

Singapore

HOLD (no change)

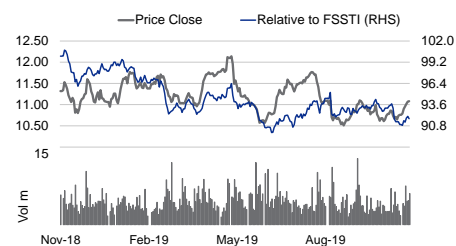
Consensus ratings*: Buy 11 Hold 10 Sell 0

Current price:	S\$11.08
Target price:	S\$11.94
Previous target:	S\$12.53
Up/downside:	7.7%
CGS-CIMB / Consensus:	-4.2%
Reuters:	OCBC.SI
Bloomberg:	OCBC SP
Market cap:	US\$35,947m
	S\$48,798m
Average daily turnover:	US\$34.60m
	S\$48.06m
Current shares o/s:	15,750m
Free float:	79.8%

*Source: Bloomberg

Key changes in this note

- ▶ We cut FY19-21F EPS by 4-5% on lower NIMs and weaker loan growth



Source: Bloomberg

Price performance	1M	3M	12M
Absolute (%)	4.3	0	-2.1
Relative (%)	-1.2	-1.7	-8.2

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

OCBC

Heightened credit costs on weaker macro

- 3Q19 results were characterised by heftier S\$323m provisions and -2bp NIM qoq. Sustained wealth income and lower CTI. IFRS9 costs were the culprit.
- Management guides for low-single-digit loan growth in FY20, slightly lower NIMs and 20-25bp credit costs. We cut NIM estimates 1-5bp in FY19-21F.
- Maintain Hold with lower TP of S\$11.94 as we roll forward to CY20. M&A plans remain an overhang on OCBC as CET-1 holds strong at 14.4%.

OCBC expects one more Fed cut; 'slight' NIM compression in FY20

Policy rate cuts from regional central banks and pressure on loan yields resulted in NIMs falling 2bp qoq in 3Q19. OCBC's house view holds out for one more Fed rate cut in the next 12 months. While funding cost savings should begin to come through from 4Q19 onwards, particularly given management's subdued loan growth outlook of low single-digits in FY20, management guides for a potential slide in SIBOR to result in NIM compression at the lower end of the 5-10bp range. We cut our NIM estimates by 1-5bp to 1.77%/1.73%/1.72% in FY19-21F, and lower our loan growth forecasts to 3% (from 4%) in FY19-20F. 9M19 core earnings formed 77% of our full-year forecast.

Heftier 27bp credit costs due to corporate NPLs and macro overlay

Significantly higher loan loss provisions of S\$323m (or 49bp) were the key drag to 3Q19 earnings (2Q19: S\$111m). Several factors contributed to this: an adjustment to the macroeconomic variable (MEV) on stage 1 and 2 loans due to geopolitical tensions and slower regional economic growth (S\$48m or 7bp), two corporate NPLs (OSV and semi-conglomerate in transport industry), and a one-off S\$144m (or 22bp) charge relating to OCBC NISP's adoption of IFRS9 in Jan 2020. Excluding the IFRS9 impairments, underlying credit costs stood at a higher 27bp in 3Q19 (2Q19: 17bp). Management guides for credit costs to trend higher to 20-25bp in FY20 as it anticipates some weakening in regional operations. Downside risks: prolonged HK uncertainties.

Benign results from stress-testing HK rental and property values

Although the MEV adjustment hints towards potential credit deterioration, the asset quality indicators of its Hong Kong portfolio have not shown signs of weakness; its NPL ratio has held steady at 0.4% - the lowest amongst OCBC's regional operations. Stress testing its HK portfolio for a 30-40% drop in rental income, or a similar decrease in real estate values, showed an insignificant impact. Separately, net new NPA formation was significantly higher at S\$818m (2Q19: S\$338m), pushing NPL ratio to 1.5% (from 1.4%); most of this was due to the two corporate accounts mentioned above.

Maintain Hold with a lower GGM-based TP of S\$11.94

The bank's 14.4% CET-1 ratio stands tall against its 'efficient' ratio of 12.5-13.5%, but this further fuels M&A queries given the excess capital and its scrip dividend scheme. The bank remains on the lookout for M&A prospects; we think acquiring an Indonesian bank could fit its strategy and provide scale, but reaping the benefits may take years.

