

Singapore Banks

1Q22 results wrap

POSITIVE

[Unchanged]

Improving operations offers entry opportunity

DBS and OCBC 1Q22 earnings were in-line with Street, while UOB was below from weak trading income. The sector is in the early phase of operational growth with rising NII supported by robust loans and improving NIMs. As rates increase and regional re-opening gathers pace, we expect momentum to accelerate - especially in to 2H22. Asset quality and tail risks from geo-politics, inflation and uncertain macro need to be watched, but strong capital levels and provisions provide offsets. Maintain Positive. We upgrade OCBC to BUY on unchanged TP of SGD14.04. Preferred pick DBS given low cost funding base supporting NIM upside from rising rates.

Non-interest income affected by high base

YoY non-interest income declined largely from a high base effect of 1Q21 fee income. Recall strong wealth management contributions from buoyant market conditions then. Pervasive macro uncertainty could likely keep wealth fees subdued in the near term, but operational fees from loans, transactions as well as credit cards should see upside as regional economies re-open, we believe. Trading income disappointed the most for UOB from hedging impacts on their credit holdings as well as mark-to-market losses on equities. Management expects a turnaround in subsequent quarters, but we have lowered 2022-24E non-interest income by 5-6%. For DBS and OCBC trading income held up better than expected.

Signs of operational resurgence

All three banks saw NII improving YoY and QoQ. Loan growth at 8-9% YoY is robust, pointing to regional recovery. A slower North Asia remains an overhang, but policy support for economic growth in China is an upside risk. Similarly, re-opening of SE Asia and gathering pace of North-South supply chain relocations should support loan growth going forward, in our view. For the first time in four quarters, all three banks saw NIMs improving QoQ. Rising rates should provide asset-repricing upside across the portfolio, especially with 56-76% of deposits in CASA. Further, 20-25% of loans are in USD - largely funded by USD CASA. This means Fed rate hikes should directly flow through to improving spreads here.

Asset quality benign, but watch for headwinds

NPL ratios largely fell YoY, pointing to improving conditions and rising loan growth. QoQ specific provisions fell for UOB and OCBC. General provisions also saw declines, but not as much as previous quarters and with lesser write-backs. These point to higher levels of caution given the potential for second/third order impacts on portfolios from geo-politics, inflation, commodity volatility and macro uncertainty. We expect the pace of write-backs to slow going forward, even while asset quality is improving. We have raised DBS 2022-24E credit charges by 6-9bps to reflect lower write-backs. Nevertheless, for the sector, we forecast 2022E provision covers of 91-107%, giving significant buffer for uncertainty.

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Key changes

	New TP (SGD)	Old TP (SGD)	New Rec	Old Rec	Valuation Methodology
DBS	41.22	41.82	BUY	BUY	Multi-stage DDM (9.3% COE, 3% terminal)
OCBC	14.04	14.04	BUY	HOLD	Multi-stage DDM (8.4% COE, 3% terminal)
UOB	34.62	36.69	BUY	BUY	Multi-stage DDM (8.6% COE, 3% terminal)

Source: Maybank IBG Research

Stock	Bloomberg code	Mkt cap (USD'm)	Rating	Price (LC)	TP (LC)	Upside (%)	P/E (x)		P/B (x)		Div yld (%)	
							22E	23E	22E	23E	22E	23E
DBS Group	DBS SP	60,988	Buy	33.01	41.22	25	10.9	9.6	1.4	1.3	4.5	5.0
OCBC	OCBC SP	36,686	Buy	11.96	14.04	17	9.7	8.5	1.0	0.9	5.0	5.8
UOB	UOB SP	36,499	Buy	30.14	34.62	15	10.9	9.5	1.1	1.1	4.6	5.3

DBS

1Q22 results review

Fig 1: DBS 1Q22 results review

SGDm	1Q22	1Q21	YoY (%)	4Q21	QoQ (%)	Comments
Net interest income	2,187	2,107	3.8	2,140	2.2	Improving NIMs, higher trading, SG corporate loans
Non-interest income	1,560	1,747	-10.7	1,153	35.3	Weaker wealth management, better trading income
Total income	3,747	3,854	-2.8	3,293	13.8	
Total expenses	(1,644)	(1,587)	3.6	(1,671)	-1.6	Higher staff costs, esp. in IT
Profit before allowances (PPOP)	2,103	2,267	-7.2	1,622	29.7	
Allowances for credit and other losses	(55)	(10)	450.0	(33)	66.7	Increase in SP, not fully offset by GP write-backs
Profit before tax	2,048	2,257	-9.3	1,589	28.9	
Core Net Profit	1,801	2,009	-10.4	1,389	29.7	12% higher than MIBG 1Q22E, 24% Street 2022E
One time gains/expenses	-	-	NM	4	NM	
Reported Net profit	1,801	2,009	-10.4	1,393	29.3	
NIM (Reported) %	1.46%	1.49%	(3)	1.43%	3	Improving QoQ from asset repricing
Cost/income ratio	43.9%	41.20%	270	50.70%	(680)	Higher from staff costs
Net Loans	416,181	386,382	7.7	408,993	1.8	Led by SG, HK and trade loans
Deposits	519,723	478,095	8.7	501,959	3.5	Continued CASA inflows
Gross NPLs	1.3%	1.5%	(20)	1.3%	-	Improving repayments, recoveries

