



Singapore Banking Monthly

Banks' share price surges

SINGAPORE | BANKING & FINANCE | UPDATE

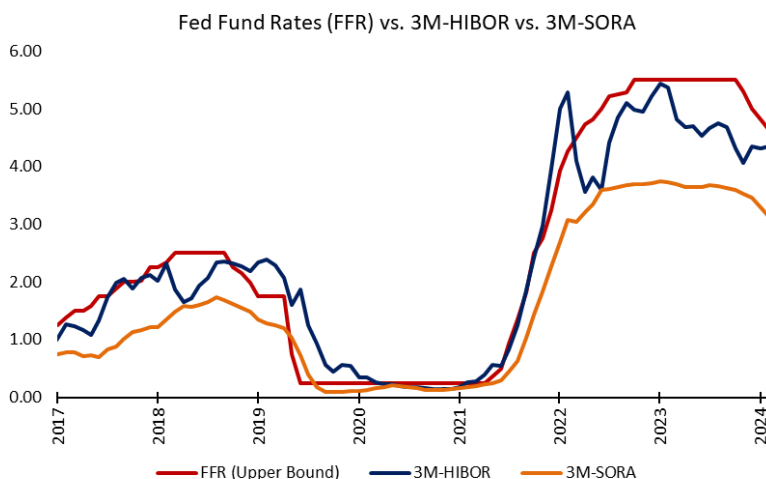
- December's 3M-SORA was down 15bps MoM to 3.14%, the lowest since Jan 2023 and 15bps lower than the 4Q24 average. We expect the 3M-SORA to decline in tandem with the Fed Rate cuts of 100bps. Banks rallied 34% in 2024 from strong results, lowered rate cut expectations, and possibly higher dividends/share buybacks.
- Singapore loans grew 3.3% YoY in November, reaching a 26-month high. We expect low-single-digit growth for 2024. The CASA balance rose slightly to fell slightly to 18.3% (Oct24: 18.6%). We expect CASA to climb as T-bill rates continue to decline.
- Maintain OVERWEIGHT.** Banks' share price surged 34% in 2024 from strong results and lowered rate cut expectations, which will soften the decline in NII and NIM. With lower rate cut expectations going into FY25 and a rising yield curve, the banks can earn more interest on loans than deposits, boosting NII and NIMs. With the rise in trading volumes, capital markets have become more buoyant for 4Q24, and the banks' trading income could be further benefited. Furthermore, the continued double-digit growth in fee income and a loan growth recovery will boost earnings. There is further upside to dividends as the banks look to manage excess capital actively (~S\$2-4bn), and a possibility of share buybacks will improve ROE and EPS.

3M-SORA continues decline, 3M-HIBOR inches up

Singapore interest rates were down 15bps to 3.14% in December, the lowest since January 2023. Furthermore, December's 3M-SORA fell by 60bps YoY and was 15bps lower than the 4Q24 3M-SORA average of 3.29% (3Q24: 3.59%). This is the largest YoY decline since March 2021. We expect the 3M-SORA to continue declining as more Fed rates come in.

Hong Kong interest rates inched up in December. The 3M-HIBOR was up 4bps MoM to 4.36%, reversing the 5bps decline in November. However, December's 3M-HIBOR dipped by 102bps YoY but is 2bps higher than the 4Q24 3M-HIBOR average of 4.34% (Figure 1). We still expect the 3M-HIBOR to trend downwards following the Fed rate cuts.

Figure 1: Interest rates continue declining



Source: CEIC, PSR

13 January 2025

OVERWEIGHT (Maintained)

DBS Group Holdings

ACCUMULATE (Maintained)

BLOOMBERG CODE	DBS SP
LAST TRADED PRICE	SGD 44.13
FORECAST DIV	SGD 2.16
TARGET PRICE	SGD 44.70
DIVIDEND YIELD	4.89%
TOTAL RETURN	6.19%

Oversea-Chinese Banking Corp

ACCUMULATE (Maintained)

BLOOMBERG CODE	OCBC SP
LAST TRADED PRICE	SGD 17.10
FORECAST DIV	SGD 0.87
TARGET PRICE	SGD 18.80
DIVIDEND YIELD	5.09%
TOTAL RETURN	15.03%

