UOBKayHian

Sector – Update | Singapore

Tuesday, 10 November 2026

Banking

3Q26 Results Round-up: NII Turns Around Into Upward Trend

Highlights

- Banks' 3Q26 results showed resilient lending and wealth management growth, although weaker trading and investment income weighed on earnings. Asset quality improved across all three banks, with NPL ratios declining by 0.1ppt qoq to 0.9% for DBS, 0.8% for OCBC and 1.5% for UOB.
- We upgrade the Banking sector to OVERWEIGHT due to rising SORA, healthy lending demand and wealth inflows, which will support earnings growth. Our preferred pick is DBS (BUY/Target: S$84.70) due to its wealth management leadership and strong deposit franchise. We lowered our target price for OCBC (BUY/Target: S$33.00) as its regional growth strategy is tempered by near-term uncertainties in Indonesia.

Analysis

- Oversea-Chinese Banking Corp's (OCBC) 3Q26 results met our expectation, but DBS Group Holdings' (DBS) was slightly below our expectation. Loan growth and wealth management supported underlying business momentum, while weaker trading and investment income weighed on earnings.
- **Loan growth cushioned margin pressure.** DBS demonstrated resilience in funding and asset pricing. Its net interest income (NII) increased 4% yoy and qoq to S$3,711m in 3Q26, supported by hedging and loan growth of 11% yoy, while net interest margin (NIM) remained stable qoq at 1.87%. OCBC's loans expanded 14% yoy, lifting NII 4% yoy to S$2,313m despite a 4bp qoq NIM contraction to 1.66%. UOB experienced more severe NIM compression of 6bp qoq to 1.68% due to higher deposit costs, leaving NII up just 1% yoy. DBS's stable NIM helped sustain its sector-leading ROE of 17.5%.
- **Wealth management remained a key growth driver,** although investment activities moderated sequentially at DBS and OCBC. DBS' wealth AUM reached S$544b (+16% yoy), supported by record quarterly net new money of S$15b, while OCBC's AUM increased 7% yoy to a record S$358b. Their total fee income grew 6% and 8% yoy respectively, but softened qoq. UOB achieved record fee income of S$733m, up 19% yoy and 10% qoq, supported by wealth management and lending activities.
- **Weakness in market-sensitive sources of income.** DBS' markets trading income fell 68% qoq, and UOB's other non-interest income dropped 41% qoq as prior-quarter divestment gains were not repeated and trading income weakened. OCBC's net trading income dropped 33% qoq, while its insurance income declined 48% qoq amid market-driven valuation losses.
- **Asset quality improved across all three banks.** NPL ratios declined by 0.1ppt to 0.9% for DBS, 0.8% for OCBC and 1.5% for UOB. NPL formation was benign and muted at S$82m for DBS and S$127m for OCBC. OCBC recorded particularly low credit costs of 6bp, alongside recoveries from Chinese real estate exposures. NPL coverage stood at 134% for DBS and 168% for OCBC. UOB has thinner NPL coverage at 86% and exposure to slow recovery in Greater China real estate. Capital remained sound, with fully phased-in or fully loaded CET1 ratios of around 14% across the banks.

Analyst(s)

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

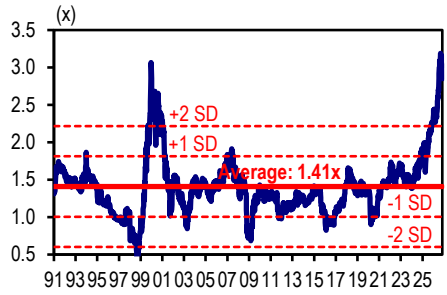
OVERWEIGHT (Upgraded)

Sector Picks

Company	Ticker	Rec	Share Price (S$)	Target Price (S$)
DBS	DBS SP	BUY	69.72	84.70
OCBC	OCBC SP	BUY	27.73	33.00

