



# UOB Group

Strength and resilience within a challenging  
market environment

Investor Roadshow

*March 2009*

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Singapore Company Reg No. 193500026Z



# Agenda

1

**Overview of UOB Group**

2

**Macroeconomic Outlook**

3

**UOB in the Challenging Environment**

4

**Growth and Regional Strategy**

5

**Conclusion**

# UOB Overview

## Founding

Founded in August 1935 by a group of Chinese businessmen and Datuk Wee Kheng Chiang, grandfather of the present UOB Group CEO, Mr. Wee Ee Cheong

## Expansion

UOB has grown over the decades through organic means and a series of acquisitions. It is today a leading bank in Singapore with an established presence in the ASEAN region. The Group has a total network of over 500 offices in 18 countries and territories

## Key Statistics

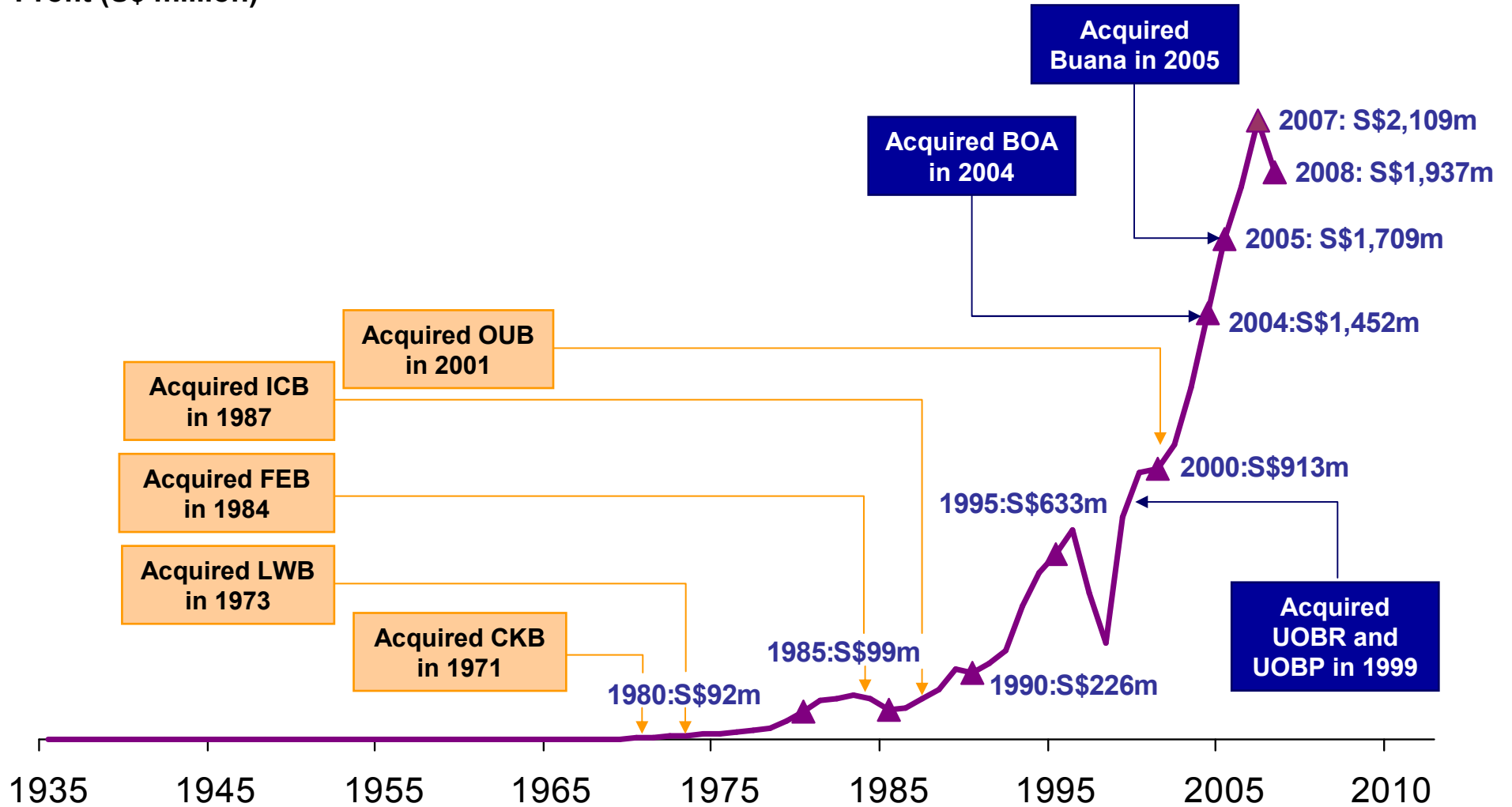
▪ Total assets	:	S\$182.9 billion (US\$127.9 billion)
▪ Shareholder's equity	:	S\$15.6 billion (US\$10.9 billion)
▪ Gross loans	:	S\$102.0 billion (US\$71.3 billion)
▪ Customer deposits	:	S\$118.2 billion (US\$82.7 billion)
▪ ROAA	:	1.07%
▪ ROAE <sup>(1)</sup>	:	12.2%
▪ NIM	:	2.27%
▪ Non-interest / Total income	:	31.9%
▪ Cost / Income	:	39.0%
▪ Tier 1 CAR	:	10.9%
▪ Total CAR	:	15.3%
▪ Moody's	:	Aa1 LT Bank Deposits
▪ S&P's	:	A+ LT Issuer Credit

Note: Financial statistics as at 31 December 2008. US dollar equivalent uses exchange rate of USD:SGD 1.4301 as at 31 December 2008.

(1) Calculated based on profit attributable to equity holders of the bank net of subsidiary preference share dividends.

# Proven Track Record of Execution

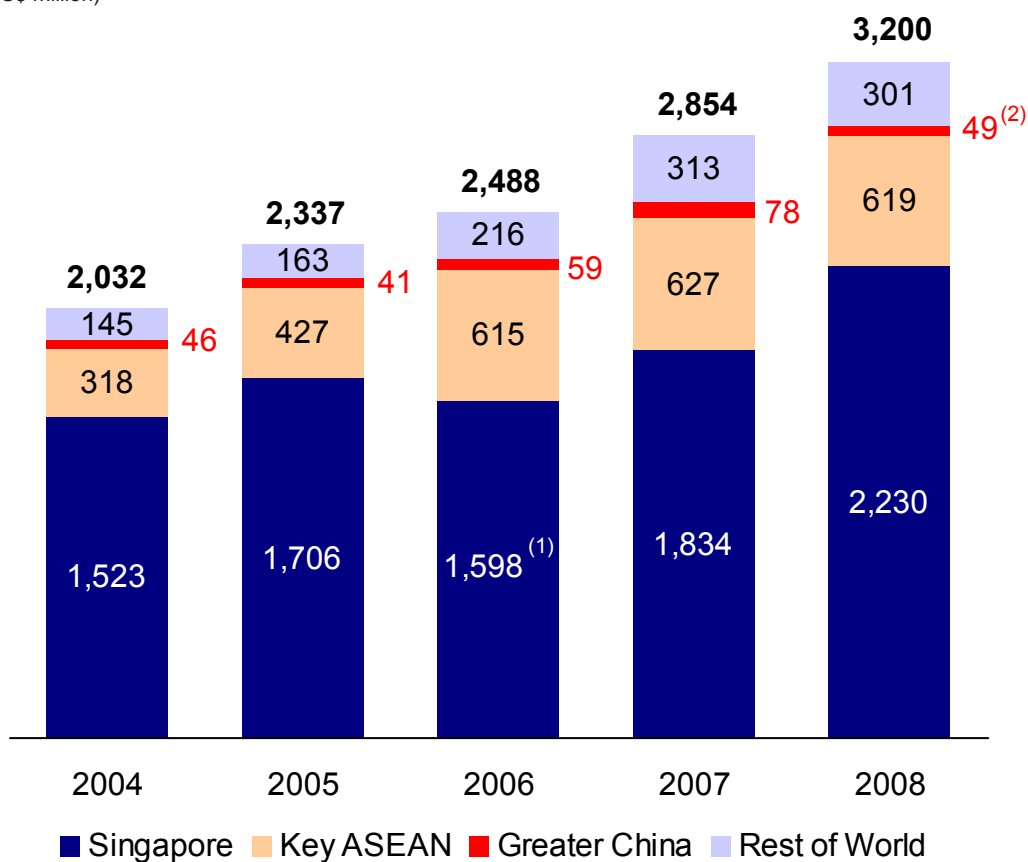
Profit (S\$ million)



# Sustainable Profit Contribution from Overseas

## Operating Profit by Geography

(in S\$ million)



Note: Before amortisation of intangible assets and impairment charges.