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Financial Summary

	Dec-17A	Dec-18A	Dec-19F	Dec-20F	Dec-21F
Net Interest Income (S\$m)	5,423	5,890	6,314	6,489	6,692
Total Non-Interest Income (S\$m)	4,105	3,811	4,264	4,160	4,381
Operating Revenue (S\$m)	9,528	9,701	10,578	10,649	11,073
Total Provision Charges (S\$m)	(671.0)	(288.0)	(797.1)	(591.9)	(612.8)
Net Profit (S\$m)	4,045	4,492	4,896	4,907	5,064
Core EPS (S\$)	0.96	1.06	1.15	1.15	1.19
Core EPS Growth	15.5%	10.2%	8.2%	0.2%	3.2%
FD Core P/E (x)	11.49	10.42	9.63	9.61	9.31
DPS (S\$)	0.37	0.43	0.50	0.50	0.50
Dividend Yield	3.34%	3.88%	4.51%	4.51%	4.51%
BVPS (S\$)	9.07	9.34	9.99	10.65	11.34
P/BV (x)	1.22	1.19	1.11	1.04	0.98
ROE	11.0%	11.5%	11.9%	11.2%	10.8%
% Change In Core EPS Estimates			3.66%	4.60%	3.48%
CGS-CIMB/Consensus EPS (x)			1.04	1.01	1.01

SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

Figure 1: Results comparison

FYE Dec (S\$ m)	3Q19	3Q18	yoy % chg	2Q19	qoq % chg	9M19	9M18	yoy % chg	Prev. 3Q19F	Prev. FY19F	Comments
Net interest income	1,600	1,505	6.3	1,588	0.8	4,722	4,370	8.1	1,585	6,542	In line. Continued NIM expansion of +3bp qoq to 1.79%.
Non-interest income	1,055	1,039	1.5	1,030	2.4	3,227	2,981	8.3	990	4,096	Above. Stronger wealth income offset the weakness in insurance and trading income.
Total income	2,655	2,544	4.4	2,618	1.4	7,949	7,351	8.1	2,575	10,637	Slightly above.
Overhead expenses	(1,132)	(1,069)	5.9	(1,151)	(1.7)	(3,378)	(3,136)	7.7	(1,124)	(4,549)	Above.
Pre-provision profit	1,523	1,475	3.3	1,467	3.8	4,571	4,215	8.4	1,450	6,088	Above. Higher group expenses due to accrual expense reversal in prior year.
Amortisation	(26)	(26)	-	(26)	-	(77)	(77)				
Loan loss provisions	(323)	(49)	559.2	(111)	191.0	(683)	(82)	732.9	(135)	(577)	Above.
Exceptionals	-	-	na	-	na	-	-	na	-	-	-
Associates' contrib	156	134	16.4	146	6.8	472	371	27.2	130	469	-
Pretax profit	1,330	1,534	(13.3)	1,476	(9.9)	4,283	4,427	(3.3)	1,419	5,877	In line.
Tax	(139)	(233)	(40.3)	(224)	(37.9)	(558)	(707)	(21.1)	(243)	(905)	-
Tax rate (%)	10	15		15		13	16				
Minority interests	(19)	(56)	(66.1)	(29)	(34.5)	(99)	(154)	(35.7)	(47)	(249)	-
Net profit	1,172	1,245	(5.9)	1,223	(4.2)	3,626	3,566	1.7	1,129	4,723	Slightly above. ROE of 11.5% in 2Q19.
Core net profit	1,172	1,245	(5.9)	1,223	(4.2)	3,626	3,566	1.7	1,129	4,723	-
EPS (S cts)	106.0	117.0	(9.4)	114.0	(7.0)	106.4	115.2	(7.6)	-	111	-
Core EPS (S cts)	106.0	117.0	(9.4)	114.0	(7.0)	106.4	115.2	(7.6)	-	111	-

SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

Figure 2: GGM valuation

GGM valuation

COE	10.0%
Sustainable ROE	11.0%
LTG	2.0%
(ROE-LTG) - [a]	9.0%
(COE - LTG) - [b]	8.0%
Target P/BV (x) - [a]/[b]	1.12
FY18 BV (S\$)	10.66
Target price (S\$)	11.94

TP rounded to the nearest 0.5

SOURCE: CSG-CIMB RESEARCH, COMPANY

Figure 3: Earnings changes

	New			Old			% chg		
	FY19F	FY20F	FY21F	FY19F	FY20F	FY21F	FY19F	FY20F	FY21F
NIM (%)	1.77%	1.73%	1.72%	1.79%	1.78%	1.73%	+3bp	+2bp	+2bp
Net loan growth (%)	2.5%	3.3%	3.8%	3.5%	3.7%	3.5%	0ppt	0ppt	0ppt
NII (S\$m)	6,314	6,489	6,692	6,542	6,731	6,840	-3.5%	-3.6%	-2.2%
Non-NII (S\$m)	4,264	4,160	4,381	4,096	4,018	4,171	4.1%	3.5%	5.0%
Operating expenses (S\$m)	4,369	4,508	4,721	4,549	4,691	4,885	-4.0%	-3.9%	-3.3%
Cost-to-income (%)	41.3%	42.3%	42.6%	42.8%	43.6%	44.4%	-1.1ppt	-0.7ppt	-0.7ppt
Provisions (S\$m)	797	592	613	577	599	566	38.0%	-1.1%	8.2%
Net profit (S\$m)	4,896	4,907	5,064	4,723	4,692	4,784	3.7%	4.6%	5.8%
EPS (S cts)	115	115	119	111	110	113	3.7%	4.6%	5.8%

SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

Figure 4: OCBC - quarterly key statistics

S\$m	1Q17	2Q17	3Q17	4Q17	1Q18	2Q18	3Q18	4Q18	1Q19	2Q19	3Q19	yoy %	qoq%	9MFY18	9MFY19	yoy %
Income Statement																
Interest income	2,117	2,241	2,332	2,428	2,510	2,710	2,853	2,977	3,013	3,080	3,069	8%	0%	8,073	9,162	13%
Interest expense	(845)	(896)	(950)	(1,004)	(1,095)	(1,260)	(1,348)	(1,457)	(1,479)	(1,492)	(1,469)	9%	-2%	(3,703)	(4,440)	20%
Net interest income	1,272	1,345	1,382	1,424	1,415	1,450	1,505	1,520	1,534	1,588	1,600	6%	1%	4,370	4,722	8%
Profit from life assurance	49	195	201	270	166	191	184	199	233	142	151	-18%	6%	541	526	-3%
Premium income from general insurance	35	38	37	40	40	43	41	48	43	46	53	29%	15%	124	142	15%
Fees and commissions (net)	481	492	488	491	536	518	502	474	495	522	550	10%	5%	1,556	1,567	1%
Dividends	15	27	24	11	19	34	60	15	14	18	26	-57%	44%	113	58	-49%
Rental income	21	20	21	21	20	20	20	20	20	19	21	5%	11%	60	60	0%
Other income	249	234	207	381	137	218	232	74	337	283	254	9%	-10%	587	874	49%
Non-interest income	850	1,006	978	1,214	918	1,024	1,039	830	1,142	1,030	1,055	2%	2%	2,981	3,227	8%
TOTAL INCOME	2,122	2,351	2,360	2,638	2,333	2,474	2,544	2,350	2,676	2,618	2,655	4%	1%	7,351	7,949	8%
Staff costs	(602)	(619)	(608)	(642)	(662)	(633)	(651)	(660)	(677)	(713)	(686)	5%	-4%	(1,946)	(2,076)	7%
Other operating expenses	(371)	(374)	(393)	(433)	(370)	(402)	(418)	(418)	(418)	(438)	(446)	7%	2%	(1,190)	(1,302)	9%
Total operating expenses	(973)	(993)	(1,001)	(1,075)	(1,032)	(1,035)	(1,069)	(1,078)	(1,095)	(1,151)	(1,132)	6%	-2%	(3,136)	(3,378)	8%
PREPROVISION OPERATING PROFIT (PPOP)	1,149	1,358	1,359	1,563	1,301	1,439	1,475	1,272	1,581	1,467	1,523	3%	4%	4,215	4,571	8%
Amortization of intangible assets	(26)	(27)	(26)	(26)	(25)	(26)	(26)	(26)	(25)	(26)	(26)	0%	0%	(77)	(77)	0%
Loan loss provision	(168)	(169)	(156)	(178)	(12)	(21)	(49)	(205)	(249)	(111)	(323)	559%	191%	(82)	(683)	733%
Operating profit	955	1,162	1,177	1,359	1,264	1,392	1,400	1,041	1,307	1,330	1,174	-16%	-12%	4,056	3,811	-6%
Associates and JVs	114	119	127	28	125	112	134	85	170	146	156	16%	7%	371	472	27%
Profit before tax	1,069	1,281	1,304	1,387	1,389	1,504	1,534	1,126	1,477	1,476	1,330	-13%	-10%	4,427	4,283	-3%
Tax	(169)	(185)	(192)	(257)	(228)	(246)	(233)	(171)	(195)	(224)	(139)	-40%	-38%	(707)	(558)	-21%
Profit after tax	900	1,096	1,112	1,130	1,161	1,258	1,301	955	1,282	1,252	1,191	-8%	-5%	3,720	3,725	0%
Non-controlling interests	(39)	(55)	(55)	(96)	(49)	(49)	(56)	(29)	(51)	(29)	(19)	-66%	-34%	(154)	(99)	-36%
Net profit	861	1,041	1,057	1,034	1,112	1,209	1,245	926	1,231	1,223	1,172	-6%	-4%	3,566	3,626	2%
Exceptional items	-	-	-	-	-	-	-	-	-	-	-	#DIV/0!	#DIV/0!	-	-	-
Core net profit	861	1,041	1,057	1,034	1,112	1,209	1,245	926	1,231	1,223	1,172	-6%	-4%	3,566	3,626	2%
Overall stats/drivers																
NIM (%)	1.62%	1.65%	1.66%	1.67%	1.67%	1.67%	1.72%	1.72%	1.76%	1.79%	1.77%					
qoq loan growth (net)	2.1%	1.8%	1.6%	2.4%	4.0%	2.3%	1.7%	0.5%	0.3%	1.6%	0.0%					
yoy loan growth (net)	7.9%	11.3%	11.3%	8.1%	10.1%	10.7%	10.9%	8.9%	5.0%	4.3%	2.5%					
qoq deposit growth (%)	1.4%	-0.2%	1.4%	5.7%	1.8%	0.5%	-1.2%	3.0%	-0.4%	0.9%	1.0%					
yoy deposit growth (%)	9.4%	7.4%	8.5%	8.5%	9.0%	9.8%	6.9%	4.1%	1.8%	2.2%	4.5%					
Deposit cost	1.1%	1.1%	1.1%	1.2%	1.3%	1.4%	1.5%	1.6%	1.7%	1.7%	1.6%					
Loan yield	3.0%	3.0%	3.0%	3.1%	3.1%	3.3%	3.4%	3.5%	3.6%	3.6%	3.5%					
Loan yield - deposit cost	2.0%	2.0%	1.9%	1.9%	1.9%	1.8%	1.9%	1.9%	1.9%	2.0%	1.9%					
Cost-income ratio	45.9%	42.2%	42.4%	40.8%	44.2%	41.8%	42.0%	45.9%	40.9%	44.0%	42.6%					
Provisions (bp of loans)	30	30	27	30	2	3	8	32	39	17	27					
Yoy net profit (%)	0.6%	17.6%	12.1%	31.1%	29.2%	16.1%	17.8%	-10.4%	10.7%	1.2%	-5.9%					
DPS (Scts)	-	18.0	-	19.0	-	20.0	-	23.0	-	25.0	-					
NPL ratio (%)	1.2%	1.2%	1.2%	1.4%	1.4%	1.4%	1.4%	1.5%	1.5%	1.5%	1.6%					
LDR (%)	83.6%	85.2%	85.3%	82.6%	84.4%	85.9%	88.5%	86.4%	87.1%	87.6%	86.8%					
Fully loaded CET 1 ratio	12.2%	12.0%	12.0%	13.1%	13.1%	13.2%	13.6%	14.0%	14.2%	14.4%	14.4%					
Reported ROE	10.8%	11.9%	11.4%	10.9%	11.8%	12.6%	12.6%	9.0%	12.0%	11.5%	11.4%					

