

Announcement

ANNUAL GENERAL MEETING (AGM) TO BE HELD ON 5 JUNE 2020 RESPONSES TO SUBSTANTIAL AND RELEVANT QUESTIONS

26 May 2020, Singapore – United Overseas Bank Limited (UOB or the Bank) refers to the announcement of 6 May 2020 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 questions received from shareholders that are relevant to the AGM resolutions and the business of the Bank. The Bank has also provided additional information which it believes would be of interest to shareholders and answers to some questions we have received from the Securities Investors Association (Singapore) (SIAS).

By Order of the Board

Company Secretary

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Theme	No.	Question	Response
Dividends	1	<p>Can the FY2019 dividend be paid out before 15 June instead of end June?</p> <p>Both the special (\$0.20) and final dividend (\$0.55) are pending AGM approval for payment. Will the dividend of \$0.75 be postponed till further notice?</p>	<p>The FY2019 final dividend and special dividend are subject to shareholder approval. If approved by shareholders at the AGM on 5 June 2020, they will be paid on 29 June 2020. Please refer to our announcement of 6 May 2020 for further details.</p> <p>In fixing the payment dates, we have taken into account the Listing Rules and the availability of resources to process payments following the gradual easing of the ‘circuit breaker’ restrictions.</p>
Dividends	2	<p>Does the Monetary Authority of Singapore (MAS) govern cash dividends such that once declared, the bank cannot cancel them?</p>	<p>According to the MAS’ media release dated 7 April 2020, the “MAS does not see a need to restrict banks’ dividend policies”.</p> <p>Subject to shareholders’ approval at the AGM on 5 June 2020, the final dividend and special dividend will be paid on 29 June 2020 as declared.</p>
Dividends	3	<p>Given the fluid and still unfolding situation of COVID-19, would the management be able to provide some guidance as to what the dividend payout will be like for FY2020?</p>	<p>We aim for a dividend payout ratio of 50 per cent, subject to our CET1 ratio staying above 13.5 per cent and a positive, sustainable performance outlook.</p> <p>Given the uncertain environment, we will continue to review and will communicate our dividend view later this year when we expect more clarity.</p>

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Share Mandate	4	<p>How does the Share Mandate work? Will there be a situation such as a Conditional Offer for our shares?</p>	<p>The Share Mandate, if approved, is to allow the Bank to issue shares without calling an ad-hoc general meeting, which can be time-consuming and costly. There may also be opportunity costs from delays in seeking shareholder approval. There are limits to the number of shares that can be issued:</p> <ul style="list-style-type: none"> • The total number of shares to be issued cannot exceed 50% of total number of issued shares if the offer is made <i>pro rata</i> to existing shareholders. • If the offer is not made <i>pro rata</i> to existing shareholders, the maximum number of shares is capped at less than 10% of the total number of issued shares. <p>The limits are consistent with the market practice. Treasury shares and subsidiary holdings are excluded when calculating the total number of issued shares.</p>
Board Matters – Directors’ Fees	5	<p>Please advise if there is any reduction of directors' fees in view of the current evolving COVID-19.</p>	<p>There is no plan to reduce the directors’ fees at this time. The directors’ fees were last revised in 2015. Based on a survey last year by Aon Hewitt, the directors’ fees were found to be below market and not commensurate with directors’ enlarged responsibilities. On the recommendations of Aon Hewitt, the Board had in fact approved an increase in the 2019 directors’ fee, to be in line with the market.</p> <p>However, in view of the prevailing challenging environment exacerbated by the COVID-19 pandemic and in anticipation of a difficult year ahead, the Board has decided to defer the adoption of the revised directors’ fees structure.</p>