(1) Excluding one-time income.

(2) Excluding the revaluation loss on the USD capital, the operating profit would be \$90m.

## 2008

Singapore : 70%

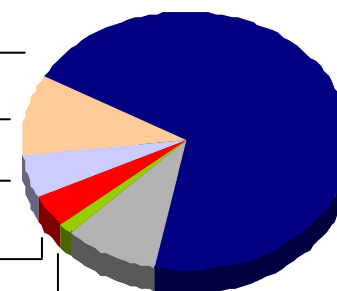
Malaysia : 10%

Thailand : 5%

Indonesia : 4%

Greater China : 2%

Other : 9%



## 2007

Singapore : 64%

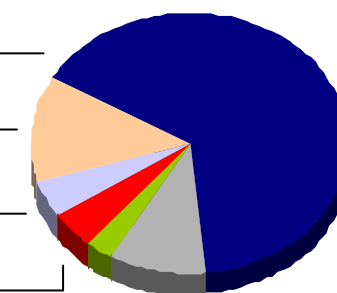
Malaysia : 13%

Thailand : 5%

Indonesia : 5%

Greater China : 3%

Other : 10%

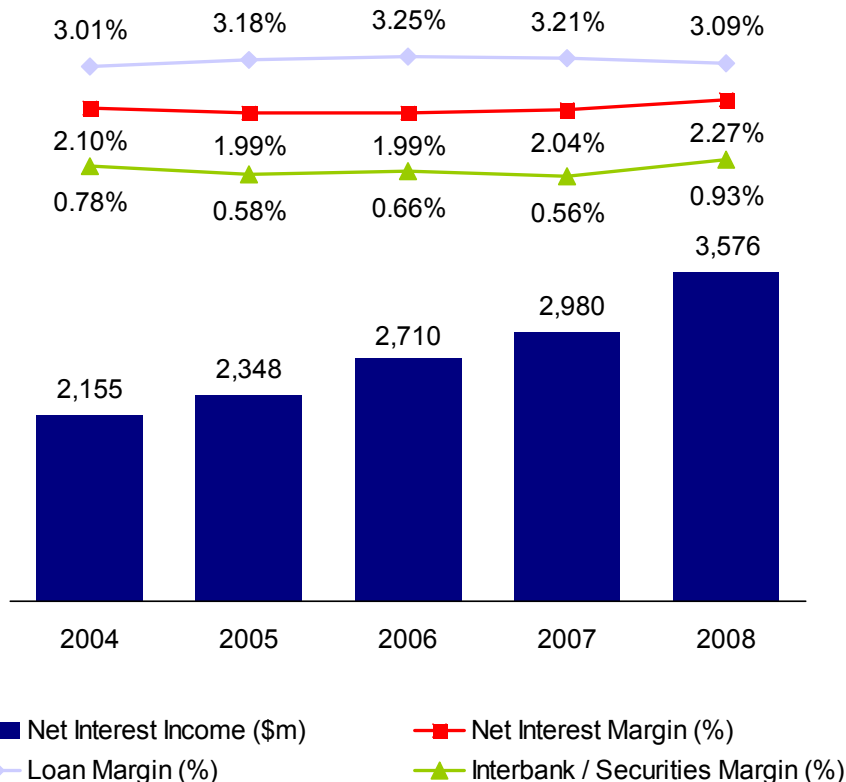


**UOB has continued its strong performance among its country footholds in the region**

# Consistently Strong Financial Performance

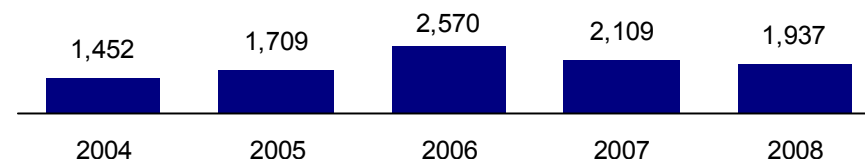
## Net Interest Income and Net Interest Margin

(in S\$ million)



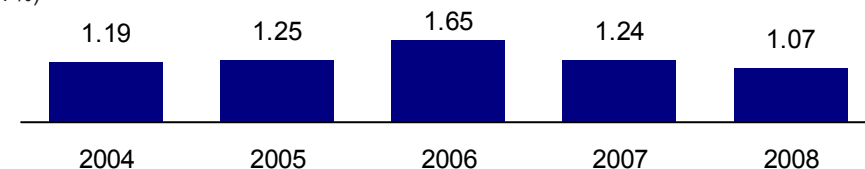
## Net Profit After Tax

(in S\$ million)



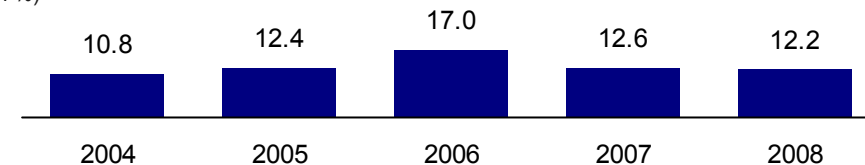
## Return on Average Assets

(in %)



## Return on Average Equity

(in %)

