



Singapore Banking Monthly

Interest rates decline halted

SINGAPORE | BANKING & FINANCE | UPDATE

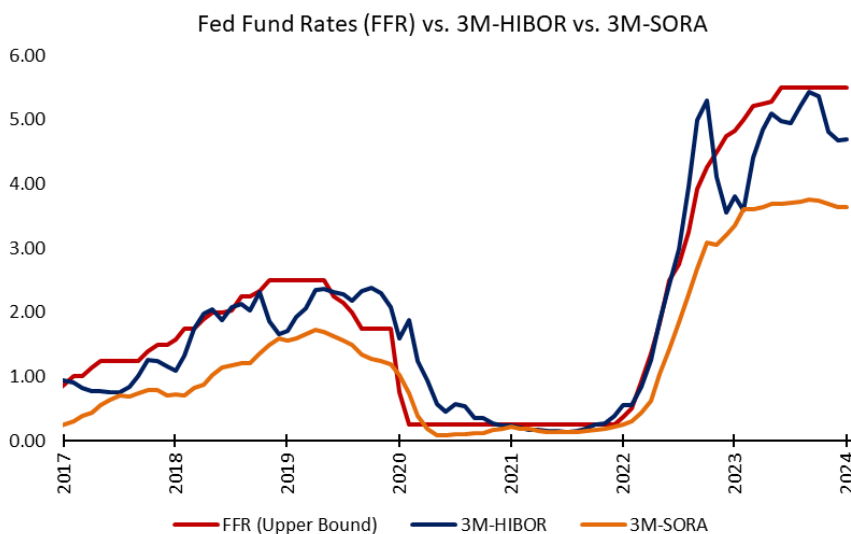
- March's 3M-SORA was flat MoM at 3.64% but was 2bps lower than the 1Q24 average. Nonetheless, the 3M-SORA rose by 29bps YoY. 3M-HIBOR was up 2bps MoM to 4.70%, slightly reversing the decline of 14bps in February.
- Singapore domestic loans dipped 0.3% YoY in February, below our estimates. This was the smallest loan decline recorded in 15 months. The CASA balance rose slightly to 18.2% (Jan24: 18.1%).
- Maintain OVERWEIGHT.** The banks had a positive March performance. The best performer continued to be DBS, with a 7.4% increase, while OCBC and UOB improved by 3.8% and 4%, respectively. We remain positive on banks. NIMs may stay flat despite the higher-for-longer interest rate environment, but a recovery in loan growth and fee income will uplift profits. Bank dividend yields are also attractive, with upside surprises due to excess capital ratios and a push towards higher ROEs.

3M-SORA and 3M-HIBOR flat in March

Singapore interest rates were flat in March, halting the 5bps decline in the previous two months. The 3M-SORA was flat MoM at 3.64%. Nonetheless, March's 3M-SORA rose by 29bps YoY but was 2bps lower than the 1Q24 3M-SORA average of 3.66% (4Q23: 3.74%).

Hong Kong interest rates increased slightly in March. The 3M-HIBOR was up 2bps MoM to 4.70%, slightly reversing the decline of 14bps in February. Furthermore, March's 3M-HIBOR improved by 89bps YoY but was 3bps lower than 1Q24 3M-HIBOR average of 4.73% (Figure 1).

Figure 1: SORA and HIBOR flat in March



Source: Bloomberg, PSR

5 April 2024

Overweight (Maintained)

DBS Group Holdings

BUY (Maintained)

BLOOMBERG CODE	DBS SP
LAST TRADED PRICE	SGD 36.33
FORECAST DIV	SGD 2.16
TARGET PRICE	SGD 38.90
DIVIDEND YIELD	5.95%
TOTAL RETURN	13.02%

Oversea-Chinese Banking Corp

BUY (Maintained)

BLOOMBERG CODE	OCBC SP
LAST TRADED PRICE	SGD 13.79
FORECAST DIV	SGD 0.87
TARGET PRICE	SGD 14.96
DIVIDEND YIELD	6.31%
TOTAL RETURN	14.79%

United Overseas Bank Limited

BUY (Maintained)

BLOOMBERG CODE	UOB SP
LAST TRADED PRICE	SGD 29.41
FORECAST DIV	SGD 1.90
TARGET PRICE	SGD 34.90
DIVIDEND YIELD	6.46%
TOTAL RETURN	25.13%

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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 loan growth declined to the lowest in 15 months

Overall loans to Singapore residents – which captured lending in all currencies to residents in Singapore – fell by 0.3% YoY in February to S\$801bn. Notably, this is the smallest decline in 15 months. Still, we expect a low-single-digit growth for 2024 as loan growth is expected to turn positive in 2H24.

