

Singapore

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HOLD (no change)

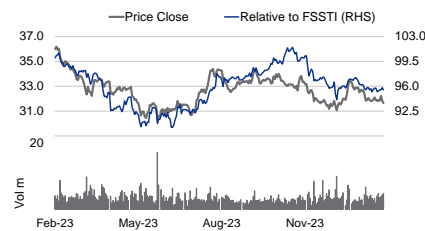
Consensus ratings*: Buy 8 Hold 7 Sell 3

| | |
|-------------------------|---------------------------|
| Current price: | S\$31.65 |
| Target price: | S\$35.30 |
| Previous target: | S\$35.30 |
| Up/downside: | 11.5% |
| CGS-CIMB / Consensus: | -2.9% |
| Reuters: | DBSM.SI |
| Bloomberg: | DBS SP |
| Market cap: | US\$60,684m S\$81,632m |
| Average daily turnover: | US\$86.20m S\$115.3m |
| Current shares o/s | 2,562m |
| Free float: | 70.7% |

*Source: Bloomberg

Key financial forecasts

| | Dec-23F | Dec-24F | Dec-25F |
|-------------------|---------|---------|---------|
| Net Profit (S\$m) | 10,504 | 10,261 | 10,425 |
| Core EPS (S\$) | 4.08 | 3.99 | 4.05 |
| Core EPS Growth | 28.2% | (2.3%) | 1.6% |
| FD Core P/E (x) | 7.75 | 7.94 | 7.81 |
| Recurring ROE | 18.5% | 16.8% | 16.1% |
| P/BV (x) | 1.38 | 1.29 | 1.23 |
| DPS (S\$) | 2.22 | 2.52 | 2.70 |
| Dividend Yield | 7.01% | 7.96% | 8.53% |



Source: Bloomberg

| Price performance | 1M | 3M | 12M |
|-------------------|------|------|-------|
| Absolute (%) | -3.8 | -6.2 | -11.7 |
| Relative (%) | -1.9 | -4.5 | -4 |

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

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DBS Group

No special DPS; bonus issue instead

- 4Q23 net profit missed our expectations due to higher-than-expected staff and overhead costs; it was in line with Bloomberg consensus forecast.
- DBS proposed a 1-for-10 bonus issue and declared a final DPS of S\$0.54 in 4Q23. This was below our expected cash DPS of S\$1.04 for 4Q23.
- It raised its quarterly DPS guidance to S\$0.54 for FY24F, bringing annualised FY24F DPS to c.S\$2.16.
- We expect negative share price movement given the DPS miss. DBS will hold its earnings briefing later this morning.

4Q23 core net profit missed our expectations

- DBS reported a 4Q23 core net profit of S\$2.39bn (-9% qoq, +2% yoy). This was 6% below our S\$2.5bn forecast but in line with Bloomberg consensus' S\$2.36bn estimate. FY23 core net profit formed 98%/100% of our/consensus' full-year forecasts.
- 4Q23 core net profit missed our estimate mainly due to higher-than-expected opex (+8% qoq, +12% yoy) amid elevated staff costs. CTI in 4Q23 came up to 44%, vs. an average of c.38% in 9M23.
- No special DPS was declared but DBS proposed a 1-for-10 bonus issue. To note, bonus shares will not be entitled to the 4Q23 final cash dividend but will qualify for dividend payments from 1Q24F.
- DBS declared a final ordinary DPS of S\$0.54 in 4Q23 (4Q22: S\$0.42 ordinary DPS and S\$0.50 special DPS) – this was below our expectation of S\$1.04 (which included a special S\$0.50 cash DPS). This brought FY23 full-year DPS to S\$1.92 (FY22: S\$2.00).
- It raised its quarterly DPS guidance to S\$0.54 from 4Q23, bringing annualised DPS in FY24F to S\$2.16.
- The variable pay for DBS's Group Management Committee and CEO will be cut by 21-30% yoy in FY24F to take accountability for technological disruptions.