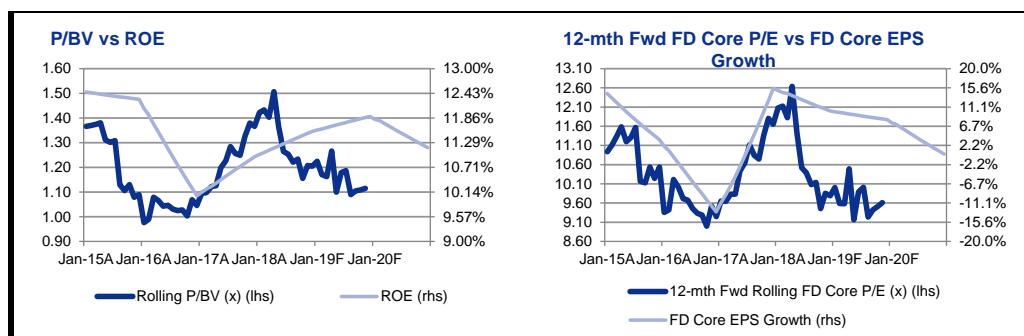
SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

Figure 5: 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 (%)		
							CY19F	CY20F	CY21F	CY19F	CY20F	CY21F	CY19F	CY20F	CY21F	CY19F	CY20F	CY21F
DBS Group	DBS SP	Hold	26.17	27.59	49,252	3.2%	1.36	1.28	1.20	12.8%	11.9%	11.6%	8.4	8.4	8.1	4.6%	4.6%	4.6%
OCBC	OCBC SP	Hold	11.08	11.94	35,949	3.6%	1.11	1.04	0.98	11.9%	11.2%	10.8%	7.7	7.8	7.6	4.5%	4.5%	4.5%
United Overseas Bank	UOB SP	Add	26.77	29.10	32,900	3.5%	1.12	1.06	1.00	11.1%	10.5%	10.4%	8.0	7.8	7.5	4.7%	4.7%	4.7%
Singapore average						3.5%	1.20	1.13	1.07	12.0%	11.3%	11.0%	8.1	8.1	7.8	4.6%	4.6%	4.6%
Bank Central Asia	BBCA IJ	Add	31,800	35,000	56,126	14.3%	4.47	3.88	3.38	18.0%	17.9%	17.5%	19.5	17.2	15.3	0.8%	0.9%	1.0%
Bank Mandiri	BMRI IJ	Add	7,200	8,800	24,053	15.0%	1.69	1.53	1.37	14.5%	15.1%	16.1%	6.9	6.2	5.5	3.0%	3.3%	3.8%
Bank Negara Indonesia	BBNI IJ	Hold	7,725	8,000	10,313	11.3%	1.22	1.11	1.00	13.7%	13.5%	14.7%	5.2	4.7	4.0	3.6%	3.8%	4.1%
Bank Rakyat Indonesia	BBRI IJ	Hold	4,300	4,400	37,969	12.5%	2.60	2.30	2.04	17.4%	18.4%	18.6%	8.3	7.5	6.6	2.4%	2.6%	3.0%
Bank Tabungan Negara	BBTN IJ	Add	1,865	2,110	1,414	4.4%	0.81	0.79	0.72	5.1%	12.1%	12.3%	3.5	3.3	2.8	3.6%	1.6%	3.8%
Indonesia average						13.2%	2.51	2.25	2.00	15.7%	16.4%	16.8%	9.7	8.8	7.7	1.9%	2.1%	2.4%
Affin Bank Berhad	ABANK MK	Hold	1.94	2.05	933	2.1%	0.37	0.35	0.34	5.6%	5.2%	5.1%	5.0	5.0	4.8	2.7%	2.8%	2.9%
Alliance Bank Malaysia Bhd	ABMB MK	Hold	2.89	3.35	1,083	2.3%	0.75	0.72	0.68	8.5%	9.1%	9.2%	5.3	4.8	4.6	4.8%	5.2%	5.6%
AMMB Holdings	AMM MK	Add	4.10	4.39	2,992	7.5%	0.67	0.64	0.61	7.7%	7.9%	7.9%	6.4	5.7	5.4	4.6%	4.8%	5.0%
BIMB Holdings	BIMB MK	Hold	4.28	4.17	1,828	6.6%	1.32	1.20	1.09	14.7%	14.1%	13.8%	4.8	4.6	4.3	3.9%	4.1%	4.5%