Business loans fell by 0.7% YoY in February. Loans to the building and construction segment, the single largest business segment, fell 0.7% YoY to S\$170bn, while loans to the manufacturing segment fell 5.9% YoY in February to S\$21bn.

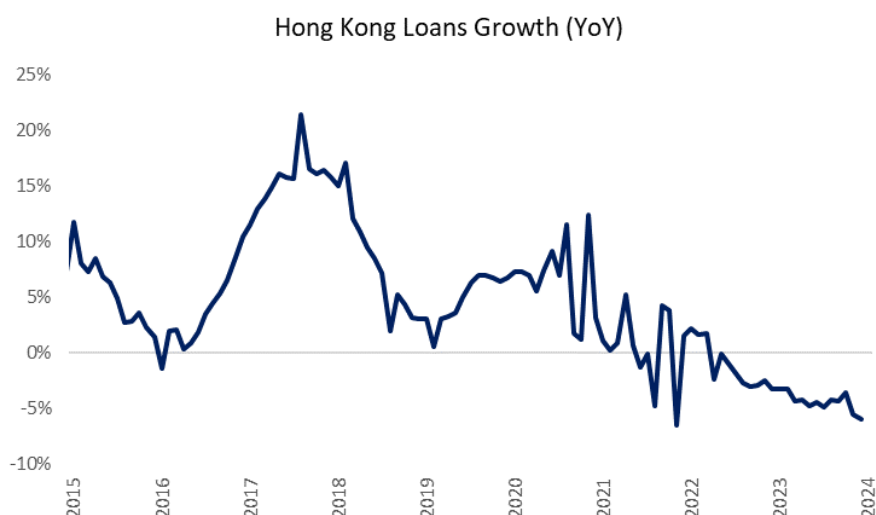
Consumer loans grew 0.4% YoY in February to S\$312bn, the second YoY increase recorded since December 2022. Housing loans, which comprise ~70% of consumer lending, grew 1.4% YoY in February to S\$225bn.

Total deposits and balances—which include deposits in all currencies made by non-bank customers—grew by 4.2% YoY in February to S\$1,815bn. In the Current Account and Savings Account, or CASA, the proportion rose slightly to 18.2% (Jan 24: 18.1%) of total deposits or S\$330bn.

Hong Kong loan growth decline steepens

Hong Kong's domestic loan growth declined 5.9% YoY and 1% MoM in February. The decline was sharper than January's fall of 5.6% YoY and 0.8% MoM.

Figure 3: Hong Kong loan growth decline steepens in February



Source: CEIC, PSR

Volatility fell as the market stabilised

SDAV dipped 3% YoY to S\$1,178mn in March (Figure 4), while the DDAV grew 24% YoY and 11% MoM in February. The VIX, a market index that measures the implied volatility of the S&P 500 Index, averaged 13.8 in March, down from 14 in the previous month.

The top four equity index futures turnover fell 9% YoY in March to 11mn contracts (Figure 5) due to the lower trading volumes of its Nikkei 225 Index Futures and FTSE China A50 Index Futures. Notably, the Nikkei 225 Index Futures increased 51% MoM, while the FTSE China A50 Index Futures fell 15% MoM in March.