Source: Company data, Maybank IBG Research

Key changes to assumptions

Fig 2: DBS assumption changes

	2022E			2023E			2024E		
	Old	New	% Change	Old	New	% Change	Old	New	% Change
Net Interest Income	10,186	10,183	0%	11,801	11,792	0%	13,430	13,412	0%
Non-interest income	6,089	6,089	0%	6,487	6,487	0%	6,918	6,918	0%
Total Income	16,275	16,273	0%	18,288	18,279	0%	20,348	20,330	0%
Total Expenses	(7,039)	(7,039)	0%	(7,453)	(7,453)	0%	(7,646)	(7,646)	0%
PPOP	9,236	9,234	0%	10,835	10,826	0%	12,702	12,684	0%
Allowance for credit and other losses	(61)	(306)	400%	(379)	(758)	100%	(734)	(1,202)	64%
PBT	9,175	8,928	-3%	10,456	10,068	-4%	11,968	11,482	-4%
Core-Net Profit	8,025	7,809	-3%	9,145	8,806	-4%	10,468	10,043	-4%
NIM	1.55%	1.55%	0 bps	1.71%	1.71%	0 bps	1.83%	1.83%	0 bps
Gross Loans	446,672	446,672	0%	478,906	478,906	0%	511,434	511,434	0%
Deposits	518,946	518,946	0%	541,357	541,357	0%	571,358	571,358	0%

Source: Maybank IBG Research

Assumptions vs. consensus

Fig 3: Assumptions vs. consensus

	2022E	2023E	2024E
Total Income			
MIBG	16,273	18,279	20,330
Street	15,638	18,111	19,906
Difference (%)	4%	1%	2%
Core-Net Earnings			
MIBG	7,809	8,806	10,043
Street	7,371	8,569	9,369
Difference (%)	6%	3%	7%

