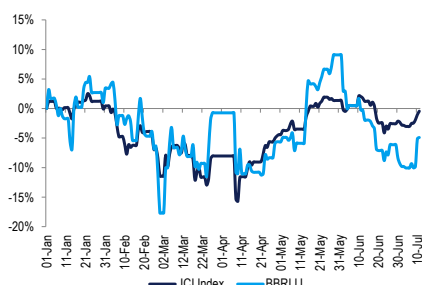


Stock Data

Target price	Rp4,700
Prior TP	Rp4,700
Current price	Rp3,880
Upside/downside	+21.1%
Shares outstanding (mn)	151,559
Market cap (Rp bn)	588,049
Free float	46%
Avg. 6m daily T/O (Rp bn)	1,087

Price Performance

	3M	6M	12M
Absolute	2.1%	-3.7%	-19.8%
Relative to JCI	-10.6%	-3.5%	-16.4%
52w low/high (Rp)	3,360 – 5,525		



Major Shareholders

Republic of Indonesia	53.2%
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Assessing the upcoming village cooperative program

- Government plans to launch the village cooperative program (KDMP) on 19th of July with 80k village cooperation as the target.
- We view the implementation of such program so will be very gradual with around 100 cooperatives as the start and spread across SOE banks.
- We think that government will utilize either KUR or FLPP scheme for KDMP. Implementation pace and credit risk management are the keys.

Upcoming launch of village cooperative program

Government plans to launch the village cooperative program called Koperasi Desa Merah Putih (KDMP) on 19th of July with target of c.80k cooperatives (covering the total number of villages in Indonesia) and hopeful this shall add 2mn additional jobs. At the same time, each cooperative will need c.Rp3bn funding from the banks.

What are the schemes? FLPP and KUR may be the options

Based on the current government program scheme, we think that there will be two options for the scheme: 1) FLPP and 2) KUR. For FLPP, we expect: 1) effective yield of 6% without additional subsidy, 2) 75% funding provided by Government and 3) 100% credit risk is covered by insurance/village fund; whereas for KUR, we expect: 1) bank will get 11-11.5% effective yield with the split of 6% from cooperative and 5-5.5% from Government subsidy and 2) 70-75% of the loan will be covered by insurance/village fund.

How profitable for the banks? Managing credit risk is imperative

We estimate that total costs for the banks will be as following: 3.5% (BBRI's current CoF – can be higher if we take into account reserve requirement and LPS premium), 4-5% opex (similar to cost/asset for consolidated basis at 4%); the main difference will be in CoC which can drop significantly with insurance. We estimate base CoC of 5%, which translate to 1.5% with 70% insurance and 0% with 100% insurance – although this is theoretically impossible given the downgrade and insurance claim timing difference. We estimate the total cost for FLPP scheme will be c.5.5% (with 100% insurance) and bank will get c.50bp spread; whereas for KUR small the cost will be 9.1% (with 70% insurance) and bank may get 190bp spread (all the calculation details in fig 2).

What are the challenges and opportunities?

We believe further details for the implementation is needed which we are lacking now, however, there needs to be a mechanism of: 1) risk assessment for each cooperative by the banks and other stakeholders and 2) credit risk protocol i.e. monitoring, collection for each cooperative and the sanction shall it breach certain NPL level; this is imperative to manage the moral hazard. For the opportunities, we expect bank to be able to cross-sell multiple products to cooperative i.e. transaction banking (virtual account), CASA, etc.

Pace of implementation and scheme are the key

Given the target of 100 cooperatives in the short-run (Rp300bn loan in total) and being spread across SOE, we expect the impact to be relatively limited. However, assuming 80k implementation (though we think this is unlikely) and Rp240tr of loan, we still think the impact will depend on what scheme the Government decided to use i.e. Rp80tr of loan for KUR scheme (25% of Rp80tr using FLPP scheme) if split equally between banks.

