

Singapore

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Overweight *(no change)*

Highlighted Companies

DBS Group

HOLD, TP S\$27.00, S\$23.91 close

DBS has the smallest net exposure to Coastal Oil given its mortgage claim on two of the latter's vessels. We understand that DBS has significantly written-down the collateral values of most of its O&G book and further weakness from this book may not be significant.

OCBC

ADD, TP S\$14.00, S\$11.50 close

OCBC's proportion of O&G exposure to its loan book is the largest among its peers. We think that our 6bp credit cost estimate for its exposure to Coastal Oil is likely to materialise given the minimal asset value of its vessels.

United Overseas Bank

ADD, TP S\$31.00, S\$25.17 close

O&G loans account for c.5% of UOB's loan book; most of the exposures are to the downstream segment. UOB is minimally impacted by Coastal Oil's liquidation; we take comfort from its 14.1% CET-1 ratio – the highest among its peers.

Summary Valuation Metrics

P/E (x)	Dec-18F	Dec-19F	Dec-20F
DBS Group	10.61	10.04	9.44
OCBC	9.94	9.30	8.86
United Overseas Bank	10.58	9.82	9.25
P/BV (x)	Dec-18F	Dec-19F	Dec-20F
DBS Group	1.27	1.19	1.12
OCBC	1.18	1.09	1.02
United Overseas Bank	1.08	1.02	0.97
Dividend Yield	Dec-18F	Dec-19F	Dec-20F
DBS Group	5.02%	5.02%	5.44%
OCBC	4.00%	4.26%	4.52%
United Overseas Bank	4.77%	4.77%	5.56%

Analyst(s)

Andrea CHOONG

T (65) 6210 8672

E andrea.choong@cgs-cimb.com

LIM Siew Khee

T (65) 6210 8664

E siewkhee.lim@cgs-cimb.com

Banks

O&G trouble could be one-off

- We think that further widespread deterioration of the O&G sector following Coastal Oil's liquidation is unlikely.
- In the worst case scenario of incurring full provisions, credit costs could rise by 1-6bp. We believe the NPL implication is not material at 1-6bp.
- Stay sector Overweight. OCBC is our top pick for continued NIM upside and attractive valuation of 1.1x CY19 P/BV - below long-term mean of 1.4x.

Coastal Oil Singapore files for liquidation – debts of US\$354m

- Coastal Oil Singapore, a crude oil product supplier, filed for liquidation on 13 Dec 2018. The company has outstanding debts of US\$354m – about half of which is owed to DBS (US\$29.9m), OCBC (US\$122.7m) and UOB (US\$19.5m).

Conservative credit cost impact of 1-6bp

- Recall that in 2H17, the Singapore banks cleaned up their books with the accelerated recognition of vulnerable oil and gas (O&G) exposures. At that time, DBS (S\$5.3bn O&G exposure or c.2% of total loans), was hit the hardest with 109bp of credit costs in 3Q17, while OCBC (S\$12.6bn or 5% of loans) and UOB (S\$10.7bn or 5% of loans) were less impacted, booking 30bp and 24bp of allowances in 4Q17.
- On 3 Jan 2019, DBS had seized two of Coastal Oil's vessels (Atalanta and Coastal Neptune) on grounds of US\$5.4m and US\$3.6m of mortgage claims; estimated values of the vessels were US\$15.6m and US\$7.8m, respectively. We believe that provisions would have been progressively set aside for Coastal Oil given the likely weakening of cash flows leading up to liquidation. Without taking into account provisions or other collateral, conservatively, DBS's credit cost would be pushed upwards by 1bp (to 24bp in FY19), OCBC by 6bp (to 19bp) and UOB by 1bp (to 19bp). These 'higher' levels remain below the average of 27-48bp in FY16 when oil prices were at an all-time low.
- Potential rise in non-performing asset (NPA) ratios is minimal: DBS's ratio would rise to 1.57% (from 1.56%), OCBC's to 1.44% (from 1.38%) and UOB's to 1.65% (from 1.64%). There ratios have stayed broadly stable over the past year since gradually creeping up from 1.0% for DBS and OCBC and 1.4% for UOB in 1Q16.

Assets on the line – estimated value of c.US\$40m-45m

- All six of Coastal Oil's vessels are in service, and another is due for completion in 2019. Using Clarkson Research as a broad estimation of Coastal Oil's vessels, the total market value of c.US\$40m-45m would be significantly short of covering Coastal Oil's outstanding debts. The read-through from credit costs would dent earnings by 0.3% for DBS, 0.6% for UOB, and 3.2% for OCBC.