Source: Factset, Maybank IBG Research

DBS Group

FYE 31 Dec	FY20A	FY21A	FY22E	FY23E	FY24E
Key Metrics					
Core P/E (x)	13.5	12.3	10.9	9.6	8.4
Core FD P/E (x)	13.5	12.3	10.9	9.6	8.4
P/BV (x)	1.2	1.5	1.4	1.3	1.2
P/NTA (x)	1.3	1.6	1.5	1.4	1.3
Net dividend yield (%)	3.5	3.7	4.5	5.0	5.7
INCOME STATEMENT (SGD m)					
Interest income	12,208.0	10,185.0	13,640.5	16,131.1	18,746.2
Interest expense	(3,132.0)	(1,745.0)	(3,457.1)	(4,339.0)	(5,334.6)
Net interest income	9,076.0	8,440.0	10,183.4	11,792.1	13,411.6
Net insurance income	0.0	0.0	0.0	0.0	0.0
Net fees and commission	3,058.0	3,524.0	3,946.9	4,302.1	4,689.3
Other income	2,458.0	2,333.0	2,142.3	2,184.9	2,229.1
Total non-interest income	5,516.0	5,857.0	6,089.2	6,487.0	6,918.4
Operating income	14,592.0	14,297.0	16,272.6	18,279.2	20,330.0
Staff costs	(3,550.0)	(3,875.0)	(4,340.0)	(4,687.2)	(4,827.8)
Other operating expenses	(2,608.0)	(2,594.0)	(2,698.8)	(2,766.2)	(2,818.3)
Operating expenses	(6,158.0)	(6,469.0)	(7,038.8)	(7,453.4)	(7,646.1)
Pre-provision profit	8,434.0	7,828.0	9,233.8	10,825.8	12,683.9
Loan impairment allowances	(3,066.0)	(52.0)	(305.9)	(758.2)	(1,201.6)
Other allowances	0.0	0.0	0.0	0.0	0.0
Associates & JV income	0.0	0.0	0.0	0.0	0.0
Pretax profit	5,368.0	7,780.0	8,928.0	10,067.6	11,482.2
Income tax	(612.0)	(973.0)	(1,117.1)	(1,259.7)	(1,436.8)
Minorities	(35.0)	(2.0)	(2.0)	(2.0)	(2.0)
Discontinued operations	0.0	0.0	0.0	0.0	0.0
Reported net profit	4,721.0	6,805.0	7,808.8	8,805.9	10,043.5
Core net profit	4,721.0	6,801.0	7,808.8	8,805.9	10,043.5
Preferred Dividends	(38.0)	0.0	0.0	0.0	0.0
BALANCE SHEET (SGD m)					
Cash & deposits with banks	101,485.0	107,754.0	102,625.1	102,215.3	94,504.4
Sec. under resale agreements	0.0	0.0	0.0	0.0	0.0
Derivatives financial assets	31,108.0	19,681.0	21,649.1	23,814.0	26,195.4
Dealing securities	0.0	0.0	0.0	0.0	0.0
Available-for-sale securities	65,456.0	69,692.0	75,267.4	80,536.1	86,173.6
Investment securities	51,700.0	53,262.0	51,894.6	54,135.7	68,562.9
Loans & advances	371,171.0	408,993.0	440,817.9	472,859.2	504,790.1
Central bank deposits	0.0	0.0	0.0	0.0	0.0
Investment in associates/JVs	862.0	2,172.0	2,172.0	2,172.0	2,172.0
Insurance assets	0.0	0.0	0.0	0.0	0.0
Fixed assets	3,338.0	3,262.0	3,187.7	3,115.2	3,115.2
Intangible assets	5,323.0	5,362.0	5,362.0	5,362.0	5,362.0
Other assets	19,495.0	15,895.0	17,484.5	19,233.0	21,156.2
Total assets	649,938.0	686,073.0	720,460.2	763,442.5	812,031.8
Deposits from customers	464,850.0	501,959.0	518,946.0	541,357.5	571,357.7
Deposits from banks & FIs	28,220.0	30,209.0	32,338.2	34,617.4	36,348.3
Derivatives financial instruments	32,904.0	20,318.0	20,318.0	20,318.0	20,318.0
Subordinated debt	3,970.0	4,636.0	4,636.0	4,636.0	4,636.0
Other securities in issue	0.0	0.0	0.0	0.0	0.0
Other borrowings	43,277.0	52,570.0	63,858.5	77,571.0	89,206.7
Insurance liabilities	0.0	0.0	0.0	0.0	0.0
Other liabilities	22,074.0	18,667.0	18,667.0	18,667.0	18,667.0
Total liabilities	595,295.0	628,359.0	658,763.7	697,167.0	740,533.7
Share capital	10,942.0	11,383.0	11,383.0	11,383.0	11,383.0
Reserves	40,283.0	43,751.0	47,733.5	52,312.5	57,535.2
Shareholders' funds	51,225.0	55,134.0	59,116.5	63,695.5	68,918.2
Preference shares	3,401.0	2,392.0	2,392.0	2,392.0	2,392.0
Minority interest	17.0	188.0	188.0	188.0	188.0
Total equity	54,643.0	57,714.0	61,696.5	66,275.5	71,498.2
Total liabilities & equity	649,938.0	686,073.0	720,460.2	763,442.5	812,031.8

DBS Group (Cont'd)

FYE 31 Dec	FY20A	FY21A	FY22E	FY23E	FY24E
Key Ratios					
Growth (%)					
Net interest income	(5.7)	(7.0)	20.7	15.8	13.7
Non-interest income	12.1	6.2	4.0	6.5	6.6
Operating expenses	(1.6)	5.1	8.8	5.9	2.6
Pre-provision profit	1.8	(7.2)	18.0	17.2	17.2
Core net profit	(26.1)	44.1	14.8	12.8	14.1
Gross loans	4.2	9.9	7.6	7.2	6.8
Customer deposits	15.0	8.0	3.4	4.3	5.5
Total assets	12.3	5.6	5.0	6.0	6.4
Profitability (%)					
Non-int. income/Total income	37.8	41.0	37.4	35.5	34.0
Average lending yields	2.17	1.66	2.08	2.34	2.56
Average financing yields	0.00	0.00	0.00	0.00	0.00
Average cost of funds	0.61	0.31	0.57	0.68	0.78
Net interest margin	1.61	1.37	1.55	1.71	1.83
Net income margin	32.35	47.57	47.99	48.17	49.40
Cost/income	42.2	45.2	43.3	40.8	37.6
Liquidity (%)					
Loans/customer deposits	79.8	81.5	84.9	87.3	88.3
Asset quality (%)					
Net NPL	(0.1)	(0.2)	(0.1)	(0.0)	(0.1)
Gross NPL	1.6	1.3	1.3	1.2	1.2
Net NPF	0.0	0.0	0.0	0.0	0.0
Gross NPF	0.0	0.0	0.0	0.0	0.0
(SP+GP)/average gross loans	0.8	0.0	0.1	0.2	0.2
(SP+GP)/average gross financing	0.0	0.0	0.0	0.0	0.0
Loan loss coverage	109.6	116.3	107.1	107.1	111.4
Capital adequacy (%)					
CET1	13.9	14.4	13.3	13.3	13.4
Tier 1 capital	15.0	15.1	14.4	14.3	14.5
Risk-weighted capital	16.8	17.0	15.9	15.8	15.9
Returns (%)					
ROAE	9.4	12.8	13.7	14.3	15.1
ROAA	0.8	1.0	1.1	1.2	1.3
Shareholders equity/assets	7.9	8.0	8.2	8.3	8.5

