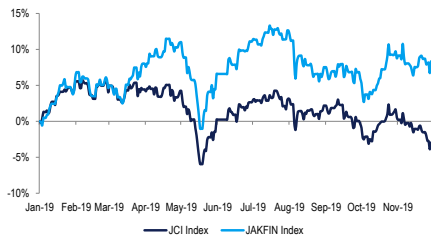


Sector Index Performance (JAKFIN)

	3M	6M	12M
Absolute	1.6%	3.7%	7.6%
Relative to JCI	6.0%	5.2%	9.1%



Summary Valuation Metrics

P/E (x)	Dec-19F	Dec-20F	Dec-21F
BMRI IJ	12.2	11.1	9.7
BBNI IJ	9.2	8.1	7.3
BBTN IJ	13.6	6.5	5.7
P/BV (x)	Dec-19F	Dec-20F	Dec-21F
BMRI IJ	1.9	1.7	1.5
BBNI IJ	1.3	1.2	1.1
BBTN IJ	1.0	1.1	1.0
Div. Yield	Dec-19F	Dec-20F	Dec-21F
BMRI IJ	3.0%	3.3%	3.6%
BBNI IJ	3.7%	3.8%	4.3%
BBTN IJ	2.4%	1.1%	2.7%

10M19 results: lower mom provision

- Overall 10M19 bank-only net profit grew 6% yoy (+5% mom); BBKA and BMRI posted the strongest profit growth, while BBTN was the weakest.
- Overall Oct19 mom profit growth was largely driven by lower provision (-50% mom) as PPOP came slower (-11% mom).
- Maintain Overweight with BBNI, BMRI, and BBTN as top picks amid improving outlook next year and no more M&A overhang.

Moderate net profit growth – BBKA was the clear outperformer

Aggregate big 4 + BBTN bank-only 10M19 net profit of Rp84.8tr (+6% yoy/+5% mom in Oct) was broadly in-line at 79%/78% of our/consensus FY19 estimates, except for BBRI (net profit growth of 5% in 10M19 vs. our/cons expectation of 8% yoy) and BBTN, though the latter was expected. BBKA (+14% yoy) and BMRI (+9% yoy) saw the strongest EPS growth.

Decent growth in NII, NIM was flat except for BBRI

NII grew 6% yoy (-4% mom) in 10M19 as overall loan growth was partly offset by lower NIM (5.7% in 10M19 vs. 5.9%/5.8% in 10M18/9M19) – most banks posted flattish NIM, except for BBRI which saw NIM contraction (-20bp mom). Among our coverage, BBKA (+14% yoy/+5% mom) and BMRI (+9% yoy/-1% mom) saw the strongest pick-up in NII growth.

Significant mom improvement in provisioning

Provisions rose 10% yoy but saw a significant improvement mom (-50% mom), as most banks prefer to book bulk of its provisioning in Jan20 using its balance sheet (IFRS 9 implementation will be in Jan20 and shall impact aggregate CAR of banks under our coverage by 150bp, though it will also raise aggregate NPL coverage to 216% from 143%). CoC improved slightly to 1.5% in 10M19 from 1.6% in 10M18 (1.6% in 9M19).

Liquidity remains relatively tight

Loans grew 9% yoy (-1% mom) in Oct19, with BBNI (+13% yoy/-1% mom) growing the fastest while BMRI was the slowest (+5% yoy/-1% mom). Loan still outpaced deposit growth (+7% yoy/-1% mom), TD still grew 9% yoy (flat mom), outpacing CASA growth (+6% yoy/-1% mom). LDR stood at 93% in 10M19 vs. 92% in 10M18 (flat mom).

Maintain Overweight

Maintain Overweight as we see improving outlook going into next year with BBNI, BMRI and BBTN as our top picks. The sector is trading at 1.8x 2020 P/BV (ex-BBKA), below 10-year avg of 2x P/BV. Catalyst is improving CoF in subsequent months and better asset quality (from IFRS 9 clean-up). Risk will be government intervention, though we think its less likely.