Maintain Overweight with OCBC as our top pick

- While macroeconomic growth is set to be slower in FY19, we stay sector Overweight on account of comfortable capitalisation and further upside of NIMs. The sector is attractive at 1.1x P/BV. We do not think that Coastal Oil's liquidation is indicative of more material deterioration in the sector. Downside risk: continued dip in oil prices.
- OCBC remains our top pick for the sector due to continued NIM upside alongside attractive valuations. OCBC trades at 1.1x CY19 P/BV—below long-term mean of 1.4x.

Figure 1: Coastal Oil Singapore's fleet

Name	Built	Status	Dwt	Estimated market value (US\$ million)	GT
Coastal Mercury	2012	In Service	2,281	1-2	2,067
Coastal Saturn	2012	In Service	1,998	1-2	2,342
Coastal Jupiter	2013	In Service	4,999	2-5	4,062
Coastal Neptune	2014	In Service	5,509	4-8	4,062
Atalanta	2015	In Service	23,000	14-17	20,434
Babylon	2017	In Service	24,205	14-17	20,241
N/B Mawei SB (Mawei) Fuzhou MW512-1	2019	On Order	24,000	n.a.	n.a.

SOURCES: CGS-CIMB RESEARCH, CLARKSON RESEARCH SERVICES

Figure 2: 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 (%)		
							CY18F	CY19F	CY20F	CY18F	CY19F	CY20F	CY18F	CY19F	CY20F	CY18F	CY19F	CY20F
DBS Group	DBS SP	Hold	23.91	27.00	44,886	18.0%	1.27	1.19	1.12	12.4%	12.2%	12.2%	8.1	7.6	7.1	5.0%	5.0%	5.4%
OCBC	OCBC SP	Add	11.50	14.00	35,959	9.7%	1.18	1.09	1.02	12.5%	12.2%	11.9%	8.4	7.5	7.0	4.0%	4.3%	4.5%
United Overseas Bank	UOB SP	Add	25.17	31.00	30,846	9.8%	1.08	1.02	0.97	10.6%	10.7%	10.7%	8.1	7.5	7.0	4.8%	4.8%	5.6%
Singapore average						12.8%	1.18	1.11	1.04	11.9%	11.7%	11.7%	8.2	7.5	7.1	4.6%	4.7%	5.2%
Bank Central Asia	BBCA IJ	Hold	26,200	25,500	45,657	13.0%	4.26	3.68	3.20	18.6%	18.4%	17.8%	17.8	15.7	14.0	0.9%	1.0%	1.1%
Bank Mandiri	BMRI IJ	Add	7,350	9,800	24,244	17.1%	1.88	1.70	1.54	14.2%	15.1%	15.6%	7.4	6.6	5.7	2.7%	2.9%	3.4%
Bank Negara Indonesia	BBNI IJ	Add	8,900	11,100	11,731	16.5%	1.51	1.34	1.19	15.4%	16.2%	16.4%	6.0	5.1	4.5	2.9%	2.9%	3.4%
Bank Rakyat Indonesia	BBRI IJ	Add	3,680	4,700	32,083	15.5%	2.44	2.13	1.88	18.4%	19.7%	19.5%	7.7	6.8	6.1	2.9%	2.9%	3.5%
Bank Tabungan Negara	BBTN IJ	Add	2,730	3,400	2,043	13.3%	1.18	1.05	0.93	14.3%	14.5%	15.3%	5.3	4.4	3.6	2.1%	2.9%	3.3%
Indonesia average						15.3%	2.51	2.22	1.96	16.7%	17.3%	17.4%	9.4	8.3	7.3	2.0%	2.1%	2.5%
Affin Bank Berhad	ABANK MK	Hold	2.23	2.34	1,052	3.6%	0.45	0.43	0.41	5.3%	5.5%	5.5%	6.4	5.8	5.6	2.2%	2.4%	2.6%
Alliance Bank Malaysia	ABMB MK	Hold	4.05	4.18	1,522	10.9%	1.15	1.10	1.02	10.8%	11.3%	11.5%	6.7	6.2	5.8	4.1%	4.3%	4.7%
AMMB Holdings	AMM MK	Hold	4.42	4.39	3,235	5.9%	0.78	0.74	0.71	8.0%	8.1%	8.1%	7.2	6.4	5.9	3.9%	4.2%	4.5%
BIMB Holdings	BIMB MK	Add	3.53	4.43	1,452	7.1%	1.20	1.09	1.00	14.2%	13.8%	13.6%	4.6	4.4	4.1	4.2%	4.4%	4.8%
Hong Leong Bank	HLBK MK	Reduce	20.70	17.10	10,282	8.9%	1.77	1.61	1.49	11.4%	11.2%	10.8%	15.1	13.9	13.0	2.4%	2.6%	2.8%
