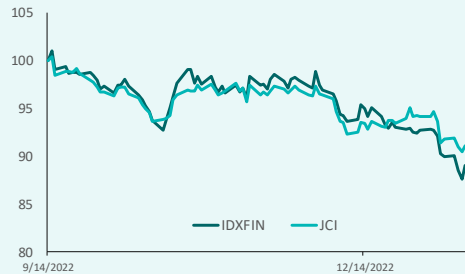


Overweight

(From Neutral)

IDXFIN VS JCI



	YTD	M-1	M-3	M-12
JCI	1.6	0.7	3.9	-4.4
IDXFIN	-1.8	-2.7	-0.7	-9.0
Out (Under)	-3.3	-3.4	-4.6	-4.6

Banking Sector

Accelerating loan growth amidst tightening liquidity

Bank loan growth accelerated in Jul 23, coming in at 8.43% vs. 7.75% in Jun, driven mainly by investment credit (+9.89% yoy). LDR went up to 85.31% in Jul, as the sector tried to compensate for the increase in CoF. Although the system saw tighter liquidity due to strong inflationary pressure, we expect it to ease down in 4Q23. We upgraded our call to Overweight and revised our TPs as we rolled over our base year valuation to Jun 23.

Loan growth accelerated in Jul 23

Bank loan grew by 8.43% yoy in Jul 23 (vs. 7.75% in Jun-23), mainly driven by investment credit (+9.89% yoy), while working capital loan grew by 7.17% yoy and consumption by 9.14% yoy. The four largest banks (BANKs) posted a combined loan growth of 10.0% yoy, with BBRI posting 11.4% yoy (from 8.3% yoy in Jun-23), followed by BMRI (10.4% yoy), BBCA (10.1% yoy), and BBNI (6.9% yoy). The lending rate continued its uptrend in Jul 23, except for consumption loans (due to intense competition).

Increasing LDR compensating for the higher CoF

Deposit grew by 7.19% yoy in Jul-23, faster than in Jun-23 (6.37% yoy). Meanwhile, LDR was relatively stable at 85.31%. BANKs' LDR came in at 87.9% in Jul-23, vs. 86.3% in Jun-23; the increase in LDR was mainly caused by banks' efforts to compensate for the rising CoF. While BANKs reported that their CoF saw an uptrend from Mar to Jul 23, their NIM was relatively stable at 5.4%. BI stated that the liquid asset-to-third party fund ratio (AL/DPK) fell 16bps to 26.57%, and liquid asset-to-non-core deposit ratio (AL/NCD) fell 68bps to 118.37%.

Expect liquidity tightening to ease down in 4Q23

The increase in CoF was mainly driven by declining liquidity, as shown by M2, which fell by 2.1% ytd (M1: -6.5% ytd) in Jul 23. Although BI keeps 7DRRR at 5.75%, the central bank absorbed liquidity from the system to help manage inflation. However, with the stronger inflationary pressure, mainly from the spike in oil and rice prices (although their weighting is relatively small), liquidity may remain tight until early 4Q23, though we expect inflationary pressure to ease during the election campaign period, especially on rice (the government may increase rice supply by releasing 1.6M MT of its rice inventory and importing from other countries). Consensus also foresees BI to cut 7DRRR by end-4Q23.

Overweight, upgraded TPs

Large banks are relatively fare better than the smaller ones in the current rising interest rate environment, backed by their stronger deposit franchise. Among BANKs, BBCA has advantages from its lower LDR and CoF, which should help it grab the market share of its peers. However, at the current valuation, our top picks are BMRI and BBNI. We roll over our valuation base to Jun 23 with Rf of 7.1%, Rm of 5%, and new, upgraded TPs. We upgraded our call to Overweight and maintained our recommendation on BBCA, BBNI, BBRI, and BMRI, but we upgraded BDMN to Hold (from Sell).

