

Banks

All Set For a Challenging Year Ahead; Keep O/W

- Maintain OVERWEIGHT; Top Picks: DBS, United Overseas Bank (UOB) and OCBC Bank (OCBC).** The broader Singapore market and Singapore banks under our coverage (SG Banks) have had a relatively better start to the year vs ASEAN peers as the defensiveness of the sector and attractive dividend yields prove to be a good hideout for investors. The announced capital return plans by SG Banks have further reinforced our sector view. DBS is our sector Top Pick for its “in-the-bag” and “too-good-to-ignore” FY25F dividend yield.
- 4Q24 results met expectations.** SG Banks posted weaker sequential earnings, but this was as anticipated due to seasonality and an elevated non-II base banks were coming from in 3Q24. Overall, while earnings were anticipated, OCBC and UOB surprised with respect to dividends. Both banks unveiled their capital return plans, kicking off with capital return dividends to supplement their respective ordinary final DPS.
- Seasonally lower non-II and higher opex see 4Q24 PATMI slip QoQ.** Sector 4Q24 operating income fell 8% QoQ (+6% YoY) mainly due to lower non-II (-23% QoQ, +11% YoY) on seasonally lower fees (eg wealth management) and trading and income (T&I) income moderating from the 3Q24 high base. NII, though, ticked up 2% QoQ (+4% YoY) as despite lower benchmark rates, this was more than compensated by asset growth and, for DBS, improved NIM thanks to lower funding cost incurred for markets trading. Meanwhile, sector opex rose 6% QoQ (+8% YoY), although on a full-year basis, opex growth was in line with that for operating income. Hence, while CIR rose QoQ to 45.5% from 39.9% in 3Q24, FY24 CIR of 41.3% was stable as compared to FY23. The combination of lower operating income and higher opex saw 4Q24 PIOP slip 16% QoQ (+5% YoY), which largely filtered down to bottomline. Sector loans credit cost was broadly stable QoQ at 23bps (4Q23: 20bps) as despite an uptick in specific provisions (SP), this was cushioned by general provisions (GP) reversals. NPL was 3bps higher at 1.17% QoQ (4Q23: 1.19%) while LLC eased to 114% (3Q24: 121%; 4Q23: 116%) due to the NPL rise.
- 2025 guidance retained.** Both DBS and UOB retained their 2025 targets and guidance, which were shared earlier during the 3Q24 reporting quarter. OCBC’s 2025 guidance is broadly similar to its peers, except it guided for a sharper NIM squeeze of 20bps vs its peers’ 3bps compression. Partly, OCBC had assumed slightly more rate cuts – three US Federal Funds Rate (FFR) cuts vs two by peers, and continued redeployment of excess liquidity into high quality, lower yielding assets. That said, OCBC did also admit that the guidance could be conservative and there could be upside to the figure. SG Banks also unveiled their capital return plans during the reporting quarter. Based on optimal CET-1 levels ranging from 13-14%, SG Banks plan to return between SGD2.5bn (OCBC) and SGD8bn (DBS) over the next 2-3 years via a combination of dividends and share buybacks.
- Earnings forecasts.** At the sector level, FY25F-26F PATMI is raised by 2% and 3%. We lifted our earnings forecasts for DBS by 3% and 3% for FY25-26, 1% pa for OCBC while for UOB, we upped FY25F-26F PATMI by 2% and 3%. Despite the changes, we continue to expect FY25F sector earnings to stay flat, albeit with a higher base. We project FY25F PIOP to tick up by 2% and stable credit cost, but these would be offset by a higher tax rate from the implementation of a global minimum tax rate. During the quarter, we upgraded our call on OCBC to BUY from Neutral as we viewed its capital return plan as a positive addition to its investment thesis as a defensive option (solid asset quality and capital) and connectivity play.

