

# United Overseas Bank

## Investor Roadshow

*January 2008*

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Singapore Company Reg No. 193500026Z



# Agenda

1

**Overview of UOB Group**

2

Macroeconomic Outlook

3

Growth and Regional Strategy

4

Infrastructure, Systems & Operations

5

Financial Overview

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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 ASEAN. The Group has a total network of 525 offices over 18 countries and territories

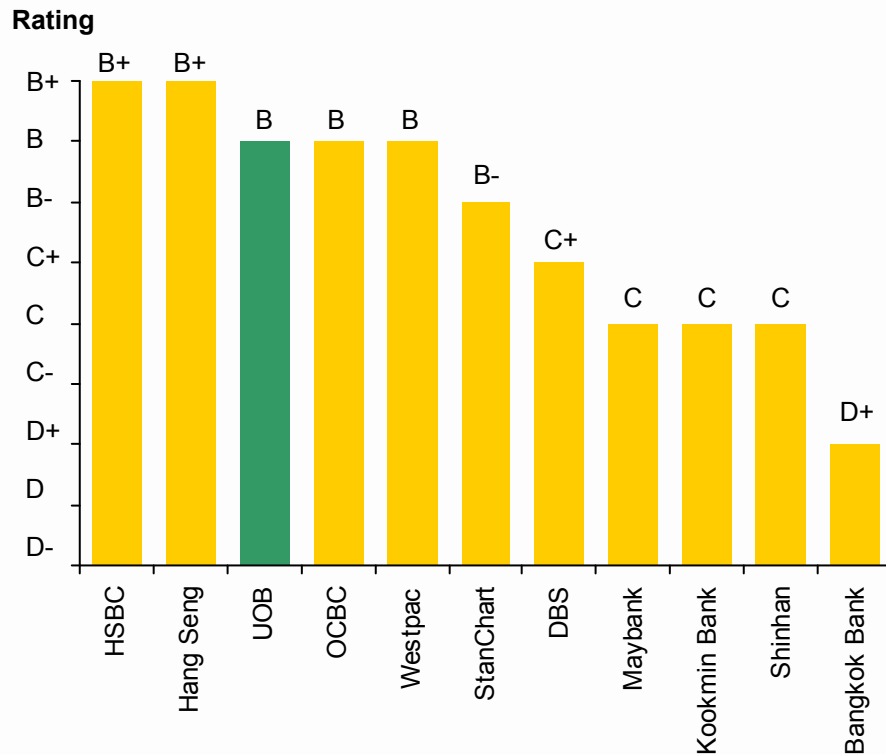
## Key Statistics

- Total Assets: S\$172.2 billion
- Shareholder's Equity: S\$17.2 billion
- Gross Loans: S\$87.1 billion
- Customer Deposits: S\$104.8 billion
  
- ROAA: 1.27%
- ROAE: 12.8%
- NIM: 2.05%
- Non-interest / Total Income: 37.8%
- Cost / Income: 40.7%
  
- Tier 1 CAR: 10.2%
- Total CAR: 14.8%
  
- Moody's: Aa1 LT Bank Deposits
- S&P's: A+ LT Counterparty Credit

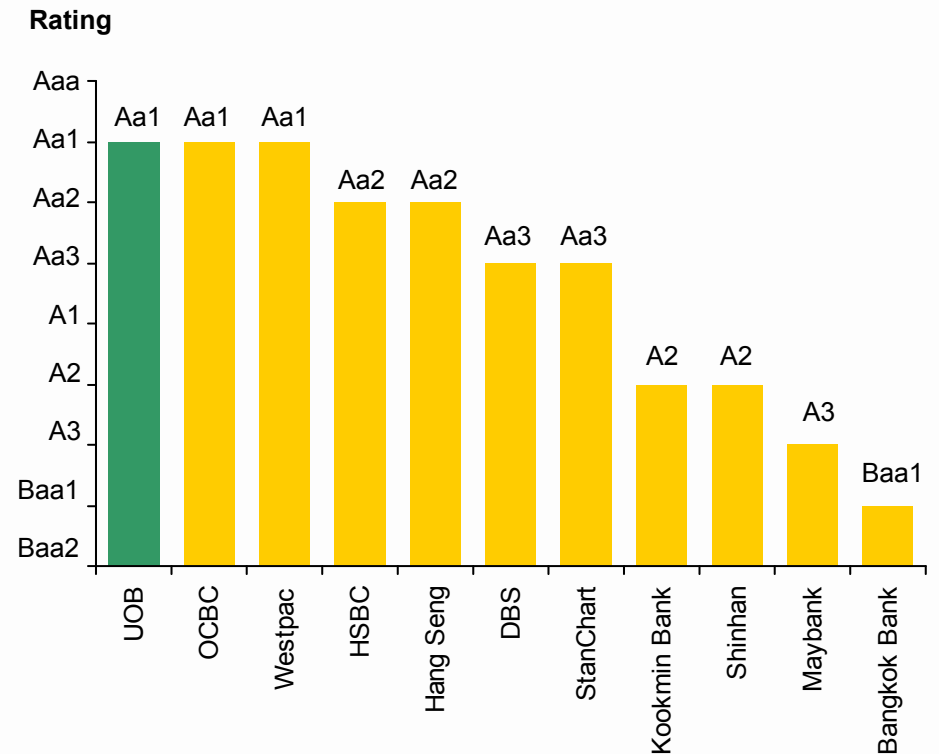
Note: Financial statistics for the nine months ended 30 September 2007

