

'25F solid earnings to continue

30 December 2024

**OVERWEIGHT**  
(Maintain)

TOP PICK

Company	Ticker	Rec	Share	Target
			Price (IDR)	Price (IDR)
Bank Central Asia	BBCA	Buy	9,800	12,510
Bank Mandiri	BMRI	Buy	5,800	8,180
Bank Syariah Indonesia	BRIS	Buy	2,770	3,670

The anticipated low-interest rate environment is poised to be a significant catalyst for continued NIM expansion in '25F, driving overall PATMI growth beyond '24 levels. We expect risk metrics to remain robust, with the CoC staying low. While the steady SRBI might pressure banks to manage their low funding costs, the potential for further benchmark rate cuts could offer additional support for a favorable borrowing cost environment. The impact of previous rate cuts on bank NIMs is anticipated to materialize as a key driver of 1Q25 earnings. The valuation of banks under our coverage remains attractive, underpinned by our assumption of a lower risk investment yield ratio. The upcoming Jan25 and Feb25 bank earnings releases will provide early insights into the sector's strong 1Q25 PATMI growth. We anticipate increased foreign investor interest in banking stocks, as evidenced by the slight decline in foreign ownership in Nov24. We maintain an Overweight stance on the banking sector, with BBKA, BMRI, and BRIS (syariah banking) as our top picks.

**Continuing steady sector performance.**

The banking sector's intermediary function remains robust, with loan growth holding steady at a double-digit rate of 10.8% yoy. While the mom figure appears flat (Oct24: 10.9%), this is a seasonal trend, as lending demand typically softens in the final quarter of the year. Looking ahead to 2025, we anticipate loan growth to remain healthy within the range of 10% to 11%. Total TPF grew at 6.3% yoy (KBVS '24F: 6.9% yoy) slightly higher (+30bps) vs in the previous month of 6.0% yoy (Oct24). In '25F key for the trajectory of TPF growth will be significantly influenced by the movement of the SBRI yield.

**Another in-line earnings; expect BBKA and BRIS to beat our '24F**

Domestic banks, excluding BBTN which has yet to disclose its Nov24 bank-only performance, continued to exhibit robust financial results. Aggregate earnings growth for the month reached a commendable 9.7% yoy, primarily propelled by BRIS impressive 21.5% yoy PATMI. BBKA followed closely with a 14.3% yoy growth rate. Among the banks within our coverage universe, both BBKA and BRIS are anticipated to surpass our '24F earnings projections. Notably, BBRI demonstrated encouraging trends in the 11M24, including a moderated blended borrowing cost and consistent, moderate provisioning levels. These factors are expected to persist and serve as key drivers of earnings growth in 2025.

**Robust loan growth continues.**

Total loans expanding by an impressive 14.2% yoy, outpacing both the industry and the forecasts set by the Financial Services Authority (OJK) and Bank Indonesia (BI). This growth significantly exceeds our initial projection of 10% YoY for 2024. The sturdy lending performance in the first eleven months of 2024 was notably driven by the accelerated lending of BMRI and BRIS, which recorded impressive yoy growth rates of 22.7% and 16.8%, respectively. On liabilities side, bank's total deposits grew by 9.1% yoy, driven by strong DD and SD growth (15.2% yoy and 8.3% yoy). CASA growth remained solid at 11.2%, and the intermediary function ratio improved to 89.1% vs 85.3% in the same period last year (11M23).

**'25F earnings growth likely to continue**

The anticipated low borrowing cost environment is poised to be a key driver of earnings growth for banks under our coverage in '25F. The attractive yields on marketable securities, particularly the SRBI, are likely to continue to suppress deposit growth, potentially hindering banks' ability to achieve significantly lower funding costs in the coming year. A second crucial factor supporting improved profitability is the sustained stability and improvement in asset quality. This positive trend will contribute to lower provisioning costs and underpin stronger PATMI growth in '25F compared to '24F. On the top-line front, we expect continued robust loan demand. The wholesale segment is likely to remain a significant growth driver, while the household segment, particularly the property sector, will continue to play a crucial role. Although we have concerns regarding the performance of the MSME segment, we believe the new government administration may be able to bolster SME business confidence and stimulate stronger growth.

