



Mandiri Sekuritas Analyst

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INDUSTRY: BANKING

NEUTRAL

Another good year for banks

Entering 2013 banks are more optimistic compared to in 4Q12, translating into 23.5% loan growth. However, with a more conservative stance on provisioning charges, we expect slower earnings growth of 13% on average in 2013. We assign a **NEUTRAL** stance on the industry with BBRI and BBNI on the larger banks and BJTM and BBTN on the smaller banks as our top picks.

Stronger loan growth in 2013. We expect average loan growth on our bank universe of 23.5% in 2013 compared with 22.7% in 2012. This is expected to come from investment or corporate loans and consumer loans, which have been supported by the rising middle income.

NIM to remain high at more than 6%. Average net interest margin on our bank universe is forecasted at 6.56% in 2013 and 6.50% in 2014. We do not see NIM to decline significantly in the medium term given the high cost of business operation in the country.

Asset quality at its best. Industry NPL level stood at 2.0% in January 2013, the lowest since the Asian crisis. This is supported by high coverage ratio of more

than 150%. We do not expect any significant asset quality deterioration in the next two years. Nevertheless we expect a more conservative stance on provisioning charges which will limit earnings growth to 13% in 2013.

No Tier-1 capital raising. With average total CAR of 19.3% in January 2013 (17% in our bank universe) we do not expect any Tier-1 capital raising in 2013-14. The average ROE is expected at 21.4% and 21.8% in 2013-14, a comfortable level for sustainable growth.

Valuation and stock picks. The banks are trading at 2.8x P/BV 2013F, 1STD above the mean valuation since 2004. We prefer BBRI and BBNI for the large banks and BJTM and BBTN for the smaller ones.

FIGURE 1. BANK VALUATION AND RECOMMENDATION

Company	Bloomberg Code	Recom.	Price (Rp)	Target Price	Mkt. Cap. (Rp bn)	P/E (x)		P/BV (x)		ROE (%)		Yld (%)	
						2013F	2014F	2013F	2014F	2013F	2014F	2013F	2014F
BCA	BBCA IJ	NEUTRAL	10,850	10,300	267,507	20.1	16.9	4.3	3.6	23.3	23.3	1.5	2.1
BRI	BBRI IJ	BUY	8,850	10,600	218,322	10.9	9.2	2.8	2.3	27.8	26.9	2.6	2.7
BNI	BBNI IJ	BUY	4,850	5,500	90,446	11.2	9.4	1.8	1.6	17.2	17.9	1.6	2.7
Danamon	BDMN IJ	NEUTRAL	6,250	6,100	59,904	13.6	11.9	1.9	1.7	14.7	15.0	2.0	2.2
BTPN	BTPN IJ	BUY	5,200	5,600	30,369	12.0	9.9	3.0	2.4	28.1	26.7	-	2.1
Panin	PNBN IJ	NEUTRAL	850	890	20,467	8.6	7.1	0.9	0.8	11.2	12.3	2.1	2.3
BTN	BBTN IJ	BUY	1,650	2,100	17,281	8.8	7.2	1.4	1.3	17.5	18.7	2.4	3.4
BJB	BBJB IJ	NEUTRAL	1,260	1,300	12,217	8.8	7.1	1.8	1.6	21.8	23.8	5.4	5.9
Jatim	BJTM IJ	BUY	510	575	7,608	7.7	6.6	1.3	1.2	17.2	18.6	7.7	8.4
Average		NEUTRAL			955,121	13.1	11.0	2.8	2.4	21.4	21.8	2.0	2.3
w/o BCA						11.6	9.7	2.0	1.7	21.0	21.4		

Source: Mandiri Sekuritas estimates

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Investment summary

We assign a Neutral outlook on Indonesian banks – in this report we cover nine Indonesian banks with total market cap of Rp724tr (USD74.3bn – 16.5% of total market capitalization, 21.7% if Bank Mandiri is included, in the Indonesia Composite Index) and accounted for around 47% of the Indonesian banking assets in December 2012 (63% with Bank Mandiri). As of the closing 4 April 2013 our banking industry stock universe traded at 2.8x P/BV, 13.1x PE for 2013E. We assign a NEUTRAL outlook on the sector with BBRI and BBNI as top picks for the larger banks and BJTM and BBTN for the smaller lenders.

Banks are expected to book higher loan growth in 2013 – we believe, despite the weak global economic outlook this year, Indonesian banks will post higher loan growth than the 23.1% recorded in 2012. Of our bank universe we expect total loan growth of 23.5% in 2013, a tad higher than 22.7% recorded in 2012. Most of the loan growth is expected to come from investment, thus corporate loan segment, which has been the loan growth driver in 2011-12 given the strong investments, both FDI and DDI. In addition, burgeoning middle income will also boost consumer lending in auto and mortgage despite the implementation of the minimum down payment.

Banks to see stable net interest margins – despite the rising competition, indicated by higher LDR of 82% in 2012 on our bank universe (vs. industry level of 84%) we expect banks to show stable net interest margin in 2013 onwards. Average NIM among our bank universe which reached an average of 6.51% in 2012 is expected to increase slightly to 6.56% in 2013 and to 6.50% in 2014. We do not see the margin to decline significantly in the foreseeable future given the high cost of operation in the country which leads to high margin. That said Indonesian banks will remain attractive compared to the regional banks, which margins range from 2% to 4%. We however expect a declining trend in NIM in the long-term on rising competition and in view of the ASEAN banking integration in 2020.

Loan and deposit mix changes to maintain high margin – some banks have entered into the higher yield assets such as micro lending, which offers double digit NIM to maintain declining margin in other segments. Micro lending accounted for 11.2% of the industry total loans in 2012 compared to 18.8% five years ago in 2007 and among the larger banks, BRI remains the market leader in this segment with most of the big banks (Bank Mandiri, Bank Danamon, Panin, BTPN and Bank CIMB Niaga) are increasing their exposure to this lucrative market. In addition we have also seen change in deposit mix towards current account and savings accounts (CASA) to keep low cost of funds. The industry has seen time deposits portion declined to 43% in 2012 from 45% in 2007 and 53% in 2002 while CASA ratio, especially savings, saw the reversed.

Asset quality and capital are strong – banks are still continuing improvement in asset quality since 2005 with average industry NPL stood at 2.0% in January 2013, well below the peak of 8.4% in July 2006, post the 1997 Asian crisis. Our bank universe average NPL was at 1.9% in 2012 with average loan loss coverage ratio of 157%. We are of the view that the asset quality to remain excellent this year in view of the stable economic growth and better credit monitoring. Meanwhile the industry average CAR is more than sufficient at 19.3% in January 2013 (18.3% in our bank universe in December 2012) and we expect the level to remain above 17% in 2013-14. We rule out any major potential primary capital raising in the next two–three years.

High profitability ratio maintained at >20% – with the high loan growth and NIM we expect average ROE at 21.4% in 2013 and 21.8% in 2014. This compared to 23.6% average ROE recorded in 2011 and 22.6% in 2012. We believe this level is still among the highest in the region which explains the high valuation of the Indonesian banks in terms of P/BV.

Banks are valued at 1STD above mean – supported by 12% and 19% earnings growth for 2013 and 2014 the banks are trading at 2.8x P/BV and 13.1x P/E for 2013E and 2.4x and 11.0x for 2014E. However, as BBCA is an outlier, excluding this counter the industry is trading at 2.0x and 1.7x P/BV and at 11.6x and 9.7x P/E for 2013 and 2014, respectively. At this level the industry is trading at 1 STD above the mean valuation since 2004 with similar valuation seen in 2Q-3Q 2011.

FIGURE 2. INDONESIAN BANKS VALUATION

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w/o BCA						11.6	9.7	2.0	1.7	21.0	21.4		

Source: Mandiri Sekuritas estimates

FIGURE 3. REGIONAL BANKS VALUATION

Country Company	Bloomberg Code	Price LCY (4-5-13)	TP LCY	Mkt Cap (US\$ m)	PE (x)		PBV (x)		ROE (%)	
					2013	2014	2013	2014	2013	2014
Thailand										
Bangkok Bank	BBL TB	197.00	220.00	12,269	10.6	9.6	1.4	1.3	13.4	12.8
Bank of Ayudhya	BAY TB	32.00	33.00	6,342	10.6	9.1	1.6	1.4	15.6	16.6
Kasikornbank	KBANK TB	194.00	210.00	15,148	11.3	10.0	2.2	1.9	21.2	20.8
Krung Thai Bank	KTB TB	19.50	22.00	8,892	9.9	8.7	1.6	1.5	17.2	17.5
Siam Commercial Bank	SCB TB	179.50	190.00	19,875	12.1	10.7	2.4	2.1	20.9	20.9
TMB Bank	TMB TB	1.87	1.40	2,657	16.5	13.7	1.7	1.6	11.8	12.9
Simple average					11.9	10.3	1.8	1.6	16.7	16.9
Malaysia										
AMMB Holdings	AMM MK	6.59	6.77	6,501	11.5	10.5	1.6	1.4	14.1	14.2
CIMB Group	CIMB MK	7.68	8.00	18,682	11.2	9.9	1.7	1.6	16.1	16.5
Hong Leong Bank	HLBK MK	14.76	16.10	9,081	13.9	12.7	2.1	1.9	15.5	15.3
Malayan Banking	MAY MK	9.05	7.84	24,998	12.4	11.7	1.8	1.6	14.8	14.9
Public Bank	PBKF MK	16.24	15.10	18,772	13.3	12.0	2.8	2.5	22.2	21.8
RHB Capital	RHBC MK	7.64	8.20	6,237	9.6	8.7	1.2	1.1	13.2	13.1
Simple average					12.0	10.9	1.9	1.7	16.0	16.0
Singapore										
DBS Group	DBS SP	14.99	18.30	29,971	10.6	9.9	1.1	1.0	10.7	10.9
OCBC	OCBC SP	9.82	10.58	27,643	12.8	11.9	1.4	1.3	10.8	11.0
UOB	UOB SP	19.84	22.20	25,629	11.3	10.5	1.2	1.2	11.4	11.3
Simple average					11.6	10.8	1.2	1.2	11.0	11.1
The Philippines										
Bank of the Philippines Island	BPI PM	95.05	na	8,240	22.3	22.3	3.7	3.7	17.5	17.5
Philippine National Bank	PNB PM	89.00	na	1,437	14.1	14.1	1.7	1.7	12.7	12.7
Metropolitan Bank & Trust	MBT PM	99.65	na	5,129	16.4	16.4	2.1	2.1	13.7	13.7
Banco de Oro	BDO PM	72.10	na	6,293	18.3	18.3	2.1	2.1	11.5	11.5
Rizal Commercial Bank	RCB PM	58.10	na	1,616	12.6	12.6	1.8	1.8	12.5	12.5
Union Bank of Philippines	UBP PM	114.50	na	1,790	10.6	10.6	1.7	1.7	17.8	17.8
Simple average					15.7	15.7	2.2	2.2	14.3	14.3

Source: Bloomberg

Banks are more optimistic

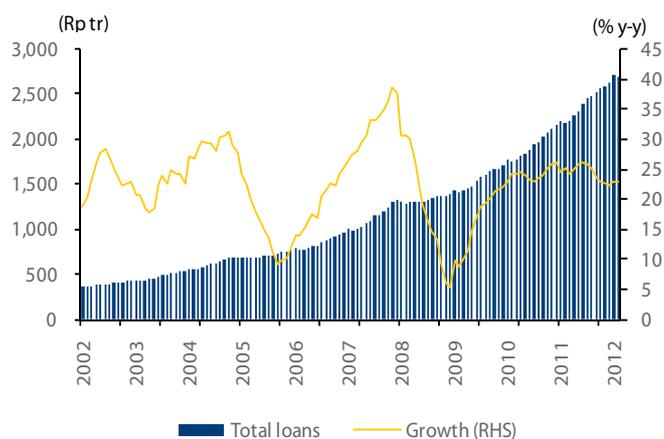
We expect banks to be more upbeat in loan growth in 2013 (+23%), supported by investment and consumer loan demand. Aside from the expected 19% deposit growth, which will be more on the current and savings account, banks rely on their ample liquidity, which account for % of total assets. Despite rising competition in deposit taking, indicated by rising LDR to 85%, we expect net interest margin to remain stable this year at 6.6% while asset quality is at its best since the Asian crisis.

Industry loan grew 23% in 2012

Total industry loans grew 23.1% y-y to Rp2,708tr in 2012 and this was supported by investment and working capital loans, which increased 27.4% and 23.2% y-y. This total loan growth level is higher than the 19% CAGR in the past 25 years but similar to the 21% CAGR recorded in the past 13 years after the economy recovered from the Asian crisis. Supported by the 6% pa economic growth this loan growth should be sustainable given the low loan to GDP of only 33% currently, well below the regional countries' levels of 40-120% and Indonesia's peak level of 62% in 1997.

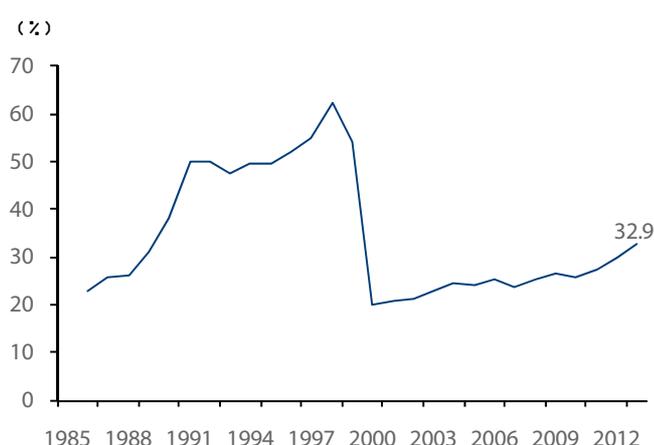
In terms of currency, borrowers have been utilizing more rupiah loans, which now account for 84% of total loans (81% in 2008) and are growing at 24.0% y-y versus foreign exchange loans at 15.8% y-y.

FIGURE 4. TOTAL INDUSTRY LOANS



Source: Bank Indonesia, Mandiri Sekuritas

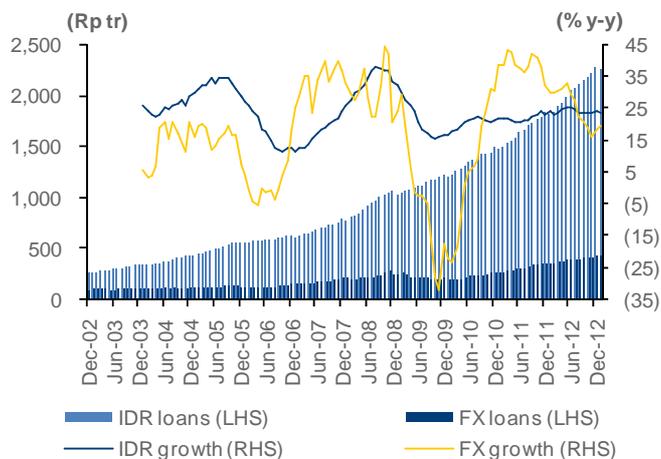
FIGURE 5. TOTAL LOANS TO GDP STILL AT 33%



Source: Bank Indonesia, Mandiri Sekuritas

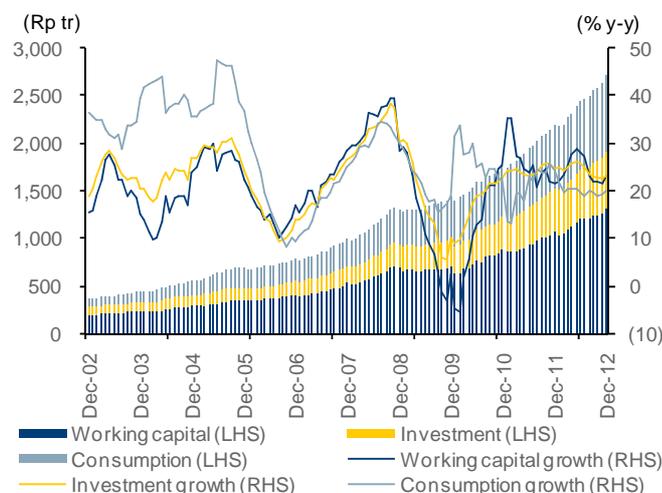
Based on type of use, working capital loans still account for the largest portion of total loans at 48.6% in 2012, down from 52.4% in 2008, while consumption loans have picked up to 29.5% from 28.1% over the same period, similar to the investment loans which proportion has increased to 21.8% from 19.6%.

FIGURE 6. TOTAL LOANS BASED ON CURRENCY



Source: Bank Indonesia, Mandiri Sekuritas

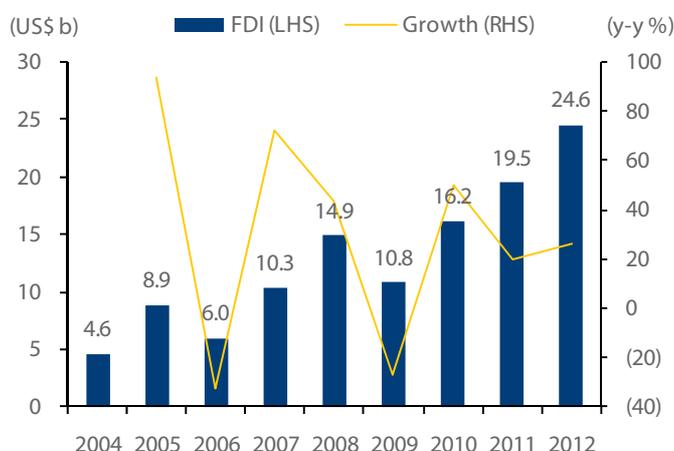
FIGURE 7. TOTAL LOANS BASED ON TYPE OF USE



Source: Bank Indonesia, Mandiri Sekuritas

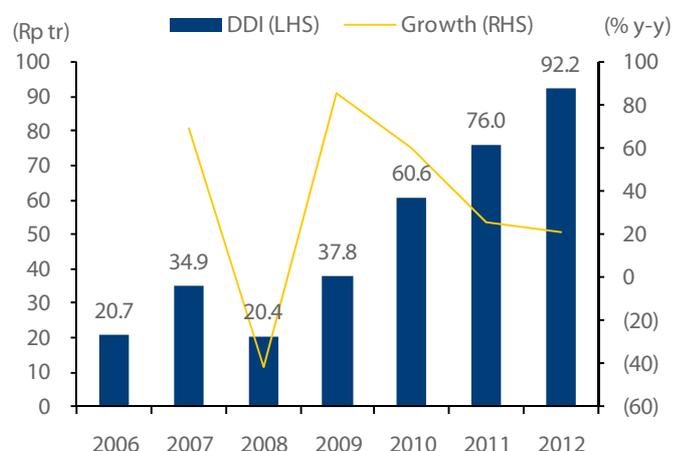
Investment loans – the high growth on investment loans is in line with the rising investment, both foreign direct (FDI) and domestic direct investment (DDI), which have been growing steadily since 2009 and recorded 26% y-y growth in 2012 for FDI and 21% for DDI. As a result of the strong growth rate, investment loans grew 27.4% y-y in 2012.

FIGURE 8. FOREIGN DIRECT INVESTMENT



Source: BKPM, Mandiri Sekuritas

FIGURE 9. DOMESTIC DIRECT INVESTMENT

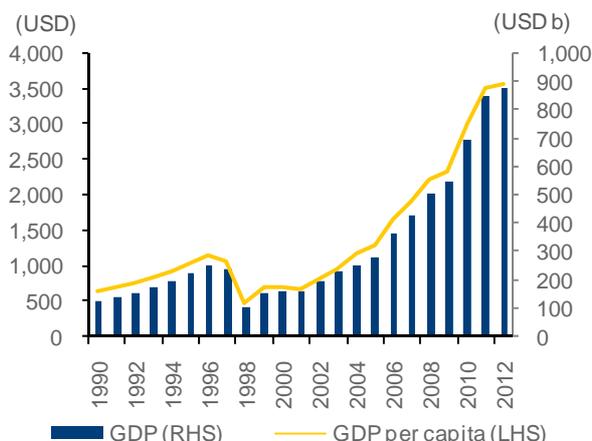


Source: BKPM, Mandiri Sekuritas

Working capital loans – still make up the largest portion of loans at 48.6% in 2012 and this was down from the peak of above 70% in the 90's. We believe given the strong investment loan growth, growth in working capital loans will remain as the second highest, but their proportion will continue to decline due to the expected pickup in consumer lending.

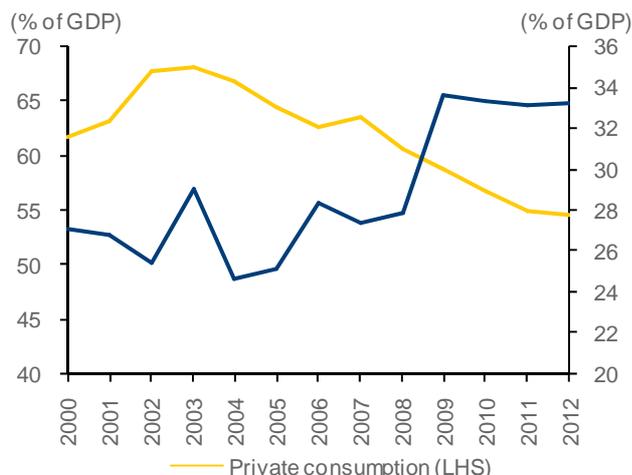
Consumer loans – despite several measures by the central bank to curb the growth rate the consumer loans still grew at 19.9% y-y in 2012, down from 24.2% y-y in 2011 and the portion has thus increased. The major contributors for consumer loans are mortgage and auto loans. The private consumption which account for 55% of GDP is expected to remain strong in the future. In turn this should translate to the rising per- capita GDP which reached US\$3,600 in 2012. At this level, demand for housing and automotive should take off, as evidenced in other countries when the GDP breached the US\$3,000 threshold. In addition to this, national savings rate in Indonesia remains high at 33% indicating the future ability to invest or spend.

FIGURE 10. PER CAPITA GDP IS TAKING OFF



Source: Bank Indonesia, Mandiri Sekuritas

FIGURE 11. SAVINGS RATE REMAINS HIGH

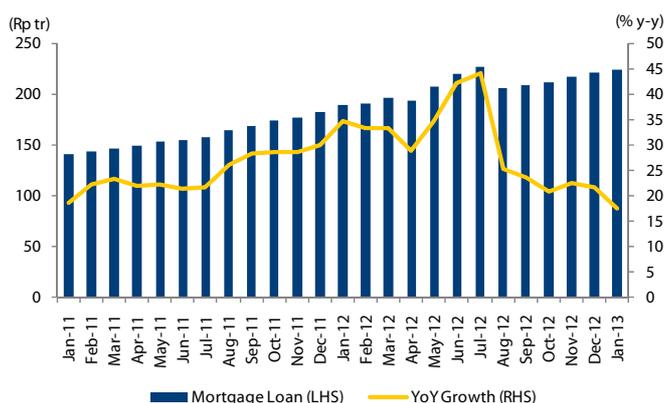


Source: Bank Indonesia, Mandiri Sekuritas

- Mortgage** – following the central bank’s ruling on maximum Loan to Value (LTV) of 70% in July 2012 mortgage loans came off and hence the growth rate declined from the peak of 44.1% y-y in July 2012 to 17.5% in January 2013. The absolute mortgage loans however has started to increase again at a steady pace since then and we expect the loans grow at around 20-25% as demand on housing remains strong. As a percentage of total loans mortgage loans account for 8.3% of the total loans, down from peak of 9.2% in July 2012 and given this level and the asset quality we do not expect the bubble on the property prices as yet.

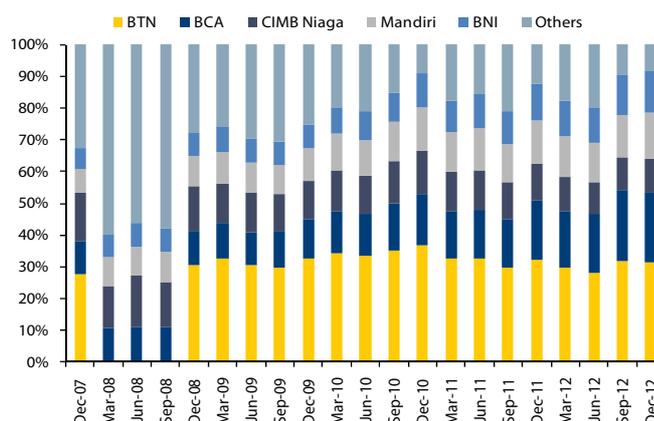
Most banks offer the mortgage loans but it is pretty much dominated by several banks with BTN as the largest lender, accounting for 27.4% market share in 2012. This is followed by BCA at 19.0%, Bank Mandiri at 12.4%, BNI at 11.4% and CIMB Niaga at 9.4%. Top seven lenders control 92.8% share in mortgage and the remaining are shared by many other banks.

FIGURE 12. MORTGAGE LOAN



Source: Bank Indonesia, Mandiri Sekuritas

FIGURE 13. MARKET SHARE OF MORTGAGE LOANS



Source: Bank Indonesia, Mandiri Sekuritas

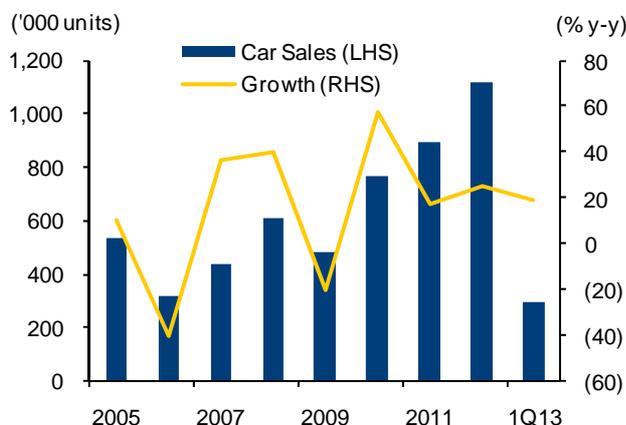
- Auto loans** – the impact on new central bank’s ruling on minimum down payment on the automotive purchase was largely felt in automotive loans. This was exacerbated by the weak commodity prices, which affected the 2-wheeler sales in Indonesia. Total automotive loans declined 8.2% y-y in January 2013 in contrast to the 32.2% y-y growth recorded in 2011 and 41% y-y in the beginning of 2011. Despite the trend is still declining, we believe auto loans will rebound again given the rising car sales, which increased 13% y-y in 1Q13 already.

FIGURE 14. AUTO LOANS ON THE DECLINING TREND



Source: Bank Indonesia, Mandiri Sekuritas

FIGURE 15. CAR AND MOTORCYCLE SALES



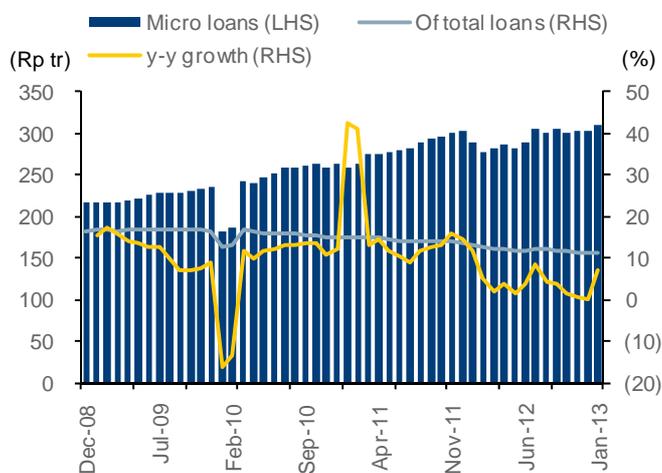
Source: Bank Indonesia, Mandiri Sekuritas

Micro loans – this high yield loans have attracted some banks to alleviate their net interest margin. Started with Bank Rakyat in the 1980's several banks including Bank Danamon, Bank Mandiri, Bank CIMB Niaga and BTPN have set up divisions on micro lending, which is set as loans less than Rp50m or 100m. The government has also stepped in to help those non-bankable but feasible customers to get financing from the banks at competitive pricing. This program is recorded under Kredit Usaha Rakyat (People's Business Credit), of which 70% of the credit risk is born by the government, through two insurance companies, while the banks bear the remaining risk.

