Company Update

United Overseas Bank Ltd

Singapore | Bank

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Head of Equity Research

Wealth is the way…

Rating	**BUY** (as at 7 May 2026)
Last Close	SGD 36.65
Fair Value	SGD 41.00

- 1Q was better than street estimate
- Expects wealth income to double by 2030
- Accumulate at current share price levels

Investment thesis

United Overseas Bank Ltd (UOB) delivered 1Q26 net profit of SGD1,437m, better than Bloomberg consensus estimate of SGD1,400m. To be expected, net interest margin (NIM) came off from 2.00% in 1Q25 and 1.84% in 4Q25 to 1.82% in 1Q26. This led to a slight moderation in its net interest income, down 4% year-in-year (YoY) and 1% quarter-on-quarter (QoQ). Despite the challenging market conditions, several units did well in 1Q26 and this boosted its fee and other non-interest income, up 16.5% QoQ to SGD1,099m. Non-performing loans (NPL) ratio remained stable at 1.5% and non-performing asset (NPA) coverage stood at 100%. Its SGD2b share buyback remains on track and it has completed about 35% of the programme. Wealth income before expenses rose 6% YoY to SGD342m, while credit cards surged 12% YoY to SGD225m. Assets under management (AUM) grew 5% YoY to SGD198b, but was down slightly from SGD201b in 4Q25. It attracted net new money of SGD1b in 1Q26.

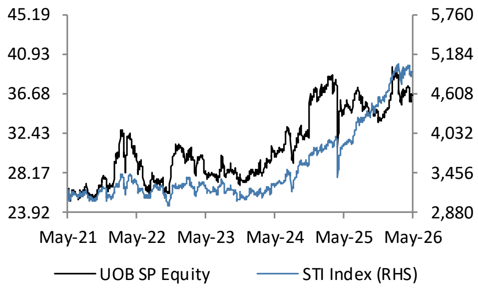
Investment summary

- **Allowances have stabilised** – UOB took a SGD1,361m allowance charge in 3Q25, which then impacted its FY25 performance as well as its share price. Since then, allowances have eased back to more normalised levels. For 1Q26, allowances stood at SGD203m versus SGD290m in 1Q25. However, as the second order impact from the current higher oil prices could hit several industries, especially small and medium-sized enterprises (SME), we believe that allowances are likely to hover at these levels for the coming three quarters. Management also shared that the group has limited exposure to the Middle East.
- **NIM guidance of 1.75% to 1.80%** – Management is guiding for NIM to ease off to around 1.75% to 1.80% for this year. This is down from

Security information

Ticker	UOB SP EQUITY
Market Cap (SGD b)	60.42
Daily turnover (SGD m)	111.09
Free Float	86.0%
Shares Outstanding (m)	1653.6
Top Shareholder	Wee Investments Pte 8.08%

Price performance chart



Financial summary

SGD m	FY25	FY26E	FY27E
Net interest income	9,355	9,300	9,579
Non-interest income	4,453	4,671	4,930
Total income	13,808	13,971	14,509
Net profit	4,682	5,771	6,056
DPS (SGD)	1.56	1.80	1.80

Key ratios

	FY25	FY26E	FY27E
Div yield (%)	4.3	4.9	4.9
P/Book (x)	1.2	1.2	1.2
Net interest margin (%)	1.9	1.8	1.8
NPL ratio (%)	1.5	1.5	1.5

Source: Bloomberg, Company, OCBC Group Research

2.03% in FY24 to 1.89% in FY25 and within expectations due to softer interest rates outlook.

