

UOB is a hold after its third-quarter miss and 5% share fall

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Standfirst: UOBâ??s third-quarter profit came in about 9% below forecasts and the bank cut its 2026 margin guidance. The shares now look cheap at about 1.3 times book, but shrinking margins and a weaker Greater China property book mean there is no rush to buy.

By Clara Tan, Editor-at-Large

The call

United Overseas Bank (SGX: U11) is our pick today, and the call is hold. The shares closed at S$38.44 at the end of the SGX session on Wednesday, 4 November 2026, down S$2.02 or 5.0% from S$40.46 the day before. It was the stockâ??s lowest close since 16 June. Shares traded between S$37.63 and S$39.50 during the day, on volume of about 11.4 million shares. The 52-week range is S$33.25 to S$45.15.

Holders are paid about 4.1% a year to wait. New money can afford to see what the fourth quarter brings.

What happened on Wednesday

UOB reported third-quarter net profit of S$1.25 billion before the market opened. Business Times reported a Bloomberg poll of six analysts that had expected S$1.38 billion. Profit was 15% lower than in the second quarter, which UOB put mainly down to gains from asset sales in that earlier period. It was 182% higher than a year ago, but that comparison flatters the result because the third quarter of 2025 carried heavy pre-emptive provisions.

The bigger blow was the margin outlook. Net interest margin fell to 1.68%, from 1.74% in the second quarter and 1.82% a year earlier, as funding costs rose. The chief financial officer said the full-year 2026 margin is now likely to come in below the earlier guidance of 1.75% to 1.80%.

The case for holding on

Fees are the bright spot. Net fee income reached a record S$733 million in the quarter, up 19% from a year earlier and 10% from the second quarter. Wealth management fees hit a record S$258 million. Over the first nine months, wealth income rose 13% and card income rose 25%, according to UOBâ??s third-quarter performance highlights.

The loan book is still growing. Customer loans stood at S$372 billion, up 3% on the quarter and 6% on the year. Wholesale loans grew 9% and trade loans 31% year on year. Net interest income held flat on the quarter at S$2.28 billion, and expenses fell 4%.

Guidance for 2027 is also firmer than this yearâ??s. Management expects mid single-digit loan growth, net interest income above 2026, mid to high single-digit fee growth and credit costs of 25 to 30 basis points, according to its results slides. In August, it was guiding only for low single-digit growth in both loans and fees for 2026.

The bank is returning capital too. The first-half interim dividend was 88 cents, up from 85 cents, at a payout of about 50%. A S$2 billion share buyback was 40% complete at 31 July 2026.

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The case against buying now

The margin problem is structural, not a one-off. Current and savings accounts, the bankâ??s cheapest funding, fell to 54.6% of deposits in September from 57.0% a year earlier. That is the squeeze behind the guidance cut.

Greater China is the other worry. The non-performing loan ratio in that book rose to 5.0% in September, from 3.1% a year earlier, and coverage there fell to 40% from 78%. Group-wide, the non-performing loan ratio was 1.5%, with coverage of 86%.

Much of this yearâ??s profit growth comes from lower provisions rather than stronger business. Nine-month profit rose 27%, but allowances fell 65% to S$672 million. Total income slipped 1% and operating profit fell 4%.

Returns are modest for a Singapore bank. Annualised return on equity was 10.1% in the third quarter and 11.1% for the nine months, and the cost-to-income ratio rose to 46.4%. Lim & Tan Securities, in its report on 4 November, noted that nine-month profit covers only 74.4% of the full-year consensus of S$5.6 billion, so the fourth quarter would need a 14.8% rebound on the third to hit it. Expect forecasts to come down.

Capital is lower after the interim dividend. The CET1 ratio fell to 14.6% from 15.4%, and the leverage ratio to 6.3% from 6.8%. That is still comfortable, but it leaves less room for extra payouts.

What the brokers say

The broker ratings and targets below come via the aggregator TipRanks, not the broker reports themselves. All were set before Wednesdayâ??s results, so they are not post-results calls and

revisions are likely.

Broker	Rating	Target price	Date	Change from S$38.44
Phillip Securities	Hold (as listed by TipRanks)	S$43.00	11 August 2026	about +12%
DBS Group Research	Hold	S$42.50	19 October 2026	about +11%
J.P. Morgan	Neutral (upgraded)	S$38.00	24 August 2026	about -1%
Citi	Sell (downgraded from Neutral)	S$38.00 (from S$41.80)	10 August 2026	about -1%

Lim & Tan Securities maintained its hold call on 4 November, after the results, without setting a target of its own. Before the results, Macquarie said UOB traded at a 30% discount to peers on price to earnings, a gap it said could partly close on an in-line or better result. The result was neither.

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The numbers behind the call

These figures are calculated from the 4 November close of S$38.44 and UOBâ??s reported data.

Measure	Value	Basis
Price to book	about 1.33 times	Net asset value of S$29.00 a share at 30 September 2026
Price to earnings	about 11.6 times	Nine-month basic earnings of S$3.30 a share, annualised
Trailing dividend yield	about 4.1%	71-cent FY2025 final plus 88-cent 2026 interim, S$1.59 in total
Run-rate yield	about 4.6%	Assumes the final matches the 88-cent interim, which is not guaranteed
Return on equity	10.1% (3Q26), 11.1% (9M26)	UOB performance highlights
CET1 ratio	14.6%	UOB results slides

DBS, by comparison, trades at about 2.9 times book with a return on equity near 18%. UOBâ??s discount mostly reflects its lower returns.

What to watch

DBS reports its third-quarter results today and OCBC follows on Friday, 6 November. If both show similar funding-cost pressure, UOBâ??s miss looks like a sector problem and the shares could recover some ground. If they do not, the market will treat it as a UOB problem.

After that, broker target revisions over the coming days, and the full-year results, where the margin trend, the final dividend and progress on the buyback will matter most. UOB has not yet confirmed the date.

The verdict

After Wednesdayâ??s fall, UOB is cheap at about 1.3 times book and about 12 times earnings, with a trailing yield of about 4.1%. Fees, loans and the 2027 outlook are better than the headline miss suggests. But the core issue is margins, and a return on equity of 10% to 11% does not justify a re-rating on its own. With guidance cut, cheap deposits shrinking and the Greater China book thinly covered, we see no pressing reason to buy before the fourth quarter shows the margin has bottomed.

We would turn to buy if the net interest margin holds at or above about 1.68% in the fourth quarter and Greater China bad loans peak. We would turn to sell if credit costs break above the 25 to 30 basis point guidance or the final dividend is cut.

This is general information, not financial advice, and does not take into account your objectives or financial situation.

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