Fig. 1: Financial summary

In Rp bn	2023A	2024A	2025F	2026F	2027F
Net interest income	136,376	141,139	144,919	155,718	166,412
PPOP	106,508	116,752	114,807	124,284	135,166
Provision charges	(29,679)	(38,174)	(41,820)	(42,332)	(46,570)
Net profit	60,100	60,155	56,845	63,885	69,058
Net profit growth	17%	0%	-6%	12%	8%
P/BV (x)	1.9	1.9	1.8	1.8	1.7
Dividend yield	8.1%	9.5%	8.7%	8.2%	9.2%
ROAE	19.8%	19.3%	17.9%	19.5%	20.1%
IPS vs. consensus			97%	99%	96%

Source: Company, Indo Premier

Share price closing as of: 11 July 2025

What are the schemes? FLPP and KUR may be the options

Based on the current government program scheme, we think that there will be two options for the scheme: 1) FLPP and 2) KUR.

- For FLPP, we expect: 1) effective yield of 6% without additional subsidy, 2) 75% funding provided by Government and 3) 100% credit risk is covered by insurance/village fund.
- For KUR, we expect: 1) bank will get 11-11.5% effective yield with the split of 6% from cooperative and 5-5.5% from Government subsidy and 2) 70-75% of the loan will be covered by insurance/village fund.

We estimate that total costs for the banks will be as following:

- 3.5% (BBRI's current CoF – can be higher if we take into account reserve requirement and LPS premium)
- 4-5% opex (similar to cost/asset for consolidated basis at 4%).
- The main difference will be in CoC which can drop significantly with insurance. We estimate base CoC of 5%, which translate to 1.5% with 70% insurance and 0% with 100% insurance – although this is theoretically impossible given the downgrade and insurance claim timing difference.

We estimate the total cost for FLPP scheme will be c.5.5% (with 100% insurance) and bank will get c.50bp spread; whereas for KUR small the cost will be 9.1% (with 70% insurance) and bank may get 190bp spread.

Fig. 2: We think government may utilize the existing scheme of KUR/FLPP for KDMP

Micro loan simulation	KUR micro (with 6% interest rate) - 2020	Kopdes 1 (KUR Small) - 70% insured	Kopdes 1 (KUR Small) w/o insurance	Kopdes 2 (FLPP) - 100% insured
Interest rate on borrower	6%	6%	6%	6%
Subsidy for BBRI	10.0%	5.0%	5.0%	0.0%
Insurance premium**	1.75%	0.00%	0.00%	0.00%
Effective yield	14.25%	11.00%	11.00%	6.00%
CoF*	3.6%	3.6%	3.6%	1.5%
Opex	8%	4.0%	4.0%	4.0%
Credit cost***	1.4%	1.5%	5.0%	0.0%
Pre tax ROA	1.8%	1.9%	-1.6%	0.5%
ROA	1.4%	1.5%	-1.3%	0.4%
ROE****	23.2%	24.5%	-20.6%	6.6%

*note CoF is lower for FLPP scheme as 75% funding is provided by Govt with 50bp interest rate

**insurance premium is 0 for Kopdes as the insurance most likely comes from village fund

***CoC also differs depending on how much the credit risk is covered

****we assume risk weight of 36.5% for Kopdes similar to KUR

Source: Indo Premier

Background of village cooperative program (KDMP)

Government plans to launch the village cooperative program called Koperasi Desa Merah Putih (KDMP) on 19th of July with target of c.80k cooperatives (covering the total number of villages in Indonesia) and hopeful this shall add 2mn additional jobs. At the same time, each cooperative will need c.Rp3bn funding from the banks. Koperasi Merah Putih will provide seven type of services, including; pharmacy and clinics, savings and loan business, cooperative office, procurement of basic necessities, warehousing or cold storage, and logistics.

- **Financing Scheme:** Each cooperative will receive loans up to Rp3bn with interest rate of 6% p.a with tenor of six years. For post-operational investment needs, the tenor may be extended to ten years while maintaining the same interest rate. To access the funding, cooperatives must meet specific eligibility criteria, including feasibility and viability assessments.
- The funding framework is supported by a newly issued regulation from the Ministry of Finance, providing the legal foundation for state-owned bank involvement in the pilot phase. If KMP defaults, repayments will be intercepted using Village Funds (Dana Desa) as stated by Finance Minister. As of 1H25, Rp38.1tr out of Rp71tr total Dana Desa has been disbursed.

