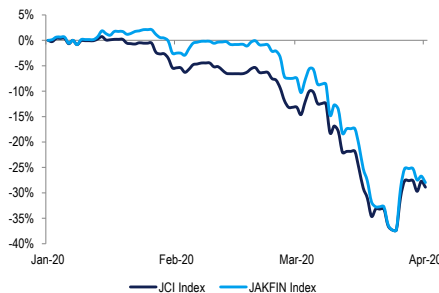


Sector Update | 01 April 2020

Sector Index Performance (JAKFIN)

	3M	6M	12M
Absolute	-28.2%	-21.4%	-23.4%
Relative to JCI	0.9%	5.8%	7.6%



Summary Valuation Metrics

P/E (x)	2020F	2021F	2022F
BMRI IJ	6.9	6.0	5.3
BBNI IJ	3.8	3.3	2.9
BBCA IJ	21.2	19.1	17.3
P/BV (x)	2020F	2021F	2022F
BMRI IJ	1.1	1.0	0.9
BBNI IJ	0.6	0.5	0.5
BBCA IJ	3.5	3.1	2.7
Div. Yield	2020F	2021F	2022F
BMRI IJ	5.1%	5.8%	6.6%
BBNI IJ	7.8%	9.1%	10.7%
BBCA IJ	1.0%	1.1%	1.3%

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2M20 results: before reality kicks-in

- Big 4 banks and BBTN 2M20 results were pretty encouraging with profit still grew by 11% yoy (-13% mom) and PPOP of 19% yoy (-8% mom).
- Provisioning however, started to rise by 43% yoy in 2M20 (+12% mom) with BBKA and BBRI booked steep increase in its provisioning.
- BBKA, BBRI and BBNI all booked robust PPOP in 2M20; meaningful impact from Covid-19 will probably be only transpired in Apr, we think.

Decent bottom line growth amidst robust PPOP

Banks under our coverage posted 11% yoy profit growth in 2M20, relatively in-line with our initial estimate of 15% yoy profit growth for 2020. This was supported by robust net interest income growth (+11% yoy in 2M20/-3% mom in Feb20) and also PPOP (+19% yoy in 2M20/-8% mom in Feb20). BBKA/BBNI posted the highest profit growth in 2M20 (+14%/18% yoy) while BBRI/BBNI posted the highest PPOP growth in 2M20 (+18%/25% yoy).

NIM buffer may be enough to weather upcoming restructuring issue

Other than BMRI and BBTN, all banks posted NIM expansion of 10-50bp yoy (BBNI was the highest). NIM expansion in our view, shall allow banks to have some room to restructure its debtors amidst on-going coronavirus outbreak. Note that in our previous report ([link](#)), we assume that there will be c.200bp adjustment towards MSME rate which shall impact banks NIM by 21-42bp (assuming it affects 50-100% of its MSME portfolio).

Loan remained at high single digit, though it might not for long

Loan grew by 9% yoy (+1% mom) for banks under our coverage, but deposit was higher at 10% yoy (+1% mom) – CASA growth was slightly stronger than TD. Only BMRI and BBNI that were able to post a double digit loan growth in Feb20 (+11% and 12% respectively). BBTN and BBRI were the slowest at +6% and 7% respectively. Slow loan growth for BBRI is positive, in our view, as it will result in less incremental funding needs shall there are a lot of MSME restructuring (principal payment delay resulted in lesser loan run-off).

Rising provisioning is inevitable

Overall provision rose by 43% yoy in 2M20 (+12% mom in Feb20) with BBKA (+71% yoy) and BRI (+85% yoy) were leading the way. Only BMRI and BBTN booked a yoy drop in provisioning in 2M20 (-14 and -6% yoy respectively). Our discussion with the banks also suggested that they are seeing a yoy pick-up in SML thus far. We think provision shall continue to increase going forward though not for the NPL as most shall be restructured to remain in current category (col 1).