Fig. 1: Banks' 10M19 results summary

Income statement (Rp bn)	10M19	10M18	yoy%	Oct-19	Sep-19	mom%
Net interest income	180,084	169,571	6%	18,131	18,902	-4%
PPOP	(142,349)	(132,750)	7%	(13,966)	(15,667)	-11%
Provision expense	(35,975)	(32,585)	10%	(2,649)	(5,263)	-50%
Credit costs	1.5%	1.6%	(3)	1.5%	1.6%	(5)
Net income	84,838	80,087	6%	8,838	8,422	5%
Balance sheet (Rp tr)	10M19	10M18	yoy%	Oct-19	Sep-19	mom%
Gross loans	2,922,834	2,690,260	9%	2,690,260	2,938,519	-1%
CASA	1,990,236	1,876,735	6%	1,876,735	2,013,195	-1%
TD	1,139,035	1,044,027	9%	1,044,027	1,136,801	0%
Total deposits	3,129,271	2,920,762	7%	2,920,762	3,149,996	-1%

Sources: Company, IndoPremier

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Moderate net profit growth – BBKA was the clear outperformer

Aggregate big 4 + BBTN 10M19 net profit of Rp84.8tr (+6% yoy/+5% mom in Oct) was broadly in-line at 79%/78% of our/consensus FY19 estimates – most banks reported in-line 10M19 results, except for BBRI (net profit growth of 5% in 10M19 vs. our/consensus expectation of 8% yoy) and BBTN (59% of 59/64% of estimates). BBKA (+14% yoy) and BMRI (+9% yoy) saw the strongest EPS growth.

Fig. 2: Aggregate big 4 banks + BBTN's 10M19 net profit summary – BBKA (+14% yoy) saw the strongest growth, followed by BMRI (+9% yoy)

Net profit (Rp bn)	10M19	10M18	yoy%	Oct-19	Sep-19	mom%	FY19 IPS	% of IPS	FY19 Cons	% of cons
BMRI	21,239	19,451	9%	2,250	2,129	6%	27,083	78%	27,727	77%
BBRI	27,313	26,021	5%	2,539	2,359	8%	34,993	78%	34,875	78%
BBKA	22,756	19,985	14%	2,607	2,134	22%	28,343	80%	28,805	79%
BBNI	12,739	12,320	3%	1,452	2,599	-44%	15,331	83%	15,605	82%
BBTN	791	2,310	-66%	(10)	(800)	-99%	1,233	64%	1,339	59%
Total	84,838	80,087	6%	8,838	8,422	5%	106,984	79%	108,351	78%

Sources: Company, IndoPremier

Decent NII growth, NIM was flat except for BBRI

NII grew 6% yoy (-4% mom) in 10M19 - overall loan growth was partly offset by lower NIM (5.7% in 10M19 vs. 5.9%/5.8% in 10M18/9M19), largely as increase in CoF (3.4% in 10M19 vs. 3%) outpaced improvement in yields (8.7% in 10M19 vs. 8.5% in 10M17). Among our coverage, BBKA (+14% yoy/+5% mom) and BMRI (+9% yoy/-1% mom) saw the strongest pick-up in NII growth. On a mom basis, most banks saw flattish NIM, except for BBRI that saw NIM contraction (-20bp mom in Oct).

Interest income still grew 12% yoy (-2% mom) largely driven by overall loan growth and yoy improvement in asset yields – BBTN (+17% yoy), BBKA (+16% yoy) and BMRI (+13% yoy) saw the strongest yoy increase in interest income. However, this was offset by a steep increase in interest expenses across the board (+24% yoy/+2% mom) amid a steep increase in cost of funds.

Fig. 3: Big 4 + aggregate banks' interest income summary – BBTN, BBKA, and BMRI saw the strongest yoy growth

Interest income	10M19	10M18	yoy%	Oct-19	Sep-19	mom%
BMRI	62,925	55,531	13%	6,499	6,404	1%
BBRI	95,368	87,535	9%	9,040	9,912	-9%
BBKA	50,242	43,487	16%	5,215	5,048	3%
BBNI	44,903	41,016	9%	4,505	4,845	-7%
BBTN	21,722	18,531	17%	2,396	2,041	17%
Total	275,160	246,101	12%	27,656	28,250	-2%

Sources: Company, IndoPremier

Fig. 4: Big 4 + aggregate banks' interest expenses summary – all banks saw steep increases in interest expenses

Interest expenses	10M19	10M18	yoy%	Oct-19	Sep-19	mom%
BMRI	(21,498)	(17,417)	23%	(2,275)	(2,133)	7%
BBRI	(31,084)	(25,674)	21%	(3,083)	(2,934)	5%
BBKA	(11,075)	(9,038)	23%	(1,060)	(1,107)	-4%
BBNI	(17,605)	(14,244)	24%	(1,684)	(1,746)	-4%
BBTN	(13,813)	(10,156)	36%	(1,424)	(1,428)	0%
Total	(95,075)	(76,529)	24%	(9,525)	(9,348)	2%

