Singapore Banking Monthly

DBS gets the ball rolling

SINGAPORE | BANKING & FINANCE | UPDATE

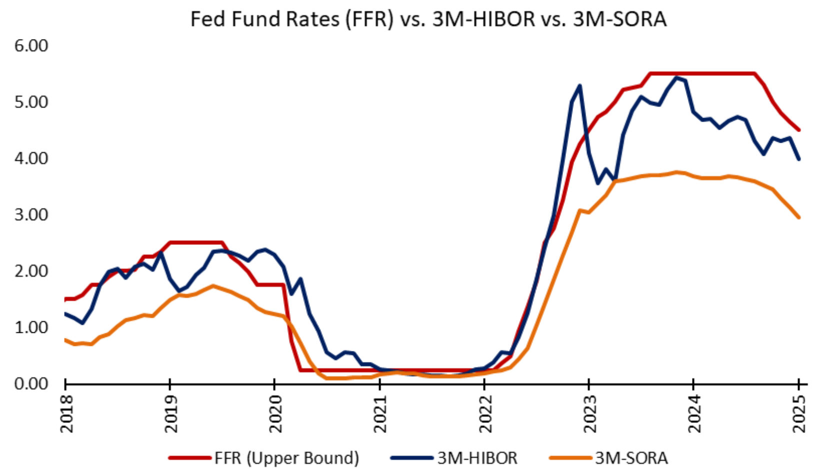
- January's 3M-SORA was down 19bps MoM to 2.95%, the lowest since Nov 2022 and 34bps lower than the 4Q24 average, reflecting the Fed Rate cuts. Bank share price performance was muted (+3%) in Jan 2025 as investors waited on the sidelines for 4Q24 results.
- DBS announced 4Q24 results on 10 February, which met our estimates. The main highlight was the capital return initiative (24 cents annual DPS increase, 15 cents capital return dividend per quarter, and S$3bn share buyback) and a ~6.7% dividend yield (including 15 cents capital return dividend).
- **Maintain OVERWEIGHT**. 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 in FY25. 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 and 3M-HIBOR decline again

Singapore interest rates were down 19bps to 2.95% in January, the lowest since November 2022. Furthermore, January's 3M-SORA fell by 74bps YoY and was 34bps lower than the 4Q24 3M-SORA average of 3.29% (3Q24: 3.59%). This is the most significant YoY decline since January 2021. We expect the 3M-SORA to continue declining as more Fed rates come in.

Hong Kong interest rates were back down in January. The 3M-HIBOR dipped 36bps MoM to 3.99%, more than reversing the 4bps increase in December. January's 3M-HIBOR dipped by 83bps YoY and is 35bps lower than the 4Q24 3M-HIBOR average of 4.34% (Figure 1). We expect the 3M-HIBOR to trend downwards following the Fed rate cuts.

Figure 1: Interest rates continue declining



Source: CEIC, PSR

19 February 2025

OVERWEIGHT (Maintained)

DBS Group Holdings

ACCUMULATE (Maintained)

BLOOMBERG CODE	DBS SP
LAST TRADED PRICE	SGD 45.40
FORECAST DIV	SGD 3.00
TARGET PRICE	SGD 46.90
DIVIDEND YIELD	6.61%
TOTAL RETURN	9.91%

Oversea-Chinese Banking Corp

ACCUMULATE (Maintained)

BLOOMBERG CODE	OCBC SP
LAST TRADED PRICE	SGD 17.67
FORECAST DIV	SGD 0.87
TARGET PRICE	SGD 18.80
DIVIDEND YIELD	4.92%
TOTAL RETURN	11.32%

United Overseas Bank Limited

ACCUMULATE (Maintained)

BLOOMBERG CODE	UOB SP
LAST TRADED PRICE	SGD 38.46
FORECAST DIV	SGD 1.90
TARGET PRICE	SGD 39.70
DIVIDEND YIELD	4.94%
TOTAL RETURN	8.16%

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 reaches mid-single-digit

Overall, loans to Singapore residents—which capture lending in all currencies to Singaporeans—rose by 5.2% YoY in December to S$835bn. This is a 27-month high for loan growth and an increase from the previous month's growth of 3.3%. It surpassed our low-single-digit growth estimate for 2024. We expect mid-single-digit loan growth for 2025 as loan growth is expected to recover further from more rate cuts going into the year. The banks are guiding mid-single-digit loan growth in 2025.

