UOBKayHian

Country Daily | Singapore

Tuesday, 11 August 2026

Key Indices

	Prev Close	1D %	1W %	1M %	YTD %
DJIA	53976.0	(0.1)	1.5	2.5	12.3
S&P 500	7753.1	(0.1)	2.0	2.3	13.3
FTSE 100	10862.5	(0.4)	0.0	3.5	9.4
AS30	9424.1	(0.2)	2.7	4.7	4.5
CSI 300	4702.0	0.2	3.5	(1.6)	1.6
FSSTI	5698.4	1.1	1.2	4.2	22.6
HSCEI	8621.8	1.1	(0.4)	7.2	(3.3)
HSI	25937.5	1.0	(0.3)	7.3	1.2
JCI	6365.4	(0.7)	2.1	7.4	(26.4)
KLCI	1735.4	(0.0)	0.6	2.6	3.3
KOSPI	6299.7	0.7	0.7	(15.7)	49.5
Nikkei 225	66970.2	2.1	5.0	(2.3)	33.0
SET	1624.4	0.8	0.2	0.2	29.0
TWSE	44928.8	1.6	3.6	(0.9)	55.1
BDI	3083	(0.2)	8.4	4.7	64.3
CPO (RM/mt)	4490	(0.5)	(0.2)	(0.0)	14.2
Brent Crude (US$/bbl)	88	5.0	4.7	15.4	44.2

Source: Bloomberg

Corporate Events

	Venue	Begin	Close
Virtual Meeting with UOB-Kay Hian Holdings Ltd (UOBK SP)	Singapore	11 Aug	11 Aug
Hybrid Meeting with UltraGreen.ai Ltd (UGAI SP)	Singapore	13 Aug	13 Aug
Virtual Meeting on Indonesia Economic Outlook by Mr. Enrico Tanuwidjaja	Indonesia	19 Aug	19 Aug
Analyst Marketing by Julia Pan on Greater China Internet Sector	Singapore	07 Sep	08 Sep
Analyst Marketing by Julia Pan on Greater China Internet Sector	Malaysia	09 Sep	11 Sep

Corporate and Macro Calendar

Economic Indicator/Event	Date
GDP Growth Rate QoQ Final Q2	11 Aug
GDP Growth Rate YoY Final Q2	11 Aug
Current Account Q2	12 Aug
MAS 12-Week Bill Auction	12 Aug

Top Stories

Sector Update | Banking

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- Maintain OVERWEIGHT. DBS and OCBC have outperformed in wealth management, treasury income and asset quality. OCBC has an added boost from insurance. 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%.

Company Results | Oversea-Chinese Banking Corp (OCBC SP/**BUY**/S$30.30/Target: S$33.35)

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- 2Q26 results demonstrate OCBC's consistency in execution, as it delivered rapid growth in wealth management, trading income and insurance. 2Q26 is the second consecutive quarter of sterling financial performance. Maintain BUY. Target price: S$33.35.

Company Results | United Overseas Bank (UOB SP/**NOT RATED**/S$43.30)

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- NPL formation was hefty at S$902m during the quarter due to a single closely monitored real estate account in Greater China. NPL ratio increased 0.1ppt qoq to 1.6%. Credit costs of 28bp were within guidance of 25-30bp.

Company Results | Yangzijiang Shipbuilding (YZJSGD SP/**BUY**/S$4.20/Target: S$5.30)

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- 1H26 net profit of Rmb5.37b (+28.4% yoy) beat our expectations, at 55% of our/consensus full-year forecast, driven by a stronger-than-projected revenue delivery and upbeat shipbuilding margins. A strong orderbook of US$22.4b as of end-1H26, together with good pricing levels of contracts secured, provides good revenue/earnings visibility for YZJ through 2029. Management is confident about meeting its 2026 contract win target of US$4.5b. Maintain BUY with a higher target price of S$5.30 based on a conservative 9.1x 2028F PE.

Market Spotlight

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- US stocks were lower on Monday, with all indices falling as the real estate, utilities and information technology sectors fell. There were more decliners than advancers on both the NYSE and NASDAQ.
- The FSSTI rose 59.44 points to 5,698.43, supported by strength in SIA and DBS, with both mid- and small-cap indices rising with a broad market advance on a S$2.63b turnover.

Technical Analysis

AEM Holdings (AEM SP)

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- Trading Buy Range: S$9.01-9.02

Venture Corp (VMS SP)

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- Trading Buy Range: S$16.83-16.84

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.

Analyst(s)

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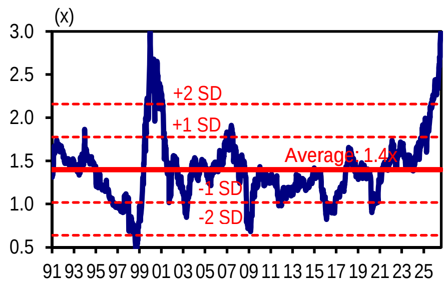
OVERWEIGHT (Maintained)

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

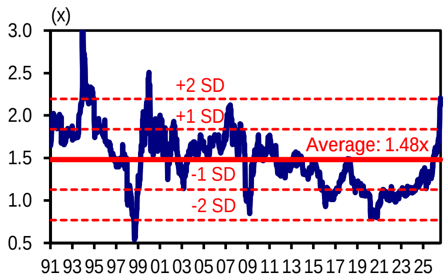
Source: Bloomberg, UOB Kay Hian

P/B – DBS



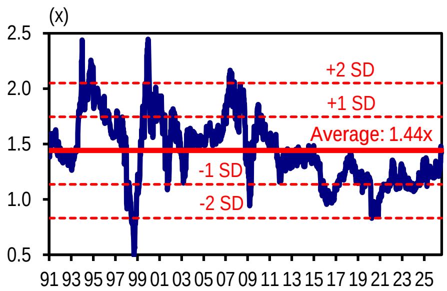
Source: UOB Kay Hian

P/B – OCBC



Source: UOB Kay Hian

P/B – UOB



Source: UOB Kay Hian

Peer Comparison

			Price	Target	Market	---------- PE ----------		---------- P/B ----------		------- P/PPOP -------		--------- Yield ---------		------------- ROE -------------	
Company	Ticker	Rec	7 Aug 26 (S$)	Price (S$)	Cap (US$m)	2026F (x)	2027F (x)	2026F (x)	2027F (x)	2026F (x)	2027F (x)	2026F (%)	2027F (%)	2026F (%)	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)

