

Banking

Benefitting From Structural Tailwinds; Healthy Competition For Customer Relationships

Highlights

- Singapore banks are supported by structural tailwinds, including continued influx of safe haven liquidity and broad-based trend of monetary tightening, which remains intact. We expect banks to report healthy 3Q26 results.
- OCBC and UOB offer attractive interest rates of 1.7% on new 12-month fixed deposits in October. We do not expect these seasonal promotions to degenerate into a price war. DBS would be least affected given its strong deposit franchise with high CASA ratio of 54.4% and low LDR of 73.5%.
- Maintain MARKET WEIGHT.** BUY OCBC (Target: S\$35.70) for its diversified growth from wealth management (63% of its fee income), trading income and insurance. We upgrade DBS to BUY (Target: S\$83.60) due to its resilient deposit franchise and attractive 2027 dividend yield of 4.7%.

Analysis

- Banks endured a week of harsh selling. In total, DBS dropped 6.6%, OCBC 9.9% and UOB 8.6%. While the sell-down was sudden, vicious and steep, the structural tailwinds for banks remain intact:
- Continued influx of safe haven liquidity.** Safe-haven inflows to Singapore are largely driven by structural factors, although their pace will fluctuate with geopolitical tensions and global risk appetite. Singapore's appeal as a base for capital preservation is underpinned by its stable institutions, regulatory credibility and established wealth management ecosystem. Capital inflows to Singapore are also triggered by overseas uncertainties. Currently, several European countries are grappling with increased debt-servicing pressures, rising defence expenditures and ageing populations. Slower growth could add further strain to public finances when the European Central Bank is gradually withdrawing from bond purchases. Risk-adverse investors could reallocate capital from Europe to Singapore on concerns over debt sustainability.
- Broad-based trend of monetary tightening to suppress elevated inflation.** Persistently high energy prices and prolonged conflict in the Middle East are reinforcing a shift towards tighter monetary policy, as central banks seek to prevent the initial increase in fuel and electricity costs from spreading into wages, services prices and inflation expectations. The latest Fed minutes indicated the unanimous decision to hike 25bp in September. There was broad discussion on the pace of upcoming rate hikes. Most policymakers assessed another rate hike is appropriate by end-26, likely coming on 9 Dec 26. The ECB raised interest rates by 25bp in Sep 26. It cautioned that inflation risk is skewed to the upside and monetary policy must remain restrictive.
- Seasonal promotions for fixed deposits aimed at luring new customers.** UOB is offering attractive interest rate of 1.7% on new 12-month fixed deposits in October. The promotion is only applicable for fresh funds and last from 1-31 October. Likewise, OCBC is offering 1.7% for 12-month fixed deposits for online premier banking customers. DBS maintained interest rate at 1.0% for 12-month fixed deposits capped at placements of up to S\$19,999. We see these seasonal promotions as healthy competition and jostling for new customers willing to move their savings for better returns and not indicative of system-wide funding shortage.

Peer Comparison

Company	Ticker	Rec	Price	Target	Market Cap	PE		P/B		P/POP		Yield		ROE	
			9 Oct 26 (S\$)	Price (S\$)		2026F (x)	2027F (x)	2026F (x)	2027F (x)	2026F (x)	2027F (x)	2026F (%)	2027F (%)	2026F (%)	2027F (%)
DBS	DBS SP	BUY	73.36	83.60	162,986	18.1	16.8	2.93	2.84	14.6	13.5	4.5	4.7	16.5	17.4
OCBC	OCBC SP	BUY	29.00	35.70	101,846	16.2	14.9	2.05	1.92	13.8	12.9	3.2	3.4	12.7	13.2
UOB	UOB SP	NR	39.96	n.a.	51,428	12.0	11.1	1.26	1.20	8.5	8.2	4.4	4.6	10.8	11.1
Average						15.4	14.3	2.08	1.99	12.3	11.5	4.0	4.2	13.3	13.9

Source: Bloomberg, UOB Kay Hian

Analyst(s)

Jonathan Koh, CFA, MSc Econ
jonathankoh@uobkh.com
+65 6590 6620

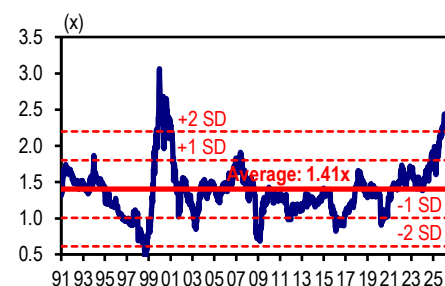
MARKET WEIGHT (Maintained)

