

Another Solid 5M24 Results

10 July 2024

OVERWEIGHT
(Maintain)

TOP PICK

Company	Ticker	Rec	Share	Target
			Price (IDR)	Price (IDR)
Bank Rakyat Indonesia	BBRI	Buy	4,850	6,830
Bank Negara Indonesia	BBNI	Buy	4,820	6,530

Steady yet solid 5M24 operational performance and in-line earnings growth from banks under our coverage should translates as proven resiliency amid the continuing uncertainty. Robust loan growth continues and consistently surpassing OJK, BI and our expectations. After pocketing solid 5M24 run-rate, 1H24 in-line earnings growth is likely intact. Better liquidity growth, with much stronger CASA and yield adjustment as well as manageable risk metrics could provide cushion to banks better performance this year. On foreign ownership, BRIS remain as the top pick, while appetite on BBRI is improving post the sell-off. Maintain Overweight, with BBRI and BBNI as our top picks.

Continuing steady sector performance.

The Indonesian banking sector continues to show resiliency in May '24 amid the ongoing concern over prolonged high interest rates environment, which might pressured profitability. NIM remained stable at 2.56%, slightly better than 2.51% in the previous month. The intermediary function remain solid with loan growth of 12.15% yoy to IDR7,376 tn, still above the OJK and BI upper-targets this year of 11% and 12% yoy. Total third-party fund grew by 8.63% yoy to IDR8,699 tn, primarily driven by the low-cost funding of Demand Deposit (15.53% yoy). It is worth noting that May '24 deposit growth was 107 bps above the 5-year historical avg. of 7.5% yoy. On risk metrics, gross NPL is steady at 2.34% vs. 2.33% in Apr '24. Likewise, LAR continued to improve to 10.75% in May '24 vs. 13.38% in May '23 and 11.04% on Apr '24.

Another in-line bank-only monthly performance.

The bank under our coverage continued to record another solid bank-only earnings result, with an average growth of 7.9% yoy and a growth of 8.3% yoy in terms of absolute sum up to IDR75.6 tn vs. IDR69.88 tn in 5M23. The majority of the six banks showed stable growth from top to bottom, except for BBNI and BBTN. On the PPOP level, it grew by an average of 8.4% yoy to IDR 121.77tn, and BBRI noted the highest growth of 16.8% yoy (second position is BBKA: 12.1% yoy), driven by sturdy non-interest income growth of 38.0% yoy. We like the frontloaded provisions made by BBRI, which rose by 31.3% year over year. This will help the bank record a much better COC and stronger PATMI growth in the following months. BBTN saw the highest improvement, with provisions sharply dropping by 45.5% yoy, followed by BRIS by -30.2% yoy. We believe stable asset quality will continue to be a major catalyst for banks.

Robust loan growth continues.

Ceteris paribus, another better monthly loan growth should offer a better top-line '24F figure. Total loan grew strong (14.8% yoy) to IDR4,492.4 tn, surpassing industry growth (12.15% yoy) as well as the OJK and BI forecasts for banking sector this year and far above our lower-range expectation (10% yoy) for '24F total loan growth. We still believe the '24F banking sector loan growth will be supported mainly by the working capital segment. Concern over the weakening consumer (automotive) loan segment is likely to continue. Yet we maintain our conservative forecast for segment loan growth as year-to-date figure growth still came in within our expectations (see our previous note in November for '24F outlook).

Better liquidity growth, with much stronger CASA.

Total deposit recorded another solid growth (11.1% yoy) and arrived far above total industry growth (8.63% yoy). We like the overall growth as it was largely driven by demand deposits (18.4% yoy) and thus brought CASA recorded 134 bps yoy higher to 11.2% compared to 9.8% in April 24. SA growth remains soft due to continuing pressure on higher prices. Yet to some extent, it was better on a monthly comparison basis, at 5.3% yoy vs. 5.2%. On high cost of funding growth, we like total time deposits sharp drop growth to 11.1% yoy from 14.4% yoy a month earlier.

Valuations remain attractive.

