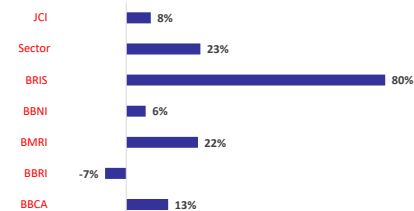


Overweight

(Maintained)

YTD share price performance



Sector's implied cost of equity



Source: Company, Bloomberg, BRIDS Estimates

Banks

Better liquidity to support NIM amid the potential continuous tight competition in lending

- BI has decided to cut its benchmark rate by 25bps favoring the banks that have seen the most increase in CoF, i.e., BBRI and BBNI.
- In our view, competition on high quality loans might persist in FY25F, favoring banks with higher fixed-rate loan, i.e., BBRI, BRIS, and BBKA.
- We maintain Overweight ratings on the banking sector with BBKA as our top pick, while BBRI and BBNI could be the ST beneficiary of rate cuts.

Better liquidity supported by surprise BI rate cut

After spurring liquidity with GWM incentives and fewer SRBI issuances amid high SBN purchases, BI decided to cut its benchmark rate by 25bps on 18th Sep24, which is in line with BRIDS' expectations but a surprise to the consensus. We expect the liquidity improvement post-BI rate cut to ease banks' CoF pressure, though we see this materializing only in 1Q25 at the earliest. This will positively impact banks' NIM in FY25F.

Reversing NIM trend, expecting lower CoF

Among the banks under our coverage, BBNI has been the most impacted by the BI rate hike, with its NIM declining by 80bps yoy as of 7M24 (vs. -44bps for the aggregate of 10 banks). Consequently, we believe BBNI stands to benefit the most as BI shifts towards lowering interest rates, while BBKA will be the least benefitted due to its resilient NIM. However, we see some risks in this argument as BBNI has the least fixed-rate loan portion and easing CoF pressure might only be meaningfully impacted in 1Q25.

Expect stronger impact on CoF but lower loan yield might persist

Based on our analysis, all the banks except for BBKA experienced a higher transmission of rate hike to their respective CoF in the previous rate hike compared to their respective historical average. We believe this is partly influenced by the issuance of SRBI which accelerates liquidity absorption, hence we expect pressure on CoF will ease faster with less SRBI issuance. On the other hand, loan yield transmission was lower in the latest rate hike which we believe was owed to the more prudent approach in loan disbursement, i.e., pursuing higher quality customers which typically have lower yield. As this might be the case in FY25F, in our view, we see a risk that lower loan yields will continue, thus favoring banks with higher portion of fixed-rate loans.

Maintain Overweight, with BBKA remaining as our top pick

We roll forward our valuation on the banks and adjust our TPs (refer to company pages). On the back of better liquidity, higher NIM, and still robust asset quality, we maintain our Overweight rating on the banking sector. While BBRI (Not Rated) and BBNI (Buy, new TP Rp8,200) ought to benefit from lower CoF in FY25F, we still favor BBKA (Buy, new TP Rp12,400) given its superior deposit franchise and robust asset quality for LT benefits and underweight position in local funds. Risks to our view are faster transmission of rate cut to CoF and easing pressure on high quality loan competition.

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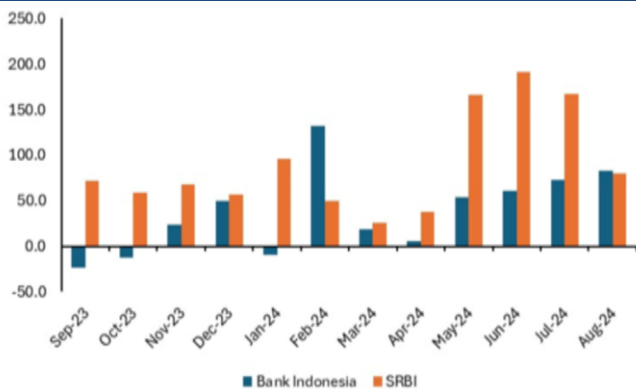
Company	Ticker	Rec	Target Price	Market Cap.	P/E (x)		P/BV (x)		ROE (%)
			(Rp)	(RpBn)	2024F	2025F	2024F	2025F	2025F
Bank Central Asia	BBKA IJ	BUY	12,400	1,309,797.4	24.7	22.6	5.0	4.5	20.9
Bank Rakyat Indonesia	BBRI IJ	Non-Rated	n/a	810,840.7	n/a	n/a	n/a	n/a	n/a
Bank Mandiri	BMRI IJ	BUY	8,200	690,666.7	12.2	11.0	2.4	2.2	21.2
Bank Negara Indonesia	BBNI IJ	BUY	7,600	212,594.7	9.8	8.7	1.3	1.2	14.3
Bank Syariah Indonesia	BRIS IJ	HOLD	2,800	144,845.9	22.0	19.3	3.3	2.9	15.9

Better liquidity to support NIM amid the potential continuous tight competition in lending

Better liquidity supported by surprise BI rate cut

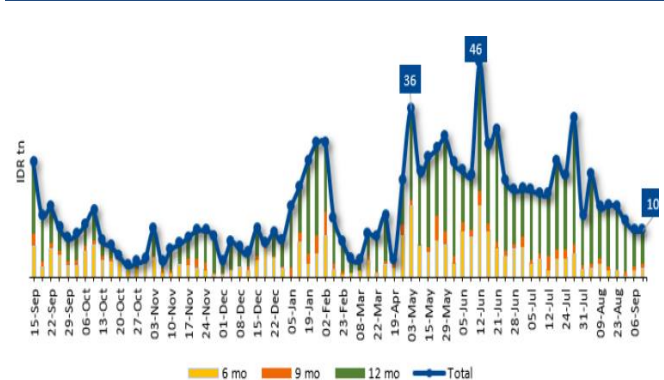
After spurring liquidity with GWM incentives and fewer SRBI issuances amid high SBN purchases, BI decided to cut its benchmark rate by 25bps on 18th Sep24, which is in line with BRIDS' expectations but a surprise to the consensus. We expect the liquidity improvement post-BI rate cut to ease banks' CoF pressure, though we see this materializing only in 1Q25 at the earliest. This will positively impact banks' NIM in FY25F.

Exhibit 1. SRBI issuance and SBN purchased (in Rp tn)



Source: Bloomberg, BRIDS

Exhibit 2. SRBI awarded amount

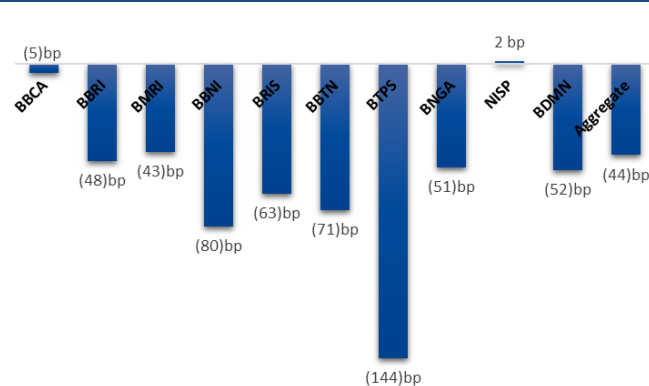


Source: BI

Reversing NIM trend, expecting lower CoF

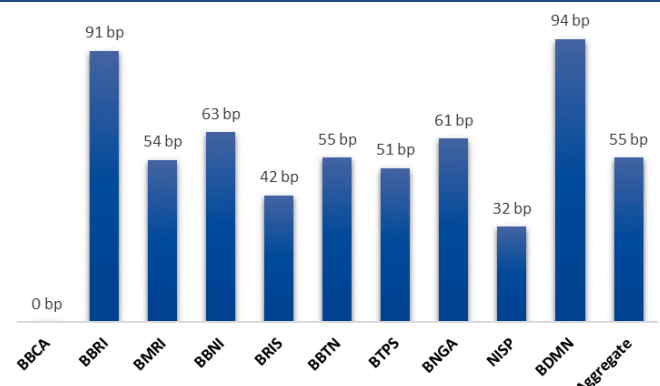
Among the banks under our coverage, BBNI has been the most impacted by the BI rate hike, with its NIM declining by 80bps yoy as of 7M24 (vs. -44bps for the aggregate of 10 banks). Consequently, we believe BBNI stands to benefit the most as BI shifts towards lowering interest rates, while BBKA will be the least benefitted due to its resilient NIM. However, we see some risks in this argument as BBNI has the least fixed-rate loan portion and easing CoF pressure might only be meaningfully impacted in 1Q25.

Exhibit 3. Yoy changes in net interest margin



Source: Company (bank-only), BRIDS Estimates

Exhibit 4. Yoy changes in cost of fund

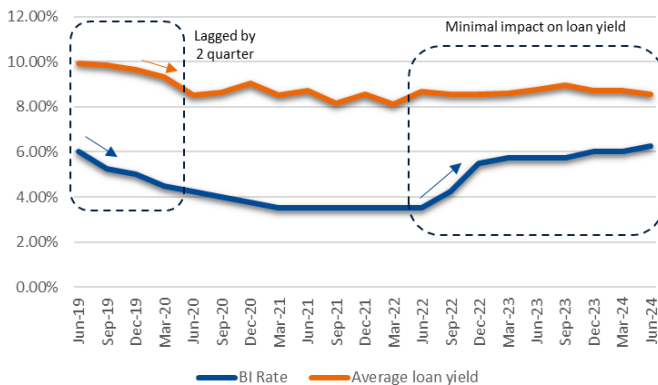


Source: Company (bank-only), BRIDS Estimates

Lower CoF is expected in 1Q25

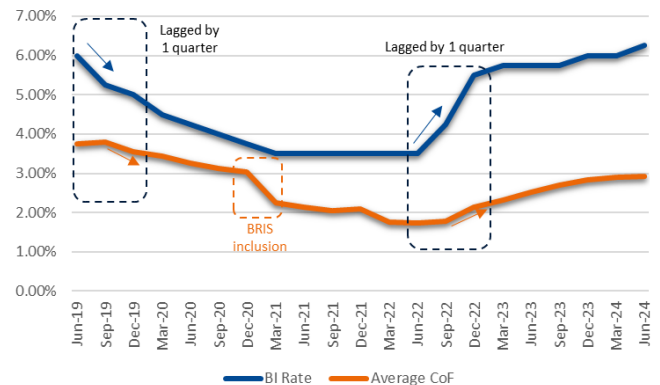
In the past two interest rate cycles, namely rate cut in Sep19 and rate hike in Sep22, the average CoF only started to change in the next quarter. Although SRBI is expected to transmit the interest rate faster, we still believe the material impact on CoF will occur in 1Q25. On the other hand, the impact of the latest rate cut (Sep19) on loan yields lagged by 2 quarters, positively impacting short-term NIM. However, in the latest rate hike (Sep22), the average bank's loan yield seemed to move sideways as banks focused on higher-quality loans amid tight economic conditions in some segments.

Exhibit 5. Benchmark rate vs average loan yield



Source: BI, Company, BRIDS Estimates

Exhibit 6. Benchmark rate vs average cost of fund

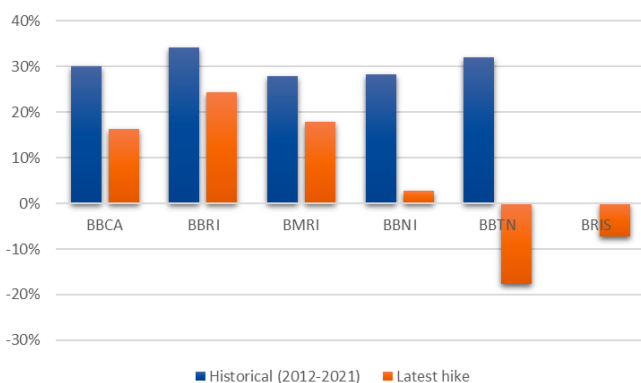


Source: BI, Company, BRIDS Estimates

Expect stronger impact on CoF but lower loan yield might persist

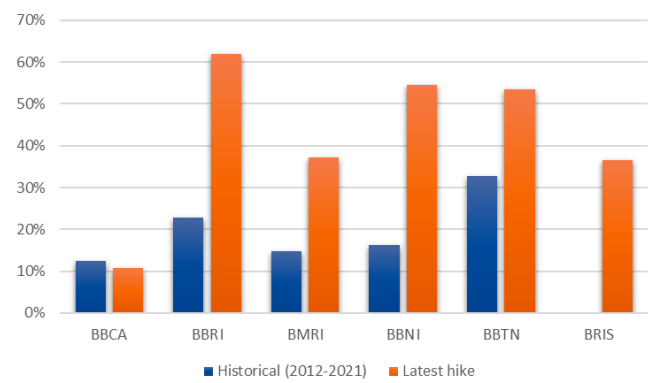
Based on our analysis, all the banks except for BBKA experienced a higher transmission of rate hike to their respective CoF in the previous rate hike compared to their respective historical average. We believe this is partly influenced by the issuance of SRBI which accelerates liquidity absorption, hence we expect pressure on CoF will ease faster with less SRBI issuance. On the other hand, loan yield transmission was lower in the latest rate hike which we believe was owed to the more prudent approach in loan disbursement, i.e., pursuing higher quality customers which typically have lower yield. As this might be the case in FY25F, in our view, we see a risk that lower loan yields will continue, thus favoring banks with higher portion of fixed-rate loans.