Source: Company; Maybank IBG Research

OCBC

1Q22 results review

Fig 4: OCBC 1Q22 results review

SGDm	1Q22	1Q21	YoY (%)	4Q21	QoQ (%)	Comments
Net interest income	1,503	1,441	4	1,492	1	Strong pick up in loan growth from SG, RoW Weaker fees from wealth management, trading held up better than expected
Non-interest income	1,140	1,473	(23)	1,058	8	
Total income	2,643	2,914	(9)	2,550	4	
Total expenses	(1,205)	(1,149)	5	(1,289)	(7)	Higher staff costs and technology costs
Profit before allowances (PPOP)	1,438	1,765	(19)	1,261	14	
Allowances for credit and other losses	(44)	(161)	(73)	(317)	(86)	Significant decline from improving credit environment
Associates	254	209	22	198	28	
Profit before tax	1,623	1,787	(9)	1,116	45	
Core Net Profit	1,356	1,501	(10)	973	39	23% higher than MIBG 1Q22E, 25% Street 2022E
Reported Net profit	1,356	1,501	(10)	973	39	
NIM (Reported) %	1.55%	1.56%	(1)	1.52%	2	Assets repricing upwards with rising rates
Cost/ income ratio	45.6%	50.6%	(10)	50.5%	(10)	Better income, but staff costs rising
Net Loans	290,278	267,280	8.6	286,281	1.4	Limited exposure to Europe. Demand growth from network customers
Deposits	348,265	315,647	10.3	342,395	1.7	Increase in CASA
Gross NPL (%)	1.4%	1.5%	(7)	1.5%	(7)	Improving operating environment

Source: Company data, Maybank IBG Research

Key changes to assumptions

Fig 5: OCBC assumption changes

	2022E			2023E			2024E		
	Old	New	% Change	Old	New	% Change	Old	New	% Change
Net Interest Income	6,575	6,575	0%	7,286	7,286	0%	7,864	7,864	0%
Non-interest income	4,876	4,876	0%	5,222	5,222	0%	5,460	5,460	0%
Total Income	11,451	11,451	0%	12,508	12,508	0%	13,325	13,325	0%
Total Expenses	(5,354)	(5,354)	0%	(5,802)	(5,802)	0%	(6,219)	(6,219)	0%
PPOP	6,097	6,097	0%	6,706	6,706	0%	7,105	7,105	0%
Allowance for credit and other losses	(616)	(616)	0%	(468)	(468)	0%	(506)	(506)	0%
PBT	6,428	6,428	0%	7,328	7,328	0%	7,777	7,777	0%
Core-Net Profit	5,521	5,521	0%	6,318	6,318	0%	6,715	6,715	0%
NIM	1.56%	1.56%	-	1.64%	1.64%	-	1.66%	1.66%	-
Gross Loans	315,400	315,400	0%	344,063	344,063	0%	376,390	376,390	0%
Deposits	361,699	361,699	0%	382,284	382,284	0%	404,236	404,236	0%
Gross NPL (%)	1.50%	1.50%	-	1.51%	1.51%	-	1.34%	1.34%	-

Source: Maybank IBG Research

Assumptions vs. consensus

Fig 6: Assumptions vs. consensus

SGDm	2022E	2023E	2024E
Total Income			
MIBG	11,451	12,508	13,325
Street	11,330	12,609	13,562
Difference (%)	1%	-1%	-2%
Core-Net Earnings			
MIBG	5,521	6,318	6,715
Street	5,381	6,210	6,711
Difference (%)	3%	2%	0%

