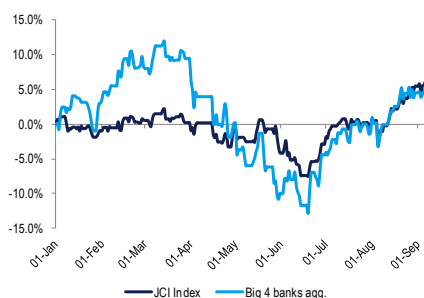


Sector Index Performance

	3M	6M	12M
Absolute	13.2%	-4.2%	9.9%
Relative to JCI	2.5%	-8.9%	-1.1%



Summary Valuation Metrics

P/E (x)	2024F	2025F	2026F
BBCA IJ	23.2	21.1	19.5
BBRI IJ	12.7	11.4	10.2
BMRI IJ	12.0	10.7	9.6

P/BV (x)	2024F	2025F	2026F
BBCA IJ	4.8	4.5	4.1
BBRI IJ	2.5	2.3	2.2
BMRI IJ	2.4	2.2	2.0

Div. Yield	2024F	2025F	2026F
BBCA IJ	2.7%	3.0%	3.3%
BBRI IJ	6.6%	6.8%	7.6%
BMRI IJ	5.0%	5.1%	5.7%

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Assessing the rate cut beneficiaries

- With Fed is expected to cut by 25bp in Sep (50bp for FY24), we expect BI to follow suit of which we currently forecast a 50bp rate cut.
- This shall benefits banks with: 1) highest fixed rate loan exposure, 2) low CASA ratio and 3) lower proportion of FX rate loan.
- We found BBRI to be the biggest beneficiary of rate cut scenario; it also has the highest multiple's sensitivity during lower rate cycle.

Imminent rate cuts

Given the recent dovish statement by the Fed, we believe that it will be sooner than later before the Fed to start cutting the FFR. Currently market is expecting 25bp cut in Sep and 50bp for the rest of 2024. At the same time, we think that BI will follow suit amid: 1) benign inflation (at 2.12% yoy/-0.03% mom, note that CPI has recorded consecutive mom deflation in the last 4 months) and 2) improving currency outlook (Rupiah has strengthened by 6% since its low or at flat YTD). We currently expect 50bps BI rate cut in FY24F.

Banks with biggest fixed rate loan, lower proportion of FX loan and lowest CASA shall be the biggest beneficiaries

We believe that rate cut shall benefitted banks with highest proportion of fixed rate loan i.e. consumer/micro, lowest CASA ratio (higher TD proportion) and low proportion of FX loan. Among the big 4 banks, BBRI has the highest fixed rate loan proportion at 61%, followed by BBKA/BMRI/BBNI at 49/36/18%. At the same time, BBKA and BBRI have the lowest FX exposure at 5% and 10% (BMRI/BBNI at 19/21%). BBRI also has the lowest CASA ratio at 63% followed by BBNI/BMRI/BBKA at 69/79/82%.

We found BBRI to be the biggest beneficiary of rate cut

Based on our base case scenario i.e. lower floating rate loan yield and TD rate, for every 25bp cut shall translate to +1.4% FY25F EPS for BBRI and +0.2-0.5% for the rest. Our worst case scenario assumes that all floating and managed rate portfolio will be adjusted lower (by 25bp) while being offset by lower TD rate; we found no impact for BBRI but -0.8%, -2.3% and -3.7% for BBKA, BMRI and BBNI. Accordingly, for every 25bp drop in FX loan yield shall translate to -0.2/-0.4/-1/-1.5% for BBKA/BBRI/BMRI/BBNI. Worth noting that BMRI's FX yield spread stood at 4.6% vs. BBNI at 3%.

