

## Singapore

November 16, 2023 - 5:05 PM

### ADD (no change)

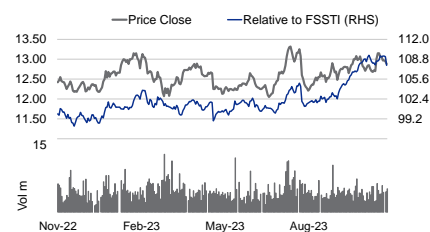
Consensus ratings\*: Buy 12 Hold 6 Sell 2

Current price:	S\$12.88
Target price:	S\$14.00
Previous target:	S\$14.00
Up/downside:	8.7%
CGS-CIMB / Consensus:	-2.0%
Reuters:	OCBC.SI
Bloomberg:	OCBC SP
Market cap:	US\$42,958m
	S\$57,885m
Average daily turnover:	US\$39.68m
	S\$54.08m
Current shares o/s	4,496m
Free float:	79.8%

\*Source: Bloomberg

### Key financial forecasts

	Dec-23F	Dec-24F	Dec-25F
Net Profit (S\$m)	7,009	7,029	7,198
Core EPS (S\$)	1.55	1.56	1.59
Core EPS Growth	21.9%	0.3%	2.4%
FD Core P/E (x)	8.30	8.27	8.08
Recurring ROE	13.2%	12.4%	12.0%
P/BV (x)	1.06	1.00	0.94
DPS (S\$)	0.80	0.85	0.85
Dividend Yield	6.21%	6.60%	6.60%



Source: Bloomberg

Price performance	1M	3M	12M
Absolute (%)	-0.8	3	3.3
Relative (%)	0.9	6.1	7.7

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

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# OCBC

## Deepening its Indonesian presence

- OCBC Indonesia will be acquiring 99% of PT Bank Commonwealth (PTBC) for a cash consideration of c.S\$191m, valuing PTBC at c.0.5x FY23F P/BV.
- While we think that the transaction is priced attractively, we highlight potential asset quality clean-ups and cost rationalisation measures before integration.
- Reiterate Add. We expect neutral share price reaction from this news.

### Acquiring PTBC for an upfront cash consideration of c.S\$191m

- PT Bank OCBC NISP (OCBC Indonesia) announced today (16 Nov 2023) that it will be acquiring 99% of the shares in PT Bank Commonwealth (PTBC) from Commonwealth Bank of Australia (CBA) for an upfront cash consideration of c.A\$220m (c.S\$191m), valuing PTBC at c.0.5x FY23F P/BV. OCBC Indonesia is currently trading at c.0.7x FY23F P/BV.
- The acquisition will be funded through internal cash and is subject to regulatory approvals from the Financial Services of Indonesia (Otoritas Jasa Keuangan), Annual General Meeting of shareholders and satisfaction of certain other conditions. Following the completion of the acquisition, PTBC will be integrated into OCBC Indonesia. OCBC Indonesia expects the deal to be completed in 2Q/3Q24.
- According to CBA, this is in line with its strategy to focus on its core banking business in Australia and New Zealand.
- According to OCBC, OCBC Indonesia also intends to acquire the remaining 1% shares of PTBC from the other (local) shareholders

### PTBC at a glance (as at 30 Sep 2023)

- PTBC has been loss-making since 2020 due to declining customer volumes.
- It recorded more than 1.2m customers. According to OCBC, there is little overlap between OCBC Indonesia and PTBC – the former focuses on corporate clients while the latter focuses on the retail and SME segments.
- Has complementary capabilities in wealth management and auto joint financing that can be leveraged by OCBC Indonesia.
- Total assets of c.S\$1.4bn, net assets of c.S\$355m, CET1 of 38.4%, gross loans of S\$735m, total deposits of S\$735m.
- Gross NPL ratio of c.1.95%. This ratio had eased from c.5.1% in FY20 due to the provision of the Standby Letter of Credit from CBA in relation to the Debt Relaxation Programme (related to Covid-19 exposure).
- It has 30 branches, 30 e-kiosks and 74 ATMS in 23 major cities across Indonesia.

