

Friday, 20 September 2019

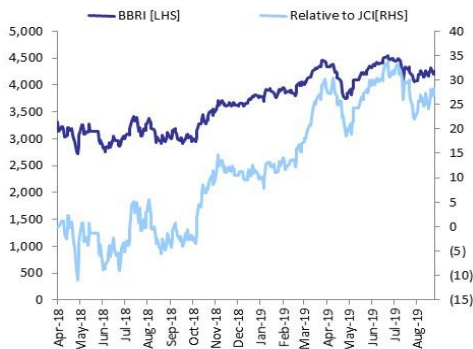
## OVERWEIGHT

Maintain

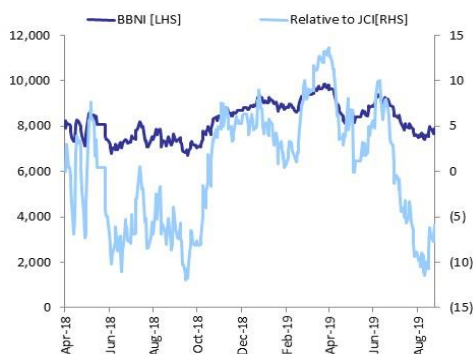
## Banking

### More policies relaxation to boost growth

BBRI relative to JCI Index



BBNI relative to JCI Index



Source : Bloomberg

BI's decision to cut its policy rate by 25bps to 5.25% had already been expected by our economist. Beside the rate cut, BI also issued four relaxation policies, ie RIM, LTV, payment system and market operation instruments. Such aims to propel stronger economic growth going forward. We see that the medium and small-sized banks, especially BUKU III banks, will be the main beneficiaries given their tighter liquidity conditions compared to the big banks. In our banking universe, BBTN is the main beneficiary given its high dependency on TD, high LDR and sizeable mortgages exposure to the low-income segment. **Maintain OVERWEIGHT, BBNI and BBTN as our top picks.**

**25bps cut in the policy rate to 5.25%.** The 25bps cut in the policy rate to 5.25% should benefit the banking system as banks would instantly adjust down their TD rate, thus meaning less pressure on their blended CoF going forward. Furthermore, the rate cut should also pave the way for stronger loans growth going forward although we expect the impact to be fully seen in 2020. There will be a time lag of six months for lending rate adjustments based on our observations. Hence, medium and small sized banks are the main beneficiaries given their sizeable TD exposure to total customer deposits.

**Relaxation of four policies.** BI also released four stimulus policies (RIM, LTV, market operation instrument on RRSBN and payment system), yet we believe only two policies have more major impact. Firstly, relaxation on Macroprudential Intermediary Ratio (RIM) by including borrowings into the funding calculation (Exhibit 1). Under the new policy, funding consists of customer deposits, securities issued and borrowings with a maturity of more than one year. BI argues there will be additional liquidity of IDR128tn from this policy relaxation. Secondly, BI relaxed the LTV to lower the down payment by 5% for mortgages and 5-10% for automotives (Exhibit 2 and 3). These two new policies will be effective starting on December 2, 2019. BI expects these policies to help propel stronger GDP growth going forward, though the impact will remain to be seen in our view.

**Medium sized banks are the main beneficiaries.** In our banking universe, Bank Tabungan Negara (BBTN IJ, BUY, TP IDR3,000) should benefit the most from both the lower policy rate cut and the relaxation of RIM and LTV. BBTN's CASA deposits accounted for 43.8% of total customer deposits with a 113.3% LDR as of June 2019. At the same time, a higher LTV on mortgages should also benefit BBTN given its greater focus on the low-income segment. BTPN Syariah (BTPS IJ, HOLD, TP IDR3,100) is another beneficiary of the lower policy rate on the back of its 80% TD contribution to total customer deposits as of June 2019.

**Maintain Overweight; BBNI and BBTN as our top picks.** We maintain our Overweight call on banks. BBNI is our top pick among the large banks given its attractive valuation with decent ROAE. Among the mid cap banks, BBTN is our top pick given its strong focus on the housing-related lending segment.



