



Singapore Banking Monthly

Interest rates growth plateau

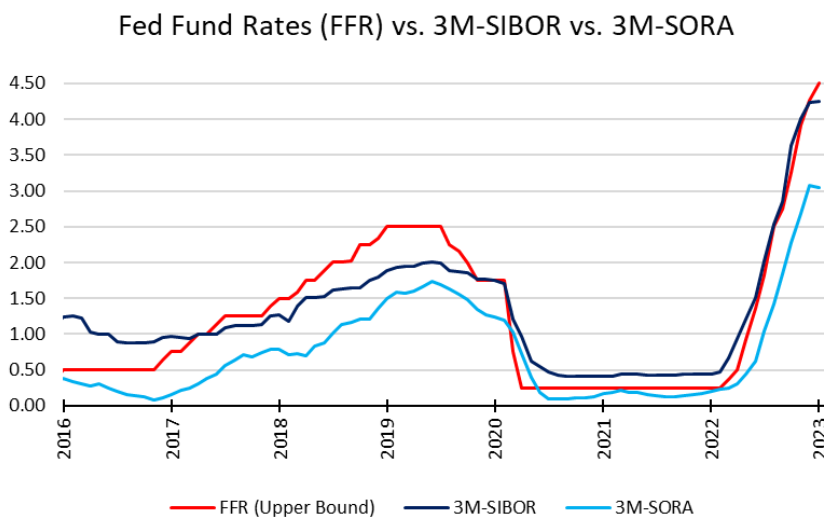
SINGAPORE | BANKING & FINANCE | UPDATE

- January's 3M-SORA was down by 3bps MoM to 3.05%, the first decline since August 2021.
- Singapore domestic loans dipped 0.30% YoY in December, below our estimates, while Hong Kong's domestic loans declined 2.99% YoY in December. CASA balance dipped slightly to 20.4%.
- Our 4Q22e PATMI estimates are: DBS (S\$2.02bn); UOB (S\$1.59bn) and OCBC (S\$2.03bn). We expect bank NIMs to rise another 34bps in 4Q22. Valuations for OCBC are the most attractive and could offer largest upside surprise from dividends.
- Maintain OVERWEIGHT.** We remain positive on banks. Bank dividend yields are attractive at 5% with possible upside surprise due to excess capital ratios and push towards higher ROEs. SGX is another major beneficiary of higher interest rates [SGX SP, BUY, TP S\$11.71].

3M-SOR and 3M-SIBOR growth flattens in January

Interest rates started to flatten in January. The 3M-SORA was down 3bps MoM to 3.05%, while the 3M-SIBOR was up 1bps MoM to 4.25%. The SORA MoM decrease was the first since August 2021 and came after 8 months of double-digit MoM growth, while the SIBOR MoM increase was 22bps lower than the previous month's increase of 23bps. January's 3M-SORA improved by 285bps YoY and was 37bps higher than the 4Q22 3M-SORA average of 2.68%. January's 3M-SIBOR improved by 381bps YoY and was 29bps higher than 4Q22 3M-SIBOR average of 3.96% (Figure 1).

Figure 1: Interest rates flatten in January



Source: Bloomberg, PSR

6 February 2023

Overweight (Maintained)

DBS Group Holdings

BUY (Maintained)

BLOOMBERG CODE	DBS SP
LAST TRADED PRICE	SGD 35.50
FORECAST DIV	SGD 1.44
TARGET PRICE	SGD 41.60
DIVIDEND YIELD	4.06%
TOTAL RETURN	21.24%

Overseas-Chinese Banking Corp

BUY (Maintained)

BLOOMBERG CODE	OCBC SP
LAST TRADED PRICE	SGD 13.00
FORECAST DIV	SGD 0.66
TARGET PRICE	SGD 14.22
DIVIDEND YIELD	5.08%
TOTAL RETURN	14.46%

United Overseas Bank Limited

BUY (Maintained)

BLOOMBERG CODE	UOB SP
LAST TRADED PRICE	SGD 30.16
FORECAST DIV	SGD 1.37
TARGET PRICE	SGD 35.70
DIVIDEND YIELD	4.54%
TOTAL RETURN	22.91%