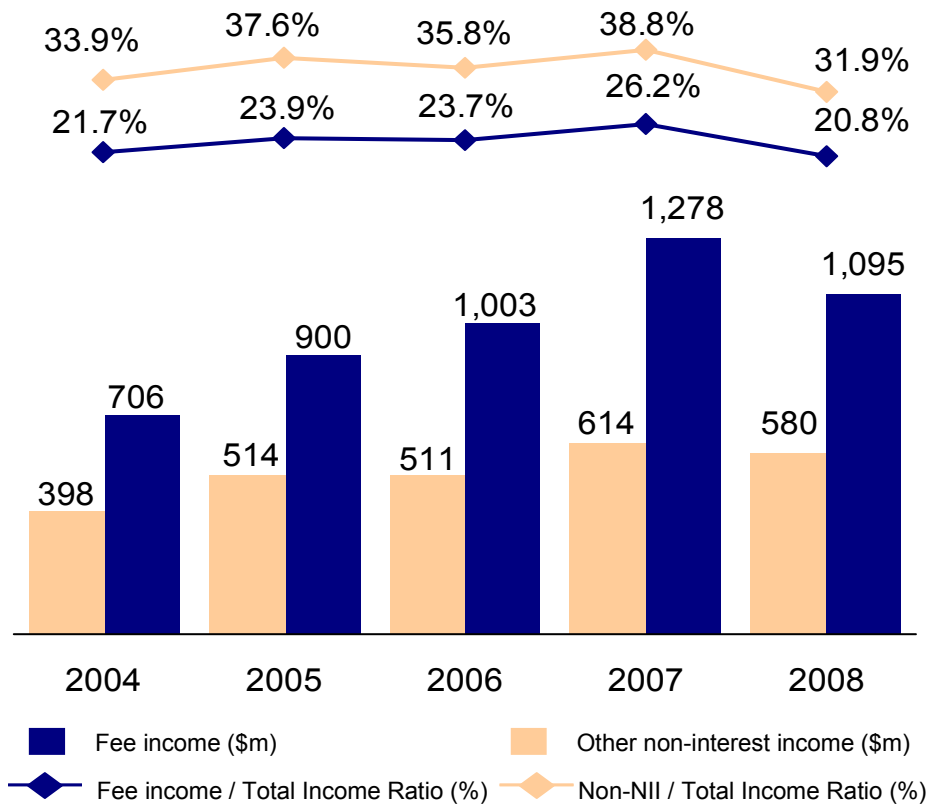


**UOB has consistently demonstrated strong profitability**

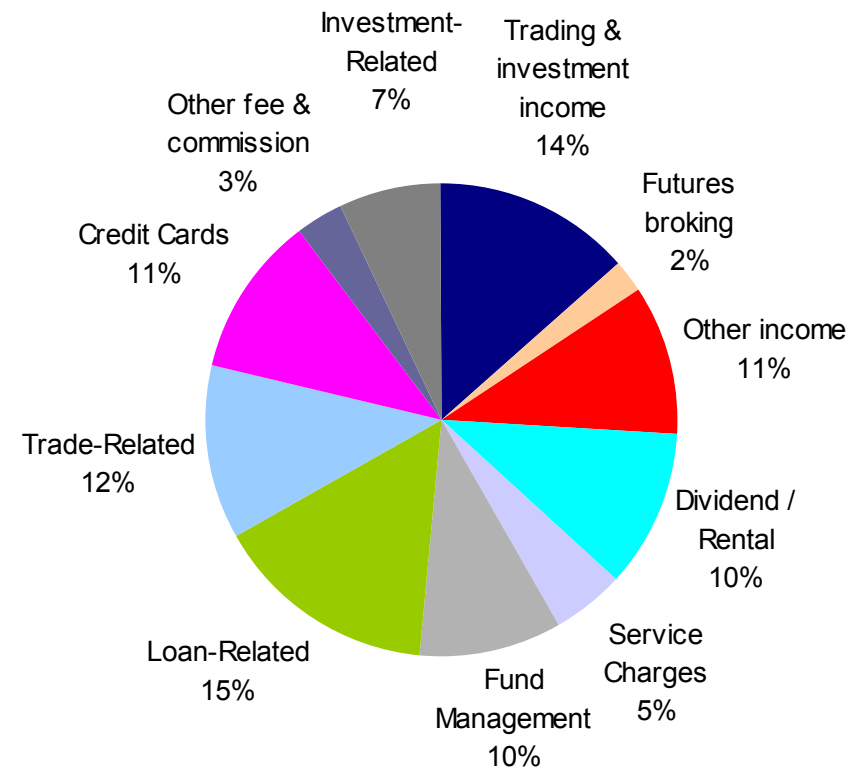
# Diversified Non-Interest Income

## Non-Interest Income (Non-NII) and Non-NII Ratio

(in S\$ million)



## Non-Interest Income Breakdown

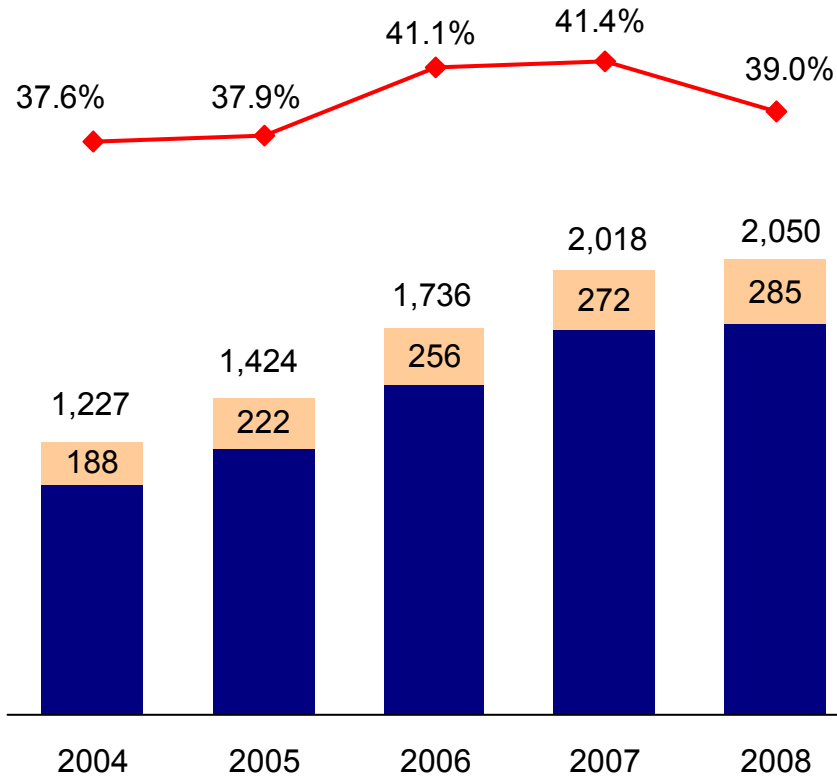


**UOB has continuously built its fee income capabilities in an effort to diversify its income base and enhance profitability levels**

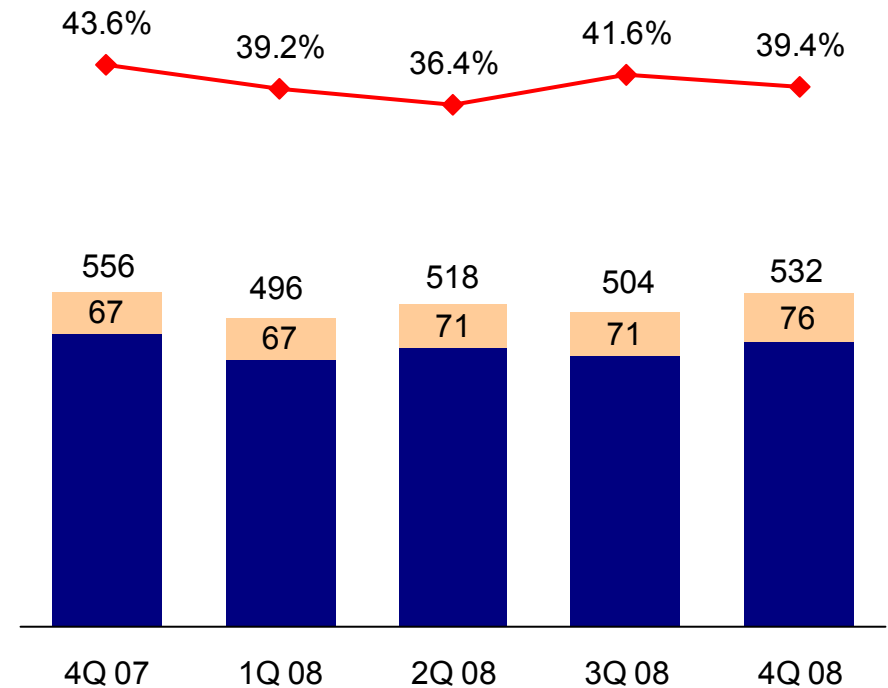
# Disciplined Cost Management

## Operating Expenses and Expense / Income Ratio

(in S\$ million)



(in S\$ million)



