Singapore Banking Monthly

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SINGAPORE | BANKING & FINANCE | UPDATE

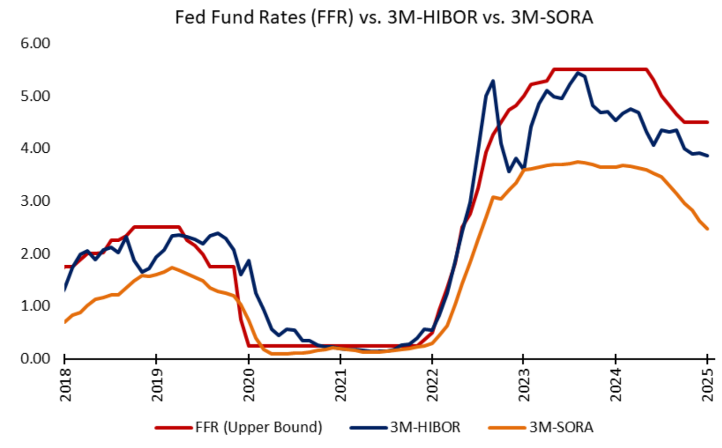
- April's 3M-SORA was down 15bps MoM to 2.47%, the lowest since Oct 2022 and 33bps lower than the 1Q25 average, reflecting the Fed Rate cuts. Singapore loans growth holding at mid-single digit (Mar24: 4.8%), but we might see a slight slowdown due to the trade war.
- 1Q25 bank earnings were within expectations. Earnings dipped 2% YoY, from higher allowances (+81%) partially offset by higher fees (+19%) and stable NII (+1%). The banks are guiding to increase allowance coverage due to macroeconomic uncertainty, and we expect FY25e PATMI to be flat YoY, as excess earnings will be placed into GP overlays. All three banks have committed to their previously announced capital return plans.
- **Maintain OVERWEIGHT.** While more rate cuts are now expected, we believe the banks can maintain NIMs from the steepening yield curve and higher CASA levels. Loan growth is now expected to slow in FY25, but the first-order impact from tariffs is minimal (~1-3% of total loans), and the trade war does not directly impact the majority of their customers. We expect trading income to continue growing from the heightened volatility. The banks' dividend yield of ~6.6% is attractive as capital return initiatives continue in FY25 and share buybacks will improve ROE and EPS. The banks have reiterated their commitment to the capital return initiatives previously announced. A beneficiary of the trade war has been trading volumes, up 42% YoY in April.

3M-SORA is at its lowest since Oct 2022

Singapore's interest rates fell 15bps MoM to 2.47% in April, the lowest since October 2022. Furthermore, April's 3M-SORA fell by 118bps YoY and was 33bps lower than the 1Q25 3M-SORA average of 2.80% (4Q24: 3.29%). This is the most significant YoY decline since November 2020. We expect the 3M-SORA to continue declining as more Fed rate cuts are expected.

Hong Kong interest rates dipped slightly in April. The 3M-HIBOR fell by 5bps MoM to 3.87%, reversing the 1bps increase in March. April's 3M-HIBOR declined by 67bps YoY and is 7bps lower than the 1Q25 3M-HIBOR average of 3.94% (Figure 1). We expect the 3M-HIBOR to trend downwards following the Fed rate cuts.

Figure 1: Interest rates continue declining



Source: CEIC, PSR

16 May 2025

OVERWEIGHT (Maintained)

DBS Group Holdings
ACCUMULATE (Maintained)

BLOOMBERG CODE	DBS SP
LAST TRADED PRICE	SGD 45.10
FORECAST DIV	SGD 3.06
TARGET PRICE	SGD 44.50
DIVIDEND YIELD	6.78%
TOTAL RETURN	5.45%

Oversea-Chinese Banking Corp
ACCUMULATE (Maintained)