Glenn Thum (+65 6212 1851)

Research Analyst

glennthumjc@phillip.com.sg

List of Abbreviations:

- NIM – Net Interest Margin
- SIBOR – Singapore Interbank Offer Rate
- SOR – Swap Offer Rate
- HIBOR – Hong Kong Interbank Offer Rate
- DDAV – Derivatives Daily Average Volume
- SDAV – Securities Daily Average Value

Singapore loans growth declined in December

Overall loans to Singapore residents – which captured lending in all currencies to residents in Singapore – fell by 0.3% YoY in December to S\$814bn. This was below our estimate of mid-single digit growth for 2022 as the rise in interest rates started to be more fully felt by consumers. However, 4Q22 loans grew by 0.8% YoY, as growth in October and November pulled up the decline in December.

Business loans fell by 0.82% YoY in December, as business loans dipped by 1.49% for the month. Loans to the building and construction segment, the single largest business segment, grew 0.74% YoY to S\$169bn, while loans to the manufacturing segment fell 1.01% YoY in December to S\$25.9bn.

Consumer loans were up 0.56% YoY in December to S\$312.9bn, aided by strong loan demand in the housing segment. Housing loans, which make up ~70% of consumer lending, grew 3.60% YoY in December to S\$222.5bn for the month.

Total deposits and balances – which captured deposits in all currencies to non-bank customers – grew by 7.32% YoY in December to S\$1,716bn. The Current Account and Savings Account (CASA) proportion dipped slightly to 20.4% (Oct22: 20.7%) of total deposits, or S\$351bn, as there was a continued move towards Fixed Deposits due to the high interest rate environment.

Hong Kong loans growth continues to fall

Hong Kong's domestic loans growth declined 2.99% YoY and 0.82% MoM in December. The YoY decline in loans growth for December was similar to the decline of 3.02% in November, while the MoM loans growth decline of 0.82% was 47bps higher than November's loans growth decline of 0.35%.

Figure 3: Hong Kong loans growth dips in December



Source: CEIC, PSR

Bank's 4Q22 Results Forecast

The three local banks will be releasing their 4Q22 results this month, with DBS on 13 Feb, UOB on 23 Feb and OCBC on 24 Feb.

For DBS, we have forecasted revenue of S\$4.49bn for 4Q22 (S\$4.55bn)* and PATMI of S\$2.02bn (S\$2.16bn).

For UOB, we have forecasted revenue of S\$3.32bn (S\$3.26bn) for 4Q22 and PATMI of S\$1.59bn (S\$1.32bn).

For OCBC, we have forecasted revenue of S\$3.34bn (S\$3.31bn) for 4Q22 and PATMI of S\$2.03bn (S\$1.64bn).

*In bracket are the consensus estimates.

Figure 2: YTD Singapore loans growth

2022	Loans growth (YoY)
December	-0.30%
November	0.67%
October	2.13%
September	4.38%
August	6.67%
July	6.28%

Source: CEIC, PSR

Volatility fell as market sentiment remained subdued

Preliminary SDAV for January fell 4% YoY to \$1,146mn (Figure 4), as market sentiment remained subdued in the start of 2023 due to macroeconomic factors. The VIX averaged 20.2 in January, down from 21.8 in the previous month, and the DDAV rose 8% YoY to 0.92mn in December, but down 15.6% MoM from 1.09mn in November.

The top five equity index futures turnover saw a dip of 13.2% YoY in January to 13.02mn contracts (Figure 5), mainly due to the lower trading volumes of its FTSE China A50 Index Futures and FTSE Taiwan Index Futures. Notably, the Nifty 50 Index Futures grew 10.8% MoM to 2.37mn and the Nikkei 225 Index Futures dipped 23.9% MoM to 0.96mn.