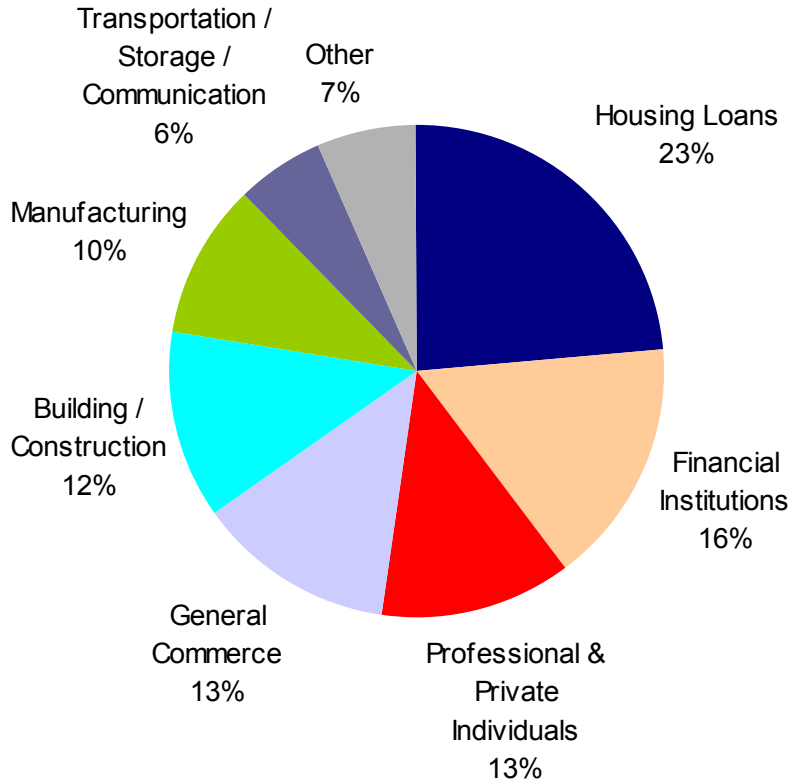
■ Operating Expenses (\$m) 
 ■ IT Expenses (\$m) 
 ◆ Expense / Income ratio (%)

**UOB has remained disciplined in managing its costs**



# Well-Diversified Loan Portfolio

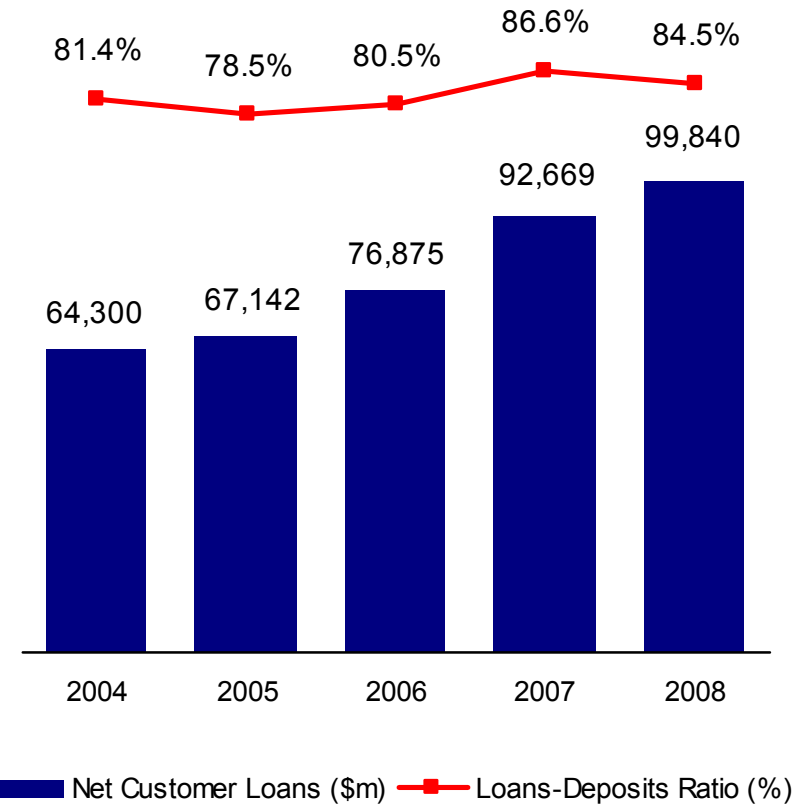
## Gross Customer Loans Breakdown



**Total: S\$102,033 million**

## Net Customer Loans / Loans-Deposits Ratio

(in S\$ million)

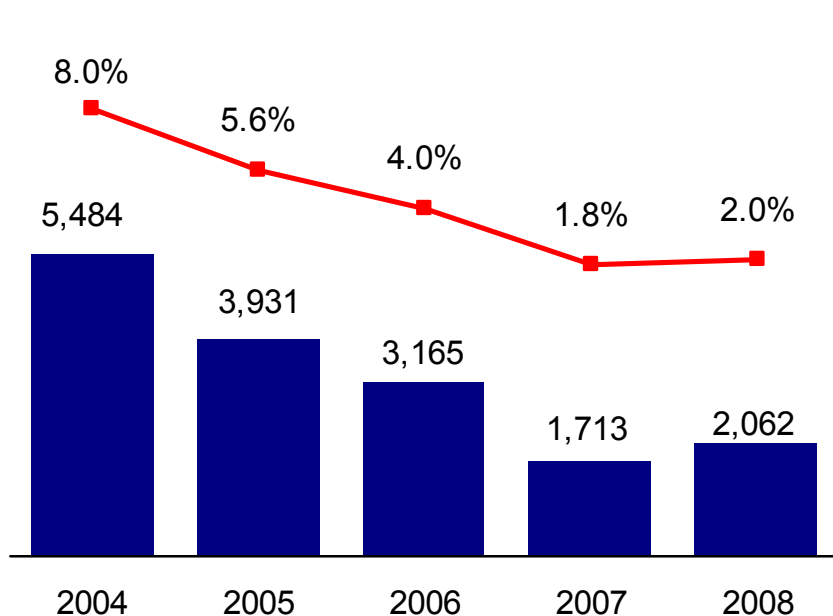


**UOB has a well-diversified portfolio and has consistently grown its loan base over the years**

# Conservative Provisioning

## Non-Performing Loans (NPLs)<sup>(1)</sup>

(in S\$ million)



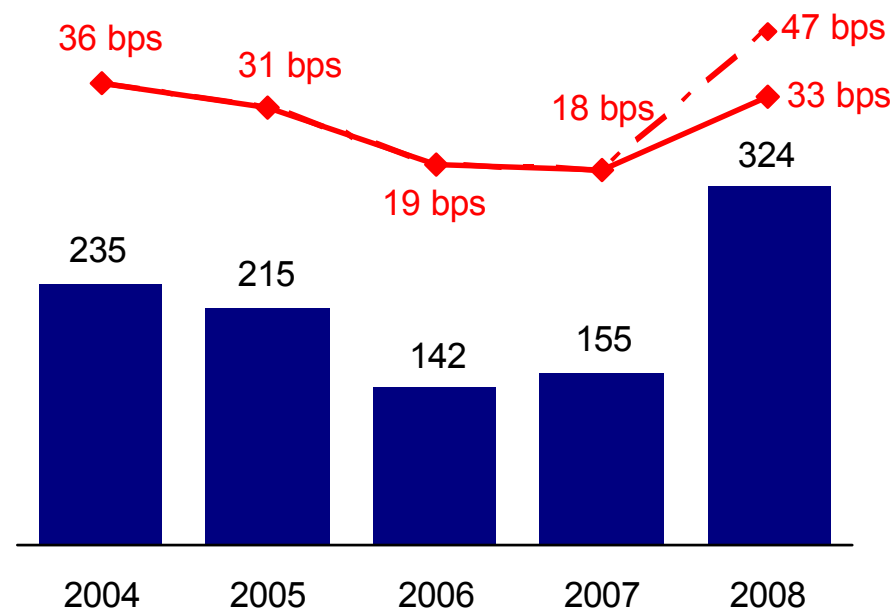
■ NPL (\$m)

—■— NPL Ratio (%)

(1) Excluding debt securities

## Impairment Charges on Loans

(in S\$ million)



—◆— Individual impairment charges on loans / average gross customer loans (basis points)