Figure 2: Singapore loans growth

2023/2024	Loans growth (YoY)
February 24	-0.28%
January 24	-1.59%
December 23	-2.44%
November	-2.89%
October	-4.19%
September	-6.11%
August	-6.71%
July	-6.15%
June	-5.02%
May	-4.88%
April	-5.86%
March	-3.98%

Source: CEIC, PSR

Figure 4: 12 Months SDAV and DDAV

	SDAV (\$mn)	YoY	DDAV (mn)	YoY
March 24	1,178	-3%	-	-
February 24	1,252	13%	1.26	24%
January 24	935	-19%	1.14	5%
December 23	939	0%	1.04	13%
November	952	-23%	1.04	-5%
October	897	-22%	1.07	-13%
September	867	-26%	1.07	3%
August	1,061	-4%	1.04	13%
July	1,014	13%	0.98	-1%
June	1,174	1%	1.03	-6%
May	1,032	-31%	0.98	-13%
April	969	-24%	0.96	-12%

Source: SGX, Bloomberg, PSR

Figure 5: Turnover of top four equity index futures contracts fell YoY

No. of contracts	Mar-23	Mar-24	YoY
FTSE China A50 Index Futures	7,689,712	6,795,882	-11.6%
Nikkei 225 Index Futures	1,513,607	1,139,250	-24.7%
MSCI Singapore Index Futures	1,338,133	1,258,689	-5.9%
FTSE Taiwan Index Futures	1,582,629	1,844,729	16.6%
Sub-total	12,124,081	11,038,550	-9%

Source: SGX, Bloomberg, PSR

Singapore Banks Performance

The three local banks' share price performance was all up in March 2024, with DBS performing the best, with the largest increase of 7.4%, and OCBC and UOB improving similarly by 3.8% and 4%, respectively (Figure 6). DBS continued as the best performer this month, likely due to its dividend yield being the highest among the three local banks and providing clear guidance for dividend growth in the coming years.

Figure 6: All three banks up in Mar 2024

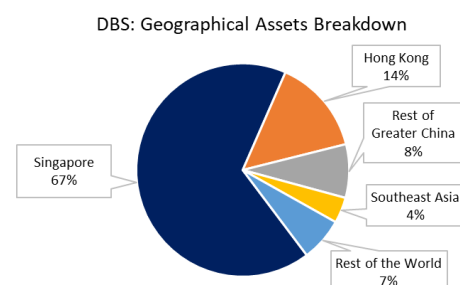
BBG Ticker	Singapore Banks	Last Price (\$)	Recommendation	PSR			Performance			
				Target Price (\$)	Upside	Div Yield (%)	1 Year (%)	YTD (%)	3 Month (%)	1 Month (%)
DBS SP EQUITY	DBS	36.33	BUY	38.90	7%	6.3	9.2	7.8	7.8	7.4
OCBC SP EQUITY	OCBC	13.79	BUY	14.96	8%	5.8	9.1	3.8	3.8	3.8
UOB SP EQUITY	UOB	29.41	BUY	34.90	19%	5.4	-1.5	3.0	3.0	4.0

Source: Bloomberg, PSR

Comparison of Singapore Banks

DBS, the largest local bank in Singapore, has the majority of its total income from net interest income (68% as of FY23), with the next largest segment coming from its trading segment (14%). Wealth management only makes up 6% of total revenue, while card fees are close behind at 4%. As for geographical segments, DBS' assets are mainly in Singapore, with 67% of total assets in Singapore, the highest among the three local banks. Greater China makes up 22% of its assets, with 14% in Hong Kong and 8% in the rest of Greater China; DBS also holds the highest proportion of assets in Greater China among the local banks.

OCBC's net interest income also makes up **the majority** of total income at 71%, the highest proportion among the local banks. The next largest segment would be its

