

Another solid monthly result

11 July 2023

## OVERWEIGHT (Maintain)

### TOP PICK

Company	Ticker	Rec	Share Price (IDR)	Target Price (IDR)
Bank Rakyat Indonesia	BBRI	Buy	5,400	5,550
Bank Negara Indonesia	BBNI	Buy	9,050	11,160

Indo banking sector continues to record solid loan growth, while our stocks universe posted strong average earnings growth both in 5M23 and May '23. We expect earnings to remain solid in the following quarters, aside from our expectation that benchmark rates will remain flattish. We might see a steady loan demand appetite and loan yield to continue backup 2023's NIM to arrive within market expectations. What's more, despite the ongoing global uncertainty, we think the recent improvement in asset quality should serve as a solid foundation to enter the 3Q23 period. Maintain our Overweight stance, with BBRI and BBNI as top picks.

#### Improving loan demand

Amidst the ongoing global uncertainty, the domestic loan demand appetite remains steady and recorded better growth at 9.39% yoy in May '23 vs 8.08% yoy in Apr '23. The improving loan growth was mainly driven by the investment credit segment which grew 12.69% yoy. As the economic recovery resiliency likely to persist, we view Indo banking sector loans potentially to reach double digit growth underpinned by solid working capital loans, continuing appetite on consumer loan demand and stable investment credit segment. We expect banking sector loan growth could arrive within the range of 9%-10%, while banks under our coverage average growth is around 9.79% yoy (OJK and Bank Indonesia guidance is at 10%-12%).

#### Acceptable softened deposits growth

On the top right side of the balance sheet, TPF grew slower by 6.55% yoy to IDR8,007 tn and yet we do not think that it would lead to any shortage of funds as we believe liquidity will remain ample. With the expectation of a motionless benchmark rate in the following months, we might see transmission rate hikes to banks' cost of funds likely to be limited and thus at the same time could resulting to a better loan demand which at the end will benefit banks NIM. We expect banks under our coverage to note TPF growth at around 7.4%yoy in '23F.

#### Continuing well managed 5M23 earnings growth

Our banks stock universe earnings recorded another strong growth of 20.0% yoy in May '23 vs 21.3% yoy in Apr '23. Likewise in cumulative basis, whereas net profit grew by 44.8% yoy and 7.0% MoM. Of the total, BRIS leads the earnings performance board with 38.1% yoy growth (5M23) amounting IDR2.33 tn followed by BBKA. Yet, compared with the previous cumulative period of 4M23, BBNI and BBKA are the only two of the banks under our coverage which recorded a stable improvement by 32bps and 19bps, respectively.

#### Higher achievement vs 4M23 to '23F number

Despite banks monthly financial performances are based on bank only figures, we tried to measure the impact of 5M23 earnings to its '23F numbers. As such, the percentage of 5M23 achievement to '23F figures will represents higher probability of full year performance, since bank only amount is usually smaller to its consolidation numbers. Of the total average of 40.1% (5M23 to '23F), BRIS stood at the top with 45.7%, followed by BBKA and BBNI. Worth noting that 40.1% achievement in 5M23 is around 749bps higher vs 4M23 to '23F. We forecast bank under our coverage to record an average earnings growth of 12.3% yoy this year. A sharp drop on yoy growth of 340bps seems acceptable due to high based effect growth on the back of strong recovery momentum post Covid.

#### Maintain our Overweight stance

Following the May '23 and 5M23 result, we expect Jun '23 and 1H23 numbers will continue to be strong and thus will become as a solid start to enter 3Q23 periods. Risks to our call: a) lower-than-expected loan growth, NIM, loan yield, b) credit cost spikes, c) higher inflation, slowing economic activity, rising bond yield d) deteriorating AQ and e) worsen global banking collapse.