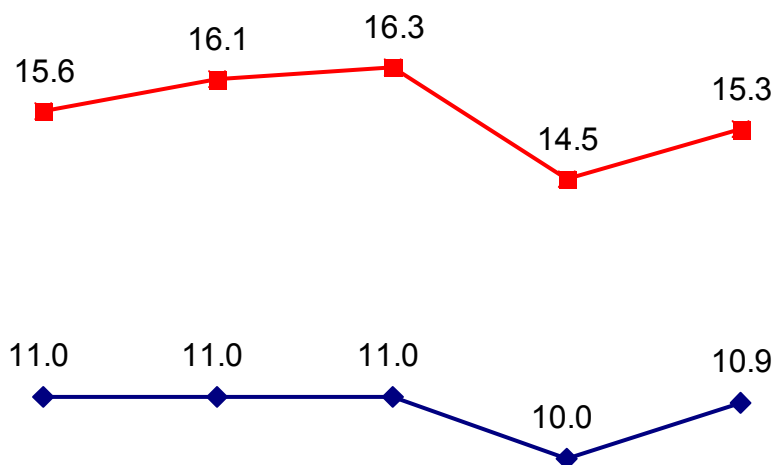
- -◆- - Total impairment charges on loans / average gross customer loans (basis points)

**UOB's strong risk management framework and adoption of prudent provisioning policies have contributed to sound asset quality and adequate impairment coverage**

# High Dividend Rate While Maintaining Robust Capitalization Levels

## Capital Adequacy Ratio (CAR)

(in %)



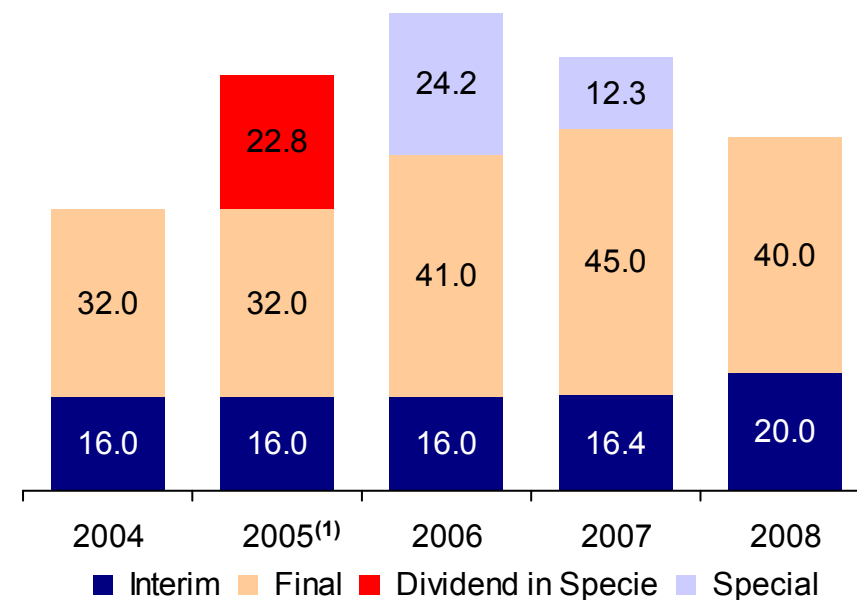
Dec-04    Dec-05    Dec-06    Dec-07    Dec-08<sup>(1)</sup>

◆ Tier I CAR    ■ Total CAR

(1) Computed based on Basel II framework in accordance with the revised MAS Notice 637 with effect from January 2008.

## Net Dividend Rate

(in cents)



2004    2005<sup>(1)</sup>    2006    2007    2008

■ Interim    ■ Final    ■ Dividend in Specie    ■ Special

## Dividend Payout Ratio

51%    64%    48%    53%    47%

(1) Dividend in specie of shares in United Overseas Land Limited.

**UOB has consistently maintained robust capitalization levels and high dividend payout**



# Awards and Accolades

“Best Domestic Bank”  
“Best Local Cash Management Bank”  
“Best Local Currency Cash Management Services”



2008

“Grand Prix for Best Overall Investor Relations – Large Cap”



2008

“Best SME Bank in Asia Pacific”



2007

“Best Local Private Bank – Singapore (2<sup>nd</sup>)”



2007

“Top 10 Best Managed Companies – Singapore”  
“Top 10 Best Investor Relations – Singapore”



2006

“Most Valuable Singapore Brand – 2<sup>nd</sup> position”



2003, 2004, 2005, 2006

***UOB's strong financial performance and regional reputation continues to receive strong endorsements locally and overseas garnering numerous accolades from leading publications, trade organizations and the investment community***

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1

Overview of UOB Group

2

**Macroeconomic Outlook**

3

UOB in the Challenging Environment

4

Growth and Regional Strategy

5

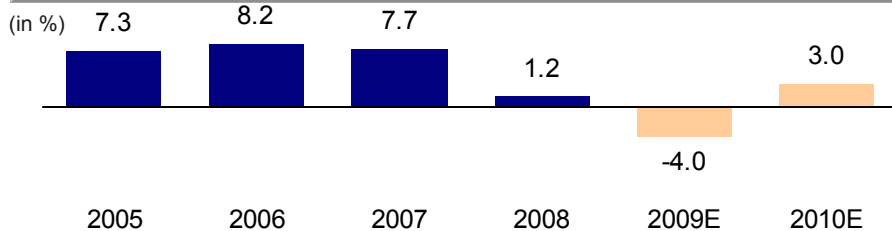
Conclusion

# Challenging Singapore Outlook

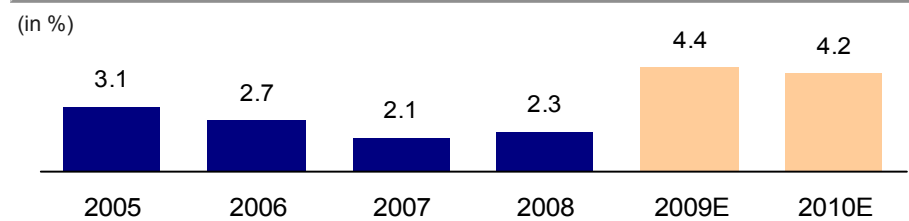
## Leadership in ASEAN albeit challenging near-term prospects

- As a key Asian financial services hub, Singapore has continued to attract a multitude of global multinational banks and corporations, thereby contributing to significant economic progress over the recent years
- In light of the current global market environment, however, the outlook for Singapore in the near-term is expected to considerably weaken
  - Consumer and corporate spending is expected to decline in 2009 contributing to slower domestic demand
  - Unemployment, retrenchment concerns and a declining population weigh down their impact on domestic consumption
- Nevertheless, the Singapore government has taken a proactive stance in combating a weakened short-term economic outlook
  - Singapore's structural social safety-nets such as the mandatory social security / savings system (CPF) ensures a high national savings rate
  - Able to prudently increase national spending, incurring a budget deficit to meet the challenges of the economic downturn by drawing on the country's substantial national reserves

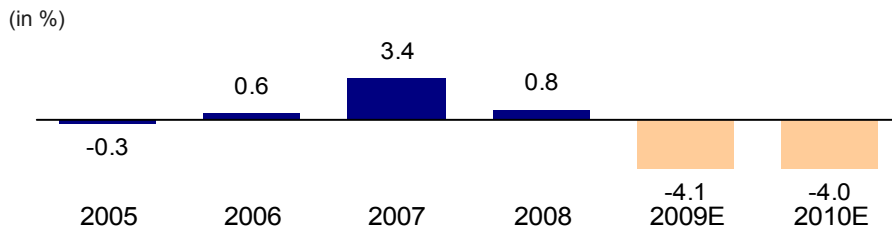
### Weak GDP Outlook



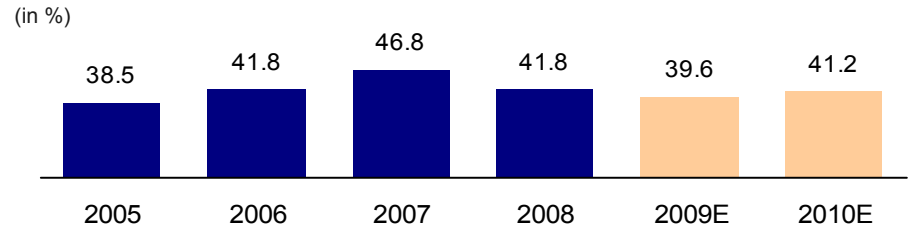
### Unemployment Concerns



### Government Fiscal Position as a % of GDP



### High Aggregate National Savings Rate



**Near term prospects for Singapore remain challenging given the difficult market environment. However, social safety-nets ensure that Singapore will have the capacity to withstand these problems**

Source: EDP, Monetary Authority of Singapore, Economic Intelligence Unit, Wall Street Research.

