DBS Group Holdings (DBS SP)

3Q26: Focus On Resiliency And Growth Of Core Franchise

Highlights

- DBS reported 3Q26 net profit of S$2,813m, down 5% yoy and 9% qoq, due to weaker markets trading income. Underlying momentum remained healthy, with NII rising 4% yoy, wealth AUM reaching S$544b and record net new money of S$15b. Asset quality improved as NPL ratio fell to 0.9%.
- Management expects NII and loans to grow about 5% in 2027, alongside high single-digit to low double-digit growth in non-interest income. A resilient wealth franchise, disciplined costs and S$2.6b of unused share buyback capacity support earnings and capital return outlook.
- We like DBS for its leadership in wealth management and attractive 2027 dividend yield of 4.9%. Maintain BUY. Target price: S$84.70.

Analysis

- DBS Group Holdings (DBS) reported 3Q26 net profit of S$2,813m (-5% yoy, -9% qoq), as weaker markets trading income offset franchise growth. ROE was 17.5%. The results are below our net profit forecast of S$2,941m.
- **Balance sheet growth supported NII.** Net interest income (NII) rose 4% yoy and qoq to S$3,711m, supported by hedging and balance sheet expansion. NIM was stable qoq at 1.87%. Customer loans reached S$479b, up 11% yoy and 3% qoq in constant-currency terms, led sequentially by non-trade corporate and wealth management lending.
- **Wealth assets reached a new high despite softer quarterly fees.** Net fee income increased 6% yoy but declined 2% qoq. Wealth management fees rose 9% yoy but fell 6% qoq to S$864m as investment activities moderated. Wealth AUM rose 5% qoq to S$544b, up 16% yoy. Transaction services fees reached a record of S$268m, up 8% yoy.
- **Markets trading income weakened.** Treasury customer income was S$919m (+10% yoy). Markets trading income fell 65% yoy and 68% qoq to S$152m amid unfavourable equity market conditions.
- **Costs remained controlled.** Operating expenses declined 1% yoy but increased 1% qoq to S$2,373m. The cost-to-income ratio rose 2.1ppt qoq to 40.6%. For 9M26, the ratio was broadly stable at 39.3%.
- **Asset quality improved and allowance coverage strengthened.** NPLs declined 3% qoq to S$4,632m and the NPL ratio improved 0.1ppt qoq to 0.9%. New NPLs fell to S$82m from S$155m in 2Q26. Specific allowances were S$191m, with loan-specific credit costs at 17bp. There was a small S$16m general allowance write-back. NPL coverage rose 4ppt qoq to 134%.
- **Capital remained healthy.** Fully phased-in CET-1 CAR fell 0.6ppt qoq to 14.0%. MAS has reduced DBS' operational risk multiplier from 1.8x to 1.5x on 4 Nov 26. Adjusting for the change, CET-1 CAR was 14.1%.

Key Financials

Year to 31 Dec (S$m)	2024	2025	2026F	2027F	2028F
Net interest income	14,424	14,500	14,670	16,534	17,426
Non-interest income	7,873	8,400	9,220	9,823	10,316
Net profit (rep./act.)	11,289	10,933	11,387	12,491	13,182
Net profit (adj.)	11,308	10,933	11,387	12,491	13,182
EPS (S$ cent)	398	385	401	440	464
PE (x)	17.9	18.5	17.7	16.2	15.3
P/B (x)	3.0	2.9	2.9	2.8	2.6
Dividend yield (%)	3.1	4.3	4.6	4.9	4.0
Net int margin (%)	2.1	2.0	1.9	2.0	2.0
Cost/income (%)	40.5	40.9	41.1	41.0	40.9
Loan loss cover (%)	129.3	129.7	128.5	136.2	144.2
Consensus net profit	-	-	11,676	12,568	13,418
UOBKH/Consensus (x)	-	-	0.98	0.99	0.98

Source: DBS Group Holdings, Bloomberg, UOB Kay Hian

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BUY (Maintained)

