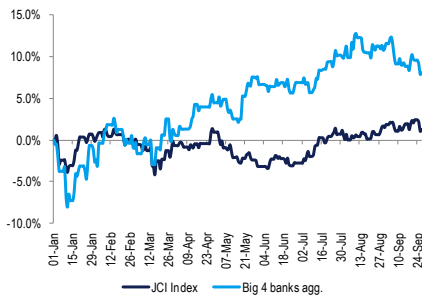


Sector Update | 29 September 2023

Sector Index Performance

	3M	6M	12M
Absolute	1.1%	8.3%	13.9%
Relative to JCI	-3.0%	5.7%	16.3%



Summary Valuation Metrics

P/E (x)	2023F	2024F	2025F
BBRI IJ	12.8	10.7	9.7
BMRI IJ	11.2	10.0	9.0
BBNI IJ	8.9	8.2	7.6
P/BV (x)			
	2023F	2024F	2025F
BBRI IJ	2.5	2.3	2.2
BMRI IJ	2.0	1.9	1.8
BBNI IJ	1.2	1.1	1.0
Div. Yield			
	2023F	2024F	2025F
BBRI IJ	1.1%	1.3%	1.6%
BMRI IJ	5.1%	6.3%	7.0%
BBNI IJ	3.3%	3.8%	4.2%

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Dissecting the divergence in flow; especially with recent surge in BNI

- BNI recorded Rp1.2tr of foreign flow MTD and brought overall YTD inflow to Rp2.3tr, second only to BRI at Rp6.1tr. This resulted in 10% mom gain.
- We believe the rally was due to: 1) improvement on its loan growth, 2) valuation catch-up against BMRI and 3) positioning switch from BRI.
- We look at this from two sides; on a positive note, foreign positioning is still way off its peak in FY17 (only back to FY19) but on the other hand, we think that upside from fundamental is limited (loan growth/ROE).

Surge in MTD foreign flow to BNI

BNI outperformed the rest of the banks in Sep by staggering amount (+11-16% against BMRI/BBRI/BBCA) which attributed to the surge in foreign flow (at Rp1.2tr MTD vs. -Rp2.2/-1.5tr for BCA/BRI; BMRI recorded Rp244bn of inflow). The question was why Sep in particular and we suspect this due to: 1) improvement in loan growth (Aug loan growth at 8% vs. 5% in Jun – partly due to BNI's low base effect in Aug22), 2) valuation catch-up against BMRI (BNI trades at 1.1x FY24F P/B vs. BMRI's 1.9x P/B), 3) positioning switch from BRI, this we think due to the concern on weak results and higher-for-longer rate which is -ve for BRI; lastly to lesser extent was the excitement post EGM (i.e. stock split and change in BOC).

P/B-ROE trade-off remains attractive but PPOP/equity trajectory is also imperative to justify the re-rating

YTD flow of BNI recorded at Rp2.3tr, second only to BRI at Rp6.1tr whereas BMRI/BCA at c.Rp500/100bn of inflow. We think that the foreign is overly bullish on the aforementioned reasons and most are too fixated on P/B-ROE differential with BMRI - the main argument is that BNI P/B of 1.1x is at a deep discount considering its 15% ROE vs. BMRI's 21% ROE but 1.9x P/B. But if we use PPOP/equity instead of profit/equity, we found that BNI ratio is at 25.3% (only back to 2018 level) vs. BMRI/BBRI at 35.3/34.9% (where BMRI 2018 was at 27%). We use this ratio as most of the BNI earnings was driven by lower provision (BBNI PPOP growth at +5% in 8M23 vs. BMRI of +18%).

