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Singapore banks wrap up 2022 with record earnings, still positive on outlook for 2023

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THE trio of Singapore banks wrapped up 2022 with record results, as they continued to post strong earnings in the fourth quarter of the year on the back of higher net interest income.

The chief executives of the respective banks remained cautiously optimistic of their FY2023 performance, as they expect interest rates will largely remain elevated and continue to boost their net interest margins (NIM), although they warned of costs catching up.

Eugene Tarzimanov, vice-president - senior credit officer at Moody's Investors Service, expects the three banks will further improve their profitability in 2023 after ending 2022 on a solid note.

"Yet the pace of change will be less significant than last year because of growing funding and operating costs," Tarzimanov said.

For the fourth quarter of 2022, DBS' net profit was up 69 per cent on year to a record S$2.34 billion. This came as DBS recorded higher net interest income, while trading income and investment gains improved from a low base.

UOB posted a 13 per cent rise in its Q4 net profit to S$1.2 billion as net interest income rose, although net fee income fell amid lower wealth and fund management fees, cushioned by a double-digit growth in credit card fees.

Meanwhile, OCBC's Q4 net profit rose 34 per cent to S$1.3 billion. Its net interest income hit a new quarterly high, but non-interest income declined on lower wealth management fees and valuation losses from its insurance arm Great Eastern.

DBS' Q4 results came in ahead of analysts' estimates, while UOB's were in line with forecasts. Meanwhile, OCBC missed consensus estimates.

Several analysts raised their target prices on DBS after the results. UOB Kay Hian analyst Jonathan Koh raised his target price to S$45.80 from S$45.35, while RHB's research team lifted its target price to S$42 from S$41.10. Koh and the RHB team, which both have a "buy" call on the counter, raised their respective earnings forecast on the bank for FY2023 due to lower specific provisions.

Meanwhile, CGS-CIMB analysts Andrea Choong and Lim Siew Khee cut their target price on DBS to S$35.70 from S$36.50 as they lowered their NIM expectations given funding cost pressures. The analysts, who have a "hold" call on DBS, expect that the NIM upside from higher interest rates is already priced in, while a pick-up in wealth management could take time to materialise as rates stay higher for longer.

For UOB, analysts largely maintained their calls. DBS Group Research analyst Lim Rui Wen said UOB's dividend yield of more than 5 per cent continues to be attractive, while the RHB team noted that with no specific negative developments, it "remains constructive" on the counter given its undemanding price.

But CGS-CIMB's Choong and Lim cut their target price to S$33.30 from S$34.80 as they raised their risk-free rate on the counter, and to account for the costs of integrating Citi's regional consumer banking business. They kept their "add" call on UOB.

As for OCBC, the Jefferies Equity Research team noted that the bank's earnings missed estimates even though its dividend payout beat expectations. While the clarity on its payout ratio going forward is positive, the earnings miss will likely be taken negatively by the market, the team said. !function(){"use strict";window.addEventListener("message",(function(e){if(void 0!==e.data["datawrapper-height"]){var t=document.querySelectorAll("iframe");for(var a in e.data["datawrapper-height"])for(var r=0;r

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