Share Price	S$71.20
Target Price	S$84.70
Upside	19.0%
Previous TP	S$83.60

Stock Data

Sector	Financials
Bloomberg ticker	DBS SP
Shares issued (m)	2,844.0
Market cap (S$m)	202,492.7
Market cap (US$m)	158,693.4
3-mth avg daily t'over (US$m)	272.1

Price Performance (%)

52-week high/low				S$79.05/S$52.85
1mth	3mth	6mth	1yr	YTD
(8.5)	(3.2)	21.6	33.1	26.3

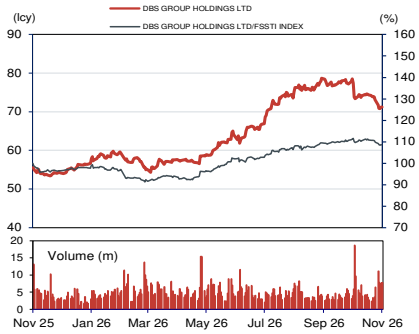
Major Shareholders (%)

Temasek Hldgs	28.3

Balance Sheet Metrics

FY26 NAV/Share (S$)	24.59
FY26 CET-1 CAR (%)	14.1

Price Chart



Source: Bloomberg

Company Description

DBS is a pan-Asian banking group with a significant presence in Singapore and Hong Kong. It also has operations in India, Indonesia, Taiwan and China.

- **Quarterly dividend maintained at 81 S cents.** The board declared an ordinary dividend of 66 S cents and a capital return dividend of 15 S cents.

Valuation/Recommendation

- **DBS aims to be a powerhouse with good connectivity within Asia.** It has no intention to be a global bank. The institutional banking group is expanding its business with financial institutions and institutional investors. It already has the building blocks of a prime brokerage business, such as custody, market access and trading platforms. Thus, DBS could potentially expand into the prime brokerage business in future.
- **Management believes NII has troughed.** Financial conditions have tightened across the board, except for Hong Kong and China. The Fed increased the Fed Funds rates by 25bp on 16 Sep 26, and the positive impact will be felt in 4Q26 and 2027. Management expects two more Fed rate hikes and average SORA at 1.6% in 2027. It guided growth of about 5% for NII in 2027, supported by loan growth of about 5%, driven by technology, media & telecommunications (TMT) and financial institutions. Management expects growth in non-interest income to range from high single digit to low double digit in 2027, depending on conditions in financial markets.
- **Management disclosed exposures to AI** at S$14.6b for its institutional banking group (3.1% of total loans) and S$8.9b for the consumer banking group (1.9% of total loans). Lending for data centres is well structured with offtake from established hyperscalers on a triple net basis. It monitors availability of electricity and water. It does not fund speculative build for data centres.
- **DBS achieved record net new money of S$15b in 3Q26.** It has always been in compliance and was not affected by changes in regulations and taxation in China regarding offshore trusts. It has a diversified wealth franchise in term of sources of AUM, which has proven to be resilient. Wealth management onshore in Hong Kong and Taiwan continues to grow.
- **DBS has expended only S$0.4b on share buyback.** The remaining S$2.6b of its S$3b share buyback programme remains unutilised. Management may consider getting approval from the board to extend the programme beyond 2027. Assuming earnings trajectory at CAGR of 5%, it is reasonable to expect DPS to grow at a similar pace with CAGR at 5%. Management is comfortable with CET-1 CAR within 12.5-13.5%.
- **Maintain BUY.** Our target price of S$84.70 is based on 3.33x 2027F P/B, derived from Gordon Growth Model (ROE: 17.5%, COE: 7.0%, growth: 2.5%).

Earnings Revision/Risk

- We raise our net profit forecast by 0.8% for 2027 and 1.8% for 2028 due to DBS' cost discipline to cap the increase in operating expenses.