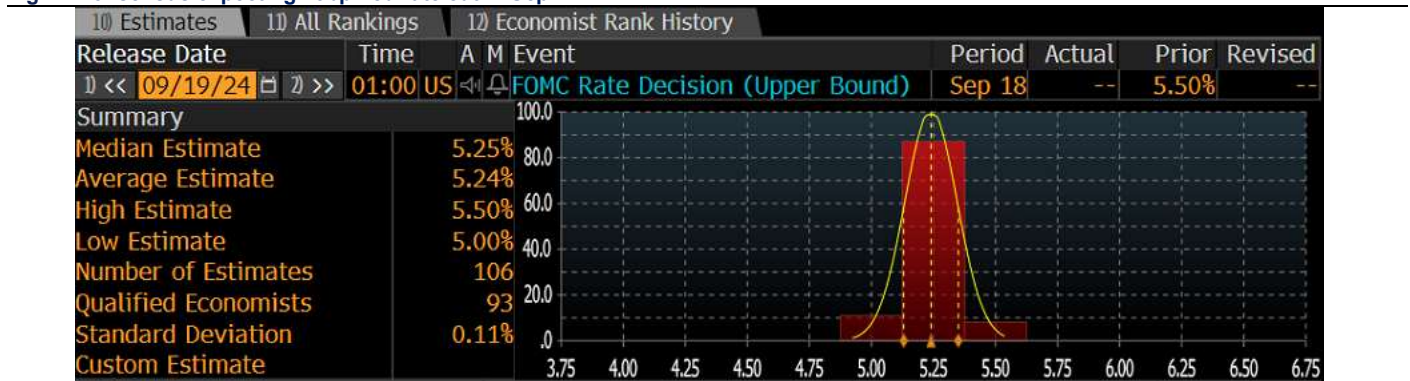
BMRI and BBKA can offset the -ve impact from rate cut from robust loan growth

We understand that we can't solely isolate the impact of rate cut to NIM as usually rate cut also translate to better deposit growth (i.e. in 2016,2019,2021 deposit grew by 10/11/12%) and as such, we believe that banks with strong deposit franchise like BBKA and BMRI shall able to offset the drop on its NIM with higher loan growth – note that both BBKA and BMRI loan grew by 14% yoy/1% mom and 23% yoy/2% mom in Jul24 vs. BBRI/BBNI 9% yoy/flat mom and 11% yoy/flat mom. While BMRI and BBKA savings also grew by 12% yoy/1% mom and 5% yoy/1% mom%.

Maintain OW with BMRI and BBRI as our top picks

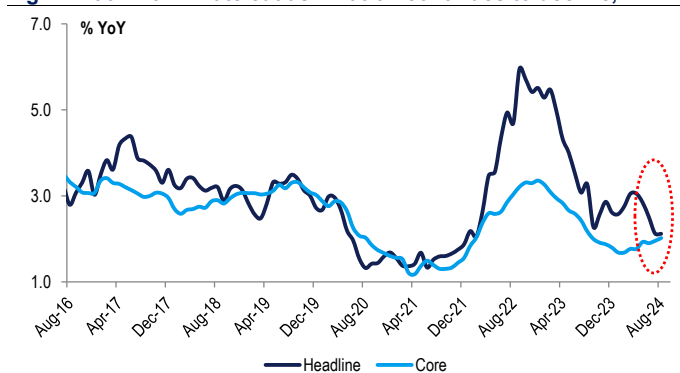
Accordingly, we found that BBRI has the highest multiple sensitivity during rate cut period and along with improving CoC outlook (we expect tangible improvement as early as 3Q results), we think that it may outperform the rests. We continue to like BMRI amid its structural CASA growth story which shall enable them to command significant loan market share going forward.

Fig. 1: Consensus expecting 25bp Fed rate cut in Sep24



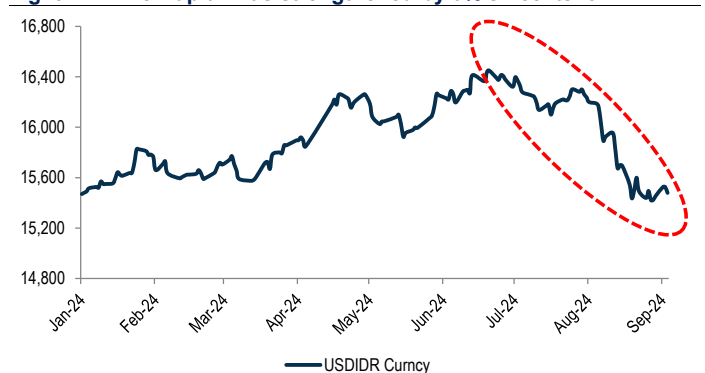
Source: Bloomberg

Fig. 2: Room for BI rate cut as inflation continues to decline,...



