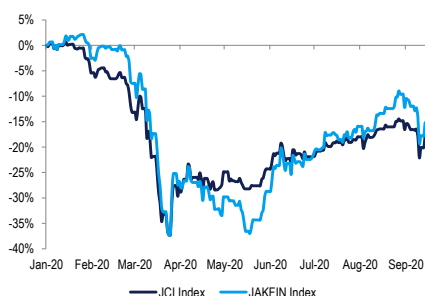


Sector Index Performance (JAKFIN)

	3M	6M	12M
Absolute	11.3%	4.8%	-10.2%
Relative to JCI	5.4%	-4.0%	7.8%



Summary Valuation Metrics

P/E (x)	2020F	2021F	2022F
BMRI IJ	19.4	12.6	9.2
BBNI IJ	27.8	11.3	6.0
BBTN IJ	13.7	9.3	4.4
P/BV (x)			
2020F	2021F	2022F	
BMRI IJ	1.4	1.3	1.2
BBNI IJ	0.8	0.8	0.7
BBTN IJ	0.9	0.8	0.7
Div. Yield			
2020F	2021F	2022F	
BMRI IJ	4.7%	2.3%	3.6%
BBNI IJ	5.8%	1.3%	3.1%
BBTN IJ	0.3%	1.5%	2.2%

Slowdown in restructuring is positive while PSBB impact is marginal

- Restructuring has somewhat peaked since Jul with addition in Aug was barely noticeable. Only BBTN posted additional sizable restruct in Aug.
- At the same time, Jakarta PSBB impact should be manageable as most debtors that needed restructuring have been restructured in Apr-Jun.
- Our checks suggested that there will not be any revision to guidance; maintain OW with BBNI and BMRI are our picks.

Marginal addition for Covid restructuring in Aug

Banks under our coverage posted additional Rp20tr restructuring (based on approved numbers) in Aug (-31% mom) despite a very low July numbers (Rp30tr/-56% mom). Aug restructuring was contributed mainly by BBRI (+Rp9tr/+13% mom) and BBTN (+Rp7.2tr/+3% mom). However, BBNI and BMRI were able to have flattened its restructuring which indicated that there was not much restructuring requests left. In terms of % of total loan, BBNI and BMRI are in the class above the rest at 13-14% vs. the rest of 20-21%.

Stricter PSBB in Jakarta shall have muted impact to banks

Jakarta's Governor announced stricter PSBB (not full scale PSBB similar to Apr-May) last week with the main differences lies on reduced office capacity (to 25% from 50% previously) and prohibition of dine-in in the restaurant (only allowed for takeaway). The adverse impact shall possibly come from: 1) worsening outlook for hotel and restaurant portfolio; the counter argument is hotel and restaurant only represent 1-2% of banks' loan portfolio and 2) possible deterioration in micro portfolio that located in Jakarta; the counter argument is that micro debtors that has been restructured during PSBB and located in Jakarta was only 3.5% of total Covid micro restructuring even after 2 months of full scale PSBB and 3.5 months of transitional PSBB.

No change in guidance for banks

Our discussion with the banks suggested that there shall be no revision towards overall FY20 guidance; however, as a precautionary measure they are considering to increase credit costs (CoC) guidance for next year – just in case OJK didn't extend the restructuring relaxation, which is unlikely. Our checks with the banks also suggested that most debtors in Jakarta that got affected have been restructured in Apr-Jun, else they would have been downgraded to NPL by now. Indeed the percentage of Jakarta portfolio from overall Covid restructuring is around 7-10% which is relatively small and manageable especially considering the length of PSBB.

Maintain OW with BBNI and BMRI as our picks

The sector is trading at 1.4x FY21F P/BV ex-BCA vs. its 10Y average of 1.9x P/BV. Our top picks are BBNI and BMRI. Risk is asset quality deterioration.

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Fig. 1: Big 4 + BBTN Covid restructuring summary

Approved numbers (Rp tr)	Apr-20	% of loans	May-20	% of loans	Jun-20	% of loans	Jul-20	% of loans	Aug-20	% of loans
BMRI	58	7%	99	11%	114	13%	119	14%	120	14%
BBRI	101	11%	161	17%	172	19%	180	20%	189	20%
BBNI	70	12%	99	17%	119	21%	123	21%	121	21%
BBCA	50	8%	54	9%	65	11%	72	12%	77	13%
BBTN	15	6%	27	11%	36	14%	43	17%	50	20%
Big 4 + BBTN	294	9%	439	14%	507	16%	537	17%	558	17%

Source: Company, Indo Premier

Fig. 2: Big 4 + BBTN Covid restructuring summary

Restructuring summary (Rp tr) - approved numbers	Apr-20	As % of loans	May-20	As % of loans	Jun-20	As % of loans	Jul-20	As % of loans	Aug-20	As % of loans
BMRI	58	7%	99	11%	114	13%	119	14%	120	14%
BBRI	101	11%	161	17%	172	19%	180	20%	189	20%
BBNI	70	12%	99	17%	119	21%	123	21%	121	21%
BBCA	50	8%	54	9%	65	11%	72	12%	77	13%
BBTN	15	6%	27	11%	36	14%	43	17%	50	20%
Big 4 + BBTN	294	9%	439	14%	507	16%	537	17%	558	17%

