

3Q24 Performance

- Banking sector's overall 3Q24 net profit was relatively in line with ours and cons, totalling IDR 53.6tn (+8.7% QoQ and +10.9% YoY), driven mainly by BMRI's earnings growth of +11.7% YoY. The banks demonstrated solid 3Q24 loan growth of +2.4% QoQ/+13.7% YoY, while their CoF improved on QoQ basis thanks to reduced competition from SRBI and better liquidity from RRR incentives, allowing NIM to improve slightly (+3bps QoQ). However, aggregate provision expense rose +7.8% QoQ as BBRI booked relatively high CoC of 3.4%, exceeding its FY24 guidance of 3.0%.
- Looking ahead, we anticipate liquidity to improve further in 4Q24 due to potential rate cuts and lower statutory reserve requirements from BI. Enhanced liquidity could continue to reduce CoF, thereby improving NIM. Moreover, the positive trend in asset quality among larger banks is expected to persist, ensuring stable earnings into 4Q24.
- We project banking sector's share prices to remain under pressure in the short term following the announcement of MSME debt forgiveness program targeting the agriculture, plantations, livestock, and fisheries sectors. In our view, the program will not have immediate financial impact, as the banks have already booked 100% coverage for the forgiven loans and removed them from the balance sheet. Nevertheless, if the banks are not cautious, their asset quality may see some impact in the long term, as the debtors will be eligible to reapply for new loans. We continue to prioritize banks with high CASA ratio and high asset quality, as they are better positioned to maintain low CoC in the current environment. Therefore, our top picks for the banking sector are BMRI (BUY, IDR 8,500) and BBCA (BUY, IDR 12,500).

Peer Comparables

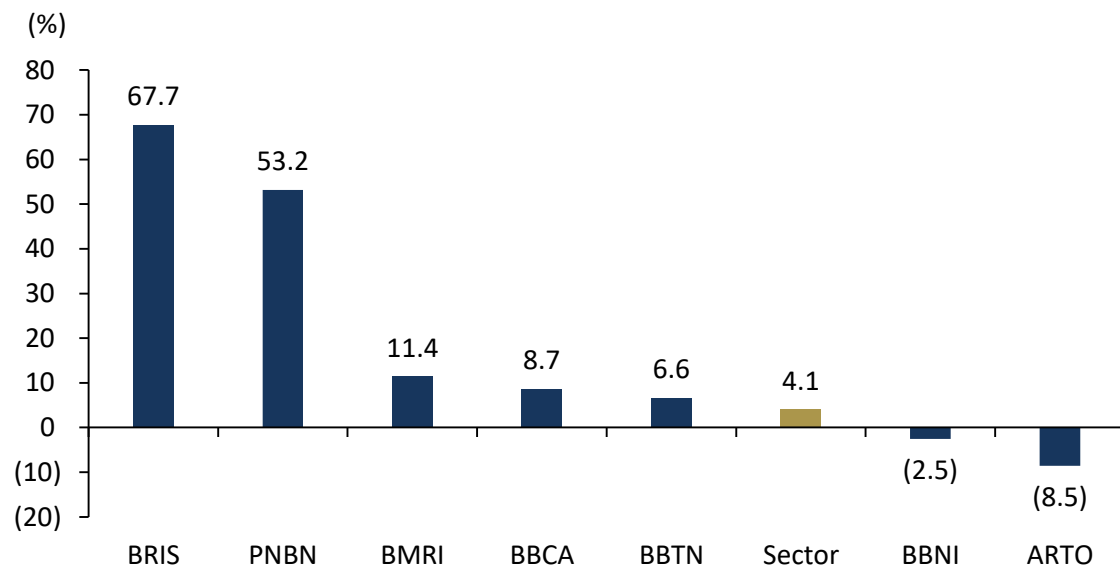
Company Ticker	Rating	Market Cap. (IDR tn)	Last Price (IDR)	TP (IDR)	YTD Net Buy/(Sell) (IDR bn)	Upside Potential (%)	2024F			
							NIM (%)	EPS Growth (%)	PBV (x)	ROE (%)
BBCA	BUY	1,285	10,450	12,500	5,341	19.6	5.7	9.2	4.9	20.9
BBRI	BUY	705	4,600	5,500	(25,741)	19.6	7.7	3.6	2.2	19.6
BMRI	BUY	616	6,550	8,500	2,006	29.8	5.2	3.0	2.2	21.2
BBNI	BUY	193	5,125	6,500	553	26.8	4.3	6.6	1.2	14.3
BRIS	BUY	134	2,900	3,300	1,948	13.8	5.5	15.6	3.0	16.9
PNBN	BUY	37	1,850	2,200	153	18.9	4.6	6.6	0.9	5.3
ARTO	HOLD	37	2,560	2,800	796	9.4	7.9	53.7	4.2	1.3
BBTN	SELL	19	1,330	1,300	326	(2.3)	3.6	7.4	0.4	11.7
Sector	Overweight	3,027			(3,182)	21.6	6.0	7.3	3.3	19.6

Sources: Company, Bloomberg, SSI Research

3Q24 SSI Coverage Results

(IDR tn)	Above							Below		
	PNBN	BRIS	BBCA	BMRI	BBNI	BBRI	ARTO	Total	YoY (%)	QoQ (%)
Net interest income	2.2	4.5	21.1	25.5	10.4	35.8	0.4	99.9	3.5	4.4
PPOP	1.3	2.8	18.9	23.3	8.8	30.6	0.1	85.8	11.9	6.7
Provisions	0.1	0.6	1.2	2.5	1.8	11.1	0.1	17.4	20.9	7.8
Operating profit	1.2	2.3	17.7	20.7	7.0	19.5	0.0	68.4	9.8	6.4
Net profit	0.9	1.7	14.2	15.5	5.6	15.7	0.0	53.6	10.9	8.7
Forecast (%)								Avg.		
Net Profit/SSI 2024F	81.8	77.4	77.3	74.1	73.2	72.9	72.0	75.5		
Net Profit/Cons. 2024F	81.8	74.9	76.1	74.5	73.8	74.5	70.2	75.1		
Key ratios (%)								Avg.		
NIM	4.4	5.6	5.8	4.9	4.2	6.5	7.1	5.5		
LDR	97.3	88.5	77.9	95.0	95.5	99.3	101.8	93.6		
Capital adequacy	34.1	21.4	29.3	20.1	21.8	25.0	45.6	25.3		
Gross NPL	3.2	2.0	2.1	1.0	2.0	3.0	0.2	2.2		
ROE	5.8	16.9	22.3	21.7	14.7	18.9	1.4	16.7		

YTD Relative Performance vs JCI



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