# One Of The World's Leading Credits

## Bank Financial Strength



## Foreign Long-Term Bank Deposit

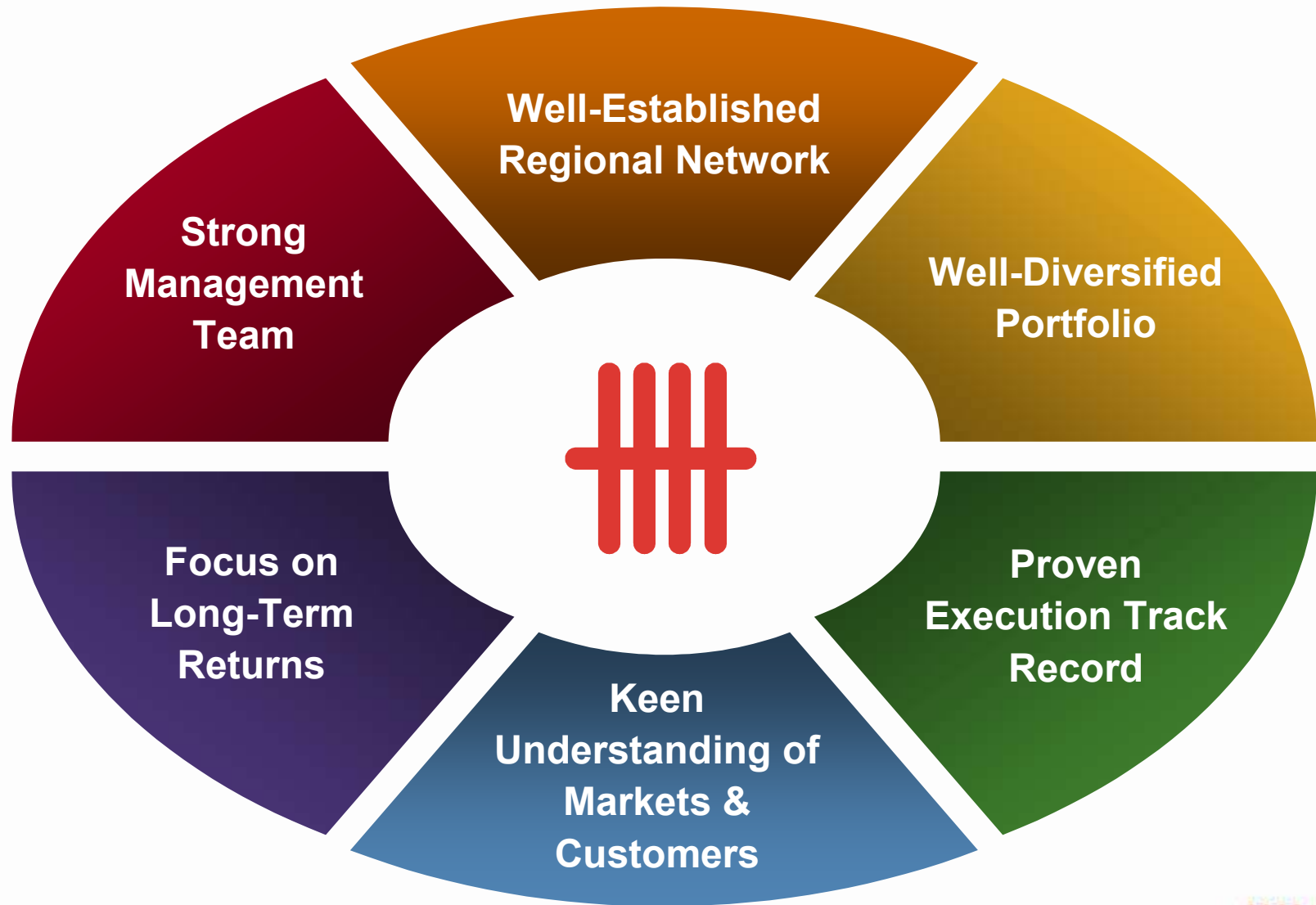


***UOB is one of the highest rated banks globally***

Source: Moody's as of November 2007

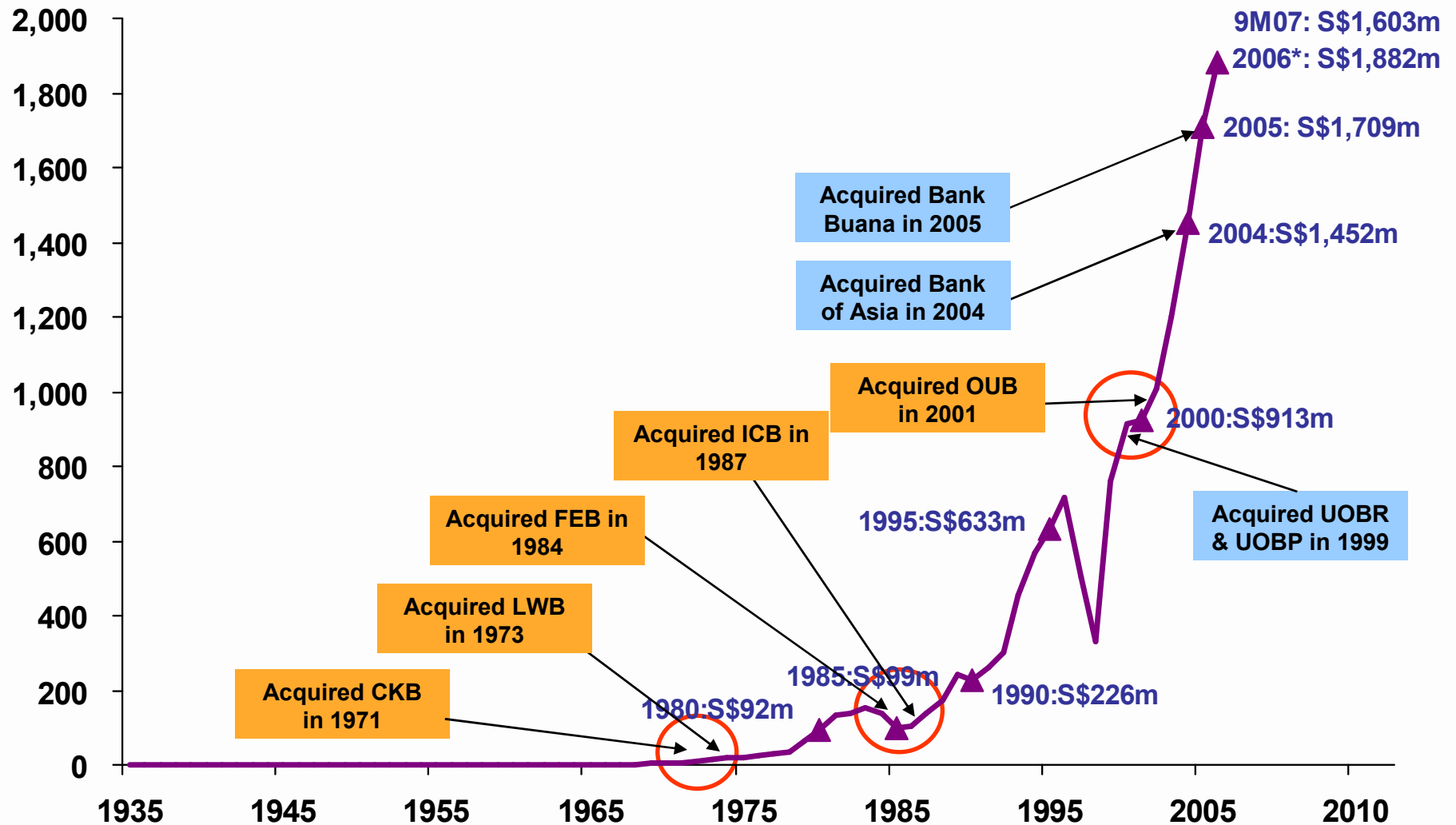


# The UOB Difference



# Execution Track Record

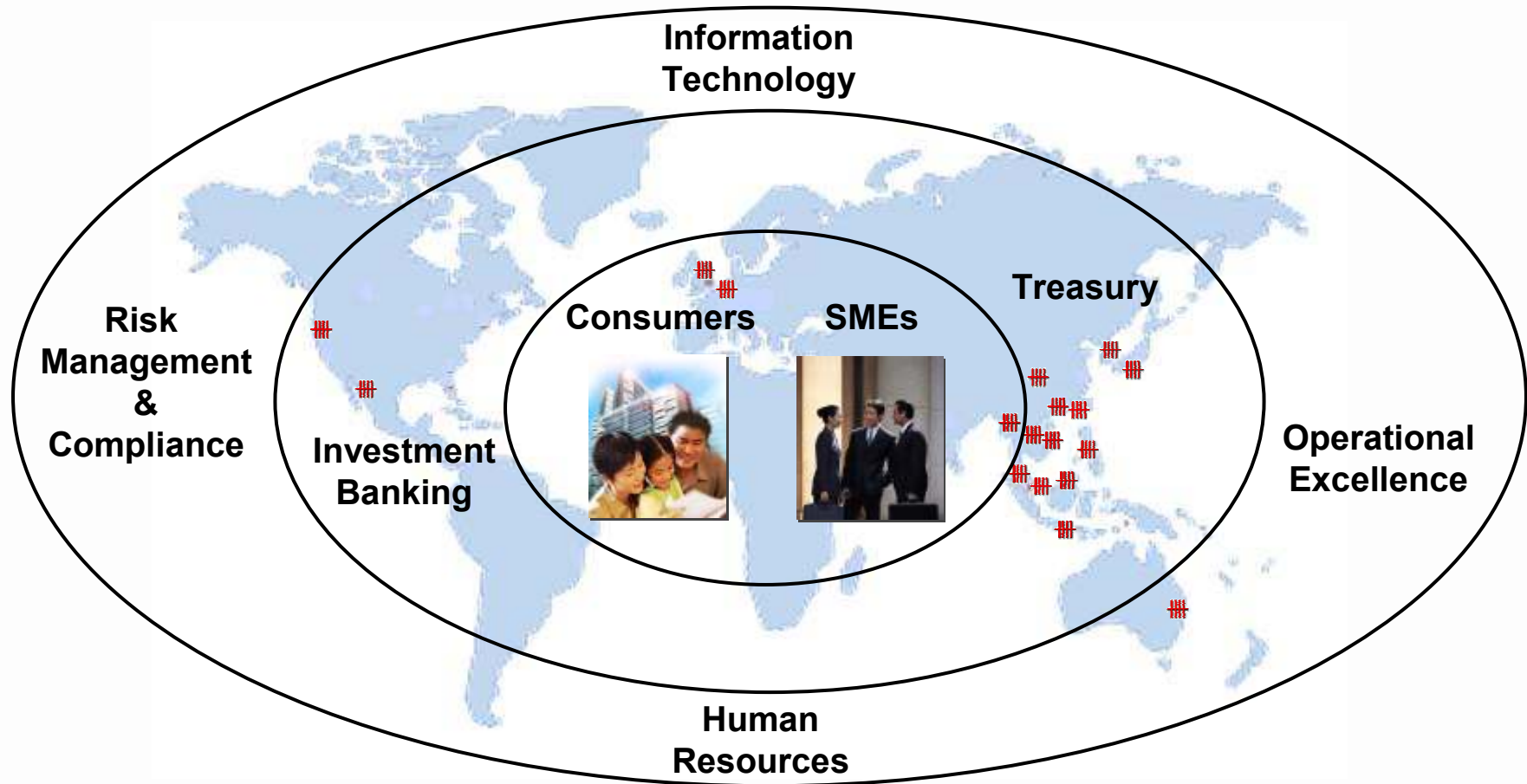
Profit (S\$ m)



\* 2006 net profit after tax was S\$2,570 million including one-time gain



# 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*



# Awards & Accolades

“Best SME Bank in Asia Pacific”



2007

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



2007

“Best Domestic Bank – Singapore”



2006

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



2006

“Best Bank - Singapore”  
“Best Sub-Custodian Bank – Singapore”



2006

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



2003, 2004, 2005, 2006

*Locally and overseas, with the Bank's strong financial performance and regional reputation, it continues to receive strong endorsement with numerous accolades from leading publications, trade organisations and the investment community*