Hong Leong Bank	HLBK MK	Hold	17.16	16.80	9,005	7.5%	1.36	1.22	1.13	10.6%	10.6%	10.5%	13.0	11.3	10.3	3.0%	3.3%	3.6%
Malayan Banking Bhd	MAY MK	Hold	8.66	8.66	23,566	-0.1%	1.20	1.16	1.12	9.9%	10.0%	10.2%	7.9	7.4	7.1	5.6%	6.1%	6.5%
Public Bank Bhd	PBK MK	Hold	19.86	22.30	18,664	1.6%	1.77	1.65	1.54	13.2%	12.8%	12.6%	10.6	10.2	9.6	3.2%	3.4%	3.6%
RHB Bank Bhd	RHBBANK IJ	Add	5.76	7.00	5,591	7.1%	0.92	0.85	0.79	10.5%	10.5%	10.4%	6.2	5.8	5.3	3.8%	4.2%	4.4%
Malaysia average						3.4%	1.21	1.14	1.08	10.4%	10.4%	10.4%	8.4	7.8	7.4	4.2%	4.5%	4.8%
Bangkok Bank	BBL TB	Add	176.00	207.00	11,124	5.9%	0.77	0.72	0.68	8.3%	8.2%	8.2%	5.1	5.0	4.8	3.7%	3.7%	3.7%
Bank of Ayudhya	BAY TB	Hold	31.75	41.00	7,733	9.5%	0.90	0.84	0.79	10.5%	10.8%	11.0%	3.7	3.7	3.4	3.7%	3.7%	4.1%
Kasikornbank	KBANK TB	Add	146.00	191.00	11,570	10.1%	0.86	0.80	0.74	9.8%	10.3%	10.5%	3.9	3.7	3.4	2.7%	2.7%	2.7%
Kiatnakin Bank	KKP TB	Reduce	65.75	63.00	1,843	6.3%	1.28	1.24	1.21	13.6%	14.6%	15.1%	5.3	5.2	5.1	7.6%	7.6%	7.6%
Krung Thai Bank	KTB TB	Hold	16.60	18.20	7,682	6.5%	0.71	0.67	0.64	9.1%	9.2%	9.1%	3.5	3.5	3.4	4.9%	5.0%	5.3%
Krungthai Card	KTC TB	Reduce	42.00	38.00	3,586	14.6%	5.50	4.61	3.90	30.8%	29.8%	28.3%	8.3	7.3	6.4	2.2%	2.4%	2.8%
Siam Commercial Bank	SCB TB	Add	116.50	145.00	13,098	9.1%	0.97	0.91	0.85	11.2%	10.7%	10.9%	3.9	4.8	4.4	4.7%	4.7%	4.7%
Srisawad Corporation	SAWAD TB	Add	62.25	60.00	2,732	22.9%	4.53	3.62	2.91	24.3%	23.2%	22.7%	14.3	12.2	10.1	0.2%	0.3%	0.4%
Thanachart Capital	TCAP TB	Hold	54.25	56.60	2,058	4.7%	0.89	0.82	0.76	10.6%	10.7%	10.6%	2.7	2.5	2.4	4.8%	5.0%	5.3%
Tisco Financial Group	TISCO TB	Reduce	97.75	94.00	2,591	5.5%	1.99	1.90	1.81	18.1%	18.2%	18.3%	7.5	7.3	6.8	7.2%	7.2%	7.2%
TMB Bank	TMB TB	Add	1.44	1.83	2,101	-2.0%	0.61	0.57	0.54	7.2%	8.5%	9.0%	3.4	3.1	2.9	3.6%	4.3%	4.9%
Thailand average						8.0%	0.94	0.88	0.82	10.2%	10.3%	10.5%	4.3	4.3	4.0	3.9%	4.0%	4.1%