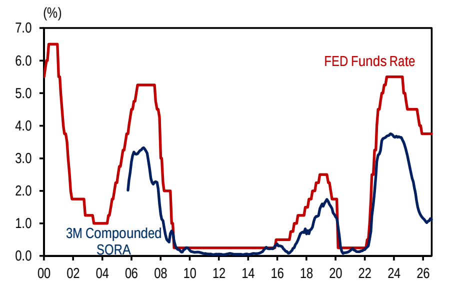
- HNW clients have entrusted DBS with a greater share of their assets through its booking centres in Singapore and Hong Kong. It has doubled its AUM since 2019, representing a six-year CAGR of 12.2%. The proportion of AUM invested was high at 58% in 2025. Wealth management fees grew by a sterling 29% 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

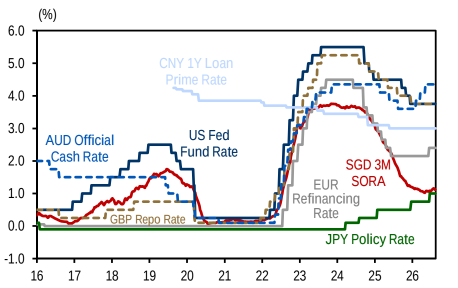
Source: UOB Kay Hian

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

UOBKayHian

Company – Results | Singapore

Tuesday, 11 August 2026

Oversea-Chinese Banking Corp (OCBC SP)

2Q26: Momentous Blockbuster Results

Highlights

- 2Q26 results demonstrate OCBC's consistency in execution, as it delivered rapid growth in wealth management, trading income and insurance.
- NPL formation was manageable at S$300m in 2Q26. Among Singapore banks, OCBC has the highest loan-loss coverage of 163%.
- 2Q26 is the second consecutive quarter of sterling financial performance. Maintain BUY. Target price: S$33.35.

Analysis

- Oversea-Chinese Banking Corp (OCBC) reported a record quarterly net profit of S$2,221m for 2Q26 (+22% yoy, +12% qoq), well above our forecast of S$1,947m. Earnings were driven by strong growth in non-interest income, particularly wealth management, trading income and insurance.
- **Volume growth offset negative impact from NIM compression.** Net interest margin (NIM) declined 22bp yoy and 6bp qoq to 1.70% in 2Q26 due to downward repricing of loans and higher wholesale funding costs. Net interest income still increased 2% qoq to S$2,264m as average interest-earning assets expanded 5% qoq, supported by growth in customer loans and deployment of excess deposits into high-quality liquid assets. Loan growth of 12% yoy and 5% qoq was driven technology, media & telecommunications (TMT), digital infrastructure, energy, power & utilities and transport sectors.
- **Fee income was lifted by record wealth management activities.** Net fee income grew 28% yoy and 10% qoq to a record S$739m. Wealth management fees increased 39% yoy to a new quarterly high of S$470m, supported by broad-based customer flows across various investment products. AUM expanded 13% yoy to a record S$350b, driven by strong net new money inflows. Loan-related fees grew 15% yoy.
- **Trading income surged on customer flow and investment performance.** Net trading income jumped 85% yoy and 60% qoq to a record S$695m. Customer flow income grew strongly across both wealth and corporate segments, reflecting robust treasury product demand and hedging activities. Non-customer flow income was driven by investment gains from Great Eastern following the rebound in equity markets during 2Q26.

Key Financials

Year to 31 Dec (S$m)	2024	2025	2026F	2027F	2028F
Net interest income	9,755	9,150	9,169	9,744	10,301
Non-interest income	4,718	5,464	6,506	6,519	6,868
Net profit (rep./act.)	7,587	7,422	8,053	8,373	8,849
Net profit (adj.)	7,587	7,422	8,053	8,373	8,849
EPS (S$ cent)	167	164	178	186	197
PE (x)	18.1	18.5	17.0	16.3	15.4
P/B (x)	2.4	2.3	2.1	2.0	1.9
Dividend yield (%)	3.3	3.3	3.1	3.2	3.3
Net int margin (%)	2.2	1.9	1.7	1.7	1.7
Cost/income (%)	40.1	40.4	40.6	41.6	41.6
Loan loss cover (%)	158.9	151.5	163.5	170.4	177.5
Consensus net profit	-	-	7,745	8,305	8,886
UOBKH/Consensus (x)	-	-	1.04	1.01	1.00

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

Analyst(s)

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BUY (Maintained)

Share Price	S$30.30
Target Price	S$33.35
Upside	10.1%
Previous TP	S$31.60

Stock Data

Sector	Financials
Bloomberg ticker	OCBC SP
Shares issued (m)	4,490.0
Market cap (S$m)	136,047.1
Market cap (US$m)	106,154.1
3-mth avg daily t'over (US$m)	134.6

Price Performance (%)

52-week high/low				S$30.50/S$16.19
1mth	3mth	6mth	1yr	YTD
15.0	38.5	42.7	77.3	53.3

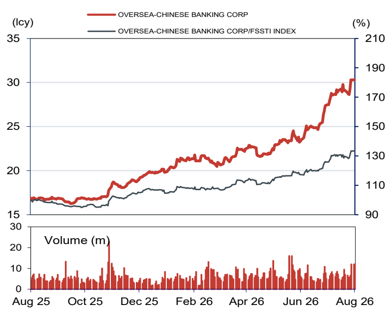
Major Shareholders (%)

Selat P/L	14.4
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 93% of life insurer Great Eastern and has a 20% stake in Bank of Ningbo.

- **Insurance becomes a substantial growth driver.** Income from life and general insurance increased 68% yoy to S$382m in 2Q26, benefitting from stronger underlying insurance performance and higher investment returns. Profit contribution from Great Eastern increased 44% yoy during 1H26.
- Income from Bank of Ningbo grew 24% yoy to S$325m in 2Q26.
- **Operating efficiency improved despite ongoing investments.** Operating expenses rose 13% yoy and 5% qoq to S$1,575m, reflecting higher performance-linked remuneration and continued investments in technology and talent. Nevertheless, cost-to-income ratio improved to 37.8%, compared with 39.1% a year ago and 39.3% in 1Q26.
- **Asset quality remained resilient.** NPL formation was S$300m during 2Q26, mainly related to downgrades of two Greater China corporate real estate accounts under special mention. NPL ratio was unchanged at 0.9%. Total allowances declined 28% qoq to S$156m, resulting in credit costs of 14bp vs 23bp in 1Q26. Loan-loss coverage remained strong at 163%.
- **Higher dividend and commitment to capital return.** OCBC declared an interim dividend of 47 S cents per share, up 15% yoy, representing a 50% payout ratio. Management reaffirmed its commitment to complete the remaining S$2.5b capital return programme by Dec 26.