Overweight (Maintained)

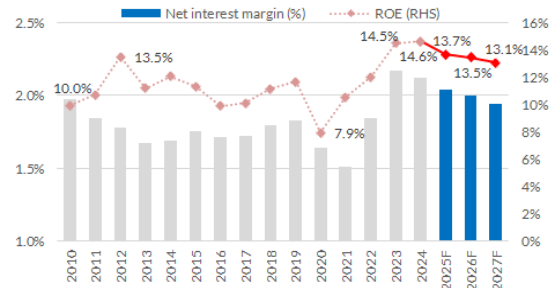
Stocks Covered 3
 Rating (Buy/Neutral/Sell): 3 / 0 / 0
 Last 12m Earnings Revision Trend: Positive

Top Picks	Target Price
DBS (DBS SP) – BUY	SGD51.20
UOB (UOB SP) – BUY	SGD41.60
OCBC (OCBC SP) – BUY	SGD19.10

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Sector NIM vs ROE



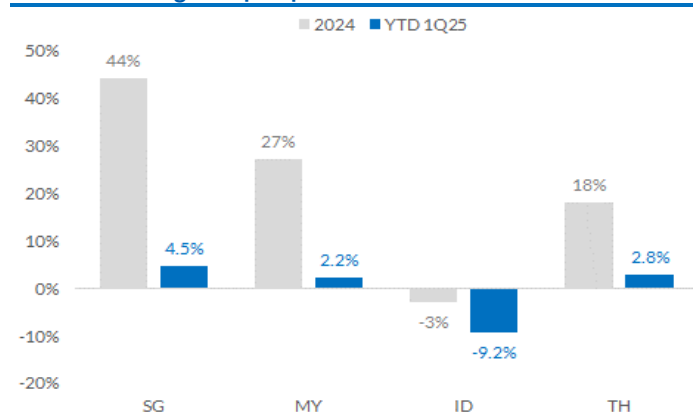
Source: Company data, RHB

Company Name	Rating	Target (SGD)	% Upside (Downside)	P/E (x) Dec-25F	P/B (x) Dec-25F	ROAE (%) Dec-25F	Yield (%) Dec-25F
DBS	Buy	51.20	11.4	11.9	1.8	15.7	6.7
OCBC Bank	Buy	19.10	11.1	10.1	1.2	12.4	5.9
United Overseas Bank	Buy	41.60	7.8	10.2	1.2	12.5	5.5

Source: Company data, RHB

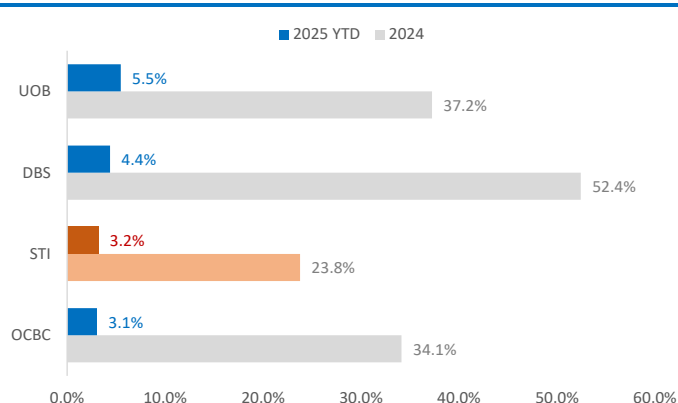
Share Price Performance

Figure 1: SG Banks' total returns performance off to a good start YTD from a regional perspective ...



Source: Bloomberg, RHB

Figure 2: ... and also domestically



Source: Bloomberg, RHB

SG Banks have started off on a positive note in terms of YTD total returns performance relative to regional peers and the local broader index. Riding on high expectations that SG Banks are set to unveil their capital return plans in the 4Q24 reporting quarter, the banks did not disappoint on that front. While FY25F sector earnings seem set to stay flat, we believe SG Banks will continue to appeal to investors looking to tide through the volatility as we think earnings downside risk should be contained thanks to loan provision buffers built up, coupled with attractive dividend yields on offer.

Among the SG Banks, UOB has outperformed YTD as investors reacted positively to its capital management plans, we believe. Moreover, among the three banks, UOB looks set to outperform in terms of earnings growth for this year, where we expect FY25F PATMI to rise by 5% YoY, aided by a further downshift in Citi integration costs and lower loan allowances now that it has beefed up provisioning for some of its large property exposures and in anticipation that its Thailand operations has stabilised. This is as compared to the flat to slight YoY earnings decline for its peers – partly due to the effect from the global minimum tax rate.