SOURCES: CSG-CIMB RESEARCH, COMPANY

BY THE NUMBERS



Profit & Loss

(\$m)	Dec-17A	Dec-18A	Dec-19F	Dec-20F	Dec-21F
Net Interest Income	5,423	5,890	6,314	6,489	6,692
Total Non-Interest Income	4,105	3,811	4,264	4,160	4,381
Operating Revenue	9,528	9,701	10,578	10,649	11,073
Total Non-Interest Expenses	(4,147)	(4,316)	(4,472)	(4,612)	(4,826)
Pre-provision Operating Profit	5,381	5,385	6,107	6,037	6,247
Total Provision Charges	(671)	(288)	(797)	(592)	(613)
Operating Profit After Provisions	4,710	5,097	5,309	5,445	5,634
Pretax Income/(Loss) from Assoc.	389	455	614	633	652
Operating EBIT (incl Associates)	5,099	5,552	5,924	6,077	6,285
Non-Operating Income/(Expense)	0	0	0	0	0
Profit Before Tax (pre-EI)	5,099	5,552	5,924	6,077	6,285
Exceptional Items					
Pre-tax Profit	5,099	5,552	5,924	6,077	6,285
Taxation	(803)	(877)	(770)	(912)	(955)
Consolidation Adjustments & Others					
Exceptional Income - post-tax	0	0	0	0	0
Profit After Tax	4,296	4,675	5,154	5,166	5,330
Minority Interests	(251)	(183)	(258)	(258)	(267)
Pref. & Special Div	0	0	0	0	0
FX And Other Adj.	0	0	0	0	0
Net Profit	4,045	4,492	4,896	4,907	5,064
Recurring Net Profit	4,045	4,492	4,896	4,907	5,064

Balance Sheet Employment

	Dec-17A	Dec-18A	Dec-19F	Dec-20F	Dec-21F
Gross Loans/Cust Deposits	83.8%	87.2%	87.0%	85.5%	84.2%
Avg Loans/Avg Deposits	84.0%	85.5%	87.1%	86.3%	84.8%
Avg Liquid Assets/Avg Assets	20.1%	19.3%	17.7%	17.4%	16.9%
Avg Liquid Assets/Avg IEAs	29.2%	28.0%	25.7%	25.4%	24.9%
Net Cust Loans/Assets	51.5%	54.6%	54.6%	54.2%	53.9%
Net Cust Loans/Broad Deposits	80.5%	84.2%	83.8%	82.5%	81.1%
Equity & Provsns/Gross Cust Loans	16.4%	16.4%	17.0%	17.4%	17.8%
Asset Risk Weighting	42.4%	42.8%	42.9%	42.6%	42.3%
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-17A	Dec-18A	Dec-19F	Dec-20F	Dec-21F
Total Gross Loans	286,971	296,740	304,178	313,131	323,962
Liquid Assets & Invst. (Current)	25,329	25,542	25,797	26,055	26,316
Other Int. Earning Assets					
Total Gross Int. Earning Assets	312,300	322,282	329,975	339,186	350,278
Total Provisions/Loan Loss Reserve	(3,180)	(2,512)	(3,076)	(3,093)	(3,208)
Total Net Interest Earning Assets	309,120	319,770	326,899	336,093	347,069
Intangible Assets	5,160	5,093	5,093	5,093	5,093
Other Non-Interest Earning Assets	93,593	96,156	99,976	109,152	119,349
Total Non-Interest Earning Assets	98,753	101,249	105,069	114,245	124,442
Cash And Marketable Securities	47,065	46,524	47,369	48,232	49,113
Long-term Investments	0	0	0	0	0
Total Assets	454,938	467,543	479,337	498,570	520,625
Customer Interest-Bearing Liabilities	283,642	295,412	304,274	319,488	337,060
Bank Deposits	7,485	7,576	7,803	8,193	8,644
Interest Bearing Liabilities: Others	38,689	37,377	37,012	37,386	37,966
Total Interest-Bearing Liabilities	329,816	340,365	349,090	365,067	383,670
Bank's Liabilities Under Acceptances					
Total Non-Interest Bearing Liabilities	83,346	83,786	84,345	85,080	85,864
Total Liabilities	413,162	424,151	433,435	450,147	469,534
Shareholders' Equity	39,008	42,137	44,905	47,684	50,619
Minority Interests	2,768	1,255	997	739	473
Total Equity	41,776	43,392	45,902	48,423	51,091

Key Ratios

	Dec-17A	Dec-18A	Dec-19F	Dec-20F	Dec-21F
Total Income Growth	12.2%	1.8%	9.0%	0.7%	4.0%
Operating Profit Growth	16.9%	0.1%	13.4%	(1.1%)	3.5%
Pretax Profit Growth	19.3%	8.9%	6.7%	2.6%	3.4%
Net Interest To Total Income	56.9%	60.7%	59.7%	60.9%	60.4%
Cost Of Funds	1.17%	1.54%	1.70%	1.60%	1.51%
Return On Interest Earning Assets	3.06%	3.48%	3.74%	3.65%	3.58%
Net Interest Spread	1.89%	1.94%	2.03%	2.05%	2.07%
Net Interest Margin (Avg Deposits)	1.99%	2.03%	2.11%	2.08%	2.04%
Net Interest Margin (Avg RWA)	2.78%	2.99%	3.11%	3.10%	3.09%
Provisions to Pre Prov. Operating Profit	12.5%	5.3%	13.1%	9.8%	9.8%
Interest Return On Average Assets	1.25%	1.28%	1.33%	1.33%	1.31%
Effective Tax Rate	15.7%	15.8%	13.0%	15.0%	15.2%
Net Dividend Payout Ratio	38.4%	40.7%	43.5%	43.4%	42.0%
Return On Average Assets	0.94%	0.97%	1.03%	1.00%	0.99%

