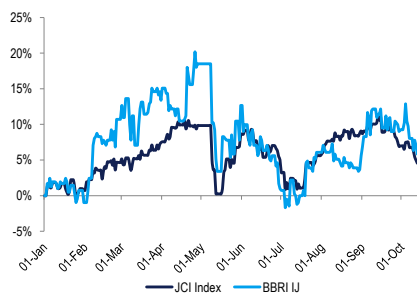


Stock Data

| | |
|---------------------------|---------|
| Target price | Rp5,700 |
| Prior TP | Rp5,700 |
| Current price | Rp4,350 |
| Upside/downside | +31% |
| Shares outstanding (mn) | 151,559 |
| Market cap (Rp bn) | 659,282 |
| Free float | 47% |
| Avg. 6m daily T/O (Rp bn) | 683 |

Price Performance

| | 3M | 6M | 12M |
|-------------------|---------------|-------|-------|
| Absolute | 7.1% | -5.6% | 1.6% |
| Relative to JCI | 3.5% | -0.4% | -3.6% |
| 52w low/high (Rp) | 4,040 – 4,940 | | |



Major Shareholders

| | |
|-----------------------|-------|
| Republic of Indonesia | 53.2% |
|-----------------------|-------|

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More clarity on KUR and stronger micro growth prospect

- We just recently hosted a call with BRI's management team discussing the latest update on KUR and next year's micro growth strategy.
- Latest discussion on KUR has been positive in two fronts: 1) relatively minimal increase on BRI's KUR target and 2) unchanged interest rate.
- Given the benign increase on KUR, it expects Kupedes to grow stronger in FY23. BRI is our top pick for FY23.

Positive progress on KUR discussion

Based on the latest KUR discussion between stakeholders, the progress has been positive: 1) FY23F KUR target will be ranged from Rp420tr (MoF target) to Rp460-470tr (Kemenko target) vs. FY22 target of Rp373tr, however BRI FY23 disbursement target will be relatively flattish at Rp260-285tr vs. Rp260tr in FY22 given the saturated Java's market, according to BRI's study. 2) On a more important note, KUR interest/subsidy rate is expected to be unchanged at 6/10% (for KUR micro) – this is a big positive considering investors' concern on populist measure ahead of the 2024 election.

Micro growth is resilient; Kupedes growth will turn positive

Based on Rp260-285tr FY23F KUR target, BRI expects overall KUR to grow by 23-26% yoy in FY23F, slower compared to 45% yoy in 1H22. At the same time, it also expects Kupedes to start booking positive growth of 6% in FY23F; this was after 3 years of consecutive negative growth (FY19-21 CAGR of -8%). Separately, there is also a discussion that there will be limit of refinancing for KUR starting in 2023 (2x for trade related sectors and 4x for production related sectors, the split for BRI is 40:60%), we believe this shall be positive for Kupedes going forward – note Kupedes rate is currently 18-19% vs. KUR's 14.25% effective yield.

Soft landing has been successful

To our surprise, BRI already removed all Covid restructuring scheme (especially in micro and corporate segments) in order to achieve soft landing shall OJK removes its Covid restructuring policy in Mar23. Micro NPL peaked at 2.2% in Aug22 flat vs. Jun22, while write-off at Rp5.4tr (0.5% of loan and similar to pre-Covid level) but the recovery rate was at 83%. This was exceptional and may alleviate investors' concern on asset quality.

BRI is our top pick; valuation at -1 S.D.