Sector Picks

Company	Ticker	Rec	Share Price	Target Price
			(S\$)	(S\$)
DBS	DBS SP	BUY	73.36	83.60
OCBC	OCBC SP	BUY	29.00	35.70

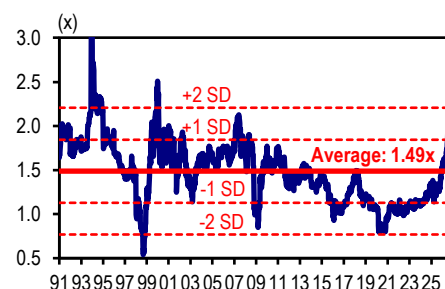
Source: Bloomberg, UOB Kay Hian

P/B – DBS



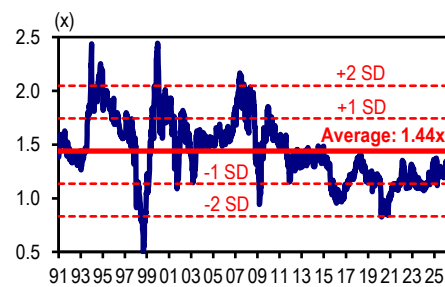
Source: UOB Kay Hian

P/B – OCBC



Source: UOB Kay Hian

P/B – UOB



Source: UOB Kay Hian

- **Banks have ample liquidity as reflected in low LDRs.** The three Singapore banks remain flush with liquidity, supported by substantial customer deposits and buffers comfortably above regulatory requirements. As of Jun 26, DBS held S\$638b in deposits against S\$469b in loans, representing loan-to-deposit ratio (LDR) of 73.5%. Its liquidity coverage ratio (LCR) of 142% and net stable funding ratio (NSFR) of 113% both exceed the 100% regulatory minimum. Similarly, OCBC and UOB have healthy LDRs of 78.4% and 81.7%, respectively. The banks have considerable funding flexibility and capacity to withstand withdrawals.
- **Fixed deposits promotions not indicative of rising competition.** Recent deposit promotions reflect healthy competition for customer relationships, rather than signalling a broad-based funding shortage. With loan-to-deposit ratio at the lower end of historical range, there is no need to compete unhealthily and unnecessarily for deposit market share.

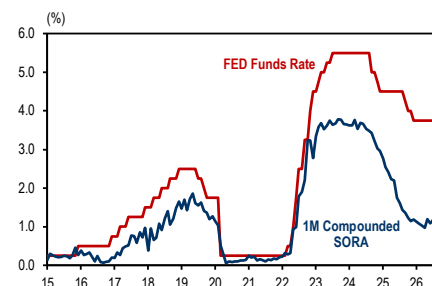
Valuation/Recommendation

- **Weighing the pros and cons.** We postulate that Singapore banks are a hedge against potential sovereign debt crises in developed countries. Higher bond yields are generally indicative of stronger pricing power for banks. However, we want to adopt a defensive posture due to near-term headwinds from a prolonged conflict in the Middle East, which will give rise to elevated inflation. The economy and loan growth could potentially slow down due to weakness in business sentiment.
- **SORA has bottomed and is expected to gradually increase.** We observed that money supply M2 has slowed to a growth of 3.2% yoy in Aug 26, compared to the recent peak of 9.5% yoy in Aug 25, reflecting MAS' tightening bias. One-month compounded SORA troughed at 0.97% in Apr 26. Since then, it has risen smoothly and gradually by 16bp to 1.25% in 3Q26. Assuming the pace of rise remains at 5bp/month, we estimate that one-month compounded SORA would reach 1.4% by end-26.
- **Singapore is an oasis of calm.** Singapore is recognised for its fiscal austerity and conservatism. The stable government bond yields in Singapore stand in stark contrast to rising yields in many developed countries, such as the US, France, Italy and Japan. Singapore's 10-year government bond yield edged higher by 43bp qoq to 2.47% in 3Q26, much more resilient compared with the huge increase of 81bp qoq to 5.28% for 10-year US treasury bonds. In Europe, yield for French 10-year treasury bonds rose 122bp qoq to 4.87%, while Italian 10-year treasury bonds gained 98bp qoq to 4.61%. Yield for 10-year JGB expanded by smaller 38bp qoq to 3.05% in 3Q26.
- **Maintain MARKET WEIGHT.** Our preferred BUY is OCBC (Target: S\$35.70) for its strategic shift to accelerate growth. OCBC is more sensitive to growth in wealth management fees, which accounted for 63% of its fee income. It has delivered the strongest and most diversified 2Q26 results with earnings growth at 22% yoy, driven by wealth, trading income and insurance. We upgrade DBS from HOLD to BUY (Target: S\$83.60) due to its leadership in wealth management and scale of earnings.