Business loans rose by 6.2% YoY in December. Loans to the building and construction segment, the single largest business segment, rose 4.3% YoY to S$176bn, the second largest increase since August 2022, while loans to the manufacturing segment fell 4% YoY in December to S$22bn.

Consumer loans grew 3.6% YoY in December to S$324bn, the 12th consecutive YoY increase recorded since December 2023. Housing loans, which comprise ~70% of consumer lending, grew 2.8% YoY in December to S$232bn.

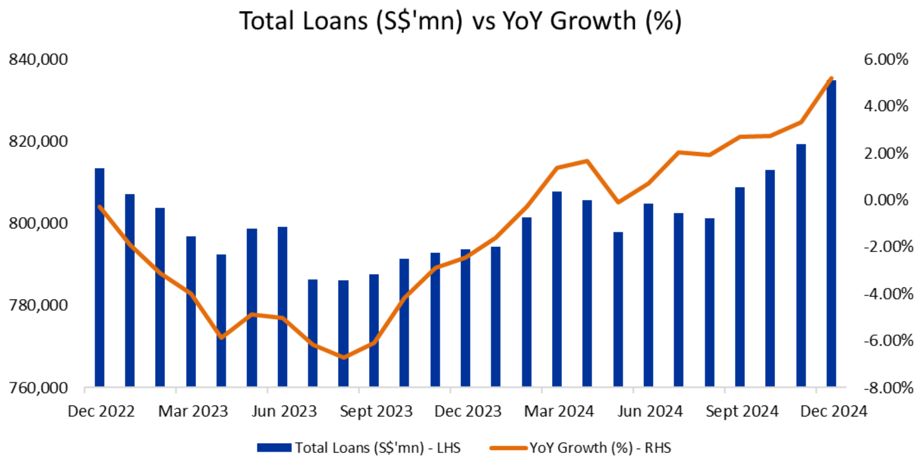
Total deposits and balances—which include deposits in all currencies made by non-bank customers—grew by 7% YoY in December to S$1,916bn. The Current Account and Savings Account, or CASA, proportion rose slightly to 18.6% (Nov24: 18.3%) of total deposits or S$355bn. We expect the CASA ratio to increase as the higher-interest fixed deposits mature and funds get shifted back to CASA.

Figure 2: Singapore loans growth

2024	Loans growth (YoY)
December 24	5.21%
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%

Source: CEIC, PSR

Figure 3: Singapore loan growth at 27-month high



Source: CEIC, PSR

Hong Kong loan growth decline flattens

Hong Kong's domestic loan growth declined 3% YoY and inched up 0.3% MoM in December. The YoY decline was similar to November's YoY decline of 3%. Loan growth has continuously declined YoY since June 2022, from a decrease in mainland-China-related lending and weak demand for offshore lending due to lower onshore interest rates.

Securities and derivatives volume growth rise

In January, SDAV grew 11% YoY to S$1,042mn (Figure 5), while DDAV grew 9% YoY to S$1.24mn. Volume growth started strongly in 2025 and increased from the previous month's growth of 2%/5% for SDAV/DDAV. The VIX, a market index that measures the implied volatility of the S&P 500 Index, averaged 16.8 in January, higher than December's 15.9. We believe the heightened volatility will continue in 2025 from a Trump administration, which would continue to grow both SDAV and DDAV.

The top four equity index futures turnover fell by 12% YoY in January to 11mn contracts (Figure 6), mainly due to lower Nikkei 225 Index Futures and FTSE Taiwan

Index Futures volumes. However, the FTSE Taiwan Index Futures volumes rose 18% MoM, while the Nikkei 225 Index Futures dipped by 29% MoM.

SGX announced their 1HFY25 results on 6 February. Both revenue and earnings were above our estimates as FICC grew 14% YoY, led by continued growth in commodity and currency derivatives volumes, higher OTC FX revenue, and a recovery in listing revenue. Equities revenue recovered (+21% YoY) from a turnaround in SDAV and equity derivatives volumes, while fees remained stable. We expect SGX to maintain stable growth from their OTC FX business pillars and currency derivatives volumes and benefit from operating leverage. Heightened volatility surrounding the Trump administration and Singapore's standing as a flight-to-safety venue in Asia will continue to boost volumes in 2025.