Total industry micro loans reached Rp309t as of January 2013, accounting for 11.5% of the banking industry total loans, down from 16.5% in December 2008. The declining composition of the micro loans to total loans is because of the higher growth recorded in other loan types, especially investment and consumer, as well as time needed for the government to inject more capital to the appointed insurance companies.

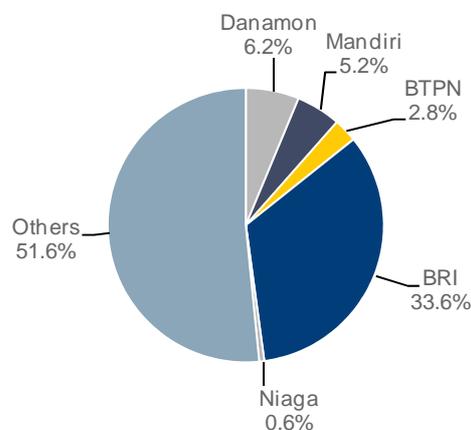
BRI so far still dominates the micro loans controlling 33.6% of the total in December 2012 with Bank Danamon and Bank Mandiri are racing each other to become the second biggest player.

FIGURE 16. INDUSTRY MICRO LOANS



Source: Bank Indonesia, Mandiri Sekuritas

FIGURE 17. BRI CONTROLS A THIRD OF MICRO LOANS



Source: Banks, Bank Indonesia, Mandiri Sekuritas

Loan growth expected to remain strong in 2013

Our bank universe shows an average of 22.7% loan growth in 2012 and we expect this level to improve to 23.5% in 2013 despite the weak global economy and the full impact on Loan-to-Value (LTV) regulation since July 2012 for the conventional banks and April 2013 for the sharia financing. Average loan growth is expected to continue growing by 21.3% in 2014.

FIGURE 18. LOAN GROWTH IN EACH BANK

Bank (%)	2011	2012	2013F	2014F	2015F
BCA	31.5	27.0	22.2	21.0	21.5
BRI	16.6	22.9	22.5	20.2	20.3
BNI	19.8	12.9	31.6	18.9	20.1
Danamon	22.8	14.4	18.2	18.6	17.9
Panin	26.6	29.0	24.1	22.3	21.0
BTPN	29.9	28.2	24.9	24.3	22.7
BTN	23.3	28.1	27.7	25.4	22.1
BJB	21.5	33.3	26.5	24.2	24.2
Jatim	23.3	15.0	23.8	23.0	23.1
Total	23.7	22.7	23.5	21.3	21.1

Source: Banks, Mandiri Sekuritas estimates

FIGURE 19. SEGMENTAL LOAN BREAKDOWN IN EACH BANK

Bank (%)	Corporate	Commercial	Consumer	Micro
Mandiri	37.9	41.3	14.9	6.0
BCA	33.0	40.1	26.9	-
BRI	25.2	26.4	17.6	30.8
BNI	39.1	21.7	39.2	-
Danamon	10.9	26.2	6.1	56.8
Panin	30.1	40.9	29.0	-
BTPN	-	-	76.8	23.2
BTN	-	23.0	53.8	23.2
BJB	-	18.0	69.1	12.9
Jatim	-	17.5	64.1	18.5
Average	29.8	35.2	22.4	12.6

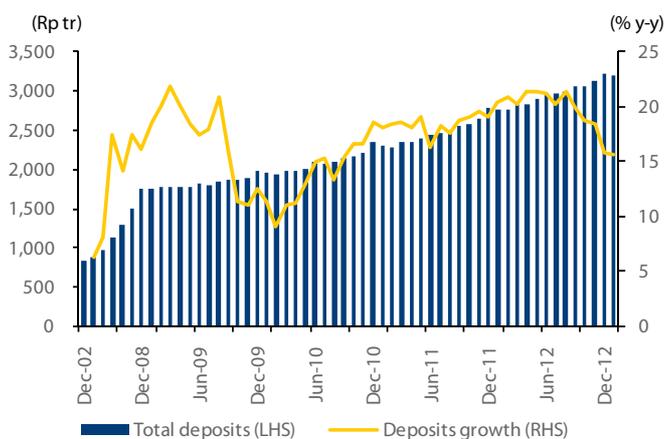
Source: Banks, Mandiri Sekuritas estimates

Among the loans by type of use, we expect investment/corporate loans to post the highest growth due to investment realization followed by the working capital loans. Of the consumer loans, mortgage loans are forecast to remain strong on the back of low interest rate environment and rising wealth while auto loans will be dominated by car financing instead of motorcycle which has yet to see recovery due to the LTV ruling and weak commodity prices.

Deposit growth is still behind loan growth

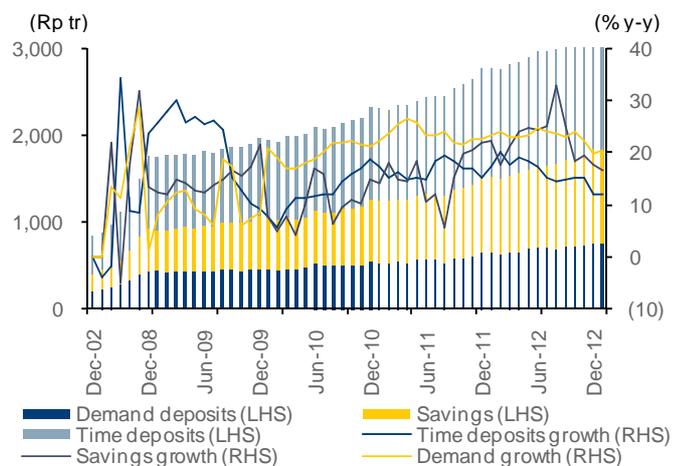
Whilst total loans have been growing at 21.1% CAGR in the past 13 years (1999- 2012) total deposits have been growing at 13.4% CAGR over the same period, leading to increasing loan-deposit ratio to 84% in 2012 from 36% in 1999. Prior to the Asian crisis in 1997 the industry LDR was always above 100% and this reached the bottom of 36% in 1999 when more than half of the outstanding loans were written off.

FIGURE 20. TOTAL BANK DEPOSITS



Source: Bank Indonesia, Mandiri Sekuritas

FIGURE 21. HIGHER GROWTH ON CASA



Source: Bank Indonesia, Mandiri Sekuritas

Realising the need to lower cost of funds banks have been offering more incentives for CASA deposits, especially savings. As a result savings deposits have been growing at higher rate with increasing proportion to 34.3% in 2012 from 19.7 in 1999. Our bank universe, including Bank Mandiri, recorded 14.9% y-y deposits growth in 2012 with CASA ratio averaging 64.7% and this helped them keep cost of funds low.

We expect total deposits to grow on average 18.9% in 2013 and another 18.3% in 2014 but given the expected rising competition in deposit taking, we believe time deposits portion will start to increase again. Total time deposits in our bank universe increased 7.4% in 2012 and 9.3% y-y in 2011 and we anticipate this is not sustainable and hence expect a 20% increase in 2013 and 18% in 2014.

FIGURE 22. DEPOSIT GROWTH IN EACH BANK

Bank (%)	2011	2012	2013F	2014F	2015F
BCA	16.6	14.6	16.6	16.6	17.7
BRI	15.2	14.3	20.8	16.6	18.8
BNI	19.0	11.4	19.5	16.0	16.0
Danamon	8.0	4.6	16.3	16.9	18.6
Panin	13.9	19.8	20.7	22.9	22.7
BTPN	39.6	26.5	22.7	22.1	22.1
BTN	30.4	30.2	27.6	23.2	21.0
BJB	22.2	30.4	22.5	21.0	20.5
Jatim	24.2	10.3	20.8	22.0	23.1
Total	17.0	14.9	18.9	18.3	19.0

Source: Banks, Mandiri Sekuritas

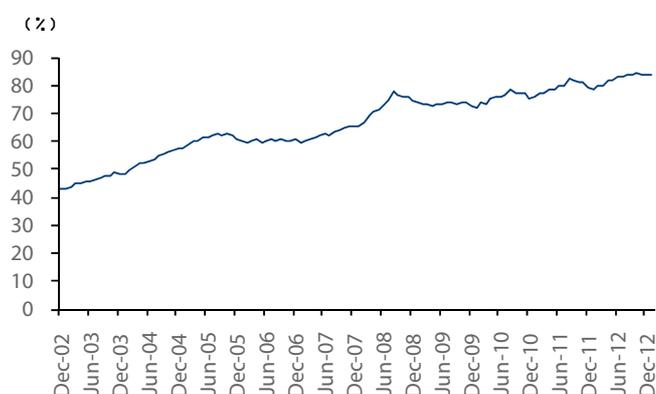
FIGURE 23. DEPOSIT BREAKDOWN IN EACH BANK IN 2012

Bank (%)	Current	Savings	Time /fixed
Mandiri	23.6	41.9	34.5
BCA	26.0	54.0	20.0
BRI	18.1	41.6	40.4
BNI	28.5	37.5	34.0
Danamon	16.0	30.2	53.8
Panin	14.9	46.3	38.8
BTPN	0.7	14.4	84.9
BTN	16.3	26.2	57.6
BJB	46.9	17.8	35.3
Jatim	43.9	36.9	19.2
Average	22.9	41.8	35.3

Source: Banks, Mandiri Sekuritas

The average LDR of our bank universe is expected to increase to 85% in 2013 from 82% in 2012 and given the slower deposit growth this is to further increase to 87% in 2014. As seen in the table below, the high LDR is seen in the smaller banks such as Panin, Danamon, BTN, all of which are active in the bond market so far to raise longer term funding to match their longer tenor lending.

FIGURE 24. INDUSTRY LDR



Source: Bank Indonesia, Mandiri Sekuritas

FIGURE 25. LDR IN EACH BANK

Bank (%)	2011	2012	2013F	2014F	2015F
Mandiri	74	80	84	86	87
BCA	63	69	73	75	78
BRI	77	82	84	86	87
BNI	71	72	79	81	84
Danamon	118	129	131	133	132
Panin	90	97	99	99	97
BTPN	85	86	88	89	90
BTN	103	101	101	103	104
BJB	74	75	78	80	82
Jatim	80	84	86	86	86
Total	76	82	85	87	88

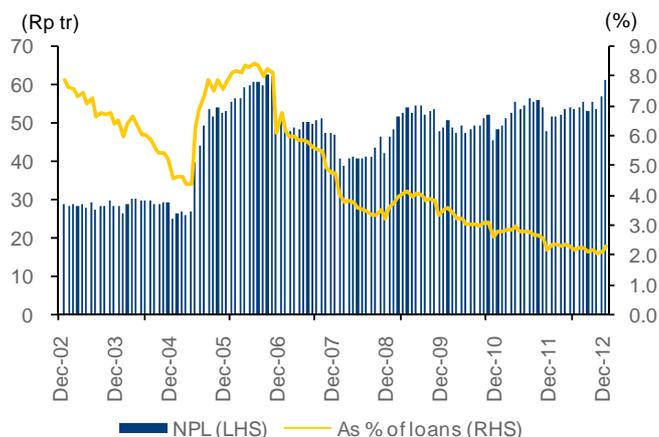
Source: Banks, Mandiri Sekuritas

Asset quality to stay in good condition

Since mid-2006 the industry has seen a steady improvement in asset quality with the average NPL level declining to 2.0% in January 2013 from the peak of 8.4% in July 2006 during 2002-current (NPL level was as high as 70% during the Asian crisis in 1998).

With such low NPL we expect banks to maintain their high loan-loss coverage ratio which stood at an average of 157% in December 2012. Asset quality is forecast to remain solid, supported by the steady economic and loan growth and the high coverage ratio gives more comfort in case of any deterioration of asset quality.

FIGURE 26. INDUSTRY NPL



Source: Bank Indonesia, Mandiri Sekuritas

FIGURE 27. EXPECTED NPL ON EACH BANK

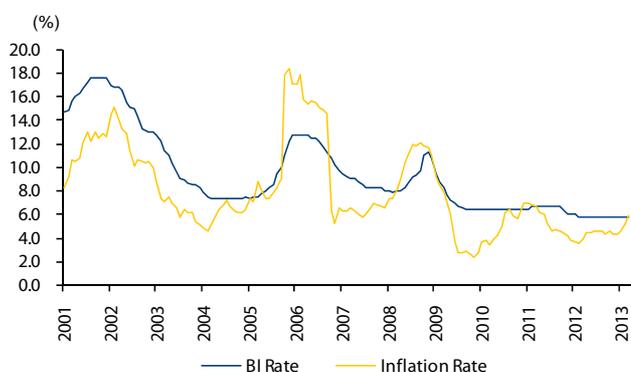
Bank (%)	2011	2012	2013F	2014F	2015F
Mandiri	2.2	1.8	1.9	1.8	1.6
BCA	0.5	0.4	0.5	0.5	0.5
BRI	2.3	1.8	1.9	1.9	2.0
BNI	3.6	2.8	2.6	2.4	2.4
Danamon	2.7	2.6	2.4	2.3	2.3
Panin	3.5	2.5	2.8	2.8	2.7
BTPN	0.7	0.6	0.7	0.8	0.8
BTN	2.7	4.1	2.5	2.3	2.3
BJB	1.2	2.1	2.1	1.9	1.7
Jatim	1.0	3.0	2.4	2.3	2.1
Total	2.2	1.9	1.9	1.8	1.7

Source: Banks, Mandiri Sekuritas

Liquidity and interest rates are stable

Our economists expect that Bank Indonesia will maintain BI rate at 5.75% this year as the expected inflation of 5.4% is still within the 4.5% +/-1% range while FASBI rate (central bank deposit facility rate) to increase by at least 25bp in order to support external balance and maintain currency stability. BI rate is likely to remain unchanged as well in 2014 as we expect benign inflationary pressures during this political year with no major change in administered prices such as on fuel. We have factored in the expected FASBI increase this year to our forecasts which will benefit banks with high excess liquidity such as BCA and BNI for large banks and BJB and BTPN for smaller banks.

FIGURE 28. INFLATION AND INTEREST RATE (CHECK REF)



Source: Bank Indonesia, Mandiri Sekuritas

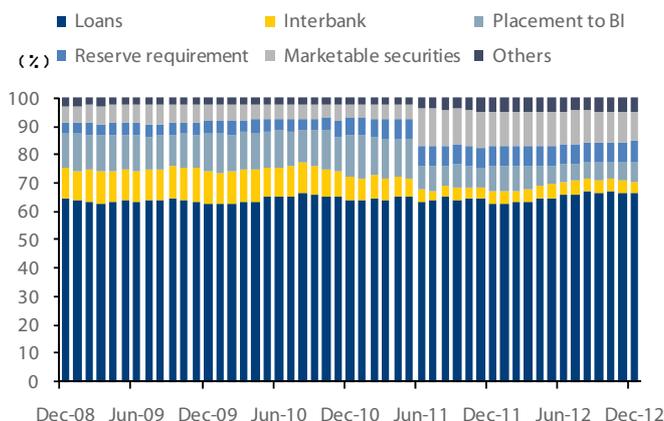
FIGURE 29. MACROECONOMIC FORECAST TO 2014

	2011	2012	2013F	2014F
Real GDP (% y-y)	6.5	6.2	6.3	6.6
GDP (Rp tn) - nominal	7,423	8,242	9,408	10,699
GDP (US\$ bn) - nominal	846	879	975	1,105
GDP per capita (US\$) - nominal	3,569	3,662	4,017	4,498
Trade balance (US\$ bn)	34.8	8.4	7.7	8.4
Current Account (% of GDP)	0.2	(2.7)	(2.4)	(1.8)
Current Account (US\$ bn)	1.7	(24.2)	(23.3)	(20.3)
Forex reserves (US\$ bn)	110.0	113.0	114.0	120.0
Rp/US\$ (year-end)	9,000	9,670	9,606	9,677
BI rate (% year end)	6.0	5.8	5.8	5.8
Headline inflation (% y-y, period avg.)	5.1	4.3	5.4	4.9
Headline inflation (% y-y, year-end)	3.8	4.3	5.4	4.7
Fiscal balance (% of GDP)	(1.5)	(1.8)	(1.5)	(1.5)

Source: Bank Indonesia, Mandiri Sekuritas estimates

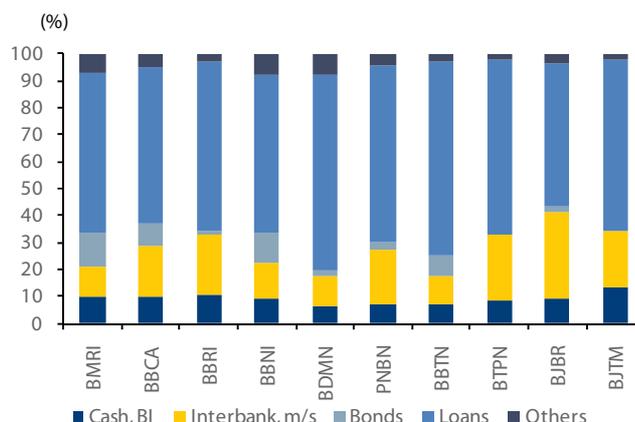
If we look at the banking industry asset breakdown about two third of the total assets are allocated for loans while interbank money makes up only 4% of the total assets, indicating that banks still have ample liquidity to finance loan growth so far. These liquid assets are placed in marketable securities and placement in Bank Indonesia, which accounted for 11% and 7% of total industry assets as of January 2013. On the individual bank these types of liquid assets account for around 23% of total assets which indicates that banks outside our universe are likely to go for interbank funding in case of any liquidity crunch. Any increase in interbank rate will thus likely to benefit the larger banks or those with high variable rate government bonds.

FIGURE 30. INDUSTRY ASSET BREAKDOWN



Source: Bank Indonesia, Mandiri Sekuritas

FIGURE 31. INDIVIDUAL BANKS ASSETS BREAKDOWN DEC 12



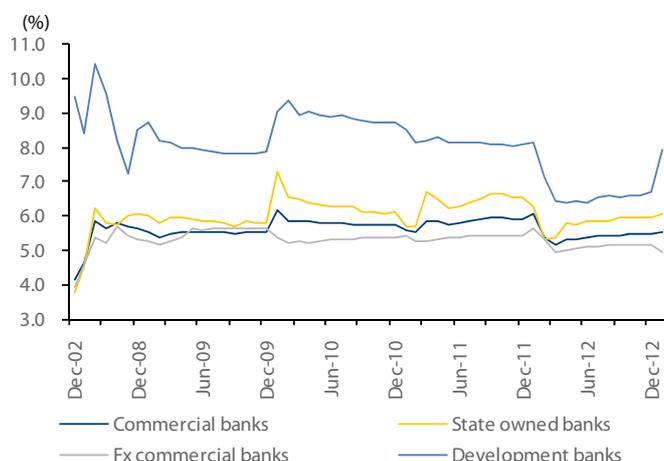
Source: Banks, Mandiri Sekuritas

Net interest margin is expected to increase in 2013

Our bank universe has seen average net interest margin decline to 6.56% in 2012 from 7.03% and 6.63% in 2010 and 2011, respectively. The declining NIM is apparent in banks with concentration in micro lending given the rising competition in the segment such as in BRI, Bank Danamon, BTPN and Bank Jatim.

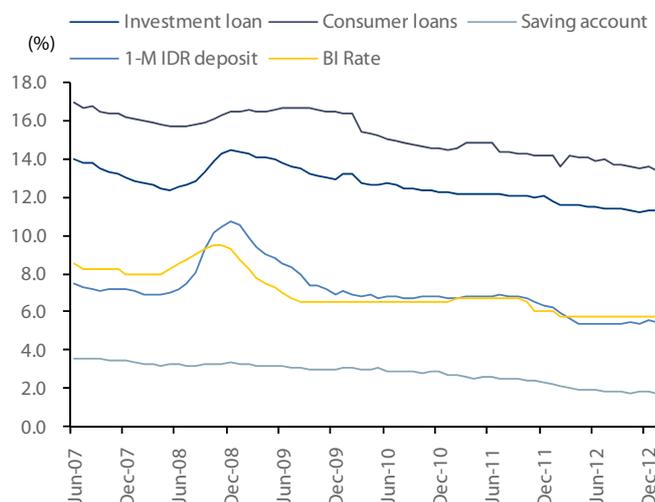
Over the past two years the industry has also seen declining NIM to the average 5.49% in December 2012 from 5.91% in December 2011 and 5.73% in December 2010 and this is in line with the steady decline in lending rates since 2009.

FIGURE 32. INDUSTRY NIM



Source: Bank Indonesia, Mandiri Sekuritas

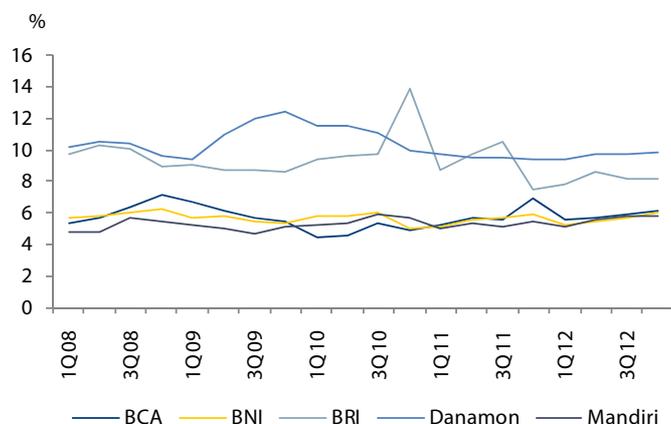
FIGURE 33. INDUSTRY INTEREST RATES



Source: Bank Indonesia, Mandiri Sekuritas

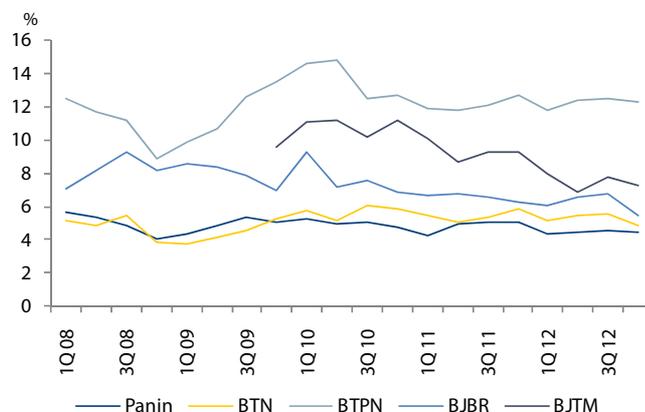
The following exhibits show NIM development of our bank universe on quarterly basis since 2008 for which there are some improvement seen in large banks such as Mandiri, BNI and BCA in the past four quarters. The banks were able to improve their NIMs as they increased their LDR, expanded to higher yield lending such as micro or improve the deposits mix towards the low cost of funds CASA.

FIGURE 34. LARGER BANKS NIM



Source: Banks, Mandiri Sekuritas

FIGURE 35. SMALLER BANKS NIM



Source: Banks, Mandiri Sekuritas

Given the low cost of funds, especially on CASA, and there is no anticipation of BI rate increase we believe banks are able to improve their NIM by a few basis points in 2013. On average we forecast margin expansion of 5bps this year to 6.56% but with the rising LDR we also expect average NIM to slow down to 6.50% again. Among the larger banks we expect BRI will be able to see the most NIM improvement this year to 7.97% from 7.87% last year on the back of its effort in increasing micro lending again. Most of the smaller banks are expected to see lower NIM in 2013 compared with 2012 except Bank BJB and Bank Panin which saw significant decline in the margin last year and hence recovery is expected, mainly on improvement in cost of funds plus loan mix changes.

FIGURE 36. EXPECTED NIM IN EACH BANKS

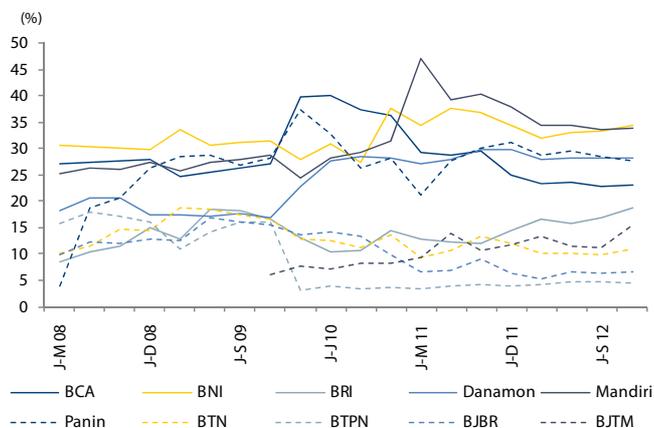
Bank (%)	2011	2012	2013F	2014F	2015F
Mandiri	5.23	5.58	5.63	5.55	5.51
BCA	5.86	5.85	5.93	5.91	5.91
BRI	8.92	7.87	7.97	7.91	7.95
BNI	5.55	5.50	5.59	5.38	5.34
Danamon	9.50	9.71	9.52	9.33	9.30
Panin	4.77	4.50	4.61	4.58	4.57
BTPN	12.11	12.20	11.96	11.79	12.81
BTN	5.39	5.22	5.06	5.09	5.07
BJB	6.59	6.24	6.39	6.43	6.35
Jatim	9.45	7.63	7.53	7.47	7.50
Total	6.65	6.51	6.56	6.50	6.54

Source: Banks, Mandiri Sekuritas estimates

Non-interest income at 24% of total income

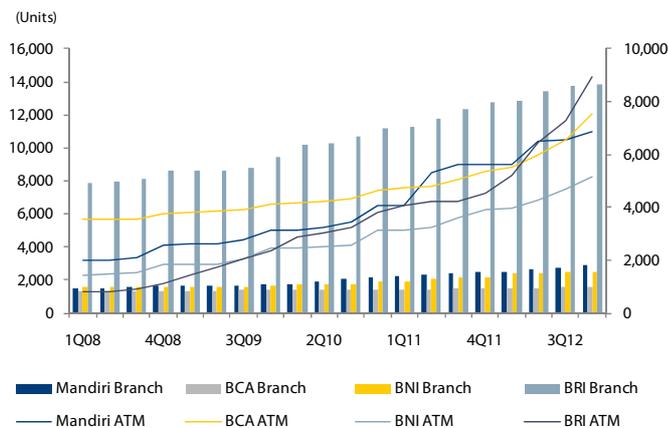
As banks are expecting lower net interest margin in the future, they have started to improve non-interest/fee-based income to boost profit. However, development on this has been slow and the income structure still depends mostly on traditional income generation such as fees on passbooks, remittance fees, foreign exchange trading and other administrative charges. Average non-interest income as a percentage of total income rose marginally to 25.4% in 2012 from 24.8% in FY07. We expect the portion of non-interest income to total income to stay at the 24-25% level on average in 2013-14.