Liquidity is our concern for BNI's loan to continue to pick-up

At the same time, BNI Aug23 LDR is the highest at 91% vs. BMRI/BBRI at 87/89% and with the 9% RR, we don't see its loan growth (8% yoy in Aug23) to accelerate further without at the expense of CoF/NIM. This has been reflected on its 8M results as its savings growth was at -2% yoy vs. BMRI +7% yoy; BNI's TD rose by 8% yoy (+4% mom) vs. BMRI -4% yoy (-2% mom) supporting our thesis that its NIM may be at risk.

Fund positioning suggest that there is still room for more inflow

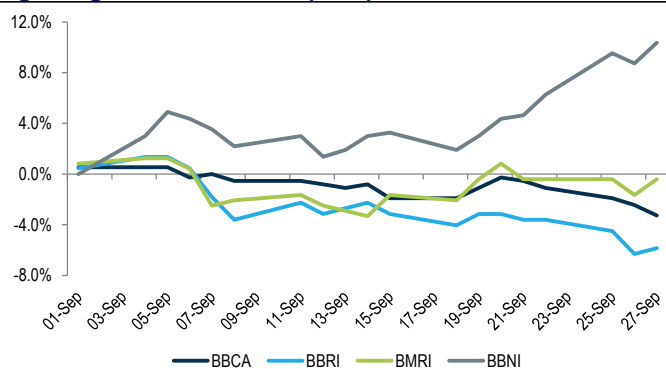
We think the surge in BNI lately was due to the fact that BMRI continued to break new high YTD. However, BMRI has structural transformation especially on its funding ([link to our note](#)) also warranted a re-rating and hence, remains as our top pick. Separately, foreign positioning in BNI is still way lower than its peak in FY17 (at 4.5%) vs. current 2.5%; whereas local positioning also suggest that there is still room to catch-up (OW JCI by 1.3% and absolute weight of 3.8% even lower than Dec22 4.6% vs. BMRI/BBRI UW of -1.4/-0.2%). In terms of PE, now BNI trades at 8.2x FY24F P/E vs. BMRI 10x, both are attractive in our view.

Surge in MTD foreign flow to BNI

BNI outperformed the rest of the banks in Sep by staggering amount (+11-16% against BMRI/BBRI/BBCA) which attributed to the surge in foreign flow (at Rp1.2tr MTD vs. -Rp2.2/-1.5tr for BCA/BRI; BMRI recorded Rp244bn of inflow). Note that BNI has gained 12% YTD vs. BBCA/BMRI/BBRI of 3/21/6% YTD, which also made them the second best performing stock YTD after BMRI. YTD flow of BNI recorded at Rp2.3tr, second only to BRI at Rp6.1tr whereas BMRI/BCA at c.Rp500/100bn of inflow.

The question that we got from investors was that why in particular the outperformance was happened mostly this month and we suspect this due to: 1) improvement in loan growth (Aug loan growth at 8% vs. 5% in Jun – partly due to BNI's low base effect in Aug22), 2) valuation catch-up against BMRI (BNI trades at 1.1x FY24F P/B vs. BMRI's 1.9x P/B), 3) positioning switch from BRI, this we think due to the concern on weak results and higher-for-longer rate which is -ve for BRI; lastly to lesser extent was the excitement post EGM (i.e. stock split and change in BOC).

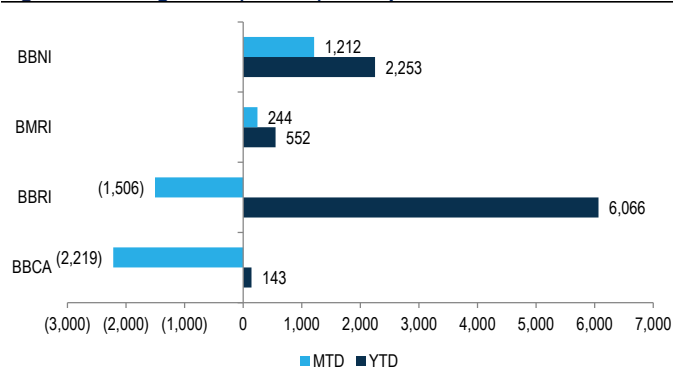
Fig. 1: Big 4 banks MTD share price performance



