Oversea-Chinese Banking Corp (OCBC SP)

3Q26: Banking Strength Offsets Insurance Weakness

Highlights

- OCBC reported 3Q26 net profit of S$2,042m, up 3% yoy but down 8% qoq, as weaker Great Eastern investment returns tempered record banking profits. Strong loan growth supported NII, while fees remained near record levels and wealth AUM reached S$358b.
- Asset quality improved. NPLs fell 3% qoq to S$3,044m due to recovery from real estate exposures in China. New NPLs were benign at S$127m as NPL ratio improved 0.1ppt qoq to 0.8%. Credit costs declined to 6bp.
- OCBC aims to grow domestically in Malaysia and Indonesia under its New Frontier strategy. While Malaysia is growing from strength to strength, Indonesia faces potential crunch of being relegated to a Standalone Market status by MSCI. Maintain BUY with a lower target price of S$33.00.

Analysis

- Oversea-Chinese Banking Corp (OCBC) reported 3Q26 net profit of S$2,042m (+3% yoy, -8% qoq), as record Banking Operations profit was offset by weaker Great Eastern investment performance. The results were in line with our forecast net profit of S$2,813m. ROE was 13.1% in 3Q26.
- **Asset growth offset margin compression.** Net interest income (NII) rose 4% yoy and 2% qoq to S$2,313m, supported by loan growth of 14% yoy and 3% qoq in constant-currency terms. NIM fell 18bp yoy and 4bp qoq to 1.66% as higher funding costs outweighed improved asset yields. Higher SORA benefited NII, while US funding costs repriced faster than assets (3M SOFR surged in anticipation and ahead of Fed's rate hike). Management expects to benefit as US assets reprice in upcoming quarters.
- **Fees remained near record levels as AUM expanded.** Net fee income rose 8% yoy but eased 1% qoq to S$735m. Wealth management fees increased 3% yoy but fell 6% qoq, the second-highest quarterly level. AUM rose 7% yoy and 2% qoq to a record S$358b, supported by continued net new money inflows. Loan, trade, guarantee and remittance fees rose 23% yoy.
- **Record customer flows cushioned weaker trading income.** Trading income declined 10% yoy and 33% qoq to S$465m despite record customer flow income, up 29% yoy. Non-customer flow income turned negative at S$15m, reflecting Great Eastern bond mark-to-market losses and the absence of significant equity gains recorded in 2Q26.
- **Insurance earnings fell despite resilient underlying business.** Life and general insurance income declined 37% yoy and 48% qoq to S$198m, reflecting market-driven valuation losses. New business embedded value rose 14% yoy to S$208m, while its margin improved 6.5ppt qoq to 57.5%.
- Income from Bank of Ningbo grew 19% yoy to S$331m in 3Q26.
- **Expenses eased.** Operating expenses were flat yoy and fell 3% qoq to S$1,522m. The cost-to-income ratio rose 3ppt qoq to 40.8%. For 9M26, the ratio was stable at 39.2%.

Key Financials

Year to 31 Dec (S$m)	2024	2025	2026F	2027F	2028F
Net interest income	9,755	9,150	9,240	10,454	11,100
Non-interest income	4,718	5,464	6,339	6,584	6,932
Net profit (rep./act.)	7,587	7,422	8,069	8,719	9,235
Net profit (adj.)	7,587	7,422	8,069	8,719	9,235
EPS (S$ cent)	167	164	179	194	205
PE (x)	16.6	16.9	15.5	14.3	13.5
P/B (x)	2.2	2.1	2.0	1.8	1.7
Dividend yield (%)	3.6	3.6	3.4	3.5	3.8
Net int margin (%)	2.2	1.9	1.7	1.8	1.8
Cost/income (%)	40.1	40.4	40.5	40.7	40.7
Loan loss cover (%)	158.9	151.5	159.5	167.1	174.9
Consensus net profit	-	-	8,101	8,830	9,542
UOBKH/Consensus (x)	-	-	1.00	0.99	0.97

Source: Oversea-Chinese Banking Corp, Bloomberg, UOB Kay Hian

Analyst(s)

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

BUY (Maintained)