Valuation/Recommendation

- **Guidance for 2026.** Management guided high single-digit to low double-digit loan growth for 2026 (previous: mid-single-digit). It expects a slight decline in net interest income (previous: slight to moderate decline) and low double-digit growth for non-interest income. Overall, total income is expected to grow (previous: stable or growing). Cost-to-income ratio is expected to come in at low 40%. Credit costs should be 20-25bp (2025: 17bp). Dividend payout ratio is set at 50% on a full-year basis.
- **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%).

Earnings Revision/Risk

- We raise our net profit forecast by 5.4% for 2026 and 4.7% for 2027 due to higher contributions from insurance and higher net trading income.

2Q26 Results

Profit & Loss (S$m)	2Q26	2Q25	yoy % Chg	UOBKH Estimate	Deviation (%)
Net Interest Income	2,264	2,283	-0.8	2,245	0.8
Fees & Commissions	739	580	27.4	691	7.0
Insurance	382	226	69.0	350	9.1
Net Trading Income	695	375	85.3	400	73.8
Other Non-Interest Income	90	83	8.4	60	50.0
Total Income	4,170	3,547	17.6	3,746	11.3
Operating Expenses	(1,579)	(1,395)	13.2	(1,522)	3.7
PPOP	2,591	2,152	20.4	2,224	16.5
Provisions	(156)	(114)	36.8	(176)	-11.2
Associates	325	263	23.6	284	14.4
PBT	2,760	2,301	19.9	2,332	18.3
Net Profit	2,221	1,816	22.3	1,947	14.1
EPS (S cents)	49.0	40.0	22.5	43.1	13.7
DPS (S cents)	47.0	41.0	14.6	43.0	9.3
BVPS (S$)	13.73	12.92	6.3	13.66	0.5
Financial Ratios (%)	**2Q26**	**2Q25**	**yoy Chg (ppt)**	**1Q26**	**qoq Chg (ppt)**
NIM	1.70	1.92	-0.22	1.76	-0.06
Loan Growth, yoy	12.3	6.8	5.5	7.8	4.5
Deposit Growth, yoy	12.8	10.0	2.7	10.2	2.6
Loan/Deposit Ratio	78.4	78.7	-0.3	77.2	1.2
Cost/Income Ratio	37.8	39.1	-1.3	39.3	-1.5
ROE	14.4	12.3	2.1	13.0	1.4
NPL Ratio	0.9	0.9	0.0	0.9	0.0
Credit Costs (bp)	14	12	2	23	-9

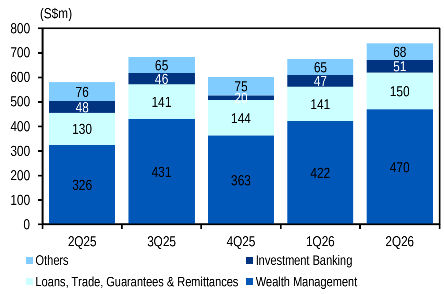
Source: UOB, UOB Kay Hian

Key Assumptions

(S$m)	2024	2025	2026F	2027F	2028F
Net Interest Income	9,755	9,150	9,169	9,744	10,301
Non-Interest Income	4,718	5,464	6,506	6,519	6,868
Total Income	14,473	14,614	15,676	16,263	17,170
Pre-Provision Operating Profit	8,672	8,710	9,317	9,497	10,028
Net Profit (S$m)	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

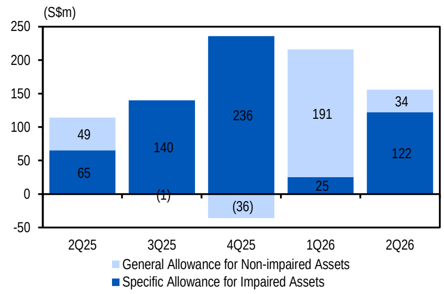
Source: UOB Kay Hian

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	19,728	20,877	21,829
Interest expense	(10,926)	(10,559)	(11,133)	(11,527)
Net interest income	9,150	9,169	9,744	10,301
Fees & commissions	2,411	2,788	3,059	3,328
Other income	3,053	3,718	3,460	3,540
Non-interest income	5,464	6,506	6,519	6,868
Total income	14,614	15,676	16,263	17,170
Staff costs	(3,907)	(4,252)	(4,451)	(4,699)
Other operating expense	(1,997)	(2,106)	(2,315)	(2,443)
Pre-provision profit	8,710	9,317	9,497	10,028
Loan loss provision	(665)	(742)	(764)	(798)
Other provisions	0	0	0	0
Associated companies	1,077	1,220	1,281	1,345
Pre-tax profit	9,122	9,795	10,015	10,575
Tax	(1,560)	(1,588)	(1,502)	(1,586)
Minorities	(140)	(154)	(140)	(140)
Net profit	7,422	8,053	8,373	8,849
Net profit (adj.)	7,422	8,053	8,373	8,849

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	46,426	48,311	50,272
Customer loans	336,692	367,044	383,112	399,889
Investment securities	53,267	65,124	68,442	71,929
Derivative receivables	13,035	16,728	17,581	18,476
Associates & JVs	8,799	9,881	10,521	11,194
Fixed assets (incl. prop.)	4,713	4,903	4,903	4,903
Other assets	124,080	126,991	131,404	136,097
Total assets	675,688	745,187	777,871	812,145
Interbank deposits	15,280	29,523	30,721	31,969
Customer deposits	428,286	468,146	487,155	506,935
Derivative payables	14,078	15,877	16,685	17,535
Debt equivalents	139,881	148,832	154,543	160,545
Other liabilities	14,593	16,160	18,026	19,987
Total liabilities	612,118	678,538	707,131	736,972
Shareholders' funds	62,444	65,483	69,525	73,910
Minority interest - accumulated	1,126	1,167	1,214	1,264
Total equity & liabilities	675,688	745,187	777,871	812,145

Operating Ratios

Year to 31 Dec (%)	2025	2026F	2027F	2028F
Capital Adequacy				
Tier-1 CAR	17.6	16.8	17.1	17.4
Total CAR	19.4	18.7	18.9	19.2
Total assets/equity (x)	10.8	11.4	11.2	11.0
Tangible assets/tangible common equity (x)	9.7	10.3	10.1	9.8
Asset Quality				
NPL ratio	0.9	0.9	0.9	0.9
Loan loss coverage	151.5	163.5	170.4	177.5
Loan loss reserve/gross loans	1.3	1.3	1.4	1.5
Increase in NPLs	14.2	(0.3)	6.2	5.8
Credit cost (bp)	20.1	20.8	20.1	20.1
Liquidity				
Loan/deposit ratio	79.6	79.4	79.7	80.1
Liquid assets/short-term liabilities	30.5	31.0	31.3	31.5
Liquid assets/total assets	23.9	24.4	24.5	24.7