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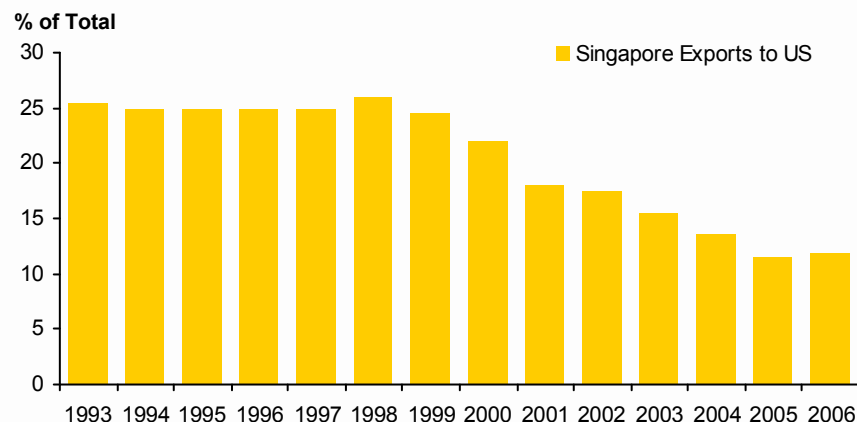
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# Singapore Outlook Promising

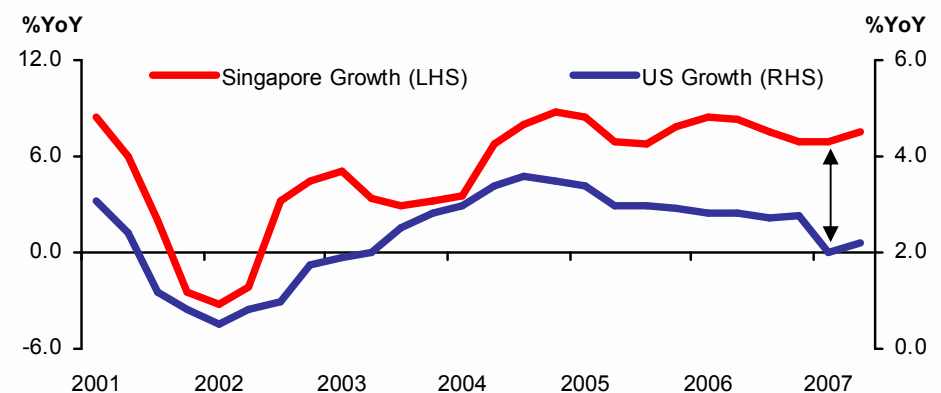
- Singapore enjoys economic leadership status within ASEAN
  - As a key Asian financial services hub, Singapore has continued drawing a multitude of global multinational banks and corporations, thereby contributing to a strong across-the-board economic boom
  - Positive governmental policies have enabled smooth transformation from a manufacturing to a knowledge and service-based economy
  - Reduced dependence on the US consumer with export exposure to the US having more than halved from 25% in 1999 to just over 11%
  - Leisure and infrastructure expansion through domestic mega projects (two new integrated casino resorts on the verge of completion and debut of the Formula One Grand Prix street race slated for 2008)

## Declining Exports to US



Source: Wall Street Research

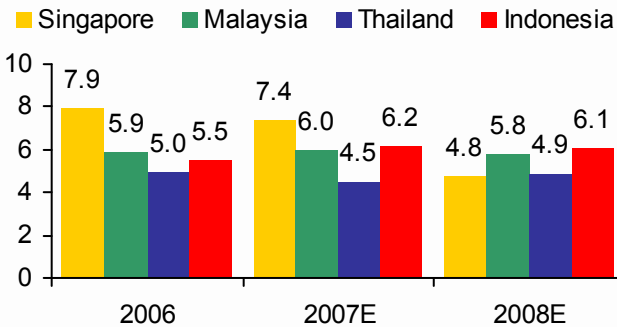
## Singapore and US Growth Decoupled



# SE Asia: Positive Macroeconomic Indicators

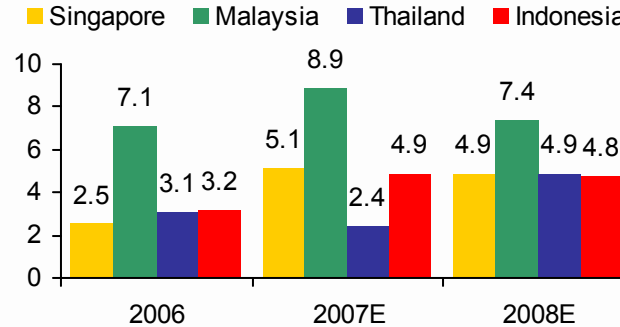
## Real GDP Growth

(In %)



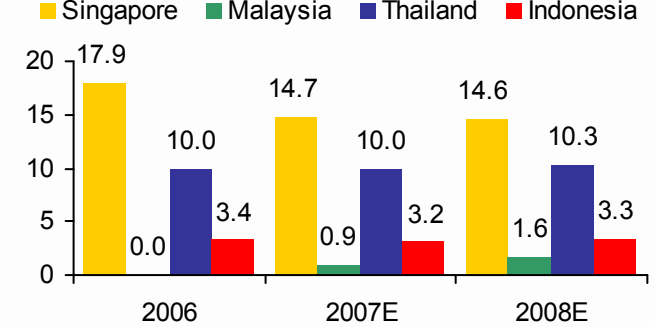
## Private Consumption Growth

(In %)



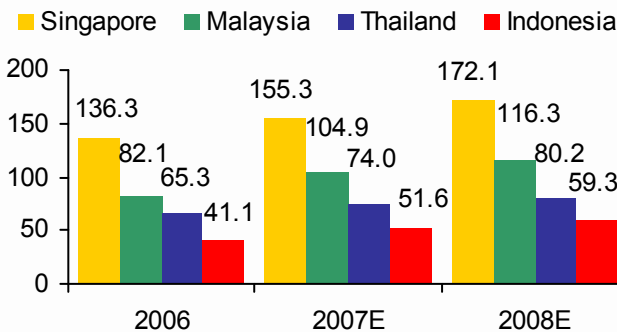
## Foreign Direct Investments

(In US\$ bn)



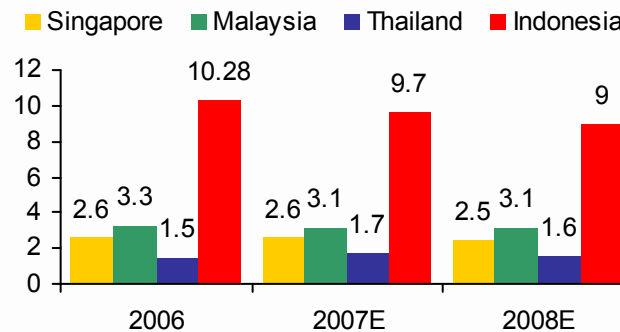
## Foreign Exchange Reserves

(In US\$ bn)



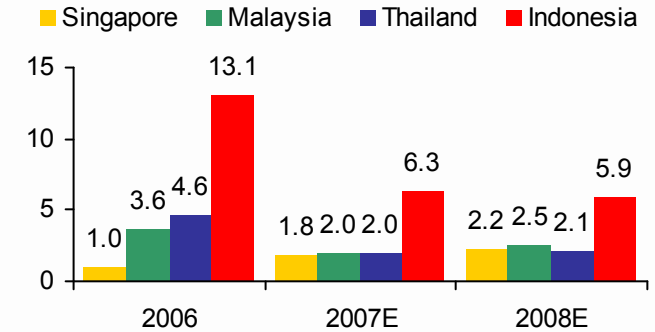
## Unemployment Rate

(In %)



## Inflation

(In %)



Source: EIU, as of 27 November 2007

# Strong Fundamentals Driven Growth

- Economic fundamentals across the region are much more robust than the pre-1997 period
  - Strong GDP outlook across all economies
  - High levels of foreign exchange reserves
  - FDI inflows strong and improving
- Economic activity is more broad-based with less dependence on the US economy
- Asian currencies have strengthened vis-à-vis the US dollar
- Key structural issues related to weak financial systems and poor governance have been addressed
- The banking sector remains strong with high levels of capitalization and low NPL levels across the region
- More stable socio-political environment across the key Southeast Asian economies

# Some Macro Risks But UOB Remains Insulated

	Concerns	Comments
<b>Risk of US Economic Slowdown</b>	<ul style="list-style-type: none"> <li>▪ Challenging macro environment with Inflationary pressure, real estate deflation and tightening credit</li> <li>▪ Risk of a US economy slowdown is now higher</li> </ul>	<ul style="list-style-type: none"> <li>▪ Macro fundamentals remain strong in Asia with buoyant consumer demand and ample liquidity</li> <li>▪ Asia growth should remain resilient despite any US slowdown</li> </ul>
<b>Challenging Credit &amp; Currency Markets</b>	<ul style="list-style-type: none"> <li>▪ Widening credit spreads and reduction of risk tolerance</li> <li>▪ Appreciation of global currencies weakens US\$-based revenue flows</li> </ul>	<ul style="list-style-type: none"> <li>▪ Global credit markets are now more settled</li> <li>▪ Limited UOB exposure to high risk credit</li> </ul>
<b>Singapore Loan Demand</b>	<ul style="list-style-type: none"> <li>▪ Potential risk of mortgage market slowdown</li> <li>▪ Risk of weaker consumer confidence to personal lending growth</li> </ul>	<ul style="list-style-type: none"> <li>▪ Economic growth has been broad-based</li> <li>▪ Healthy pipeline of residential completions</li> <li>▪ Strengthened regional platform can easily scale up for increased volume</li> </ul>

***UOB is largely insulated from any US recessionary downturn. Importantly, the Bank will continue to benefit from the strong domestic demand in its core markets of Singapore and ASEAN***