Source: Factset, Maybank IBG Research

OCBC

FYE 31 Dec	FY20A	FY21A	FY22E	FY23E	FY24E
Key Metrics					
Core P/E (x)	12.6	10.5	9.7	8.5	8.0
Core FD P/E (x)	12.6	10.5	9.7	8.5	8.0
P/BV (x)	0.9	1.0	1.0	0.9	0.8
P/NTA (x)	1.0	1.1	1.1	1.0	0.9
Net dividend yield (%)	3.2	4.6	5.0	5.8	6.1
INCOME STATEMENT (SGD m)					
Interest income	9,143.0	7,425.0	9,012.0	10,823.5	12,222.8
Interest expense	(3,177.0)	(1,570.0)	(2,437.4)	(3,537.6)	(4,358.6)
Net interest income	5,966.0	5,855.0	6,574.7	7,286.0	7,864.2
Net insurance income	899.0	1,334.0	1,267.3	1,330.7	1,397.2
Net fees and commission	2,003.0	2,245.0	2,469.5	2,716.5	2,852.3
Other income	1,271.0	1,162.0	1,139.3	1,174.5	1,211.0
Total non-interest income	4,173.0	4,741.0	4,876.1	5,221.6	5,460.5
Operating income	10,139.0	10,596.0	11,450.7	12,507.6	13,324.7
Staff costs	(2,748.0)	(3,028.0)	(3,391.4)	(3,730.5)	(4,028.9)
Other operating expenses	(1,795.0)	(1,839.0)	(1,962.7)	(2,071.2)	(2,190.5)
Operating expenses	(4,543.0)	(4,867.0)	(5,354.0)	(5,801.7)	(6,219.4)
Pre-provision profit	5,596.0	5,729.0	6,096.7	6,705.8	7,105.2
Loan impairment allowances	(2,043.0)	(873.0)	(616.0)	(467.6)	(505.6)
Other allowances	0.0	0.0	0.0	0.0	0.0
Associates & JV income	612.0	824.0	947.6	1,089.7	1,176.9
Pretax profit	4,165.0	5,680.0	6,428.3	7,327.9	7,776.6
Income tax	(437.0)	(648.0)	(733.4)	(836.0)	(887.2)
Minorities	(142.0)	(174.0)	(174.0)	(174.0)	(174.0)
Discontinued operations	0.0	0.0	0.0	0.0	0.0
Reported net profit	3,586.0	4,858.0	5,520.9	6,317.9	6,715.4
Core net profit	3,586.0	4,858.0	5,520.9	6,317.9	6,715.4
Preferred Dividends	(40.0)	0.0	0.0	0.0	0.0
BALANCE SHEET (SGD m)					
Cash & deposits with banks	59,341.0	53,381.0	61,955.3	59,959.8	58,498.4
Sec. under resale agreements	0.0	0.0	0.0	0.0	0.0
Derivatives financial assets	15,223.0	9,267.0	9,359.7	9,453.3	9,453.3
Dealing securities	0.0	0.0	0.0	0.0	0.0
Available-for-sale securities	0.0	0.0	0.0	0.0	0.0
Investment securities	66,434.0	71,286.0	56,397.3	58,326.2	60,351.1
Loans & advances	263,538.0	286,281.0	311,495.6	339,850.0	371,825.1
Central bank deposits	0.0	0.0	0.0	0.0	0.0
Investment in associates/JVs	4,633.0	6,170.0	6,170.0	6,170.0	6,170.0
Insurance assets	0.0	0.0	0.0	0.0	0.0
Fixed assets	4,380.0	4,307.0	4,235.2	4,164.6	4,095.2
Intangible assets	4,837.0	4,774.0	4,774.0	4,774.0	4,774.0
Other assets	103,009.0	106,721.0	112,057.1	109,815.9	104,325.1
Total assets	521,395.0	542,187.0	566,444.1	592,513.9	619,492.2
Deposits from customers	314,907.0	342,395.0	361,699.3	382,283.9	404,235.7
Deposits from banks & FIs	9,586.0	8,239.0	9,062.9	9,969.2	10,168.6
Derivatives financial instruments	15,516.0	9,070.0	9,070.0	9,070.0	9,070.0
Subordinated debt	3,145.0	2,730.0	2,730.0	2,730.0	2,730.0
Other securities in issue	0.0	0.0	0.0	0.0	0.0
Other borrowings	21,210.0	17,385.0	18,254.3	19,167.0	20,125.3
Insurance liabilities	0.0	0.0	0.0	0.0	0.0
Other liabilities	105,855.0	108,030.0	108,030.0	108,030.0	108,030.0
Total liabilities	470,219.0	487,849.0	508,846.5	531,250.0	554,359.6
Share capital	17,833.0	18,040.0	18,040.0	18,040.0	18,040.0
Reserves	30,591.0	33,425.0	36,684.7	40,350.8	44,219.6
Shareholders' funds	48,424.0	51,465.0	54,724.7	58,390.8	62,259.6
Preference shares	1,198.0	1,198.0	1,198.0	1,198.0	1,198.0
Minority interest	1,554.0	1,675.0	1,675.0	1,675.0	1,675.0
Total equity	51,176.0	54,338.0	57,597.7	61,263.8	65,132.6
Total liabilities & equity	521,395.0	542,187.0	566,444.1	592,513.9	619,492.2