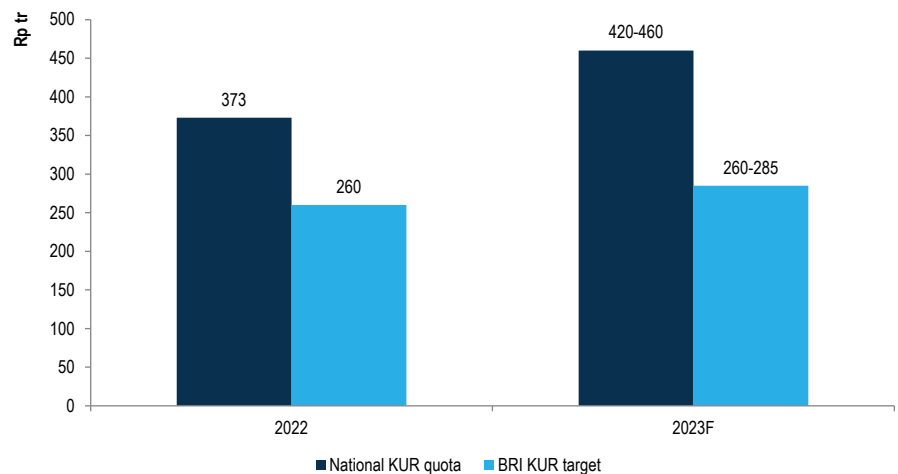
BRI has been a major laggard (-14% against its peers YTD) due to: 1) crowded foreign positioning post RI, 2) KUR concern ahead of election, 3) sluggish earnings growth due to lower sensitivity against rate increase. Aside from clarity on KUR, BRI has the most room to lower its CoC and highest loan growth, thus theoretically highest EPS growth. BRI is our top pick.

| Financial Summary (Rp bn) | 2020A | 2021A | 2022F | 2023F | 2024F |
|---------------------------|----------|----------|----------|----------|----------|
| Net interest income | 79,210 | 114,077 | 125,498 | 136,789 | 147,388 |
| PPOP | 59,625 | 80,435 | 94,296 | 103,698 | 112,252 |
| Provision charges | (32,850) | (39,291) | (30,559) | (32,475) | (33,235) |
| Net profit | 18,655 | 31,067 | 47,609 | 53,397 | 59,318 |
| Net profit growth | -46% | 67% | 53% | 12% | 11% |
| P/BV (x) | 3.3 | 2.3 | 2.0 | 2.0 | 1.9 |
| Dividend yield | 0.6% | 0.4% | 0.6% | 0.9% | 1.1% |
| ROAE | 9.1% | 12.6% | 15.4% | 16.1% | 17.3% |
| IPS vs. consensus | | | 101% | 98% | 99% |

Source: Company, Indo Premier

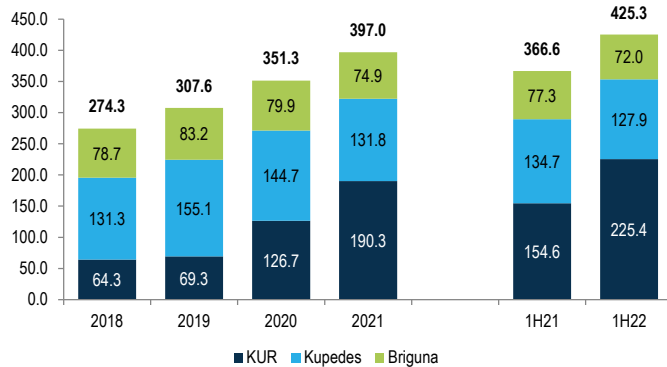
Share price closing as of: 13 October 2022

Fig. 1: National KUR quota vs BRI KUR target



Source: Company, Indo Premier

Fig. 2: BRI's micro loan outstanding – bank only (in Rp tr)



