

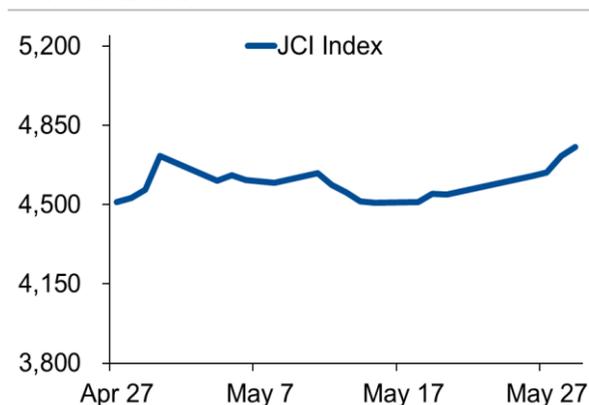
## Weekly Brief (June 2nd – 5th)

### Summary:

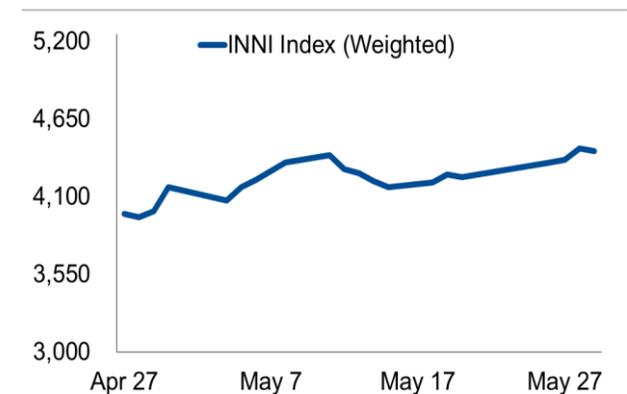
**Last week review:** The JCI movement last week was predominantly affected by domestic sentiment such as the adoption of New Normal policy and government plan to cut fuel and electricity prices for industry which in turn would help the Indonesian economy to gradually recover. Furthermore, investors remained optimistic with the progress of Covid-19 vaccine where some of them have been put through clinical trials.

**This week's outlook:** Additional stimulus from OJK will give more space for capital to the banking sector. The sector is facing liquidity challenges. On the other hand, government via the Committee for Financial System Stability will disburse stimulus package through intermediary or anchor banks in order to anticipate the tightening in liquidity. One aspect of OJK stimulus is to cut minimum LCR and NSFR for banks in BUKU III and IV category. Specifically, this will give liquidity support to Bank Rakyat Indonesia (BBRI) as one of BUKU IV category banks. Therefore, **NHKS** recommends BBRI as this week's stock pick with end of year Target Price of IDR 3.100 which represents a PBV of 1,6x