OCBC (Cont'd)

FYE 31 Dec	FY20A	FY21A	FY22E	FY23E	FY24E
Key Ratios					
Growth (%)					
Net interest income	(5.8)	(1.9)	12.3	10.8	7.9
Non-interest income	(8.1)	13.6	2.8	7.1	4.6
Operating expenses	(4.3)	7.1	10.0	8.4	7.2
Pre-provision profit	(8.6)	2.4	6.4	10.0	6.0
Core net profit	(26.4)	35.5	13.6	14.4	6.3
Gross loans	0.9	8.4	8.9	9.1	9.4
Customer deposits	4.0	8.7	5.6	5.7	5.7
Total assets	6.0	4.0	4.5	4.6	4.6
Profitability (%)					
Non-int. income/Total income	41.2	44.7	42.6	41.7	41.0
Average lending yields	2.38	1.86	2.14	2.44	2.58
Average cost of funds	0.92	0.44	0.64	0.88	1.02
Net interest margin	1.55	1.46	1.56	1.64	1.66
Net income margin	35.37	45.85	48.21	50.51	50.40
Cost/income	44.8	45.9	46.8	46.4	46.7
Liquidity (%)					
Loans/customer deposits	83.7	83.6	86.1	88.9	92.0
Asset quality (%)					
Net NPL	0.1	0.3	0.2	0.2	0.0
Gross NPL	1.5	1.5	1.5	1.5	1.3
Net NPF	0.0	0.0	0.0	0.0	0.0
(SP+GP)/average gross loans	0.8	0.3	0.2	0.1	0.1
Loan loss coverage	114.8	90.0	92.4	90.2	99.7
Capital adequacy (%)					
CET1	15.2	15.5	15.1	13.8	13.5
Tier 1 capital	15.8	16.0	15.7	14.3	14.0
Risk-weighted capital	17.9	17.6	17.1	15.6	15.1
Returns (%)					
ROAE	7.6	9.7	10.4	11.2	11.1
ROAA	0.7	0.9	1.0	1.1	1.1
Shareholders equity/assets	9.3	9.5	9.7	9.9	10.1

Source: Company; Maybank IBG Research

UOB

1Q22 results review

Fig 7: UOB 1Q22 results review

SGDm	1Q22	1Q21	YoY (%)	4Q21	QoQ (%)	Comments
Net interest income	1,686	1,529	10	1,677	1	Strong loan growth from RoW, SG and North Asia. Improving margins
Non-interest income	673	957	-30	757	-11	Weak trading income from losses to hedges from rising rates, M2M on equities
Total income	2,359	2,486	-5	2,434	-3	
Total expenses	(1,058)	(1,089)	-3	(1,095)	-3	Steady, but risks of higher staff costs
Profit before allowances (PPOP)	1,301	1,397	-7	1,339	-3	
Allowances for credit and other losses	(178)	(201)	-11	(112)	59	Lower GP write-back
Associates	29	32	-9	19	53	
Profit before tax	1,152	1,227	-6	1,246	-8	
Income tax expense	(246)	(219)	12	(229)	7	Higher tax for Malaysia property tax provision
Core Net Profit	906	1,008	-10	1,017	-11	8% lower than MIBG 1Q22E, 20% Street 2022E
Reported Net profit	906	1,008	-10	1,017	-11	
NIM (Reported) %	1.58%	1.57%	1	1.56%	1	Stable YoY, supported by loan growth
Cost/income ratio	44.8%	43.8%	2	45.0%	0	Higher on staff costs
Gross Loans	319,999	293,267	9	310,800	3	SE Asia growth only 2% YoY. Potential to rerate
Deposits	361,747	331,979	9	352,633	3	CASA continuing to rise
Gross NPL %	1.6%	1.6%	-	1.6%	-	Flat from improving outlook