Key Metric

Year to 31 Dec (%)	2025	2026F	2027F	2028F
Growth				
Net interest income, yoy chg	(6.2)	0.2	6.3	5.7
Fees & commissions, yoy chg	22.4	15.6	9.7	8.8
Pre-provision profit, yoy chg	0.4	7.0	1.9	5.6
Net profit, yoy chg	(2.2)	8.5	4.0	5.7
Net profit (adj.), yoy chg	(2.2)	8.5	4.0	5.7
Customer loans, yoy chg	6.9	9.0	4.4	4.4
Customer deposits, yoy chg	9.6	9.3	4.1	4.1
Profitability				
Net interest margin	1.9	1.7	1.7	1.7
Cost/income ratio	40.4	40.6	41.6	41.6
Adjusted ROA	1.4	1.3	1.4	1.4
Reported ROE	12.2	12.6	12.7	13.0
Adjusted ROE	12.2	12.6	12.7	13.0
Valuation				
P/BV (x)	2.3	2.1	2.0	1.9
P/NTA (x)	2.4	2.3	2.2	2.0
Adjusted P/E (x)	18.5	17.0	16.3	15.4
Dividend Yield	3.3	3.1	3.2	3.3
Payout ratio	60.5	52.7	51.7	50.9

United Overseas Bank (UOB SP)

2Q26: Asset Quality Headwinds

Highlights

- Growth in wealth management fees was muted at 1% yoy in 2Q26. Trading and investment income also declined 8% yoy. Non-interest income was supported by non-recurring gains from asset divestments.
- NPL formation was hefty at S$902m during the quarter due to a single closely monitored real estate account in Greater China. NPL ratio increased 0.1ppt qoq 1.6%. Credit costs of 28bp were within guidance of 25-30bp.

Analysis

- United Overseas Bank (UOB) reported net profit of S$1,478m for 2Q26 (+10% yoy and +3% qoq), slightly above consensus estimate of S$1,452m.
- **NIM pressure persisted.** Customer loans grew 5% yoy and 2% qoq to S$361b, supported by wholesale banking and regional ASEAN activity. Trade loans increased 33% yoy group-wide and 14% yoy across ASEAN-4 markets. Net interest income declined 2% yoy to S$2,297m as net interest margin (NIM) compressed 17bp yoy and 8bp qoq to 1.74%, reflecting lower benchmark interest rates and asset yield compression. Management maintained full-year NIM guidance of 1.75-1.80%.
- **Moderate growth in fee income.** Net fee income rose 5% yoy and 4% qoq to S$665m. Wealth management fees grew 1% yoy to S$288m, supported by client engagement and increased conversion of deposits into investments. High-net-worth AUM increased 7% yoy to S$204b, while net new money inflows amounted to S$4b during 1H26. Loan-related fees from capital market activities were softer.
- **Benefitted from asset divestment gains.** Other non-interest income increased 28% yoy and 37% qoq to S$632m, supported by non-recurring gains from asset divestments. Trading and investment income declined 8% yoy to S$379m due to lower trading and liquidity management activities, although customer-related treasury income remained resilient.
- **UOB has announced the disposal of its remaining property interests in Novena Square and 230 Orchard Road** (currently being redeveloped into the NoMad Hotel). The transaction includes the sale of UOB's 20% stakes in Novena Square Development and Novena Square Investments for S$299m, the sale of its Novena Square banking hall for S$19.5m, and the disposal of its 8.3% interest in the Orchard Road redevelopment site for S$68.5m. Total cash proceeds amount to S$387m. UOB will continue to operate its branches at both locations through lease arrangements.

Key Financials

Year to 31 Dec (S$m)	2021	2022	2023	2024	2025
Net interest income	6,388	8,343	9,679	9,674	9,355
Non-interest income	3,401	3,232	4,253	4,620	4,453
Net profit (rep./act.)	4,086	4,573	5,361	5,857	4,682
Net profit (adj.)	4,086	4,819	5,711	6,045	4,682
EPS (S$ cent)	239	269	334	356	276
PE (x)	18.1	16.1	13.0	12.2	15.7
P/B (x)	1.8	1.8	1.7	1.5	1.5
Dividend yield (%)	2.8	3.1	3.9	4.7	4.2
Net int margin (%)	1.6	1.9	2.1	2.0	1.9
Cost/income (%)	43.9	45.7	47.3	45.7	44.8
Loan loss cover (%)	96.0	98.0	101.0	91.0	97.0
Consensus net profit	-	-	-	-	-
UOBKH/Consensus (x)	-	-	-	-	-

Source: United Overseas Bank, Bloomberg, UOB Kay Hian

Analyst(s)

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NOT RATED (Maintained)

Share Price	S$43.30
Target Price	n.a.
Upside	n.a.
Previous TP	n.a.

Stock Data

Sector	Financials
Bloomberg ticker	UOB SP
Shares issued (m)	1,649.9
Market cap (S$m)	71,442.7
Market cap (US$m)	55,749.3
3-mth avg daily t'over (US$m)	107.8

Price Performance (%)

52-week high/low				S$45.15/S$33.25
1mth	3mth	6mth	1yr	YTD
3.9	18.0	12.5	20.9	23.5

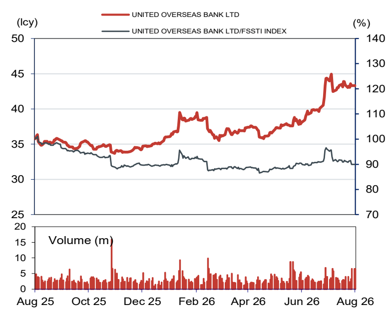
Major Shareholders (%)

Wee Family	11.2
Wah Hin & Co	5.3

Balance Sheet Metrics

FY26 NAV/Share (S$)	29.99
CET-1 CAR (%)	15.0

Price Chart



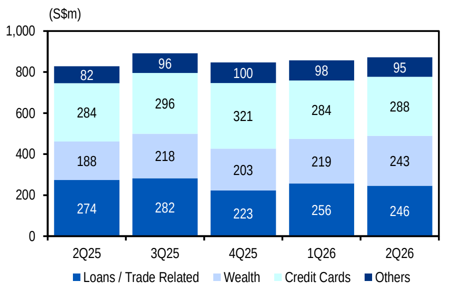
Source: Bloomberg

Company Description

UOB was founded in 1935 and has a well-established regional presence in Singapore, Malaysia, Indonesia, Thailand, Vietnam, Hong Kong and Mainland China. In Singapore, UOB is a market leader in credit and debit cards and loans to SMEs.