Figure 4: 12 Months SDAV and DDAV

	SDAV ($mn)	YoY	DDAV (mn)	YoY
January 25	1,042	11%	1.24	9%
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%

Source: SGX, Bloomberg, PSR

Figure 5: Turnover of top four equity index futures contracts dip

No. of contracts	Jan-24	Jan-25	YoY
FTSE China A50 Index Futures	9,400,967	8,489,185	-9.7%
Nikkei 225 Index Futures	828,149	479,498	-42.1%
MSCI Singapore Index Futures	1,144,516	1,053,185	-8.0%
FTSE Taiwan Index Futures	1,590,290	1,342,402	-15.6%
Sub-total	**12,963,922**	**11,364,270**	**-12.3%**

Source: SGX, Bloomberg, PSR

Singapore Banks Performance

The three local banks' share price performance was muted in January 2025, rising only ~3% (Figure 7). The muted performance was due to investors waiting on the sidelines before the 4Q24 results were announced. The banks' excess capital of ~S$2-4bn points towards active capital management, which could mean share buybacks and/or higher dividends. Being the first to release 4Q24 results, DBS has started the ball rolling with a capital return dividend of 15 cents/quarter for FY25.

Figure 6: Bank share price up slightly in January 2025

			PSR				Performance			
BBG Ticker	Singapore Banks	Last Price (S$)	Recommendation	Target Price (S$)	Upside	Div Yield (%)	1 Year (%)	YTD (%)	3 Month (%)	1 Month (%)
DBS SP EQUITY	DBS	45.48	ACCUMULATE	46.90	3%	4.6	53.9	2.0	15.4	2.0
OCBC SP EQUITY	OCBC	17.71	ACCUMULATE	18.80	6%	4.9	35.0	4.3	14.5	4.3
UOB SP EQUITY	UOB	38.49	ACCUMULATE	39.70	3%	4.5	32.2	3.2	16.6	3.2

Source: Bloomberg, PSR

DBS starts the “capital return” ball rolling

DBS kicked off the Singapore banks’ results season and announced 4Q24 results on 10 February. Results aligned with our estimates as NII and non-interest income led growth for the quarter. The main highlight was dividends and capital returns, as 4Q24 DPS rose 22% YoY to 60 cents and full-year FY24 DPS at S$2.22 (+27% YoY). DBS has committed to a three-year plan to manage down excess capital by 1) maintaining the annual 24cents dividend increment (6cents per quarter), 2) a Capital Return dividend of 15cents per quarter for FY25e, and 3) a S$3bn share buyback programme (no details provided on the timeline yet). The new capital return dividend would increase FY25e DPS to S$3.00 (+35% YoY) and a dividend yield of 6.7% (based on the S$45 share price) while the S$3bn share buyback program would reduce the fully phased-in CET-1 ratio by 80bps when completed.

We expect OCBC and UOB to follow suit with some form of capital returns, either a share buyback programme, additional or special dividends, or both. UOB had previously announced a share buyback program and management’s indication to be “more aggressive in capital management”, while OCBC hinted at returning excess capital (160bps or ~S$4bn of CET1) to shareholders but will only do so in the medium term (~3 years). UOB will announce results on 19 February and OCBC on 26 February.