Ticker	Rec.	Price (IDR)	TP (IDR)	Net profit (IDR B)	EPS (IDR)	EPS growth (%)	BVPS, (IDR)	PER (x)	PBV (x)	Div. yield (%)	ROAE (%)
BBCA	Hold	9,100	9,600	40,277	327	3.7	2,062	27.9	4.4	0.4	16.7
BBNI	Buy	9,450	11,100	22,080	1,184	20.6	8,221	8.0	1.1	6.1	15.3
BBRI	Buy	5,425	6,200	58,033	384	14.0	2,170	14.1	2.5	5.9	18.5
BBTN	Buy	1,220	1,800	3,449	246	(14.5)	2,337	5.0	0.5	4.0	11.8
BMRI	Buy	5,825	6,800	48,679	522	18.2	2,740	11.2	2.1	4.2	20.1
BDMN	Hold	2,880	2,900	3,480	356	5.4	5,024	8.1	0.6	5.2	7.3

Agus Pramono, CFA

Head of Research

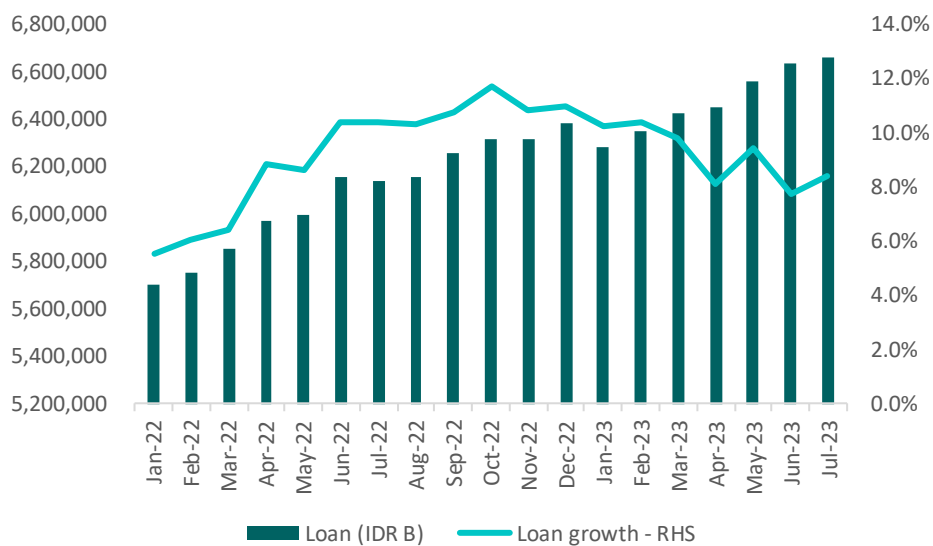
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Stock Highlights

	BBCA	BBNI	BBRI	BBTN	BMRI	BDMN
Price	9,100	9,450	5,425	1,220	5,825	2,880
TP	9,600	11,100	6,200	1,800	6,800	2,900
Previous TP	9,100	10,300	6,200	1,700	6,400	2,600
Recommendation	Hold	Buy	Buy	Buy	Buy	Hold
PPOP, (IDRbn)	63,105	34,012	96,979	7,681	74,938	8,190
Net profit (IDRbn)	47,457	22,080	58,033	3,449	48,679	3,480
EPS (IDR)	385	1,184	384	246	522	356
EPS growth (%)	16	21	14	(15)	18	5
BVPS, (IDR)	2,024	8,221	2,170	2,337	2,740	5,024
PER (x)	23.6	8.0	14.1	5.0	11.2	8.1
PBV (x)	4.5	1.1	2.5	0.5	2.1	0.6
Dividend yield (%)	0.4	6.1	5.9	4.0	4.2	5.2
ROAE (%)	16.7	15.3	18.5	11.8	20.1	7.3