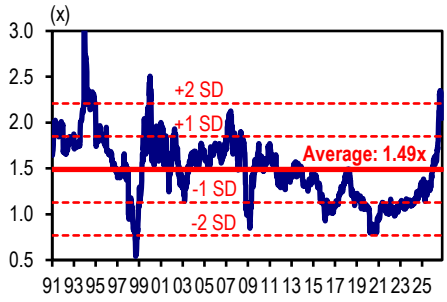
Source: Bloomberg, UOB Kay Hian

P/B – DBS



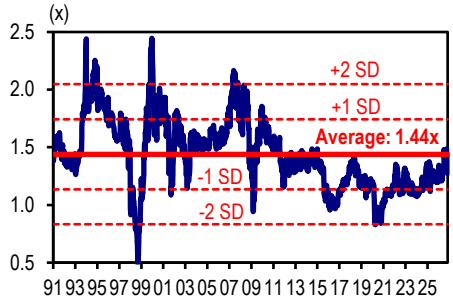
Source: UOB Kay Hian

P/B – OCBC



Source: UOB Kay Hian

P/B – UOB



Source: UOB Kay Hian

Peer Comparison

Company	Ticker	Rec	Price 6 Nov 26 (S$)	Target Price (S$)	Market Cap (US$m)	PE 2026F (x)	PE 2027F (x)	P/B 2026F (x)	P/B 2027F (x)	P/PPOP 2026F (x)	P/PPOP 2027F (x)	Yield 2026F (%)	Yield 2027F (%)	ROE 2026F (%)	ROE 2027F (%)
DBS	DBS SP	BUY	69.72	84.70	154,800	17.4	15.8	2.84	2.74	14.1	12.8	4.7	5.0	16.4	17.7
OCBC	OCBC SP	BUY	27.73	33.00	97,325	15.5	14.3	1.96	1.84	13.5	12.3	3.4	3.5	12.6	13.2
UOB	UOB SP	NR	36.88	n.a.	47,416	11.2	10.5	1.17	1.11	8.0	7.7	4.6	4.9	10.6	10.8
Average						**14.7**	**13.6**	**1.99**	**1.89**	**11.8**	**10.9**	**4.2**	**4.5**	**13.2**	**13.9**

Source: Bloomberg, UOB Kay Hian

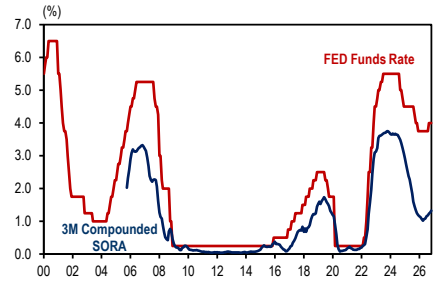
Valuation/Recommendation

- **Management's outlook pointed to continued growth, supported by lending demand, wealth inflows and improvement in NII.** DBS guided for approximately 5% growth in both loans and NII in 2027, alongside high single-digit to low double-digit non-interest income growth. OCBC upgraded its 2026 guidance to low double-digit loan growth, at least mid-single-digit total income growth and lower credit costs of 15-20bp.
- **More pros than 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, with the ebb and flow of the AI investment cycle and shocking broad-based defeat by the Republican party during the midterm elections, bond yields have retreated. In Singapore, 10-year government bond yield pulled back by 23bp in Oct 26 and 15bp in Nov 26 to 2.09% currently.
- **SORA bottomed and on a steady rise.** We observed that money supply M2 has slowed to a growth of 3.4% yoy in Sep 26, compared to the recent peak of 9.5% yoy in Aug 25, reflecting Monetary Authority of Singapore's tightening bias. One-month compounded (1M) SORA troughed at 0.97% in Apr 26. Since then, it has risen gradually by 16bp to 1.25% in 3Q26. 1M SORA continued its steady rise by 8bp in Oct 26 and 4bp in Nov 26 to 1.37% currently. Assuming the pace of rise is maintained at 5bp/month, we anticipate that 1M SORA would reach 1.4% by end-26.
- **Upgrade to OVERWEIGHT.** Our preferred stock pick is DBS (BUY/Target: S$84.70) due to its leadership in wealth management and strong deposit franchise. We also like OCBC (BUY/Target: S$33.00) for its new frontier strategy to grow domestically in Malaysia and Indonesia. In the near term, OCBC is confronted by uncertainties in Indonesia, which might be relegated Indonesia to Standalone Market status by MSCI.

DBS Group Holdings (BUY/Target: S$84.70)

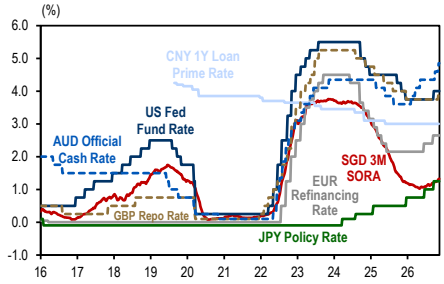
- **DBS is recognised as the world's best private bank by Euromoney Private Banking Awards 2026.** According to Asian Private Banker, DBS is ranked the 4th largest private bank in Asia with AUM having increased 22% to S$335b in 2025 (DBS is behind UBS and HSBC but neck and neck with JPMorgan). DBS has doubled its wealth management AUM since 2019, representing a 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 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.
- **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 5.0% for 2027 and 4.1% for 2028.
- **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%).