# South East Asia: Resilient Macroeconomic Factors

## Resilient Markets

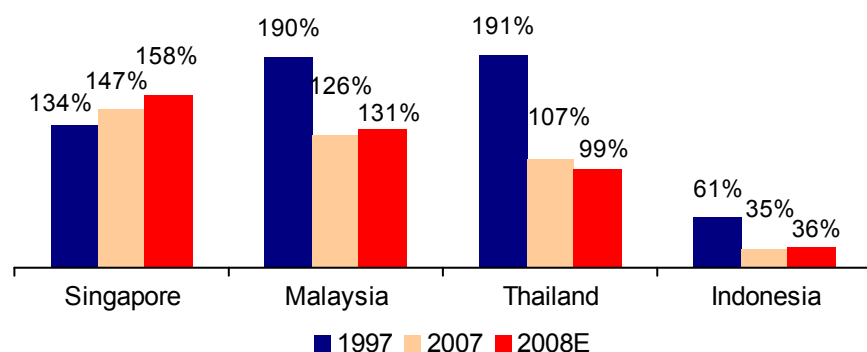
- UOB's Southeast Asian country pillars' growth and economic prospects remain stable despite the slowing US and European economies
- Economic fundamentals across the region remain weak in the short-term; however, weakening in UOB's Southeast Asian pillars are not expected to worsen to the 1997 Asian financial crisis levels
  - GDP outlook, while weak in the near term, is expected to remain stable in the long term across all economies
  - Increasing current account balance and foreign exchange reserves and lowering leverage have strengthened the economies
- Southeast Asia is more insulated against the structural problems faced by the open global economies due to the lower levels of involvement in complex financial products

## Improved Macroeconomic Balance from 1997 Levels

	Current Account (as a % of GDP)		FX Reserves (in US\$ bn)	
	1993 - 1996	2008	1993 - 1996	2008
Singapore	15.6	13.5	77.0	174.2
Malaysia	(4.2)	10.8	27.7	91.1
Thailand	(8.3)	(0.1)	38.7	111.0
Indonesia	(3.8)	0.4	10.7	53.6

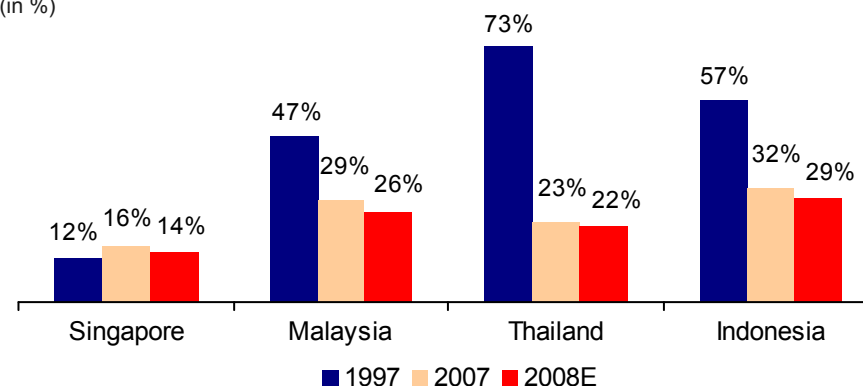
## Total Lending as % of GDP

(in %)



## Total Debt as % of GDP<sup>(1)</sup>

(in %)



**Southeast Asia fundamentals support resilient markets and business activity in the region**

Source: Economic Intelligence Unit, Reuters, Bloomberg, Moody's, S&P, IMF and CEIC.

Note: (1) Refers to external debt as a percentage of GDP.

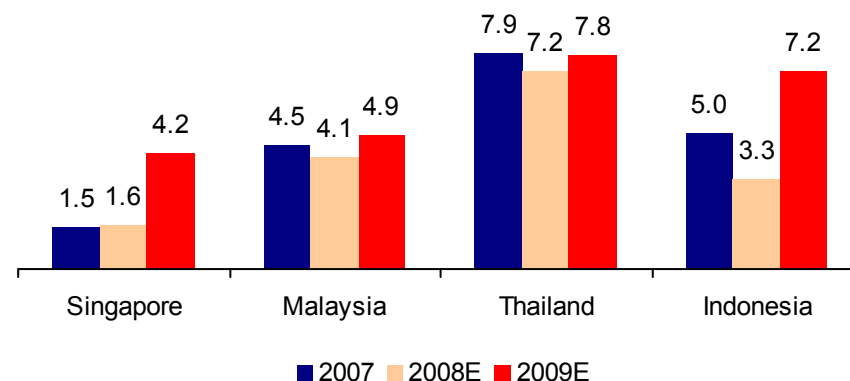
# South East Asia Banking Sector: Stronger Fundamentals although Facing Headwinds in the Near-term

## Stronger Banking Indicators

- Key structural issues related to weak financial systems and poor governance have been addressed
  - Analysts estimate that while the environment will be challenging in the near term, it will not be as severe as the 1997 Asian financial crisis
- Asset quality deterioration and adequate provisioning remain the main concerns for the banking sector on the back of slower loan growth
- Banks are proactively looking to pre-emptively raise core capital to withstand current challenging market conditions
  - Banks with robust capitalization are likewise seen to take advantage of potential strategic opportunities due to the market dislocation

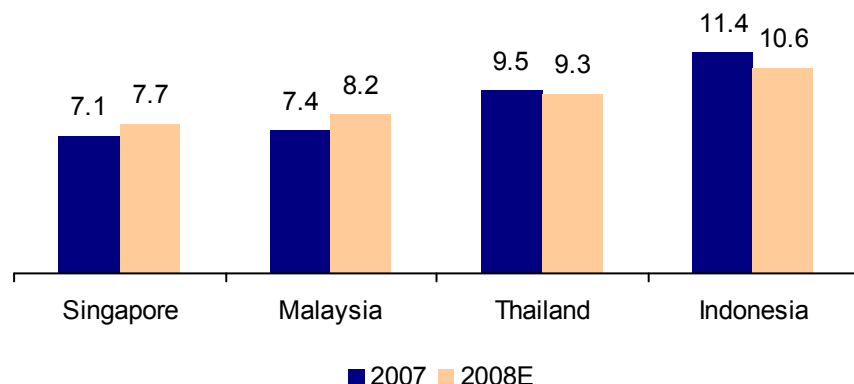
## Near-term Concerns on Asset Quality

(Net NPLs, in %)



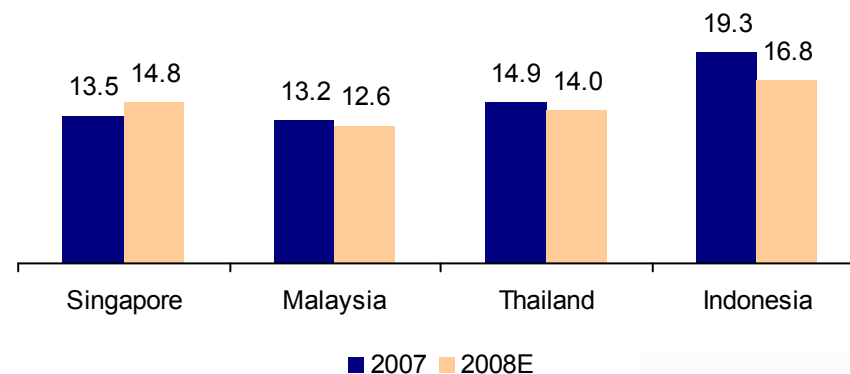
## Total Equity / Total Asset

(in %)



## Preserving Capital Positions

(Total CAR, in %)



Source: Monetary Authority of Singapore, Bank Negara Malaysia, Bank Indonesia and Bank of Thailand.

