

Wednesday, 18 May 2022

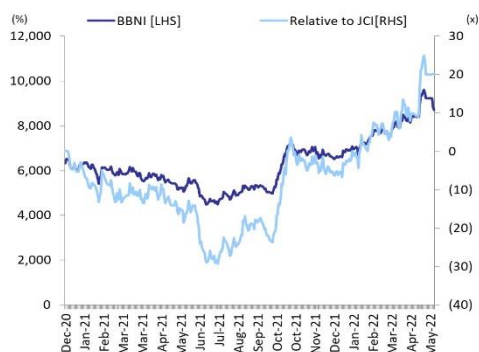
**OVERWEIGHT**

**Maintain**

## Banking

### Saving up for rainy days ahead

#### BBNI relative to JCI Index



#### BBRI relative to JCI Index



Source : Bloomberg

We maintain our **OVERWEIGHT** call on the sector with **BBNI (BUY, TP IDR10,700)** as our top pick post the inline 1Q22 set of results. Loans grew by 7.9% yoy in March 2022 with a dip in NIM by 4bps to 5.7%. While system liquidity would remain sufficient in our view (IDR626.3tn average-4 weeks by April 2022) backed by gradual shift in BI's monetary policies, i.e. upward adjustment on Reserve Requirement Ratio and higher policy rate outlook in 2H22. All in, we expect 21.1% yoy FY22F earnings growth driven by 9.5% yoy loans growth and lower credit costs of 196bps.

**1Q22 highlights.** The decent 1Q22 net profits for our universe (27.2% of our FY22F) owed to stable NIMs as most of the banks still own the ability to lower their blended CoFs amid manageable liquidity conditions within the system. On the provision expenses side, some banks front-loaded their credit costs in 1Q22 given the strong net interest income growth as well as the sound PPOP level. Among big banks, **BMRI IJ (BUY, TP IDR9,500)** is the only bank that booked NIM expansion by 19bps to 5.1% in 1Q22 on the back of a 55bps fall in the blended CoF. Additionally, asset quality gradually improved with a 3.0% gross NPLs ratio and higher NPLs coverage ratio of 240.1% as of March 2022 from the prior year's position of 3.2% and 209.8%, respectively.

**Manageable liquidity situation.** Based on our excess liquidity tracker, by April 2022, system excess liquidity reached IDR626.3tn (average-4 weeks). This figure is already down from March 2022's figure of IDR648.1tn, still ample in our view. This is also inline with BI's recent monetary policy to gradually raise its Reserve Requirement Ratio up to 6.5% in September 2022. Meanwhile, **CASA deposits** in our universe still grew by 15.3% yoy as of March 2022 as most banks opted to aggressively build their CASA deposits given a higher policy rate outlook in 2H22. With 9.5% yoy loans growth expected this year, we still prefer the four big banks as they are in a better position thanks to their sustainable CASA deposits with sizeable numbers of existing customers.

**FY22F net profits estimated to grow 21.1% yoy.** We expect FY22F's earnings to grow by 21.1% on the back of: 1) a slight expansion in the NIM to 5.8%, 2) an increase in the CoF by 11bps to 2.0% thanks to manageable liquidity, 3) 8.1% yoy growth in operating expenses resulting in a 46.1% Cost-to-Income Ratio (CIR), and 4) lower credit costs of 196bps as most banks have already front-loaded the provisions in FY20-21. If we exclude the impact from the consolidation of PNM with Pegadaian into BBRI's book, FY22F's bottom line for the banking sector is estimated to grow by 18.9% yoy.

**OVERWEIGHT: BBNI as our top pick.** BBNI (BUY, TP IDR10,700) is our top pick given its attractive valuation with strong earnings growth outlook (+47.7% yoy) and lower credit costs of 230bps.



