

Singapore

Neutral (no change)

Highlighted Companies

DBS Group
HOLD, TP S\$35.30, S\$31.90 close

We estimate DBS Group had S\$2bn in management overlays as at 3Q23F. The asset quality of its onshore Mainland China property exposure (<1% of group loans) remains contained, in our view; the majority of these loans were extended to state-owned enterprises (SOEs).

OCBC
ADD, TP S\$14.00, S\$12.91 close

OCBC's robust CET-1 of c.15% in 3Q23 remains a key advantage, whether for M&A or to cushion against asset quality deterioration, in our view. The deployment of wealth inflows from recent banking system volatility is a key earnings lever.

United Overseas Bank
ADD, TP S\$33.30, S\$27.93 close

We believe that write-backs of management overlays are unlikely until Covid-19 truly blows over. The credit quality of United Overseas Bank's (UOB) portfolio of loans under moratorium remains healthy. Asset quality concerns from its SME and ASEAN portfolio have been well contained, in our view.

Summary Valuation Metrics

P/E (x)	Dec-23F	Dec-24F	Dec-25F
United Overseas Bank	7.30	7.34	7.41
OCBC	8.32	8.29	8.10
DBS Group	7.81	8.00	7.87
P/BV (x)	Dec-23F	Dec-24F	Dec-25F
United Overseas Bank	1.01	0.95	0.89
OCBC	1.06	1.00	0.95
DBS Group	1.39	1.30	1.24
Dividend Yield	Dec-23F	Dec-24F	Dec-25F
United Overseas Bank	6.80%	6.80%	6.80%
OCBC	6.20%	6.58%	6.58%
DBS Group	6.96%	7.90%	8.46%

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Banks

4Q23F: Expect some seasonal softness

- Updated management guidance on FY24F NIM trajectory, portfolio credit quality, wealth fees and dividends to steer the sector's re-rating/de-rating.
- Reiterate sector Neutral. Drastic Fed fund rate cuts affecting NIMs are a downside risk but c.7% div. yields should retain investors' interest in banks.
- UOB is our sector top pick for better sequential performance. We think NIMs could be relatively more defensive vs. peers given its funding profile.
- We expect DBS to declare final DPS of S\$1.04, OCBC to declare S\$0.43 DPS, and UOB to declare S\$0.95 final DPS in 4Q23F.

4Q23F: Watch for revised FY24F NIM and business growth outlook

We expect Singapore banks' 4Q23F earnings to be weighed down by seasonally softer business volumes given the end-of-year festive period. Easing NIMs and modest fees will likely be a shared feature across the banks' 4Q23F earnings, though still-benign credit costs may counterbalance some of the income weakness. In 4Q23F briefings, we expect banks to provide renewed interest rate outlooks and correspondingly their views on its implications on loan growth and asset quality going forward. We forecast final (ordinary + special) DPS of S\$1.04 for DBS, S\$0.43 for OCBC, and S\$0.95 for UOB in 4Q23F. A quicker pick-up in wealth management fees are an upside risk. Asset quality deterioration as a result of the elevated interest rate environment is a downside risk.

DBS: We think a S\$0.50 special DPS may be on the cards

We expect DBS to post 4Q23F net profit of S\$2.53bn (-4% qoq, +7% yoy) as operating trends seen in 3Q23 likely persisted. We expect NIMs to contract c.2bp in 4Q23F, reflecting higher funding costs from a shift of CASA into fixed deposits in 2H23 – consistent with management's view of NIMs having peaked in 3Q23, and its expectations of full-year NIMs averaging 2.16% in FY23F. We anticipate non-IT to be sequentially weaker in 4Q23F given the seasonalities, though yoy momentum should remain intact. As a whole, 4Q23F CTI could trend higher towards c.41% given the lower income base and slight uptick in opex for digital and overall business purposes. We expect full-year FY23F credit costs to trend at the lower end of DBS's c.10-15bp guidance given its relatively benign showing thus far. We anticipate DBS to hike its ordinary DPS to S\$0.54 per quarter commencing 4Q23F, and declare a special DPS of S\$0.50 for FY23F.