3Q26 Results

Profit & Loss (S$m)	3Q26	3Q25	yoy % Chg	UOBKH Estimate	Deviation (%)
Net Interest Income	3,711	3,578	3.7	3,749	-1.0
Fees & Commissions	1,432	1,357	5.5	1,442	-0.7
Other Non-Interest Income	702	997	-29.6	945	-25.7
Total Income	5,845	5,932	-1.5	6,135	-4.7
Operating Expenses	(2,379)	(2,399)	-0.8	(2,461)	-3.3
PPOP	3,466	3,533	-1.9	3,675	-5.7
Provisions	(175)	(124)	41.1	(204)	-14.2
Associates	67	67	0.0	72	-7.4
PBT	3,358	3,476	-3.4	3,543	-5.2
Net Profit	2,813	2,954	-4.8	2,941	-4.3
EPS (S cents)	98.3	103.0	-4.6	103.6	-5.2
DPS (S cents)	81.0	75.0	8.0	81.0	0.0
BVPS (S$)	24.47	24.28	0.8	24.94	-1.9
Financial Ratios (%)	**3Q26**	**3Q25**	**yoy Chg (ppt)**	**2Q26**	**qoq Chg (ppt)**
NIM	1.87	1.96	-0.09	1.87	0.00
Loan Growth, yoy	9.4	4.4	4.9	8.2	1.1
Deposit Growth, yoy	9.0	9.4	-0.4	11.2	-2.2
Loan/Deposit Ratio	73.7	73.3	0.3	73.5	0.1
Cost/Income Ratio	40.6	40.3	0.3	38.5	2.1
ROE	17.5	18.9	-1.4	19.6	-2.1
NPL Ratio	0.9	1.0	-0.1	1.0	-0.1
Credit Costs (bp)	14.6	11.2	3.3	9.7	4.9
Loan Loss Coverage	134	139	-5	130	4
CET-1 CAR	14.0	15.1	-1.1	14.6	-0.6

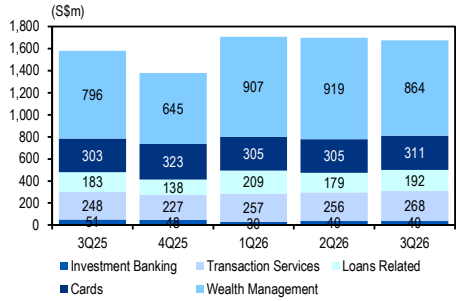
Source: UOB, UOB Kay Hian

Key Assumptions

(S$m)	2024	2025	2026F	2027F	2028F
Net Interest Income	14,424	14,500	14,670	16,534	17,426
Non-Interest Income	7,873	8,400	9,220	9,823	10,316
Total Income	22,297	22,900	23,890	26,357	27,742
Pre-Provision Operating Profit	13,259	13,528	14,069	15,541	16,397
Net Profit (S$m)	11,289	10,933	11,387	12,491	13,182
% Chg	12.2	(3.2)	4.2	9.7	5.5
Loan Growth (%)	3.4	3.3	8.5	4.9	4.9
NIM (%)	2.14	2.02	1.89	1.98	1.99
Fees, % Chg	23.2	17.5	16.4	8.3	8.0
NPL Ratio (%)	1.09	1.03	0.98	0.97	0.96
Credit Costs (bp)	14.0	17.8	14.6	17.1	17.1

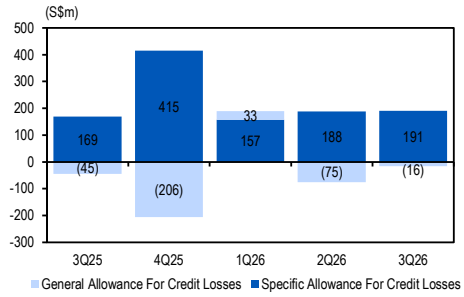
Source: UOB Kay Hian

Fee Income – Segmental Breakdown



Source: DBS

Total Allowance



Source: DBS

Profit & loss

Year to 31 Dec (S$m)	2025	2026F	2027F	2028F
Interest income	28,268	27,279	29,641	31,084
Interest expense	(13,768)	(12,609)	(13,107)	(13,658)
Net interest income	14,500	14,670	16,534	17,426
Fees & commissions	4,898	5,699	6,173	6,666
Other income	3,502	3,521	3,650	3,650
Non-interest income	8,400	9,220	9,823	10,316
Total income	22,900	23,890	26,357	27,742
Staff costs	(5,832)	(6,169)	(6,818)	(7,176)
Other operating expense	(3,540)	(3,652)	(3,998)	(4,169)
Pre-provision profit	13,528	14,069	15,541	16,397
Loan loss provision	(791)	(686)	(857)	(899)
Other provisions	0	0	0	0
Associated companies	262	262	275	289
Pre-tax profit	12,999	13,646	14,959	15,787
Tax	(2,066)	(2,259)	(2,468)	(2,605)
Minorities	0	0	0	0
Net profit	10,933	11,387	12,491	13,182
Net profit (adj.)	**10,933**	**11,387**	**12,491**	**13,182**

