

Announcement

UOB ANNUAL GENERAL MEETING 2017

Singapore, 17 May 2017 - United Overseas Bank Limited (“UOB” or the “Bank”) would like to share some of the topics of interest raised by shareholders and the Securities Investors Association (Singapore), in relation to UOB’s Annual General Meeting held on 20 April 2017:

Performance in 2016

1. Loan Portfolio

In 2016, UOB’s oil and gas exposure was about S\$18 billion, including contingent liabilities. Of that, a large share (65%) was attributable to the less vulnerable traders and downstream players which showed stable asset quality. A smaller exposure (35%) was attributable to upstream oil and gas players. Despite the rebound in oil prices, these businesses, especially the offshore service companies, faced heightened risks, including tight cashflow and overcapacity. UOB believes that new non-performing loans (“NPL”) and specific allowances from this sector should be lower in 2017 than in 2016.

Other than the oil and gas and shipping sectors, the asset quality of UOB’s broader portfolio was stable. UOB’s underlying Singapore housing loan quality had been broadly stable, with its NPL ratio in line with the industry. UOB believes that its Singapore mortgage portfolio will remain resilient, with no systemic signs of asset quality risk as interest rates and unemployment are expected to remain conducive. While economic conditions are subdued, we do not expect widespread asset quality deterioration in 2017, barring unforeseen developments.

2. Credit Stress Test

UOB conducts stress tests on its business portfolios from time to time, taking into consideration business and geopolitical developments. The test parameters cater for stress scenarios ranging from mild to moderate to extreme. Based on the results of the stress tests, the Bank would refine its contingency capital plan to ensure that UOB remains strongly capitalised and is able to carry on as a viable business.

3. Derivatives Exposure

Derivatives exposure has increased due to customer flow. UOB’s net open position was strictly controlled. The increase was partly due to UOB’s initiative to cross-sell financial products to customers.

Business Strategy & Governance

4. Board Composition

The proposed increase in Board size and the re-constitution of the Executive Committee into the Strategy Committee and Board Credit Committee are intended to ensure an equitable distribution of responsibilities of directors, to optimise the collective expertise of the Board and to sharpen the focus of each Board committee. This will help the Board in the discharge of its duties. The increase in Board size is also for succession planning and renewal purposes.

In considering the experience and skills required for the current Board, the Nominating Committee mapped the skill-sets and expertise held by the Board against an ideal framework to identify the additional skill-sets required. The additional skill-sets include technology, strategic planning and human resource management. The Board will also take into account the current commitments of the candidate and his/her ability to commit time to the affairs of the Bank. The Board is supportive of diversity, not in terms of gender alone, or any one particular attribute. It is mindful that the appointment of directors must be based on the skills, qualifications, experience and commitment of the candidate for appointment and the requirements of the Board.

5. Customers

UOB believes in building lasting relationships with its customers and structuring credit facilities appropriate to customer needs. While the relationship manager, who has intimate knowledge of the customer, submits the application for credit facilities, the processing and approval of the application is undertaken by a separate and independent credit approval team. The administration of credit facilities, including the monitoring of the financial covenants, is undertaken by another separate and independent team, with the help of the relationship manager. In addition, all credit facilities are reviewed annually.

UOB has two panels which are independent of the business to handle customer complaints, a Centralised Complaints Panel and a Compensation Panel. The Bank has service standards which specify that 90% of general complaints must be resolved within five business days. Usually, most complaints are resolved within the same day or the next one to two days. In 2016, UOB made compensation for about 15% of complaints reviewed by the Compensation Panel. In cases where the customer was not compensated, the Bank offered to assist the customers to seek adjudication by the Financial Industry Disputes Resolution Centre Ltd (FIDREC), an external independent institution overseen by The Association of Banks in Singapore. In 2016, only one case was awarded compensation by FIDREC.

Outlook

6. **Business Opportunities**

UOB believes that the long-term structural drivers for Asia remain intact. Through its regional subsidiaries and branches, UOB is well-placed to ride on rising consumer affluence and increasing connectivity, in both the physical and digital arenas. Regional integration initiatives such as ASEAN Economic Community and China's Belt and Road also present opportunities. UOB is establishing itself as the ASEAN bank, connecting businesses as they expand across the region.

7. **Technology and Innovation**

The speed and ubiquity that technology offers is causing a shift in customer behavior and this presents opportunities for UOB. UOB believes in innovating from within and through collaborating with external parties such as FinTechs and technology companies, ultimately to bring about new ideas and solutions. Using technology to help better understand what customers need and want, UOB is able to provide an experience that is consistent, seamless and distinct, across all touch-points. Investment in technology will mean a higher cost-to-income ratio in the short-term given the moderate environment. However, UOB is committed to investing in a disciplined manner and believes that when the economic cycle improves, UOB will be well-equipped to capture growth opportunities.

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