Figure 8: Singapore banks geographical assets


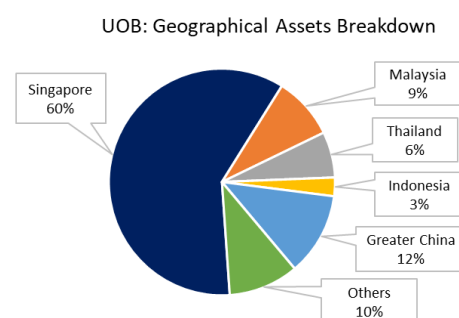
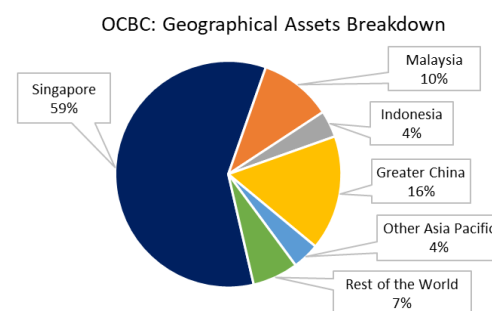
trading income (7%), followed closely by its insurance segment, which is 6%. OCBC is the only local bank with a separate insurance business operating under its 88%-owned subsidiary, Great Eastern Holdings. Wealth management (5%) and card fees (2%) comprise a smaller proportion of OCBC's income. Regarding geographical segments, OCBC has 59% of total assets in Singapore, with 16% in Greater China. ASEAN comprises 14% of assets, with 10% in Malaysia and 4% in Indonesia.

UOB's net interest income makes up 69% of total income, with the next largest segment in trading income (11%). Card fees are 5% of total income, the highest proportion among the local banks, while wealth management is close behind at 3%. Geographically, UOB's assets in Singapore make up 60% of total assets. UOB has the strongest presence in ASEAN among the local banks, with 18% of assets in ASEAN countries like Malaysia (9%), Thailand (6%) and Indonesia (3%). As for Greater China, UOB has the lowest proportion compared to its peers at 12% of total assets in Greater China.

Figure 7: The banks income segments

% of FY23 Total Income	DBS	OCBC	UOB
Net Interest Income	68%	71%	69%
Credit Cards	4%	2%	5%
Wealth Management	6%	5%	3%
Insurance	-	6%	-
Net Trading	14%	7%	11%
Others	8%	7%	10%

Source: Company, PSR



Source: Company, PSR

Singapore Banking News

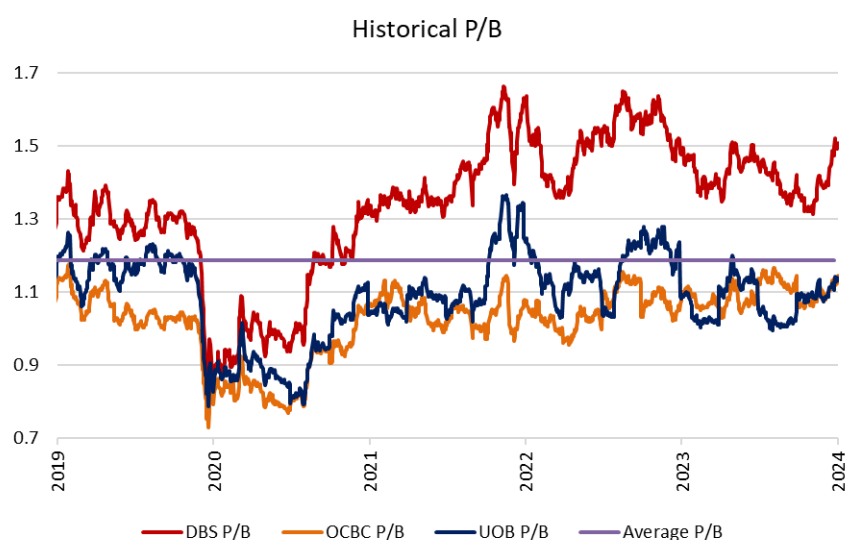
- On 20 March, it was reported that at least three more major banks – HSBC, Maybank, and Standard Chartered – are set to offer the “money lock” feature to Singapore customers as early as the middle of this year. The anti-scam security feature adds a layer of protection to accounts by allowing users to set aside portions of their funds that cannot be transferred digitally. The move follows the introduction of the safeguard in November last year by major local banks DBS, OCBC, and UOB. The banks said that while the number of people using the feature to protect their savings is growing, most of them are older customers. Young adults under 30 make up as little as 15 percent of such “money lock” users.
- On 14 March, it was reported that customer-reward platform ShopBack announced that its “buy now pay later” (BNPL) offering, PayLater, would be shuttered in Singapore and Malaysia by 23 March. Even in emerging markets like Indonesia, where BNPL was thought to tap a market lacking access to credit, Bukalapak became the latest to pull out; its BNPL offering, BukaCicilan, was discontinued on 29 February. Persistently high-interest rates have battered the sector. With the cost of funds having risen significantly, BNPL players’ offering of interest-free, short-term loans in developed markets has squeezed many of them, leading them to scale back.
- On 13 March, it was reported that UBS Group had started cutting jobs at its Asia private banking division this week as a slump in profits weighs on the region’s largest wealth manager, according to people familiar with the matter. The firm is cutting about 70 people, including relationship managers, mainly in Hong Kong and Singapore through the end of March, one of the people said, asking not to be identified discussing a private matter. The reductions, which were confirmed by an earlier Bloomberg News report, included bankers who joined from Credit Suisse as part of the integration after the takeover by UBS.

