UOB Group's Acquisition of Citigroup's Consumer Business in Indonesia, Malaysia, Thailand and Vietnam

Combined Analyst/Media Briefing
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Speech by Mr Wee Ee Cheong, Deputy Chairman and CEO, UOB

Good morning. Thank you for joining us at short notice. I see many of you tuning in from Indonesia, Malaysia, Thailand and Vietnam. This is an important milestone for UOB and we want to share the good news as soon as we can.

We have just announced an acquisition of Citi's retail business in four ASEAN countries (Indonesia, Malaysia, Thailand and Vietnam) as a package, for a total cash consideration of about S$5 billion, which translates to 1.2 times book.

As a long-term player, UOB has been disciplined, selective and patient in seeking the right opportunities to grow. We have been on the look-out all this while, even as we focus on organic growth. This acquisition is a great opportunity that comes at the right time. A transformational deal that will advance our position as a leading regional bank.

We know this region well and believe in its growth potential. With this deal, we get to scale up our business across four target markets at one go. In one move, doubling our retail franchise in four countries, propelling our market leadership positions and accelerating our growth targets by five years.

It is the right strategic fit. We are acquiring a quality and complementary portfolio and team. Citi has been building the franchise for over 50 years, with best-in-class capabilities, people and processes. UOB has also been investing in our regional infrastructure and team. When combined, we will have a diversified product mix with superior returns while maintaining portfolio resilience.

From the integration standpoint, acquiring from a single, reputable seller with a uniform franchise will reduce complexity. One bank, one platform, one model. We can replicate learnings in a phased approach, across target countries on our regional platform. We will provide continuity and a good home for Citi's customers and employees.

Timing-wise, the COVID crisis allows us to validate the resilience of the business and portfolio, for both UOB and Citi. We are glad that we are in a position of strength to do this deal. Our strong balance sheet allows us to seize this opportunity and to put our capital to good use. We will have revenue synergies from scale benefits.

We expect this deal to be immediately accretive to Group EPS and ROE, excluding one-off transaction cost. Including one-time cost, we will be EPS- and ROE-accretive by 2023 and generate higher returns over time, ROE >13% by 2026. Our CET1 will be restored to above 13% by 2023.

In summary, this deal is a strategic fit at the right time. We are in a position of strength, with a strong balance sheet and regional platform, to seize this opportunity. We are buying a quality franchise, four target markets at one go, with a complementary base of customers, people, capabilities. A powerful combination that will accelerate our growth ambition.

We are confident that this deal will further strengthen and deepen our regional franchise. And we are committed to creating value for the enlarged base of customers, employees and other stakeholders.

UOB has a proven track record of successful acquisitions and integration. Together with organic growth, we have expanded our regional footprint and sustained strong performance over time. This latest acquisition reaffirms our commitment to Southeast Asia.

We have been investing and created a proven standardised platform and regional infrastructure. We are confident of executing this deal across these markets. Acquiring from a single, reputable seller with a uniform franchise will reduce complexity by replicating the learnings in a phased approach across countries.

Indonesia, Malaysia, Thailand and Vietnam are our key markets which we are familiar with. Citi's retail customer segments in these countries complement UOB's. They will boost our existing base across the upper mass, emerging affluent and affluent segments. Our number of customers in each market will almost double. Our market positions will be propelled (to be among top three card issuers in Malaysia and Thailand for example).

This deal will boost our unsecured business, complementing our strengths in funding, secured and wealth business. The end result will be a diversified product mix, with higher returns for the four markets while maintaining portfolio resilience.

We have been investing in our regional and digital capabilities over the years. Our retail strategy remains intact. We will continue to tap the rising affluence in Southeast Asia:

- by acquiring customers using our digital banking platform UOB TMRW; and
- serving them through our omni-channel approach as their needs grow.

Post-acquisition, we will almost double our customer base to 5.3 million. We will become one of the largest retail banks in the region, with:

- an expanded customer franchise;
- more touchpoints and partnerships;
- a greater market share; and
- a stronger team to serve our customers.

Our customers can expect better offerings and benefits with more touchpoints and a larger partnership ecosystem.

We value Citi's senior leadership and employees. We share similar values and believe in diversity, teamwork and meritocracy. We will fortify our capabilities by bringing onboard people across various levels with the relevant expertise and experience. Together, the combined UOB and Citi team across four countries will create business synergies and more career opportunities for our people.

We are committed to contributing to the financial industry and economy in each of the four countries. And look forward to receiving regulatory approval for the deal.

As a homegrown bank, we are committed to growing together with our customers, employees and other stakeholders, to realise the potential of this region.

Thank you for your support. I will now ask our CFO, Wai Fai, to share the financial implications.

Speech by Mr Lee Wai Fai, Group Chief Financial Officer, UOB

Thank you Ee Cheong.

As articulated by Ee Cheong, this acquisition will help us deepen capabilities, reach and scale in products and markets we understand well. The combination of the product strength of each party allows us to grow the more profitable unsecured exposure but yet maintain an overall healthy well diversified portfolio. Books are resilient and well managed.

This acquisition does not change our geographical mix significantly as Singapore continues to be our main market. In terms of financial impact, the acquisition will immediately bring a 1.4x income uplift and a 1.2x loan growth in the four markets from our enlarged scale. At the Group level, we can see an immediate S$1.0 billion incremental income uplift.

The transaction is valued at 1.2x net assets of S$4.0 billion and will be fully funded by UOB's excess capital. The CET1 impact will be 70 basis points, which is manageable. This results in pro-forma CET1 ratio of 12.8%.

Post-acquisition, the Group remains well capitalised. With normalised RoRWA >1.70%, we plan to restore capital and target for CET1 >13% by 2023. Importantly, this acquisition is immediately EPS and ROE-accretive, excluding one-off costs.

By scaling up our regional subsidiaries, we are now targeting a higher ROE of >13% and RORWA of ~2.0% by 2026.

For our dividend outlook, we remain comfortable with maintaining our dividend policy of 50% dividend payout ratio.

Subject to regulatory approvals, we are targeting completion for Thailand, Malaysia by 2Q 2023 and the remaining markets by 1Q 2024. Our centralised system and common operating model reduce the risk of system migration per country; together with the phased approach, allows us to replicate integration successes and synergies across markets.

We have also set up joint integration teams at the regional and country levels, supported by dedicated resources that will ensure the seamless integration and migration of Citi's customers and employees.

To reiterate, this is a reasonably priced acquisition that enables UOB to scale our franchise, fast-forward our customer growth, strengthen our capabilities and contribute to realising our target ROE of >13% by 2026. With capital staying strong and CET1 expected to be >13% by 2023, we remain comfortable with maintaining dividend policy of 50%.

We will now invite questions from both analysts and the media. Thank you.