

United Overseas Bank (UOB SP)

FUNDAMENTAL VIEW ¹

As of 08 Mar 2024

- UOB's Aa1/ AA-/ AA- ratings are based on its strong stand-alone credit profile and the high likelihood of support from the government of Singapore, where it is one of the three large local banks.
- The bank is more focused on Singapore and Southeast Asia than on Greater China; its traditional strengths are the SMEs and retail sectors, although its corporate book is now ~52% of loans.
- UOB has been conservatively managed with a sound risk profile, a strong focus on liquidity and a long track record of relatively good performance.

RISKS & CATALYSTS

As of 08 Mar 2024

- UOB has a greater focus on Southeast Asia than its Singapore bank peers, which leaves it open to more AQ risk in a downturn / higher-for-longer interest rate environment. However, both collateral and UOB's ~SGD 3 bn in general provisions will be more than sufficient.
- Management had said that the bank was on track for an SGD 1 bn revenue uplift in 2023 as a result of the acquisition of Citi's consumer franchise in four ASEAN markets (Thailand, Vietnam, Indonesia and Malaysia). However, more detail was not provided at 4Q23 results.
- Similar to DBS and OCBC, loan growth has been anemic, and in the absence of the Citi consumer franchise would have been well down. The bank is targeting some loan growth at the cost of margin in 1H24; it hopes the latter will improve in 2H24 on lower funding costs.

CREDIT QUALITY SCORE (CQS) ²

As of 06 May 2024

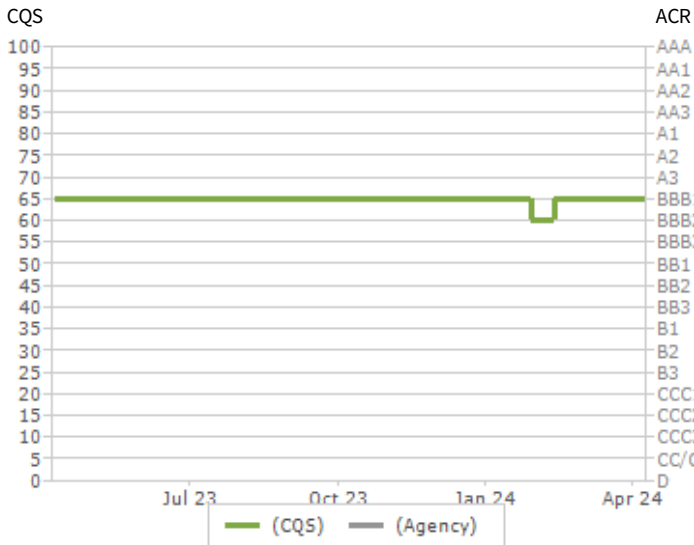
CURRENT CQS

65

CQS OUTLOOK ³

NEGATIVE STABLE POSITIVE

HISTORICAL RATINGS: AVERAGE AGENCY RATING (ACR) ⁴ VS CQS



KEY METRICS

As of 08 Mar 2024

SGD MN	FY19	FY20	FY21	FY22	FY23
PPP ROA	1.40%	1.19%	1.23%	1.31%	1.52%
ROA	1.08%	0.69%	0.92%	0.99%	1.19%
ROE	11.6%	7.4%	10.2%	11.9%	14.2%
Equity to Assets	9.8%	9.5%	9.3%	8.6%	8.8%
CET1 Ratio	14.3%	14.7%	13.5%	13.3%	13.4%
NPL Ratio	1.54%	1.61%	1.62%	1.58%	1.52%
Provisions / Loans	0.18%	0.57%	0.20%	0.20%	0.25%
Liquidity Coverage Ratio	146%	135%	133%	147%	157%
Net Stable Funding Ratio	111%	125%	116%	116%	120%

BUSINESS DESCRIPTION

As of 08 Mar 2024

- UOB was established in 1935 as a Chinese family-owned bank catering to the Hokkien (Fujian) community, Singapore's largest Chinese ethnic sub-group. The Wee family owns about 18% of the shares. A further 5.18% is held by the Lien family which previously controlled Overseas Union Bank, which UOB merged within 2001. The Wee family has significant real estate and hospitality interests in Singapore and regionally.
- UOB's main markets are Singapore and Malaysia where its presence dates back to before Singapore's independence. It expanded through acquisitions in Thailand (Bank Radanasin and Bank of Asia) and Indonesia (Bank Buana), and more recently bought over Citi's consumer franchise in Malaysia, Thailand, Indonesia and Vietnam.
- Franchise strengths are in SME and consumer lending. Building & construction accounts for 27% of loans, followed by housing at 24% and general commerce at 11%.
- Loans by geography comprise Singapore at 49% of loans, Greater China at 16%, Malaysia at 10%, Thailand at 7%, and Indonesia at 3% at end-December 2023.

GLOSSARY

- ¹ The **Fundamental View** is our current assessment of credit quality and our expectation of how credit quality will trend over the next year or longer.
 - ² The **Credit Quality Score (CQS)** is a number between 5 and 100. It is a medium-term credit score for corporates and financial institutions that utilizes a combination of sector fundamental scores and equity market signals. Values of CQS above 50 generally indicate investment grade credit quality.
 - ³ The **Credit Quality Score (CQS) Outlook** is the near-term (3 month) outlook for the CQS, based on its trend, volatility and distance from the adjacent CQS risk bucket.
 - ⁴ The **Agency Composite Rating (ACR)** is the average senior unsecured rating from one or more major rating agencies.
- Quantitative scores provided by CreditSights Analytics, LLC. Scores are shown are for the lesser of (1) 2 years and (2) date of CreditSights inception of quantitative coverage.

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