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# 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 & Talent  
for the Future**

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



# Expand Southeast Asia Franchise

## ▪ Malaysia – Poised for accelerated growth

- Long-established history with good local knowledge and understanding of customers and market (2<sup>nd</sup> home market)
- Focus on consumer and SME, and tap on increasing opportunities in treasury and investment banking for higher non-interest income
- Infrastructure and extended distribution network in place for accelerated growth – Largest foreign branch network with 43 branches/offices

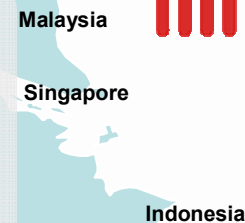


## ▪ Thailand – Committed to Thailand

- Raise UOB brand awareness to enhance competitiveness
- Strong distribution network with 155 branches/offices
- Focused on growing targeted consumer and retail SME segments
- Robust credit management systems and balance sheet management for future growth
- Remain positive

## ▪ Singapore – Well-placed for expansion

- Leading local bank with dominance in consumer and SME markets
- Robust economic expansion
- Buoyant property market
- Growing affluence and demand for wealth solutions
- Well-entrenched with 72 branches/offices
- Overall momentum expected to continue



## ▪ Indonesia – Entrench market position

- Network expanded to 218 branches/offices
- Enhancing infrastructure and processes in preparation for business expansion
- Building consumer business. Strengthen foothold in lending and fee-based activities
- Satisfy the capital requirement to gain "national bank" accreditation

***Continue to build on established positions in the 4 Southeast Asian Pillars***

# Next Growth Phase – Beyond the Four Pillars

## ▪ China

- Local incorporation status and stronger capitalization to support organic growth targeting affluent consumer and institutional segments
- Strategic investments and alliances to gain access to distribution network – potential investment in China's Evergrowing Bank
- Capturing commodity trade financing opportunities in Greater China

## ▪ Vietnam

- Seeking to grow branch network – first Singapore bank to establish presence in country (Full-service branch in Ho Chi Minh City)
- Fast growing market. Opportunities in consumer banking. UOB is leading credit card merchant acquirer
- Developing Vietnam as another key growth pillar – acquired 10% stake in Southern Commercial Joint Stock Bank with room to increase stake further

## ▪ India

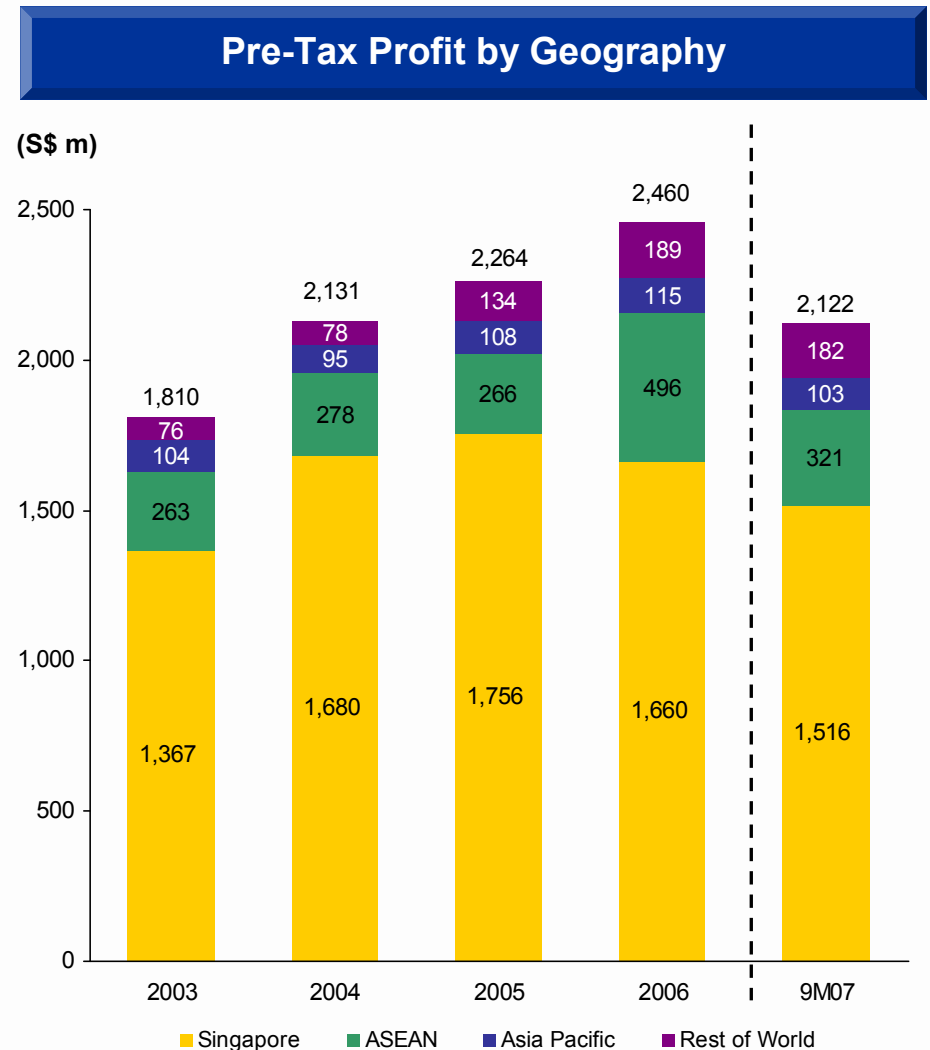
- Intend to be disciplined and prudent by focusing on selective segments as we build understanding of the market
- Applying to set up first branch in Mumbai

## ▪ OECD

- Provide risk diversification and balanced global portfolio
- Will continue to be a meaningful overseas contributor

# Overseas Expansion On Track

- Global portfolio diversification
  - Overseas operating profit up 10% yoy
  - Pre-tax offshore profit contribution in 9M07 accounts for 29%
- Established strong regional distribution platform – Hard to duplicate network for rivals
- Southeast Asia platform well-positioned for growth. ASEAN pre-tax profit accounts for 15% in 9M07
- Significant infrastructure investment to position for long-term sustainable growth
- New strategic initiatives in Vietnam and China
- Transforming UOB into a regional player. Progress on track



Note: Operating profit before intangible assets amortised, and excluding one-time gain in 2006



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# IT Management Philosophy

**Differentiation through customer segmentation and service**

**Leveraging volume to create infrastructure scale**

**Fast and measurable benefits**

# 2007 – A Year of Investment

- Malaysia – Call centre strengthened with customer relationship management system  
– Consumer credit management process enhanced
- Thailand – Basel related infrastructure completed  
– Overhauled entire suite of credit management process, strengthened & harmonised to the Group
- Indonesia – Treasury operations capability laid  
– Credit Cards infrastructure overhauled
  - Origination
  - Cards billing/rewards
  - Collection
- China – Core banking systems laid for local incorporation
- Singapore – Strengthened Regulatory/Compliance infrastructure
  - Basel IRB certification obtained (in parallel run for 2 years starting 2007)
  - Anti-Money Laundering



***Focus on core infrastructure building to manage operational risk for revenue growth***

# 2008 – IT Strategy Moving Forward

- Consultative review of our IT strategy, architecture and business alignment for the next 5 years
- Re-affirmed the strategy of consolidating shared IT infrastructure for core businesses
  - Singapore as the primary IT service centre
  - Build secondary IT centre outside of Singapore over time
- Review consolidation of other operating capabilities for scale & harmonisation; for efficiency and further strengthening risk management and product capabilities
- Investments needed to align the various operating platforms in the regional subsidiaries over the next 3 - 5 years
- Prioritise and balance investment spend with revenue growth





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# Strong Operating Performance

	2002	2006 <sup>(1)</sup>	2002-2006 CAGR	9M07
Operating Profit (S\$ m) <sup>(2)</sup>	1,960	2,488	6.1%	2,134
Net Profit After Tax (S\$ m)	1,006	1,882	17.0%	1,603
Earnings Per Share (S\$) <sup>(3)</sup>	0.64	1.20	17.0%	1.38
Cash ROE <sup>(3)</sup>	9.5%	12.4%	6.9%	12.8%
Non-Interest Income / Total Income	29.9%	35.8%	4.6%	37.8%
Offshore Profit Contribution	22.0%	32.5%	10.2%	28.6%

