DBS Group Holdings (DBS SP)

2Q26: Record Earnings Despite Rates Headwind

BUY (Maintained)

Share Price	S$75.08
Target Price	S$80.00
Upside	+6.6%
Previous TP	S$76.85

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Highlights

- DBS delivered a record net profit of S$3,079m (+9% yoy) in 2Q26 due to a surge in wealth management fees (+42% yoy), which have a knock-on effect on treasury customer income (+42% yoy). Wealth AUM expanded 16% yoy to S$516b.
- Asset quality was pristine with NPL formation muted at S$155m. DBS has ample management overlay of S$2.4b for general provisions.
- DBS provides a 2026 dividend yield of 4.4% with potential for further capital management. Maintain BUY with a target price at S$80.00.

Analysis

- DBS Group Holdings (DBS) reported a record net profit of S$3,079m for 2Q26 (+9% yoy and +5% qoq), which was above our expectation of S$2,821m.
- **Interest rate headwind mitigated by loan growth and proactive hedging.** NIM narrowed 18bp yoy, but receded marginally by only 2bp qoq to 1.87% in 2Q26, mitigated by proactive hedging. On a constant currency basis, loan growth was robust at 8% yoy and 3% qoq. Thus, net interest income only suffered a mild decline of 2% yoy to S$3,581m.
- **Wealth management boosted customer-driven fee income.** Net fee income increased 25% yoy to S$1,460m in 2Q26. Wealth management fees surged 42% yoy in 2Q26, driven by healthy growth in investment product sales and bancassurance. Wealth AUM rose above the S$500b mark for the first time to S$516b (+16% yoy), underpinned by net new money of S$11b. Transaction services (+12% yoy) and investment banking (+29% yoy) also contributed to the broad-based fee growth.
- **Treasury customer sales and markets trading delivered another strong quarter.** Treasury customer income increased 42% yoy to S$924m in 2Q26, supported by flows from both wealth and corporate clients. Markets trading income rose 12% yoy to S$469m, benefitting from market volatility and lower funding costs. The strong performance highlighted DBS' strong institutional and cross-border franchise.
- **Cost discipline a key strength.** Operating expenses grew only 3% yoy to S$2,347m in 2Q26 despite continued investments in technology, AI and franchise expansion. Cost-to-income ratio stayed low at 39%, among the most efficient levels in the regional banking sector.
- **Asset quality remained resilient.** Non-performing assets were broadly unchanged at S$4,764m as NPL formation was muted at S$155m in 2Q26. NPL ratio remained stable at 1.0%. Specific allowances were manageable at 16bp of loans in 2Q26 (1Q26: 14bp). There was a write-back in general provisions of S$75m. Management overlay for general provisions remained a sizeable S$2,400m. Loan-loss coverage was stable at 130%. DBS also maintained a strong CET-1 CAR of 14.6% on a fully phased-in basis.

Key Financials

Year to 31 Dec (S$m)	2024	2025	2026F	2027F	2028F
Net interest income	14,424	14,500	14,543	15,458	16,225
Non-interest income	7,873	8,400	9,497	9,869	10,395
Net profit (rep./act.)	11,289	10,933	11,383	11,772	12,295
Net profit (adj.)	11,308	10,933	11,383	11,772	12,295
EPS (S$ cent)	398	385	401	415	433
PE (x)	18.9	19.5	18.7	18.1	17.3
P/B (x)	3.2	3.1	3.0	2.9	2.8
Dividend yield (%)	3.0	4.1	4.4	4.6	3.8
Net int margin (%)	2.1	2.0	1.9	1.9	1.9
Cost/income (%)	40.5	40.9	41.2	41.8	42.1
Loan loss cover (%)	129.3	129.7	129.0	136.5	144.2
Consensus net profit	-	-	11,306	12,177	13,020
UOBKH/Consensus (x)	-	-	1.01	0.97	0.94

Source: DBS Group Holdings, Bloomberg, UOB Kay Hian

Stock Data

GICS Sector	Financials
Bloomberg ticker	DBS SP
Shares issued (m)	2,843.8
Market cap (S$m)	213,515.7
Market cap (US$m)	166,561.9
3-mth avg daily t'over (US$m)	257.5

Price Performance (%)

52-week high/low				S$75.80/S$48.08
1mth	3mth	6mth	1yr	YTD
12.2	27.6	26.6	53.7	33.2

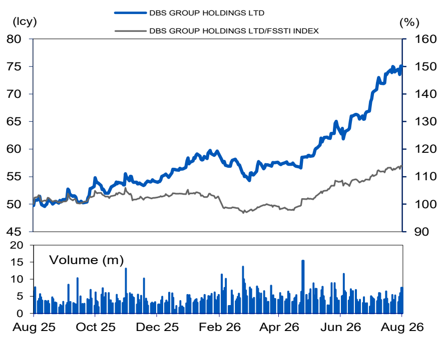
Major Shareholders

	%
Temasek Hldgs	28.3

Balance Sheet Metrics

FY26 NAV/Share (S$)	24.98
FY26 CET-1 CAR (%)	14.4

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.