FIGURE 37. NON INTEREST INCOME TO TOTAL INCOME



Source: Banks, Mandiri Sekuritas

FIGURE 38. BANKS BRANCH (RHS) AND ATM (LHS)

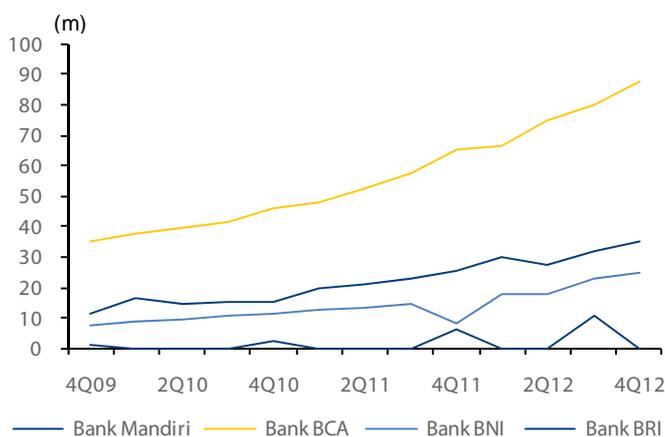


Source: Banks, Mandiri Sekuritas

Several initiatives that banks have done to increase non-interest income:

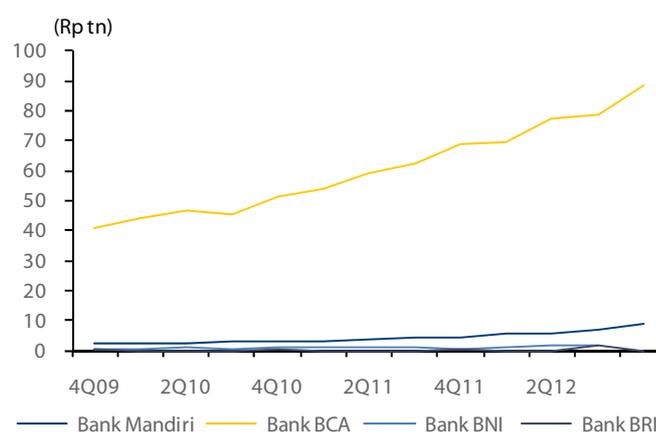
- Large banks' concentration on corporate lending which bring in transaction fee income through cash management, fund remittances, trade financing etc.
- Increasing e-banking activities by providing more ATMs, features on SMS banking, internet and mobile banking. Given the economies of scale needed, only a few large banks can be expected to excel in this, as the following exhibits show. While the transactions through ATM has remained the main drivers for e-banking, its growth rate has been flattening as customers switched to SMS and internet banking, in line with the rising penetration on hand phones and internet. This helps banks lower the transaction costs and at the same time can charge customers transaction fees on certain features, thus improving the banks' fee-based income.

FIGURE 39. QUARTERLY SMS TRANSACTION



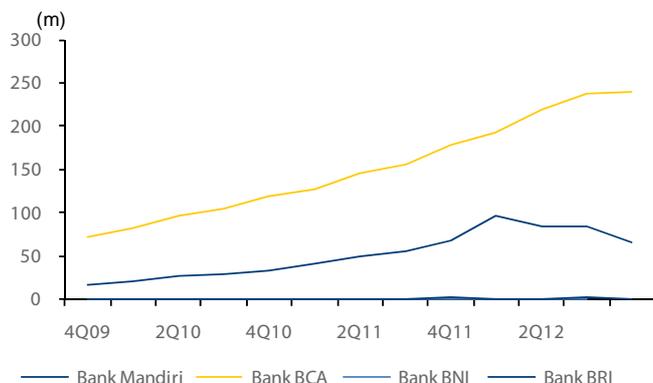
Source: Banks, Mandiri Sekuritas

FIGURE 40. QUARTERLY SMS TRANSACTION AMOUNT



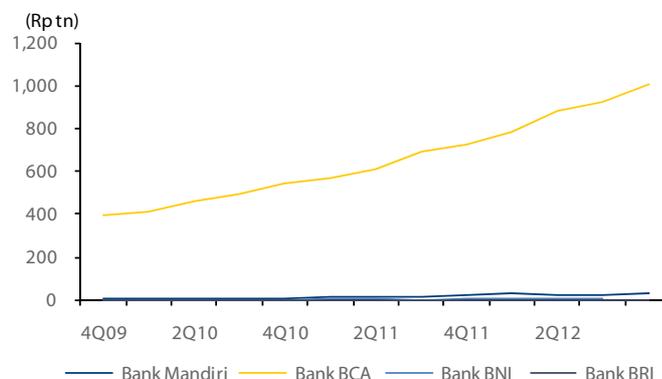
Source: Banks, Mandiri Sekuritas

FIGURE 41. QUARTERLY INTERNET BANKING TRANSACTION



Source: Banks, Mandiri Sekuritas

FIGURE 42. QUARTERLY INTERNET BANKING TRANSACTION AMOUNT



Source: Banks, Mandiri Sekuritas

Operating costs in check and CARs are sufficient

Most banks saw cost-to-income ratio decline in 2012 to the average 47.9% from 48.2% in 2011 despite the expansion in branch and ATM network. This was achieved on the back of high loan growth, high NIM and operating cost control. The continued high loan growth this year should keep the cost-to-income ratio in check with a marked improvement is expected in BTN which under the new leader plans to continue expanding their loans to the higher margin non-subsidized housing loans.

The business expansion has so far been supported by high CAR which stood at 18.3% in 2012 on our bank universe (17.4% in the industry). We do not see any concern over Tier 1 capital raising in the next 2-3 years with the expected total CAR of more than 17% on average.

FIGURE 43. COST TO INCOME

Bank (%)	2011	2012	2013F	2014F	2015F
Mandiri	47.2	46.2	46.1	45.1	44.7
BCA	45.4	46.6	46.8	46.8	46.3
BRI	42.4	43.5	42.8	42.3	41.4
BNI	54.2	52.1	52.4	51.1	49.2
Danamon	54.9	52.2	54.3	54.4	54.1
Panin	50.4	48.3	45.5	46.4	46.6
BTPN	53.7	53.7	52.5	53.0	53.8
BTN	63.3	60.8	56.2	55.0	54.1
BJB	52.7	55.3	54.0	54.2	54.8
Jatim	45.7	44.2	44.7	44.0	42.0
Total	48.2	47.9	47.6	47.2	46.5

Source: Banks, Mandiri Sekuritas estimates

FIGURE 44. CAPITAL ADEQUACY RATIO

Bank (%)	2011	2012	2013F	2014F	2015F
Mandiri	15.0	15.3	15.3	15.4	15.3
BCA	13.3	14.7	14.8	14.8	14.6
BRI	15.0	16.8	15.6	16.6	17.3
BNI	17.9	16.5	16.5	16.3	16.1
Danamon	17.5	18.9	15.4	14.9	14.5
Panin	19.2	16.3	22.2	19.9	20.0
BTPN	20.5	21.0	19.7	20.0	20.2
BTN	15.3	18.0	19.3	18.2	17.6
BJB	19.1	18.6	16.7	15.6	14.8
Jatim	16.3	26.6	25.4	23.1	21.1
Total	16.9	18.3	18.1	17.5	17.2

Source: Banks, Mandiri Sekuritas estimates

2013 outlook – still a healthy year

After performing well in 2012 with average earnings growth of 20% we expect banks to continue its good year in 2013, However with the expected higher provisioning on the conservative side we expect earnings growth to reach 13% with potential upside if banks book another low provisioning charges.

2012 review

Banks continued to perform well last year supported by the average 23.8% loan growth, 82% average LDR, average net interest margin of 6.6% and continued improvement in asset quality. As a result total average earnings increased 20.3% y-y, slower than 30.8% recorded in 2011 when several major banks conducted rights issues. Most of the loan growth came from consumer and micro loans, which made up 22.4% and 12.6% of the total loans on average. However, with the competition rising on most segments, banks were not able to maintain the net interest margin despite the declining cost of funds throughout last year. The improvement in asset quality helped banks to minimize their provisioning charges as well as adding recovered the previously written-off bad debts. With operating costs under control ROE remained high at 21.9%, among the highest in the region.

FIGURE 45. 2012 RESULTS REVIEW (CHANGE)

2012 (Rp bn)	BMRI	BBRI	BBCA	BBNI	BDMN	PNBN	BBTN	BTPN	BJBR	BJTM	Avg
Total assets	635,619	551,337	442,994	333,304	155,791	148,793	111,749	59,090	70,841	28,948	
Net interest income	28,421	36,475	21,245	15,459	13,103	5,554	4,726	6,071	3,655	1,959	
Total income	42,886	44,901	27,616	23,552	18,237	7,663	5,303	6,354	3,919	2,317	
Pre-provisioning profit	23,056	25,356	14,754	11,271	8,710	3,961	2,079	2,942	1,754	1,293	
Pretax profit	20,504	23,860	14,686	8,900	5,487	3,043	1,857	2,485	1,513	1,002	
Net profit - qtrly	4,384	5,513	3,446	2,009	1,020	487	343	537	248	236	
Net profit - YTD	15,503	18,681	11,722	7,046	4,012	2,108	1,364	1,979	1,194	725	
Loan growth (y-y %)	23.6	22.9	27.0	22.8	14.4	29.1	28.1	28.2	33.3	14.8	23.8
Loan growth (q-q %)	6.5	9.5	8.5	8.7	2.8	3.8	6.3	4.7	8.8	(2.0)	6.9
Loan breakdown (%):											
Corporate	38	25	33	39	11	30	12	-	-	-	29.8
SME, commercial	41	26	40	40	26	41	11	-	18	17	35.2
Consumer	15	18	27	21	6	29	70	77	69	64	22.4
Micro	6	31	-	-	57	-	7	23	13	18	12.6
CASA (%)	65.5	59.6	80.0	66.0	46.2	61.2	42.4	15.1	47.2	80.8	58.2
Deposit growth (y-y %)	14.4	14.3	14.6	11.4	4.6	19.8	30.2	26.5	30.4	9.1	15.3
Deposit growth (q-q %)	12.1	14.0	3.5	7.8	3.7	2.3	16.4	5.8	0.9	(16.7)	8.1
LDR (%)	80.4	82.4	69.4	77.9	129.2	95.2	100.9	86.2	75.3	84.4	84.7
Avg yield (%)	8.5	10.9	8.0	8.4	14.0	9.0	9.7	18.6	10.8	9.9	9.9
Avg cost of funds (%)	2.9	3.0	1.9	2.6	5.0	5.2	5.1	7.0	5.6	2.9	3.4
NIM - YTD (%)	5.6	7.9	5.8	5.6	9.7	4.4	5.2	12.2	6.2	7.6	6.6
NPL (%)	1.8	1.8	0.4	2.8	2.6	2.5	4.1	0.6	2.1	3.0	1.8
Coverage ratio (%)	205.3	227.6	406.9	118.7	98.7	56.4	29.5	170.0	86.3	47.4	149.9
Cost-income ratio - YTD (%)	46.2	43.5	46.6	52.1	52.2	48.3	60.8	53.7	55.3	44.2	49.4
CAR (%)	15.3	16.8	14.7	16.5	18.9	16.3	18.0	21.0	18.6	26.6	16.7
Tier 1 CAR (%)	13.2	15.5	13.6	14.8	18.3	13.2	17.0	20.5	17.6	25.6	14.9
ROE - YTD (%)	22.9	32.9	25.2	17.5	15.0	11.0	16.6	29.6	21.7	16.8	21.9
ROA - YTD (%)	2.7	3.9	2.8	2.3	2.7	1.5	1.4	3.8	1.9	2.5	2.6

Source: Banks, Mandiri Sekuritas

2013 outlook looks healthy

We believe banks to continue seeing a good year in 2013 with the average loan growth is expected at 23.5% which is expected to come from investment/corporate and consumer loans, in particular housing loans. Banks are more confident that despite the unstable global economy, the domestic economy is enough to support the high loan growth. Whilst most banks expect lower margin in 2013 we believe some are able to improve it on the back of changes in loan mix and deposit mix as well their more aggressive stance in allocating low yield assets into loans. We assign a high provisioning charge increase in 2013 in view of conservatism and the expected higher write-offs during the good year. As a result we expect average earnings growth of 13% this year with potential upside if the provisioning turns out to be at the low side like last year, especially without any concern over worsening asset quality. The summary of the forecast can be seen in figure 46.

Valuation and stock picks

Our banking industry stock universe is trading at 2.8x P/BV and 13.1x PE for 2013F or at 1STD above the mean valuation since 2004. We assign a NEUTRAL outlook on the sector with top picks on BBRI and BBNI for the larger banks and BJTM and BBTN for the smaller banks.

Based on the closing price on 4 April 2013 our bank universe, consisting of nine Indonesian banks, commands total market capitalization of Rp724tr or USD74.3bn. This accounts for 16.5% of the Indonesia Composite Index total market capitalization and if we include Bank Mandiri it will be 21.7%. The banks comprise of around 47% of the Indonesian banking assets as of December 2012, 63% with Bank Mandiri.

The Jakarta Financial Index increased 21% YTD and outperformed the market by 7%. It is trading at 2.8x P/BV 2013F but if we take out BCA, which is trading at 4.3x P/BV, the industry is trading at 2.0x P/BV. This valuation is 1STD above the average valuation since 2004 and we believe there is some upside potential in some of the banks. Our NEUTRAL stance is set in view of the valuation and potential rate hike in 2015 which may slow down loan growth and increase problem loans. Should interest rates remain stable and funds flow keeps coming to emerging market, we expect more interest in the banking sector. Of the larger banks we prefer BBRI (trading at 2.7x P/BV 2013F, TP Rp10,600) and BBNI (1.8x P/BV 2013F, TP Rp5,500) and for the smaller banks BJTM (1.3x P/BV 2013F, TP Rp575) and BBTN (1.5x P/BV 2013F, TP Rp2,100). P/BV band chart for each banks can be seen in figure 47-56.

FIGURE 46. BANKING OPERATION AND VALUATION

		BCA	BRI	BNI	Danamon	Panin	BTPN	BTN	BJB	Jatim	Total
Price as of 4/4/2013 (Rp)		10,750	8,800	4,675	6,000	870	5,100	1,650	1,230	475	
Market cap (Rp bn)		267,507	218,322	90,446	59,904	20,467	30,369	17,281	12,217	7,608	724,121
Target price (Rp)		10,300	10,600	5,500	6,100	890	5,600	2,100	1,300	575	
Recommendation	YE	NEUTRAL	BUY	BUY	NEUTRAL	NEUTRAL	BUY	BUY	NEUTRAL	BUY	NEUTRAL
BALANCE SHEET (Rpbn)											
Total assets	12/12	442,994	551,337	333,304	155,791	150,235	59,090	111,749	70,841	28,948	1,904,288
	12/13F	516,314	658,549	384,120	180,878	173,738	71,979	138,559	82,333	34,199	2,240,669
	12/14F	602,334	766,700	440,116	208,132	206,457	87,405	168,188	97,404	40,879	2,617,615
Liquid assets	12/12	126,224	182,895	73,665	26,776	42,328	14,269	11,620	29,258	6,036	513,071
	12/13F	142,411	209,116	87,168	30,622	43,453	16,620	13,545	31,008	6,254	580,196
	12/14F	160,583	226,721	98,065	34,407	48,614	19,353	15,124	34,079	6,782	643,727
Government bonds	12/12	36,752	4,316	38,561	4,063	3,995	-	8,491	1,215	-	97,392
	12/13F	34,216	4,490	33,664	3,902	4,076	-	8,072	984	-	89,403
	12/14F	30,880	4,950	31,674	3,747	4,158	-	7,595	864	-	83,868
Total gross loans	12/12	257,786	361,774	184,475	116,139	99,226	38,844	81,411	38,333	18,556	1,196,544
	12/13F	314,989	443,146	242,772	137,248	123,184	48,507	103,945	48,474	22,964	1,485,230
	12/14F	381,091	532,485	288,670	162,813	150,603	60,303	130,389	60,226	28,254	1,794,836
NPL	12/12	987	6,448	5,241	3,026	2,438	224	3,326	792	548	23,032
	12/13F	1,508	8,351	6,334	3,243	3,446	348	2,617	1,042	555	27,443
	12/14F	1,793	10,271	6,933	3,781	4,169	462	3,003	1,115	656	32,183
Total deposits	12/12	371,536	439,152	257,661	89,898	102,715	45,073	80,688	50,927	22,210	1,459,860
	12/13F	433,322	530,276	308,024	104,581	123,995	55,284	102,958	62,366	26,836	1,747,643
	12/14F	505,384	618,037	357,453	122,234	152,415	67,502	126,844	75,454	32,737	2,058,060
Shareholders' equity	12/12	51,827	64,637	43,536	28,494	20,353	7,734	10,279	5,975	5,487	238,321
	12/13F	61,434	79,012	50,174	31,702	22,320	10,263	11,802	6,693	5,885	279,284
	12/14F	73,116	96,637	57,392	35,400	24,734	12,699	13,594	7,688	6,389	327,649

		BCA	BRI	BNI	Danamon	Panin	BTPN	BTN	BJB	Jatim	Total
INCOME STATEMENT (Rpbn)											
Net interest income	12/12	21,245	36,475	15,459	13,103	5,554	6,071	4,726	3,655	1,959	108,249
	12/13F	25,129	43,774	17,557	14,476	6,757	7,601	5,851	4,475	2,087	127,707
	12/14F	29,406	51,740	20,125	16,579	7,936	9,139	7,250	5,293	2,475	149,943
Non-interest income	12/12	6,370	8,425	8,093	5,134	2,108	283	577	264	358	31,612
	12/13F	7,457	8,475	8,975	5,957	2,347	333	694	263	421	34,922
	12/14F	8,634	9,682	10,419	6,962	2,595	399	762	294	484	40,232
Total income	12/12	27,616	44,901	23,552	18,237	7,663	6,354	5,303	3,919	2,317	139,861
	12/13F	32,587	52,249	26,532	20,433	9,103	7,934	6,545	4,738	2,507	162,629
	12/14F	38,040	61,421	30,544	23,541	10,531	9,538	8,012	5,587	2,959	190,175
Total staff costs	12/12	(5,954)	(9,118)	(5,578)	(4,959)	(1,048)	(1,750)	(978)	(967)	(448)	(30,800)
	12/13F	(7,094)	(10,573)	(6,470)	(5,828)	(1,207)	(2,088)	(1,119)	(1,161)	(529)	(36,070)
	12/14F	(8,310)	(12,370)	(7,323)	(6,734)	(1,425)	(2,413)	(1,274)	(1,381)	(618)	(41,849)
Pre-provisioning profit	12/12	14,754	25,356	11,271	8,710	3,961	2,942	2,079	1,754	1,293	72,120
	12/13F	17,342	29,872	12,627	9,330	4,961	3,766	2,869	2,182	1,386	84,336
	12/14F	20,231	35,413	14,942	10,742	5,644	4,479	3,608	2,559	1,657	99,274
Pretax profit	12/12	14,686	23,860	8,900	5,487	3,043	2,485	1,857	1,513	1,002	62,832
	12/13F	16,632	25,131	10,158	6,040	3,007	3,178	2,462	1,741	1,238	69,586
	12/14F	19,747	29,709	12,159	6,873	3,658	3,856	3,020	2,160	1,443	82,627
Net profit	12/12	11,718	18,681	7,046	4,012	2,108	1,979	1,364	1,194	725	48,828
	12/13F	13,185	19,979	8,047	4,412	2,389	2,529	1,933	1,381	978	54,832
	12/14F	15,699	23,619	9,633	5,021	2,892	3,069	2,371	1,714	1,140	65,157
LIQUIDITY (%)											
Loan-to-deposit ratio	12/12	69	82	72	129	97	86	101	75	84	82
	12/13F	73	84	79	131	99	88	101	78	86	85
	12/14F	75	86	81	133	99	89	103	80	86	87
Gross loan-to-asset ratio	12/12	58	66	55	75	66	66	73	54	64	62
	12/13F	61	67	63	76	71	67	75	59	67	66
	12/14F	63	69	66	78	73	69	78	62	69	68
Liquid asset-to-asset ratio	12/12	28	33	22	17	28	24	10	41	21	26
	12/13F	28	32	23	17	25	23	10	38	18	25
	12/14F	27	30	22	17	24	22	9	35	17	24
Gov't bond-to-asset ratio	12/12	8	1	12	3	3	-	8	2	-	7
	12/13F	7	1	9	2	2	-	6	1	-	5
	12/14F	5	1	7	2	2	-	5	1	-	4
PROFITABILITY (%)											
Net interest margin	12/12	5.85	7.87	5.50	9.71	4.50	12.20	5.22	6.24	7.63	6.51
	12/13F	5.93	7.97	5.59	9.52	4.61	11.96	5.06	6.39	7.53	6.56
	12/14F	5.91	7.91	5.38	9.33	4.58	11.79	5.09	6.43	7.47	6.50
ROA	12/12	2.8	3.7	2.2	2.7	1.5	3.7	1.4	1.9	2.7	2.7
	12/13F	2.7	3.3	2.2	2.6	1.5	3.9	1.5	1.8	3.1	2.6
	12/14F	2.8	3.3	2.3	2.6	1.5	3.9	1.5	1.9	3.0	2.7
ROE	12/12	25.0	32.7	17.3	14.8	11.0	29.6	15.5	21.0	16.6	22.6
	12/13F	23.3	27.8	17.2	14.7	11.2	28.1	17.5	21.8	17.2	21.4
	12/14F	23.3	26.9	17.9	15.0	12.3	26.7	18.7	23.8	18.6	21.8
EFFICIENCY (%)											
Cost to income	12/12	47	44	52	52	48	54	61	55	44	48
	12/13F	47	43	52	54	45	53	56	54	45	48
	12/14F	47	42	51	54	46	53	55	54	44	47
ASSET QUALITY (%)											
NPL	12/12	0.4	1.8	2.8	2.6	2.5	0.6	4.1	2.1	3.0	1.9
	12/13F	0.5	1.9	2.6	2.4	2.8	0.7	2.5	2.1	2.4	1.9
	12/14F	0.5	1.9	2.4	2.3	2.8	0.8	2.3	1.9	2.3	1.8

		BCA	BRI	BNI	Danamon	Panin	BTPN	BTN	BJB	Jatim	Total
Provisioning level	12/12	1.6	4.1	4.0	2.6	1.4	1.0	1.2	1.8	1.4	2.9
	12/13F	1.6	3.8	3.3	2.4	1.7	1.2	1.0	1.8	1.3	2.8
	12/14F	1.4	3.8	2.9	2.3	1.8	1.3	1.0	1.6	1.3	2.7
Loan loss coverage	12/12	407	228	141	99	56	170	29	86	47	157
	12/13F	325	200	125	101	62	174	40	84	53	153
	12/14F	305	195	122	101	66	175	42	85	57	153
CAPITAL (%)											
CAR	12/12	14.7	16.8	16.5	18.9	16.3	21.0	18.0	18.6	26.6	18.3
	12/13F	14.8	15.6	16.5	15.4	22.2	19.7	19.3	16.7	25.4	18.1
	12/14F	14.8	16.6	16.3	14.9	19.9	20.0	18.2	15.6	23.1	17.5
Tier 1 CAR	12/12	13.6	15.5	14.8	18.3	13.2	20.5	17.0	17.6	25.6	16.9
	12/13F	13.5	14.4	14.3	14.6	16.5	18.7	18.1	15.6	23.8	16.3
	12/14F	13.6	15.4	14.3	14.2	15.0	19.0	17.0	14.4	24.9	16.1
Equity-to-asset	12/12	11.7	11.7	13.1	18.3	13.5	13.1	9.2	8.4	19.0	12.3
	12/13F	11.9	12.0	13.1	17.5	12.8	14.3	8.5	8.1	17.2	12.4
	12/14F	12.1	12.6	13.0	17.0	12.0	14.5	8.1	7.9	15.6	12.4
OPERATION:											
No. of offices	12/12	1,011	8,402	1,123	2,223	458	1,078	756	984	492	18,119
No. of ATM	12/12	12,026	10,317	2,998	1,143	815	71	1,404	743	368	39,881
No. of staffs	12/12	20,320	42,204	20,304	56,727	6,321	18,914	7,142	4,893	4,548	210,279
Loan breakdown:											
Corporate	12/12	33.0	25.2	39.1	10.9	30.1	-	-	-	-	29.8
Commercial	12/12	40.1	26.4	21.7	26.2	40.9	-	23.0	18.0	17.5	35.2
Consumer	12/12	26.9	17.6	39.2	6.1	29.0	76.8	53.8	69.1	64.1	22.4
Micro	12/12	-	30.8	-	56.8	-	23.2	23.2	12.9	18.5	12.6
CASA deposits	12/12	80.0	59.6	66.0	46.2	61.2	15.1	42.4	64.7	80.8	64.7
	12/13F	79.5	59.5	66.5	45.7	60.2	16.7	45.3	45.5	78.6	64.3
	12/14F	79.0	59.4	66.8	45.7	59.9	18.3	47.8	44.0	81.3	64.3
VALUATION:											
P/E (x)	12/12	22.6	11.7	12.8	14.9	9.7	15.3	11.3	10.2	10.4	14.8
	12/13F	20.1	10.9	11.2	13.6	8.6	12.0	8.8	8.8	7.7	13.1
	12/14F	16.9	9.2	9.4	11.9	7.1	9.9	7.2	7.1	6.6	11.0
P/PPOP (x)	12/12	18.1	8.6	8.0	6.9	5.2	10.3	8.3	7.0	5.9	10.0
	12/13F	15.4	7.3	7.2	6.4	4.1	8.1	6.0	5.6	5.5	8.5
	12/14F	13.2	6.2	6.1	5.6	3.6	6.8	4.8	4.8	4.6	7.2
P/BV (x)	12/12	5.1	3.4	2.1	2.1	1.0	3.9	1.7	2.0	1.4	3.4
	12/13F	4.3	2.8	1.8	1.9	0.9	3.0	1.4	1.8	1.3	2.8
	12/14F	3.6	2.3	1.6	1.7	0.8	2.4	1.3	1.6	1.2	2.4
Dividend yield (%)	12/12	1.3	1.4	1.3	1.7	-	-	1.5	4.8	6.4	1.3
	12/13F	1.5	2.6	1.6	2.0	2.1	-	2.4	5.4	7.7	2.0
	12/14F	2.1	2.7	2.7	2.2	2.3	2.1	3.4	5.9	8.4	2.3
GROWTH (% y-y):											
Gross loans	12/12	27.0	22.9	12.9	14.4	29.0	28.2	28.1	33.3	15.0	22.7
	12/13F	22.2	22.5	31.6	18.2	24.1	24.9	27.7	26.5	23.8	23.5
	12/14F	21.0	20.2	18.9	18.6	22.3	24.3	25.4	24.2	23.0	21.3
Deposits	12/12	14.6	14.3	11.4	4.6	19.8	26.5	30.2	30.4	10.3	14.9
	12/13F	16.6	20.8	19.5	16.3	20.7	22.7	27.6	22.5	20.8	18.9
	12/14F	16.6	16.6	16.0	16.9	22.9	22.1	23.2	21.0	22.0	18.3
Non-interest inc. to total inc.(%)	12/12	23.1	18.8	34.4	28.2	27.5	4.5	10.9	6.7	15.4	25.2
	12/13F	22.9	16.2	33.8	29.2	25.8	4.2	10.6	5.5	16.8	24.3
	12/14F	22.7	15.8	34.1	29.6	24.6	4.2	9.5	5.3	16.4	24.1