Exhibit 7. Benchmark rate transmission to loan yield



Source: BI, Company, BRIDS Estimates

Exhibit 8. Benchmark rate transmission to CoF

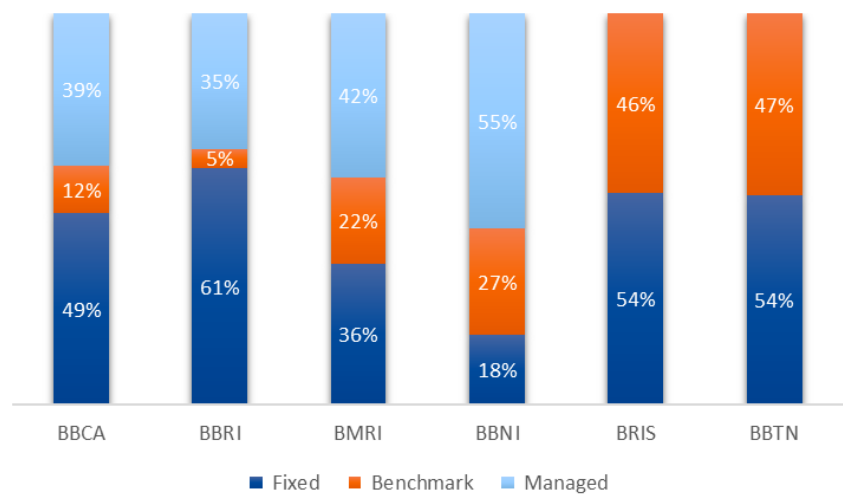


Source: BI, Company, BRIDS Estimates

Lower interest rates favoring banks with higher portion of fixed-rate loans

In a declining interest rate environment, banks with a higher portion of fixed-rate loans will benefit more in the short term, as they can continue to earn higher rates on existing loans. As of Jun24, BBRI has the highest portion of fixed-rate loans at 61%, largely due to its MSME loans. The second highest proportions are held by BBTN and BRIS, both at 54%, with BBTN having a higher fixed-rate loan portion due to its significant FLPP mortgage scheme. BRIS and BBKA also have substantial fixed-rate loans, which is attributed to their large consumer loan portfolios. In contrast, BBNI has the smallest portion of fixed-rate loans and the highest portion of benchmark loans, making it more vulnerable to falling interest rates in the short-term.

Exhibit 9. Loan breakdown by interest rate (1H24)

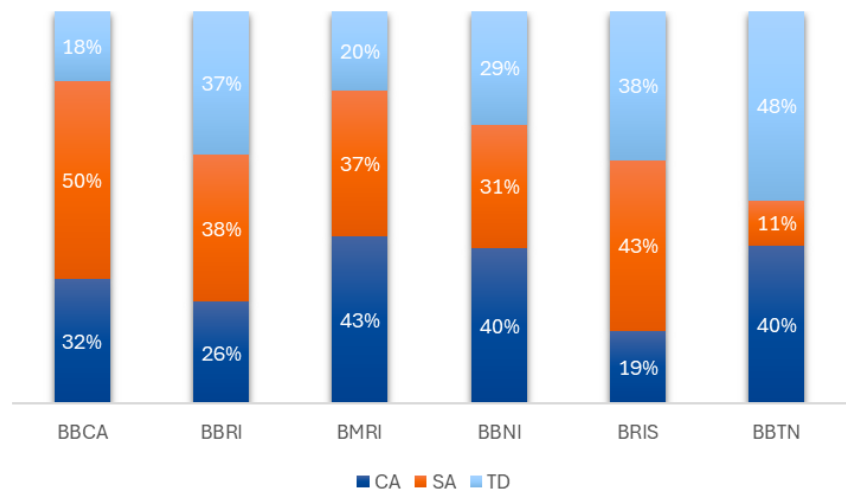


Source: Company (bank-only), BRIDS Estimates

Lower interest rates favoring bank with higher portion of TD

In terms of funding costs, banks stand to benefit from a decline in benchmark rates. Similarly, banks with a significant TD portion will also benefit from lower interest rates, as reduced rates can decrease the costs of new deposits. Banks with the highest TD portion will experience the greatest difference in funding costs, as they reprice new deposits, whereas SA rates (below 1% on average) remain relatively unaffected by rate cuts as they are less price sensitive. However, it is important to note that repricing effects may lag for several months after a rate cut.

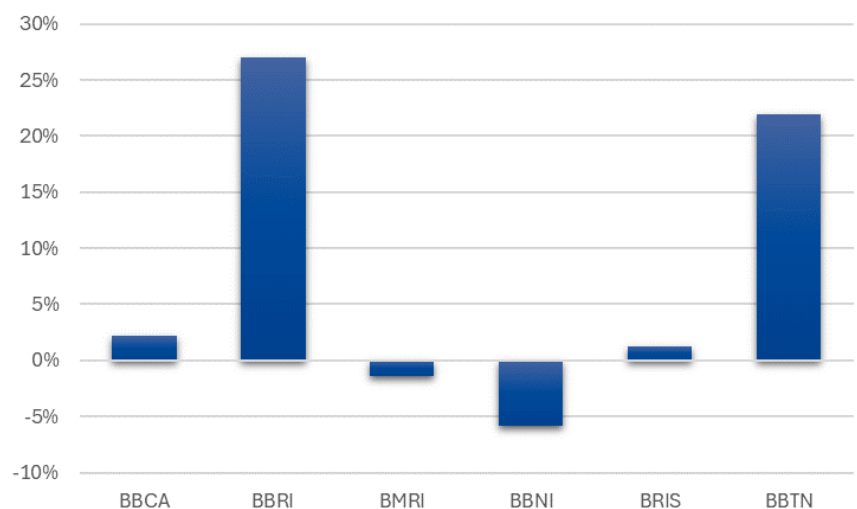
In terms of overall CoF, SAs continue to be the most favorable funding source for banks in both high and low-interest rate environments, as some CAs come with special rates. As of 1H24, BBKA holds the largest portion of both CASA and SA among the top 6 banks.

Exhibit 10. Customer Deposits Breakdown (1H24)


Source: Company (bank-only), BRIDS Estimates

BBRI: winner from rate cuts

We conducted an analysis of the effects of declining benchmark rates, using data on loan breakdowns by interest rate type and customer deposit portions for each bank. Based on this data, we assume that TD portions and half of the CA portion (which we assume to have special rates) will experience positive effects, while loans with benchmark rates and half of the managed rate portion (we assume the bank cannot maintain its rate) will face negative effects. This assumption stems from our belief that fixed-rate loans would benefit margins the most from a decline in benchmark rates, while the non-special rate CASA portion would benefit the least. Our analysis indicates that BBRI is poised to gain the most from a decline in benchmark rates, as it holds the 3rd largest TD portion among the 6 banks and the largest portion of loans with fixed interest rates.

Exhibit 11. Income-cost breakdown analysis


Source: Company, BRIDS Estimates

YTD foreign flows: a turnaround for BBRI

As of 13th Sept24, BMRI and BBRI recorded the highest MTD inflows among the top five banks, with Rp1.3tr and Rp1.2tr, respectively. On an MTD basis, all five major banks reported inflows. However, on a YTD basis, BBRI and BBNI are the only banks among the top 5 to have recorded net outflows. We believe foreign inflows remain concentrated on the larger banks.

Exhibit 12. Big-5 banks' foreign flows

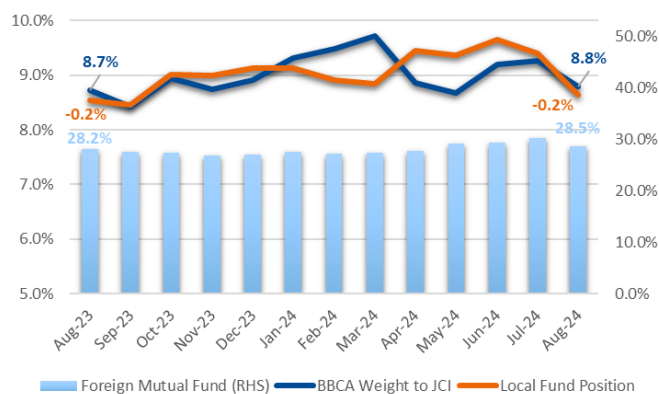
Rpbn	Foreign Flow		
	2023	YTD (Sept24)	MTD (Sept24)
BBRI	5,834	(14,661)	1,192
BBCA	746	6,670	872
BMRI	463	4,261	1,303
BBNI	3,530	(297)	858
BRIS	645	1,618	208

Source: IDX, BRIDS Estimates

BBCA is the only bank on underweight position

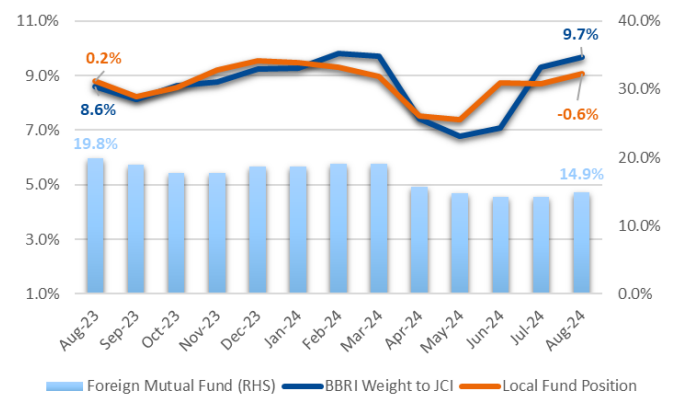
In Aug24, local funds position in BBCA is 8.6%, below its monthly weighting of 8.8%. Other banks have seen their position at Overweight, with BMRI, BBNI, and BRIS at 0.9%, 1.7%, and 0.7%, respectively. Although BBRI seems to be heavily underweight, this is mainly due to the increased weighting caused by the share price rally in recent months. However, as 4Q24 rebalancing comes, BBRI's weighting ought to be adjusted back to c. 9%, making the current local fund position relatively Neutral.

Exhibit 13. BBCA's weighting and fund position



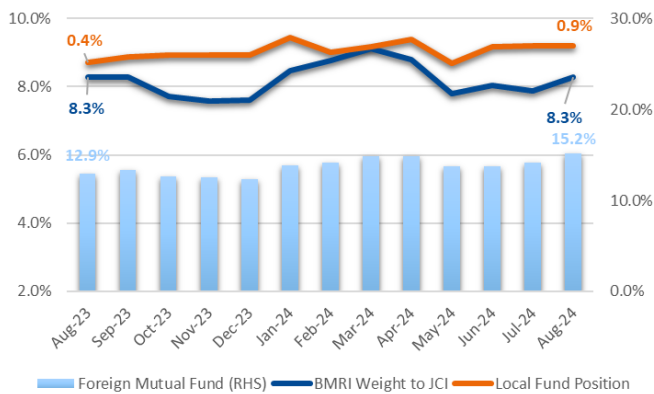
Source: KSEI, BRIDS Estimates

Exhibit 14. BBRI's weighting and fund position



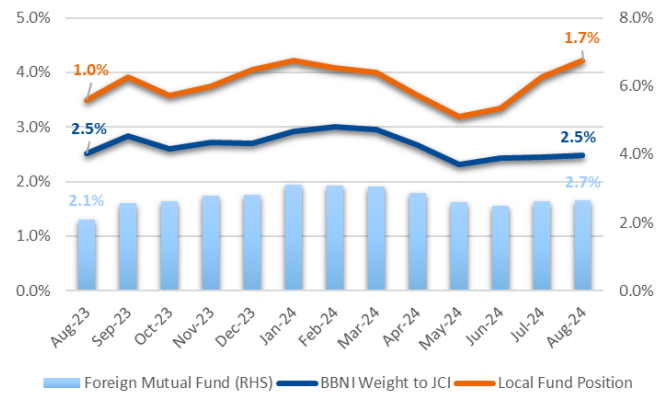
Source: KSEI, BRIDS Estimates

Exhibit 15. BMRI's weighting and fund position



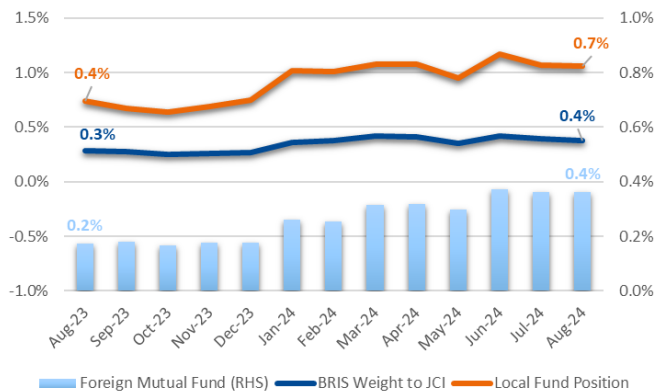
Source: KSEI, BRIDS Estimates

Exhibit 16. BBNI's weighting and fund position



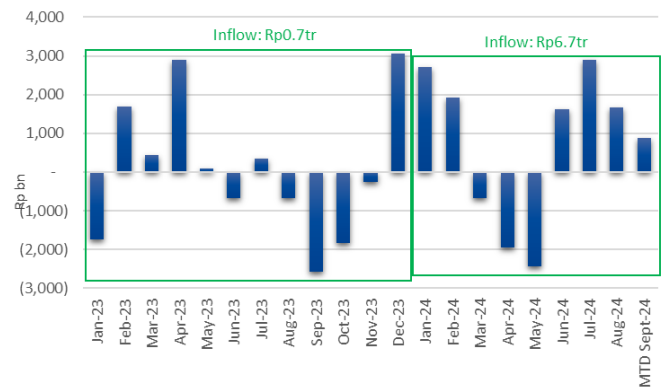
Source: KSEI, BRIDS Estimates

Exhibit 17. BRIS's weighting and fund position



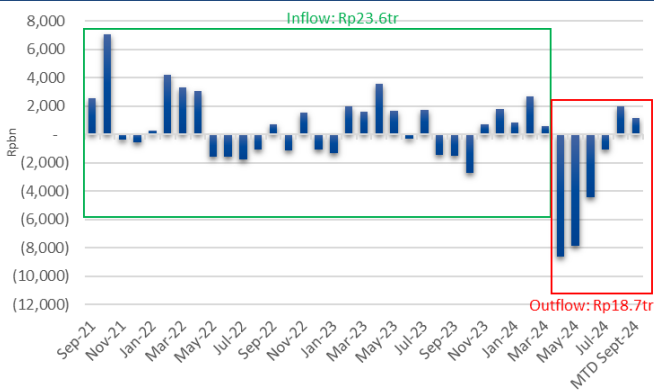
Source: KSEI, BRIDS Estimates

Exhibit 18. BBKA's historical foreign flows (monthly)



