

# Singapore Flash Note

Refer to important disclosures at the end of this report

DBS Group Research . Equity

28 Sep 2018

## OCBC (OCBC SP) : HOLD

Mkt. Cap: US\$34,792m | 3m Avg. Daily Val: US\$44.63m

Last Traded Price ( 27 Sep 2018): S\$11.36

Price Target 12-mth: S\$12.40 (9% upside)

### Analyst

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### Company Guide



Summary of our point of view, and highlights the relevant data points, which are actively tracked

[OCBC - iBanking Login](#)

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## Digital quest to grow Indonesia market share

- OCBC NISP embarking on mobile-first strategy and partnerships to grow Indonesia market share
- Good traction in mobile app transactions over last year
- To offer up to 90% of physical branch functionalities on OCBC NISP ONE Mobile app
- Sees highest potential in Indonesia amid scaling up of digital efforts across core markets

### Forecasts and Valuation

FY Dec (\$m)	2017A	2018F	2019F	2020F
Pre-prov. Profit	5,498	6,215	6,777	7,260
Net Profit	4,084	5,022	5,277	5,635
Net Pft (Pre Ex.)	4,084	5,022	5,277	5,635
Net Pft Gth (Pre-ex) (%)	19.6	23.0	5.1	6.8
EPS (S cts)	97.7	118	119	125
EPS Pre Ex. (S cts)	97.7	118	119	125
EPS Gth Pre Ex (%)	17	21	1	5
Diluted EPS (S cts)	97.7	115	117	125
PE Pre Ex. (X)	11.6	9.6	9.6	9.1
Net DPS (S cts)	37.0	40.3	40.3	40.3
Div Yield (%)	3.3	3.5	3.6	3.5
ROAE Pre Ex. (%)	11.0	12.4	11.7	11.4
ROAE (%)	11.0	12.4	11.7	11.4
ROA (%)	1.0	1.1	1.1	1.1
BV Per Share (S cts)	909	981	1,052	1,136
P/Book Value (x)	1.2	1.2	1.1	1.0

Source of all data on this page: Company, DBS Bank, Bloomberg Finance L.P.

### What's New

**Embarking on mobile-first strategy and partnerships to grow Indonesia market share.** OCBC NISP will increase its digital services by embarking on a mobile-first strategy and partnerships with non-bank partners and fintechs to grow its market share in Indonesia, as it continues to see increasing digital transactions.

### Good traction in mobile app transactions over last year.

Currently, there are more than 218,000 users with more than 60% of them being active users. Approximately 50% of customer transactions amongst existing customers have switched to digital. Mobile transactions also increased 40% y-o-y. while fee income on mobile transactions rose 46% y-o-y. Notably, customers are also beginning to open deposits online as time deposits opened in digital channels grew 8x faster than traditional channels openings with total deposits opened through digital channels rising 62.75% compared to the previous period.

**To offer up to 90% of physical branch's functionalities on OCBC NISP ONE Mobile app.** OCBC NISP will be offering up to 90% of physical branch's functionalities on the OCBC NISP ONE Mobile app and is keen to create digital products and services that go beyond traditional banking, as it collaborates with startups in education, housing, health industries among others.

**Highest potential in Indonesia amid scaling up of digital efforts across core markets.** OCBC believes that Indonesia offers the highest potential across all its existing core markets outside of Singapore, as Indonesia has relatively low

## Flash Note

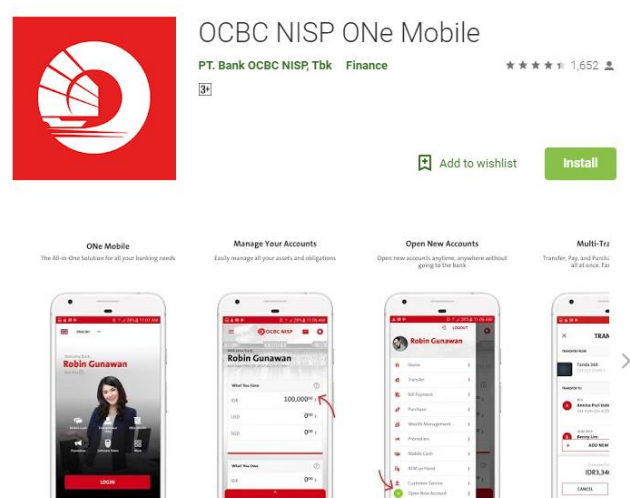
mobile internet penetration rate. OCBC NISP is the ninth largest bank in Indonesia in terms of assets and profits and loans with Rp117tr loans, Rp121tr deposits, and Rp1,335bn net profit as at end-1H18, albeit with a relatively small market share. As at end-1H18, Indonesia contributed 4% (\$114m) to OCBC's profit before tax (1H17: 7%).