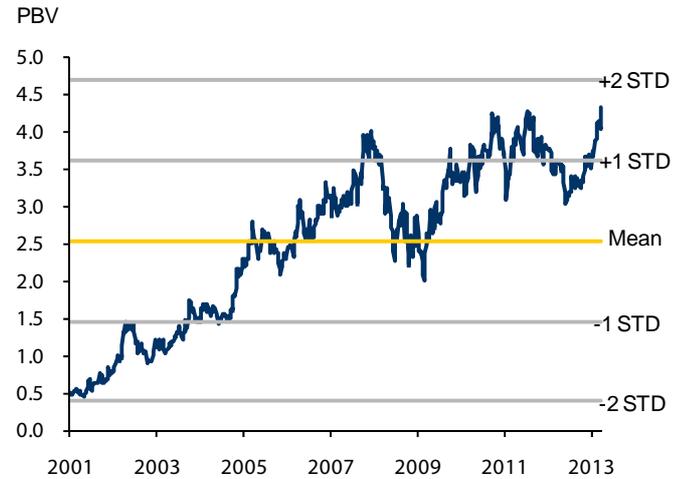
Source: Banks, Mandiri Sekuritas

FIGURE 47. PBV BAND CHART BANKING SECTOR



Source: Bloomberg, Mandiri Sekuritas

FIGURE 48. PBV BAND CHART BCA



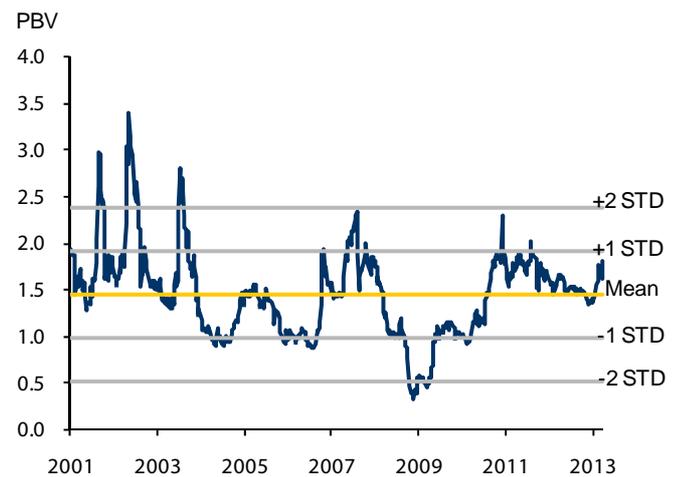
Source: Bloomberg, Mandiri Sekuritas

FIGURE 49. PBV BAND CHART BRI



Source: Bloomberg, Mandiri Sekuritas

FIGURE 50. PBV BAND CHART BNI



Source: Bloomberg, Mandiri Sekuritas

FIGURE 51. PBV BAND CHART BANK DANAMON



Source: Bloomberg, Mandiri Sekuritas

FIGURE 52. PBV BAND CHART BANK PANIN



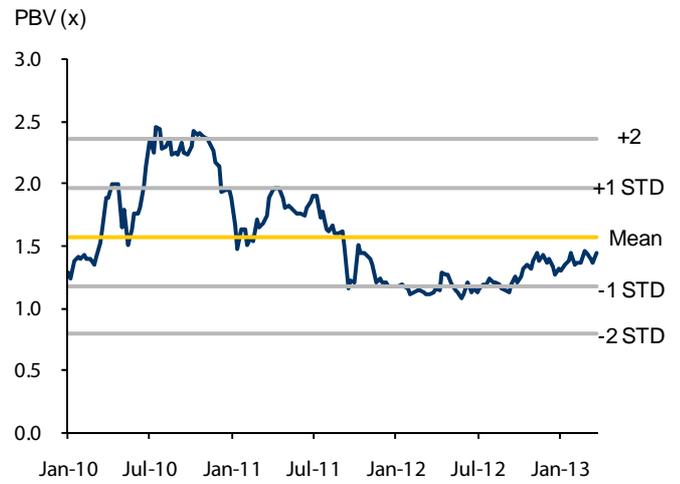
Source: Bloomberg, Mandiri Sekuritas

FIGURE 53. PBV BAND CHART BTPN



Source: Bloomberg, Mandiri Sekuritas

FIGURE 54. PBV BAND CHART BTN



Source: Bloomberg, Mandiri Sekuritas

FIGURE 55. PBV BAND CHART BANK BJB



Source: Bloomberg, Mandiri Sekuritas

FIGURE 56. PBV BAND CHART BANK JATIM



Source: Bloomberg, Mandiri Sekuritas



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SECTOR: BANKING

NEUTRAL

Current Price	Rp10,850
Price Target	Rp10,300 (-5.1%)
52-wk range	Rp6,750-Rp11,400

Stock Data

Bloomberg Code	BBCA IJ
Market Cap (Rp bn/US\$ mn)	267,507/27,439
Issued Shares (mn)	24,655
Avg. Daily T/O (Rp bn/US\$ mn)	100.8/10.3

Major shareholder

Farindo Investments (Mauritius) Ltd.	47.2%
Anthony Salim	1.7%
Public	51.1%

EPS consensus

	Mansek	Cons	Diff
2013F	539.1	550.9	(2.1)
2014F	641.9	657.3	(2.3)
2015F	733.5	773.3	(5.1)

Share price performance

	3m	6m	12m
Absolute (%)	19.9	37.3	40.0
Relative to JCI (%)	8.3	22.1	20.9



More aggressive stance on loan growth

BCA is one of the most profitable and safest banks with low NPL level of 0.4%. Their low cost of funds, being the the largest payment bank, helps support entering consumer lending with the captive market (mortgage lending grew 49% YoY, 16.3% of total loans in FY12). **NEUTRAL** with TP of Rp10,300 based on 4.1x P/BV 2013F.

Stronger loan growth ahead. BCA recorded 27% YoY loan growth in 2012 mainly due to growing demand for consumer loans and relatively low interest rates; with loan growth is expected at 22% in 2013. The consolidated LDR is expected to rise to 74% in 2013 from 70% in 2012. BCA Finance targets 15-20% growth in 2013, focusing more on 4W financing instead of 2W. Despite the high loan growth we believe that they can maintain low NPL level of 0.5%, by applying more discipline in risk management practices and monitoring loan portfolio actively.

Mortgage portfolio booming. The strongest loan growth was recorded in mortgage, at 49% YoY in 2012, and this maintained BCA as the second largest mortgage lender with 18.9% market share. BCA is offering 7.5% p.a 36- month lending in Feb 2013 to boost market share. Mortgage accounted for 16.3% of total loans in 2012, up from 9.1% in 2008.

NIM is set to improve. As BCA will be more aggressive in lending by utilizing its

high liquid assets (37% of total assets in Dec 12) we expect NIM to improve to 6.1% in 2013 from 6.0% in 2012. This would lead to the relatively high ROE of 23.3%.

Transactional banking to keep low cost of funds. As the largest transactional bank, BCA's high CASA portion to total deposits has helped it record the lowest cost of funds, currently at 1.9%. With its 11m customers, BCA has seen strong increase in transactions through internet and mobile banking in the past five years (more than 30% y-y), both in number of transactions and value. This helps keep operating costs low with cost-to-income ratio of around 45%, despite rising cost for branch opening.

NEUTRAL with TP of Rp 10,300, based on 4.1x P/BV 2013F which makes BCA as the most expensive bank in the region in terms of P/BV. Upside risk is stronger economic growth with lower inflation rate while downside risk is on a significant increase in NPL due to an increase in inflationary pressures.

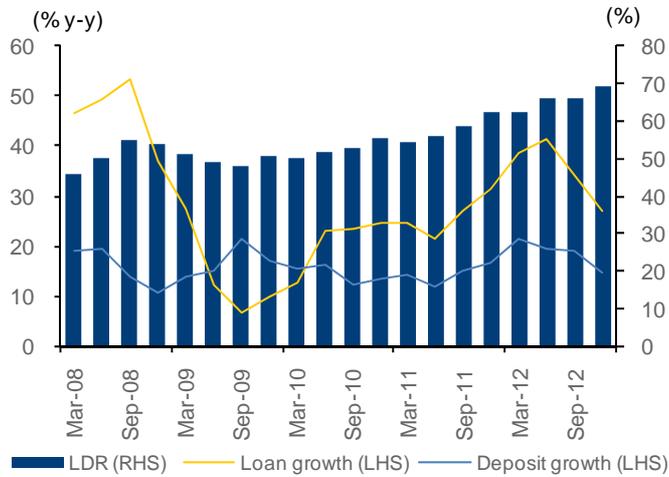
FINANCIAL SUMMARY

YE Dec (Rp bn)	2011A	2012A	2013F	2014F	2015F
Pre-Provision profit	13,136	14,754	17,342	20,231	23,907
Net Profit	10,819	11,722	13,185	15,699	17,940
EPS (Rp)	444	479	539	642	734
EPS growth (%)	27.6	7.9	12.5	19.1	14.3
P/E Ratio (x)	24.4	22.6	20.1	16.9	14.8
BVPS (Rp)	1,724	2,119	2,512	2,990	3,499
P/B Ratio (x)	6.3	5.1	4.3	3.6	3.1
Dividend Yield (%)	1.0	1.1	1.3	1.5	2.1
ROAE (%)	28.4	25.0	23.3	23.3	22.6
CAR (%)	13.3	14.7	14.8	14.8	14.6

Source: Company (2011-2012), Mandiri Sekuritas (2013-2015)

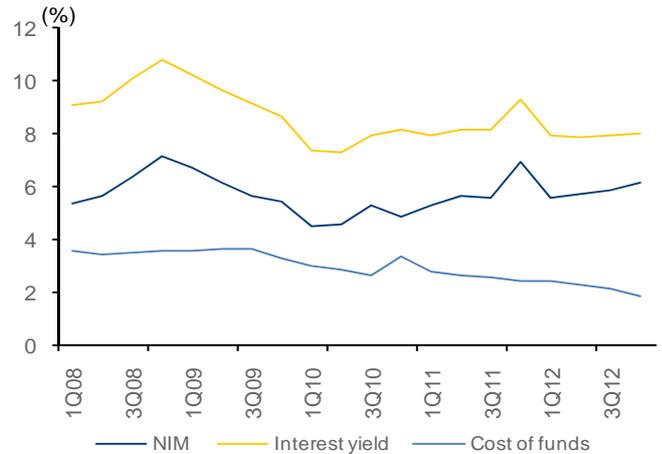
Bank Central Asia At a Glance

FIGURE 1. LOAN, DEPOSIT GROWTH AND LDR



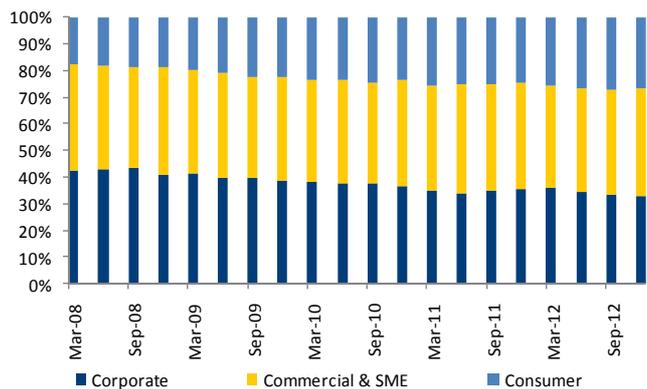
Source: Company, Mandiri Sekuritas estimates

FIGURE 2. NIM



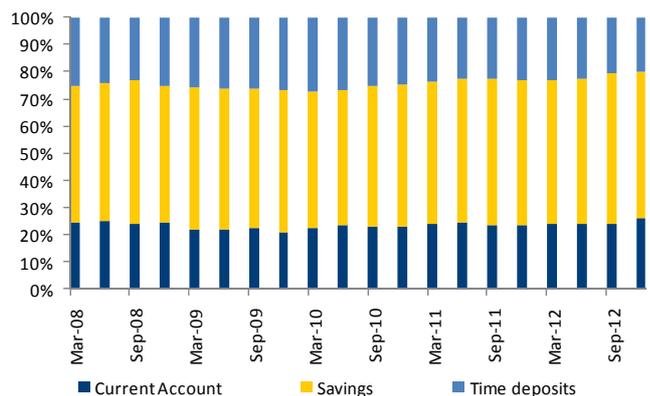
Source: Company, Mandiri Sekuritas estimates

FIGURE 3. LOAN BREAKDOWN



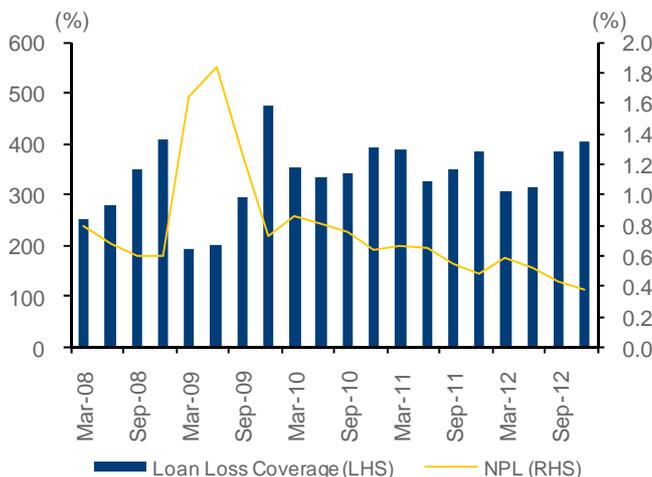
Source: Company, Mandiri Sekuritas estimates

FIGURE 4. DEPOSIT BREAKDOWN



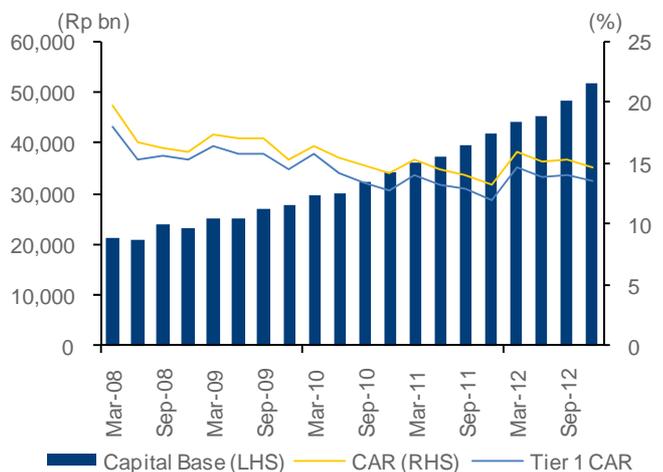
Source: Company, Mandiri Sekuritas estimates

FIGURE 5. NPL AND COVERAGE RATIO



Source: Company, Mandiri Sekuritas estimates

FIGURE 6. CAR & EQUITY



Source: Company, Mandiri Sekuritas estimates

Bank Central Asia

Profit and loss					
YE Dec (Rp bn)	2011A	2012A	2013F	2014F	2015F
Interest income	25,796	28,893	33,567	40,094	49,275
Interest expense	(7,730)	(7,647)	(8,437)	(10,688)	(14,749)
Net interest income	18,066	21,245	25,129	29,406	34,527
Other operating income	5,984	6,370	7,457	8,634	10,004
Operating expenses	(10,914)	(12,861)	(15,245)	(17,809)	(20,624)
Personel expenses	(5,035)	(5,954)	(7,094)	(8,310)	(9,605)
G&A	(5,879)	(6,908)	(8,151)	(9,499)	(11,019)
Others	0	0	0	0	0
Pre provision profit	13,136	14,754	17,342	20,231	23,907
Provision expense	161	(499)	(1,183)	(1,019)	(1,947)
Operating income	13,297	14,256	16,159	19,212	21,960
Pretax income	13,619	14,686	16,632	19,747	22,566
Tax expenses	(2,801)	(2,968)	(3,447)	(4,048)	(4,626)
Net profit	10,819	11,722	13,185	15,699	17,940

Key ratios					
YE Dec	2011A	2012A	2013F	2014F	2015F
Growth (% yoy)					
Assets	17.7	16.0	16.6	16.7	17.3
Loans	31.2	27.1	22.4	21.2	21.7
Deposits	16.6	14.6	16.6	16.6	17.7
Equity	23.1	23.4	18.5	19.0	17.0
Net interest income	39.6	17.6	18.3	17.0	17.4
Operating expenses	14.2	17.8	18.5	16.8	15.8
Pre-provision profit	22.5	12.3	17.5	16.7	18.2
Net profit	27.6	8.3	12.5	19.1	14.3
Common ratios (%)					
NIM	5.9	6.0	6.1	6.1	6.1
CAR	13.3	14.7	14.8	14.8	14.6
NPL	0.5	0.4	0.5	0.5	0.5
LDR	63.7	70.6	74.1	77.0	79.6
ROAE	28.4	25.0	23.3	23.3	22.6
ROAA	3.1	2.8	2.7	2.8	2.7
Other ratios (%)					
Yield on earning assets	8.4	8.1	8.1	8.3	8.7
Average cost of funds	2.5	2.2	2.1	2.2	2.6
Core deposits (% to total deposits)	76.8	80.0	79.5	79.0	78.5
Cost to income	45.4	46.6	46.8	46.8	46.3
Coverage ratio	385.0	406.9	325.0	305.0	300.0
Equity to assets	11.0	11.7	11.9	12.1	12.1

Balance sheet					
YE Dec (Rp bn)	2011A	2012A	2013F	2014F	2015F
Assets					
Cash	10,356	11,054	12,893	15,037	17,701
Due to BI	31,881	33,848	38,000	43,000	49,000
Interbank placement	7,237	9,204	10,901	12,843	15,032
Securities-net	114,788	108,869	114,834	120,584	126,990
Gross loans	206,487	262,457	321,167	389,261	473,832
Loan loss provision	(3,815)	(4,017)	(4,901)	(5,470)	(6,916)
Fixed assets	4,145	6,407	7,473	8,716	10,167
Other assets	10,829	15,172	15,948	18,363	20,972
Total assets	381,908	442,994	516,314	602,334	706,778
Liabilities and equity					
Liabilities					
Demand deposits	76,020	96,456	112,496	131,205	154,454
Saving deposits	172,990	200,802	232,029	268,088	312,619
Time deposits	75,282	74,278	88,797	106,091	127,865
Total third party funds	324,292	371,536	433,322	505,384	594,938
Deposits from other banks	0	0	0	0	0
Securities issued	1,481	2,522	3,335	4,411	5,833
Borrowings	3,391	2,461	3,048	3,628	4,005
Subordinated loan	0	0	0	0	0
Other liabilities	10,717	14,577	15,174	15,794	16,439
Total liabilities	339,881	391,096	454,880	529,217	621,216
Minority interest	24	71	0	0	0
Shareholder's equity	42,003	51,827	61,434	73,116	85,561
Total liabilities and equity	381,908	442,994	516,314	602,334	706,778

Source: Company, Mandiri Sekuritas estimates



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SECTOR: BANKING

BUY

Current price	Rp4,850
Price Target	Rp5,500 (+13.4%)
52-wk range	Rp3,500-Rp5,150

Stock Data

Bloomberg Code	BBNI IJ
Market Cap (Rp bn)	90,446
Market Cap (US\$ mn)	9,277
Issued Shares (mn)	18,649

Major shareholder

Govt. of Rep. of Indonesia	60.0%
Public	40.0%

EPS consensus

	Mansek	Cons	Diff
2013F	431.5	432.0	(0.1)
2014F	516.5	503.1	2.7
2015F	609.2	602.5	1.1

Share price performance

	3m	6m	12m
Absolute (%)	27.6	25.2	20.5
Relative to JCI (%)	16.0	9.9	1.4



Higher earning upside potential

Bank BNI has more potential earning upside should we expect higher loan growth than 21% in 2013 given its ability in lowering the NPL level and the liquid assets. With operating efficiency continues to improve we expect 15% EPS growth this year, going up to 20% in 2014. BUY with TP of Rp5,500 on 2.0P/BV 2013F.

More aggressive loans target in 2013.

After growing its loans slower than the industry average in 2009-2011 BNI matched the industry growth level in 2012 and we expect 21% loan growth this year with potential upside given the management's guideline of 23-25%. This should be achievable now that the bank has been able to lower the problem loans to 2.8% in Dec 12, the lowest since the Asian crisis. BNI has also received shareholders' approval on a haircut of Rp4.6tr in bad loan principals this year out of some Rp20tr bad debts that are already written off. This may lead to further bad debt recovery which has been recorded around Rp2tr/year in 2011-12 or 71% of the written-off loans in the year.

Plenty of liquid assets. As a percentage of total assets, liquid assets plus government bonds accounted for 34% in 2012, indicating the bank will have the flexibility to further increase its loans if necessary. This level is similar to the other large state banks but BNI has the second lowest LDR among the top five banks.

NIM improvement on the way this year.

Supported by high loan growth we anticipate rising LDR to 79% by end 2013 from 72% in 2012. This, coupled with rising CASA proportion (66% in 2012 vs. 63% in 2011) should help support our expected NIM improvement to 5.6% in 2013 from 5.5% in 2012 with ROE of around 17%.

Operating efficiency to continue. BNI is one of a few banks that are able to lower cost-to-income ratio from >60% to low 50% within five years. This was done through cost efficiency and rewards, aside from improvement in net interest and fee-based income. We expect the trend to continue with cost-to-income ratio target of <50% by 2015.

BUY with TP of Rp5,500. Supported by 17-18% ROE in 2013-15 we believe the fair value for BNI is 2.0x P/BV 2013F implying P/E of 12.7x. The risk to our TP is either sharp reduction in economic growth or sharp increase in interest rates. We put a Buy call on the stock.

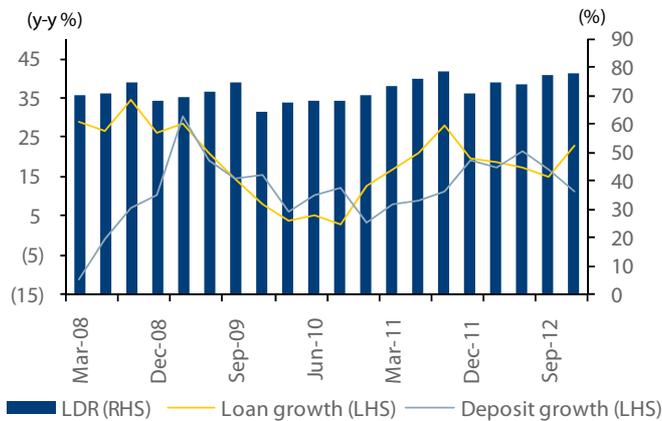
FINANCIAL SUMMARY

YE Dec (Rp bn)	2011A	2012A	2013F	2014F	2015F
Pre-Provision profit	9,199	11,271	12,627	14,942	17,892
Net Profit	5,826	7,046	8,047	9,633	11,360
EPS (Rp)	312	378	432	517	609
EPS growth (%)	24.3	20.9	14.2	19.7	17.9
P/E Ratio (x)	15.5	12.8	11.2	9.4	8.0
BVPS (Rp)	2,023	2,335	2,690	3,078	3,532
P/B Ratio (x)	2.4	2.1	1.8	1.6	1.4
Dividend Yield (%)	1.4	1.3	1.6	2.7	3.2
ROAE (%)	16.4	17.3	17.2	17.9	18.4
CAR (%)	17.9	16.5	16.5	16.3	16.1

Source: Company (2011-2012), Mandiri Sekuritas (2013-2015)

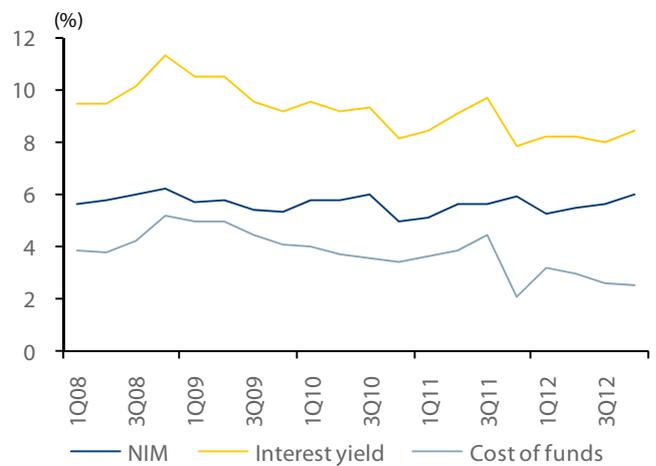
Bank Negara Indonesia At a Glance

FIGURE 1. LOAN, DEPOSIT GROWTH AND LDR



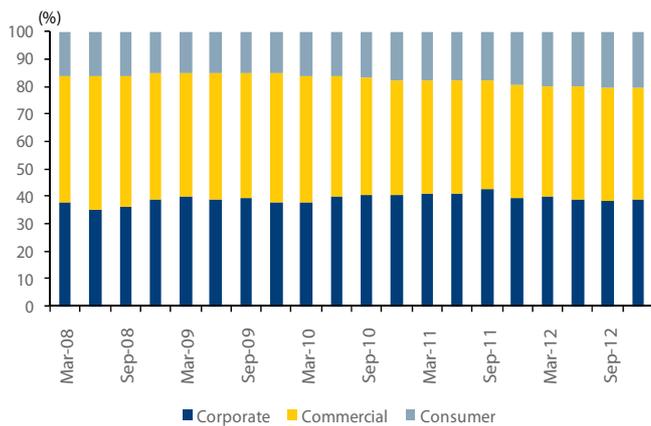
Source: Company, Mandiri Sekuritas estimates

FIGURE 2. NIM



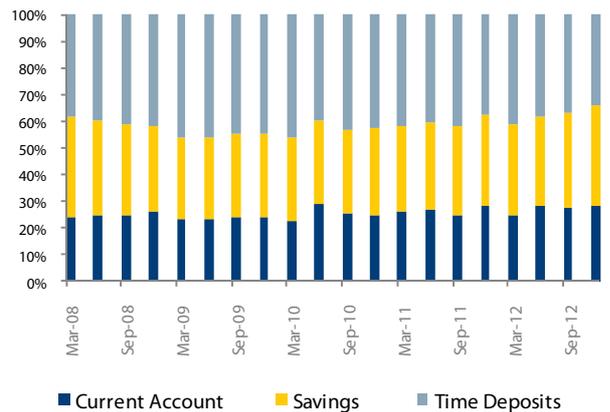
Source: Company, Mandiri Sekuritas estimates

FIGURE 3. LOAN BREAKDOWN



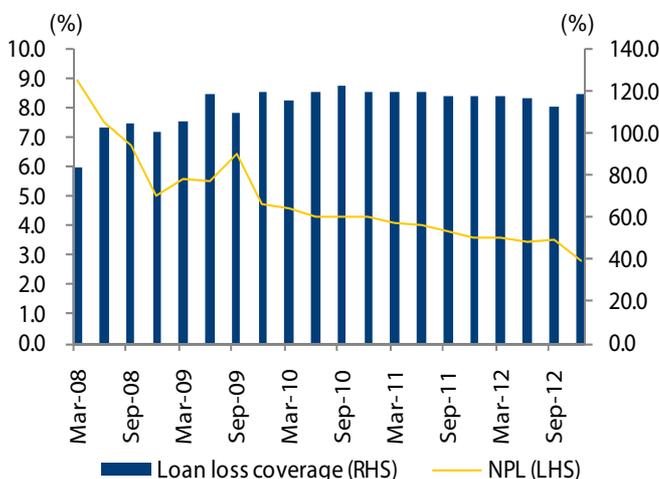
Source: Company, Mandiri Sekuritas estimates

FIGURE 4. DEPOSIT BREAKDOWN



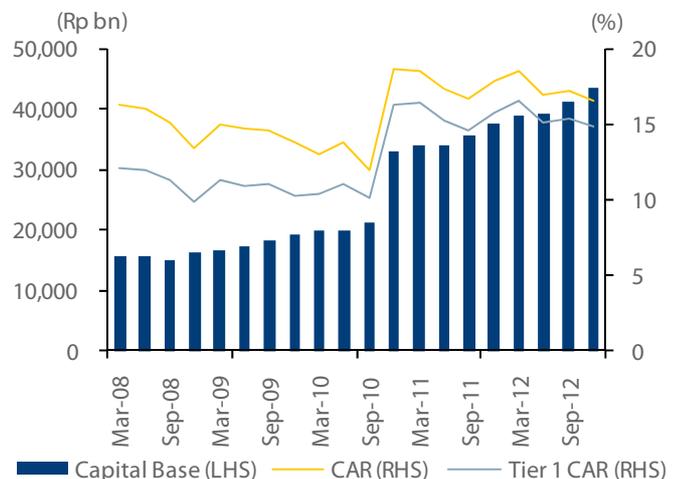
Source: Company, Mandiri Sekuritas estimates

