

Banking Sector

Weather the Storm

OVERWEIGHT

20 December 2021

FY21E: kick-start the economy. The peak of Covid-19 cases as well as its adverse effect on the economy has been portrayed in the half 2021, when the government imposed a tightened large-scale social restriction (PPKM Darurat), which in turn, casted down banks' loan growth. Nevertheless, the government kept spurring economic growth through various monetary policies, e.g., low BI7DRR, such that loan growth started to sign a recovery. As of Oct-21, aggregate loan growth for banks under our coverage was c. 6% YoY, and we expect it to reach c. 9% in FY21E. Another highlight is that the government raised policy to regulate banks' capital requirement and conditions to go digital, which has led to the acquisitions of small/mini banks and their digital transformation plans.

FY22F: Interest rate hike. While liquidity remained very loose by Nov-21, we see a potential rate hike from Bank Indonesia (BI) that may start as soon as mid 2022, as current BI7DRR has already hit the lowest record and global countries start to hike rates. Overall, we view 2022 as the year of loan recovery led by working capital loan, though loan growth might not yet bounce back to desired pre-Covid mid-teens growth. We expect aggregate net loan growth for banks under our coverage to be at 10% YoY in FY22F, higher than that of BI expects to grow. Post-pandemic effect, we see prudent digitalization initiatives. E-commerce will remain one of the main economic growth drivers so we should look forward to more collaboration between e-commerce players and digital financial services providers, opening extra opportunities for banks' digital lending.

Weather the storm. As loan growth was subdued under the pandemic situation, banks under our coverage have been reserving abundant liquidity with a good CASA ratio. As of 9M21, industry CASA ratio went up by c. 2.2% YoY, while CASA/loan for banks under our coverage went up by c. 90 bps YTD. With these figures on hand and with leverage from digital apps, banks, even if the interest rate hikes, we expect banks to keep CoF stable and deliver better profitability. BBNI and BBTN will hold rights issuance in 2022 that we view as a booster to their loan growth. We believe overall asset quality will remain solid as the big banks have shown good resilience during the most difficult period of pandemic. Aggregate industry NPL/SML ratios are expected to stay below 3%/4% as major banks have already booked sufficient provisions and downgraded bad loans to NPL.

We reiterate our OVERWEIGHT stance in the banking sector with BBNI as our top pick. As recovery effort has signaled in 2021, we see current prices for the banking sector are still attractive, given the risk-reward associated. We chose BBNI as our top pick in the sector because it is the most undervalued bank among big SoE banks, in our view. Our pecking order for the banking sector is as follows: BBNI > BBTN > BMRI > BBRI > BBKA. We expect stock prices to revert back to their 5-yr average P/BV. That being said, downside risks to our call include: 1) sooner-than-expected high inflation/interest rate, 2) capital outflow triggered by fastened tapering, and 3) prolonged mobility restrictions due to pandemic.

Ticker	Rating	CP	TP	%Chg	FY22F P/BV
BBCA IJ	ADD	7,500	8,390	11.9%	4.5
BBRI IJ	BUY	4,110	4,800	16.8%	2.3
BMRI IJ	ADD	7,150	8,100	13.3%	1.7
BBNI IJ	BUY	6,750	8,250	22.2%	1.2
BBTN IJ	BUY	1,725	2,250	30.4%	1.0

Aryana Paramita

Equity Analyst

+62 21 392 5550 ext. 159

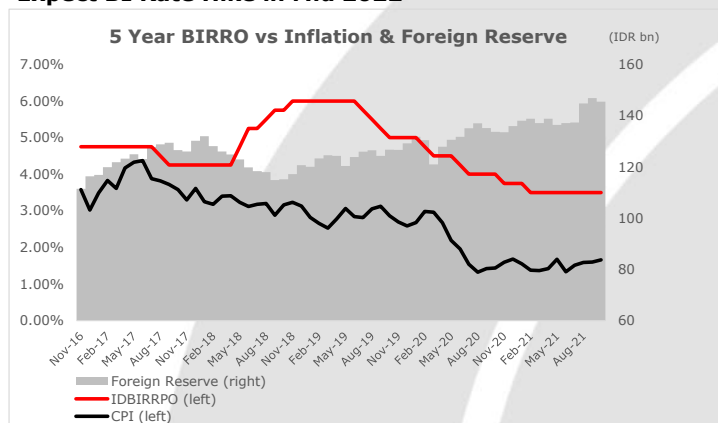
aryana.paramita@sinarmassekuritas.co.id

US Recovery. Spending and labor market growth rate recorded an increase. Household spending in Oct-21 rose by 1.3% MoM, while unemployment rate has remained low and wages have been increasing. Strong economic recovery in the US might speed up tapering even more, to tackle the inflationary pressure of which the inflation rate has reached 6.80% in Nov-21, the highest record since 1982. The central bank in November ended some of its stimulus programs. However, the emergence of new Omicron Covid variants could cause a pull back on spending and slow down the economy, easing inflation pressures and tapering urgency.

National Recovery. By Nov-21, the BI7DRR/deposit rate/lending rate are at 3.5%/2.75%/4.25%. We are expecting a national recovery in early 2022 based on several signs. First, BPS recorded an increasing overall mobility, shown by a 5.3% increase in activity at retail shops and recreation spots in November 2021, despite it still being lower than during pre-Covid situation in January 2020. Second, Indonesian PMI was recorded at 53.9 in November 2021, higher than Southeast Asia's average. Third, although we had a high inflation rate of 1.75% YoY, highest record throughout the year, this figure is within Bank Indonesia's appetite ($3\pm 1\%$), thus does not increase the urgency to hike interest rates as much as in the US. Lastly, banks started to stop increasing portions in government treasuries (SBN) which signaled improving loan disbursement.

Interest rate expectations. Money supply has grown strong and CASA/loan ratio for banks in our coverage has reached 79% as of 9M21. We expect the CASA/loan ratio to rise to c.82% in 2022. The consequence of post-pandemic recovery is ease of government financial stimulus and hawkish monetary policy. Assuming that the desired rate (that will trigger rate hike) is 3%, we expect Bank Indonesia to impose a BI7DRR hike around mid 2022 as loan growth still needs time to recover and the national foreign reserve was still firm at USD 145.5 bn in Oct-21.

Expect BI Rate Hike in Mid 2022



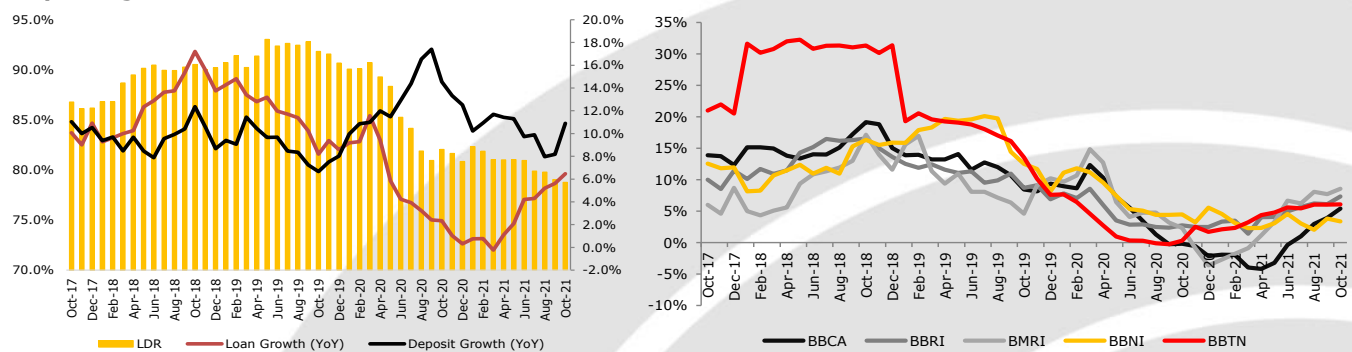
Source: Company, Sinarmas Investment Research

The Rise of Digital Banks. Digitization has been gaining popularity through word of mouth even before the Covid pandemic struck out the nation. Currently we can spot an intensified competition between banks, both private-owned and SOE. In fact, digital banks may offer high deposit rates as means of promotion for new user acquisition, since the regulator has not yet set a particular policy for digital banks. Customers, given abundant cash on hand due to social restrictions which translate to lower spending, deliberately contribute in lifting these banks' CASA ratio. Bank Jago (ARTO) has launched a sharia financing business through its digital app, targeting the digitally-untapped sharia market. While digital deposits highlight 2021, most banks have targeted to start disbursing digital loans in 2022, not to mention that we are seeing more collaboration on digital banks' effort in building the ecosystem.

BI-Fast Implementation. Bank Indonesia (BI) has implemented BI-Fast, a new retail payment system. It sets out five rules, though only two are material for banks' profitability. It impacts banks' fee-based income through 1) the limitation of interbank transfer fee at IDR2,500/transaction (vs previously at IDR6,500/transaction) and 2) switching participation fee at IDR19/transaction (vs previously at c. IDR650/transaction). The implementation starts from mobile-based transactions during the first phase, with a possibility being extended to ATM and card-based transactions. This lower interbank transfer fee is expected to translate into the cutback on banks' net other income for as much as c. 10%. Nevertheless, based on our conversation with the banks in our coverage, the reduction will be set-off by the growing number of transactions.