#### Analyst(s)

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Figure 1: Bank stocks under coverage

Ticker	Market Cap (IDRtn)	Closing Price Monday, 10 July 2023 (IDR)	Outstanding Shares	Target Price (IDR)	Upside Potential (IDR)	P/E (%)		P/B (%)		ROE (%)		Dividend Yield (%)	
						2023F	2024F	2023F	2024F	2023F	2024F	2023F	2024F
						(x)	(x)	(x)	(x)	(x)	(x)	(x)	(x)
BBKA IJ	1,116	9,050	123	8,920	(1.4)	24.7	21.7	4.6	4.1	19.5	20.1	1.9	2.2
BBRI IJ	818	5,400	152	5,550	2.8	14.1	13.1	2.6	2.5	18.9	19.4	5.3	6.5
BMRI IJ	483	5,175	93	6,110	18.1	10.4	9.9	1.9	1.9	19.3	19.5	6.7	6.1
BBNI IJ	169	9,050	19	11,160	23.3	8.3	7.1	1.1	1.0	14.1	14.6	3.0	3.5
BBTN IJ	18	1,310	14	1,770	35.1	4.4	4.0	0.5	0.4	11.7	11.3	4.5	5.0
BRIS IJ	79	1,715	46	1,950	13.7	15.5	12.6	2.1	1.9	19.1	20.0	1.3	1.6
Average						12.9	11.4	2.1	2.0	17.1	17.5	3.8	4.1

Source: Bloomberg, respective companies, KBVS

## Indonesia Banking

Figure 2: Bank stocks under coverage 5M23 earnings results (bank only)