- On 12 March, Bank of Singapore (BoS) appointed former Credit Suisse exec Ronnie Cheung as its new chief operating officer (COO) of Greater China, effective 19 March. Operating as the private banking subsidiary of Oversea-Chinese Banking Corporation (OCBC) since its S\$1.46bn acquisition from ING Group in 2009, BoS says it has tasked Cheung with heading operations and governance for its Hong Kong branch, which chief executive Cindy Wong heads, and helping to drive the company's expansion across Greater China.
- On 8 March, Oversea-Chinese Banking Corporation (OCBC) announced that it would waive processing fees on loans of up to S\$100k towards start-ups that are less than two years old and founded by women. This is part of a new program targeted at Singapore's small- and medium-sized enterprises (SMEs). The OCBC Women Entrepreneurs Programme marks a Singapore bank's first scheme dedicated to women entrepreneurs. Under this scheme, which will be rolled out in April, OCBC will remove the 1.5% "facility fee" levied on approved loan amounts.

Investment Action

Maintain OVERWEIGHT. We remain positive on banks. NIMs will likely remain flat in FY24e despite the higher-for-longer interest rate environment, but a loan growth and fee income recovery will uplift profits. Bank dividend yields are also attractive, with upside surprises due to excess capital ratios and a push towards higher ROEs.

Figure 9: Banks' 5-year historical P/B



Source: Bloomberg, PSR

Figure 10: 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\$)	38.90	14.96	34.90