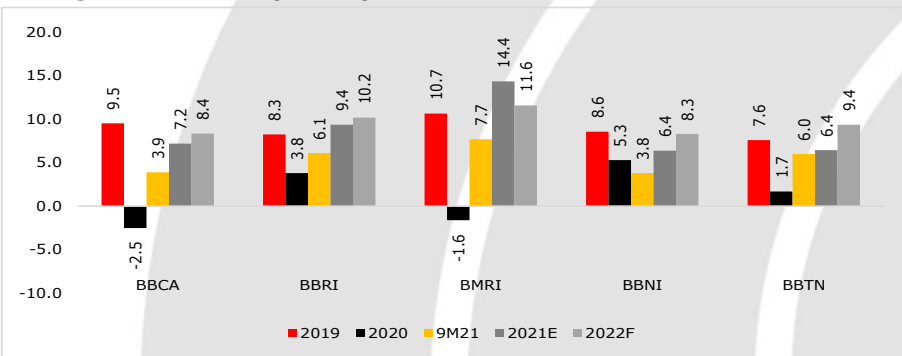
Loan expectations. As of Sep-21, except for BBRI and BBTN, other banks under our coverage missed their FY21 loan growth target. Although loan growth has not bounced back to pre-Covid level (around 13% for banks in our coverage, excluding BBTN), it has been showing an uptrend pattern since its lowest level in 1Q21 after PPKM was first enforced. As of Oct-21, loan growth was performing at 6.5%, half the desired pre-Covid level. We expect SoE banks' loan growth to come closer to industry level in the upcoming years as there were consolidations in 2021. Starting off in 2022, we see a potential inflation rate rally. Higher inflation, while being within the regulator's appetite, could be a booster for working capital loans, the highest (45%) contributor to the overall credit growth.

Improving Loan Growth



Source: Company, Sinarmas Investment Research

Loan growth Outlook (% YoY)



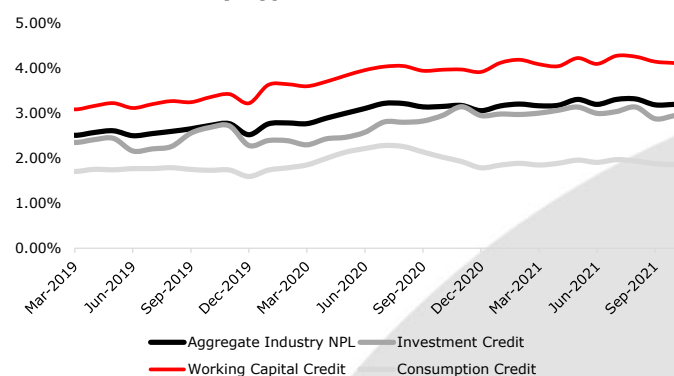
Source: Company, Sinarmas Investment Research

Valuation and share performance-wise. BBKA, BBRI, and BMRI share prices have notably returned to their pre-Covid levels, while P/BV of BBNI and BBTN P/BVs are already close to their 5-year average level. Our target prices are derived using the P/BV method and we expect the share price to re-rate once loan growth improves in 2022. Another catalyst for re-rating is digitalization. Currently, the purpose of digital app initiation might still be limited to retain customer's stickiness. However, we see the long run potential of digital app utilization as means to disburse digital loans to direct consumers or MSME.

MSME enforcement. In the effort to save MSME business during the pandemic situation, the government has been giving payment relaxation, increasing the credit limit, and facilitating interest subsidy for Micro Credit Program (KUR). The major players of this 3% interest-subsidized KUR disbursement are BBRI (66%), BMRI (15%), and BBNI (11%). As of early Nov-21, the loan has been disbursed 86% of the revised-up targeted 2021 amount, with the highest proportion targeting the micro segment.

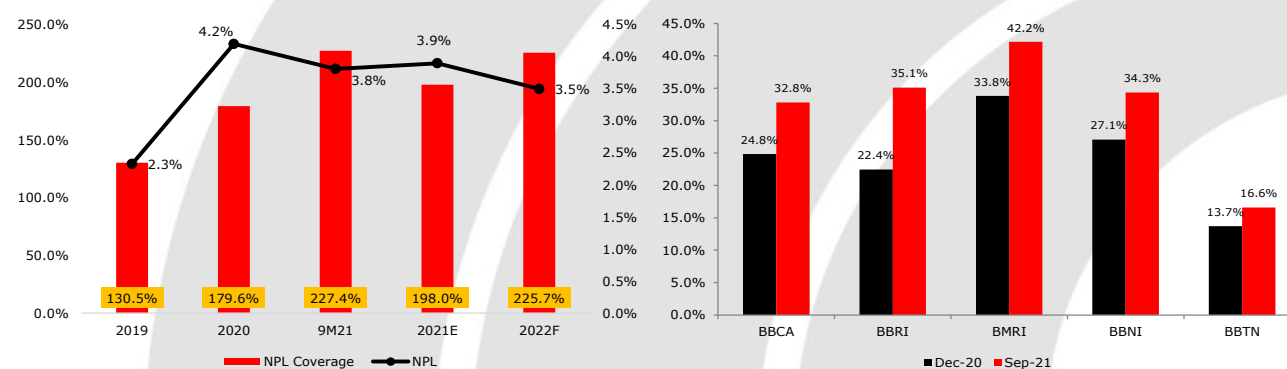
Robust NPL amid unfavorable situation. Aggregate industry NPL increased in 2022 but has been somewhat flat in 2021. It was recorded at 3.2% in Oct-21, lower than the regulator's maximum threshold of 5%, even with 2021 KUR disbursement target being revised up. BBRI, who focused on the MSME segment and disbursed more than 60% of the KUR portion, booked c. 3% NPL ratio. Aggregate industry NPL and SML ratios in 2022 are expected to stay below 3% and 4% respectively, as major banks have already booked sufficient provisions early and taken preemptive measures by downgrading bad loans to NPL. We can also see a significant drop in YTD LAR due to repayment of Covid-19 restructured loans, while the overall restructured loans themselves have been showing a declining trend since 1H21.

NPL Breakdown by Type of Credit



Source: OJK, Sinarmas Investment Research

Maintaining asset quality – NPL (left) and LAR Coverage (right)



Source: Company, Sinarmas Investment Research

Valuation Summary

Ticker	Mkt Cap (IDR Tn)	P/BV (x)		ROE		ROA	
		FY21E	FY22F	FY21E	FY22F	FY21E	FY22F
BBCA	906.1	4.5	4.5	16.8%	17.5%	2.9%	3.0%
BBRI	633.9	2.1	2.3	11.1%	12.1%	1.8%	2.2%
BMRI	334.8	1.7	1.7	13.0%	14.2%	1.7%	1.8%
BBNI	129.1	1.2	1.2	8.2%	11.3%	1.0%	1.5%
BBTN	18.8	1.0	1.0	10.1%	11.0%	0.6%	0.7%

Source: Company, Sinarmas Investment Research

We maintain our ADD rating on PT Bank Central Asia Tbk. (BBCA) with FY22F target price of IDR 8,390, which implies 4.5x FY22F P/BV (11.9% upside potential). We believe BBCA is benefited from its strong deposit franchise and CASA ratio. Although industry's deposit ratio (especially in CASA accounts) starts to slow down, we believe BBCA's CASA position will remain solid as the company has already utilized Blu. BBCA is also the most resilient bank in our coverage as it maintained its cost and asset quality quite conservatively. BBCA stock price has outperformed pre-Covid level, showing resilience on one side but a more limited upside potential on the other side. The downside risks to our call are: 1) weaker-than-expected economic recovery and 2) slow pick up on loan disbursement.

Performance forecasts. As of Sep-21, BBCA has the highest LAR Coverage ratio yet the lowest restructured loans (proportion to total loans), CoC, and NPL. This set BBCA as a quality pick for the sector, rather than a front liner in our view. Unlike its peers, we estimate BBCA's loan to grow slower at 8.4% in FY22F, holding the figure below FY19 level. On the bright side, we expect credit cost to normalize at 0.7%, even better than the management's target, as we see a declining trend of loan provisioning while net interest margin to remain flat at around 5.4%. Although BI rate hike is not favorable for most banks as it will increase the cost of fund, we do not see significant impact for BBCA because 1) deposits are concentrated in CASA, with CASA/loan ratio remains above 100% and 2) the company has put significant portion of its assets in Bank Indonesia's securities and therefore can be source of income (from the spread) while loan is still picking up slowly. However, BI-Fast implementation might keep other income (fee and commission income) growth flat from previously at 10% YoY on average.

Focus on digitalization. The objective of BBCA in launching Blu for the mass market and millennial segment is to compliment the CASA franchise. Although Blu app was initially rated the lowest among peers' apps, the management allocates budget for the app's continuous improvement which apparently has successfully touched up the rating. As of early Nov-21 (4 months since soft launching in early Jul-21), Blu has 370k customers, gathering IDR970 bn of deposits, and average daily transaction amount of more than IDR100k. However, digitalization competition is heating up as there are more mini banks being transformed into digital banks and more banks offer high interest rates for new customers acquisition. The management is currently exploring BNPL (Buy Now Pay Later) opportunities and a possibility of digital loan disbursement through Blu in the future.

Highlights (IDR tn)	2020	2021E	2022F	2023F	2024F	2025F
Total Loans	588.7	631.0	683.7	749.4	825.6	917.0
Total Deposits	834.3	943.0	1,009.6	1,094.1	1,180.2	1,280.5
Net Interest Income	54.2	59.0	63.3	69.3	75.9	82.9
Pre-provision Op. Profit	45.2	50.0	53.2	58.1	63.4	68.9
Net Income	27.1	32.8	38.1	41.9	46.5	51.1
Net Interest Margin	5.8%	5.5%	5.4%	5.4%	5.5%	5.6%
Gross NPL	1.8%	2.1%	1.6%	1.6%	1.4%	1.2%
Credit Cost	1.7%	1.3%	0.7%	0.7%	0.6%	0.5%
Return on Equity	15.1%	16.8%	17.5%	17.3%	17.3%	17.2%
Return on Asset	2.7%	2.9%	3.0%	3.1%	3.1%	3.2%

Aryana Paramita

Equity Analyst

+62 21 392 5550 ext. 159

aryana.paramita@sinarmassekuritas.co.id

Stock Information

Sector	Banking
Bloomberg Ticker	BBCA IJ
Market Cap. (IDR tn)	924.6
Share Out./Float (mn)	123.3/55.3
Current Price	7,500
FY22F Target Price	8,390
Upside	11.9%