Coronavirus impact may only be seen in Apr; expect a decent 1Q number

We think most banks shall report decent 1Q number as coronavirus impact might only be seen in Apr (infection case only started to build up in early Mar). We recommend investors to stick with BBKA - defensive nature and the most prudent in terms of managing asset quality, and BBNI – major underperformer and offers attractive risk-reward. Overall sector has dropped by 30% YTD (in-line with JCI), now trading at 1.8x P/BV (vs. 10Y avg of 2.3x) – note that bottom valuation in 2008/2013/2016 were at 1.2x/1.9x/1.6x. Risk is massive slowdown in economy which may result in worse than expected asset quality issue.

Decent bottom line amidst robust PPOP

Overall banks under our coverage posted 11% yoy profit growth in 2M20, still relatively in-line with our initial estimate of 15% yoy profit growth for 2020. Among banks under our coverage, BBNI (+18% yoy) posted the strongest net profit growth, followed by BBKA (+14% yoy).

Fig. 1: Aggregate big 4 banks + BBTN's Feb20 net profit summary – BBNI (+18% yoy) and BBKA (+14% yoy) posted the strongest profit growth

Net profit (Rp bn)	2M20	2M19	yoy%	Feb-20	Jan-20	mom%	FY20 IPS	% of IPS	FY20 Cons	% of cons
BMRI	4,761	4,197	13%	2,465	2,296	7%	31,188	15%	30,438	16%
BBRI	5,228	5,106	2%	2,565	2,663	-4%	38,674	14%	37,652	14%
BBKA	4,334	3,812	14%	1,423	2,910	-51%	31,817	14%	30,684	14%
BBNI	2,697	2,292	18%	1,434	1,263	14%	17,878	15%	16,418	16%
BBTN	282	250	13%	167	115	45%	2,773	10%	2,125	13%
Total	17,303	15,657	11%	8,056	9,247	-13%	122,330	14%	117,317	15%

Source: Company, Indo Premier

Interest income grew 8% yoy (-4% mom), driven by decent loan growth (+9% yoy), partly offset by lower asset yield (8.7% in 2M20 vs. 8.9% in 2M19). Among our coverage, BBRI (+11% yoy/-3% mom) saw the strongest interest income growth, followed by BBKA (+8% yoy/-4% mom).

Interest expenses rose 1% yoy in 2M20 (-5% mom) – in general cost of fund saw yoy improvement (3.2% in 2M20 vs. 3.5% in 2M19). Among our coverage, only BBNI (-12% yoy/-11% mom) and BBKA (-9% yoy/-8% mom) saw lower interest expenses yoy, attributed to significant improvement in CoF (-80bp yoy/-30bp yoy respectively).

Concurrently, net interest income growth was robust (+11% yoy in 2M20/-3% mom in Feb20) as NIM improved slightly to 5.9% in 2M20 vs. 5.8% in 2M19. Other than BMRI and BBTN, all banks posted NIM expansion of 10-50bp yoy (BBNI was the highest). NIM expansion in our view, shall allow banks to have some room to restructure its debtors amidst on-going coronavirus outbreak. Note that in our previous report ([link](#)), we assume that there will be c.200bp adjustment towards MSME rate which shall impact banks NIM by 21-42bp (assuming it affects 50-100% of its MSME portfolio).

Fig. 2: Big 4 + aggregate banks' interest income summary – BBRI saw the strongest growth

Interest income	2M20	2M19	yoy%	Feb-20	Jan-20	mom%
BMRI	12,843	11,979	7%	6,182	6,661	-7%
BBRI	20,224	18,250	11%	9,946	10,277	-3%
BBKA	10,178	9,444	8%	4,972	5,206	-4%
BBNI	9,083	8,692	5%	4,475	4,609	-3%
BBTN	4,133	4,055	2%	2,118	2,014	5%
Total	56,461	52,420	8%	27,693	28,768	-4%

Source: Company, Indo Premier

Fig. 3: Big 4 + aggregate banks' interest expenses summary – BBKA and BBNI saw the largest yoy improvement

