Banking

2Q26 Results Round-up: Sustainable Momentum On Rising Affluence And Wealth Creation Within Asia

Highlights

- DBS Group Holdings' (DBS) and Oversea-Chinese Banking Corp's (OCBC) 2Q26 results beat our expectations. United Overseas Bank's (UOB) results were slightly above consensus estimates.
- DBS and OCBC have outperformed in wealth management, treasury income and asset quality. OCBC has an added boost from insurance.
- Maintain OVERWEIGHT. Our top pick is OCBC (BUY/Target: S$33.35) for its strategic shift to accelerate growth. OCBC is more sensitive to growth in wealth management, which accounted for 63% of its fee income. We also like DBS (BUY/Target: S$80.00) for its 2027 dividend yield of 4.6%.

Analysis

- **Net interest income grew sequentially.** All three banks experienced NIM compression as lower benchmark interest rates reduced asset yields, with NIM declining to 1.87% at DBS (-2bp qoq) and 1.70% at OCBC (-6bp qoq) in 2Q26. Loan growth picked up to 8.2% yoy at DBS and 12.3% yoy at OCBC, driven by digital infrastructure, energy, power & utilities sectors. Net interest income grew 2.5% qoq at DBS and 1.9% qoq at OCBC. Balance sheet expansion has become increasingly important as the rate cycle normalises.
- **Wealth management as primary earnings engine.** DBS reported a 42% increase in wealth management fees and a record wealth AUM of S$516b (+16% yoy) in 2Q26. OCBC delivered 39% growth in wealth fees and AUM of S$350b (+13% yoy). UOB's wealth fee growth was more modest at 1% yoy. The results underscore how Singapore banks are increasingly leveraging their regional wealth platforms to generate recurring fee income and reduce dependence on interest-rate cycles.
- **Growth in non-interest income becoming more broad-based and diversified.** DBS benefitted from strong treasury customer flows (+42% yoy) and trading income (+12% yoy). OCBC produced exceptionally strong growth from insurance (+69% yoy), trading income (+85% yoy). OCBC's treasury customer flow income grew 60% yoy. UOB's underlying fees and trading income were softer but supplemented by gains from the divestment of its stakes in Novena Square and 230 Orchard Road. Overall, the sector demonstrated an increasing ability to generate earnings from customer treasury activities, investment products, insurance and capital markets.
- **Asset quality trends remained resilient.** DBS reported muted NPL formation of S$155m and maintained an NPL ratio of 1.0%. OCBC retained the strongest asset quality metrics among the three banks, with an NPL ratio of 0.9% and loan-loss coverage of 163%. In contrast, UOB experienced a significant rise in NPL formation of S$902m due to a single Greater China real estate exposure, resulting in a higher NPL ratio of 1.6%. Asset quality across Singapore banks remains well controlled, but Greater China commercial real estate continues to represent a key area of credit risk.

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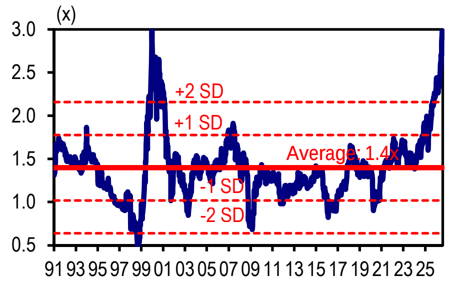
OVERWEIGHT (Maintained)

Sector Picks

Company	Ticker	Rec	Share Price (S$)	Target Price (S$)
DBS	DBS SP	BUY	76.33	80.00
OCBC	OCBC SP	BUY	30.30	33.35