Source: Company, Indo Premier

Data as of: 27 September 2023

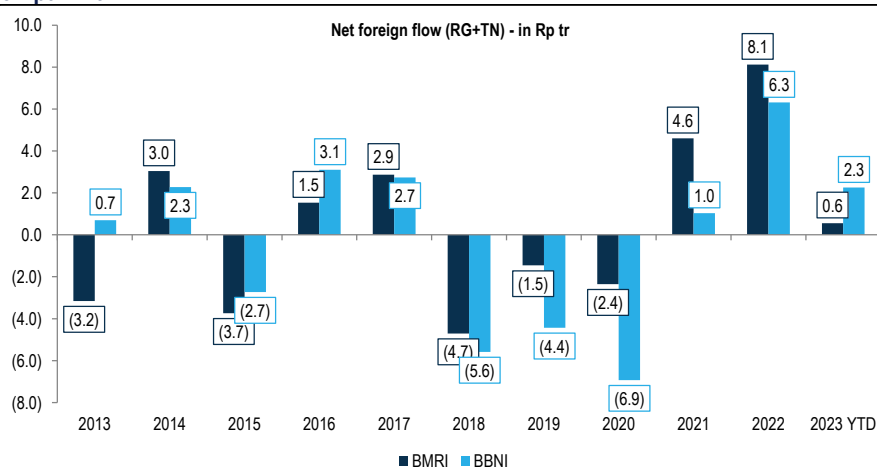
Fig. 2: Net foreign flow (RG+TN) – in Rp bn



Source: Company, Indo Premier

Data as of: 27 September 2023

Fig. 3: Huge flow for BNI in the past 2 years – this has brought the foreign flow relatively on-par with BMRI

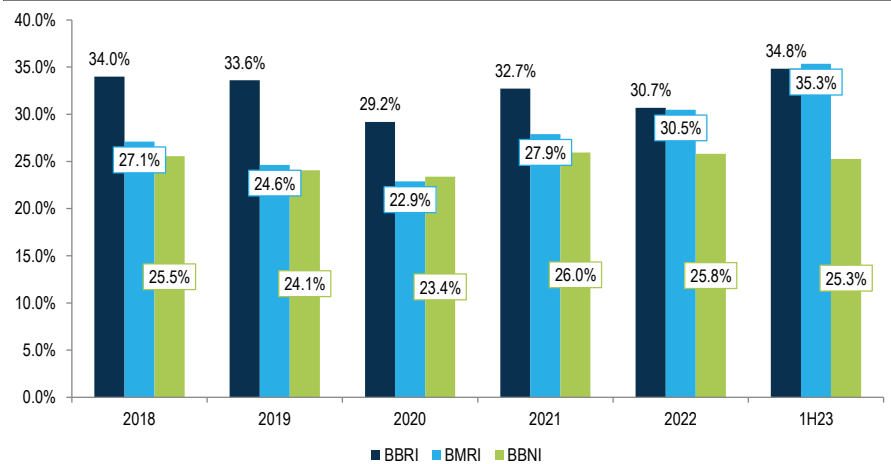


Source: Bloomberg, Company, Indo Premier

P/B-ROE trade-off remains attractive but PPOP/equity trajectory is also imperative to justify the re-rating

We think most investors are too fixated with P/B-ROE differential with BMRI - the main argument is that BNI P/B of 1.1x is at a deep discount considering its 15% ROE vs. BMRI's 21% ROE but 1.9x P/B. But if we use PPOP/equity instead of profit/equity, we found that BNI was at 25.3% as of 1H23 (only back to 2018 level) vs. BMRI/BBRI at 35.3/34.9% (where BMRI 2018 was at 27%). We use this ratio as most of the BNI earnings was driven by lower provision (BBNI PPOP growth at +5% in 8M23 vs. BMRI of +18%) and discounting other banks' ability to generate stronger top-line.