Interest expenses	2M20	2M19	yoy%	Feb-20	Jan-20	mom%
BMRI	(4,403)	(3,991)	10%	(2,105)	(2,298)	-8%
BBRI	(6,304)	(5,971)	6%	(3,192)	(3,111)	3%
BBKA	(1,910)	(2,095)	-9%	(916)	(994)	-8%
BBNI	(3,162)	(3,581)	-12%	(1,491)	(1,671)	-11%
BBTN	(2,655)	(2,633)	1%	(1,294)	(1,361)	-5%
Total	(18,434)	(18,271)	1%	(8,998)	(9,436)	-5%

Source: Company, Indo Premier

Fig. 4: Big 4 + aggregate banks' NII – BBNI and BBRI saw the strongest NII growth in 2M20

Net interest income	2M20	2M19	yoy%	Feb-20	Jan-20	mom%
BMRI	8,441	7,989	6%	4,077	4,363	-7%
BBRI	13,920	12,279	13%	6,754	7,166	-6%
BBCA	8,268	7,350	12%	4,056	4,212	-4%
BBNI	5,921	5,111	16%	2,984	2,937	2%
BBTN	1,477	1,421	4%	824	653	26%
Total	38,027	34,150	11%	18,696	19,332	-3%

Source: Company, Indo Premier

Fig. 5: Big 4 + aggregate banks' non-interest income summary – BBRI saw the strongest growth

Non-interest income	2M20	2M19	yoy%	Feb-20	Jan-20	mom%
BMRI	4,432	3,293	35%	2,479	1,953	27%
BBRI	5,393	3,139	72%	2,735	2,658	3%
BBCA	3,091	2,687	15%	1,467	1,624	-10%
BBNI	2,582	2,057	26%	942	1,641	-43%
BBTN	257	341	-25%	143	114	26%
Total	15,755	11,516	37%	7,766	7,989	-3%

Source: Company, Indo Premier

Rising provisioning is inevitable

Aggregate big 4 + PPOP grew 19% yoy (-8% mom) in 2M20, driven by the robust NII growth. BBRI (+25% yoy/-16% mom) and BBRI (+27% yoy) saw the strongest PPOP growth as of 2M20.

Overall provision rose by 43% yoy in 2M20 (+12% mom in Feb20) with BBRI (+71% yoy) and BBRI (+85% yoy) were leading the way. Only BMRI and BBTN booked a yoy drop in provisioning in 2M20 (-14 and -6% yoy respectively). Our discussion with the banks also suggested that they are seeing a yoy pick-up in SML thus far. We think provision shall continue to increase going forward though not for the NPL as most shall be restructured to remain in current category (col 1).

Fig. 6: Big 4 + aggregate banks' total income summary – BBRI and BBRI saw the strongest growth

Total income	2M20	2M19	yoy%	Feb-20	Jan-20	mom%
BMRI	12,872	11,281	14%	6,556	6,316	4%
BBRI	19,313	15,418	25%	9,489	9,824	-3%
BBCA	11,360	10,037	13%	5,523	5,836	-5%
BBNI	8,503	7,167	19%	3,925	4,578	-14%
BBTN	1,735	1,762	-2%	968	767	26%
Total	53,782	45,666	18%	26,461	27,321	-3%

Source: Company, Indo Premier

Fig. 7: Big 4 + aggregate banks' interest expenses summary – BBRI and BBRI saw the lowest opex increase among big 4 banks

Opex	2M20	2M19	yoy%	Feb-20	Jan-20	mom%
BMRI	(5,437)	(4,343)	25%	(2,879)	(2,558)	13%
BBRI	(7,575)	(6,157)	23%	(3,838)	(3,737)	3%
BBCA	(5,130)	(4,767)	8%	(2,654)	(2,476)	7%
BBNI	(3,360)	(3,063)	10%	(1,585)	(1,775)	-11%
BBTN	(1,204)	(1,186)	2%	(650)	(555)	17%
Total	(22,707)	(19,517)	16%	(11,605)	(11,102)	5%

