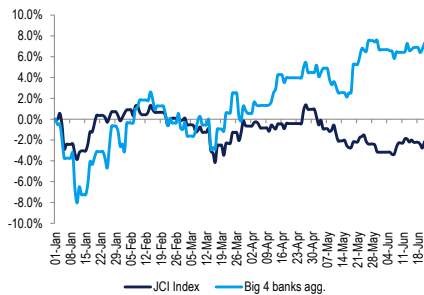


Sector Index Performance

	3M	6M	12M
Absolute	-10.0%	-0.1%	5.8%
Relative to JCI	-10.2%	0.8%	10.6%



Summary Valuation Metrics

P/E (x)	2023F	2024F	2025F
BBCA IJ	23.6	21.6	19.8
BBRI IJ	13.6	11.5	10.3
BMRI IJ	9.8	8.8	7.9
P/BV (x)	2023F	2024F	2025F
BBCA IJ	4.6	4.2	3.7
BBRI IJ	2.6	2.5	2.3
BMRI IJ	1.7	1.6	1.4
Div. Yield	2023F	2024F	2025F
BBCA IJ	1.8%	2.1%	2.3%
BBRI IJ	1.0%	1.2%	1.5%
BMRI IJ	5.2%	6.1%	6.8%

Additional contribution to LPS in 2025; impact to earnings is very minimal

- By 2025 the Deposit Insurance Agency (LPS) required the banks to pay additional premium of 0.002-0.0065% (of total assets).
- This is on-top of 0.2% (of total deposits) that has been paid by the bank. Ceteris paribus, impact to earnings will be very minimal at 0.1-0.3%.
- Despite the minimal impact, we think this is unnecessary given the LPS's stellar financials. We maintain our OW call with BBRI/BMRI as our picks.

Additional premium fee for banks restructuring program

Deposit Insurance Agency (LPS) under PP no 34/2023 required the banks to pay additional premium of 0.002-0.0065% (from total assets) for banks restructuring program. Based on our channel check, one of the purposes of this premium is intended to help failing smaller regional bank (BPR – note BPD such as BJBR and BJTM is much bigger compared to BPR) which according to LPS on average has 6-7 banks failure rate/every year. This regulation will be fully implemented in 2025.

Impact to banks' under coverage is fairly minimal

All big banks under our coverage falls into composite rating of 2 with asset size of >Rp100tr and hence, they required to pay 0.0055% of respective banks total assets. Based on our calculation, the impact will be ranged Rp55-96bn or 0.1-0.3% of FY23F profit (we are not even using FY25F profit) which is fairly small. But note this premium is on-top of 0.2% premium (of total deposits) that intended to guarantee depositors.

LPS currently has very strong financials

Despite the small impact, we view that this is unnecessary given the fact that based on LPS FY22 financial statement it booked c.Rp25tr profit (vs. Rp22tr profit in FY21) with only Rp25/75bn claim in FY22/21. Note that LPS also has Rp187tr equity as of FY22. With such strong financials, we believe that LPS is in good shape to be able to manage multiple failing smaller banks considering that BPR minimum equity of only Rp6bn.

Maintain Overweight despite all the noises

We maintain our Overweight stance on the banking sector amidst strong fundamentals (ample liquidity, improving asset quality and stellar ROA/ROE expansion) and solid earnings growth (big banks under our coverage is projected to generate 18/13% earnings in FY23/24F). Peaking interest rate and positive foreign flow shall also be a boon to the sector, in our view. Our pecking orders are: 1) BBRI (main beneficiary of peak interest rate) and 2) BMRI (attractive risk-rewards based on fundamentals and flow). The sector now trades at 2x P/B and 11.3x P/E ex-BCA.

Jovent Muliadi

PT Indo Premier Sekuritas
jovent.muliadi@ipc.co.id
+62 21 5088 7168 ext. 710

Anthony

PT Indo Premier Sekuritas
anthony@ipc.co.id
+62 21 5088 7168 ext. 715

Fig. 1: Impact of additional LPS premium fee to net profit

Ticker	1Q23 bank only assets	Additional LPS premium	Additional payment	Impact to FY23F net profit
BBCA	1,283,366	0.0055%	71	-0.1%
BBRI	1,750,995	0.0055%	96	-0.2%
BMRI	1,570,332	0.0055%	86	-0.2%
BBNI	997,557	0.0055%	55	-0.3%