Sources: Company, IndoPremier

Fig. 5: Big 4 + aggregate banks' net interest income summary – BBKA saw the strongest growth

NII	10M19	10M18	yoy%	Oct-19	Sep-19	mom%
BMRI	41,427	38,113	9%	4,224	4,271	-1%
BBRI	64,284	61,862	4%	5,958	6,978	-15%
BBKA	39,167	34,450	14%	4,156	3,941	5%
BBNI	27,298	26,772	2%	2,821	3,099	-9%
BBTN	7,909	8,375	-6%	972	613	59%
Total	180,084	169,571	6%	18,131	18,902	-4%

Sources: Company, IndoPremier

Fig. 6: Big 4 + aggregate banks' non-interest income summary – BBNI, BBKA, and BBRI saw the strongest growth

Non-interest income	10M19	10M18	yoy%	Oct-19	Sep-19	mom%
BMRI	18,395	19,178	-4%	1,910	1,995	-4%
BBRI	20,943	17,719	18%	2,465	1,659	49%
BBKA	15,241	12,851	19%	1,584	1,569	1%
BBNI	11,035	9,086	21%	1,093	1,123	-3%
BBTN	1,753	1,607	9%	166	165	1%
Total	67,367	60,442	11%	7,217	6,512	11%

Sources: Company, IndoPremier

Fig. 7: Big 4 + aggregate banks' total income summary – BBKA was the strongest amid robust NII and non-interest income

Total income	10M19	10M18	yoy%	Oct-19	Sep-19	mom%
BMRI	59,822	57,291	4%	6,133	6,266	-2%
BBRI	85,227	79,581	7%	8,423	8,637	-2%
BBKA	54,408	47,301	15%	5,739	5,510	4%
BBNI	38,333	35,858	7%	3,914	4,223	-7%
BBTN	9,662	9,982	-3%	1,138	778	46%
Total	247,451	230,013	8%	25,348	25,413	0%

Sources: Company, IndoPremier

Fig. 8: Big 4 + aggregate banks' opex summary – BBKA saw the steepest increase

Opex	10M19	10M18	yoy%	Oct-19	Sep-19	mom%
BMRI	(24,460)	(23,070)	6%	(2,721)	(2,471)	10%
BBRI	(35,131)	(32,126)	9%	(3,850)	(2,931)	31%
BBKA	(22,702)	(20,394)	11%	(2,268)	(2,214)	2%
BBNI	(16,838)	(15,752)	7%	(2,017)	(1,691)	19%
BBTN	(5,973)	(5,921)	1%	(653)	(566)	16%
Total	(105,103)	(97,263)	8%	(11,509)	(9,873)	17%

Sources: Company, IndoPremier

Significant mom improvement in provisioning

PPOP grew 7% yoy (-11% mom) – BBKA (+18% yoy/+5% mom) was the strongest, while BBTN (-9% yoy/-1% mom) and BMRI (+3% yoy/-10% mom) were weakest.

Provisions rose 10% yoy but saw a significant improvement mom (-50% mom), as most banks prefer to book bulk of its provisioning in Jan20 using its balance sheet (IFRS 9 implementation will be in Jan20 and shall impact aggregate CAR of banks under our coverage by 150bp, though it will also raise aggregate NPL coverage to 216% from 143%). CoC improved slightly to 1.5% in 10M19 from 1.6% in 10M18 (1.6% in 9M19)

Loans grew 9% yoy (-1% mom) in Oct19, with BBNI (+13% yoy/-1% mom) growing the fastest while BMRI was the slowest (+5% yoy/-1% mom). Loan still outpaced deposit growth (+7% yoy/-1 %mom), TD still grew 9% yoy (flat mom), outpacing CASA growth (+6% yoy/-1% mom). LDR stood at 93% in 10M19 vs. 92% in 10M18 (flat mom).