United Overseas Bank Limited

ACCUMULATE (Maintained)

BLOOMBERG CODE	UOB SP
LAST TRADED PRICE	SGD 36.82
FORECAST DIV	SGD 1.90
TARGET PRICE	SGD 39.70
DIVIDEND YIELD	5.16%
TOTAL RETURN	12.98%

Glenn Thum (+65 6212 1851)

Senior 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 loan growth recovers steadily

Overall, loans to Singapore residents—which capture lending in all currencies to Singaporeans—rose by 3.3% YoY in November to S\$819bn. This is a 26-month high for loan growth and an increase from the previous month's growth of 2.7%. We expect low-single-digit growth for 2024 as loan growth is expected to recover further from the expected rate cuts going into 4Q24. The banks are guiding low single-digit loan growth in 2024.

Business loans rose by 3.3% YoY in November. Loans to the building and construction segment, the single largest business segment, rose 4.7% YoY to S\$177bn, the largest increase since August 2022, while loans to the manufacturing segment fell 7% YoY in November to S\$20bn.

Consumer loans grew 3.4% YoY in November to S\$323bn, the eleventh consecutive YoY increase recorded since December 2023. Housing loans, which comprise ~70% of consumer lending, grew 2.6% YoY in November to S\$231bn.

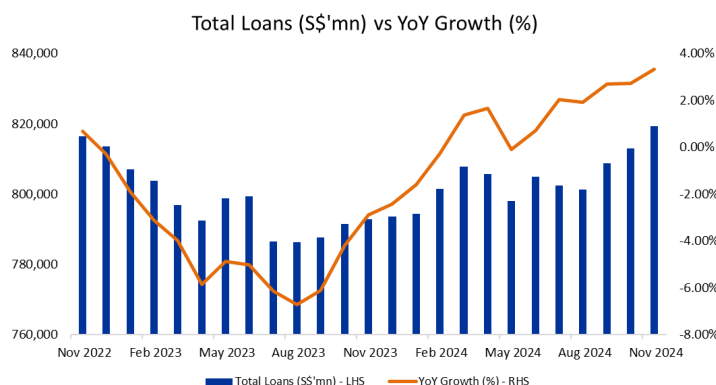
Total deposits and balances—which include deposits in all currencies made by non-bank customers—grew by 5.2% YoY in November to S\$1,887bn. In the Current Account and Savings Account, or CASA, the proportion fell slightly to 18.3% (Oct24: 18.6%) of total deposits or S\$346bn. We expect the CASA ratio to increase as the higher-interest fixed deposits mature and funds get shifted back to CASA.

Figure 2: Singapore loans growth

2023/2024	Loans growth (YoY)
November 24	3.34%
October 24	2.72%
September 24	2.70%
August 24	1.92%
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%

Source: CEIC, PSR

Figure 3: Singapore loan growth at 26-month high

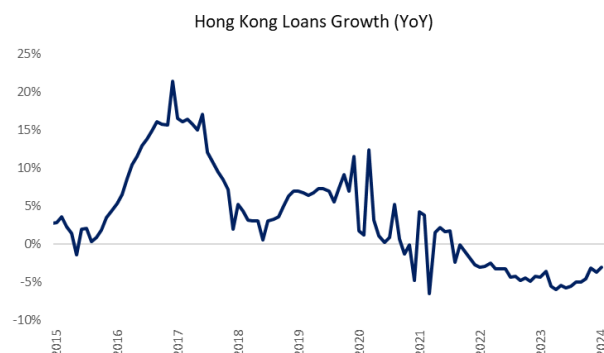


Source: CEIC, PSR

Hong Kong loan growth dips again

Hong Kong's domestic loan growth declined 3% YoY and was flat MoM in November. The YoY decline was smaller than October's YoY decline of 4%, while YTD24 is down 2%. 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 down



Source: CEIC, PSR

Securities and derivatives volume growth softens

SDAV inched up 2% YoY to S\$954mn in December (Figure 5), while DDAV grew 5% YoY to S\$1.09mn. While volume growth has remained positive for the last month of 2024, it has declined from the Sep to Nov 2024 surge. The VIX, a market index that measures the implied volatility of the S&P 500 Index, averaged 15.9 in December, similar to that in November. Volatility dipped after the US Elections and has returned to a more normalised level.

