



Singapore Banking Monthly

Loan growth reaches 21-month high

SINGAPORE | BANKING & FINANCE | UPDATE

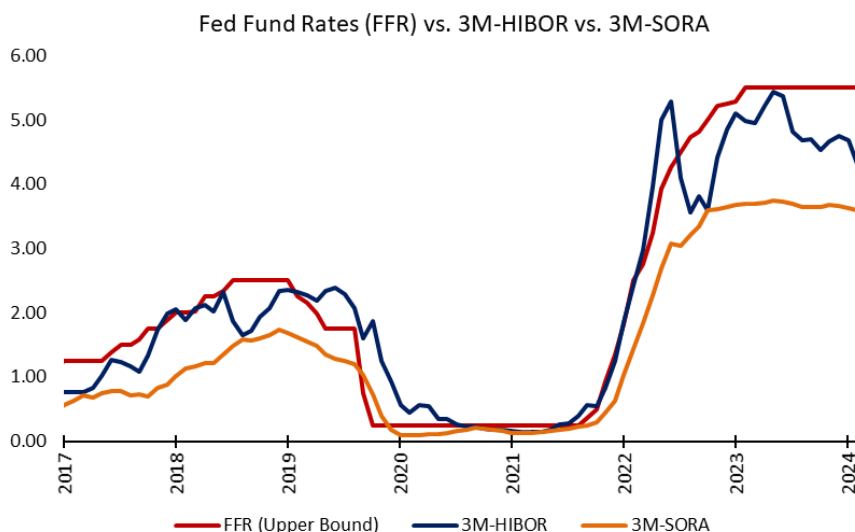
- August's 3M-SORA was down 3bps MoM to 3.60%, the lowest since April 2023, and 6bps lower than the 2Q24 average. 3M-SORA has been hovering around the 3.6% range since Jan 2024. 3M-HIBOR was down 38bps MoM in August to 4.31%, a continuation from the decline of 6bps in July.
- Singapore loans growth grew 1.9% YoY in July, reaching a 21-month high and a continuation of the 0.5% increase from the previous month. We expect low-single-digit growth for 2024. The CASA balance dipped slightly to 18.2% (Jun24: 18.3%).
- Maintain OVERWEIGHT.** Banks' share price performance was mixed in August, mainly due to the impact of the Yen carry trade. DBS was the only positive, with an increase of 1%, while OCBC and UOB both dipped by 2%. We remain positive on banks. NIMs will dip slightly going into 2H24 from the expected rate cuts, but we expect NII to remain stable from the movement of deposits into longer tenure and higher interest-yielding assets. A recovery in loan growth and continued double-digit fee income growth will lift profits. Bank dividend yields are attractive at 5.7%, with upside surprises due to excess capital ratios and a push towards higher ROEs.

3M-SORA and 3M-HIBOR continue to dip

Singapore interest rates were down 3bps to 3.60% in August, the lowest since April 2023. Furthermore, August's 3M-SORA fell by 9bps YoY and was 6bps lower than the 2Q24 3M-SORA average of 3.66% (1Q24: 3.66%). This is the second time the 3M-SORA has seen a YoY decline since Jun 2021. The 3M-SORA has been hovering around the 3.6% range since Jan 2024.

Hong Kong interest rates fell in August. The 3M-HIBOR was down 38bps MoM to 4.31%, a continuation from the decline of 6bps in July. Furthermore, August's 3M-HIBOR dipped by 67bps YoY and was still 34bps lower than the 2Q24 3M-HIBOR average of 4.65% (Figure 1). Notably, this is the lowest the 3M-HIBOR has been since April 2023.

Figure 1: SORA and HIBOR dip further in August



Source: CEIC, PSR

19 September 2024

Overweight (Maintained)

DBS Group Holdings

ACCUMULATE (Downgraded)

BLOOMBERG CODE	DBS SP
LAST TRADED PRICE	SGD 38.10
FORECAST DIV	SGD 2.16
TARGET PRICE	SGD 38.50
DIVIDEND YIELD	5.67%
TOTAL RETURN	6.72%

Oversea-Chinese Banking Corp

ACCUMULATE (Maintained)

BLOOMBERG CODE	OCBC SP
LAST TRADED PRICE	SGD 15.34
FORECAST DIV	SGD 0.87
TARGET PRICE	SGD 15.40
DIVIDEND YIELD	5.67%
TOTAL RETURN	6.06%