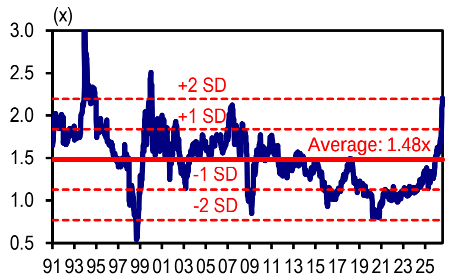
Source: Bloomberg, UOB Kay Hian

P/B – DBS



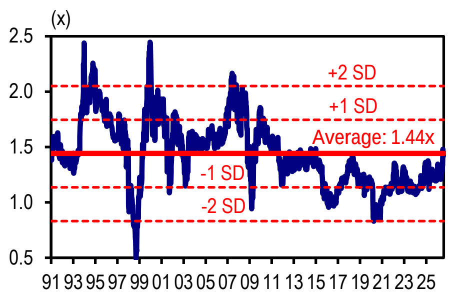
Source: UOB Kay Hian

P/B – OCBC



Source: UOB Kay Hian

P/B – UOB



Source: UOB Kay Hian

Peer Comparison

Company	Ticker	Rec	Price 7 Aug 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	76.33	80.00	169,380	19.1	18.5	3.06	2.98	15.4	14.8	4.3	4.6	16.3	16.6
OCBC	OCBC SP	BUY	30.30	33.35	106,158	17.0	16.3	2.15	2.02	14.6	14.3	3.1	3.2	12.6	12.7
UOB	UOB SP	NR	43.30	n.a.	55,747	12.7	11.7	1.36	1.30	9.1	8.6	4.0	4.3	11.1	11.4
Average						16.2	15.5	2.19	2.10	13.0	12.6	3.8	4.0	13.3	13.5

Source: Bloomberg, UOB Kay Hian

Valuation/Recommendation

- **Strong 2Q26 results.** OCBC delivered the strongest and most diversified quarter driven by wealth, trading income and insurance. DBS remains the sector leader in wealth management scale and earnings generation.
- **Taskforce on size of Fed's balance sheet.** The Fed's newly established taskforce on the size of its balance sheet will review the implementation of monetary policy. The taskforce is mandated to assess the benefits and risks of the Fed's US$6.7t balance sheet, including the "ample reserves" framework and the composition of assets. The taskforce will consider whether monetary policy should rely primarily on interest rates or on balance sheet tools. The review will determine the optimal long run size consistent with maintaining sufficient reserves for smooth market functioning, while avoiding an unnecessarily large central bank footprint.
- **The new normal of higher bond yields.** The taskforce on the size of the Fed's balance sheet is expected to complete its findings and recommendations by end-26. Thus, we could see QT being reintroduced in 2027. This would lead to higher bond yields and steepening of the yield curve, which is a favourable outcome for banks.
- **Maintain OVERWEIGHT.** Singapore banks deserve to trade at a premium for their structural resilience. The sustainability of their dividend payout is supported by resilient earnings, strong capital adequacy and discipline in capital management. DBS and OCBC had high CET-1 CARs of 14.6% and 14.0% respectively as of Jun 26.
- Our top pick is OCBC (BUY/Target: S$33.35) 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. We also like DBS (BUY/Target: S$80.00) for its attractive 2027 dividend yield of 4.6%.

DBS Group Holdings (BUY/Target: S$80.00)

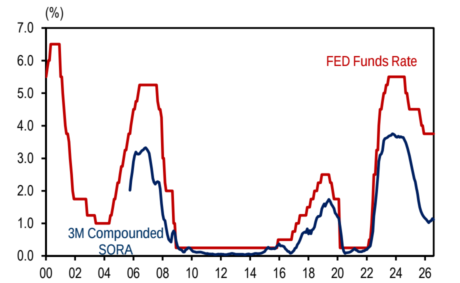
- HNW clients have entrusted DBS with a greater share of their assets through its booking centres in Singapore and Hong Kong. It has doubled its AUM since 2019, representing a six-year CAGR of 12.2%. The proportion of AUM invested was high at 58% in 2025. Wealth management fees grew by a sterling 29% in 2025 and 33% yoy in 1H26.
- Asset quality is pristine with NPL formation 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.
- DBS provides a dividend yield of 4.6% for 2027 with latent potential for more capital management exercises. We expect DBS to raise its quarterly DPS by 6 S cents to 72 S cents starting 4Q26.
- **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%).