**NIM expansion to continue despite mild, on steady SRBI yield**

Key on performance metrics should continue. NIM expansion likely to remain intact, despite mild due to our expectation on stable SRBI appealing yield. As such, we believe that banks with solid deposit mix a shorter term of TD as well as higher portion of TD ownership will become as the champion. On risk metrics, we believe non performing loan to continue softened and asset quality improvement will remain play its pivotal part for '25F net profit growth. We might also witness credit cost to stay at low level as we believe previous significant front load to cover the risky debt has been made well.

**BBKA and BRIS to remain commanding the competition**

While a lower interest rate environment may not significantly benefit BBKA, its robust deposit mix will solidify its market leadership. BBRI stands to gain from improved NIM, driven by its shorter TD structure and retail deposit base. BMRI will continue to leverage its strong corporate segment, benefiting from stable funding costs and low provisioning levels. BBNI is poised for further cost reduction and improved asset quality, contributing to stronger earnings growth. BBTN will capitalize on non-subsidized and non-housing loan growth, along with its new housing program. The successful spin-off of its unit business will also be a significant catalyst. BRIS will maintain its dominant position in Islamic banking, with its Gold business and transformation into a Bullion Bank driving future growth.

**Maintain Overweight, with BBKA, BMRI and BRIS (syariah banking) as our picks.**

Maintain our OW rating for the sector, with with BBKA, BMRI, and BRIS as our top picks. Risks to our call: a) lower-than-expected loan growth; b) prolonged tight liquidity environment due to stable SRBI high yield; c) NIM stagnation d) higher-than-expected CoF and provisions; e) insignificant impact of soft benchmark rate cuts; f) deteriorating asset quality; g) continuing global uncertainty; h) worsening Middle East tension; i) softened domestic economic activity and lower corporate as well as household demand confidence.

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Exhibit 1: Indo banking stocks under our coverage

Ticker	Closing	Target	Market	P/E		P/B		ROE		Dividend Yield		
	Price (IDR)	Price (IDR)		Cap (IDRtn)	2024F (x)	2025F (x)	2024F (x)	2025F (x)	2024F (x)	2025F (x)	2024F (x)	2025F (x)
BBCA	9,800	12,510	Buy	1,208	22.3	20.3	4.4	3.8	20.9	21.5	2.9	3.2
BBRI	4,100	5,960	Buy	621	10.3	9.5	1.8	1.8	18.6	19.1	7.7	7.8
BMRI	5,800	8,180	Buy	541	9.4	8.8	1.9	1.7	22.5	22.6	5.1	5.3
BBNI	4,360	6,300	Buy	163	7.4	6.8	1.0	0.9	13.9	14.1	3.9	4.1
BBTN	1,135	1,530	Buy	16	3.5	3.5	0.4	0.3	11.1	10.4	5.6	5.7
BRIS	2,770	3,670	Buy	128	19.3	16.1	2.9	2.6	16.9	17.1	1.1	1.3
Average					12.0	10.8	2.1	1.8	17.3	17.5	4.4	4.5

Source : Company, KBVS research

**Exhibit 2: Bank under coverage 11M24 selected Profit and Loss**

Selected P&L	BBCA	BBRI	BMRI	BBNI	BRIS	Average
Cummulative (IDRbn)	YoY (%)	YoY (%)	YoY (%)	YoY (%)	YoY (%)	YoY (%)
Interest income	7.9	10.6	14.3	5.3	13.3	10.3
Interest expense	(0.1)	37.6	39.3	23.3	33.6	26.7
Net interest income	9.3	1.3	5.2	(3.9)	6.4	3.7
Non Int Inc & others	7.5	34.6	2.1	14.7	35.8	18.9
Opex	(0.7)	6.0	0.8	7.9	13.0	5.4
PPOP	13.6	13.0	6.1	(2.4)	8.9	7.8
Provision	(15.4)	34.3	22.6	(18.7)	(23.9)	(0.2)
Net Profit	14.3	4.0	4.7	4.0	21.5	9.7