Fig. 3: KDMP vs. KUR scheme

	Merah Putih Cooperatives	Kredit Usaha Rakyat (KUR)
Funding	Four SOE Banks (Himbara): "BBR/BBNI/BMRI/BBTN"	Selected banks and financial institutions (including Himbara banks)
Loan Recipients	Member of the cooperatives	Individual or group-based MSME's
Loan Amount	Rp3bn	Up to Rp500mn (KUR Micro/Small)
Interest Rate	6% p.a	KUR Super Micro: 3%
		KUR Small and Micro: Step-up lending rate:
		Initial financing: 6%
		1st refinancing: 7%
		2nd refinancing: 8%
		3rd refinancing: 9%
Tenor	6-10 years	3-5 years

Source: Indo Premier

- **Governance:** Supervision of the program is under Kemendes and Kemenkop to ensure proper management and rural economic uplift.
- **Formation Mechanism:** KMP may come from: 1) New cooperatives; 2) conversion of existing ones; 3) revitalized cooperatives. All will be formed via village-level consensus (musyawarah desa)
- **Operational Scope:** KMP will be located on state-owned land. Services include: selling fertilizer, subsidized LPG, basic food supplies, logistics, truck rental, savings & loans, health clinics and pharmacies.
- **Program Objective:** Aims to shorten rural supply chains, cut out middlemen, and combat price manipulation.

By 19th of July, 100 pilot cooperatives across 38 provinces are planned to be introduced as initial mock-up projects. Financing for these pilot entities will be sourced from a combination of: 1) Himbara banks (BBRI, BMRI, BBNI); 2) the Revolving Fund Management Agency (LPDB); 3) Regional Development Banks (BPD); and 4) Savings and Loan Cooperatives (KSP).

KDMP business model to depart from the previous KUD

Before KDMP, the Indonesian government had introduced a state-led rural cooperative model during the New Order era known as *Koperasi Unit Desa* (KUD). KUD was established to strengthen rural agricultural systems through a supply-driven mechanism, centred on the distribution of fertilizer, access to subsidized credit, and grain procurement linked to Bulog. Backed by centralized subsidies, KUD initially played an important role in supporting food security and rural livelihoods.

However, over time, the model became increasingly dependent on government facilitation and struggled to foster sustainable local ownership. Following the withdrawal of subsidies, after the Reformation period, many KUDs faced operational challenges. By FY25, Budi Arie, the Minister of Cooperatives, stated that only 385 out of 9,000 KUD units remained active.

Fig. 4: Comparison between KDMP and KUD

Aspect	KDMP (Koperasi Desa Merah Putih)	KUD (Koperasi Unit Desa)
Initiation	Top-down launch (Inpres No. 9/2025) with village-level consensus (musyawarah desa) for local establishment	Centralized, top-down establishment under New Order's state apparatus (Presidential Instruction No. 4/1984)
Scale	83,762 units	9,000 units, but only 385 are active
Service Scope	Multi-sectoral services : savings & loans, LPG sales, basic goods, logistics, health clinics, warehousing	Primarily agriculture-focused : fertilizer, seed distribution, grain procurement for Bulog, rural inputs
Market Orientation	Demand-driven , tailored to village needs and economic diversification	Supply-driven , linked to national food policy and centrally controlled commodity chains
Capital & Financing	Rp3bn (US\$180k) soft loans per unit from Himbara , backed by Village Funds (Dana Desa) if defaulted	Credit channeled from state banks (e.g., BRI) or agribusiness firms, but no long-term sustainable financing
Subsidy Mechanism	Interest rate 6% p.a. from user, with subsidy portion to bank still under negotiation	Heavy subsidy in early years (credit, inputs, monopoly privileges).

Source: Various, Indo Premier

KDMP marks a departure from the KUD model by adopting a multi-sectoral, demand-driven approach. Instead of focusing solely on agriculture, KDMP offers a wider range of services such as subsidized LPG sales, logistics, healthcare, savings and loans, and basic goods, each tailored to local needs. It is established through village consensus (*musyawarah desa*), hoping to promote a stronger local ownership and autonomy.