- **Handsome dividend payout.** The Board declared an ordinary dividend of 66 S cents and a capital return dividend of 15 S cents for 2Q26, bringing total quarterly dividends to 81 S cents per share.

2Q26 Results

Profit & Loss (S$m)	2Q26	2Q25	yoy % Chg	UOBKH Estimate	Deviation (%)
Net Interest Income	3,494	3,681	-5.1	3,656	-4.4
Fees & Commissions	1,482	1,275	16.2	1,341	10.5
Other Non-interest Income	972	949	2.4	915	6.2
Total Income	5,948	5,905	0.7	5,912	0.6
Operating Expenses	(2,308)	(2,220)	4.0	(2,377)	-2.9
PPOP	3,640	3,685	-1.2	3,535	3.0
Provisions	(190)	(325)	-41.5	(283)	-32.9
Associates	62	77	-19.5	81	-23.5
PBT	3,512	3,437	2.2	3,333	5.4
Net Profit	2,930	2,897	1.1	2,833	3.4
EPS (S cents)	104.8	102.8	1.9	100.0	4.8
DPS (S cents)	81.0	75.0	8.0	81.0	0.0
BVPS (S$)	24.38	23.81	2.4	25.20	-3.3
Financial Ratios (%)	2Q26	2Q25	yoy Chg (ppt)	1Q26	qoq Chg (ppt)
NIM	1.89	2.12	-0.23	1.93	-0.04
Loan Growth, yoy	4.0	2.4	1.6	3.3	0.8
Deposit Growth, yoy	9.4	5.2	4.2	8.6	0.8
Loan/Deposit Ratio	71.9	75.6	-3.7	72.9	-1.0
Cost/Income Ratio	38.7	37.5	1.2	44.5	-5.8
ROE	17.0	17.3	-0.3	13.5	3.5
NPL Ratio	1.0	1.1	-0.1	1.0	0.0
Credit Costs (bp)	16.7	29.6	-12.9	18.7	-2.0
Loan Loss Coverage	131	137	-6	130	1
CET-1 CAR	14.8	15.2	-0.4	15.0	-0.2

Source: DBS, UOB Kay Hian

Valuation/Recommendation

- **Management raised 2026 guidance.** DBS now expects 2026 total income to exceed 2025 levels (previously: around 2025 levels) and non-interest income growth to be in the mid-teens (previously: high single digit), led by wealth management. Group net interest income is likely to narrow the gap vs 2025 through continued balance sheet growth and proactive hedging. The bank targets to maintain cost discipline and a low-40% cost-income ratio. Specific provisions are expected to stay within 17-20bp.
- **DBS has set an ambitious new target** to grow its wealth AUM to above S$1t by 2030, reflecting management's confidence in the expansion of wealth across Asia and Singapore's position as a leading wealth hub. The bank aims to achieve in five years what previously took a decade. To support this growth, DBS plans to hire more than 600 relationship managers, advisers, and technology specialists, expand its wealth centre network across key Asian markets, and leverage AI to enhance client onboarding, personalised investment advice, and overall customer experience.
- **Building domestic presence in core markets.** DBS has anticipated the trend of domestication in wealth management. Thus, management plans to open 18 new wealth centres and upgrade 36 existing centres across six Asian markets, Singapore, Hong Kong, Mainland China, India, Indonesia, and Taiwan, by end-27. China has imposed individual income tax on assets transferred to and income generated by offshore trusts. DBS is less affected because it has always complied with existing regulations. It will continue to beef up its capacity and capabilities to service high-net-worth clients in Mainland China.
- **Maintain BUY.** Our target price of S$80.00 is based on 3.13x 2027F P/B, derived from the Gordon Growth Model (ROE: 16.3%, COE: 6.7%, growth: 2.2%).

Earnings Revision/Risk

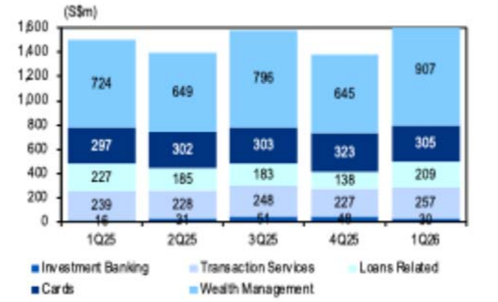
- We raised our net profit forecasts by 3.9% for 2026 and 3.5% for 2027 due to due to stable NIM starting 2H26 and higher non-interest income.