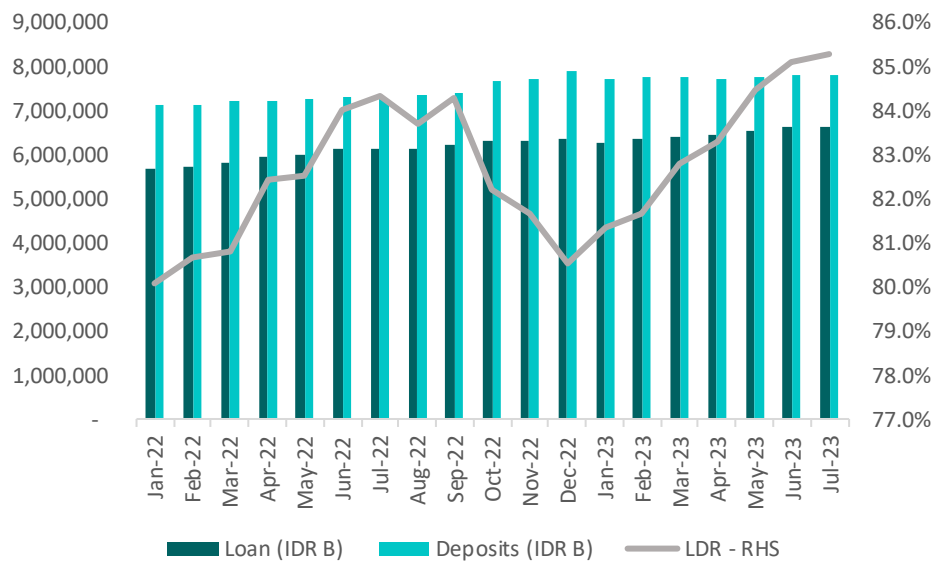
Source: Bloomberg, Aldira

Loan growth



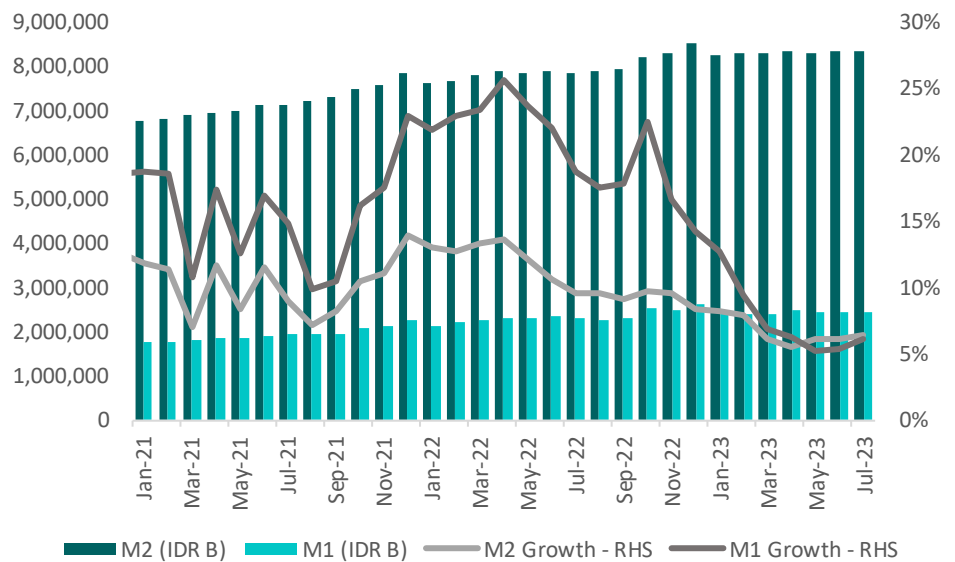
Source: BI

Loan, Deposit and LDR growth



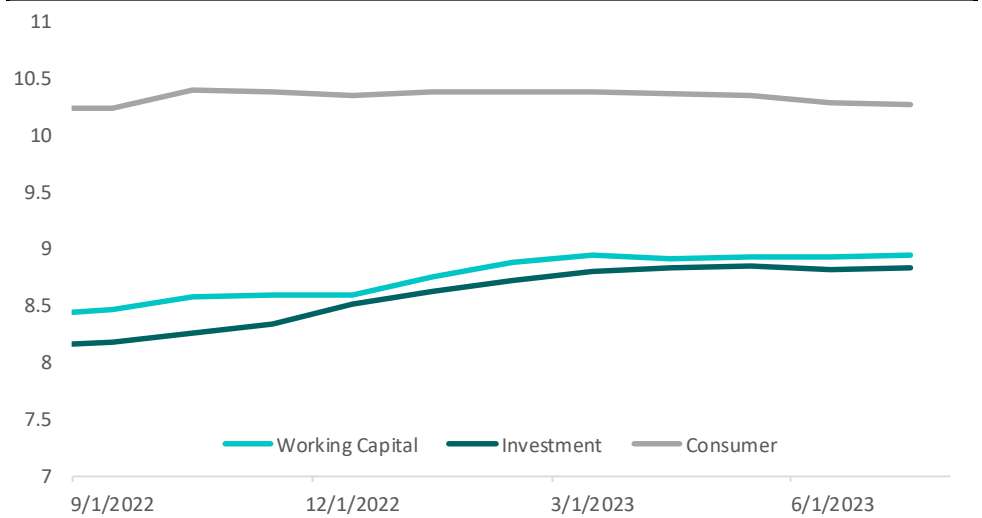
Source: BI

M1 and M2 growth



Source: BI

Lending rates



Source: BI

BANK's NIM 7M23

Monthly NIM (bank-only)	Jan-23	Feb-23	Mar-23	Apr-23	May-23	Jun-23	Jul-23
BBCA	6.1%	5.6%	5.6%	5.6%	5.5%	5.6%	5.3%
BBRI	7.6%	6.8%	6.2%	6.5%	6.1%	7.1%	6.5%
BMRI	5.1%	4.7%	4.7%	5.1%	4.8%	5.1%	5.1%
BBNI	4.7%	4.3%	4.4%	4.1%	4.3%	4.3%	4.8%
Big 4	6.0%	5.5%	5.2%	5.3%	5.2%	5.5%	5.4%