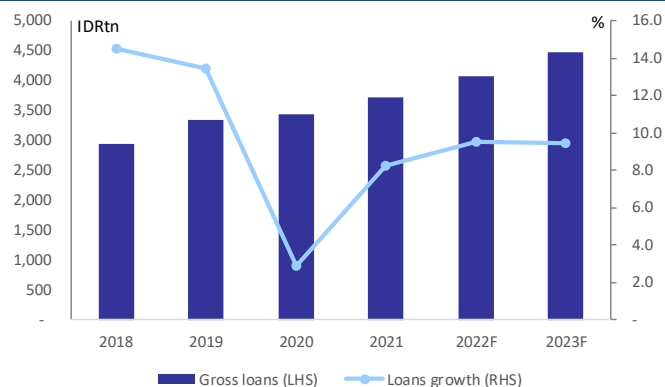
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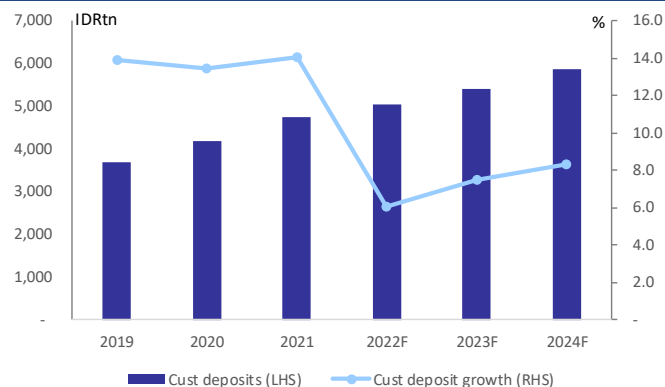
Company	Ticker	Rec	Target	Market	P/E (x)		P/BV (x)		ROE (%)
			Price (Rp)	Cap. (RpBn)	2022F	2023F	2022F	2023F	2022F
Bank Negara Indonesia	BBNI IJ	BUY	10,700	157,579	9.8	8.1	1.2	1.0	12.1
Bank Rakyat Indonesia	BBRI IJ	NOT RATED	N/A	674,440	17.1	14.4	2.2	2.1	13.2
Bank Mandiri	BMRI IJ	BUY	9,500	336,331	10.5	9.2	1.7	1.5	15.1
Bank Tabungan Negara	BBTN IJ	BUY	2,500	17,628	6.7	5.7	0.7	0.7	11.7
Bank Syariah Indonesia	BRIS IJ	BUY	1,900	59,430	15.5	12.3	2.1	1.8	14.3
BTPN Syariah	BTPS IJ	BUY	3,800	24,342	13.7	11.1	3.0	2.6	23.2
Bank Jago	ARTO IJ	BUY	20,000	105,311	364.2	152.8	11.8	11.0	3.3
BPD Jatim	BJTM IJ	BUY	900	11,329	7.2	7.0	1.0	0.9	13.9
Bank Central Asia	BBCA IJ	HOLD	7,800	912,244	25.7	22.7	4.1	3.9	16.7

**Exhibit 1. Loans and growth**



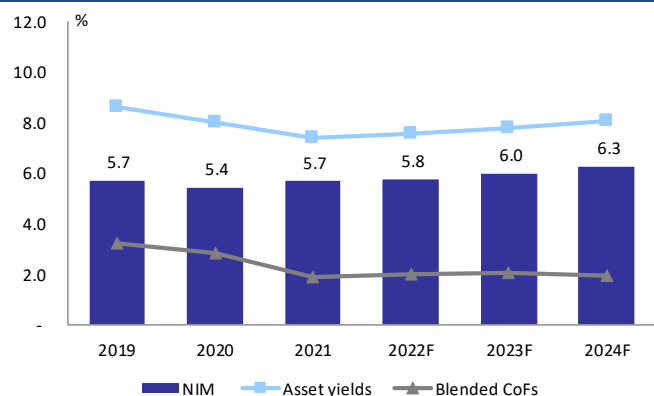
Source: Company, BRI Danareksa Sekuritas estimates