Key Drivers

	Dec-17A	Dec-18A	Dec-19F	Dec-20F	Dec-21F
Loan Growth (%)	7.9%	8.5%	2.7%	3.2%	3.8%
Net Interest Margin (%)	1.8%	1.9%	1.9%	1.9%	1.9%
Non Interest Income Growth (%)	19.4%	-7.2%	11.9%	-2.4%	5.3%
Cost-income Ratio (%)	43.5%	44.5%	42.3%	43.3%	43.6%
Net NPL Ratio (%)	1.4%	1.5%	1.4%	1.3%	1.3%
Loan Loss Reserve (%)	0.0%	0.0%	0.0%	0.0%	0.0%
GP Ratio (%)	0.0%	0.0%	0.0%	0.0%	0.0%
Tier 1 Ratio (%)	15.0%	14.8%	18.6%	19.3%	20.0%
Total CAR (%)	17.2%	16.5%	18.6%	19.3%	20.0%
Deposit Growth (%)	8.5%	4.1%	3.0%	5.0%	5.5%
Loan-deposit Ratio (%)	82.6%	86.4%	86.0%	84.6%	83.2%
Gross NPL Ratio (%)	1.4%	1.5%	1.4%	1.3%	1.3%
Fee Income Growth (%)	19.2%	4.0%	2.8%	4.6%	5.1%

SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

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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 or	No Survey Result
Description:	Excellent	Very Good	Good	N/A	

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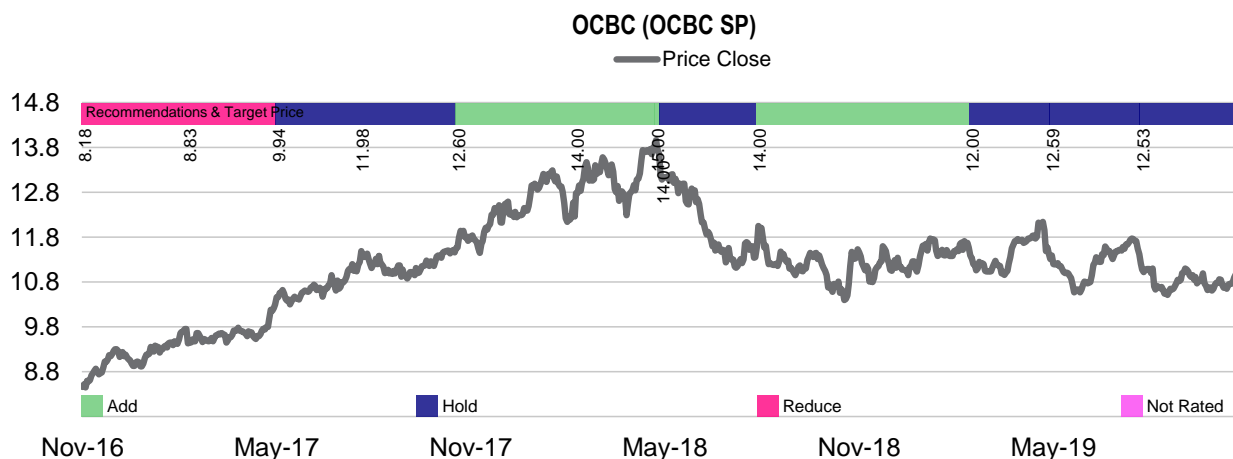
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Distribution of stock ratings and investment banking clients for quarter ended on 30 September 2019		
777 companies under coverage for quarter ended on 30 September 2019		
	Rating Distribution (%)	Investment Banking clients (%)
Add	58.8%	0.9%
Hold	26.3%	0.0%
Reduce	14.9%	0.1%

Spitzer Chart for stock being researched (2 year data)



Corporate Governance Report of Thai Listed Companies (CGR). CG Rating by the Thai Institute of Directors Association (Thai IOD) in 2018, Anti-Corruption 2018