We believe the softened appetite for banking stocks will continue as the market anticipates another solid half-year earnings result. With 5M24 results pocketing more than enough run-rate, 1H24 earnings are likely to continue at a run-rate that is in line with ours and street expectations. We might also witness a possible revised-up earnings post-1H24 results, assuming all key sector drawbacks will start to diminish. We expect better key risk metrics for manageable, steady asset quality. Following pressure on profitability, selected loan repricing yield and a better solid deposit mix will overall help NIM arrive better than 5M24, in our view. An additional catalyst should come from placement with Bank Indonesia relaxation and a well-managed, improving CIR. On the latest foreign ownership banking stocks data, regardless of the sentiment, BRIS remains the main picks both on a yearly and monthly basis, with around 1.5% of higher ownership to 4.1% in Jun24 vs. 2.6% in Jun23. Following the sell-off, BBRI's foreign stock ownership has been improving. It is worth noting that our pick, BBNI, also recorded a better figure by 28 bps to 26.4%.

Maintain Overweight, with BBRI and BBNI as our top picks.

2Q24 plays a vital role for banks to reach ours and consensus' '24F banks earnings. Low provision levels play a crucial role and have become the main key to overall earnings growth amid the foreseeable NIM contraction. Maintain our overweight rating for the banking sector, with BBRI and BBNI as our top picks. Risks to our call: a) lower-than-expected loan growth; b) prolonged tight liquidity environment; c) worsening NIM d) higher-than-expected cost of funds and provisions; e) insignificant impact of loan yield repricing; f) deteriorating asset quality; g) mounting inflation and slowing down economic activity; h) continuing global uncertainty; i) worsening Middle East tension; j) prolonging higher for longer.

Analyst(s)

Akhmad Nurcahyadi
akhmad.nurcahyadi@kbvalbury.com

Exhibit 1: Indo banking stocks under our coverage

Ticker	Closing	Target	Upside	Market	P/E		P/B		ROE		Dividend Yield		
	Price	Price	Potential		Rec	2024F	2025F	2024F	2025F	2024F	2025F	2024F	2025F
	(IDR)	(IDR)	(%)	(IDRtn)		(x)	(x)	(x)	(x)	(x)	(x)	(x)	
BBKA	10,100	11,070	9.6%	1,245	Hold	23.0	21.3	4.5	3.9	20.8	21.2	2.8	3.0
BBRI	4,850	6,830	40.8%	735	Buy	11.0	9.9	2.1	2.0	20.4	20.6	6.5	6.3
BMRI	6,375	8,100	27.1%	595	Buy	10.2	9.3	2.0	1.8	22.8	23.1	4.6	4.9
BBNI	4,820	6,530	35.5%	180	Buy	7.5	6.8	1.1	1.0	15.0	15.3	3.5	4.0
BBTN	1,285	1,770	37.7%	18	Buy	3.7	3.1	0.4	0.4	12.0	12.7	5.0	5.5
BRIS	2,470	2,970	20.2%	114	Buy	17.2	14.3	2.6	2.3	16.9	17.1	1.3	1.5
Average						12.1	10.8	2.1	1.9	18.0	18.3	3.9	4.2

Source : Company, KBVS research

Exhibit 2: Bank under coverage 5M24 Profit and Loss results

Profit and Loss	BBCA	BBRI	BMRI	BBNI	BBTN	BRIS	Average	Sum
IDRbn (cummulative)	YoY	YoY	YoY	YoY	YoY	YoY		YoY
Interest income	7.5	16.4	13.9	4.8	10.9	11.6	10.9	11.9
Interest expense	11.8	49.1	38.5	36.8	25.8	41.2	33.9	37.5
Net interest income	6.9	5.5	5.3	(10.0)	(5.5)	2.0	0.7	3.1
Non Int Inc & others	9.0	38.0	2.4	14.0	14.2	29.9	17.9	18.8
Opex	(2.2)	9.0	4.3	1.2	17.9	8.3	6.4	5.0
PPOP	12.1	16.8	4.5	(5.9)	(23.8)	4.3	1.3	8.4
Provision	28.5	31.3	(4.2)	(20.1)	(45.5)	(30.2)	(6.7)	10.2
Net Profit	11.7	8.8	6.4	1.5	0.3	18.6	7.9	8.3

