

Singapore

**Overweight** (no change)**Highlighted Companies****DBS Group****ADD, TP S\$40.20, S\$33.92 close**

DBS had S\$1.4bn (estimated) in management overlays as at 1Q22. Monetisation of digital assets is a potential re-rating catalyst, although scaling up and price discovery may take time.

**OCBC****ADD, TP S\$14.20, S\$12.39 close**

OCBC's robust CET-1 of 15.2% remains a key tool, whether for M&As or to cushion against asset quality deterioration.

**United Overseas Bank****ADD, TP S\$35.60, S\$29.99 close**

We believe write-backs of management overlays would be unlikely until Covid-19 truly blows over. The credit quality of UOB's moratorium portfolio remains healthy. Its key risk of asset quality concerns from its SME and ASEAN portfolio have been well contained, in our view.

**Summary Valuation Metrics**

P/E (x)	Dec-22F	Dec-23F	Dec-24F
DBS Group	10.97	8.88	8.34
OCBC	10.29	8.70	7.88
United Overseas Bank	11.32	9.51	8.15
P/BV (x)	Dec-22F	Dec-23F	Dec-24F
DBS Group	1.47	1.33	1.21
OCBC	1.10	1.02	0.95
United Overseas Bank	1.12	1.04	0.96
Dividend Yield	Dec-22F	Dec-23F	Dec-24F
DBS Group	4.25%	4.25%	4.25%
OCBC	4.84%	4.84%	4.84%
United Overseas Bank	4.17%	4.17%	4.17%

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# Banks

## Waiting on rate tailwinds to kick in

- NIMs have inflected as S\$ rates price in expedited Fed rate hikes. We factor in 7 Fed hikes in FY22F and expect c.31-47bp NIM expansion in FY22-24F.
- Credit costs stayed benign with banks reporting resilient portfolios. Mgmt. overlays should limit earnings downside should credit cost outlook turn.
- We upgrade DBS's FY22-24F earnings by the most (c.5-12%), followed by UOB (c.2-6%) and OCBC (c.3-5%).
- Reiterate Overweight. NIM expansion is a tailwind, while robust CET1 supports dividend visibility. We prefer OCBC for its attractive risk-reward.

**NIMs have inflected, but non-ll outlook will depend on sentiment**

Singapore banks recorded a relatively decent showing in 1Q22 despite market volatility, partly thanks to an inflection in NIMs (+2-3bp qoq) as SGD rates started pricing in expedited Fed rate hikes to come, while keeping credit costs contained as macroeconomic headwinds (rising inflation, surging commodity prices, supply chain disruptions) were moderated by an improving economic outlook across ASEAN. Other key income drivers of wealth and treasury income will also be dependent on market conditions in coming quarters, particularly amid the risk-off sentiment – adding a swing factor to earnings going forward. The banks differed on their loan growth outlooks, with DBS expecting a slowdown in 2H22 while OCBC and UOB estimate progressive credit demand recovery in FY22.

**Rising interest rates a key tailwind for the sector**

Rising interest rates remain a key tailwind for the sector, especially with market expectations rising to c.7 Fed rate hikes in FY22F (vs.4-5 earlier this year). Although a c.6 month time lag is to be expected for these hikes to be translated into NIMs (time taken to transmit into SGD rates, and for loans to be repriced), the expedited rate hike timeline brings forward a larger portion of the NII rise into FY22-23F (vs. FY23-24F previously). As we factor in 7 Fed hikes into our assumptions, we now expect c.31-47bp NIM expansion for banks over FY22-24F. While rate hikes bode well for margins, we highlight that the scenario of higher borrowing costs amid stagnant economic growth may soften investment appetite and therefore overall fee income. Downside risks to our call include fewer-than-expected Fed rate hikes or fierce funding competition. Deposit competition remains at bay for the moment, which we believe is due to ample liquidity conditions in the system. The banks have not observed significant outflows from fixed deposits into CASA yet.

**Management overlays offset risks of potentially higher credit costs**

As a whole, the banks expressed that there were no imminent asset quality pressures on the horizon, whether from China or Russia-Ukraine exposures, and retained their individual credit cost guidance for FY22F (DBS: up to S\$100m, UOB & OCBC: c.20-25bp). Nonetheless, the banks echoed each other's sentiments of keeping watch over any change in macro headwinds. Although risks of negative credit cost guidance revisions remain, large management overlay buffers reduce the likelihood of significant earnings downgrades.

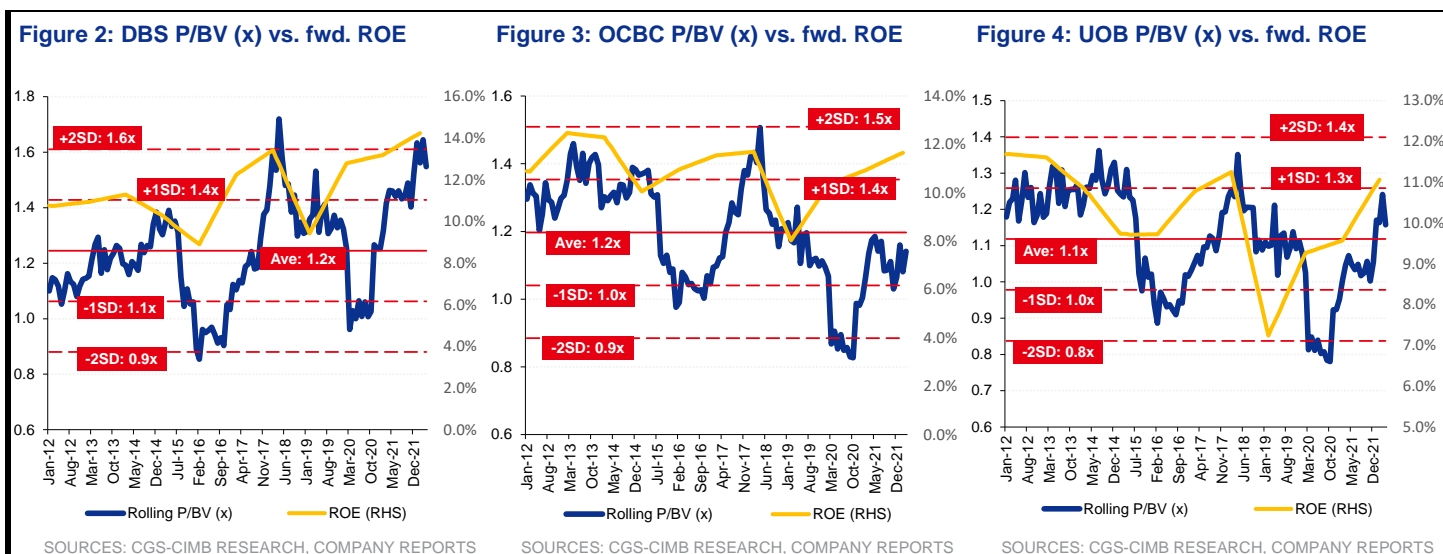
**We prefer OCBC for its more attractive risk-reward profile**

We keep Add ratings on all banks. We raise DBS TP to S\$40.20 (from S\$39.90) and UOBs TP to S\$35.60 (from S\$35.40) as we incorporate Fed hikes but tone down treasury/wealth income. OCBC's S\$14.20 TP is unchanged as the earnings rise from stronger NIMs and treasury income is offset by softer wealth. The banks are well-positioned to sustain its dividend policies in FY22F (we expect DBS: S\$1.44, OCBC: S\$0.60, UOB: S\$1.20) given that management overlay buffers stayed intact (DBS: c.S\$1.5bn, OCBC: c.S\$400m, UOB:S\$1.2bn) as CET1 ratios held steady at c.13.1-15.2% in 1Q22. With DBS and UOB having entered agreements to acquire Citi's retail banking franchise in the region, we think that OCBC's capital management plans remain an overhang on the stock given its robust c.15% CET1 position. That said, OCBC remains our top pick for the sector given its more attractive risk-reward profile. The bank trades at a c.17% discount (1.16x FY22F P/BV) to its peak valuation of 1.5x P/BV during the previous rate hike cycle.

