United Overseas Bank (UOB SP)

3Q26: Earnings Shortfall From Other Non-Interest Income

Highlights

- UOB's 3Q26 net profit fell 15% qoq to S$1,250m, below consensus estimate of S$1,376m, as margin compression and weaker trading income weighed on earnings. Loan growth of 6% yoy cushioned the decline in NIM to 1.68%.
- Asset quality improved, with new NPL formation declining to S$500m, NPL ratio easing to 1.5% and credit costs falling to 24bp in 3Q26. However, NPL coverage declined 14ppt yoy and 2ppt qoq to 86%.
- Management expects mid-single-digit loan growth and a recovery in net interest income in 2027. Operating costs are expected to rise by mid to high single digits as UOB invests to build new revenue streams.

Analysis

- United Overseas Bank (UOB) reported 3Q26 net profit of S$1,250m (-15% qoq), vs S$443m in 3Q25 when pre-emptive provisioning of S$615m depressed earnings. Earnings were below consensus estimate of S$1,376m.
- **Loan growth cushioned margin compression.** NIM fell 14bp yoy and 6bp qoq to 1.68% in 3Q26, due to higher deposit costs. Gross customer loans grew 6% yoy and 3% qoq, supporting net interest income of S$2,278m (+1% yoy, -1% qoq). Trade loans grew 31% yoy. Funding costs reduced NIM by 7bp qoq and asset repricing by 1bp, offset by the 2bp benefit from volume.
- **Record fees supported by wealth management and lending activities.** Net fee income increased 19% yoy and 10% qoq to S$733m. Wealth fees rose to S$258m (+18% yoy, +6% qoq) and loan & trade-related fees increased to S$293m (+4% yoy, +19% qoq). Wealth AUM was S$204b, up 3% yoy and unchanged qoq. Net new money totalled S$5b in 9M26.
- **Other non-interest income weakened.** Other non-interest income fell 29% yoy and 41% qoq to S$370m, reflecting the absence of prior-quarter divestment gains and softer trading and investment income. Trading and investment income declined 33% yoy and 15% qoq to S$322m.
- **Cost discipline partly offset lower income.** Operating expenses fell 4% qoq but rose 2% yoy to S$1,570m. Staff costs declined 10% qoq to S$851m, while IT-related expenses rose 5% qoq to S$310m. The cost-to-income ratio increased 1.1ppt qoq to 46.4%.
- **Credit costs eased as NPL formation moderated.** New NPLs fell to S$500m from S$902m in 2Q26. NPL ratio eased 0.1ppt qoq to 1.5%. Total allowances rose 23% qoq to S$258m. Total credit costs fell to 24bp from 28bp in 2Q26. NPL coverage dipped 14ppt yoy and 2ppt qoq to 86%.

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)	16.1	14.3	11.5	10.8	13.9
P/B (x)	1.6	1.6	1.5	1.4	1.3
Dividend yield (%)	3.1	3.5	4.4	5.3	4.7
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

Share Price	S$38.44
Target Price	n.a.
Upside	n.a.

Stock Data

Sector	Financials
Bloomberg ticker	UOB SP
Shares issued (m)	1,646.9
Market cap (S$m)	63,307.4
Market cap (US$m)	49,536.3
3-mth avg daily t'over (US$m)	121.0

Price Performance (%)

52-week high/low				S$45.15/S$33.25
1mth	3mth	6mth	1yr	YTD
(10.8)	(11.1)	6.3	10.1	9.6

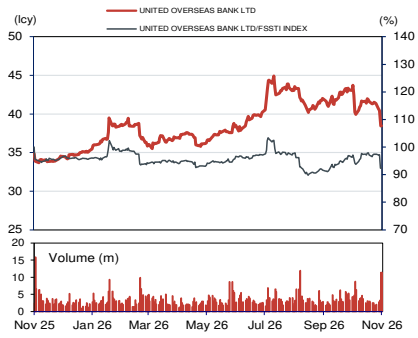
Major Shareholders (%)

Wee Family	11.2
Wah Hin & Co	5.3

Balance Sheet Metrics

NAV/Share (S$)	29.00
CET-1 CAR (%)	14.0

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.