- **Wealth will lead the way** – Having taken 3-4 years to fully integrate its Citi operations, management also articulated its strategy to grow its wealth income in the coming years. It is aiming for a doubling in wealth income by 2030 versus 2025. To achieve this, it is planning to grow its franchise and increase headcount for this business. It derives the bulk of its wealth income from this region and to this end, it also shared that it has a team of 40 relationship managers based in Hong Kong and is also exploring a second booking centre outside of Singapore. Its focus is on Asia. Management shared that the group has not seen much wealth flows from the Middle East. As the operating environment remains tough and while it expects to grow its wealth business, it is also mindful of exercising cost discipline and projected low single-digit operating cost growth in 2026.
- **Cautiously optimistic** – With the US-Iran war in Feb 2026, the outlook has become decisively less predictable. UOB's prudent strategy is likely to ensure that its NPL ratio stayed at 1.5% level. It has a gross customer loans exposure to Greater China of SGD49b, while its exposure to US is SGD15b. As an indication, its loans book stood at SGD354b as at end of March 2026. The coverage for China is at 1.9% and for US is 4.8% as at March 2026.
- **Accumulate on current price weakness** – We have made some minor adjustments to our earnings projections, but we are leaving our fair value estimate unchanged at SGD41.00. We are projecting for dividend per share (DPS) to normalise to SGD1.80 per year and at current share price, this works out to a dividend yield of 4.9% - attractive at current challenging market conditions. With a projected total return of >10%, we are upgrading our rating from Hold to Buy, especially for long-term investors looking for good quality SGD denominated assets.

Results highlights

SGD m	1Q25	1Q26	% Chg
Net income income	2,409.0	2,324.0	-3.5%
Non-interest income	1,248.0	1,099.0	-11.9%
Total income	3,657.0	3,423.0	-6.4%
Operating expneses	1,559.0	1,523.0	-2.3%
Allowances	290.0	203.0	-30.0%
Pre-tax profit	1,822.0	1,712.0	-6.0%
Net profit	1,490.0	1,437.0	-3.6%
Net interest margin (%)	2.0%	1.8%	
Cost-income (%)	42.6%	44.5%	
NPL (%)	1.6%	1.5%	
CET 1 (%)	15.5%	15.3%	

Source: Company, OCBC Group Research

Potential catalysts

- Good dividend payout which will provide long-term shareholders with a stable stream of dividend income
- Regional franchise to tap on more cross-selling opportunities for its consumer business
- Growing its wealth strategy which will also benefit its card business

Investment risks

- Slower loans and earnings growth due to economic slowdown in its key markets
- Unexpected deceleration in macroenvironment conditions in its key markets
- Worsening asset quality and interest margin pressure

Valuation analysis

	Price/Earnings		Price/Book		Historical		Div Yield (%)		ROE (%)	
	FY26E	FY27E	FY26E	FY27E	NIM (%)	NPL (%)	FY26E	FY27E	FY26E	FY27E
UNITED OVERSEAS BANK LTD	10.8	10.1	1.1	1.1	1.9	1.5	4.7	5.0	10.8	11.0
DBS GROUP HOLDINGS LTD	14.9	14.0	2.4	2.3	2.0	1.0	5.6	5.9	16.1	16.7
HSBC HOLDINGS PLC	11.2	10.3	1.7	1.6	1.6	1.1	4.5	5.0	15.1	16.1
MALAYAN BANKING BHD	12.3	11.7	1.4	1.3	2.1	1.3	5.9	6.2	11.5	11.5
PUBLIC BANK BERHAD	12.6	11.9	1.5	1.4	2.1	0.5	5.0	5.2	12.2	12.2

Source: Bloomberg

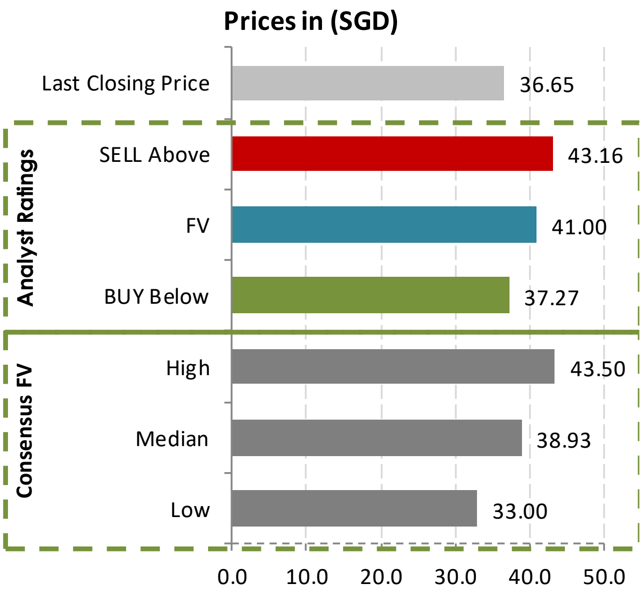
Price/Book chart (x)

