Oversea-Chinese Banking Corporation Ltd

A strengthening frachise

19 October 2026

Company Overview

The OCBC Bank group of businesses (OCBC) comprises a family of companies owned by Singapore's longest-established local bank.

Investment Overview

Refocusing on growth engines. OCBC launched a new strategy focusing on the next frontier of growth, which includes deepening core market franchise across its twin hubs Singapore and Hong Kong as well as refreshed strategies within ASEAN domestic markets. Management is guiding for stable to improving ROE, driven by a stronger focus on higher-returning businesses while maintaining cost discipline with CIR at low to mid-40%. OCBC continues to guide for stable to improving income in FY26F.

OCBC likely to see bigger impact from mark-to-market valuation losses during 3Q26 amongst peers. Post a strong beat for 2Q26 results, management lifted guidance for total income, NII and loan growth. Looking into 3Q26, we believe NII momentum can be sustained, though OCBC is likely to see bigger impact from mark-to-market (MTM) valuation losses during 3Q26 amongst peers.

Downside risks from asset quality cushioned by high non-performing loan (NPL) coverage ratio. We remain watchful of asset quality risks in a slower global growth environment amidst concerns of commercial real estate (CRE) sector. During 2Q26, management further topped up general provisions of SGD34m to cater for macroeconomic situation in Indonesia, resulting in stronger buffers from its NPL coverage ratio of 163% up from 151% in 4Q25.

Maintain BUY with lower TP of SGD32.50. While we keep our full year earnings estimates unchanged, expecting a sequential recovery in NII and the absence of big MTM securities portfolio losses during 4Q26, we are lowering our TP to SGD32.50 (previous: SGD36.60), reflecting a higher cost of equity assumption of ~8.8% (previous: ~8.3%) as we take into account the impact of higher long-end bond yields on risk-free rates. Our valuation is based on the Gordon Growth Model, assuming 13.5% ROE (unchanged), 4.5% growth (unchanged), and 8.8% (previous: 8.3%) cost of equity. Our TP represents 2.1x FY27F P/BV, >+2S.D. above OCBC's historical 15-year average one-year forward P/BV.

Risks

Deteriorating asset quality. Higher-than-expected NPLs, high inflationary pressure, and recessionary risks could unwind expectations for credit cost and NPL declines, thus posing risks to earnings. Slower-than-expected wealth inflows following tightening of regulations is also a potential risk.

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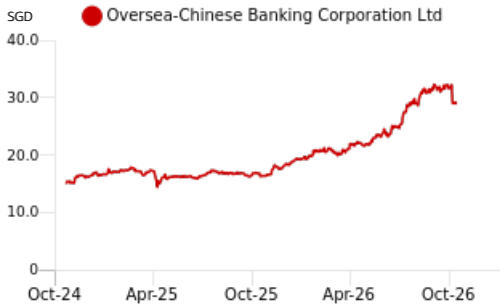
Key Financial Data

Bloomberg Ticker	OCBC SP
Sector	Financials
Share Price(SGD)	29.00
DBS Rating	BUY
12-mth Target Price (SGD)	32.50
Market Cap (USDbn)	101.56
Dividend yield (%)	3.43
Net Debt/Equity (%)	na
Fwd. P/E (x)	15.26
P/Book (x)	2.09
ROE (%)	12.19

Closing Price as of 16 Oct 2026

Source: Twelve Data, DBS, Visible Alpha

Oversea-Chinese Banking Corporation Ltd Share Price



Source: Twelve Data

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Financial Summary (SGDmn)