Share Price	S$27.73
Target Price	S$33.00
Upside	19.0%
Previous TP	S$35.70

Stock Data

Sector	Financials
Bloomberg ticker	OCBC SP
Shares issued (m)	4,495.6
Market cap (S$m)	124,664.0
Market cap (US$m)	97,317.7
3-mth avg daily t'over (US$m)	168.6

Price Performance (%)

52-week high/low				S$32.57/S$17.08
1mth	3mth	6mth	1yr	YTD
(13.9)	(5.5)	26.0	61.3	40.3

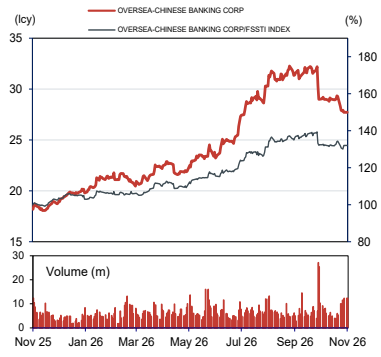
Major Shareholders (%)

Selat P/L	15.3
Lee Foundation	5.1

Balance Sheet Metrics

FY26 NAV/Share (S$)	14.12
FY26 CET-1 CAR (%)	14.3

Price Chart



Source: Bloomberg

Company Description

OCBC has a longstanding presence in Singapore and Malaysia and entered the Indonesian market through the acquisition of Bank NISP in 2004. It strengthened its presence in Greater China through the acquisition of Wing Hang Bank in 2014. OCBC owns 94% of life insurer Great Eastern and has a 20% stake in Bank of Ningbo.

- **Asset quality improved and credit costs declined.** NPLs fell 3% qoq to S$3,044m due to recovery from real estate exposures in China. New NPLs fell to S$127m from S$300m in 2Q26. NPL ratio improved 0.1ppt qoq to 0.8%. Total allowances declined 67% qoq to just S$52m. Credit costs fell to 6bp from 14bp in 2Q26. NPL coverage increased 5ppt qoq to 168%.
- **Capital remained stable.** Fully phased-in CET1 CAR was unchanged qoq at 14.0%. Management intends to maintain its dividend payout ratio at 50%. The S$2.5b capital return plan would be completed by 2026.

Valuation/Recommendation

- **Upgraded guidance for 2026.** OCBC has raised its guidance for loan growth in 2026 from previous "high single-digit to low double-digit growth" to "low double-digit growth". Loan growth was stronger-than-anticipated at 9% on an ytd basis in 9M26. Total income is expected to grow by at least mid-single digit (previous: expected to grow). Net interest income should see a flat to slight decline (previous: slight decline). Credit costs are expected to come in lower at 15-20bp, compared with previous guidance of 20-25bp.
- **Optimising loan pricing.** Demand for loans remains robust, coming from technology, media & telecommunications (TMT), digital infrastructure and renewable energy. Thus, management sees opportunities to optimise pricing to enhance loan yield. It also continues to target double-digit growth for its wealth management business. Invested AUM was about 60%.
- **Exposure to data centres accounted for less than 3% of its total loans.** These loans are structured around cash flows from investment-grade hyperscalers with diversified earnings streams. Exposure to AI-related companies accounted for less than 1% of its total loans. On the ground, orderbook for AI-related companies looks strong over the next two years.
- **OCBC derives 5% of its PBT from Indonesia in 1H26.** It sees opportunities in lending to niche areas, such as the technology and logistics sectors. AUM has grown at a double-digit pace in local currency terms. Management is monitoring whether MSCI reclassifies Indonesia's status from Emerging Market to Standalone Market. Indonesian stocks could become illiquid should reclassification lead to capital outflow. Should the unexpected event materialise, then the bank would not be able to accept Indonesian stocks as collaterals for wealth management loans.
- **Maintain BUY.** Our target price of S$33.00 is based on 2.19x 2027F P/B, derived from the Gordon Growth Model (ROE: 13.3%, COE: 7.25%, growth: 2.2% (previous: 2.8%)).

Earnings Revision/Risk

- We kept our net profit forecast for 2026 and 2027 relatively unchanged.

