Banking

2Q26 Results Preview: OCBC Firing On Many Cylinders

OVERWEIGHT
(Maintained)

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Highlights

- We expect 2Q26 to be characterised by mild NIM compression and sterling growth from wealth management, accentuated by the anticipation of a peace deal as well as a low base in 2Q25. OCBC also registered healthy growth from insurance.
- We expect a net profit of S$2,821m for DBS (flat yoy, -4% qoq) and S$1,947m for OCBC (+7% yoy, -1% qoq).
- Maintain OVERWEIGHT. The moderation of hostilities in the Middle East paves the way for continued economic expansion. Our top pick is OCBC (BUY/Target: S$31.60) for its strategic shift to accelerate growth. We like DBS (BUY/Target: S$76.85) for its attractive 2026 dividend yield of 4.7%.

Analysis

- The 2Q26 results season kicks off with DBS Group Holdings (DBS) reporting its results on 6 August, followed by Oversea-Chinese Banking Corporation (OCBC) and United Overseas Bank (UOB) on 7 August.

DBS Group Holdings (DBS SP/BUY/Target: S$76.85)

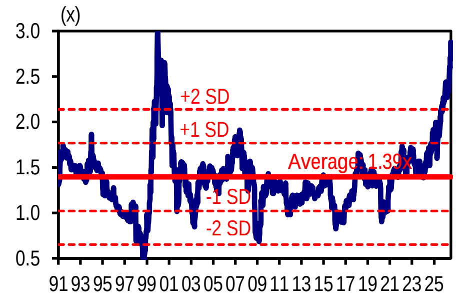
- We forecast net profit to be flat yoy but decline 4% qoq to S$2,821m in 2Q26.
- **Low single-digit decline in net interest income.** We estimate a loan growth of 5.6% yoy and 1.0% qoq in 2Q26 with an expansion in corporate loans and residential mortgages. We expect NIM to compress 4bp qoq to 1.85% in 2Q26 (1Q26: -4bp qoq) due to: a) the re-pricing of fixed-rate assets at lower interest rates, and b) the deployment of surplus deposits in high quality-liquid assets (HQLA) that provide lower yields. 3M compounded SORA was relatively unchanged at 1.08% in 2Q26. We expect net interest income to decline 3.6% yoy in 2Q26 (1Q26: -5.1% yoy).
- **Wealth management fees boosted by potential peace deal.** We expect contribution from wealth management to increase 37% yoy to S$890m in 2Q26, driven by a buoyant equity market anticipating the successful conclusion of a peace deal. Fees from transaction services are likely to grow 8% yoy. Overall, fee income is expected to expand at a double-digit rate of 22% yoy in 2Q26 due to a low base last year.
- **Stable treasury customer sales.** We expect steady net trading income of S$800m in 2Q26 due to healthy growth in treasury customer sales.
- **Maintaining cost discipline.** We have factored in a 4% yoy increase in operating expenses. We expect cost-to-income ratio (CIR) to be healthy at 40.2% in 2Q26 (1Q26: 38.8%), in line with guidance of low-40%.
- **Resilient asset quality.** We expect asset quality to be stable. We expect total provisions of S$197m and credit cost of 17bp in 2Q26 (1Q26: 17bp). DBS has ample management overlay for general provisions of S$2.4b.

Sector Picks

Company	Ticker	Rec	Share Price (S$)	Target Price (S$)
DBS	DBS SP	BUY	70.45	76.85
OCBC	OCBC SP	BUY	27.43	31.60

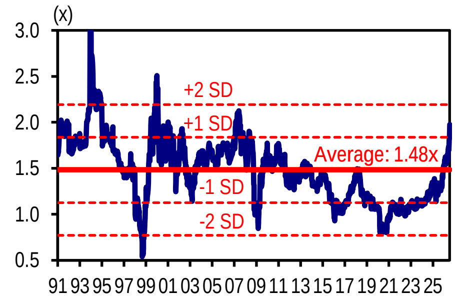
Source: Bloomberg, UOB Kay Hian

P/B – DBS



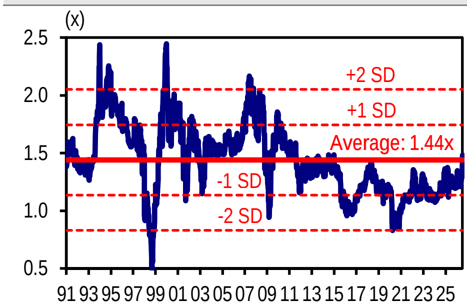
Source: UOB Kay Hian

P/B – OCBC



Source: UOB Kay Hian

P/B – UOB



Source: UOB Kay Hian

Peer Comparison

Company	Ticker	Rec	Price @ 7 Jul 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	70.45	76.85	155,210	18.3	17.6	2.84	2.78	14.7	14.2	4.7	4.9	15.7	16.2
OCBC	OCBC SP	BUY	27.43	31.60	95,409	16.2	15.5	1.96	1.84	14.0	13.6	3.1	3.4	12.0	12.2
UOB#	UOB SP	NR	44.38	n.a.	56,747	13.1	12.1	1.40	1.33	9.3	8.9	3.9	4.1	11.0	11.3
Average						15.9	15.0	2.06	1.98	12.7	12.2	3.9	4.1	12.9	13.2

#Based on consensus estimate *Source: Bloomberg, UOB Kay Hian*

- **Stable quarterly dividend.** We expect DBS to maintain its quarterly dividend at 66 S cents and Capital Return Dividend (CRD) at 15 S cents. Total DPS would be 81 S cents for 2Q26. Payout ratio is estimated at 86.5% for 2Q26.