Malayan Banking Bhd	MAY MK	Hold	9.47	9.85	25,376	6.8%	1.36	1.32	1.27	10.7%	10.9%	11.3%	8.2	8.0	7.5	5.4%	5.8%	6.3%
Public Bank Bhd	PBK MK	Hold	24.66	25.70	23,246	6.4%	2.36	2.18	2.02	14.8%	14.5%	14.1%	12.8	11.9	11.3	2.7%	2.9%	3.0%
RHB Bank Bhd	RHBBANK I	Add	5.28	6.38	5,141	12.1%	0.84	0.77	0.72	9.4%	9.5%	9.4%	6.3	5.6	5.2	3.0%	3.4%	3.6%
Malaysia average						8.2%	1.44	1.36	1.28	11.0%	11.1%	11.1%	9.5	8.9	8.3	3.7%	4.0%	4.3%
Bangkok Bank	BBL TB	Add	207.00	239.00	12,315	11.0%	0.93	0.88	0.83	8.6%	8.9%	9.2%	6.1	5.7	5.4	3.1%	3.1%	3.1%
Bank of Ayudhya	BAY TB	Hold	37.75	41.00	8,655	7.6%	1.16	1.08	1.01	10.9%	10.7%	10.7%	5.2	4.9	4.6	2.7%	2.9%	3.1%
Kasikornbank	KBANK TB	Add	186.50	244.00	13,911	11.6%	1.18	1.09	1.00	10.8%	10.7%	10.9%	5.1	4.8	4.5	2.1%	2.1%	2.1%
Kiatnakin Bank	KKP TB	Add	68.00	82.00	1,795	9.6%	1.35	1.30	1.26	14.8%	15.0%	16.3%	6.4	5.9	5.3	7.5%	8.0%	9.0%
Krung Thai Bank	KTB TB	Hold	20.00	22.30	8,712	17.1%	0.91	0.86	0.80	10.3%	10.1%	10.4%	4.2	4.0	3.7	4.3%	4.6%	5.0%
Krungthai Card	KTC TB	Reduce	31.75	143.00	2,551	7.0%	0.56	0.49	0.43	25.6%	23.3%	21.4%	0.8	0.8	0.7	17.7%	18.3%	19.1%
Siam Commercial Bank	SCB TB	Hold	134.50	150.00	14,234	4.5%	1.18	1.10	1.03	11.3%	10.8%	11.1%	6.2	5.8	5.3	4.8%	5.6%	6.3%
Srisawad Corporation	SAWAD TB	Add	48.75	56.00	1,744	18.2%	4.77	3.93	4.38	27.0%	28.3%	34.1%	12.6	10.1	8.1	2.0%	2.5%	3.1%
Thanachart Capital	TCAP TB	Hold	51.50	55.00	1,842	4.2%	0.92	0.85	0.79	11.9%	10.3%	10.2%	2.7	2.7	2.5	3.9%	3.9%	3.9%
Tisco Financial Group	TISCO TB	Reduce	81.00	72.00	2,021	10.3%	1.69	1.54	1.40	19.4%	18.2%	17.8%	5.7	5.7	5.3	4.0%	4.4%	5.7%
TMB Bank	TMB TB	Hold	2.20	2.44	3,007	10.8%	0.98	0.92	0.86	12.6%	9.2%	10.6%	3.1	4.7	4.1	3.7%	2.9%	3.6%
Thailand average						9.8%	1.09	1.02	0.95	10.9%	10.6%	10.9%	5.0	4.9	4.5	3.6%	3.8%	4.2%

SOURCES: CSG-CIMB RESEARCH, COMPANY

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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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758 companies under coverage for quarter ended on 31 December 2018		
	Rating Distribution (%)	Investment Banking clients (%)
Add	61.2%	4.2%
Hold	25.1%	2.1%
Reduce	13.7%	0.4%

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, **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, 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, **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, **PLANB** – Excellent, Declared, **PLAT** – Very Good, Certified, **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, **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, **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, **WORK** – Good, n/a.

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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.

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.