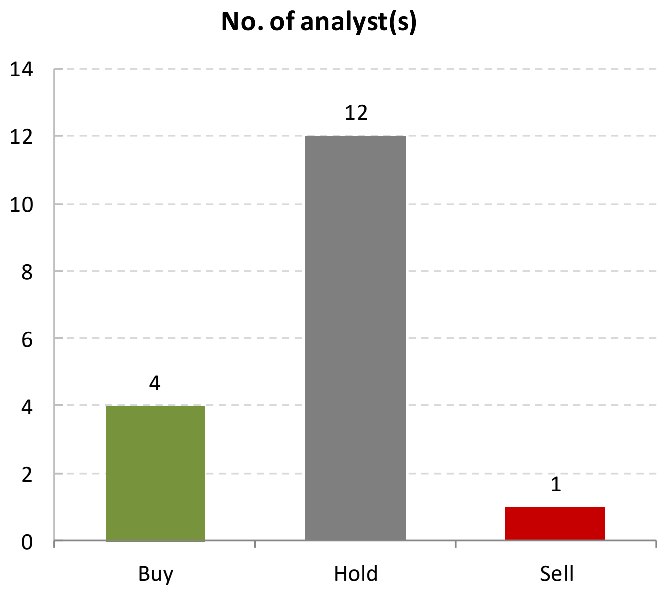
Source: Bloomberg

Dividend yield chart (%)

Source: Bloomberg

Analyst ratings vs street ratings





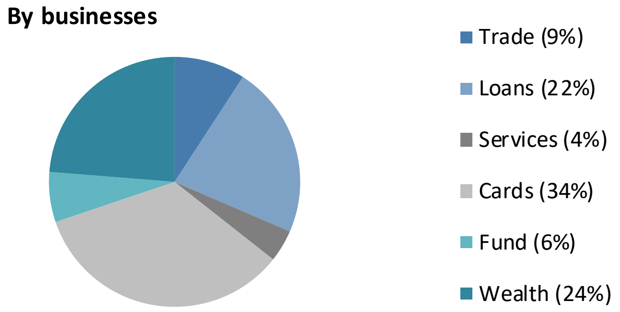
Source: Bloomberg, OCBC Group Research

Company overview

Company description

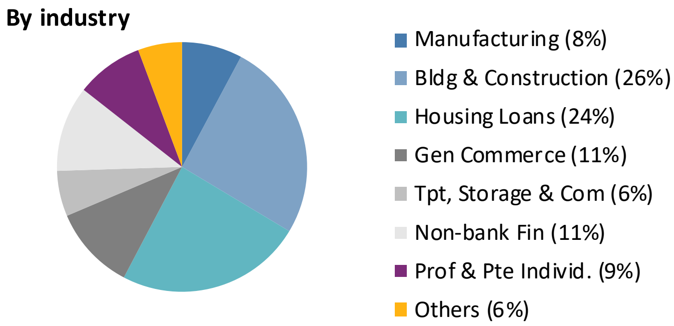
United Overseas Bank Ltd (UOB) is one of Singapore's leading financial institutions, providing services in three key business divisions – Group Retail (GR), Group Wholesale Banking (GWB) and Global Markets (GM). The bank offers checking and savings accounts, private banking, loans, investment banking, commodities trading and asset management. The bank has a global network of more than 470 offices across 19 countries in Asia Pacific, Europe and North America. In Asia, its head office is in Singapore, while it has banking operations in China, Indonesia, Malaysia, Thailand and Vietnam. UOB is rated amongst the world's top banks, with "Aa1" by Moody's Investors Service and "AA-" by both S&P Global Ratings and Fitch Ratings. UOB's retail segment covers personal and small enterprise customers, while wholesale encompasses corporate and institutional client segments and Global Markets provides a suite of treasury products and services across multi-asset classes and engage in market making activities and management of funding and liquidity. UOB acquired Citigroup Inc's consumer banking businesses comprising its unsecured and secured lending portfolios, wealth management and retail deposit businesses in Indonesia, Malaysia, Thailand and Vietnam on 14 January 2022. As a result of this acquisition, the group is able to enjoy a wider footprint for its consumer banking operation in this region.