United Overseas Bank Limited

ACCUMULATE (Downgraded)

BLOOMBERG CODE	UOB SP
LAST TRADED PRICE	SGD 32.55
FORECAST DIV	SGD 1.90
TARGET PRICE	SGD 34.90
DIVIDEND YIELD	5.84%
TOTAL RETURN	13.06%

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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 reaches 21-month high

Overall, loans to Singapore residents—which capture lending in all currencies to Singaporeans, rose by 1.9% YoY in July to S\$801bn. This was a continuation of the 0.5% increase from the previous month. We expect low-single-digit growth for 2024 as loan growth is expected to recover further from the expected rate cuts going into 2H24, spurring spending by businesses and consumers across all segments.

Business loans rose by 1.7% YoY in July. Loans to the building and construction segment, the single largest business segment, rose 0.7% YoY to S\$171bn, the largest increase since February 2023, while loans to the manufacturing segment fell 3% YoY in July to S\$21bn.

Consumer loans grew 2.2% YoY in July to S\$316bn, the seventh consecutive YoY increase recorded since December 2023. Housing loans, which comprise ~70% of consumer lending, grew 1.8% YoY in July to S\$227bn.

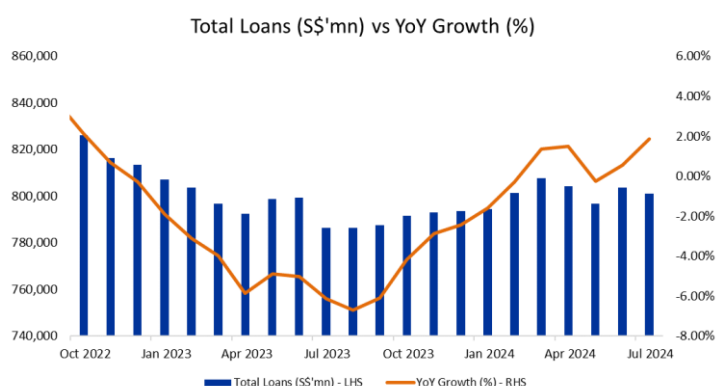
Total deposits and balances—which include deposits in all currencies made by non-bank customers—grew by 6% YoY in July to S\$1,858bn. In the Current Account and Savings Account, or CASA, the proportion dipped slightly to 18.2% (Jun 24: 18.3%) of total deposits or S\$339bn. Notably, the CASA proportion has been ranging between 18.1% and 18.3% since Jan 2024.

Figure 2: Singapore loans growth

2023/2024	Loans growth (YoY)
July 24	1.88%
June 24	0.54%
May 24	-0.26%
April 24	1.50%
March 24	1.37%
February 24	-0.28%
January 24	-1.59%
December 23	-2.44%
November	-2.89%
October	-4.19%
September	-6.11%
August	-6.71%

Source: CEIC, PSR

Figure 3: Singapore loans growth highest in 21 months

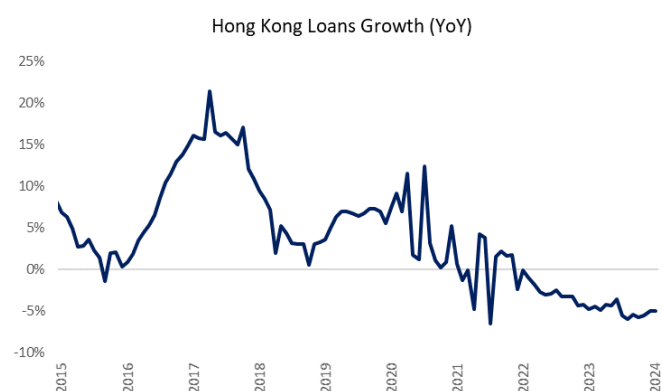


Source: CEIC, PSR

Hong Kong loan growth decline continues

Hong Kong's domestic loan growth declined 5% YoY and 1% MoM in July. The YoY decline was similar to June's YoY decline of 5% YoY while the MoM decline was a reversal of the previous month's increase of 0.5%. Notably, loan growth has continuously declined YoY since June 2022 from a decline in mainland-China related lending and weak demand for offshore lending due to lower onshore interest rates.