DBS Group Holdings (Upgrade to BUY/Target: S\$83.60)

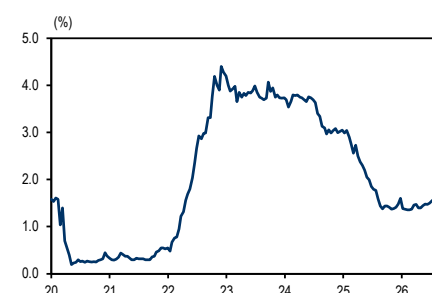
- **DBS is recognised as the world's best private bank** by Euromoney Private Banking Awards 2026. According to Asian Private Banker, DBS is ranked the 4th largest private bank in Asia with AUM having increased 22% to S\$335b in 2025 (DBS is behind UBS and HSBC but neck and neck with JPMorgan). DBS has doubled its wealth management AUM since 2019, representing six-year CAGR of 12.2%. The proportion of AUM invested is also high at 58%. Wealth management fees grew 29% in 2025 and 25% yoy in 1Q26. DBS' cost-to-income ratio of 46% for wealth management stood out as one of the most efficient among top global private banks.
- **Drawing closer to HNW clients through new wealth centres.** DBS plans to open 18 new and 36 upgraded wealth centres in 2H26 across the Asia Pacific region, including Singapore, Hong Kong, China, India, Indonesia and

US Fed Funds Rate vs 1M SORA



Source: Bloomberg

SG Six-month T-bills Auction



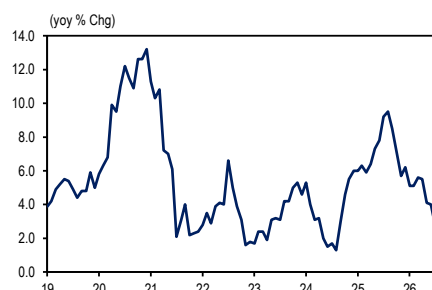
Source: CEIC

SG 10Y Government Bond Yield versus US 10Y Treasury Yield



Source: Bloomberg

SG Money Supply M2, yoy % Chg



Source: CEIC

Taiwan. It aims to be closer to its high-net-worth (HNW) clients, serving them where they live and work. The number of wealth centres in Singapore would expand by 50%. In-person face-to-face meetings remain important for HNW clients, despite actively engaging them through digital wealth platforms.

- **Asset quality is pristine.** NPL formation is muted at S\$126m in 1Q26 and S\$155m in 2Q26. NPL ratio is low at 1.0%, while loan-loss coverage is healthy at 130%. DBS has ample management overlay for general provisions of S\$2,400m.
- **Generous dividend payout supported by high ROE.** We expect DBS to raise its quarterly DPS by 6 S cents to 72 S cents starting 4Q26. DBS provides a dividend yield of 4.7% for 2027 and 3.9% for 2028.
- **Upgrade to BUY.** Our target price of S\$83.60 is based on 3.23x 2027F P/B, derived from the Gordon Growth Model (ROE: 17.0%, COE: 7.0%, growth: 2.5%).