Source: BPS, Indo Premier

Fig. 3:... while Rupiah has strengthened by 6% since its low



Source: Bloomberg, Indo Premier

Fig. 4: Rate cut sensitivity analysis on FY25F earnings (1/3)

Scenario 1: Floating loan yield and TD rate dropped -25bp	BBCA	BBRI	BMRI	BBNI
Asset yield (bp)	-2	-1	-4	-5
Loan yield (bp)	-3	-1	-5	-7
Secondary reserves yield (bp)	0	0	0	0
CoF (bp)	-5	-8	-6	-7
TD CoF (bp)	-25	-25	-25	-25
Impact to NIM (bp)	2	6	1	1
Interest income impact (Rp bn)	(273)	(168)	(936)	(526)
% of base case	-0.3%	-0.1%	-0.6%	-0.8%
Interest expense impact (Rp bn)	593	1,346	1,122	680
% of base case	-4.6%	-2.8%	-2.5%	-2.9%
Net profit impact (Rp bn)	260	941	151	126
% of base case	0.4%	1.4%	0.2%	0.5%

Source: Indo Premier

Fig. 5: Rate cut sensitivity analysis on FY25F earnings (2/3)

Scenario 2: Floating + managed rate loan yield and TD rate dropped -25bp	BBCA	BBRI	BMRI	BBNI
Asset yield (bp)	-8	-7	-13	-15
Loan yield (bp)	-13	-10	-16	-21
Secondary reserves yield (bp)	0	0	0	0
CoF (bp)	-5	-8	-6	-7
TD CoF (bp)	-25	-25	-25	-25
Impact to NIM (bp)	-4	0	-8	-9
Interest income impact (Rp bn)	(1,159)	(1,343)	(2,722)	(1,596)
% of base case	-1.1%	-0.7%	-1.7%	-2.3%
Interest expense impact (Rp bn)	593	1,346	1,122	680
% of base case	-4.6%	-2.8%	-2.5%	-2.9%
Net profit impact (Rp bn)	(458)	2	(1,296)	(749)
% of base case	-0.8%	0.0%	-2.0%	-3.2%

Source: Indo Premier

Fig. 6: Rate cut sensitivity analysis on FY25F earnings (3/3)

Scenario 3: FX loan yield dropped -25bp	BBCA	BBRI	BMRI	BBNI
Asset yield (bp)	-1	-2	-4	-4
Loan yield (bp)	-1	-3	-5	-5
Secondary reserves yield (bp)	0	0	0	0
CoF (bp)	0	0	0	0
TD CoF (bp)	0	0	0	0
Impact to NIM (bp)	-1	-2	-4	-4
Interest income impact (Rp bn)	(119)	(346)	(805)	(414)
% of base case	-0.1%	-0.2%	-0.5%	-0.6%
Interest expense impact (Rp bn)	0	0	0	0
% of base case	0.0%	0.0%	0.0%	0.0%
Net profit impact (Rp bn)	(97)	(276)	(652)	(339)
% of base case	-0.2%	-0.4%	-1.0%	-1.5%

Source: Indo Premier

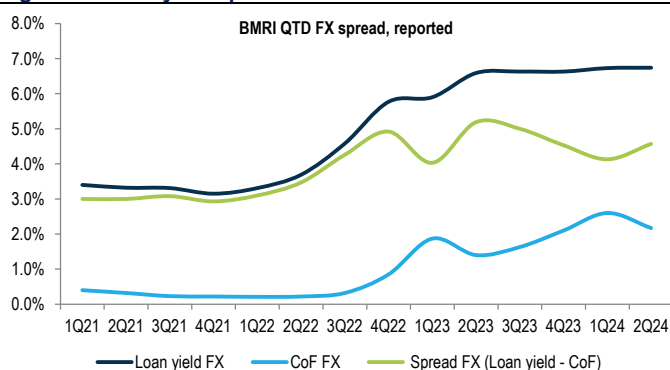
Fig. 7: Assumption used for sensitivity analysis

As of Jun-24	BBCA	BBRI	BMRI	BBNI
Loan by rate type¹				
Fixed rate	49%	61%	36%	18%
Floating rate	12%	5%	22%	27%
Managed rate	39%	35%	42%	55%
Loan by currency				
IDR	95%	90%	81%	79%
FX	5%	10%	19%	21%
Deposit mix				
CASA	82%	63%	79%	69%
TD	18%	37%	21%	31%