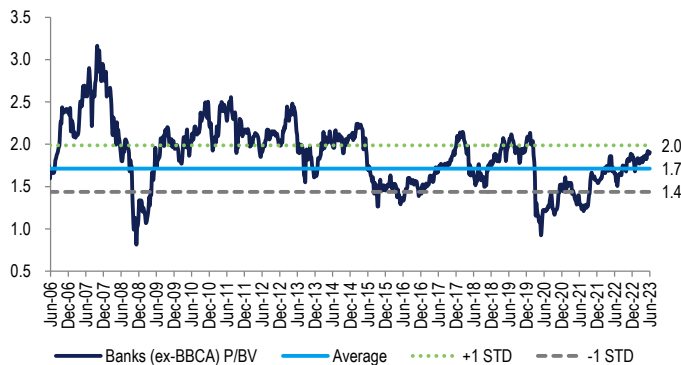
Source: Indo Premier

Fig. 2: Additional LPS premium for banks restructuring program

Risk \ Asset size	Group 1 (<Rp1tr)	Group 2 (Rp1-10tr)	Group 3 (Rp10-50tr)	Group 4 (Rp50-100tr)	Group 5 (>Rp100tr)
Composite 1	0.0000%	0.0020%	0.0025%	0.0030%	0.0035%
Composite 2	0.0000%	0.0040%	0.0045%	0.0050%	0.0055%
Composite 3	0.0000%	0.0045%	0.0050%	0.0055%	0.0060%
Composite 4	0.0000%	0.0050%	0.0055%	0.0060%	0.0065%
Composite 5	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%

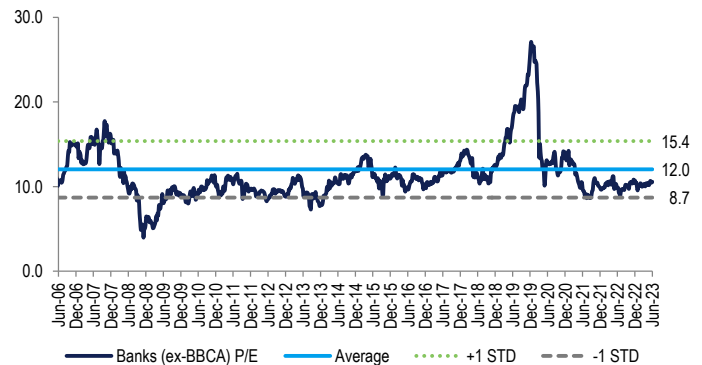
Source: Peraturan Pemerintah No. 34 Tahun 2023

Fig. 3: Banks (ex-BBCA) forward P/BV – now trading at 2x FY23F P/BV vs. 10-year average of 1.7x P/B



Source: Bloomberg, Company, Indo Premier

Fig. 4: Banks (ex-BBCA) forward P/E – now trading at 11.3x FY23F P/E vs. 10-year average of 12x P/E



Source: Bloomberg, Company, Indo Premier

Fig. 5: Peers comparison

Ticker	Closing Price	Target Price	P/BV multiple target (x)	Upside	Recommendation	P/E (x)			P/BV (x)		
						FY23F	FY24F	10Y Avg	FY23F	FY24F	10Y Avg
BBCA	9,125	9,400	4.4	3%	Buy	23.6	21.6	20.4	4.6	4.2	3.7
BBRI	5,575	5,700	2.5	2%	Buy	13.6	11.5	14.4	2.6	2.5	2.4
BMRI	5,100	5,900	2.0	16%	Buy	9.8	8.8	12.0	1.7	1.6	1.6
BBNI	9,100	10,400	1.1	14%	Buy	8.0	7.4	10.6	1.1	1.0	1.1

Source: Bloomberg, Company, Indo Premier

Share price closing as of: 21 June 2023

SECTOR RATINGS

- OVERWEIGHT : An Overweight rating means stocks in the sector have, on a market cap-weighted basis, a positive absolute recommendation
- NEUTRAL : A Neutral rating means stocks in the sector have, on a market cap-weighted basis, a neutral absolute recommendation
- UNDERWEIGHT : An Underweight rating means stocks in the sector have, on a market cap-weighted basis, a negative absolute recommendation

COMPANY 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

ANALYSTS CERTIFICATION

The views expressed in this research report accurately reflect the analyst's personal views about any and all of the subject securities or issuers; and no part of the research analyst's compensation was, is, or will be, directly or indirectly, related to the specific recommendations or views expressed in the report.

DISCLAIMERS

This research is based on information obtained from sources believed to be reliable, but we do not make any representation or warranty nor accept any responsibility or liability as to its accuracy, completeness or correctness. Opinions expressed are subject to change without notice. This document is prepared for general circulation. Any recommendations contained in this document do not have any regard to the specific investment objectives, financial situation and the particular needs of any specific addressee. This document is not and should not be construed as an offer or a solicitation of an offer to purchase or subscribe or sell any securities. PT Indo Premier Sekuritas or its affiliates may seek or will seek investment banking or other business relationships with the companies in this report.