Figure 4: YTD SDAV and DDAV

	SDAV (\$mn)	YoY	DDAV (mn)	YoY
January	1,146	-4%	-	-
December	920	+10%	0.92	+8%
November	1,222	-7%	1.09	+27%
October	1,137	-2%	1.22	+23%
September	1,149	-7%	1.05	+2%
August	1,083	-12%	0.92	+2%
July	886	-25%	0.99	+4%
June	1,141	-5%	1.10	+24%
May	1,487	-6%	1.13	+19%
April	1,257	-1%	1.09	+25%
March	1,536	-6%	1.17	+13%
February	1,625	+20%	1.06	0%

Source: SGX, Bloomberg, PSR

Figure 6: Turnover of top five equity index futures contracts down YoY

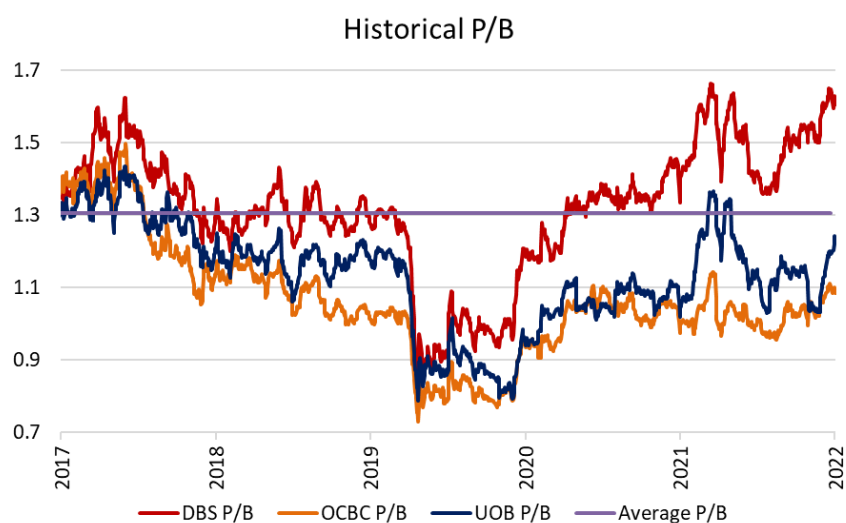
No. of contracts	Jan-22	Jan-23	YoY
FTSE China A50 Index Futures	8,572,717	7,401,942	-13.7%
Nifty 50 Index Futures	2,397,332	2,368,407	-1.2%
Nikkei 225 Index Futures	1,342,663	959,869	-28.5%
MSCI Singapore Index Futures	1,105,152	1,129,599	+2.2%
FTSE Taiwan Index Futures	1,573,336	1,158,696	-26.4%
Sub-total	14,991,200	13,018,513	-13.2%

Source: SGX, Bloomberg, PSR

Investment Action

Maintain OVERWEIGHT. We remain positive on banks. Bank dividend yields are attractive with upside surprises due to excess capital ratios. Stable economic conditions and rising interest rates remain tailwinds for the banking sector. SGX is another beneficiary of higher interest rates.

Figure 6: Banks' 5-year historical P/B, OCBC remains the cheapest



Source: Bloomberg, PSR

Figure 8: Banks' target P/B

	DBS	OCBC	UOB
High	1.62	1.50	1.43
Low	0.81	0.73	0.79
5-year average	1.17	1.09	1.12
Current	1.34	1.02	0.97
Forward target	1.36	1.27	1.17
TP (S\$)	41.60	14.22	35.70