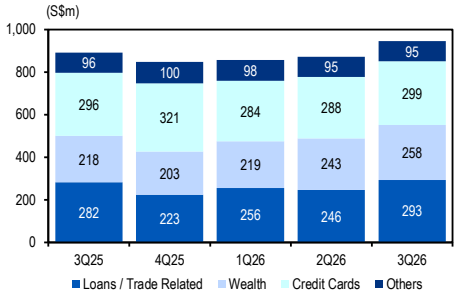
- **Capital eased following the interim dividend.** Fully loaded CET-1 CAR fell 1.0ppt to 14.0%.
- **2027 outlook points to continued balance sheet growth.** Management expects mid-single-digit loan growth and mid to high single-digit fee growth. Guidance for total credit costs are maintained at 25-30bp.
- **Management guided growth in net interest income in 2027,** assuming 3M SORA reaches 1.4% by end-26 and 1.6% by end-27. NIM should bottom out as the current irrational pricing for deposits is not sustainable. The competition for deposits is centred on its retail business, specifically relationship managers competing to offer attractive interest rates to lock in deposits and wealth management accounts from high-net-worth clients.
- **Operating costs expected to rise by mid to high single digits in 2027.** Cost-to-income ratio is expected to remain elevated in 2027 due to increased investments to generate new revenue streams. Management targets to double the contribution from wealth management by 2030 (CAGR: 16-17%). Compliance costs have increased in order to combat scams and fraud.
- **UOB is reshaping its portfolio** by reducing its exposure to real estate & hospitality (REH) and increasing its exposure to digital infrastructure and energy. Management takes a disciplined approach to AI-related lending, which accounted for less than 5% of total loans. They comprise working capital loans (secured by inventories for buyers with healthy credit profiles) and term loan (based on cash flow of off-take contracts from hyperscalers).
- **UOB has disclosed its exposure for REH in Greater China** at S$20b or 5.3% of group loans (NPLs: 0.5%, special mention loans: 1.0%, performing: 3.8%). The pace of recovery is slower than expected. Management is optimistic that valuation for REH collaterals could increase upon lease extension, which will provide room to restructure and recover the loans.
- **UOB completed the disposal of its remaining property interests in Novena Square and 230 Orchard Road** (which is currently being redeveloped into the NoMad Hotel) in 2Q26. 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 amounted to S$387m. UOB will continue to operate its branches at both locations through lease arrangements.

3Q26 Results

Profit & Loss (S$m)	3Q26	3Q25	yoy % Chg	2Q26	qoq % Chg
Net Interest Income	2,278	2,265	0.6	2,297	-0.8
Fees & Commissions	733	615	19.2	665	10.2
Other Non-Interest Income	370	518	-28.6	632	-41.5
Total Income	3,381	3,398	-0.5	3,594	-5.9
Operating Expenses	(1,577)	(1,541)	2.3	(1,637)	-3.7
PPOP	1,804	1,857	-2.9	1,957	-7.8
Provisions	(258)	(1361)	-81.0	(211)	22.3
Associates & JVs	35	25	40.0	36	-2.8
PBT	1,581	521	203.5	1,782	-11.3
Net Profit	1,251	443	182.4	1,476	-15.2
EPS (S cents)	74.5	25.3	195.0	87.8	-15.1
DPS (S cents)	0.0	0.0	n.m.	0.0	n.m.
BVPS (S$)	29.00	28.34	2.3	29.99	-3.3
Financial Ratios (%)	**3Q26**	**3Q25**	**yoy Chg (ppt)**	**2Q26**	**qoq Chg (ppt)**
NIM	1.68	1.82	-0.14	1.74	-0.06
Loan Growth, yoy	6.0	5.1	0.9	5.4	0.6
Deposit Growth, yoy	6.4	4.7	1.7	5.2	1.3
Loan/Deposit Ratio	82.5	82.5	0.0	81.7	0.8
Cost/Income Ratio	46.4	45.2	1.2	45.3	1.1
ROE	10.1	3.5	6.6	11.8	-1.7
NPL Ratio	1.5	1.6	-0.1	1.6	-0.1
Credit Costs (bp)	24	134	-110	28	-4
Loan Loss Coverage	86	100	-14	88	-2
CET-1 CAR	14.6	14.6	0.0	15.4	-0.8

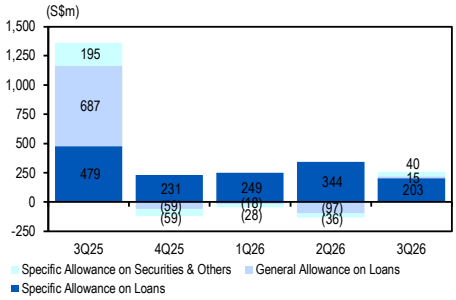
Source: UOB, UOB Kay Hian

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)
Other Provisions	0	0	0	0
Associated companies	97	93	121	79
Pre-tax profit	5,785	6,513	6,963	5,657
Tax	(1,202)	(1,138)	(1,092)	(962)
Minorities	(10)	(14)	(14)	(13)
Net profit	4,573	5,361	5,857	4,682
Net profit (adj.)	**4,819**	**5,711**	**6,045**	**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	16.6	16.1
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)	1.6	1.5	1.4	1.3
P/NTA (x)	1.7	1.6	1.4	1.4
Adjusted P/E (x)	14.3	11.5	10.8	13.9
Dividend Yield	3.5	4.4	5.3	4.7
Payout ratio	50.2	50.9	57.6	65.6

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