US Fed Funds Rate Vs 3M SORA



Source: Bloomberg

Policy Interest Rates



Source: Bloomberg

Key Assumptions – DBS

(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	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

Oversea-Chinese Banking Corp (BUY/Target: S$33.00)

- 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 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.
- Management intends to maintain dividend payout ratio at 50%. The S$2.5b capital return plan would be completed by FY26 (special dividend: S$1.5b, share buyback: S$1.0b). We interpret that to mean that OCBC would return the balance uncompleted portion of its share buyback programme of S$800m or 18 S cents per share in the form of a special dividend, which could be declared in Feb 27 (together with final dividend for 2026). OCBC has completed only 20% or S$200m of its share buyback programme.
- **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%).

Key Assumptions – OCBC

(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	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

Sector Catalyst/Risk

- **Catalysts**: Sustainable GDP growth supporting continued healthy growth in loans and fee income. Stable asset quality and manageable credit costs.
- **Risks**: Economic downturn caused by uncertainties from prolonged Middle East conflict and elevated energy prices.

Projected DPS And Dividend Payout Ratios

	--------- DBS (BUY/S$69.72/Target: S$84.70) ------			--------- OCBC (BUY/S$27.73/Target: S$33.00) ----			------- UOB (NOT RATED / S$36.88) ----		
Year to 31 Dec	FY25	FY26F	FY27F	FY25	FY26F	FY27F	FY25	FY26F	FY27F
EPS (S ¢)	384	401	440	163	179	194	276	328	351
DPS (S ¢)	306	330	348	99	94	98	181	170	180
Payout Ratio (%)	79.7	82.3	79.1	60.7	52.6	50.6	65.6	51.9	51.3
Dividend Yield (%)	4.4	4.7	5.0	3.6	3.4	3.5	4.9	4.6	4.9

Source: Bloomberg, UOB Kay Hian

Comparison Of Profit & Loss

3Q26	DBS	OCBC	UOB
Net Interest Income	S$3,711m	S$2,313m	S$2,278m
	+3.7% yoy	+3.9% yoy	+0.6% yoy
	+3.6% qoq	+2.2% qoq	-0.8% qoq
Fee Income	S$1,432m	S$735m	S$733m
	+5.5% yoy	+7.6% yoy	+19.2% yoy
	-1.9% qoq	-0.5% qoq	+10.2% qoq
Insurance	n.a.	S$198m	n.a.
	n.a.	-36.3% yoy	n.a.
	n.a.	-48.2% qoq	n.a.
Other Non-Interest Income	S$702m	S$487m	S$370m
	-29.6% yoy	-15.5% yoy	-28.6% yoy
	-33.3% qoq	-38.0% qoq	-41.5% qoq
Provisions	S$175m	S$52m	S$258m
	15bp	6bp	24bp
Net Profit	S$2,813m	S$2,042m	S$1,251m
	-4.8% yoy	+3.2% yoy	+182.2% yoy
	-8.6% qoq	-8.1% qoq	-15.4% qoq

Source: Respective companies, UOB Kay Hian

Comparison Of Key Ratios

3Q26	DBS	OCBC	UOB
Net Interest Margin (NIM)	1.87	1.66	1.68
	Unchanged	-4bp qoq	-6bp qoq
Loan Growth	+9.4% yoy	+13.6% yoy	+6.0% yoy
	+2.0% qoq	+1.9% qoq	+3.0% qoq
Deposit Growth	+9.0% yoy	+12.4% yoy	+6.4% yoy
	+1.8% qoq	+0.6% qoq	+4.9% qoq
NPL Ratio	0.9	0.8	1.5
	-0.1ppt qoq	-0.1ppt qoq	-0.1ppt qoq
Loan Loss Coverage	134	168	86
	+4ppt qoq	+5ppt qoq	-2ppt qoq
Core Equity Tier-1 CAR	14.0	14.0	14.6
	-0.6ppt qoq	Unchanged	-0.8ppt qoq
Book Value Per Share (BVPS)	S$24.47	S$13.55	S$29.00
	+0.8% yoy	+4.5% yoy	+2.3% yoy
	-0.9% qoq	-1.3% qoq	-3.3% qoq

Source: Respective companies, UOB Kay Hian

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