JCI - one month



INNI Index – one month



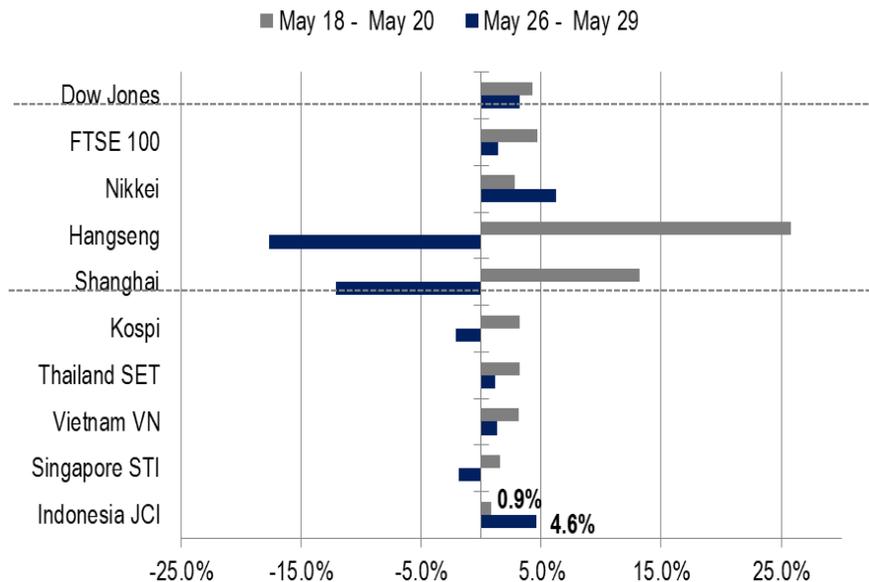
## Last Week's JCI Movement

•JCI Index	: 4,753.61 (+4.6%)
Foreign Flow	: Net buy of IDR13.7 trillion (vs. last week's net nuy of IDR28 billion)
USD/IDR	: 14,610 (-0.68%)
Yields of sovereign bond with 10-years tenor	: 7.345% (-19.30 bps)

### JCI Closed Higher

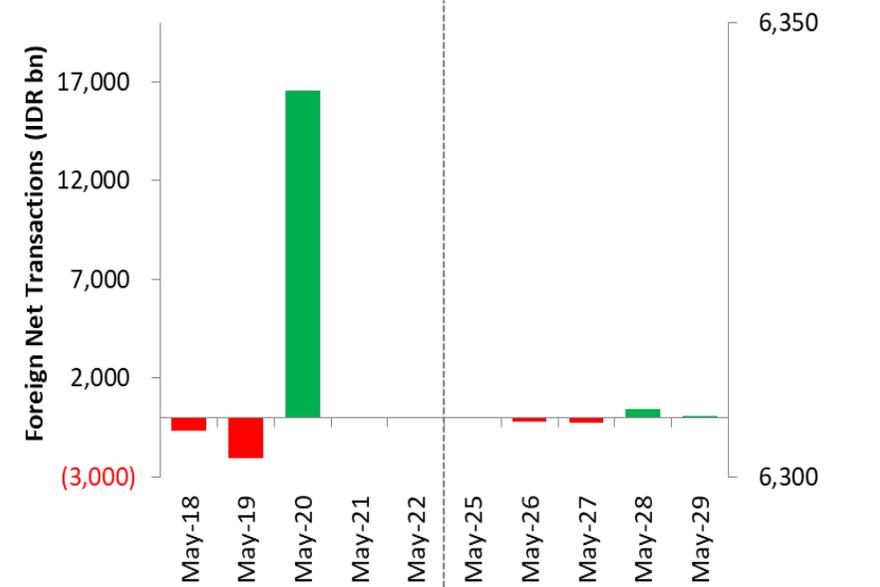
JCI's gain at the beginning of the week was propelled by government policy regarding New Normal was stated on Ministry of Health decree No: HK.01.07/MENKES/328/2020 which was deemed to be a positive sentiment as other countries also have loosen their lockdown policies. The New Normal policy is expected to help in economic activity recovery. JCI continued to rally on May 27th due to growing optimism on the progress of Covid-19 vaccine. Another positive sentiment also came from plans to cut fuel and electricity prices for industrial purposes. At the end of the week, JCI was closed higher with main contributions from Banking and Basic Industry sectors.

### Global Market Movement



Source: Bloomberg, NHKSI Research

### Foreign Net Flow – Last 10 Days



Source: Bloomberg, NHKSI Research

# Last Week's INNI Movement

•INNI Index	: 4,442.49 (+4.3%)
INNI Theme 1 (Value)	: 3,372.47 (+7.3%)
INNI Theme 2 (Trend)	: 5,122.50 (+3.1%)