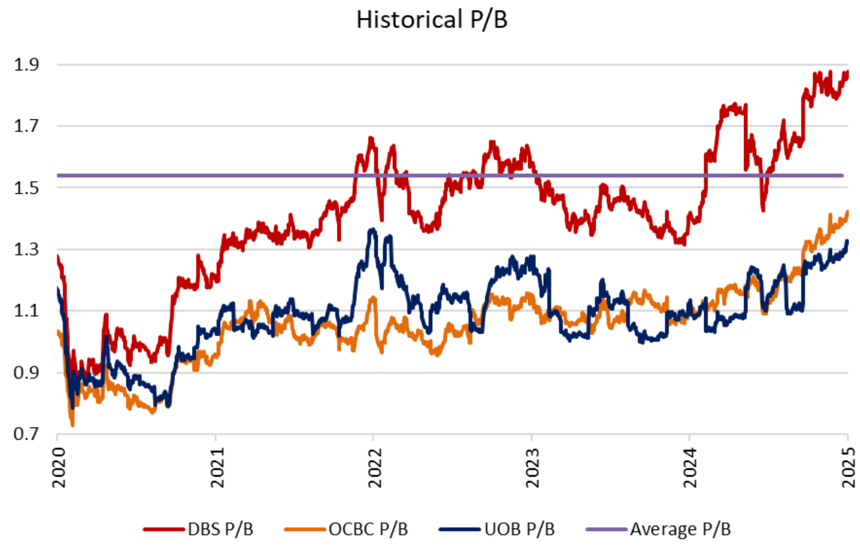
Singapore Banking News

- On 26 January, it was reported that digital wholesale bank Anext has appointed a new boss to replace outgoing chief executive Toh Su Mei. Mr. Qiu Kai, its deputy chief executive officer, and chief technology officer, assumed the role of CEO-designate on Jan 24 as Ms. Toh stepped down after leading the Singapore firm—a wholly owned subsidiary of Ant International—for almost four years.
- On 24 January, the Monetary Authority of Singapore (MAS) loosened its monetary policy, the first such move since 2020, saying it expects inflation and growth to be slower than it initially forecast this year. MAS, which manages monetary policy by targeting the exchange rate rather than interest rates, said it would reduce slightly the slope of the policy band known as S$NEER, or the Singapore dollar nominal effective exchange rate. It said there would be no change to the width of the policy band or the level at which it is centred. "This measured adjustment is consistent with a modest and gradual appreciation path of the S$NEER policy band that will ensure medium-term price stability," MAS said.
- On 7 January, parliament passed a new law providing the police with powers to order banks to restrict the banking transactions of potential scam victims. The Bill will allow specified officers, including those from the police and Commercial Affairs Department, to issue restriction orders to banks if there is reasonable belief that account holders will be making transfers to scammers. These restriction orders will suspend money transfers, ATM facilities, and all credit facilities, although individuals will still be provided access to their monies for daily living expenses.
- On 7 January, it was reported that OCBC had become the first bank in Singapore to launch the sale of bespoke tokenised bonds to corporate accredited investors (corporate AIs), which are corporations with net assets exceeding S$10 million. The tokenised bonds, which reference investment-grade bonds, are structured based on the client’s desired tenor and yield. They are then minted and transferred to the client’s wallet, which is created on OCBC’s asset tokenisation platform.

Investment Action

Maintain OVERWEIGHT. 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 in FY25. 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 7: Banks' 5-year historical P/B



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$)	46.80	18.80	39.70

Source: Bloomberg, PSR

Figure 9: Peer Comparison – Singapore banks dividend yield the highest regionally