Key Highlights From 4Q24

4Q24 sector results – SG Banks met expectations

Figure 3: SG Banks' 4Q24 – seasonally softer sequentially

PATMI (SGDm)	4Q23	3Q24	4Q24	QoQ (%)	YoY (%)	FY23	FY24	YoY (%)	Comments
DBS	2,269	3,027	2,522	(17)	11	10,062	11,289	12	102%100% of our/consensus FY24F PATMI
OCBC	1,622	1,974	1,687	(15)	4	7,021	7,587	8	99-101% of our and consensus FY24F PATMI
UOB	1,402	1,610	1,523	(5)	9	5,711	6,045	6	103%/98% of our/consensus FY24F PATMI
Sector	5,293	6,611	5,732	(13)	8	22,794	24,921	9	

Source: Company data, RHB

As expected, SG Banks reported a sequentially softer set of numbers but on the whole, the results met our and consensus expectations.

4Q24 sector PATMI eased 13% QoQ (+8% YoY) – partly seasonal with fee income typically lower and opex spending ticking up, as well as a high base effect in 3Q24 due to T&I income. Loan allowances were also higher due to lower recoveries and a chunky account being downgraded. YoY, though, the sector reported a very respectable 9% growth in FY24 with non-II (+18% YoY) being the key driver. Moreover, NIM was relatively resilient due to the higher-for-longer rates environment while sector credit cost was flat at 20bps.

Among the banks, UOB's earnings were relatively more resilient QoQ on the back of better cost control and lower loan impairment allowances thanks to general allowance writebacks. Full-year, DBS posted the strongest net profit growth, underpinned by higher operating income.

Guidance and outlook

Figure 4: 2025 guidance and outlook by SG Banks

	Loan growth			NIM			Credit costs (bps)			Fee income		
	FY24A	FY24 guidance	FY25 guidance	FY24A	FY24 guidance	FY25 guidance	FY24A	FY24 guidance	FY25 guidance	FY24A	FY24 guidance	FY25 guidance
DBS	+3% YoY	Low single digit	Mid-single digit	2.13%	< 2023 exit NIM of 2.13%	Slight drop to c. 2.1%	13*	10-15*	17-20*	+24% YoY	Mid-high teens growth	High single digit (commercial book non-II)
OCBC	+8% YoY	Low single digit	Mid-single digit	2.20%	2.20-2.25%	c. 2.0%	19	20-25	20-25	n.a.	n.a.	n.a.
UOB	+5% YoY	Low single digit	High single digit	2.03%	c. 2.0%	c. 2.0%	27	25-30	25-30	+7% YoY	Double digit growth	Double digit growth

Note: *Refers to SP/loans

Source: Company data, RHB

DBS and UOB retained their 2025 guidance (introduced in the 3Q24 briefing) while OCBC unveiled its guidance during the reporting quarter. Of note, OCBC appears more conservative on its NIM outlook as compared to its peers. In part, its management has assumed three US FFR cuts and continued redeployment of excess liquidity into high quality, lower yielding assets and hence the sharper squeeze, but did also admit that the guidance could be conservative and there could be upside to the figure. On the other hand, DBS' 2025 NIM guidance takes into account two rate cuts and that the markets trading will benefit from lower funding cost and help cushion the impact of rate cuts on the commercial book. As for UOB, it cited that the bulk of the impact from earlier US FFR cuts have been felt in 4Q24 and the lagged impact from the repricing of deposits should filter through in 2025.

Apart from the above, OCBC and UOB have guided for stable credit cost whereas DBS' guided for a higher SP charge off this year. Recall that this is on the assumption that the charge-off rate normalises this year. Management has not noted signs of stress so far and was confident overall credit cost can be contained given its over SGD2bn in overlay buffers (part of which can be reversed if SP turns out higher than expected).

Sector Earnings Forecasts

At the sector level, FY25F-26F PATMI is raised by 2% and 3%. We lifted our earnings forecasts for DBS by 3% and 3% for FY25-26, 1% pa for OCBC while for UOB, we upped FY25F-26F PATMI by 2% and 3%.