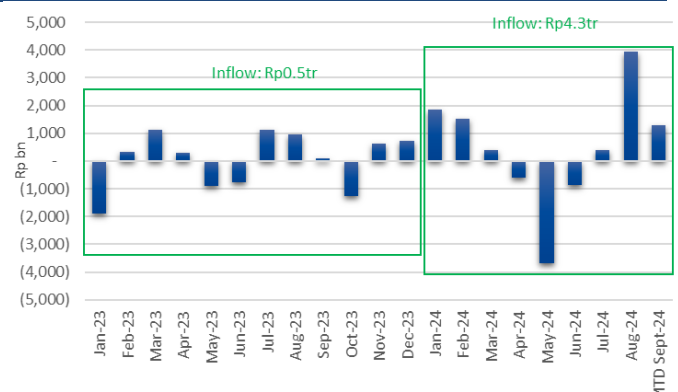
Source: IDX, BRIDS Estimates

Exhibit 19. BBRI's historical foreign flows (monthly)



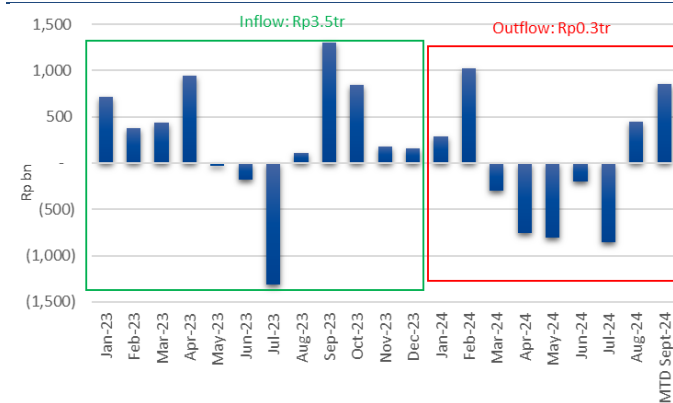
Source: IDX, BRIDS Estimates

Exhibit 20. BMRI's historical foreign flows (monthly)



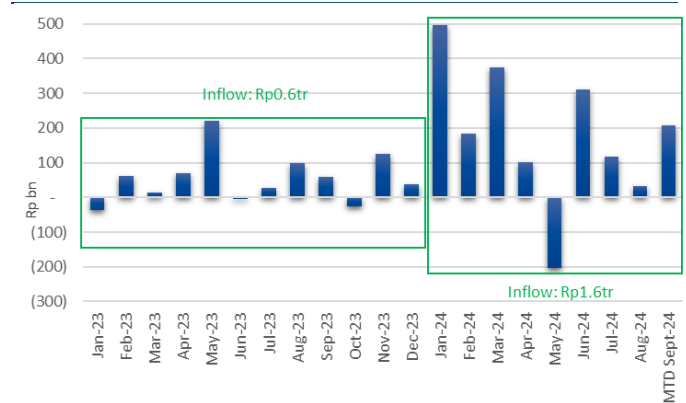
Source: IDX, BRIDS Estimates

Exhibit 21. BBNI's historical foreign flows (monthly)



Source: IDX, BRIDS Estimates

Exhibit 22. BRIS' historical foreign flows (monthly)



Source: IDX, BRIDS Estimates

Maintain Overweight, with BBKA remaining as our top pick

On the back of improving liquidity, higher NIM, and still robust asset quality, we maintain our Overweight rating on the banking sector. BBRI and BBNI ought to benefit from lower CoF in FY25F, but we still favor BBKA given its superior deposit franchise and robust asset quality for longer-term benefits and its underweight position in local funds. Risks to our view are faster transmission of rate cut to CoF and easing pressure on high quality loan competition.

Exhibit 23. Changes in Valuation and TP

	Previous			Current		
	FY24F ROE (%)	FY24F BVPS (Rp)	TP (Rp)	FY25F ROE (%)	FY25F BVPS (Rp)	TP (Rp)
BBKA	20.9	2,146	11,300	20.9	2,344	12,400
BMRI	20.9	3,038	7,400	21.2	3,307	8,200
BBNI	13.8	4,371	6,700	14.3	4,780	7,600
BRIS	15.9	1,023	2,700	15.9	1,086	2,800

Source: Company, BRIDS Estimates

BBKA (Buy, TP: Rp12,400)

We maintain our GGM-based valuation with a 5-year inverse CoE of 6.4%, FY25F ROE of 20.9%, and LTG of 3.0%, resulting in an FV PBV of 5.3x. As we roll forward our valuation base from FY24F to FY25F, our TP increases to Rp12,400 (from Rp11,300) with an FY25F BV of Rp2,344/share. Hence, we maintain our Buy rating with a 16.7% upside and a 2.8% dividend yield potential.

BBRI (Not Rated)

BBRI trades at 2.4x PBV, slightly above its +0.5SD of the 5-year mean of 2.1x PBV. The implied CoE of 9.8% is slightly below its -0.5SD of the 5-year avg. of 8.7%.

BMRI (Buy, TP: Rp8,200)

We maintain our GGM-based valuation with a 5-year inverse CoE of 10.3%, FY25F ROE of 21.2%, and LTG of 3.0%, resulting in an FV PBV of 2.5x. As we roll forward our valuation base from FY24F to FY25F, our TP increases to Rp8,200 (from Rp7,400) with an FY25F BV of Rp3,307/share. Hence, we maintain our Buy rating with a 10.8% upside and a 4.1% dividend yield potential.

BBNI (Buy, TP: Rp7,600)

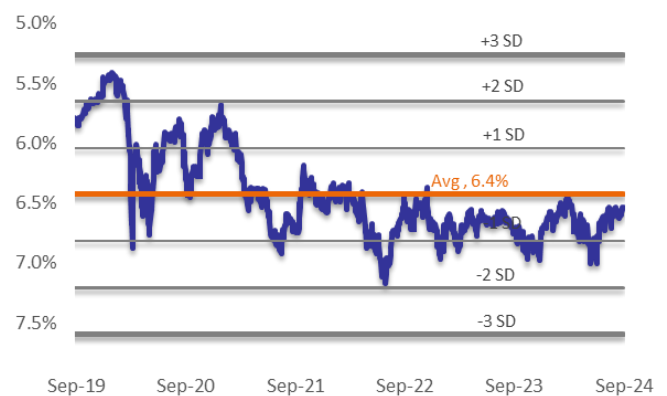
We maintain our GGM-based valuation with a 5-year inverse CoE of 10.1%, FY25F ROE of 14.3%, and LTG of 3.0%, resulting in an FV PBV of 1.6x. As we roll forward our valuation base from FY24F to FY25F, our TP increases to Rp7,600 (from Rp6,700) with an FY25F BV of Rp4,780/share. Hence, we maintain our Buy rating with a 33.3% upside and a 4.6% dividend yield potential.

BRIS (Hold, TP: Rp2,800)

We maintain our GGM-based valuation with a 5-year inverse CoE of 7.9%, FY25F ROE of 15.9%, and LTG of 3.0%, resulting in an FV PBV of 2.6x. As we roll forward our valuation base from FY24F to FY25F, our TP increases to Rp2,800 (from Rp2,700) with an FY25F BV of Rp1,086/share. Hence, despite the robust growth story in the Sharia market and a solid team to navigate the growth potential, we downgraded our Buy rating to Hold as we see that the bank has reached its fair value. Our TP implies a 10.8% downside and a 1.2% dividend yield potential.

Exhibit 24. Sector's cost of equity band chart (5-year)


Source: Company, Bloomberg, BRIDS Estimates

Exhibit 25. BBKA's cost of equity band chart (5-year)


Source: Company, Bloomberg, BRIDS Estimates

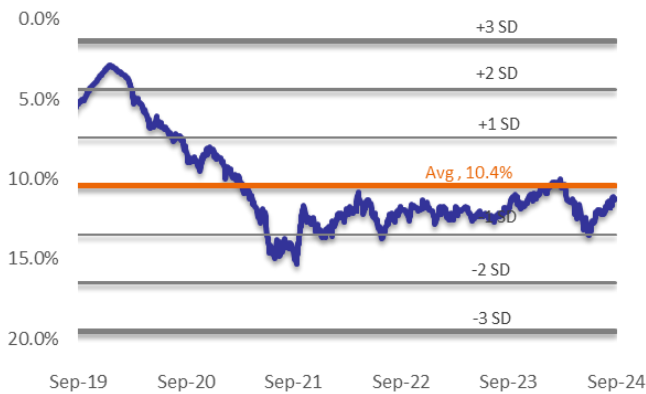
Exhibit 26. BBRI's cost of equity band chart (5-year)


Source: Company, Bloomberg, BRIDS Estimates

Exhibit 27. BMRI's cost of equity band chart (5-year)


Source: Company, Bloomberg, BRIDS Estimates

Exhibit 28. BBNI's cost of equity band chart (5-year)



Source: Company, Bloomberg, BRIDS Estimates

Exhibit 29. BRIS's cost of equity band chart (3-year)



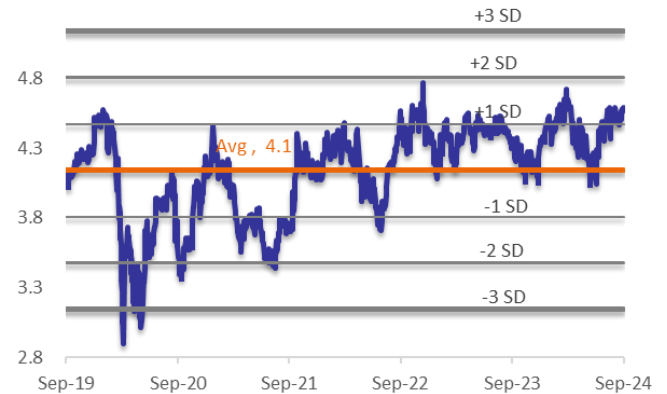
Source: Company, Bloomberg, BRIDS Estimates

Exhibit 30. Sector's P/BV band chart (5-year)



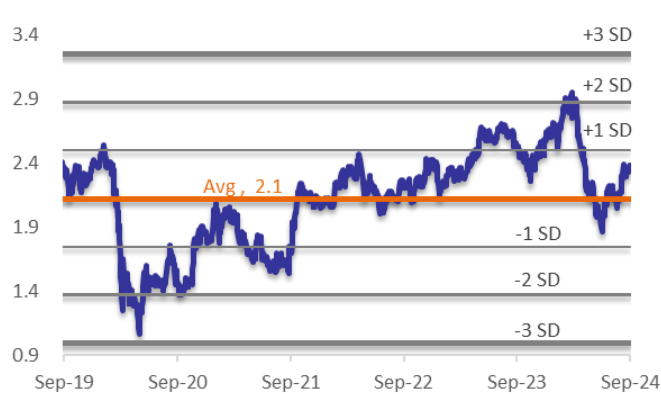
Source: Company, Bloomberg, BRIDS Estimates

Exhibit 31. BBKA's P/BV band chart (5-year)



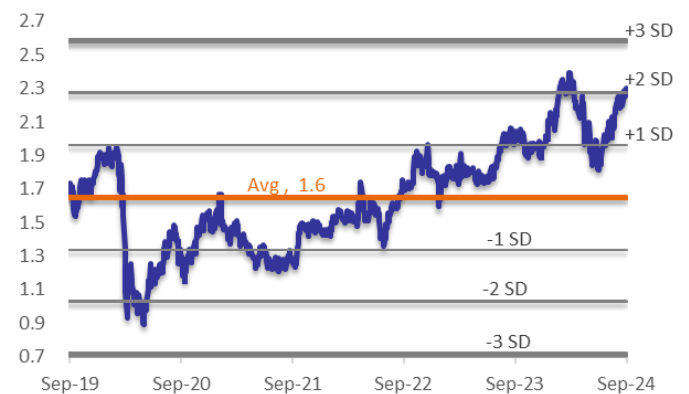
Source: Company, Bloomberg, BRIDS Estimates

Exhibit 32. BBRI's P/BV band chart (5-year)



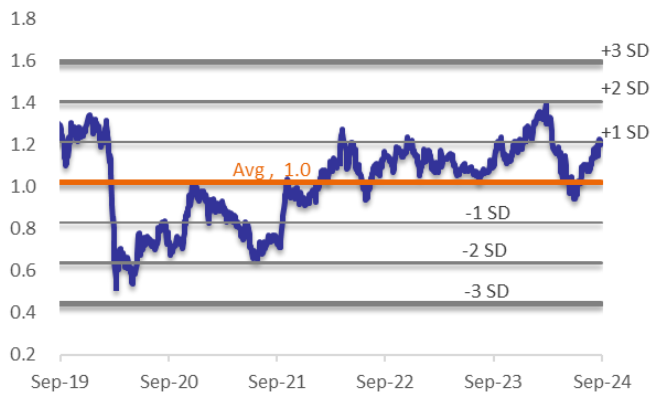
Source: Company, Bloomberg, BRIDS Estimates

Exhibit 33. BMRI's P/BV band chart (5-year)



Source: Company, Bloomberg, BRIDS Estimates

Exhibit 34. BBNI's P/BV band chart (5-year)



Source: Company, Bloomberg, BRIDS Estimates

Exhibit 35. BRIS's P/BV band chart (3-year)



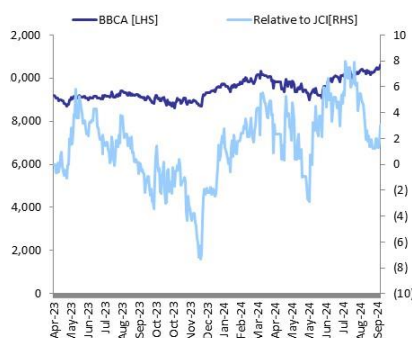
Source: Company, Bloomberg, BRIDS Estimates

Buy

(Maintained)

Last Price (Rp)	10,625
Target Price (Rp)	12,400
Previous Target Price (Rp)	11,300
Upside/Downside	+16.7%
No. of Shares (mn)	123,275
Mkt Cap (Rpbn/US\$mn)	1,309,797/85,384
Avg, Daily T/O (Rpbn/US\$mn)	823.8/53.7
Free Float (%)	42.4
Major Shareholder (%)	
PT Dwimura Investama	54.9
EPS Consensus (Rp)	
	2024F 2025F 2026F
BRIDS	429.6 470.1 503.5
Consensus	436.5 478.1 526.5
BRIDS/Cons (%)	(1.6) (1.7) (4.4)

BBCA relative to JCI Index



Source: Bloomberg

Bank Central Asia (BBCA IJ)

Fixed-rate loans to mitigate the potential NIM drop from high CASA ratio

- BI has decided to cut its benchmark rate by 25bps, which will ease pressure on CoF in FY25F.
- In our view, competition on high quality loans might persist in FY25F, favoring banks with higher fixed-rate loan, i.e., BBRI, BRIS, and BBKA.
- Maintain BUY with a higher TP of Rp12,400 as we roll forward our valuation base to FY25F while maintaining our inverse GGM valuation.