Stock	PSR Recommendation	Market Cap (USDmn)	Forward P/E Yr0	Forward P/E Yr1	Forward P/E Yr2	Forward P/BV Yr0	Forward P/BV Yr1	Forward P/BV Yr2	Dividend Yield (%) Yr1	Dividend Yield (%) Yr2	ROE (%) Yr0	ROE (%) Yr1	ROE (%) Yr2	Price (Local Currency)	Target Price (S$)	Upside
Singapore																
DBS	Accumulate	96,164	11.0	11.6	11.3	1.8	1.9	1.8	6.3	6.5	17.3	16.4	16.2	45.4	46.90	3%
OCBC	Accumulate	59,167	8.4	10.4	10.5	1.1	1.4	1.3	5.1	5.3	13.3	13.9	13.0	17.7	18.80	6%
UOB	Accumulate	47,801	8.5	10.7	10.2	1.1	1.4	1.3	5.1	5.3	13.3	13.1	13.0	38.5	39.70	3%
	Market Cap Weighted Average:		**9.7**	**11.0**	**10.8**	**1.4**	**1.6**	**1.5**	**5.7**	**5.9**	**15.2**	**14.9**	**14.5**			
Indonesia																
BCA	Non-rated	71,037	21.7	19.5	18.1	4.5	4.0	3.7	3.4	3.7	21.7	21.5	21.4	9375	na	na
MANDIRI	Non-rated	31,123	9.5	8.6	7.9	1.9	1.6	1.5	6.9	7.4	20.5	19.9	19.9	5425	na	na
BNI	Non-rated	10,775	7.6	7.4	6.7	1.0	1.0	0.9	7.0	8.2	13.7	14.2	14.5	4700	na	na
BANK BRI	Non-rated	38,567	10.2	10.2	9.1	1.9	1.9	1.8	8.3	8.9	19.1	18.9	20.0	4140	na	na
BANK BTN	Non-rated	867	5.3	4.1	3.6	0.5	0.4	0.4	4.5	7.9	9.5	10.0	10.4	1005	na	na
	Market Cap Weighted Average:		**15.2**	**14.0**	**12.9**	**3.1**	**2.7**	**2.6**	**5.6**	**6.1**	**20.2**	**19.9**	**20.2**			
Malaysia																
AFFIN BANK	Non-rated	1,500	12.0	12.9	11.9	0.4	0.6	0.5	2.9	3.2	3.7	4.3	4.6	2.8	na	na
ALLIANCE BANK	Non-rated	1,859	8.3	11.3	10.6	0.8	1.1	1.0	4.0	4.3	9.9	9.9	10.1	5.3	na	na
AMMB HOLDINGS	Non-rated	4,298	7.5	10.0	9.5	0.7	0.9	0.9	4.6	5.0	10.0	9.5	9.6	5.8	na	na
BANK ISLAM	Non-rated	1,284	9.0	10.4	9.7	0.7	0.8	0.7	5.8	6.2	7.8	7.4	7.7	2.5	na	na
CIMB BANK	Non-rated	20,173	8.9	11.5	10.9	0.9	1.2	1.2	5.5	5.3	10.7	11.1	11.2	8.4	na	na
HONG LEONG BANK	Non-rated	9,943	9.4	9.4	8.7	1.1	1.1	1.0	3.7	4.0	11.8	11.5	11.6	20.4	na	na
MAYBANK	Non-rated	28,380	11.5	12.6	12.1	1.1	1.3	1.3	5.9	6.1	10.4	10.4	10.5	10.5	na	na
PUBLIC BANK	Non-rated	19,553	12.5	12.4	11.8	1.5	1.5	1.4	4.6	4.8	12.7	12.5	12.4	4.5	na	na
RHB	Non-rated	6,450	8.3	9.5	9.1	0.8	0.9	0.8	6.1	6.3	9.4	9.5	9.6	6.6	na	na
	Market Cap Weighted Average:		**10.4**	**11.6**	**11.0**	**1.1**	**1.2**	**1.2**	**5.2**	**5.3**	**10.8**	**10.8**	**10.9**			
Thailand																
BANGKOK BANK	Non-rated	8,764	6.4	6.5	6.2	0.5	0.5	0.5	5.0	5.2	8.3	8.0	7.9	155.0	na	na
BANK OF AYUDHYA	Non-rated	5,011	6.1	5.6	5.5	0.5	0.4	0.4	3.8	4.0	7.8	7.6	7.4	23.0	na	na
KASIKORNBANK	Non-rated	11,194	7.6	7.4	7.0	0.7	0.6	0.6	5.6	6.1	8.9	8.8	9.0	159.5	na	na
KIATNAKIN BANK	Non-rated	1,287	8.9	8.5	7.7	0.7	0.7	0.6	6.3	6.8	8.1	8.1	8.6	52.5	na	na
KRUNGHTHAI	Non-rated	9,728	6.7	7.2	6.9	0.7	0.7	0.7	5.1	5.3	10.4	9.9	9.7	23.5	na	na
KRUNGHTHAI CARD	Non-rated	3,895	17.4	16.5	15.2	3.2	3.0	2.7	2.8	3.0	19.7	18.8	18.5	51.0	na	na
SCB X PCL	Non-rated	12,467	9.0	9.3	8.8	0.8	0.8	0.8	8.3	8.6	9.1	9.1	9.5	125.0	na	na
SRISAWAD	Non-rated	1,722	11.1	11.2	10.3	2.1	1.7	1.6	2.0	2.5	18.6	16.8	16.1	38.5	na	na
THANACHART BANK	Non-rated	1,545	7.9	7.6	7.2	0.7	0.7	0.7	6.8	7.0	9.6	9.7	9.8	49.8	na	na
TISCO	Non-rated	2,348	11.4	11.9	11.6	1.8	1.8	1.8	7.8	7.9	16.1	15.4	15.5	99.0	na	na
	Market Cap Weighted Average:		**8.4**	**8.4**	**8.0**	**0.9**	**0.9**	**0.8**	**5.7**	**6.0**	**10.3**	**10.0**	**10.0**			

Source: Bloomberg, PSR — Extracted as of 18-Feb-25

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 | Auto
Glenn Thum – glennthumjc@phillip.com.sg

US Tech Hardware | E-commerce | ETF
Helena Wang – helenawang@phillip.com.sg

Construction | Semiconductors
Yik Ban Chong (Ben) – chongyb@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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