3Q26 Results

Profit & Loss (S$m)	3Q26	3Q25	yoy % Chg	UOBKH Estimate	Deviation (%)
Net Interest Income	2,313	2,226	3.9	2,362	-2.1
Fees & Commissions	735	683	7.6	719	2.2
Insurance	198	311	-36.3	350	-43.4
Net Trading Income	465	518	-10.2	450	3.3
Other Non-Interest Income	22	58	-62.1	80	-72.5
Total Income	3,733	3,796	-1.7	3,961	-5.8
Operating Expenses	(1,526)	(1,525)	0.1	(1,570)	-2.8
PPOP	2,207	2,271	-2.8	2,391	-7.7
Provisions	(52)	(139)	-62.6	(185)	-71.9
Associates	331	279	18.6	301	9.8
PBT	2,486	2,411	3.1	2,508	-0.9
Net Profit	2,042	1,978	3.2	2,054	-0.6
EPS (S cents)	44.5	43.0	3.5	45.5	-2.3
DPS (S cents)	0.0	0.0	n.m.	0.0	n.m.
BVPS (S$)	13.55	12.97	4.5	13.73	-1.3
Financial Ratios (%)	**3Q26**	**3Q25**	**yoy Chg (ppt)**	**2Q26**	**qoq Chg (ppt)**
NIM	1.66	1.84	-0.18	1.70	-0.04
Loan Growth, yoy	13.6	7.1	6.5	12.3	1.3
Deposit Growth, yoy	12.4	11.2	1.2	12.8	-0.4
Loan/Deposit Ratio	79.5	78.6	0.9	78.4	1.1
Cost/Income Ratio	40.8	40.0	0.8	37.8	3.0
ROE	13.1	13.4	-0.3	14.4	-1.3
NPL Ratio	0.8	0.9	-0.1	0.9	-0.1
Credit Costs (bp)	6	16	-10	14	-8
Loan Loss Coverage	168	160	8	163	5
CET-1 CAR	14.0	15.0	-1.0	14.0	0.0

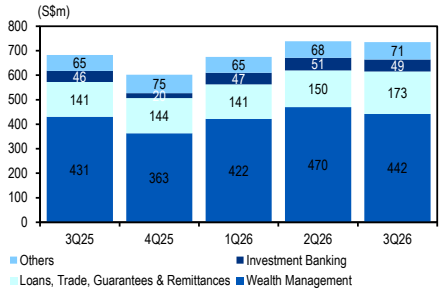
Source: UOB, UOB Kay Hian

Key Assumptions

(S$m)	2024	2025	2026F	2027F	2028F
Net Interest Income	9,755	9,150	9,240	10,454	11,100
Non-Interest Income	4,718	5,464	6,339	6,584	6,932
Total Income	14,473	14,614	15,579	17,039	18,032
Pre-Provision Operating Profit	8,672	8,710	9,266	10,101	10,691
Net Profit (S$m)	7,587	7,422	8,069	8,719	9,235
% Chg	8.1	(2.2)	8.7	8.1	5.9
Loan Growth (%)	7.6	6.9	10.9	4.8	4.8
NIM (%)	2.20	1.92	1.72	1.81	1.83
Fees, % Chg	9.2	22.4	15.1	9.7	8.8
NPL Ratio (%)	0.89	0.95	0.85	0.86	0.87
Credit Costs (bp)	22.4	20.1	17.0	20.1	20.1