## INNI Index closed in the green

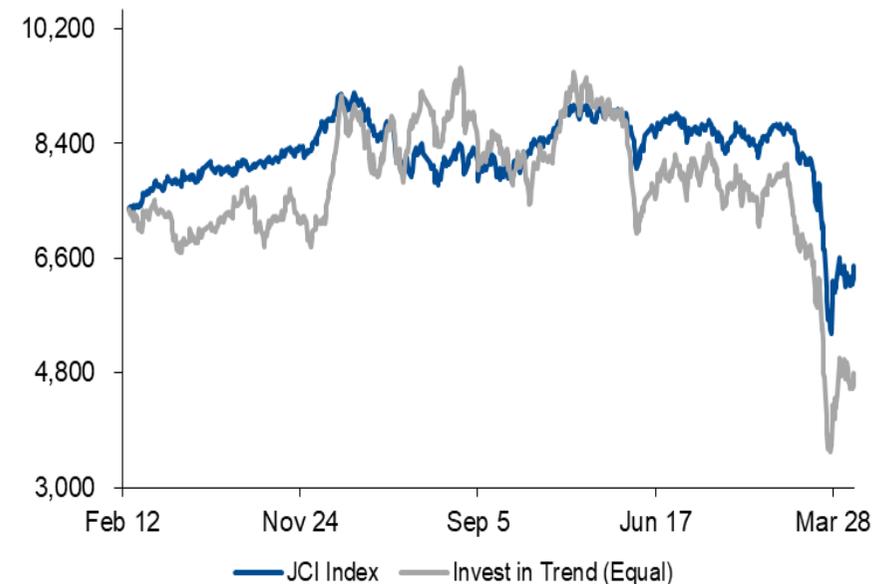
INNI index was closed up on May 26th mainly due to gain from ASII. This gain was supported by ASII's recent corporate action to divest BNLi with transaction amount of IDR33 trillion. Furthermore, stocks in banking sector such BBRI and BBCA also contributed to INNI Index gain up until May 28th. This was caused by massive foreign inflow and OJK's relaxation policy to give rooms to liquidity and capital for both conventional and sharia banks in order to maintain stability in the financial sector. However, at the last day of the week (May 29th), INNI Index was down with pressures coming from mining sectors such as PTBA and TINS as coal price benchmark the ICE Newcastle for August 2020 was down 2.28% to USD 55.5/mT.

**Theme 1. Invest in Value (10 Stocks) – Market-Cap. Base**



Source: Bloomberg, NHKSI Research

**Theme 2. Invest in Trend (10 Stocks) – Policy Base**



Source: Bloomberg, NHKSI Research

# Last Week Sectoral Review

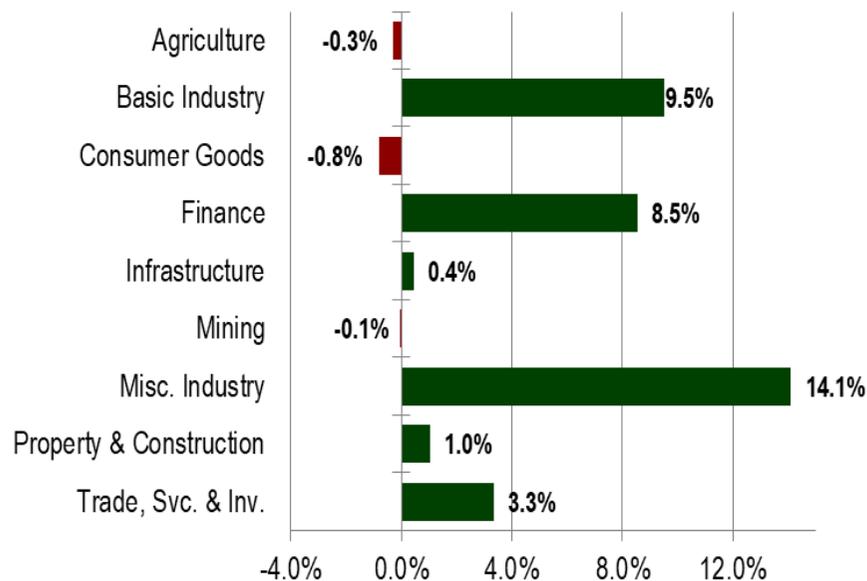
- JCI's Gains**

Almost all sectors went up with Miscellaneous Industry recording the biggest gain of 14.1% during last week trading. The gain was supported by ASII which up 20.2%. ASII booked a drop in revenues in 1Q20 to IDR 54 trillion (down 9,4% from IDR 59.61 Trillion) mainly due to falling 4W sales volume and lower coal prices. However, after closing the divestment in BNLI, ASII is expected to book a higher profit in 2Q20.