Figure 4: Hong Kong loan growth continues to decline



Source: CEIC, PSR

Volumes and volatility increase

SDAV rose 29% YoY to S\$1,370mn in August (Figure 7) and reached a new high for 2024, while the DDAV grew 9% YoY and MoM. Notably, this is the 9th consecutive YoY increase for the DDAV, starting from December 2023. The VIX, a market index that measures the implied volatility of the S&P 500 Index, averaged 19.3 in August, up from 14.4 in the previous month. The spike in volatility was due to the increase in Japan's interest rates, which impacted carry trades globally.

The top four equity index futures turnover fell by 15% YoY in August to 10.4mn contracts (Figure 8) due to lower trading volumes of their FTSE China A50 Index Futures. Notably, the FTSE China A50 Index Futures fell 10% MoM, while the Nikkei 225 Index Futures rose 8% MoM in August.

Figure 5: 12 Months SDAV and DDAV

	SDAV (\$mn)	YoY	DDAV (mn)	YoY
August 24	1,370	29%	1.13	9%
July 24	1,153	14%	1.04	7%
June 24	1,108	-6%	1.16	13%
May 24	1,270	23%	1.14	16%
April 24	1,212	25%	1.18	23%
March 24	1,190	-2%	1.19	14%
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%

Source: SGX, Bloomberg, PSR

Figure 6: Turnover of top four equity index futures contracts dip YoY

No. of contracts	Aug-23	Aug-24	YoY
FTSE China A50 Index Futures	8,738,781	6,573,550	-24.8%
Nikkei 225 Index Futures	863,501	933,429	8.1%
MSCI Singapore Index Futures	1,232,853	1,296,336	5.1%
FTSE Taiwan Index Futures	1,448,645	1,629,637	12.5%
Sub-total	12,283,780	10,432,952	-15.1%

Source: SGX, Bloomberg, PSR

Singapore Banks Performance

The three local banks' share price performance was mixed in August 2024; DBS was the only positive, with an increase of 1%, while OCBC and UOB both dipped by 2% (Figure 7). The decline was mainly due to the carry trade impact from the increase in Japan's interest rates, which affected the banks alongside most of the equity market. Nonetheless, DBS still performed the best YTD with the largest increase of 20% compared to OCBC and UOB, which had increases of 16% and 10%, respectively. DBS continues to perform well, likely due to its FY24 dividend guidance being the highest among the three local banks and providing clear guidance for dividend growth in the coming years, while both OCBC and UOB are maintaining their guidance of a dividend payout ratio of 50% with not much clarity on how excess capital will be returned to shareholders.

Figure 7: Banks not spared by carry trade impact in August 2024

BBG Ticker	Singapore Banks	Last Price (\$S)	PSR			Performance				
			Recommendation	Target Price (\$S)	Upside	Div Yield (%)	1 Year (%)	YTD (%)	3 Month (%)	1 Month (%)
DBS SP EQUITY	DBS	38.02	ACCUMULATE	38.50	1%	5.3	20.1	19.7	1.0	1.1
OCBC SP EQUITY	OCBC	15.24	ACCUMULATE	15.40	1%	5.6	15.9	11.9	0.3	-1.8
UOB SP EQUITY	UOB	32.51	BUY	34.90	7%	5.3	10.4	10.3	1.9	-2.0