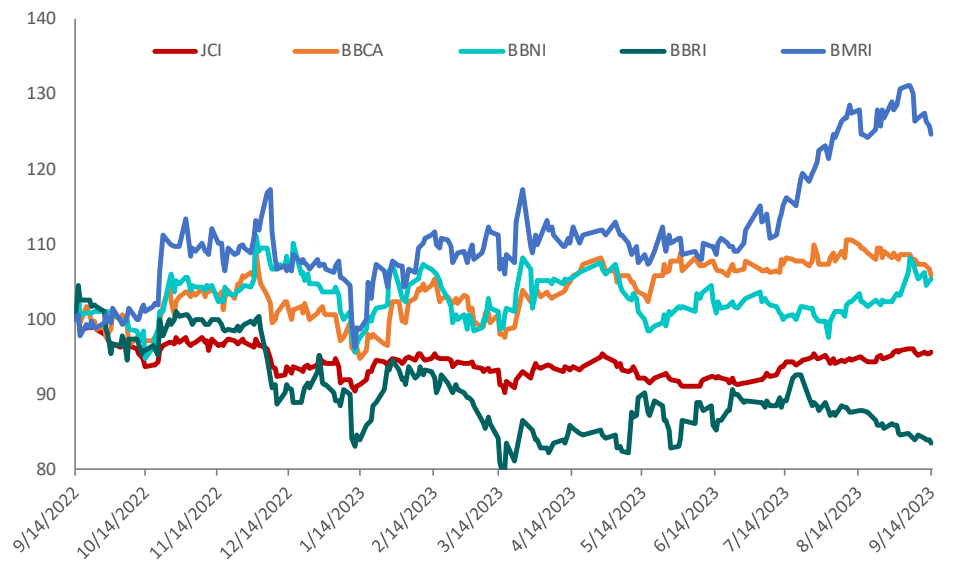
Source: BI

BANK's CoF 7M23

Monthly CoF (bank-only)	Jan-23	Feb-23	Mar-23	Apr-23	May-23	Jun-23	Jul-23
BBCA	0.9%	0.9%	1.1%	1.1%	1.1%	1.1%	1.2%
BBRI	2.7%	2.6%	2.5%	2.7%	2.7%	2.7%	2.7%
BMRI	2.0%	1.9%	2.1%	1.9%	2.0%	2.0%	2.1%
BBNI	2.4%	2.2%	2.3%	2.5%	2.5%	2.5%	2.6%
Big 4	2.0%	1.9%	2.0%	2.0%	2.1%	2.1%	2.2%

Source: BI

Stock Performance vs JCI (YTD)



Source: Bloomberg



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Recommendation ratings			
Rating	Buy	Hold	Sell
Classification	≥10%	> -10% or < 10%	≤-10%

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