Source: Bloomberg, PSR

Figure 11: Peer Comparison – Singapore banks offer the highest dividend yield

Stock	PSR Recommendation	Market Cap (USDmn)	Forward P/E			Forward P/BV			Dividend Yield (%)		ROE (%)			Price (Local Currency)	Target Price (S\$)	Upside
			Yr0	Yr1	Yr2	Yr0	Yr1	Yr2	Yr1	Yr2	Yr0	Yr1	Yr2			
Singapore																
DBS	Accumulate	69,738	8.6	9.6	9.5	1.4	1.5	1.4	6.4	6.9	16.9	16.0	15.3	36.3	41.60	15%
OCBC	Buy	45,982	8.4	8.6	8.6	1.1	1.1	1.0	6.2	6.3	13.1	12.9	12.2	13.8	14.22	3%
UOB	Accumulate	36,577	8.5	8.4	8.2	1.1	1.0	1.0	6.0	6.2	13.3	12.7	12.4	29.4	35.70	21%
Market Cap Weighted Average:			8.5	9.0	8.9	1.2	1.3	1.2	6.2	6.5	14.9	14.2	13.7			
Indonesia																
BCA	Non-rated	76,470	23.8	22.6	20.8	4.8	4.5	4.1	2.6	2.8	21.0	21.0	20.8	9850	na	na
MANDIRI	Non-rated	40,263	10.3	11.0	10.0	2.2	2.2	2.0	5.2	5.6	22.4	21.5	21.3	6850	na	na
BNI	Non-rated	12,508	9.6	8.4	7.5	1.3	1.2	1.1	5.3	6.0	14.6	15.1	15.4	5325	na	na
BANK BRI	Non-rated	54,404	14.4	12.8	11.3	2.8	2.6	2.4	6.1	6.8	19.7	20.9	22.0	5700	na	na
BANK BTN	Non-rated	1,343	5.0	5.6	4.7	0.6	0.6	0.6	2.6	2.9	12.4	11.9	12.5	1520	na	na
Market Cap Weighted Average:			17.0	16.1	14.6	3.4	3.2	2.9	4.4	4.8	20.4	20.6	20.8			
Malaysia																
AFFIN BANK	Non-rated	1,228	12.0	11.3	9.8	0.4	0.5	0.5	3.1	3.7	3.7	4.5	5.0	2.5	na	na
ALLIANCE BANK	Non-rated	1,212	7.8	8.5	7.9	0.8	0.8	0.8	5.7	6.1	10.3	9.7	10.0	3.7	na	na
AMMB HOLDINGS	Non-rated	2,945	6.9	8.5	8.1	0.7	0.7	0.7	4.7	5.2	10.0	9.2	8.9	4.2	na	na
BANK ISLAM	Non-rated	1,196	9.0	9.4	8.8	1.2	0.8	0.7	6.4	6.8	7.8	8.0	8.5	2.5	na	na
HONG LEONG BANK	Non-rated	8,901	10.2	10.0	9.3	1.1	1.1	1.0	3.4	3.7	11.8	11.5	11.4	19.5	na	na
MAYBANK	Non-rated	24,699	11.5	11.8	11.3	1.1	1.2	1.2	6.4	6.6	10.4	10.3	10.5	9.7	na	na
PUBLIC BANK	Non-rated	17,244	12.5	11.6	11.0	1.5	1.4	1.3	4.7	4.9	12.7	12.5	12.3	4.2	na	na
RHB	Non-rated	5,147	8.3	8.5	8.0	0.8	0.8	0.7	7.1	7.4	9.4	9.1	9.3	5.7	na	na
Market Cap Weighted Average:			11.0	10.9	10.4	1.2	1.2	1.1	5.4	5.7	10.9	10.8	10.8			
Thailand																
BANGKOK BANK	Non-rated	7,102	7.2	5.9	5.7	0.6	0.5	0.4	5.1	5.3	8.1	8.0	7.9	136.5	na	na
BANK OF AYUDHYA	Non-rated	5,363	6.3	6.0	5.8	0.6	0.5	0.5	3.7	4.0	9.3	8.8	8.7	26.8	na	na
KASIKORNBANK	Non-rated	7,943	7.5	6.6	6.1	0.6	0.5	0.5	4.4	4.8	8.2	8.1	8.2	123.0	na	na
KIATNAKIN BANK	Non-rated	1,177	7.8	7.5	6.8	0.7	0.7	0.6	6.4	7.2	9.2	9.0	9.5	51.0	na	na
KRUNGHTHAI	Non-rated	6,323	7.0	5.9	5.7	0.6	0.5	0.5	5.6	5.8	9.4	9.4	9.2	16.6	na	na
KRUNGHTHAI CARD	Non-rated	3,198	15.4	15.0	13.7	3.1	2.9	2.6	2.8	3.5	21.8	20.6	20.0	45.5	na	na
SCB X PCL	Non-rated	10,279	8.2	8.5	8.0	0.7	0.8	0.7	7.2	7.5	9.3	9.1	9.4	112.0	na	na
SRISAWAD	Non-rated	1,591	11.1	11.0	9.8	2.1	1.9	1.6	3.1	2.9	18.6	17.9	17.7	42.5	na	na
THANACHART BANK	Non-rated	1,436	7.9	7.4	6.9	0.7	0.7	0.7	6.5	7.1	9.6	9.8	10.0	50.3	na	na
TISCO	Non-rated	2,160	10.9	11.2	10.9	1.9	1.8	1.8	7.8	7.8	17.1	16.5	16.5	99.0	na	na
Market Cap Weighted Average:			8.3	7.7	7.3	0.9	0.8	0.8	5.3	5.6	10.5	10.2	10.2			

Source: Bloomberg, PSR

Extracted as of 4-Apr-24

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