Better liquidity supported by surprise BI rate cut

After spurring liquidity with GWM incentives and fewer SRBI issuances amid high SBN purchases, BI decided to cut its benchmark rate by 25bps on 18th Sep24, which is in line with BRIDS' expectations but a surprise to the consensus. We expect the liquidity improvement post-BI rate cut to ease banks' CoF pressure, though we see this materializing only in 1Q25 at the earliest. This will positively impact banks' NIM in FY25F.

Lower CoF is expected in 1Q25

In the past two interest rate cycles, namely rate cut in Sep19 and rate hike in Sep22, the average CoF only started to change in the next quarter. Although SRBI is expected to transmit the interest rate faster, we still believe the material impact on CoF will occur in 1Q25. On the other hand, the impact of the latest rate cut (Sep19) on loan yields lagged by 2 quarters, positively impacting short-term NIM. However, in the latest rate hike (Sep22), the average bank's loan yield seemed to move sideways as banks focused on higher-quality loans amid tight economic conditions in some segments.

Solid 8M24 performance on resilient NIM and improved CIR

BBKA posted a net profit of Rp36.0tr in 8M24, growing 14% yoy and achieving 68% of our FY24 estimate and 67% of the consensus forecast, in line with expectations. The bank recorded positive growth in NII (+9%) and PPOP (+12%), driven by a resilient NIM and an improved CIR. NIM held steady at 6.1% (flat yoy), with a higher LDR offsetting a lower EA yield. CIR improved to 30.7% (-269bps yoy) as opex remained efficient, with -1% yoy growth.

Maintain Buy with a higher GGM-based TP of Rp12,400

We maintain our GGM-based valuation with a 5-year inverse CoE of 6.4%, FY25F ROE of 20.9%, and LTG of 3.0%, resulting in an FV PBV of 5.3x. As we roll forward our valuation base from FY24F to FY25F, our TP increases to Rp12,400 (from Rp11,300) with an FY25F BV of Rp2,344/share. Hence, we maintain our Buy rating with a 16.7% upside and a 2.8% dividend yield potential.

Key Financials

Year to 31 Dec	2022A	2023A	2024F	2025F	2026F
PPOP (Rpbn)	54,994	62,443	68,874	75,721	81,702
Net profit (Rpbn)	40,736	48,639	52,958	57,946	62,063
EPS (Rp)	330.4	394.6	429.6	470.1	503.5
EPS growth (%)	29.6	19.4	8.9	9.4	7.1
BVPS (Rp)	1,792.9	1,966.0	2,146.0	2,343.6	2,541.3
PER (x)	32.2	26.9	24.7	22.6	21.1
PBV (x)	5.9	5.4	5.0	4.5	4.2
Dividend yield (%)	1.9	2.3	2.5	2.8	3.1
ROAE (%)	19.2	21.0	20.9	20.9	20.6

Source: BBKA, BRIDS Estimates

BRI Danareksa Sekuritas Analysts

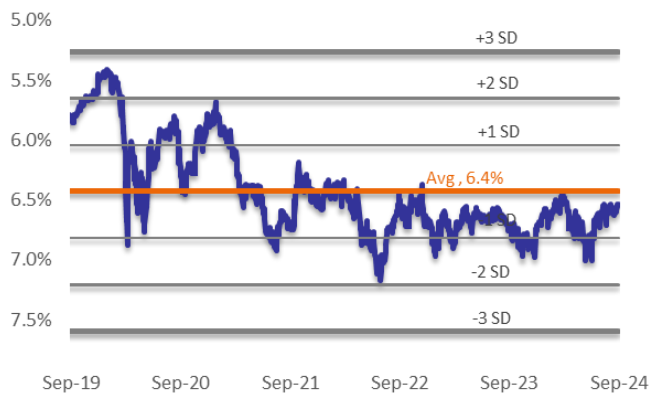
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Exhibit 1. BBKA's cost of equity band chart (5-year)



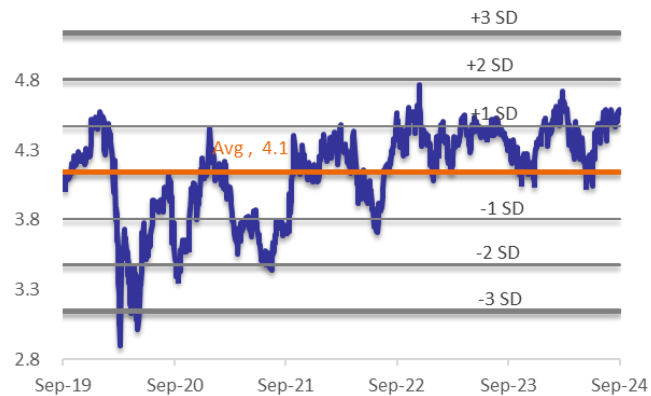
Source: Company, Bloomberg, BRIDS Estimates

Exhibit 2. Sector's cost of equity band chart (5-year)



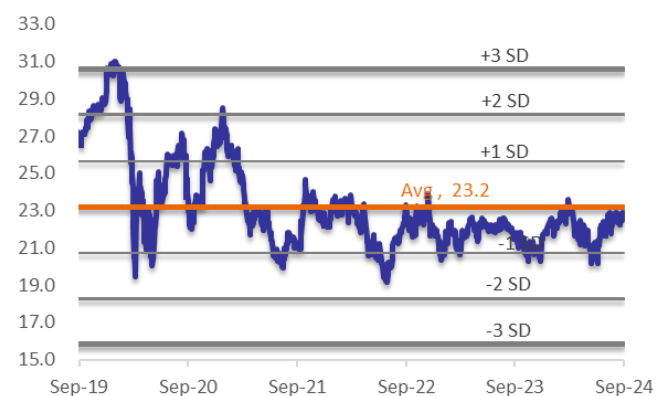
Source: Company, Bloomberg, BRIDS Estimates

Exhibit 3. BBKA's PBV band chart (5-year)



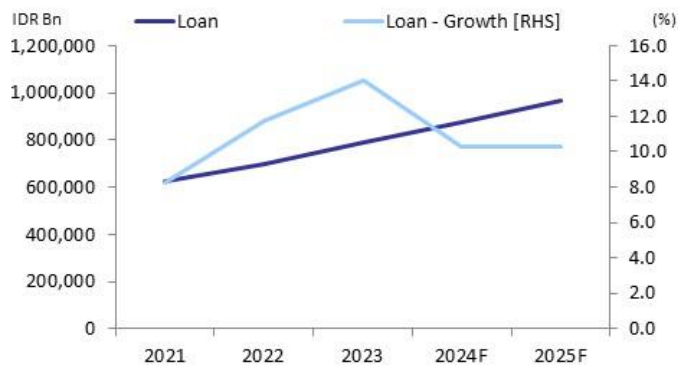
Source: Company, Bloomberg, BRIDS Estimates

Exhibit 4. BBKA's PE band chart (5-year)



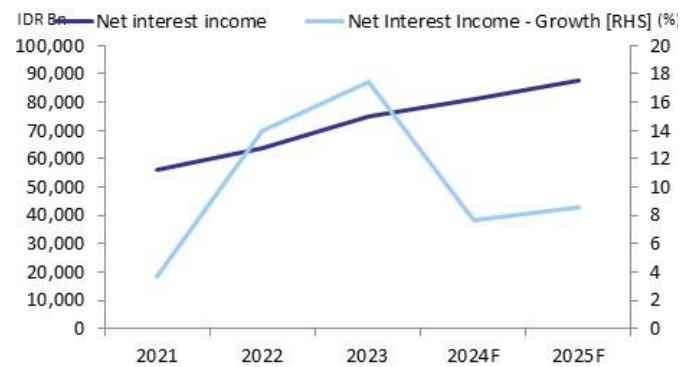
Source: Company, Bloomberg, BRIDS Estimates

Exhibit 5. Loan and Growth



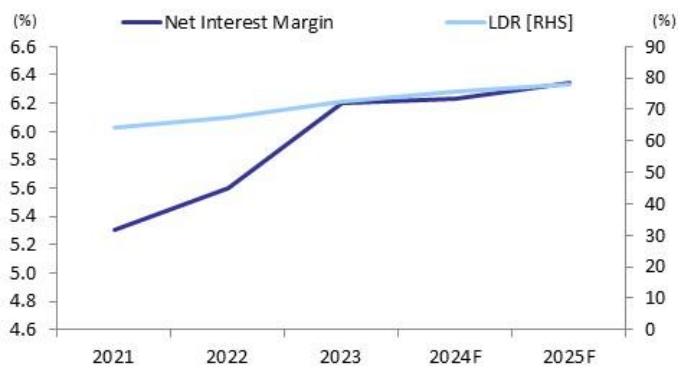
Source: Company, BRIDS Estimates

Exhibit 6. Net Interest Income and Growth



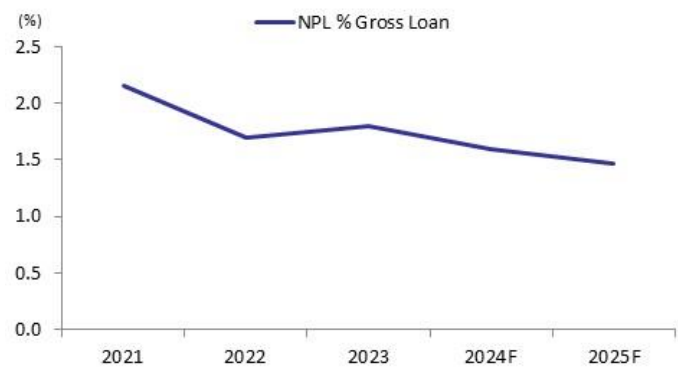
Source: Company, BRIDS Estimates

Exhibit 7. NIM and LDR



Source: Company, BRIDS Estimates

Exhibit 8. NPL



Source: Company, BRIDS Estimates

Exhibit 9. Income Statement

Year to 31 Dec (Rpbn)	2022A	2023A	2024F	2025F	2026F
Interest Income	72,241	87,398	94,125	101,885	108,600
Interest Expense	(8,252)	(12,269)	(13,264)	(14,079)	(14,350)
Net Interest Income	63,990	75,129	80,860	87,806	94,250
Non-Interest Income (NII)	23,487	24,817	26,922	30,068	32,495
Oper. Income	87,476	99,945	107,782	117,874	126,746
Oper. Expenses	(32,483)	(37,503)	(38,908)	(42,153)	(45,044)
Pre-provisions profit	54,994	62,443	68,874	75,721	81,702
Provisions & Allowances	(4,527)	(2,263)	(3,351)	(4,027)	(4,913)
Operating Profits	50,467	60,180	65,523	71,694	76,788
Non-Operating Income	0	0	0	0	0
Exceptionals	0	0	0	0	0
Pre-tax Profit	50,467	60,180	65,523	71,694	76,788
Income Tax	(9,711)	(11,522)	(12,545)	(13,726)	(14,701)
Minorities	(19)	(19)	(20)	(22)	(24)
Net Profit	40,736	48,639	52,958	57,946	62,063

Exhibit 10. Balance Sheet

Year to 31 Dec (Rpbn)	2022A	2023A	2024F	2025F	2026F
Gross Loans	694,937	792,197	873,604	963,643	1,063,249
Provisions	(33,948)	(33,309)	(33,427)	(34,243)	(35,649)
Net Loans	660,989	758,888	840,176	929,400	1,027,600
Govt. Bonds	0	0	0	0	0
Securities	251,128	327,112	328,581	325,499	344,379
Other Earnings Assets	15,432	17,443	19,181	21,186	23,361
Total Earnings Assets	1,166,791	1,255,324	1,338,070	1,429,454	1,553,886
Fixed Assets	34,781	36,925	37,539	39,339	40,834
Non-Earnings Assets	24,388	37,497	28,649	30,178	32,108
Total Assets	1,314,732	1,408,107	1,495,362	1,610,943	1,747,033
Customer Deposits	1,030,452	1,090,767	1,155,251	1,237,206	1,342,529
Banks Deposits	7,936	10,071	12,780	16,217	20,579
Int. Bearing Liab. - Others	9,266	11,096	12,410	13,881	15,525
Total Liabilities	1,093,550	1,165,569	1,230,632	1,321,850	1,433,571
Share capital & Reserves	20,060	19,399	19,399	19,399	19,399
Retained Earnings	200,959	222,957	245,150	269,513	293,882
Shareholders' Funds	221,019	242,356	264,549	288,912	313,281
Minority interests	163	181	181	181	181
Total Equity & Liabilities	1,314,732	1,408,107	1,495,362	1,610,943	1,747,033