Selected P&L	BBCA	BBRI	BMRI	BBNI	BRIS	Average	Average
Monthly (IDRbn)	YoY (%)	YoY (%)	YoY (%)	YoY (%)	YoY (%)	YoY (%)	MoM (%)
Interest income	7.1	2.8	15.8	6.9	17.6	10.0	(2.1)
Interest expense	(13.7)	12.5	33.5	3.0	21.5	11.4	(2.0)
Net interest income	11.0	(1.3)	8.3	9.5	16.1	8.7	(2.1)
Non Int Inc & others	90.6	21.5	(17.8)	19.6	28.8	28.6	(1.6)
Total Income	22.4	5.4	(0.7)	13.2	18.2	11.7	(1.2)
Opex	20.7	28.3	2.5	23.1	28.3	20.6	3.4
PPOP	23.2	(3.4)	(2.6)	4.8	4.6	5.3	(8.6)
Provision	(210.1)	21.1	1,250.3	12.9	(106.5)	193.5	(29.6)
Net Profit	8.2	(8.5)	(9.7)	1.5	25.5	3.4	(4.6)

Source: Company, Bloomberg, KBVS Research

**Exhibit 3: Bank under coverage 11M24 selected Balance Sheet**

Selected BS (IDRbn)	BBCA	BBRI	BMRI	BBNI	BRIS	Average
	YoY (%)	YoY (%)	YoY (%)	YoY (%)	YoY (%)	YoY (%)
Total Loan (IDRbn)	15.5	5.0	22.7	11.0	16.8	14.2
Total deposits	3.5	7.0	14.7	7.0	13.3	9.1
Demand deposits	8.5	22.1	17.9	13.0	14.6	15.2
Savings deposits	3.8	3.9	12.3	8.7	12.7	8.3
Time Deposits	(5.5)	0.2	12.5	(2.0)	13.3	3.7
CASA	5.6	10.8	15.2	11.1	13.3	11.2
Total Assets	4.5	4.4	13.7	9.8	17.2	9.9
Total Liability	4.1	4.7	14.4	10.1	17.2	10.1
Total Equity	6.5	3.0	9.5	8.4	16.9	8.8

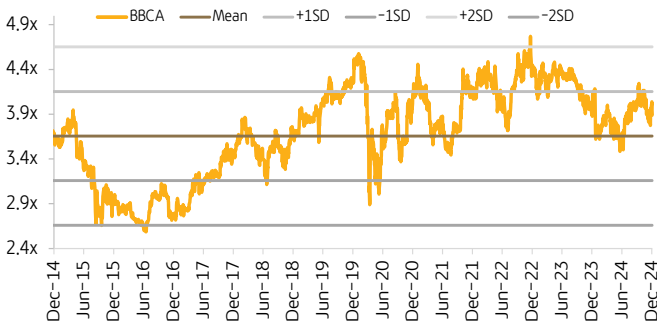
Source: Company, Bloomberg, KBVS Research

**Exhibit 4: Bank under coverage 11M24 selected key ratios**

Selected ratios	BBCA	BBRI	BMRI	BBNI	BRIS	Average
Key metrics (%)	YoY (%)	YoY (%)	YoY (%)	YoY (%)	YoY (%)	YoY (%)
Net interest margin	0.3	(0.0)	(0.5)	(0.5)	(0.4)	(0.2)
Earnings asset / Loan yield	0.3	0.6	(0.1)	(0.3)	(0.0)	0.1
Cost of fund	(0.1)	0.8	0.5	0.4	0.4	0.4
Cost of credit	(0.1)	0.7	(0.0)	(0.3)	(0.4)	(0.0)
CASA (% to total)	1.7	2.3	0.4	2.6	(0.0)	1.4
Loan to deposits	8.2	(1.6)	6.1	3.4	1.7	3.6
Cost to income (CIR)	(2.9)	(1.5)	(1.1)	2.5	0.9	(0.4)
Mkt sec to total asset	4.1	(0.9)	(3.5)	(0.5)	(1.2)	(0.4)
Loan to asset	5.9	0.0	5.1	0.7	(0.2)	2.3

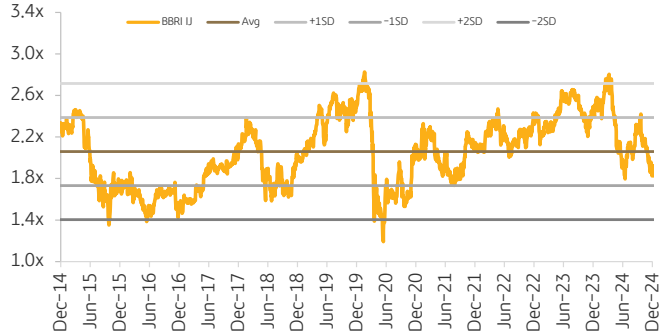
Source: Company, Bloomberg, KBVS Research