BLOOMBERG CODE	OCBC SP
LAST TRADED PRICE	SGD 16.24
FORECAST DIV	SGD 1.05
TARGET PRICE	SGD 17.10
DIVIDEND YIELD	6.47%
TOTAL RETURN	11.76%

United Overseas Bank Limited
ACCUMULATE (Maintained)

BLOOMBERG CODE	UOB SP
LAST TRADED PRICE	SGD 35.49
FORECAST DIV	SGD 2.29
TARGET PRICE	SGD 35.50
DIVIDEND YIELD	6.45%
TOTAL RETURN	6.48%

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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

1Q25 RESULTS HIGHLIGHTS

1. Fees continue to support earnings

DBS' 1Q25 adjusted earnings of S$2.9bn were in line with our estimates, with 1Q25 adjusted earnings at 26% of our FY25e forecast. 1Q25 DPS raised 39% YoY to 75 cents (comprising 60 cents ordinary dividend and 15 cents capital return dividend). NII rose 5% YoY from loan growth of 2% while NIM dipped 2bps YoY to 2.12%. WM fees, loan-related fees, and trading income led non-interest income growth of 8%. DBS has maintained FY25e guidance for NII at 2024 levels but lowered non-interest income growth guidance to mid to high-single-digit. PATMI will drop below 2024 levels due to higher taxes.

OCBC's 1Q25 earnings of S$1.88bn were within our estimates, as higher non-interest income offset lower NII and higher expenses and allowances. 1Q25 PATMI was 24% of our FY25e forecast. NII dipped 4% YoY as loan growth of 7% was offset by NIM declining 23bps YoY to 2.04%. Total non-interest income rose 10% YoY from fee, trading, and insurance income. OCBC has maintained their FY25e guidance for NIM of around 2%, mid-single digit loan growth, and credit costs of around 20 to 25bps. OCBC has reiterated its commitment to the two-year S$2.5bn capital return (special dividend equivalent to 10% dividend payout ratio and ~S$1bn share buyback) previously announced.

UOB's 1Q25 earnings of S$1.5bn were below our estimates from lower-than-expected NII and higher provisions. 1Q25 PATMI was 22% of our FY25e forecast. NII inched up 2% from loan growth of 6%, while fee income surged by 20% YoY. Allowances jumped 78% from higher GP to strengthen their provision coverage. UOB has suspended its FY25e guidance amid macroeconomic uncertainties but mentioned that US tariffs had minimal direct impact, with only about 2% exposure from US exporters, and, given that its major customers in ASEAN and China largely do not sell to the US, credit quality is expected to remain stable even as growth slows.

2. Loading on the provisions

DBS' allowances surged by 141% YoY from an increase in GP to S$205mn (1Q24: S$22mn) while SP remained relatively stable. The rise in GP was prudently taken to strengthen GP reserves to S$4.16bn given the recent macroeconomic uncertainty. As a result, allowance coverage rose to 137% and 230% after considering collateral (1Q24: 125% and 223% respectively). Notably, DBS has increased its management overlay to ~S$2.6bn (4Q24: ~S$2.3bn), which acts as a buffer for GP writebacks if SP comes in higher than expected.

OCBC's increase in allowances (+25% YoY) was mainly due to higher GPs of S$118mn (1Q25: GP writeback of S$11mn), which were set aside into management overlay for heightened uncertainties in the current macroeconomic environment. Resultantly, total credit costs for the quarter rose 8bps YoY to 24bps.

UOB's total allowances jumped 78% YoY, from higher GP of S$133mn (1Q24: S$28mn). Management mentioned that this increase was to strengthen their provision coverage and not due to weaknesses in any particular sector or segment. Resultantly, total credit costs were up 12bps YoY to 35bps. The NPL ratio inched up slightly to 1.6%, and asset quality remained resilient, with 1Q25 NPA coverage at 90% and unsecured NPA coverage at 207%. Notably, there was an uptick in new NPAs to S$400mn (1Q24: S$249mn), mainly from one HK property-based loan that was previously provided for and did not affect 1Q25's credit cost.