### Reiterate Add with an unchanged GGM-based TP

- OCBC Indonesia is currently the 4<sup>th</sup> largest private sector bank by assets (c.S\$21.4bn) as of 31 Aug 2023. Although PTBC is a considerably smaller-sized bank (by assets), we believe that it will add scale to OCBC Indonesia.
- That said, we believe that there will be some portfolio clean-up in terms of asset quality and cost rationalisation to be done before integration with OCBC Indonesia. There could also be regulatory approvals needed in terms of the branch/headcount rationalisation, in our view.
- The acquisition is guided to have no material impact on OCBC Group's net tangible assets, EPS or capital position for FY23F.
- We expect neutral share price reaction from this news. Although this acquisition will serve to deepen OCBC Group's presence in Indonesia, potential synergies may take time to materialise given the above hurdles.
- Downside risks to our call are sharper-than-expected Fed rate cuts, which may impact margins materially.

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 (%)		
							CY23F	CY24F	CY25F	CY23F	CY24F	CY25F	CY23F	CY24F	CY25F	CY23F	CY24F	CY25F
DBS Group	DBS SP	Hold	32.42	35.30	62,053	9.0%	1.41	1.33	1.26	18.6%	16.8%	16.1%	6.8	6.8	6.6	6.8%	7.8%	8.3%
OCBC	OCBC SP	Add	12.88	14.00	42,958	8.3%	1.06	1.00	0.94	13.2%	12.4%	12.0%	7.1	7.2	7.1	6.2%	6.6%	6.6%
United Overseas Bank	UOB SP	Add	27.31	33.30	33,896	9.4%	0.99	0.93	0.87	14.5%	13.3%	12.4%	5.5	5.4	5.3	7.0%	7.0%	7.0%
<b>Singapore average</b>						<b>8.9%</b>	<b>1.17</b>	<b>1.10</b>	<b>1.04</b>	<b>15.6%</b>	<b>14.3%</b>	<b>13.7%</b>	<b>6.5</b>	<b>6.5</b>	<b>6.4</b>	<b>6.7%</b>	<b>7.2%</b>	<b>7.5%</b>
Bank Central Asia	BBCA IJ	Add	9,050	10,150	71,819	11.7%	4.62	4.21	3.84	21.2%	20.6%	20.6%	17.6	16.3	14.9	2.6%	2.8%	3.1%
Bank Jago	ARTO IJ	Hold	2,300	1,650	2,052	162.2%	3.83	3.78	3.67	0.8%	1.2%	3.4%	50.7	34.3	22.5	0.0%	0.0%	0.1%
Bank Mandiri	BMRI IJ	Add	5,925	6,850	35,599	0.7%	2.16	1.97	1.80	21.0%	20.6%	20.3%	6.3	6.0	5.3	5.5%	6.0%	6.5%
Bank Negara Indonesia	BBNI IJ	Add	4,980	5,900	11,957	14.2%	1.28	1.17	1.07	15.2%	15.8%	16.4%	5.3	4.8	4.4	5.7%	6.5%	7.4%
Bank Rakyat Indonesia	BBRI IJ	Add	5,250	6,100	51,222	11.5%	2.47	2.35	2.24	18.8%	19.6%	20.7%	8.1	7.4	6.8	6.2%	6.9%	7.7%
Bank Tabungan Negara	BBTN IJ	Add	1,245	1,700	1,125	0.8%	0.54	0.50	0.45	10.7%	10.4%	11.3%	2.0	2.0	1.8	3.6%	4.0%	4.8%
