

### ASIAN GEMS CORPORATE HIGHLIGHTS

## United Overseas Bank (UOB SP)

Building The Future Of ASEAN

**UOB aims to achieve ROE of 14% by 2026 through: a) increased contribution from ASEAN 4 countries (namely Malaysia, Thailand, Vietnam and Indonesia) to 30% of total income, b) increased contribution from non-interest income to 37% of total income, driven by wealth management, trade and customer flow for treasury products, and c) improved CIR to 40%. UOB will benefit from growth within ASEAN from relocation of supply chains and strengthening of regional currencies.**

#### WHAT'S NEW

- Setting sight on loftier goal.** United Overseas Bank (UOB) aims to achieve ROE of 14% by 2026 (1H24: 13.7%). Management foresees 10 rate cuts in 2H24, 2025 and 2026. The growth in business volume and fee income would more than offset the negative impact from NIM compression. The ROE target of 14% will be achieved through:
  - contribution from ASEAN 4 countries (namely Malaysia, Thailand, Vietnam and Indonesia) increasing to 30% of total income (1H24: 25%), while maintaining at least 50% of total income in Singapore.
  - contribution from non-interest income increasing to 37% of total income (1H24: 32%), driven by growth from wealth management, trade finance and customer flow for treasury products.
  - cost-to-income ratio (CIR) improving to 40% (1H24: 41.8%). UOB aims to achieve positive JAWS with total income expanding at a CAGR of 4%, faster than the increase in operating expenses at a CAGR of 3%. Cost mix is expected to shift from staff to technology. UOB plans to offshore back and middle office functions, including card centre and compliance, to Kuala Lumpur, Malaysia. The new Innovation Hub 2 (IH2) is a full-fledged technology delivery centre providing development, applications and infrastructure support. IH2 spans across five floors with more than 1,000 staff and a total floor area of 74,000sf at The Gardens North Tower in Mid Valley City.
- ASEAN benefitting from trade conflict and rate cuts.** UOB has the most comprehensive network of more than 500 branches within ASEAN. ASEAN is regaining its stature as a manufacturing hub due to trade conflict between the US and China. Recent rate cuts by the US Fed have led to strengthening of regional currencies against the SGD in 3Q24, such as MYR (+8.2%), IDR (+2.5%) and THB (+7.4%). The stronger regional currencies augur well for increased contributions from ASEAN to UOB's bottom line going forward.
- Renaissance in Malaysia.** UOB is the sixth largest commercial bank in Malaysia. Malaysia accounted for 10.3% of UOB's total income in 1H24. UOB Malaysia focuses on four growth corridors, namely Johor, Klang Valley, Penang and Sarawak. Malaysia benefits from the boom created by generative AI. The state of Johor has attracted massive investments to build new data centres. There are opportunities to support the development of the Johor-Singapore Special Economic Zone. The state of Penang has attracted record FDI from the semiconductor industry, including Intel. UOB will leverage on its regional connectivity to capture growth from new economy sectors and sustainable finance.

#### KEY FINANCIALS

Year to 31 Dec (S\$m)	2019	2020	2021	2022	2023
Net interest income	6,563	6,035	6,388	8,343	9,679
Non-interest income	3,467	3,141	3,401	3,232	4,253
Net profit (rep./fact.)	4,342	2,915	4,086	4,573	5,711
Net profit (adj.)	4,342	2,915	4,086	4,819	6,061
EPS (S\$ cent)	255	169	239	269	334
PE (x)	12.5	18.9	13.4	11.9	9.6
P/B (x)	1.4	1.4	1.3	1.3	1.2
Dividend yield (%)	4.1	2.4	3.8	4.2	5.3
Net int margin (%)	1.8	1.6	1.6	1.9	2.1
Cost/income (%)	44.6	45.6	43.9	45.7	44.8
Loan loss cover (%)	87.0	107.0	96.0	98.0	101.0
Consensus net profit	-	-	-	-	-
UOBKH/Consensus (x)	-	-	-	-	-

Source: United Overseas Bank, Bloomberg, UOB Kay Hian

## NOT RATED

Share Price	S\$31.92
Target Price	n.a.
Upside	n.a.

#### COMPANY DESCRIPTION

UOB was founded in 1935 and has a well-established regional presence in Singapore, Malaysia, Indonesia, Thailand, Vietnam, Hong Kong and Mainland China. In Singapore, UOB is a market leader in credit and debit cards and loans to SMEs.