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Company	Ticker	Rec	Target Price (Rp)	Market Cap. (RpBn)	P/E (x)		P/BV (x)		ROE (%)
					2019F	2020F	2019F	2020F	2020F
Bank Rakyat Indonesia	BBRI IJ	NOT RATED	N/A	522,986.2	14.1	12.3	2.5	2.2	19.2
Bank Negara Indonesia	BBNI IJ	BUY	10,000	147,324.4	9.3	8.5	1.2	1.1	13.6
Bank Tabungan Negara	BBTN IJ	BUY	3,000	24,033.4	9.6	8.0	0.9	0.9	11.1
Bank Mandiri	BMRI IJ	BUY	9,000	336,000.0	12.0	10.8	1.7	1.6	15.1
BPD Jatim	BJTM IJ	BUY	850	9,658.6	7.1	6.7	1.1	1.0	15.4
BTPN Syariah	BTPS IJ	HOLD	3,100	25,345.2	20.6	17.0	5.2	4.2	27.2
BTPN	BTPN IJ	HOLD	3,800	18,766.0	7.5	7.7	0.9	0.9	11.7
Bank Central Asia	BBCA IJ	HOLD	33,000	753,332.3	25.4	22.6	4.3	3.8	17.9

**Exhibit 1. Relaxation on RIM policy**

Component	LDR	LFR	Previous RIM	New RIM
<b>Financing</b>	Loans/financing	Loans/financing	Loans/financing Securities owned	Loans/financing Securities owned
	Customer deposits	Customer deposits Securities issued	Customer deposits Securities issued	Customer deposits Securities issued
<b>Funding</b>				Borrowings with maturity more than one year

Source: Bank Indonesia, Danareksa sekuritas

**Exhibit 2. Relaxation on LTV policy for mortgages**

Category	Previous LTV		New LTV	
	Mortgages, murabahah and istishna agreement	MMQ and IMBT agreement	Mortgages, murabahah and istishna agreement	MMQ and IMBT agreement
<b>Landed house (sqm)</b>				
>70	80%	85%	85%	90%
21-70	85%	90%	90%	95%
<21	-	-	-	-
<b>Apartment (sqm)</b>				
>70	80%	85%	85%	90%
21-70	85%	85%	90%	90%
<21	85%	85%	90%	90%
<b>Shophouse</b>	85%	85%	90%	90%

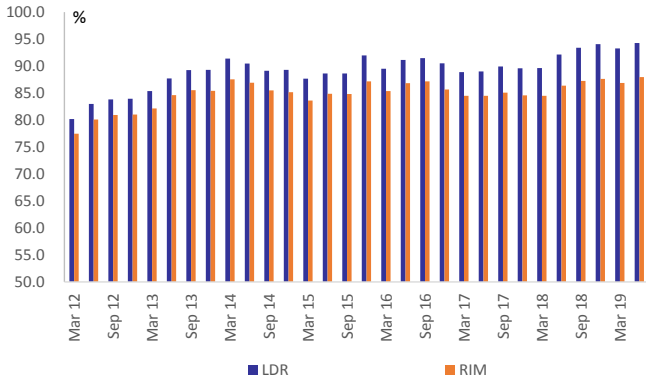
Source: Bank Indonesia, Danareksa sekuritas

**Exhibit 3. Relaxation on LTV policy for automotives**

Category	Previous LTV		New LTV	
	Below 5% gross NPL/NPF ratio	Above 5% gross NPL/NPF ratio	Below 5% gross NPL/NPF ratio	Above 5% gross NPL/NPF ratio
<b>2 wheelers</b>	20%	25%	15%	20%
<b>&gt;3 wheelers (consumption)</b>	25%	30%	15%	25%
<b>&gt;3 wheelers (productive)</b>	20%		10%	15%

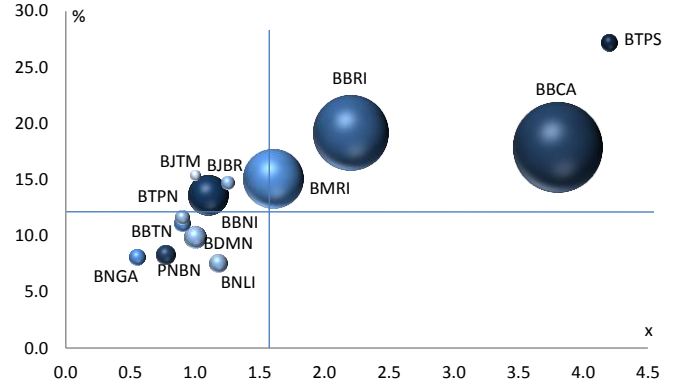
Source: Bank Indonesia, Danareksa sekuritas