Despite the changes, we continue to expect FY25F sector earnings to stay flat, albeit with a higher base. We project a modest rise in FY25F NII (acceleration in loan growth offset by wider NIM compression of 8bps) and a moderation in non-II due to the high base of other non-II, but fee growth should stay healthy. With operating income growth slowing, we expect SG Banks to keep a tighter rein on cost resulting in flat jaws. Thus, while FY25F PIOP is projected to tick up by 2%, this would be offset by a higher tax rate from the implementation of a global minimum tax rate keeping FY25F sector earnings flat YoY.

Upside risks to earnings would be:

- i. Better-than-expected NIM if US FFR cuts turn out to be milder than expected;
- ii. Elevated non-II (robust wealth activities and treasury flows);
- iii. Lower-than-expected credit costs.

Downside risks could come from loan growth and weaker-than-expected other non-II, especially on the treasury and markets front.

Figure 5: SG Banks – sector earnings and key assumptions

(SGDm)	2023	2024	2025F	2026F	2027F
NII	32,966	33,853	34,506	35,288	35,736
NII growth (%)	22.2%	2.7%	1.9%	2.3%	1.3%
Loan growth (%)	0.5%	5.2%	5.8%	5.2%	4.7%
NIM (%)	2.17%	2.12%	2.04%	2.00%	1.94%
Fee income	7,405	8,533	9,319	10,064	10,806
Other income	7,230	8,678	8,441	8,845	9,333
Non-II	14,635	17,211	17,760	18,909	20,139
Non-II growth (%)	18.1%	17.6%	3.2%	6.5%	6.5%
Total operating income	47,601	51,064	52,266	54,197	55,875
Operating income growth (%)	20.9%	7.3%	2.4%	3.7%	3.1%
Non-II/Total income (%)	30.7%	33.7%	34.0%	34.9%	36.0%
Opex	(19,731)	(21,070)	(21,701)	(22,546)	(23,425)
Opex growth (%)	14.7%	6.8%	3.0%	3.9%	3.9%
CIR (%)	41.5%	41.3%	41.5%	41.6%	41.9%
PIOP	27,870	29,994	30,565	31,651	32,449
PIOP growth (%)	25.8%	7.6%	1.9%	3.6%	2.5%
Loan impairment charges	(2,036)	(2,098)	(2,282)	(2,437)	(2,548)
Other impairment charges	(344)	(250)	(129)	(128)	(128)
Total impairment charges	(2,380)	(2,348)	(2,411)	(2,565)	(2,676)
Credit charge-off (bps)	20	20	20	21	20
GIL ratio (%)	1.19%	1.17%	1.14%	1.11%	1.08%
Loan loss coverage (%)	117.3%	113.9%	118.2%	116.4%	115.7%
Associates & others	1,260	1,365	1,481	1,597	1,721
Pre-tax profit	26,750	29,011	29,635	30,683	31,494
Taxation	(3,797)	(3,914)	(4,521)	(4,682)	(4,807)
Minority interests	(159)	(176)	(171)	(172)	(173)
Net profit	22,794	24,921	24,943	25,829	26,514
Net profit growth (%)	24.6%	9.3%	0.1%	3.5%	2.7%

Source: Company data, RHB

Valuations

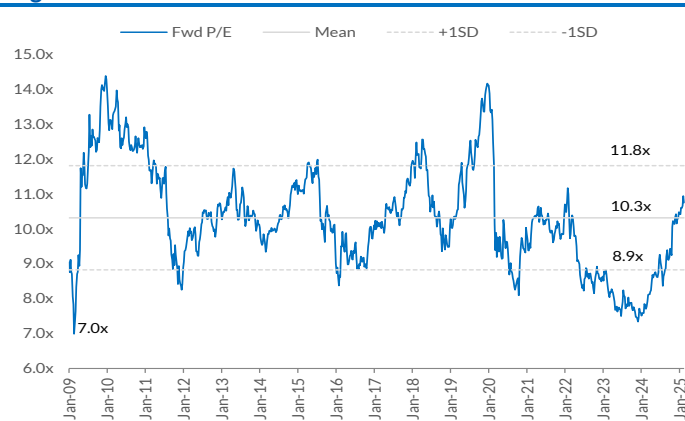
Figure 6: Summary of SG Banks' valuations