The top four equity index futures turnover rose by 4% YoY in November to 11mn contracts (Figure 6), mainly due to higher FTSE China A50 Index Futures trading volumes. However, the FTSE China A50 Index Futures dipped 12% MoM, while the Nikkei 225 Index Futures saw an increase of 38% MoM.

For 2H24, SDAV was up 32% YoY as the securities market was buoyed by increased participation as Singapore's benchmark stock index outperformed ASEAN. Heightened volatility in August (Yen carry trade) and November (US Elections) also boosted volumes. In addition, 2H24 DDAV was up 21% YoY as the U.S. Federal Reserve cut interest rates and China's policymakers introduced new stimulus measures. More global investors accessed opportunities across equities, FX, and commodities on SGX, driving record volume for key derivative contracts.

We expect a continued recovery in SGX's Equities—Cash and Equities—Derivatives revenue for 1HFY25 as trading volume has improved. This could result in 1HFY25 Equities revenue increasing by ~16% YoY and adding ~S\$50mn to revenue. SGX will announce its 1HFY25 results before the market opens on 6 Feb 2025.

Figure 5: 12 Months SDAV and DDAV

	SDAV (\$mn)	YoY	DDAV (mn)	YoY
December 24	954	2%	1.09	5%
November 24	1,436	51%	1.27	23%
October 24	1,224	36%	1.58	48%
September 24	1,447	67%	1.45	35%
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%

Source: SGX, Bloomberg, PSR

Figure 6: Turnover of top four equity index futures contracts rise

No. of contracts	Dec-23	Dec-24	YoY
FTSE China A50 Index Futures	7,484,685	8,545,330	14%
Nikkei 225 Index Futures	1,061,689	676,590	-36%
MSCI Singapore Index Futures	1,094,631	1,013,857	-7%
FTSE Taiwan Index Futures	1,314,924	1,142,771	-13%
Sub-total	10,955,929	11,378,548	+4%

Source: SGX, Bloomberg, PSR

Singapore Banks Performance

The three local banks' share price performance was muted in December 2024, rising only ~2%. However, for 2024, the banks' share price showed registered record increase of ~34%; DBS was the strongest, with an increase of 45%, while OCBC and UOB rose similarly by 28% (Figure 7). The strong performance was due to a strong set of results across the board, compounded by a Trump win, which lowered rate cut

expectations. The banks will benefit from elevated interest rates as the decline of the NII and NIM will come in lower than expected while fee income continues to grow at double digits. Furthermore, the banks' excess capital of ~\$2-4bn has hinted at active capital management, which could mean share buybacks and/or higher dividends.

Figure 7: Bank share price surges ~34% in 2024

BBG Ticker	Singapore Banks	Last Price (\$S)	Recommendation	PSR		Div Yield (%)	Performance			
				Target Price (\$S)	Upside		1 Year (%)	YTD (%)	3 Month (%)	1 Month (%)
DBS SP EQUITY	DBS	43.91	ACCUMULATE	44.70	2%	4.8	44.6	44.6	15.4	3.5
OCBC SP EQUITY	OCBC	16.67	ACCUMULATE	18.80	13%	5.2	28.2	28.2	10.4	2.4
UOB SP EQUITY	UOB	36.43	ACCUMULATE	39.70	9%	4.7	28.0	28.0	13.2	0.2