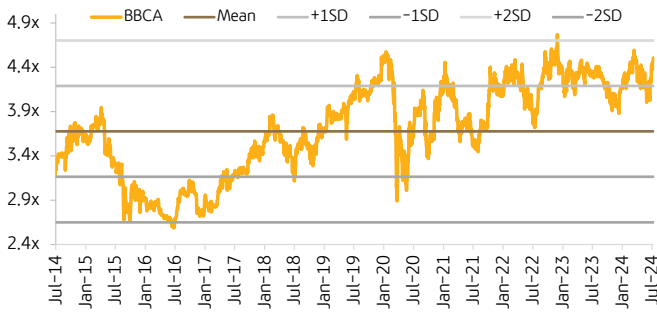
Profit and Loss	BBCA	BBRI	BMRI	BBNI	BBTN	BRIS	Average	Sum
IDRbn (monthly)	YoY	YoY	YoY	YoY	YoY	YoY		YoY
Interest income	6.0	15.8	14.7	2.4	(4.1)	14.3	8.2	10.3
Interest expense	(6.9)	44.8	37.5	31.1	20.9	31.6	26.5	31.7
Net interest income	8.2	5.2	6.5	(11.7)	(28.8)	7.9	(2.1)	2.5
Non Int Inc & others	19.0	73.6	19.1	18.9	0.2	34.0	27.5	39.2
Opex	(2.1)	24.9	7.1	3.2	22.5	8.8	10.7	12.2
PPOP	16.9	26.6	11.3	(7.3)	(62.3)	15.7	0.2	12.4
Provision	n/a	15.5	(23.3)	(24.2)	(83.8)	(22.9)	(27.7)	(1.1)
Net Profit	11.7	33.0	20.6	1.2	(20.1)	36.0	13.7	18.1

Exhibit 3: Bank under coverage 5M24 Balance Sheet results and selected key ratios

Selected	BBCA	BBRI	BMRI	BBNI	BBTN	BRIS	Average	Sum
Key Balance Sheet (IDRbn)	YoY	YoY	YoY	YoY	YoY	YoY		YoY
Total Loan	15.9	10.7	19.5	12.6	14.4	17.1	15.0	14.8
Total deposits	5.1	16.4	12.9	7.2	13.4	11.3	11.1	11.1
Demand deposits	7.6	39.3	20.2	13.8	12.3	2.8	16.0	18.4
Savings deposits	4.1	1.0	10.1	3.1	(1.3)	18.9	6.0	5.3
Time deposits	3.9	20.8	4.1	3.1	18.2	7.9	9.6	11.1
CASA	5.4	14.0	15.4	9.0	9.0	13.5	11.0	11.2
Total Assets	5.2	11.5	12.5	7.4	11.1	14.4	10.4	9.9
Total Liability	4.9	13.5	13.2	7.4	11.3	14.3	10.7	10.5
Total Equity	7.2	1.7	8.6	7.9	9.1	15.0	8.2	6.3

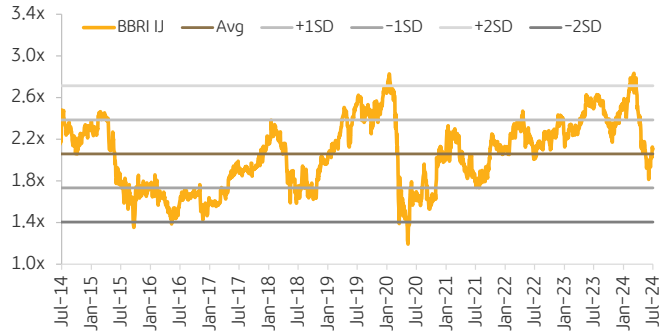
Selected	BBCA	BBRI	BMRI	BBNI	BBTN	BRIS	Average	Average
Key financial ratios (%)	YoY	YoY	YoY	YoY	YoY	YoY		YoY
NIM	0.1	(0.4)	(0.4)	(0.8)	(0.6)	(0.7)	(0.5)	(0.46)
Cost of credit	0.0	0.6	(0.2)	(0.4)	(0.7)	(0.6)	(0.2)	(0.2)
CASA (IDRbn)	5.4	14.0	15.4	9.0	9.0	13.5	11.0	11.2
CASA	0.2	(1.3)	1.7	1.2	(2.0)	1.2	0.2	0.2
Loan to Deposits	7.0	(4.5)	4.9	4.3	0.8	4.3	2.8	2.8
CIR	(3.0)	(1.5)	(0.0)	1.8	10.5	1.0	1.5	1.5