Source: Bloomberg, PSR

Figure 9: Peer Comparison – Singapore banks offer the highest dividends

Stock	PSR Recommendation	Market Cap (USDmn)	Forward P/E			Forward P/BV			Dividend Yield (%)		ROE (%)			Price (Local Currency)	Target Price (\$)	Upside
			Yr0	Yr1	Yr2	Yr0	Yr1	Yr2	Yr1	Yr2	Yr0	Yr1	Yr2			
Singapore																
DBS	Accumulate	69,111	12.3	11.3	9.3	1.5	1.6	1.4	4.3	5.1	12.1	13.9	16.0	35.5	35.90	1%
OCBC	Buy	44,197	10.7	9.6	8.3	1.0	1.1	1.0	4.8	5.6	9.5	11.6	12.7	13.0	14.22	9%
UOB	Accumulate	38,204	11.3	10.9	9.1	1.1	1.2	1.1	4.5	5.3	10.2	11.1	12.5	30.2	29.00	-4%
	Market Cap Weighted Average:		11.6	10.7	9.0	1.2	1.3	1.2	4.5	5.3	10.9	12.5	14.2			
Indonesia																
BANK CENTRAL ASI	Non-rated	71,648	25.9	23.8	21.5	4.8	4.3	3.9	2.1	2.4	19.2	19.1	19.0	8700	na	na
BANK MANDIRI	Non-rated	30,942	11.2	10.1	9.2	2.0	1.9	1.7	5.4	5.9	19.0	18.9	19.1	9925	na	na
BANK NEGARA INDO	Non-rated	11,586	9.4	8.1	7.1	1.3	1.1	1.0	3.4	4.3	14.1	14.8	15.2	9300	na	na
BANK RAKYAT INDO	Non-rated	48,093	16.0	14.6	12.9	2.2	2.3	2.2	4.5	5.4	12.8	16.3	17.1	4750	na	na
BANK TABUNGAN NE	Non-rated	1,299	7.7	5.4	5.3	0.9	0.7	0.6	1.6	3.2	11.5	12.6	12.2	1385	na	na
	Market Cap Weighted Average:		18.9	17.2	15.5	3.2	3.0	2.8	3.6	4.1	16.9	17.9	18.2			
Malaysia																
AFFIN BANK BHD	Non-rated	1,120	6.9	12.4	8.1	0.4	0.4	0.4	12.2	5.8	5.4	7.2	5.3	2.1	na	na
ALLIANCE BANK	Non-rated	1,264	10.2	7.9	7.4	0.9	0.8	0.8	5.9	6.4	9.0	10.4	10.5	3.5	na	na
AMBANK HLDG BHD	Non-rated	3,143	8.1	8.1	7.6	0.7	0.7	0.7	4.0	4.6	9.6	9.4	9.4	4.1	na	na
BANK ISLAM MALAY	Non-rated	1,267	11.7	11.1	9.3	1.2	0.8	0.7	4.1	5.1	8.4	7.3	8.6	2.4	na	na
HONG LEONG BANK	Non-rated	10,361	12.7	11.0	10.3	1.4	1.3	1.2	3.3	3.6	10.9	11.9	11.8	20.5	na	na
MALAYAN BANKING	Non-rated	24,502	11.9	12.3	10.7	1.1	1.2	1.1	6.4	7.2	9.5	9.5	10.8	8.7	na	na
PUBLIC BANK BHD	Non-rated	19,071	14.3	13.7	11.8	1.7	1.6	1.5	3.9	4.4	11.9	12.1	13.3	4.2	na	na
RHB BANK BHD	Non-rated	5,630	8.3	8.8	7.4	0.8	0.8	0.8	5.8	6.8	9.5	9.3	10.5	5.7	na	na
	Market Cap Weighted Average:		12.1	11.9	10.4	1.3	1.2	1.2	5.1	5.6	10.3	10.5	11.4			
Thailand																
BANGKOK BANK PUB	Non-rated	9,221	9.6	8.5	7.8	0.6	0.6	0.5	3.7	4.1	5.9	6.9	7.1	161.5	na	na
BANK AYUDHYA PCL	Non-rated	7,040	7.4	7.2	6.9	-	0.6	0.6	3.4	3.7	-	9.0	9.1	32.0	na	na
KASIKORN BANK PCL	Non-rated	10,205	9.8	7.8	7.1	0.7	0.6	0.6	3.3	3.6	7.3	8.3	8.7	144.0	na	na
KIATNAKIN PHATRA	Non-rated	1,729	8.2	7.1	6.6	1.1	0.9	0.9	6.8	7.3	14.0	13.7	13.8	68.3	na	na
KRUNG THAI BANK	Non-rated	7,357	7.3	7.0	6.7	0.7	0.6	0.6	4.7	5.1	9.2	9.0	9.0	17.6	na	na
KRUNGTHAI CARD P	Non-rated	4,569	21.5	19.6	17.8	4.9	4.2	3.7	2.2	2.3	24.3	22.9	22.2	59.3	na	na
SCB X PCL	Non-rated	10,575	9.6	8.0	7.3	0.8	0.7	0.7	4.7	5.2	8.3	9.3	9.6	105.0	na	na
SRISAWAD CORP PC	Non-rated	2,372	18.0	17.6	15.7	3.4	2.9	2.7	2.7	3.0	20.2	17.4	18.2	57.8	na	na
THANACHART CAPIT	Non-rated	1,357	7.5	9.8	8.5	0.6	0.8	0.7	7.2	7.4	8.2	8.1	8.5	43.3	na	na
TISCO FINANCIAL	Non-rated	2,431	11.0	10.8	10.4	1.9	1.8	1.8	7.8	8.2	17.2	17.3	17.6	101.5	na	na
	Market Cap Weighted Average:		10.3	9.3	8.6	1.1	1.1	1.0	4.1	4.5	9.1	10.5	10.7			