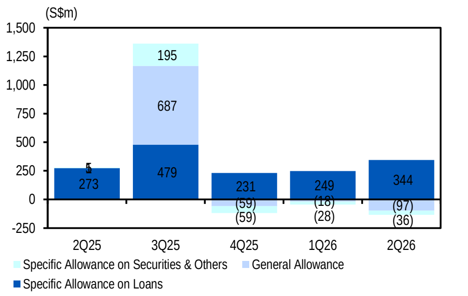
- **Increase in expenses is greater than growth in income.** Total expenses rose 6% yoy and 7% qoq to S$1,629m. UOB continued to invest in talent, technology and strategic business initiatives. Cost-to-income ratio deteriorated to 45.3% in 2Q26 from 44.3% in 2Q25.
- **Asset quality affected by Greater China real estate downgrade.** NPL ratio increased 0.1ppt qoq 1.6%. NPL formation was hefty at S$902m during the quarter due to a single closely monitored real estate account in Greater China. Total allowances declined 24% yoy to S$211m due mainly to the release of general provisions of S$97m. Credit costs were 28bp in 2Q26, within the guided range of 25-30bp. Loan-loss coverage stood at 88%.
- **Fully-loaded CET-1 CAR eased 0.2ppt qoq to 15.0%** due to the payment of 2025 final dividends. All-currency liquidity coverage ratio was 159%, while the net stable funding ratio stood at 114%. UOB declared an interim dividend of 88 S cents per share, representing a payout ratio of 50%. 40% of its S$2b share buyback programme had been completed as of Jul 26.
- **Toned-down guidance for 2026.** UOB maintained its guidance for low single-digit loan growth and NIM at 1.75-1.80% for 2026. It expects SORA to have bottomed and to trend higher in 2H26. It downgraded guidance for fees from high single-digit to low single-digit, due to: a) investment banking deals being pushed into 2H26, and b) credit card fees being affected by the shift in spending towards items with lower interchange fees and higher expenses caused by air miles redemption. Operating expenses are projected to increase by low single digits. Guidance for total credit costs is maintained at 25-30bp.
- **UOB plans to roll out new initiatives in 2H26**, including enhanced advisory capabilities and new product launches. It will step up hiring of relationship managers (RMs). Its recent launch of United CIO Funds was well received. 58% of AUM is derived from overseas markets, predominantly ASEAN countries. The contribution from North Asia is smaller but growing rapidly. Management targets to double wealth income over the next five years by 2030. UOB has a base of 40 relationship managers in Hong Kong. It will evaluate setting up a second booking centre in Hong Kong.

Fee Income – Segmental Breakdown



Source: UOB

Total Allowance



Source: UOB

2Q26 Results

Profit & Loss (S$m)	2Q26	2Q25	yoy % Chg	1Q26	qoq % Chg
Net Interest Income	2,297	2,336	-1.7	2,324	-1.2
Fees & Commissions	665	636	4.6	637	4.4
Other Non-Interest Income	632	493	28.2	462	36.8
Total Income	3,594	3,465	3.7	3,423	5.0
Operating Expenses	(1,637)	(1,545)	6.0	(1,530)	7.0
PPOP	1,957	1,920	1.9	1,893	3.4
Provisions	(211)	(279)	-24.4	(203)	3.9
Associates & JVs	36	(3)	n.m.	23	56.5
PBT	1,782	1,638	8.8	1,713	4.0
Net Profit	1,476	1,339	10.2	1,439	2.6
EPS (S cents)	87.8	78.8	11.4	85.3	2.9
DPS (S cents)	88.0	85.0	3.5	0.0	n.m.
BVPS (S$)	29.99	28.62	4.8	29.79	0.7
Financial Ratios (%)	**2Q26**	**2Q25**	**yoy Chg (ppt)**	**1Q26**	**qoq Chg (ppt)**
NIM	1.74	1.91	-0.17	1.82	-0.08
Loan Growth, yoy	5.4	4.7	0.7	3.7	1.7
Deposit Growth, yoy	5.2	4.1	1.1	6.4	-1.2
Loan/Deposit Ratio	81.7	83.7	-2.0	81.9	-0.2
Cost/Income Ratio	45.3	44.3	1.0	44.5	0.8
ROE	11.6	11.7	-0.1	11.5	0.1
NPL Ratio	1.6	1.6	0.0	1.5	0.1
Credit Costs (bp)	28	32	-4	26	2
Loan Loss Coverage	88	88	0	100	-12
CET-1 CAR	15.4	15.3	0.1	15.3	0.1

Source: UOB, UOB Kay Hian

Profit & loss

Year to 31 Dec (S$m)	2022	2023	2024	2025
Interest income	12,862	22,242	23,259	20,676
Interest expense	(4,519)	(12,563)	(13,585)	(11,321)
Net interest income	8,343	9,679	9,674	9,355
Fees & commissions	2,143	2,235	2,395	2,569
Other income	1,089	2,018	2,225	1,884
Non-interest income	3,232	4,253	4,620	4,453
Total income	11,575	13,932	14,294	13,808
Staff costs	(3,001)	(3,553)	(3,699)	(3,413)
Other operating expense	(2,283)	(3,038)	(2,827)	(2,775)
Pre-provision profit	6,291	7,341	7,768	7,620
Loan loss provision	(603)	(921)	(926)	(2,042)
Associated companies	0	0	0	0
Pre-tax profit	97	93	121	79
Tax	5,785	6,513	6,963	5,657
Minorities	(1,202)	(1,138)	(1,092)	(962)
Net profit	(10)	(14)	(14)	(13)
Net profit (adj.)	4,573	5,361	5,857	4,682

Balance Sheet

Year to 31 Dec (S$m)	2022	2023	2024	2025
Cash with central bank	49,419	52,350	38,577	35,742
Govt treasury bills & securities	31,878	38,280	46,851	62,695
Interbank loans	35,410	35,093	37,432	32,954
Customer loans	315,355	317,005	333,930	347,877
Investment securities	39,789	50,793	48,472	57,396
Derivative receivables	13,802	9,707	12,132	10,893
Associates & JVs	1,258	1,266	1,302	1,252
Fixed assets (incl. prop.)	4,199	4,508	4,852	5,454
Other assets	13,150	14,518	14,116	17,798
Total assets	504,260	523,520	537,664	572,061
Interbank deposits	24,537	32,371	19,735	28,737
Customer deposits	368,553	385,469	403,978	425,938
Derivative payables	16,218	11,768	12,514	11,532
Debt equivalents	41,381	37,180	42,032	44,989
Other liabilities	9,965	10,264	9,448	9,372
Total liabilities	460,654	477,052	487,707	520,568
Shareholders' funds	43,366	46,226	49,733	51,248
Minority interest - accumulated	240	242	224	245
Total equity & liabilities	504,260	523,520	537,664	572,061