FIGURE 5. NPL AND COVERAGE RATIO



Source: Company, Mandiri Sekuritas estimates

FIGURE 6. CAR & EQUITY



Source: Company, Mandiri Sekuritas estimates

Bank Negara Indonesia

Profit and loss					
YEDec (Rp bn)	2011A	2012A	2013F	2014F	2015F
Interest income	20,692	22,705	25,817	29,572	35,838
Interest expense	(7,496)	(7,246)	(8,260)	(9,447)	(12,675)
Net interest income	13,196	15,459	17,557	20,125	23,163
Other operating income	6,893	8,093	8,975	10,419	12,038
Operating expenses	(10,890)	(12,281)	(13,904)	(15,602)	(17,309)
Personel expenses	(5,042)	(5,578)	(6,470)	(7,323)	(8,202)
G&A	(5,848)	(6,703)	(7,434)	(8,279)	(9,107)
Others	0	0	0	0	0
Pre provision profit	9,199	11,271	12,627	14,942	17,892
Provision expense	(1,956)	(2,630)	(2,727)	(3,041)	(3,833)
Operating income	7,243	8,641	9,900	11,901	14,060
Pretax income	7,461	8,900	10,158	12,159	14,340
Tax expenses	(1,653)	(1,851)	(2,113)	(2,529)	(2,983)
Net profit	5,826	7,046	8,047	9,633	11,360

Key ratios					
YEDec	2011A	2012A	2013F	2014F	2015F
Growth (% yoy)					
Assets	20.3	11.5	15.2	14.6	15.7
Loans	19.8	12.9	31.6	18.9	20.1
Deposits	19.0	11.4	19.5	16.0	16.0
Equity	13.9	15.4	15.2	14.4	14.8
Net interest income	12.6	17.2	13.6	14.6	15.1
Operating expenses	12.9	12.8	13.2	12.2	10.9
Pre-provision profit	0.7	22.5	12.0	18.3	19.7
Net profit	42.0	20.9	14.2	19.7	17.9
Common ratios (%)					
NIM	5.4	5.8	5.9	5.7	5.7
CAR	17.9	16.5	16.5	16.3	16.1
NPL	3.6	2.8	2.6	2.4	2.4
LDR	70.7	71.6	78.8	80.8	83.6
ROAE	16.4	17.3	17.2	17.9	18.4
ROAA	2.1	2.2	2.2	2.3	2.4
Other ratios (%)					
Yield on earning assets	8.5	8.6	8.7	8.4	8.8
Average cost of funds	3.3	2.8	2.8	2.7	3.1
Core deposits (% to total deposits)	62.7	66.0	66.5	66.8	67.0
Cost to income	54.2	52.1	52.4	51.1	49.2
Coverage ratio	117.2	-178.6	125.0	122.0	120.0
Equity to assets	12.6	13.1	13.1	13.0	12.9

Balance sheet					
YEDec (Rp bn)	2011A	2012A	2013F	2014F	2015F
Assets					
Cash	6,198	7,969	8,685	10,079	11,692
Due to BI	18,895	22,422	25,000	30,000	35,000
Interbank placement	51,357	30,633	27,185	27,022	26,975
Securities-net	48,728	51,201	59,961	62,638	66,885
Gross loans	163,413	184,475	242,772	288,670	346,549
Loan loss provision	(6,908)	9,360	(7,920)	(8,461)	(9,794)
Fixed assets	4,053	4,592	4,871	5,168	5,483
Other assets	13,322	22,651	23,565	25,000	26,522
Total assets	299,058	333,304	384,120	440,116	509,314
Liabilities and equity					
Liabilities					
Demand deposits	65,792	73,366	88,476	102,674	119,110
Saving deposits	79,152	96,694	116,365	135,932	158,729
Time deposits	86,352	87,601	103,183	118,848	136,837
Total third party funds	231,296	257,661	308,024	357,453	414,676
Deposits from other ba	265	4,769	4,754	4,789	4,652
Securities issued	0	0	0	0	0
Borrowings	15,744	11,995	12,450	13,023	13,266
Subordinated loan	0	0	0	0	0
Other liabilities	13,910	15,291	8,661	7,396	10,787
Total liabilities	261,215	289,715	333,889	382,660	443,381
Minority interest	110	52	58	64	70
Shareholder's equity	37,733	43,536	50,174	57,392	65,862
Total liabilities and equity	299,058	333,304	384,120	440,116	509,314

Source: Company, Mandiri Sekuritas estimates



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SECTOR: BANKING

BUY

Current Price	Rp8,550
Price Target	Rp10,600 (+24%)
52-wk range	Rp5,150-Rp9,450

Stock Data

Bloomberg Code	BBRI JJ
Market Cap (Rp bn/US\$ mn)	121,437/12,456
Issued Shares (mn)	24,669
Avg. Daily T/O (Rp bn/US\$ mn)	221.6/22.7

Major shareholder

Govt. of Rep. of Indonesia	56.8%
Public	43.2%

EPS consensus

	Mansek	Cons	Diff
2013F	809.9	801.4	1.1
2014F	957.4	912.8	4.9
2015F	1,159.9	1,060.5	9.4

Share price performance

	3m	6m	12m
Absolute (%)	16.3	14.8	22.1
Relative to JCI (%)	4.7	(0.5)	3.1

Conservative, yet effective

BRI is aggressively expanding its networks and system developments to capture bigger loan market, especially in micro lending while still maintaining low NPL level. From 10.8% we expect NIM to be around 8% in 2013-15 given increased exposure to corporate loans. BUY with TP Rp10,600 based on 3.3x P/BV 2013F.

Rising micro lending again with better

NPL level. BRI targets 22-24% YoY total loan growth in 2013, especially on micro loans which accounted for 31% of total loans in 2012. BRI has been aggressively expanding its micro loan network strategy of "small but many" by hiring more loan officers as well as adding more outlets and Teras BRI in potential and growing areas. The good thing is that the growth rate of BRI's own micro loans, Kupedes, has been on the rising trend while the government-sponsored KUR is on the declining trend in the past four quarters. Nevertheless, NPL level improved to 1.8% in 2012 from 2.3% in 2011, and we expect the NPL at less than 2% level in 2013-14.

Stabilising net interest margin. BRI has been venturing into corporate lending, especially to the state companies. From the low of 13% in 2005, corporate loans currently account for 25% of total loans, around 57% of which goes to the SOE with zero NPL. NIM which reached the peak of 10.8% in 2005 is now at 7.9% but with

rising exposure to micro loans we expect NIM to stabilize at around 8% in 2013.

Aspiration to become a dominant bank

in both rural and urban areas. BRI has been increasing its networks in both rural and urban areas and is now boasting the largest number of office (8,700) and ATM (14,300) in the country. Supported by 40m accounts the bank has the capacity to increase the consumer lending and fee-based income which grew 45% in 2012. There is also a plan for inorganic expansion through the acquisition of Bank Bukopin and Danareksa to boost earnings and client base. No details are available yet on the potential transactions.

BUY with TP of Rp10,600 based on 3.3x

P/BV 2013F. BRI still records one of the highest ROEs in the sector of 32.7% in 2012 and we expect this to average 27.2% in 2013-15. Downside potential risks to our TP are the inability to revamp the micro loans as the main growth driver and rising NPL in SME segment again.

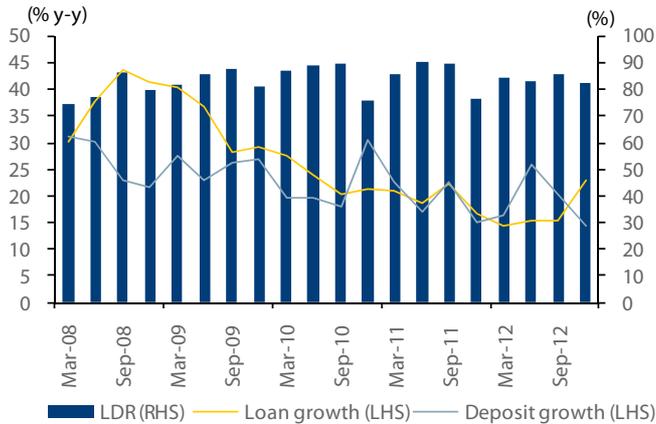
FINANCIAL SUMMARY

YE Dec (Rp bn)	2011A	2012A	2013F	2014F	2015F
Pre-Provision profit	23,148	25,356	29,872	35,413	42,199
Net Profit	15,088	18,681	19,979	23,619	28,614
EPS (Rp)	612	757	810	957	1,160
EPS growth (%)	31.5	23.8	6.9	18.2	21.1
P/E Ratio (x)	14.0	11.3	10.6	8.9	7.4
BVPS (Rp)	2,018	2,620	3,203	3,917	4,742
P/B Ratio (x)	4.2	3.3	2.7	2.2	1.8
Dividend Yield (%)	0.8	1.4	2.7	2.8	3.9
ROAE (%)	34.9	32.7	27.8	26.9	26.8
CAR (%)	15.0	16.8	15.6	16.6	17.3

Source: Company (2011-2012), Mandiri Sekuritas (2013-2015)

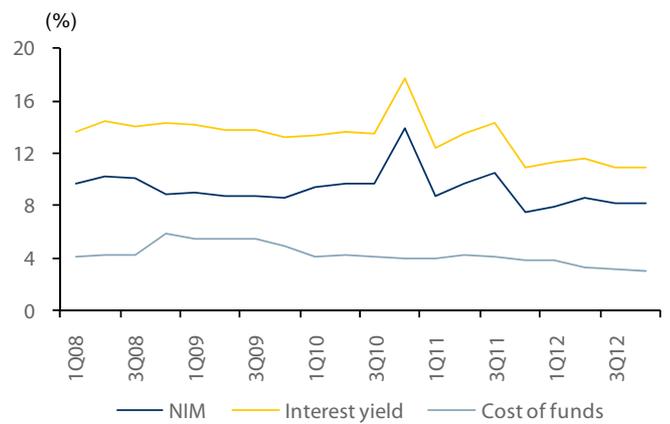
Bank Rakyat Indonesia At a Glance

FIGURE 1. LOAN, DEPOSIT GROWTH AND LDR



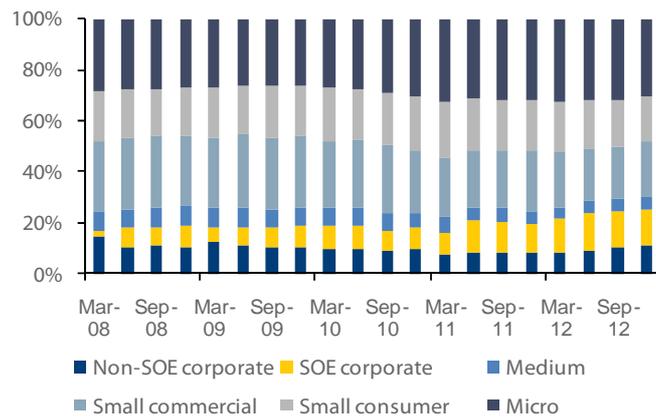
Source: Company, Mandiri Sekuritas estimates

FIGURE 2. NIM



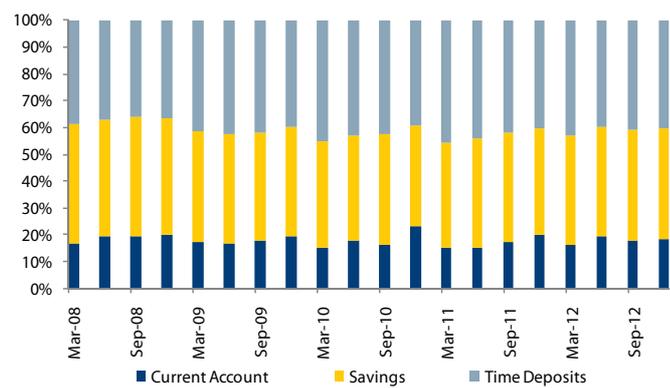
Source: Company, Mandiri Sekuritas estimates

FIGURE 3. LOAN BREAKDOWN



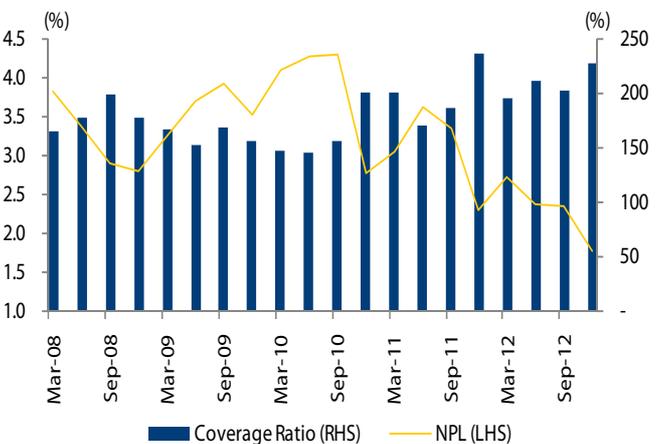
Source: Company, Mandiri Sekuritas estimates

FIGURE 4. DEPOSIT BREAKDOWN



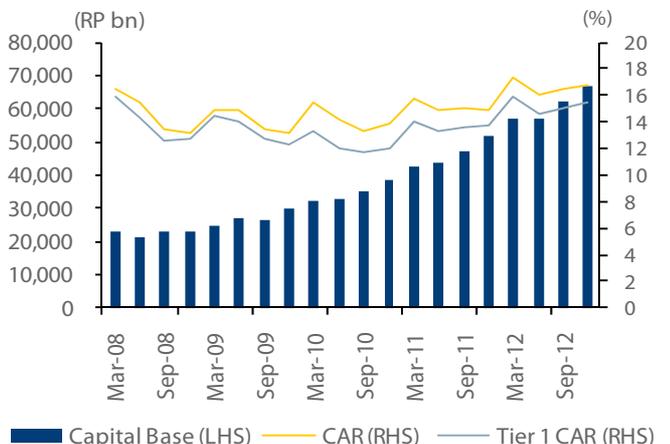
Source: Company, Mandiri Sekuritas estimates

FIGURE 5. NPL AND COVERAGE RATIO



Source: Company, Mandiri Sekuritas estimates

FIGURE 6. CAR & EQUITY



Source: Company, Mandiri Sekuritas estimates

Bank Rakyat Indonesia

Profit and loss					
YE Dec (Rp bn)	2011A	2012A	2013F	2014F	2015F
Interest income	48,151	49,598	59,944	70,883	86,376
Interest expense	(13,733)	(13,123)	(16,170)	(19,143)	(25,431)
Net interest income	34,418	36,475	43,774	51,740	60,945
Other operating income	5,787	8,425	8,475	9,682	11,088
Operating expenses	(17,057)	(19,545)	(22,377)	(26,008)	(29,835)
Personel expenses	(8,250)	(9,118)	(10,573)	(12,370)	(14,226)
G&A	(8,807)	(10,427)	(11,804)	(13,638)	(15,609)
Others	0	0	0	0	0
Pre provision profit	23,148	25,356	29,872	35,413	42,199
Provision expense	(5,526)	(2,669)	(6,027)	(7,326)	(7,969)
Operating income	17,622	22,687	23,846	28,088	34,229
Pretax income	18,756	23,860	25,131	29,709	35,992
Tax expenses	(3,668)	(5,172)	(5,152)	(6,090)	(7,378)
Net profit	15,088	18,681	19,979	23,619	28,614

Key ratios					
YE Dec	2011A	2012A	2013F	2014F	2015F
Growth (% yoy)					
Assets	16.2	17.3	19.4	16.4	18.1
Loans	16.6	22.9	22.5	20.2	20.3
Deposits	15.2	14.3	20.8	16.6	18.8
Equity	35.9	29.9	22.2	22.3	21.1
Net interest income	4.7	6.0	20.0	18.2	17.8
Operating expenses	5.5	14.6	14.5	16.2	14.7
Pre-provision profit	4.0	9.5	17.8	18.5	19.2
Net profit	31.5	23.8	6.9	18.2	21.1
Common ratios (%)					
NIM	8.5	7.9	8.0	8.0	8.1
CAR	15.0	16.8	15.6	16.6	17.3
NPL	2.3	1.8	1.9	1.9	2.0
LDR	76.6	82.4	83.6	86.2	87.2
ROAE	34.9	32.7	27.8	26.9	26.8
ROAA	3.5	3.7	3.3	3.3	3.4
Other ratios (%)					
Yield on earning assets	11.9	10.7	11.0	11.0	11.4
Average cost of funds	3.6	3.0	3.2	3.2	3.6
Core deposits (% to total deposits)	59.6	59.6	59.5	59.4	59.3
Cost to income	42.4	43.5	42.8	42.3	41.4
Coverage ratio	235.6	227.6	200.0	195.0	190.0
Equity to assets	10.6	11.7	12.0	12.6	12.9

Balance sheet					
YE Dec (Rp bn)	2011A	2012A	2013F	2014F	2015F
Assets					
Cash	10,526	13,895	16,779	19,556	23,226
Due to BI	33,040	42,541	43,000	51,000	62,000
Interbank placement	9,239	10,103	13,331	14,790	15,906
Securities-net	126,815	120,671	140,496	146,325	160,366
Gross loans	294,380	361,774	443,146	532,485	640,427
Loan loss provision	(15,952)	(14,677)	(16,704)	(20,030)	(23,999)
Fixed assets	1,853	2,804	4,293	6,285	9,201
Other assets	9,998	14,225	14,208	16,289	18,360
Total assets	469,899	551,337	658,549	766,700	905,488
Liabilities and equity					
Liabilities					
Demand deposits	76,263	79,403	98,000	116,692	141,531
Saving deposits	152,643	182,482	217,695	250,634	294,007
Time deposits	155,358	177,267	214,581	250,712	298,504
Total third party funds	384,264	439,152	530,276	618,037	734,043
Deposits from other banks	0	0	0	0	0
Securities issued	0	0	0	0	0
Borrowings	17,680	16,228	16,834	18,368	19,523
Subordinated loan	2,136	2,117	2,117	2,117	2,117
Other liabilities	16,044	29,128	30,311	31,541	32,822
Total liabilities	420,125	486,625	579,537	670,063	788,504
Minority interest	0	75	0	0	0
Shareholder's equity	49,774	64,637	79,012	96,637	116,984
Total liabilities and equity	469,899	551,337	658,549	766,700	905,488

Source: Company, Mandiri Sekuritas estimates



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SECTOR: BANKING

BUY

Current Price	Rp1,650
Price Target	Rp2,100 (+27.3%)
52-wk range	Rp1,086-Rp1,740

Stock Data

Bloomberg Code	BBTN IJ
Market Cap (Rp bn/US\$ mn)	17,428/1,788
Issued Shares (mn)	10,563
Avg. Daily T/O (Rp bn/US\$ mn)	31.9/3.3

Major shareholder

Gov't of Rep of Indonesia	61.4%
Public	38.6%

EPS consensus

	Mansek	Cons	Diff
2013F	186.6	164.9	13.1
2014F	228.9	206.0	11.1
2015F	274.8	236.2	16.3

Share price performance

	3m	6m	12m
Absolute (%)	10.0	22.6	40.7
Relative to JCI (%)	(1.6)	7.4	21.6



On the right track for improvement

BTN's new management should start 2013 with a cleaner balance sheet plus higher loan growth, thanks to the Rp1.9tr proceeds from a rights issue, and fee-based income expectation. With more loans for non-subsidized housing, expect NIM at 5.2% in 2013. BUY with TP of Rp2,100 based on 1.9x P/BV 2013F.

New management to change the bank.

There are many initiations the new management plans to do to improve BTN: increasing mid- to upper range for non-subsidized mortgage for better margin, increasing CASA portion through opening new outlets, mortgage securitization, improving good corporate governance and corporate culture, improving customer service and making BTN the number 7th bank in terms of assets from 9th currently.

Strong earnings growth of 35% in 2013.

Supported by the Rp1.9tr rights issue proceeds in 4Q12 we expect loan growth of 28% in 2013 with net interest margin of 5.2%. We expect non-subsidized mortgage (36% of total loans in 2012) as well as non-housing loans to increase more than the subsidized housing loans (31% of total loans). As a result we forecast 35% earnings growth this year (+21% EPS growth due to dilution from the rights issue) while ROE is expected to improve to 17.5% from 15.5% in 2012.

Asset quality is expected to improve.

The pickup in NPL for subsidized mortgage to 5.0% in December 2012 from 3.6% in September we believe can be overcome within this year as some of these were due to administrative issues. The problem should be dealt within 6-9 months which will reduce total NPL towards the expected 2.5% by end 2013 vs. the management's target of 2.1%.

Strong capital base.

Following the Rp1.9tr rights issue last year, we expect BTN's total CAR to be 17.3% by end 2013 and 16.7% by end 2014. The rising ROE towards 20% by 2015 should slow down the CAR reduction to less than 1pp in 2015 onwards.

BUY with TP of Rp2,100.

We derived the fair value based on 1.9x P/BV 2013F with ROE of 17.5%. Downside risk is any steep increase in interest rates which will affect loan quality and reduce demand on housing loans.

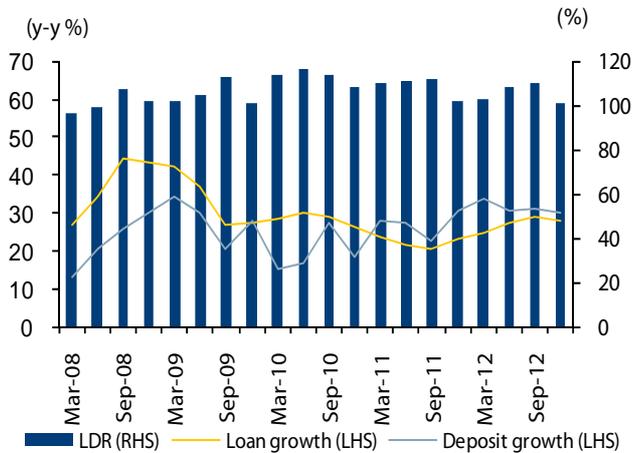
FINANCIAL SUMMARY

YE Dec (Rp bn)	2011A	2012A	2013F	2014F	2015F
Pre-Provision profit	1,578	2,079	2,869	3,608	4,405
Net Profit	1,119	1,364	1,933	2,371	2,846
EPS (Rp)	123	146	187	229	275
EPS growth (%)	22.2	18.3	27.8	22.7	20.0
P/E Ratio (x)	13.5	11.4	8.9	7.3	6.1
BVPS (Rp)	808	993	1,140	1,313	1,507
P/B Ratio (x)	2.1	1.7	1.5	1.3	1.1
Dividend Yield (%)	1.8	1.3	2.4	3.4	4.8
ROAE (%)	16.2	15.5	17.5	18.7	19.5
CAR (%)	15.3	18.0	17.3	16.7	16.3

Source: Company (2011-2012), Mandiri Sekuritas (2013-2015)

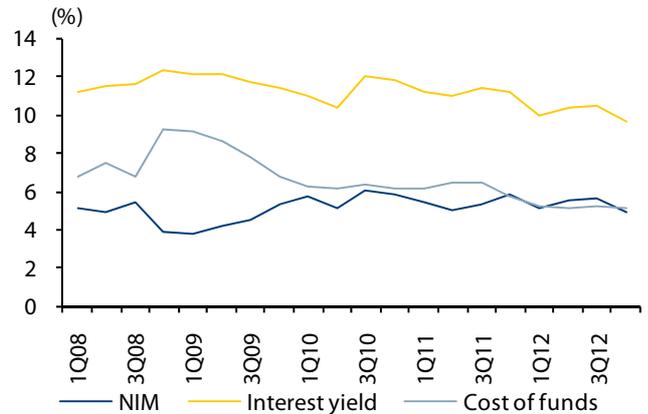
Bank Tabungan Negara At a Glance

FIGURE 1. LOAN, DEPOSIT GROWTH AND LDR



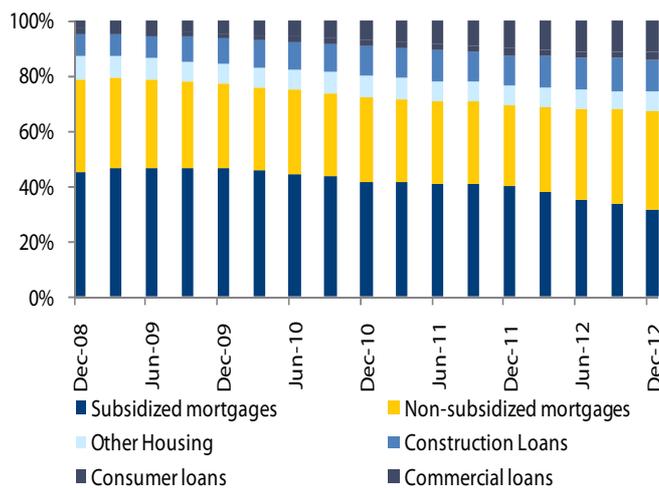
Source: Company, Mandiri Sekuritas estimates

FIGURE 2. NIM



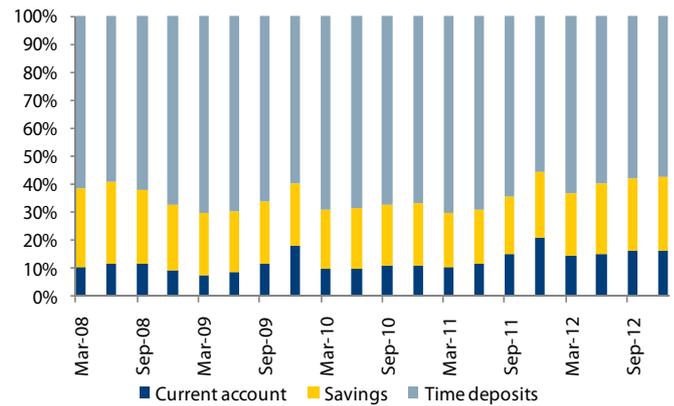
Source: Company, Mandiri Sekuritas estimates

FIGURE 3. LOAN BREAKDOWN



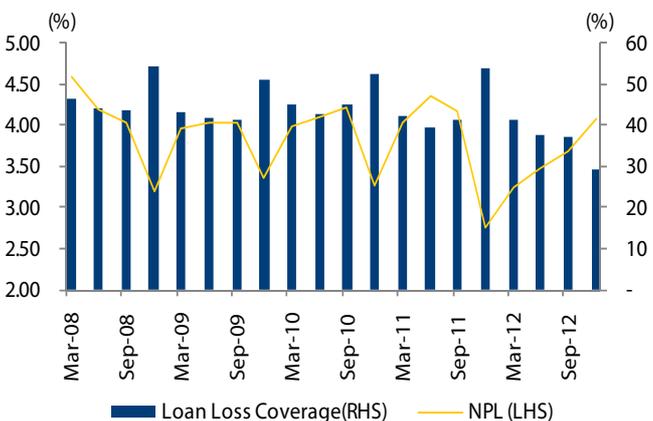
Source: Company, Mandiri Sekuritas estimates

FIGURE 4. DEPOSIT BREAKDOWN



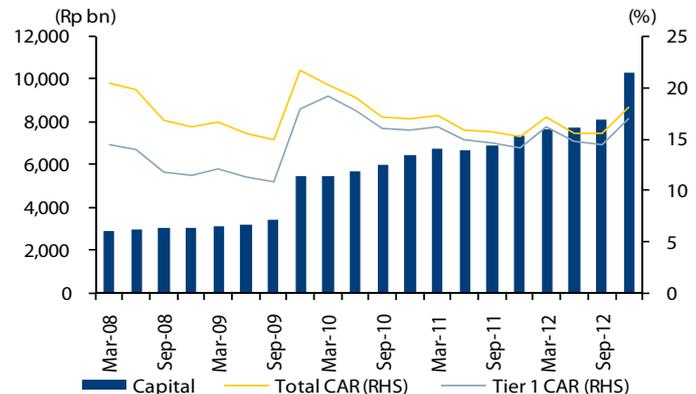
Source: Company, Mandiri Sekuritas estimates

