preventive actions are in place to protect UOB's customers and the Bank itself in relation to scams, phishing and fraud by RM/Bank employees and external individuals/organizations.

To safeguard our customers' interests, the Bank takes a multi-pronged approach as follows:

- We have in place a monitoring system that detects, blocks and alerts the Bank to potentially suspicious transactions. We continually upgrade our security technology and capabilities. This includes partnering leading cybersecurity providers and using multi-layered strategies to guard against potential attacks and suspicious transactions.
- Our staff are trained to identify potential fraud cases and to help prevent customers from becoming a victim. There is ongoing customer education to raise awareness, with videos and scam prevention messages on UOB's social media websites and alerts on the latest scams.

Appendix

- Our staff are reminded to constantly adhere to fair dealing guidelines, policies and procedures and of the severity and consequences for misconduct. A disciplinary framework is in place for reporting and investigation of misconduct.
- Regular reviews are conducted on our policies and processes. We also have data protection officers to ensure compliance with local regulations and the Group's requirements, including our personal data protection policy.
- We work closely with MAS and ecosystem players to strengthen our collective defence against scams. UOB was one of the first Singapore banks to join the registry pilot that helps to prevent the opportunity for scammers to exploit consumers through spoofing SMS sender names. We also collaborate closely with the Anti-Scam Centre to trace and recover funds for customers from scams.
- Recent industry-wide consumer protection measures implemented include:
 - Having a dedicated 24/7 Fraud Hotline at 6255 0160 to assist customers with potential fraud cases on priority basis.
 - Setting a low default threshold for transaction notifications.
 - Placing a 12-hour delay on a new soft token being activated on a customer's mobile device.
 - Implementing the 'New Device Login Alert' on the UOB TMRW app.
 - Sending SMS notification alerts to the mobile number registered with the Bank whenever we receive a request from a customer to change mobile number or email address.
 - Limiting one-time funds transfers in line with industry best practices. For transfers above the limit, a customer will be required to add the recipient as a registered payee.

We believe the fight against scams is a shared responsibility. All parties, including banks, customers and ecosystem partners will need to do our part.

Board Matters

1. **Historically, UOB has been led by a Chair who is a veteran in the finance industry. Our two leading Singapore banks are also chaired by professionals with experience from the finance industry. Although a chair is non-executive, he/she does shape the culture and strategic direction of a company. Are there reasons for UOB doing otherwise? Is there a lack of leaders from the finance industry or from business?**

Apart from overseeing the governance of the Bank, the Chairman also works closely with the Board and Management to shape the culture and set strategic directions for the Bank. He also encourages a full and frank exchange of views, drawing contributions from all Directors, both in and outside the boardroom.

The UOB Board comprises two seasoned banking veterans and their views, together with those of the other Directors, ensure a diversity of thought that will enable the Board to make decisions in the best interest of the Bank. It is this collective wisdom and diverse experience of the Board that has successfully guided the Bank to steady growth in the long term and navigated the Bank through challenging times.

- 2. Can the CEO of UOB please share his succession plan? There is currently no clear successor. What is the likely time frame?**

We have robust processes in place to identify and to develop talent for senior management positions, including the Group CEO, in a sustainable way. Other than skills, we emphasise teamwork and a values-based culture. We review our plans and pool of potential candidates regularly.

Dividends

- 1. Please consider paying quarterly dividend.**

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.

- 2. UOB has its dividend policy with a payout of 50%. Is this cast in stone or the Board will revise this upwards in times when profit does not grow by the same quantum each year. Will UOB flex its dividend policy similar to other local bank such that its shareholders can see growth in dividend amount each year? Does the Bank envisage a higher dividend payment rate in the future?**

Our payout ratio formula rewards shareholders when our profit grows. We will review our payout ratio if there are changes to the level of capital required to support our business growth.

- 3. Will UOB consider a stock split?**

Shareholders today have the opportunity to invest in smaller lot sizes. With the rise of digital brokers who do not impose a minimum fee per trade, the benefit for a share split is less apparent.