OCBC: NIMs likely to exceed mgmt.'s c.2.25% guidance for FY23F

We expect OCBC to record 4Q23F net profit of S\$1.72bn (-5% qoq, +32% yoy). On NIMs, although its more expensive fixed deposits (placed at end-2022) have started to roll off, competitive pricing by peers at end-2023 had negated some of the funding cost reductions. On balance, we expect NIMs to contract c.2bp qoq in 4Q23F but still average c.2.27% in FY23F. Loan growth likely stayed muted in 4Q23F as customers maintained a "wait-and-see" approach. Overall fees were likely affected by seasonally softer business volumes. Notwithstanding the possibility of management overlay top-ups as OCBC continuously reviews its portfolio, we expect a normalised credit cost of c.20bp in 4Q23F. We forecast S\$0.43 DPS in 4Q23F, bringing OCBC's payout to 53% in FY23F (ie. FY22's payout).

UOB: The bulk of Citi integration costs to be completed by 4Q23F

We expect UOB to post a net profit of S\$1.5bn in 4Q23F (+2% qoq, +8% yoy). The bank is being tactical in its approach towards imminent Fed fund rate cuts and has been shoring up liquidity by offering competitive fixed deposit rates. That said, this would likely come at the expense of NIMs as the excess liquidity is placed in lower-yielding government securities. Fee income remains driven by its consumer business, with this being most apparent in its credit card business as travel activity picked up at end-2023. Continued Citi integration costs should be expected in 4Q23F (c.S\$100m), bringing this total to c.S\$350m-400m in FY23F. We expect credit costs to remain relatively contained at c.25bp in 4Q23F post the deliberate write-down of collateral values in 3Q23. We forecast c.S\$0.95 DPS in 4Q23F, in line with UOB's 50% dividend payout ratio policy.