Source: Company, Indo Premier

Fig. 8: Big 4 + aggregate banks' PPOP summary – BBRI and BBRI saw the strongest growth

PPOP	2M20	2M19	yoy%	Feb-20	Jan-20	mom%
BMRI	7,435	6,939	7%	3,677	3,758	-2%
BBRI	11,738	9,261	27%	5,651	6,087	-7%
BBCA	6,229	5,270	18%	2,869	3,360	-15%
BBNI	5,143	4,104	25%	2,341	2,803	-16%
BBTN	530	576	-8%	318	212	50%
Total	31,076	26,149	19%	14,856	16,219	-8%

Source: Company, Indo Premier

Fig. 9: Big 4 + aggregate banks' provisions summary – BBRI and BBRI saw the lowest opex increase among big 4 banks

Provisions	2M20	2M19	yoy%	Feb-20	Jan-20	mom%
BMRI	(1,461)	(1,694)	-14%	(597)	(864)	-31%
BBRI	(5,215)	(2,816)	85%	(2,518)	(2,697)	-7%
BBCA	(831)	(486)	71%	(1,095)	263	-516%
BBNI	(1,796)	(1,450)	24%	(638)	(1,158)	-45%
BBTN	(230)	(244)	-6%	(183)	(47)	291%
Total	(9,533)	(6,689)	43%	(5,031)	(4,502)	12%

Source: Company, Indo Premier

Fig. 10: Big 4 + aggregate banks' loan growth summary – BBNI and Fig. 11: Big 4 + aggregate banks' deposit growth summary – BBRI
BMRI were the strongest as of Feb20 and BBKA were the strongest

Loans	2M20	2M19	yoy%	1M20	mom%	Deposits	2M20	2M19	yoy%	1M20	mom%
BMRI	766,765	692,932	11%	763,442	0%	BMRI	796,602	736,638	8%	792,265	1%
BBRI	856,357	799,826	7%	849,751	1%	BBRI	956,586	853,236	12%	939,806	2%
BBKA	574,898	529,353	9%	573,090	0%	BBKA	704,889	627,082	12%	692,442	2%
BBNI	529,534	473,606	12%	521,368	2%	BBNI	573,299	521,965	10%	558,987	3%
BBTN	253,303	237,983	6%	253,072	0%	BBTN	222,905	219,270	2%	223,183	0%
Total	2,980,857	2,733,700	9%	2,960,723	1%	Total	3,254,282	2,958,191	10%	3,206,684	1%

Source: Company, Indo Premier

Source: Company, Indo Premier

Fig. 12: Big 4 + aggregate banks' CA summary

CA	2M20	2M19	yoy%	1M20	mom%
BMRI	185,198	188,785	-2%	184,650	0%
BBRI	144,197	134,988	7%	141,267	2%
BBKA	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%

Source: Company, Indo Premier

Fig. 13: Big 4 + aggregate banks' SA summary

SA	2M20	2M19	yoy%	1M20	mom%
BMRI	338,490	288,260	17%	336,379	1%
BBRI	396,354	366,869	8%	396,872	0%
BBKA	375,091	326,712	15%	363,632	3%
BBNI	225,102	175,060	29%	224,266	0%
BBTN	39,784	40,143	-1%	37,926	5%
Total	1,374,821	1,197,044	15%	1,359,074	1%

Source: Company, Indo Premier

Fig. 14: Big 4 + aggregate banks' CASA summary

CASA	2M20	2M19	yoy%	1M20	mom%
BMRI	523,687	477,045	10%	521,029	1%
BBRI	540,551	501,857	8%	538,139	0%
BBKA	539,603	482,320	12%	529,060	2%
BBNI	371,232	312,426	19%	368,485	1%
BBTN	90,792	89,304	2%	88,121	3%
Total	2,065,866	1,862,952	11%	2,044,835	1%