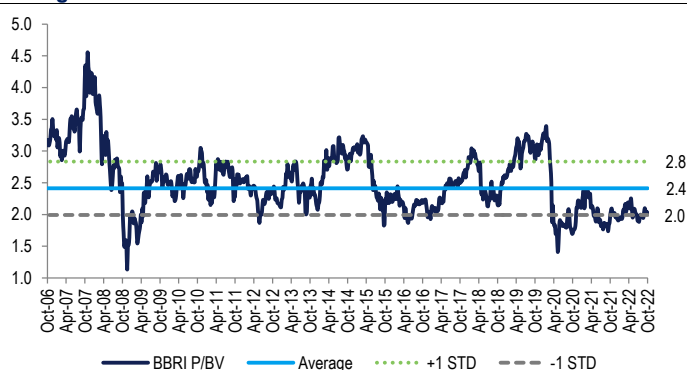
Source: Company, Indo Premier

Fig. 3: BRI's micro loan outstanding growth yoy – bank only

| | 2018 | 2019 | 2020 | 2021 | 1H21 | 1H22 |
|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
| KUR | 8.5% | 7.9% | 82.8% | 50.1% | 80.6% | 45.8% |
| Kupedes | 20.6% | 18.1% | -6.7% | -8.9% | -8.1% | -5.1% |
| Briguna | 10.4% | 5.8% | -4.0% | -6.3% | -4.8% | -6.8% |
| Total | 14.5% | 12.2% | 14.2% | 13.0% | 17.0% | 16.0% |

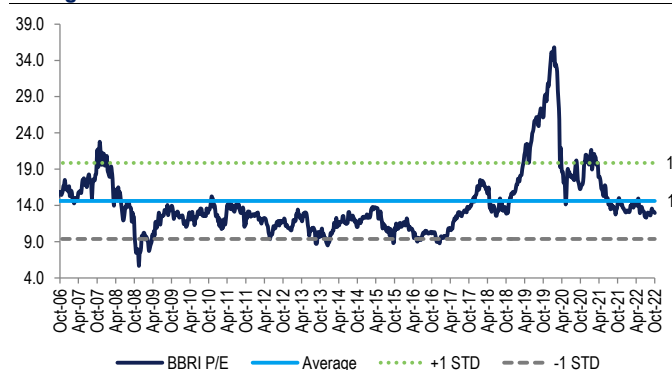
Source: Company, Indo Premier

Fig. 4: BBRI's P/BV – now trading at 2x FY22F P/BV vs. 10-year average of 2.4x P/BV



Source: Bloomberg, Company, Indo Premier

Fig. 5: BBRI's P/E – now trading at 12.4x FY22F P/E vs. 10-year average of 14.6x P/E



Source: Bloomberg, Company, Indo Premier

Fig. 6: Peers comparison

| Ticker | Closing Price | Target Price | P/BV multiple target (x) | Upside | Recommendation | P/E (x) | | P/BV (x) | |
|--------|---------------|--------------|--------------------------|--------|----------------|---------|-------|----------|-------|
| | | | | | | 2022F | 2023F | 2022F | 2023F |
| BBCA | 8,275 | 8,100 | 3.9 | -2% | Hold | 28.5 | 25.1 | 4.6 | 4.1 |
| BBRI | 4,350 | 5,700 | 2.5 | 31% | Buy | 13.9 | 12.4 | 2.0 | 2.0 |
| BMRI | 9,475 | 10,200 | 1.8 | 8% | Buy | 11.6 | 10.3 | 1.8 | 1.7 |
| BBNI | 8,750 | 9,200 | 1.1 | 5% | Buy | 10.3 | 8.2 | 1.2 | 1.1 |
| BBTN | 1,470 | 2,600 | 1.1 | 77% | Buy | 5.5 | 4.4 | 0.7 | 0.6 |

Source: Bloomberg, Company, Indo Premier

Share price closing as of: 13 October 2022

| Income Statement (Rp bn) | 2020A | 2021A | 2022F | 2023F | 2024F |
|-------------------------------|----------------|----------------|----------------|----------------|----------------|
| Interest income | 116,933 | 143,506 | 161,188 | 176,623 | 191,503 |
| Interest expense | (37,723) | (29,429) | (35,690) | (39,834) | (44,116) |
| Net interest income | 79,210 | 114,077 | 125,498 | 136,789 | 147,388 |
| Non-interest income | 30,346 | 42,277 | 43,832 | 47,352 | 51,288 |
| Total operating income | 109,556 | 156,354 | 169,330 | 184,142 | 198,676 |
| Opex | (49,931) | (75,918) | (75,034) | (80,444) | (86,424) |
| PPOP | 59,625 | 80,435 | 94,296 | 103,698 | 112,252 |
| Provisions | (32,850) | (39,291) | (30,559) | (32,475) | (33,235) |
| Operating profit | 26,775 | 41,145 | 63,737 | 71,223 | 79,017 |
| Non-operating profit | (49) | (2,553) | (4,009) | (4,284) | (4,675) |
| Pre-tax profit | 26,726 | 38,592 | 59,728 | 66,939 | 74,342 |
| Income tax | (8,064) | (7,836) | (12,110) | (13,532) | (15,013) |
| Minority interest | (6) | 311 | (9) | (10) | (11) |
| Net profit | 18,655 | 31,067 | 47,609 | 53,397 | 59,318 |