Figure 1: Sector comparison

Company	Bbg Ticker	Recom.	Price (local)	Tgt Price (local)	Mkt Cap (US\$ m)	Core P/E (x)			3-year EPS CAGR (%)	P/BV (x)			Recurr. ROE (%)			P/PPOPS (x)			Div Yield (%)		
						CY24F	CY25F	CY26F		CY24F	CY25F	CY26F	CY24F	CY25F	CY26F	CY24F	CY25F	CY26F	CY24F	CY25F	CY26F
DBS Group	DBS SP	Hold	31.90	35.30	61,359	8.0	7.9	na	na	1.30	1.24	na	16.8%	16.1%	na	6.6	6.5	na	7.9%	8.5%	na
OCBC	OCBC SP	Add	12.91	14.00	43,272	8.3	8.1	na	na	1.00	0.95	na	12.4%	12.0%	na	7.3	7.1	na	6.6%	6.6%	na
United Overseas Bank	UOB SP	Add	27.93	33.30	34,836	7.3	7.4	na	na	0.95	0.89	na	13.3%	12.4%	na	5.6	5.4	na	6.8%	6.8%	na
Singapore average						7.9	7.8	na	na	1.10	1.04	na	14.3%	13.7%	na	6.5	6.4	na	7.2%	7.5%	na
Bank Central Asia	BBCA IJ	Add	9,625	10,700	75,879	22.7	20.8	na	na	4.48	4.09	na	20.6%	20.6%	na	17.4	15.9	na	2.6%	2.9%	na
Bank Jago	ARTO IJ	Hold	3,650	3,700	3,234	492.3	176.0	na	na	6.00	5.83	na	1.2%	3.4%	na	54.5	35.7	na	0.0%	0.1%	na
Bank Mandiri	BMRI IJ	Add	6,500	7,780	38,797	10.8	9.9	na	na	2.15	1.96	na	21.0%	20.6%	na	6.5	5.8	na	5.6%	6.0%	na
Bank Negara Indonesia	BBNI IJ	Add	5,525	6,750	13,178	8.5	7.5	na	na	1.30	1.18	na	15.9%	16.5%	na	5.4	4.9	na	5.9%	6.7%	na
Bank Rakyat Indonesia	BBRI IJ	Add	5,775	6,600	55,973	13.5	11.8	na	na	2.59	2.45	na	19.7%	21.3%	na	8.1	7.3	na	6.3%	7.2%	na
Bank Tabungan Negara	BBTN IJ	Add	1,375	1,850	1,234	5.3	4.4	na	na	0.55	0.50	na	10.8%	12.0%	na	2.2	2.0	na	3.8%	4.6%	na
Bank Tabungan Pensiunan Nasional	BTPS IJ	Hold	1,635	1,720	805.5	8.2	5.9	na	na	1.27	1.10	na	16.3%	19.8%	na	3.8	3.5	na	3.8%	4.9%	na
Indonesia average						14.6	13.1	na	na	2.69	2.49	na	19.2%	19.8%	na	9.3	8.3	na	4.5%	5.0%	na
Affin Bank Berhad	ABANK MK	Reduce	2.40	2.26	1,190	10.7	9.7	8.8	9.0%	0.52	0.50	0.49	5.0%	5.3%	5.6%	7.2	6.2	5.8	3.7%	4.1%	4.6%
Alliance Bank Malaysia Berhad	ABMB MK	Hold	3.41	3.70	1,116	6.9	6.4	6.0	6.5%	0.67	0.63	0.60	10.2%	10.2%	10.2%	4.5	4.2	3.9	6.3%	6.7%	7.1%
AMMB Holdings	AMM MK	Add	4.27	4.86	2,986	7.3	7.2	6.6	1.4%	0.69	0.65	0.61	9.8%	9.3%	9.5%	5.1	4.9	4.6	4.8%	4.9%	5.3%
Bank Islam Malaysia Bhd	BIMB MK	Add	2.25	2.55	1,078	8.3	7.9	7.2	10.1%	0.71	0.68	0.66	8.7%	8.8%	9.4%	4.5	4.3	4.0	4.8%	5.1%	5.6%
Hong Leong Bank	HLBK MK	Add	19.02	26.30	8,715	9.9	9.2	8.8	5.6%	1.01	0.94	0.87	10.7%	10.5%	10.3%	10.5	9.9	9.5	4.0%	4.3%	4.5%
Malayan Banking Bhd	MAY MK	Add	9.01	10.60	22,969	10.4	10.0	9.3	5.7%	1.19	1.15	1.11	11.6%	11.7%	12.1%	6.6	6.3	6.0	5.9%	6.1%	6.6%
Public Bank Bhd	PBK MK	Add	4.34	5.25	17,807	11.1	10.5	9.7	6.6%	1.40	1.31	1.23	13.1%	12.9%	13.0%	8.2	7.8	7.3	4.5%	4.7%	5.1%
RHB Bank Bhd	RHBAN K MK	Add	5.57	6.70	5,047	7.4	6.9	6.4	6.9%	0.64	0.60	0.57	8.9%	9.0%	9.1%	5.0	4.7	4.4	6.7%	7.2%	7.8%
Malaysia average						9.9	9.3	8.7	6.0%	1.04	0.99	0.94	10.9%	10.9%	11.1%	7.0	6.6	6.2	5.2%	5.4%	5.8%
Bangkok Bank	BBL TB	Add	144.5	193.0	7,742	6.6	6.1	na	na	0.49	0.46	na	7.6%	7.8%	na	3.2	2.9	na	4.8%	5.5%	na
Kasikornbank	KBANK TB	Add	120.5	168.0	8,014	6.4	5.7	na	na	0.51	0.48	na	8.2%	8.7%	na	2.7	2.6	na	5.4%	6.2%	na
Kiatnakin Phatra Bank	KKP TB	Add	46.75	81.00	1,111	4.8	4.7	na	na	0.59	0.55	na	12.8%	12.2%	na	2.2	2.1	na	8.6%	8.6%	na
Krung Thai Bank	KTB TB	Add	16.20	22.30	6,355	5.6	5.3	na	na	0.52	0.48	na	9.6%	9.4%	na	2.6	2.5	na	4.3%	4.3%	na
Muangthai Capital	MTC TB	Reduce	40.75	35.50	2,425	14.4	11.8	na	na	2.32	1.98	na	17.4%	18.1%	na	6.8	6.1	na	1.0%	1.3%	na
SCB X	SCB TB	Add	105.0	145.0	9,924	7.2	6.6	na	na	0.69	0.65	na	9.7%	10.0%	na	3.5	3.4	na	5.7%	6.7%	na
Srisawad Corporation	SAWAD TB	Reduce	38.25	49.00	1,474	9.3	8.2	na	na	1.68	1.51	na	19.2%	19.4%	na	5.9	5.1	na	5.4%	6.1%	na
Tisco Financial Group	TISCO TB	Add	97.25	103.0	2,186	10.7	9.8	na	na	1.74	1.67	na	16.4%	17.4%	na	7.3	6.6	na	8.0%	8.0%	na
Thailand average						6.9	6.3	na	na	0.62	0.58	na	9.3%	9.5%	na	3.2	3.0	na	5.2%	5.7%	na