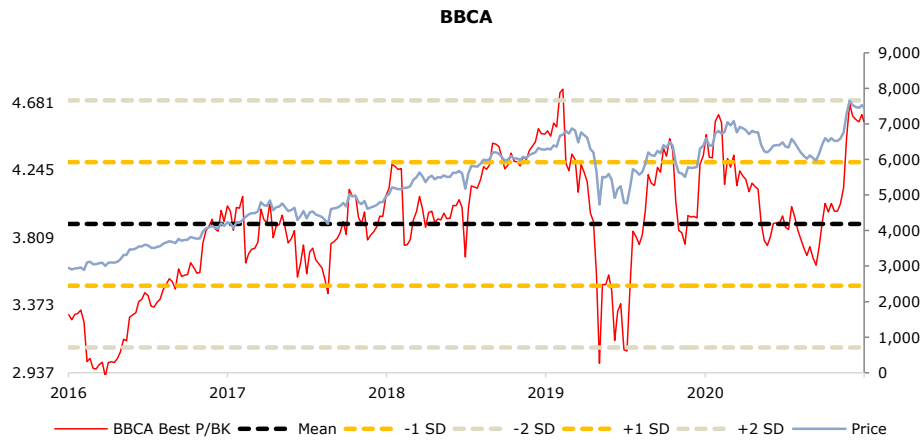
Share Price Performance

52W High (13/10/21)	8,250
52W Low (02/08/21)	5,905
52W Beta	1.1
YTD Change	10.8%

Relative Valuations

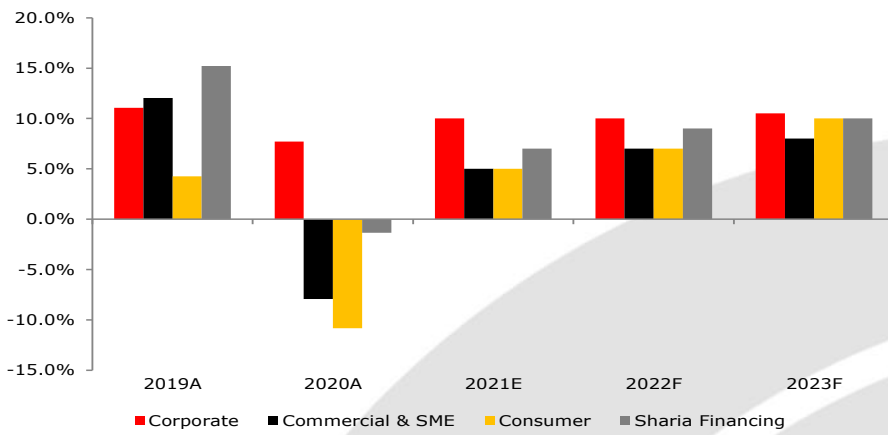
Trailing P/E	30.5
Forward P/E	30.3
Trailing P/BV	4.7x
Forward P/BV	4.5x

BBCA 5-yr Price—P/BV



Source: Bloomberg, Sinarmas Investment Research

BBCA's Loan Growth Details



Source: Company, Sinarmas Investment Research

Income Statement (IDR bn)	2020	2021E	2022F	2023F	2024F
Interest Income	65,403	71,395	77,486	85,195	93,142
% growth	2.5%	9.2%	8.5%	10.0%	9.3%
Interest Expense	11,242	12,438	14,198	15,916	17,259
% growth	-15.9%	10.6%	14.1%	12.1%	8.4%
Net Interest Income	54,161	58,957	63,288	69,280	75,883
% growth	7.3%	8.9%	7.3%	9.5%	9.5%
Other Operating Income	21,004	23,200	24,566	26,287	28,285
% growth	-0.7%	10.5%	5.9%	7.0%	7.6%
Other Operating Expense	41,597	41,133	40,232	43,152	46,099
% growth	17.7%	-1.1%	-2.2%	7.3%	6.8%
Pre-provision Operating Profit	45,197	50,039	53,217	58,057	63,354
% growth	10.6%	10.7%	6.4%	9.1%	9.1%
Net Operating Income	33,569	41,024	47,622	52,414	58,068
% growth	-7.5%	22.2%	16.1%	10.1%	10.8%
Income Before Tax Expense	33,569	41,024	47,622	52,414	58,068
% growth	-7.5%	22.2%	16.1%	10.1%	10.8%
Net Income	27,147	32,819	38,097	41,932	46,455
% growth	-5.0%	20.9%	16.1%	10.1%	10.8%

Balance Sheet (IDR bn)	2020	2021E	2022F	2023F	2024F
Cash and Equivalents	24,322	18,263	20,884	25,116	24,701
CA w/ Central Bank	27,482	37,693	37,693	34,290	36,559
CA w/ Other Banks	11,972	13,170	13,828	14,520	13,794
Interbank Placement	47,451	52,338	57,729	63,675	60,492
Total Loans - Net	547,644	589,542	639,361	702,167	775,204
Marketable Securities	146,819	148,287	149,770	151,268	152,781
Fixed Assets	21,915	23,352	24,937	26,678	28,581
Total Assets	1,075,570	1,206,801	1,303,189	1,418,190	1,537,267
Demand Deposits	228,985	270,202	293,169	322,486	353,767
Saving Deposits	413,161	471,004	501,619	541,749	585,089
Time Deposits	192,138	201,745	214,858	229,898	241,393
Total Customer Deposits	834,284	942,951	1,009,646	1,094,133	1,180,249
Deposits From Other Banks	10,163	10,671	11,205	11,765	12,353
Marketable Securities	591	561	558	556	553
Fund Borrowings	1,307	1,301	1,294	1,288	1,281
Subordinated Debts	500	500	500	500	500
Total Liabilities	890,855	1,001,095	1,073,762	1,163,563	1,254,628
Total Equity	184,715	205,706	229,427	254,627	282,639

Source: Company, Sinarmas Investment Research

Financial Ratio (%)	2020	2021E	2022F	2023F	2024F
Loan to Deposit Ratio	68.9%	65.3%	66.1%	66.8%	68.3%
Loan to Funding Ratio	67.0%	63.6%	64.4%	65.1%	66.5%
CASA Ratio	77.0%	78.6%	78.7%	79.0%	79.5%
Net Interest Margin	5.8%	5.5%	5.4%	5.4%	5.5%
Average Loan Yield	8.3%	8.5%	8.5%	8.5%	8.5%
Average Deposit CoF	1.2%	1.2%	1.2%	1.3%	1.3%
Gross NPL	1.8%	2.1%	1.6%	1.6%	1.4%
Net NPL	0.5%	0.6%	0.5%	0.5%	0.4%
Credit Cost	1.7%	1.3%	0.7%	0.7%	0.6%
Coverage Ratio	260.9%	246.2%	317.6%	306.1%	335.5%
Cost to Income Ratio	61.2%	56.6%	53.3%	53.0%	52.2%
Cost Efficiency Ratio	55.3%	50.1%	45.8%	45.2%	44.3%
Return on Equity	15.1%	16.8%	17.5%	17.3%	17.3%
Return on Asset	2.7%	2.9%	3.0%	3.1%	3.1%
EPS*	220.2	266.2	309.0	340.1	376.8
BVPS*	1,497.4	1,667.7	1,860.0	2,064.4	2,291.6

*adjusted to stocksplit 1:5

Loan Segmentation	2020	2021E	2022F	2023F	2024F
Corporate	43.3%	44.5%	45.2%	45.5%	45.9%
% NPL	38.60%	50.00%	41.10%	42.10%	42.50%
Commercial & SME	31.70%	31.10%	30.70%	30.20%	29.90%
% NPL	37.90%	30.20%	35.90%	36.00%	35.60%
Consumer	24.0%	23.5%	23.2%	23.3%	23.2%
% NPL	23.20%	19.50%	22.60%	21.60%	21.50%
Mortgage	64.00%	64.00%	64.00%	64.00%	64.00%
Vehicle	26.50%	26.50%	26.50%	26.50%	26.50%
Credit Card	9.50%	9.50%	9.50%	9.50%	9.50%
Sharia Financing	0.9%	0.9%	1.0%	1.0%	1.0%
% NPL	0.3%	0.3%	0.3%	0.3%	0.3%

Source: Company, Sinarmas Investment Research

We upgrade our call to BUY on PT Bank Rakyat Indonesia Tbk. (BBRI) with FY22F target price of IDR 4,800, which implies 2.3x FY22F P/BV (16.8% upside potential). Despite lower-than-estimated 9M21 results due to subsidiary loss, we still see BBRI as a top performing bank with a specialization in micro loans, thus we still look forward to the successful synergy of UMI holding to generate better asset yield with a better cost efficiency. We expect ROE/ROA to be around 12%/2% in FY22F. Downside risks to our call include: 1) higher-than-expected credit costs, 2) prolonged mobility restrictions, and 3) worsening NPL.

Performance forecasts. BBRI in 9M21 has already hit FY21E management's loan growth target at 6.1%. With the consolidation of UMI holdings (BBRI, PNM, and Pegadaian) since Sep-21, we expect consolidated FY22F loan growth to be at 10.2% YoY. Although NPATMI in 3Q21 shrank due to its subsidiary's loss, BBRI alone showed a strong monthly net income growth in Oct-21. This supports our thesis that BBRI will still be a good prospect once it settles on BRI Agro's business, which the management claimed to be done in early 2022. We conservatively forecast BBRI's net profit to grow by 21% in FY22F with a flat NPL figure at c. 3.2%.

Maintaining asset yield and managing costs. Standing as the strongest micro loan player in Indonesia, BBRI has increased its micro loan composition in exchange with corporate SOE loan composition. Micro KUR has contributed the most to the micro loan growth. We expect a 12.5% loan yield in FY22F. BBRI has the highest NIM among our big banks coverage and we revised up our NIM estimate to 6.8% as we expect some consolidation effect with Pegadaian and PNM. On the other hand, BBRI's consolidated CIR was increased in 9M21 due to this consolidation. However, we believe this will no longer be an issue once the operational activities are back to normal. BI-Fast implementation will give headwinds to the bank. Fee and commission income typically comprises about 50% of non-interest income, 25% of PPOP. The policy will impact transactions from mobile banking apps (BRImo and CMS), so we cut the FY22F annual growth expectation of fee and commission income to 6% YoY (vs 16% YoY in FY21E). We expect overall FY22F asset yield to reach 9.5% (+30 bps YoY).