Exhibit 4: BBCA Forward PB Band (x)



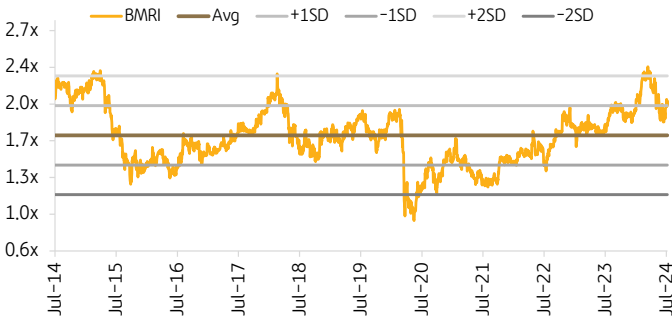
Source: Company, Bloomberg, KBVS Research

Exhibit 5: BBRI Forward PB Band (x)



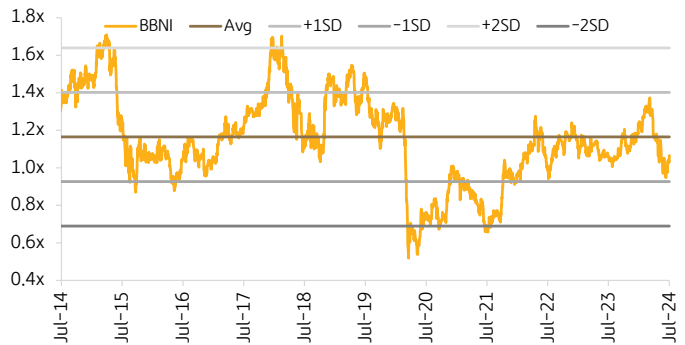
Source: Company, Bloomberg, KBVS Research

Exhibit 6: BMRI Forward PB Band (x)



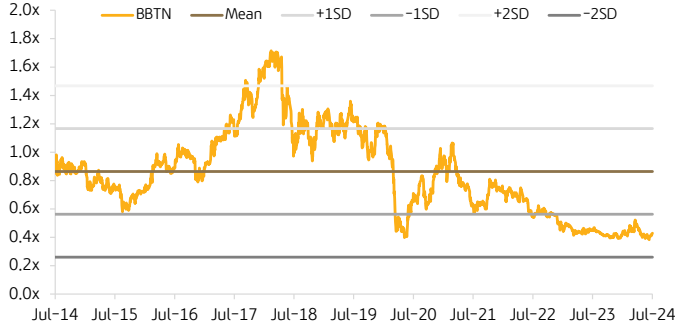
Source: Company, Bloomberg, KBVS Research

Exhibit 7: BBNI Forward PB Band (x)



Source: Company, Bloomberg, KBVS Research

Exhibit 8: BBTN Forward PB Band (x)



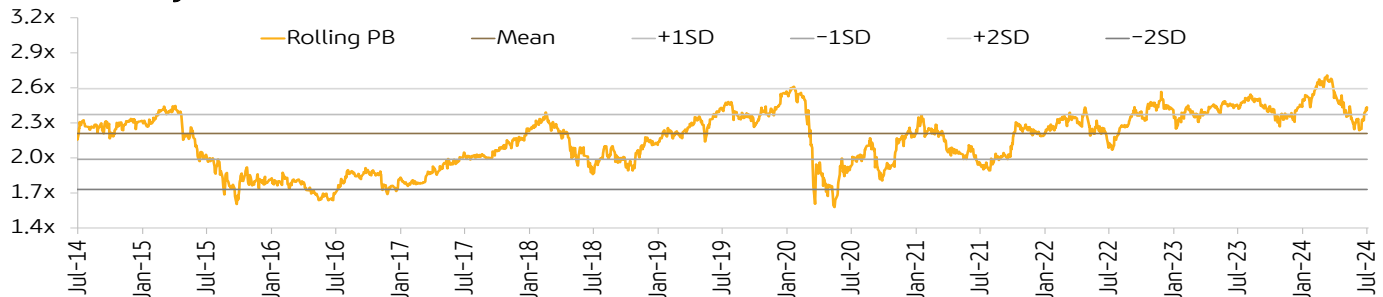
Source: Company, Bloomberg, KBVS Research