Comparison between Brazil's PRODECOOP model

Brazil has implemented program similar to KDMP called PRODECOOP (*Programa de Desenvolvimento Cooperativo para Agregação de Valor à Produção Agropecuária*). Similar to KDMP, PRODECOOP seeks to integrate cooperatives into higher-value segments of the supply chain and enhance their bargaining power. However, KDMP covers a broader scope of cooperative functions, including clinics, LPG sales, and insurance, while Brazil's model remains agriculture focused.

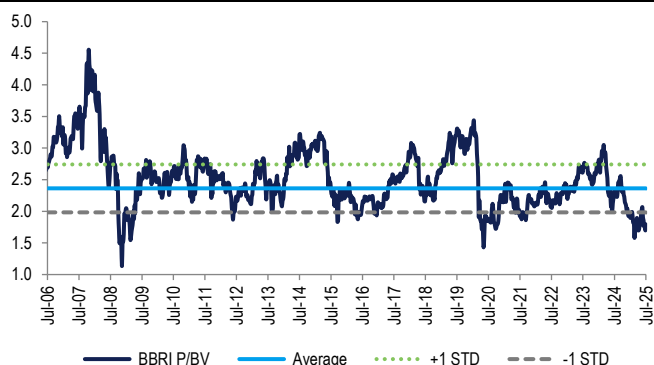
Fig. 5: Comparison between KDMP and the PRODECOOP scheme in Brazil

Category	KDMP (Indonesia)	PRODECOOP (Brazil)
Target	Village-based multi-service cooperatives	Agricultural cooperatives
Scale	83,762 unit	~300-400 unit
Loan Amount	Up to Rp3bn (~US\$180k) per cooperative	R\$2mn–R\$20mn (~US\$370k–US\$3.7mn) per cooperative
Interest Rate and Loan Tenor	6% p.a., for 6 years (can extend to 10 years for post-operational needs)	11.5% p.a. fixed rate, up to 10 years
Financing Source	State-owned banks (Himbara)	State-owned Brazil Development Bank (BNDES)
Subsidy Scheme	Unclear; government subsidy mechanism still being finalized	Institutionalized, backed by federal budget
Investment Focus	Broad coverage with multi-service offerings per village	Deep, capital-intensive (infra, processing, logistics)

Source: Various, Indo Premier

As of 2024, around 300-400 agricultural cooperatives have accessed PRODECOOP credit, with investments largely directed toward infrastructure such as silos and processing facilities. While the scale is smaller than KDMP, PRODECOOP delivers deeper support, with fewer cooperatives receiving larger per-unit investments. Most notably, PRODECOOP supports capital-intensive projects, with individual cooperative investments ranging from R\$2mn–R\$20mn, (US\$370k–US\$3.7mn). In contrast, Indonesia's KDMP caps cooperative financing at Rp3bn (US\$180k), focusing on broad national coverage rather than deep investment.

Fig. 6: BBRI's P/BV – now trading at 1.8x FY25F P/BV vs. 10-year average of 2.4x P/BV



Source: Bloomberg, Company, Indo Premier

Fig. 7: BBRI's P/E – now trading at 10.3x FY25F P/E vs. 10-year average of 14.7x P/E



Source: Bloomberg, Company, Indo Premier

Fig. 8: Peer comparison table

Ticker	Closing Price	Target Price	P/BV multiple target (x)	Upside	Recommendation	P/E (x)			P/BV (x)		
						FY25F	FY26F	10Y Avg	FY25F	FY26F	10Y Avg
BBCA	8,625	10,400	4.3	21%	Buy	18.6	17.1	21.2	3.8	3.5	3.8
BBRI	3,880	4,700	2.1	21%	Buy	10.3	9.2	14.7	1.8	1.8	2.4
BMRI	4,970	7,100	2.0	43%	Buy	7.9	7.2	11.6	1.4	1.3	1.7
BBNI	4,180	4,500	0.9	8%	Hold	7.3	6.7	10.4	0.9	0.8	1.1
BBTN	1,195	1,450	0.6	21%	Buy	5.2	4.7	6.9	0.5	0.4	0.8
BRIS*	2,780	3,500	2.7	26%	Buy	15.8	14.0	15.9	2.5	2.1	2.2

