UOBKayHian

Company – Results | Singapore

Tuesday, 11 August 2026

United Overseas Bank (UOB SP)

2Q26: Asset Quality Headwinds

Highlights

- Growth in wealth management fees was muted at 1% yoy in 2Q26. Trading and investment income also declined 8% yoy. Non-interest income was supported by non-recurring gains from asset divestments.
- NPL formation was hefty at S$902m during the quarter due to a single closely monitored real estate account in Greater China. NPL ratio increased 0.1ppt qoq 1.6%. Credit costs of 28bp were within guidance of 25-30bp.

Analysis

- United Overseas Bank (UOB) reported net profit of S$1,478m for 2Q26 (+10% yoy and +3% qoq), slightly above consensus estimate of S$1,452m.
- **NIM pressure persisted.** Customer loans grew 5% yoy and 2% qoq to S$361b, supported by wholesale banking and regional ASEAN activity. Trade loans increased 33% yoy group-wide and 14% yoy across ASEAN-4 markets. Net interest income declined 2% yoy to S$2,297m as net interest margin (NIM) compressed 17bp yoy and 8bp qoq to 1.74%, reflecting lower benchmark interest rates and asset yield compression. Management maintained full-year NIM guidance of 1.75-1.80%.
- **Moderate growth in fee income.** Net fee income rose 5% yoy and 4% qoq to S$665m. Wealth management fees grew 1% yoy to S$288m, supported by client engagement and increased conversion of deposits into investments. High-net-worth AUM increased 7% yoy to S$204b, while net new money inflows amounted to S$4b during 1H26. Loan-related fees from capital market activities were softer.
- **Benefitted from asset divestment gains.** Other non-interest income increased 28% yoy and 37% qoq to S$632m, supported by non-recurring gains from asset divestments. Trading and investment income declined 8% yoy to S$379m due to lower trading and liquidity management activities, although customer-related treasury income remained resilient.
- **UOB has announced the disposal of its remaining property interests in Novena Square and 230 Orchard Road** (currently being redeveloped into the NoMad Hotel). The transaction includes the sale of UOB's 20% stakes in Novena Square Development and Novena Square Investments for S$299m, the sale of its Novena Square banking hall for S$19.5m, and the disposal of its 8.3% interest in the Orchard Road redevelopment site for S$68.5m. Total cash proceeds amount to S$387m. UOB will continue to operate its branches at both locations through lease arrangements.

Key Financials

Year to 31 Dec (S$m)	2021	2022	2023	2024	2025
Net interest income	6,388	8,343	9,679	9,674	9,355
Non-interest income	3,401	3,232	4,253	4,620	4,453
Net profit (rep./act.)	4,086	4,573	5,361	5,857	4,682
Net profit (adj.)	4,086	4,819	5,711	6,045	4,682
EPS (S$ cent)	239	269	334	356	276
PE (x)	18.1	16.1	13.0	12.2	15.7
P/B (x)	1.8	1.8	1.7	1.5	1.5
Dividend yield (%)	2.8	3.1	3.9	4.7	4.2
Net int margin (%)	1.6	1.9	2.1	2.0	1.9
Cost/income (%)	43.9	45.7	47.3	45.7	44.8
Loan loss cover (%)	96.0	98.0	101.0	91.0	97.0
Consensus net profit	-	-	-	-	-
UOBKH/Consensus (x)	-	-	-	-	-

Source: United Overseas Bank, Bloomberg, UOB Kay Hian

Analyst(s)

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NOT RATED (Maintained)

Share Price	S$43.30
Target Price	n.a.
Upside	n.a.
Previous TP	n.a.

Stock Data

Sector	Financials
Bloomberg ticker	UOB SP
Shares issued (m)	1,649.9
Market cap (S$m)	71,442.7
Market cap (US$m)	55,749.3
3-mth avg daily t'over (US$m)	107.8

Price Performance (%)

52-week high/low: S$45.15/S$33.25

1mth	3mth	6mth	1yr	YTD
3.9	18.0	12.5	20.9	23.5

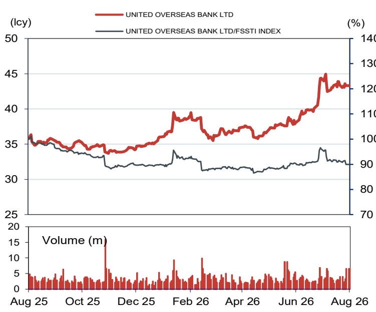
Major Shareholders (%)

Wee Family	11.2
Wah Hin & Co	5.3

Balance Sheet Metrics

FY26 NAV/Share (S$)	29.99
CET-1 CAR (%)	15.0

Price Chart



Source: Bloomberg

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.

