

Not Rated

Bank OCBC NISP (NISP JJ)

FY24 results: Robust Net Profit Growth Despite Merger Impact

Last Price (Rp)	1,345
Target Price (Rp)	n/a
Upside/Downside	n/a
No. of Shares (mn)	22,831
Mkt Cap (Rpbn/US\$mn)	30,707/1,868
Avg, Daily T/O (Rpbn/US\$mn)	10.8/0.7

- NISP's net profit grew by 19% yoy to Rp4.9tr in FY24, driven by a drop in provisions, despite increased CIR due to higher opex and forex losses.
- In 4Q24, NISP's net profit fell 27% qoq to Rp1.0tr, impacted by merger costs and higher provisions, though CIR and NPL improved qoq.
- Overall, NISP delivered strong FY24 results, maintaining stable NIM despite rising CoF, with improved NPL and robust NPL coverage at 307%.

Key Financials:

	2022A	2023A	2024A
EPS (Rp)	145.0	178.3	212.1
PER (x)	9.3	7.5	6.3
PBV (x)	0.9	0.8	0.8
CoE (x)	10.8	13.2	15.5
ROAE (%)	10.1	11.5	12.6

Summary:

- **Overall performance:** In our view, NISP posted relatively strong results in FY24, despite the one-off non-operating expenses due to Commonwealth acquisition. Its NIM remained stable despite the CoF rise, supported by its non-loan EA yield. Despite higher CoC, its NPL improved, and its NPL coverage remained robust at 307%.

FY24 Insights:

- **Net Profit Growth Driven by Significant Decline in Provisions:** NISP achieved a 19% yoy net profit growth to Rp4.9tr in FY24, primarily driven by an 87% yoy drop in provision expenses to Rp151bn, resulting in a lower CoC of 0.1% in FY24 (FY23 CoC: 0.8%).
- **Merger Impact:** Based on our calculations, had Commonwealth's book not been included in NISP's book, NISP's net profit would have amounted to approximately Rp5.1tr (+24% yoy) in FY24.
- **CIR Increase Due to Elevated Opex and Forex Losses:** CIR rose to 50.9% in FY24, up from 44.3% in FY23, despite an 11% increase in NII. This was largely driven by a 21% yoy rise in opex, with salary expenses increasing by 17% and G&A expenses by 18%. Additionally, a 36% yoy decrease in other operating income was due to a sharp increase in forex losses, which surged from Rp72bn in FY23 to Rp352bn in FY24.
- **Higher NIM Amid Significant CoF Increase:** NIM was slightly higher at 4.4% in FY24 (+10bps yoy), despite CoF rising to 3.9% in FY24 from 3.6% in FY23. This was supported by a stable loan yield of 7.7% (+1bps yoy) and an increase in non-loan EA yield to 6.9% from 6.0% in FY23.
- **Robust Customer Deposit and Loan Growth:** Customer deposits expanded by 13% yoy (+3% qoq), outpacing loan growth of 11% yoy (+5% qoq), leading to an LDR of 82.8% (+164bps qoq, -201bps yoy).
- **ROE at 12.6% in FY24:** ROE improved to 12.6% in FY24, up from 11.5% in FY23. This is compared to the average FY24F ROE of 16.2% for banks under our coverage.

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4Q24 Insights:

- **Net Profit Decline (qoq) due to Merger Costs:** NISP's net profit reached Rp1.0tr (-27% qoq, +1% yoy). The qoq decline was mainly due to merger costs of Rp589bn incurred in 4Q24 and higher provision expenses of Rp186bn (+194% qoq).
- **CIR Improvement (qoq):** CIR stood at 45.6% in 4Q24, improving qoq from 56.2% in 3Q24 but still higher than the 43.6% reported in 4Q23. The qoq improvement was primarily due to a 22% decline in opex, attributed to a Rp203bn drop in G&A expenses.
- **Stable NIM Amid High-Rate Environment:** NIM stood at 4.4% (-1bps qoq, +8bps yoy) in 4Q24. NIM remained stable qoq, despite a 19bps qoq rise in CoF to 4.2%, supported by a stable loan yield of 7.7%, higher non-loan EA yield (+81bps yoy), and a higher LDR of 82.8% (+164bps qoq). The yoy NIM increase, despite higher CoF and lower loan yield, was driven by an increase in non-loan EA yield to 7.3% (+81bps yoy).
- **Improved Asset Quality:** NPL improved to 1.5% (-24bps qoq, -8bps yoy), reflecting better asset quality. NPL coverage remained high at 307.1%.

Exhibit 1. NISP FY24 results

NISP - Financial (Rpbn)	4Q23	3Q24	4Q24	qoq, %	yoy, %	2023	2024	yoy, %
Interest income	4,338	4,876	5,081	4%	17%	16,426	18,776	14%
Interest expense	1,809	2,019	2,152	7%	19%	6,514	7,731	19%
Net interest income	2,529	2,857	2,928	2%	16%	9,912	11,045	11%
Other operating income	341	314	138	-56%	-59%	1,402	891	-36%
Operating expenses	1,252	1,781	1,397	-22%	12%	5,011	6,079	21%
PPOP	1,618	1,390	1,669	20%	3%	6,302	5,857	-7%
Provision	321	63	186	194%	-42%	1,133	151	-87%
Operating Profit	1,298	1,326	1,483	12%	14%	5,169	5,706	10%
Net profit	1,038	1,427	1,049	-27%	1%	4,091	4,867	19%
Loans	154,094	161,780	170,461	5%	11%	154,094	170,461	11%
Customer deposits	181,755	199,405	205,932	3%	13%	181,755	205,932	13%
Key Ratio								
				qoq, bps	yoy, bps			yoy, bps
Loan yield (%) - ann	7.8	7.7	7.7	0	(12)	7.7	7.7	(1)
Non-loan EA yield (%) - ann	6.5	7.1	7.3	26	81	6.0	6.9	90
Cost of fund (%) - ann	4.0	4.1	4.2	19	29	3.6	3.9	38
NIM (%) - ann	4.3	4.4	4.4	(1)	8	4.3	4.4	10
CIR (%) - ann	43.6	56.2	45.6	(1,060)	195	44.3	50.9	663
Cost of credit (%) - ann	0.9	0.2	0.4	29	(41)	0.8	0.1	(70)
ROE (%) - ann	11.3	14.7	10.4	(425)	(92)	11.5	12.6	114
CASA ratio (%)	55.8	56.1	55.3	(77)	(44)			
LDR (%)	84.8	81.1	82.8	164	(201)			
NPL ratio (%)	1.6	1.8	1.5	(24)	(8)			
NPL Coverage (%)	324.7	281.6	307.1	2,546	(1,761)			

Source: Company, BRIDS

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INVESTMENT RATING

BUY	Expected total return of 10% or more within a 12-month period
HOLD	Expected total return between -10% and 10% within a 12-month period
SELL	Expected total return of -10% or worse within a 12-month period

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