#### STOCK DATA

GICS sector	Financials
Bloomberg ticker:	UOB SP
Shares issued (m):	1,672.1
Market cap (S\$m):	53,374.1
Market cap (US\$m):	40,799.7
3-mth avg daily t'over (US\$m):	65.0

#### Price Performance (%)

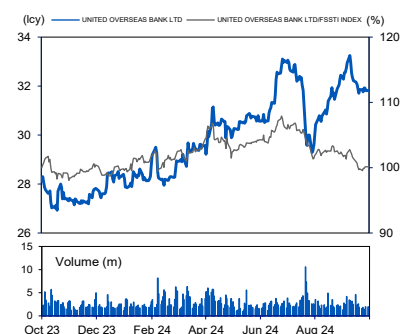
52-week high/low S\$33.38/S\$26.82

1mth	3mth	6mth	1yr	YTD
0.1	(3.6)	7.8	11.8	12.2

#### Major Shareholders

	%
Wee Cho Yaw	18.5
Wah Hin & Co	5.2
NAV/Share (S\$)	26.64
CET-1 CAR (%)	13.4

#### PRICE CHART



Source: Bloomberg

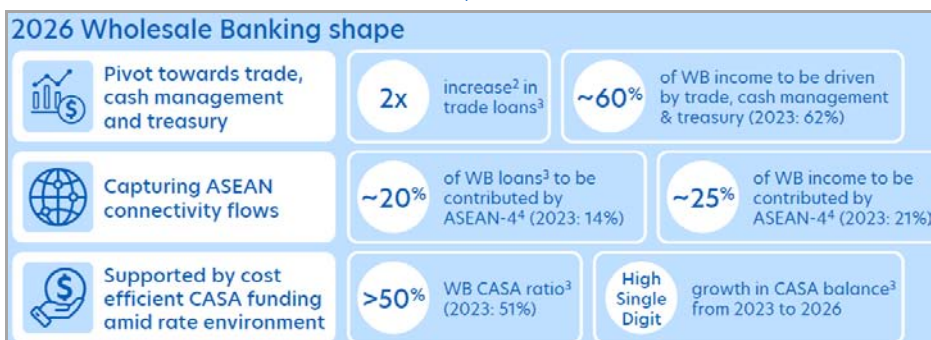
#### ANALYST(S)

**Jonathan Koh, CFA, MSc Econ**  
 +65 6590 6620  
 jonathankoh@uobkayhian.com

### OTHER HIGHLIGHTS FROM ASIAN GEMS CONFERENCE

- Wholesale banking: Capturing connectivity flows through enhanced product platforms.** ASEAN 4 countries are expected to account for 20% of wholesale banking loans (2023: 14%) and 25% of wholesale banking income (2023: 21%) over the next three years. Trade loans are expected to double and contribute 20% of total loans by 2026. UOB has rolled out Infinity Cash platform since 2020 and Infinity Financial Supply Chain Management platform since 2022.

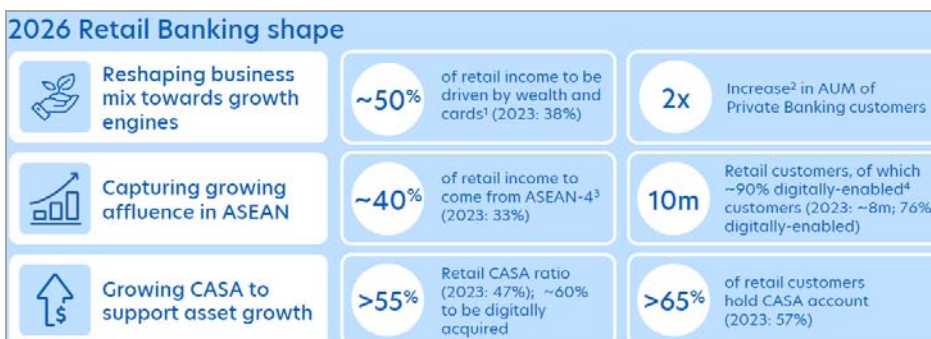
### WHOLESALE BANKING – PIVOT TOWARDS TRADE, CASH AND TREASURY



Source: UOB

- Retail banking: Growing CASA to support asset growth.** UOB has 8m retail customers across the region as of Dec 23. It aims to serve 10m retail customers by 2026. One in two cardholders in Singapore holds a UOB card. It is top in billings in ASEAN for both Visa and Mastercard. Card fees grew 66% in 2023 and 22% yoy in 1H24. The acquisition of Citi consumer businesses enables UOB to capture a larger share of wealth management regionally. AUM from private banking customers is expected to double by 2026. ASEAN 4 countries should contribute 40% of income from retail banking by 2026 (2023: 33%).
- Strengthening deposit franchise.** UOB's CASA ratio has improved by 4.0ppt from 47.5% in Dec 22 to 51.5% in Jun 24. Management attributed the stronger deposit franchise to securing more operating accounts by offering cash management services to wholesale customers. UOB will also work on raising CASA penetration for retail customers. It targets to increase retail CASA ratio to 55% (2023: 47%), of which 60% is digitally acquired.
- UOB has completed harmonisation of credit policy** at newly acquired Citi Consumer Businesses. Since then, unsecured receivables per customer for Malaysia has increased 11% after completing the acquisition. Credit limit per new account has also increased 11%.

### RETAIL BANKING – CAPTURE RISING WEALTH IN THE REGION



Source: UOB

- Strategy for overseas markets.** UOB has a market share of 5% for Malaysia, 3% for Thailand and 2% for Indonesia. Selecting the right customer profile and segments is important, especially in overseas markets. UOB targets corporate customers with multinational aspirations. For retail banking, it focuses on mid to upper tier customers who are affluent.
- Implementation of Basel IV.** UOB's CET-1 CAR is expected to improve 150bp on a transitional basis and 50bp on a fully loaded basis.