**Exhibit 4. LDR and new RIM in the banking system**



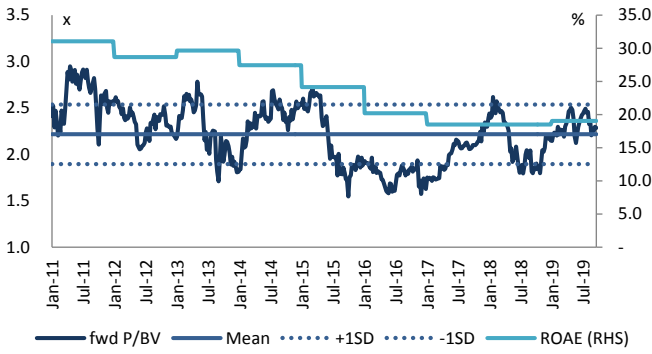
Source: OJK, Danareksa Sekuritas

**Exhibit 5. PBV ROAE MATRIX**



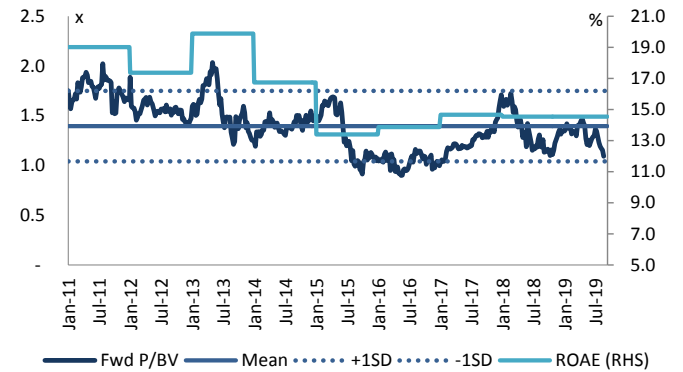
Source: Bloomberg, Danareksa Sekuritas estimates

**Exhibit 6. BBRI PBV ROAE**



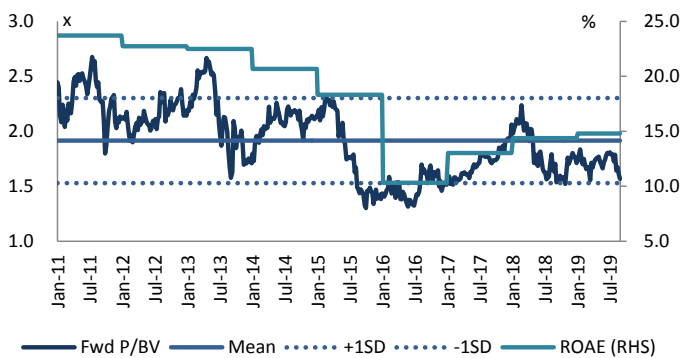
Source: Bloomberg, Danareksa Sekuritas estimates

**Exhibit 7. BBNI PBV ROAE**



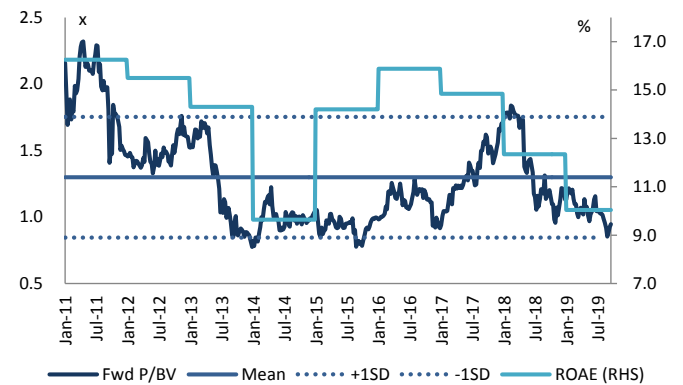
Source: Bloomberg, Danareksa Sekuritas estimates