Figure 2: Banks' guidance vs PSR estimates for FY25e

Assumptions	DBS	PSR
NIM (%)	Around 2.10%	2.05%
Loans growth (%)	Low to Mid-single digit	2%
Credit cost (bps)	17 - 20	17

Source: Company, PSR

Assumptions	OCBC	PSR
NIM (%)	Around 2%	2.05%
Loans growth (%)	Mid-single digit	6%
Credit cost (bps)	20 - 25	20

Source: Company, PSR

Assumptions	UOB	PSR
NIM (%)	-	1.89%
Loans growth (%)	-	5%
Credit cost (bps)	-	29

Source: Company, PSR

Figure 3: Higher allowances hurt earnings

1Q25 vs. 1Q24	DBS	OCBC	UOB
NIM	2.12% (-2bps)	2.04% (-23bps)	2.00% (-2bps)
NII	+5%	-4%	+2%
Net fees & commissions	+22%	+14%	+20%
Loans	+2%	+7%	+6%
Less: Allowances (S$)	325mn (+141%)	212mn (+25%)	290mn (+78%)
PATMI	S$2,897mn (-2%)	S$1,883mn (-5%)	S$1,490mn (flat)
NPL ratio	1.1% (flat)	0.9% (-10bps)	1.6% (+10bps)
FY25e Dividend Yield	6.8%	6.5%	6.5%

Source: Company, PSR

Singapore loan growth holding at mid-single digit

Overall, loans to Singapore residents, encompassing lending in all currencies to Singaporeans, rose by 4.8% YoY in March to S$847bn. While this was a slight decline from the previous month's growth of 4.94%, it is still the fourth-highest loan growth since August 2022. Loans for 1Q25 were up 5% YoY. We expect mid-single-digit loan growth for 2025, as loan growth is expected to recover further from additional rate cuts anticipated for the year, but might be hampered by the trade war. The banks are guiding mid-single-digit loan growth in 2025.

Business loans increased by 4.9% YoY in March. Loans to the building and construction segment, the single largest business segment, rose 4.4% YoY to S$178bn, the fifth-highest since July 2022. Meanwhile, loans to the manufacturing segment grew 10.2% YoY in March to S$24bn, the highest since September 2022.

Consumer loans increased 4.7% YoY in March to S$327bn, marking the 15th consecutive YoY increase since December 2023. Housing loans, which comprise ~70% of consumer lending, grew 3.8% YoY in March to S$234bn, the highest since November 2022.

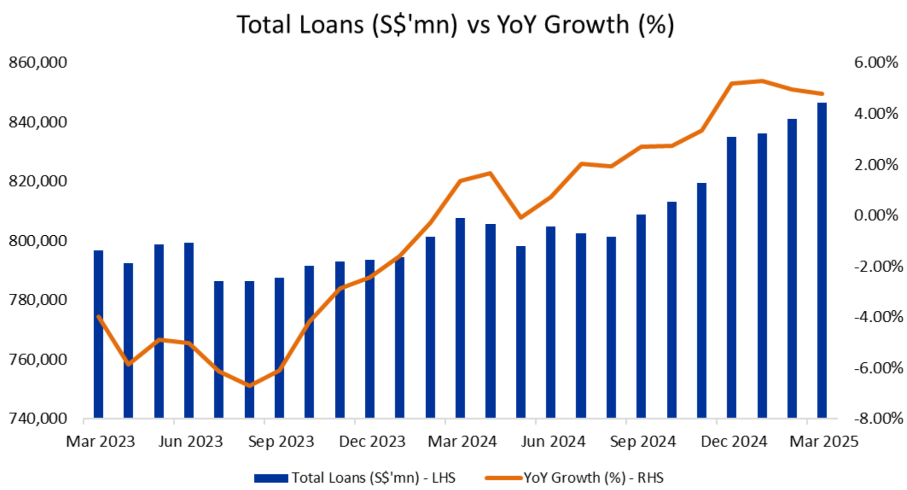
Total deposits and balances, which include deposits in all currencies made by non-bank customers, grew by 6.4% YoY in March to S$1,960bn. In the Current Account and Savings Account, or CASA, the proportion rose to 19.2% (Feb25: 19%) of total deposits, or S$376bn. We expect the CASA ratio to continue increasing as the higher-interest fixed deposits mature and funds are shifted back to CASA.