ADVANC – Excellent, Certified, **AEONTS** – Good, n/a, **AH** – Very Good, n/a, **AMATA** – Excellent, Declared, **ANAN** – Excellent, Declared, **AOT** – Excellent, Declared, **AP** – Excellent, Certified, **ASP** – Very Good, Certified, **BANPU** – Excellent, Certified, **BAY** – Excellent, Certified, **BBL** – Very Good, Certified, **BCH** – Good, Certified, **BCP** - Excellent, Certified, **BCPG** – Excellent, Certified, **BEM** – Very Good, n/a, **BDMS** – Very Good, n/a, **BEAUTY** – Good, n/a, **BEC** – Very Good, n/a, **BGRIM** – Very Good, Declared, **BH** - Good, n/a, **BJC** – Very Good, Declared, **BJCHI** – Very Good, Certified, **BLA** – Very Good, Certified, **BPP** – Very Good, Declared, **BR** - Good, Declared, **BTS** - Excellent, Certified, **CBG** – Very Good, n/a, **CCET** – Good, n/a, **CENDEL** – Very Good, Certified, **CHG** – Very Good, Declared, **CK** – Excellent, n/a, **COL** – Excellent, Declared, **CPALL** – Very Good, Certified, **CPF** – Excellent, Certified, **CPN** - Excellent, Certified, **DELTA** - Excellent, n/a, **DEMCO** – Excellent, Certified, **DDD** – Very Good, Declared, **DIF** – not available, **DREIT** – not available, n/a, **DTAC** – Excellent, Certified, **EA** – Excellent, n/a, **ECL** – Very Good, Certified, **EGCO** – Excellent, Certified, **EPG** – Very Good, n/a, **ERW** – Very Good, n/a, **GFPT** - Excellent, Certified, **GGC** – Excellent, Certified, **GLOBAL** – Very Good, n/a, **GLOW** – Very Good, Certified, **GPSC** – Excellent, Certified, **GULF** – Very Good, n/a, **GUNKUL** – Excellent, Certified, **HANA** - Excellent, Certified, **HMPRO** - Excellent, Certified, **HREIT** - Excellent, Certified, **ICHI** – Excellent, Declared, **HUMAN** – not available, n/a, **III** – Good, n/a, **INTUCH** - Excellent, Certified, **IRPC** – Excellent, Certified, **ITD*** – Very Good, n/a, **IVL** - Excellent, Certified, **JASIF** – not available, n/a, **JWD** – Very Good, n/a, **KBANK** - Excellent, Certified, **KCE** - Excellent, Certified, **KKP** – Excellent, Certified, **KSL** – Excellent, Certified, **KTB** - Excellent, Certified, **KTC** – Excellent, Certified, **LH** - Very Good, n/a, **LPN** – Excellent, Certified, **M** – Very Good, Certified, **MACO** – Very Good, n/a, **MAJOR** – Very Good, n/a, **MAKRO** – Excellent, Declared, **MALEE** – Very Good, Certified, **MC** – Very Good, Certified, **MCOT** – Excellent, Certified, **MEGA** – Very Good, n/a, **MINT** - Excellent, Certified, **MTC** – Excellent, Declared, **NETBAY** – Good, n/a, **OSP** – not available, n/a, **PLANB** – Excellent, Declared, **PLAT** – Very Good, Certified, **PR9** – not available, n/a, **PSH** – Excellent, Certified, **PSTC** – Good, Certified, **PTT** - Excellent, Certified, **PTTEP** - Excellent, Certified, **PTTGC** - Excellent, Certified, **QH** – Excellent, Certified, **RATCH** – Excellent, Certified, **ROBINS** – Excellent, Certified, **RS** – Very Good, n/a, **RSP** – not available, n/a, **S** – Very Good, n/a, **SAMART** - Excellent, n/a, **SAPPE** – Very Good, Declared, **SAT** – Excellent, Certified, **SAWAD** – Very Good, n/a, **SC** – Excellent, Declared, **SCB** - Excellent, Certified, **SCC** – Excellent, Certified, **SCN** – Very Good, Certified, **SF** – Good, n/a, **SIRI** – Very Good, Certified, **SPA** - Good, n/a, **SPALI** - Excellent, n/a, **SPRC** – Excellent, Certified, **STA** – Very Good, Certified, **STEC** – Excellent, n/a, **SVI** – Excellent, Certified, **SYNEX** – Very Good, Declared, **TASCO** – Excellent, Certified, **TCAP** – Excellent, Certified, **THANI** – Excellent, Certified, **TIPCO** – Very Good, Certified, **TISCO** - Excellent, Certified, **TKN** – Very Good, Declared, **TMB** - Excellent, Certified, **TNR** – Very Good, Declared, **TOP** - Excellent, Certified, **TPCH** – Good, n/a, **TPIPP** – Good, n/a, **TRUE** – Excellent, Certified, **TU** – Excellent, Certified, **TVO** – Very Good, Declared, **UNIQ** – Good, n/a, **VGI** – Excellent, Certified, **WHA** – Excellent, Certified, **WHART** – not available, n/a, **WICE** – Very Good, Certified, **WORK** – Good, n/a.

Companies participating in Thailand's Private Sector Collective Action Coalition Against Corruption programme (Thai CAC) under Thai Institute of Directors (as of August 31, 2018) are categorized into:

- Companies that have declared their intention to join CAC, and
- Companies certified by CAC

* The company, its director or management had been reportedly accused for breaching proper corporate governance such as violation of the SEC's regulations or charged with corruption.

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.

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