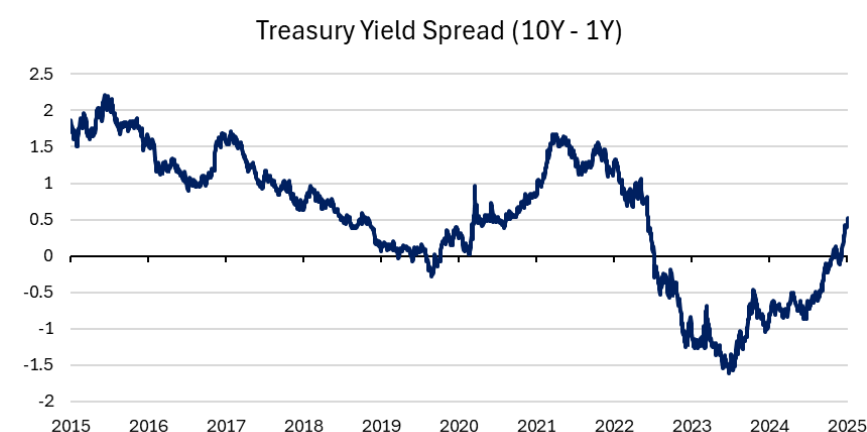
Source: Bloomberg, PSR

Steepening yield curve benefits banks

An inverted yield curve occurs when yields on short-term bonds rise above those on longer-term bonds of the same credit quality. This can be observed when the yield spread between long-term yield (10Y Treasury) and short-term yield (1Y Treasury) is less than zero (Figure 8). An inverted yield curve has been occurring for several years, but we are finally seeing a normalisation, and the yield spread has gone above zero since the beginning of 2025.

The steepening of the yield curve benefits banks as banks typically borrow money at short-term rates and lend at long-term rates. This means they can earn more interest on loans than deposits, boosting NII and NIMs. A steeper yield curve could also reduce banks' interest rate risk, as the spread between short-term and long-term rates provides a buffer against sudden changes in interest rates.

Figure 8: Yield curve finally begins to steepen



Source: Bloomberg, PSR

Singapore Banking News

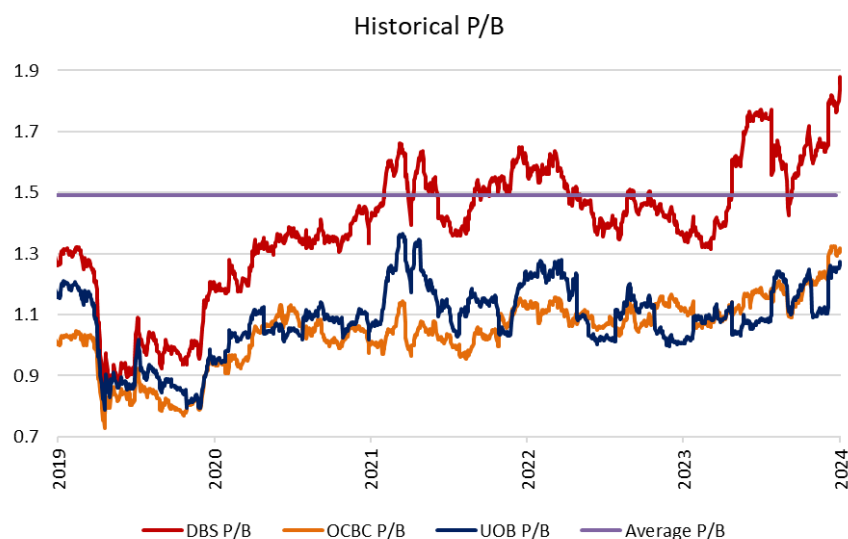
- On 19 December, the Association of Banks in Singapore (ABS) said that banks are conducting a "thorough review" of their practices on the use of National Registration Identity Card (NRIC) numbers. It also assured consumer banking customers that NRIC numbers alone cannot be used to effect payment and fund transfers.
- On 13 December, UOB announced that Leong Yung Chee would take over as its group chief financial officer (CFO) in April 2025, succeeding Lee Wai Fai. Leong will immediately work alongside Lee as CFO-designate before officially assuming the CFO role on 22 April 2025. Lee, who has been with UOB since 1989 and was appointed group CFO in 2005, will continue to oversee UOB Corporate Real Estate and Services function and UOB Asset Management after he steps down.