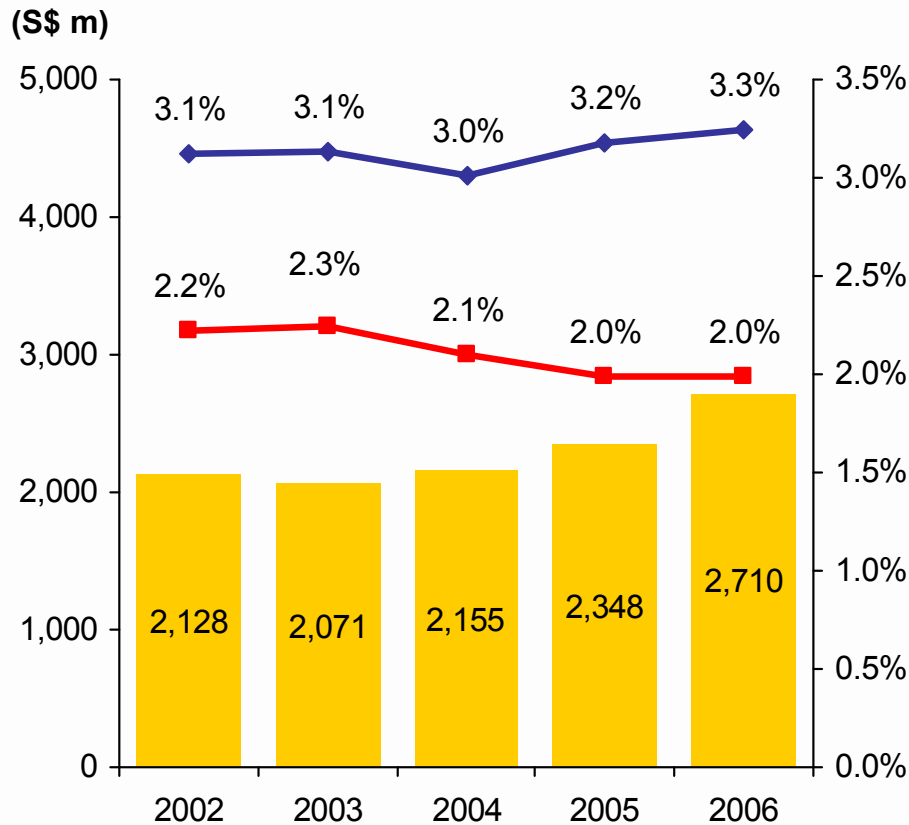
(1) Excluding one-time gain in 2006

(2) Before amortization and impairment charges

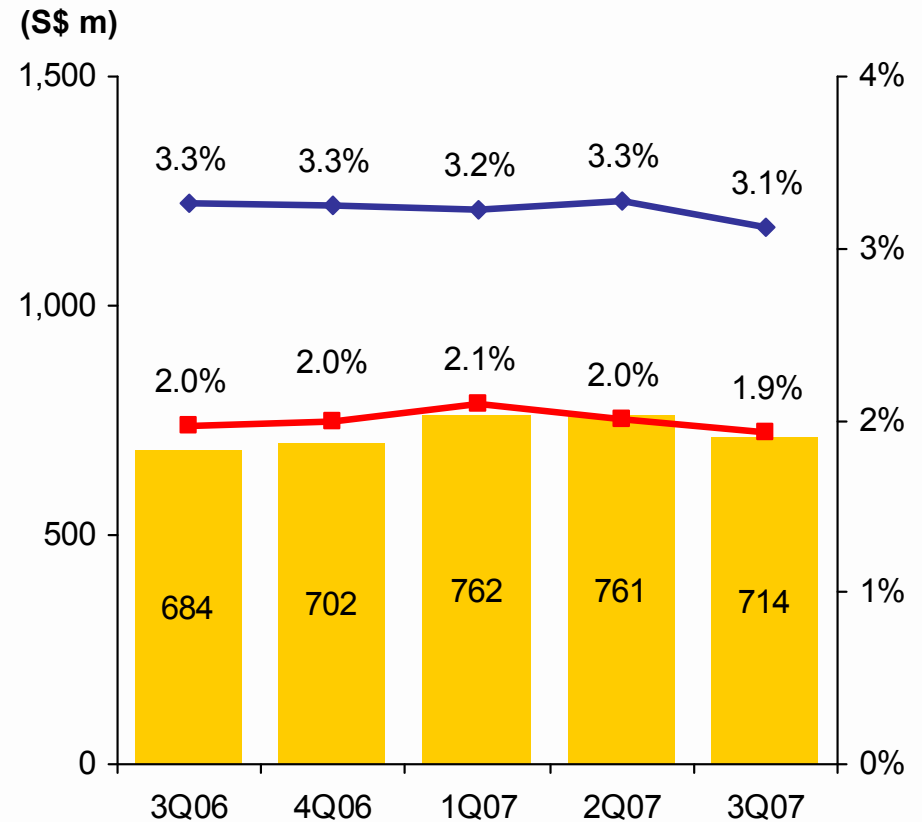
(3) Computed on an annualized basis

# Higher Net Interest Income & Loan Margin

## Net Interest Income and Margin



■ Net Interest Income  
■ Average Interest Margin (%)  
◆ Loan Margin (%) (1)

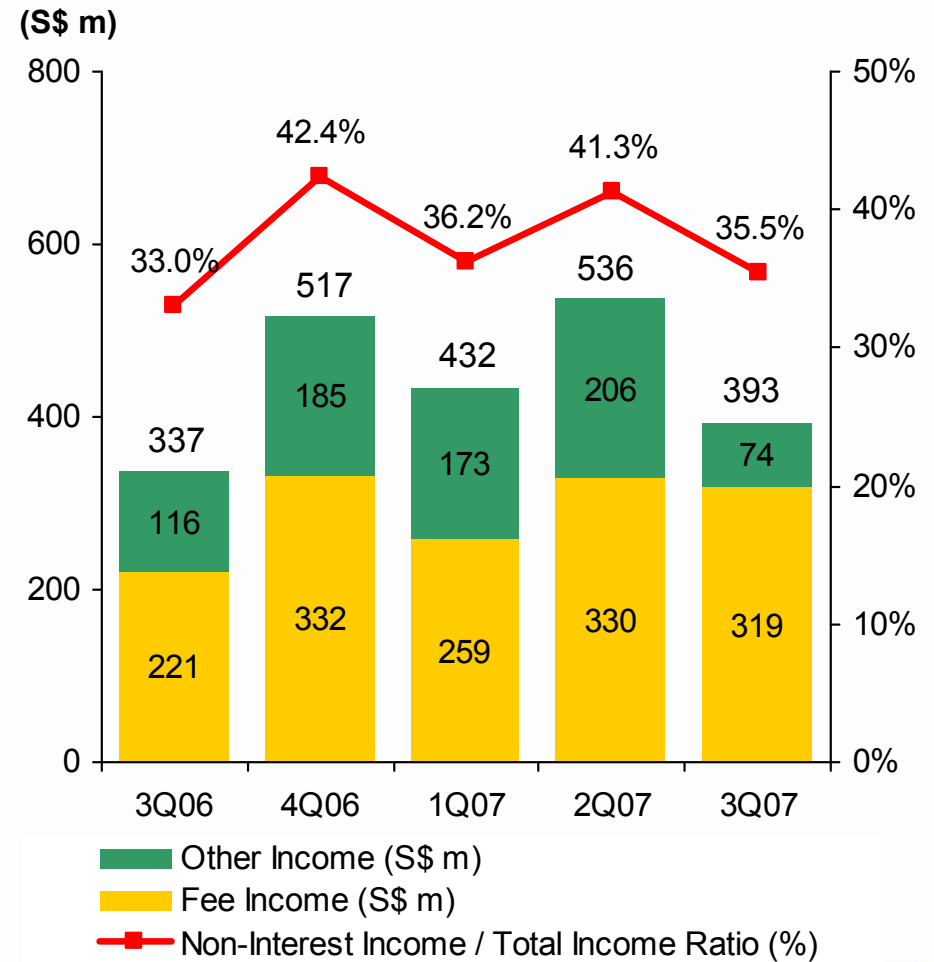
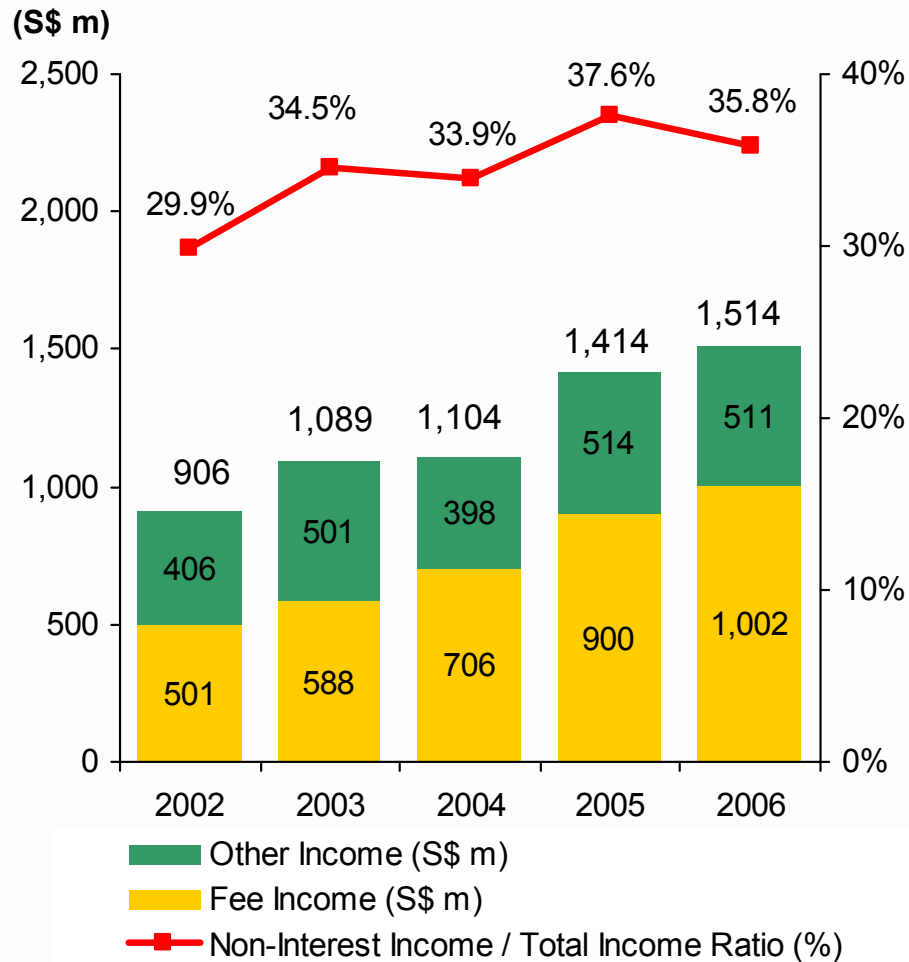