Digitalization review. BBRI utilizes BRISPOT as means to increase loan productivity and efficiency. The integration of UMI holding enables cross-selling and joint acquisition synergy through UMI Corner. We believe should the holding be able to utilize and optimize the database, with support from digital banking, the ultra micro ecosystem will be well-established.

Highlights (IDR tn)	2020	2021E	2022F	2023F	2024F
Total Loans	942.0	1,030.2	1,135.1	1,261.6	1,403.2
Total Deposits	1,121.1	1,197.1	1,271.1	1,346.4	1,431.4
Net Interest Income	79.2	92.5	104.4	116.2	129.6
Pre-provision Op. Profit	57.4	69.2	76.9	86.9	95.1
Net Income	18.7	28.2	37.9	45.8	51.5
Net Interest Margin	6.2%	6.6%	6.8%	7.1%	7.4%
Gross NPL	2.9%	3.2%	2.7%	2.4%	2.1%
Credit Cost	3.3%	3.3%	2.5%	2.2%	2.0%
Return on Equity	9.1%	11.1%	12.1%	13.8%	14.6%
Return on Asset	1.3%	1.8%	2.2%	2.5%	2.6%

Aryana Paramita

Equity Analyst

+62 21 392 5550 ext. 159

aryana.paramita@sinarmassekuritas.co.id

Stock Information

Sector	Banking
Bloomberg Ticker	BBRI IJ
Market Cap. (IDR tn)	621.8
Share Out./Float (mn)	151.3/65.2
Current Price	4,110
FY22F Target Price	4,800
Upside	16.8%

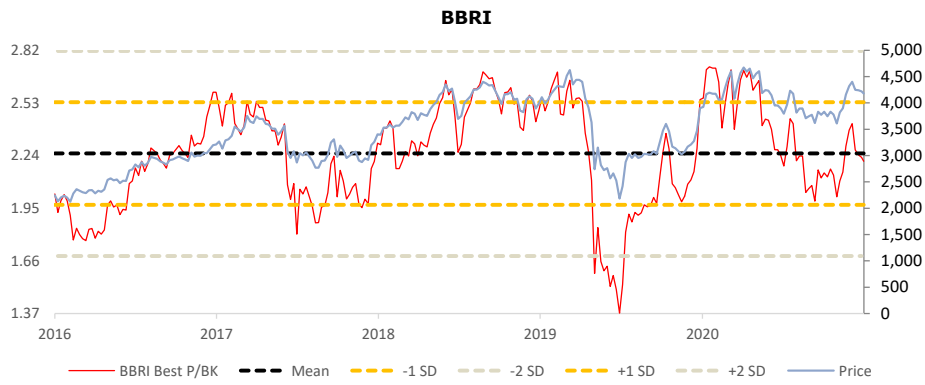
Share Price Performance

52W High (21/01/21)	4,829
52W Low (21/09/21)	3,500
52W Beta	1.5
YTD Change	1.0%

Relative Valuations

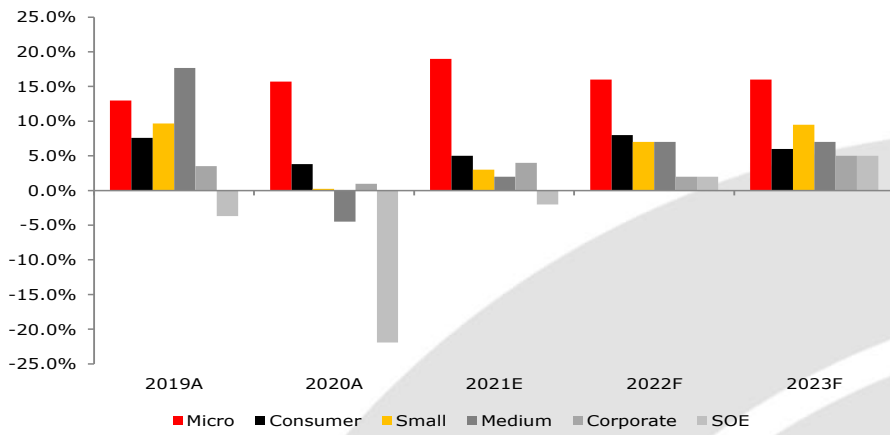
Trailing P/E	21.8
Forward P/E	20.5
Trailing P/BV	2.2x
Forward P/BV	2.3x

BBRI 5-yr Price—P/BV



Source: Bloomberg, Sinarmas Investment Research

BBRI's Loan Growth Details



Source: Company, Sinarmas Investment Research

Income Statement (IDR bn)	2020	2021E	2022F	2023F	2024F
Interest Income	87,321	92,024	102,466	111,162	121,622
% growth	-4.6%	5.4%	11.3%	8.5%	9.4%
Interest Expense	30,813	27,440	31,706	35,946	40,079
% growth	-4.0%	-10.9%	15.5%	13.4%	11.5%
Net Interest Income	56,508	64,584	70,760	75,216	81,543
% growth	-4.9%	14.3%	9.6%	6.3%	8.4%
Other Operating Income	28,670	31,604	33,170	34,969	37,277
% growth	-0.6%	10.2%	5.0%	5.4%	6.6%
Other Operating Expense	62,002	62,994	65,574	68,359	71,340
% growth	19.7%	1.6%	4.1%	4.2%	4.4%
Pre-provision Operating Profit	44,531	52,709	57,487	60,581	65,867
% growth	-7.6%	18.4%	9.1%	5.4%	8.7%
Net Operating Income	23,176	33,194	38,356	41,826	47,481
% growth	-36.4%	43.2%	15.5%	9.0%	13.5%
Income Before Tax Expense	23,298	33,194	38,356	41,826	47,481
% growth	-36.1%	42.5%	15.5%	9.0%	13.5%
Net Income	17,119	25,702	30,441	33,195	37,683
% growth	-37.7%	50.1%	18.4%	9.0%	13.5%

Balance Sheet (IDR bn)	2020	2021E	2022F	2023F	2024F
Cash and Equivalents	32,162	35,943	35,776	32,412	36,772
CA w/ Central Bank	51,531	77,296	81,161	80,350	79,546
CA w/ Other Banks	9,061	9,514	9,989	10,489	11,013
Interbank Placement	66,522	96,456	86,811	82,470	79,996
Total Loans - Net	875,166	947,777	1,047,631	1,168,606	1,304,123
Marketable Securities	327,267	376,357	383,884	375,438	356,666
Fixed Assets	32,185	33,169	34,182	35,223	36,295
Total Assets	1,511,805	1,705,003	1,812,590	1,923,934	2,050,892
Demand Deposits	185,151	188,854	194,520	201,328	208,375
Saving Deposits	460,454	506,499	551,071	589,646	630,921
Time Deposits	426,400	447,720	465,628	488,910	518,244
Total Customer Deposits	1,121,102	1,197,076	1,271,141	1,346,393	1,431,385
Deposits From Other Banks	23,786	27,354	31,457	36,176	41,602
Marketable Securities	34,489	37,593	42,480	45,241	49,766
Fund Borrowings	35,969	35,969	35,969	35,969	35,969
Subordinated Debts	1,465	1,465	1,465	1,465	1,465
Total Liabilities	1,311,893	1,399,937	1,492,063	1,582,149	1,687,303
Total Equity	199,912	305,066	320,527	341,785	363,589

Source: Company, Sinarmas Investment Research

Financial Ratio (%)	2020	2021E	2022F	2023F	2024F
Loan to Deposit Ratio	84.0%	86.1%	89.3%	93.7%	98.0%
Loan to Funding Ratio	71.5%	73.4%	76.2%	79.6%	83.1%
CASA Ratio	60.8%	61.4%	62.2%	62.4%	62.5%
Net Interest Margin	6.2%	6.6%	6.8%	7.1%	7.4%
Average Loan Yield	11.6%	12.0%	12.5%	12.7%	12.7%
Average Deposit CoF	2.9%	2.6%	2.9%	3.0%	3.1%
Gross NPL	2.9%	3.2%	2.7%	2.4%	2.1%
Net NPL	0.9%	1.2%	1.0%	0.9%	0.8%
Credit Cost	3.3%	3.3%	2.5%	2.2%	2.0%
Coverage Ratio	235.3%	243.6%	276.9%	301.1%	325.7%
Cost to Income Ratio	81.0%	78.0%	73.7%	71.5%	70.9%
Cost Efficiency Ratio	75.6%	70.3%	64.0%	61.1%	60.1%
Capital Adequacy Ratio	20.6%	27.8%	27.3%	27.6%	27.5%
Return on Equity	9.1%	11.1%	12.1%	13.8%	14.6%
Return on Asset	1.3%	1.8%	2.2%	2.5%	2.6%
EPS	151.3	186.1	250.6	302.9	340.4
BVPS	1,600.6	1,999.3	2,101.0	2,241.0	2,384.6

Loan Segmentation	2020	2021E	2022F	2023F	2024F
Micro	39.9%	43.4%	45.7%	47.7%	49.8%
% NPL	0.83%	1.60%	1.20%	1.00%	0.80%
Consumer	16.3%	15.6%	15.3%	14.6%	13.8%
% NPL	1.49%	1.90%	1.40%	1.25%	1.05%
Small	22.4%	21.1%	20.5%	20.2%	19.6%
% NPL	3.61%	4.20%	3.80%	3.30%	3.10%
Medium	2.3%	2.1%	2.1%	2.0%	1.9%
% NPL	4.61%	3.00%	4.40%	4.30%	4.20%
Corporate	10.6%	10.1%	9.3%	8.8%	8.4%
% NPL	12.58%	12.00%	11.00%	10.50%	9.85%
SOE	8.5%	7.6%	7.1%	6.7%	6.5%
% NPL	1.3%	1.0%	1.1%	1.0%	1.0%

Source: Company, Sinarmas Investment Research

We reiterate our buy call on PT Bank Mandiri Tbk. (BMRI) with FY22F target price of IDR 8,100, which implies 1.7x FY22F P/BV (13.3% upside potential). We like how BMRI manages its subsidiaries and makes them profitable to the parent entity. However, we are still expecting organic loan growth recovery. Thus, the downside risk to our call is lower-than-expected corporate loan growth.