Source: Bloomberg, PSR

Extracted as of 4-Feb-23

Contact Information (Singapore Research Team)		
Head of Research Paul Chew – paulchewkl@phillip.com.sg	Property REITs Darren Chan – darrenchanrx@phillip.com.sg	Research Admin Qystina Azli - gystina@phillip.com.sg
Consumer Industrial Conglomerates Terence Chua – terencechuatl@phillip.com.sg	US Technology Analyst (Digital Media & Entertainment) Jonathan Woo – jonathanwooki@phillip.com.sg	Banking & Finance Glenn Thum – glennthumjc@phillip.com.sg
Credit Analyst Shawn Sng – shawnsngkh@phillip.com.sg	Technical Analyst Zane Aw – zaneawyx@phillip.com.sg	US Technology Analyst (Software/Services) Ambrish Shah – amshah@phillipcapi.in
US Technology Analyst (Hardware & Marketplaces) Maximilian Koeswoyo – maximilian@phillip.com.sg		

Contact Information (Regional Member Companies)

SINGAPORE	MALAYSIA	HONG KONG
Phillip Securities Pte Ltd Raffles City Tower 250, North Bridge Road #06-00 Singapore 179101 Tel +65 6533 6001 Fax +65 6535 6631 Website: www.poems.com.sg	Phillip Capital Management Sdn Bhd B-3-6 Block B Level 3 Megan Avenue II, No. 12, Jalan Yap Kwan Seng, 50450 Kuala Lumpur Tel +603 2162 8841 Fax +603 2166 5099 Website: www.poems.com.my	Phillip Securities (HK) Ltd 11/F United Centre 95 Queensway Hong Kong Tel +852 2277 6600 Fax +852 2868 5307 Websites: www.phillip.com.hk
JAPAN Phillip Securities Japan, Ltd. 4-2 Nihonbashi Kabuto-cho Chuo-ku, Tokyo 103-0026 Tel +81-3 3666 2101 Fax +81-3 3666 6090 Website: www.phillip.co.jp	INDONESIA PT Phillip Securities Indonesia ANZ Tower Level 23B, Jl Jend Sudirman Kav 33A Jakarta 10220 – Indonesia Tel +62-21 5790 0800 Fax +62-21 5790 0809 Website: www.phillip.co.id	CHINA Phillip Financial Advisory (Shanghai) Co Ltd No 550 Yan An East Road, Ocean Tower Unit 2318, Postal code 200001 Tel +86-21 5169 9200 Fax +86-21 6351 2940 Website: www.phillip.com.cn
THAILAND Phillip Securities (Thailand) Public Co. Ltd 15th Floor, Vorawat Building, 849 Silom Road, Silom, Bangkok, Bangkok 10500 Thailand Tel +66-2 6351700 / 22680999 Fax +66-2 22680921 Website www.phillip.co.th	FRANCE King & Shaxson Capital Limited 3rd Floor, 35 Rue de la Bienfaisance 75008 Paris France Tel +33-1 45633100 Fax +33-1 456336017 Website: www.kingandshaxson.com	UNITED KINGDOM King & Shaxson Capital Limited 6th Floor, Candlewick House, 120 Cannon Street, London, EC4N 6AS Tel +44-20 7426 5950 Fax +44-20 7626 1757 Website: www.kingandshaxson.com
UNITED STATES Phillip Capital Inc 141 W Jackson Blvd Ste 3050 The Chicago Board of Trade Building Chicago, IL 60604 USA Tel +1-312 3569000 Fax +1-312 356 9005 Website: www.phillipusa.com	AUSTRALIA Phillip Capital Limited Level 10, 330 Collins Street Melbourne, Victoria 3000, Australia Tel +61-03 8633 9803 Fax +61-03 8633 9899 Website: www.phillipcapi.com.au	CAMBODIA Phillip Bank Plc Ground Floor of B-Office Centre, #61-64, Norodom Blvd Corner Street 306, Sangkat Boeung Keng Kang 1, Khan Chamkamorn, Phnom Penh, Cambodia Tel: 855 (0) 7796 6151/855 (0) 1620 0769 Website: www.phillipbank.com.kh
INDIA PhillipCapital (India) Private Limited No.1, 18th Floor, Urmi Estate 95, Ganpatrao Kadam Marg Lower Parel West, Mumbai 400-013 Maharashtra, India Tel: +91-22-2300 2999 / Fax: +91-22-2300 2969 Website: www.phillipcapi.in	TURKEY PhillipCapital Menkul Degerler Dr. Cemil Bengü Cad. Hak Is Merkezi No. 2 Kat. 6A Caglayan 34403 Istanbul, Turkey Tel: 0212 296 84 84 Fax: 0212 233 69 29 Website: www.phillipcapi.com.tr	DUBAI Phillip Futures DMCC Member of the Dubai Gold and Commodities Exchange (DGCC) Unit No 601, Plot No 58, White Crown Bldg Sheikh Zayed Road, P.O.Box 212291 Dubai-UAE Tel: +971-4-3325052 / Fax: +971-4-3328895