**Continues to leverage on digital capabilities to grow existing franchise, deepen relationships and drive loyalties.** OCBC continues to work on its digital transformation journey across other core markets, as it targets to gradually increase its digital customers in the Consumer and SME segments to 60% and 70% respectively. Refer to our previous report on [OCBC: Investor Day key takeaways: On a continuous digital transformation journey](#).

### Our thoughts

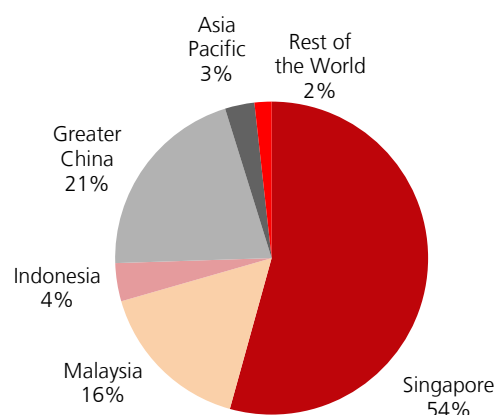
The step forward is positive for OCBC NISP's strategy as OCBC can complement its mobile strategy with its existing branch network of more than 300 branches across Indonesia as OCBC NISP continues to step up its private banking efforts, leveraging on its existing SME customers.

### OCBC NISP ONe Mobile app



Source: Google Play

### OCBC's 1H18 profit before tax by geography



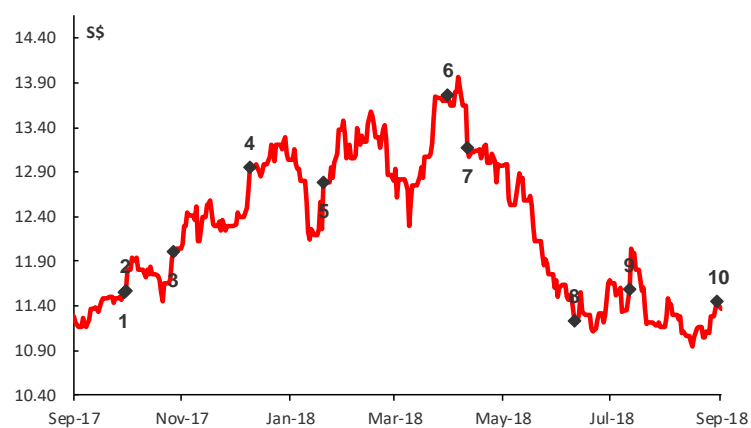
Source: Company, DBS Bank

### OCBC NISP's 1H18 highlights

	1H18	1H17	YoY %
IDR bn			
Net interest income	3,147	2,928	+7
Non-interest income	580	763	-24
Allowances	(212)	(547)	-61
Net profit	1,335	1,130	+18
%			
Cost/ Income	47.0	44.7	
CAR			
- CET1	15.8	16.6	
- Tier1	15.8	16.6	
- Total	16.7	17.5	
Net interest margin	4.15	4.49	
	2Q18	2Q17	
NPL ratio	1.8	1.9	
Loan/ deposit ratio	96.7	94.3	
CASA ratio	36.6	43.5	

Source: Company, DBS Bank

## Target Price &amp; Ratings History



**Note:** Share price and Target price are adjusted for corporate actions.

Source: DBS Bank

Analyst: Rui Wen LIM

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**BUY** (>15% total return over the next 12 months for small caps, >10% for large caps)

**HOLD** (-10% to +15% total return over the next 12 months for small caps, -10% to +10% for large caps)

**FULLY VALUED** (negative total return i.e. > -10% over the next 12 months)

**SELL** (negative total return of > -20% over the next 3 months, with identifiable catalysts within this time frame)

*Share price appreciation + dividends*

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