FIGURE 5. NPL AND COVERAGE RATIO



Source: Company, Mandiri Sekuritas estimates

FIGURE 6. CAR & EQUITY



Source: Company, Mandiri Sekuritas estimates

Bank Tabungan Negara

Profit and loss					
YE Dec (Rp bn)	2011A	2012A	2013F	2014F	2015F
Interest income	7,788	9,106	11,241	13,925	17,368
Interest expense	(4,000)	(4,379)	(5,390)	(6,675)	(8,615)
Net interest income	3,788	4,726	5,851	7,250	8,753
Other operating income	516	577	694	762	837
Operating expenses	(2,726)	(3,224)	(3,677)	(4,405)	(5,185)
Personel expenses	(893)	(978)	(1,119)	(1,274)	(1,413)
G&A	(1,833)	(2,246)	(2,557)	(3,131)	(3,772)
Others	0	0	0	0	0
Pre provision profit	1,578	2,079	2,869	3,608	4,405
Provision expense	(52)	(214)	(416)	(599)	(796)
Operating income	1,526	1,865	2,453	3,008	3,608
Pretax income	1,522	1,857	2,462	3,020	3,625
Tax expenses	(404)	(493)	(529)	(649)	(779)
Net profit	1,119	1,364	1,933	2,371	2,846

Key ratios					
YE Dec	2011A	2012A	2013F	2014F	2015F
Growth (% yoy)					
Assets	30.3	25.4	24.0	21.4	19.4
Loans	23.3	28.1	27.7	25.4	22.1
Deposits	30.4	30.2	27.6	23.2	21.0
Equity	13.6	40.4	14.8	15.2	14.8
Net interest income	13.9	24.8	23.8	23.9	20.7
Operating expenses	21.1	18.3	14.0	19.8	17.7
Pre-provision profit	(1.1)	31.8	38.0	25.8	22.1
Net profit	22.2	21.9	41.7	22.7	20.0
Common ratios (%)					
NIM	5.3	5.2	5.2	5.2	5.2
CAR	15.3	18.0	17.3	16.7	16.3
NPL	2.7	4.1	2.5	2.3	2.3
LDR	102.6	100.9	101.0	102.8	103.7
ROAE	16.2	15.5	17.5	18.7	19.5
ROAA	1.4	1.4	1.5	1.5	1.5
Other ratios (%)					
Yield on earning assets	10.8	10.0	9.9	10.0	10.3
Average cost of funds	5.8	5.0	4.9	4.9	5.2
Core deposits (% to total deposits)	44.6	42.4	45.3	47.8	49.8
Cost to income	63.3	60.8	56.2	55.0	54.1
Coverage ratio	54.1	29.5	40.0	42.0	44.0
Equity to assets	8.2	9.2	8.5	8.1	7.8

Balance sheet					
YE Dec (Rp bn)	2011A	2012A	2013F	2014F	2015F
Assets					
Cash	512	695	887	1,092	1,322
Due to BI	5,261	7,298	9,500	11,500	13,500
Interbank placement	511	761	1,720	2,086	2,501
Securities-net	17,316	19,350	19,897	20,632	21,539
Gross loans	63,564	81,411	103,945	130,389	159,205
Loan loss provision	(944)	(981)	(1,046)	(1,261)	(1,620)
Fixed assets	1,497	1,583	1,712	1,852	2,003
Other assets	1,404	1,632	1,945	1,897	2,330
Total assets	89,121	111,749	138,559	168,188	200,780
Liabilities and equity					
Liabilities					
Demand deposits	13,070	13,140	17,796	23,193	28,831
Saving deposits	14,548	21,101	28,828	37,419	47,579
Time deposits	34,364	46,447	56,334	66,232	77,071
Total third party funds	61,982	80,688	102,958	126,844	153,481
Deposits from other banks	0	0	0	0	0
Securities issued	5,438	7,137	8,478	9,889	11,535
Borrowings	10,952	9,811	11,331	13,711	15,836
Subordinated loan	0	0	0	0	0
Other liabilities	3,428	3,834	3,989	4,151	4,318
Total liabilities	81,800	101,470	126,757	154,595	185,170
Minority interest	0	0	0	0	0
Shareholder's equity	7,322	10,279	11,802	13,594	15,609
Total liabilities and equity	89,121	111,749	138,559	168,188	200,780

Source: Company, Mandiri Sekuritas estimates



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SECTOR: BANKING

NEUTRAL

Current Price	Rp6,250
Price Target	Rp6,100 (-2.4%)
52-wk range	Rp4,900-Rp6,550

Stock Data

Bloomberg Code	BDMN IJ
Market Cap (Rp bn/US\$ mn)	59,904/6,145
Issued Shares (mn)	9,585
Avg. Daily T/O (Rp bn/US\$ mn)	21.9/2.2

Major shareholder

Asia Financial (Indonesia) Pte Ltd.	67.4%
Public	32.6%

EPS consensus

	Mansek	Cons	Diff
2013F	460.4	476.0	(3.3)
2014F	523.9	547.0	(4.2)
2015F	642.4	591.0	8.7

Share price performance

	3m	6m	12m*
Absolute (%)	5.9	1.6	(2.3)
Relative to JCI (%)	(5.7)	(13.6)	(21.4)

Still waiting for the acquisition

Acquisition of Bank Danamon by the DBS Group is pending the authority's approval. While the acquisition price is indicated at Rp7,000/share, DBS Group will only be able to buy 40% at the first stage. The bank will continue to concentrate on 4-W and 2-W financing in addition to the rising SME and commercial lending. **NEUTRAL with TP of Rp6,100.**

Acquisition by the DBS Group. The announcement was made in early 2012 and this is pending the Bank Indonesia's approval, who subsequently introduced a regulation on bank ownership limitation. DBS will be able to buy up to 40% from Asia Financial (Temasek Group) and has to wait for at least one and a half years to seek approval from the central bank to realize the remaining share purchase. Thus there will be an overhang on the tender offer in the medium term and there is a plan to merge Bank Danamon with Bank DBS Indonesia to form the fifth largest bank in terms of assets from the sixth currently.

More concentration on 4-wheeler financing will affect NIM. Given the rising demand on lower-yield car financing, we expect NIM to contract to 9.7% in 2013 from 9.9% in 2012. Car loans made up 17% of total loans in 2012, up from 15% in 2011 and 12% in 2011 while motorcycle loans declined to 22% in 2012 from 25% in 2011. In addition to auto financing which has been affected by the minimum down

payment ruling, Bank Danamon SME and commercial lending has been increasing to reach 25% of total loans currently from 24% two years ago. We expect the NPL level to continue improving towards 2.4% in 2013 from 2.6% in 2012.

More CASA deposits help lower cost of funds. CASA deposits is accounted for 46% of total in 2012, up from 39% two years ago, and is expected to stay at this level by lowering time deposit rates. This should help in keeping stable cost of funds.

NEUTRAL with TP of Rp 6,100. The counter is trading at 1.9x P/BV and 13.6x P/E 2013F, which is around 0.75 SD below the average P/BV in the past 11 years. The TP is based on 1.8x P/BV 2013F which we believe is justified for a bank with an expected ROE of 16%. Steeper increase in interest rates and tighter ruling on automotive financing will be negative catalysts while much better motorcycle sales will be the upside risk.

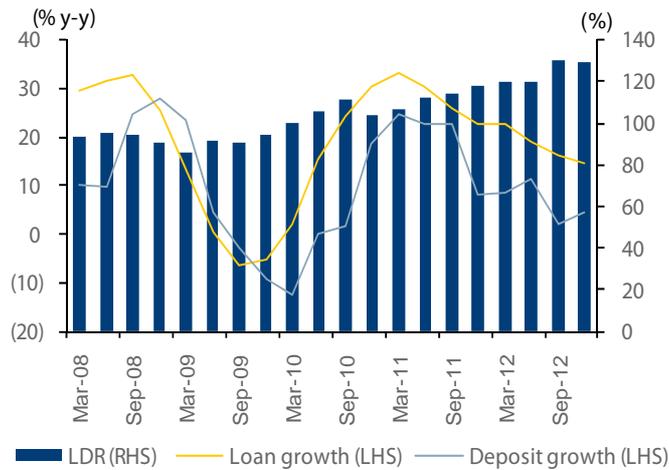
FINANCIAL SUMMARY

YE Dec (Rp bn)	2011A	2012A	2013F	2014F	2015F
Pre-Provision profit	7,071	8,710	9,330	10,742	12,553
Net Profit	3,336	4,012	4,412	5,021	6,157
EPS (Rp)	377	419	460	524	642
EPS growth (%)	9.7	11.1	10.0	13.8	22.6
P/E Ratio (x)	16.6	14.9	13.6	11.9	9.7
BVPS (Rp)	2,696	2,973	3,308	3,693	4,179
P/B Ratio (x)	2.3	2.1	1.9	1.7	1.5
Dividend Yield (%)	1.7	1.7	2.0	2.2	2.5
ROAE (%)	15.1	14.8	14.7	15.0	16.3
CAR (%)	17.5	18.9	15.4	14.9	14.5

Source: Company (2011-2012), Mandiri Sekuritas (2013-2015)

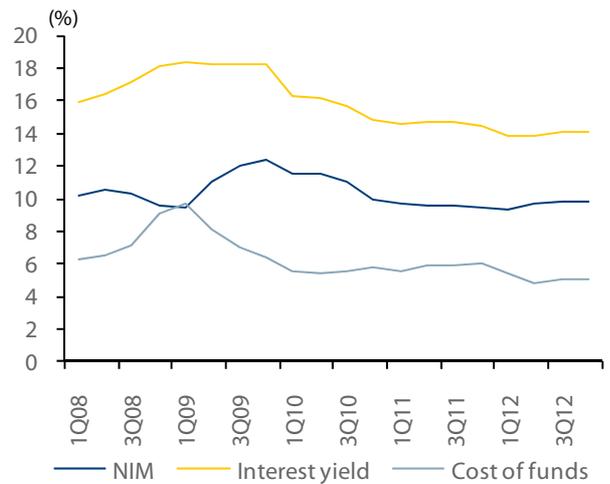
Bank Danamon At a Glance

FIGURE 1. LOAN, DEPOSIT GROWTH AND LDR



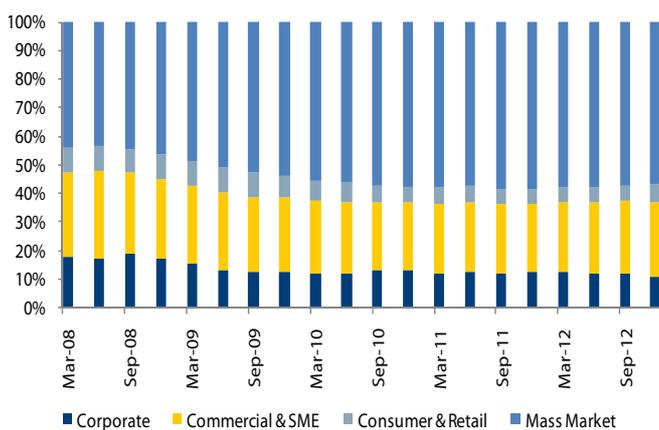
Source: Company, Mandiri Sekuritas estimates

FIGURE 2. NIM



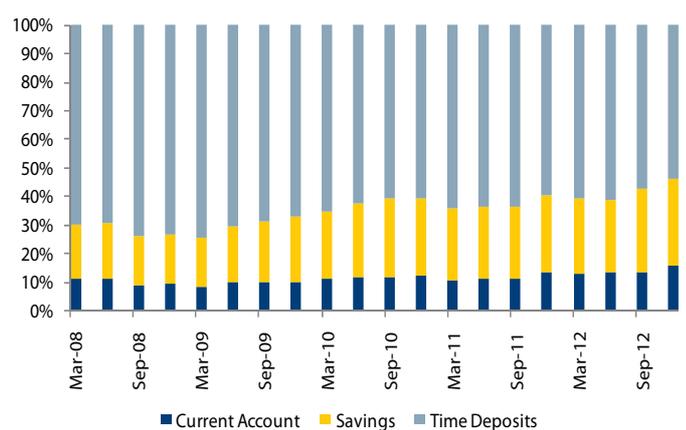
Source: Company, Mandiri Sekuritas estimates

FIGURE 3. LOAN BREAKDOWN



Source: Company, Mandiri Sekuritas estimates

FIGURE 4. DEPOSIT BREAKDOWN



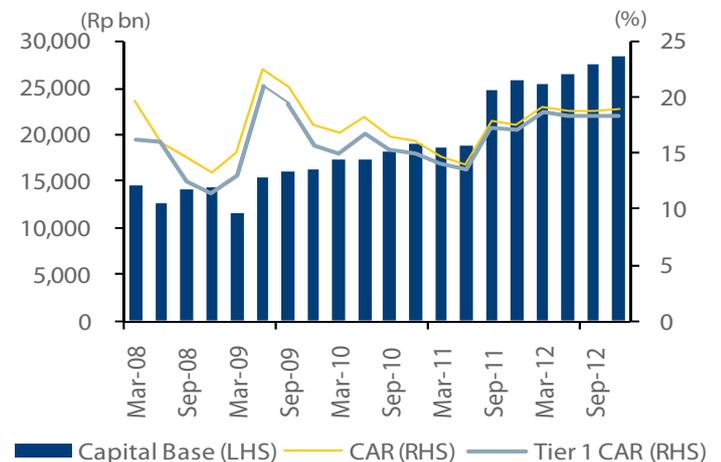
Source: Company, Mandiri Sekuritas estimates

FIGURE 5. NPL AND COVERAGE RATIO



Source: Company, Mandiri Sekuritas estimates

FIGURE 6. CAR & EQUITY



Source: Company, Mandiri Sekuritas estimates

Bank Danamon

Profit and loss					
YE Dec (Rp bn)	2011A	2012A	2013F	2014F	2015F
Interest income	16,882	18,858	21,105	24,446	29,324
Interest expense	(5,861)	(5,755)	(6,629)	(7,866)	(10,067)
Net interest income	11,021	13,103	14,476	16,579	19,258
Other operating income	4,673	5,134	5,957	6,962	8,086
Operating expenses	(8,623)	(9,527)	(11,103)	(12,799)	(14,791)
Personel expenses	(4,203)	(4,959)	(5,828)	(6,734)	(7,829)
G&A	(4,420)	(4,567)	(5,274)	(6,066)	(6,962)
Others	0	0	0	0	0
Pre provision profit	7,071	8,710	9,330	10,742	12,553
Provision expense	(1,836)	(2,527)	(2,778)	(3,342)	(3,604)
Operating income	5,235	6,183	6,552	7,400	8,949
Pretax income	4,612	5,487	6,040	6,873	8,418
Tax expenses	(1,163)	(1,370)	(1,510)	(1,718)	(2,104)
Net profit	3,336	4,012	4,412	5,021	6,157

Key ratios					
YE Dec	2011A	2012A	2013F	2014F	2015F
Growth (% yoy)					
Assets	20.4	9.5	16.1	15.1	16.2
Loans	22.8	14.4	18.2	18.6	17.9
Deposits	8.0	4.6	16.3	16.9	18.6
Equity	40.0	10.3	11.3	11.7	13.1
Net interest income	9.7	18.9	10.5	14.5	16.2
Operating expenses	19.1	10.5	16.5	15.3	15.6
Pre-provision profit	4.5	23.2	7.1	15.1	16.9
Net profit	15.7	20.3	10.0	13.8	22.6
Common ratios (%)					
NIM	9.5	9.9	9.7	9.5	9.4
CAR	17.5	18.9	15.4	14.9	14.5
NPL	2.7	2.6	2.4	2.3	2.3
LDR	118.1	129.2	131.2	133.2	132.4
ROAE	15.1	14.8	14.7	15.0	16.3
ROAA	2.6	2.7	2.6	2.6	2.7
Other ratios (%)					
Yield on earning assets	14.6	14.3	14.1	14.0	14.4
Average cost of funds	5.8	5.1	5.2	5.2	5.7
Core deposits (% to total deposits)	40.4	46.2	45.7	45.7	45.8
Cost to income	54.9	52.2	54.3	54.4	54.1
Coverage ratio	97.2	98.7	100.7	100.7	100.7
Equity to assets	18.2	18.3	17.5	17.0	16.6

Balance sheet					
YE Dec (Rp bn)	2011A	2012A	2013F	2014F	2015F
Assets					
Cash	1,895	2,457	2,715	3,015	3,396
Due to BI	6,940	6,898	8,000	9,600	11,200
Interbank placement	5,698	8,094	9,623	11,090	12,557
Securities-net	18,955	13,390	14,185	14,449	14,843
Gross loans	101,514	116,139	137,248	162,813	191,876
Loan loss provision	(2,656)	(2,987)	(3,266)	(3,808)	(4,412)
Fixed assets	1,899	2,096	2,444	2,851	3,326
Other assets	8,047	9,705	9,927	8,122	9,111
Total assets	142,292	155,791	180,878	208,132	241,897
Liabilities and equity					
Liabilities					
Demand deposits	11,493	14,364	16,292	19,042	22,580
Saving deposits	23,240	27,142	31,471	36,783	43,760
Time deposits	51,246	48,391	56,818	66,409	78,599
Total third party funds	85,978	89,898	104,581	122,234	144,939
Deposits from other banks	22,384	27,243	34,007	39,461	45,399
Securities issued	0	0	0	0	0
Borrowings	0	0	0	0	0
Subordinated loan	0	0	0	0	0
Other liabilities	7,887	9,917	10,318	10,735	11,169
Total liabilities	116,249	127,058	148,906	172,430	201,506
Minority interest	207	240	269	303	340
Shareholder's equity	25,837	28,494	31,702	35,400	40,051
Total liabilities and equity	142,292	155,791	180,878	208,132	241,897

Source: Company, Mandiri Sekuritas estimates



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SECTOR: BANKING

NEUTRAL

Current Price	Rp1,260
Price Target	Rp1,300 (+3.2%)
52-wk range	Rp800-Rp1,300

Stock Data

Bloomberg Code	BJBR IJ
Market Cap (Rp bn/US\$ mn)	12,217/1,253
Issued Shares (mn)	9,696
Avg. Daily T/O (Rp bn/US\$ mn)	18.4/1.9

Major shareholder

Government in West Java	38.3%
Bandung and Banten Regencies	12.5%
Public	49.2%

EPS consensus

	Mansek	Cons	Diff
2013F	142.4	146.3	(2.7)
2014F	176.7	175.4	0.8
2015F	206.5	202.6	1.9

Share price performance

	3m	6m	12m
Absolute (%)	10.5	15.6	10.5
Relative to JCI (%)	(1.1)	0.4	(8.5)



Building up to become a leading national bank

Bank BJB is transforming into a leading national bank in service and performance by 2015. As it has started offering more variety of loans, the bank has seen its NIM decline in the past three years while NPL rose in 2012. Nevertheless we expect EPS growth of 16% with ROE of 21.8% in 2013. NEUTRAL with TP of Rp1,300 based on 1.9x P/BV 2013F.

Declining NIM trend. Since it went public in 2010 Bank BJB has seen its net interest margin decline from 7.7% in 2010 to 6.6% in 2011 and then 6.2% in 2012. This is due to a steeper decline in lending rates as the bank has been increasing the commercial loans with lower yield (8-12% pa) at the expense of consumer loans (to civil servants and pensioners, 15.9-19.2% pa). Consumer loans now account for 59% of total loans, down from 72% in 2010 while commercial loans 24%, up from 16% over the same period. Micro loans, yielding 22-27% pa, still account for 12% of total while mortgage, at 7.3-13.7% pa, making up the remaining 5% from nothing.

Still in the learning process. Bank BJB has started venturing into mortgage and increasing micro loans in 2011. Because it's still in a learning process, NPL in those segments rose in 2012 to 5.0% and 4.1% (vs. 3.5% and 2.6% in 2011). We expect the levels will remain high this year before subsiding once it gets more experience. Hence we anticipate NPL level to stay at 2.1% in 2013, similar to in 2012.

Controversial issues. There have been reports that Bank BJB has some loan exposure without proper credit evaluation and documentation. This may lead to asset quality deterioration for the estimated amount of Rp55bn and Rp100bn, equivalent to 0.4% of total loans.

Aspiration to become a leading national bank in service and performance by 2015. Before achieving this status Bank BJB has been building the infrastructure and improving the organization with the target to be in the top 10 by 2013-14. Having already set up the division on micro & SME loans, consumer & commercial banking and treasury & international division, it's in the process of improving the human capital, IT and customer services.

NEUTRAL with TP of Rp1,300. We believe the counter is trading at our fair value of 1.9x P/BV 2013F. Upside risk is a speedy improvement in asset quality while downside risk is on slower loan growth as well as steep increase in interest rates.

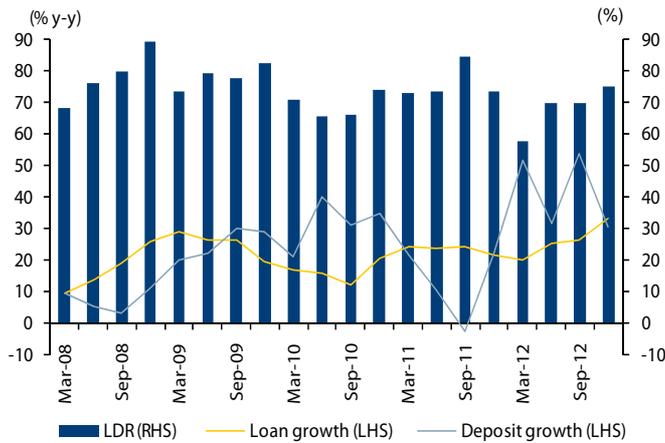
FINANCIAL SUMMARY

YE Dec (Rp bn)	2011A	2012A	2013F	2014F	2015F
Pre-Provision profit	1,543	1,754	2,182	2,559	2,931
Net Profit	962	1,194	1,381	1,714	2,002
EPS (Rp)	99	123	142	177	206
EPS growth (%)	(5.4)	24.1	15.6	24.1	16.8
P/E Ratio (x)	12.7	10.2	8.8	7.1	6.1
BVPS (Rp)	556	616	690	793	920
P/B Ratio (x)	2.3	2.0	1.8	1.6	1.4
Dividend Yield (%)	4.7	4.8	5.4	5.9	6.3
ROAE (%)	18.5	21.0	21.8	23.8	24.1
CAR (%)	19.1	18.6	16.7	15.6	14.8

Source: Company (2011-2012), Mandiri Sekuritas (2013-2015)

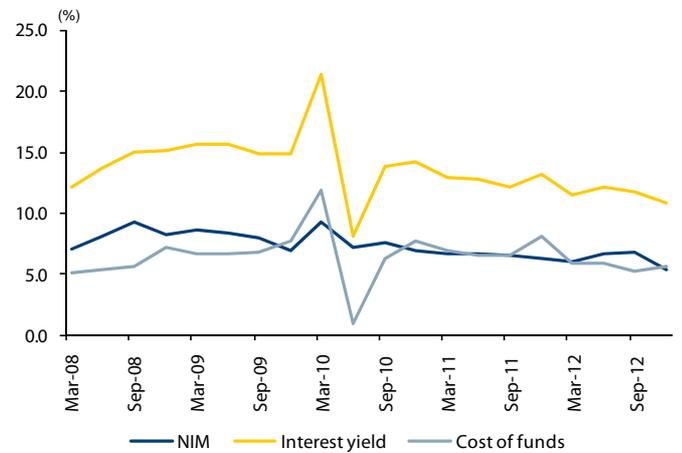
Bank BJB At a Glance

FIGURE 1. LOAN, DEPOSIT GROWTH AND LDR



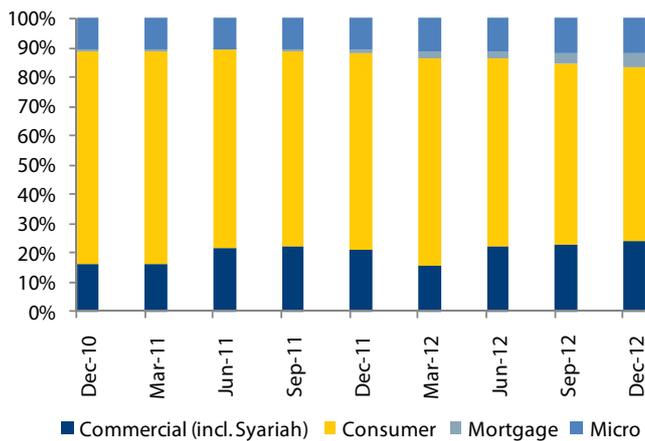
Source: Company, Mandiri Sekuritas estimates

FIGURE 2. NIM



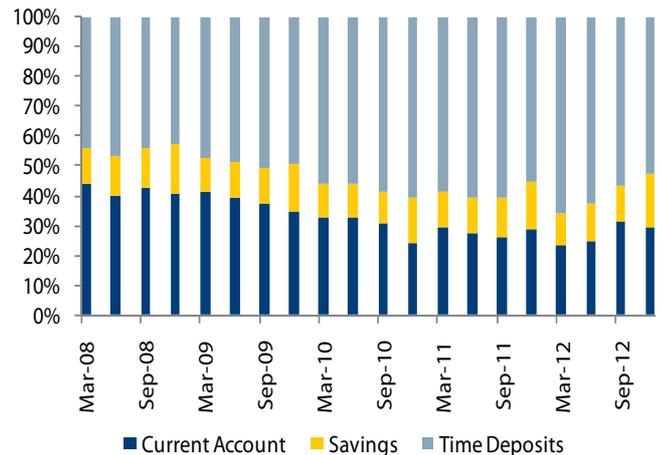
Source: Company, Mandiri Sekuritas estimates

FIGURE 3. LOAN BREAKDOWN



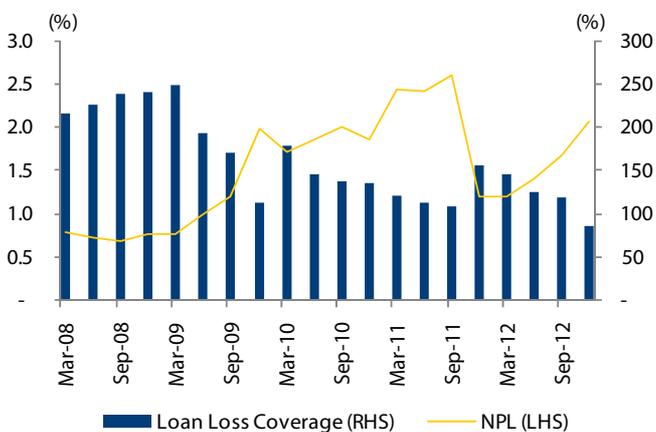
Source: Company, Mandiri Sekuritas estimates

FIGURE 4. DEPOSIT BREAKDOWN



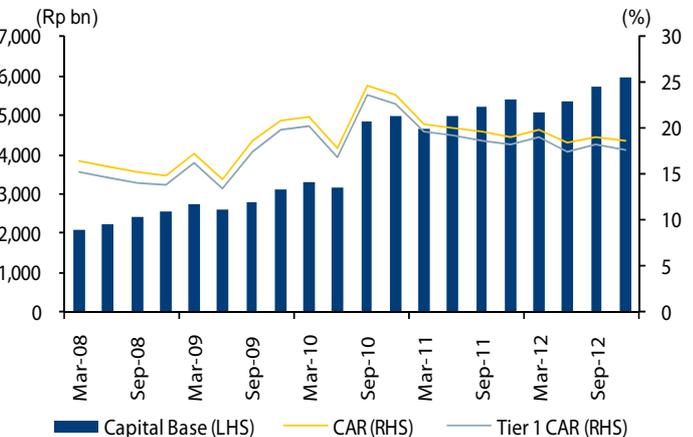
Source: Company, Mandiri Sekuritas estimates