Profit and Loss (IDRbn)	3M23	4M23	5M23	4M YoY(%)	5M YoY(%)	% to '23F consol	Mar-23	Apr-23	May-23	MoM (%)	YoY (%)
<b>Net interest income</b>											
BBCA	17,386	23,132	29,007	25.7	25.0	40.0	5,906	5,746	5,874	2.2	22.3
BBRI	26,266	35,052	43,459	2.1	(2.1)	30.2	8,816	8,787	8,407	(4.3)	(16.4)
BMRI	16,932	22,935	28,891	11.9	12.4	29.3	5,759	6,003	5,956	(0.8)	14.6
BBNI	10,305	13,504	16,988	3.9	4.4	38.0	3,564	3,199	3,484	8.9	6.5
BBTN	3,121	4,114	5,331	(15.4)	(9.7)	34.0	1,131	994	1,216	22.4	16.5
BRIS	4,294	5,727	7,076	11.3	9.7	40.1	1,538	1,433	1,349	(5.8)	3.6
<b>Non-interest income</b>											
BBCA	5,252	7,234	8,836	2.3	7.1	35.2	1,897	1,982	1,602	(19.2)	36.0
BBRI	9,163	12,075	15,720	17.7	10.8	30.1	3,393	2,912	3,645	25.2	(7.2)
BMRI	7,356	9,167	11,436	4.4	7.0	28.0	2,342	1,811	2,268	25.2	19.0
BBNI	4,352	5,745	7,175	(12.5)	(6.3)	33.7	1,903	1,393	1,430	2.6	30.5
BBTN	761	938	1,369	53.8	84.2	60.2	182	177	430	142.7	224.3
BRIS	756	964	1,227	19.5	38.6	28.8	274	207	263	26.7	234.0
<b>Total operating income</b>											
BBCA	22,638	30,366	37,843	19.2	20.3	38.8	7,803	7,728	7,477	(3.3)	25.0
BBRI	35,429	47,127	59,178	5.7	1.0	30.1	12,209	11,698	12,051	3.0	(13.8)
BMRI	24,288	32,102	40,327	9.7	10.8	28.9	8,101	7,814	8,224	5.3	15.8
BBNI	14,657	19,249	24,163	(1.6)	1.0	36.6	5,467	4,592	4,914	7.0	12.5
BBTN	3,882	5,053	6,700	(7.7)	0.8	37.3	1,313	1,171	1,647	40.6	39.9
BRIS	5,051	6,691	8,303	12.4	13.2	37.9	1,811	1,640	1,612	(1.7)	16.7
<b>Operating expenses</b>											
BBCA	(7,786)	(10,108)	(12,649)	15.9	11.4	35.2	(2,991)	(2,322)	(2,541)	9.4	(3.6)
BBRI	(11,675)	(15,450)	(20,395)	(7.1)	(7.3)	22.7	(4,614)	(3,775)	(4,945)	31.0	(7.9)
BMRI	(8,128)	(10,718)	(13,336)	0.1	5.6	23.2	(2,543)	(2,591)	(2,618)	1.1	36.1
BBNI	(6,086)	(8,204)	(10,307)	4.5	6.8	34.4	(2,109)	(2,118)	(2,103)	(0.7)	17.0
BBTN	(2,112)	(2,782)	(3,581)	(11.3)	(5.1)	35.6	(732)	(670)	(798)	19.2	25.3
BRIS	(2,362)	(3,091)	(3,916)	5.3	6.8	36.4	(790)	(729)	(825)	13.3	12.7
<b>PPOP</b>											
BBCA	14,852	20,258	25,194	20.9	25.3	40.8	4,812	5,406	4,936	(8.7)	47.6
BBRI	23,754	31,677	38,784	13.3	6.0	36.4	7,595	7,924	7,106	(10.3)	(17.5)
BMRI	16,160	21,384	26,991	15.2	13.7	32.9	5,558	5,224	5,607	7.3	8.2
BBNI	8,571	11,045	13,856	(5.7)	(3.0)	38.4	3,359	2,474	2,811	13.6	9.3
BBTN	1,769	2,271	3,119	(2.7)	8.5	39.4	581	502	848	69.1	57.1
BRIS	2,689	3,600	4,387	19.4	19.7	39.4	1,022	911	787	(13.6)	21.2
<b>Provisions</b>											
BBCA	(1,342)	(1,358)	(1,340)	(50.1)	(46.4)	22.7	(1,277)	(16)	18	(212.0)	(92.0)
BBRI	(6,469)	(10,288)	(13,627)	3.0	4.0	45.6	(730)	(3,819)	(3,339)	(12.6)	7.1
BMRI	(2,426)	(3,261)	(4,231)	(8.7)	(6.4)	21.3	(971)	(835)	(970)	16.2	2.1
BBNI	(2,159)	(2,750)	(3,514)	(40.2)	(34.9)	33.8	(947)	(592)	(764)	29.1	(5.2)
BBTN	(751)	(1,101)	(1,640)	2.9	9.0	44.8	(237)	(350)	(539)	54.1	24.1
BRIS	(750)	(1,029)	(1,299)	(15.0)	(6.1)	32.5	(288)	(278)	(271)	(2.8)	56.3
<b>Net profit</b>											
BBCA	10,983	15,421	19,376	34.4	34.7	<b>42.9</b>	2,868	4,439	3,955	(10.9)	36.0
BBRI	13,796	17,054	20,125	18.1	5.1	34.7	5,442	3,258	3,071	(5.7)	(34.9)
BMRI	11,095	14,670	18,449	21.6	18.8	39.8	3,709	3,575	3,779	5.7	9.1
BBNI	5,208	6,757	8,441	14.9	15.1	<b>41.6</b>	1,976	1,549	1,684	8.7	15.9
BBTN	801	936	1,157	(6.7)	8.2	35.8	269	135	221	64.0	232.5
BRIS	1,458	1,945	2,335	45.4	38.1	<b>45.7</b>	551	487	390	(20.0)	10.5