NIM contracted 6bp qoq but fees held up; credit costs contained

- NIM contracted 6bp qoq to 2.13% (vs. consensus forecast of 2-3bp decline). This was DBS's first quarterly margin contraction since the start of the current Fed fund rate hike cycle in 2022. As loan growth was flattish in 4Q23, NII dipped 2% qoq (+16% yoy). Full-year FY23 NIM came up to 2.15% (FY22: 1.75%).
- Fees held up well (+3% qoq, +31% yoy), boosted by cards. Overall treasury income was weaker than expected (-16% qoq, +9% yoy).
- Credit cost was contained at 13bp in 4Q23. Specific provisions comprised 11bp and general provisions accounted for 2bp.

FY24F outlook and guidance

- A more settled macroeconomic outlook; geopolitical risks remain.
- Guided for FY24F NII to be around FY23 levels. NII to be supported by full-year impact of Citi Taiwan consolidation. There is likely a trade-off between NIM and loan growth, DBS said. DBS expects full-year FY24F NIM to be slightly below FY23's exit NIM of 2.13%
- Double-digit fee income growth, driven by wealth management and cards.
- It guided for CTI to be in the low-40% range.
- Total allowances to normalise to 17-20bp of loans. General provisions to be released if specific provisions are higher than expected.
- It guided for ROE to be in the range of 15-17%.
- Reiterate Hold with GGM-based TP unchanged at S\$35.30. We think the impending Fed rate cuts could be an overhang on the share price. Upside risks include a quicker-than-expected pick-up in management fees. Downside risks include drastic Fed rate cuts hurting NIMs.