Important Information

This report is prepared and/or distributed by Phillip Securities Research Pte Ltd ("Phillip Securities Research"), which is a holder of a financial adviser's license under the Financial Advisers Act, Chapter 110 in Singapore.

By receiving or reading this report, you agree to be bound by the terms and limitations set out below. Any failure to comply with these terms and limitations may constitute a violation of law. This report has been provided to you for personal use only and shall not be reproduced, distributed or published by you in whole or in part, for any purpose. If you have received this report by mistake, please delete or destroy it, and notify the sender immediately.

The information and any analysis, forecasts, projections, expectations and opinions (collectively, the "Research") contained in this report has been obtained from public sources which Phillip Securities Research believes to be reliable. However, Phillip Securities Research does not make any representation or warranty, express or implied that such information or Research is accurate, complete or appropriate or should be relied upon as such. Any such information or Research contained in this report is subject to change, and Phillip Securities Research shall not have any responsibility to maintain or update the information or Research made available or to supply any corrections, updates or releases in connection therewith.

Any opinions, forecasts, assumptions, estimates, valuations and prices contained in this report are as of the date indicated and are subject to change at any time without prior notice. Past performance of any product referred to in this report is not indicative of future results.

This report does not constitute, and should not be used as a substitute for, tax, legal or investment advice. This report should not be relied upon exclusively or as authoritative, without further being subject to the recipient's own independent verification and exercise of judgment. The fact that this report has been made available constitutes neither a recommendation to enter into a particular transaction, nor a representation that any product described in this report is suitable or appropriate for the recipient. Recipients should be aware that many of the products, which may be described in this report involve significant risks and may not be suitable for all investors, and that any decision to enter into transactions involving such products should not be made, unless all such risks are understood and an independent determination has been made that such transactions would be appropriate. Any discussion of the risks contained herein with respect to any product should not be considered to be a disclosure of all risks or a complete discussion of such risks.

Nothing in this report shall be construed to be an offer or solicitation for the purchase or sale of any product. Any decision to purchase any product mentioned in this report should take into account existing public information, including any registered prospectus in respect of such product.