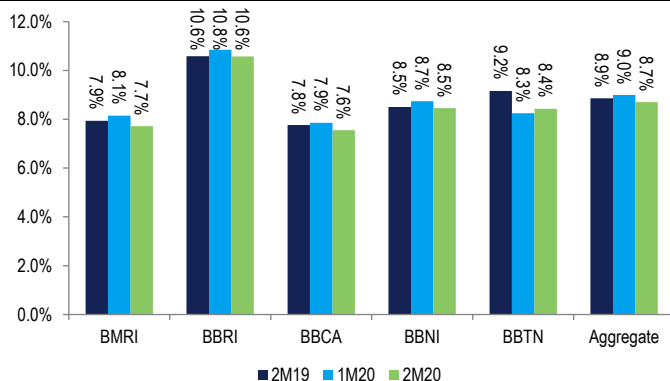
Source: Company, Indo Premier

Fig. 15: Big 4 + aggregate banks' TD summary

TD	2M20	2M19	yoy%	1M20	mom%
BMRI	272,914	259,593	5%	271,236	1%
BBRI	416,035	351,379	18%	401,667	4%
BBKA	165,286	144,762	14%	163,382	1%
BBNI	202,067	209,540	-4%	190,502	6%
BBTN	132,113	129,966	2%	135,062	-2%
Total	1,188,415	1,095,239	9%	1,161,849	2%