- On 12 December, it was reported that OCBC told some international clients to show proof of residence in the city-state to avoid having their accounts shut. This signalled heightened scrutiny in the wake of a spate of money-laundering cases. According to notices sent by consumer financial services, OCBC gave clients a deadline to confirm they are Singapore residents with verified addresses or face service restrictions that could lead to account closures.
- On 9 December, DBS has announced two senior-level appointments, which will take effect on 1 Jan 2025. The new appointments followed Tan Su Shan's appointment as group CEO, effective 28 March 2025. Under the new appointments, Han Kwee Juan, the current Singapore Country Head, will be taking over from Tan as the Group Head of Institutional Banking (IBG). Meanwhile, Lim Him Chuan, who currently leads Strategy, Transformation, Analytics & Research (GSTAR), will assume the position of Singapore Country Head.
- On 5 December, the MAS and the ABS announced that two new payment solutions will be launched in mid-2025 to support the transition to e-payments for corporate and retail cheque users. These solutions will complement Singapore's existing suite of e-payment modes, including PayNow, FAST, GIRO and MEPS+. To allow corporates sufficient time to adopt these new solutions, MAS and ABS have also announced a one-year extension of the deadline to cease processing corporate cheques.

Investment Action

Maintain OVERWEIGHT. Banks' share price surged 34% in 2024 from strong results and lowered rate cut expectations, which will soften the decline in NII and NIM. With lower rate cut expectations going into FY25 and a rising yield curve, the banks can earn more interest on loans than deposits, boosting NII and NIMs. With the rise in trading volumes, capital markets have become more buoyant for 4Q24, and the banks' trading income could be further benefited. Furthermore, the continued double-digit growth in fee income and a loan growth recovery will boost earnings. There is further upside to dividends as the banks look to manage excess capital actively (~S\$2-4bn), and a possibility of share buybacks will improve ROE and EPS.