Bank Tabungan Pensi	BTPS IJ	Hold	1,755	1,960	870.3	7.6%	1.50	1.32	1.15	14.9%	18.4%	20.2%	4.1	4.1	3.7	5.3%	3.8%	5.2%
<b>Indonesia average</b>						<b>12.2%</b>	<b>2.67</b>	<b>2.48</b>	<b>2.29</b>	<b>19.0%</b>	<b>19.1%</b>	<b>19.5%</b>	<b>9.2</b>	<b>8.5</b>	<b>7.7</b>	<b>4.5%</b>	<b>4.9%</b>	<b>5.4%</b>
Affin Bank Berhad	ABANK MK	Add	2.07	2.26	1,040	44.3%	0.46	0.44	0.43	5.0%	5.3%	5.7%	6.0	5.7	4.9	4.3%	4.7%	5.2%
Alliance Bank Malaysia	ABMB MK	Hold	3.39	3.50	1,123	6.1%	0.72	0.67	0.63	10.2%	10.2%	10.2%	4.8	4.5	4.2	5.7%	6.3%	6.8%
AMMB Holdings	AMM MK	Add	3.93	4.39	2,784	3.1%	0.71	0.67	0.63	9.9%	9.9%	9.8%	4.8	4.4	4.0	5.2%	5.7%	6.0%
Bank Islam Malaysia B	BIMB MK	Add	2.22	2.40	1,077	5.4%	0.72	0.70	0.68	7.6%	8.6%	8.8%	4.7	4.4	4.2	4.1%	4.9%	5.1%
Hong Leong Bank	HLBK MK	Add	19.24	25.30	8,926	5.5%	1.14	1.02	0.95	11.4%	10.7%	10.5%	11.6	10.6	10.0	3.4%	4.0%	4.3%
Malayan Banking Bhd	MAY MK	Add	9.14	10.30	23,591	8.2%	1.15	1.09	1.03	10.8%	10.6%	10.5%	7.3	6.7	6.4	5.3%	5.8%	6.0%
Public Bank Bhd	PBK MK	Add	4.23	5.10	17,572	8.0%	1.47	1.37	1.28	13.3%	13.1%	12.9%	8.6	7.9	7.6	4.2%	4.6%	4.9%
RHB Bank Bhd	RHBBANK MK	Add	5.64	6.56	5,174	7.3%	0.69	0.64	0.60	10.2%	9.4%	9.3%	5.1	4.8	4.5	6.6%	7.1%	7.5%
<b>Malaysia average</b>						<b>7.9%</b>	<b>1.07</b>	<b>1.01</b>	<b>0.95</b>	<b>10.9%</b>	<b>10.7%</b>	<b>10.6%</b>	<b>7.4</b>	<b>6.9</b>	<b>6.5</b>	<b>4.8%</b>	<b>5.3%</b>	<b>5.5%</b>
Bangkok Bank	BBL TB	Add	151.5	193.0	8,152	16.6%	0.54	0.51	0.48	7.1%	7.6%	7.8%	3.7	3.3	3.1	3.3%	4.6%	5.3%
Kasikornbank	KBANK TB	Add	132.0	168.0	8,816	12.2%	0.59	0.56	0.53	8.0%	8.2%	8.7%	3.0	3.0	2.8	4.5%	4.9%	5.7%
Kiatnakin Phatra Bank	KKP TB	Add	51.75	81.00	1,235	4.3%	0.71	0.66	0.61	11.7%	12.8%	12.2%	2.7	2.5	2.3	7.3%	7.7%	7.7%
Krung Thai Bank	KTB TB	Add	18.40	22.30	7,249	8.6%	0.64	0.59	0.55	9.6%	9.6%	9.4%	3.2	3.0	2.8	3.8%	3.8%	3.8%
Muangthai Capital	MTC TB	Reduce	43.75	36.00	2,614	14.1%	2.91	2.48	2.10	15.9%	18.1%	18.6%	8.7	7.4	6.6	0.8%	1.0%	1.2%
SCB X	SCB TB	Add	98.50	145.0	9,349	12.1%	0.68	0.64	0.61	9.5%	9.7%	10.0%	3.5	3.3	3.2	5.6%	6.1%	7.1%
Srisawad Corporation	SAWAD TB	Reduce	46.75	49.00	1,810	12.4%	2.30	2.06	1.85	17.8%	19.2%	19.4%	8.4	7.2	6.3	3.7%	4.4%	5.0%
Tisco Financial Group	TISCO TB	Add	97.75	103.0	2,206	4.0%	1.79	1.75	1.68	16.1%	16.4%	17.4%	7.7	7.3	6.6	7.7%	7.9%	7.9%
<b>Thailand average</b>						<b>11.6%</b>	<b>0.69</b>	<b>0.65</b>	<b>0.61</b>	<b>8.9%</b>	<b>9.3%</b>	<b>9.5%</b>	<b>3.6</b>	<b>3.4</b>	<b>3.2</b>	<b>4.4%</b>	<b>4.9%</b>	<b>5.5%</b>