FY25 fee & commission income



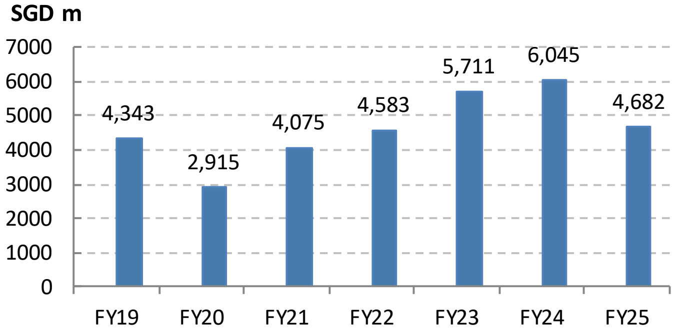
Source: Company

FY25 loan breakdown



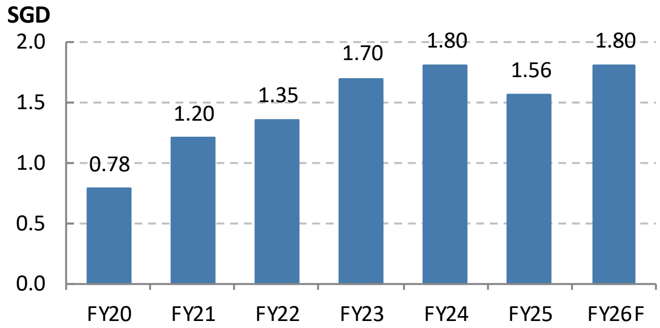
Source: Company

Net profits



Source: Company

Dividend per share (ordinary only)



Source: Company

Company financials

Income statement Year Ended 31 Dec (SGD m)	FY24	FY25	FY26E	FY27E
Interest income	23,259	20,676	21,627	22,276
Income expense	13,585	11,321	12,327	12,697
Net interest income	9,674	9,355	9,300	9,579
- Fee and commission	2,395	2,569	2,864	3,044
- Other Income	121	212	170	190
- Net trading income	1,689	1,367	1,488	1,521
Total income	14,294	13,808	13,971	14,509
Allowances	926	2,042	1,027	989
Profit before tax	7,151	5,657	6,862	7,201
Net profit	6,045	4,682	5,771	6,056

Balance sheet As at 31 Dec (SGD m)	FY24	FY25	FY26E	FY27E
Cash & balances	38,577	35,742	37,887	39,213
Govt securities & treasury bills	46,851	62,695	59,560	58,369
Placement & balances with banks	37,432	32,954	33,943	35,640
Loans & advances to customers	333,930	347,877	365,271	387,187
Total assets	537,664	572,061	586,660	596,408
Deposits & balances of banks	19,735	28,737	29,714	30,427
Deposits & balances of customers	403,978	425,938	447,235	465,572
Total liabilities	487,707	520,568	526,949	535,999
Total equity	49,957	51,493	59,711	60,410

Key rates & ratios	FY24	FY25	FY26E	FY27E
DPS (SGD)	1.80	1.56	1.80	1.80
Net book value per share (SGD)	28.11	29.36	30.25	31.14
P/Book (x)	1.3	1.2	1.2	1.2
Cost-to-income (%)	44.1%	44.6%	44.0%	44.0%
Dividend yield (%)	4.9%	4.3%	4.9%	4.9%
Net interest margin (%)	2.0%	1.9%	1.8%	1.8%
NPL ratio (%)	1.5%	1.5%	1.5%	1.5%
ROE (%)	13.3%	9.6%	9.7%	10.0%

Source: Company, OCBC Group Research

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