Operating Ratios

Year to 31 Dec (%)	2022	2023	2024	2025
Capital Adequacy				
Tier-1 CAR	14.4	14.4	15.4	14.9
Total CAR	16.7	16.6	18.2	17.7
Total assets/equity (x)	11.6	11.3	10.8	11.2
Tangible assets/tangible common equity (x)	13.0	12.6	11.9	12.2
Asset Quality				
NPL ratio	1.6	1.5	1.5	1.5
Loan loss coverage	98.0	101.0	91.0	97.0
Loan loss reserve/gross loans	0.9	0.9	0.8	1.0
Increase in NPLs	0.6	(3.8)	6.0	4.2
Credit cost (bp)	19.1	28.7	28.1	59.2
Liquidity				
Loan/deposit ratio	85.6	82.2	82.7	81.7
Liquid assets/short-term liabilities	29.6	30.0	29.0	28.9
Liquid assets/total assets	23.1	24.0	22.9	23.0

Key Metric

Year to 31 Dec (%)	2022	2023	2024	2025
Growth				
Net interest income, yoy chg	30.6	16.0	(0.1)	(3.3)
Fees & commissions, yoy chg	(11.2)	4.3	7.2	7.3
Pre-provision profit, yoy chg	14.7	16.7	5.8	(1.9)
Net profit, yoy chg	11.9	17.2	9.3	(20.1)
Net profit (adj.), yoy chg	17.9	18.5	5.8	(22.5)
Customer loans, yoy chg	2.8	0.5	5.3	4.2
Customer deposits, yoy chg	4.5	4.6	4.8	5.4
Profitability				
Net interest margin	1.9	2.1	2.0	1.9
Cost/income ratio	45.7	47.3	45.7	44.8
Adjusted ROA	1.0	1.1	1.2	0.9
Reported ROE	10.6	12.0	12.6	9.9
Adjusted ROE	11.2	12.7	13.0	9.9
Valuation				
P/BV (x)	1.8	1.7	1.5	1.5
P/NTA (x)	1.9	1.8	1.6	1.6
Adjusted P/E (x)	16.1	13.0	12.2	15.7
Dividend Yield	3.1	3.9	4.7	4.2
Payout ratio	50.2	50.9	57.6	65.6

Yangzijiang Shipbuilding (YZJSGD SP)

1H26: Earnings Beat On Strong Revenue And Margins; Good Earnings Visibility Through 2029

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Highlights

- YZJ's 1H26 net profit of Rmb5.37b (+28.4% yoy) beat our expectations, at 55% of our/consensus full-year forecast, driven by stronger-than-projected revenue delivery as well as positive margins surprises in shipbuilding.
- Orderbook remains strong, at US$22.4b as of end-1H26; together with good contract pricing levels, this orderbook provides good revenue/earnings visibility through 2029.
- Management is confident in meeting its 2026 contract win target of US$4.5b.
- Maintain BUY, with a higher target price of S$5.30, based on 9.1x 2028F PE.

1H26 Results

Year to 31 Dec (Rmbm)	1H26	1H25	change yoy %	2H25	change qoq %	Remarks
Revenue	17,534	12,878	***+36.2***	15,627	***+12.2***	Beat, at 52%/54% of our/consensus estimates
Gross profit	6,350	4,447	***+42.8***	5,314	***+19.5***	Beat, at 55%/57% of our/consensus estimates
EBIT	5,919	4,263	*+38.9*	4,818	*+22.9*	
Core EBIT	5,821	4,082	***+42.6***	4,804	***+21.2***	
JVs/associates	483	481	*+0.3*	379	*+27.3*	
Reported net profit	5,368	4,181	*+28.4*	4,456	*+20.5*	Beat, at 55% of our/consensus estimates
Core net profit	5,269	4,001	***+31.7***	4,424	***+19.1***	
Gross profit margin	36.2%	34.5%	*+1.7ppt*	34.0%	*+2.2ppt*	Exceeded our/consensus projected 34% GPM
Shipbuilding GPM	37.1%	35.2%	*+1.9ppt*	35.1%	*+2.1ppt*	
Core EBIT margin	33.2%	31.7%	*+1.5ppt*	30.7%	*+2.5ppt*	
Core NPM	30.1%	31.1%	*-1.0ppt*	28.3%	*+1.7ppt*	

Source: YZJ, UOB Kay Hian

Analysis

- **1H26 results are a clean beat.** Yangzijiang Shipbuilding's (YZJ) 1H26 results came in a strong beat to our expectations, with reported net profit of Rmb5.37b (+28.4% yoy) forming 55% of our/consensus full-year forecasts. The beat was driven by both: a) stronger-than-expected revenue delivery, and b) positive surprises from shipbuilding gross profit margins (GPM). Excluding one-off items such as forex gains/(losses), disposal gains/(losses) and subsidies/incentives, etc, core operating profit expanded by a strong 42.6% yoy (+21.2% hoh) to Rmb5.82b, by our estimate.

Key Financials

Year to 31 Dec (Rmbm)	2024	2025	2026F	2027F	2028F
Net turnover	26,542	28,505	35,213	40,988	41,181
EBITDA	7,469	9,611	12,336	14,211	13,972
Operating profit	7,008	9,081	11,731	13,446	13,167
Net profit (rep./act.)	6,634	8,637	10,745	12,235	12,092
Net profit (adj.)	6,543	8,425	10,551	12,045	11,901
EPS (x)	165.6	213.8	268.1	306.0	302.4
PE (x)	13.4	10.3	8.2	7.2	7.3
P/B (x)	3.3	2.7	2.2	1.9	1.7
EV/EBITDA (x)	9.4	7.3	5.7	4.9	5.0
Dividend yield (%)	2.9	4.8	6.1	6.9	6.9
Net margin (%)	25.0	30.3	30.5	29.9	29.4
Net debt/(cash) to equity (%)	(81.2)	(64.2)	(44.0)	(49.8)	(53.7)
ROE (%)	28.1	29.6	30.3	29.0	24.8
Consensus net profit	-	-	10,024	11,196	11,591
UOBKH/Consensus (x)	-	-	1.05	1.08	1.03

Source: YZJ, Bloomberg, UOB Kay Hian

BUY (Maintained)

Share Price	S$4.20
Target Price	S$5.30
Upside	26.2%
Previous TP	S$4.75

Stock Data

Sector	Industrials
Bloomberg ticker	YZJSGD SP
Shares issued (m)	3,935.6
Market cap (S$m)	16,529.5
Market cap (US$m)	12,898.5
3-mth avg daily t'over (US$m)	51.5