SOURCES: CGS-CIMB RESEARCH ESTIMATES, BLOOMBERG DATA AS AT 23 JAN 24

Singapore banks earnings summary table

Figure 2: SG banks quarterly earnings summary

	DBS					OCBC					UOB				
	4Q22	3Q23	4Q23F	qoq	yoy	4Q22	3Q23	4Q23F	qoq	yoy	4Q22	3Q23	4Q23F	qoq	yoy
NII (S\$m)	3,280	3,504	3,479	-1%	6%	2,386	2,456	2,367	-4%	-1%	2,560	2,429	2,376	-2%	-7%
Non-II (S\$m)	1,310	1,688	1,580	-6%	21%	615	973	919	-6%	49%	770	1,027	1,014	-1%	32%
Wealth management (S\$m)	262	393	370	-6%	41%	139	196	180	-8%	29%	125	146	150	3%	20%
Treasury income (S\$m)	649	845	780	-8%	20%	150	292	292	0%	95%	203	375	356	-5%	75%
PPOP(S\$m)	2,574	3,154	2,999	-5%	17%	1,702	2,089	1,896	-9%	11%	1,912	2,041	1,964	-4%	3%
Loan loss provisions (S\$m)	42	(215)	(110)	-49%	-362%	(314)	(184)	(150)	-18%	-52%	(184)	(235)	(160)	-32%	-13%
Core net profit (S\$m)	2,341	2,633	2,534	-4%	8%	1,306	1,810	1,723	-5%	32%	1,398	1,479	1,511	2%	8%
NIM	2.05%	2.19%	2.17%	-2bp	+12bp	2.31%	2.27%	2.25%	-2bp	-6bp	2.22%	2.09%	2.07%	-2bp	-15bp
Loan growth	-3.4%	1.0%	0.5%	-0.5%pt	3.9%pt	-2.6%	0.2%	0.5%	0.3%pt	3.1%pt	-1.2%	-0.3%	0.5%	0.8%pt	1.7%pt
Cost-income ratio	43.3%	39.0%	40.7%	1.8%pt	-2.5%pt	43.3%	39.1%	42.3%	3.2%pt	-1.0%pt	42.6%	41.0%	42.1%	1.1%pt	-0.5%pt
Credit costs (bp, calculated)	-4	20	10	-10	14	43	25	20	-5	-23	22	19	20	1	-2

SOURCES: CGS-CIMB RESEARCH ESTIMATES, COMPANY REPORTS

Upside and downside risks of the sector ▶

Stronger and sustainable treasury income and wealth management fees are key upside risks. A significant deterioration in asset quality as a result of the higher interest rate environment is a downside risk.