**Exhibit 8. BMRI PBV ROAE**



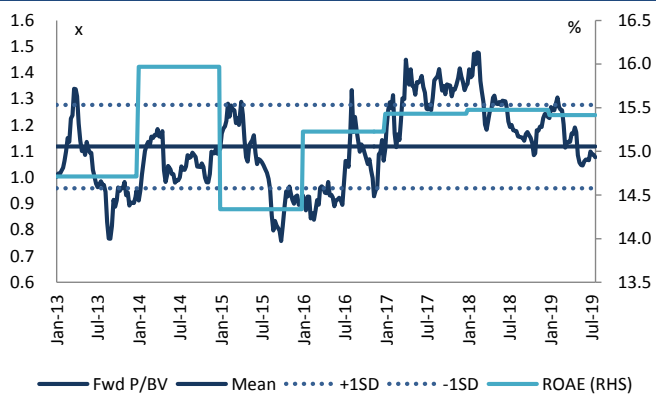
Source: Bloomberg, Danareksa Sekuritas estimates

**Exhibit 9. BBTN PBV ROAE**



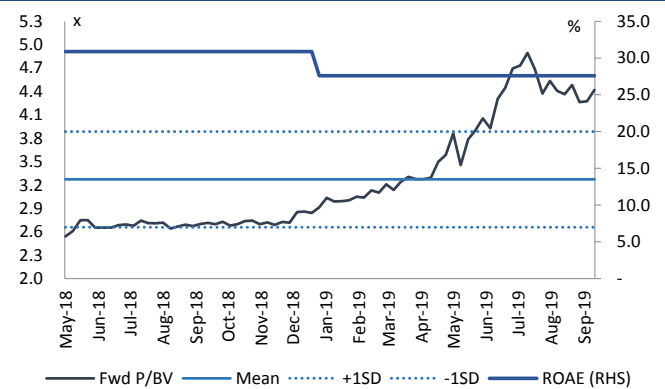
Source: Bloomberg, Danareksa Sekuritas estimates

**Exhibit 10. BJTM PBV ROAE**



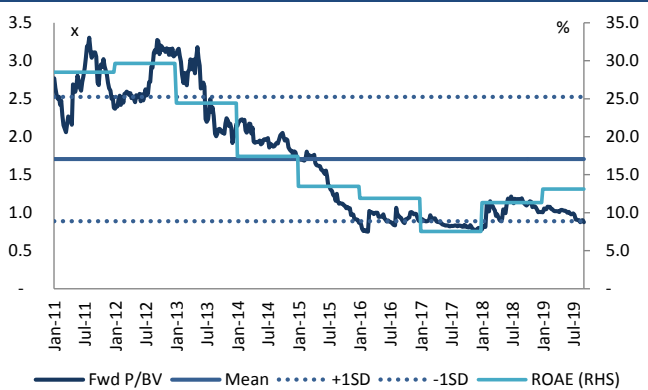
Source: Bloomberg, Danareksa Sekuritas estimates

**Exhibit 11. BTPS PBV ROAE**



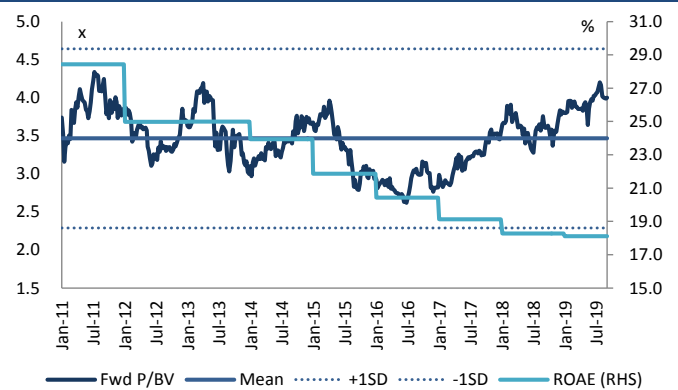
Source: Bloomberg, Danareksa Sekuritas estimates

**Exhibit 12. BTPN PBV ROAE**



Source: Bloomberg, Danareksa Sekuritas estimates

**Exhibit 13. BBKA PBV ROAE**



Source: Bloomberg, Danareksa Sekuritas estimates

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