Source: Bloomberg, PSR

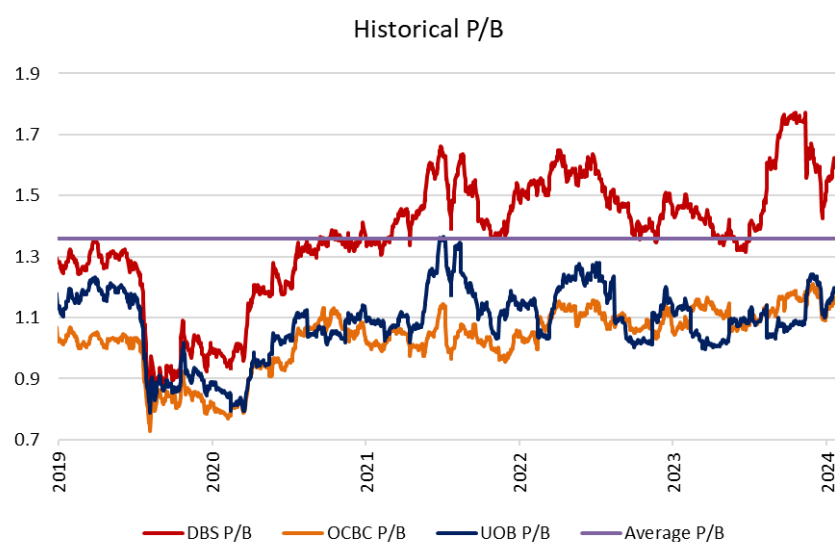
Singapore Banking News

- On 22 August, it was reported the Ministry of Home Affairs (MHA) is studying measures to give the police more powers to restrict scam victims' banking transactions. The additional powers being considered for the police will involve a restriction on banking transactions when the authorities believe the victims will transfer money to scammers. The police said the restriction will be time-limited. This means bank accounts will be frozen temporarily so officers can convince victims they are being scammed and investigate to who they are transferring the money. MHA intends to conduct public consultations on the proposal, with more details expected to be released in the coming months.
- On 20 August, Singapore's digital bank Trust expanded its range of financial products with the launch of two new loan offerings, Split Purchase and Balance Transfer. Both Split Purchase and Balance Transfer offer interest-free options with a small and transparent fee. The Split Purchase offering enables customers to spread payments for completed credit card transactions over 3, 6, or 12 months. Meanwhile, the Balance Transfer option allows customers to borrow for up to six months with minimal repayment costs.
- On 20 August, it was reported that officers from the Anti-Scam Centre (ASC) collaborated with OCBC to conduct a joint operation targeting money mules from May to August 2024. More than 300 suspicious bank accounts allegedly used to facilitate scam-related activities were proactively frozen, and over S\$1.8mn was seized during the joint operation.
- On 6 August, Revolut, a global neobank with 45 million users, introduced its business-to-business platform, Revolut Business, in Singapore, marking its first market in Asia. This platform aims to provide Singaporean companies of all sizes with efficient and affordable financial management tools, facilitating global business operations. Revolut Business is designed as a comprehensive financial management solution that reduces administrative tasks, allowing businesses to focus on growth. The platform is now operational in over 40 markets, handling £13 billion (\$\$22.3 billion) in transactions globally each month.

Investment Action

Maintain OVERWEIGHT. Banks' share price performance was mixed in August, mainly due to the impact of the carry trade. DBS was the only positive, with an increase of 1%, while OCBC and UOB both dipped by 2%. We remain positive on banks. NIMs will dip slightly, going into 2H24, from the expected rate cuts, but we expect NII to remain stable from the movement of deposits into longer tenures and higher interest-yielding assets. A recovery in loan growth and continued double-digit fee income growth will lift profits. Bank dividend yields are attractive at 5.7%, with upside surprises due to excess capital ratios and a push towards higher ROEs.

Figure 8: Banks' 5-year historical P/B



Source: Bloomberg, PSR

Figure 9: 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\$)	38.50	15.40	34.90

Source: Bloomberg, PSR

Figure 10: Peer Comparison – Singapore banks dividend yield the highest regionally