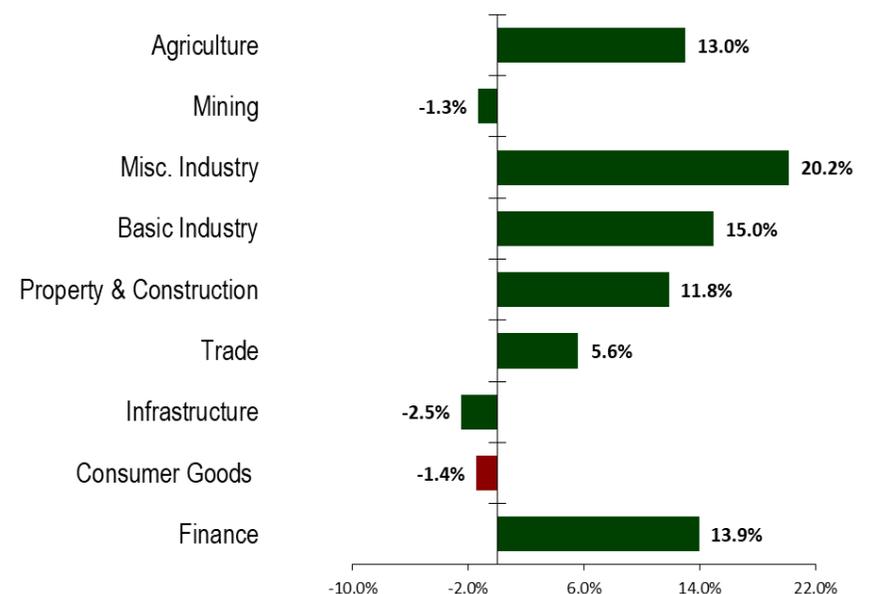
- INNI Index's Gains**

Along with JCI, INNI index also went up with SMGR (basic industry) which had weekly gain of 15%. The cement industry is currently still under pressure with sales volume down to 21.39 tones in the first 4 months this year. However, SMGR successfully booked 11.75 tonnes in sales volume or up 5.05% during January-April 2020.

**Last Week's JCI Sectoral Movement**



**Last Week's INNI Sectoral Movement**



# This Week Outlook: Banking Sector

- **Additional Stimulus for Banking Sector**

The Financial Services Authority (FSA) gave another stimulus package regarding relaxation for banking sector: 1) Delay in adoption of Basel III reforms to January 1st 2023; 2) Waive the requirement for Capital Conservation Buffer (CCB) of 2.5% from Risk-weighted asset until March 31st 2021; 3) Cut the minimum Liquidity Coverage Ratio (LCR) and Net Stable Funding Ratio (NSFR) to 85% until March 31st 2021; 4) Postponement of Foreclosed Collateral assessment to be based on last reported quality (freeze) until March 31st 2021; 5) Provision of Loan Losses for rural banks; 6) Relaxation on intra bank placement for rural banks.

- **Anchor Bank Stimulus Package**

Government via the Committee for Financial System Stability will disburse stimulus package through intermediary or anchor banks in order to anticipate the tightening in liquidity. The government has issued a regulation no: 23 / 2020 on National Economic Recovery Program. One of the key points is an additional fund for banks that are facing liquidity issues in their loan restructuring program. Beforehand, the Financial Services Authority (OJK) has issued Loan Restructuring policy through OJK regulation no: 11/POJK.03.2020 on National Economy Stimulus. Criterias for anchor banks are: Categorized as a healthy bank, holds Government Bonds, Central Bank Certificate, Central Bank Sukuk and Sharia Central Bank Certificate that have not been put on Repo no more than 6% of Third Party Funding. Restructured loans will be used as underlying asset for liquidity loan. Currently, loan restructuring is still dominated by Micro, Small and Medium Enterprises (MSME) segment.