Note: Singapore bank ratios based on ratios of domestic banking units. Malaysia, Thailand and Indonesia ratios based on commercial banks ratios. NPL ratio in 2008 and 2009 based on research estimates. Capital ratio for Singapore in 2008 estimated based on the average total capital ratio of DBS, UOB and OCBC.





# Agenda

1

Overview of UOB Group

2

Macroeconomic Outlook

3

**UOB in the Challenging Environment**

4

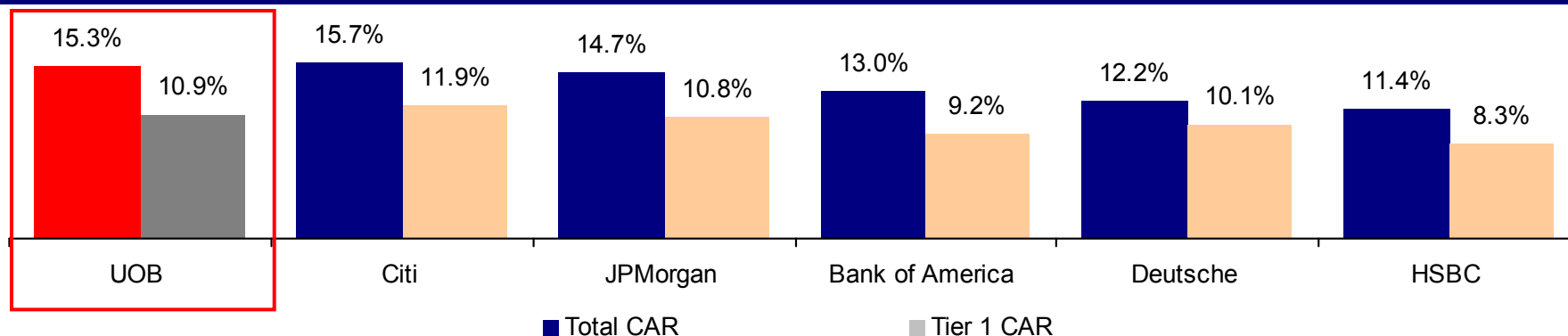
Growth and Regional Strategy

5

Conclusion

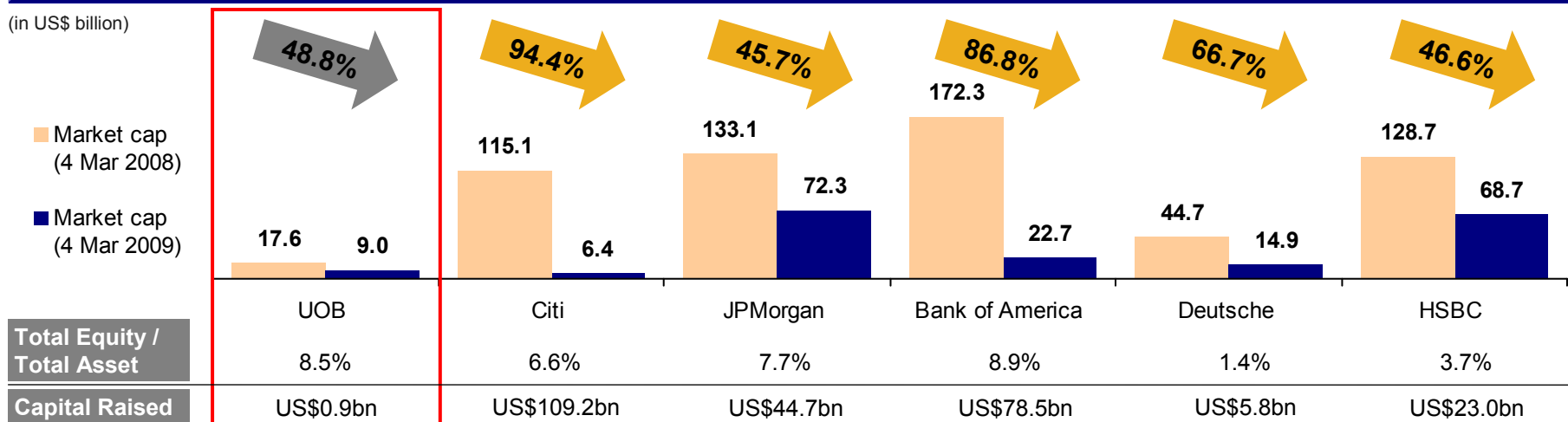
# One of the World's Leading Credits and Well-Capitalized Banks

Total Capital Adequacy Ratio (CAR) and Tier 1 CAR<sup>(1)</sup>



Market Capitalization, Total Equity / Total Asset and Capital Raised<sup>(2)</sup>

(in US\$ billion)



**UOB's capitalization levels and relative market value are at par with renowned banks globally**

Source: Latest company financials, Bloomberg. Percentages refer to the percentage decline in market cap.

Note: (1) Tier 1 CAR and Total CAR as of 31 December 2008.

(2) Market capitalization in US dollars. For non-US banks, uses exchange rate of USD:SGD 1.5478 as at 4 March 2009.



# Sound Balance Sheet Position

- Stable & diversified customer loans portfolio (55% of assets or S\$100 billion)
  - Spread out across countries, business segments and industries. Portfolio diversity remained stable
  - Credit quality intact with no major signs of deterioration. Maintain prudent approach
  - Diversification strategy continues
- Sound & diversified investment portfolio (14% of assets or S\$26 billion)
  - 40% in government securities, mainly in Singapore
  - Remaining mainly investment-grade bonds (>75%). No concentration, performing. Held for long-term
  - Minimal exposure to CDOs and 'structured' assets
- Strong liquidity management
  - Loans-to-deposits ratio improved to 84.5%
  - Customer deposits up 10%; accounts for 81% of deposits from 77% in Dec 2007

*Proven track record of conservative balance sheet management*

# Strong Capital Position to Withstand Current Challenging Environment

- Strengthened capital position with \$1.32 billion preference share issue
- Strong CAR at 10.9% for Tier 1 & 15.3% for Total CAR - well above regulatory requirements
- Current capital level able to withstand near-term potential shocks and portfolio deterioration
- Continue to stress-test portfolios and review our capital needs. Have flexibility in our options
- Growing selectively to preserve capital

# The Bright Spots

- Asian economies more resilient and in position to rebound faster since it is less saddled with structural problems
- Governments in region have flexibility in providing fiscal safety nets to alleviate further shocks and stimulate economies. Strong fundamentals will continue to support domestic consumer and business activity. Singapore's risk-sharing schemes also provide buffer and business opportunities
- Benign competitive landscape expected as foreign banks face higher funding costs and capital constraints. Re-intermediation opportunities among corporates expected to surface given a tight liquidity environment
- Return to 'basics' banking model bodes well for UOB – increasing pricing power, returning to traditional loan facilities
- Able to build competitive advantage through ongoing investments as banks focus on deleveraging and repairing balance sheets