Exhibit 9: BRIS Forward PB Band (x)



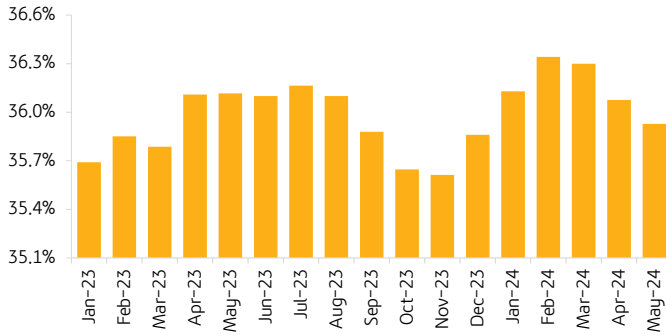
Source: Company, Bloomberg, KBVS Research

Exhibit 10: Four big banks Forward PB Band (x)



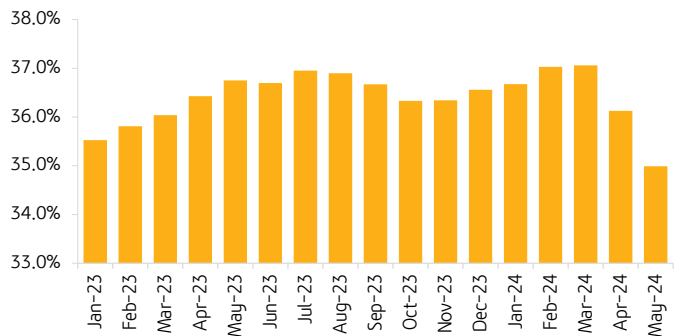
Source: Company, Bloomberg, KBVS Research

Exhibit 11: BBKA stocks foreign ownership (%)



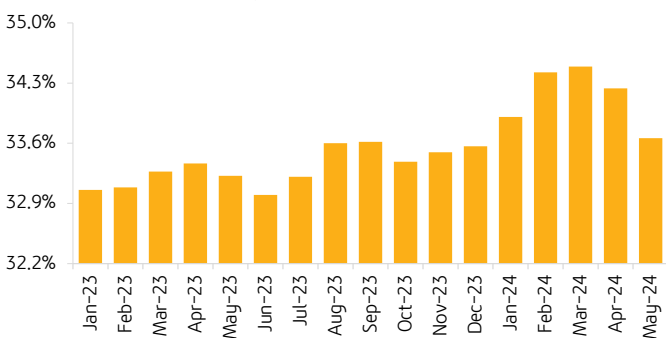
Source: The Indonesia Central Securities Depository (KSEI), KBVS Research

Exhibit 12: BBRI stocks foreign ownership (%)



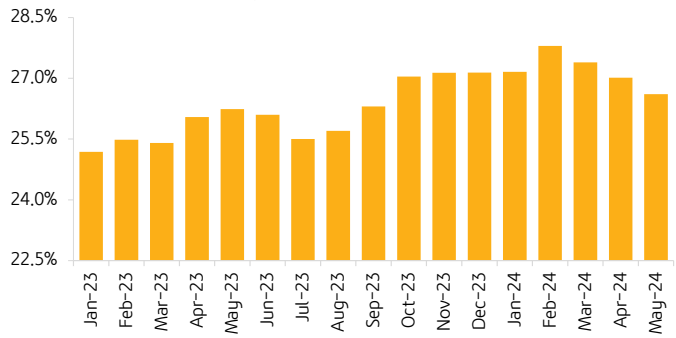
Source: The Indonesia Central Securities Depository (KSEI), KBVS Research

Exhibit 13: BMRI stocks foreign ownership (%)



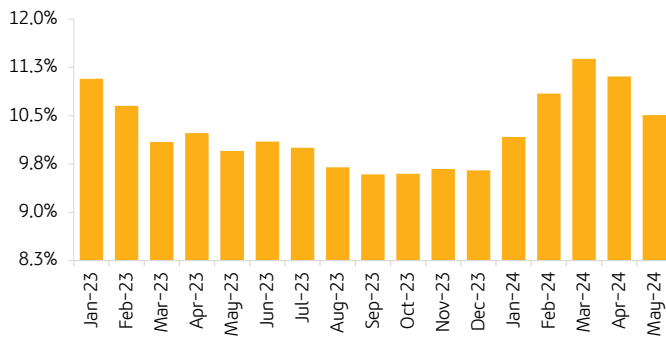
Source: The Indonesia Central Securities Depository (KSEI), KBVS Research