Phillip Securities Research, or persons associated with or connected to Phillip Securities Research, including but not limited to its officers, directors, employees or persons involved in the issuance of this report, may provide a range of financial services to a large number of corporations in Singapore and worldwide, including but not limited to commercial / investment banking activities (including sponsorship, financial advisory or underwriting activities), brokerage or securities trading activities. Phillip Securities Research, or persons associated with or connected to Phillip Securities Research, including but not limited to its officers, directors, employees or persons involved in the issuance of this report, may have participated in or invested in transactions with the issuer(s) of the securities mentioned in this report, and may have performed services for or solicited business from such issuers. Additionally, Phillip Securities Research, or persons associated with or connected to Phillip Securities Research, including but not limited to its officers, directors, employees or persons involved in the issuance of this report, may have provided advice or investment services to such companies and investments or related investments, as maybe mentioned in this report.

Phillip Securities Research or persons associated with or connected to Phillip Securities Research, including but not limited to its officers, directors, employees or persons involved in the issuance of this report may, from time to time maintain a long or short position in securities referred to herein, or in related futures or options, purchase or sell, make a market in, or engage in any other transaction involving such securities, and earn brokerage or other compensation in respect of the foregoing. Investments will be denominated in various currencies including US dollars and Euro and thus will be subject to any fluctuation in exchange rates between US dollars and Euro or foreign currencies and the currency of your own jurisdiction. Such fluctuations may have an adverse effect on the value, price or income return of the investment.

To the extent permitted by law, Phillip Securities Research, or persons associated with or connected to Phillip Securities Research, including but not limited to its officers, directors, employees or persons involved in the issuance of this report, may at any time engage in any of the above activities as set out above or otherwise hold an interest, whether material or not, in respect of companies and investments or related investments, which may be mentioned in this report. Accordingly, information may be available to Phillip Securities Research, or persons associated with or connected to Phillip Securities Research, including but not limited to its officers, directors, employees or persons involved in the issuance of this report, which is not reflected in this report, and Phillip Securities Research, or persons associated with or connected to Phillip Securities Research, including but not limited to its officers, directors, employees or persons involved in the issuance of this report, may, to the extent permitted by law, have acted upon or used the information prior to or immediately following its publication. Phillip Securities Research, or persons associated with or connected to Phillip Securities Research, including but not limited to its officers, directors, employees or persons involved in the issuance of this report, may have issued other material that is inconsistent with, or reach different conclusions from, the contents of this report.

The information, tools and material presented herein are not directed, intended for distribution to or use by, any person or entity in any jurisdiction or country where such distribution, publication, availability or use would be contrary to the applicable law or regulation or which would subject Phillip Securities Research to any registration or licensing or other requirement, or penalty for contravention of such requirements within such jurisdiction.

This report is intended for general circulation only and does not take into account the specific investment objectives, financial situation or particular needs of any particular person. The products mentioned in this report may not be suitable for all investors and a person receiving or reading this report should seek advice from a professional and financial adviser regarding the legal, business, financial, tax and other aspects including the suitability of such products, taking into account the specific investment objectives, financial situation or particular needs of that person, before making a commitment to invest in any of such products.

This report is not intended for distribution, publication to or use by any person in any jurisdiction outside of Singapore or any other jurisdiction as Phillip Securities Research may determine in its absolute discretion.

IMPORTANT DISCLOSURES FOR INCLUDED RESEARCH ANALYSES OR REPORTS OF FOREIGN RESEARCH HOUSES

Where the report contains research analyses or reports from a foreign research house, please note:

- (i) recipients of the analyses or reports are to contact Phillip Securities Research (and not the relevant foreign research house) in Singapore at 250 North Bridge Road, #06-00 Raffles City Tower, Singapore 179101, telephone number +65 6533 6001, in respect of any matters arising from, or in connection with, the analyses or reports; and
- (ii) to the extent that the analyses or reports are delivered to and intended to be received by any person in Singapore who is not an accredited investor, expert investor or institutional investor, Phillip Securities Research accepts legal responsibility for the contents of the analyses or reports.