



*Investor Update*

November 2004



## **Overview and Outlook**

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### **Financial Highlights**

### **Integration and Leveraging IT for Growth**

# Overview of Singapore Operations

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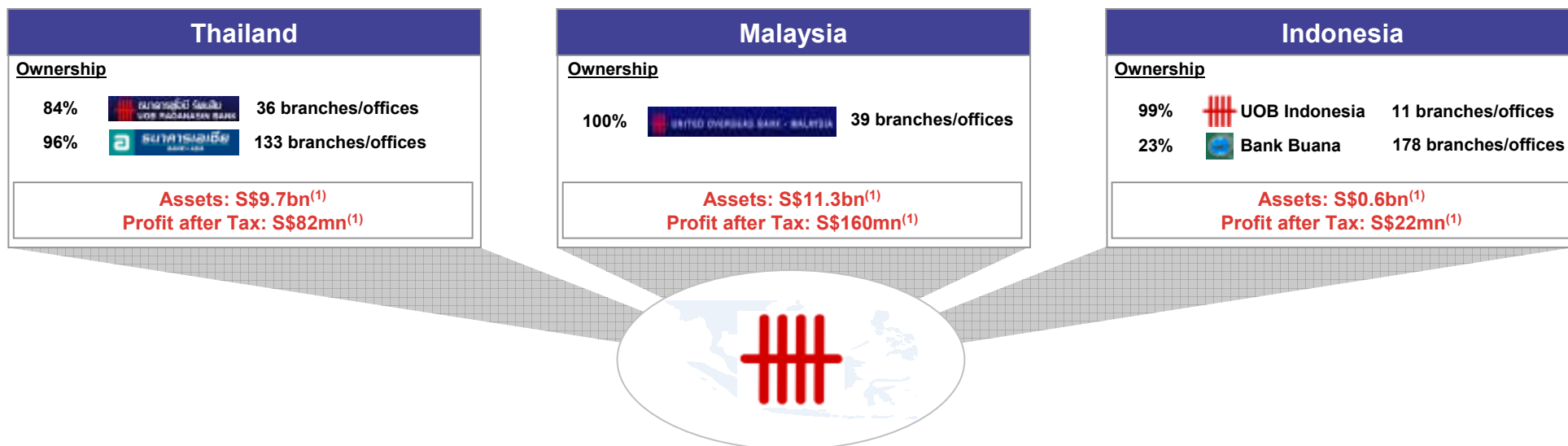
- ▶ Positive outlook for Singapore banking sector
  - Healthy economic expansion
  - Modest loan increase with good operating leverage to provide growth
- ▶ Competitive dynamics continue to evolve, with foreign banks actively pursuing market share
  - Remain focused on target segments and businesses that provide attractive margins and returns
  - Leader in SME loans, private property loans and credit cards
- ▶ Moderation in growth seen in the region
  - Fundamentals remain strong
  - Business environment continues to be favorable

# Strengthening UOB's Southeast Asian Platform

## Scale up existing operations in our three core SE Asian regional markets:

- ▶ Malaysia
  - UOB's second largest market after Singapore
  - Contributed 14% of UOB's net profit before tax<sup>(1)</sup>
- ▶ Thailand
  - Scale increased four-fold with completion of Bank of Asia acquisition
  - Enhanced position in consumer & SME markets
- ▶ Indonesia
  - Leverage Bank Buana's distribution strength to make inroads into strategic business segments

## Recent acquisitions provide growth catalysts for Thailand & Indonesia – UOB's overseas banking franchise in Asia now contributes approximately 31% of total group assets



*Note: (1) Financial data based on FY2003; For Thailand and Indonesia, assume proforma for BOA and Bank Buana. For Indonesia, only share of associate Bank Buana's net assets and net profit were included.*

# Approach to Capital Management

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- ▶ Strong capital position
  - Enhanced Tier II capital through a 2-tranche subordinated notes offer in August
- ▶ More financial flexibility for targeted regional expansion
  - Track record of investing capital effectively, demonstrated by recent Bank of Asia deal
  - Continue to focus on strengthening our Asian banking franchise
- ▶ Ensuring capital efficiency while pursuing growth
  - Through active capital management which includes rebalancing our capital mix
  - Announced share buyback plan of up to S\$500mn worth of UOB shares
  - Disposal of non-core assets would have a neutral or positive effect on UOB's capital adequacy ratio