Key Assumptions – DBS

(S$m)	2024	2025	2026F	2027F	2028F
Net Interest Income	14,424	14,500	14,496	15,359	16,120
Non-Interest Income	7,873	8,400	9,497	9,869	10,395
Total Income	22,297	22,900	23,993	25,228	26,515
Pre-Provision Operating Profit	13,259	13,528	14,108	14,688	15,338
Net Profit	11,289	10,933	11,360	11,722	12,242
% Chg	12.2	(3.2)	3.9	3.2	4.4
Loan Growth (%)	3.4	3.3	7.5	4.5	4.5
NIM (%)	2.14	2.02	1.87	1.86	1.86
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

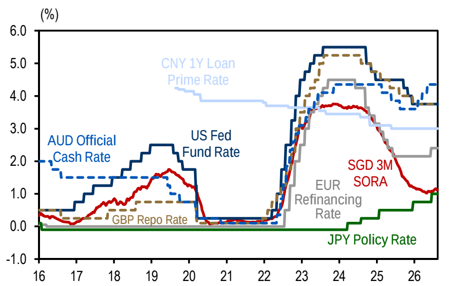
Source: UOB Kay Hian

US Fed Funds Rate Vs 3M SORA



Source: Bloomberg

Policy Interest Rates



Source: Bloomberg

Oversea-Chinese Banking Corp (BUY/Target: S$33.35)

- The acquisition of HSBC's International Wealth and Premier Banking business will bolster growth of wealth management onshore by adding 336,000 customers, 26 branches and AUM of S$6.6b in Indonesia. There is minimal overlap as HSBC's customers are predominantly professionals and white-collar executives, while customers of OCBC NISP, OCBC's listed banking subsidiary in Indonesia, are entrepreneurs and businessmen. The acquisition is aligned with its New Frontier strategy to deepen its domestic presence within the ASEAN region in Malaysia and Indonesia.
- OCBC 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 value proposition across the banking, wealth management and insurance businesses.
- NPL formation was manageable at S$123m in 1Q26 and S$300m in 2Q26. OCBC has the lowest NPL ratio of 0.9%, but the highest loan-loss coverage remained strong at 163%.
- **Maintain BUY.** Our target price of S$33.35 is based on 2.22x 2027F P/B, derived from the Gordon Growth Model (ROE: 12.8%, COE: 6.95%, growth: 2.2%).

Key Assumptions – OCBC

(S$m)	2024	2025	2026F	2027F	2028F
Net Interest Income	9,755	9,150	9,169	9,744	10,301
Non-Interest Income	4,718	5,464	6,506	6,519	6,868
Total Income	14,473	14,614	15,676	16,263	17,170
Pre-Provision Operating Profit	8,672	8,710	9,317	9,497	10,028
Net Profit	7,587	7,422	8,053	8,373	8,849
% Chg	8.1	(2.2)	8.5	4.0	5.7
Loan Growth (%)	7.6	6.9	9.0	4.4	4.4
NIM (%)	2.20	1.92	1.71	1.71	1.73
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: 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$76.33/Target: S$80.00)			OCBC (BUY/S$30.30/Target: S$33.35)			UOB (NOT RATED / S$43.30)		
Year to 31 Dec	FY25	FY26F	FY27F	FY25	FY26F	FY27F	FY25	FY26F	FY27F
EPS (S ¢)	384	400	413	163	178	186	276	340	367
DPS (S ¢)	306	330	348	99	94	96	181	171	184
Payout Ratio (%)	79.7	82.4	84.3	60.7	52.7	51.7	65.6	50.2	50.0
Dividend Yield (%)	4.0	4.3	4.6	3.3	3.1	3.2	4.2	3.9	4.2

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