Fig. 4: BBRI, BMRI and BBNI PPOP/Equity – Mandiri has reached BRI while BNI only came back to 2018 level



Source: Bloomberg, Company, Indo Premier

Liquidity is our concern for BNI's loan to continue to pick-up

At the same time, BNI Aug23 LDR is the highest at 91% vs. BMRI/BBRI at 87/89% and with the 9% RR, we don't see its loan growth (8% yoy in Aug23) to accelerate further without at the expense of CoF/NIM. This has been reflected on its 8M results as its savings growth was at -2% yoy vs. BMRI +7% yoy; BNI's TD rose by 8% yoy (+4% mom) vs. BMRI -4% yoy (-2% mom) supporting our thesis that its NIM may be at risk. We also note that there is a big spike in TD for BRI at 20% yoy (+6% mom)

Fig. 5: Gross loan summary

Gross loan (Rp tr)	8M23	8M22	%YoY	7M23	%MoM
BBRI	1,124	1,004	12%	1,109	1%
BMRI	997	887	12%	985	1%
BBNI	652	601	8%	647	1%
Total	2,773	2,493	11%	2,741	1%

Source: Company, Indo Premier

Fig. 6: Deposit summary

Deposits (Rp tr)	8M23	8M22	%YoY	7M23	%MoM
BBRI	1,266	1,127	12%	1,230	3%
BMRI	1,140	1,038	10%	1,149	-1%
BBNI	720	672	7%	720	0%
Total	3,125	2,837	10%	3,099	1%

Source: Company, Indo Premier

Fig. 7: CA summary

CA (Rp tr)	8M23	8M22	%YoY	7M23	%MoM
BBRI	298	247	20%	286	4%
BMRI	457	372	23%	462	-1%
BBNI	282	247	14%	286	-1%
Total	1,036	866	20%	1,034	0%

Source: Company, Indo Premier

Fig. 8: SA summary

SA (Rp tr)	8M23	8M22	%YoY	7M23	%MoM
BBRI	507	495	2%	509	-1%
BMRI	438	411	7%	438	0%
BBNI	223	227	-2%	227	-2%
Total	1,168	1,132	3%	1,174	-1%

Source: Company, Indo Premier

Fig. 9: CASA summary

CASA (Rp tr)	8M23	8M22	%YoY	7M23	%MoM
BBRI	804	742	8%	795	1%
BMRI	895	782	14%	900	-1%
BBNI	505	473	7%	513	-2%
Total	2,204	1,998	10%	2,209	0%

Source: Company, Indo Premier

Fig. 10: TD summary

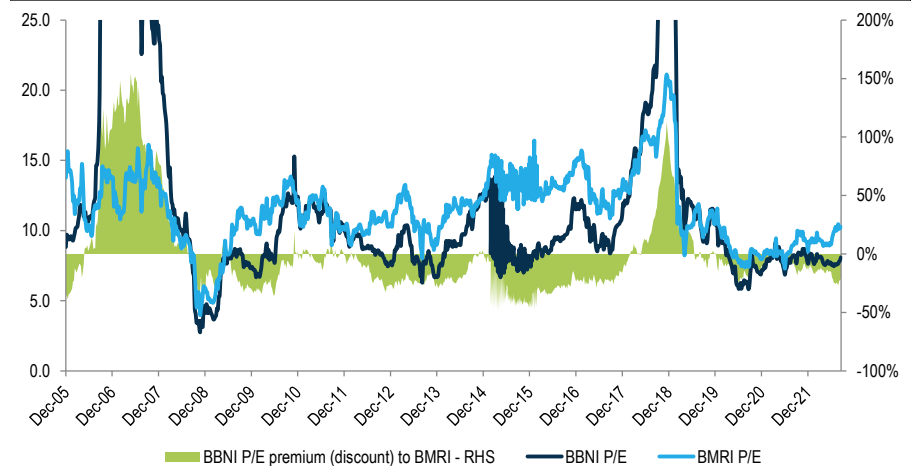
TD (Rp tr)	8M23	8M22	%YoY	7M23	%MoM
BBRI	462	385	20%	434	6%
BMRI	245	256	-4%	249	-2%
BBNI	215	199	8%	207	4%
Total	921	839	10%	890	3%