## Overview and Outlook



## Financial Highlights

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## Integration and Leveraging IT for Growth

# Financial Highlights

| <i>(S\$mn)</i>   | <u>1Q 2004</u> | <u>2Q 2004</u> | <u>3Q 2004</u> | <u>9M 2003</u> | <u>9M 2004</u> |
|--|----------------|----------------|----------------|----------------|----------------|
| <b>Income Statement</b>                                    |                |                |                |                |                |
| Net interest income  | 523            | 533            | 537            | 1,531          | 1,593          |
| Non interest income  | 293            | 222            | 270            | 798            | 786            |
| Total income   | 816            | 755            | 807            | 2,328          | 2,378          |
| Total expense  | 268            | 280            | 315            | 806            | 863            |
| Operating profit before goodwill amortization & provisions | 548            | 474            | 493            | 1,523          | 1,515          |
| Net profit <sup>(1)</sup>                                  | 357            | 347            | 371            | 836            | 1,076          |
| <b>Key Ratios</b>  |                |                |                |                |                |
| Net interest margin <sup>(2)</sup> (%)                     | 2.16           | 2.14           | 2.05           | 2.22           | 2.11           |
| Cash ROA <sup>(2)</sup> (%)                                | 1.41           | 1.36           | 1.37           | 1.22           | 1.37           |
| Cash ROE <sup>(2)</sup> (%)                                | 12.1           | 11.9           | 12.7           | 10.3           | 12.2           |
| Expense / Income (%)                                       | 32.8           | 37.2           | 39.0           | 34.6           | 36.3           |

Note: (1) Including goodwill amortization  
(2) On annualized basis

## Financial Highlights (cont'd)

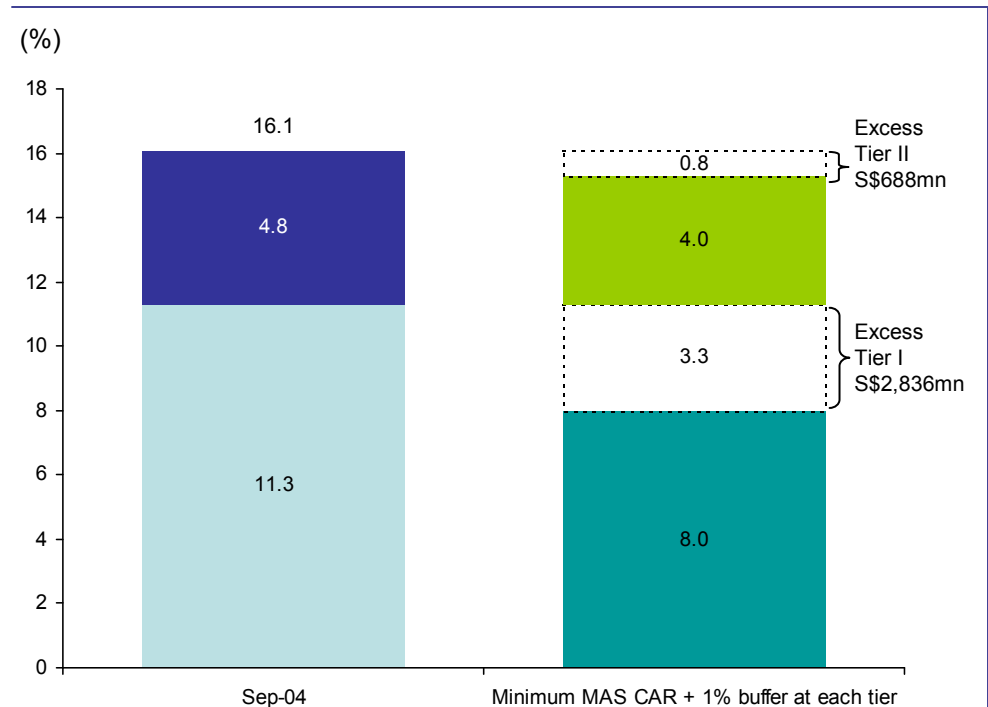
| <i>(S\$mn)</i>  | <u>Sep 2003</u> | <u>Dec 2003</u> | <u>Mar 2004</u> | <u>Jun 2004</u> | <u>Sep 2004</u> |
|---|-----------------|-----------------|-----------------|-----------------|-----------------|
| <b>Balance Sheet</b>  |                 |                 |                 |                 |                 |
| <b>Total assets</b>   | <b>108,017</b>  | <b>113,446</b>  | <b>117,523</b>  | <b>116,805</b>  | <b>126,566</b>  |
| <b>Customer loans and advances<br/>(net of cumulative provisions)</b> | <b>59,248</b>   | <b>59,297</b>   | <b>59,214</b>   | <b>59,895</b>   | <b>64,489</b>   |
| <b>Customer deposits</b>  | <b>66,092</b>   | <b>69,863</b>   | <b>70,630</b>   | <b>71,631</b>   | <b>77,373</b>   |
| <b>Total shareholders' funds</b>                                      | <b>12,924</b>   | <b>13,282</b>   | <b>13,620</b>   | <b>13,450</b>   | <b>13,566</b>   |
| <b>Asset Quality</b>  |                 |                 |                 |                 |                 |
| <b>NPLs</b>   | <b>5,343</b>    | <b>5,160</b>    | <b>4,962</b>    | <b>4,852</b>    | <b>5,866</b>    |
| <b>Cumulative provisions</b>  | <b>3,438</b>    | <b>3,332</b>    | <b>3,307</b>    | <b>3,249</b>    | <b>3,808</b>    |
| <b>Cumulative provisions/NPLs (%)</b>                                 | <b>64.3</b>     | <b>64.6</b>     | <b>66.6</b>     | <b>67.0</b>     | <b>64.9</b>     |
| <b>NPLs ratio (%)</b>   | <b>8.4</b>      | <b>8.1</b>      | <b>7.8</b>      | <b>7.6</b>      | <b>8.5</b>      |