**Figure 1: Sector Comparison**

Company	Bbg Ticker	Recom.	Price (local)	Tgt Price (local)	Mkt Cap (US\$ m)	3-year EPS CAGR (%)	P/BV (x)			Recurr. ROE (%)			P/PPOPS (x)			Div Yield (%)		
							CY22F	CY23F	CY24F	CY22F	CY23F	CY24F	CY22F	CY23F	CY24F	CY22F	CY23F	CY24F
DBS Group	DBS SP	Add	33.92	40.20	62,926	14.1%	1.47	1.33	1.21	14.1%	15.7%	15.2%	9.5	7.5	6.8	4.2%	4.2%	4.2%
OCBC	OCBC SP	Add	12.39	14.20	40,325	12.1%	1.10	1.02	0.95	11.1%	12.2%	12.5%	8.9	7.6	6.9	4.8%	4.8%	4.8%
United Overseas Bank	UOB SP	Add	29.99	35.60	36,203	15.5%	1.12	1.04	0.96	10.3%	11.3%	12.3%	8.4	7.0	6.2	4.2%	4.2%	4.2%
<b>Singapore average</b>						<b>13.9%</b>	<b>1.24</b>	<b>1.15</b>	<b>1.05</b>	<b>12.0%</b>	<b>13.3%</b>	<b>13.5%</b>	<b>9.0</b>	<b>7.4</b>	<b>6.7</b>	<b>4.4%</b>	<b>4.4%</b>	<b>4.4%</b>
Bank Central Asia	BBCA IJ	Hold	8,125	8,100	69,162	13.9%	4.53	4.16	3.81	17.3%	18.2%	18.6%	19.4	17.3	15.8	2.2%	2.5%	2.8%
Bank Danamon	BDMN IJ	Add	2,450	3,300	1,653	na	0.48	0.45	na	7.7%	8.4%	na	2.3	2.1	na	5.5%	6.3%	na
Bank Jago	ARTO IJ	Hold	11,650	15,900	11,147	151.1%	19.32	18.10	15.72	1.3%	6.7%	15.9%	274.9	100.6	44.7	0.0%	0.0%	0.1%
Bank Mandiri	BMRI IJ	Add	8,950	8,700	28,840	12.6%	2.03	1.92	1.81	16.2%	17.5%	17.9%	7.2	6.7	6.3	4.8%	5.3%	5.8%
Bank Negara Indonesia	BBNI IJ	Add	9,225	8,710	11,879	28.0%	1.18	1.07	0.97	11.5%	12.9%	13.6%	5.5	5.0	4.6	2.7%	4.0%	5.3%
Bank Permata	BNLI IJ	Reduce	1,230	1,500	3,059	na	0.97	0.93	na	3.9%	4.8%	na	9.0	8.2	na	0.0%	0.0%	na
Bank Rakyat Indonesia	BBRI IJ	Add	4,870	5,000	50,966	20.2%	2.40	2.29	2.18	14.2%	16.0%	18.0%	9.5	8.7	7.5	4.9%	5.8%	6.9%
Bank Tabungan Negara	BBTN IJ	Add	1,845	2,100	1,349	14.4%	0.83	0.75	0.67	11.7%	12.4%	13.0%	3.1	2.8	2.5	2.7%	3.2%	3.7%
Bank Tabungan Pensiit	BTPN IJ	Hold	2,580	2,500	1,452	na	0.68	na	na	7.2%	na	na	3.4	na	na	0.4%	na	na
Bank Tabungan Pensiit	BTPS IJ	Hold	3,450	3,900	1,835	25.1%	3.15	2.63	2.16	22.8%	23.7%	25.7%	8.7	7.4	6.1	1.7%	2.0%	2.5%
<b>Indonesia average</b>						<b>na</b>	<b>2.51</b>	<b>na</b>	<b>na</b>	<b>13.9%</b>	<b>na</b>	<b>na</b>	<b>10.5</b>	<b>na</b>	<b>na</b>	<b>3.2%</b>	<b>na</b>	<b>na</b>
Affin Bank Berhad	ABANK MK	Reduce	2.10	1.41	1,025	5.4%	0.41	0.40	0.38	4.7%	5.1%	5.5%	5.1	4.8	4.4	2.4%	2.8%	3.1%
Alliance Bank Malaysia	ABMB MK	Reduce	3.78	3.17	1,344	18.1%	0.83	0.78	0.73	10.5%	11.0%	11.7%	5.1	4.7	4.1	5.2%	5.9%	6.6%
AMMB Holdings	AMM MK	Add	3.69	3.64	2,809	10.4%	0.74	0.69	0.65	9.7%	9.8%	9.9%	4.4	4.0	3.6	5.2%	5.5%	5.9%
Bank Islam Malaysia B	BIMB MK	Add	2.90	3.30	1,436	14.7%	0.87	0.82	0.77	8.7%	9.9%	10.4%	5.3	5.0	4.6	4.7%	5.8%	6.5%
Hong Leong Bank	HLBK MK	Add	20.98	21.80	10,446	9.9%	1.30	1.21	1.13	9.9%	10.1%	10.2%	12.8	12.0	11.0	2.9%	3.2%	3.5%
Malayan Banking Bhd	MAY MK	Add	9.07	9.80	24,938	6.4%	1.11	1.05	1.00	8.9%	9.5%	9.7%	7.7	7.1	6.4	4.6%	5.4%	5.8%
Public Bank Bhd	PBK MK	Add	4.69	5.00	20,911	9.6%	1.75	1.62	1.52	11.6%	13.6%	13.1%	9.5	8.6	7.9	3.2%	4.0%	4.2%
RHB Bank Bhd	RHBBANK MK	Add	6.25	7.00	5,948	9.4%	0.80	0.74	0.69	9.5%	10.3%	10.4%	5.3	4.9	4.5	5.5%	6.7%	7.3%
<b>Malaysia average</b>						<b>9.2%</b>	<b>1.16</b>	<b>1.09</b>	<b>1.02</b>	<b>9.6%</b>	<b>10.4%</b>	<b>10.5%</b>	<b>7.9</b>	<b>7.2</b>	<b>6.6</b>	<b>4.0%</b>	<b>4.7%</b>	<b>5.1%</b>
Bangkok Bank	BBL TB	Add	130.5	164.0	7,232	na	0.51	0.48	na	6.2%	6.7%	na	4.0	3.7	na	3.8%	3.8%	na
Kasikornbank	KBANK TB	Add	153.0	170.0	10,524	na	0.73	0.69	na	8.2%	8.4%	na	3.8	3.6	na	3.3%	3.9%	na
Kiatnakin Phatra Bank	KKP TB	Hold	72.25	59.00	1,776	na	1.25	1.22	na	13.1%	13.6%	na	4.7	4.6	na	5.9%	7.3%	na
Krung Thai Bank	KTB TB	Hold	15.20	12.70	6,167	na	0.57	0.55	na	5.9%	5.9%	na	3.3	3.1	na	3.6%	3.8%	na
Krungthai Card	KTC TB	Reduce	57.75	42.00	4,323	na	4.89	4.19	na	25.2%	26.0%	na	10.0	9.2	na	2.0%	2.4%	na
Muangthai Capital	MTC TB	Add	46.25	67.00	2,846	20.2%	3.26	2.65	2.18	22.0%	23.3%	22.3%	11.2	8.9	7.7	0.9%	1.2%	4.6%
SCB X	SCB TB	Add	115.0	119.0	11,241	na	0.86	0.82	na	8.3%	8.9%	na	4.3	4.1	na	4.3%	4.8%	na
Srisawad Corporation	SAWAD TB	Add	53.75	78.00	2,143	na	2.65	2.33	na	22.0%	22.5%	na	9.6	8.3	na	3.9%	4.5%	na
Tisco Financial Group	TISCO TB	Hold	90.75	101.0	2,109	na	1.75	1.70	na	17.1%	17.8%	na	6.5	6.2	na	8.5%	8.8%	na
TMBThanachart Bank	TTB TB	Add	1.30	1.33	3,646	na	0.56	0.54	na	6.6%	6.9%	na	3.0	2.8	na	4.6%	5.0%	na
<b>Thailand average</b>						<b>na</b>	<b>0.81</b>	<b>0.77</b>	<b>na</b>	<b>8.0%</b>	<b>8.5%</b>	<b>na</b>	<b>4.4</b>	<b>4.1</b>	<b>na</b>	<b>3.8%</b>	<b>4.2%</b>	<b>na</b>

SOURCES: CSG-CIMB RESEARCH, COMPANY



ESG in a nutshell	
<p>Singapore banks' ESG scores (by Refinitiv) rank reasonably high (ranging from A- to B-) in our universe of covered companies in the city state (ranging from A- to D). While we do not see any material ESG issues for the banks given the nature of their business, controversies such as palm oil financing and financing disputes brought about by counterparties (borrowers) could result in severe reputational risk. That aside, we highlight that over the past five years, the banks have made noticeable improvements across all pillars in a bid to improve their scores. Singapore banks have committed to achieving sustainable financing targets over the medium term while implementing responsible financing policies. We believe these measures will support stronger ESG metrics across the sector over time.</p>	
<p><b>Keep your eye on</b></p> <p>Key controversies in the sector involve the financing of sectors deemed environmentally-depletive, such as palm oil plantations and coal-fired power plants (leading to deforestation), and the leakage of sensitive financial data.</p>	<p><b>Implications</b></p> <p>According to a study done by the World Wildlife Fund, Singapore banks have been at the forefront of reducing the financing of fossil fuel projects and implementing No Deforestation, No Peat, and No Exploitation (NDPE) policies. We believe these policies effectively address the controversies.</p>
<p><b>ESG highlights</b></p> <p>Singapore banks' ESG scores (including the controversy overlay) by Refinitiv range from B+ to B-, and rank among the top 25 highest-scoring companies (of 93) in our covered universe in Singapore.</p>	<p><b>Implications</b></p> <p>Singapore banks have sound corporate governance and strictly comply with regulatory requirements (under the Monetary Authority of Singapore's supervision). Given the lack of material controversial issues, we think banks may be valued at a premium by ESG-centric investors.</p>
<p><b>Trends</b></p> <p>The banks have progressively improved their ESG scores across all pillars, albeit at a varying pace.</p>	<p><b>Implications</b></p> <p>We think the banks' strong ESG scores are implicit in their valuations. We think the materiality of any controversy flagged will be assessed (by investors) on a case-by-case basis. At the current juncture, we do not foresee valuation-related implications for the sector from any ESG issues raised.</p>

SOURCES: CGS-CIMB RESEARCH, REFINITIV

## Singapore

**ADD** (no change)

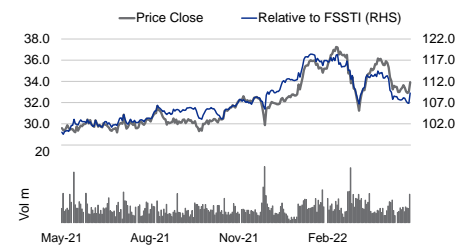
Consensus ratings\*: Buy 14 Hold 5 Sell 0

Current price:	S\$33.92
Target price:	S\$40.20
Previous target:	S\$39.90
Up/downside:	18.5%
CGS-CIMB / Consensus:	1.8%
Reuters:	DBSM.SI
Bloomberg:	DBS SP
Market cap:	US\$62,926m
	S\$87,291m
Average daily turnover:	US\$116.1m
	S\$157.7m
Current shares o/s:	2,562m
Free float:	70.7%

\*Source: Bloomberg

### Key changes in this note

- We raise FY22-24F EPS by c.5-12% as we factor in 7 Fed rate hikes in FY22F and softer wealth management income.



Source: Bloomberg

Price performance	1M	3M	12M
Absolute (%)	-5.7	-2.6	15.4
Relative (%)	-3.4	-6	11.2

Major shareholders	% held
Temasek	29.3
Capital Group	2.5
Vanguard Group	2.1

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## DBS Group

### Tailwinds from rate hikes to come

- A strong pipeline supports c.3-4% loan growth in 1H22F, but wealth and treasury income in coming quarters will depend on market conditions.
- While asset quality remains resilient through stress tests, c.S\$1.5bn mgmt. overlays cap earnings downside risks if macroeconomic headwinds worsen.
- Reiterate Add. Further NIM expansion from Fed hikes is a re-rating catalyst.

### Loan growth pipeline decent, but earnings may be swayed by TI

DBS reports that its portfolio remains resilient, though it downgraded macroeconomic forecasts. The bank's corporate pipeline is robust and should support c.1-2% qoq loan growth in 2Q22, bringing 1H22 growth to c.3-4%. That said, DBS's mid-single digit loan growth target for FY22F highlights a possible slowdown in 2H22F given downstream effects of inflation and continued supply chain disruptions. With the bank's mixed outlook on fees (gradual credit card income recovery but double-digit yoy wealth income will depend on market conditions), overall earnings could be steered by treasury market income in quarters to come. To note, stronger-than-expected treasury income (TI) was a positive surprise in 1Q22. While wealth management customers remain wary given the volatility, DBS remains in good stead as AUMs rose c.1% qoq to S\$294bn in 1Q22 (including net new money). 1Q22 core earnings formed 44% of our full-year forecast. Fewer-than-expected Fed rate hikes are a key downside risk.

### Pencil in 7 Fed hikes in FY22F, NIMs may rise c.47bp in FY22-24F

DBS is most levered (amongst peers) to rising interest rates given c.76% CASA base. We anticipate stronger earnings upside to come from expedited Fed rate hikes, and pencil in 7 hikes (to c.2%) in FY22F (from 6 hikes over FY22-23F previously). Mgmt. reiterates its NII sensitivity of S\$18m-20m per basis point of USD rates, translating to c.S\$450m-500m in NII per 25bp Fed rate hike. We expect cumulative NIM expansion of c.47bp to c.1.9% over FY22-24F, with the rise likely to be backloaded in FY23-24F.

### Net allowance guidance maintained at below S\$100m in FY22F

DBS guides for specific provisions to trend at a more normalised c.15-20bp in FY22F but net allowances could come in below S\$100m as the bank takes the opportunity to release some of its c.S\$1.5bn management overlays built up over the past two years, capping downside earnings revisions for FY22F. Stronger NII flow-through from the incoming Fed rate hikes could reduce the need for writebacks, keeping this bullet intact.