Oversea-Chinese Banking Corporation (OCBC SP/BUY/Target: S$31.60)

- We forecast OCBC's net profit to increase 7% yoy but decline 1% qoq to S$1,947m for 2Q26.
- **NIM starting to stabilise.** We expect a pick-up in loan growth of 1.2% qoq and 8.3% yoy in 2Q26, driven by digital infrastructure, renewable energy, purpose-built student accommodation and residential mortgages. We expect NIM to be stable qoq at 1.75% in 2Q26. 3M compounded SORA has stabilised at 1.08%. The positive impact from a cut in interest rate for its flagship 360 accounts would be offset by negative impact from the deployment of surplus deposits in high quality-liquid assets (HQLA). We expect net interest income to decline 1.6% yoy in 2Q26 (1Q26: -5.2% yoy).
- **Wealth management sustained positive momentum.** Wealth management fees registered a substantial growth of 51% yoy to S$420m as high-net-worth (HNW) clients deployed funds into investment products. Sentiment was buoyed by potential peace deal between the US and Iran. The expansion of its base of relationship managers undertaken in 2024 and 2025 also contributed to the spectacular growth. Overall, we expect fee income to grow 19% yoy to S$691m in 2Q26.
- **Contribution from insurance aided by mark-to-market gains.** We expect contribution from insurance to expand 55% yoy to S$350m for 2Q26. Great Eastern could benefit from mark-to-market gains due to the rally for AI and semiconductor stocks, while 10Y SG government bond yield has compressed 25bp to 2.04%. It shifted its product mix towards longer duration product lines that contribute more to long-term profitability. It has also started to target HNW clients in collaboration with Bank of Singapore. We expect net trading income to increase 7% yoy to S$400m with a growth in treasury customer sales from corporate customers and HNW clients.
- **Asset quality remains benign.** OCBC did not see any material deterioration in asset quality in 2Q26. It has topped up general provisions by S$103m in 1Q26. There is no requirement for more general provisions given the ongoing peace negotiations in the Middle East. We expect total credit costs of 20bp, in line with guidance of 20-25bp.
- **DPS increased 8% yoy.** We expect OCBC to declare an interim dividend of 43 S cents, in line with its dividend payout ratio of 50%.

Projected DPS And Dividend Payout Ratios

	DBS			OCBC			UOB#		
Price (S$)	70.45			27.43			44.38		
Year to 31 Dec	FY25F	FY26F	FY27F	FY25F	FY26F	FY27F	FY25F	FY26F	FY27F
EPS (S ¢)	384	385	401	163	169	177	276	339	367
DPS (S ¢)	306	330	348	99	86	92	181	171	184
Payout Ratio (%)	79.7	85.6	86.8	60.7	50.8	51.9	65.6	50.4	50.2
Dividend Yield (%)	4.3	4.7	4.9	3.6	3.1	3.4	4.1	3.8	4.2

 # Based on consensus estimate
Source: UOB Kay Hian

Valuation/Recommendation

- **Maintain OVERWEIGHT.** The moderation of hostilities in the Middle East paves the way for continued economic expansion. 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 15.0% and 15.1% respectively as of Dec 25. Our top pick is OCBC (BUY/Target: S$31.60) 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$76.85) for its attractive 2026 dividend yield of 4.7%.

DBS Group Holdings (BUY/Target: S$76.85)

- 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

Profit & Loss – DBS (2Q26F)

Profit & Loss (S$m)	2Q26F	2Q25	yoy % Chg	1Q26	qoq % Chg
Net Interest Income	3,518	3,648	-3.6	3,494	0.7
Fees & Commissions	1,427	1,167	22.2	1,482	-3.7
Other Non-interest Income	895	917	-2.4	972	-7.9
Total Income	5,839	5,732	1.9	5,948	-1.8
Operating Expenses	(2,350)	(2,276)	3.2	(2,308)	1.8
PPoP	3,490	3,456	1.0	3,640	-4.1
Provisions	(197)	(133)	48.2	(190)	3.7
Associates	66	65	2.0	62	6.9
PBT	3,359	3,388	-0.9	3,512	-4.4
Net Profit	2,821	2,824	-0.1	2,930	-3.7
EPS (S cents)	99.4	99.5	-0.1	104.8	-5.1
DPS (S cents)	81.0	75.0	8.0	81.0	0.0
BVPS (S$)	24.65	23.82	3.5	24.38	1.1