Subsidiaries contribution. We like BMRI's quick recovery in loan disbursement. Loan growth was performing the best among peers in Sep-21, and we expect it to reach double-digit growth in FY22E as the management suggested. In 9M21, its loan mix was dominated by corporations (36%) while its higher-than-peer loan growth was mostly from subsidiaries' (20% of total loan) contribution at 74% YoY. Not only contributing to the core business, subsidiaries composed 28% of total consolidated non-interest income in 3Q21, with a similar figure on the contribution to total opex. As a result, 12% of BMRI's 9M21 NPAT came from its subsidiaries, of which 7% was from Bank Syariah Indonesia. We expect subsidiaries' FY21E loan growth to linger around 75% YoY and FY22F loan growth to normalize at low-to-mid teens.

Some pressure on loans. While corporate and micro loans stood as challenges to BMRI due to the low interest rate environment and PPKM that impacted borrower's repayment capability, the management will focus on more high-yielding segments such as SME and commercial. However, SME and commercial segments only comprised c. 6% and c. 17% of the total loan, with around 75% of NPL loans in 9M21 came from the commercial segment, so we do not expect significant rise in the overall loan yield. Key determiners of corporate loan (36% of total loan) growth are manufacturing and construction, whereas the commercial loan depends more on CPO and mining. With economic recovery and high CASA/loan ratio (86%), we expect FY22F corporate loans as BMRI's main business to grow by 10% YoY, resulting in the overall loan yield to stay around 8.5%.

Digitalization on the go. Super app Livin' will integrate all financial products from BMRI's subsidiaries. With 68% conversion rate to active users, Livin' dominated over ATM on both number and value of transactions in 2021. Fee-based income grew by 50% YoY in Sep-21. Under BI-Fast phase I implementation, BMRI will lose the receiver bank portion (45%) of interbank transfer fee, but still receive the sender bank portion (45%). The management said that the overall impact would only be around 1-2% of PPOP as the reduction will be set off by the transaction volume growth.

Highlights (IDR tn)	2020	2021E	2022F	2023F	2024F
Total Loans	892.8	1,021.1	1,139.5	1,281.0	1,437.0
Total Deposits	1,047.9	1,222.2	1,332.8	1,442.2	1,565.3
Net Interest Income	56.5	64.6	70.8	75.1	80.8
Pre-provision Op. Profit	44.5	52.7	57.6	60.5	65.1
Net Income	17.1	25.7	30.5	33.1	37.1
Net Interest Margin	4.7%	4.9%	4.8%	4.7%	4.6%
Gross NPL	3.1%	2.9%	2.9%	2.7%	2.7%
Credit Cost	2.3%	2.1%	1.8%	1.6%	1.4%
Return on Equity	8.7%	13.0%	14.2%	14.3%	14.9%
Return on Asset	1.2%	1.7%	1.8%	1.8%	1.9%

Aryana Paramita

Equity Analyst

+62 21 392 5550 ext. 159

aryana.paramita@sinarmassekuritas.co.id

Stock Information

Sector	Banking
Bloomberg Ticker	BMRI IJ
Market Cap. (IDR tn)	333.7
Share Out./Float (mn)	46.7/17.7
Current Price	7,150
FY22F Target Price	8,100
Upside	13.3%

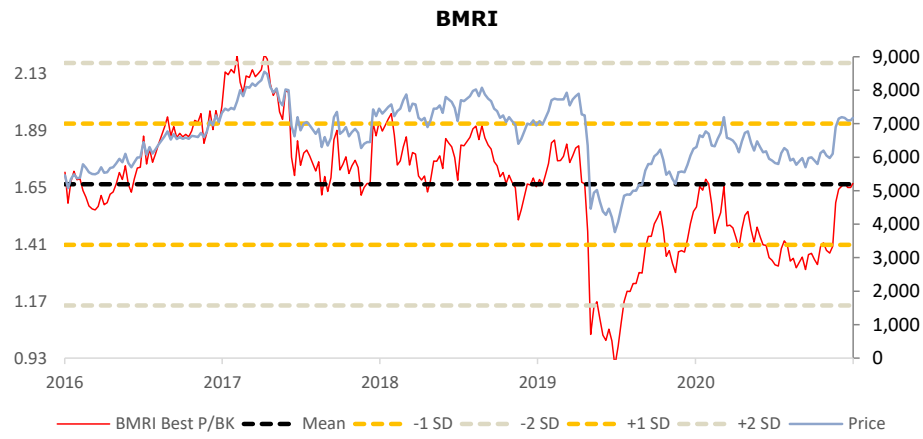
Share Price Performance

52W High (22/11/21)	7,500
52W Low (20/05/21)	5,600
52W Beta	1.5
YTD Change	13.0%

Relative Valuations

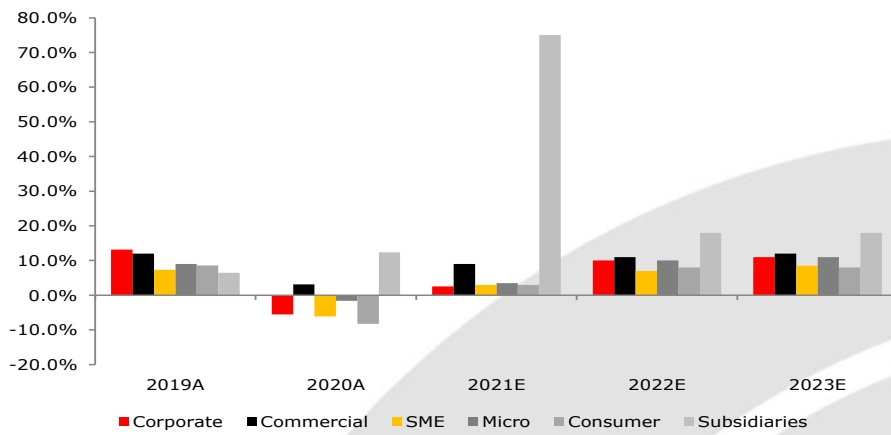
Trailing P/E	14.9
Forward P/E	13.1
Trailing P/BV	1.7x
Forward P/BV	1.7x

BMRI 5-yr Price—P/BV



Source: Bloomberg, Sinarmas Investment Research

BMRI's Loan Growth Details



Source: Company, Sinarmas Investment Research

Income Statement (IDR bn)	2020	2021E	2022F	2023F	2024F
Interest Income	87,321	92,024	102,502	111,003	120,816
% growth	-4.6%	5.4%	11.4%	8.3%	8.8%
Interest Expense	30,813	27,440	31,677	35,879	40,002
% growth	-4.0%	-10.9%	15.4%	13.3%	11.5%
Net Interest Income	56,508	64,584	70,825	75,124	80,814
% growth	-4.9%	14.3%	9.7%	6.1%	7.6%
Other Operating Income	28,670	31,604	33,170	34,969	37,277
% growth	-0.6%	10.2%	5.0%	5.4%	6.6%
Other Operating Expense	62,002	62,994	65,574	68,359	71,340
% growth	19.7%	1.6%	4.1%	4.2%	4.4%
Pre-provision Operating Profit	44,531	52,709	57,552	60,489	65,137
% growth	-7.6%	18.4%	9.2%	5.1%	7.7%
Net Operating Income	23,176	33,194	38,421	41,735	46,751
% growth	-36.4%	43.2%	15.7%	8.6%	12.0%
Income Before Tax Expense	23,298	33,194	38,421	41,735	46,751
% growth	-36.1%	42.5%	15.7%	8.6%	12.0%
Net Income	17,119	25,702	30,492	33,123	37,104
% growth	-37.7%	50.1%	18.6%	8.6%	12.0%

Balance Sheet (IDR bn)	2020	2021E	2022F	2023F	2024F
Cash and Equivalents	24,683	21,086	26,275	23,004	23,525
CA w/ Central Bank	49,639	47,157	47,628	48,581	49,552
CA w/ Other Banks	23,977	25,176	24,421	23,200	22,040
Interbank Placement	79,767	119,650	117,257	112,567	105,813
Total Loans - Net	807,874	929,511	1,043,033	1,180,786	1,334,583
Marketable Securities	79,901	89,489	93,963	96,782	99,686
Government Bonds	159,691	191,629	197,378	195,404	193,450
Fixed Assets	46,728	48,559	50,682	53,055	55,712
Total Assets	1,429,334	1,641,046	1,783,203	1,925,238	2,084,815
Demand Deposits	304,450	386,652	460,116	529,133	608,503
Saving Deposits	351,362	421,635	442,716	464,852	492,743
Time Deposits	307,781	317,015	323,355	333,056	339,717
Total Customer Deposits	963,594	1,125,301	1,226,187	1,327,041	1,440,963
Deposits From Other Banks	6,670	7,305	8,000	8,761	9,595
Marketable Securities	38,111	41,923	46,115	50,726	55,799
Fund Borrowings	52,811	55,451	56,560	57,691	58,845
Subordinated Debts	651	664	677	691	705
Total Liabilities	1,235,538	1,420,730	1,544,536	1,668,183	1,806,659
Total Equity	193,796	220,316	238,667	257,055	278,156

Source: Company, Sinarmas Investment Research

Financial Ratio (%)	2020	2021E	2022F	2023F	2024F
Loan to Deposit Ratio	85.2%	83.5%	85.5%	88.8%	91.8%
Loan to Funding Ratio	78.0%	77.2%	79.4%	82.6%	85.5%
CASA Ratio	68.1%	71.8%	73.6%	74.9%	76.4%
Net Interest Margin	4.7%	4.9%	4.8%	4.7%	4.6%
Average Loan Yield	8.5%	8.5%	8.5%	8.2%	8.0%
Average Deposit CoF	2.6%	2.0%	2.1%	2.2%	2.2%
Gross NPL	3.1%	2.9%	2.9%	2.7%	2.7%
Net NPL	0.4%	0.7%	0.7%	0.5%	0.6%
Credit Cost	2.3%	2.1%	1.8%	1.6%	1.4%
Coverage Ratio	229.5%	228.7%	211.0%	202.3%	175.9%
Cost to Income Ratio	81.2%	74.9%	73.5%	73.2%	72.3%
Cost Efficiency Ratio	71.9%	64.7%	62.3%	61.3%	59.7%
Capital Adequacy Ratio	19.9%	19.8%	19.1%	19.5%	19.4%
Return on Equity	8.7%	13.0%	14.2%	14.3%	14.9%
Return on Asset	1.2%	1.7%	1.8%	1.8%	1.9%
EPS	366.8	550.8	653.4	709.8	795.1
BVPS	4,053.1	4,421.9	4,779.3	5,133.1	5,540.2