Source : Company, KB Valbury Sekuritas

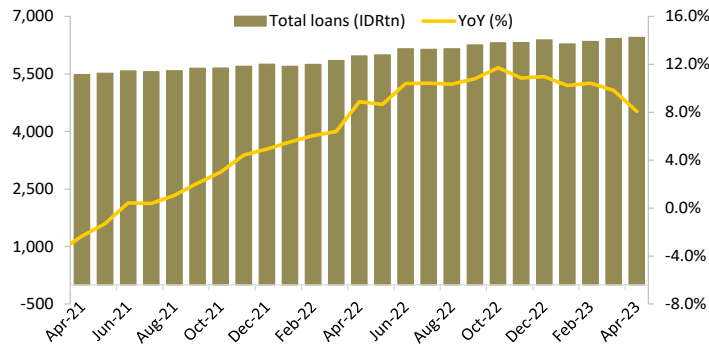
## Indonesia Banking

Figure 3: Bank stocks under coverage 5M23 key performance metrics (bank only)

Key ratio	3M22	4M22	5M22	3M23	4M23	5M23	4M YoY(%)	5M YoY(%)
<b>NIM (%)</b>								
BBCA	4.9	4.9	4.9	5.6	5.6	5.6	0.7	0.7
BBRI	6.8	7.0	7.5	6.7	6.7	6.7	(0.3)	(0.7)
BMRI	5.3	5.3	5.2	5.0	5.2	5.2	(0.1)	(0.1)
BBNI	4.7	4.8	4.8	4.7	4.6	4.6	(0.2)	(0.1)
BBTN	8.1	4.1	3.9	3.3	3.2	3.3	(0.8)	(0.6)
BRIS	5.8	5.9	5.8	5.7	5.7	5.6	(0.2)	(0.2)
<b>Earnings assets yield (%)</b>								
BBCA	5.5	5.6	5.6	6.4	6.4	6.4	0.9	0.9
BBRI	8.1	8.6	8.9	8.8	9.0	9.0	0.4	0.2
BMRI	6.6	6.5	6.5	6.9	7.0	6.9	0.5	0.3
BBNI	6.1	6.2	6.2	6.7	6.7	6.9	0.5	0.6
BBTN	6.9	6.8	6.7	7.0	6.9	7.0	0.2	0.3
BRIS	7.2	7.3	8.1	7.5	7.5	8.4	0.2	0.4
<b>Cost of funds - COF (%)</b>								
BBCA	0.7	0.7	0.7	0.9	0.9	1.0	0.2	0.2
BBRI	1.8	1.7	1.6	2.6	2.6	2.7	0.9	1.1
BMRI	1.2	1.4	1.5	1.6	2.1	2.1	0.7	0.6
BBNI	1.3	1.7	1.7	1.9	2.5	2.6	0.8	0.9
BBTN	2.6	3.3	3.3	3.4	4.4	4.4	1.1	1.1
BRIS	1.5	1.5	1.6	2.0	2.0	2.1	0.5	0.5
<b>Cost of credit - CoC (%)</b>								
BBCA	1.7	1.3	0.9	0.8	0.6	0.5	(0.7)	(0.5)
BBRI	2.9	3.0	3.2	2.4	2.9	3.0	(0.1)	(0.2)
BMRI	1.3	1.2	1.2	1.0	1.0	1.1	(0.2)	(0.2)
BBNI	2.4	2.3	2.2	1.4	1.3	1.3	(1.0)	(0.8)
BBTN	1.1	1.1	1.3	1.0	1.1	1.3	(0.1)	0.0
BRIS	2.0	2.0	1.8	1.4	1.5	1.4	(0.6)	(0.4)
<b>CASA (IDRtn)</b>								
BBCA	795,110	823,260	828,324	837,526	855,925	849,413	4.0	2.5
BBRI	713,187	735,282	729,083	809,506	794,457	767,348	8.0	5.2
BMRI	748,607	757,889	774,486	859,373	847,668	896,706	11.8	15.8
BBNI	480,219	481,437	464,587	510,704	510,983	512,763	6.1	10.4
BBTN	128,263	134,329	131,583	166,809	171,540	165,495	27.7	25.8
BRIS	109,130	72,939	75,307	93,983	95,442	93,242	30.9	23.8
<b>CASA ratio (%)</b>								
BBCA	80.5	81.1	81.3	81.9	82.0	81.6	0.9	0.3
BBRI	63.8	64.7	65.3	64.8	64.2	63.8	(0.5)	(1.4)
BMRI	75.0	75.4	76.1	79.2	79.0	78.1	3.6	2.0
BBNI	69.3	70.4	69.6	69.3	69.5	69.7	(0.8)	0.1
BBTN	44.1	44.9	44.1	52.2	53.3	52.0	8.4	7.9
BRIS	39.7	30.8	31.1	34.9	35.6	35.6	4.8	4.4
<b>LDR (%)</b>								
BBCA	62.7	63.1	63.0	67.9	67.3	68.5	4.2	5.5
BBRI	87.1	87.1	88.4	85.3	85.9	90.4	(1.2)	2.0
BMRI	84.4	85.9	85.9	85.5	87.0	84.0	1.1	(1.9)
BBNI	85.2	86.4	89.0	85.4	84.6	85.6	(1.8)	(3.4)
BBTN	85.7	84.2	84.5	83.6	83.6	85.3	(0.5)	0.8
BRIS	42.2	49.9	49.2	51.0	51.4	52.6	1.5	3.3
<b>Cost to income - CIR (%)</b>								
BBCA	35.8	34.2	36.1	34.4	33.3	33.4	(0.9)	(2.7)
BBRI	36.7	37.3	37.6	33.0	32.8	34.5	(4.5)	(3.1)
BMRI	36.4	36.6	34.7	33.5	33.4	33.1	(3.2)	(1.7)
BBNI	39.6	40.1	40.3	41.5	42.6	42.7	2.5	2.3
BBTN	56.3	57.3	56.8	54.4	55.1	53.4	(2.3)	(3.3)
BRIS	50.2	49.3	50.0	46.8	46.2	47.2	(3.1)	(2.9)