Key Assumptions – DBS

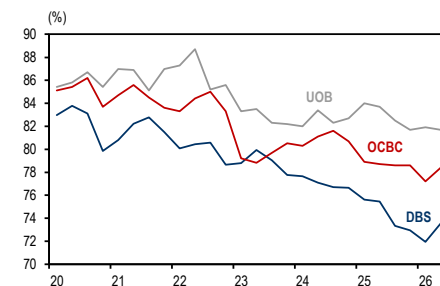
(\$m)	2024	2025	2026F	2027F	2028F
Net Interest Income	14,424	14,500	14,733	16,580	17,396
Non-Interest Income	7,873	8,400	9,497	9,869	10,395
Total Income	22,297	22,900	24,231	26,450	27,790
Pre-Provision Operating Profit	13,259	13,528	14,307	15,499	16,179
Net Profit	11,289	10,933	11,525	12,395	12,940
% Chg	12.2	(3.2)	5.4	7.6	4.4
Loan Growth (%)	3.4	3.3	7.5	4.5	4.5
NIM (%)	2.14	2.02	1.90	2.01	2.01
Fees, % Chg	23.2	17.5	16.6	8.9	8.4
NPL Ratio (%)	1.09	1.03	0.98	0.98	0.97
Credit Costs (bp)	14.0	17.8	15.2	17.1	17.1

Source: UOB Kay Hian

Oversea-Chinese Banking Corp (BUY/Target: S\$35.70)

- OCBC's **New Frontier strategy** targets to deepen its domestic presence within the ASEAN region in Malaysia and Indonesia. It has embarked on a strategic shift to capture growth at its twin wealth hubs of Singapore and Hong Kong. Management targets to deliver Whole-of-Wealth (WoW) value proposition across the banking, wealth management and insurance businesses. Management targets double-digit growth in wealth management fees and AUM.
- OCBC's private banking arm, Bank of Singapore (BOS), is **sharpening its focus on ultra HNW** clients in Southeast Asia and North Asia, in line with the expansion of OCBC's WoW eco-system. BOS has achieved its target of 500 RMs for private banking by end-25. It aims to grow AUM contributed by ultra HNW clients by 30% by 2028. OCBC has set a new target of hiring 600 RMs for consumer financial services over the next three years.
- **OCBC entered into a new 10-year strategic cooperation agreement with Bank of Ningbo (BON)** in Sep 26, extending a partnership established since 2006 to capture trade, investment and wealth opportunities between ASEAN and Greater China. The collaboration combines BON's domestic customer franchise with OCBC's regional network to support Chinese businesses expanding overseas and deepen cooperation in wholesale banking and wealth management. OCBC, which holds a 20% stake in BON, registered a 50% increase in new-to-bank Chinese companies expanding into ASEAN in 2025. The agreement includes a US\$5m training grant to support staff development and knowledge sharing between the two banks.
- **Asset quality is pristine.** OCBC's NPL formation was manageable at S\$123m in 1Q26 and S\$300m in 2Q26. It has the lowest NPL ratio of 0.9%, but the highest loan-loss coverage at 163%.
- **Maintain BUY.** Our target price of S\$35.70 is based on 2.36x 2027F P/B, derived from the Gordon Growth Model (ROE: 13.3%, COE: 7.25%, growth: 2.8%).

Loan-to-Deposit Ratio (LDR)



Source: Respective banks

Key Assumptions – OCBC

(\$m)	2024	2025	2026F	2027F	2028F
Net Interest Income	9,755	9,150	9,352	10,680	11,279
Non-Interest Income	4,718	5,464	6,506	6,519	6,868
Total Income	14,473	14,614	15,858	17,199	18,147
Pre-Provision Operating Profit	8,672	8,710	9,440	10,110	10,668
Net Profit	7,587	7,422	8,100	8,767	9,261
% Chg	8.1	(2.2)	9.1	8.2	5.6
Loan Growth (%)	7.6	6.9	9.0	4.4	4.4
NIM (%)	2.20	1.92	1.75	1.87	1.89
Fees, % Chg	9.2	22.4	15.6	9.7	8.8
NPL Ratio (%)	0.89	0.95	0.87	0.88	0.89
Credit Costs (bp)	22.4	20.1	20.8	20.1	20.1

Source: UOB Kay Hian

Sector Catalyst/Risk

- **Catalysts:** Singapore's strong fiscal standing, which attracts constant influx of safe haven liquidity, thus boosting Singapore banks' AUM, wealth management fees and trading income.
- **Risks:** Economic slowdown caused by uncertainties from a prolonged Middle East conflict and elevated energy prices.