Figure 1: Peer 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/POPS (x) | | | Div Yield (%) | | |
|--|------------|--------|---------------|-------------------|------------------|--------------|-------------|------------|---------------------|-------------|-------------|-------------|--------------|-----------------|--------------|------------|------------|------------|-------------|---------------|-------------|-------|
| | | | | | | CY24F | CY25F | CY26F | CY24F | CY25F | CY26F | CY24F | CY25F | CY26F | CY24F | CY25F | CY26F | CY24F | CY25F | CY26F | CY24F | CY25F |
| DBS Group | DBS SP | Hold | 31.65 | 35.30 | 60,684 | 7.9 | 7.8 | na | na | 1.29 | 1.23 | na | 16.8% | 16.1% | na | 6.6 | 6.5 | na | 8.0% | 8.5% | na | |
| OCBC | OCBC SP | Add | 12.78 | 14.00 | 42,700 | 8.2 | 8.0 | na | na | 0.99 | 0.94 | na | 12.4% | 12.0% | na | 7.2 | 7.0 | na | 6.7% | 6.7% | na | |
| United Overseas Bank | UOB SP | Add | 28.17 | 33.30 | 35,023 | 7.4 | 7.5 | na | na | 0.96 | 0.90 | na | 13.3% | 12.4% | na | 5.6 | 5.5 | na | 6.7% | 6.7% | na | |
| Singapore average | | | | | | 7.9 | 7.8 | na | na | 1.09 | 1.03 | na | 14.3% | 13.7% | na | 6.5 | 6.3 | na | 7.2% | 7.5% | na | |
| Bank Central Asia | BBCA IJ | Add | 9,625 | 10,900 | 75,431 | 22.4 | 20.6 | 18.9 | 8.8% | 4.14 | 3.83 | 3.54 | 20.0% | 19.3% | 19.5% | 17.4 | 15.9 | 14.5 | 2.9% | 3.2% | 3.4% | |
| Bank Jago | ARTO IJ | Hold | 3,040 | 3,700 | 2,678 | 410.0 | 146.6 | na | na | 4.99 | 4.85 | na | 1.2% | 3.4% | na | 45.4 | 29.7 | na | 0.0% | 0.1% | na | |
| Bank Mandiri | BMRI IJ | Add | 6,850 | 7,780 | 40,644 | 11.3 | 10.5 | na | na | 2.27 | 2.07 | na | 21.0% | 20.6% | na | 6.9 | 6.1 | na | 5.3% | 5.7% | na | |
| Bank Negara Indonesia | BBNI IJ | Add | 5,775 | 6,750 | 13,693 | 8.8 | 7.8 | 7.0 | 13.7% | 1.37 | 1.25 | 1.13 | 16.1% | 16.6% | 17.0% | 5.6 | 5.2 | 4.7 | 5.7% | 6.4% | 7.1% | |
| Bank Rakyat Indonesia | BBRI IJ | Add | 5,825 | 6,600 | 56,124 | 13.6 | 11.9 | na | na | 2.61 | 2.47 | na | 19.7% | 21.3% | na | 8.2 | 7.4 | na | 6.3% | 7.1% | na | |
| Bank Tabungan Negara | BBTN IJ | Add | 1,260 | 1,850 | 1,124 | 4.9 | 4.0 | na | na | 0.50 | 0.46 | na | 10.8% | 12.0% | na | 2.1 | 1.8 | na | 4.1% | 5.0% | na | |
| Bank Tabungan Pensiunan Nasional Syariah | BTPS IJ | Hold | 1,615 | 1,720 | 790.9 | 8.1 | 5.9 | na | na | 1.25 | 1.09 | na | 16.3% | 19.8% | na | 3.8 | 3.4 | na | 3.8% | 4.9% | na | |
| Indonesia average | | | | | | 14.7 | 13.2 | na | na | 2.68 | 2.48 | na | 19.1% | 19.5% | na | 9.4 | 8.4 | na | 4.6% | 5.1% | na | |
| Affin Bank Berhad | ABANK MK | Reduce | 2.50 | 2.26 | 1,230 | 11.2 | 10.1 | 9.1 | 9.0% | 0.54 | 0.52 | 0.51 | 5.0% | 5.3% | 5.6% | 7.5 | 6.4 | 6.0 | 3.6% | 4.0% | 4.4% | |
| Alliance Bank Malaysia Berhad | ABMB MK | Hold | 3.46 | 3.70 | 1,123 | 7.0 | 6.5 | 6.1 | 6.5% | 0.68 | 0.64 | 0.61 | 10.2% | 10.2% | 10.2% | 4.6 | 4.2 | 4.0 | 6.2% | 6.6% | 7.0% | |
| AMMB Holdings | AMM MK | Add | 4.27 | 4.86 | 2,963 | 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 | 2.24 | 2.55 | 1,065 | 8.3 | 7.8 | 7.1 | 10.1% | 0.70 | 0.68 | 0.66 | 8.7% | 8.8% | 9.4% | 4.5 | 4.3 | 3.9 | 4.8% | 5.1% | 5.6% | |
| Hong Leong Bank | HLBK MK | Add | 19.24 | 26.30 | 8,748 | 10.0 | 9.3 | 8.9 | 5.6% | 1.02 | 0.95 | 0.88 | 10.7% | 10.5% | 10.3% | 10.6 | 10.0 | 9.6 | 4.0% | 4.3% | 4.5% | |
| Malayan Banking Bhd | MAY MK | Add | 9.31 | 10.60 | 23,550 | 10.8 | 10.3 | 9.6 | 5.7% | 1.23 | 1.19 | 1.15 | 11.6% | 11.7% | 12.1% | 6.8 | 6.6 | 6.2 | 5.7% | 5.9% | 6.3% | |
| Public Bank Bhd | PBK MK | Add | 4.39 | 5.25 | 17,873 | 11.3 | 10.7 | 9.9 | 6.6% | 1.42 | 1.33 | 1.24 | 13.1% | 12.9% | 13.0% | 8.2 | 7.9 | 7.4 | 4.4% | 4.7% | 5.1% | |
| RHB Bank Bhd | RHBBANK MK | Add | 5.61 | 6.70 | 5,044 | 7.5 | 7.0 | 6.5 | 6.9% | 0.65 | 0.61 | 0.57 | 8.9% | 9.0% | 9.1% | 5.1 | 4.7 | 4.4 | 6.7% | 7.2% | 7.7% | |
| Malaysia average | | | | | | 10.0 | 9.5 | 8.9 | 6.0% | 1.06 | 1.01 | 0.96 | 10.9% | 10.9% | 11.1% | 7.1 | 6.8 | 6.4 | 5.1% | 5.3% | 5.7% | |
| Bangkok Bank | BBL TB | Add | 141.0 | 193.0 | 7,552 | 6.4 | 5.9 | na | na | 0.48 | 0.45 | na | 7.6% | 7.8% | na | 3.1 | 2.9 | na | 5.0% | 5.7% | na | |
| Kasikornbank | KBANK TB | Add | 122.0 | 168.0 | 8,111 | 6.4 | 5.8 | na | na | 0.52 | 0.49 | na | 8.2% | 8.7% | na | 2.7 | 2.6 | na | 5.3% | 6.1% | na | |
| Kiatnakin Phatra Bank | KKP TB | Add | 49.75 | 81.00 | 1,182 | 5.1 | 5.0 | na | na | 0.63 | 0.58 | na | 12.8% | 12.2% | na | 2.4 | 2.2 | na | 8.0% | 8.0% | na | |
| Krung Thai Bank | KTB TB | Add | 16.10 | 22.30 | 6,314 | 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 | 44.25 | 35.50 | 2,632 | 15.7 | 12.9 | na | na | 2.52 | 2.15 | na | 17.4% | 18.1% | na | 7.4 | 6.6 | na | 1.0% | 1.2% | na | |
| SCB X | SCB TB | Add | 106.0 | 145.0 | 10,015 | 7.3 | 6.7 | na | na | 0.69 | 0.65 | na | 9.7% | 10.0% | na | 3.6 | 3.4 | na | 5.7% | 6.6% | na | |
| Srisawad Corporation | SAWAD TB | Reduce | 39.75 | 49.00 | 1,532 | 9.6 | 8.5 | na | na | 1.75 | 1.57 | na | 19.2% | 19.4% | na | 6.1 | 5.4 | na | 5.2% | 5.9% | na | |
| Tisco Financial Group | TISCO TB | Add | 99.25 | 103.0 | 2,230 | 11.0 | 10.0 | na | na | 1.77 | 1.71 | na | 16.4% | 17.4% | na | 7.4 | 6.7 | na | 7.8% | 7.8% | na | |
| Thailand average | | | | | | 6.9 | 6.4 | na | na | 0.62 | 0.59 | na | 9.3% | 9.5% | na | 3.3 | 3.1 | na | 5.1% | 5.7% | na | |