■ Net Interest Income  
■ Average Interest Margin (%)  
◆ Loan Margin (%) (1)

(1) Computed based on loan yields less cost of deposits

# Significant Non-Interest Income Contribution

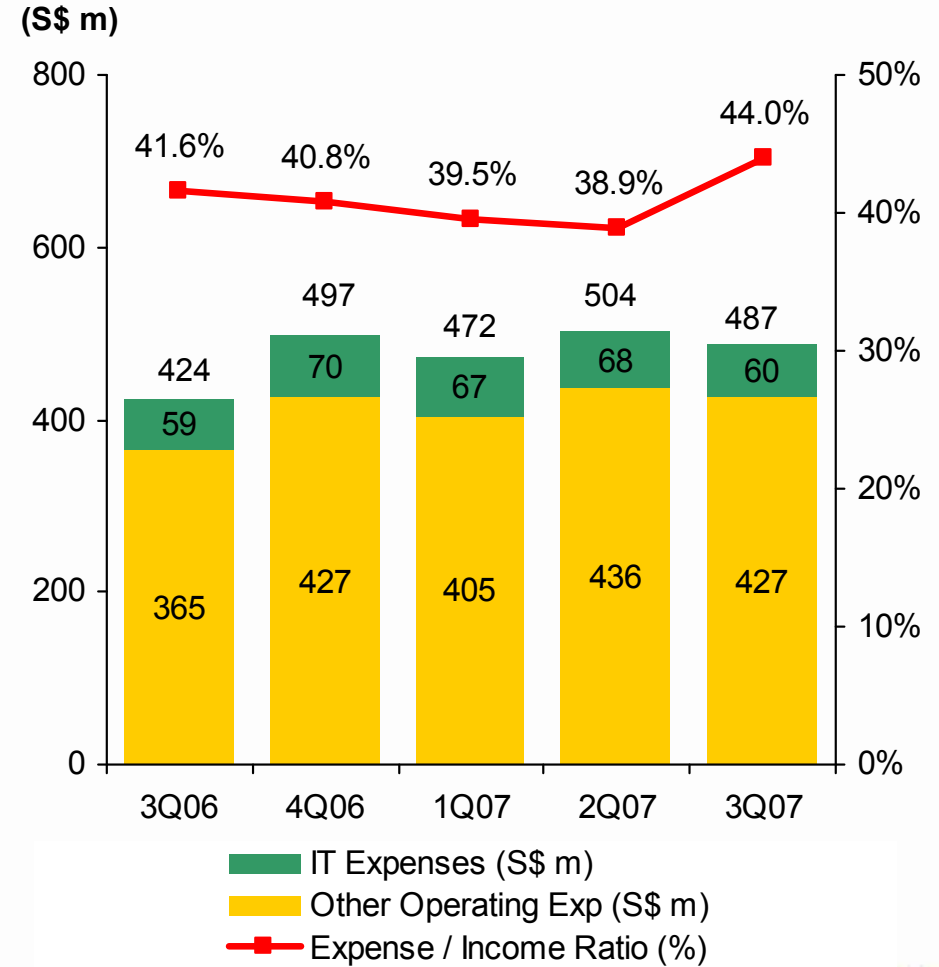
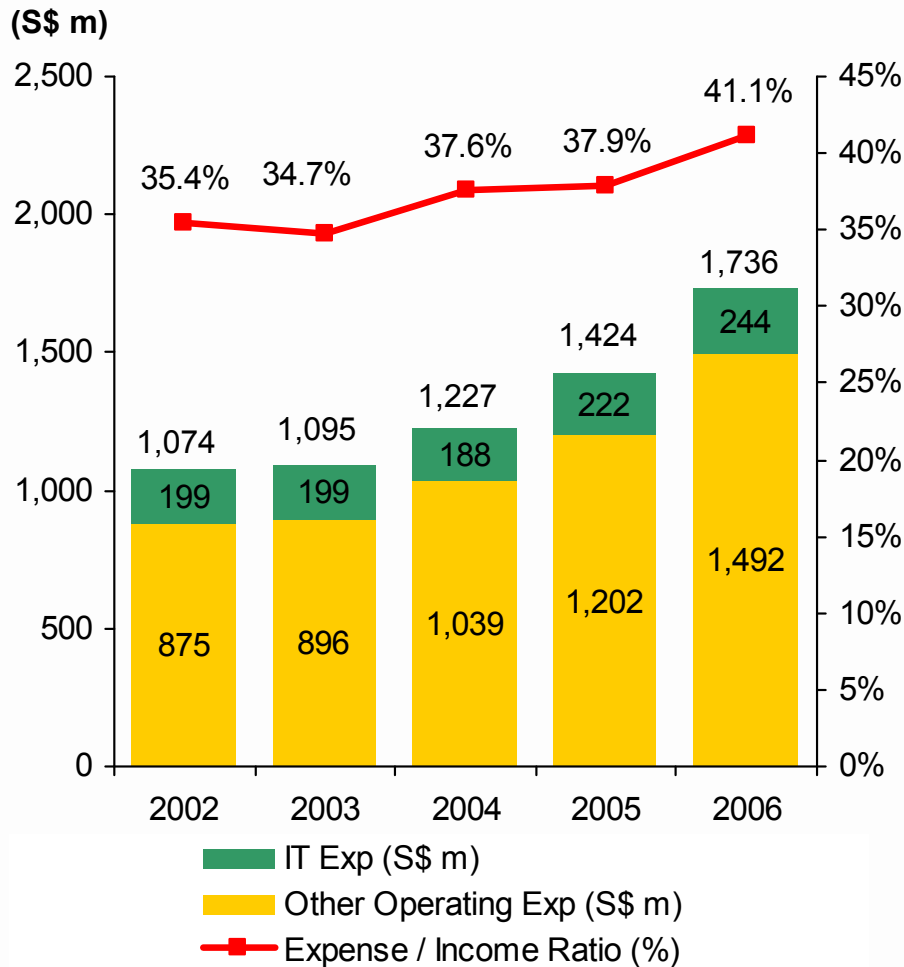
## Non-Interest Income and Non-Interest Income Ratio



Note: Excluding one-time gain in 2006

# Continued Infrastructure Investment

## Operating Expenses and Expense / Income Ratio



Note: Excluding one-time gain in 2006

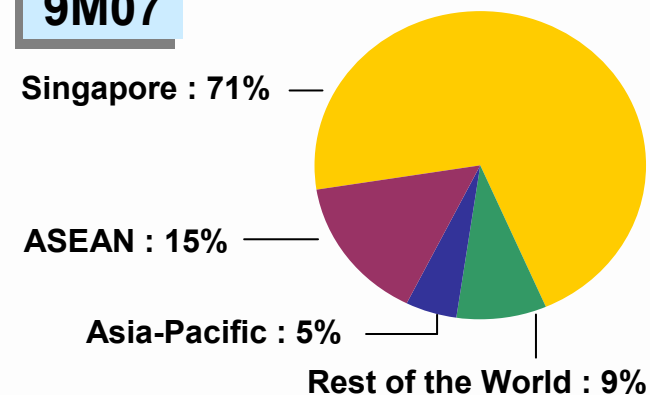
# Sustainable Profit Contribution From Overseas Operations

## Geographical Segment

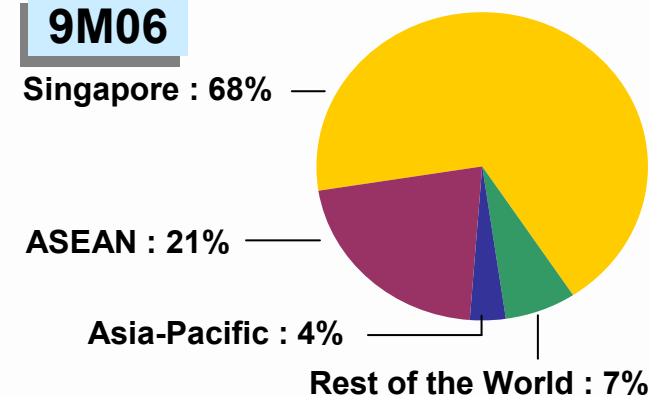
<b>Profit Before Tax<sup>(1)</sup></b>	<b>9M06 S\$ m</b>	<b>9M07 S\$ m</b>	<b>Incr/(Decr) %</b>
Singapore (Including ACU)	1,200	1,516	26.3
Other ASEAN Countries	370	321	(13.2)
Other Asia-Pacific Countries	65	103	58.5
Rest of the World	117	182	55.6
<b>Profit Before Tax</b>	<b>1,752</b>	<b>2,122</b>	<b>21.1</b>