FIGURE 5. NPL AND COVERAGE RATIO



Source: Company, Mandiri Sekuritas estimates

FIGURE 6. CAR & EQUITY



Source: Company, Mandiri Sekuritas estimates

Bank Jabar Banten

Profit and loss					
YE Dec (Rp bn)	2011A	2012A	2013F	2014F	2015F
Interest income	5,977	6,796	8,238	9,789	11,995
Interest expense	(2,916)	(3,140)	(3,763)	(4,496)	(5,848)
Net interest income	3,061	3,655	4,475	5,293	6,147
Other operating income	6	42	50	60	71
Operating expenses	(1,524)	(1,944)	(2,344)	(2,794)	(3,287)
Personel expenses	(763)	(967)	(1,161)	(1,381)	(1,630)
G&A	(959)	(1,198)	(1,395)	(1,647)	(1,927)
Others	198	222	213	234	269
Pre provision profit	1,543	1,754	2,182	2,559	2,931
Provision expense	(262)	(404)	(525)	(498)	(516)
Operating income	1,281	1,350	1,657	2,061	2,415
Pretax income	1,320	1,513	1,741	2,160	2,524
Tax expenses	(357)	(319)	(360)	(447)	(522)
Net profit	962	1,194	1,381	1,714	2,002

Key ratios					
YE Dec	2011A	2012A	2013F	2014F	2015F
Growth (% yoy)					
Assets	25.3	30.1	16.2	18.3	17.4
Loans	21.5	33.3	26.5	24.2	24.2
Deposits	22.2	30.4	22.5	21.0	20.5
Equity	7.9	10.9	12.0	14.9	16.0
Net interest income	16.0	19.4	22.4	18.3	16.1
Operating expenses	17.6	27.5	20.6	19.2	17.7
Pre-provision profit	(0.3)	13.6	24.4	17.3	14.5
Net profit	8.1	24.1	15.6	24.1	16.8
Common ratios (%)					
NIM	7.0	6.6	6.6	6.7	6.5
CAR	19.1	18.6	16.7	15.6	14.8
NPL	1.2	2.1	2.1	1.9	1.7
LDR	73.7	75.3	77.7	79.8	82.3
ROAE	18.5	21.0	21.8	23.8	24.1
ROAA	2.0	1.9	1.8	1.9	1.9
Other ratios (%)					
Yield on earning assets	13.8	12.3	12.2	12.3	12.8
Average cost of funds	6.9	5.7	5.6	5.7	6.2
Core deposits (% to total deposits)	44.7	47.2	45.5	44.0	42.5
Cost to income	49.7	52.6	51.8	52.2	52.9
Coverage ratio	155.5	86.3	84.3	85.3	84.3
Equity to assets	9.9	8.4	8.1	7.9	7.8

Balance sheet					
YE Dec (Rp bn)	2011A	2012A	2013F	2014F	2015F
Assets					
Cash	1,726	1,795	2,198	2,660	3,204
Due to BI	3,674	4,666	5,428	6,200	7,600
Interbank placement	1,865	1,821	2,457	3,073	3,848
Securities-net	17,418	22,191	21,908	23,011	22,754
Gross loans	28,765	38,333	48,474	60,226	74,820
Loan loss provision	(541)	(684)	(878)	(951)	(1,042)
Fixed assets	580	735	810	893	985
Other assets	963	1,984	1,936	2,292	2,224
Total assets	54,449	70,841	82,333	97,404	114,394
Liabilities and equity					
Liabilities					
Demand deposits	11,168	14,984	17,509	20,239	23,245
Saving deposits	6,271	9,050	10,890	12,984	15,412
Time deposits	21,604	26,893	33,968	42,231	52,250
Total third party funds	39,043	50,927	62,366	75,454	90,908
Deposits from other banks	0	0	0	0	0
Securities issued	2,743	2,395	2,641	2,911	3,210
Borrowings	5,473	8,980	7,697	8,027	7,645
Subordinated loan	0	0	0	0	0
Other liabilities	1,791	2,530	2,897	3,278	3,659
Total liabilities	49,049	64,832	75,601	89,670	105,421
Minority interest	12	34	39	46	53
Shareholder's equity	5,387	5,975	6,693	7,688	8,919
Total liabilities and equity	54,449	70,841	82,333	97,404	114,394

Source: Company, Mandiri Sekuritas estimates



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SECTOR: BANKING

BUY

Current Price	Rp510
Price Target	Rp575 (+12.7%)
52-wk range	Rp355-Rp540

Stock Data

Bloomberg Code	BJTM IJ
Market Cap (Rp bn/US\$ mn)	7,608/780
Issued Shares (mn)	14,918
Avg. Daily T/O (Rp bn/US\$ mn)	14.5/1.5

Major shareholder

Government in East Java	80.0%
Public	20.0%

EPS consensus

	Mansek	Cons	Diff
2013F	66.2	68.0	(2.6)
2014F	77.2	78.0	(1.1)
2015F	95.1	n.a	n.a

Share price performance

	3m	6m	12m*
Absolute (%)	32.5	34.2	34.2
Relative to JCI (%)	20.8	19.0	19.0

*Since IPO



Brighter future on the horizon

Bank Jatim managed to cap its downside following the frauds and bad accounts in 2012. Supported by total loan growth target of 20% in 2013 vs. 15% in 2012 and lower provisioning charges, we expect EPS growth of 35% in 2013 with ROE improving to 17.2% from 16.6%. BUY with TP of Rp575 based on 1.5x P/BV 2013F.

Progress on NPL. Bank Jatim FY12 had seen the rise in NPL to 2.95% from 0.97% in 2011, from both commercial and SME loans. So far, the bank has recovered Rp145bn from initial Rp307bn impairment in 2012, with remaining amount expected to be fully recovered in 2013 from executing foreclosed assets and insurance payments. The management is confident that they can lower the NPL level substantially this year through better credit monitoring and higher collateral requirement for certain loans and the resolution of the Rp106bn (0.5% of total loans) NPL in syndicated loans.

More concentration on loan expansion. Affected by the frauds, the bank slowed down its lending activities to concentrate in suppressing the NPL level last year. In 2013, we expect loan growth of 20% with concentration on multipurpose loans (57.9% of total loans) and mortgage (3.5%). Bank Jatim will also expand its pensioners' fund more aggressively which should improve its loan portfolio. In addition to loan performance, lower

provisioning charges will also contribute to the expected strong EPS growth of 35% in 2013 with ROE improving to 17.2% from 16.6%.

Growing CASA deposits to reduce cost of funds. CASA deposits accounted for 81% of total deposits in 2012, up from 76% in 2011 and we expect this to be maintained at this level by lowering time deposits rates. This should improve cost of funds level which has been on the decline in the past three quarters.

Lower income tax starting 2013. As the cities and municipalities are considered public (each has less than 5% stake) the bank will start paying lower corporate income tax of 20% in 2013 which will boost earnings going forward.

BUY with TP of Rp575. Our fair value is based on 1.5x P/BV 2013F based on Gordon Growth Model. Downside risk includes the slower loan growth and inability to lower the NPL level in Keppres (at 14% in Dec 12) and KUR loans (10.9%).

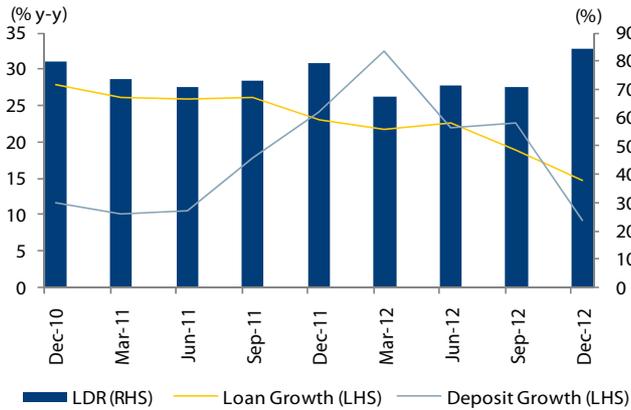
FINANCIAL SUMMARY

YE Dec (Rp bn)	2011A	2012A	2013F	2014F	2015F
Pre-Provision profit	1,182	1,293	1,386	1,657	2,065
Net Profit	860	725	978	1,140	1,405
EPS (Rp)	73	55	66	77	95
EPS growth (%)	1.1	(24.7)	20.6	16.5	23.2
P/E Ratio (x)	7.0	9.3	7.7	6.6	5.4
BVPS (Rp)	277	372	399	433	481
P/B Ratio (x)	1.8	1.4	1.3	1.2	1.1
Dividend Yield (%)	8.0	6.4	7.7	8.4	9.1
ROE (%)	28.6	16.6	17.2	18.6	20.8
CAR (%)	16.3	26.6	25.4	23.1	21.1

Source: Company (2011-2012), Mandiri Sekuritas (2013-2015)

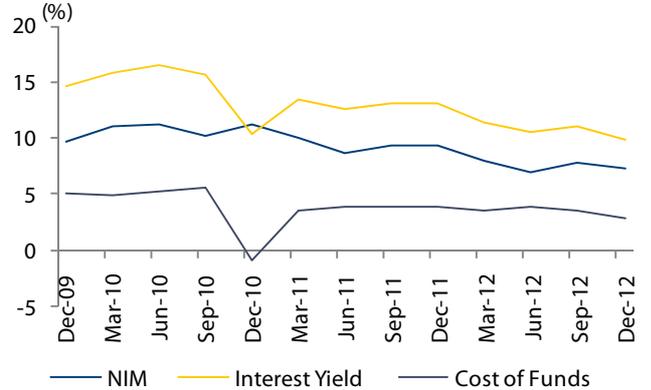
BPD Jatim At a Glance

FIGURE 1. LOAN, DEPOSIT GROWTH AND LDR



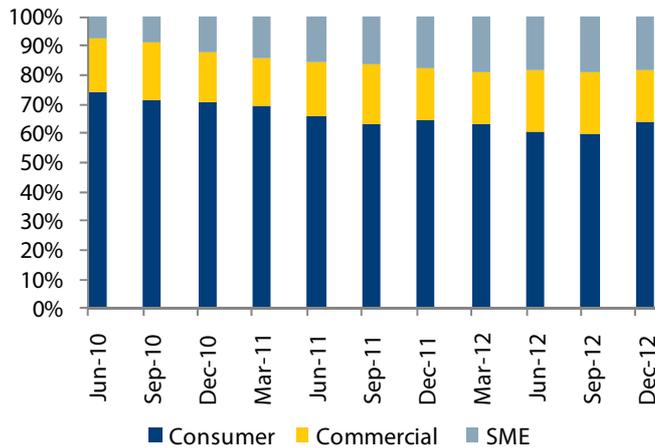
Source: Company, Mandiri Sekuritas estimates

FIGURE 2. NIM



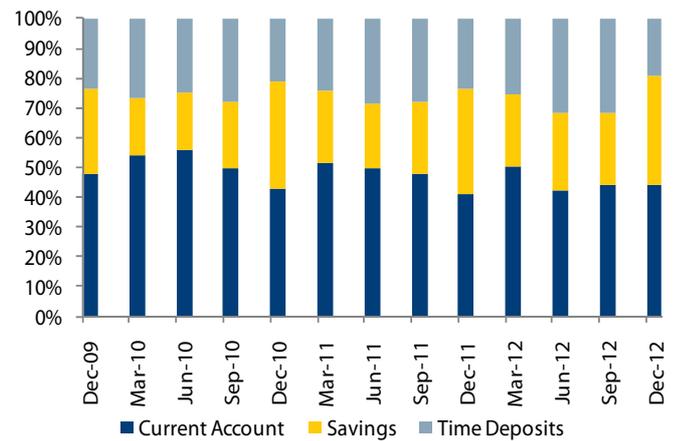
Source: Company, Mandiri Sekuritas estimates

FIGURE 3. LOAN BREAKDOWN



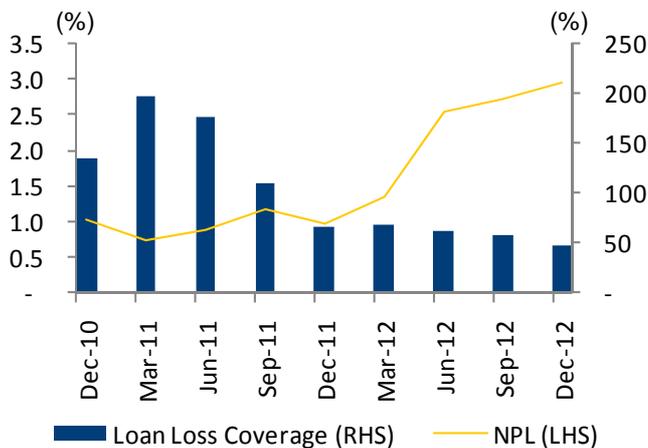
Source: Company, Mandiri Sekuritas estimates

FIGURE 4. DEPOSIT BREAKDOWN



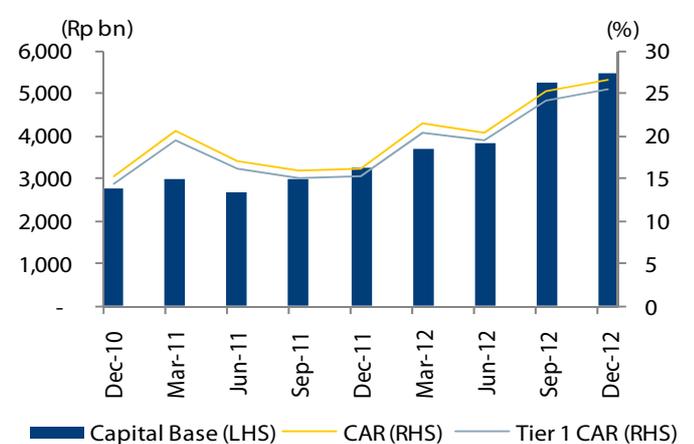
Source: Company, Mandiri Sekuritas estimates

FIGURE 5. NPL AND COVERAGE RATIO



Source: Company, Mandiri Sekuritas estimates

FIGURE 6. CAR & EQUITY



Source: Company, Mandiri Sekuritas estimates

Bank Jatim

Profit and loss					
YE Dec (Rp bn)	2011A	2012A	2013F	2014F	2015F
Interest income	2,698	2,811	2,851	3,405	4,245
Interest expense	(775)	(852)	(764)	(930)	(1,245)
Net interest income	1,923	1,959	2,087	2,475	3,000
Other operating income	141	170	197	226	262
Operating expenses	(883)	(836)	(897)	(1,043)	(1,197)
Personel expenses	(543)	(448)	(529)	(618)	(698)
G&A	0	0	0	0	0
Others	(340)	(388)	(368)	(425)	(499)
Pre provision profit	1,182	1,293	1,386	1,657	2,065
Provision expense	(2)	(307)	(169)	(240)	(317)
Operating income	1,180	986	1,218	1,418	1,748
Pretax income	1,187	1,002	1,238	1,443	1,778
Tax expenses	(327)	(277)	(260)	(303)	(373)
Net profit	860	725	978	1,140	1,405

Key ratios					
YE Dec	2011A	2012A	2013F	2014F	2015F
Growth (% yoy)					
Assets	24.3	16.5	18.1	19.5	21.1
Loans	23.3	15.0	23.8	23.0	23.1
Deposits	24.2	9.1	20.9	22.1	23.2
Equity	18.3	68.3	7.3	8.6	11.3
Net interest income	(3.2)	1.9	6.5	18.6	21.2
Operating expenses	5.7	(5.2)	7.3	16.3	14.7
Pre-provision profit	(6.8)	9.4	7.2	19.6	24.6
Net profit	1.1	(15.7)	34.9	16.5	23.2
Common ratios (%)					
NIM	10.3	8.7	7.8	7.7	7.7
CAR	16.3	26.6	25.4	23.1	21.1
NPL	1.0	3.0	2.4	2.3	2.1
LDR	80.1	84.4	86.4	87.0	86.9
ROAE	28.6	16.6	17.2	18.6	20.8
ROAA	3.8	2.7	3.1	3.0	3.1
Other ratios (%)					
Yield on earning assets	14.5	12.5	10.6	10.6	11.0
Average cost of funds	4.2	3.9	3.0	3.0	3.3
Core deposits (% to total deposits)	76.1	80.8	78.6	81.3	85.4
Cost to income	42.8	39.3	39.3	38.6	36.7
Coverage ratio	64.9	46.6	53.0	57.0	61.0
Equity to assets	13.1	19.0	17.2	15.6	14.4

Balance sheet					
YE Dec (Rp bn)	2011A	2012A	2013F	2014F	2015F
Assets					
Cash	1,903	1,961	2,317	2,770	3,353
Due to BI	1,715	1,939	2,400	2,800	3,400
Interbank placement	3,462	5,042	5,066	5,571	6,407
Securities-net	919	994	1,188	1,211	1,309
Gross loans	16,135	18,556	22,964	28,254	34,768
Loan loss provision	(101)	(256)	(294)	(374)	(451)
Fixed assets	176	204	258	312	377
Other assets	637	507	301	335	330
Total assets	24,846	28,948	34,199	40,879	49,493
Liabilities and equity					
Liabilities					
Demand deposits	8,204	9,649	13,037	16,316	21,107
Saving deposits	7,133	8,113	7,855	10,070	13,027
Time deposits	4,806	4,219	5,693	6,073	5,855
Total third party funds	20,142	21,981	26,584	32,459	39,989
Deposits from other banks	0	0	0	0	0
Securities issued	0	0	0	0	0
Borrowings	561	781	945	1,143	1,383
Subordinated loan	0	0	0	0	0
Other liabilities	883	699	785	888	1,012
Total liabilities	21,586	23,461	28,314	34,490	42,383
Minority interest	0	0	0	0	0
Shareholder's equity	3,260	5,487	5,885	6,389	7,110
Total liabilities & eq.	24,846	28,948	34,199	40,879	49,493

Source: Company, Mandiri Sekuritas estimates



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SECTOR: BANKING

BUY

Current Price	Rp5,200
Price Target	Rp5,600 (+7.7%)
52-wk range	Rp3,450-Rp5,500

Stock Data

Bloomberg Code	BTPN IJ
Market Cap (Rp bn/US\$ mn)	30,369/3,115
Issued Shares (mn)	5,840
Avg. Daily T/O (Rp bn/US\$ mn)	3.1/0.3

Major shareholder

TPG Nusantara	57.9%
Public	42.1%

EPS consensus

	Mansek	Cons	Diff
2013F	433.0	404.4	7.0
2014F	525.4	475.6	10.5
2015F	633.0	564.7	12.1

Share price performance

	3m	6m	12m
Absolute (%)	(3.7)	0.0	42.5
Relative to JCI (%)	(15.3)	(15.2)	23.4



Continuing high profitability

BTPN's exposure in micro loans and the retirees helps support the high net interest margin, expected at 12% in 2013. NPL level has always been low at less than 1% and this combination should support the average EPS growth of 23% and ROE of 28% in the next three years. BUY with fair value of Rp5,600 based on 3.2x P/BV 2013F.

Strong foot hold in micro lending. The management's commitment on micro lending had led to BTPN's strong presence in the segment, which now account for 23% of total loans, compared to nothing in 2008. Loans to state pensioners remain accounting for 72% of total vs. 96% four years ago while the rest comes from other loans (staff and sharia loans).

BTPN has the highest NIM in the market with low problem loans. It recorded 12.2% NIM in 2012 vs. 6.4% on the average our bank universe. While this level is expected to decline to 12% in 2013 and 11.8% in 2014, the level will still be around twice as high as the industry average level. This is achieved given the consumer loan exposure to retirees. Asset quality has been excellent with NPL level has been kept below 1% (0.6% in 2012) since 2007. NPL in the loans to retirees has been consistently low at 0.1% and is expected to remain low going forward as this loan is insured and BTPN has direct access to the borrowers' monthly retirement payment.

Consistent high ROE in the past nine years. BTPN is one of the banks with consistent high ROE of 23.4-39.2% since 2004, with average of 30.9% vs. the industry average of 21.1%. We expect BTPN will be able to keep its high ROE at 27.0-29.2% in 2013-15 with EPS growth of 20-28% by maintaining concentration in micro loans and retirees.

High capital adequacy and potential owner change. Given its high profitability and low risk-weighted assets, we expect total CAR to be around 20% in the next three years with the assumption that the bank will start paying dividend in 2014. The 5-year lock up period for TPG Nusantara ownership ended in March 2013, raising a potential takeover by other parties.

BUY with TP of Rp5,600. We believe there is still some upside for BTPN with the fair value of Rp5,600 based on 3.2x P/BV 2013F. Downside risk is on the slowdown in micro lending growth due to heightened competition.

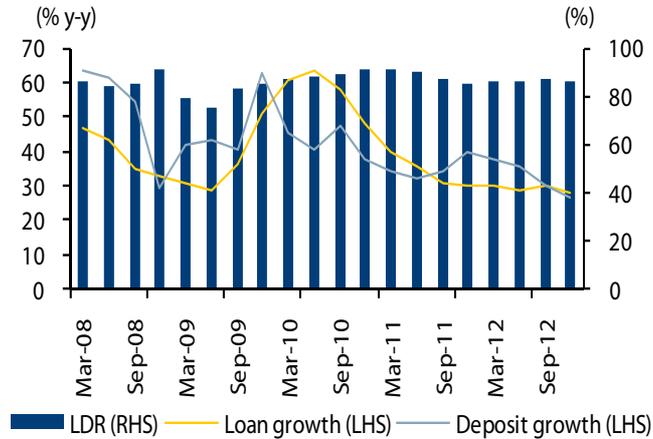
FINANCIAL SUMMARY

YE Dec (Rp bn)	2011A	2012A	2013F	2014F	2015F
Pre-Provision profit	2,235	2,942	3,766	4,479	5,306
Net Profit	1,400	1,979	2,529	3,069	3,697
EPS (Rp)	247	339	433	525	633
EPS growth (%)	67.4	37.1	27.8	21.4	20.5
P/E Ratio (x)	21.0	15.3	12.0	9.9	8.2
BVPS (Rp)	992	1,324	1,757	2,174	2,676
P/B Ratio (x)	5.2	3.9	3.0	2.4	1.9
Dividend Yield (%)	0.0	0.0	0.0	2.1	2.5
ROAE (%)	28.5	29.6	28.1	26.7	26.1
CAR (%)	20.5	21.0	19.7	20.0	20.2

Source: Company (2011-2012), Mandiri Sekuritas (2013-2015)

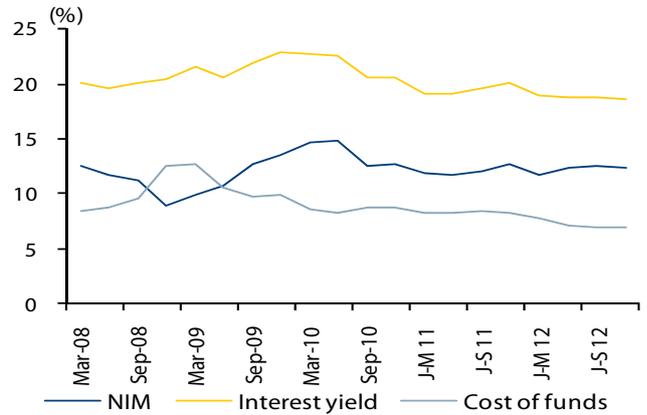
Bank Tabungan Pensiunan Nasional At a Glance

FIGURE 1. LOAN, DEPOSIT GROWTH AND LDR



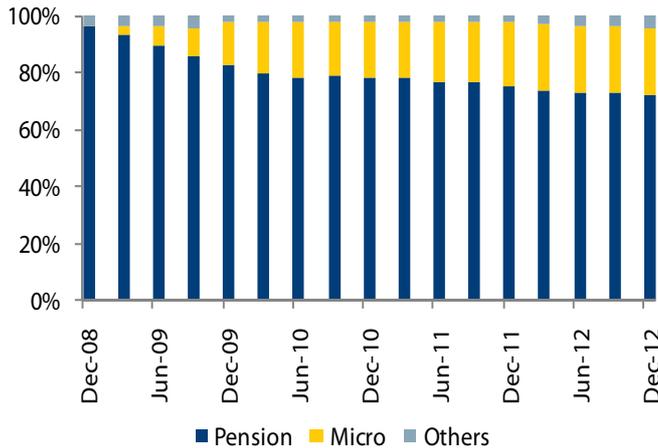
Source: Company, Mandiri Sekuritas estimates

FIGURE 2. NIM



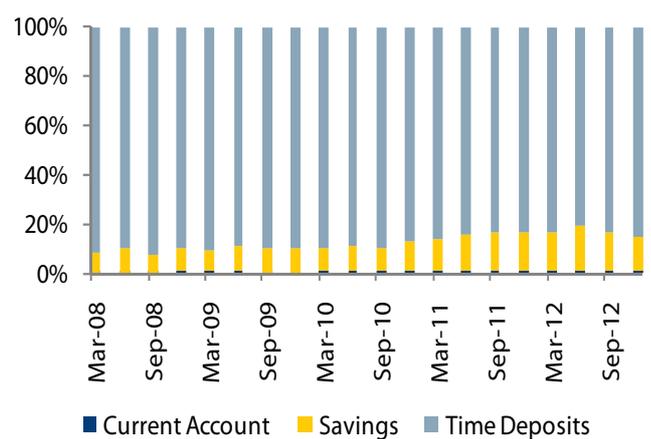
Source: Company, Mandiri Sekuritas estimates

FIGURE 3. LOAN BREAKDOWN



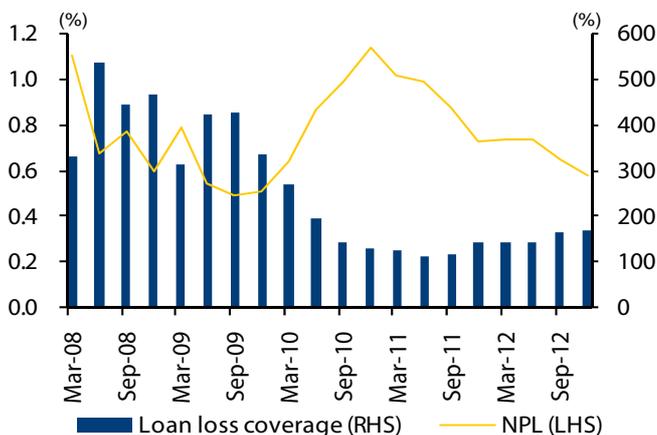
Source: Company, Mandiri Sekuritas estimates

FIGURE 4. DEPOSIT BREAKDOWN



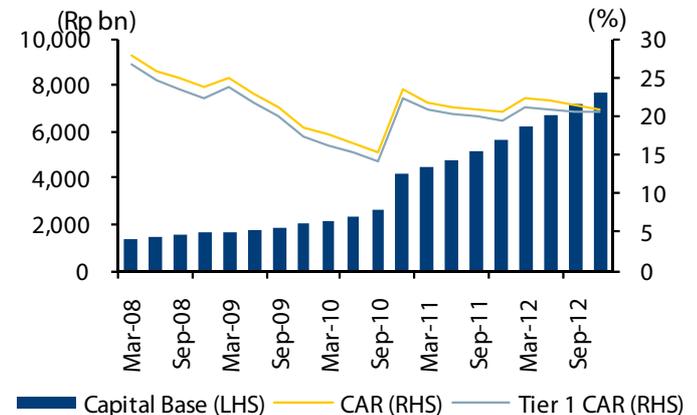
Source: Company, Mandiri Sekuritas estimates

FIGURE 5. NPL AND COVERAGE RATIO



Source: Company, Mandiri Sekuritas estimates

FIGURE 6. CAR & EQUITY



Source: Company, Mandiri Sekuritas estimates

Bank Tabungan Pensiunan Nasional

Profit and loss					
YE Dec (Rp bn)	2011A	2012A	2013F	2014F	2015F
Interest income	7,466	9,293	11,620	13,825	17,146
Interest expense	(2,830)	(3,222)	(4,019)	(4,685)	(6,128)
Net interest income	4,636	6,071	7,601	9,139	11,019
Other operating income	191	283	333	399	470
Operating expenses	(2,591)	(3,411)	(4,168)	(5,060)	(6,182)
Personel expenses	(1,327)	(1,750)	(2,088)	(2,413)	(2,775)
G&A	(1,265)	(1,662)	(2,080)	(2,646)	(3,407)
Others	0	0	0	0	0
Pre provision profit	2,235	2,942	3,766	4,479	5,306
Provision expense	(440)	(455)	(574)	(604)	(639)
Operating income	1,795	2,487	3,192	3,874	4,667
Pretax income	1,772	2,485	3,178	3,856	4,645
Tax expenses	(372)	(506)	(649)	(788)	(949)
Net profit	1,400	1,979	2,529	3,069	3,697