DBS's 4Q23F earnings announcement due on 7 Feb 2024 ▶

Figure 3: DBS - quarterly key statistics

S\$m	1Q22	2Q22	3Q22	4Q22	1Q23	2Q23	3Q23	4Q23F	qoq%	yoy %	FY22	FY23F	yoy %
Income Statement													
Net interest income	2,187	2,454	3,020	3,280	3,271	3,433	3,504	3,479	-1%	6%	10,941	13,609	24%
Net fee and commission income	891	768	771	661	851	823	843	800	-5%	21%	3,091	3,323	8%
Wealth management	408	337	323	262	365	377	393	370	-6%	41%	1,330	1,503	13%
Treasury income	669	570	753	649	814	789	845	780	-8%	20%	2,313	2,938	27%
Non-interest income	1,560	1,338	1,524	1,310	1,665	1,612	1,688	1,580	-6%	21%	5,561	6,421	15%
TOTAL INCOME	3,747	3,792	4,544	4,537	4,936	5,045	5,192	5,059	-3%	12%	16,502	20,030	21%
Operating expenses	(1,644)	(1,658)	(1,825)	(1,963)	(1,882)	(1,931)	(2,038)	(2,060)	1%	5%	(7,090)	(7,718)	9%
PREPROVISION OPERATING PROFIT (PPOP)	2,103	2,134	2,719	2,574	3,054	3,114	3,154	2,999	-5%	17%	9,412	12,312	31%
Loan loss provision	(55)	(46)	(178)	42	(161)	(72)	(215)	(110)	-49%	-362%	(237)	(593)	150%
Profit before tax	2,048	2,088	2,541	2,705	2,956	3,084	3,001	2,940	-2%	9%	9,382	11,936	27%
Tax	(247)	(273)	(305)	(364)	(385)	(455)	(408)	(405)	-1%	11%	(1,188)	(1,552)	31%
Non-controlling interests	-	-	-	-	-	-	-	-	-	-	(1)	-	-
Core net profit	1,801	1,815	2,236	2,341	2,571	2,689	2,633	2,534	-4%	8%	8,193	10,504	28%
Overall stats/drivers													
NIM (%)	1.46%	1.58%	1.90%	2.05%	2.12%	2.16%	2.19%	2.17%			1.75%	2.18%	
Loan growth	1.8%	2.0%	1.1%	-3.4%	0.6%	-0.3%	1.0%	0.5%			1.4%	1.8%	
Cost-to-income ratio	43.9%	43.7%	40.2%	43.3%	38.1%	37.8%	39.0%	40.7%			43.0%	38.5%	
Credit costs (bp) (calculated)	5	4	17	-4	15	7	20	10			8	14	
CET-1 ratio	14.0%	14.2%	13.8%	14.6%	14.4%	14.1%	14.1%	n.a.			14.6%	n.a.	

SOURCES: CGS-CIMB RESEARCH ESTIMATES, COMPANY REPORTS

OCBC's 4Q23F earnings announcement due on 28 Feb 2024 ➤

Figure 4: OCBC - quarterly key statistics

S\$m	1Q22	2Q22	3Q22	4Q22	1Q23	2Q23	3Q23	4Q23F	qoq %	yoy%	FY22	FY23F	yoy %
Income Statement													
Net interest income	1,503	1,700	2,099	2,386	2,338	2,389	2,456	2,367	-4%	-1%	7,688	9,593	25%
Insurance income (life + general)	330	208	370	66	238	262	220	220	0%	233%	1,189	946	-20%
Fees and commissions (net)	522	477	453	399	453	430	461	429	-7%	8%	1,851	1,787	-3%
Wealth management	256	215	179	139	190	181	196	180	-8%	29%	919	744	-19%
Treasury income (and others)	258	216	230	150	321	374	292	292	0%	95%	744	1,273	71%
Non-interest income	1,140	964	1,053	615	1,012	1,066	973	919	-6%	49%	3,987	4,006	0%
Total income	2,643	2,664	3,152	3,001	3,350	3,455	3,429	3,286	-4%	9%	11,675	13,599	16%
Total operating expenses	(1,205)	(1,304)	(1,269)	(1,299)	(1,244)	(1,329)	(1,340)	(1,390)	4%	7%	(5,026)	(5,324)	6%
Pre-provision operating profit (PPOP)	1,438	1,360	1,883	1,702	2,106	2,126	2,089	1,896	-9%	11%	6,649	8,276	24%
Loan loss provision	(44)	(72)	(154)	(314)	(110)	(252)	(184)	(150)	-18%	-52%	(584)	(683)	17%
Profit before tax	1,623	1,506	1,959	1,585	2,231	2,098	2,133	1,981	-7%	25%	6,939	8,515	23%
Tax	(267)	(208)	(354)	(279)	(352)	(388)	(323)	(258)	-20%	-8%	(1,057)	(1,362)	29%
Non-controlling interests	-	-	-	-	-	-	-	-	-	-	(134)	(143)	7%
Core net profit	1,356	1,281	1,605	1,306	1,879	1,710	1,810	1,723	-5%	32%	5,748	7,009	22%
Overall stats/drivers													
NIM (%)	1.55%	1.71%	2.06%	2.31%	2.30%	2.26%	2.27%	2.25%			1.91%	2.26%	
qoq loan growth (net)	1.5%	1.3%	1.7%	-2.6%	-0.3%	1.1%	0.2%	0.5%			1.8%	1.3%	
Cost-income ratio	45.6%	48.9%	40.3%	43.3%	37.1%	38.5%	39.1%	42.3%			43.0%	39.1%	
Credit costs (bp) (calculated)	6	10	21	43	15	34	25	20			20	23	
CET-1 ratio	15.2%	14.9%	14.4%	15.2%	15.9%	15.4%	14.8%	n.a.			15.2%	n.a.	