Exhibit 11. Key Ratios

Year to 31 Dec	2022A	2023A	2024F	2025F	2026F
Yield on Earning Assets	6.3	7.2	7.3	7.4	7.3
Cost of funds	0.8	1.1	1.1	1.1	1.1
Interest Spread	5.5	6.1	6.1	6.2	6.2
Net Interest Margin	5.6	6.2	6.2	6.3	6.3
Cost/Income Ratio	37.1	37.5	36.1	35.8	35.5
Oper. Exp./Oper. Gross Inc.	47.3	46.4	45.9	45.7	45.6
Gross NPL Ratio	1.7	1.8	1.6	1.5	1.5
LLP/Gross NPL	287.7	234.6	240.8	241.4	227.8
Cost of Credit	0.7	0.3	0.4	0.4	0.5
Loan to Deposit Ratio	67.4	72.6	75.6	77.9	79.2
Loan to Funding Ratio	67.4	72.6	75.6	77.9	79.2
CASA Mix	81.3	80.0	80.2	80.3	80.5
ROAE	19.2	21.0	20.9	20.9	20.6
ROAA	3.2	3.6	3.6	3.7	3.7
CAR	25.6	26.2	26.8	25.3	25.3

Exhibit 12. Dupont and Growth

Year to 31 Dec	2022A	2023A	2024F	2025F	2026F
Dupont					
Pre-Tax ROAA	4.0	4.4	4.5	4.6	4.6
Tax Retention rate	80.8	80.9	80.9	80.9	80.9
Post-Tax ROAA	3.2	3.6	3.6	3.7	3.7
Goodwil, Assoc& Min	0.0	0.0	0.0	0.0	0.0
Leverage	6.0	5.9	5.7	5.6	5.6
ROAE	19.2	21.0	20.9	20.9	20.6
Growth (%)					
Interest income	10.1	21.0	7.7	8.2	6.6
Net Interest Income	14.0	17.4	7.6	8.6	7.3
Other Oper. Expenses	7.2	15.5	3.7	8.3	6.9
Fee Based Income	13.0	0.4	12.0	13.5	10.9
Pre-Provision Oper. Profit	14.2	13.5	10.3	9.9	7.9
Net Profit	29.6	19.4	8.9	9.4	7.1
Shareholders' Equity	9.0	9.7	9.2	9.2	8.4
Loan	11.7	14.0	10.3	10.3	10.3
Earnings Asset	4.2	7.6	6.6	6.8	8.7
Deposit	6.1	6.0	6.1	7.3	8.8
Int. Bearing Liab.	6.5	5.9	6.1	7.4	8.8
CASA	10.4	4.3	6.3	7.5	8.9
Total Asset	7.0	7.1	6.2	7.7	8.4

Source: BBKA, BRIDS Estimates

Non Rated

Last Price (Rp)	5,350
Target Price (Rp)	n/a
Previous Target Price (Rp)	n/a
Upside/Downside	n/a
No. of Shares (mn)	151,559
Mkt Cap (Rpbn/US\$mn)	810,841/52,858
Avg, Daily T/O (Rpbn/US\$mn)	1,321.4/86.1
Free Float (%)	46.3
Major Shareholder (%)	
Government of Indonesia	53.2
EPS Consensus (Rp)	
	2024F 2025F 2026F
BRIDS	n/a n/a n/a
Consensus	402.8 445.4 498.0
BRIDS/Cons (%)	n/a n/a n/a

BBRI relative to JCI Index



Source: Bloomberg

Bank Rakyat Indonesia (BBRI IJ)

Benefitting from the lower benchmark rate amid the ongoing asset quality recovery

- BI has decided to cut its benchmark rate by 25bps, which will ease pressure on CoF in FY25F.
- In our view, competition on high quality loans might persist in FY25F, favoring banks with higher fixed-rate loan, i.e., BBRI, BRIS, and BBKA.
- BBRI ought to benefit from interest rate cut due to its high portion of time deposits in its third-party funds.

Better liquidity supported by surprise BI rate cut

After spurring liquidity with GWM incentives and fewer SRBI issuances amid high SBN purchases, BI decided to cut its benchmark rate by 25bps on 18th Sep24, which is in line with BRIDS' expectations but a surprise to the consensus. We expect the liquidity improvement post-BI rate cut to ease banks' CoF pressure, though we see this materializing only in 1Q25 at the earliest. This will positively impact banks' NIM in FY25F.

Lower CoF is expected in 1Q25

In the past two interest rate cycles, namely rate cut in Sep19 and rate hike in Sep22, the average CoF only started to change in the next quarter. Although SRBI is expected to transmit the interest rate faster, we still believe the material impact on CoF will occur in 1Q25. On the other hand, the impact of the latest rate cut (Sep19) on loan yields lagged by 2 quarters, positively impacting short-term NIM. However, in the latest rate hike (Sep22), the average bank's loan yield seemed to move sideways as banks focused on higher-quality loans amid tight economic conditions in some segments.

7M24 bank-only results were weak due to persistently high CoC

BBRI reported a weak net profit of Rp3.1tr in Jul24, down 50% mom and 31% yoy, primarily due to a 45% mom and 28% yoy increase in opex and a significant rise in provisions (+174% mom, +117% yoy). NIM was flat mom at 6.8%, supported by a slightly lower CoF (-7bps). CoC rose sharply to 3.7%, up 238bps mom and 185bps yoy, as the bank continued to build provisions. Loan growth slowed to 9% yoy in 7M24 from 11% yoy in 6M24, due to a high base in Jul23, while deposits grew 13% yoy, slightly up from 12% previously. LDR remained steady at 87%.

Trading at below -0.5SD of its 5-year historical implied CoE

BBRI trades at 2.4x PBV, slightly above its +0.5SD of the 5-year mean of 2.1x PBV. The implied CoE of 9.8% is slightly below its -0.5SD of the 5-year avg. of 8.7%. BBRI ought to benefit from interest rate cut due to its high portion of time deposits in its third-party funds.

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Key Financials

Year to 31 Dec	2020A	2021A	2022A	2023A
PPOP (Rpbn)	65,059	80,435	91,285	106,508
Net profit (Rpbn)	21,036	33,467	51,170	60,100
EPS (Rp)	171	220.8	337.6	396.5
EPS growth (%)	(38.8)	29.5	52.9	17.5
BVPS (Rp)	1,840	1,905.1	1,974.8	2,054.4
PER (x)	31.9	23.4	13.9	11.9
PBV (x)	3.0	2.7	2.4	2.3
Dividend yield (%)	1.4	3.4	6.1	7.2
ROAE (%)	9.7	13.0	17.4	19.7

Source: BBRI, BRIDS Estimates

Exhibit 1. BBRI's cost of equity band chart (5-year)



Source: Company, Bloomberg, BRIDS Estimates

Exhibit 2. Sector's cost of equity band chart (5-year)



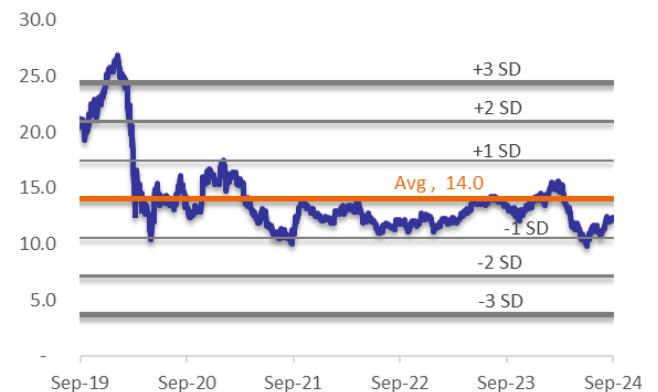
Source: Company, Bloomberg, BRIDS Estimates

Exhibit 3. BBRI's PBV band chart (5-year)



Source: Company, Bloomberg, BRIDS Estimates

Exhibit 4. BBRI's PE band chart (5-year)



Source: Company, Bloomberg, BRIDS Estimates

Exhibit 5. Income Statement

Year to 31 Dec (Rpbn)	2019A	2020A	2021A	2022A	2023A
Interest Income	121,756	135,765	143,523	151,875	178,996
Interest Expense	(40,049)	(42,180)	(29,429)	(27,278)	(43,813)
Net Interest Income	81,707	93,584	114,094	124,597	135,183
Non-Interest Income (NII)	27,530	35,765	38,686	47,216	45,994
Oper. Income	109,237	129,349	152,780	171,813	181,177
Oper. Expenses	(44,966)	(67,504)	(75,918)	(82,192)	(76,782)
Pre-provisions profit	66,192	65,059	80,435	91,285	106,508
Provisions & Allowances	(22,760)	(35,280)	(39,291)	(26,979)	(29,679)
Operating Profits	43,432	29,779	41,144	64,306	76,829
Non-Operating Income	(68)	215	(152)	291	(399)
Exceptionals	0	0	0	0	0
Pre-tax Profit	43,364	29,993	40,992	64,597	76,430
Income Tax	(8,950)	(8,952)	(7,836)	(13,188)	(16,005)
Minorities	(41)	(6)	311	(238)	(325)
Net Profit	34,373	21,036	33,467	51,170	60,100

Exhibit 6. Balance Sheet

Year to 31 Dec (Rpbn)	2019A	2020A	2021A	2022A	2023A
Gross Loans	877,431	943,788	994,417	1,079,275	1,197,753
Provisions	(38,364)	(66,810)	(84,834)	(88,324)	(79,924)
Net Loans	839,067	876,977	909,583	990,951	1,117,828
Govt. Bonds	1,130	0	0	0	0
Securities	195,840	326,957	371,738	330,242	331,010
Other Earnings Assets	29,125	72,821	45,455	55,038	63,099
Total Earnings Assets	1,295,503	1,504,484	1,577,855	1,652,810	1,775,453
Fixed Assets	44,076	60,885	65,038	73,951	81,464
Non-Earnings Assets	20,265	33,492	32,023	42,374	53,376
Total Assets	1,416,759	1,610,065	1,678,098	1,865,639	1,965,007
Customer Deposits	987,405	1,071,919	1,138,743	1,307,884	1,358,329
Banks Deposits	17,970	23,786	13,329	9,335	11,958
Int. Bearing Liab. - Others	33,791	49,003	0	0	0
Total Liabilities	1,207,975	1,380,598	1,386,311	1,562,244	1,648,535
Share capital & Reserves	24,762	58,642	101,967	98,124	97,652
Retained Earnings	181,561	168,274	186,768	201,170	213,711
Shareholders' Funds	206,323	226,916	288,735	299,294	311,364
Minority interests	2,461	2,551	3,052	4,101	5,109
Total Equity & Liabilities	1,416,759	1,610,065	1,678,098	1,865,639	1,965,007

Exhibit 7. Key Ratios

Year to 31 Dec	2019A	2020A	2021A	2022A	2023A
Yield on Earning Assets	9.8	9.7	9.3	9.4	10.4
Cost of funds	3.5	3.4	2.2	1.9	2.8
Interest Spread	6.3	6.3	7.1	7.5	7.6
Net Interest Margin	6.6	6.7	7.4	7.7	7.9
Cost/Income Ratio	40.5	50.9	48.6	47.4	41.9
Oper. Exp./Oper. Gross Inc.	71.3	83.0	77.9	68.0	66.2
Gross NPL Ratio	2.8	3.0	3.1	2.7	3.0
LLP/Gross NPL	156.2	236.8	277.0	306.5	226.2
Cost of Credit	2.7	3.9	4.1	2.6	2.6
Loan to Deposit Ratio	88.9	88.0	87.3	82.5	88.2
Loan to Funding Ratio	85.5	83.5	83.3	78.7	85.1
CASA Mix	57.1	58.9	62.3	66.2	63.8
ROAE	17.7	9.7	13.0	17.4	19.7
ROAA	2.5	1.4	2.0	2.9	3.1
CAR	21.1	19.3	25.3	23.3	20.1

Exhibit 8. Dupont and Growth

Year to 31 Dec	2019A	2020A	2021A	2022A	2023A
Dupont					
Pre-Tax ROAA	3.2	2.0	2.5	3.6	4.0
Tax Retention rate	79.4	70.2	80.9	79.6	79.1
Post-Tax ROAA	2.5	1.4	2.0	2.9	3.2
Goodwil, Assoc& Min	0.0	0.0	0.0	0.0	0.0
Leverage	7.0	7.0	6.4	6.0	6.3
ROAE	17.7	9.7	13.0	17.4	19.7
Growth (%)					
Interest income	9.1	11.5	5.7	5.8	17.9
Net Interest Income	5.2	14.5	21.9	9.2	8.5
Other Oper. Expenses	7.1	50.1	12.5	8.3	(6.6)
Fee Based Income	20.7	11.5	5.4	10.2	10.3
Pre-Provision Oper. Profit	10.2	(1.7)	23.6	13.5	16.7
Net Profit	6.2	(38.8)	59.1	52.9	17.5
Shareholders' Equity	12.8	10.0	27.2	3.7	4.0
Loan	7.0	7.6	5.4	8.5	11.0
Earnings Asset	10.1	16.0	4.9	4.8	7.4
Deposit	8.7	9.0	5.1	14.3	4.0
Int. Bearing Liab.	8.6	13.8	(0.4)	12.7	5.1
CASA	2.9	12.4	11.3	21.5	0.2
Total Asset	9.2	13.6	4.2	11.2	5.3

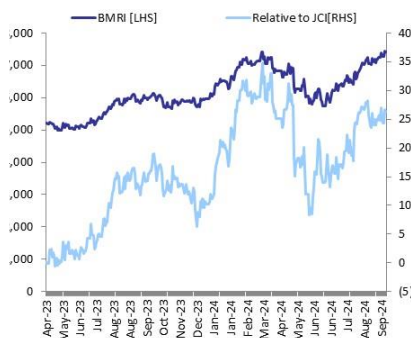
Source: BBRI, BRIDS Estimates

Buy

(Maintained)

Last Price (Rp)	7,400
Target Price (Rp)	8,200
Previous Target Price (Rp)	7,400
Upside/Downside	+10.8%
No. of Shares (mn)	93,333
Mkt Cap (Rpbn/US\$mn)	690,667/45.024
Avg, Daily T/O (Rpbn/US\$mn)	731.9/47.7
Free Float (%)	39.2
Major Shareholder (%)	
Government of Indonesia	52.0
INA	8.0
EPS Consensus (Rp)	
	2024F 2025F 2026F
BRIDS	608.8 672.7 706.1
Consensus	606.3 672.2 739.4
BRIDS/Cons (%)	0.4 0.1 (4.5)

BMRI relative to JCI Index



Source: Bloomberg

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Bank Mandiri (BMRI IJ)

Solid corporate loan to drive growth, despite lesser benefit from lower benchmark rate

- BI has decided to cut its benchmark rate by 25bps, which will ease pressure on CoF in FY25F.
- In our view, competition on high quality loans might persist in FY25F, favoring banks with higher fixed-rate loan, i.e., BBRI, BRIS, and BBKA.
- Maintain BUY with a higher TP of Rp8,200 as we roll forward our valuation base to FY25F while maintaining our inverse GGM valuation.