	Rec	Price	TP	Mkt cap	EPS chg (%)		P/E(x)		P/BV(x)		ROE (%)		Div yield (%)	
		(SGD/s)	(SGD/s)	(SGDm)	FY25F	FY26F	FY25F	FY26F	FY25F	FY26F	FY25F	FY26F	FY25F	FY26F
DBS	Buy	45.96	51.20	130.72	(2.5)	4.5	11.9	11.3	1.82	1.73	15.7	15.7	6.7*	5.9
OCBC	Buy	17.19	19.10	77.27	(0.1)	1.2	10.1	10.0	1.23	1.16	12.4	11.8	5.9*	5.2
UOB	Buy	38.60	41.20	64.61	5.2	4.8	10.2	9.7	1.24	1.16	12.5	12.4	5.5*	5.2
Sector Avg					(0.0)	3.6	11.0	10.6	1.51	1.44	14.0	13.8	6.2	5.5

Note: *Inclusive of capital return and special DPS

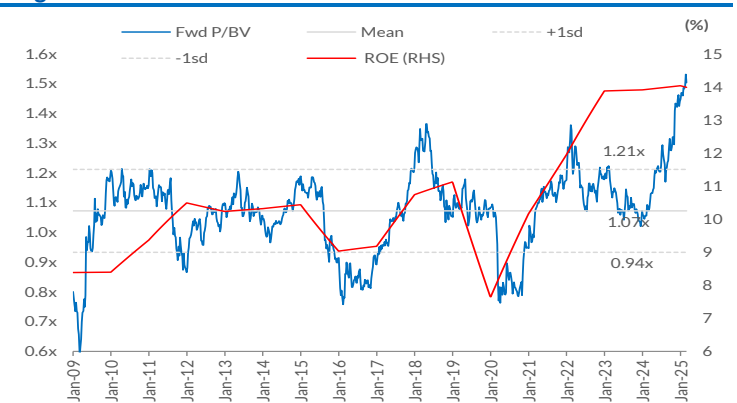
Source: Bloomberg, RHB

Figure 7: SG Banks' 12-month forward P/E



Source: Bloomberg, RHB

Figure 8: SG Banks' 12-month forward P/BV vs ROE



Source: Bloomberg, RHB

Key Trends In 4Q24

PIOP – Sequential decline from seasonal factors felt across the board

Figure 9: PIOP – Weaker non-II and negative jaws weighed on sequential trend

PIOP (SGDm)	4Q23	3Q24	4Q24	QoQ (%)	YoY (%)	FY23	FY24	YoY (%)
DBS	2,671	3,504	3,010	(14)	13	11,871	13,279	12
OCBC	1,963	2,339	1,856	(21)	(5)	8,284	8,731	5
UOB	1,814	2,208	1,883	(15)	4	7,715	7,984	3
Sector	6,448	8,051	6,749	(16)	5	27,870	29,994	8

Source: Company data, RHB

PIOP slipped 16% QoQ (+5% YoY) with operating income down 8% QoQ (+6% YoY) while opex rose 6% QoQ (+8% YoY). Non-II (-23% QoQ, +11% YoY) was the key culprit for the weaker operating income – reflecting a combination of seasonality (eg lower fees from slower wealth management activities) and a high base for T&I income.

Among the SG Banks, OCBC posted the sharpest QoQ drop due to lower T&I income and insurance contribution – which were the key drivers that buoyed its 3Q24 non-II. On a full-year basis, DBS enjoyed the swiftest growth, underpinned by 21% rise in non-II and 6% YoY growth in NII.

NII surprisingly held up well QoQ

Figure 10: NII increases YoY on asset growth

NII (SGDm)	4Q23	3Q24	4Q24	QoQ (%)	YoY (%)	FY23	FY24	YoY (%)
DBS	3,434	3,597	3,728	4	9	13,642	14,424	6
OCBC	2,462	2,433	2,455	1	(0)	9,645	9,755	1
UOB	2,404	2,460	2,451	(0)	2	9,679	9,674	(0)
Sector	8,300	8,490	8,634	2	4	32,966	33,853	3

Source: Company data, RHB

4Q24 sector NII was surprisingly resilient and while this was mainly driven by DBS, the other banks also had a decent quarter. Sector total assets rose 3% QoQ (+8% YoY), with loans up 3% QoQ (+5% YoY) while we estimate NIM was flat QoQ (-4bps YoY).