SOURCES: CGS-CIMB RESEARCH ESTIMATES, COMPANY REPORTS

UOB's 4Q23F earnings announcement due on 22 Feb 2024 ➤

Figure 5: UOB - quarterly key statistics

S\$m	1Q22	2Q22	3Q22	4Q22	1Q23	2Q23	3Q23	4Q23F	qoq %	yoy %	FY22	FY23F	yoy %
Income Statement													
Net interest income	1,686	1,863	2,234	2,560	2,409	2,437	2,429	2,376	-2%	-7%	8,343	9,651	16%
Fee and commission income	572	567	519	485	552	524	591	582	-2%	20%	2,143	2,209	3%
Wealth management	160	147	131	125	156	142	146	150	3%	20%	536	579	8%
Treasury income	44	214	369	203	474	478	375	356	-5%	75%	1,064	766	-28%
Non-interest income	673	840	943	770	1,115	1,105	1,027	1,014	-1%	32%	3,232	4,375	35%
Total income	2,359	2,702	3,184	3,330	3,524	3,542	3,457	3,391	-2%	2%	11,575	14,026	21%
Total operating expenses	(1,058)	(1,184)	(1,357)	(1,418)	(1,440)	(1,448)	(1,416)	(1,427)	1%	1%	(5,281)	(5,731)	9%
Preprovision operating profit (PPOP)	1,301	1,519	1,827	1,912	2,083	2,093	2,041	1,964	-4%	3%	6,294	8,295	32%
Loan loss provision	(178)	(137)	(104)	(184)	(169)	(365)	(235)	(160)	-32%	-13%	(603)	(898)	49%
Profit before tax	1,152	1,405	1,741	1,753	1,936	1,754	1,826	1,832	0%	5%	5,785	7,493	30%
Tax	(246)	(292)	(338)	(355)	(425)	(175)	(411)	(421)	3%	19%	(1,202)	(1,424)	18%
Non-controlling interests	-	-	-	-	-	-	-	-	-	-	(10)	(12)	21%
Core net profit	906	1,113	1,403	1,398	1,577	1,507	1,479	1,511	2%	8%	4,819	6,408	33%
Overall stats/drivers													
NIM (%)	1.58%	1.67%	1.95%	2.22%	2.14%	2.12%	2.09%	2.07%			1.86%	2.11%	
Loan growth	3.0%	0.5%	0.5%	-1.2%	-1.1%	0.9%	-0.3%	0.5%			2.8%	0.6%	
Cost-to-income ratio	44.8%	43.8%	42.6%	42.6%	40.9%	40.9%	41.0%	42.1%			45.6%	40.9%	
Credit cost (bp of loans, calculated)	19	22	17	22	24	30	19	20			18	28	
CET-1 ratio	13.1%	13.1%	12.8%	13.3%	14.0%	13.6%	13.0%	n.a.			13.3%	n.a.	

SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS



ESG in a nutshell

Singapore banks' ESG scores (by Refinitiv) in 2023 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 are 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.

Keep your eye on

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.

Implications

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 that these policies effectively address the controversies.

ESG highlights

Singapore banks' ESG scores (including the controversy overlay) by Refinitiv in 2023 range from B+ to B- and rank among the top 25 highest-scoring companies (of 93) in our covered universe in Singapore.

Implications

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.

Trends

The banks have progressively improved their ESG scores across all pillars, albeit at a varying pace.

Implications

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.

SOURCES: CGS-CIMB RESEARCH, REFINITIV

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