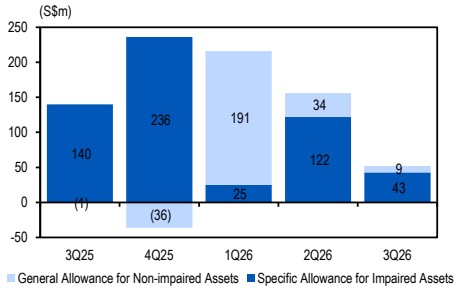
Source: UOB Kay Hian

Fee Income – Segmental Breakdown



Source: OCBC

Total Allowance



Source: OCBC

Profit & Loss

Year to 31 Dec (S$m)	2025	2026F	2027F	2028F
Interest income	20,076	19,753	21,484	22,520
Interest expense	(10,926)	(10,513)	(11,030)	(11,421)
Net interest income	9,150	9,240	10,454	11,100
Fees & commissions	2,411	2,776	3,044	3,312
Other income	3,053	3,563	3,540	3,620
Non-interest income	5,464	6,339	6,584	6,932
Total income	14,614	15,579	17,039	18,032
Staff costs	(3,907)	(4,227)	(4,578)	(4,845)
Other operating expense	(1,997)	(2,086)	(2,360)	(2,497)
Pre-provision profit	8,710	9,266	10,101	10,691
Loan loss provision	(665)	(613)	(779)	(817)
Other provisions	0	0	0	0
Associated companies	1,077	1,250	1,312	1,378
Pre-tax profit	9,122	9,902	10,634	11,251
Tax	(1,560)	(1,669)	(1,755)	(1,856)
Minorities	(140)	(164)	(160)	(160)
Net profit	7,422	8,069	8,719	9,235
Net profit (adj.)	**7,422**	**8,069**	**8,719**	**9,235**

Balance Sheet

Year to 31 Dec (S$m)	2025	2026F	2027F	2028F
Cash with central bank	30,756	29,071	30,552	32,109
Govt treasury bills & securities	66,404	79,019	83,045	87,275
Interbank loans	37,942	46,221	48,097	50,050
Customer loans	336,692	373,527	391,429	410,196
Investment securities	53,267	65,124	68,442	71,929
Derivative receivables	13,035	16,728	17,581	18,476
Associates & JVs	8,799	9,895	10,552	11,241
Fixed assets (incl. prop.)	4,713	4,903	4,903	4,903
Other assets	124,080	118,540	121,350	124,232
Total assets	**675,688**	**743,029**	**775,951**	**810,412**
Interbank deposits	15,280	29,392	30,586	31,828
Customer deposits	428,286	466,077	485,001	504,694
Derivative payables	14,078	15,877	16,685	17,535
Debt equivalents	139,881	148,832	154,543	160,545
Other liabilities	14,593	16,185	18,078	20,066
Total liabilities	612,118	676,363	704,894	734,669
Shareholders' funds	62,444	65,499	69,843	74,479
Minority interest - accumulated	1,126	1,167	1,214	1,264
Total equity & liabilities	**675,688**	**743,029**	**775,951**	**810,412**

Operating Ratios

Year to 31 Dec (%)	2025	2026F	2027F	2028F
Capital Adequacy				
Tier-1 CAR	17.6	16.8	17.2	17.6
Total CAR	19.4	18.7	19.1	19.4
Total assets/equity (x)	10.8	11.3	11.1	10.9
Tangible assets/tangible common equity (x)	9.7	10.2	10.0	9.7
Asset Quality				
NPL ratio	0.9	0.9	0.9	0.9
Loan loss coverage	151.5	159.5	167.1	174.9
Loan loss reserve/gross loans	1.3	1.2	1.3	1.4
Increase in NPLs	14.2	(0.3)	6.2	5.8
Credit cost (bp)	20.1	17.0	20.1	20.1
Liquidity				
Loan/deposit ratio	79.6	81.1	81.8	82.4
Liquid assets/short-term liabilities	30.5	31.1	31.4	31.6
Liquid assets/total assets	23.9	24.5	24.6	24.7

Key Metric

Year to 31 Dec (%)	2025	2026F	2027F	2028F
Growth				
Net interest income, yoy chg	(6.2)	1.0	13.1	6.2
Fees & commissions, yoy chg	22.4	15.1	9.7	8.8
Pre-provision profit, yoy chg	0.4	6.4	9.0	5.8
Net profit, yoy chg	(2.2)	8.7	8.1	5.9
Net profit (adj.), yoy chg	(2.2)	8.7	8.1	5.9
Customer loans, yoy chg	6.9	10.9	4.8	4.8
Customer deposits, yoy chg	9.6	8.8	4.1	4.1
Profitability				
Net interest margin	1.9	1.7	1.8	1.8
Cost/income ratio	40.4	40.5	40.7	40.7
Adjusted ROA	1.4	1.3	1.4	1.5
Reported ROE	12.2	12.6	13.2	13.5
Adjusted ROE	12.2	12.6	13.2	13.5
Valuation				
P/BV (x)	2.1	2.0	1.8	1.7
P/NTA (x)	2.2	2.1	2.0	1.8
Adjusted P/E (x)	16.9	15.5	14.3	13.5
Dividend Yield	3.6	3.4	3.5	3.8
Payout ratio	60.5	52.6	50.6	50.7

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.