**Exhibit 2. Customer deposits and growth**



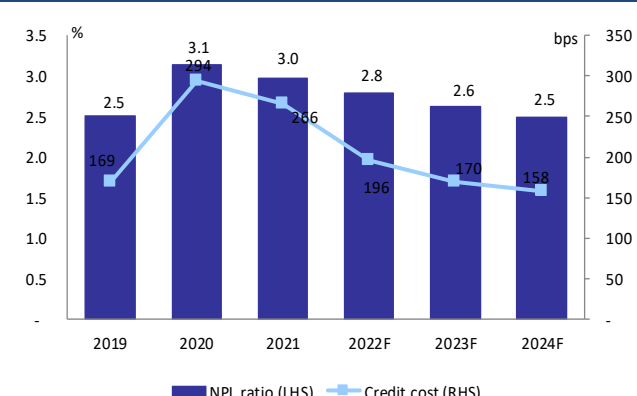
Source: Company, BRI Danareksa Sekuritas estimates

**Exhibit 3. NIMs, asset yields and blended CoFs**



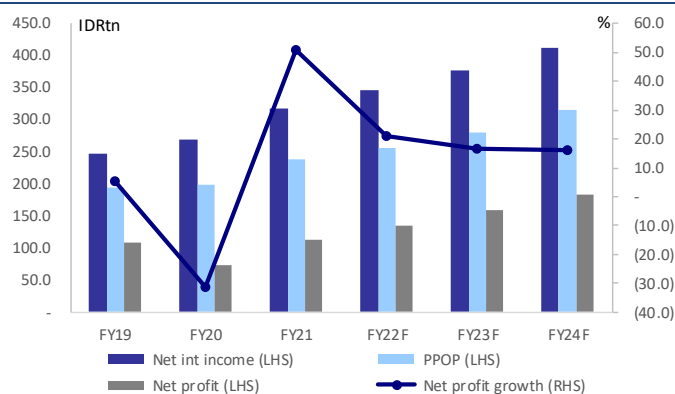
Source: Company, BRI Danareksa Sekuritas estimates

**Exhibit 4. NPLs and credit costs**



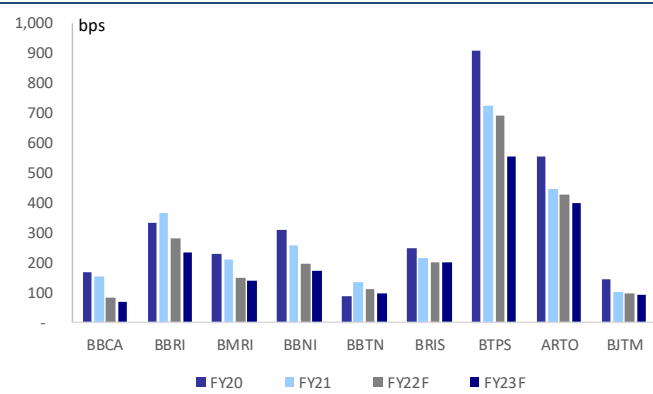
Source: Company, BRI Danareksa Sekuritas estimates