Loan Segmentation	2020	2021E	2022F	2023F	2024F
Corporate	38.6%	34.6%	34.1%	33.7%	33.0%
Commercial	17.5%	16.7%	16.6%	16.5%	16.5%
SME	6.2%	5.6%	5.4%	5.2%	5.0%
Micro	13.5%	12.2%	12.0%	11.9%	11.8%
KUR	34.6%	41.0%	41.0%	41.0%	41.0%
KUM	10.8%	9.0%	9.0%	9.0%	9.0%
KSM	54.6%	50.0%	50.0%	50.0%	50.0%
Consumer	9.7%	8.7%	8.5%	8.1%	7.8%
Subsidiaries	14.5%	22.2%	23.5%	24.6%	25.9%

Source: Company, Sinarmas Investment Research

We reiterate our buy call on PT Bank Negara Indonesia (BBNI) with FY22F target price of IDR 8,250, which implies 1.2x FY22F P/BV (22.2% upside potential). BBNI is our sector pick as we see attractive valuation with a good angle on digitalization. We also expect rights issuance to boost loan growth in 2022. Downside risks to our call include: 1) higher-than-expected credit cost and 2) slower-than-expected loan recovery

Rights issuance. 2021 issuance of subordinated bonds amounted at USD 500 mn and perpetual bonds of USD 600 mn have raised BBNI's CAR to 20.0% in Oct-21 and Tier-1 capital to 17.9%. Thus, BBNI will unlikely to hold rights issuance at the original amount of IDR11.7 tn. With the PMN (Penyertaan Modal Negara) from the government confirmed at IDR3.5 tn, we estimate the rights issue amount to be no more than IDR5.8 tn. Noteworthy is that based on our conversation with the company, BBNI is not rushing this rights issuance and only aiming for 1-2% increase in capital ratio.

Loan strategy. BBNI recorded the lowest figure of loan growth among other banks in our coverage as of 10M21, which was only at 3.3% YoY, far from FY21E management guideline at 5%—7% YoY. That being said, BBNI is still our top pick because we acknowledge management's strategy to focus on three segments: 1) KUR, which is being enforced by the government, 2) private corporation, by targeting top-tier debtors acquisition, and 3) payroll loan, which apparently has potential cross-selling opportunities between institutional client and corporate client. The management projects corporate/commercial/small/consumer FY22F loan growth to be at around 9%/5.5%/10%/10% YoY, totaling to 7%—10% YoY aggregate loan growth. We forecast 8.3% YoY loan growth in FY22F.

Going digital. With the acquisition of Bank Mayora, BBNI committed to partnering with SEA Ltd to become stronger in digitalization. Outside this acquisition table, BBNI has already had another special collaboration with Shopee, one of the largest e-commerce players in South East Asia. Though BNI Xplora program, BBNI will channel MSME products to Shopee platform. This will enable selected MSME players (who joined the Xplora program) to market their products internationally after receiving training from BBNI. BBNI also has increasing a number of digital clients on BNI Open API and BNI Direct platforms. Their contribution to the fee-based income kept increasing and reached 76% in 3Q21. However, BI-Fast implementation is estimated to drag down around 10% of the fee-based income, though will be set-off by the growth that typically ranges between 10% and 15% YoY.

Highlights (IDR tn)	2020	2021E	2022F	2023F	2024F	2025F
Total Loans	586.2	623.7	675.6	734.5	799.2	874.0
Total Deposits	679.8	723.8	785.0	849.2	916.0	991.1
Net Interest Income	37.2	43.4	46.7	49.7	53.0	58.6
Pre-provision Op. Profit	27.8	33.5	37.8	39.3	41.5	45.9
Net Income	3.3	9.7	14.7	17.4	18.7	21.8
Net Interest Margin	4.6%	5.1%	5.0%	4.9%	4.8%	4.9%
Gross NPL	4.2%	3.9%	3.5%	3.3%	3.0%	3.0%
Credit Cost	3.7%	3.3%	2.8%	2.3%	2.2%	2.1%
Return on Equity	2.8%	8.2%	11.3%	11.9%	11.7%	12.5%
Return on Asset	0.4%	1.0%	1.5%	1.6%	1.6%	1.7%

Aryana Paramita

Equity Analyst

+62 21 392 5550 ext. 159

aryana.paramita@sinarmassekuritas.co.id

Stock Information

Sector	Banking
Bloomberg Ticker	BBNI IJ
Market Cap. (IDR tn)	125.9
Share Out./Float (mn)	18.7/7.5
Current Price	6,750
FY22F Target Price	8,250
Upside	22.2%

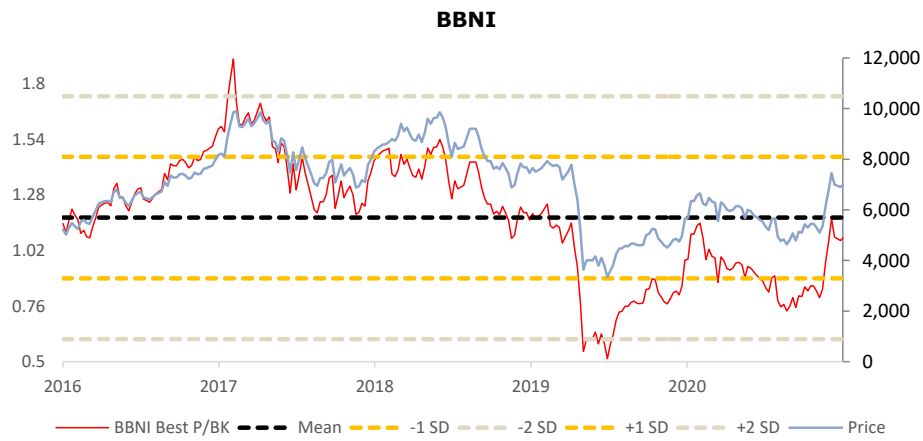
Share Price Performance

52W High (25/10/21)	7,575
52W Low (29/06/21)	4,560
52W Beta	1.8
YTD Change	9.3%

Relative Valuations

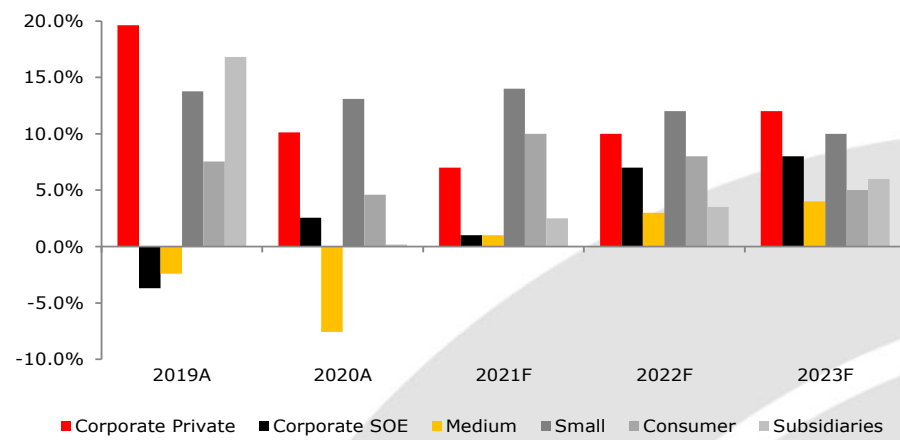
Trailing P/E	18.7
Forward P/E	12.7
Trailing P/BV	1.1x
Forward P/BV	1.2x

BBNI 5-yr Price—P/BV



Source: Bloomberg, Sinarmas Investment Research

BBNI's Loan Growth Details



Source: Company, Sinarmas Investment Research

Income Statement (IDR bn)	2020	2021E	2022F	2023F	2024F
Interest Income	56,173	57,790	65,383	71,770	78,060
% growth	-4.0%	2.9%	13.1%	9.8%	8.8%
Interest Expense	19,021	14,373	18,643	22,031	25,021
% growth	-13.3%	-24.4%	29.7%	18.2%	13.6%
Net Interest Income	37,152	43,417	46,740	49,739	53,040
% growth	1.5%	16.9%	7.7%	6.4%	6.6%
Other Operating Income	13,413	14,194	16,638	16,724	17,498
% growth	-2.2%	5.8%	17.2%	0.5%	4.6%
Other Operating Expense	50,664	51,086	50,859	51,076	53,839
% growth	37.0%	0.8%	-0.4%	0.4%	5.4%
Pre-provision Operating Profit	27,822	33,508	37,819	39,322	41,493
% growth	-1.8%	20.4%	12.9%	4.0%	5.5%
Net Operating Income	5,231	12,175	18,565	21,916	23,620
% growth	-73.2%	132.7%	52.5%	18.0%	7.8%
Income Before Tax Expense	5,112	12,175	18,565	21,916	23,620
% growth	-73.6%	138.2%	52.5%	18.0%	7.8%
Net Income	3,280	9,652	14,718	17,375	18,726
% growth	-78.7%	194.2%	52.5%	18.0%	7.8%