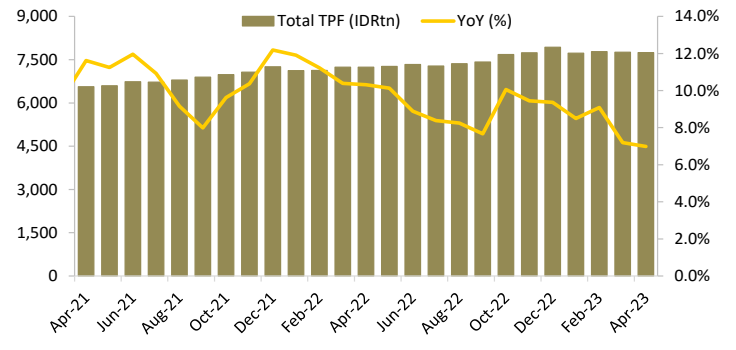
Source : Company, KB Valbury Sekuritas

**Figure 4: Total loan (IDRtn) and growth (%)**



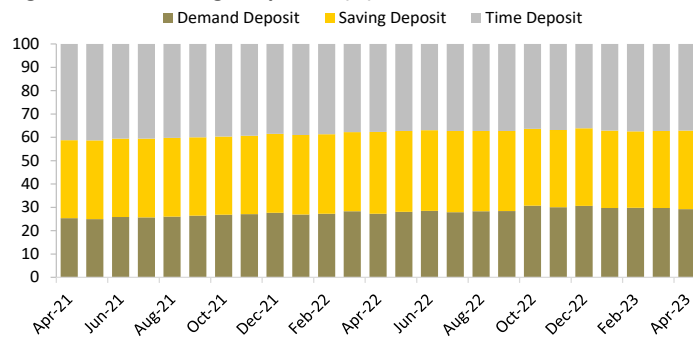
Source: Bank Indonesia, Financial Services Authority, KBVS