### Strong 14% CET1 ratio provides dividend payment support

We slightly raise GGM-based TP. We raise FY22-24F EPS by c.5-12% to factor in stronger NII from future Fed hikes but softer wealth management income. CET1 ratio dipped 0.4%pt qoq to 14% in 1Q22 given MAS's penalty for operational disruptions in Nov 21 which should reverse in time. DBS's acquisition of Citi's Taiwan retail franchise should consume 0.7%pt of CET1, but resultant CET1 should trend above c.12.5%-13.5%, keeping div. payments intact. DBS currently trades at a c.1.45x FY22F P/BV.

### Financial Summary

	Dec-20A	Dec-21A	Dec-22F	Dec-23F	Dec-24F
Net Interest Income (S\$m)	9,076	8,440	9,818	12,247	13,443
Total Non-Interest Income (S\$m)	5,516	5,857	6,104	6,515	6,809
Operating Revenue (S\$m)	14,592	14,297	15,922	18,763	20,251
Total Provision Charges (S\$m)	(3,066)	(52)	(86)	(457)	(872)
Net Profit (S\$m)	4,721	6,797	7,922	9,783	10,425
Core EPS (S\$)	1.86	2.65	3.09	3.82	4.07
Core EPS Growth	(25.9%)	42.9%	16.6%	23.5%	6.6%
FD Core P/E (x)	18.27	12.79	10.97	8.88	8.34
DPS (S\$)	0.87	1.17	1.44	1.44	1.44
Dividend Yield	2.56%	3.45%	4.25%	4.25%	4.25%
BVPS (S\$)	19.98	21.42	23.07	25.44	28.06
P/BV (x)	1.70	1.58	1.47	1.33	1.21
ROE	9.4%	12.8%	13.9%	15.7%	15.2%
% Change In Core EPS Estimates			5.4%	12.0%	6.5%
CGS-CIMB/Consensus EPS (x)			1.07	1.14	1.10

SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

**Figure 1: Results comparison**

FYE Dec (\$\$ m)	1Q22	2Q20	yoy % chg	1Q21	qoq % chg	FY20 Cum	FY19 Cum	yoy % chg	Prev. 1Q22F	Prev. FY22F	Comments
Net interest income	2,187	2,303	(5.0)	2,107	3.8	9,076	9,625	(5.7)	2,182	9,194	In line. 1Q22 NIM rose 3bp qoq to 1.46%
Non-interest income	1,560	1,423	9.6	1,747	(10.7)	5,516	4,919	12.1	1,518	6,257	In line. Treasury income held up better than expected.
Total income	3,747	3,726	0.6	3,854	(2.8)	14,592	14,544	0.3	3,700	15,451	In line.
Overhead expenses	(1,644)	(1,483)	10.9	(1,587)	3.6	(6,158)	(6,258)	(1.6)	(1,696)	(6,783)	Slightly below expectations. CTI dipped to 44% in 1Q22 on
Pre-provision profit	2,103	2,243	(6.2)	2,267	(7.2)	8,434	8,286	1.8	2,004	8,668	Slightly above expectations.
Loan loss provisions	(55)	(849)	(93.5)	(10)	450.0	(3,066)	(703)	336.1	(80)	(86)	Below expectations. Credit costs of 5bp was better than our expected 8bp.
Exceptionals	-	-	na	-	na	-	-	na	-	-	
Associates' contribution	-	-	na	-	na	-	-	na	30	120	
Pretax profit	2,048	1,394	46.9	2,257	(9.3)	5,368	7,583	(29.2)	1,954	8,702	Above expectations.
Tax	(247)	(147)	68.0	(248)	(0.4)	(612)	(1,154)	(47.0)	(254)	(1,131)	
Tax rate (%)	12	11									
Minority interests	-	-	#DIV/0!	-	-	(35)	(38)	(7.9)	-	(56)	
Net profit	1,801	1,247	44.4	2,009	(10.4)	4,721	6,391	(26.1)	1,700	7,515	Above expectations.
Core net profit	1,801	1,247	44.4	2,009	(10.4)	4,721	6,391	(26.1)	1,700	7,515	
EPS (cts)	281	193	45.6	314	(10.5)	184	249	(26.1)	212	293	1Q22 ROE of 13.1%.
Core EPS (cts)	281	193	45.6	314	(10.5)	184	249	(26.1)	212	293	

SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

**Figure 2: Earnings changes**

	New			Old			% chg		
	FY22F	FY23F	FY24F	FY22F	FY23F	FY24F	FY22F	FY23F	FY24F
NIM (%)	1.58%	1.85%	1.92%	1.48%	1.64%	1.79%	+10bp	+21bp	+13bp
Net loan growth (%)	7.0%	6.3%	5.8%	7.0%	6.3%	5.8%	0%pt	0%pt	0%pt
NII (\$\$m)	9,818	12,247	13,443	9,194	10,867	12,528	6.8%	12.7%	7.3%
Non-NII (\$\$m)	6,104	6,515	6,809	6,257	6,686	6,988	-2.4%	-2.6%	-2.6%
Operating expenses (\$\$m)	6,783	7,098	7,427	6,783	7,098	7,427	0.0%	0.0%	0.0%
Cost-to-income ratio	42.6%	37.8%	36.7%	43.9%	40.4%	38.1%	-1.3%pt	-2.6%pt	-01.4%pt
Provisions (\$\$m)	86	457	872	86	457	872	0.0%	0.0%	0.0%
Net profit (\$\$m)	7,922	9,783	10,425	7,515	8,738	9,790	5.4%	12.0%	6.5%
EPS (\$\$)	3.08	3.81	4.06	2.93	3.40	3.81	5.4%	12.0%	6.5%


SOURCE: CIMB RESEARCH, COMPANY

**Figure 3: GGM valuation**

GGM valuation	
COE	8.2%
Sustainable ROE	12.8%
LTG	2.0%
(ROE-LTG) - [a]	10.8%
(COE - LTG) - [b]	6.2%
Target P/BV (x) - [a]/[b]	1.74
FY22 BV (\$\$)	23.07
Target price (\$\$)	40.20

SOURCE: CGS-CIMB RESEARCH

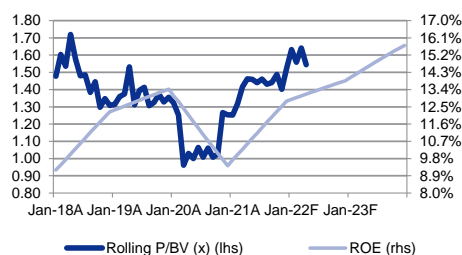


ESG in a nutshell		Refinitiv ESG Scores					
							
		B+	B+	B+	A+	B+	B
		ESG Score	ESG Controversies Score	ESG Combined Score	ESG Environment Pillar Score	ESG Social Pillar Score	ESG Government Pillar Score
<p>DBS scores B+ on its ESG Combined Score by Refinitiv. Excluding environmental controversies, DBS maintained its A- ESG score in FY20 and is among the best in class in Singapore. The bank has progressively contributed to the development of best practices in specific sectors via its Responsible Financing Standard, and we expect this to be continuously refined going forward. DBS has raised its sustainable finance target to S\$50bn by 2024 (from S\$17bn currently) and commits to zero thermal coal exposure by 2039.</p>							
<p><b>Keep your eye on</b></p> <p>DBS has been flagged for environmental controversies relating to the financing of palm oil plantations, leading to deforestation.</p>	<p><b>Implications</b></p> <p>Controversies surrounding the financing of palm oil plantations have been long-standing. DBS recognises that it can play a role in achieving a more sustainable palm oil sector and requires new clients to demonstrate alignment with its No Deforestation, No Peat, and No Exploitation (NDPE) policies. These controversies are not currently factored into valuations, in our view, but a prolonged misalignment with responsible financing practices could be a longer-term drag on the stock.</p>						
<p><b>ESG highlights</b></p> <p>Excluding the environmental controversies, DBS's B+ ESG score is among the best in class in Singapore. DBS ranks on the upper end of ESG scoring against its sector peers.</p>	<p><b>Implications</b></p> <p>DBS has proactively raised its ESG score over the past 5 years, demonstrating its commitment to improve on each pillar of this standard. While not priced in at the current stage, we believe that DBS's ESG progress and prominence will be a key differentiating factor among more discerning investors in time to come. In addition to the adherence to its Responsible Financing Standard, advancement towards its sustainable finance target and zero thermal coal exposure commitment will support re-rating cycles.</p>						
<p><b>Trends</b></p> <p>DBS has improved its scoring in each ESG pillar over FY16-20. To note, its ESG Controversies Score rose to A- in FY21 (from B in FY20).</p>	<p><b>Implications</b></p> <p>The improvements are positive and consistent. The recovery and management of its environmental controversy will be key to improving the bank's scores further.</p>						

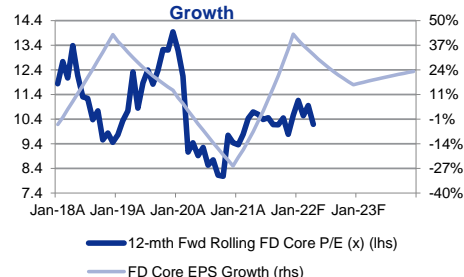
SOURCES: CGS-CIMB RESEARCH, REFINITIV

## BY THE NUMBERS

**P/BV vs ROE**



**12-mth Fwd FD Core P/E vs FD Core EPS Growth**



### Profit & Loss

(\$m)	Dec-20A	Dec-21A	Dec-22F	Dec-23F	Dec-24F
Net Interest Income	9,076	8,440	9,818	12,247	13,443
Total Non-Interest Income	5,516	5,857	6,104	6,515	6,809
<b>Operating Revenue</b>	<b>14,592</b>	<b>14,297</b>	<b>15,922</b>	<b>18,763</b>	<b>20,251</b>
Total Non-Interest Expenses	(6,158)	(6,469)	(6,783)	(7,098)	(7,427)
<b>Pre-provision Operating Profit</b>	<b>8,434</b>	<b>7,828</b>	<b>9,139</b>	<b>11,665</b>	<b>12,824</b>
Total Provision Charges	(3,066)	(52)	(86)	(457)	(872)
<b>Operating Profit After Provisions</b>	<b>5,368</b>	<b>7,776</b>	<b>9,053</b>	<b>11,208</b>	<b>11,952</b>
Pretax Income/(Loss) from Assoc.	0	0	120	120	120
<b>Operating EBIT (incl Associates)</b>	<b>5,368</b>	<b>7,776</b>	<b>9,173</b>	<b>11,328</b>	<b>12,072</b>
Non-Operating Income/(Expense)	0	0	0	0	0
<b>Profit Before Tax (pre-EI)</b>	<b>5,368</b>	<b>7,776</b>	<b>9,173</b>	<b>11,328</b>	<b>12,072</b>
Exceptional Items					
<b>Pre-tax Profit</b>	<b>5,368</b>	<b>7,776</b>	<b>9,173</b>	<b>11,328</b>	<b>12,072</b>
Taxation	(612)	(975)	(1,193)	(1,473)	(1,569)
Consolidation Adjustments & Others					
Exceptional Income - post-tax	0	(4)	0	0	0
<b>Profit After Tax</b>	<b>4,756</b>	<b>6,797</b>	<b>7,981</b>	<b>9,856</b>	<b>10,503</b>
Minority Interests	(35)	0	(59)	(73)	(77)
Prof. & Special Div	0	0	0	0	0
FX And Other Adj.	0	0	0	0	0
<b>Net Profit</b>	<b>4,721</b>	<b>6,797</b>	<b>7,922</b>	<b>9,783</b>	<b>10,425</b>
Recurring Net Profit	4,721	6,797	7,922	9,783	10,425