## Additional Stimulus for Banking Sector

Postponement of Basel III standard: Finalising post-crisis reform (Basel III reforms) to January 1, 2023

Eliminating the obligation to fulfill a capital conservation buffer (CCB) of 2,5% ATMR to March 31, 2021

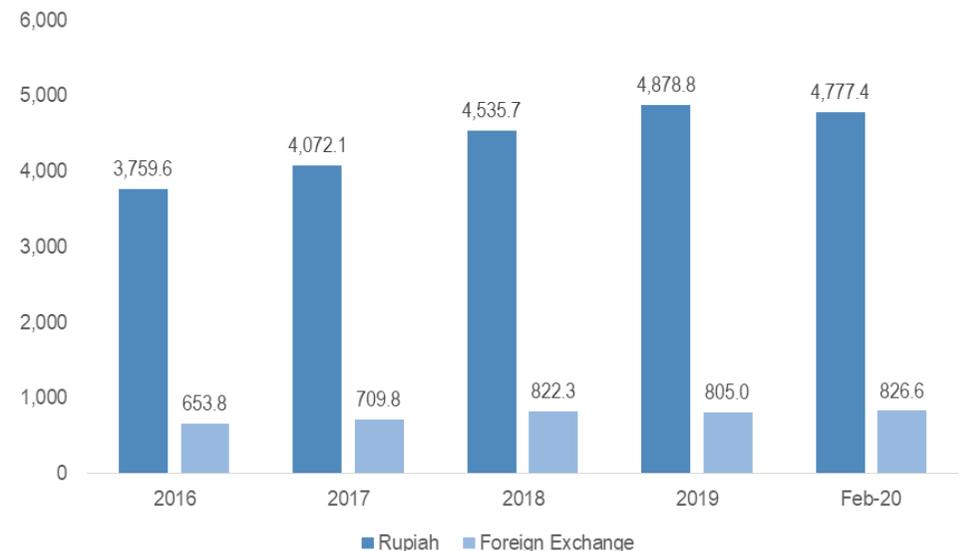
Reduction the minimum limit of the LCR and NSFR ratio to a minimum of 85% until March 31, 2021

Reduction in allowance for earning assets (PPAP) general specifically for rural banks

Relaxation of interbank data placement for rural banks

Source: OJK, NHKSI Research

## Banking Loans (in IDR Tn)



Source: OJK, NHKSI Research

# This Week Outlook: Banking Sector

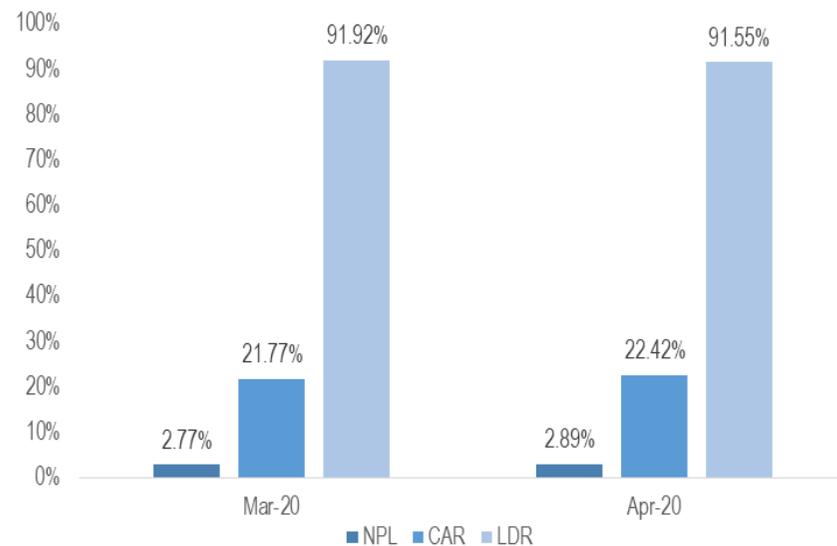
- NPL Ratio on the Rise**

Non Performing Loan (NPL) in banking sector up to April 2020 is at 2.89% or an increase from 2.53% in December. The number far exceeds the 2019 monthly average NPL of 2.59% based on OJK. Growing NPL number has forced OJK to impose relaxation policy on credit collection status for loans impacted by corona virus pandemic with maximum limit of IDR 10 billion and not on default status. On the other hand, OJK also projected a potential loan restructuring amount of IDR 1,308.1 Trillion. The number is equivalent to 23.31% of total banking loans per April 2020 which stood at IDR 5,609.9 Trillion.