DBS reported the strongest sequential and YoY growth thanks to 5% QoQ and 12% YoY asset growth while NIM surprised positively QoQ (+4bps QoQ).

Figure 11: Sector NIM lower although the decline is still mild

NIM	4Q23	3Q24	4Q24	QoQ (bps)	YoY (bps)	FY23	FY24	YoY (bps)
DBS	2.13	2.11	2.15	4	2	2.15	2.13	(2)
OCBC	2.29	2.18	2.15	(3)	(14)	2.28	2.20	(8)
UOB	2.02	2.05	2.00	(5)	(2)	2.09	2.03	(6)
Sector	2.14	2.11	2.11	(1)	(4)	2.17	2.15	(2)

Source: Company data, RHB

Although the sector NIM appeared to be resilient QoQ, this was supported by the 4bps QoQ NIM expansion DBS reported, which it attributed to lower funding cost for markets trading more than compensating for the squeeze in the commercial book. Elsewhere, its peers reported a NIM decline on lower benchmark rates, cushioned by asset growth. Thanks to the sequential NIM expansion, DBS' full-year NIM also held up better relative to peers while OCBC's NIM fell by a quicker pace as apart from the rise in funding cost outpacing asset yields, it was also putting on high quality assets that carry lower yields.

Figure 12: Loan growth ended the year on a decent note

Gross loans (SGDbn)	4Q23	3Q24	4Q24	QoQ (%)	YoY (%)
DBS	422	424	437	3	3
OCBC	297	305	319	5	8
UOB	321	334	338	1	5
Sector	1,040	1,063	1,094	3	5

Source: Company data, RHB

Banks ended the year with decent loan growth, albeit with varying growth drivers. For DBS, growth came from non-trade corporate and trade loans while housing and other consumer loans were flattish. For OCBC, loan growth came from Singapore, Malaysia, and its international markets while UOB's growth was led by operations in Singapore, ASEAN-4, and rest of the world in wholesale and mortgages.

Going forward, UOB was most optimistic on loan growth – targeting high single-digit growth. It pointed to ASEAN (connecting hub for trade), digital, and the green economy as well as retail and mortgage as the main drivers.

Figure 13: Deposits grew in line with loans, CASA growth also healthy

Deposits (SGDbn)	4Q23	3Q24	4Q24	QoQ (%)	YoY (%)
DBS	535	545	562	3	5
OCBC	364	369	391	6	7
UOB	385	401	404	1	5
Sector	1,284	1,315	1,356	3	6

Source: Company data, RHB

SG Banks remained liquid, aided by continued new money inflow. YoY and QoQ deposit growth largely matched that of loans and hence, sector LDR was relatively unchanged at 79.6% in 4Q24 (3Q24: 80%; 4Q23: 79.9%).

Notably, CASA growth was also healthy with sector CASA deposits up 4% QoQ (+8% YoY) with all three banks reporting growth. DBS saw FD drive deposit growth in 1H24 while CASA underpinned the increase in 2H as rates started to decline.

As such, sector CASA ratio ticked higher to 51.8% from 51.4% in 3Q24 (4Q23: 50.7%). As at end-4Q24, DBS' CASA ratio inched 10bps higher QoQ to 51.8% (4Q23: 53.4%), OCBC's CASA mix was higher at 48.8% (3Q24: 48.5%, 4Q23: 48.7%), while UOB's CASA proportion notably rose to 54.6% from 53.6% in 3Q24 and 48.9% in 4Q23.