Fig. 9: Big 4 + aggregate banks' PPOP summary – BBKA was the outperformed, while BMRI and BBTN were the laggards

PPOP	10M19	10M18	yoy%	Oct-19	Sep-19	mom%
BMRI	35,362	34,221	3%	3,413	3,795	-10%
BBRI	50,096	47,455	6%	4,573	5,706	-20%
BBKA	31,706	26,907	18%	3,472	3,296	5%
BBNI	21,495	20,106	7%	1,897	2,531	-25%
BBTN	3,689	4,061	-9%	485	212	129%
Total	142,349	132,750	7%	13,839	15,540	-11%

Sources: Company, IndoPremier

Fig. 10: Big 4 + aggregate banks' provisions – BBRI, BBKA, and BBTN saw higher provision yoy, though provision normalized mom

Provisions	10M19	10M18	yoy%	Oct-19	Sep-19	mom%
BMRI	-8,730	-10,060	-13%	-526	-1,125	-53%
BBRI	-15,848	-14,109	12%	-1,368	-2,957	-54%
BBKA	-3,336	-1,961	70%	-210	-673	-69%
BBNI	-5,436	-5,307	2%	-94	727	-113%
BBTN	-2,626	-1,149	129%	-451	-1,236	-64%
Total	-35,975	-32,585	10%	-2,649	-5,263	-50%

Sources: Company, IndoPremier

Fig. 11: Big 4 + aggregate banks' loans – BBNI and BBTN saw the strongest loan growth in 10M19

Gross loans	10M19	10M18	yoy%	9M19	mom%
BMRI	728,209	696,253	5%	728,122	0%
BBRI	850,862	782,903	9%	857,285	-1%
BBCA	566,386	522,304	8%	570,626	-1%
BBNI	521,808	463,734	13%	525,553	-1%
BBTN	255,568	225,066	14%	256,934	-1%
Total	2,922,834	2,690,260	9%	2,938,519	-1%

Sources: Company, IndoPremier

Fig. 12: Big 4 + aggregate banks' deposits – BBTN and BBKA saw the strongest deposit growth in 10M19

Deposits	10M19	10M18	yoy%	9M19	mom%
BMRI	782,378	737,659	6%	783,960	0%
BBRI	902,524	850,607	6%	913,556	-1%
BBCA	679,389	616,282	10%	677,932	0%
BBNI	538,705	521,840	3%	544,195	-1%
BBTN	226,275	194,375	16%	230,352	-2%
Total	3,129,271	2,920,762	7%	3,149,996	-1%

Sources: Company, IndoPremier

Fig. 13: Big 4 + aggregate banks' CA – relatively sluggish CA growth across the board, BMRI was the worst

CA	10M19	10M18	yoy%	9M19	mom%
BMRI	185,198	188,785	-2%	184,650	0%
BBRI	144,197	134,988	7%	141,267	2%
BBCA	164,512	155,608	6%	165,428	-1%
BBNI	146,129	137,366	6%	144,219	1%
BBTN	51,009	49,161	4%	50,196	2%
Total	691,045	665,907	4%	685,761	1%

Sources: Company, IndoPremier

Fig. 14: Big 4 + aggregate banks' SA – BBKA and BMRI saw the strongest SA growth

SA	10M19	10M18	yoy%	9M19	mom%
BMRI	331,545	306,065	8%	332,436	0%
BBRI	379,880	360,391	5%	402,176	-6%
BBCA	350,381	321,638	9%	347,292	1%
BBNI	200,344	186,692	7%	206,359	-3%
BBTN	37,042	36,042	3%	39,170	-5%
Total	1,299,191	1,210,828	7%	1,327,434	-2%

Sources: Company, IndoPremier

Fig. 15: Big 4 + aggregate banks' CASA – BBKA saw the fastest growth in CASA among our coverage

CASA	10M19	10M18	yoy%	9M19	mom%
BMRI	516,742	494,850	4%	517,087	0%
BBRI	524,077	495,379	6%	543,443	-4%
BBCA	514,893	477,245	8%	512,721	0%
BBNI	346,473	324,058	7%	350,578	-1%
BBTN	88,050	85,203	3%	89,366	-1%
Total	1,990,236	1,876,735	6%	2,013,195	-1%

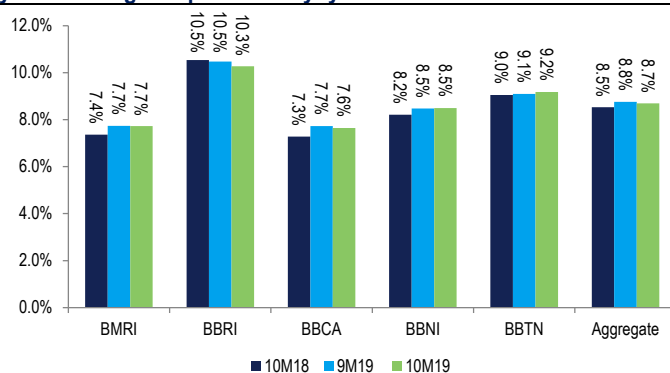
Sources: Company, IndoPremier

Fig. 16: Big 4 + aggregate banks' TD – BBTN and BBKA saw the steepest yoy increase in TDs