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Corporate Governance	6	<p>Can the company help shareholders understand if there were extenuating circumstances that led the directors to be absent for board meetings and board committee meetings?</p> <ul style="list-style-type: none"> • Did the directors participate via telephone and/or video conference since this is provided for in the company's constitution? • How does the Nominating Committee evaluate a director's availability to commit time and attention to the affairs of the bank, taking into consideration his/her other directorships and principal commitments? • How can the company and the company secretary work together with the directors to schedule the board and board committee meetings so that directors are able to attend the meetings and contribute to the effectiveness of the Board? 	<p>Directors' contributions are not limited to their attendance at formal Board and Board committee meetings. They also provide their input and advice outside the boardroom and share their insights into developments around the world.</p> <p>Committee chairpersons meet frequently with various function heads to discuss in detail specific areas that fall within the scope of the respective Board committees and to provide guidance on matters to bring to the attention of the Board for discussion.</p> <p>For example, given the current fast-changing operating environment as a result of the pandemic, the Directors have also been meeting virtually and frequently to discuss the impact on the Bank and the Group. The Nomination Committee takes into consideration all aspects of a director's involvement in evaluating his contributions.</p> <p>Formal meetings are planned in advance but sometimes ad- hoc meetings have to be called at short notice to deal with urgent matters. Tele- or video conferences are used for directors who are unable to attend meetings in person.</p>

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Bank Culture	7	<p>UOB, as a leading bank in the region, owes a large part of its current standing to the direct involvement of the founding family that continues, to this day, to have a member of the family as the CEO. Mr Wee Ee Cheong is also invested in and responsible for building on the bank's legacy and shaping it for the future.</p> <p>How does the Board think about continuing this aspect of the Bank's 'DNA' after the departure of Mr Wee Ee Cheong, with no other family member directly involved in management?</p>	<p>Taking the long-term and sustainable approach is fundamental to UOB and our founding family. This approach also applies to leadership development and succession planning for the Group.</p> <p>The values of our founders have underpinned the successful evolution of UOB over the last eight decades. Today, our values of Honour, Enterprise, Unity and Commitment are distinctive to our culture. The values are instilled in our leadership and our people, and will continue to guide us forward.</p> <p>We have systematically established a human capital management and development framework to ensure smooth succession at the senior levels. The CEO and our management team have also implemented robust processes and programmes as part of building the UOB's legacy and shaping it for the future.</p>
Outlook	8	<p>Please give some colour into the Group's outlook for 2020 and beyond.</p>	<p>The year ahead will be challenging given that the COVID-19 outbreak has affected all countries and industries, though to different degrees. The impact, coupled with the collapse in oil prices and subdued economic activities, makes the outlook very uncertain.</p> <p>The speed of economic recovery will be dependent on various factors, including the pace of gradual re-opening for economic activities, how countries control the further spread of the virus, the possibility of subsequent waves of outbreak and when a vaccine can be produced commercially and made universally available. While unemployment is expected to rise in all economies, the full impact will be cushioned or masked by government support.</p> <p>UOB, as a commercial bank supporting broader economic activities, will also be affected by the impact of the COVID-19 pandemic. However, with a strong balance sheet and liquidity</p>

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			position, we are confident that we will be able to support our customers in riding out this crisis.
Outlook	9	What is UOB's view on your asset quality and liquidity position?	<p>The impact of the COVID-19 pandemic is yet to be fully felt. Nevertheless, UOB has always maintained a well-diversified portfolio as part of our prudent risk management approach.</p> <p>We have conducted COVID-19-related stress tests based on various scenarios and are confident of our ability to ride through the challenges ahead. The Bank will progressively set aside more provision for loan impairments that are expected to crystallise in 2021.</p> <p>While governments and central banks have rolled out extraordinary relief measures to help industries, companies and individuals cope with the pandemic, there is still widespread impact on economies. Coupled with the collapse in oil prices, the Bank expects credit costs to rise 50 to 60 basis points this year. The impact is likely to be more significant in the second half of the year.</p> <p>In addition, the Bank has been paring down our oil and gas (O&G) exposure since the industry's last crisis in 2015. Our O&G portfolio currently accounts for less than four per cent of total loans.</p> <p>Despite the headwinds on profitability, we expect our capital and liquidity positions to remain sound and robust.</p>
Outlook	10	What is UOB's guidance on net interest margin?	UOB expects net interest margin to face downward pressure, given interest rate cuts around the region. However, we will proactively implement necessary measures to minimise the impact.