- Additional Stimulus Give more Room for Category IV Banks**

One aspect of OJK stimulus is to cut minimum LCR and NSFR for banks in BUKU III and IV category. Bank Rakyat Indonesia Tbk (BBRI) as one of BUKU IV banks will benefit for this policy. BBRI will be able to manage its short term and long term liquidity more freely in order to maintain a healthy cash flow. Furthermore, BBRI also qualifies to be appointed as an anchor bank. As per Q1/20 Balance Sheet, the bank has IDR 1.358,98 Trillion in Assets.

## Banking Ratio



Source: OJK, NHKSI Research

## BBRI's Assets and Loans (in IDR Bn)



Source: Company Data, NHKSI Research

# Bank Rakyat Indonesia Tbk (BBRI IJ – Banking Sector)

<b>Dec 2020 Target Price</b>	<b>3,100</b>
Consensus Price	3,156
Last Price (IDR) as of May 29, 2020	2,950
TP vs. Last Price	5.1%

<b>Liquidity:</b>	
LDR	90.4%
CASA	55.9%

IDR bn	FY2019A	FY2020F	FY2021F	FY2022F
Net. Rev	104,105	108,366	122,291	131,894
y-y	8.6%	4.0%	12.8%	7.8%
Op. Rev	43,446	38,042	48,262	53,559
Net profit	34,373	26,244	34,499	40,634
EPS (IDR)	281	225	286	328
y-y	6.4%	-19.9%	27.1%	14.6%
ROE	17.6%	12.9%	16.1%	17.6%
P/E	10.6x	13.6x	10.4x	8.8x
P/BV	2.0x	1.7x	1.6x	1.4x

- **NHKS** recommends BBRI as this week's stock pick with end of year Target Price of IDR 3,100 which represents a PBV of 1.7x. The projection is supported by additional stimulus from OJK, which will give more breathing rooms for liquidity and capital. On the other hand, rising NPL number will be a great challenge for BBRI.

- **Net Profit Slightly Down**

BBRI booked a net profit of IDR 8.17 Trillion for 1Q20 or slightly lower than the same period last year of IDR 8.20 Trillion. The drop was mainly caused by losses incurred by its subsidiaries and not from the corona virus pandemic. As for bank only, BBRI recorded a net profit of IDR 8.30 Trillion or an increase of 3.3% YoY. The figure is slightly higher than its consolidated net profit. BBRI's revenues was supported by Net Interest Income which grew 7.11% YoY to IDR 20.02 Trillion.

- **Fee Based Income Rose during Social Distancing Period**

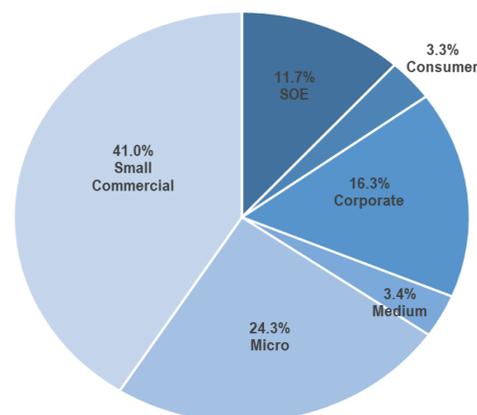
The large scale social distancing during corona virus pandemic has given a boost to BBRI digital transactions. Fee Based Income grew significantly by 32.91% YoY to IDR 4.17 Trillion. In the meantime, Micro and SME segment remains as the biggest contributors of loan growth where it made up to 78.31% of total Portfolio. This shows that BBRI remains focus on Micro & SME business. We view that food sector will be a key segment for BBRI in its credit expansion.