# Managing Capital Position

- ▶ Successfully completed S\$2.7bn 2-tranche subordinated notes offer in August
  - Expanded war chest for growth and strategic acquisitions
- ▶ Grow balance sheet asset organically and/or through acquisitions
- ▶ Obtained mandate for share buyback of up to 5% of issued share capital
  - Buyback S\$500mn worth of UOB shares over the next few months
- ▶ Maintain high dividend payout
- ▶ Active pursuit of favorable divestment opportunities
- ▶ Capital efficiency needs to be balanced in relation to UOB's growth objective, shareholder expectations and rating agency views

## Capital Adequacy Ratio



## Committed to Manage for Long Term Performance

|                                      | <u>2000</u> | <u>2002</u> | <u>Sep 04</u> | <u>2006</u> | <u>2010</u> |
|--------------------------------------|-------------|-------------|---------------|-------------|-------------|
| Cash ROE (%)                         | 13.5        | 9.5         | 12.2          | 15.0        | 20.0        |
| Overseas profit contribution* (%)    | 10.7        | 22.0        | 20.7          | →           | 40.0        |
| Non-interest income contribution (%) | 37.0        | 29.9        | 33.0          | →           | 50.0        |

### ***Our Mission:***

**To be a Premier Bank in the Asia Pacific Region**

\* Excludes ACU

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 **Integration and Leveraging IT for Growth**

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# Integration & Leverage IT For Growth

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- ▶ Consolidate regional operating and IT infrastructure
  - The objectives are to achieve:
    - Economies of scale;
    - Rapid deployment of products;
    - Consistency in service delivery and standards; and
    - Improved risk management
  - We have hubbed the following:
    - Credit card operations (Hong Kong, Thailand);
    - Retail and other systems (Hong Kong was successfully cutover in 2003)
  - The plan is for the Group to centralize all IT and backoffice operations
  - Singapore is currently the regional center of excellence
  - We are now looking at setting up a 2<sup>nd</sup> regional center in Malaysia
    - A study on its viability will be conducted in 2005
    - The plan is subject to regulatory authorities' approval

# Integration & Leverage IT For Growth

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- ▶ Integrate Bank of Asia (BoA) & UOB Radanasin (UOBR)
  - The Group's immediate management focus is to integrate the 2 banks in Thailand
  - Priority is to unify the operating platforms of the 2 banks
  - The integration principles we adopt are:
    - To integrate first; re-engineer later
    - Where systems in UOBR are already hubbed, equivalent systems in BoA will be hubbed accordingly
    - Retail operations will be integrated first and hubbed later due to logistics
  - The estimated timeframe for completion is about 12 months

# Disclaimer

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