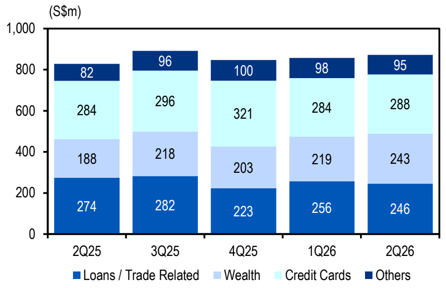
- **Increase in expenses is greater than growth in income.** Total expenses rose 6% yoy and 7% qoq to S$1,629m. UOB continued to invest in talent, technology and strategic business initiatives. Cost-to-income ratio deteriorated to 45.3% in 2Q26 from 44.3% in 2Q25.
- **Asset quality affected by Greater China real estate downgrade.** NPL ratio increased 0.1ppt qoq 1.6%. NPL formation was hefty at S$902m during the quarter due to a single closely monitored real estate account in Greater China. Total allowances declined 24% yoy to S$211m due mainly to the release of general provisions of S$97m. Credit costs were 28bp in 2Q26, within the guided range of 25-30bp. Loan-loss coverage stood at 88%.
- **Fully-loaded CET-1 CAR eased 0.2ppt qoq to 15.0%** due to the payment of 2025 final dividends. All-currency liquidity coverage ratio was 159%, while the net stable funding ratio stood at 114%. UOB declared an interim dividend of 88 S cents per share, representing a payout ratio of 50%. 40% of its S$2b share buyback programme had been completed as of Jul 26.
- **Toned-down guidance for 2026.** UOB maintained its guidance for low single-digit loan growth and NIM at 1.75-1.80% for 2026. It expects SORA to have bottomed and to trend higher in 2H26. It downgraded guidance for fees from high single-digit to low single-digit, due to: a) investment banking deals being pushed into 2H26, and b) credit card fees being affected by the shift in spending towards items with lower interchange fees and higher expenses caused by air miles redemption. Operating expenses are projected to increase by low single digits. Guidance for total credit costs is maintained at 25-30bp.
- **UOB plans to roll out new initiatives in 2H26**, including enhanced advisory capabilities and new product launches. It will step up hiring of relationship managers (RMs). Its recent launch of United CIO Funds was well received. 58% of AUM is derived from overseas markets, predominantly ASEAN countries. The contribution from North Asia is smaller but growing rapidly. Management targets to double wealth income over the next five years by 2030. UOB has a base of 40 relationship managers in Hong Kong. It will evaluate setting up a second booking centre in Hong Kong.

2Q26 Results

Profit & Loss (S$m)	2Q26	2Q25	yoy % Chg	1Q26	qoq % Chg
Net Interest Income	2,297	2,336	-1.7	2,324	-1.2
Fees & Commissions	665	636	4.6	637	4.4
Other Non-Interest Income	632	493	28.2	462	36.8
Total Income	3,594	3,465	3.7	3,423	5.0
Operating Expenses	(1,637)	(1,545)	6.0	(1,530)	7.0
PPOP	1,957	1,920	1.9	1,893	3.4
Provisions	(211)	(279)	-24.4	(203)	3.9
Associates & JVs	36	(3)	n.m.	23	56.5
PBT	1,782	1,638	8.8	1,713	4.0
Net Profit	1,476	1,339	10.2	1,439	2.6
EPS (S cents)	87.8	78.8	11.4	85.3	2.9
DPS (S cents)	88.0	85.0	3.5	0.0	n.m.
BVPS (S$)	29.99	28.62	4.8	29.79	0.7
Financial Ratios (%)	**2Q26**	**2Q25**	**yoy Chg (ppt)**	**1Q26**	**qoq Chg (ppt)**
NIM	1.74	1.91	-0.17	1.82	-0.08
Loan Growth, yoy	5.4	4.7	0.7	3.7	1.7
Deposit Growth, yoy	5.2	4.1	1.1	6.4	-1.2
Loan/Deposit Ratio	81.7	83.7	-2.0	81.9	-0.2
Cost/Income Ratio	45.3	44.3	1.0	44.5	0.8
ROE	11.6	11.7	-0.1	11.5	0.1
NPL Ratio	1.6	1.6	0.0	1.5	0.1
Credit Costs (bp)	28	32	-4	26	2
Loan Loss Coverage	88	88	0	100	-12
CET-1 CAR	15.4	15.3	0.1	15.3	0.1