SOURCES: CSG-CIMB RESEARCH ESTIMATES, BLOOMBERG  
DATA AS AT 16 NOV 23

## BY THE NUMBERS

### Profit & Loss

(\$m)	Dec-22A	Dec-23F	Dec-24F	Dec-25F
Net Interest Income	7,688	9,593	9,481	9,652
Total Non-Interest Income	3,987	4,006	4,276	4,572
<b>Operating Revenue</b>	<b>11,675</b>	<b>13,599</b>	<b>13,757</b>	<b>14,224</b>
Total Non-Interest Expenses	-5,130	-5,429	-5,734	-6,020
<b>Pre-provision Operating Profit</b>	<b>6,545</b>	<b>8,171</b>	<b>8,023</b>	<b>8,204</b>
Total Provision Charges	-584	-683	-762	-796
<b>Operating Profit After Provisions</b>	<b>5,961</b>	<b>7,488</b>	<b>7,261</b>	<b>7,408</b>
Pretax Income/(Loss) from Assoc.	978	1,027	1,078	1,132
<b>Operating EBIT (incl Associates)</b>	<b>6,939</b>	<b>8,515</b>	<b>8,340</b>	<b>8,540</b>
Non-Operating Income/(Expense)	0	0	0	0
<b>Profit Before Tax (pre-EI)</b>	<b>6,939</b>	<b>8,515</b>	<b>8,340</b>	<b>8,540</b>
Exceptional Items				
<b>Pre-tax Profit</b>	<b>6,939</b>	<b>8,515</b>	<b>8,340</b>	<b>8,540</b>
Taxation	-1,057	-1,362	-1,168	-1,196
Consolidation Adjustments & Others				
Exceptional Income - post-tax	0	0	0	0
<b>Profit After Tax</b>	<b>5,882</b>	<b>7,153</b>	<b>7,172</b>	<b>7,344</b>
Minority Interests	-134	-143	-143	-147
Prof. & Special Div	0	0	0	0
FX And Other Adj.	0	0	0	0
<b>Net Profit</b>	<b>5,748</b>	<b>7,009</b>	<b>7,029</b>	<b>7,198</b>
Recurring Net Profit	5,748	7,009	7,029	7,198

### Balance Sheet

(\$m)	Dec-22A	Dec-23F	Dec-24F	Dec-25F
Total Gross Loans	325,224	329,158	341,531	357,490
Liquid Assets & Invst. (Current)	28,010	28,290	28,573	28,859
Other Int. Earning Assets				
<b>Total Gross Int. Earning Assets</b>	<b>353,234</b>	<b>357,448</b>	<b>370,104</b>	<b>386,349</b>
Total Provisions/Loan Loss Reserve	-3,513	-3,295	-3,428	-3,601
<b>Total Net Interest Earning Assets</b>	<b>349,721</b>	<b>354,152</b>	<b>366,675</b>	<b>382,748</b>
Intangible Assets	4,643	4,643	4,643	4,643
Other Non-Interest Earning Assets	131,259	148,488	160,495	170,312
<b>Total Non-Interest Earning Assets</b>	<b>135,902</b>	<b>153,131</b>	<b>165,138</b>	<b>174,955</b>
<b>Cash And Marketable Securities</b>	<b>74,333</b>	<b>75,768</b>	<b>77,234</b>	<b>78,733</b>
Long-term Investments	0	0	0	0
<b>Total Assets</b>	<b>559,956</b>	<b>583,052</b>	<b>609,048</b>	<b>636,436</b>
Customer Interest-Bearing Liabilities	350,081	367,585	387,802	409,131
Bank Deposits	10,046	10,548	11,128	11,741
Interest Bearing Liabilities: Others	37,986	38,902	40,067	41,305
<b>Total Interest-Bearing Liabilities</b>	<b>398,113</b>	<b>417,035</b>	<b>438,998</b>	<b>462,177</b>
Bank's Liabilities Under Acceptances				
Total Non-Interest Bearing Liabilities	107,175	108,094	109,080	110,076
<b>Total Liabilities</b>	<b>505,288</b>	<b>525,129</b>	<b>548,078</b>	<b>572,253</b>
<b>Shareholders' Equity</b>	<b>53,087</b>	<b>56,484</b>	<b>59,675</b>	<b>63,035</b>
Minority Interests	1,581	1,438	1,295	1,148
<b>Total Equity</b>	<b>54,668</b>	<b>57,922</b>	<b>60,970</b>	<b>64,183</b>