Better liquidity supported by surprise BI rate cut

After spurring liquidity with GWM incentives and fewer SRBI issuances amid high SBN purchases, BI decided to cut its benchmark rate by 25bps on 18th Sep24, which is in line with BRIDS' expectations but a surprise to the consensus. We expect the liquidity improvement post-BI rate cut to ease banks' CoF pressure, though we see this materializing only in 1Q25 at the earliest. This will positively impact banks' NIM in FY25F.

Lower CoF is expected in 1Q25

In the past two interest rate cycles, namely rate cut in Sep19 and rate hike in Sep22, the average CoF only started to change in the next quarter. Although SRBI is expected to transmit the interest rate faster, we still believe the material impact on CoF will occur in 1Q25. On the other hand, the impact of the latest rate cut (Sep19) on loan yields lagged by 2 quarters, positively impacting short-term NIM. However, in the latest rate hike (Sep22), the average bank's loan yield seemed to move sideways as banks focused on higher-quality loans amid tight economic conditions in some segments.

Strong 7M24 performances supported by high loan growth

BMRI reported net profits of Rp29.2tr (+7% yoy) in 7M24, driven by a 4% NII growth and an 87bps yoy improvement in CIR to 32.4%. CoC remained low at 0.8% (-15bps yoy) in 7M24. Loan growth of 23% yoy outpaced customer deposit growth of 13% yoy, leading to an LDR of 93.9% (+276bps mom, +797bps yoy). The CASA ratio improved to 80.3% (+58bps mom, +194bps yoy).

Maintain Buy with a higher GGM-based TP of Rp8,200

We maintain our GGM-based valuation with a 5-year inverse CoE of 10.3%, FY25F ROE of 21.2%, and LTG of 3.0%, resulting in an FV PBV of 2.5x. As we roll forward our valuation base from FY24F to FY25F, our TP increases to Rp8,200 (from Rp7,400) with an FY25F BV of Rp3,307/share. Hence, we maintain our Buy rating with a 10.8% upside and a 4.1% dividend yield potential.

Key Financials

Year to 31 Dec	2022A	2023A	2024F	2025F	2026F
PPOP (Rpbn)	72,291	84,790	92,878	102,202	111,123
Net profit (Rpbn)	41,171	55,060	56,817	62,781	65,905
EPS (Rp)	441.1	589.9	608.8	672.7	706.1
EPS growth (%)	46.9	33.7	3.2	10.5	5.0
BVPS (Rp)	2,460.8	2,794.9	3,038.4	3,307.4	3,589.9
PER (x)	16.8	12.5	12.2	11.0	10.5
PBV (x)	3.0	2.6	2.4	2.2	2.1
Dividend yield (%)	3.6	4.8	4.9	5.5	5.7
ROAE (%)	19.0	22.4	20.9	21.2	20.5

Source: BMRI, BRIDS Estimates

Exhibit 1. BMRI's cost of equity band chart (5-year)



Source: Company, Bloomberg, BRIDS Estimates

Exhibit 2. Sector's cost of equity band chart (5-year)



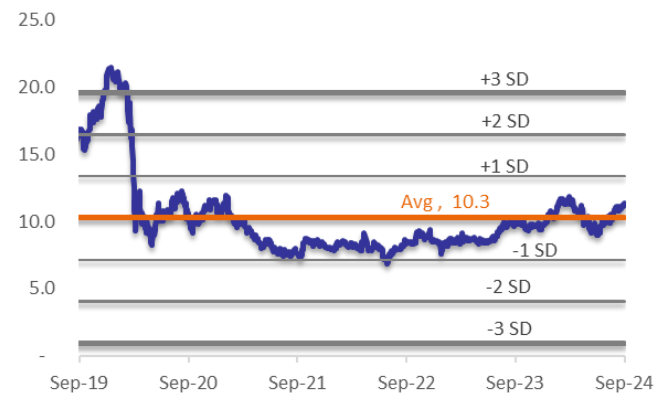
Source: Company, Bloomberg, BRIDS Estimates

Exhibit 3. BMRI's PBV band chart (5-year)



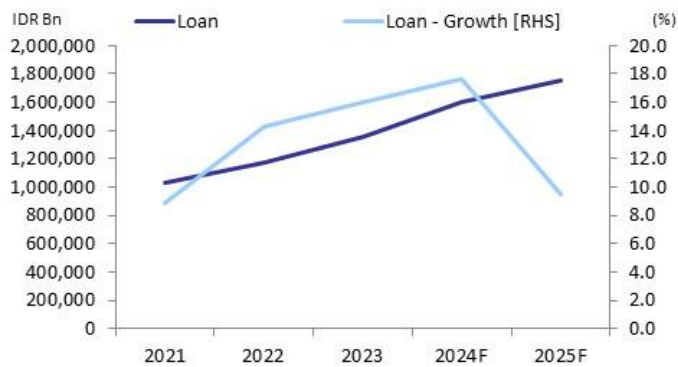
Source: Company, Bloomberg, BRIDS Estimates

Exhibit 4. BMRI's PE band chart (5-year)



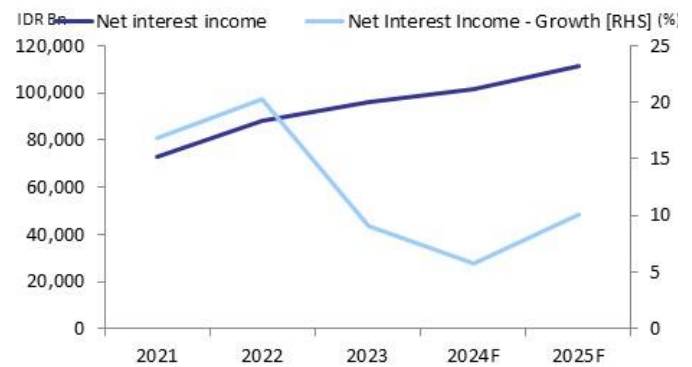
Source: Company, Bloomberg, BRIDS Estimates

Exhibit 5. Loans and Growth



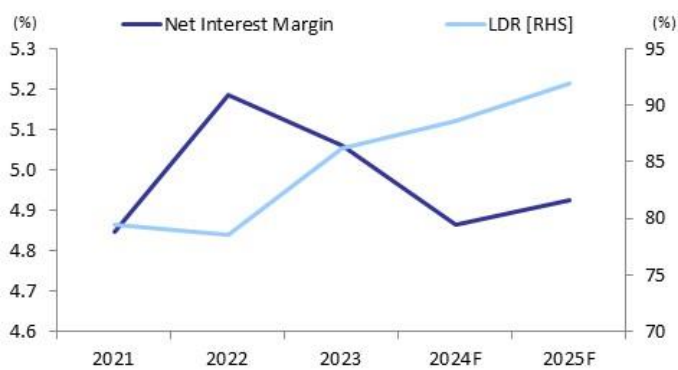
Source: Company, BRIDS Estimates

Exhibit 6. Net Interest Income and Growth



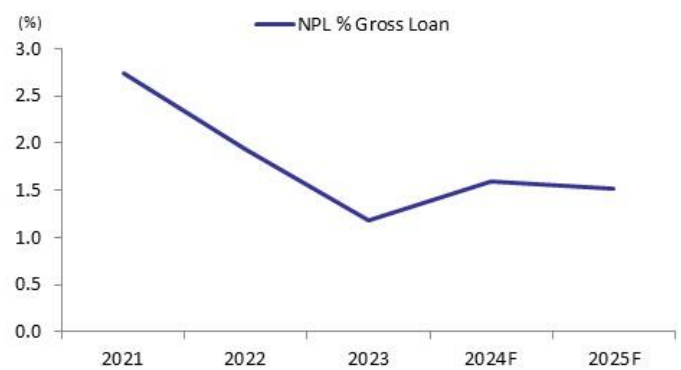
Source: Company, BRIDS Estimates

Exhibit 7. NIM and LDR



Source: Company, BRIDS Estimates

Exhibit 8. NPLs



Source: Company, BRIDS Estimates

Exhibit 9. Income Statement

Year to 31 Dec (Rpbn)	2022A	2023A	2024F	2025F	2026F
Interest Income	112,382	132,544	149,120	162,092	173,565
Interest Expense	(24,479)	(36,658)	(47,692)	(50,496)	(51,130)
Net Interest Income	87,903	95,887	101,429	111,596	122,435
Non-Interest Income (NII)	33,254	39,172	44,138	48,473	52,166
Oper. Income	121,157	135,059	145,567	160,069	174,601
Oper. Expenses	(53,260)	(53,867)	(56,737)	(61,691)	(67,414)
Pre-provisions profit	72,291	84,790	92,878	102,202	111,123
Provisions & Allowances	(16,123)	(10,149)	(15,368)	(16,583)	(20,897)
Operating Profits	56,168	74,642	77,510	85,619	90,226
Non-Operating Income	210	43	43	43	43
Exceptionals	0	0	0	0	0
Pre-tax Profit	56,378	74,685	77,553	85,663	90,269
Income Tax	(11,425)	(14,633)	(15,456)	(17,072)	(17,990)
Minorities	(3,782)	(4,992)	(5,280)	(5,810)	(6,374)
Net Profit	41,171	55,060	56,817	62,781	65,905

Exhibit 10. Balance Sheet

Year to 31 Dec (Rpbn)	2022A	2023A	2024F	2025F	2026F
Gross Loans	1,172,600	1,359,832	1,599,449	1,751,238	1,947,210
Provisions	(64,613)	(53,099)	(48,089)	(41,225)	(36,017)
Net Loans	1,107,987	1,306,734	1,551,360	1,710,013	1,911,194
Govt. Bonds	329,212	309,183	281,040	256,078	233,843
Securities	82,800	94,546	99,505	104,723	109,540
Other Earnings Assets	28,881	37,456	38,601	45,178	52,170
Total Earnings Assets	1,814,469	1,975,387	2,195,729	2,334,907	2,533,692
Fixed Assets	77,970	82,315	92,001	95,197	98,656
Non-Earnings Assets	36,852	46,909	39,216	41,261	42,462
Total Assets	1,992,545	2,174,219	2,405,464	2,550,527	2,751,785
Customer Deposits	1,491,779	1,577,730	1,804,456	1,905,557	2,064,622
Banks Deposits	14,847	17,685	18,923	20,247	21,665
Int. Bearing Liab. - Others	0	0	0	0	0
Total Liabilities	1,740,299	1,886,724	2,089,962	2,204,103	2,372,624
Share capital & Reserves	62,684	63,549	63,549	63,549	63,549
Retained Earnings	166,995	197,304	220,031	245,143	271,505
Shareholders' Funds	229,679	260,853	283,580	308,692	335,054
Minority interests	22,567	26,642	31,923	37,732	44,106
Total Equity & Liabilities	1,992,545	2,174,219	2,405,464	2,550,527	2,751,785

Exhibit 11. Key Ratios

Year to 31 Dec	2022A	2023A	2024F	2025F	2026F
Yield on Earning Assets	6.6	7.0	7.2	7.2	7.1
Cost of funds	1.6	2.1	2.5	2.4	2.3
Interest Spread	5.0	4.9	4.6	4.7	4.8
Net Interest Margin	5.2	5.1	4.9	4.9	5.0
Cost/Income Ratio	42.4	38.8	37.9	37.6	37.8
Oper. Exp./Oper. Gross Inc.	62.6	57.4	60.7	60.1	60.7
Gross NPL Ratio	1.9	1.2	1.6	1.5	1.4
LLP/Gross NPL	284.9	329.1	189.4	154.7	131.7
Cost of Credit	1.5	0.8	1.0	1.0	1.1
Loan to Deposit Ratio	78.6	86.2	88.6	91.9	94.3
Loan to Funding Ratio	76.3	83.5	87.6	90.9	93.4
CASA Mix	66.3	66.5	63.5	66.5	66.4
ROAE	19.0	22.4	20.9	21.2	20.5
ROAA	2.2	2.6	2.5	2.5	2.5
CAR	19.5	18.6	17.8	17.2	16.2

Exhibit 12. Dupont and Growth

Year to 31 Dec	2022A	2023A	2024F	2025F	2026F
Dupont					
Pre-Tax ROAA	3.0	3.6	3.4	3.5	3.4
Tax Retention rate	79.7	80.4	80.1	80.1	80.1
Post-Tax ROAA	2.4	2.9	2.7	2.8	2.7
Goodwil, Assoc& Min	0.2	0.2	0.2	0.2	0.2
Leverage	8.6	8.5	8.4	8.4	8.2
ROAE	19.0	22.4	20.9	21.2	20.5
Growth (%)					
Interest income	15.0	17.9	12.5	8.7	7.1
Net Interest Income	20.3	9.1	5.8	10.0	9.7
Other Oper. Expenses	8.4	1.1	5.3	8.7	9.3
Fee Based Income	23.7	4.7	10.9	7.3	9.8
Pre-Provision Oper. Profit	24.7	17.3	9.5	10.0	8.7
Net Profit	46.9	33.7	3.2	10.5	5.0
Shareholders' Equity	12.2	13.6	8.7	8.9	8.5
Loan	14.3	16.0	17.6	9.5	11.2
Earnings Asset	15.1	8.9	11.2	6.3	8.5
Deposit	15.5	5.9	14.3	5.6	8.3
Int. Bearing Liab.	16.4	8.5	11.5	5.6	7.9
CASA	21.6	6.2	9.0	10.6	8.2
Total Asset	15.5	9.1	10.6	6.0	7.9

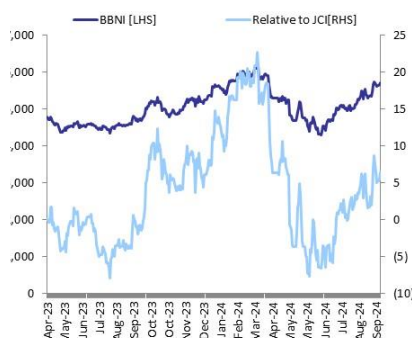
Source: BMRI, BRIDS Estimates

Buy

(Maintained)

Last Price (Rp)	5,700
Target Price (Rp)	7,600
Previous Target Price (Rp)	6,700
Upside/Downside	+33.3%
No. of Shares (mn)	37,297
Mkt Cap (Rpbn/US\$mn)	212,595/13,859
Avg, Daily T/O (Rpbn/US\$mn)	320.8/20.9
Free Float (%)	39.8
Major Shareholder (%)	
Government of Indonesia	60.0
EPS Consensus (Rp)	
	2024F 2025F 2026F
BRIDS	581.2 652.6 693.9
Consensus	591.1 674.0 755.1
BRIDS/Cons (%)	(1.7) (3.2) (8.1)

BBNI relative to JCI Index



Source: Bloomberg

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Bank Negara Indonesia (BBNI IJ)

Potential winner from rate cut; CoF drop to offset the lower fixed-rate loan portion

- BI has decided to cut its benchmark rate by 25bps, which will ease pressure on CoF in FY25F.
- In our view, competition on high quality loans might persist in FY25F, favoring banks with higher fixed-rate loan, i.e., BBRI, BRIS, and BBKA.
- Maintain BUY with a higher TP of Rp7,600 as we roll forward our valuation base to FY25F while maintaining our inverse GGM valuation.