Source: Company, Indo Premier

Fund positioning suggest that there is still room for more inflow

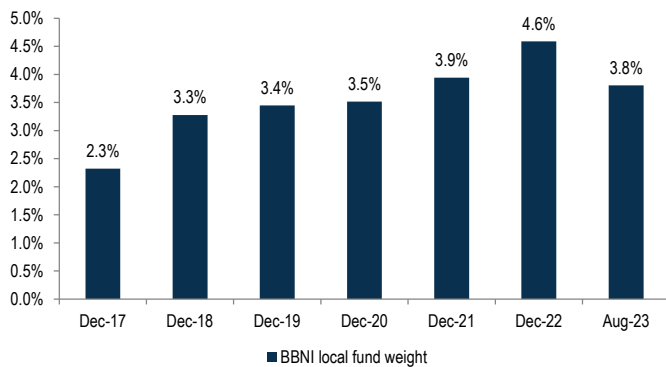
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Fig. 11: BNI currently trades at 8.2x FY24F P/E vs. BMRI 10x (or 18% discount vs. 3% discount historically)



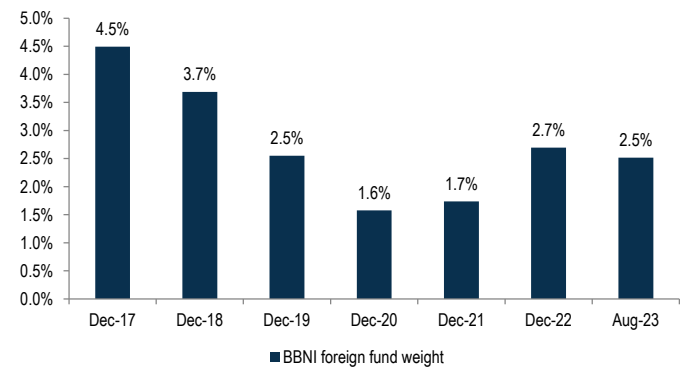
Source: Bloomberg, Company, Indo Premier