| Balance Sheet (Rp bn) | 2020A | 2021A | 2022F | 2023F | 2024F |
|---------------------------------------|------------------|------------------|------------------|------------------|------------------|
| Cash + CA with BI | 83,693 | 82,727 | 104,315 | 112,487 | 118,440 |
| Secondary reserves | 449,667 | 499,666 | 475,011 | 460,761 | 465,369 |
| Gross loans | 938,374 | 1,003,576 | 1,179,235 | 1,318,847 | 1,450,732 |
| Loan provisions | (66,614) | (86,245) | (108,157) | (122,462) | (135,123) |
| Other assets | 106,685 | 178,374 | 140,157 | 154,173 | 169,590 |
| Total Assets | 1,511,805 | 1,678,098 | 1,790,562 | 1,923,806 | 2,069,007 |
| Total deposits | 1,136,507 | 1,148,313 | 1,242,510 | 1,363,404 | 1,496,120 |
| Securities and borrowings | 78,840 | 127,525 | 127,525 | 127,525 | 127,525 |
| Other liabilities | 96,547 | 110,473 | 95,991 | 95,991 | 95,991 |
| Total liabilities | 1,311,893 | 1,386,311 | 1,466,026 | 1,586,921 | 1,719,637 |
| Shareholders' equity | 199,911 | 291,787 | 324,536 | 336,885 | 349,371 |
| Total liabilities & equity | 1,511,805 | 1,678,098 | 1,790,562 | 1,923,806 | 2,069,007 |

| Growth YoY | 2020A | 2021A | 2022F | 2023F | 2024F |
|------------------------|--------|-------|-------|-------|-------|
| Gross loans | 3.9% | 6.9% | 17.5% | 11.8% | 10.0% |
| Total assets | 6.7% | 11.0% | 6.7% | 7.4% | 7.5% |
| Total deposits | 10.2% | 1.0% | 8.2% | 9.7% | 9.7% |
| Net interest income | -2.0% | 44.3% | 10.0% | 9.0% | 7.7% |
| Non-interest income | -0.1% | 38.7% | 3.7% | 8.0% | 8.3% |
| Total operating income | -1.4% | 42.7% | 8.3% | 8.7% | 7.9% |
| Operating expense | 11.0% | 52.0% | -1.2% | 7.2% | 7.4% |
| PPOP | -9.9% | 34.9% | 17.2% | 10.0% | 8.2% |
| Net profit | -45.7% | 66.5% | 53.2% | 12.2% | 11.1% |

| Key Ratios | 2020A | 2021A | 2022F | 2023F | 2024F |
|----------------|--------|--------|--------|--------|--------|
| ROAA | 1.3% | 1.9% | 2.7% | 2.9% | 3.0% |
| ROAE | 9.2% | 13.7% | 16.8% | 17.4% | 18.6% |
| NIM | 6.0% | 8.0% | 8.1% | 8.2% | 8.3% |
| Credit cost | 3.6% | 4.0% | 2.8% | 2.6% | 2.4% |
| Cost/income | 45.6% | 48.6% | 44.3% | 43.7% | 43.5% |
| LDR | 82.6% | 87.4% | 94.9% | 96.7% | 97.0% |
| CAR | 22.8% | 22.8% | 22.1% | 22.4% | 22.7% |
| NPL ratio | 2.9% | 2.9% | 4.5% | 4.5% | 4.3% |
| Provisions/NPL | 241.0% | 293.1% | 203.7% | 205.3% | 216.0% |

Source: Company, Indo Premier

INVESTMENT RATINGS

| | |
|------|---|
| 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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