Stock	PSR	Market Cap	Forward P/E			Forward P/BV			Dividend Yield (%)		ROE (%)			Price	Target	Upside
	Recommendation	(USDmn)	Yr0	Yr1	Yr2	Yr0	Yr1	Yr2	Yr1	Yr2	Yr0	Yr1	Yr2	(Local Currency)	Price (\$\$)	
Singapore																
DBS	Accumulate	83,554	8.6	10.0	10.2	1.4	1.7	1.6	5.8	6.4	16.9	17.1	15.9	38.0	38.50	1%
OCBC	Accumulate	52,995	8.4	9.1	9.2	1.1	1.2	1.1	5.8	5.9	13.3	13.5	12.7	15.2	15.40	1%
UOB	Buy	42,002	8.5	9.1	8.9	1.1	1.2	1.1	5.5	5.7	13.3	12.9	12.6	32.5	34.90	7%
Market Cap Weighted Average:			8.5	9.5	9.6	1.2	1.4	1.3	5.8	6.1	15.0	15.1	14.1			
Indonesia																
BCA	Non-rated	84,016	23.8	23.9	21.9	4.8	4.9	4.4	2.6	2.9	21.0	21.1	21.2	10450	na	na
MANDIRI	Non-rated	45,349	10.3	12.3	11.1	2.2	2.5	2.2	4.8	5.1	22.4	20.7	21.0	7450	na	na
BNI	Non-rated	13,744	9.6	9.6	8.4	1.3	1.3	1.2	5.0	5.5	14.6	14.2	14.8	5650	na	na
BANK BRI	Non-rated	52,141	14.4	13.1	11.8	2.8	2.5	2.3	6.2	6.5	19.7	19.1	19.9	5275	na	na
BANK BTN	Non-rated	1,327	5.0	6.0	5.2	0.6	0.6	0.6	3.4	3.4	12.4	10.8	11.5	1450	na	na
Market Cap Weighted Average:			17.1	17.2	15.7	3.4	3.4	3.1	4.2	4.5	20.5	19.9	20.3			
Malaysia																
AFFIN BANK	Non-rated	1,632	12.0	12.8	11.3	0.4	0.6	0.6	2.6	3.1	3.7	4.6	5.1	2.9	na	na
ALLIANCE BANK	Non-rated	1,563	8.3	9.1	8.6	0.8	0.9	0.8	5.2	5.6	9.9	9.9	10.1	4.3	na	na
AMMB HOLDINGS	Non-rated	4,008	7.5	9.3	8.8	0.7	0.8	0.8	4.6	5.1	10.0	9.3	9.3	5.2	na	na
BANK ISLAM	Non-rated	1,393	9.0	10.1	9.4	0.7	0.8	0.8	5.9	6.2	7.8	7.9	8.3	2.6	na	na
CIMB BANK	Non-rated	20,951	8.9	11.5	10.7	0.9	1.3	1.2	5.4	5.4	10.7	11.1	11.3	8.4	na	na
HONG LEONG BANK	Non-rated	10,780	9.4	9.8	9.1	1.1	1.1	1.0	3.6	3.9	11.8	11.6	11.6	21.3	na	na
MAYBANK	Non-rated	30,005	11.5	12.7	12.2	1.1	1.3	1.3	5.9	6.2	10.4	10.4	10.6	10.6	na	na
PUBLIC BANK	Non-rated	21,275	12.5	13.0	12.4	1.5	1.6	1.5	4.4	4.6	12.7	12.5	12.4	4.7	na	na
RHB	Non-rated	6,235	8.3	9.1	8.6	0.8	0.8	0.8	6.5	6.8	9.4	9.2	9.3	6.1	na	na
Market Cap Weighted Average:			10.5	11.7	11.1	1.1	1.3	1.2	5.1	5.4	10.9	10.9	11.0			
Thailand																
BANGKOK BANK	Non-rated	9,073	7.2	7.1	6.8	0.6	0.5	0.5	4.6	4.7	8.1	7.8	7.7	158.0	na	na
BANK OF AYUDHYA	Non-rated	5,920	6.3	6.3	6.1	0.6	0.5	0.5	3.4	3.5	9.3	8.6	8.2	26.8	na	na
KASIKORNBANK	Non-rated	11,227	7.5	8.1	7.6	0.6	0.7	0.6	4.6	4.9	8.2	8.5	8.6	157.5	na	na
KIATNAKIN BANK	Non-rated	1,282	7.8	9.7	8.5	0.7	0.7	0.7	4.7	5.4	9.2	7.0	7.7	51.0	na	na
KRUNGTHAI	Non-rated	8,619	7.0	7.0	6.8	0.6	0.7	0.6	4.8	5.1	9.4	9.8	9.5	20.5	na	na
KRUNGTHAI CARD	Non-rated	3,568	15.4	15.6	14.5	3.1	3.0	2.7	2.8	3.3	21.8	20.0	19.2	46.0	na	na
SCB X PCL	Non-rated	11,396	8.2	9.1	8.6	0.7	0.8	0.8	8.4	9.0	9.3	8.6	9.0	112.5	na	na
SRISAWAD	Non-rated	1,943	11.1	12.3	11.2	2.1	1.9	1.7	1.9	2.5	18.6	16.8	16.4	42.8	na	na
THANACHART BANK	Non-rated	1,609	7.9	7.5	6.9	0.7	0.7	0.7	6.5	6.8	9.6	9.8	10.0	51.0	na	na
TISCO	Non-rated	2,337	10.9	11.2	11.3	1.9	1.8	1.8	8.0	7.9	17.1	16.0	15.7	97.0	na	na
Market Cap Weighted Average:			8.2	8.5	8.1	0.9	0.9	0.8	5.3	5.6	10.3	9.9	9.9			

Source: Bloomberg, PSR

Extracted as of 17-Sep-24

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