

UOB's value chain financing records twofold growth in 1H2020, enabling construction companies, sub-contractors and suppliers to get back to building their business

Singapore, 26 October 2020 – United Overseas Bank (UOB) has seen a twofold increase in the number of construction firms securing loans under value chain financing (VCF) in the first six months of the year (1H2020) as compared with the end of 2019. The growth was driven by the increase in sub-contractors and suppliers obtaining loans under VCF as part of tie-ups between their main contractors or project owners and the Bank to help ease the financing challenges brought about by COVID-19. These sub-contractors and suppliers are typically small- and medium-sized enterprises (SMEs)¹.

The construction sector has been among the hardest-hit by COVID-19, with companies, particularly smaller firms, facing cash flow pressures. In the third quarter of 2020, Singapore's construction sector contracted 44.7 per cent year on year². This pressure was also reflected in a UOB survey³, where cash flow was indicated as the top challenge for one in two (49 per cent) small businesses in the construction sector.

UOB's VCF supports construction sector firms in obtaining loans by assessing the building project and the various parties that are involved in its construction, including the main contractor and project owner. By connecting the value chain, the Bank creates an ecosystem where it can draw insights from the collaboration and track record of the ecosystem participants for a holistic assessment of each firm's financing needs and eligibility. This in turn enables UOB to provide these sub-contractors and suppliers, including those that may have previously been ineligible for bank loans, with essential financing support.

¹ Source: "Speech by Singapore Contractors Association Limited (SCAL) president, Mr Kenneth Loo at SCAL Built Environment Summit 2018", SCAL, 22 October 2018. <https://www.scal.com.sg/info-details/SCAL-BE-Summit-2018-Speech/>

² Source: "Singapore's GDP contracted by 7.0 per cent in the third quarter of 2020", Ministry of Trade and Industry Singapore, 14 October 2020. https://www.mti.gov.sg/-/media/MTI/Newsroom/Press-Releases/2020/10/AdvEst_3Q20.pdf?la=en&hash=6FCA7CADD2D88BFF86AA51EBE78F3FB31DBEF904

³ The *ASEAN SME Transformation Study 2020* was conducted among 1,000 small businesses with annual turnover of \$20 million and below before and during the COVID-19 pandemic, in the third quarter of 2019 and May 2020 respectively. Small businesses across five ASEAN markets – Indonesia, Malaysia, Singapore, Thailand and Vietnam – were surveyed.

Mr Frederick Chin, Head of Group Wholesale Banking and Markets, UOB, said, “Since the start of the COVID-19 pandemic, we have been working closely and proactively with our clients to help them with their financing needs during this difficult period. With the construction sector one of the hardest-hit by the pandemic, we have built on our existing efforts to help companies in this sector access financing in order to overcome the headwinds they continue to face. Through our continued engagement with project owners and main contractors to offer VCF, we have been able to deepen our support for firms in the construction sector, helping them access much-needed cash flow to tide over the crisis.”

Exclusive Design Construction Pte Ltd is a contractor which has successfully obtained loans under UOB’s VCF, in turn enabling the firm to take on a mandate for a significantly larger contract.

Mr Sunny Sng, Managing Director of Exclusive Design Construction, said, “The project was an important milestone and growth opportunity for the company but we were worried about being unable to obtain the financing required for us to deliver on the contract. As such, we were very grateful when UOB went the extra mile to understand the project, our track record and relationship with the project owner, instead of just focusing on our balance sheet. UOB’s unique approach in offering loans under VCF has enabled me to benefit from the Bank’s close relationship with and strong understanding of the project owner, which not only helped in securing the loan but also made the application a hassle-free process.”

With UOB’s ability to support the financing needs of firms in the construction sector, it has also generated growing interest from other main contractors or project owners who are looking to support their contractors and suppliers in easing their cash flow pressures. One such company is Tiong Seng Contractors (Private) Limited, a subsidiary of Singapore Exchange’s Mainboard-listed construction group and property developer, Tiong Seng Holdings Limited.

Mr Pay Sim Tee, CEO of Tiong Seng Holdings Limited, said, “Even as the construction sector takes a gradual and cautious approach to resuming operations, we recognise that the worst is not yet over. As such, we feel the urgent need to contribute back to our value chain and to do our part in maintaining the built environment

sector's resilience. Backed by UOB, an established and reputable partner, we will be able to help our sub-contractors and suppliers access financing. This will not only provide them with immediate financing support but also ensures that the sustenance of our business during this tough period. We are confident that along with our team of sub-contractors and suppliers, we will be able to emerge stronger to capture new business opportunities when the economy recovers eventually.”

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About United Overseas Bank

United Overseas Bank Limited (UOB) is a leading bank in Asia with a global network of more than 500 offices in 19 countries and territories in Asia Pacific, Europe and North America. Since its incorporation in 1935, UOB has grown organically and through a series of strategic acquisitions. UOB is rated among the world's top banks: Aa1 by Moody's Investors Service and AA- by both S&P Global Ratings and Fitch Ratings. In Asia, UOB operates through its head office in Singapore and banking subsidiaries in China, Indonesia, Malaysia, Thailand and Vietnam, as well as branches and representative offices across the region.

Over more than eight decades, generations of UOB employees have carried through the entrepreneurial spirit, the focus on long-term value creation and an unwavering commitment to do what is right for our customers and our colleagues.

We believe in being a responsible financial services provider and we are committed to making a difference in the lives of our stakeholders and in the communities in which we operate. Just as we are dedicated to helping our customers manage their finances wisely and to grow their businesses, UOB is steadfast in our support of social development, particularly in the areas of art, children and education.

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