### Balance Sheet Employment

	Dec-22A	Dec-23F	Dec-24F	Dec-25F
Gross Loans/Cust Deposits	84.3%	81.2%	80.1%	79.8%
Avg Loans/Avg Deposits	84.5%	82.7%	80.7%	79.9%
Avg Liquid Assets/Avg Assets	16.4%	16.4%	16.0%	15.5%
Avg Liquid Assets/Avg IEAs	25.7%	26.4%	26.2%	25.5%
Net Cust Loans/Assets	52.1%	50.7%	50.4%	50.7%
Net Cust Loans/Broad Deposits	80.9%	78.1%	77.0%	76.7%
Equity & Provs/Gross Cust Loans	18.0%	18.9%	19.2%	19.3%
Asset Risk Weighting	41.4%	40.9%	40.4%	39.8%
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	10.2%	16.5%	1.2%	3.4%
Operating Profit Growth	14.2%	24.8%	(1.8%)	2.3%
Pretax Profit Growth	22.2%	22.7%	(2.1%)	2.4%
Net Interest To Total Income	65.9%	70.5%	68.9%	67.9%
Cost Of Funds	1.00%	2.14%	1.74%	1.26%
Return On Interest Earning Assets	3.30%	5.15%	4.65%	4.05%
Net Interest Spread	2.30%	3.01%	2.91%	2.79%
Net Interest Margin (Avg Deposits)	2.22%	2.67%	2.51%	2.42%
Net Interest Margin (Avg RWA)	3.37%	4.08%	3.91%	3.87%
Provisions to Pre Prov. Operating Profit	8.9%	8.4%	9.5%	9.7%
Interest Return On Average Assets	1.40%	1.68%	1.59%	1.55%
Effective Tax Rate	15.2%	16.0%	14.0%	14.0%
Net Dividend Payout Ratio	53.4%	51.5%	54.6%	53.3%
Return On Average Assets	1.04%	1.23%	1.18%	1.16%

### 12-mth Fwd FD P/E (x) - OCBC



### Key Drivers

	Dec-22A	Dec-23F	Dec-24F	Dec-25F
Net interest margin (%)	1.9%	2.3%	2.2%	2.1%
Net interest income growth (%)	31.3%	24.8%	-1.2%	1.8%
Non-interest income growth (%)	-15.9%	0.5%	6.7%	6.9%
Cost-income ratio (%)	43.0%	39.1%	40.9%	41.6%
Net loan growth (%)	1.8%	1.3%	4.0%	5.0%
Deposit growth (%)	2.2%	5.0%	5.5%	5.5%
Loans-deposits ratio (%)	83.3%	80.3%	79.2%	78.9%

SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

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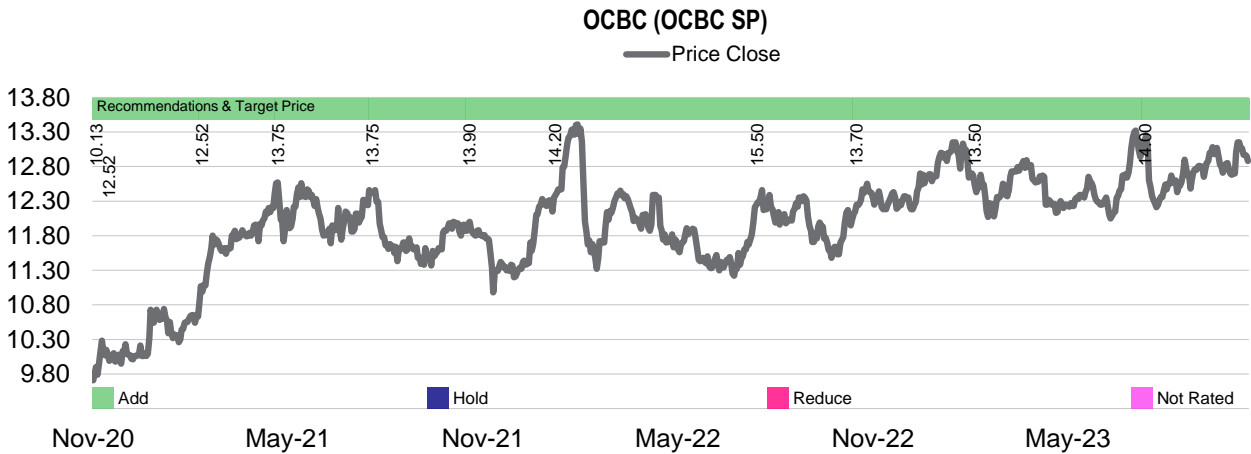
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	Rating Distribution (%)	Investment Banking clients (%)
Add	66.7%	0.9%
Hold	23.7%	0.0%
Reduce	9.6%	0.2%

**Spitzer Chart for stock being researched ( 2 year data )**



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