SOURCES: CGS-CIMB RESEARCH ESTIMATES, [BLOOMBERG](#), COMPANY REPORTS
DATA AS AT 6 FEB 24

BY THE NUMBERS

Profit & Loss

| (\$m) | Dec-22A | Dec-23F | Dec-24F | Dec-25F |
|--|---------------|---------------|---------------|---------------|
| Net Interest Income | 10,941 | 13,609 | 13,728 | 13,770 |
| Total Non-Interest Income | 5,561 | 6,421 | 6,951 | 7,542 |
| Operating Revenue | 16,502 | 20,030 | 20,679 | 21,311 |
| Total Non-Interest Expenses | -7,090 | -7,718 | -8,328 | -8,747 |
| Pre-provision Operating Profit | 9,412 | 12,312 | 12,351 | 12,564 |
| Total Provision Charges | -237 | -593 | -786 | -821 |
| Operating Profit After Provisions | 9,175 | 11,719 | 11,566 | 11,743 |
| Pretax Income/(Loss) from Assoc. | 207 | 217 | 228 | 240 |
| Operating EBIT (incl Associates) | 9,382 | 11,936 | 11,794 | 11,983 |
| Non-Operating Income/(Expense) | 0 | 0 | 0 | 0 |
| Profit Before Tax (pre-EI) | 9,382 | 11,936 | 11,794 | 11,983 |
| Exceptional Items | | | | |
| Pre-tax Profit | 9,382 | 11,936 | 11,794 | 11,983 |
| Taxation | -1,188 | -1,552 | -1,533 | -1,558 |
| Consolidation Adjustments & Others | | | | |
| Exceptional Income - post-tax | 0 | 120 | 0 | 0 |
| Profit After Tax | 8,194 | 10,504 | 10,261 | 10,425 |
| Minority Interests | -1 | 0 | 0 | 0 |
| Pref. & Special Div | 0 | 0 | 0 | 0 |
| FX And Other Adj. | 0 | 0 | 0 | 0 |
| Net Profit | 8,193 | 10,504 | 10,261 | 10,425 |
| Recurring Net Profit | 8,193 | 10,504 | 10,261 | 10,425 |