Key Assumptions

(S$m)	2024	2025	2026F	2027F	2028F
Net Interest Income	14,424	14,500	14,543	15,458	16,225
Non-Interest Income	7,873	8,400	9,497	9,869	10,395
Total Income	22,297	22,900	24,041	25,327	26,620
Pre-Provision Operating Profit	13,259	13,528	14,136	14,748	15,402
Net Profit	11,289	10,933	11,383	11,772	12,295
% Chg	12.2	(3.2)	4.1	3.4	4.4
Loan Growth (%)	3.4	3.3	7.5	4.5	4.5
NIM (%)	2.14	2.02	1.87	1.87	1.88
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

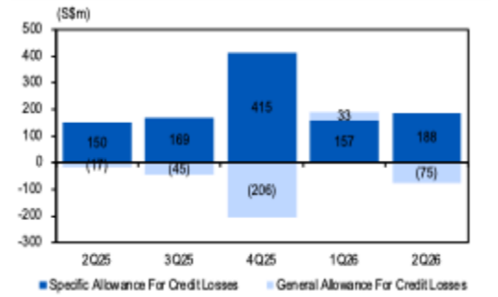
Source: UOB Kay Hian

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	27,004	28,236	29,541
Interest expense	(13,768)	(12,460)	(12,778)	(13,315)
Net interest income	14,500	14,543	15,458	16,225
Fees & commissions	4,898	5,713	6,219	6,745
Other income	3,502	3,784	3,650	3,650
Non-interest income	8,400	9,497	9,869	10,395
Total income	22,900	24,041	25,327	26,620
Staff costs	(5,832)	(6,272)	(6,614)	(6,951)
Other operating expense	(3,540)	(3,632)	(3,965)	(4,267)
Pre-provision profit	13,528	14,136	14,748	15,402
Loan loss provision	(791)	(713)	(846)	(884)
Other provisions	0	0	0	0
Associated companies	262	268	281	295
Pre-tax profit	12,999	13,691	14,183	14,813
Tax	(2,066)	(2,308)	(2,411)	(2,518)
Minorities	0	0	0	0
Net profit	10,933	11,383	11,772	12,295
Net profit (adj.)	10,933	11,383	11,772	12,295

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	108,558	112,966	117,553
Customer loans	445,011	478,722	499,760	521,731
Investment securities	128,380	156,064	164,014	172,370
Derivative receivables	23,621	35,917	37,747	39,670
Associates & JVs	3,490	3,776	4,057	4,352
Fixed assets (incl. prop.)	3,486	3,808	3,808	3,808
Other assets	36,414	37,165	34,067	32,392
Total assets	897,488	985,132	1,025,749	1,069,832
Interbank deposits	79,295	96,368	100,281	104,353
Customer deposits	610,023	651,031	677,465	704,973
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	914,200	953,045	993,555
Shareholders' funds	68,867	70,881	72,653	76,225
Minority interest - accumulated	49	51	51	51
Total equity & liabilities	897,488	985,132	1,025,749	1,069,832

Operating Ratios

Year to 31 Dec (%)	2025	2026F	2027F	2028F
Capital Adequacy				
Tier-1 CAR	17.0	16.4	16.1	16.2
Total CAR	17.9	17.0	16.7	16.7
Total assets/equity (x)	13.0	13.9	14.1	14.0
Tangible assets/tangible common equity (x)	14.2	15.2	15.4	15.2
Asset Quality				
NPL ratio	1.0	1.0	1.0	1.0
Loan loss coverage	129.7	129.0	136.5	144.2
Loan loss reserve/gross loans	1.3	1.3	1.3	1.4
Increase in NPLs	(3.2)	3.1	4.0	3.9
Credit cost (bp)	17.8	15.2	17.1	17.1
Liquidity				
Loan/deposit ratio	72.9	73.5	73.8	74.0
Liquid assets/short-term liabilities	37.3	36.1	36.3	36.5
Liquid assets/total assets	28.6	27.4	27.5	27.6

Key Metrics

Year to 31 Dec (%)	2025	2026F	2027F	2028F
Growth				
Net interest income, yoy chg	0.5	0.3	6.3	5.0
Fees & commissions, yoy chg	17.5	16.6	8.9	8.4
Pre-provision profit, yoy chg	2.0	4.5	4.3	4.4
Net profit, yoy chg	(3.2)	4.1	3.4	4.4
Net profit (adj.), yoy chg	(3.3)	4.1	3.4	4.4
Customer loans, yoy chg	3.3	7.6	4.4	4.4
Customer deposits, yoy chg	8.6	6.7	4.1	4.1
Profitability				
Net interest margin	2.0	1.9	1.9	1.9
Cost/income ratio	40.9	41.2	41.8	42.1
Adjusted ROA	1.3	1.2	1.2	1.2
Reported ROE	15.9	16.3	16.6	16.9
Adjusted ROE	15.9	16.3	16.6	16.9
Valuation				
P/BV (x)	3.1	3.0	2.9	2.8
P/NTA (x)	3.4	3.3	3.2	3.0
Adjusted P/E (x)	19.5	18.7	18.1	17.3
Dividend Yield	4.1	4.4	4.6	3.8
Payout ratio	79.4	82.3	83.9	66.5

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