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# Singapore banks count on noninterest incomes to offset margin headwinds

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Large Singapore banks will likely count on boosting noninterest incomes as falling interest rates damp net interest margins (NIM).

DBS Group Holdings Ltd. reported 10.3% year-over-year decline in net profit to S\$2.26 billion during the October-to-December quarter of 2025, bringing NIM into focus. Rival Oversea-Chinese Banking Corp. Ltd. (OCBC) posted a 3.6% net profit increase from a year ago, but down 11.6% from the previous quarter. United Overseas Bank Ltd. (UOB), the smallest of the trio, posted a 7.2% year-over-year fall to S\$1.41 billion, data compiled by S&P Global Market Intelligence show.

"The key reason for profit declines was mainly due to a decline in net interest income following the lower interest rate environment, as well as higher effective tax rates," said Tay Wee Kuang, research analyst at Singapore-based CGS International Securities, in a March 3 email interview. "Given expectations of lower interest rates in the US, we expect net interest margins to continue facing headwinds in 2026."

## Net profit at Singapore's 3 largest banks (S\$B)



Data compiled March 3, 2026.

Analysis limited to the three largest banks headquartered in Singapore and covered by S&P Global Market Intelligence by total assets as of Dec. 31, 2025.

Net profit represents net income attributable to equity holders of parent companies.

Source: S&P Global Market Intelligence.

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DBS, the biggest bank in Southeast Asia by assets, posted a 3.8% year-over-year decline in net interest income to S\$3.59 billion in the fourth quarter of 2025, while that of OCBC and UOB declined by 6.5% and 2.5%, the data show.

Strong growth in deposits can enable Singapore banks to deploy funds into income-accretive sources of revenue, though margins may be diluted, Tay said. "Noninterest income should see growth, driven by net fee income from the consistent wealth inflow into Singapore."

## Net interest margin at Singapore's 3 largest banks (%)



Data compiled March 3, 2026.

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Net interest margin represents net interest income as a percent of average assets.

Source: S&P Global Market Intelligence.

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Banks in the city-state use the Singapore overnight rate average to price most floating-rate loans, and the decline in SORA since the US Federal Reserve began its current easing cycle weighed on banks' NIMs as they passed lower rates to customers. Interest margins can contract further if the Fed cuts rates further. The Monetary Authority of Singapore (MAS) does not have a benchmark rate and manages monetary policy by keeping the Singaporean dollar within an undisclosed band against a trade-weighted basket of currencies that includes the US dollar.

### Margin headwind

The NIM at DBS slipped to 1.62% during the fourth quarter, Market Intelligence data show, compared with 1.84% a year ago. The NIMs at OCBC and UOB have stabilized in recent quarters after falling previously in response to global rate cuts.

"Margin pressure could linger into 2026, but tax effects should stabilize and provisioning is unlikely to repeat last year's elevated levels," said Hersh Oberoi, global research department director at Balfour Capital, in a March 4 email interview, adding, "[net interest income] is likely to remain broadly stable, though a lower-for-longer rate environment may limit margin expansion despite steady loan growth."

"The 2025 decline in net profit across Singapore's major banks was primarily driven by NIM compression as benchmark rates eased, causing asset yields to fall faster than funding costs," said Oberoi. "UOB also recorded higher allowances amid macro uncertainty, while the implementation of the global minimum tax lifted effective tax expenses."



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## Provisions

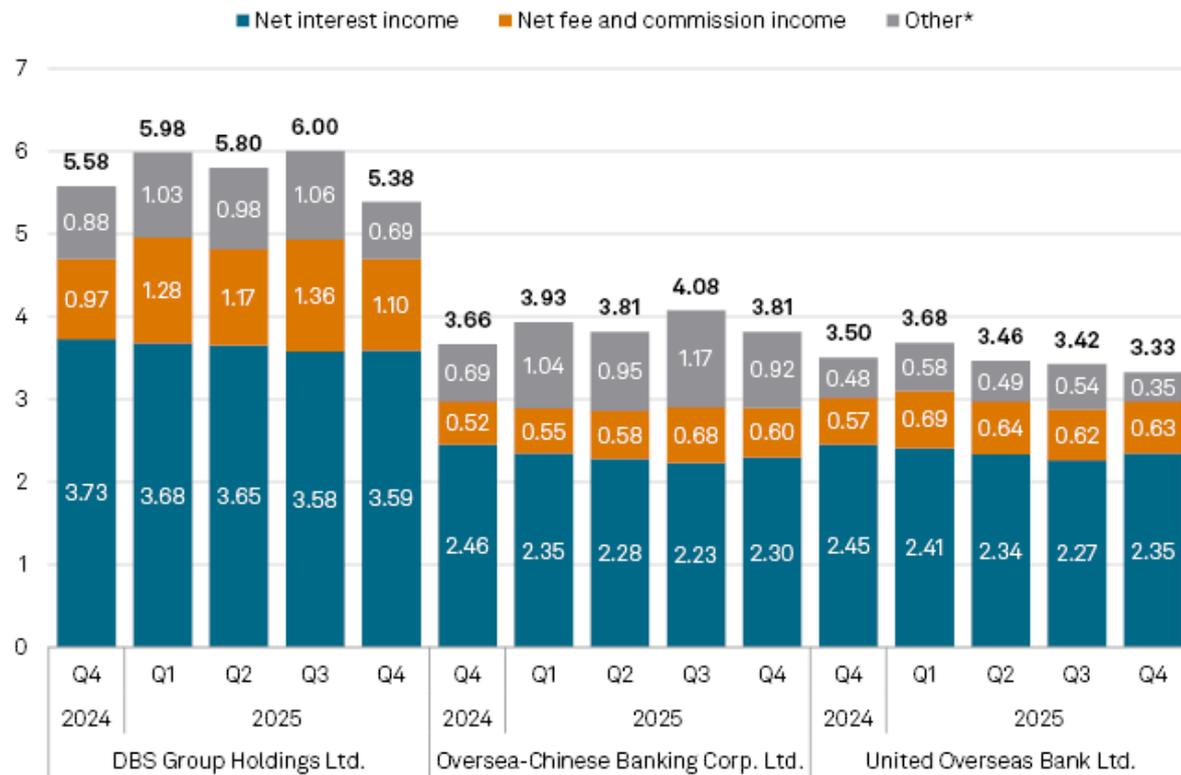
In the third quarter, UOB shored up its pre-emptive general allowances, sending net profit tumbling by two-thirds year over year to S\$440 million.

"We proactively set aside general allowances to significantly enhance provision coverage ... this move reinforces resilience and flexibility to navigate headwinds and sustain long term growth," said Wee Ee Cheong, deputy chairman and CEO, in the bank's Nov. 6 release.

Balfour Capital's Oberoi said provisions at Singapore banks "are expected to normalize from precautionary 2025 levels, assuming asset quality remains resilient amid moderate macro headwinds."

All three banks seem to have sufficient provisions, although the low base effect for DBS and OCBC "means that a normalized credit cost cycle could translate to higher year-over-year credit costs for them," said CGSI's Tay.

## Total operating income at Singapore's 3 largest banks (\$B)



Data compiled March 3, 2026.

Analysis limited to the three largest banks headquartered in Singapore and covered by S&P Global Market Intelligence by total assets as of Dec. 31, 2025.

\* Includes partnership income and other noninterest income.

Source: S&P Global Market Intelligence.

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