Balance Sheet

| (\$m) | Dec-22A | Dec-23F | Dec-24F | Dec-25F |
|---|----------------|----------------|----------------|----------------|
| Total Gross Loans | 480,415 | 488,084 | 507,195 | 528,055 |
| Liquid Assets & Invst. (Current) | 0 | 0 | 0 | 0 |
| Other Int. Earning Assets | 140,452 | 143,261 | 146,126 | 149,049 |
| Total Gross Int. Earning Assets | 620,867 | 631,345 | 653,321 | 677,104 |
| Total Provisions/Loan Loss Reserve | -5,765 | -5,235 | -5,462 | -5,710 |
| Total Net Interest Earning Assets | 615,102 | 626,110 | 647,860 | 671,394 |
| Intangible Assets | 5,340 | 5,340 | 5,340 | 5,340 |
| Other Non-Interest Earning Assets | 23,821 | 47,596 | 61,277 | 74,496 |
| Total Non-Interest Earning Assets | 29,161 | 52,936 | 66,617 | 79,836 |
| Cash And Marketable Securities | 99,105 | 101,629 | 104,219 | 106,878 |
| Long-term Investments | 0 | 0 | 0 | 0 |
| Total Assets | 743,368 | 780,674 | 818,696 | 858,108 |
| Customer Interest-Bearing Liabilities | 527,000 | 553,350 | 581,018 | 610,068 |
| Bank Deposits | 39,684 | 41,668 | 43,752 | 45,939 |
| Interest Bearing Liabilities: Others | 51,600 | 53,638 | 55,757 | 57,959 |
| Total Interest-Bearing Liabilities | 618,284 | 648,656 | 680,526 | 713,967 |
| Bank's Liabilities Under Acceptances | | | | |
| Total Non-Interest Bearing Liabilities | 68,012 | 70,275 | 72,652 | 75,147 |
| Total Liabilities | 686,296 | 718,932 | 753,178 | 789,114 |
| Shareholders' Equity | 56,887 | 61,558 | 65,333 | 68,809 |
| Minority Interests | 185 | 185 | 185 | 185 |
| Total Equity | 57,072 | 61,743 | 65,518 | 68,994 |

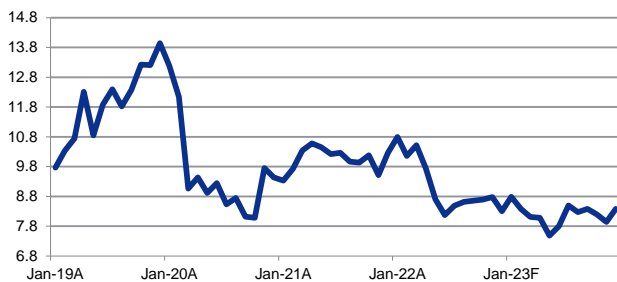
Balance Sheet Employment

| | Dec-22A | Dec-23F | Dec-24F | Dec-25F |
|-----------------------------------|---------|---------|---------|---------|
| Gross Loans/Cust Deposits | 79.8% | 77.2% | 76.7% | 76.4% |
| Avg Loans/Avg Deposits | 81.2% | 78.5% | 77.0% | 76.6% |
| Avg Liquid Assets/Avg Assets | 34.0% | 33.8% | 32.8% | 31.9% |
| Avg Liquid Assets/Avg IEAs | 40.1% | 41.1% | 40.8% | 40.2% |
| Net Cust Loans/Assets | 55.8% | 54.1% | 53.8% | 53.7% |
| Net Cust Loans/Broad Deposits | 73.1% | 70.9% | 70.5% | 70.2% |
| Equity & Provsns/Gross Cust Loans | 13.5% | 14.4% | 14.7% | 14.8% |
| Asset Risk Weighting | 47.9% | 47.9% | 47.6% | 47.5% |
| Provision Charge/Avg Cust Loans | 0% | 0% | 0% | 0% |
| Provision Charge/Avg Assets | 0% | 0% | 0% | 0% |
| Total Write Offs/Average Assets | 0% | 0% | 0% | 0% |