Figure 4: Singapore loans growth

2024/2025	Loans growth (YoY)
March 25	4.80%
February 25	4.94%
January 25	5.29%
December 24	5.20%
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%

Source: CEIC, PSR

Figure 5: Singapore loan growth at mid-single digit



Source: CEIC, PSR

Hong Kong loan growth decline flattens

Hong Kong's domestic loan growth declined 1.2% YoY but rose 1.1% MoM in March. The YoY decline was smaller than the 1.5% decline in February. Loan growth has continuously declined YoY since June 2022, primarily due to a decrease in mainland-China-related lending and weak demand for offshore lending resulting from lower onshore interest rates.

Volumes surge from heightened volatility

In April, SDAV surged 59% YoY to S$ 1,933mn (Figure 6), while DDAV rose 24% YoY to 1.47mn. The jump in April was mainly due to Trump's global tariff announcements on "Liberation Day" on 2 Apr 2025. Volume growth has surged at the start of 2025, with YTD SDAV/DDAV growing by 29%/13%, respectively. The VIX, a market index that measures the implied volatility of the S&P 500 Index, averaged 32 in April, notably higher than March's 21.8. We believe the heightened volatility could further increase for the rest of 2025, particularly with the ongoing trade war, which would continue to benefit both SDAV and DDAV.

The top four equity index futures turnover rose by 15% YoY in April to 13mn contracts (Figure 7), mainly due to a recovery in FTSE China A50 Index Futures volumes. Meanwhile, the FTSE Taiwan Index Futures volumes rose 32% MoM, while Nikkei 225 Index Futures dipped 4% MoM.

Figure 6: 12 Months SDAV and DDAV

	SDAV ($mn)	YoY	DDAV (mn)	YoY
April 25	1,933	59%	1.47	24%
March 25	1,483	25%	1.33	12%
February 25	1,480	18%	1.36	8%
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%

Source: SGX, Bloomberg, PSR

Figure 7: Turnover of top four equity index futures contracts rise

No. of contracts	Apr-24	Apr-25	YoY
FTSE China A50 Index Futures	7,167,021	9,427,907	+32%
Nikkei 225 Index Futures	921,586	750,122	-19%
MSCI Singapore Index Futures	1,359,217	1,161,033	-15%
FTSE Taiwan Index Futures	1,932,981	1,783,541	-8%
Sub-total	**11,380,805**	**13,122,603**	**+15%**

Source: SGX, Bloomberg, PSR

Singapore Banks Performance

The share price performance of the three local banks plunged in April 2025, with a decline of ~7.4% (Figure 8). The sharp decline was attributed to Trump's global tariffs, which were announced on "Liberation Day" on April 2. This triggered a massive selloff in the stock markets globally. However, the market gradually recovered after a pause in tariffs were subsequently announced, and we expect further recovery in the Singapore banks as they report stable earnings for 1Q25 and maintain their capital return initiatives.