Fig. 12: BBNI local fund weight



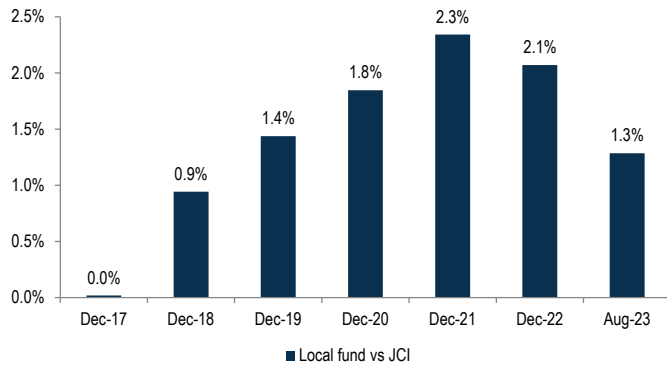
Source: Company, Indo Premier

Fig. 13: BBNI foreign fund weight



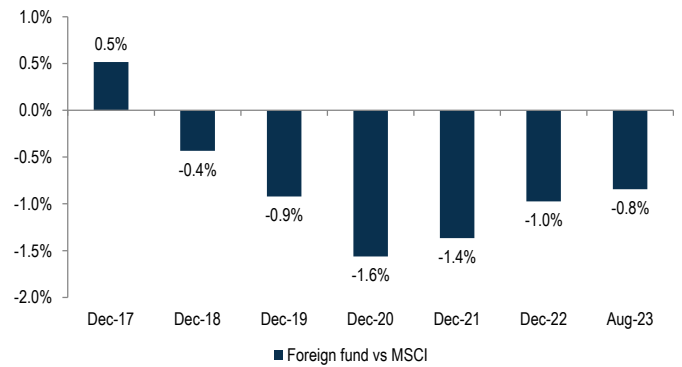
Source: Company, Indo Premier

Fig. 14: BBNI local fund weight vs JCI



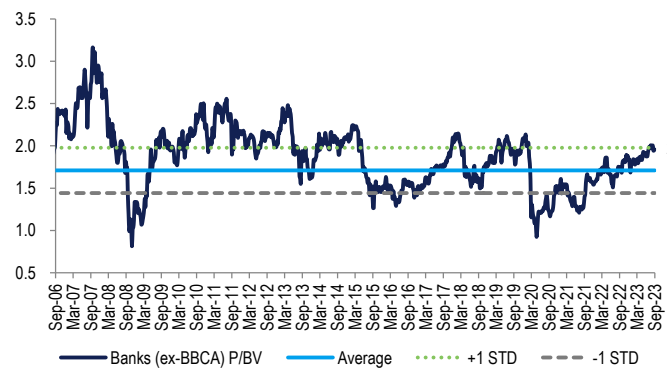
Source: Company, Indo Premier

Fig. 15: BBNI foreign fund weight vs MSCI



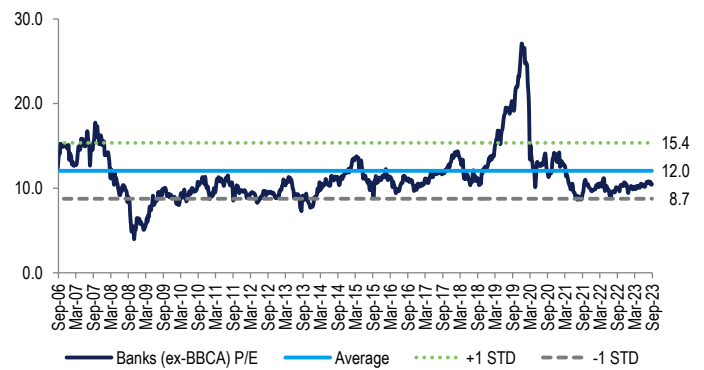
Source: Company, Indo Premier

Fig. 16: Banks (ex-BBCA)' forward P/BV – now trading at 1.9x FY24F P/BV vs. 10-year average of 1.7x P/B



Source: Bloomberg, Company, Indo Premier

Fig. 17: Banks (ex-BBCA)' forward P/E – now trading at 10.1x FY24F P/E vs. 10-year average of 12.0x P/E



Source: Bloomberg, Company, Indo Premier

Fig. 18: Peer comparison table

Ticker	Closing Price	Target Price	P/BV multiple target (x)	Upside	Recommendation	P/E (x)			P/BV (x)		
						FY23F	FY24F	10Y Avg	FY23F	FY24F	10Y Avg
BBCA	8,875	10,400	4.7	17%	Buy	22.9	21.0	20.6	4.5	4.0	3.7
BBRI	5,225	6,500	2.9	24%	Buy	12.8	10.7	14.5	2.5	2.3	2.4
BMRI	6,000	7,200	2.3	20%	Buy	11.2	10.0	12.0	2.0	1.9	1.6
BBNI	10,125	10,400	1.1	3%	Buy	8.9	8.2	10.6	1.2	1.1	1.1
BBTN	1,225	1,440	0.6	18%	Hold	5.9	4.6	11.8	0.5	0.5	0.9

Source: Bloomberg, Company, Indo Premier

Share price closing as of: 27 September 2023

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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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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