***UOB is well-positioned to take advantage of opportunities within the challenging market environment***

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1

Overview of UOB Group

2

Macroeconomic Outlook

3

UOB in the Challenging Environment

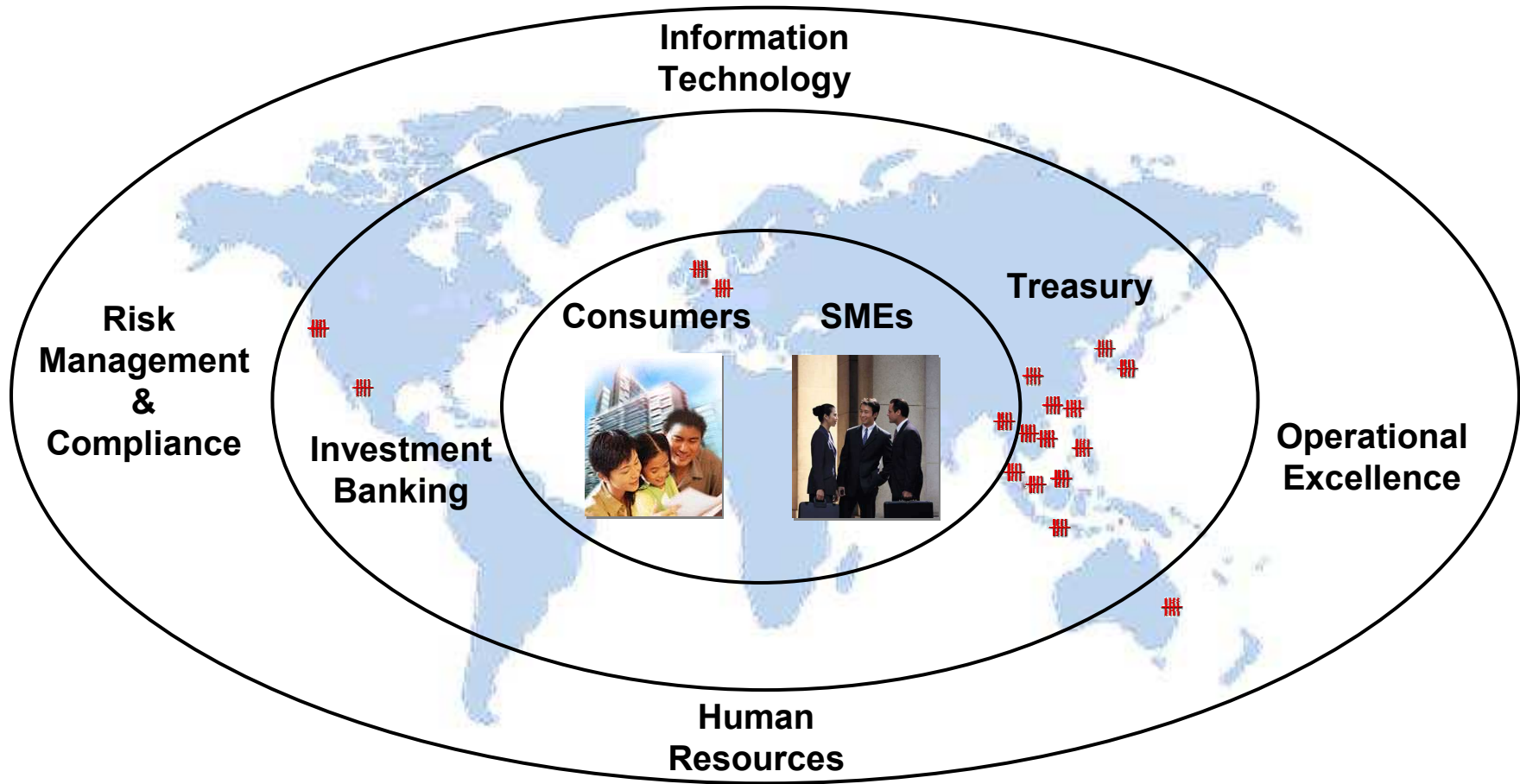
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**Growth and Regional Strategy**

5

Conclusion

# Strategic Focus



*To be recognized as a leader in consumer and SME banking services in the region with investment banking and treasury products in support*

# Strategic Directions

**Strengthen Domestic Market  
Leadership in Core Segments**

**Further Grow Established  
Regional Franchise**

**Establish Strategic Partnerships –  
Focused in High Growth Regions**

**Invest in Infrastructure and Talent  
for the Future**

***Our Mission:  
To Be A Premier Bank in the Asia-Pacific Region***



# Singapore Strategy

- Maintaining housing loan market share in subdued environment
- Market leader in SME financing. Support government initiatives and remain committed to customers
- Opportunities in Corporate lending. Pricing power continues
- Asset quality intact - continued focus on quality credits and selective in portfolio management
- Well-positioned to seize opportunities, remain disciplined

# Overseas Strategy: Anchor Regional Franchise to Strategically Position for the Future

- See region as key to our future growth
  - Unique competitive advantages: Strong familiarity with the markets; Natural flow of customers' regional expansions; Scalable infrastructure
  - Recognize potential upside in Southeast Asia
- Made inroads in key regional markets to understand operating environment. Then scaled up presence with majority acquisitions in banks of strategic fit
- Well-established regional footprint with extensive distribution networks in Malaysia, Thailand and Indonesia
- Ongoing investments in franchise, infrastructure and capabilities to integrate into a single regional operating platform
- Maintain global diversification for a balanced portfolio

# Key Markets' Developments and Strategy

## ■ Thailand – Good turnaround

- Strengthened balance sheet and operating platform
- Pursue disciplined growth

## ■ China – Making inroads

- Good progress following local incorporation
- Building RMB business, establishing infrastructure
- Pace growth, stay focused at high-end of market segments

## ■ Malaysia – Targeted growth

- Well-established history
- Well-placed to grow target Consumer and SME businesses

## ■ Indonesia – Consolidating position

- Took majority stake in Buana for more effective strategic execution
- Strengthening core franchise

*Strengthening franchise and capabilities for future, long-term growth*

# IT Management Strategy

- Focus on aligning IT with the Business
  - Customer-centric processes
  - Differentiation through service and cost
- Create flexibility and capacity in IT infrastructure
  - Buy-not-build proven software packages where possible
  - Customer-centric & modular in architecture
  - Selective outsourcing to leverage external skills, resource management
- Consolidate for scale, time to market, risk management

# Creating Scale – Shared IT Platforms

- Consolidating of IT platforms across key subsidiaries since 2005/06. Using technology to bring the markets closer.
- Significant progress made. Examples are:
  - Credit cards: Singapore, Thailand, Indonesia, Hong Kong
  - Treasury: Singapore, Thailand, Indonesia, Hong Kong, China
  - Lending & Basel related: Singapore, Thailand, China
  - Risk & Profitability measures: Singapore, Malaysia, Thailand, China
  - Regional ATM network – 500 across SEA
- Singapore chosen to be the IT Processing Hub for the above
- Scale is being created; leverage on investment; standardised key control and risk processes; speed to market for product roll-out
- Continue to propagate other core banking systems



# Managing Operational Risks in the Region

- From a collection of banks, critical to unify operating practices – from credit, service standards, market risks and back office practices
- Back Office is key in delivering a regional UOB Brand of service. Align to business strategy and priority
- Having seen the success of sharing common IT platforms, timely to focus on opportunities to also create scale (ie. back office factories). e.g. call center, trade, etc
- Operating model – unify service, products, risk management, IT etc across the key markets. Scale is a long-term competitive advantage not easily duplicated
- Opportune time to invest in IT, process and people. To lay the operating platform for future growth

# Agenda

1

Overview of UOB Group

2

Macroeconomic Outlook

3

UOB in the Challenging Environment

4

Growth and Regional Strategy

5

Conclusion

# Why UOB?

## Southeast Asia proxy

- Well-anchored regional bank with more than a local knowledge - a local network within each country

## Strong integrated regional franchise

- Operating platform, risk management, and IT anchored back to well-regulated Singapore system

## Banking business: Strong basics

- UOB well-positioned to ride through challenges – strong credit ratings, highly-capitalised, well-diversified portfolio, strong balance sheet and sound liquidity

## Prudent and disciplined

- Continue to diversify portfolio, strengthen balance sheet, manage risks and build core franchise for the future
- Consistent in strategy and execution with a long-term view

## Franchise value to be further enhanced by Asia's growth

- Conducting ongoing investments to capture region's potential – including China, Vietnam and India

***Proven track record of financial conservatism and strong management committed to the long-term***