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\$)	44.70	18.80	39.70

Source: Bloomberg, PSR

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

	PSR	Market Cap	Forward P/E			Forward P/BV			Dividend Yield (%)		ROE (%)			Price	Target	
Stock	Recommendation	(USDmn)	Yr0	Yr1	Yr2	Yr0	Yr1	Yr2	Yr1	Yr2	Yr0	Yr1	Yr2	(Local Currency)	Price (\$S)	Upside
Singapore																
DBS	Accumulate	91,785	8.6	11.1	11.5	1.4	1.9	1.8	5.1	5.6	16.9	17.8	16.3	43.9	44.70	2%
OCBC	Accumulate	61,309	8.4	9.7	9.9	1.1	1.3	1.2	5.4	5.6	13.3	14.0	13.0	16.7	18.80	13%
UOB	Accumulate	44,721	8.5	10.0	9.7	1.1	1.3	1.2	5.3	5.7	13.3	13.2	12.9	36.4	39.70	9%
Market Cap Weighted Average:			8.5	10.4	10.6	1.2	1.6	1.5	5.2	5.6	15.0	15.6	14.5			
Indonesia																
BCA	Non-rated	73,892	23.8	21.7	19.9	4.8	4.5	4.1	2.9	3.2	21.0	21.5	21.4	9675	na	na
MANDIRI	Non-rated	32,960	10.3	9.4	8.7	2.2	1.9	1.7	6.3	6.6	22.4	20.8	20.6	5700	na	na
BNI	Non-rated	10,052	9.6	7.3	6.5	1.3	1.0	0.9	6.5	7.1	14.6	14.2	14.8	4350	na	na
BANK BRI	Non-rated	38,310	14.4	10.1	9.3	2.8	1.9	1.8	8.1	8.4	19.7	19.2	19.8	4080	na	na
BANK BTN	Non-rated	991	5.0	5.0	4.5	0.6	0.5	0.4	4.4	4.1	12.4	9.8	10.2	1140	na	na
Market Cap Weighted Average:			17.6	15.2	14.0	3.5	3.0	2.8	5.1	5.5	20.5	20.2	20.3			
Malaysia																
AFFIN BANK	Non-rated	1,555	12.0	13.5	12.4	0.4	0.6	0.6	2.8	3.1	3.7	4.3	4.6	2.9	na	na
ALLIANCE BANK	Non-rated	1,693	8.3	10.3	9.6	0.8	1.0	0.9	4.4	4.6	9.9	10.0	10.1	4.9	na	na
AMMB HOLDINGS	Non-rated	4,047	7.5	9.5	9.0	0.7	0.9	0.8	4.8	5.2	10.0	9.5	9.6	5.5	na	na
BANK ISLAM	Non-rated	1,260	9.0	10.2	9.3	0.7	0.8	0.7	6.0	6.5	7.8	7.4	8.1	2.5	na	na
CIMB BANK	Non-rated	19,667	8.9	11.2	10.7	0.9	1.2	1.1	5.6	5.3	10.7	11.2	11.2	8.2	na	na
HONG LEONG BANK	Non-rated	9,958	9.4	9.4	8.7	1.1	1.1	1.0	3.7	4.0	11.8	11.5	11.6	20.5	na	na
MAYBANK	Non-rated	27,636	11.5	12.3	11.7	1.1	1.3	1.2	6.0	6.3	10.4	10.5	10.6	10.2	na	na
PUBLIC BANK	Non-rated	19,748	12.5	12.5	11.9	1.5	1.5	1.4	4.5	4.8	12.7	12.5	12.4	4.5	na	na
RHB	Non-rated	6,321	8.3	9.3	8.8	0.8	0.9	0.8	6.3	6.4	9.4	9.5	9.4	6.5	na	na
Market Cap Weighted Average:			10.4	11.4	10.8	1.1	1.2	1.2	5.2	5.4	10.8	10.9	11.0			
Thailand																
BANGKOK BANK	Non-rated	8,423	7.2	6.6	6.4	0.6	0.5	0.5	4.9	5.0	8.1	8.1	7.9	151.0	na	na
BANK OF AYUDHYA	Non-rated	5,266	6.3	5.8	5.6	0.6	0.5	0.4	3.7	3.8	9.3	8.1	7.9	24.5	na	na
KASIKORNBANK	Non-rated	10,766	7.5	7.7	7.3	0.6	0.7	0.6	5.1	5.4	8.2	8.7	8.9	155.5	na	na
KIATNAKIN BANK	Non-rated	1,274	7.8	9.8	8.6	0.7	0.7	0.7	5.4	6.2	9.2	7.4	7.9	52.5	na	na
KRUNGTHAI	Non-rated	8,576	7.0	6.9	6.8	0.6	0.7	0.6	5.0	5.3	9.4	10.1	9.7	21.0	na	na
KRUNGTHAI CARD	Non-rated	3,767	15.4	17.3	16.1	3.1	3.2	2.9	2.7	2.9	21.8	19.8	18.9	50.0	na	na
SCB X PCL	Non-rated	11,561	8.2	9.6	9.0	0.7	0.8	0.8	8.2	8.6	9.3	8.6	9.0	117.5	na	na
SRISAWAD	Non-rated	1,843	11.1	12.1	11.1	2.1	1.9	1.7	2.0	2.6	18.6	16.8	16.3	41.8	na	na
THANACHART BANK	Non-rated	1,548	7.9	7.7	7.3	0.7	0.7	0.7	6.7	6.9	9.6	9.7	9.8	50.5	na	na
TISCO	Non-rated	2,305	10.9	11.5	11.7	1.9	1.8	1.8	7.8	7.9	17.1	16.1	15.6	98.5	na	na
Market Cap Weighted Average:			8.2	8.6	8.2	0.9	0.9	0.9	5.5	5.7	10.4	10.1	10.0			

Source: Bloomberg, PSR

Extracted as of 31-Dec-24

Contact Information (Singapore Research Team)		
Head of Research Paul Chew – paulchewkl@phillip.com.sg		Research Admin Qystina Azli – qystina@phillip.com.sg
Technical Analyst Zane Aw – zaneawyx@phillip.com.sg	Property REITs Darren Chan – darrenchanrx@phillip.com.sg	Property REITs Liu Miaomiao – liumm@phillip.com.sg
Banking & Finance Glenn Thum – glennthumjc@phillip.com.sg	Construction Yik Ban Chong (Ben) – chongyb@phillip.com.sg	US Tech Analyst (Hardware/E-commerce/ETF) Helena Wang – helenawang@phillip.com.sg
Contact Information (Regional Member Companies)		
SINGAPORE 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	MALAYSIA 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	HONG KONG 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, Bangrak, 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 45636017 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 +1-312 356 9000 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.phillipcapital.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.phillipcapital.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.phillipcapital.com.tr	DUBAI Phillip Futures DMCC Member of the Dubai Gold and Commodities Exchange (DGCX) 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

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