Exhibit 5: BBKA traded at 3.8x P/B '25F, slightly above its average of 3.7x



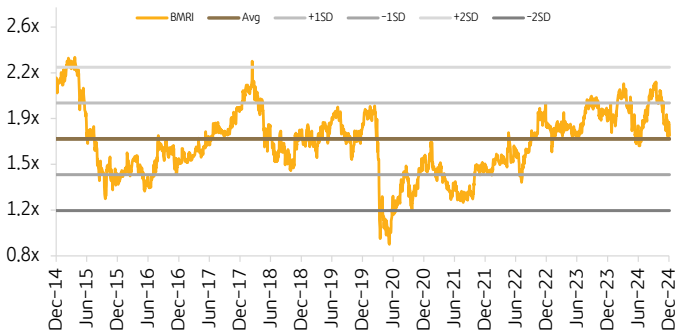
Source: Company, Bloomberg, KBVS Research

Exhibit 6: BBRI traded at 1.8x P/B '25F, slightly above its -1SD of 1.7x



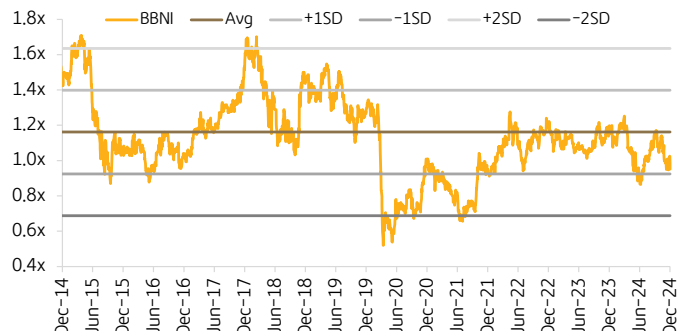
Source: Company, Bloomberg, KBVS Research

Exhibit 7: BMRI traded at 1.7x P/B '25F, at its average of 1.7x



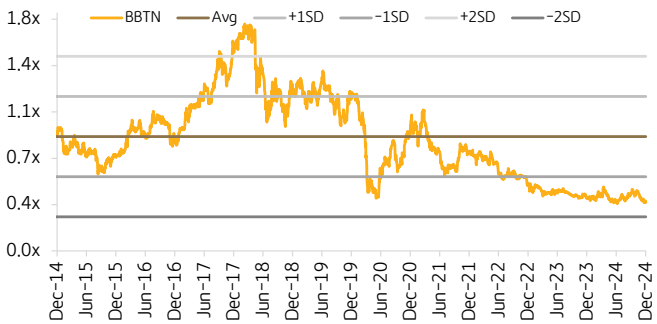
Source: Company, Bloomberg, KBVS Research

Exhibit 8: BBNI traded at 0.9x P/B '25F, at its -1SD of 0.9x



Source: Company, Bloomberg, KBVS Research

Exhibit 9: BBTN traded at 0.3x P/B '25F, at its -2SD of 0.3x



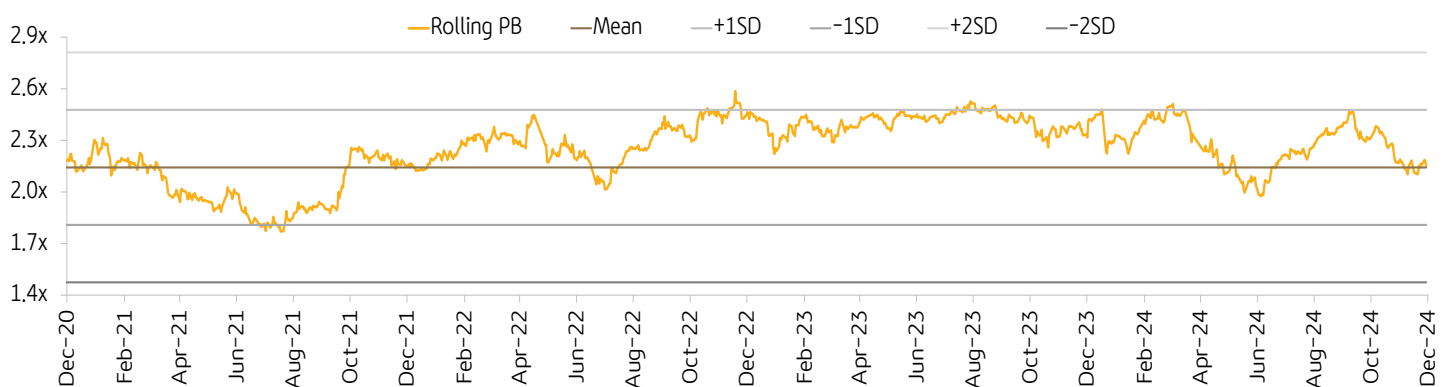
Source: Company, Bloomberg, KBVS Research