Balance Sheet (IDR bn)	2020	2021E	2022F	2023F	2024F
Cash and Equivalents	17,324	16,864	20,135	22,325	17,788
CA w/ Central Bank	35,066	37,170	39,400	41,764	44,270
CA w/ Other Banks	16,108	17,719	19,490	21,439	22,511
Interbank Placement	61,329	70,529	81,108	85,163	86,015
Total Loans - Net	541,979	575,538	622,276	677,985	739,044
Marketable Securities	29,687	30,280	31,189	32,124	34,212
Government Bonds	90,659	106,525	119,521	129,680	148,484
Fixed Assets	27,362	27,193	27,070	26,869	26,706
Total Assets	891,337	956,104	1,041,110	1,126,201	1,214,374
Demand Deposits	224,663	247,129	274,313	304,488	331,892
Saving Deposits	223,686	246,054	275,581	303,139	327,390
Time Deposits	199,223	195,239	196,215	198,177	208,086
Total Customer Deposits	679,801	723,814	785,040	849,211	915,984
Deposits From Other Banks	9,023	9,068	9,250	10,174	10,276
Marketable Securities	2,985	2,985	2,994	3,006	3,021
Fund Borrowings	44,114	48,688	51,123	54,701	58,804
Subordinated Debts	100	8,700	8,700	8,700	8,700
Total Liabilities	778,465	834,248	901,475	973,442	1,047,930
Total Equity	112,872	121,856	139,635	152,759	166,444

Source: Company, Sinarmas Investment Research

Financial Ratio (%)	2020	2021E	2022F	2023F	2024F
Loan to Deposit Ratio	86.2%	86.2%	86.1%	86.5%	87.2%
Loan to Funding Ratio	80.6%	80.4%	80.5%	81.0%	81.7%
CASA Ratio	69.2%	71.6%	73.7%	75.4%	76.0%
Net Interest Margin	4.6%	5.1%	5.0%	4.9%	4.8%
Average Loan Yield	9.1%	9.0%	9.5%	9.5%	9.5%
Average Deposit CoF	2.6%	1.8%	2.2%	2.4%	2.5%
Gross NPL	2.5%	1.8%	2.1%	2.4%	2.5%
Net NPL	4.2%	3.9%	3.5%	3.3%	3.0%
Credit Cost	0.9%	1.3%	1.2%	1.0%	1.0%
Coverage Ratio	3.7%	3.3%	2.8%	2.3%	2.2%
Cost to Income Ratio	179.6%	198.0%	225.7%	233.3%	250.8%
Cost Efficiency Ratio	90.6%	80.8%	73.3%	70.0%	69.5%
Capital Adequacy Ratio	16.8%	17.9%	17.9%	18.1%	18.3%
Return on Equity	2.8%	8.2%	11.3%	11.9%	11.7%
Return on Asset	0.4%	1.0%	1.5%	1.6%	1.6%
EPS	176.1	518.0	756.3	892.8	962.2
BVPS	5,914.0	6,388.9	7,023.3	7,690.0	8,385.3

Loan Segmentation	2020	2021E	2022F	2023F	2024F
Corporate Private	34.1%	34.3%	34.8%	35.9%	36.9%
Corporate SOE	18.7%	17.8%	17.5%	17.4%	17.3%
Medium	11.5%	10.9%	10.4%	9.9%	9.5%
Small	14.5%	15.5%	16.1%	16.3%	16.4%
Consumer	15.3%	15.8%	15.8%	15.2%	14.7%
Mortgage	51.2%	51.0%	51.0%	51.0%	51.0%
Payroll Loan	33.7%	35.5%	36.0%	36.0%	36.0%
Credit Card	12.9%	11.5%	11.0%	11.0%	11.0%
Others	2.1%	2.0%	2.0%	2.0%	2.0%
Subsidiaries	5.9%	5.7%	5.4%	5.3%	5.2%

Source: Company, Sinarmas Investment Research

We reiterate our buy call on PT Bank Tabungan Negara. (BBTN) with FY22F target price of IDR 2,250, which implies 1.0x FY22F P/BV (30.1% upside potential). Even in a pandemic situation when the property industry was hampered, BBTN was still a consistent major player in FLPP subsidized mortgages. Mortgage loans booked lower NPL in Sep-21, even better than in FY19. For this reason, we believe the macroeconomic recovery momentum will benefit BBTN in the following year, supporting its loan growth especially in the subsidized and unsubsidized mortgage segment. Downside risks to our call include: 1) prolonged pandemic situation, 2) lower-than-expected NIM, and 3) lower mortgage demand.

Rights issuance. BBTN is planning to hold rights issue of IDR3.3 tn, we assume government capital injection to be c. IDR2tn (60%) while the remaining amount will be public participation. This rights issue should support BBTN's tier-1 ratio (at 13.5% as of 3Q21, lowest among banks in our coverage) and improve loan growth to c. 9.4% in FY22F, above 2019 level. We expect BBTN's ROE to also improve to around 10.5% in FY22F-23F (vs 5-year average of 8.9%).

Good performance amid rough conditions. Among other banks in our coverage, BBTN recorded a consistent increasing NIM, fulfilling 2021 target. We expect FY22F asset yield to be 6.9% as the loan growth driven by subsidized mortgage and consumer loans is picking up. Net interest income is expected to grow by 13% in FY22F vs 11% in FY21E. We like BBTN as it managed to prevent excessive deposit growth while its loan growth is still recovering. Subsidized mortgage is the largest contributor to loan which as signaled by the national's mortgage growth, is expected to grow by 9.4% in FY22F. While we do not see much room left for further TD rate cut, we believe BBTN has already had enough CASA ratio (45% by 10M21) to act as a buffer towards the increasing CoF in the near future.

Digital hype. Abide by the Digital Roadmap Plan, management continues to enrich features in BTN Mobile. As of 3Q21, mobile banking users/transactions grew by c. 15%/35% YTD and c. 26%/95% YoY, which translated to an average transaction of IDR3.4 mio per user (vs IDR2.6 mio per user last year). BBTN also began lending MSME housing related loans through its web portal BTN Properti. This was supported by digiKu (Digital Kredit UMKM), a government program that involves SOE Banks to support online loan applications. BBTN offers 6% effective interest rate on working capital loan for MSME. However, the credit platform is limited to IDR25 mio, the lowest among other SOE banks' offerings.

Highlights (IDR tn)	2020	2021E	2022F	2023F	2024F
Total Loans	260.1	276.9	302.9	337.8	384.0
Total Deposits	279.0	301.1	330.6	369.4	417.4
Net Interest Income	8.9	10.2	11.4	12.5	14.1
Pre-provision Op. Profit	4.6	5.9	7.1	8.0	9.5
Net Income	1.6	2.1	2.7	3.2	4.1
Net Interest Margin	3.5%	3.9%	4.1%	4.0%	4.0%
Gross NPL	4.4%	4.0%	4.0%	3.7%	3.6%
Credit Cost	0.9%	1.1%	1.1%	1.1%	1.0%
Return on Equity	7.3%	10.1%	11.0%	11.0%	12.5%
Return on Asset	0.5%	0.6%	0.7%	0.7%	0.8%

Aryana Paramita

Equity Analyst

+62 21 392 5550 ext. 159

aryana.paramita@sinarmassekuritas.co.id

Stock Information

Sector	Banking
Bloomberg Ticker	BBTN IJ
Market Cap. (IDR tn)	18.3
Share Out./Float (mn)	10.6/4.2
Current Price	1,725
FY22F Target Price	2,250
Upside	30.4%

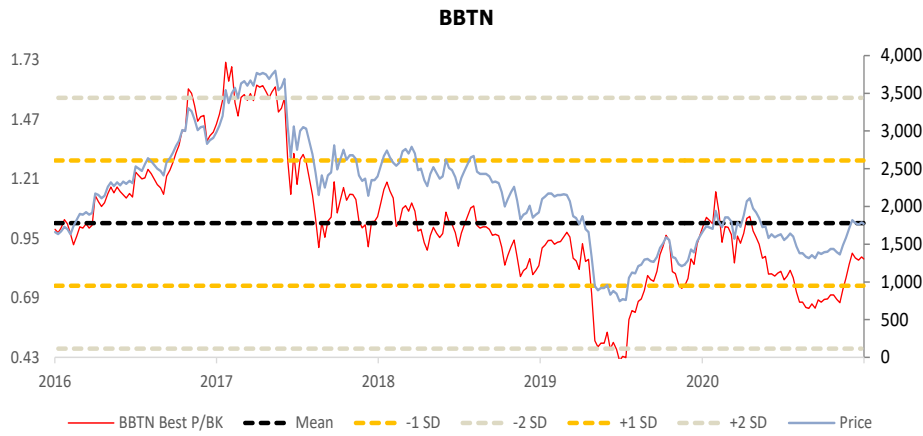
Share Price Performance

52W High (02/03/21)	2,180
52W Low (14/07/21)	1,220
52W Beta	1.8
YTD Change	0.0%

Relative Valuations

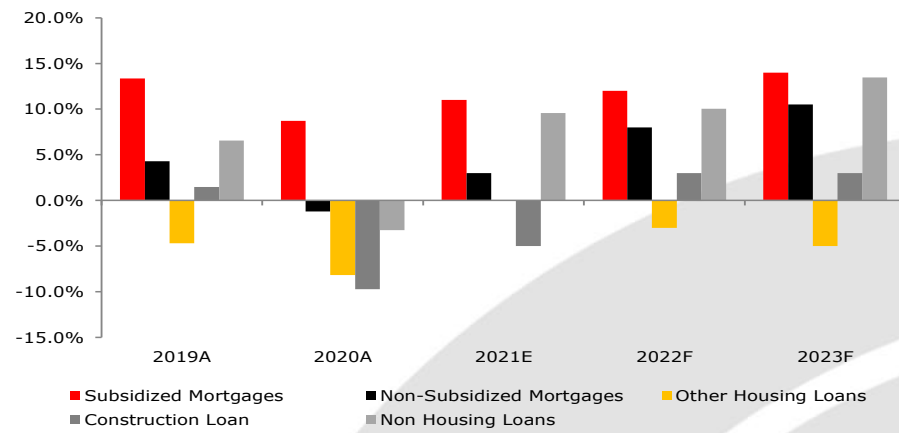
Trailing P/E	9.1
Forward P/E	8.7
Trailing P/BV	0.9x
Forward P/BV	1.0x