Source: Company data, Maybank IBG Research

Key changes to assumptions

Fig 8: UOB assumption changes

	2022E			2023E			2024E		
	Old	New	% Change	Old	New	% Change	Old	New	% Change
Net Interest Income	7,389	7,389	0%	8,506	8,504	0%	9,044	9,040	0%
Non-interest income	3,793	3,597	-5%	4,049	3,821	-6%	4,234	3,976	-6%
Total Income	11,183	10,986	-2%	12,555	12,325	-2%	13,278	13,016	-2%
Total Expenses	(4,693)	(4,719)	1%	(5,150)	(5,208)	1%	(5,539)	(5,599)	1%
PPOP	6,490	6,268	-3%	7,405	7,117	-4%	7,739	7,417	-4%
Allowance for credit and other losses	(639)	(639)	0%	(670)	(670)	0%	(527)	(527)	0%
PBT	5,969	5,747	-4%	6,853	6,566	-4%	7,330	7,008	-4%
Core-Net Profit	4,929	4,643	-6%	5,661	5,372	-5%	6,056	5,735	-5%
NIM	1.62%	1.62%	0 bps	1.75%	1.75%	0 bps	1.75%	1.76%	0 bps
Gross Loans	341,291	341,291	0%	364,506	364,506	0%	384,303	384,303	0%
Deposits	377,958	377,958	0%	400,544	400,544	0%	424,572	424,572	0%
Total NPA	5,324	5,324	0%	5,582	5,582	0%	5,856	5,856	0%

Source: Maybank IBG Research

Assumptions vs. consensus

Fig 9: Assumptions vs. consensus

	2022E	2023E	2024E
Total Income			
MIBG	10,986	12,325	13,016
Street	10,993	12,434	13,565
Difference (%)	0%	-1%	-4%
Core-Net Earnings			
MIBG	4,643	5,372	5,735
Street	4,494	5,373	5,975
Difference (%)	3%	0%	-4%

Source: Factset, Maybank IBG Research

UOB

FYE 31 Dec	FY20A	FY21A	FY22E	FY23E	FY24E
Key Metrics					
Core P/E (x)	13.0	11.1	10.9	9.5	8.9
Core FD P/E (x)	13.0	11.1	10.9	9.5	8.9
P/BV (x)	0.9	1.1	1.1	1.1	1.0
P/NTA (x)	1.0	1.2	1.2	1.2	1.1
Net dividend yield (%)	3.5	4.5	4.6	5.3	5.6
INCOME STATEMENT (SGD m)					
Interest income	9,623.0	8,204.0	10,241.2	12,583.8	13,993.2
Interest expense	(3,587.0)	(1,816.0)	(2,852.5)	(4,079.9)	(4,953.5)
Net interest income	6,036.0	6,388.0	7,388.7	8,504.0	9,039.8
Net insurance income	0.0	0.0	0.0	0.0	0.0
Net fees and commission	1,997.0	2,412.0	2,653.2	2,865.5	3,008.7
Other income	1,144.0	989.0	944.3	955.7	967.2
Total non-interest income	3,141.0	3,401.0	3,597.5	3,821.1	3,975.9
Operating income	9,177.0	9,789.0	10,986.2	12,325.1	13,015.7
Staff costs	(2,501.0)	(2,602.0)	(2,888.2)	(3,177.0)	(3,335.9)
Other operating expenses	(1,683.0)	(1,711.0)	(1,830.4)	(2,030.6)	(2,262.7)
Operating expenses	(4,184.0)	(4,313.0)	(4,718.7)	(5,207.6)	(5,598.6)
Pre-provision profit	4,993.0	5,476.0	6,267.5	7,117.5	7,417.1
Loan impairment allowances	(1,554.0)	(657.0)	(638.8)	(669.9)	(527.0)
Other allowances	0.0	0.0	0.0	0.0	0.0
Associates & JV income	98.0	118.0	118.0	118.0	118.0
Pretax profit	3,537.0	4,937.0	5,746.7	6,565.6	7,008.1
Income tax	(606.0)	(850.0)	(1,091.9)	(1,181.8)	(1,261.5)
Minorities	(16.0)	(12.0)	(12.0)	(12.0)	(12.0)
Discontinued operations	0.0	0.0	0.0	0.0	0.0
Reported net profit	2,915.0	4,075.0	4,642.8	5,371.8	5,734.6
Core net profit	2,915.0	4,075.0	4,642.8	5,371.8	5,734.6
Preferred Dividends	(45.2)	0.0	0.0	0.0	0.0
BALANCE SHEET (SGD m)					
Cash & deposits with banks	77,082.0	75,474.0	69,784.7	67,887.9	64,996.4
Sec. under resale agreements	0.0	0.0	0.0	0.0	0.0
Derivatives financial assets	0.0	0.0	0.0	0.0	0.0
Dealing securities	0.0	0.0	0.0	0.0	0.0
Available-for-sale securities	0.0	0.0	0.0	0.0	0.0
Investment securities	51,425.0	57,180.0	64,798.7	71,633.6	84,672.5
Loans & advances	277,201.0	306,713.0	337,231.8	360,424.3	380,327.2
Central bank deposits	0.0	0.0	0.0	0.0	0.0
Investment in associates/JVs	1,210.0	1,245.0	1,245.0	1,245.0	1,245.0
Insurance assets	0.0	0.0	0.0	0.0	0.0
Fixed assets	3,923.0	4,011.0	4,297.9	4,605.4	4,934.9
Intangible assets	4,143.0	4,145.0	4,145.0	4,145.0	4,145.0
Other assets	16,830.0	10,555.0	11,082.8	11,636.9	12,218.7
Total assets	431,814.0	459,323.0	492,585.8	521,578.2	552,539.7
Deposits from customers	324,598.0	352,633.0	377,958.1	400,544.3	424,571.7
Deposits from banks & FIs	15,977.0	15,561.0	15,872.2	16,189.7	16,513.5
Derivatives financial instruments	0.0	0.0	0.0	0.0	0.0
Subordinated debt	5,363.0	5,333.0	5,333.0	5,333.0	5,333.0
Other securities in issue	0.0	0.0	0.0	0.0	0.0
Other borrowings	24,245.0	28,723.0	34,028.1	37,430.9	41,174.0
Insurance liabilities	0.0	0.0	0.0	0.0	0.0
Other liabilities	20,500.0	14,212.0	14,212.0	14,212.0	14,212.0
Total liabilities	390,683.0	416,462.0	447,403.4	473,709.9	501,804.1
Share capital	5,044.0	5,014.0	5,014.0	5,014.0	5,014.0
Reserves	35,857.0	37,619.0	39,940.4	42,626.3	45,493.6
Shareholders' funds	40,901.0	42,633.0	44,954.4	47,640.3	50,507.6
Preference shares	0.0	0.0	0.0	0.0	0.0
Minority interest	230.0	228.0	228.0	228.0	228.0
Total equity	41,131.0	42,861.0	45,182.4	47,868.3	50,735.6
Total liabilities & equity	431,814.0	459,323.0	492,585.8	521,578.2	552,539.7