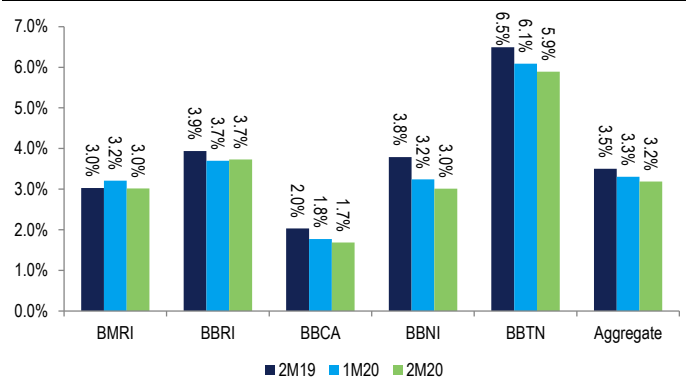
Source: Company, Indo Premier

Fig. 16: Big 4 + aggregate banks' asset yield summary



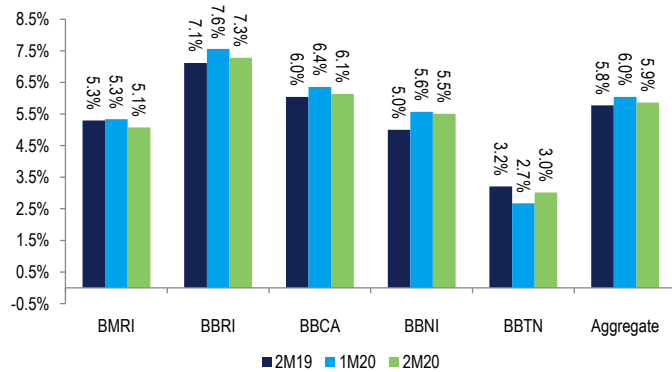
Source: Company, Indo Premier

Fig. 17: Big 4 + aggregate banks' CoF summary



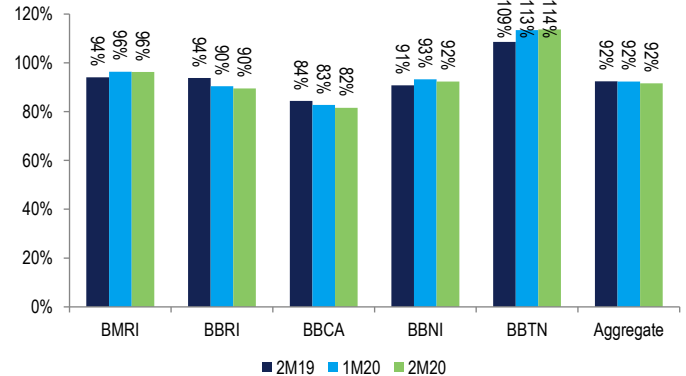
Source: Company, Indo Premier

Fig. 18: Big 4 + aggregate banks' NIM summary



Sources: Company, IndoPremier

Fig. 19: Big 4 + aggregate banks' LDR summary

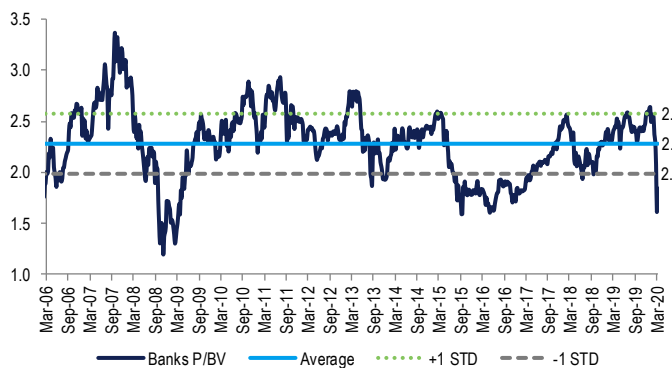


Sources: Company, IndoPremier

Coronavirus impact may only be seen in Apr; expect a decent 1Q number

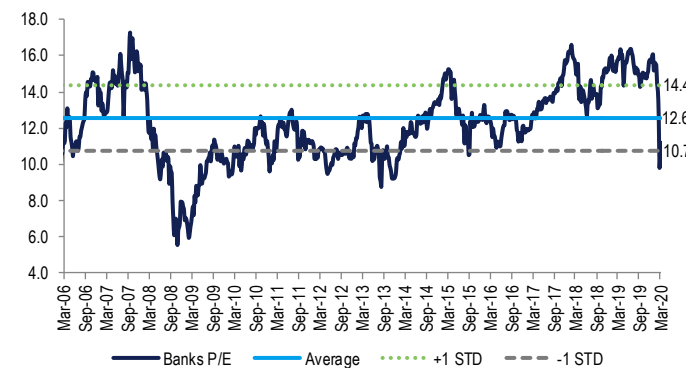
We think most banks shall report decent 1Q number as coronavirus impact might only be seen in Apr (infection case only started to build up in early Mar). We recommend investors to stick with BBCA - defensive nature and the most prudent in terms of managing asset quality, and BBNI – major underperformer and offers attractive risk-reward. Overall sector has dropped by 30% YTD (in-line with JCI), now trading at 1.8x P/BV (vs. 10Y avg of 2.3x P/BV) – note that bottom valuation in 2008/2013/2016 were at 1.2x/1.9x/1.6x. Risk is massive slowdown in economy which may result in worse than expected asset quality issue.

Fig. 20: Banks' sector P/BV – now trading at 1.8x 2020F P/BV vs. 10-year average of 2.3x P/BV



Source: Bloomberg, Company, Indo Premier

Fig. 21: Banks' sector P/E – now trading at 11x 2020F P/E vs. 10-year average of 12.6x P/E



Source: Bloomberg, Company, Indo Premier

Fig. 22: Peer comparison

Ticker	Closing Price	Target Price	P/BV		Recommendation	P/E (x)		P/BV (x)	
			multiple	Upside		2020F	2021F	2020F	2021F
BMRI	4,610	9,000	1.9	95%	Buy	6.9	6.0	1.1	1.0
BBRI	2,930	5,200	2.6	77%	Buy	9.3	8.3	1.7	1.5
BBCA	27,400	34,550	4.0	26%	Hold	21.2	19.1	3.5	3.1
BBNI	3,680	9,000	1.4	145%	Buy	3.8	3.3	0.6	0.5
BBTN	835	2,750	1.3	229%	Buy	3.2	2.3	0.5	0.4

Source: Bloomberg, Company, Indo Premier

Share price closing as of: 01 April 2020

SECTOR 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

COMPANY RATINGS

- 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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