### Balance Sheet Employment

	Dec-20A	Dec-21A	Dec-22F	Dec-23F	Dec-24F
Gross Loans/Cust Deposits	81.3%	84.2%	85.6%	86.6%	87.3%
Avg Loans/Avg Deposits	85.2%	82.8%	84.9%	86.1%	87.0%
Avg Liquid Assets/Avg Assets	32.4%	33.0%	31.9%	31.0%	30.0%
Avg Liquid Assets/Avg IEAs	37.5%	39.0%	37.4%	36.3%	35.3%
Net Cust Loans/Assets	57.1%	59.5%	60.6%	61.2%	61.6%
Net Cust Loans/Broad Deposits	75.3%	78.3%	79.7%	80.7%	81.3%
Equity & Provs/Gross Cust Loans	14.5%	14.1%	14.1%	14.6%	15.2%
Asset Risk Weighting	49.4%	49.8%	50.4%	50.9%	51.2%
Provision Charge/Avg Cust Loans	0%	0%	0%	0%	0%
Provision Charge/Avg Assets	0%	0%	0%	0%	0%
Total Write Offs/Average Assets	0%	0%	0%	0%	0%

SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

## BY THE NUMBERS... cont'd

### Balance Sheet

(\$m)	Dec-20A	Dec-21A	Dec-22F	Dec-23F	Dec-24F
Total Gross Loans	428,637	466,448	494,853	523,101	550,888
Liquid Assets & Invst. (Current)	0	0	0	0	0
Other Int. Earning Assets	117,156	119,499	121,889	124,327	126,813
<b>Total Gross Int. Earning Assets</b>	<b>545,793</b>	<b>585,947</b>	<b>616,742</b>	<b>647,428</b>	<b>677,701</b>
Total Provisions/Loan Loss Reserve	(6,599)	(6,079)	(5,426)	(5,766)	(6,100)
<b>Total Net Interest Earning Assets</b>	<b>539,194</b>	<b>579,868</b>	<b>611,316</b>	<b>641,662</b>	<b>671,601</b>
Intangible Assets	5,323	5,323	5,323	5,323	5,323
Other Non-Interest Earning Assets	23,695	19,079	19,565	24,440	31,851
<b>Total Non-Interest Earning Assets</b>	<b>29,018</b>	<b>24,402</b>	<b>24,888</b>	<b>29,763</b>	<b>37,174</b>
<b>Cash And Marketable Securities</b>	<b>81,726</b>	<b>83,361</b>	<b>85,544</b>	<b>87,787</b>	<b>90,090</b>
Long-term Investments	0	0	0	0	0
<b>Total Assets</b>	<b>649,938</b>	<b>687,630</b>	<b>721,748</b>	<b>759,211</b>	<b>798,866</b>
Customer Interest-Bearing Liabilities	464,850	492,741	517,378	543,247	570,409
Bank Deposits	28,220	29,913	31,409	32,979	34,628
Interest Bearing Liabilities: Others	47,247	49,581	51,539	53,575	55,691
<b>Total Interest-Bearing Liabilities</b>	<b>540,317</b>	<b>572,235</b>	<b>600,326</b>	<b>629,802</b>	<b>660,729</b>
Bank's Liabilities Under Acceptances					
Total Non-Interest Bearing Liabilities	54,978	56,952	58,696	60,527	62,450
<b>Total Liabilities</b>	<b>595,295</b>	<b>629,187</b>	<b>659,023</b>	<b>690,329</b>	<b>723,179</b>
<b>Shareholders' Equity</b>	<b>54,626</b>	<b>58,426</b>	<b>62,650</b>	<b>68,734</b>	<b>75,461</b>
Minority Interests	17	17	76	148	226
<b>Total Equity</b>	<b>54,643</b>	<b>58,443</b>	<b>62,725</b>	<b>68,883</b>	<b>75,687</b>

### Key Ratios

	Dec-20A	Dec-21A	Dec-22F	Dec-23F	Dec-24F
Total Income Growth	0.3%	(2.0%)	11.4%	17.8%	7.9%
Operating Profit Growth	1.8%	(7.2%)	16.7%	27.6%	9.9%
Pretax Profit Growth	(29.2%)	44.9%	18.0%	23.5%	6.6%
Net Interest To Total Income	62.2%	59.0%	61.7%	65.3%	66.4%
Cost Of Funds	0.61%	0.31%	0.50%	0.81%	1.01%
Return On Interest Earning Assets	2.30%	1.80%	2.12%	2.72%	3.01%
Net Interest Spread	1.69%	1.49%	1.62%	1.92%	2.00%
Net Interest Margin (Avg Deposits)	2.09%	1.76%	1.94%	2.31%	2.41%
Net Interest Margin (Avg RWA)	2.90%	2.54%	2.78%	3.26%	3.38%
Provisions to Pre Prov. Operating Profit	36.4%	0.7%	0.9%	3.9%	6.8%
Interest Return On Average Assets	1.48%	1.26%	1.39%	1.65%	1.73%
Effective Tax Rate	11.4%	12.5%	13.0%	13.0%	13.0%
Net Dividend Payout Ratio	46.9%	44.1%	46.6%	37.7%	35.4%
Return On Average Assets	0.77%	1.02%	1.12%	1.32%	1.34%

### Key Drivers

	Dec-20A	Dec-21A	Dec-22F	Dec-23F	Dec-24F
NIM (%)	1.6%	1.5%	1.6%	1.8%	1.9%
Cost-to-income ratio (%)	42.2%	45.2%	42.6%	37.8%	36.7%
Loan growth (%)	3.7%	10.2%	7.0%	6.3%	5.8%
Deposit growth (%)	15.0%	6.0%	5.0%	5.0%	5.0%
Loans-to-deposits ratio (%)	79.8%	83.0%	84.6%	85.6%	86.2%
CASA ratio (%)	72.7%	76.0%	N/A	N/A	N/A
Credit cost (bp)	82.8	1.3	2.0	10.0	18.0

SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS



## Singapore

**ADD** (no change)

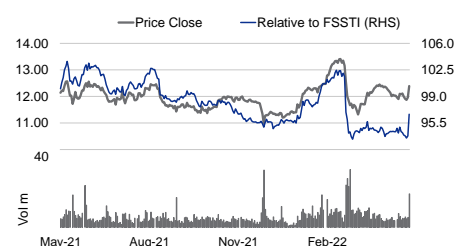
Consensus ratings\*: Buy 13 Hold 8 Sell 0

Current price:	S\$12.39
Target price:	S\$14.20
Previous target:	S\$14.20
Up/downside:	14.6%
CGS-CIMB / Consensus:	0.6%
Reuters:	OCBC.SI
Bloomberg:	OCBC SP
Market cap:	US\$40,325m
	S\$55,939m
Average daily turnover:	US\$72.51m
	S\$98.33m
Current shares o/s:	4,496m
Free float:	79.8%

\*Source: Bloomberg

### Key changes in this note

- We raise FY23-24F EPS by c.3-5% as we factor in 7 Fed rate hikes in FY22F and stronger treasury income, but softer wealth management income.



Source: Bloomberg

Price performance	1M	3M	12M
Absolute (%)	0	-0.3	2.2
Relative (%)	2.3	-3.7	-2

Major shareholders	% held
Selat Pte Ltd	11.0
Lee Foundation Singapore	4.3
Singapore Investments (Pte) Ltd	3.8

### Analyst(s)



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## OCBC

### Attractive risk-reward

- Market-related income held up better than expected in 1Q22; treasury income slated to benefit further from hedges. NIMs have also inflected.
- We factor in 7 Fed rate hikes and expect c.35bp NIM expansion in FY22-24F.
- Reiterate Add on attractive risk-reward profile. OCBC trades at c.1.16x FY22F P/BV – below its 1.5x peak during the previous rate hike cycle.

### Market-related income lines holding up better than expected

OCBC expects growth in Asia to remain resilient amid macroeconomic headwinds from soaring commodity prices, rising inflation and tightening monetary policy. Although market conditions were volatile in 1Q22, treasury income and wealth management held up better than expected on the back of effective hedge accounting on its treasury book (although income from GEH was weaker yoy given a flatter yield curve). While OCBC's wealth management income continues to be supported by churn from its S\$251bn AUM base (-2% qoq), its customers remain risk-off given the sustained market volatility. 1Q core earnings 25% of our full-year forecast. Fewer-than-expected Fed rate hikes are a key downside risk.

### We factor in 7 Fed rate hikes and c.35bp NIM expansion in FY22-24F

Management guides for further NIM upside (beyond its initial guidance of c.1.55-1.58% in FY22F), largely in 2H22F as loans are repriced, but remains uncertain on the extent of the transmission of US short-term rates into SGD rates amid the appreciation of SGD (per MAS's monetary policy tightening) and rising inflation. Nonetheless, OCBC guides that a 100bp parallel rise in yield curve on its major currencies (SGD, MYR, HKD, USD) translates to c.S\$750m in NII (annualised). We factor in 7 Fed rate hikes (to c.2%) in FY22F (from 6 hikes over FY22-23F previously) and c.6 months for Fed rate hikes to be transmitted into asset prices. This computes to c.35bp NIM expansion over FY22-24F, with the expansion likely to be more prominent from FY23F onwards.

### Credit cost guidance maintained at c.20-25bp in FY22F

OCBC recorded particularly low credit costs of c.6bp in 1Q22 (FY21: 32bp). Notwithstanding the current macroeconomic situation, there were no specific exposures which required additional impairments in 1Q22. Although the reopening of regional economies improves OCBC's overall economic outlook, the bank retains its c.20-25bp credit cost guidance for FY22F given potential macro headwinds on the horizon. Onshore Mainland China accounts for c.2% of loans, with real estate making up c.30% of this book. OCBC does not indicate any imminent asset quality pressures from this portfolio.

### Reiterate Add with GGM-based TP of S\$14.20

We raise FY22-24F EPS by c.3-5% as we factor in expedited Fed rate hikes and stronger treasury income (given the beat on our estimates) but softer wealth management income given the risk-off sentiment. With a strong 15.2% CET1 in 1Q22, we think the lack of firm capital management plans could be an overhang on the stock.