Price Performance (%)

52-week high/low				S$4.62/S$2.69
1mth	3mth	6mth	1yr	YTD
20.7	2.4	32.9	47.9	20.7

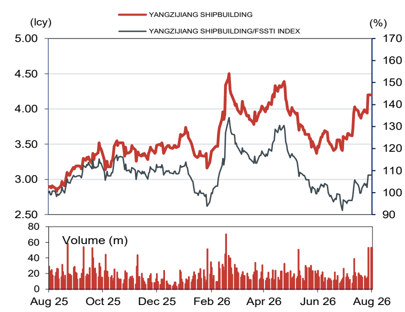
Major Shareholders (%)

Yangzi Int'l Hldgs	21.7
Lido Point Invt	9.6

Balance Sheet Metrics

FY26 NAV/Share (Rmb)	9.84
FY26 Net Debt/(Cash)/Share (Rmb)	(4.33)

Price Chart



Source: Bloomberg

Company Description

Established in 1956, the company has four shipyards in Jiangsu, China, and is the country's largest private shipyard. Its products include containerships, oil/chemical tankers and bulk carriers with a client network across North America, Europe and Asia.

- **Revenue beat expectations, supported by fresh revenue contribution from Hongyuan yard.** Revenue rose 36% yoy to Rmb17.5b, forming 52%/54% of our/consensus full-year forecasts. The Hongyuan yard, which is still under construction and remains on track to be completed in 2H26, has started to generate revenue, contributing Rmb545m revenue in 2Q26. Management guided that while the Hongyuan yard remains on track for completion by end-26, it is expected to contribute more revenue in 2H26. Once fully integrated into YZJ's yard portfolio in 2027, the Hongyuan yard is expected to contribute to about 20% of YZJ's total revenue.
- **Positive surprise from gross profit margins.** YZJ's GPM expanded 1.7ppt yoy (2.2ppt hoh) to 36.2%, driven by higher margins from both shipbuilding and shipping segments.
- Shipbuilding GPM increased 1.9ppt yoy (+2.1ppt hoh) to 37.1%, mainly driven by: a) the progressive construction of vessels secured at higher contract prices (order wins back in 2023-24); and b) a favourable product mix, which include ultra-large containerships and very large ethane carriers. This more than offsets the negative impacts from a strengthened renminbi against the US dollar (in which YZJ's contract wins are denominated).
- As for shipping segment, GPM benefitted from a higher Baltic Dry Index, averaging at about 2,350 in 1H26, compared with approximately 1,300 in 1H25. Management shared that YZJ has entered into one-year contracts for its dry bulk carrier fleet at favourable prices levels during 1H26.
- **Strong orderbook of US$22.4b providing good revenue visibility through 2029.** YZJ maintains a strong net orderbook of US$22.4b as of end-1H26, largely unchanged versus end-25, despite the strong revenue delivery in 1H26. Management highlighted that YZJ's shipbuilding slots have been booked through 2029, with 2029 delivery slots also nearly full.
- **Management confident in meeting its US$4.5b order win target for 2026.** YZJ bagged US$1.96b worth of contracts in 7M26, driven by demand across all vessel types. While the ytd contract wins track slightly behind schedule, management is confident that YZJ will meet its US$4.5b contract win target for 2026, given the negotiation dynamics for contracts in the pipeline.
- **Margins for new contracts remain strong.** According to management, even though average new vessel prices have moderated by about 5% from the peak prices levels seen 2023-24, the price levels of YZJ's new order wins remain comparable to peak levels, as YZJ, given its good reputation and proven execution track record, can get the best-margin contracts in the market. Management also noted that YZJ, given its strong orderbook on hand, has no intention of engaging in price wars for the next two years.
- **Strong earnings outlook through 2029.** Given: a) the strong orderbook on hand; and b) the good price levels of the contracts in the orderbook (which imply sustainable strong margins, assuming stable steel prices and forex rates), YZJ's strong profitability is largely secured through 2029, in our view.

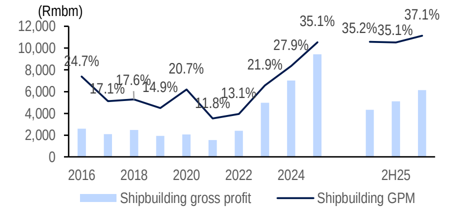
Earnings Revision/Risk

- **Raise our 2026-28F earnings forecasts by 11%/22%/15%,** as we raise our shipbuilding revenue and margin projections. Our updated projection implies a 21% yoy net profit growth in 2H26 and a 14% earnings growth in 2027, reflecting increasing revenue/profit contributions from the Hongyuan yard.
- **Key risks:** a) higher steel prices, b) significantly stronger renminbi against the US dollar, and c) stronger competition eroding margins of new contracts.

Valuation/Recommendation

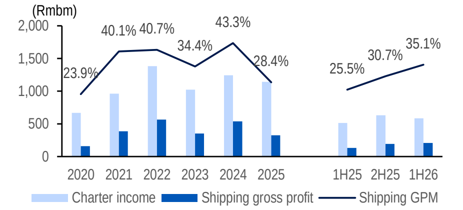
- **Maintain BUY with a higher target price of S$5.30.** Our updated target price is based on 9.1x 2028F PE (rolled over), or 1.5SD above YZJ's historical mean PE of 6.2x. Our target 2028F PE is still conservative, at a 20% discount to peers' average 2028F PE of 11.3x. YZJ currently trades at 8.1x/7.1x 2026F/27F PE, 1.0SD/0.5SD above historical mean. It offers 6.1-6.9% yields in 2026-28F, by our estimate, based on a 50% payout ratio.