### PROFIT & LOSS

Year to 31 Dec (\$m)	2020	2021	2022	2023
Interest income	9,623	8,204	12,862	22,242
Interest expense	(3,588)	(1,816)	(4,519)	(12,563)
Net interest income	6,035	6,388	8,343	9,679
Fees & commissions	1,997	2,412	2,143	2,235
Other income	1,144	989	1,089	2,018
Non-interest income	3,141	3,401	3,232	4,253
<b>Total income</b>	<b>9,176</b>	<b>9,789</b>	<b>11,575</b>	<b>13,932</b>
Staff costs	(2,501)	(2,602)	(3,001)	(3,553)
Other operating expense	(1,683)	(1,700)	(2,283)	(2,688)
Pre-provision profit	4,992	5,487	6,291	7,691
Loan loss provision	(1,554)	(657)	(603)	(921)
Associated companies	98	118	97	93
Pre-tax profit	3,536	4,948	5,785	6,863
Tax	(606)	(850)	(1,202)	(1,138)
Minorities	(15)	(12)	(10)	(14)
<b>Net profit</b>	<b>2,915</b>	<b>4,086</b>	<b>4,573</b>	<b>5,711</b>
Net profit (adj.)	2,915	4,086	4,819	6,061

### BALANCE SHEET

Year to 31 Dec (\$m)	2020	2021	2022	2023
Cash with central bank	36,798	36,558	49,419	52,350
Govt treasury bills & securities	21,993	22,324	31,878	38,280
Interbank loans	40,284	38,916	35,410	35,093
Customer loans	277,201	306,713	315,355	317,005
Investment securities	29,432	34,856	39,789	50,793
Derivative receivables	11,368	5,362	13,802	9,707
Associates & JVs	1,210	1,245	1,258	1,266
Fixed assets (incl. prop.)	3,923	4,011	4,199	4,508
Other assets	9,605	9,338	13,150	14,518
<b>Total assets</b>	<b>431,814</b>	<b>459,323</b>	<b>504,260</b>	<b>523,520</b>
Interbank deposits	15,977	15,561	24,537	32,371
Customer deposits	324,598	352,633	368,553	385,469
Derivative payables	11,519	5,172	16,218	11,768
Debt equivalents	29,608	34,056	40,593	36,280
Other liabilities	8,981	9,040	10,753	11,164
<b>Total liabilities</b>	<b>390,683</b>	<b>416,462</b>	<b>460,654</b>	<b>477,052</b>
Shareholders' funds	40,901	42,633	43,366	46,226
Minority interest - accumulated	230	228	240	242
<b>Total equity &amp; liabilities</b>	<b>431,814</b>	<b>459,323</b>	<b>504,260</b>	<b>523,520</b>

### OPERATING RATIOS

Year to 31 Dec (%)	2020	2021	2022	2023
<b>Capital Adequacy</b>				
Tier-1 CAR	15.8	14.4	14.4	14.4
Total CAR	18.4	16.6	16.7	16.6
Total assets/equity (x)	10.6	10.8	11.6	11.3
Tangible assets/tangible common equity (x)	11.6	11.8	13.0	12.6
<b>Asset Quality</b>				
NPL ratio	1.6	1.6	1.6	1.5
Loan loss coverage	107.0	96.0	98.0	101.0
Loan loss reserve/gross loans	1.5	1.3	1.3	1.3
Increase in NPLs	9.3	11.3	0.6	(3.8)
Credit cost (bp)	56.5	22.2	19.1	28.7
<b>Liquidity</b>				
Loan/deposit ratio	85.4	87.0	85.6	82.2
Liquid assets/short-term liabilities	29.0	26.5	29.6	30.0
Liquid assets/total assets	22.9	21.3	23.1	24.0

### KEY METRICS

Year to 31 Dec (%)	2020	2021	2022	2023
<b>Growth</b>				
Net interest income, yoy chg	(8.0)	5.8	30.6	16.0
Fees & commissions, yoy chg	(1.7)	20.8	(11.2)	4.3
Pre-provision profit, yoy chg	(10.2)	9.9	14.7	22.3
Net profit, yoy chg	(32.9)	40.2	11.9	24.9
Net profit (adj.), yoy chg	(32.9)	40.2	17.9	25.8
Customer loans, yoy chg	4.4	10.6	2.8	0.5
Customer deposits, yoy chg	4.5	8.6	4.5	4.6
<b>Profitability</b>				
Net interest margin	1.6	1.6	1.9	2.1
Cost/income ratio	45.6	43.9	45.7	44.8
Adjusted ROA	0.7	0.9	1.0	1.2
Reported ROE	7.2	9.8	10.6	12.7
Adjusted ROE	7.2	9.8	11.2	13.5
<b>Valuation</b>				
P/BV (x)	1.4	1.3	1.3	1.2
P/NTA (x)	18.9	13.4	11.9	9.6
Adjusted P/E (x)	2.4	3.8	4.2	5.3
Dividend Yield	46.2	50.2	50.2	50.9
Payout ratio	1.4	1.3	1.3	1.2

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