FY Dec	FY2023(A)	FY2024(A)	FY2025(A)	FY2026(F)	FY2027(F)
Net Interest Income	9,645	9,755	9,150	9,110	9,647
% y/y	*25.5*	*1.1*	*(6.2)*	*(0.4)*	*5.9*
Non-Interest Income	3,862	4,718	5,464	6,830	7,192
% y/y	*7.3*	*22.2*	*15.8*	*25.0*	*5.3*
Operating Income	13,507	14,473	14,614	15,940	16,839
% y/y	*19.7*	*7.2*	*1.0*	*9.1*	*5.6*
Pre-provision Profit	8,181	8,672	8,711	9,518	10,160
% y/y	*29.0*	*6.0*	*0.4*	*9.3*	*6.7*
Pre-tax Profit	8,401	8,976	9,123	9,959	10,669
% y/y	*26.0*	*6.8*	*1.6*	*9.2*	*7.1*
Net Profit	7,021	7,587	7,422	8,102	8,672
% y/y	*27.1*	*8.1*	*(2.2)*	*9.2*	*7.0*
Spread (%)	2.1	2.0	1.8	1.6	1.7
Net Interest Margin (%)	2.3	2.2	1.9	1.7	1.7
Cost-to-Income Ratio (%)	35.4	36.5	38.0	38.0	37.4
ROAE (%)	13.3	13.4	12.2	12.6	12.8
ROA (%)	1.3	1.3	1.2	1.2	1.2

Source: Company, DBS

Valuation Metrics

FY Dec	FY2023(A)	FY2024(A)	FY2025(A)	FY2026(F)	FY2027(F)
PE (x)	19.4	18.0	18.4	16.8	15.7
P/B (x)	2.5	2.3	2.2	2.1	2.0
Dividend Yield (%)	2.7	3.4	3.3	3.5	3.4

Source: Company, DBS

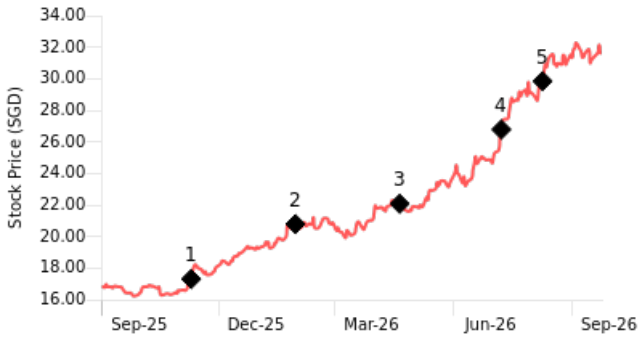
Financial Stability Measures

FY Dec	FY2023(A)	FY2024(A)	FY2025(A)	FY2026(F)	FY2027(F)
Loan-to-Deposit Ratio (%)	80.5	80.7	78.6	81.8	82.2
Net Loans / Total Assets (%)	50.4	50.4	49.8	50.1	50.2
Investment / Total Assets (%)	6.3	6.9	7.9	7.9	7.9
Cust . Dep./Int. Bear. Liab. (%)	90.7	90.1	90.3	86.0	85.7
Interbank Dep / Int. Bear. (%)	2.7	2.7	3.2	8.2	8.9
NPL / Total Gross Loans (%)	0.9	0.9	0.9	1.1	1.1
NPL / Total Assets (%)	0.5	0.5	0.5	0.5	0.5
Loan Loss Reserve Coverage (%)	139.0	144.0	137.1	126.5	135.2
Total CAR (%)	18.1	19.7	19.4	18.8	19.0
Tier-1 CAR (%)	15.9	17.1	16.9	16.6	16.9

Source: Company, DBS

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Target Price & Ratings History - Oversea-Chinese Banking Corporation Ltd (OCBC_SP_Equity)



S.No.	Date of Report	Closing Price	12-mth Target Price	Rating
1	09 Nov'25	17.78	19.80	BUY
2	29 Jan'26	21.29	23.00	BUY
3	20 Apr'26	22.72	25.50	BUY
4	08 Jul'26	26.34	30.00	BUY
5	09 Aug'26	30.30	36.60	BUY

Source: DBS
Analyst: Rui Wen Lim

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STRONG BUY (>20% total return over the next 3 months, with identifiable share price catalysts within this time frame)
BUY (>15% total return over the next 12 months for small caps, >10% for large caps)
HOLD (-10% to +15% total return over the next 12 months for small caps, -10% to +10% for large caps)
FULLY VALUED (negative total return, i.e., > -10% over the next 12 months)
SELL (negative total return of > -20% over the next 3 months, with identifiable share price catalysts within this time frame)

**Share price appreciation + dividends*

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