## 5-Year P/BV Trailing Band



Source : Bloomberg, NHKS Research

## BBRI's Loan by Segment



Source : Company Data, NHKS Research

## BBRI's Other Operating Income



Source: Company Data, NHKS Research

# INNI Index's Stocks List

	Theme 1/2	Last Price	Last Week's Price	2020's Price Target	Rating	Upside Potential (%)	One-Week Change (%)	Market Cap. (IDR tn)	Price / EPS (TTM)	Price / BVPS	Return on Equity (%)	Dividend Yield TTM (%)	Sales Growth Yoy (%)	EPS Growth Yoy (%)
<b>Finance</b>														
BBCA	Theme 1	25,950	23,825	28,950	Hold	11.6	8.9%	639.8	22.0x	3.7x	17.5	2.1	14.1	8.5
BBRI	Theme 1	2,950	2,480	3,100	Hold	5.1	19.0%	363.9	10.5x	2.0x	18.6	5.7	13.0	(0.3)
<b>Consumer</b>														
GGRM	Theme 1	48,750	47,525	59,550	Buy	22.2	2.6%	93.8	8.5x	1.8x	21.8	5.3	4.1	3.9
KINO	Theme 1	2,660	2,630	2,950	Hold	10.9	1.1%	3.8	14.0x	1.4x	10.5	4.1	11.1	(81.3)
ICBP	Theme 1	8,150	9,600	Under Review	N/A	N/A	-15.1%	95.0	16.7x	3.5x	22.6	1.7	6.7	47.8
KLBF	Theme 1	1,415	1,340	1,430	Hold	1.1	5.6%	66.3	25.7x	4.0x	16.3	1.8	8.0	12.5
<b>Infrastructure</b>														
TLKM	Theme 1	3,150	3,180	3,940	Buy	25.1	-0.9%	312.0	16.7x	3.1x	18.8	5.2	3.7	3.5
JSMR	Theme 1	3,550	3,700	4,600	Buy	29.6	-4.1%	25.8	11.7x	1.4x	12.4	1.3	(28.7)	0.2
<b>Trade</b>														
UNTR	Theme 2	15,700	14,600	20,000	Buy	27.4	7.5%	58.6	5.8x	0.9x	16.9	7.9	(19.0)	(40.2)
MAPI	Theme 2	725	700	820	Hold	13.1	3.6%	12.0	12.9x	1.9x	16.1	1.4	14.0	27.3
<b>Property</b>														
CTRA	Theme 2	575	490	1,550	Buy	169.6	17.3%	10.7	10.1x	0.7x	7.2	1.7	(8.3)	(33.3)
WSKT	Theme 2	610	580	960	Buy	57.4	5.2%	8.3	8.8x	0.5x	5.2	12.0	(35.7)	(76.3)
WIKA	Theme 2	1,085	960	1,380	Buy	27.2	13.0%	9.7	4.3x	0.6x	14.6	3.6	(12.7)	32.0
<b>Basic Ind.</b>														
SMGR	Theme 1	9,800	8,525	10,925	Hold	11.5	15.0%	58.1	22.6x	1.8x	8.0	2.1	5.6	66.7
<b>Misc Ind.</b>														
ASII	Theme 1	4,770	3,970	5,800	Buy	21.6	20.2%	193.1	9.1x	1.2x	14.4	4.4	(9.4)	(7.8)
<b>Mining</b>														
TINS	Theme 2	444	460	830	Buy	86.9	-3.5%	3.3	N/A	0.6x	(10.7)	5.6	75.2	N/A
PTBA	Theme 2	1,945	1,920	2,775	Buy	42.7	1.3%	22.4	5.6x	1.1x	20.6	17.5	(4.0)	(25.0)
INCO	Theme 2	2,780	2,960	2,000	Sell	(28.1)	-6.1%	27.6	17.8x	1.0x	5.6	N/A	38.1	N/A
ANTM	Theme 2	535	520	600	Hold	12.1	2.9%	12.9	66.4x	0.7x	1.1	2.4	29.4	(88.1)
<b>Agriculture</b>														
AALI	Theme 2	7,400	6,550	10,000	Buy	35.1	13.0%	14.2	26.1x	0.8x	2.9	3.0	13.3	891.7

Source : Bloomberg, NHKS Research

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