Shipbuilding Gross Profit Margins



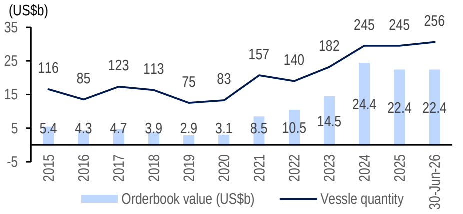
Source: YZJ

Shipping Revenue And Margins



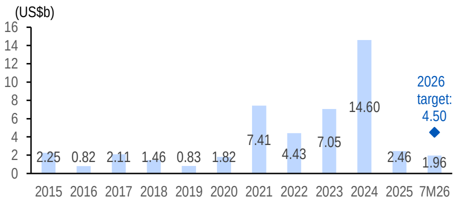
Source: YZJ

Orderbook On Hand



Source: YZJ

Order Win Trend



Source: YZJ

PE-based Valuation

		2026F	2027F	2028F
EPS		Rmb2.73	Rmb3.11	Rmb3.07
		S$0.52	S$0.59	S$0.58
PE peg		Target price		
+2.0SD	10.1x	S$5.21	S$5.94	S$5.87
+1.5SD	9.1x	S$4.71	S$5.36	S$5.30
+1.0SD	8.1x	S$4.20	S$4.79	S$4.73
+0.5SD	7.1x	S$3.70	S$4.21	S$4.16
Mean	6.2x	S$3.19	S$3.64	S$3.59

Source: YZJ

Profit & loss

Year to 31 Dec (Rmbm)	2025	2026F	2027F	2028F
Net turnover	28,505	35,213	40,988	41,181
EBITDA	9,611	12,336	14,211	13,972
Deprec. & amort.	530	605	765	805
EBIT	9,081	11,731	13,446	13,167
Total other non-op. income	0	0	0	0
Associate contributions	861	1,133	1,290	1,287
Net interest income/(expense)	735	361	399	500
Pre-tax profit	10,677	13,225	15,136	14,955
Tax	(2,045)	(2,488)	(2,908)	(2,870)
Minorities	5	7	7	7
Net profit	8,637	10,745	12,235	12,092
Net profit (adj.)	8,425	10,551	12,045	11,901

Balance Sheet

Year to 31 Dec (Rmbm)	2025	2026F	2027F	2028F
Fixed assets	11,334	13,058	13,248	13,448
Other LT assets	3,724	9,723	10,497	11,269
Cash/ST investment	26,144	19,556	22,725	27,807
Other current assets	17,131	19,120	22,244	22,348
Total assets	58,334	61,457	68,715	74,873
ST debt	5,500	2,500	0	0
Other current liabilities	19,040	18,578	21,402	21,496
LT debt	0	0	0	0
Other LT liabilities	1,536	1,536	1,536	1,536
Shareholders' equity	32,142	38,734	45,676	51,747
Minority interest	116	109	102	95
Total liabilities & equity	58,334	61,457	68,715	74,873

Cash flow

Year to 31 Dec (Rmbm)	2025	2026F	2027F	2028F
Operating	4,465	13,076	11,402	11,592
Pre-tax profit	10,677	13,225	15,136	14,955
Tax	(1,368)	(2,488)	(2,908)	(2,870)
Deprec. & amort.	530	605	765	805
Associates	(861)	(1,133)	(1,290)	(1,287)
Working capital changes	(4,422)	2,867	(300)	(10)
Non-cash items	0	0	0	0
Other operating cashflows	(91)	0	0	0
Investing	(8,482)	(7,194)	(438)	(490)
Capex	(2,138)	(2,329)	(955)	(1,005)
Investment	(833)	(5,318)	0	0
Proceeds from sale of assets	0	0	0	0
Others	(5,511)	453	516	515
Financing	(4,027)	(7,152)	(7,794)	(6,020)
Dividend payments	(2,608)	(4,152)	(5,294)	(6,020)
Proceeds from borrowings	0	0	0	0
Loan repayment	(1,300)	(3,000)	(2,500)	0
Others/interest paid	(119)	0	0	0
Net cash inflow (outflow)	(8,044)	(1,270)	3,170	5,082
Beginning cash & cash equiv.	28,120	20,076	18,806	21,975
Changes due to forex impact	0	0	0	0
Ending cash & cash equiv.	20,076	18,806	21,975	27,057

Key Metric

Year to 31 Dec	2025	2026F	2027F	2028F
Profitability				
EBITDA margin	33.7	35.0	34.7	33.9
Pre-tax margin	37.5	37.6	36.9	36.3
Net margin	30.3	30.5	29.9	29.4
ROA	15.3	17.9	18.8	16.8
ROE	29.6	30.3	29.0	24.8
Growth (% yoy)				
Turnover	7.4	23.5	16.4	0.5
EBITDA	28.7	28.4	15.2	(1.7)
Pre-tax profit	30.5	23.9	14.4	(1.2)
Net profit	30.2	24.4	13.9	(1.2)
Net profit (adj.)	28.8	25.2	14.2	(1.2)
EPS	29.1	25.4	14.2	(1.2)
Leverage				
Debt to total capital	14.6	6.0	0.0	0.0
Debt to equity	17.1	6.5	0.0	0.0
Net debt/(cash) to equity	(64.2)	(44.0)	(49.8)	(53.7)

Market Spotlight

Market News

US stocks were lower on Monday, as the real estate, utilities and information technology sectors led shares lower. At the close of the NYSE, the Dow Jones fell 0.11% while the S&P 500 Index was down 0.06%, and the NASDAQ Composite Index slid 0.32%. Falling stocks outnumbered advancing ones on the NYSE by 1,646 to 1,086 and 90 ended unchanged; on the Nasdaq Stock Exchange, 2,864 declined and 2,007 advanced, while 161 ended unchanged.

During the last trading session, the FSSTI Index rose 59.44pt to 5,698.43. Among the top active stocks were Singtel (-0.9%), Seatrium (-0.5%), DBS (+1.7%), SIA (-1.3%) and UMS (+0.4%). The FTSE ST Mid Cap Index fell 0.2%, while the FTSE ST Small Cap Index slid 0.3%. The broader market had 294 gainers and 267 losers with a total trading value of S$2.63b.

Technical Analysis

Analyst(s)

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AEM Holdings (AEM SP)

Trading buy range:	S$9.01-9.02
Last price:	S$9.15
Target price:	S$10.88
Protective stop:	S$8.46

Price successfully defended its gap support zone on the retest, keeping the upward momentum intact. The RSI is ascending above its neutral 50-midline. This signals a continued move higher toward the key overhead target as long as this gap boundary remains defended.

The potential upside target is S$10.88. Stop-loss could be placed at S$8.46.

Approximate timeframe on average: 1-2 weeks (initiate this trade idea if the stock hits the entry price range within three trading days)

Our institutional research has a fundamental BUY and target price of S$12.99.

Venture Corp (VMS SP)

Trading buy range:	S$16.83-16.84
Last price:	S$17.19
Target price:	S$18.33
Protective stop:	S$16.10

Price penetrated its recent peak with a strong bullish candle and leaving an opening gap-up void. The RSI surges well above its neutral 50-midline. This hints at further upside trajectory toward the next resistance zone as long as the gap window remains unfilled on any dips.

The potential upside target is S$18.33. Stop-loss could be placed at S$16.10.

Approximate timeframe on average: 1-2 weeks (initiate this trade idea if the stock hits the entry price range within three trading days)

Our institutional research has a fundamental BUY and target price of S$20.65.