Note: Excluding the one-time gain in 9M06  
(1) Before amortisation and impairment charges

### 9M07

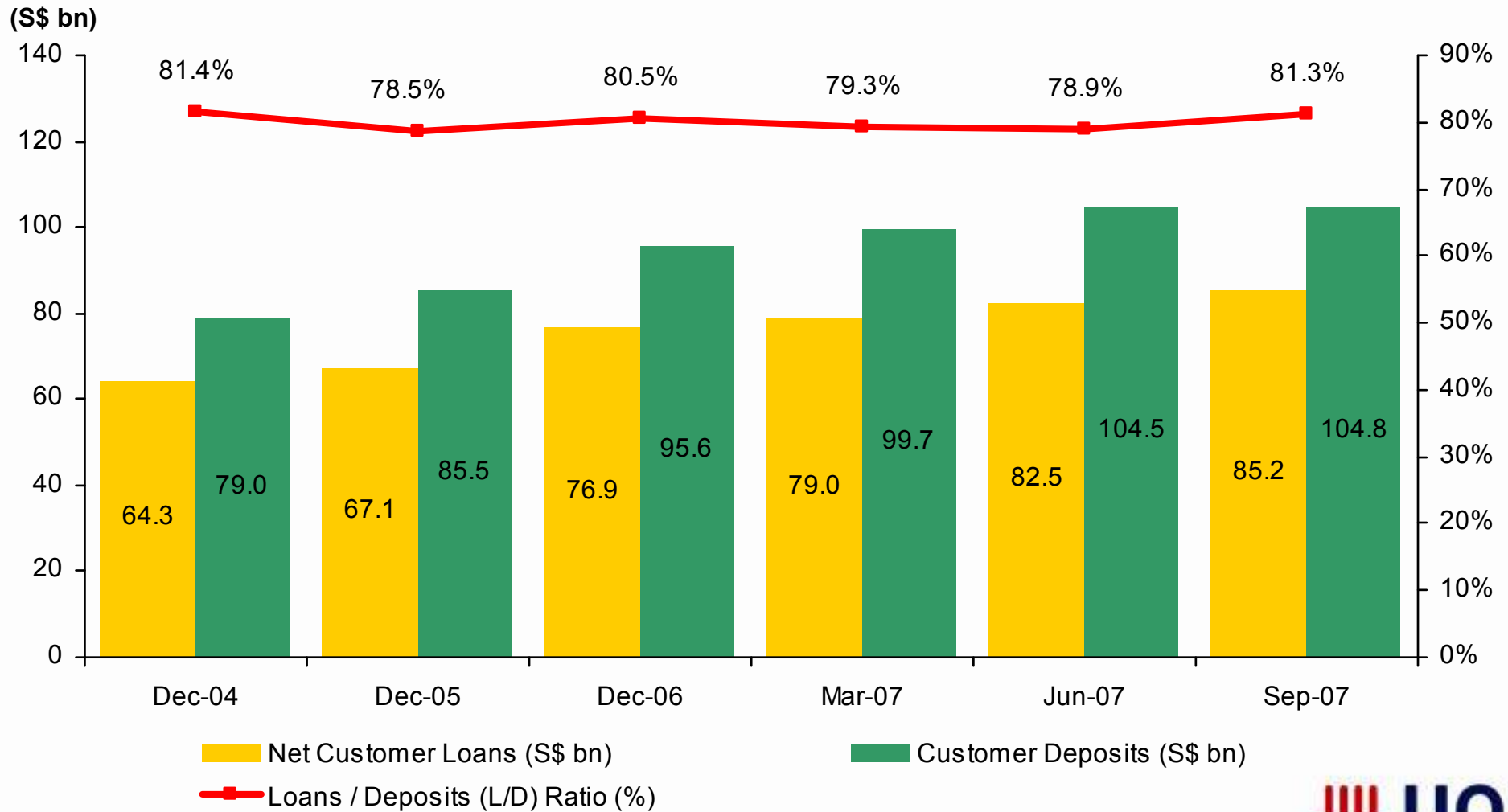


### 9M06



# Growth In Loans & Deposits

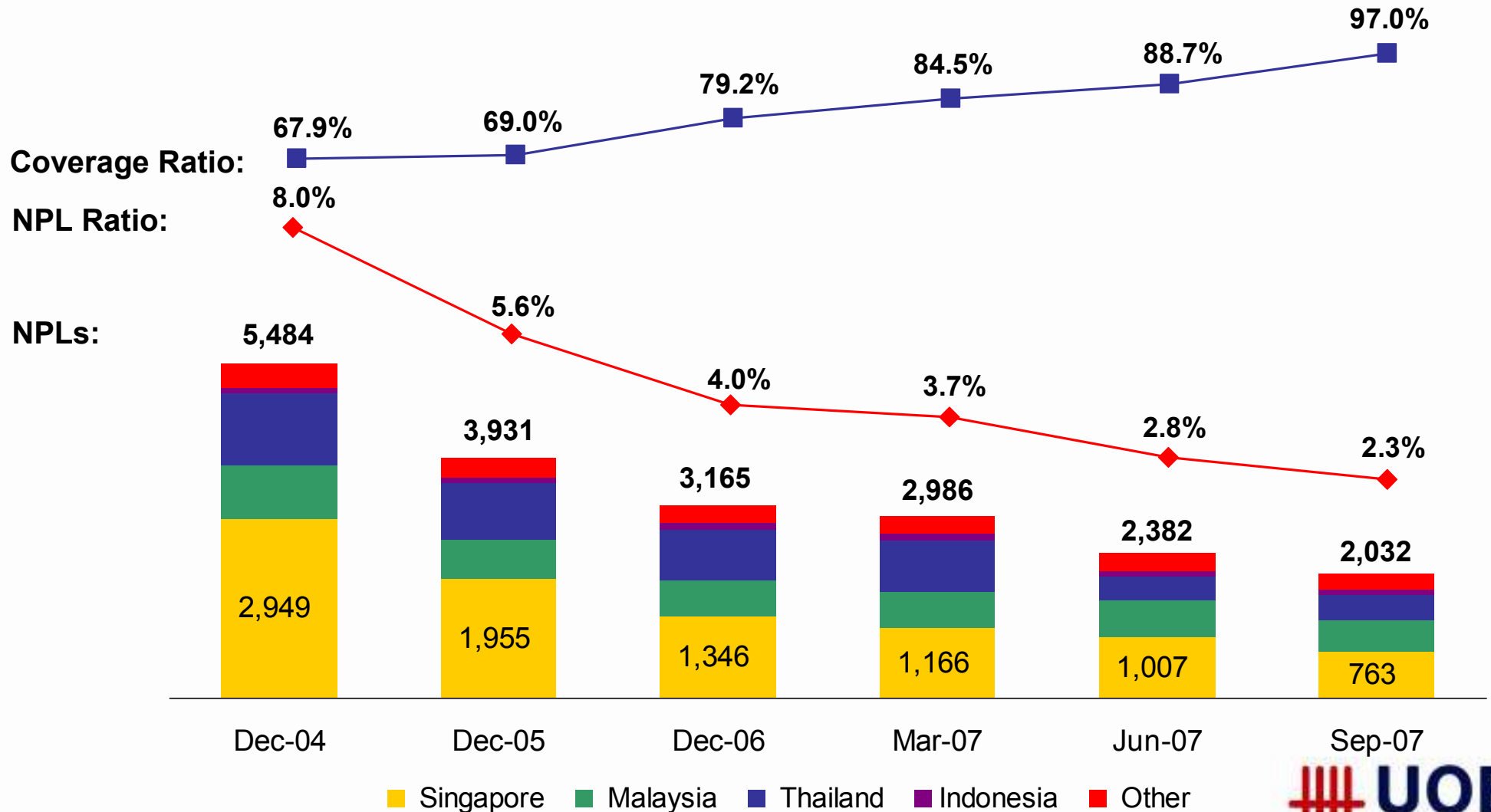
## Customer Loans, Deposits and L/D Ratio





# Improved Asset Quality Across Major Countries

Coverage Ratio, NPL Ratio and Total NPLs by Country



# Approach To Capital Management

## Seek Capital Efficiency

- Review mix of capital structure
- Option of share buyback and/or special dividend for any excess capital