Source: Company, Indo Premier

Fig. 3: Monthly restructuring trend of big 4 + BBTN

Monthly restructuring restructuring (Rp tr)	Apr-20	May-20	Jun-20	Jul-20	Aug-20
BMRI	58.0	41.0	15.0	5.0	1.0
<i>mom%</i>		-29%	-63%	-67%	-80%
BBRI	101.0	60.0	11.0	8.0	9.0
<i>mom%</i>		-41%	-82%	-27%	13%
BBNI	70.0	29.0	20.0	4.0	(2.0)
<i>mom%</i>		-59%	-31%	-80%	-150%
BBCA	50.0	4.0	11.0	7.0	5.4
<i>mom%</i>		-92%	175%	-36%	-23%
BBTN	15.0	12.0	9.0	7.0	7.2
<i>mom%</i>		-20%	-25%	-22%	3%
Big 4 + BBTN	294.0	145.0	68.0	30.0	20.6
<i>mom%</i>		-51%	-53%	-56%	-31%

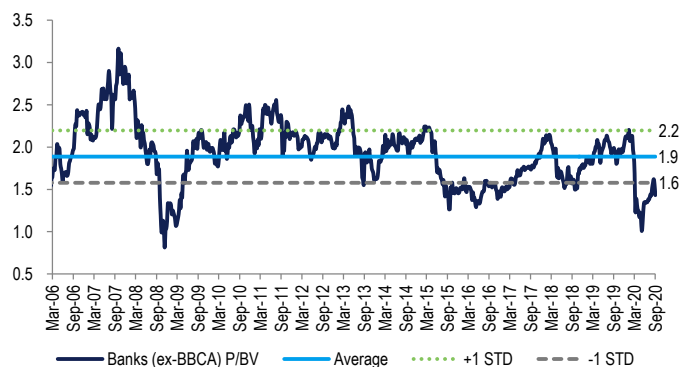
Source: Company, Indo Premier

Fig. 4: Breakdown of focus sectors (as of FY19) – restaurant + hotels only account for 1-2% of the banks' total loans

Breakdown of focus sectors FY19 (Rp bn)	BMRI	BBRI	BBNI	Big 3 SOE
Restaurant + hotels	12,704	9,998	12,555	35,257
<i>as % of total loans</i>	1%	1%	2%	1%
Transport/w arehouse/telco	64,429	21,813	29,439	115,681
<i>as % of total loans</i>	7%	2%	5%	5%
Transport/warehouse (ex-telco)	54,329	20,051	21,588	95,968
<i>as % of total loans</i>	6%	2%	4%	4%
Trading	112,525	297,204	58,690	468,419
<i>as % of total loans</i>	12%	33%	11%	20%
Manufacturing	142,654	72,194	107,125	321,973
<i>as % of total loans</i>	16%	8%	19%	14%
Consolidated loans	907,456	908,881	556,771	2,373,108

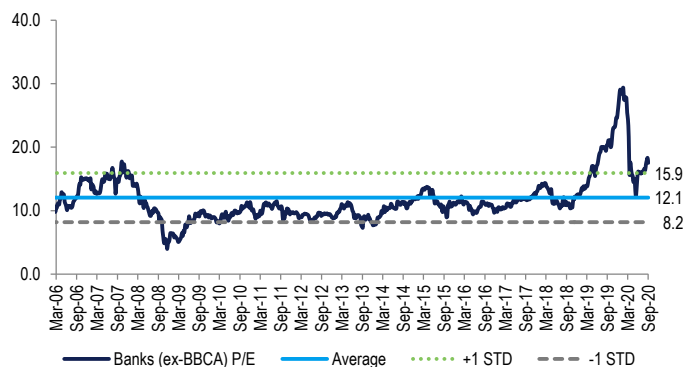
Source: Company, Indo Premier

Fig. 5: Banks (ex-BBCA)'s forward P/BV – now trading at 1.44x 2021F P/BV vs. 10-year average of 1.9x P/BV



Source: Bloomberg, Company, Indo Premier

Fig. 6: Banks (ex-BBCA)'s forward P/E – now trading at 15.1x 2021F P/E vs. 10-year average 12.1x P/E



Source: Bloomberg, Company, Indo Premier

Fig. 7: Peers valuation

Ticker	Closing Price	Target Price	P/BV multiple	Upside target (%)	Recommendation	P/E (x)		P/BV (x)	
						2020F	2021F	2020F	2021F
BMRI	5,675	7,100	1.5	25%	Buy	19.4	12.6	1.4	1.3
BBRI	3,330	4,300	2.3	29%	Buy	21.1	18.9	2.1	1.9
BBCA	29,300	30,500	4.0	4%	Hold	35.5	31.3	4.2	3.8
BBNI	4,940	7,000	1.0	42%	Buy	27.8	11.3	0.8	0.8
BBTN	1,380	2,000	1.0	45%	Buy	13.7	9.3	0.9	0.8

Source: Company, Indo Premier

Share price closing as of: 15 September 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

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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