Exhibit 10: BRIS traded at 2.6x P/B '25F, slightly above its avg of 2.4x



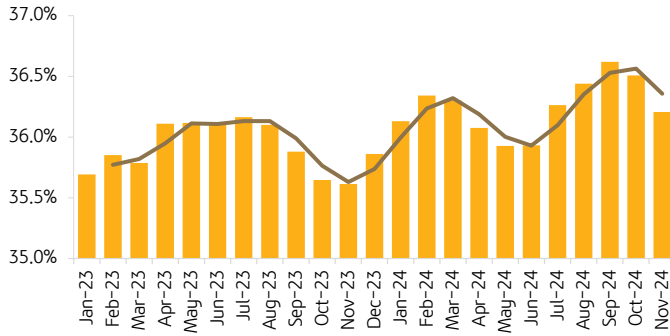
Source: Company, Bloomberg, KBVS Research

Exhibit 11: Four big banks Forward PB Band (x)



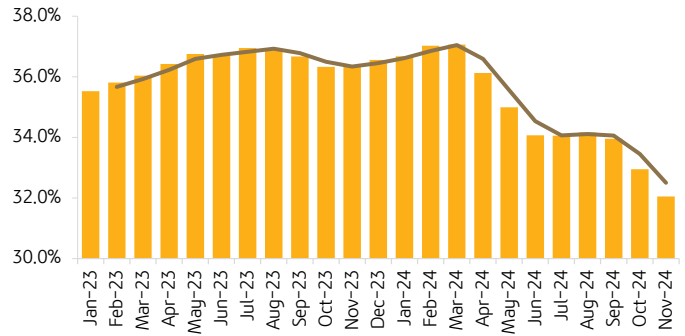
Source: Company, Bloomberg, KBVS Research

Exhibit 12: BBKA stocks foreign ownership (%)



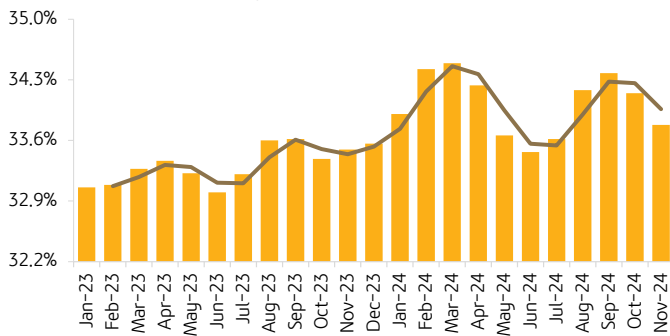
Source: The Indonesia Central Securities Depository (KSEI), KBVS Research

Exhibit 13: BBRI stocks foreign ownership (%)



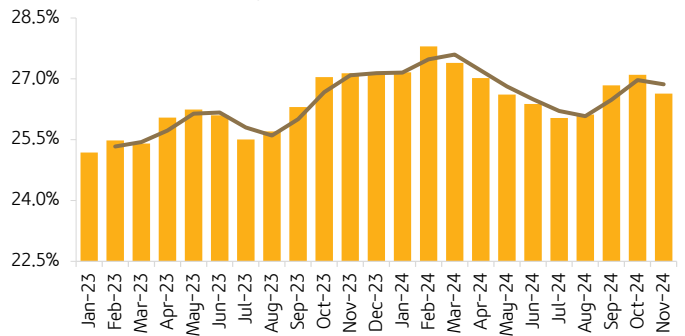
Source: The Indonesia Central Securities Depository (KSEI), KBVS Research

Exhibit 14: BMRI stocks foreign ownership (%)