Non-II – Weaker QoQ but a very robust year nonetheless

Figure 14: Non-II down on lower wealth and T&I income

Non-II (SGDm)	4Q23	3Q24	4Q24	QoQ (%)	YoY (%)	FY23	FY24	YoY (%)
DBS	1,555	2,156	1,777	(18)	14	6,520	7,873	21
OCBC	811	1,369	961	(30)	18	3,862	4,718	22
UOB	1,006	1,374	1,010	(26)	0	4,253	4,620	9
Sector	3,372	4,899	3,748	(23)	11	14,635	17,211	18

Source: Company data, RHB

Sector non-II fell 23% QoQ (+11% YoY), although this was not surprising given seasonality and an elevated base in 3Q24. Fee income fell 9% QoQ with wealth management income slipping 19% QoQ while T&I income was down 35% QoQ. Full-year, though, growth was at a healthy clip with the rise supported by 9% fee income growth as wealth management fees jumped 27% YoY on improved market sentiment while T&I income rose 22% YoY.

Figure 15: Fee income did well YoY as positive investor sentiment underpin wealth fees

Fee income (SGDm)	4Q23	3Q24	4Q24	QoQ (%)	YoY (%)	FY23	FY24	YoY (%)
DBS	849	1,109	968	(13)	14	3,366	4,168	24
OCBC	460	508	517	2	12	1,804	1,970	9
UOB	569	630	567	(10)	(0)	2,235	2,395	7
Sector	1,878	2,247	2,052	(9)	9	7,405	8,533	15

Source: Company data, RHB

4Q24 sector fee income fell 9% QoQ (+9% YoY), with wealth management fees down 18% QoQ on seasonal factors. OCBC's fees held up better relative to peers on a sequential basis as its fees were broadly resilient. On the other hand, DBS' FY24 fees surged 24% YoY mainly as its wealth management fees jumped 45% YoY as deposits were deployed amid positive market sentiment.

Operating income better than expected

Figure 16: Operating income - Non-II-led growth

Operating income (SGDm)	4Q23	3Q24	4Q24	QoQ (%)	YoY (%)	FY23	FY24	YoY (%)
DBS	4,989	5,753	5,505	(4)	10	20,162	22,297	11
OCBC	3,273	3,802	3,416	(10)	4	13,507	14,473	7
UOB	3,410	3,834	3,461	(10)	1	13,932	14,294	3
Sector	11,672	13,389	12,382	(8)	6	47,601	51,064	7

Source: Company data, RHB

YoY, thanks to strong fee and other non-II, the sector's operating income ended 2024 on a decent growth.

Opex - Neutral jaws on full-year on the back of decent income growth

Figure 17: As expected, opex tends to be seasonally higher in 2H vs 1H

Opex (SGDm)	4Q23	3Q24	4Q24	QoQ (%)	YoY (%)	FY23	FY24	YoY (%)
DBS	2,318	2,249	2,495	11	8	8,291	9,018	9
OCBC	1,310	1,463	1,560	7	19	5,223	5,742	10
UOB	1,596	1,626	1,578	(3)	(1)	6,217	6,310	1
Sector	5,224	5,338	5,633	6	8	19,731	21,070	7

Source: Company data, RHB

Sector opex was up 6% QoQ and 8% YoY, with the QoQ rise due to seasonality. On a full-year basis, DBS' YoY opex rise partly reflects the inclusion of Citi-Taiwan's operations while the muted opex growth reported by UOB was aided by the substantial roll-off in Citi's integration cost since 3Q24.

Amid the drop in sector operating income coupled with the increase in opex, sector CIR rose to 45.5% vs 3Q24: 39.9% and 44.8% in 4Q23.

Figure 18: SG Banks' FY24 CIR remained stable

CIR (%)	4Q23	3Q24	4Q24	ppts (%)	ppts (%)	FY23	FY24	ppts (%)
DBS	46.5	39.1	45.3	6.2	(1.1)	41.1	40.4	(0.7)
OCBC	40.0	38.5	45.7	7.2	5.6	38.7	39.7	1.0
UOB	46.8	42.4	45.6	3.2	(1.2)	44.6	44.1	(0.5)
Sector	44.8	39.9	45.5	5.6	0.7	41.5	41.3	(0.2)

Source: Company data, RHB

Asset quality generally holding up

Figure 19: Higher SP QoQ, albeit for different reasons - lower recoveries for DBS, downgrade of one chunky account for OCBC and new NPAs coupled with markdown in collateral valuation for UOB ...