TD	10M19	10M18	yoy%	9M19	mom%
BMRI	265,636	242,809	9%	266,874	0%
BBRI	378,446	355,228	7%	370,113	2%
BBCA	164,496	139,037	18%	165,212	0%
BBNI	192,232	197,781	-3%	193,616	-1%
BBTN	138,225	109,172	27%	140,987	-2%
Total	1,139,035	1,044,027	9%	1,136,801	0%

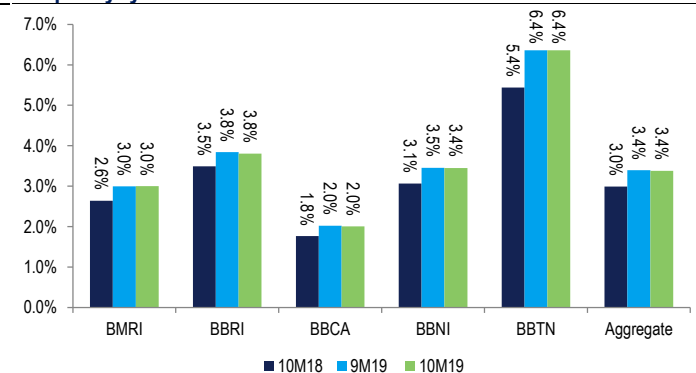
Sources: Company, IndoPremier

Fig. 17: Big 4 banks + BBTN asset yield summary – overall asset yield saw slight improvement yoy



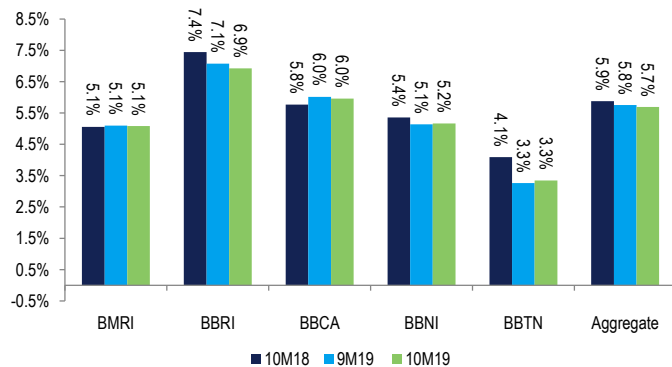
Sources: Company, IndoPremier

Fig. 18: Big 4 banks + BBTN asset yield summary – BBTN saw the steepest yoy increase in CoF



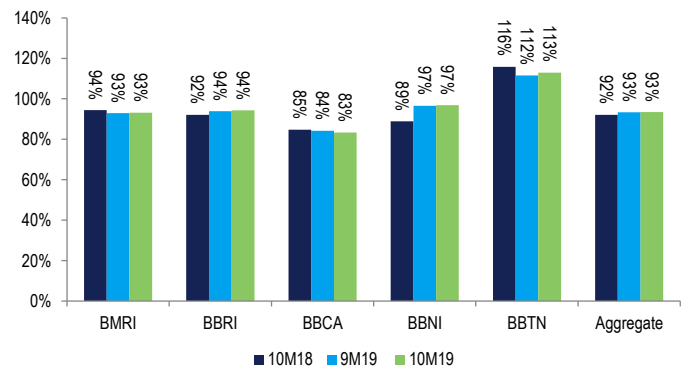
Sources: Company, IndoPremier

Fig. 19: Big 4 banks + BBTN NIM summary – BBTN (-80bp yoy) and BBRI (-50bp yoy) saw the steepest yoy drop in NIM



Sources: Company, IndoPremier

Fig. 20: Big 4 banks + BBTN LDR summary – among big banks, BBNI (97%) saw the highest LDR in Oct19