UOB (Cont'd)

FYE 31 Dec	FY20A	FY21A	FY22E	FY23E	FY24E
Key Ratios					
Growth (%)					
Net interest income	(8.0)	5.8	15.7	15.1	6.3
Non-interest income	(9.4)	8.3	5.8	6.2	4.1
Operating expenses	(6.4)	3.1	9.4	10.4	7.5
Pre-provision profit	(10.2)	9.7	14.5	13.6	4.2
Core net profit	(32.9)	39.8	13.9	15.7	6.8
Gross loans	4.7	10.5	9.8	6.8	5.4
Customer deposits	4.5	8.6	7.2	6.0	6.0
Total assets	6.8	6.4	7.2	5.9	5.9
Profitability (%)					
Non-int. income/Total income	34.2	34.7	32.7	31.0	30.5
Average lending yields	2.44	1.94	2.25	2.59	2.72
Average financing yields	0.00	0.00	100.00	200.00	300.00
Average cost of funds	0.99	0.47	0.68	0.91	1.05
Net interest margin	1.53	1.51	1.62	1.75	1.76
Net income margin	31.76	41.63	42.26	43.58	44.06
Cost/income	45.6	44.1	43.0	42.3	43.0
Liquidity (%)					
Loans/customer deposits	85.4	87.0	89.2	90.0	89.6
Asset quality (%)					
Net NPL	0.1	0.3	0.4	0.4	0.5
Gross NPL	1.6	1.6	1.5	1.5	1.5
Net NPF	0.0	0.0	0.0	0.0	0.0
Gross NPF	0.0	0.0	0.0	0.0	0.0
(SP+GP)/average gross loans	0.6	0.2	0.2	0.2	0.1
Loan loss coverage	107.3	96.0	91.0	87.2	81.2
Capital adequacy (%)					
CET1	14.7	13.5	13.3	13.1	13.0
Tier 1 capital	15.8	14.4	14.2	13.9	13.9
Risk-weighted capital	18.4	16.6	16.2	15.8	15.6
Returns (%)					
ROAE	7.2	9.8	10.6	11.6	11.7
ROAA	0.7	0.9	1.0	1.1	1.1
Shareholders equity/assets	9.5	9.3	9.1	9.1	9.1

Source: Company; Maybank IBG Research

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