Exhibit 14: BBNI stocks foreign ownership (%)



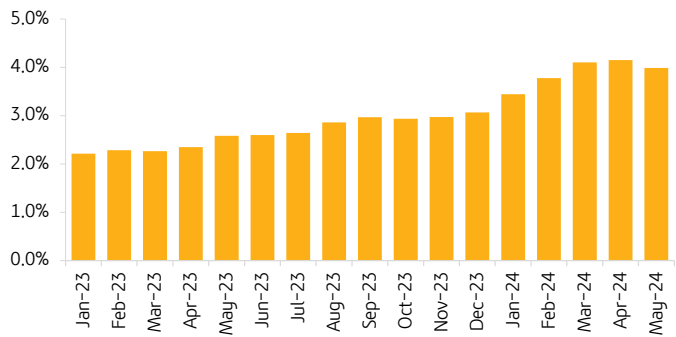
Source: The Indonesia Central Securities Depository (KSEI), KBVS Research

Exhibit 15: BBTN stocks foreign ownership (%)



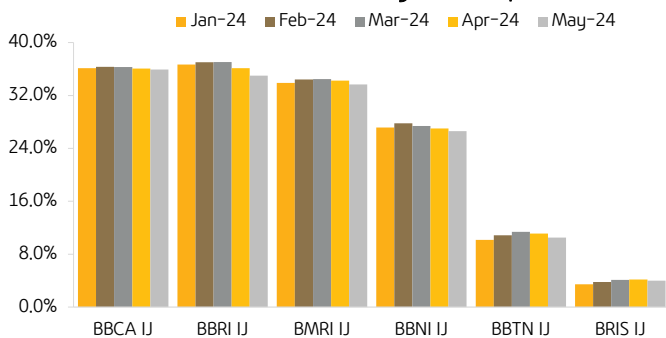
Source: The Indonesia Central Securities Depository (KSEI), KBVS Research

Exhibit 16: BRIS stocks foreign ownership (%)



Source: The Indonesia Central Securities Depository (KSEI), KBVS Research

Exhibit 17: Bank under our radar stocks foreign ownership (%)



Source: The Indonesia Central Securities Depository (KSEI), KBVS Research

Exhibit 18: BRIS stocks foreign ownership (%)

Ticker	Jan-24	Feb-24	Mar-24	Apr-24	May-24	YTD 2024	YTD 2023	May-23	May-24	YoY (chg)
BBKA IJ	36.1%	36.3%	36.3%	36.1%	35.9%	-0.2%	0.4%	36.1%	35.9%	-0.2%
BBRI IJ	36.7%	37.0%	37.1%	36.1%	35.0%	-1.7%	1.2%	36.8%	35.0%	-1.8%
BMRI IJ	33.9%	34.4%	34.5%	34.2%	33.7%	-0.2%	0.2%	33.2%	33.7%	0.4%
BBNI IJ	27.2%	27.8%	27.4%	27.0%	26.6%	-0.6%	1.1%	26.2%	26.6%	0.4%
BBTN IJ	10.2%	10.8%	11.4%	11.1%	10.5%	0.3%	-1.1%	10.0%	10.5%	0.6%
BRIS IJ	3.4%	3.8%	4.1%	4.2%	4.0%	0.5%	0.4%	2.6%	4.0%	1.4%
Average	24.6%	25.0%	25.1%	24.8%	24.3%	-0.3%	0.4%	24.1%	24.3%	0.1%

Source: The Indonesia Central Securities Depository (KSEI), KBVS Research

Disclaimer

This report is prepared by PT KB Valbury Sekuritas, a member of the Indonesia Stock Exchange, or its subsidiaries or its affiliates ("KBVS"). All the material presented in this report is under copyright to KBVS. None of the parts of this material, nor its contents, may be copied, photocopied, or duplicated in any form or by any means or altered in any way, or transmitted to, or distributed to any other party without the prior written consent of KBVS.