**Figure 5: Total TPF (IDRtn) and growth (%)**



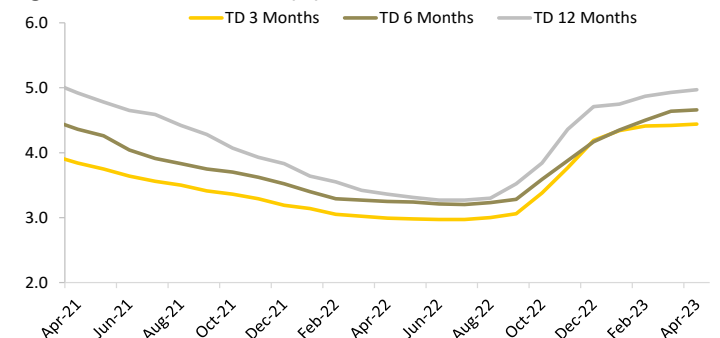
Source: Bank Indonesia, Financial Services Authority, KBVS

**Figure 6: Indo banking TPF portion (%)**



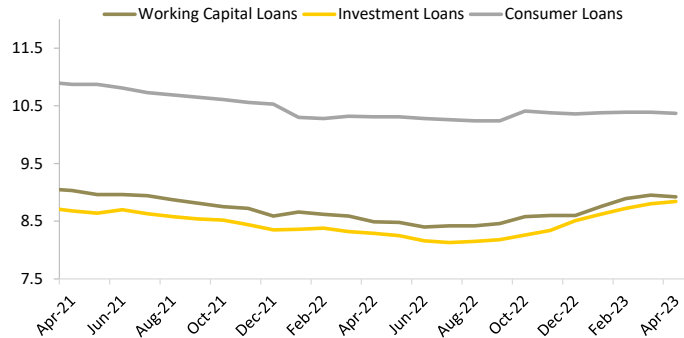
Source: Bank Indonesia, Financial Services Authority, KBVS

**Figure 7: Indo bank TD rate (%)**



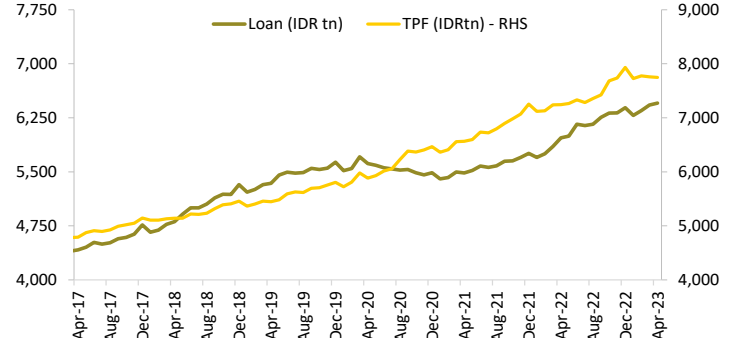
Source: Bank Indonesia, Financial Services Authority, KBVS

**Figure 8: Indo bank IDR loan yield (%)**



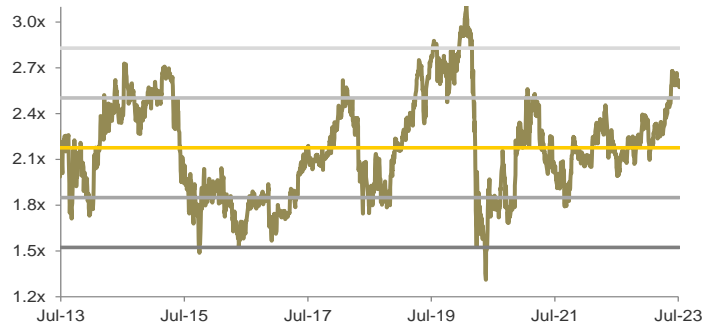
Source: Bank Indonesia, Financial Services Authority, KBVS

**Figure 9: Total loan and TPF (IDRtn)**



Source: Bank Indonesia, Financial Services Authority, KBVS

**Figure 10: BBRI trading at 2.6x '23F P/B, above +1SD 10-year historical**



Source: Company, Bloomberg, KB Valbury Sekuritas

**Figure 11: BBNI trading at 1.1x '23F P/B, below avg 10-year historical**



Source: Company, Bloomberg, KB Valbury Sekuritas

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