Better liquidity supported by surprise BI rate cut

After spurring liquidity with GWM incentives and fewer SRBI issuances amid high SBN purchases, BI decided to cut its benchmark rate by 25bps on 18th Sep24, which is in line with BRIDS' expectations but a surprise to the consensus. We expect the liquidity improvement post-BI rate cut to ease banks' CoF pressure, though we see this materializing only in 1Q25 at the earliest. This will positively impact banks' NIM in FY25F.

Lower CoF is expected in 1Q25

In the past two interest rate cycles, namely rate cut in Sep19 and rate hike in Sep22, the average CoF only started to change in the next quarter. Although SRBI is expected to transmit the interest rate faster, we still believe the material impact on CoF will occur in 1Q25. On the other hand, the impact of the latest rate cut (Sep19) on loan yields lagged by 2 quarters, positively impacting short-term NIM. However, in the latest rate hike (Sep22), the average bank's loan yield seemed to move sideways as banks focused on higher-quality loans amid tight economic conditions in some segments.

7M24 performances impacted by lower NIM, offset by lower CoC

BBNI reported a net profit of Rp12.5tr in 7M24, up 3% yoy, meeting 58% of our FY24 forecast, which is in line with expectations. Despite 11% loan growth, NII declined by 8% yoy due to an 80bps drop in NIM. However, NIM improved from 4.0% to 4.2% in 7M24, driven by a higher LDR, now at 97%. Provision expenses fell by 27% yoy, resulting in a CoC of 0.9%, a 49bps improvement yoy, reflecting management's confidence in asset quality.

Maintain Buy with a higher GGM-based TP of Rp7,600

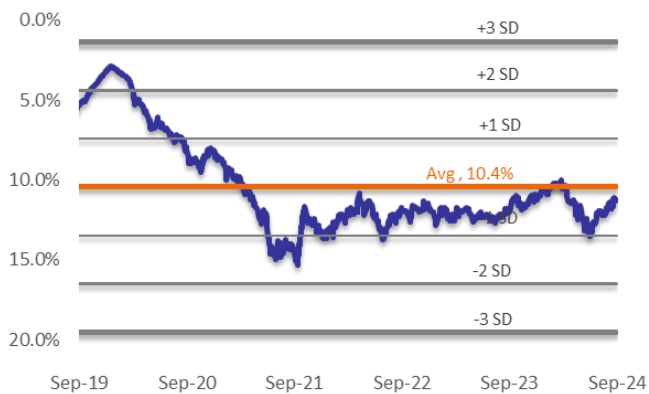
We maintain our GGM-based valuation with a 5-year inverse CoE of 10.1%, FY25F ROE of 14.3%, and LTG of 3.0%, resulting in an FV PBV of 1.6x. As we roll forward our valuation base from FY24F to FY25F, our TP increases to Rp7,600 (from Rp6,700) with an FY25F BV of Rp4,780/share. Hence, we maintain our Buy rating with a 33.3% upside and a 4.6% dividend yield potential.

Key Financials

Year to 31 Dec	2022A	2023A	2024F	2025F	2026F
PPOP (Rpbn)	34,413	34,970	36,275	40,959	44,508
Net profit (Rpbn)	18,312	20,909	21,679	24,339	25,880
EPS (Rp)	491.0	560.6	581.2	652.6	693.9
EPS growth (%)	(16.0)	14.2	3.7	12.3	6.3
BVPS (Rp)	3,641.4	4,025.3	4,371.3	4,780.4	5,202.3
PER (x)	11.6	10.2	9.8	8.7	8.2
PBV (x)	1.6	1.4	1.3	1.2	1.1
Dividend yield (%)	3.4	3.9	4.1	4.6	4.9
ROAE (%)	14.1	14.6	13.8	14.3	13.9

Source: BBNI, BRIDS Estimates

Exhibit 1. BBNI's cost of equity band chart (5-year)



Source: Company, Bloomberg, BRIDS Estimates

Exhibit 2. Sector's cost of equity band chart (5-year)



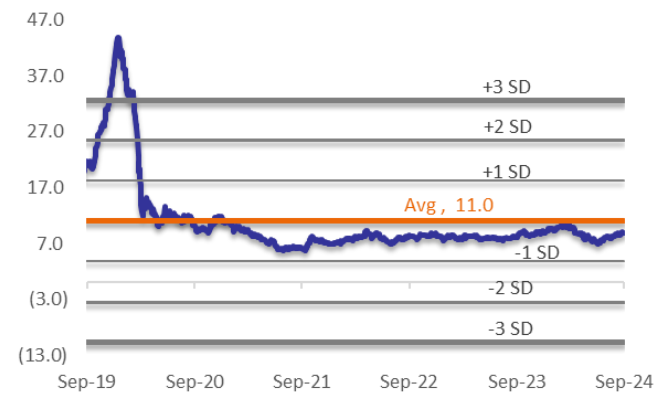
Source: Company, Bloomberg, BRIDS Estimates

Exhibit 3. BBNI's PBV band chart (5-year)



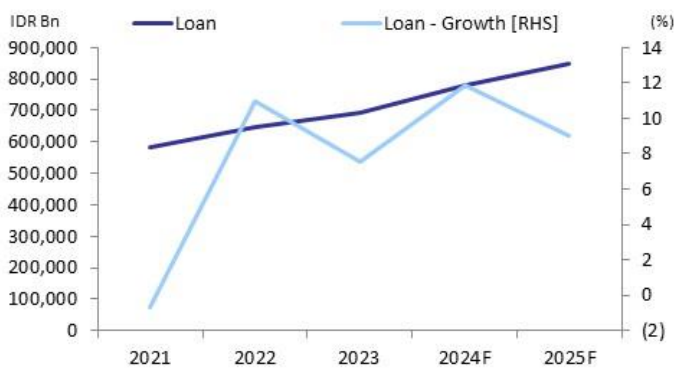
Source: Company, Bloomberg, BRIDS Estimates

Exhibit 4. BBNI's PE band chart (5-year)



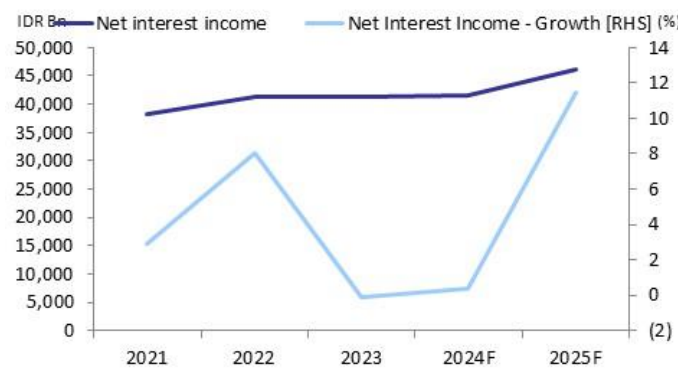
Source: Company, Bloomberg, BRIDS Estimates

Exhibit 5. Loans and Growth



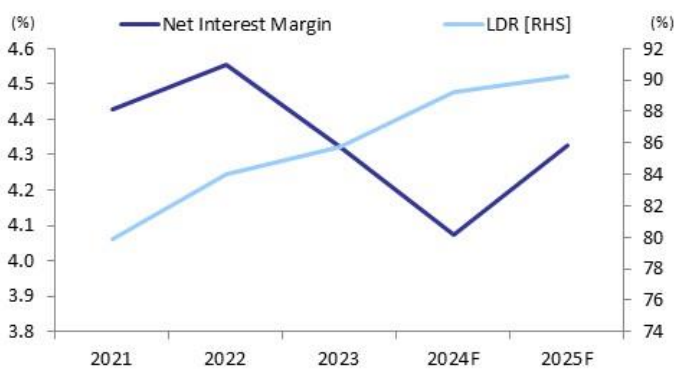
Source: Company, BRIDS Estimates

Exhibit 6. Net Interest Income and Growth



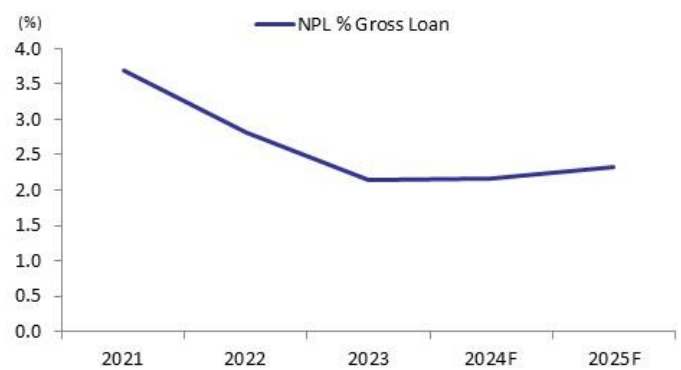
Source: Company, BRIDS Estimates

Exhibit 7. NIM and LDR



Source: Company, BRIDS Estimates

Exhibit 8. NPLs



Source: Company, BRIDS Estimates

Exhibit 9. Income Statement

Year to 31 Dec (Rpbn)	2022A	2023A	2024F	2025F	2026F
Interest Income	54,659	61,472	63,788	66,167	70,279
Interest Expense	(13,338)	(20,196)	(22,367)	(19,999)	(20,447)
Net Interest Income	41,321	41,276	41,422	46,168	49,832
Non-Interest Income (NII)	18,804	20,218	24,391	28,055	31,433
Oper. Income	60,125	61,494	65,812	74,222	81,266
Oper. Expenses	(27,059)	(27,778)	(29,537)	(33,264)	(36,758)
Pre-provisions profit	34,413	34,970	36,275	40,959	44,508
Provisions & Allowances	(11,514)	(9,196)	(9,252)	(10,660)	(12,280)
Operating Profits	22,899	25,773	27,024	30,299	32,228
Non-Operating Income	(212)	(134)	(182)	(165)	(182)
Exceptionals	0	0	0	0	0
Pre-tax Profit	22,687	25,640	26,842	30,134	32,046
Income Tax	(4,205)	(4,534)	(4,966)	(5,575)	(5,928)
Minorities	(170)	(197)	(197)	(220)	(238)
Net Profit	18,312	20,909	21,679	24,339	25,880

Exhibit 10. Balance Sheet

Year to 31 Dec (Rpbn)	2022A	2023A	2024F	2025F	2026F
Gross Loans	646,188	695,085	777,661	847,480	933,589
Provisions	(50,334)	(47,158)	(51,210)	(55,924)	(61,227)
Net Loans	595,854	647,927	726,451	791,556	872,361
Govt. Bonds	121,291	127,099	101,685	81,352	65,086
Securities	28,556	37,165	35,474	33,876	32,367
Other Earnings Assets	0	0	0	0	0
Total Earnings Assets	920,484	989,203	1,043,424	1,090,291	1,158,726
Fixed Assets	41,755	44,688	47,519	50,854	54,383
Non-Earnings Assets	18,496	21,667	19,077	19,354	18,255
Total Assets	1,029,837	1,086,664	1,158,103	1,234,695	1,294,537
Customer Deposits	769,269	810,730	871,281	938,769	988,793
Banks Deposits	15,245	11,894	11,945	11,995	12,046
Int. Bearing Liab. - Others	0	0	0	0	0
Total Liabilities	889,639	931,931	990,267	1,051,380	1,095,249
Share capital & Reserves	41,756	42,896	42,896	42,896	42,896
Retained Earnings	94,060	107,236	120,142	135,400	151,136
Shareholders' Funds	135,816	150,131	163,037	178,296	194,031
Minority interests	4,382	4,602	4,799	5,019	5,257
Total Equity & Liabilities	1,029,837	1,086,664	1,158,103	1,234,695	1,294,537

Exhibit 11. Key Ratios

Year to 31 Dec	2022A	2023A	2024F	2025F	2026F
Yield on Earning Assets	6.0	6.4	6.3	6.2	6.2
Cost of funds	1.6	2.3	2.4	2.0	2.0
Interest Spread	4.4	4.1	3.9	4.2	4.3
Net Interest Margin	4.6	4.3	4.1	4.3	4.4
Cost/Income Ratio	44.0	44.3	44.9	44.8	45.2
Oper. Exp./Oper. Gross Inc.	69.4	68.9	69.4	67.8	68.3
Gross NPL Ratio	2.8	2.1	2.2	2.3	2.4
LLP/Gross NPL	277.1	317.9	303.1	283.3	272.4
Cost of Credit	1.9	1.4	1.3	1.3	1.4
Loan to Deposit Ratio	84.0	85.7	89.3	90.3	94.4
Loan to Funding Ratio	83.5	85.2	87.8	88.9	93.0
CASA Mix	71.0	70.2	68.3	69.0	71.8
ROAE	14.1	14.6	13.8	14.3	13.9
ROAA	1.8	2.0	1.9	2.0	2.0
CAR	19.4	19.3	18.9	18.6	18.2