Figure 8: Bank share price performance plunged in April 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	45.05	ACCUMULATE	44.50	-1%	4.9	21.6	-2.9	-4.8	-7.9
OCBC SP EQUITY	OCBC	16.21	ACCUMULATE	17.10	5%	6.2	13.3	-3.2	-7.2	-6.2
UOB SP EQUITY	UOB	35.49	ACCUMULATE	35.50	0%	5.8	13.9	-4.7	-7.7	-8.1

Source: Bloomberg, PSR

Singapore Banking News

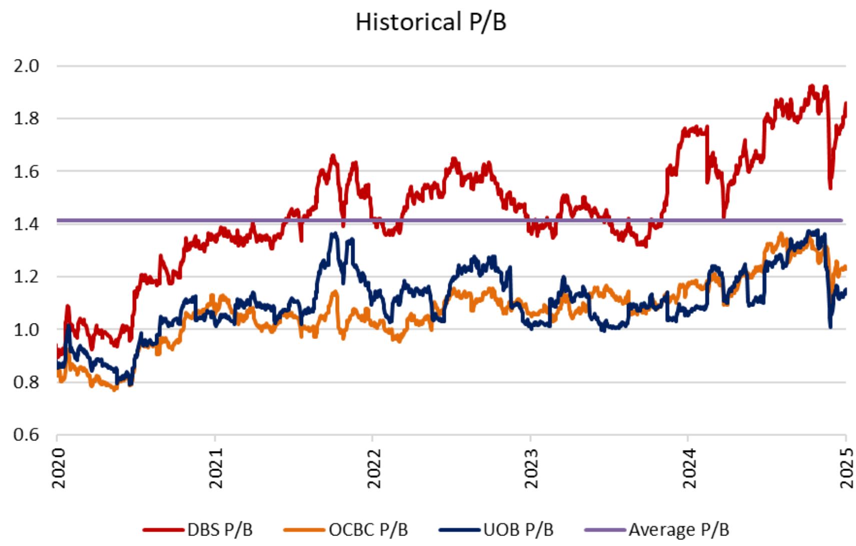
- On 28 April, it was reported that Singapore lenders are taking advantage of the recent weakness in their share prices to purchase stock, making up the bulk of the total corporate buybacks set to be the biggest in the city-state in four years. The value of buybacks by DBS, Singapore's largest bank, accounts for nearly half of all the stock repurchases in Singapore from 1 Apr to 23 Apr, followed by UOB at 25% and OCBC at just over 8%, according to data compiled by Bloomberg.
- On 26 April, it was reported that Revolut Singapore achieved its first year of net profitability in 2024, logging a profit margin of 15%. Annual revenue in Singapore rose by 70% YoY, the banking services and finance app stated in a press release. Subscription revenue grew by 50% in 2024, fuelled by a 45% increase in paid subscriptions. Average monthly transactions—including card payments and ATM withdrawals—rose by 26% during the year. Deposit balances more than doubled across both retail and business accounts, Revolut claimed.
- On 15 April, it was reported that an office complex in Singapore, One Raffles Quay – home to tenants such as EY and Deutsche Bank – has secured a S$1.13bn sustainability-linked loan (SLL) anchored by DBS. The financing will support enhancements to the complex, which is certified with a green rating by the Building and Construction Authority of the Asian city-state. Hongkong Land, Keppel REIT, and Suntec REIT jointly own the buildings. DBS has provided S$710mn as the anchor lender and sole sustainability coordinator. In addition, three other banks – ICBC, BOC, and OCBC – will jointly contribute S$420mn under the five-year facility.
- On 14 April, Singapore's central bank, the Monetary Authority of Singapore (MAS), loosened its monetary policy for the second time this year, stating that prospects for global growth and trade have dimmed amid U.S. tariffs. The trade ministry also cut its growth forecast for the city-state. The government downgraded Singapore's 2025 growth forecast to 0% to 2% from 1% to 3% previously, citing a significantly weaker external demand outlook after advanced data showed GDP contracted a seasonally adjusted 0.8% in the first quarter. MAS also adjusted its core and headline inflation forecasts for 2025 to 0.5% to 1.5% from a previous 1% to 2% and 1.5 to 2.5%, respectively.
- On 14 April, GXS Bank, which Grab Holdings and telco Singtel back, said that it has received approval from MAS to acquire Validus Capital, the Singapore business of Validus Group. Validus Capital, one of the largest digital lending platforms for small and medium-sized enterprises (SMEs) in Singapore, will become a wholly owned subsidiary of GXS Bank from 15 April. This is the first such acquisition by a digital bank in Singapore. Mr Vishal Shah, group head of business banking at GXS Bank, said the deal will be fully funded by cash, but exact details are confidential.