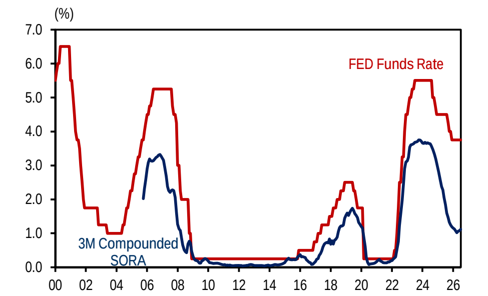
Source: Bloomberg

Profit & Loss – OCBC (2q26f)

Profit & Loss (S$m)	2Q26F	2Q25	yoy % Chg	1Q26	qoq % Chg
Net Interest Income	2,245	2,283	-1.6	2,222	1.1
Fees & Commissions	691	580	19.1	675	2.3
Insurance	350	226	54.9	409	-14.4
Net Trading Income	400	375	6.7	434	-7.8
Other Non-Interest Income	60	83	-27.7	88	-31.8
Total Income	3,746	3,547	5.6	3,828	-2.1
Operating Expenses	(1,522)	(1,395)	9.1	(1,510)	0.8
PPOP	2,224	2,152	3.3	2,318	-4.1
Provisions	(176)	(114)	54.2	(216)	-18.6
Associates	284	263	8.0	312	-9.0
PBT	2,332	2,301	1.4	2,414	-3.4
Net Profit	1,947	1,816	7.2	1,974	-1.3
EPS (S cents)	43.1	40.0	7.8	44.0	-2.0
DPS (S cents)	43.0	41.0	4.9	0.0	n.m.
BVPS (S$)	13.66	12.92	5.7	13.82	-1.1

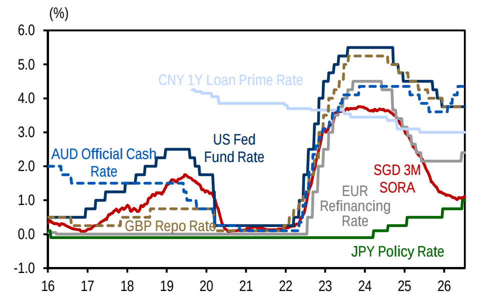
Source: Bloomberg

US FED FUNDS RATE VS 3M SORA



Source: Bloomberg

Policy Interest Rates



Source: Bloomberg

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 25% yoy in 1Q26.

- Asset quality is pristine with NPL formation muted at S$126m in 1Q26. NPL ratio is low at 1.0%, while loan-loss coverage is healthy at 131%. DBS has ample management overlay of S$2,400m for general provisions.
- DBS provides a dividend yield of 4.7% for 2026 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.

Key Assumptions – DBS

(S$m)	2024	2025	2026F	2027F	2028F
Net Interest Income	14,424	14,500	14,132	14,660	15,383
Non-Interest Income	7,873	8,400	9,168	9,605	10,127
Total Income	22,297	22,900	23,300	24,265	25,511
Pre-Provision Operating Profit	13,259	13,528	13,594	14,099	14,730
Net Profit	11,289	10,933	10,951	11,373	11,876
% Chg	12.2	(3.2)	0.2	3.9	4.4
Loan Growth (%)	3.4	3.3	3.9	4.3	4.5
NIM (%)	2.14	2.02	1.86	1.85	1.86
Fees, % Chg	23.2	17.5	15.0	9.1	8.5
NPL Ratio (%)	1.09	1.03	1.00	1.00	1.00
Credit Costs (bp)	14.0	17.8	17.1	17.1	17.1

Source: UOB Kay Hian

- **Maintain BUY.** Our target price of S$76.85 is based on 3.03x 2027F P/B, derived from the Gordon Growth Model (ROE: 15.9%, COE: 6.7%, growth: 2.2%).

Oversea-Chinese Banking Corp (BUY/Target: S$31.60)

- 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 mainly 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.
- NPL formation moderated to S$123m in 1Q26. OCBC set aside general provisions of S$191m to build an additional buffer for general provisions in 1Q26, lifting loan-loss coverage to 163%.
- 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.

Key Assumptions – OCBC

(S$m)	2024	2025	2026F	2027F	2028F
Net Interest Income	9,755	9,150	9,045	9,459	9,983
Non-Interest Income	4,718	5,464	5,901	6,064	6,441
Total Income	14,473	14,614	14,946	15,524	16,424
Pre-Provision Operating Profit	8,672	8,710	8,772	9,063	9,589
Net Profit	7,587	7,422	7,642	7,997	8,470
% Chg	8.1	(2.2)	3.0	4.6	5.9
Loan Growth (%)	7.6	6.9	4.0	4.2	4.4
NIM (%)	2.20	1.92	1.75	1.76	1.77
Fees, % Chg	9.2	22.4	10.7	9.9	8.7
NPL Ratio (%)	0.89	0.95	0.93	0.95	0.96
Credit Costs (bp)	22.4	20.1	21.4	20.1	20.1

Source: UOB Kay Hian

- **Maintain BUY.** Our target price of S$31.60 is based on 2.12x 2027F P/B, derived from the Gordon Growth Model (ROE: 12.3%, COE: 6.95%, growth: 2.2%).

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.