**Exhibit 5. Net interest income, PPOP and net profits**



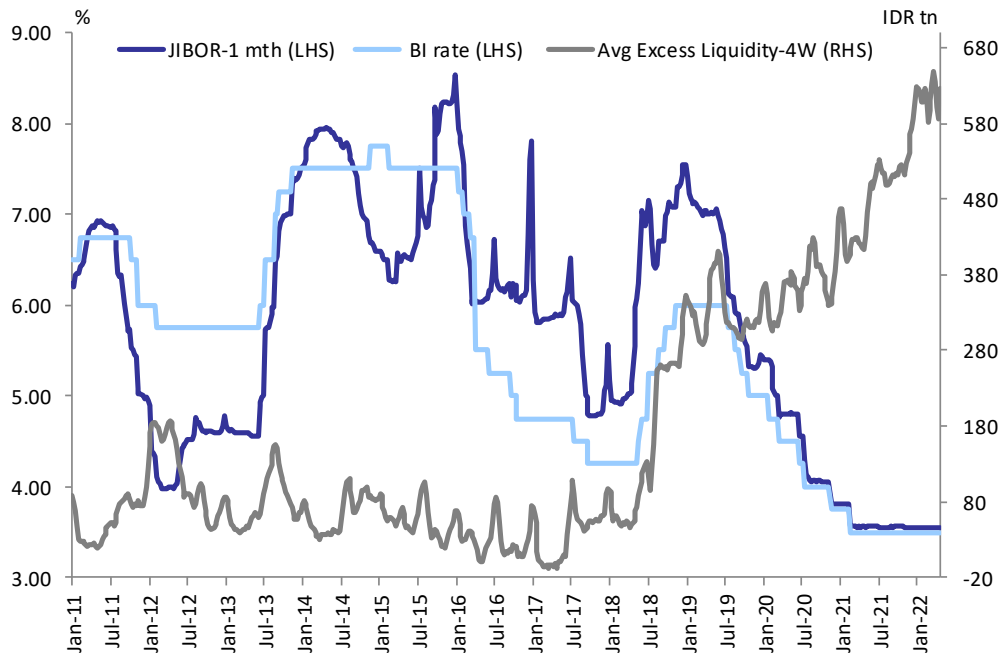
Source: Company, BRI Danareksa Sekuritas estimates

**Exhibit 6. Credit costs on our coverage**



Source: Company, BRI Danareksa Sekuritas estimates

Exhibit 7. Excess liquidity within system



Source: Bank Indonesia, BRI Danareksa Sekuritas

Exhibit 8. 1Q22's results highlights

FY End (IDR bn)	4 Big Banks		Our universe		A/F (%)	yoy growth (%)
	1Q21	1Q22	1Q21	1Q22		
Interest income	87,715	91,204	101,243	105,141		
Interest expense	(19,654)	(16,667)	(25,080)	(20,741)		
<b>Net interest income</b>	<b>68,061</b>	<b>74,537</b>	<b>76,258</b>	<b>84,689</b>	24.5	11.1
Net-II growth (%)		9.5		11.1		
Loan growth (%)		7.8		7.9		
Net interest margin (%)	5.9	5.8	5.8	5.7		
Non-interest income	27,458	30,768	28,693	32,051	24.7	11.7
<b>Total operating income</b>	<b>95,519</b>	<b>105,305</b>	<b>104,951</b>	<b>116,740</b>	24.6	11.2
Operating costs	(42,017)	(44,245)	(46,957)	(50,132)	22.9	6.8
CIR (%)	44.0	42.0	44.7	42.9		
<b>Pre-provision operating profit</b>	<b>53,502</b>	<b>61,060</b>	<b>57,994</b>	<b>66,608</b>	26.0	14.9
PPOP growth (%)		14.1		14.9		
Total provisions	(23,655)	(17,894)	(25,121)	(19,909)	26.0	(20.7)
Credit costs (bps)	310	217	285	209		
<b>Pre-tax profit</b>	<b>30,549</b>	<b>43,881</b>	<b>33,473</b>	<b>47,307</b>	26.4	41.3
<b>Net profit</b>	<b>23,095</b>	<b>34,291</b>	<b>25,247</b>	<b>36,937</b>	27.2	46.3
Net profit growth (%)		48.5		46.3		
Gross loans	3,132,523	3,377,593	3,605,657	3,890,803		7.9
Total assets	5,051,008	5,575,772	5,777,354	6,352,261		10.0
CASA deposits	2,505,962	2,886,764	2,783,089	3,208,135		15.3
Customer deposits	3,719,025	4,086,005	4,307,830	4,721,703		9.6

