

United Overseas Bank (UOB SP)

FUNDAMENTAL VIEW ¹

As of 22 Aug 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 major local banks.
- The bank is more focused on Singapore and Southeast Asia than on Greater China; its traditional strengths are the SME and retail sectors, although its large corporate book is now over 50% 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, although its operational performance has lagged DBS and OCBC in recent quarters.

RISKS & CATALYSTS

As of 22 Aug 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 / high interest rate environment. However, both collateral and UOB's ~SGD 2.5 bn in general provisions will be more than sufficient.
- Management retained their full year 2024 outlook; amongst them were positive net income growth and 25-30 bp credit costs, both of which are more conservative than its two peers.
- Similar to DBS and OCBC, loan growth has been anemic, but 2Q24 saw a modest pick up in loan growth.
- 2Q24 NIM rose by 3 bp QoQ, but the 2H24 NIM is expected to be flat or lower.

CREDIT QUALITY SCORE (CQS)²

As of 24 Dec 2024

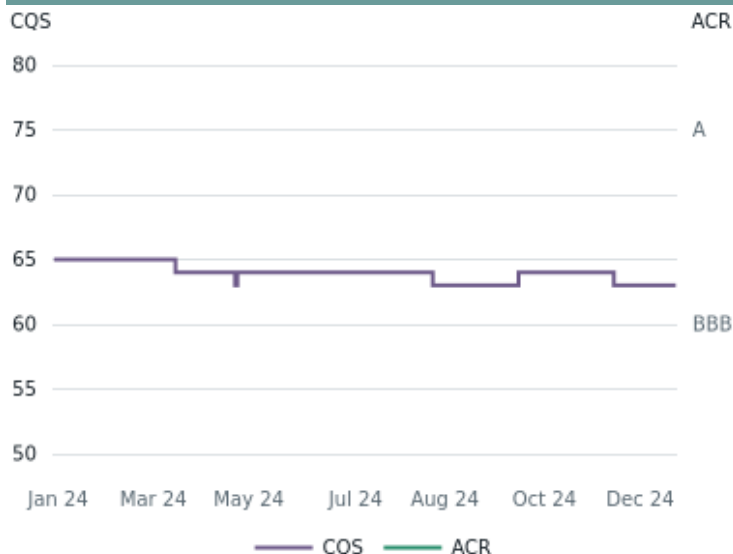
CURRENT CQS

63

CQS OUTLOOK ³



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



KEY METRICS

As of 22 Aug 2024

SGD MN	FY20	FY21	FY22	FY23	1H24
PPP ROA	1.19%	1.23%	1.31%	1.52%	1.50%
ROA	0.69%	0.92%	0.99%	1.19%	1.19%
ROE	7.4%	10.2%	11.9%	14.2%	13.7%
Equity to Assets	9.5%	9.3%	8.6%	8.8%	9.2%
CET1 Ratio	14.7%	13.5%	13.3%	13.4%	13.4%
NPL Ratio	1.61%	1.62%	1.58%	1.52%	1.49%
Provisions / Loans	0.57%	0.20%	0.20%	0.25%	0.24%
Liquidity Coverage Ratio	135%	133%	147%	157%	155%
Net Stable Funding Ratio	125%	116%	116%	120%	118%

BUSINESS DESCRIPTION

As of 22 Aug 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%, financial institutions at 13% and general commerce at 11% at 2Q24.
- Loans by geography comprise Singapore at 48% of loans, Greater China at 16%, Malaysia at 10%, Thailand at 7%, and Indonesia at 3% at 2Q24.

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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