The research presented in this report is based on the information obtained by KBVS from sources believed to be reliable, however KBVS do not make representations as to their accuracy, completeness or correctness. KBVS accepts no liability for any direct, indirect and/or consequential loss (including any claims for loss of profit) arising from the use of the material presented in this report and further communication given or relied in relation to this document. The material in this report is not to be construed as an offer or a solicitation of an offer to buy or sell any securities or financial products. This report is not to be relied upon in substitution for the exercise of independent judgement. Past performance and no representation or warranty, express or implied, is made regarding future performance. Information, valuations, opinions, forecasts and estimates contained in this report reflects a judgement at its original date of publication by KBVS and are subject to change without notice, its accuracy is not guaranteed or it may be incomplete.

The Research Analyst(s) primarily responsible for the content of this research report, in part or as a whole, certifies that the views about the companies and their securities expressed in this report accurately reflect his/her personal views. The Analyst also certifies that no part of his/her compensation was, is or will related to specific recommendation views expressed in this report. It also certifies that the views and recommendations expressed in this report do not and will not take into account client circumstances, objectives, needs and no intentions involved as a use for recommendations for sale or buy any securities or financial instruments.

KB Valbury Sekuritas Head Office

Sahid Sudirman Center 41st Floor Unit A-C
Jalan Jenderal Sudirman No. 86 Kelurahan Karet Tengsin,
Kecamatan Tanah Abang, Jakarta Pusat 10220, Indonesia
T. +62 21 – 250 98 300
F. +62 21 – 255 33 778

Branch Office

Jakarta – Sudirman

Sahid Sudirman Center 41st Floor Unit A-C
Jalan Jenderal Sudirman No. 86 Karet Tengsin,
Tanah Abang, Jakarta Pusat 10220
T. (021) 25098300/301

Jakarta – Kelapa Gading

Rukan Plaza Pasifik
Jl. Raya Boulevard Barat Blok A1 No. 10
Jakarta Utara 11620
T. (021) 29451577

Jakarta – Puri Indah

Rukan Grand Aries Niaga Blok E1 No. IV
Jl. Taman Aries, Kembangan
Jakarta Barat 11620
T. (021) 22542390

Jakarta – Pluit

Jl. Pluit Putra Raya No. 2
Jakarta Utara 14450
T. (021) 6692119

Bandung

Jl. HOS Cokroaminoto No. 82
Bandung 40171
T. (022) 87255800

Malang

Jl. Pahlawan Trip No. 7
Malang 65112
T. (0341) 585888

Banjarmasin

Jl. Gatot Subroto No. 35
Banjarmasin 70235
T. (0511) – 3265918

Pekanbaru

Jl. Tuanku Tambusai, Komplek CNN
Blok A No. 3 Pekanbaru 28291
T. (0761) 839393

Palembang

Komplek PTC Mall Blok I No. 7
Jl. R. Sukamto
Palembang 30114
T. (0711) 5700281

Surabaya

Pakuwon Center Lt 21
Jl. Embong Malang No.1
Surabaya 60261
T. (051) 2955788

Padang

Jl. Kampung Nias II No. 10,
Padang 25211
T. (0751) 8955747

Yogyakarta

Jl. Magelang KM 5.5 No. 75
Yogyakarta 55000
T. (0274) 623111

Semarang

Candi Plaza Building Lt. Dasar
Jl. Sultan Agung No. 90-90A
Semarang 50252
T. (024) 8501122

Makassar

Komplek RUKO Citraland City Losari
Business Park, Blok B2 No. 09
Jl. Citraland Boulevard Makassar 90111
T. (0241) 16000818

Medan

Komplek Jati Junction No. P5-5A
Jl. Perintis Kemerdekaan
Medan 20218
T. (061) 88816222

Denpasar

Jl. Teuku Umar No. 177
Komplek Ibis Styles Hotel
Denpasar Bali 80114
T. (0361) 225229

Investment Gallery

Jakarta

Citra Garden 6 Ruko Sixth Avenue
Blok J.1 A/18, Cengkareng
Jakarta Barat 11820
T. (021) 522392181

Semarang

Jl. MT Haryono 637
Semarang 50242
T. (024) 8415195

Salatiga

Jl. Diponegoro No. 68
Salatiga 50711
T. (0298) 313007

Solo

Jl. Ronggowarsito No. 34
Surakarta 57118
T. (0271) 6726306