Key ratios					
YE Dec	2011A	2012A	2013F	2014F	2015F
Growth (% yoy)					
Assets	35.1	26.7	21.8	21.4	21.4
Loans	29.9	28.2	24.9	24.3	22.7
Deposits	39.6	26.5	22.7	22.1	22.1
Equity	33.2	37.7	32.7	23.7	23.1
Net interest income	31.0	31.0	25.2	20.2	20.6
Operating expenses	20.0	31.6	22.2	21.4	22.2
Pre-provision profit	47.6	31.6	28.0	18.9	18.5
Net profit	67.4	41.3	27.8	21.4	20.5
Common ratios (%)					
NIM	13.0	13.0	12.9	12.6	12.5
CAR	20.5	21.0	19.7	20.0	20.2
NPL	0.7	0.6	0.7	0.8	0.8
LDR	85.1	86.2	87.7	89.3	89.7
ROAE	28.5	29.6	28.1	26.7	26.1
ROAA	3.4	3.7	3.9	3.9	3.8
Other ratios (%)					
Yield on earning assets	20.9	19.8	19.7	19.1	19.5
Average cost of funds	8.2	7.1	7.3	7.0	7.6
Core deposits (% to total deposits)	16.8	15.1	16.7	18.3	19.9
Cost to income	53.7	53.7	52.5	53.0	53.8
Coverage ratio	141.1	170.0	174.0	175.0	176.0
Equity to assets	12.0	13.1	14.3	14.5	14.7

Balance sheet					
YE Dec (Rp bn)	2011A	2012A	2013F	2014F	2015F
Assets					
Cash	821	929	1,140	1,392	1,700
Due to BI	3,219	4,049	4,800	5,800	7,000
Interbank placement	541	370	408	450	496
Securities-net	9,717	13,899	16,212	18,903	22,041
Gross loans	30,310	38,844	48,507	60,303	73,962
Loan loss provision	(310)	(381)	(605)	(809)	(998)
Fixed assets	420	489	550	618	694
Other assets	1,933	890	968	748	1,228
Total assets	46,651	59,090	71,979	87,405	106,123
Liabilities and equity					
Liabilities					
Demand deposits	436	334	852	1,580	2,588
Saving deposits	5,556	6,479	8,389	10,782	13,825
Time deposits	29,626	38,260	46,044	55,139	66,006
Total third party funds	35,618	45,073	55,284	67,502	82,419
Deposits from other banks	0	0	0	0	0
Securities issued	3,632	4,533	4,406	4,858	5,356
Borrowings	864	630	762	922	1,115
Subordinated loan	0	0	0	0	0
Other liabilities	920	1,121	1,265	1,425	1,604
Total liabilities	41,034	51,356	61,717	74,706	90,494
Minority interest	0	0	0	0	0
Shareholder's equity	5,617	7,734	10,263	12,699	15,629
Total liabilities and equity	46,651	59,090	71,979	87,405	106,123

Source: Company, Mandiri Sekuritas estimates



Mandiri Sekuritas Analyst

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SECTOR: BANKING

NEUTRAL

Current Price	Rp850
Price Target	Rp890 (+4.7%)
52-wk range	Rp590-Rp980

Stock Data

Bloomberg Code	PNBN IJ
Market Cap (Rp bn/US\$ mn)	20,467/2,099
Issued Shares (mn)	24,078
Avg. Daily T/O (Rp bn/US\$ mn)	12.8/1.3

Major shareholder

Panin Financial Tbk	45.5%
ANZ Bank	38.8%
Public	15.7%

EPS consensus

	Mansek	Cons	Diff
2013F	99.2	103.5	(4.2)
2014F	120.1	124.5	(3.6)
2015F	141.6	159.6	(11.3)

Share price performance

	3m	6m	12m
Absolute (%)	37.1	23.2	(4.5)
Relative to JCI (%)	25.5	7.9	(23.6)



Cheap for a reason

Bank Panin has always been cheap, trading at its expected 2013 book value on the back of its low ROE and low free float. We expect NIM at 4.6% in 2013-15, below the industry average in view of customers' preference to put deposits in the larger banks. We value the bank at Rp890, 1x P/BV 2013F. **NEUTRAL**.

Unexciting counter at low valuation.

Bank Panin is the 7th largest bank in terms of assets and earnings in 2012. Yet, the bank is not progressing as fast as the larger banks given its limited size and resources while its concentration remains on the commercial/SME segment (41% of total loans), where competition is intensifying. This leads to the bank's low margin and despite its low operating costs, ROE remains low translating into low valuation of 1x P/BV.

Low NIM due to high cost of funds.

Bank Panin recorded 4.5% net interest margin in 2012, narrowed from 4.8% in 2011 and had been stable since 2008, the level that is well below the industry average of 6.5%. This has been attributed to the high cost of funds given its low deposit franchise as a medium-sized bank. We expect NIM at 4.6% in 2013-15 leading to the low ROE of 11-13%. NIM has never been higher than 15% in the past 22 years.

Poor share liquidity.

Of the 15.7% publicly-held shares, we believe less than 10% is the real free float, making poor share trading liquidity. The Gunawan family had the intention to sell the bank in the past but again this has been put on shelf. We do not expect ANZ, which owns 38.8% stake through Votrait No. 11, to take over the bank given the high asking price.

NEUTRAL with TP of Rp890.

Poor share price liquidity and consistently below average ROE of 11-13% lead us to assign NEUTRAL on the stock with TP of Rp890, valuing it at 1.0x P/BV 2013F. The bank has stopped paying dividend since 2005 to enlarge its capital base. Upside risk to our TP are the M&A talks and rising problem loans in commercial/SME segments while downside risk is steep interest rate increase.

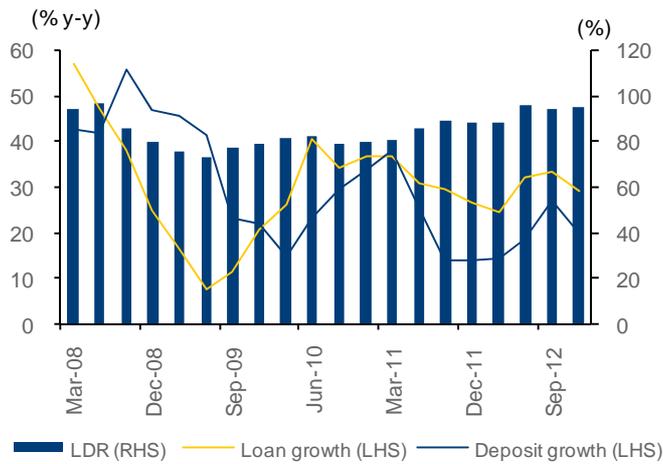
FINANCIAL SUMMARY

YE Dec (Rp bn)	2011A	2012A	2013F	2014F	2015F
Pre-Provision profit	3,645	3,961	4,961	5,644	6,529
Net Profit	1,830	2,108	2,389	2,892	3,410
EPS (Rp)	76	87	99	120	142
EPS growth (%)	45.5	15.2	13.3	21.1	17.9
P/E Ratio (x)	11.2	9.7	8.6	7.1	6.0
BVPS (Rp)	753	845	927	1,027	1,144
P/B Ratio (x)	1.1	1.0	0.9	0.8	0.7
Dividend Yield (%)	0.0	0.0	2.1	2.3	2.8
ROAE (%)	11.5	11.0	11.2	12.3	13.0
CAR (%)	19.2	16.3	22.2	19.9	20.0

Source: Company (2011-2012), Mandiri Sekuritas (2013-2015)

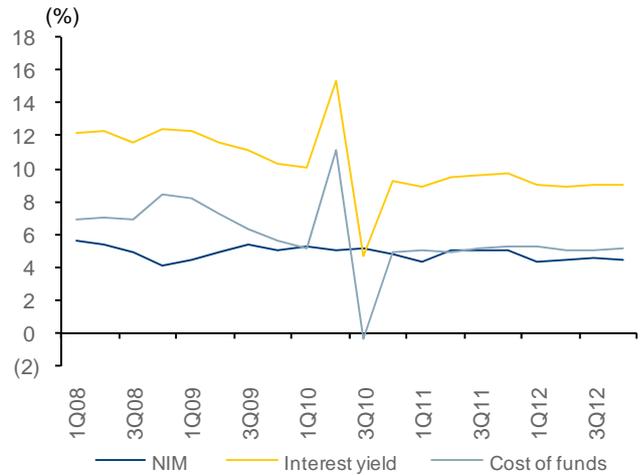
Bank Panin At a Glance

FIGURE 1. LOAN, DEPOSIT GROWTH AND LDR



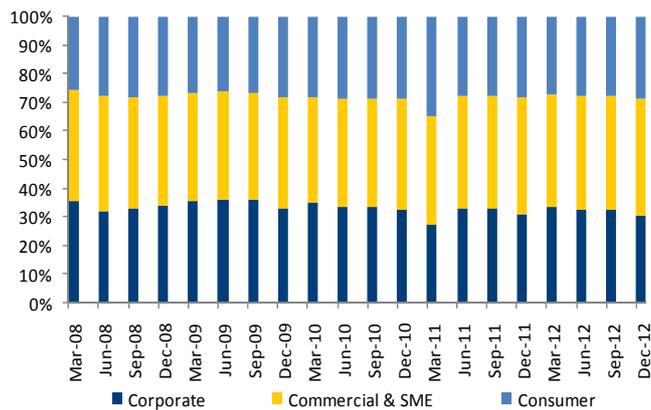
Source: Company, Mandiri Sekuritas estimates

FIGURE 2. NIM



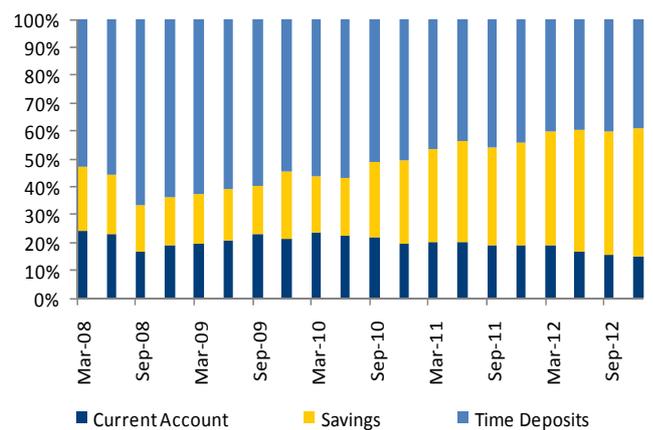
Source: Company, Mandiri Sekuritas estimates

FIGURE 3. LOAN BREAKDOWN



Source: Company, Mandiri Sekuritas estimates

FIGURE 4. DEPOSIT BREAKDOWN



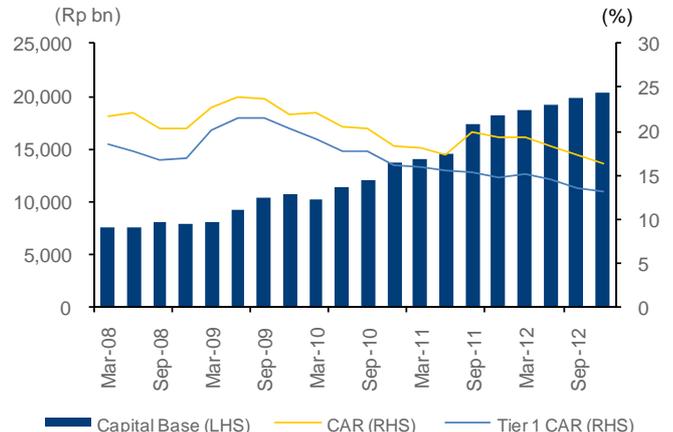
Source: Company, Mandiri Sekuritas estimates

FIGURE 5. NPL AND COVERAGE RATIO



Source: Company, Mandiri Sekuritas estimates

FIGURE 6. CAR & EQUITY



Source: Company, Mandiri Sekuritas estimates

Bank Panin

Profit and loss					
YEDec (Rp bn)	2011A	2012A	2013F	2014F	2015F
Interest income	9,832	11,238	13,522	16,118	20,006
Interest expense	(4,782)	(5,683)	(6,765)	(8,182)	(10,607)
Net interest income	5,050	5,554	6,757	7,936	9,398
Other operating income	2,296	2,108	2,347	2,595	2,835
Operating expenses	(3,701)	(3,701)	(4,142)	(4,888)	(5,704)
Personel expenses	(836)	(1,048)	(1,207)	(1,425)	(1,652)
G&A	(2,865)	(2,654)	(2,935)	(3,463)	(4,052)
Others	0	0	0	0	0
Pre provision profit	3,645	3,961	4,961	5,644	6,529
Provision expense	(962)	(971)	(1,982)	(2,015)	(2,235)
Operating income	2,683	2,991	2,980	3,628	4,295
Pretax income	2,736	3,043	3,007	3,658	4,327
Tax expenses	(683)	(764)	(762)	(927)	(1,096)
Net profit	1,830	2,108	2,389	2,892	3,410

Key ratios					
YEDec	2011A	2012A	2013F	2014F	2015F
Growth (% yoy)					
Assets	14.5	19.3	16.8	18.8	18.9
Loans	26.6	29.0	24.1	22.3	21.0
Deposits	13.9	19.8	20.7	22.9	22.7
Equity	32.4	12.2	9.7	10.8	11.4
Net interest income	22.9	10.0	21.6	17.5	18.4
Operating expenses	39.0	0.0	11.9	18.0	16.7
Pre-provision profit	19.0	8.7	25.2	13.7	15.7
Net profit	45.5	15.2	13.3	21.1	17.9
Common ratios (%)					
NIM	4.8	4.5	4.6	4.6	4.6
CAR	19.2	16.3	22.2	19.9	20.0
NPL	3.5	2.5	2.8	2.8	2.7
LDR	89.7	96.6	99.3	98.8	97.5
ROAE	11.5	11.0	11.2	12.3	13.0
ROAA	1.6	1.5	1.5	1.5	1.5
Other ratios (%)					
Yield on earning assets	9.3	9.2	9.3	9.3	9.7
Average cost of funds	4.9	5.0	5.0	5.1	5.5
Core deposits (% to total deposits)	55.9	61.2	60.2	59.9	59.6
Cost to income	50.4	48.3	45.5	46.4	46.6
Coverage ratio	77.0	55.6	62.0	66.0	70.0
Equity to assets	14.5	13.7	12.8	12.0	11.2

Balance sheet					
YEDec (Rp bn)	2011A	2012A	2013F	2014F	2015F
Assets					
Cash	1,392	1,438	1,736	2,134	2,618
Due to BI	7,490	8,963	10,000	12,500	15,500
Interbank placement	8,266	6,252	6,994	8,053	8,906
Securities-net	27,219	27,735	28,286	29,551	32,301
Gross loans	76,901	99,226	123,184	150,603	182,293
Loan loss provision	(2,043)	(1,354)	(2,136)	(2,752)	(3,386)
Fixed assets	1,805	2,114	2,243	2,380	2,525
Other assets	3,724	4,418	3,431	3,988	4,640
Total assets	124,754	148,793	173,738	206,457	245,396
Liabilities and equity					
Liabilities					
Demand deposits	16,108	15,309	19,720	24,545	30,487
Saving deposits	31,801	47,566	54,941	66,771	80,982
Time deposits	37,839	39,840	49,334	61,098	75,518
Total third party funds	85,749	102,715	123,995	152,415	186,986
Deposits from other banks	12,666	15,673	16,935	18,324	19,308
Securities issued	0	0	0	0	0
Borrowings	0	0	0	0	0
Subordinated loan	3,892	5,924	5,924	5,924	5,924
Other liabilities	2,668	2,884	3,179	3,505	3,864
Total liabilities	104,974	127,196	150,034	180,168	216,083
Minority interest	1,647	1,243	1,384	1,555	1,747
Shareholder's equity	18,133	20,353	22,320	24,734	27,566
Total liabilities and equity	124,754	148,793	173,738	206,457	245,396

Source: Company, Mandiri Sekuritas estimates

Appendix

New banking regulations

Capital – based on the new regulation (PBI 14/18/PBI/2012) and in line with the Basel II implementation the minimum capital adequacy ratio (CAR) is now linked to the bank’s risk profile, either on bank only or on the consolidated basis. Banks have to perform Internal Capital Adequacy Assessment Process (ICAAP) and submit the report on biannual basis (based on June and December figure) a month after the closing date. As the supervisor Bank Indonesia will perform the Supervisory Review and Evaluation Process (SREP).

The minimum CAR for each risk profile ranges from 8% for the best bank to 14% for the worst, as the following exhibit shows.

FIGURE 1. MINIMUM CAR BASED ON RISK PROFILE

- New regulation**
- a. CAR minimum no longer 8%, but based on risk profile
 - b. Perform Internal Capital Adequacy Assessment process (ICAAP), reports periodically (6mths)
 - c. BI: supervisory review and evaluation process (SREP)

Risk Profile	CAR Minimum
1. Low	8%
2. Low-Moderate	9% - <10%
3. Moderate	10% - <11%
4. moderate to high	11% - 14%
5. high	11% - 14%

Source: Bank Indonesia, Mandiri Sekuritas

For foreign bank branch, they have to conform to the minimum Capital Equivalency Maintained Assets (CEMA), the minimum required funds that are placed in certain financial instruments (government papers, placement in other banks, corporate bonds with minimum A rating) and is set at 8% of the bank’s liabilities or at least Rp1tr, the latest by December 2017. CEMA is calculated on the monthly basis.

Bank classification – under the new regulation, banks are divided into four types based on their capital with BUKU 4 as the highest category. This category determines what kind of transaction activities banks can offer and where they can operate.

FIGURE 2. NEW BANK CLASIFICATION (#14/26/PBI/2012)

Based on PBI no 14/26/PBI/2012	BUKU 1	BUKU 2	BUKU 3	BUKU 4	Exceptions
Primary capital (Rp bn)	100-1,000	1,000-5,000	5,000-30,000	≥30,000	
Minimum productive loans (% of total loans)	55	60	65	70	Banks with mortgage loans more than 75% of total loans
including 20% to micro, small and medium scale business					
including 10% to micro and small scale business					
* to be effective June 2018					
Foreign exchange transactions	FX trading only	FX trading and plain vanilla	full FX transactions	full FX transactions	
Maximum equity investment in:					
In financial company	Not allowed	15% of capital	25% of capital	35% of capital	
In Sharia bank	Not allowed	20% of capital	30% of capital	35% of capital	
Type of Business:					
Collection of funds	√	√	√	√	
Current account, time deposits	A	A	A	A	
Certificate deposit	A	A	A	A	
Issuance of debt	B	B	B	B	
Issuance of securities	B	B	B	B	
Borrowing	A	A	A	A	
Asset securitization	○	○	B	B	
Distribution of funds	√	√	√	√	
Credit	A	A	A	A	
Syndicate Credit	A	A	A	A	
Factoring	A	A	A	A	
Cooperative purchasing securities	○	A	A	A	
Purchase of government securities	A	A	A	A	
Placement in BI	A	A	A	A	
Placement in other banks	A	A	A	A	
Trade finance	√	√	√	√	
Issuance of bank guarantee	A	A	A	A	
SKBDN financing	A	A	A	A	
LC export import financing	○	A	A	A	
Without LC export import financing	○	A	A	A	
Others	A	A	A	A	
Treasury		limited	√	√	
Forex transactions	○	A	A	A	
Plain Vanilla Derivatives	○	A	A	A	
Complex derivatives	○	○	B	B	
Foreign Exchange	traders	traders	√	√	
Agency and Partnership	limited	wider scope	√	√	
Mutual fund dealers	○	A	A	A	
SBN dealers	A	A	A	A	
Bancassurance reference	B	B	B	B	
Bancassurance distributions	○	B	B	B	
Bancassurance integration	○	○	B	B	
Custodian	○	○	B	B	
Trustee	○	○	B	B	
Management trustee	○	○	B	B	
Payment systems and e-banking	limited	wider scope	√	√	
Clearing	B	B	B	B	
Settlements	B	B	B	B	
Fund transfer	A	A	A	A	
Payment with credit card	○	B	B	B	
Other payment	B	B	B	B	
E-money	B	B	B	B	
Phone banking	B	B	B	B	
SMS banking	B	B	B	B	
Mobile banking	B	B	B	B	
Internet banking	○	B	B	B	
Equity	-	√	√	√	
Capital Investment	√	√	√	√	
Other Services	√	√	√	√	
Issuance of guarantees	A	A	A	A	
Safe Deposit Box					
Traveller's Cheque	A	A	A	A	
Payroll	A	A	A	A	
Cash Management	○	○	A	A	
					* A: Allowed B: with BI approval ○: not allowed
Operating area	Indonesia	Indonesia	Asia	Worldwide	

Source: Bank Indonesia

Branch networking – all provinces in Indonesia are divided into six zones based on bank penetration in the area with Zone 1 being the most penetrated area. A bank need to provide certain capital to open an office in certain area based on the bank type, zone/location, zone coefficient and type of branch.

FIGURE 3. BANK ZONING AND CAPITAL REQUIREMENT TO OPEN NEW OFFICE (#14/26/PBI/2012)

Based on PBI No 14/26/PBI/2012 and Surat Edaran BI No. 15/7/DPNP

Zone	Zone coefficient	Area
Zone 1	5	Jakarta and overseas
Zone 2	4	West Java, Central Java, East Java, DI Yogyakarta, Bali and Banten
Zone 3	3	N. Sumatra, Riau Islands, E. Kalimantan
Zone 4	2	Papua, N. Sulawesi, Riau, C. Kalimantan, S. Kalimantan, S. Sulawesi, S. Sumatra
Zone 5	1	W. Sumatra, Lampung, Bengkulu, Bangka-Belitung, W. Kalimantan, SE. Sulawesi, Jambi
Zone 6	0.5	W. Papua, W. Sulawesi, W. Nusa Tenggara, E. Nusa Tenggara, N. Maluku, Gorontalo, C. Sulawesi, Maluku

PBI/14/26/2012 Article 27

1	Opening 3 (three) new branches in zone 1 OR 2 must be followed by opening 1 (one) new branch in zone 5 OR 6
2	(1) applied for bank under BUKU 3 and 4
3	(2) does not apply for BPD which based under zone 1 OR 2

Branches allocation (Rp bn)	BUKU 1 dan BUKU 2	BUKU 3 dan BUKU 4	Calculation:
Branch office	8	10	Core Capital allocation= coefficients* branches investment
Regional office	8	10	$ETC = M - \sum_{p=1}^n (TC_p \times JKE_p)$ <p>ETC = Ketersediaan alokasi Modal Inti (AMI) M = Modal Inti TC = Jumlah alokasi Modal Inti di suatu zona JKE = Jumlah Jaringan Kantor existing pada suatu zona</p>
Sub-branch office	3	4	
Functional office	3	4	
Cash office	1	2	

Exempted: a. Functional branch for UMKM credit
b. Regional Govt Owned bank at their main base region

Source: Bank Indonesia

Lending to the micro, small and medium loans (MSME) - banks are required to allocate minimum 20% of its loans to the micro, small and medium segments with the criteria as follows:

FIGURE 4. MICRO, SMALL AND MEDIUM LOANS DEFINITON AND TIME TABLE FOR MINIMUM EXPOSURE TO MSM (UMKM)

Based on PBI no 14/22/PBI/2012

Definition (based on UU 20/2008)		
Micro	a. Net wealth of Rp 50 million , excluding land and business property	
	b. Annual revenue at maximum level of Rp 300 million	
Small	a. Net wealth of Rp 50-500 million , excluding land and business property	
	b. Annual revenue of Rp 300m-2.5b	
Medium	a. Net wealth of Rp 500m-10b , excluding land and business property	
	b. Annual revenue of Rp 2.5-50b	
Progress for bank as a whole	2013	Current UMKM ratio of total loans must be stated in the bank business plan
	2014	Current UMKM ratio of total loans must be stated in the bank business plan
	2015	min 5% UMKM ratio of total loans
	2016	min 10% UMKM ratio of total loans
	2017	min 15% UMKM ratio of total loans
	2018	min 20% UMKM ratio of total loans

Source: Bank Indonesia

The allocation of loans to MSME will start to be implemented in 2013 in stages with full implementation by end 2018. Given that some banks do not have the capabilities in servicing these segments, they will be able to get around the regulation through loan channelling with other competent banks.

Bank ownership – Bank Indonesia now allows the ultimate shareholders to own more than one bank in Indonesia as long as they either merge the banks, form a financial holding company or make one of the banks as the holding company. Exemptions for the new ruling, which was out end December 2012, is the ultimate shareholders that own joint venture banks set up prior to the Banking Law 7/1992 unless they have already changed hands and one of the banks is a sharia bank. However, the House of Representatives (DPR) has started reviewing to amend the existing banking law, which was implemented since 1992. Two important issues that will affect the industry are: 1) Single presence policy and 2) Foreign bank branch network. On single presence policy, the parliament is likely to reaffirm the limitation on bank ownership in Indonesia to one, and for this Bank Indonesia has to be adjusted accordingly. On foreign bank branches, the parliament will require foreign banks (10 of them) to be incorporated in Indonesia with the consequences that their rating will follow the Indonesian rating.

FIGURE 5. BANK OWNERSHIP

Based on PBI no 14/24/PBI/2012					
	PBI Regulation	Currently	Adjustment (from Dec 2012)		Exceptions
Article 2. Controlling shareholders (CS)	Only 1 Bank	Incumbents CS in more than 1 Bank Purchased a significant number of shares	6 months Holding functions	1 year Merger or consolidation OR Bank holding company OR Financial Holding company	If it's different type of bank (conventional and sharia) If it's Joint Venture Bank
Article 5. Bank Holding Company (BHC)	Activities: Investment, Management service, business strategy and financial advisory		Fit and proper test, consolidate financial statements of subsidiary banks	From CS to BHC, must refer to regulation on Commercial Bank acquisition	Only applied for CS of banks which are under Indonesian's law or government regulations
	Capital	at the least: CS nominal share value			
	Ownership	Maximum the sum of paid-in capital, reserve, profit minus investment and loss			

Source: Bank Indonesia

FIGURE 6. LIMITATION ON BANK OWNERSHIP

Ownership - Shares Based on PBI no 14/8/PBI/2012 and Surat Edaran BI No. 15/4/DPNP - 6 March 2013		
Maximum Limit	Shareholders Category	(%)
Ownership (From the bank capital)	a. legal entity financial institutions banks and non-bank financial institutions b. legal entity is not a financial institution / Local Government c. individual shareholder d. Shariah Islamic banks	40% 30% 20% 25%
Progress of Ownership ≥40%	Shareholders	Stage
	1. For domestic citizen / local legal entity	a. prior ownership of maximum 40% (or less than 40%) b. Prospective shareholders appealed to the Bank Indonesia along with administrative documents attached as referred to in Annex I. c. Bank Indonesia to assess the fulfillment requirements - Approval only when bank owned has performed under GCG rank 1 or 2 in 3 consecutive years (after the 40% ownership)
	2. For foreign citizen / legal entity domiciled abroad	a. Written commitment, containing: priority in economic sectors and regions in Indonesia b. 5 years bank development plans, containing: - Productive lending distribution to prioritize economic sectors and regions in Indonesia (referring to BUKU) - Business strategy summary

Source: Bank Indonesia

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INVESTMENT RATINGS: Indicators of expected total return (price appreciation plus dividend yield) within the 12-month period from the date of the the last published report, are: Buy (10% or higher), Neutral (-10% to10%) and Sell (-10% or lower).

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