BBTN 5-yr Price—P/BV



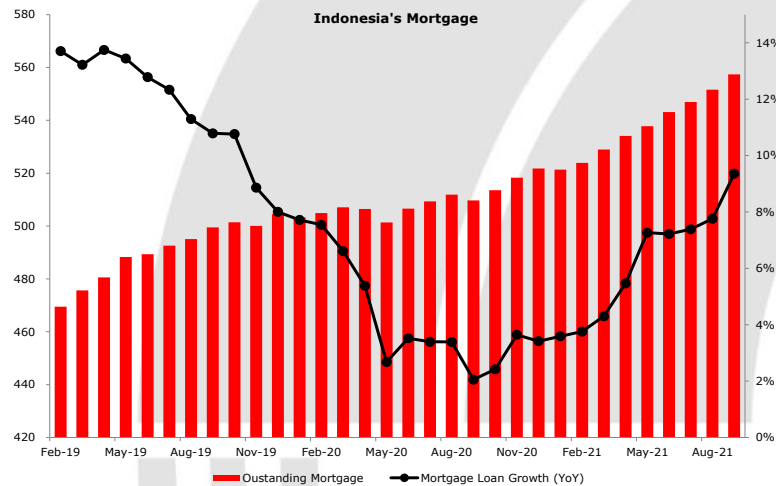
Source: Bloomberg, Sinarmas Investment Research

BBTN's Loan Growth Details



Source: Company, Sinarmas Investment Research

Indonesia's Mortgage



Source: Bank Indonesia Data, Sinarmas Investment Research

Income Statement (IDR bn)	2020	2021E	2022F	2023F	2024F
Interest Income	25,106	25,203	28,036	30,993	34,966
% growth	-2.4%	0.4%	11.2%	10.5%	12.8%
Interest Expense	-16,192	-15,048	-16,614	-18,536	-20,852
% growth	-3.4%	-7.1%	10.4%	11.6%	12.5%
Net Interest Income	8,914	10,155	11,422	12,456	14,114
% growth	-0.5%	13.9%	12.5%	9.1%	13.3%
Other Operating Income	2,515	2,805	2,977	3,157	3,330
% growth	19.2%	11.6%	6.1%	6.0%	5.5%
Other Operating Expense	-9,098	-9,998	-10,556	-11,110	-11,739
% growth	-13.8%	9.9%	5.6%	5.3%	5.7%
Pre-provision Operating Profit	4,589	5,900	7,083	8,013	9,546
% growth	14.5%	28.6%	20.0%	13.1%	19.1%
Net Operating Income	2,330	2,963	3,844	4,503	5,706
% growth	346.6%	27.1%	29.7%	17.2%	26.7%
Income Before Tax Expense	2,271	2,963	3,844	4,503	5,706
% growth	452.4%	30.5%	29.7%	17.2%	26.7%
Net Income	1,602	2,111	2,739	3,209	4,066
% growth	665.7%	31.7%	29.7%	17.2%	26.7%

Balance Sheet (IDR bn)	2020	2021E	2022F	2023F	2024F
Cash and Equivalents	1,429	1,433	1,717	2,236	2,209
CA w/ Central Bank	11,108	11,452	11,795	11,913	12,509
CA w/ Other Banks	3,215	3,376	2,701	3,511	5,267
Interbank Placement	19,830	18,839	19,781	20,770	22,847
Total Loans - Net	247,053	263,308	287,680	320,849	365,096
Marketable Securities	3,204	3,845	4,998	5,748	6,610
Government Bonds	56,288	61,917	70,275	80,254	84,909
Fixed Assets	5,818	6,233	6,624	7,003	7,362
Total Assets	361,208	383,570	419,282	466,504	521,446
Demand Deposits	71,686	83,656	93,458	103,884	114,257
Saving Deposits	39,605	42,837	45,087	48,742	52,726
Time Deposits	147,859	153,034	168,337	190,221	222,558
Total Customer Deposits	278,994	301,058	330,566	369,373	417,394
Deposits From Other Banks	30	32	34	37	40
Marketable Securities	15,810	15,020	14,795	16,274	16,762
Fund Borrowings	23,807	22,617	22,391	24,406	25,626
Subordinated Debts	10,194	9,685	9,568	10,525	10,967
Total Liabilities	341,220	361,631	391,516	435,802	487,000
Total Equity	19,988	21,939	27,766	30,702	34,446

Source: Company, Sinarmas Investment Research

Financial Ratio (%)	2020	2021E	2022F	2023F	2024F
Loan to Deposit Ratio	93.2%	87.5%	87.0%	86.9%	87.5%
Loan to Funding Ratio	79.0%	79.4%	80.2%	80.3%	81.5%
CASA Ratio	42.9%	45.3%	45.1%	44.5%	42.9%
Net Interest Margin	3.5%	3.9%	4.1%	4.0%	4.0%
Average Loan Yield	9.4%	8.6%	8.8%	8.8%	8.8%
Average Deposit CoF	4.7%	3.9%	4.1%	4.2%	4.2%
Gross NPL	4.4%	4.0%	4.0%	3.7%	3.6%
Net NPL	2.1%	2.3%	2.2%	2.0%	2.0%
Credit Cost	0.9%	1.1%	1.1%	1.1%	1.0%
Coverage Ratio	115.0%	122.6%	126.7%	134.2%	137.3%
Cost to Income Ratio	91.6%	89.4%	87.6%	86.8%	85.1%
Cost Efficiency Ratio	79.6%	77.1%	73.3%	71.2%	67.3%
Capital Adequacy Ratio	19.3%	14.0%	16.2%	16.1%	15.4%
Return on Equity	7.3%	10.1%	11.0%	11.0%	12.5%
Return on Asset	0.5%	0.6%	0.7%	0.7%	0.8%
EPS	151.3	199.3	219.5	257.2	325.9
BVPS	1,887.4	2,071.6	2,225.6	2,460.9	2,761.1

Loan Segmentation	2020	2021E	2022F	2023F	2024F
Housing	90.2%	89.9%	89.9%	89.7%	89.4%
% NPL	4.1%	3.6%	3.3%	2.9%	2.6%
Subsidized Mortgage	46.4%	48.4%	49.5%	50.6%	51.7%
% NPL	1.0%	1.0%	1.0%	0.9%	0.8%
Non-sub Mortgage	30.7%	29.7%	29.3%	29.1%	28.6%
% NPL	3.6%	3.4%	3.3%	3.2%	3.1%
Other housing	2.8%	2.6%	2.3%	2.0%	1.8%
% NPL	4.4%	4.2%	4.1%	4.0%	3.8%
Construction	10.3%	9.2%	8.7%	8.0%	7.3%
% NPL	19.6%	18.0%	16.0%	14.0%	13.0%
Consumer	2.0%	2.1%	2.1%	2.1%	2.1%
% NPL	2.1%	2.0%	1.8%	1.6%	1.6%
Commercial	3.2%	3.1%	2.8%	2.6%	2.4%
% NPL	19.3%	16.0%	14.0%	12.0%	10.0%
Corporate	4.6%	5.0%	5.2%	5.6%	6.2%
% NPL	0.0%	0.0%	0.0%	0.0%	0.0%

Source: Company, Sinarmas Investment Research

SINARMAS SEKURITAS INVESTMENT RATINGS GUIDE

BUY: Share price may rise by more than 15% over the next 12 months.

ADD: Share price may range between 10% to 15% over the next 12 months.

NEUTRAL: Share price may range between -10% to +10% over the next 12 months.

REDUCE: Share price may range between -10% to -15% over the next 12 months.

SELL: Share price may fall by more than 15% over the next 12 months.

DISCLAIMER

This report has been prepared by PT Sinarmas Sekuritas, an affiliate of Sinarmas Group.

This material is: (i) created based on information that we consider reliable, but we do not represent that it is accurate or complete, and it should not be relied upon as such; (ii) for your private information, and we are not soliciting any action based upon it; (iii) not to be construed as an offer to sell or a solicitation of an offer to buy any security.

Opinions expressed are current opinions as of original publication date appearing on this material and the information, including the opinions contained herein, is subjected to change without notice. The analysis contained herein is based on numerous assumptions. Different assumptions could result in materially different results. The analyst (s) responsible for the preparation of this publication may interact with trading desk personnel, sales personnel and other constituencies for the purpose of gathering, integrating and interpreting market information. Research will initiate, update and cease coverage solely at the discretion of Sinarmas Research department. If and as applicable, Sinarmas Sekuritas' investment banking relationships, investment banking and non-investment banking compensation and securities ownership, if any, are specified in disclaimers and related disclosures in this report. In addition, other members of Sinarmas Group may from time to time perform investment banking or other services (including acting as advisor, manager or lender) for, or solicit investment banking or other business from companies under our research coverage. Further, the Sinarmas Group, and/or its officers, directors and employees, including persons, without limitation, involved in the preparation or issuance of this material may, to the extent permitted by law and/or regulation, have long or short positions in, and buy or sell, the securities (including ownership by Sinarmas Group), or derivatives (including options) thereof, of companies under our coverage, or related securities or derivatives. In addition, the Sinarmas Group, including Sinarmas Sekuritas, may act as market maker and principal, willing to buy and sell certain of the securities of companies under our coverage. Further, the Sinarmas Group may buy and sell certain of the securities of companies under our coverage, as agent for its clients.

Investors should consider this report as only a single factor in making their investment decision and, as such, the report should not be viewed as identifying or suggesting all risks, direct or indirect, that may be associated with any investment decision. Recipients should not regard this report as substitute for exercise of their own judgment. Past performance is not necessarily a guide to future performance. The value of any investments may go down as well as up and you may not get back the full amount invested.

Sinarmas Sekuritas specifically prohibits the redistribution of this material in whole or in part without the written permission of Sinarmas Sekuritas and Sinarmas Sekuritas accepts no liability whatsoever for the actions of third parties in this respect. If publication has been distributed by electronic transmission, such as e-mail, then such transmission cannot be guaranteed to be secure or error-free as information could be intercepted, corrupted, lost, destroyed, arrive late or incomplete, or contain viruses. The sender therefore does not accept liability for any errors or omissions in the contents of this publication, which may arise as a result of electronic transmission. If verification is required, please request a hard-copy version.

Additional information is available upon request.

Images may depict objects or elements which are protected by third party copyright, trademarks and other intellectual properties.

©Sinarmas Sekuritas(2020). All rights reserved.