Key Ratios

| | Dec-22A | Dec-23F | Dec-24F | Dec-25F |
|--|---------|---------|---------|---------|
| Total Income Growth | 15.4% | 21.4% | 3.2% | 3.1% |
| Operating Profit Growth | 20.2% | 30.8% | 0.3% | 1.7% |
| Pretax Profit Growth | 20.7% | 27.2% | (1.2%) | 1.6% |
| Net Interest To Total Income | 66.3% | 67.9% | 66.4% | 64.6% |
| Cost Of Funds | 0.83% | 1.81% | 1.51% | 1.31% |
| Return On Interest Earning Assets | 2.63% | 4.00% | 3.70% | 3.44% |
| Net Interest Spread | 1.81% | 2.19% | 2.19% | 2.13% |
| Net Interest Margin (Avg Deposits) | 2.13% | 2.52% | 2.42% | 2.31% |
| Net Interest Margin (Avg RWA) | 3.13% | 3.73% | 3.60% | 3.45% |
| Provisions to Pre Prov. Operating Profit | 2.52% | 4.82% | 6.36% | 6.53% |
| Interest Return On Average Assets | 1.53% | 1.79% | 1.72% | 1.64% |
| Effective Tax Rate | 12.7% | 13.0% | 13.0% | 13.0% |
| Net Dividend Payout Ratio | 62.8% | 55.0% | 63.2% | 66.6% |
| Return On Average Assets | 1.15% | 1.36% | 1.28% | 1.24% |

12-mth Fwd FD P/E (x) - DBS Group



Key Drivers

| | Dec-22A | Dec-23F | Dec-24F | Dec-25F |
|-----------------------------|---------|---------|---------|---------|
| NIM (%) | 1.8% | 2.2% | 2.1% | 2.1% |
| Cost-to-income ratio (%) | 43.0% | 38.5% | 40.3% | 41.0% |
| Loan growth (%) | 1.4% | 1.8% | 4.3% | 4.5% |
| Deposit growth (%) | 5.0% | 5.0% | 5.0% | 5.0% |
| Loans-to-deposits ratio (%) | 78.7% | 76.3% | 75.8% | 75.5% |
| CASA ratio (%) | N/A | N/A | N/A | N/A |
| Credit cost (bp) | 7.9 | 14.0 | 18.0 | 18.0 |

SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

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| | | | | | |
|---------------------|-----------|-----------|---------|----------|------------------|
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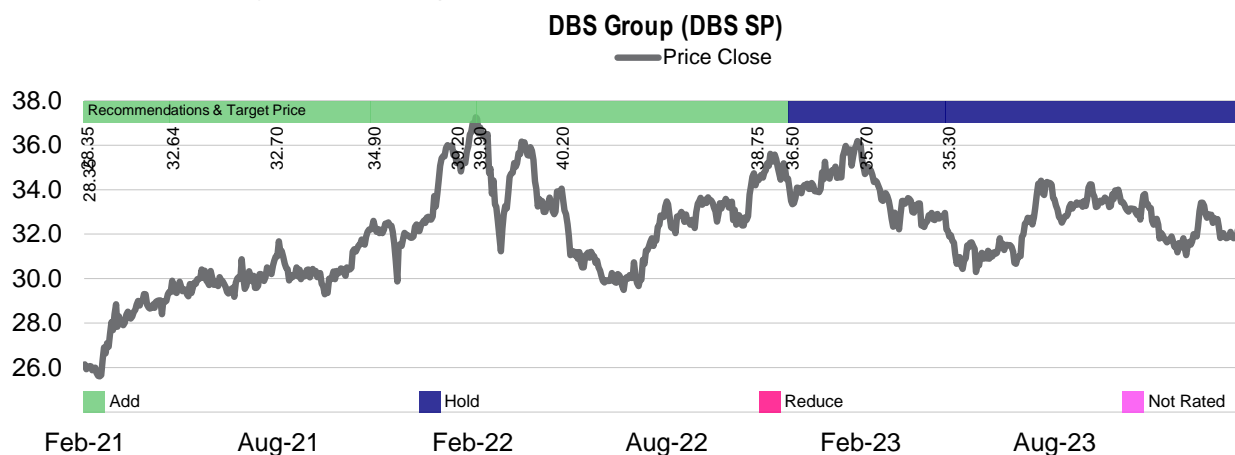
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| Distribution of stock ratings and investment banking clients for quarter ended on 31 December 2023 | | |
|--|-------------------------|--------------------------------|
| 636 companies under coverage for quarter ended on 31 December 2023 | | |
| | Rating Distribution (%) | Investment Banking clients (%) |
| Add | 67.5% | 1.3% |
| Hold | 22.5% | 0.0% |
| Reduce | 10.1% | 0.2% |

Spitzer Chart for stock being researched (2 year data)



Recommendation Framework

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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.

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