SP/loans (bps)	4Q23	3Q24	4Q24	QoQ (bps)	YoY (bps)	FY23	FY24	YoY (bps)
DBS	13	11	19	8	6	12	13	1
OCBC	1	5	20	15	19	9	13	4
UOB	27	36	52	17	26	25	32	7
Sector	14	17	30	13	16	15	19	4

Source: Company data, RHB

Figure 20: ... but overall CoC remains under control thanks to GP writebacks

Total credit cost (bps)	4Q23	3Q24	4Q24	QoQ (bps)	YoY (bps)	FY23	FY24	YoY (bps)
DBS	13	12	19	7	6	14	14	0
OCBC	25	22	27	4	2	22	18	(4)
UOB	25	34	25	(9)	(0)	24	28	3
Sector	20	22	23	2	3	20	20	0

Source: Company data, RHB

Figure 21: Higher NPA for DBS QoQ due to FX impact, as well as lower upgrades, repayments, and write-offs but management has not noted any major signs of stress

Gross NPLs (SGDm)	4Q23	3Q24	4Q24	QoQ (%)	YoY (%)
DBS	4,697	4,240	4,780	13	2
OCBC	2,805	2,797	2,827	1	1
UOB	4,870	5,010	5,164	3	6
Sector	12,372	12,047	12,771	6	3

Source: Company data, RHB

Figure 22: Sector NPL ratio improved 2bps YoY to 1.17%...

Gross NPL ratio (%)	4Q23	3Q24	4Q24	QoQ (bps)	YoY (bps)
DBS	1.11	1.00	1.09	9	(2)
OCBC	0.95	0.92	0.89	(3)	(6)
UOB	1.52	1.50	1.53	3	1
Sector	1.19	1.13	1.17	3	(2)

Source: Company data, RHB

Figure 23: ...but coverage fell at UOB due to higher NPAs, although management thinks it has taken in adequate provisions for the larger accounts

NPA coverage (%)	4Q23	3Q24	4Q24	QoQ (ppts)	YoY (ppts)
DBS	128.1	135.1	129.3	(5.8)	1.3
OCBC	135.4	147.7	143.0	(4.7)	7.6
UOB	92.9	91.9	84.2	(7.8)	(8.8)
Sector	116.3	120.5	114.4	(6.1)	(1.9)

Source: Company data, RHB

Special dividends help lift payouts as banks delivered on capital management

Figure 24: Capital computation under Basel III reforms go live

CET-1 ratio (%)	4Q23	3Q24*	4Q24*	QoQ (ppts)	YoY (ppts)
DBS	14.6	15.2	15.1	(0.1)	0.5
OCBC	15.9	15.6	15.3	(0.3)	(0.6)
UOB	13.3	15.2	15.4	0.2	2.1

*Fully phased-in CET-1 ratio under Basel III reforms

Source: Company data, RHB

With capital at healthy levels, SG Banks unveiled to investors their capital return plans over the next two to three years.

- DBS – SGD8bn in excess capital with SGD5bn to be returned via dividends over a three-year period and SGD3bn via share buybacks;
- OCBC – SGD2.5bn capital distribution comprising SGD1.5bn in special dividends for FY24 and FY25; and SGD1bn in share buybacks; and

- UOB – SGD3bn excess capital to be returned with SGD0.8bn in special dividends in 2025 and SGD2bn in share buybacks over a three-year period.

Both OCBC and UOB kicked off the special dividend capital return with the declaration of a special DPS of SGD0.16 (OCBC) and SGD0.50 (UOB – paid over two tranches) during the reporting quarter. DBS' capital return DPS will begin in 1Q25 in the form of 15 SG cents/quarter.

Figure 25: Special DPS booster as OCBC and UOB kick off capital return plans

DPS (SGD)	4Q23	4Q24	YoY (%)	FY23	FY24	YoY (%)	Div payout (%)	
							FY23	FY24
DBS	0.49*	0.60	22	1.75*	2.22	27	48	55
OCBC	0.42	0.57^	36	0.82	1.01^	23	53	60^
UOB	0.85	1.17^	38	1.70	2.05^	21	49	57^

Note: *Adjusted for bonus issue; ^includes special dividends

Source: Company data, RHB

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