Source: Bloomberg, Company, Indo Premier
*4Y avg

Share price closing as of: 11 July 2025

Income Statement (Rp bn)	2023A	2024A	2025F	2026F	2027F
Interest income	178,202	198,348	203,437	217,259	231,624
Interest expense	(43,813)	(57,209)	(58,519)	(61,541)	(65,212)
Net interest income	134,390	141,139	144,919	155,718	166,412
Non-interest income	56,564	76,016	66,980	71,407	76,407
Total operating income	190,954	217,155	211,899	227,125	242,818
Opex	(84,446)	(100,402)	(97,091)	(102,841)	(107,653)
PPOP	106,508	116,752	114,807	124,284	135,166
Provisions	(29,679)	(38,174)	(41,820)	(42,332)	(46,570)
Operating profit	76,829	78,578	72,988	81,953	88,596
Non-operating profit	(399)	(979)	(1,068)	(1,166)	(1,272)
Pre-tax profit	76,430	77,599	71,920	80,787	87,324
Income tax	(16,005)	(16,955)	(14,598)	(16,391)	(17,719)
Minority interest	(325)	(489)	(477)	(511)	(547)
Net profit	60,100	60,155	56,845	63,885	69,058

Balance Sheet (Rp bn)	2023A	2024A	2025F	2026F	2027F
Cash + CA with BI	133,513	118,663	125,986	133,639	142,856
Secondary reserves	452,150	426,771	418,302	397,387	369,570
Gross loans	1,211,421	1,348,207	1,439,774	1,583,914	1,742,483
Loan provisions	(81,018)	(80,898)	(78,276)	(84,830)	(92,039)
Other assets	248,941	180,241	189,381	208,319	229,151
Total Assets	1,965,007	1,992,983	2,095,167	2,238,429	2,392,020
Total deposits	1,367,444	1,371,332	1,467,325	1,594,508	1,732,797
Securities and borrowings	151,332	169,180	169,180	169,180	169,180
Other liabilities	129,759	129,283	129,283	129,283	129,283
Total liabilities	1,648,535	1,669,794	1,765,788	1,892,971	2,031,260
Shareholders' equity	316,472	323,189	329,379	345,458	360,760
Total liabilities & equity	1,965,007	1,992,983	2,095,167	2,238,429	2,392,020

Growth YoY	2023A	2024A	2025F	2026F	2027F
Gross loans	11.2%	11.3%	6.8%	10.0%	10.0%
Total assets	5.3%	1.4%	5.1%	6.8%	6.9%
Total deposits	4.1%	0.3%	7.0%	8.7%	8.7%
Net interest income	8.1%	5.0%	2.7%	7.5%	6.9%
Non-interest income	15.2%	34.4%	-11.9%	6.6%	7.0%
Total operating income	10.1%	13.7%	-2.4%	7.2%	6.9%
Operating expense	2.7%	18.9%	-3.3%	5.9%	4.7%
PPOP	16.7%	9.6%	-1.7%	8.3%	8.8%
Net profit	17.5%	0.1%	-5.5%	12.4%	8.1%

Key Ratios	2023A	2024A	2025F	2026F	2027F
ROAA	3.1%	3.0%	2.8%	2.9%	3.0%
ROAE	19.5%	19.1%	17.7%	19.3%	19.9%
NIM	8.2%	8.2%	8.1%	8.2%	8.2%
Credit cost	2.6%	3.0%	3.0%	2.8%	2.8%
Cost/income	44.2%	46.2%	45.8%	45.3%	44.3%
LDR	88.6%	98.3%	98.1%	99.3%	100.6%
CAR	27.3%	26.6%	25.0%	24.6%	24.0%
NPL ratio	2.8%	2.4%	2.3%	2.2%	2.2%
Provisions/NPL	241.7%	254.4%	237.0%	238.4%	239.7%

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

ANALYSTS CERTIFICATION

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