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Digital Strategy	11	What is UOB's digital strategy?	<p>UOB's digital strategy is focused on the customer – providing them with products and services that are smarter, safer and simpler. Enabling this is technology, whether artificial intelligence, data analytics, robotic process automation or cloud computing. This digitalisation drive is also expected to improve processing time and cost.</p> <p>UOB's digital strategy is part of our omni-channel strategy which is to give our customers the banking choices they need, prefer and want, whether online or in person. At the heart of our omni-channel strategy is upholding trust, through the standards of service and security our stakeholders expect.</p> <p>In addition to our branches and self-service banking machines such as automated teller machines (ATMs), UOB offers a wide range of digital banking services and solutions, including our:</p> <ul style="list-style-type: none"> • internet banking platforms, Personal Internet Banking and Business Internet Banking Plus; • mobile banking apps, UOB Mighty, UOB Business and our digital bank, TMRW, ASEAN's first mobile-only digital bank; • online marketplaces and ecosystems, such as the UOB Utility Marketplace and our digital home loan and car loan solutions; • digital investment advisory platform, UOB Portfolio Advisory Tools, to provide customers with deeper insights into building their investment portfolios; • UOB mCollect, a QR code-based collections solution that digitalises the cash-on-delivery model for businesses; • UOB BizSmart, an integrated suite of cloud-based solutions dedicated to our small business customers.

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			<p>Through the Bank's investments over the past five years to ensure the quality and robustness of our digital infrastructure, UOB has the ability and agility to provide innovative online and offline solutions across our regional franchise.</p> <p>We believe UOB's omni-channel strategy and digital investments provide a runway for sustainable growth. While the Bank welcomes the new dynamic that digital banks will bring to Singapore, UOB is in a very competitive position to respond to the recipients of the new digital licences.</p> <p>During the 'circuit breaker' period, we have also seen a record number of customers using UOB's digital banking services and we expect that the number will grow. We will continue to enhance our digital capabilities and work with our ecosystem partners to provide holistic solutions for customers.</p>
Data Protection and Cybersecurity	12	What is the board's level of oversight on the group's data protection efforts and cybersecurity risks?	<p>The Board Risk Management Committee (BRMC) has oversight of credit and operational risks, including cybersecurity risks and protection of personal data.</p> <p>Protecting customers' and Bank data is a top priority at UOB. Building on our strong risk culture, the Bank has robust policies, processes and practices in place to safeguard our customers from cybersecurity threats. The Bank also complies with strict regulatory requirements to ensure the confidentiality and security of the information we collect.</p> <p>The Bank conducts regular reviews on our policies and processes to ensure that our data processing is in line with applicable data privacy laws. Our Data Protection Officers at functional and business levels in Singapore and locally appointed officers at overseas locations ensure that personal data is safeguarded.</p>

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			<p>Across the organisation, we employ strong security architecture, carry out robust security risk assessments and proactively monitor and analyse threat intelligence for potential risks. The Bank continuously adapts and enhances our security systems and standards, including continuously strengthening our Group Security Operations Centre's capabilities, to pre-empt potential new risks and to ensure that the detects and responds to potential risks and threats appropriately and promptly.</p> <p>Given that all UOB employees are responsible for maintaining data security, the Bank ensures that our employees are regularly trained on cybersecurity risks to ensure a high degree of awareness and vigilance. The Bank conducts regular assessments of our employees' security awareness, for example with regard to potential phishing attacks. To that end, UOB has in place an effective prevention and response system to phishing attacks.</p> <p>To raise customers' security awareness, the Bank frequently updates them on potential threats and share cybersecurity tips via our website, social media, electronic mailers and messages displayed on the Bank's mobile banking app and ATMs. To help strengthen the banking industry's collective defence, the Bank also regularly shares information of potential threats and best practices with industry players.</p>
Environmental, Social and Governance (ESG) Matters	13	What progress has UOB made in its sustainability efforts?	<p>UOB believes in supporting sustainable growth of our customers and in our communities, thus contributing to the region's long-term economic, social and environmental well-being.</p> <p>For example, in recognising climate change as one of the most complex and defining issues of our time, the Bank continues to strengthen our Responsible Financing Policy to address the potential threats arising from climate change. UOB also established</p>

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			<p>a dedicated working group to oversee and to drive the adoption of the recommendations by the Taskforce on Climate-related Financial Disclosures.</p> <p>In the UOB Annual Report 2019, the Bank has included a dedicated Sustainability Report to explain how UOB addresses the effects, risks and opportunities of ESG matters.</p>