Exhibit 12. Dupont and Growth

Year to 31 Dec	2022A	2023A	2024F	2025F	2026F
Dupont					
Pre-Tax ROAA	2.3	2.4	2.4	2.5	2.5
Tax Retention rate	81.5	82.3	81.5	81.5	81.5
Post-Tax ROAA	1.9	2.0	1.9	2.1	2.1
Goodwil, Assoc& Min	0.0	0.0	0.0	0.0	0.0
Leverage	7.7	7.4	7.2	7.0	6.8
ROAE	14.1	14.6	13.8	14.3	13.9
Growth (%)					
Interest income	9.3	12.5	3.8	3.7	6.2
Net Interest Income	8.0	(0.1)	0.4	11.5	7.9
Other Oper. Expenses	9.1	2.7	6.3	12.6	10.5
Fee Based Income	8.9	3.9	30.5	11.5	7.9
Pre-Provision Oper. Profit	10.8	1.6	3.7	12.9	8.7
Net Profit	68.0	14.2	3.7	12.3	6.3
Shareholders' Equity	9.8	10.5	8.6	9.4	8.8
Loan	10.9	7.6	11.9	9.0	10.2
Earnings Asset	2.9	7.5	5.5	4.5	6.3
Deposit	5.5	4.9	7.4	7.6	5.3
Int. Bearing Liab.	6.1	4.5	6.5	6.4	4.3
CASA	10.1	3.6	4.4	8.8	9.6
Total Asset	6.7	5.5	6.6	6.6	4.8

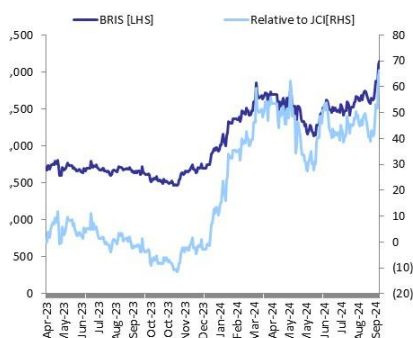
Source: BBNI, BRIDS Estimates

Hold

(Downgraded)

Last Price (Rp)	3,140
Target Price (Rp)	2,800
Previous Target Price (Rp)	2,700
Upside/Downside	-10.8%
No. of Shares (mn)	46,129
Mkt Cap (Rpbn/US\$mn)	144,846/9,442
Avg, Daily T/O (Rpbn/US\$mn)	104.5/6.8
Free Float (%)	33.0
Major Shareholder (%)	
PT. Bank Mandiri	51.5
PT. Bank Negara Indonesia	23.2
EPS Consensus (Rp)	
	2024F 2025F 2026F
BRIDS	142.8 162.7 186.8
Consensus	144.8 175.1 204.6
BRIDS/Cons (%)	(1.4) (7.1) (8.7)

BRIS relative to JCI Index



Source: Bloomberg

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Bank Syariah Indonesia (BRIS IJ)

Sector's YTD best performer; premium valuation is justified but well priced in

- BI has decided to cut its benchmark rate by 25bps, which will ease pressure on CoF in FY25F.
- In our view, competition on high quality loans might persist in FY25F, favoring banks with higher fixed-rate loan, i.e., BBRI, BRIS, and BBKA.
- Downgrade to HOLD despite the robust growth outlook, as valuation has reached its fair value, in our view.

Better liquidity supported by surprise BI rate cut

After spurring liquidity with GWM incentives and fewer SRBI issuances amid high SBN purchases, BI decided to cut its benchmark rate by 25bps on 18th Sep24, which is in line with BRIDS' expectations but a surprise to the consensus. We expect the liquidity improvement post-BI rate cut to ease banks' CoF pressure, though we see this materializing only in 1Q25 at the earliest. This will positively impact banks' NIM in FY25F.

Lower CoF is expected in 1Q25

In the past two interest rate cycles, namely rate cut in Sep19 and rate hike in Sep22, the average CoF only started to change in the next quarter. Although SRBI is expected to transmit the interest rate faster, we still believe the material impact on CoF will occur in 1Q25. On the other hand, the impact of the latest rate cut (Sep19) on loan yields lagged by 2 quarters, positively impacting short-term NIM. However, in the latest rate hike (Sep22), the average bank's loan yield seemed to move sideways as banks focused on higher-quality loans amid tight economic conditions in some segments.

Robust 7M24 net profits supported by loan growth and lower CoC

BRIS reported net profits (NP) of Rp3.9tr in 7M24 (+21% yoy), forming 60% and 59% of our and consensus FY24F, respectively, slightly above the 7M23 achievement of 57%. The NP driver remains the bank's strong loan growth of 14% yoy, and provisions which declined 34% yoy, resulting in a lower CoC of 0.9% in 7M24 from 1.5% in 7M23.

Downgrade to Hold with a TP of Rp2,800

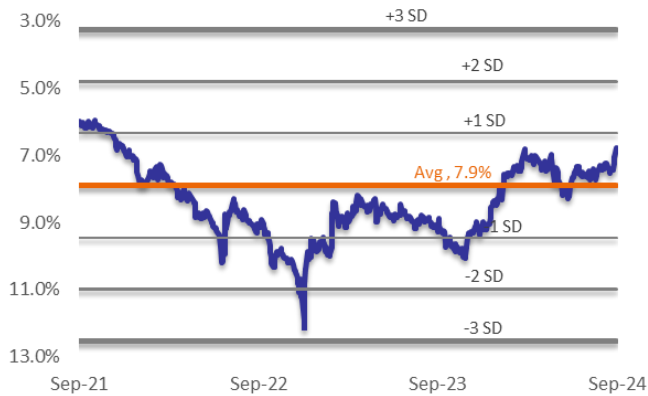
We maintain our GGM-based valuation with a 5-year inverse CoE of 7.9%, FY25F ROE of 15.9%, and LTG of 3.0%, resulting in an FV PBV of 2.6x. As we roll forward our valuation base from FY24F to FY25F, our TP increases to Rp2,800 (from Rp2,700) with an FY25F BV of Rp1,086/share. Hence, despite the robust growth story in the Sharia market and a solid team to navigate the growth potential, we downgraded our Buy rating to Hold as we see that the bank has reached its fair value. Our TP implies a 10.8% downside and a 1.2% dividend yield potential.

Key Financials

Year to 31 Dec	2022A	2023A	2024F	2025F	2026F
PPOP (Rpbn)	9,396	10,214	11,561	13,033	14,777
Net profit (Rpbn)	4,260	5,704	6,586	7,503	8,615
EPS (Rp)	92.4	123.6	142.8	162.7	186.8
EPS growth (%)	25.4	33.9	15.5	13.9	14.8
BVPS (Rp)	726.3	839.8	959.6	1,086.3	1,210.4
PER (x)	34.0	25.4	22.0	19.3	16.8
PBV (x)	4.3	3.7	3.3	2.9	2.6
Dividend yield (%)	0.7	1.0	1.1	1.3	1.5
ROAE (%)	14.6	15.8	15.9	15.9	16.3

Source: BRIS, BRIDS Estimates

Exhibit 1. BRIS' cost of equity band chart (3-year)



Source: Company, BRIDS Estimates

Exhibit 2. Big 5 Banks' cost of equity band chart (5-year)



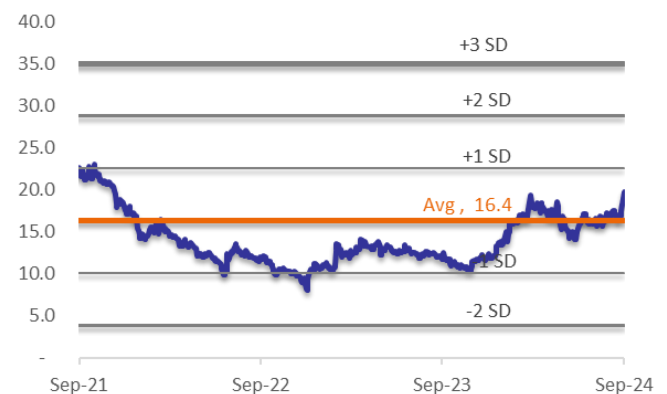
Source: Company, BRIDS Estimates

Exhibit 3. BRIS's PBV band chart (3-year)



Source: Company, BRIDS Estimates

Exhibit 4. BRIS's PE band chart (3-year)



Source: Company, BRIDS Estimates

Exhibit 5. Income Statement

Year to 31 Dec (Rpbn)	2022A	2023A	2024F	2025F	2026F
Interest Income	19,623	22,252	25,476	28,281	31,167
Interest Expense	(4,032)	(5,993)	(7,177)	(7,948)	(8,626)
Net Interest Income	15,591	16,259	18,299	20,334	22,541
Non-Interest Income (NII)	3,701	4,204	4,625	5,087	5,884
Oper. Income	19,292	20,463	22,924	25,421	28,424
Oper. Expenses	(9,895)	(10,249)	(11,363)	(12,388)	(13,647)
Pre-provisions profit	9,396	10,214	11,561	13,033	14,777
Provisions & Allowances	(3,749)	(2,622)	(2,796)	(3,048)	(3,311)
Operating Profits	5,648	7,591	8,765	9,985	11,466
Non-Operating Income	9	(2)	(2)	(2)	(3)
Exceptionals	0	0	0	0	0
Pre-tax Profit	5,656	7,589	8,763	9,984	11,463
Income Tax	(1,396)	(1,885)	(2,177)	(2,480)	(2,848)
Minorities	0	0	0	0	0
Net Profit	4,260	5,704	6,586	7,503	8,615

Exhibit 6. Balance Sheet

Year to 31 Dec (Rpbn)	2022A	2023A	2024F	2025F	2026F
Gross Loans	207,705	240,316	276,028	316,032	360,732
Provisions	(9,198)	(9,688)	(11,016)	(12,423)	(14,248)
Net Loans	198,506	230,628	265,012	303,609	346,484
Govt. Bonds	0	0	0	0	0
Securities	57,841	71,169	64,171	57,754	41,872
Other Earnings Assets	0	0	0	0	0
Total Earnings Assets	268,499	314,216	343,067	376,776	405,721
Fixed Assets	5,655	6,481	8,316	8,994	9,717
Non-Earnings Assets	2,367	3,253	3,654	4,490	5,293
Total Assets	305,727	353,624	394,468	446,942	495,260
Customer Deposits	262,425	294,556	330,543	376,345	418,023
Banks Deposits	2,219	1,761	1,884	2,180	2,523
Int. Bearing Liab. - Others	0	0	0	0	0
Total Liabilities	272,222	314,885	350,202	396,831	439,425
Share capital & Reserves	19,793	19,828	19,756	19,787	19,803
Retained Earnings	13,712	18,911	24,509	30,324	36,032
Shareholders' Funds	33,506	38,739	44,266	50,111	55,835
Minority interests	0	0	0	0	0
Total Equity & Liabilities	305,727	353,624	394,468	446,942	495,260

Exhibit 7. Key Ratios

Year to 31 Dec	2022A	2023A	2024F	2025F	2026F
Yield on Earning Assets	7.7	7.6	7.8	7.9	8.0
Cost of funds	1.6	2.1	2.3	2.2	2.1
Interest Spread	6.1	5.5	5.5	5.6	5.8
Net Interest Margin	6.1	5.6	5.6	5.6	5.8
Cost/Income Ratio	51.3	50.1	49.6	48.7	48.0
Oper. Exp./Oper. Gross Inc.	75.8	71.3	70.9	70.1	69.1
Gross NPL Ratio	2.4	2.1	2.0	1.9	1.9
LLP/Gross NPL	183.0	193.8	199.0	202.0	207.1
Cost of Credit	2.0	1.2	1.1	1.0	1.0
Loan to Deposit Ratio	79.1	81.6	83.5	84.0	86.3
Loan to Funding Ratio	78.7	81.5	83.5	83.9	86.3
CASA Mix	61.1	60.3	59.9	59.8	60.4
ROAE	14.6	15.8	15.9	15.9	16.3
ROAA	1.5	1.7	1.8	1.8	1.8
CAR	20.4	17.3	18.2	18.3	18.7

Exhibit 8. Dupont and Growth

Year to 31 Dec	2022A	2023A	2024F	2025F	2026F
Dupont					
Pre-Tax ROAA	2.0	2.3	2.3	2.4	2.4
Tax Retention rate	75.3	75.2	75.2	75.2	75.2
Post-Tax ROAA	1.5	1.7	1.8	1.8	1.8
Goodwil, Assoc& Min	0.0	0.0	0.0	0.0	0.0
Leverage	9.8	9.1	9.0	8.9	8.9
ROAE	14.6	15.8	15.9	15.9	16.3
Growth (%)					
Interest income	10.2	13.4	14.5	11.0	10.2
Net Interest Income	16.1	4.3	12.5	11.1	10.9
Other Oper. Expenses	12.7	3.6	10.9	9.0	10.2
Fee Based Income	14.9	20.4	10.0	10.0	15.0
Pre-Provision Oper. Profit	22.7	8.7	13.2	12.7	13.4
Net Profit	40.7	33.9	15.5	13.9	14.8
Shareholders' Equity	33.9	15.6	14.3	13.2	11.4
Loan	21.3	15.7	14.9	14.5	14.1
Earnings Asset	11.5	17.0	9.2	9.8	7.7
Deposit	12.9	12.0	12.2	13.9	11.1
Int. Bearing Liab.	13.4	11.5	11.7	13.8	11.1
CASA	19.2	10.5	11.6	13.6	12.2
Total Asset	15.2	15.7	11.5	13.3	10.8

Source : BRIS, BRIDS Estimates

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INVESTMENT RATING

BUY	Expected total return of 10% or more within a 12-month period
HOLD	Expected total return between -10% and 10% within a 12-month period
SELL	Expected total return of -10% or worse within a 12-month period

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