Investment Action

Maintain OVERWEIGHT. While more rate cuts are now expected, we believe the banks can maintain NIMs from the steepening yield curve and higher CASA levels. Loan growth is now expected to slow in FY25, but the first-order impact from tariffs is minimal (~1-3% of total loans), and the trade war does not directly impact the majority of their customers. We expect trading income to continue growing from the heightened volatility. The banks' dividend yield of ~6.6% is attractive as capital return initiatives continue in FY25 and share buybacks will improve ROE and EPS. The banks have reiterated their commitment to the previously announced capital return initiatives. A beneficiary of the trade war has been trading volumes, up ~42% in April.

DBS is our pick among the three banks, as we expect non-interest income to be the main growth driver, given that heightened volatility will benefit trading income and continued WM growth from the shift in investor sentiment and AUM inflows. However, higher provisions and the global minimum tax are expected to hurt profit after tax and minority interest (PATMI) in FY25. The capital return initiative, which includes a 24-cent annual increment, a 15-cent capital return dividend per quarter, a S$3 billion share buyback, and a 7% dividend yield, is attractive. Notably, DBS is the only bank with a fixed DPS of S$3.06, while OCBC and UOB maintain floating dividend policies based on a 50% payout ratio, with OCBC adding a 10% capital return and UOB including a 50 cents/share capital return.

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



Source: Bloomberg, PSR

Figure 10: Banks' target P/B

	DBS	OCBC	UOB
High Low	1.62 0.81	1.50 0.73	1.43 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$)	44.50	17.10	35.50