Balance Sheet

Year to 31 Dec (S$m)	2025	2026F	2027F	2028F
Cash with central bank	55,844	47,307	49,717	52,250
Govt treasury bills & securities	107,361	113,815	119,613	125,707
Interbank loans	93,881	109,418	113,861	118,484
Customer loans	445,011	483,315	506,573	530,958
Investment securities	128,380	156,064	164,014	172,370
Derivative receivables	23,621	35,917	37,747	39,670
Associates & JVs	3,490	3,770	4,046	4,335
Fixed assets (incl. prop.)	3,486	3,808	3,808	3,808
Other assets	36,414	36,533	32,145	29,162
Total assets	**897,488**	**989,947**	**1,031,524**	**1,076,744**
Interbank deposits	79,295	97,131	101,075	105,179
Customer deposits	610,023	656,187	682,831	710,556
Derivative payables	23,197	33,022	34,705	36,473
Debt equivalents	79,551	88,576	93,088	97,830
Other liabilities	36,506	45,203	47,506	49,926
Total liabilities	828,572	920,119	959,205	999,965
Shareholders' funds	68,867	69,777	72,269	76,728
Minority interest - accumulated	49	51	51	51
Total equity & liabilities	**897,488**	**989,947**	**1,031,524**	**1,076,744**

Operating Ratios

Year to 31 Dec (%)	2025	2026F	2027F	2028F
Capital Adequacy				
Tier-1 CAR	17.0	16.1	16.0	16.2
Total CAR	17.9	16.6	16.5	16.8
Total assets/equity (x)	13.0	14.2	14.3	14.0
Tangible assets/tangible common equity (x)	14.2	15.5	15.5	15.2
Asset Quality				
NPL ratio	1.0	1.0	1.0	1.0
Loan loss coverage	129.7	128.5	136.2	144.2
Loan loss reserve/gross loans	1.3	1.2	1.3	1.4
Increase in NPLs	(3.2)	3.1	4.0	3.9
Credit cost (bp)	17.8	14.6	17.1	17.1
Liquidity				
Loan/deposit ratio	72.9	73.7	74.2	74.7
Liquid assets/short-term liabilities	37.3	35.9	36.1	36.3
Liquid assets/total assets	28.6	27.3	27.5	27.5

Key Metric

Year to 31 Dec (%)	2025	2026F	2027F	2028F
Growth				
Net interest income, yoy chg	0.5	1.2	12.7	5.4
Fees & commissions, yoy chg	17.5	16.4	8.3	8.0
Pre-provision profit, yoy chg	2.0	4.0	10.5	5.5
Net profit, yoy chg	(3.2)	4.2	9.7	5.5
Net profit (adj.), yoy chg	(3.3)	4.2	9.7	5.5
Customer loans, yoy chg	3.3	8.6	4.8	4.8
Customer deposits, yoy chg	8.6	7.6	4.1	4.1
Profitability				
Net interest margin	2.0	1.9	2.0	2.0
Cost/income ratio	40.9	41.1	41.0	40.9
Adjusted ROA	1.3	1.2	1.3	1.3
Reported ROE	15.9	16.4	17.7	18.1
Adjusted ROE	15.9	16.4	17.7	18.1
Valuation				
P/BV (x)	2.9	2.9	2.8	2.6
P/NTA (x)	3.2	3.2	3.1	2.9
Adjusted P/E (x)	18.5	17.7	16.2	15.3
Dividend Yield	4.3	4.6	4.9	4.0
Payout ratio	79.4	82.2	79.1	62.0

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