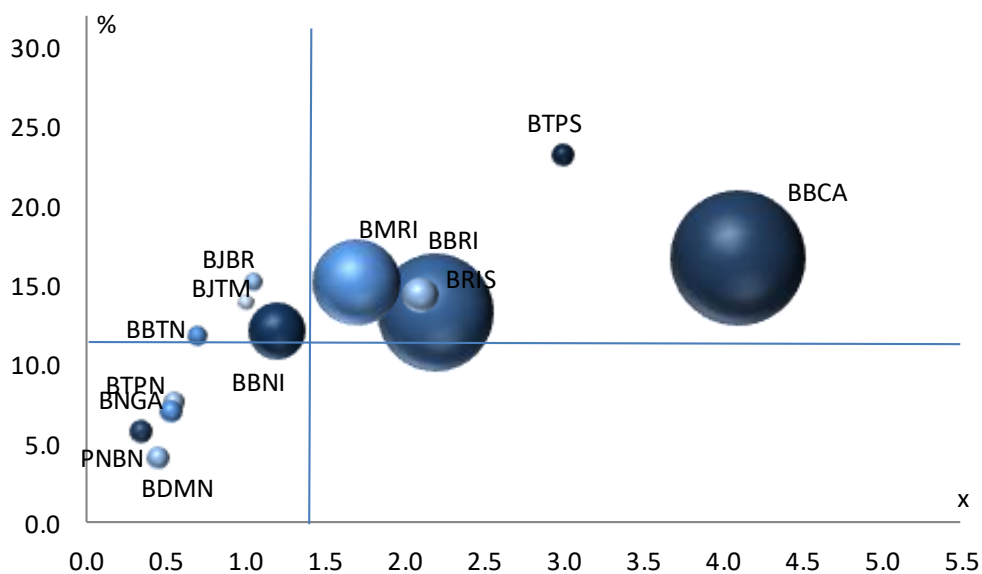
Source: Company, BRI Danareksa Sekuritas

Exhibit 9. Financial ratios 2022F for our coverage

Financial ratios	BBNI	BMRI	BBTN	BTPS	BRIS	ARTO	BJTM	BBCA
Net interest income growth (%)	7.9	12.6	1.8	13.0	10.32	118.6	1.1	4.8
Net profit growth (%)	47.7	24.5	11.2	20.9	25.8	222.1	2.8	12.9
Loans growth (%)	8.0	8.6	10.0	12.1	11.6	173.1	6.8	10.0
Assets yields (%)	6.1	6.7	7.5	29.9	7.9	11.0	8.1	6.1
Cost of funds (%)	1.7	1.8	4.0	4.0	2.0	3.6	2.8	1.1
Net Interest Margin (%)	4.5	5.1	3.6	27.3	5.9	9.3	5.5	5.1
Cost/Income Ratio (%)	43.9	43.9	55.8	37.0	52.5	52.4	54.1	39.3
Gross NPL Ratio (%)	3.2	2.5	3.4	2.1	2.8	1.5	4.4	2.3
NPL Coverage Ratio (%)	245.3	244.3	168.6	423.9	152.7	125.0	99.4	228.1
Cost of Credit (bps)	230	159	113	692	200	427	98	84
Loan to Deposit Ratio (%)	81.9	75.6	891.0	93.6	72.8	119.0	49.2	68.9
CASA Mix (%)	70.3	63.1	44.5	24.8	58.1	40.1	58.8	78.2
ROAE (%)	12.1	15.1	11.7	23.2	14.3	3.3	13.9	16.7
CAR (%)	19.2	18.9	18.3	49.9	20.4	129.5	21.7	23.5

Source: Company, BRI Danareksa Sekuritas estimates

Exhibit 10. PBV ROAE Matrix



Source: Bloomberg, BRI Danareksa Sekuritas estimates