Source: Bloomberg, PSR

Figure 11: Peer Comparison – Singapore banks dividend yield at ~6.4%

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	98,507	11.0	11.7	11.5	1.8	1.9	1.8	6.8	7.0	17.3	16.2	16.0	45.1	44.50	-1%
OCBC	Accumulate	56,148	10.0	10.1	9.9	1.3	1.2	1.1	6.0	5.8	13.4	12.2	12.0	16.2	17.10	5%
UOB	Accumulate	45,623	10.2	9.9	9.4	1.3	1.2	1.1	6.2	5.6	13.2	12.2	11.6	35.5	35.50	0%
	Market Cap Weighted Average:		**10.5**	**10.8**	**10.5**	**1.5**	**1.5**	**1.5**	**6.4**	**6.3**	**15.2**	**14.2**	**13.9**			
Indonesia																
BCA	Non-rated	69,708	21.7	19.8	18.3	4.5	4.0	3.7	3.3	3.6	21.7	21.2	21.0	9350	na	na
MANDIRI	Non-rated	29,775	9.5	8.7	8.1	1.9	1.6	1.5	7.4	7.4	20.5	19.2	19.2	5250	na	na
BNI	Non-rated	10,173	7.6	7.5	6.8	1.0	1.0	0.9	7.7	8.6	13.7	13.6	14.0	4510	na	na
BANK BRI	Non-rated	39,047	10.2	11.0	10.0	1.9	2.0	1.9	7.9	8.3	19.1	18.2	19.4	4260	na	na
BANK BTN	Non-rated	1,057	5.3	5.2	4.6	0.5	0.5	0.5	4.1	4.8	9.5	9.5	9.9	1245	na	na
	Market Cap Weighted Average:		**15.2**	**14.3**	**13.2**	**3.1**	**2.8**	**2.6**	**5.6**	**5.9**	**20.2**	**19.4**	**19.7**			
Malaysia																
AFFIN BANK	Non-rated	1,579	13.6	11.8	10.3	0.6	0.6	0.5	2.2	3.0	4.5	5.1	5.4	2.7	na	na
ALLIANCE BANK	Non-rated	1,604	8.3	9.3	8.8	0.8	0.9	0.9	4.8	5.1	9.9	10.0	10.1	4.4	na	na
AMMB HOLDINGS	Non-rated	4,232	7.5	9.3	8.9	0.7	0.9	0.8	5.0	5.4	10.0	9.8	9.7	5.5	na	na
BANK ISLAM	Non-rated	1,301	9.8	9.1	8.7	0.7	0.7	0.7	6.5	7.0	7.6	7.9	8.1	2.5	na	na
CIMB BANK	Non-rated	18,057	11.3	9.6	9.1	1.3	1.0	1.0	5.9	6.3	11.2	11.2	11.2	7.2	na	na
HONG LEONG BANK	Non-rated	10,177	9.4	9.6	8.7	1.1	1.0	1.0	3.9	4.2	11.8	11.5	11.5	20.1	na	na
MAYBANK	Non-rated	28,582	12.2	11.6	11.2	1.3	1.3	1.2	6.3	6.6	10.7	10.9	11.0	10.1	na	na
PUBLIC BANK	Non-rated	20,426	12.4	11.7	11.2	1.5	1.4	1.4	5.1	5.3	12.8	12.6	12.4	4.5	na	na
RHB	Non-rated	6,846	9.0	8.8	8.4	0.9	0.9	0.8	6.7	6.9	9.8	10.0	10.1	6.7	na	na
	Market Cap Weighted Average:		**11.3**	**10.7**	**10.1**	**1.2**	**1.2**	**1.1**	**5.6**	**5.9**	**11.1**	**11.1**	**11.1**			
Thailand																
BANGKOK BANK	Non-rated	8,118	6.4	6.1	5.9	0.5	0.5	0.4	6.0	6.2	8.3	7.8	7.7	142.0	na	na
BANK OF AYUDHYA	Non-rated	4,891	6.1	5.5	5.3	0.5	0.4	0.4	4.0	4.2	7.8	7.5	7.3	22.2	na	na
KASIKORNBANK	Non-rated	11,495	7.6	7.8	7.4	0.7	0.7	0.6	6.4	6.8	8.9	8.5	8.6	162.0	na	na
KIATNAKIN BANK	Non-rated	1,147	8.8	8.0	7.3	0.7	0.6	0.6	8.1	8.7	8.1	7.5	8.0	46.3	na	na
KRUNGHTHAI	Non-rated	9,334	6.7	7.1	6.8	0.7	0.7	0.6	6.7	7.0	10.4	9.6	9.4	22.3	na	na
KRUNGHTHAI CARD	Non-rated	3,069	17.4	13.0	12.1	3.2	2.3	2.1	3.6	3.8	19.7	18.7	18.1	39.8	na	na
SCB X PCL	Non-rated	12,000	9.0	9.1	8.8	0.8	0.8	0.8	8.9	9.1	9.1	9.0	9.1	119.0	na	na
SRISAWAD	Non-rated	1,070	12.5	7.1	6.5	2.0	1.0	0.9	1.8	2.1	16.5	14.5	14.2	21.5	na	na
THANACHART BANK	Non-rated	1,563	8.0	7.4	6.9	0.7	0.7	0.6	6.8	6.9	9.3	9.3	9.3	49.8	na	na
TISCO	Non-rated	2,344	11.4	12.0	11.8	1.8	1.8	1.8	7.8	7.9	16.1	15.0	15.0	97.8	na	na
	Market Cap Weighted Average:		**8.3**	**8.0**	**7.6**	**0.9**	**0.8**	**0.7**	**6.6**	**6.9**	**10.1**	**9.6**	**9.5**			

Source: Bloomberg, PSR

Extracted as of 15-May-25

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