### Financial Summary

	Dec-20A	Dec-21F	Dec-22F	Dec-23F	Dec-24F
Net Interest Income (S\$m)	5,966	5,855	6,459	7,669	8,573
Total Non-Interest Income (S\$m)	4,173	4,741	4,987	5,229	5,484
Operating Revenue (S\$m)	10,139	10,596	11,446	12,898	14,057
Total Provision Charges (S\$m)	(2,043)	(873)	(725)	(772)	(815)
Net Profit (S\$m)	3,586	4,858	5,436	6,431	7,095
Core EPS (S\$)	0.81	1.08	1.20	1.42	1.57
Core EPS Growth	(28.2%)	33.9%	11.4%	18.3%	10.3%
FD Core P/E (x)	15.35	11.47	10.29	8.70	7.88
DPS (S\$)	0.32	0.53	0.60	0.60	0.60
Dividend Yield	2.57%	4.28%	4.84%	4.84%	4.84%
BVPS (S\$)	10.24	10.70	11.30	12.13	13.10
P/BV (x)	1.21	1.16	1.10	1.02	0.95
ROE	8.0%	10.3%	10.9%	12.2%	12.5%
% Change In Core EPS Estimates			0.10%	4.64%	3.10%
CGS-CIMB/Consensus EPS (x)			1.02	1.04	1.05

SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

**Figure 1: Results comparison**


FYE Dec (S\$ m)	1Q22	1Q21	yoy % chg	4Q21	qoq % chg	FY21	FY20	yoy % chg	Prev. 1Q22F	Prev. FY22F	Comments
Net interest income	1,503	1,441	4.3	1,492	0.7	5,855	5,966	(1.9)	1,464	6,285	In line. NIMs rose 3bp qoq to 1.55%.
Non-interest income	1,140	1,473	(22.6)	1,058	7.8	4,741	4,173	13.6	1,111	5,104	In line.
Total income	2,643	2,914	(9.3)	2,550	3.6	10,596	10,139	4.5	2,574	11,389	In line.
Overhead expenses	(1,205)	(1,149)	4.9	(1,289)	(6.5)	(4,764)	(4,439)	7.3	(1,250)	(5,090)	Better than expected.
Pre-provision profit	1,438	1,765	(18.5)	1,261	14.0	5,832	5,700	2.3	1,324	6,299	Above expectations.
Amortisation	(25)	(26)	(3.8)	(26)	(3.8)	(103)	(104)				
Loan loss provisions	(44)	(161)	(72.7)	(317)	(86.1)	(873)	(2,043)	(57.3)	(160)	(726)	Lower-than-expected given improved economic conditions.
Exceptionals	-	-	na	-	na	-	-	na	-	-	
Associates' contrib	254	209	21.5	198	28.3	824	612	34.6	222	890	
Pretax profit	1,623	1,787	(9.2)	1,116	45.4	5,680	4,165	36.4	1,361	6,359	Above expectations.
Tax	(267)	(286)	(6.6)	(143)	86.7	(648)	(437)	48.3	(163)	(731)	
Tax rate (%)	16	16		13		11	10				
Minority interests	-	-	#DIV/0!	-	#DIV/0!	(174)	(142)	22.5	-	(197)	
Net profit	1,356	1,501	(9.7)	973	39.4	4,858	3,586	35.5	1,197	5,430	Above expectations. ROE of 10.6% in 1Q22
Core net profit	1,356	1,501	(9.7)	973	39.4	4,858	3,586	35.5	1,197	5,430	
Core EPS (Scts)	0.0	28.2	(100.0)	0.9	(100.0)	80.2	111.7	(28.2)	n.a.	-	

SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

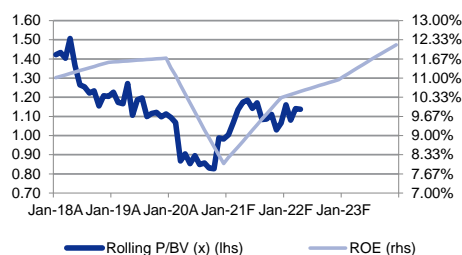
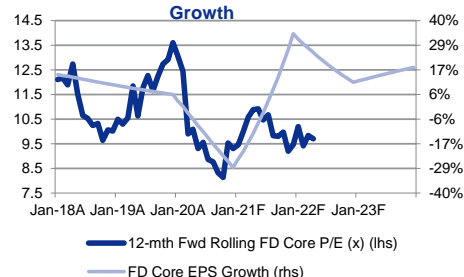
**Figure 2: Earnings changes**

	New			Old			% chg		
	FY22F	FY23F	FY24F	FY22F	FY23F	FY24F	FY22F	FY23F	FY24F
NIM (%)	1.60%	1.78%	1.89%	1.55%	1.65%	1.76%	+5bp	+13bp	+13bp
Net loan growth (%)	7.0%	6.0%	5.2%	7.5%	6.0%	5.1%	-0.5%pt	0%pt	+0.1%pt
NII (S\$m)	6,459	7,669	8,573	6,285	7,149	8,033	2.8%	7.3%	6.7%
Non-NII (S\$m)	4,987	5,229	5,484	5,104	5,441	5,802	-2.3%	-3.9%	-5.5%
Operating expenses (S\$m)	5,069	5,426	5,809	5,090	5,449	5,833	-0.4%	-0.4%	-0.4%
Cost-to-income (%)	44.3%	42.5%	42.5%	44.7%	42.5%	42.5%	-0.4%pt	0%pt	0%pt
Provisions (S\$m)	725	772	815	726	775	819	-0.2%	-0.5%	-0.4%
Net profit (S\$m)	5,436	6,431	7,095	5,430	6,145	6,882	0.1%	4.6%	3.1%
EPS (Scts)	121	143	158	121	137	153	0.1%	4.6%	3.1%

SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

ESG in a nutshell		Refinitiv ESG Scores							
				B-	C-	C+	B-	C+	B
		ESG Score	ESG Controversies Score	ESG Combined Score	ESG Environment Pillar Score	ESG Social Pillar Score	ESG Government Pillar Score		
<p>OCBC scored C+ for its combined ESG score by Refinitiv in 2020, anchored mainly by its steady Social pillar (c.50% weightage on its ESG score) over the past three years. The bank is guided by its Responsible Investing Policy developed to integrate ESG considerations into investment decision-making, and has outlined sector-specific policies to manage ESG risk. While OCBC improved its Environmental pillar score in 2020 on the back of better resource use (environmental supply chain, energy efficiency, etc.), the effects on its overall ESG score were offset by a weaker Governance pillar score due to a lower proportion of independent board members. OCBC was the first bank in Singapore to assert its stance of no longer providing new financing of coal-fired power plants in 2019, and it has since raised its sustainable finance commitment target to S\$50bn by 2025 (having achieved S\$34bn by 2021).</p>									
<p><b>Keep your eye on</b></p> <p>OCBC has been flagged for controversy regarding product responsibility as the bank issued letters of credit supporting duplicate transactions in a case involving oil trader Hin Leong in Singapore. Nonetheless, OCBC won a favourable decision from the International Chamber of Commerce on the trade-finance dispute in relation to the collapsed oil trader. Hin Leong Trading is currently being investigated for fraudulent transactions.</p>	<p><b>Implications</b></p> <p>While court proceedings are still ongoing, the collapse of Hin Leong Trading is related to charges including cheating, conspiracy to commit forgery, and abetment of forgery of a valuable security against its founder amid sharp swings in crude oil prices. This incidence is one-off, and we believe does not implicate OCBC's underwriting standards. As such, this issue is not factored into our valuations.</p>								
<p><b>ESG highlights</b></p> <p>Refinitiv ranked OCBC slightly weaker than peers (DBS: B+, UOB: B+). Apart from the controversy above, OCBC's softer score is largely due to weaker Environmental and Social pillar scores which carry weightages of c.14% and c.50% respectively on the ESG score.</p> <p>On the Environmental pillar, OCBC's peers were more progressive in targeting CO2 emissions and environmental product innovation, which led to better scores. On the Social pillar, peers were ahead given the introduction and implementation of policies focused on child labour, forced labour, and fair competition.</p>	<p><b>Implications</b></p> <p>OCBC fares well in its Governance pillar, sustaining its score over the past five years. Notably, metrics on gender diversity of the board and executive members, and the proportion of non-executive board members had improved yoy.</p> <p>We view OCBC as having sound corporate governance given its lack of governance-related controversy, and believe that this could be valued at a premium by some investors.</p>								
<p><b>Trends</b></p> <p>OCBC significantly improved its Environmental pillar score to B- in 2020, from D in 2019. Among the key contributors to this are the bank's energy efficiency targets, environmental supply chain policies, and environmental material sourcing.</p>	<p><b>Implications</b></p> <p>We believe OCBC's Environmental pillar score will improve as the bank adopts practices to reduce its CO2 emissions. The rollout of environmentally-innovative products could also attract more interest from funds with an ESG focus.</p>								

SOURCES: CGS-CIMB RESEARCH, REFINITIV

**BY THE NUMBERS**
**P/BV vs ROE**

**12-mth Fwd FD Core P/E vs FD Core EPS Growth**

**Profit & Loss**

(\$m)	Dec-20A	Dec-21F	Dec-22F	Dec-23F	Dec-24F
Net Interest Income	5,966	5,855	6,459	7,669	8,573
Total Non-Interest Income	4,173	4,741	4,987	5,229	5,484
<b>Operating Revenue</b>	<b>10,139</b>	<b>10,596</b>	<b>11,446</b>	<b>12,898</b>	<b>14,057</b>
Total Non-Interest Expenses	(4,543)	(4,867)	(5,173)	(5,531)	(5,915)
<b>Pre-provision Operating Profit</b>	<b>5,596</b>	<b>5,729</b>	<b>6,273</b>	<b>7,367</b>	<b>8,142</b>
Total Provision Charges	(2,043)	(873)	(725)	(772)	(815)
<b>Operating Profit After Provisions</b>	<b>3,553</b>	<b>4,856</b>	<b>5,548</b>	<b>6,595</b>	<b>7,327</b>
Pretax Income/(Loss) from Assoc.	612	824	890	934	981
<b>Operating EBIT (incl Associates)</b>	<b>4,165</b>	<b>5,680</b>	<b>6,438</b>	<b>7,530</b>	<b>8,308</b>
Non-Operating Income/(Expense)	0	0	0	0	0
<b>Profit Before Tax (pre-EI)</b>	<b>4,165</b>	<b>5,680</b>	<b>6,438</b>	<b>7,530</b>	<b>8,308</b>
Exceptional Items					
<b>Pre-tax Profit</b>	<b>4,165</b>	<b>5,680</b>	<b>6,438</b>	<b>7,530</b>	<b>8,308</b>
Taxation	(437)	(648)	(805)	(866)	(955)
Consolidation Adjustments & Others					
Exceptional Income - post-tax	0	0	0	0	0
<b>Profit After Tax</b>	<b>3,728</b>	<b>5,032</b>	<b>5,633</b>	<b>6,664</b>	<b>7,353</b>
Minority Interests	(142)	(174)	(197)	(233)	(257)
Prof. & Special Div	0	0	0	0	0
FX And Other Adj.	0	0	0	0	0
<b>Net Profit</b>	<b>3,586</b>	<b>4,858</b>	<b>5,436</b>	<b>6,431</b>	<b>7,095</b>
Recurring Net Profit	3,586	4,858	5,436	6,431	7,095

**Balance Sheet Employment**

	Dec-20A	Dec-21F	Dec-22F	Dec-23F	Dec-24F
Gross Loans/Cust Deposits	84.9%	82.3%	83.5%	83.9%	83.7%
Avg Loans/Avg Deposits	86.2%	83.5%	82.9%	83.7%	83.8%
Avg Liquid Assets/Avg Assets	17.8%	17.3%	16.7%	16.2%	15.7%
Avg Liquid Assets/Avg IEAs	27.3%	27.4%	26.4%	25.4%	24.5%
Net Cust Loans/Assets	50.5%	50.1%	51.4%	52.1%	52.4%
Net Cust Loans/Broad Deposits	81.2%	79.0%	80.2%	80.6%	80.4%
Equity & Provs/Gross Cust Loans	18.6%	18.6%	18.3%	18.4%	18.8%
Asset Risk Weighting	41.8%	41.3%	42.4%	43.0%	0.0%
Provision Charge/Avg Cust Loans	0%	0%	0%	0%	0%
Provision Charge/Avg Assets	0%	0%	0%	0%	0%
Total Write Offs/Average Assets	0%	0%	0%	0%	0%

SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

## BY THE NUMBERS... cont'd

### Balance Sheet

(\$m)	Dec-20A	Dec-21F	Dec-22F	Dec-23F	Dec-24F
Total Gross Loans	300,056	313,115	333,173	351,584	368,514
Liquid Assets & Invst. (Current)	33,143	33,474	33,809	34,147	34,489
Other Int. Earning Assets					
<b>Total Gross Int. Earning Assets</b>	<b>333,199</b>	<b>346,590</b>	<b>366,982</b>	<b>385,731</b>	<b>403,003</b>
Total Provisions/Loan Loss Reserve	(3,702)	(3,089)	(3,307)	(3,507)	(3,690)
<b>Total Net Interest Earning Assets</b>	<b>329,497</b>	<b>343,500</b>	<b>363,675</b>	<b>382,225</b>	<b>399,313</b>
Intangible Assets	4,837	4,837	4,837	4,837	4,837
Other Non-Interest Earning Assets	127,245	143,699	146,377	152,758	162,422
<b>Total Non-Interest Earning Assets</b>	<b>132,082</b>	<b>148,536</b>	<b>151,214</b>	<b>157,595</b>	<b>167,259</b>
<b>Cash And Marketable Securities</b>	<b>59,816</b>	<b>60,892</b>	<b>61,990</b>	<b>63,112</b>	<b>64,257</b>
Long-term Investments	0	0	0	0	0
<b>Total Assets</b>	<b>521,395</b>	<b>552,929</b>	<b>576,879</b>	<b>602,931</b>	<b>630,829</b>
Customer Interest-Bearing Liabilities	314,907	340,100	358,805	378,539	399,359
Bank Deposits	9,586	10,353	10,922	11,523	12,157
Interest Bearing Liabilities: Others	39,871	41,913	43,079	44,317	45,633
<b>Total Interest-Bearing Liabilities</b>	<b>364,364</b>	<b>392,366</b>	<b>412,806</b>	<b>434,380</b>	<b>457,149</b>
Bank's Liabilities Under Acceptances					
Total Non-Interest Bearing Liabilities	105,855	107,096	108,076	109,066	110,066
<b>Total Liabilities</b>	<b>470,219</b>	<b>499,461</b>	<b>520,882</b>	<b>543,446</b>	<b>567,215</b>
<b>Shareholders' Equity</b>	<b>49,622</b>	<b>52,087</b>	<b>54,814</b>	<b>58,536</b>	<b>62,922</b>
Minority Interests	1,554	1,380	1,183	950	692
<b>Total Equity</b>	<b>51,176</b>	<b>53,467</b>	<b>55,997</b>	<b>59,485</b>	<b>63,614</b>

### Key Ratios

	Dec-20A	Dec-21F	Dec-22F	Dec-23F	Dec-24F
Total Income Growth	(6.7%)	4.5%	8.0%	12.7%	9.0%
Operating Profit Growth	(8.6%)	2.4%	9.5%	17.4%	10.5%
Pretax Profit Growth	(28.2%)	36.4%	13.3%	17.0%	10.3%
Net Interest To Total Income	58.8%	55.3%	56.4%	59.5%	61.0%
Cost Of Funds	0.89%	0.41%	0.82%	0.95%	1.05%
Return On Interest Earning Assets	2.76%	2.18%	2.73%	3.11%	3.36%
Net Interest Spread	1.86%	1.77%	1.92%	2.16%	2.31%
Net Interest Margin (Avg Deposits)	1.93%	1.79%	1.85%	2.08%	2.20%
Net Interest Margin (Avg RWA)	2.77%	2.62%	2.73%	3.04%	6.61%
Provisions to Pre Prov. Operating Profit	36.5%	15.2%	11.6%	10.5%	10.0%
Interest Return On Average Assets	1.18%	1.09%	1.14%	1.30%	1.39%
Effective Tax Rate	10.5%	11.4%	12.5%	11.5%	11.5%
Net Dividend Payout Ratio	39.7%	49.3%	49.8%	42.1%	38.2%
Return On Average Assets	0.71%	0.90%	0.96%	1.09%	1.15%

### Key Drivers

	Dec-20A	Dec-21F	Dec-22F	Dec-23F	Dec-24F
Net interest margin (%)	1.6%	1.5%	1.6%	1.8%	1.9%
Net interest income growth (%)	-5.8%	-1.9%	10.3%	18.7%	11.8%
Non-interest income growth (%)	-8.1%	13.6%	5.2%	4.9%	4.9%
Cost-income ratio (%)	43.8%	45.0%	44.3%	42.5%	42.5%
Net loan growth (%)	0.5%	5.1%	7.0%	6.0%	5.2%
Deposit growth (%)	4.0%	8.0%	5.5%	5.5%	5.5%
Loans-deposits ratio (%)	83.7%	81.4%	82.6%	83.0%	82.8%

SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS



## Singapore

**ADD** (no change)

Consensus ratings\*: Buy 18 Hold 1 Sell 0

Current price:	S\$29.99
Target price:	S\$35.60
Previous target:	S\$35.40
Up/downside:	18.7%
CGS-CIMB / Consensus:	-1.2%
Reuters:	UOBH.SI
Bloomberg:	UOB SP
Market cap:	US\$36,203m
	S\$50,221m
Average daily turnover:	US\$81.11m
	S\$110.0m
Current shares o/s:	1,672m
Free float:	85.6%

\*Source: Bloomberg

### Key changes in this note

- We raise FY22-24F EPS by c.2-6% as we factor in 7 Fed rate hikes and tone down treasury income expectations.
- We also push the S\$250m stamp duty required for the acquisition of Citi's Malaysian retail franchise to FY23F (from FY22 previously) given guidance that it will receive regulatory approval only then.



Source: Bloomberg

Price performance	1M	3M	12M
Absolute (%)	-6.8	0.1	12.8
Relative (%)	-4.5	-3.3	8.6

Major shareholders	% held
Wee Investments Pte Ltd	7.7
Wah Hin & Co Pte Ltd	5.0
Vanguard Group	2.0

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# United Overseas Bank

## Supported by ASEAN recovery

- Domestic recovery in ASEAN underpins UOB's positive outlook on growth. Asset quality resilient; sufficient mgmt. overlays to weather any weakness.
- We factor in 7 Fed rate hikes, translating to c.33bp NIM expansion in FY22-24F. Addition of Citi franchise in FY23F provides further earnings upside.
- Reiterate Add. Valuation is inexpensive at c.1.12x FY22F P/BV.

### NIMs have inflected; ASEAN growth trajectory intact

UOB's confidence of an improving growth trajectory in ASEAN underpins its mid-to-high single-digit loan growth target for FY22F. Growth will likely be more pronounced in 2H22F as the domestic recovery process in regional countries ramps up. UOB's acquisition of Citi's retail franchise in MY, TH, ID and VN may accelerate credit growth, albeit not until FY23F as regulatory approval is expected to come through only then, with the exception of TH – likely by end-2022. We see stronger earnings upside from elevated Fed rate hike expectations, and pencil in 7 hikes (to c.2%) in FY22F (from 6 hikes over FY22-23F previously). Management conservatively guides that a 25bp Fed rate hike could increase NII by c.S\$150m on an annualised basis. This translates to an estimated cumulative NIM expansion of c.33bp to c.1.87% over FY22-24F, with the rise likely to be backloaded in FY23-24F given the time taken for the hikes to be transmitted into SGD rates and for asset repricing to occur. 1Q core earnings came formed 22% of our full-year forecast. Fewer-than-expected Fed rate hikes are a key downside risk.

### Asset quality expected to remain resilient; watchful on China

Notwithstanding macroeconomic headwinds such as rising inflation and higher commodity prices, UOB expects asset quality to remain resilient although NPL ratio may rise to c.2% in FY22F (from 1.6% currently) as moratorium loans season out. Impairment expenses from this portfolio should be minimal given that c.90% is collateralised. UOB's credit cost guidance is maintained at c.20-25bp for FY22F, against the backdrop of regional central banks pacing the rise in domestic interest rates in an effort to contain credit quality fall-out from the rise in borrowing costs. On this end, the business banking segment (particularly small businesses) is most at risk but UOB believes its portfolio is well-controlled. The bank has maintained a buffer of c.S\$1.2bn in management overlays that may be used to offset any asset quality deterioration (likely for regional operations) in coming quarters. While UOB remains watchful of the effects of lockdowns in China, asset quality of its exposures there has held up well.

### Reiterate Add with a slightly higher GGM-based TP of S\$35.60

On balance, UOB recorded the strongest loan growth amongst peers in 1Q22 (+3% qoq) with NIMs starting to trend upwards (+2bp qoq). Although treasury income was a disappointment given the MTM losses taken on its hedges, this should not recur unless long-end rates further escalate materially (1Q22: US 10 year treasury: +c.2%). We factor in stronger NIM expansion over FY22-24F but tone down treasury income (given the miss) and wealth management expectations (given more subdued market sentiment).

### Financial Summary

	Dec-20A	Dec-21A	Dec-22F	Dec-23F	Dec-24F
Net Interest Income (S\$m)	6,035	6,388	7,164	8,395	9,208
Total Non-Interest Income (S\$m)	3,141	3,401	3,500	4,004	4,502
Operating Revenue (S\$m)	9,176	9,789	10,663	12,399	13,710
Total Provision Charges (S\$m)	(1,553)	(863)	(646)	(691)	(731)
Net Profit (S\$m)	2,916	3,869	4,429	5,274	6,155
Core EPS (S\$)	1.75	2.31	2.65	3.15	3.68
Core EPS Growth	(33.0%)	32.5%	14.5%	19.1%	16.7%
FD Core P/E (x)	17.18	12.96	11.32	9.51	8.15
DPS (S\$)	0.78	1.20	1.25	1.25	1.25
Dividend Yield	2.60%	4.00%	4.17%	4.17%	4.17%
BVPS (S\$)	24.45	25.50	26.89	28.78	31.20
P/BV (x)	1.23	1.18	1.12	1.04	0.96
ROE	7.2%	9.3%	10.1%	11.3%	12.3%
% Change In Core EPS Estimates			6.00%	3.18%	1.56%
CGS-CIMB/Consensus EPS (x)			0.99	0.98	1.03

SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS



**Figure 1: Results comparison**

FYE Dec (S\$ m)	1Q22	1Q21	yoy % chg	3Q21	qoq % chg	Prev. FY22F	Comments
Net interest income	1,686	1,529	10.3	1,604	5	6,844	In line with expectations. NIMs rose 2bp qoq to 1.58% in 1Q22. Loans rose +3% qoq in 1Q22.
Non-interest income	673	957	(29.7)	848	(21)	3,773	Below expectations on the back of weaker trading and investment due to MTM of structural hedges.
<b>Total income</b>	<b>2,359</b>	<b>2,486</b>	<b>(5.1)</b>	<b>2,453</b>	<b>(4)</b>	<b>10,617</b>	Slightly below expectations.
Overhead expenses	(1,058)	(1,089)	(2.8)	(1,072)	(1)	(4,792)	Lower than expected on the back of contained cost control.
<b>Pre-provision profit</b>	<b>1,301</b>	<b>1,397</b>	<b>(6.9)</b>	<b>1,381</b>	<b>(6)</b>	<b>5,825</b>	In line.
Loan loss provisions	(178)	(201)	(11.4)	(163)	9	(642)	Higher than expected.
Exceptionals	-	-	-	-	-	-	
Associates' contribution	29	32	(9.4)	29	-	120	
Pretax profit	1,152	1,228	(6.2)	1,247	(8)	5,304	In line.
Tax	(246)	(220)	11.8	(200)	23	(1,109)	
Tax rate (%)	21	18	-	16	-	21	
Minority interests	-	-	#DIV/0!	-	-	(17)	
<b>Net profit</b>	<b>906</b>	<b>1,008</b>	<b>(10.1)</b>	<b>1,047</b>	<b>(13)</b>	<b>4,178</b>	In line. ROE of 8.8% in 1Q22.
<b>Core net profit</b>	<b>906</b>	<b>1,008</b>	<b>(10.1)</b>	<b>1,047</b>	<b>(13)</b>	<b>4,178</b>	
EPS (S cts)	213	236	(9.7)	246	(13)	250	
Core EPS (S cts)	213	236	(9.7)	246	(13)	250	

SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

**Figure 2: Earnings changes**


	New			Old			% chg		
	FY22F	FY23F	FY24F	FY22F	FY23F	FY24F	FY22F	FY23F	FY24F
NIM (%)	1.63%	1.81%	1.89%	1.57%	1.68%	1.79%	+6bp	+13bp	+11bp
Net loan growth (%)	8.0%	6.0%	5.5%	6.4%	6.0%	5.5%	+1.6%pt	0%pt	0%pt
NII (S\$m)	7,164	8,395	9,208	6,844	7,726	8,594	4.7%	8.7%	7.1%
Non-NII (S\$m)	3,500	4,004	4,502	3,773	4,292	4,802	-7.2%	-6.7%	-6.3%
Operating expenses (S\$m)	4,714	5,209	5,659	4,792	5,266	5,458	-1.6%	-1.1%	3.7%
Cost-to-income (%)	44.2%	42.0%	41.3%	45.1%	43.8%	40.7%	-0.9%pt	-1.8%pt	+0.5%pt
Provisions (S\$m)	646	691	731	642	681	720	0.8%	1.5%	1.5%
Net profit (S\$)	4,429	5,274	6,155	4,178	5,112	6,060	6.0%	3.2%	1.6%
EPS	2.65	3.15	3.68	2.50	3.06	3.62	6.0%	3.2%	1.6%

SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

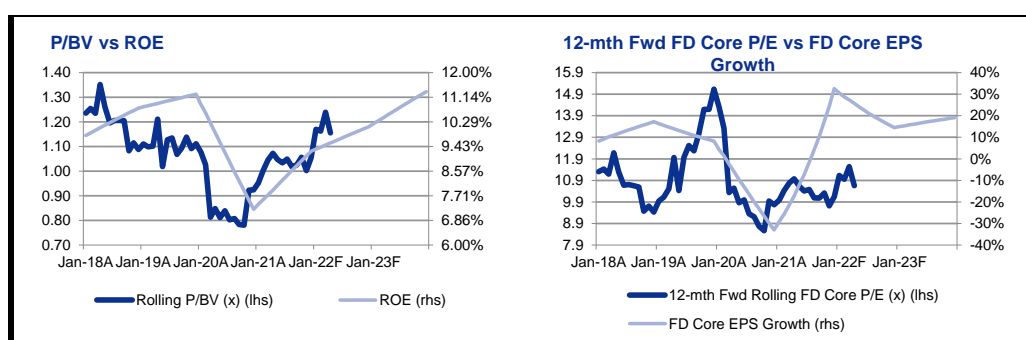
**Figure 3: GGM valuation**

GGM valuation	
COE	8.3%
Sustainable ROE	11.0%
LTG	1.5%
(ROE-LTG) - [a]	9.5%
(COE - LTG) - [b]	6.8%
<b>Target P/BV (x) - [a]/[b]</b>	<b>1.40</b>
FY21 BVPS (S\$)	25.46
<b>Target price (S\$)</b>	<b>35.60</b>

SOURCE: CGS-CIMB RESEARCH, COMPANY

Refinitiv ESG Scores							
	<table border="1"> <tr> <td style="text-align: center;">B+ ESG Score</td> <td style="text-align: center;">B+ ESG Controversies Score</td> <td style="text-align: center;">B+ ESG Combined Score</td> <td style="text-align: center;">A- ESG Environment Pillar Score</td> <td style="text-align: center;">A- ESG Social Pillar Score</td> <td style="text-align: center;">B- ESG Government Pillar Score</td> </tr> </table>	B+ ESG Score	B+ ESG Controversies Score	B+ ESG Combined Score	A- ESG Environment Pillar Score	A- ESG Social Pillar Score	B- ESG Government Pillar Score
B+ ESG Score	B+ ESG Controversies Score	B+ ESG Combined Score	A- ESG Environment Pillar Score	A- ESG Social Pillar Score	B- ESG Government Pillar Score		
<p><b>ESG in a nutshell</b></p> <p>UOB was given a B+ for its combined ESG score by Refinitiv in 2020, led by an A- Social pillar score (c.50% weightage of its combined ESG score). UOB outlined 5 guiding principles in its approach to sustainability as well as 4 overarching strategies to incorporate ESG into its operations. UOB registered improvements in both its Social and Governance pillars, driven mainly by its human rights efforts, management, and CSR strategy. In 2020, UOB launched Phase Two of Better U, the group's learning and development programme that focused on improving employees' relevant skills. In 2020, it was included in the Bloomberg Gender-Equality Index for the 3<sup>rd</sup> consecutive year for its commitment to advancing workplace diversity.</p>							
<p><b>Keep your eye on</b></p> <p>In 2021, UOB was flagged for controversy regarding product responsibility, where a staff fell for a scam and ended up disclosing information on 1,166 China-national customers in the process.</p>	<p><b>Implications</b></p> <p>We believe UOB has since reviewed its internal control processes and implemented safeguards and protocols for its staff. We think this issue will not be viewed too negatively by the investment community as it is a one-off. However, additional security breaches may not be seen as lightly and could cast a shadow on its valuations.</p>						
<p><b>ESG highlights</b></p> <p>According to data from Refinitiv, UOB stands strong among its peers, charging ahead in the Environmental pillar.</p> <p>UOB also ranks well in the Social pillar, largely due to its heavy emphasis on human rights. This is exhibited in its Responsible Financing Policy that prohibits the financing of companies involved in the exploitation of forced and child labour, as well as those in violation of rights of local or indigenous communities, among others.</p>	<p><b>Implications</b></p> <p>We think UOB is viewed favourably by market participants given its pro-activeness in emphasising the importance of human rights issues. The implementation of its Responsible Financing Policy further highlights its commitment to sustainable investing. UOB may be valued at a premium when ESG mandates take off in a more material manner.</p>						
<p><b>Trends</b></p> <p>From 2019 to 2021, UOB improved its Social scores from B+ to A- and maintained its Governance score at B-. Its Environmental score improved to A- during this period.</p> <p>Its relative improvements in human rights, management, and CSR categories were partially offset by relative deteriorations in emissions, workforce, and environment innovation categories.</p>	<p><b>Implications</b></p> <p>While not explicitly factored into its valuations, we believe the progressive improvements in UOB's ESG pillars will be appreciated by ESG-centric investors and could warrant a premium to valuations when the marketplace becomes more discerning in terms of ESG adherence.</p>						

SOURCES: CGS-CIMB RESEARCH, REFINITIV

**BY THE NUMBERS**

**Profit & Loss**

(\$m)	Dec-20A	Dec-21A	Dec-22F	Dec-23F	Dec-24F
Net Interest Income	6,035	6,388	7,164	8,395	9,208
Total Non-Interest Income	3,141	3,401	3,500	4,004	4,502
<b>Operating Revenue</b>	<b>9,176</b>	<b>9,789</b>	<b>10,663</b>	<b>12,399</b>	<b>13,710</b>
Total Non-Interest Expenses	(4,184)	(4,313)	(4,714)	(5,209)	(5,659)
<b>Pre-provision Operating Profit</b>	<b>4,992</b>	<b>5,476</b>	<b>5,949</b>	<b>7,189</b>	<b>8,051</b>
Total Provision Charges	(1,553)	(863)	(646)	(691)	(731)
<b>Operating Profit After Provisions</b>	<b>3,439</b>	<b>4,613</b>	<b>5,303</b>	<b>6,498</b>	<b>7,320</b>
Pretax Income/(Loss) from Assoc.	98	118	120	123	125
<b>Operating EBIT (incl Associates)</b>	<b>3,537</b>	<b>4,731</b>	<b>5,423</b>	<b>6,621</b>	<b>7,445</b>
Non-Operating Income/(Expense)	0	0	0	0	0
<b>Profit Before Tax (pre-EI)</b>	<b>3,537</b>	<b>4,731</b>	<b>5,423</b>	<b>6,621</b>	<b>7,445</b>
Exceptional Items					
<b>Pre-tax Profit</b>	<b>3,537</b>	<b>4,731</b>	<b>5,423</b>	<b>6,621</b>	<b>7,445</b>
Taxation	(606)	(850)	(976)	(1,326)	(1,266)
Consolidation Adjustments & Others					
Exceptional Income - post-tax	0	0	0	0	0
<b>Profit After Tax</b>	<b>2,931</b>	<b>3,881</b>	<b>4,447</b>	<b>5,295</b>	<b>6,180</b>
Minority Interests	(15)	(12)	(18)	(21)	(25)
Pref. & Special Div	0	0	0	0	0
FX And Other Adj.	0	0	0	0	0
<b>Net Profit</b>	<b>2,916</b>	<b>3,869</b>	<b>4,429</b>	<b>5,274</b>	<b>6,155</b>
Recurring Net Profit	2,916	3,869	4,429	5,274	6,155

**Balance Sheet Employment**

	Dec-20A	Dec-21A	Dec-22F	Dec-23F	Dec-24F
Gross Loans/Cust Deposits	86.7%	88.1%	90.6%	91.5%	91.9%
Avg Loans/Avg Deposits	86.6%	87.4%	89.4%	91.1%	91.7%
Avg Liquid Assets/Avg Assets	29.5%	29.3%	28.1%	26.9%	25.9%
Avg Liquid Assets/Avg IEAs	33.6%	33.5%	31.5%	30.0%	29.0%
Net Cust Loans/Assets	64.2%	66.8%	68.7%	69.2%	69.3%
Net Cust Loans/Broad Deposits	81.4%	83.3%	85.7%	86.5%	86.9%
Equity & Provs/Gross Cust Loans	14.5%	13.7%	13.4%	13.5%	13.9%
Asset Risk Weighting	52.2%	56.4%	57.5%	57.3%	56.9%
Provision Charge/Avg Cust Loans	0.232%	0.259%	0.200%	0.200%	0.200%
Provision Charge/Avg Assets	0.152%	0.172%	0.137%	0.140%	0.140%
Total Write Offs/Average Assets	0.371%	0.194%	0.137%	0.140%	0.140%

SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

## BY THE NUMBERS... cont'd

### Balance Sheet

(\$m)	Dec-20A	Dec-21A	Dec-22F	Dec-23F	Dec-24F
Total Gross Loans	321,671	349,716	374,941	395,425	415,328
Liquid Assets & Invst. (Current)	51,425	57,180	57,975	58,782	59,603
Other Int. Earning Assets					
<b>Total Gross Int. Earning Assets</b>	<b>373,096</b>	<b>406,896</b>	<b>432,916</b>	<b>454,208</b>	<b>474,931</b>
Total Provisions/Loan Loss Reserve	(4,186)	(4,087)	(4,371)	(4,546)	(4,728)
<b>Total Net Interest Earning Assets</b>	<b>368,910</b>	<b>402,809</b>	<b>428,545</b>	<b>449,662</b>	<b>470,203</b>
Intangible Assets	4,143	4,145	4,145	4,145	4,145
Other Non-Interest Earning Assets	21,963	15,811	15,029	18,228	23,959
<b>Total Non-Interest Earning Assets</b>	<b>26,106</b>	<b>19,956</b>	<b>19,174</b>	<b>22,373</b>	<b>28,104</b>
<b>Cash And Marketable Securities</b>	<b>36,798</b>	<b>36,558</b>	<b>34,730</b>	<b>35,425</b>	<b>36,133</b>
Long-term Investments	0	0	0	0	0
<b>Total Assets</b>	<b>431,814</b>	<b>459,323</b>	<b>482,450</b>	<b>507,460</b>	<b>534,440</b>
Customer Interest-Bearing Liabilities	324,598	352,633	370,265	388,778	408,217
Bank Deposits	15,977	15,561	16,339	17,156	18,014
Interest Bearing Liabilities: Others	29,608	34,056	35,759	37,547	39,424
<b>Total Interest-Bearing Liabilities</b>	<b>370,183</b>	<b>402,250</b>	<b>422,363</b>	<b>443,481</b>	<b>465,655</b>
Bank's Liabilities Under Acceptances					
Total Non-Interest Bearing Liabilities	20,500	14,212	14,923	15,669	16,452
<b>Total Liabilities</b>	<b>390,683</b>	<b>416,462</b>	<b>437,285</b>	<b>459,149</b>	<b>482,107</b>
<b>Shareholders' Equity</b>	<b>40,901</b>	<b>42,633</b>	<b>44,955</b>	<b>48,121</b>	<b>52,169</b>
Minority Interests	230	228	210	189	164
<b>Total Equity</b>	<b>41,131</b>	<b>42,861</b>	<b>45,165</b>	<b>48,310</b>	<b>52,333</b>

### Key Ratios

	Dec-20A	Dec-21A	Dec-22F	Dec-23F	Dec-24F
Total Income Growth	(8.5%)	6.7%	8.9%	16.3%	10.6%
Operating Profit Growth	(10.2%)	9.7%	8.6%	20.9%	12.0%
Pretax Profit Growth	(31.7%)	33.8%	14.6%	22.1%	12.5%
Net Interest To Total Income	65.8%	65.3%	67.2%	67.7%	67.2%
Cost Of Funds	0.99%	0.47%	0.80%	1.00%	1.10%
Return On Interest Earning Assets	2.62%	2.10%	2.49%	2.87%	3.06%
Net Interest Spread	1.63%	1.63%	1.69%	1.87%	1.96%
Net Interest Margin (Avg Deposits)	1.90%	1.89%	1.98%	2.21%	2.31%
Net Interest Margin (Avg RWA)	2.67%	2.64%	2.67%	2.96%	3.09%
Provisions to Pre Prov. Operating Profit	31.1%	15.8%	10.9%	9.6%	9.1%
Interest Return On Average Assets	1.44%	1.43%	1.52%	1.70%	1.77%
Effective Tax Rate	17.1%	18.0%	18.0%	20.0%	17.0%
Net Dividend Payout Ratio	44.7%	51.9%	47.2%	39.6%	34.0%
Return On Average Assets	0.70%	0.87%	0.94%	1.07%	1.18%

### Key Drivers

	Dec-20A	Dec-21A	Dec-22F	Dec-23F	Dec-24F
Net interest margin (%)	1.6%	1.6%	1.6%	1.8%	1.9%
Net interest income growth (%)	-8.0%	5.8%	12.1%	17.2%	9.7%
Non-interest income growth (%)	-9.4%	8.3%	2.9%	14.4%	12.5%
Cost-income ratio (%)	45.6%	44.1%	44.2%	42.0%	41.3%
Net loan growth (%)	4.4%	10.6%	8.0%	6.0%	5.5%
Deposit growth (%)	4.5%	5.0%	5.0%	5.0%	5.0%
Loans-deposits ratio (%)	85.4%	87.0%	89.5%	90.3%	90.8%

SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

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#### Corporate Governance Report:

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The survey result is as of the date appearing in the Corporate Governance Report of Thai Listed Companies. As a result, the survey result may be changed after that date. CGS-CIMB Thailand does not confirm nor certify the accuracy of such survey result.

Score Range:	90 - 100	80 - 89	70 - 79	Below 70	No Survey Result
Description:	Excellent	Very Good	Good	N/A	N/A

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Distribution of stock ratings and investment banking clients for quarter ended on 31 December 2021		
619 companies under coverage for quarter ended on 31 December 2021		
	Rating Distribution (%)	Investment Banking clients (%)
Add	71.1%	1.5%
Hold	21.8%	0.0%
Reduce	7.1%	0.0%

#### Corporate Governance Report of Thai Listed Companies (CGR). CG Rating by the Thai Institute of Directors Association (Thai IOD) in 2021, Anti-Corruption 2021

**ADVANC** – Excellent, Certified, **AMATA** – Excellent, Certified, **ANAN** – Excellent, n/a, **AOT** – Excellent, n/a, **AP** – Excellent, Certified, **ASP** – Excellent, n/a, **AWC** – Excellent, Declared, **AU** – Good, n/a, **BAM** – Very Good, Certified, **BAY** – Excellent, Certified, **BBL** – Excellent, Certified, **BCH** – Very Good, Certified, **BGP** – Excellent, Certified, **BKSC** – Excellent, Certified, **BDMS** – Excellent, n/a, **BEAUTY** – Good, n/a, **BEM** – Excellent, n/a **BH** – Good, n/a, **BJC** – Very Good, n/a, **BLA** – Very Good, Certified, **BTS** – Excellent, Certified, **CBG** – Very Good, n/a, **CCET** – n/a, n/a, **CENEL** – Excellent, Certified, **CHAYO** – Very Good, n/a, **CHG** – Very Good, n/a, **CK** – Excellent, n/a, **COM7** – Excellent, Certified, **CPALL** – Excellent, Certified, **CPF** – Excellent, Certified, **CPN** – Excellent, Certified, **CPNREIT** – n/a, n/a, **CRC** – Excellent, Declared, **DELTA** – Excellent, Certified, **DDD** – Excellent,

n/a, **DIF** – n/a, n/a, **DOHOME** – Very Good, Declared, **DREIT** – n/a, n/a, **DTAC** – Excellent, Certified, **ECL** – Excellent, Certified, **EGCO** - Excellent, Certified, **EPG** – Excellent, Certified, **ERW** – Very Good, Certified, **GFPT** - Excellent, Certified, **GGC** – Excellent, Certified, **GLOBAL** – Excellent, n/a, **HANA** - Excellent, Certified, **HMPRO** - Excellent, Certified, **HUMAN** – Good, n/a, **ICHI** – Excellent, Certified, **III** – Excellent, Declared, **INTUCH** - Excellent, Certified, **IRPC** – Excellent, Certified, **ITD** – Very Good, n/a, **IVL** - Excellent, Certified, **JASIF** – n/a, n/a, **JKN** – n/a, Certified, **JMT** – Very Good, n/a, **KBANK** - Excellent, Certified, **KCE** - Excellent, Certified, **KEX** – Very Good, Declared, **KKP** – Excellent, Certified, **KSL** – Excellent, Certified, **KTB** - Excellent, Certified, **KTC** – Excellent, Certified, **LH** - Excellent, n/a, **LPN** – Excellent, Certified, **M** – Very Good, Certified, **MAKRO** – Excellent, Certified, **MC** – Excellent, Certified, **MEGA** – Very Good, n/a, **MINT** - Excellent, Certified, **MTC** – Excellent, Certified, **NETBAY** – Very Good, n/a, **NRF** – Very Good, Declared, **OR** – Excellent, n/a, **ORI** – Excellent, Certified, **OSP** – Excellent, n/a, **PLANB** – Excellent, Certified, **PRINC** – Very Good, Certified, **PR9** – Excellent, Declared, **PSH** – Excellent, Certified, **PTT** - Excellent, Certified, **PTTEP** - Excellent, n/a, **PTTGC** - Excellent, Certified, **QH** – Excellent, Certified, **RAM** – n/a, n/a, **RBF** – Very Good, n/a, **RS** – Excellent, Declared, **RSP** – Good, n/a, **S** – Excellent, n/a, **SAK** – Very Good, Declared, **SAPPE** – Very Good, Certified, **SAWAD** – Very Good, n/a, **SCB** - Excellent, Certified, **SCC** – Excellent, Certified, **SCGP** – Excellent, Declared, **SECURE** – n/a, n/a, **SHR** – Excellent, n/a, **SIRI** – Excellent, Certified, **SPA** – Very Good, n/a, **SPALI** - Excellent, Certified, **SPRC** – Excellent, Certified, **SSP** - Good, Certified, **STEC** – Excellent, n/a, **SVI** – Excellent, Certified, **SYNEX** – Very Good, Certified, **TCAP** – Excellent, Certified, **THANI** – Excellent, Certified, **TIDLOR** – n/a, Certified, **TISCO** - Excellent, Certified, **TKN** – Very Good, n/a, **TOP** - Excellent, Certified, **TRUE** – Excellent, Certified, **TTB** - Excellent, Certified, **TU** – Excellent, Certified, **TVO** – Excellent, Certified, **VGI** – Excellent, Certified, **WHA** – Excellent, Certified, **WHART** – n/a, n/a, **WICE** – Excellent, Certified, **WORK** – Good, n/a.

- CG Score 2021 from Thai Institute of Directors Association (IOD)

- Companies participating in Thailand's Private Sector Collective Action Coalition Against Corruption programme (Thai CAC) under Thai Institute of Directors (as of August 5, 2021) are categorised into: companies that have declared their intention to join CAC, and companies certified by CAC.

### Recommendation Framework

#### Stock Ratings

Definition:

- Add** The stock's total return is expected to exceed 10% over the next 12 months.
- Hold** The stock's total return is expected to be between 0% and positive 10% over the next 12 months.
- Reduce** The stock's total return is expected to fall below 0% or more over the next 12 months.

*The total expected return of a stock is defined as the sum of the: (i) percentage difference between the target price and the current price and (ii) the forward net dividend yields of the stock. Stock price targets have an investment horizon of 12 months.*

#### Sector Ratings

Definition:

- Overweight** An Overweight rating means stocks in the sector have, on a market cap-weighted basis, a positive absolute recommendation.
- Neutral** A Neutral rating means stocks in the sector have, on a market cap-weighted basis, a neutral absolute recommendation.
- Underweight** An Underweight rating means stocks in the sector have, on a market cap-weighted basis, a negative absolute recommendation.

#### Country Ratings

Definition:

- Overweight** An Overweight rating means investors should be positioned with an above-market weight in this country relative to benchmark.
- Neutral** A Neutral rating means investors should be positioned with a neutral weight in this country relative to benchmark.
- Underweight** An Underweight rating means investors should be positioned with a below-market weight in this country relative to benchmark.