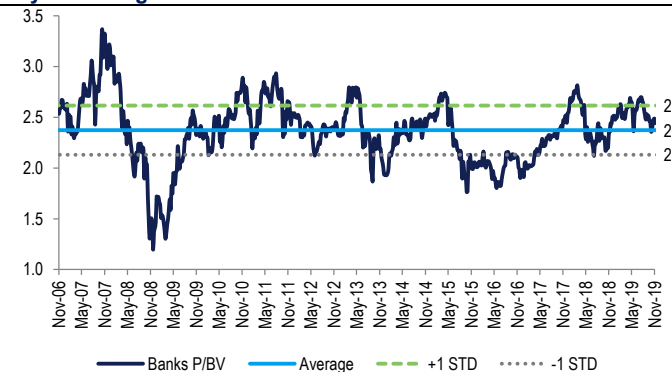


Sources: Company, IndoPremier

Maintain Overweight

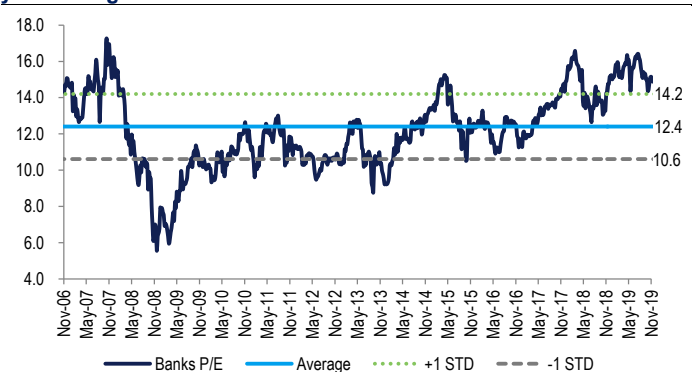
Maintain Overweight as we see improving outlook going into next year with BBNI, BMRI and BBTN as our top picks. The sector is trading at 1.8x 2020 P/BV (ex-BBCA), below 10-year avg of 2x P/BV. Catalyst is improving CoF in subsequent months and better asset quality (from IFRS 9 clean-up). Risk will be government intervention, though we think its less likely.

Fig. 21: Banks' forward P/BV – now trading at 2.4x 2020F P/BV vs. 10-year average of 2.4x P/BV



Sources: Bloomberg, Company, IndoPremier

Fig. 22: Bank's forward P/E – now trading at 14.7x 2020F P/E vs. 10-year average of 12.4x P/E



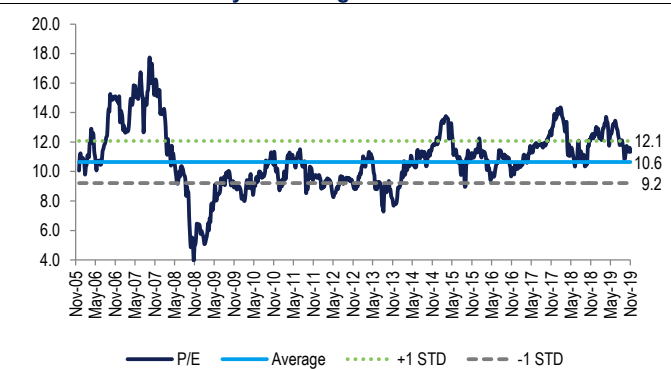
Sources: Bloomberg, Company, IndoPremier

Fig. 23: Bank sector's forward P/BV (ex-BBCA) – now trading at 1.8x 2020F P/BV, below 10-year average of 2x P/BV



Sources: Bloomberg, Company reports, IndoPremier

Fig. 24: Bank sector's forward P/E (ex-BBCA) – now trading at 11.2x 2020F P/E vs. 10-year average of 10.6x P/E



Sources: Bloomberg, Company reports, IndoPremier

Fig. 25: Peers' valuation

Ticker	Closing Price (Rp/share)	TP (Rp/share)	P/BV multiple target (x)	Upside	Recommendation	P/E (x)		P/BV (x)	
						2019F	2020F	2019F	2020F
BMRI	7,100	8,000	1.9	13%	Buy	12.2	11.1	1.9	1.7
BBRI	4,210	4,600	2.5	9%	Buy	14.8	13.3	2.6	2.3
BBCA	32,125	31,000	4.0	-4%	Hold	27.9	24.6	4.7	4.1
BBNI	7,550	8,500	1.3	13%	Buy	9.2	8.1	1.3	1.2
BBTN	2,170	2,750	1.3	27%	Buy	13.6	6.5	1.0	1.1

Sources: Bloomberg, Company, IndoPremier

Share price closing as of 02 Dec 2019

INVESTMENT RATINGS

- 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

ANALYSTS CERTIFICATION

The views expressed in this research report accurately reflect the analyst's personal views about any and all of the subject securities or issuers; and no part of the research analyst's compensation was, is, or will be, directly or indirectly, related to the specific recommendations or views expressed in the report.

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