Securities Investors Association (Singapore)
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Email: admin@sias.org.sg www.sias.org.sg
UEN No: S99SS0111B
GST Reg No: M90367530Y

Issuer: United Overseas Bank Limited

Stock code: U11

Meeting details:
Date: 21 April 2022
Time: 3.00 p.m.

Due to the current COVID-19 pandemic, SIAS encourage shareholders to participate at AGMs via other means and not to attend any AGM physically. Where the AGM is webcast, they can stay on top of their investments by watching the webcast and submitting their question to the company in advance. Senior citizens should avoid attending AGMs altogether and stay home.

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Q1. In January 2022, the bank announced that it had agreed to acquire Citigroup's consumer banking franchise in Indonesia, Malaysia, Thailand and Vietnam, for a premium of $915 million over the net asset value (estimated at $4 billion), subject to regulatory approval. The proposed acquisition will add a customer base of approximately 2.4 million to the group[1].

The bank has also stated that the acquisition 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.

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

(ii) **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?**

(iii) 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?**

(iv) **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?**

(v) 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?**

Q2. As noted in the chairman's statement, despite the severe disruptions caused by COVID-19, the group achieved a full-year net profit of $4.1 billion, an increase of 40% as economic activity across the region picked up.

(i) **How is the bank positioning itself for an operating environment with higher inflation and higher interest rates? Should interest rates rise (as widely expected), how soon will the bank start to see improvements in its NIM?**

[1]https://links.sgx.com/FileOpen/UOB%20Group%20Acquisition_Presentation.ashx?App=Announcement&FileID=697608

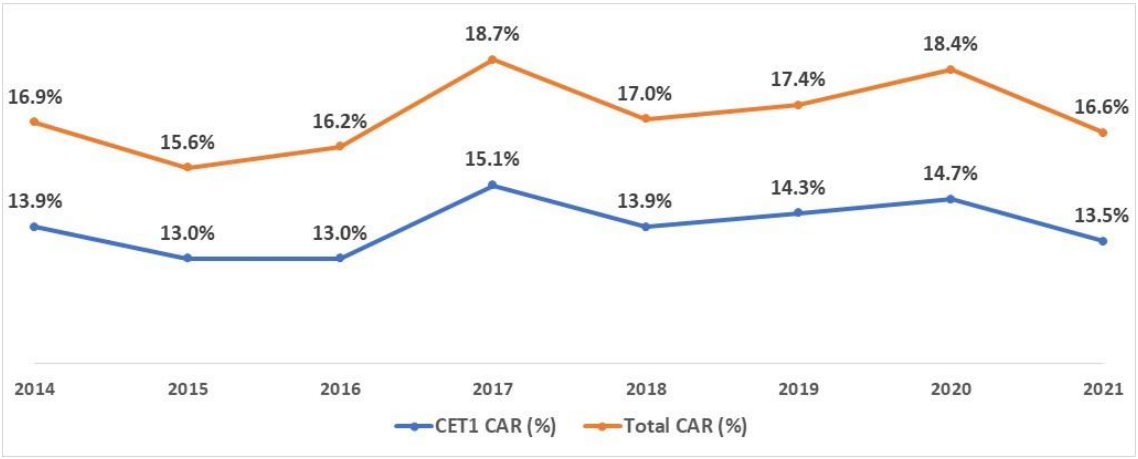
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(ii) **Are there any revenue and profitability growth opportunities as banks in Singapore transition from Swap Offer Rate (SOR) to Singapore Overnight Rate Average (SORA)?**

(iii) In FY2021, the banks' cross-border income grew 10 per cent, contributing to a third of the Wholesale Banking income. **In terms of regional connectivity, is the strength in cross-border income sustainable?**

(iv) **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?**

The group's common equity tier 1 capital adequacy ratio (CET1 CAR) decreased by 1.2% to 13.5% as at 31 December 2021. Total capital adequacy ratio (CAR) slipped by 1.8% to 16.6%. The trend of CET1 CAR and Total CAR from FY2014 to FY2021 is shown below. The bank has the lowest CAR ratio of the 3 local banks as at 31 December 2021.



(Source: company annual reports)

(v) The decrease in CET1 CAR can be attributed to the increase in risk-weighted assets (RWA), specifically credit risks that increased from $199.7 billion to $232.5 billion (page 120 – Capital management). **Can management help shareholders better understand the main factors that contributed to the increase in credit risks?**

(vi) 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?**

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Q3. The theme of the annual report is "Innovating for a sustainable tomorrow". The group has also set up a dedicated Corporate Sustainability Office and has appointed the first Chief Sustainability Officer in FY2021. This is to drive the implementation of policies, programmes and practices that can create a positive environmental and social impact.

One of the strategic priorities of the group is to "deliver meaningful climate action and social impact through its suite of sustainable financing and investing solutions" (page 24 - Deputy Chairman and CEO's Report).

For instance, the bank's inaugural issuance of a sustainability bond in 2021 – also the first globally from a bank – has helped it finance projects in areas such as green buildings, renewable energy and eligible social assets.

(i) **For stakeholders' benefit, will the board/management elaborate further on its decarbonisation pathways for the bank and, more importantly, for its customers?**

In 2021, the group's total assets under management in ESG-focused investments for retail customers jumped 4 times compared with the investment amount in the previous year. Under UOBAM, the group has UOB APAC Green REIT ETF which is the world's first ETF focusing on green real estate investment trusts in the Asia Pacific; and the United Smart Sustainable Singapore Bond Fund which offer investors sustainable income through investing in assets that are in line with the region's and Singapore's green development plans.

(ii) **How does the group guard against greenwashing? How does the group 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?**

^On 1 October 2020, the Accounting and Corporate Regulatory Authority ("ACRA"), the Monetary Authority of Singapore ("MAS") and Singapore Exchange Regulation ("SGX RegCo") published an updated checklist to guide listed entities on the conduct of general meetings arising from the latest updates from the Multi-Ministry Taskforce.

Issuers may continue to conduct their general meetings held on or before 30 June 2021 via electronic means, and are encouraged to do so. On 9 April 2021, it was announced that the alternate arrangements for meetings ("Meetings Order") would be extend beyond 30 June 2021 until it is revoked or amended by the Ministry of Law. Accordingly, until such time, issuers may continue to utilise the Checklist issued by ACRA, MAS and SGX RegCo to guide entities on the conduct of their general meetings.

^ Guidance on the Conduct of General Meetings Amid Evolving COVID-19 Situation (https://www.sgx.com/media-centre/20201001-guidance-conduct-general-meetings-amid-evolving-covid-19-situation)

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Issuers who, after due consideration of public health and other risks, wish to provide for physical attendance at their general meetings must ensure that they implement all relevant measures to comply with the safe management measures imposed by the Singapore Government.

Shareholders are welcome to use and/or adapt the questions prepared by SIAS and to forward them to the company.

Can't attend the AGM or view the webcast? Check out the latest questions on the annual reports of listed companies on SIAS website

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