## Strong Capital for Strategic Flexibility

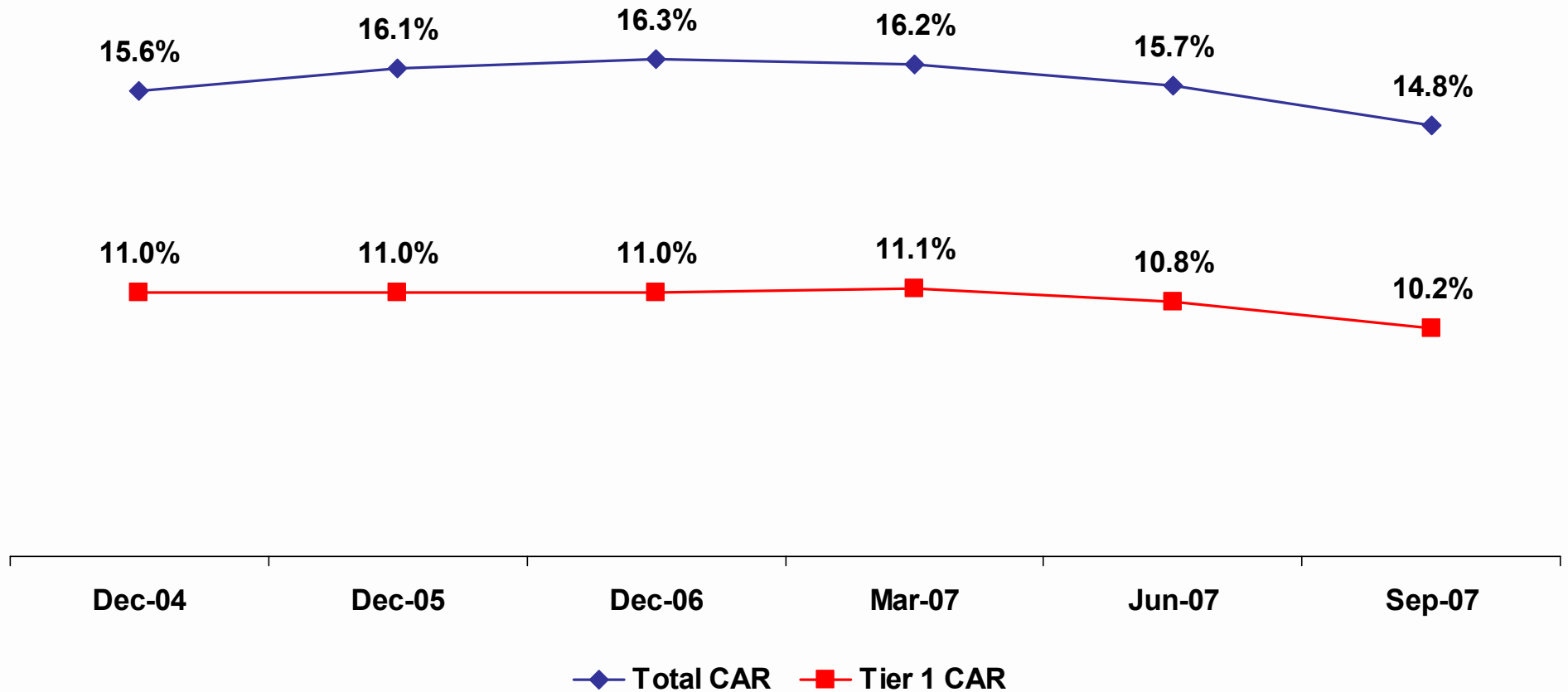
- Keep buffer above regulatory CAR to maintain high credit ratings
- Reserve capital as we see opportunities in Singapore and region to strengthen franchise

## High Dividend Policy

- Special dividend of 15 cents per share in 1H07. Total dividend of 35 cents per share for the period
- Target for consistent high payout to reward shareholders

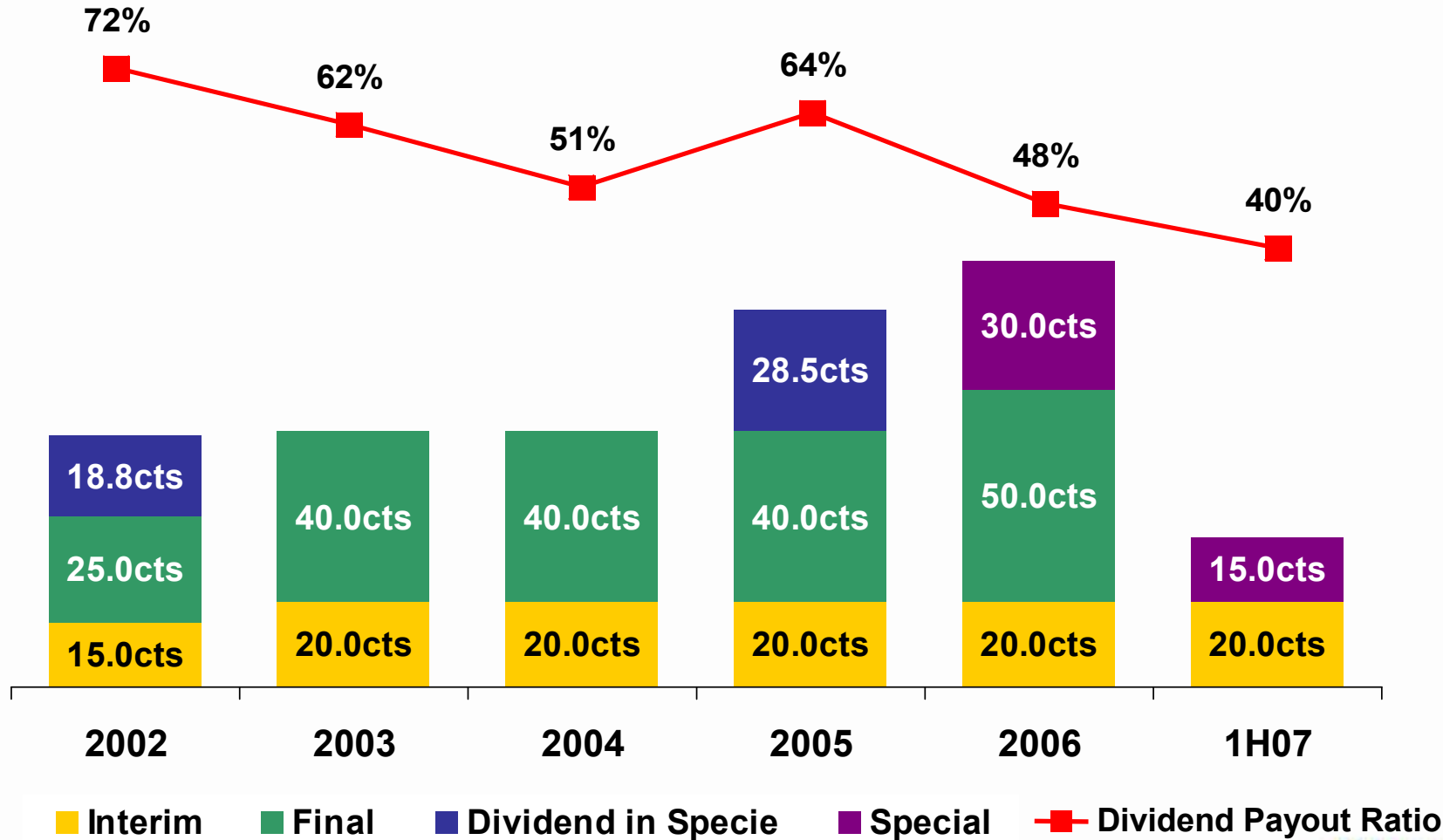
# Strong Capital Position

## Capital Adequacy Ratio



# Consistently High Dividend Payouts

## Dividend Payout



# UOB's CDO Investment Update

## United Overseas Bank

- Total CDO investments as at end-Sep 2007 was S\$388m; of which S\$90m are in ABS CDOs
- Of the remaining S\$298m Corporate CDOs, S\$101m are due to mature by Mar 2008
- None of our S\$388m CDOs held as investment is in default

## Provisions

- Took a S\$20m P/L charge during 3Q07. Total cumulative P/L charge for CDO investments was S\$55m as at 30 Sep 2007
- Additional S\$66m provision for mark-to-market losses had been taken at the Bank's reserves

## UOB Asset Management (UOBAM)

- Total CDO AUM of S\$11.4bn as at end-Sep 2007; of which S\$3bn are ABS CDO transactions
- UOBAM only manages clients' money and does not have any direct investment in their own books
- By Mar 2008, S\$5.0bn is due to mature, with a further S\$1.0bn maturing in Sep 2009
- CDOs under management are of investment grade and are distributed globally to institutional investors

## UOB Life Assurance (UOB Life)

- UOB Life has invested S\$43m in corporate CDOs in Life Fund (not Shareholders Fund), of which S\$37m will mature by Mar 2008

***UOB is insulated from global credit issues given the lowest exposure to CDOs among Singapore banks (<0.3% of total assets) and focus on Consumer and Institutional lending***

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# In Conclusion

**Singapore a new growth paradigm – UOB well-positioned to capture upside**



**Prized distribution network in region. Regional franchise value to further enhance with Asia's growth. Best SEA proxy**



**Regional growth potential supported by strong Singapore risk management culture**



**Discipline in balance sheet management; diversified portfolio, core lending franchise, strong liquidity**



**Focus on building operating infrastructure for regional differentiation and long-term sustainable growth**



**Positive outlook despite short-term challenges. Strategy intact, core business remains strong**



***UOB remains the most compelling bank investment story in Southeast Asia***