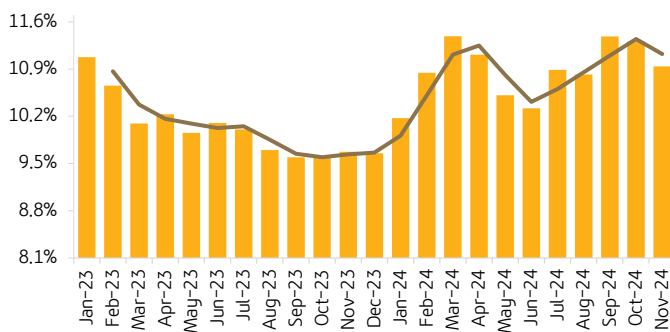
Source: The Indonesia Central Securities Depository (KSEI), KBVS Research

Exhibit 15: BBNI stocks foreign ownership (%)



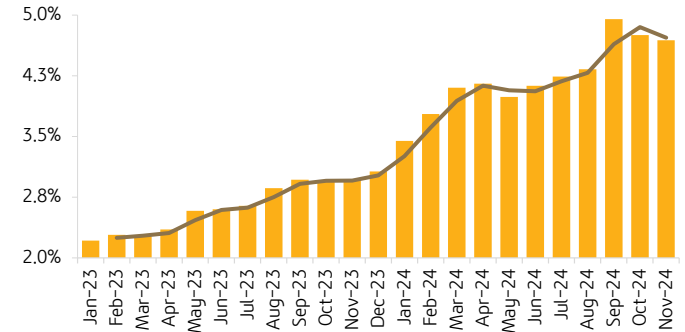
Source: The Indonesia Central Securities Depository (KSEI), KBVS Research

Exhibit 16: BBTN stocks foreign ownership (%)



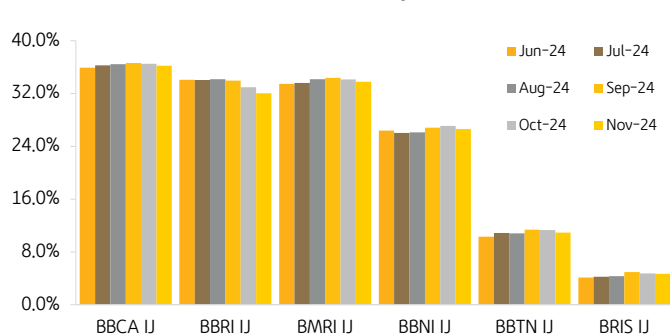
Source: The Indonesia Central Securities Depository (KSEI), KBVS Research

Exhibit 17: BRIS stocks foreign ownership (%)



Source: The Indonesia Central Securities Depository (KSEI), KBVS Research

Exhibit 18: Bank under our radar stocks foreign ownership (%)



Source: The Indonesia Central Securities Depository (KSEI), KBVS Research

Exhibit 19: Bank under our coverage stocks foreign ownership (%)

Ticker	Jul-24	Aug-24	Sep-24	Oct-24	Nov-24	YTD 2023	YTD 2024	Incr / (Decr)	Nov-23	Nov-24	YoY (chg)	MoM (chg)
BBKA IJ	36.3%	36.4%	36.6%	36.5%	36.2%	-0.1%	0.1%	0.2%	35.6%	36.2%	0.6%	-0.3%
BBRI IJ	34.1%	34.2%	34.0%	32.9%	32.1%	0.8%	-4.6%	-5.4%	36.5%	32.1%	-4.3%	-0.9%
BMRI IJ	33.6%	34.2%	34.4%	34.1%	33.8%	0.4%	-0.1%	-0.6%	33.5%	33.8%	0.3%	-0.4%
BBNI IJ	26.0%	26.1%	26.8%	27.1%	26.6%	2.0%	-0.5%	-2.5%	27.1%	26.6%	-0.5%	-0.5%
BBTN IJ	10.9%	10.8%	11.4%	11.3%	10.9%	-1.4%	0.8%	2.2%	9.7%	10.9%	1.3%	-0.4%
BRIS IJ	4.2%	4.3%	4.9%	4.8%	4.7%	0.8%	1.2%	0.5%	3.0%	4.7%	1.7%	-0.1%
Average	24.2%	24.3%	24.7%	24.5%	24.0%	0.4%	-0.5%	-0.9%	24.2%	24.0%	-0.2%	-0.4%

Source: The Indonesia Central Securities Depository (KSEI), KBVS Research

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