Projected DPS And Dividend Payout Ratios

	DBS (BUY/S\$73.36/Target: S\$83.60)			OCBC (BUY/S\$29.00/Target: S\$35.70)			UOB (NOT RATED / S\$39.96)		
Year to 31 Dec	FY25	FY26F	FY27F	FY25	FY26F	FY27F	FY25	FY26F	FY27F
EPS (S ¢)	384	406	437	163	179	195	276	334	359
DPS (S ¢)	306	330	348	99	94	98	181	174	184
Payout Ratio (%)	79.7	81.3	79.7	60.7	52.4	50.3	65.6	52.1	51.3
Dividend Yield (%)	4.2	4.5	4.7	3.4	3.2	3.4	4.5	4.4	4.6

Source: Bloomberg, UOB Kay Hian

Comparison Of Profit & Loss

2Q26	DBS	OCBC	UOB
Net Interest Income	S\$3,581m	S\$2,264m	S\$2,297m
	-1.8% yoy	-0.8% yoy	-1.7% yoy
	+2.5% qoq	+1.9% qoq	-1.2% qoq
Fee Income	S\$1,460m	S\$739m	S\$665m
	+25.1% yoy	+27.4% yoy	+4.6% yoy
	-1.5% qoq	+9.5% qoq	+4.4% qoq
Insurance	n.a.	S\$382m	n.a.
	n.a.	+69.0% yoy	n.a.
	n.a.	-6.6% qoq	n.a.
Other Non-Interest Income	S\$1,052m	S\$785m	S\$632m
	+14.7% yoy	+71.4% yoy	+28.2% yoy
	+69.4% qoq	+50.4% qoq	+36.8% qoq
Provisions	S\$113m	S\$156m	S\$211m
	10bp	14bp	28bp
Net Profit	S\$3,079m	S\$2,221m	S\$1,476m
	+9.0% yoy	+22.3% yoy	+10.2% yoy
	+5.1% qoq	+12.5% qoq	+2.6% qoq

Source: Respective banks, UOB Kay Hian

Comparison Of Key Ratios

2Q26	DBS	OCBC	UOB
Net Interest Margin (NIM)	1.87	1.70	1.74
	-2bp qoq	-6bp qoq	-8bp qoq
Loan Growth	+8.2% yoy	+12.3% yoy	+5.4% yoy
	+3.5% qoq	+4.9% qoq	+2.1% qoq
Deposit Growth	+11.2% yoy	+12.8% yoy	+5.2% yoy
	+1.3% qoq	+3.4% qoq	-0.2% qoq
NPL Ratio	1.0	0.9	1.6
	Unchanged	Unchanged	+0.1ppt qoq
Loan Loss Coverage	130	163	88
	-1ppt qoq	Unchanged	-12ppt qoq
Core Equity Tier-1 CAR	14.6	14.0	15.4
	-0.2ppt qoq	-1.2ppt qoq	+0.1ppt qoq
Book Value Per Share (BVPS)	S\$24.69	S\$13.73	S\$29.99
	+3.7% yoy	+6.3% yoy	+4.8% yoy
	+1.3% qoq	-0.7% qoq	+0.7% qoq

Source: Respective banks, UOB Kay Hian

IMPORTANT NOTICE - DISCLOSURES AND DISCLAIMERS

This report is provided subject to various disclosures and disclaimers (the "Disclosures / Disclaimers") which form an integral part of this report and are available at [this link](#) or by scanning the QR code below:



The Disclosures / Disclaimers contain important information, including without limitation, (a) exclusions of liability, (b) confidentiality obligations, (c) restrictions on publication, circulation, reproduction, distribution and use of the report, (d) potential conflicts of interest, and (e) disclosures and requirements specific to recipients in the United States and other applicable jurisdictions.

Specifically, this report is intended for general circulation and informational purposes only and does not take into account the specific investment objectives, financial situation, or particular needs of any individual person. It is not intended to constitute personal investment advice or a recommendation to buy or sell any investment product or security. You should independently evaluate the information and, where necessary, seek advice from a qualified financial adviser regarding the suitability of any investment, taking into account your specific objectives, financial situation and needs, before making any investment decision. Analyst certifications required under applicable regulations, including SEC Regulation AC (where relevant), are included in this report.

Recipients of this report must carefully read, review and understand the full Disclosures / Disclaimers before using or relying on any information in this report. By accessing, receiving or using this report, you acknowledge and confirm that you have read, understood, accepted and agreed to be bound by the Disclosures / Disclaimers (as may be amended or updated from time to time) in full."