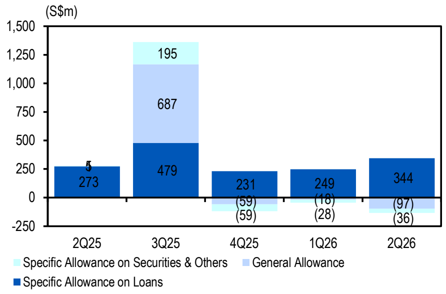
Source: UOB, UOB Kay Hian

Fee Income – Segmental Breakdown



Source: UOB

Total Allowance



Source: UOB

Profit & loss

Year to 31 Dec (S$m)	2022	2023	2024	2025
Interest income	12,862	22,242	23,259	20,676
Interest expense	(4,519)	(12,563)	(13,585)	(11,321)
Net interest income	8,343	9,679	9,674	9,355
Fees & commissions	2,143	2,235	2,395	2,569
Other income	1,089	2,018	2,225	1,884
Non-interest income	3,232	4,253	4,620	4,453
Total income	11,575	13,932	14,294	13,808
Staff costs	(3,001)	(3,553)	(3,699)	(3,413)
Other operating expense	(2,283)	(3,038)	(2,827)	(2,775)
Pre-provision profit	6,291	7,341	7,768	7,620
Loan loss provision	(603)	(921)	(926)	(2,042)
Associated companies	0	0	0	0
Pre-tax profit	97	93	121	79
Tax	5,785	6,513	6,963	5,657
Minorities	(1,202)	(1,138)	(1,092)	(962)
Net profit	(10)	(14)	(14)	(13)
Net profit (adj.)	4,573	5,361	5,857	4,682

Balance Sheet

Year to 31 Dec (S$m)	2022	2023	2024	2025
Cash with central bank	49,419	52,350	38,577	35,742
Govt treasury bills & securities	31,878	38,280	46,851	62,695
Interbank loans	35,410	35,093	37,432	32,954
Customer loans	315,355	317,005	333,930	347,877
Investment securities	39,789	50,793	48,472	57,396
Derivative receivables	13,802	9,707	12,132	10,893
Associates & JVs	1,258	1,266	1,302	1,252
Fixed assets (incl. prop.)	4,199	4,508	4,852	5,454
Other assets	13,150	14,518	14,116	17,798
Total assets	504,260	523,520	537,664	572,061
Interbank deposits	24,537	32,371	19,735	28,737
Customer deposits	368,553	385,469	403,978	425,938
Derivative payables	16,218	11,768	12,514	11,532
Debt equivalents	41,381	37,180	42,032	44,989
Other liabilities	9,965	10,264	9,448	9,372
Total liabilities	460,654	477,052	487,707	520,568
Shareholders' funds	43,366	46,226	49,733	51,248
Minority interest - accumulated	240	242	224	245
Total equity & liabilities	504,260	523,520	537,664	572,061

Operating Ratios

Year to 31 Dec (%)	2022	2023	2024	2025
Capital Adequacy				
Tier-1 CAR	14.4	14.4	15.4	14.9
Total CAR	16.7	16.6	18.2	17.7
Total assets/equity (x)	11.6	11.3	10.8	11.2
Tangible assets/tangible common equity (x)	13.0	12.6	11.9	12.2
Asset Quality				
NPL ratio	1.6	1.5	1.5	1.5
Loan loss coverage	98.0	101.0	91.0	97.0
Loan loss reserve/gross loans	0.9	0.9	0.8	1.0
Increase in NPLs	0.6	(3.8)	6.0	4.2
Credit cost (bp)	19.1	28.7	28.1	59.2
Liquidity				
Loan/deposit ratio	85.6	82.2	82.7	81.7
Liquid assets/short-term liabilities	29.6	30.0	29.0	28.9
Liquid assets/total assets	23.1	24.0	22.9	23.0

Key Metric

Year to 31 Dec (%)	2022	2023	2024	2025
Growth				
Net interest income, yoy chg	30.6	16.0	(0.1)	(3.3)
Fees & commissions, yoy chg	(11.2)	4.3	7.2	7.3
Pre-provision profit, yoy chg	14.7	16.7	5.8	(1.9)
Net profit, yoy chg	11.9	17.2	9.3	(20.1)
Net profit (adj.), yoy chg	17.9	18.5	5.8	(22.5)
Customer loans, yoy chg	2.8	0.5	5.3	4.2
Customer deposits, yoy chg	4.5	4.6	4.8	5.4
Profitability				
Net interest margin	1.9	2.1	2.0	1.9
Cost/income ratio	45.7	47.3	45.7	44.8
Adjusted ROA	1.0	1.1	1.2	0.9
Reported ROE	10.6	12.0	12.6	9.9
Adjusted ROE	11.2	12.7	13.0	9.9
Valuation				
P/BV (x)	1.8	1.7	1.5	1.5
P/NTA (x)	1.9	1.8	1.6	1.6
Adjusted P/E (x)	16.1	13.0	12.2	15.7
Dividend Yield	3.1	3.9	4.7	4.2
Payout ratio	50.2	50.9	57.6	65.6