Source: Company, Indo Premier

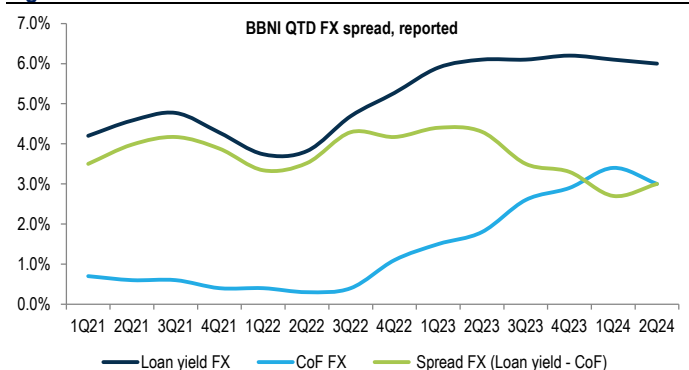
1: from company, our channel check suggest most banks' secondary reserves rate are fixed

Fig. 8: BMRI FX yield spread stood at 4.6% ...



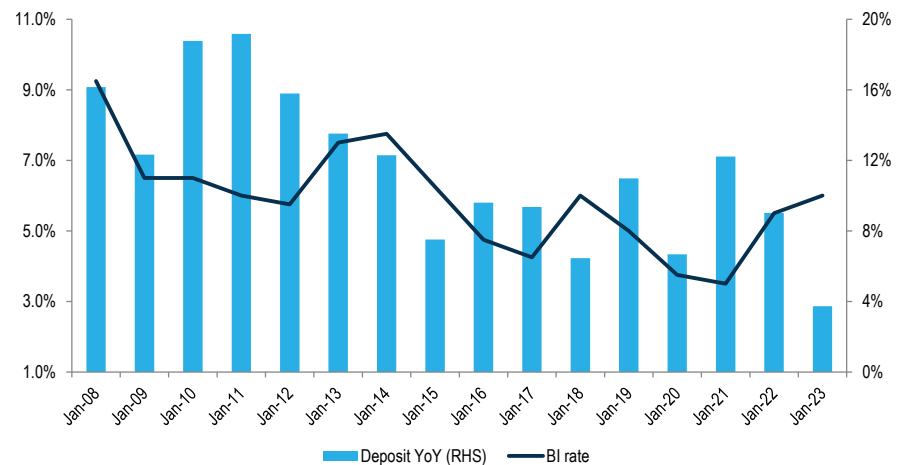
Source: Company, Indo Premier

Fig. 9: ... vs. BBNI of 3.0% in 2Q24



Source: Company, Indo Premier

Fig. 10: Rate cut vs. industry deposit growth



Source: OJK, CEIC, Indo Premier

Fig. 11: Loans summary

Loans (Rp tr)	Jul-24	Jul-23	YoY%	Jun-24	MoM%
BBCA	832	727	14%	825	1%
BBRI	1,204	1,109	9%	1,207	0%
BMRI	1,216	985	23%	1,196	2%
BBNI	719	647	11%	715	0%
Big 4	3,971	3,468	15%	3,943	1%

Source: Company, Indo Premier

Fig. 12: Deposit summary

Deposit	Jul-24	Jul-23	YoY%	Jun-24	MoM%
BBCA	1,102	1,063	4%	1,105	0%
BBRI	1,384	1,230	13%	1,385	0%
BMRI	1,297	1,149	13%	1,315	-1%
BBNI	738	720	2%	761	-3%
Big 4	4,520	4,162	9%	4,566	-1%

Source: Company, Indo Premier

Fig. 13: CASA summary

CASA (Rp tr)	Jul-24	Jul-23	YoY%	Jun-24	MoM%
BBCA	906	863	5%	908	0%
BBRI	877	795	10%	879	0%
BMRI	1,042	900	16%	1,048	-1%
BBNI	524	513	2%	542	-3%
Big 4	3,348	3,071	9%	3,377	-1%

Source: Company, Indo Premier

Fig. 14: TD summary

TD (Rp tr)	Jul-24	Jul-23	YoY%	Jun-24	MoM%
BBCA	196	200	-2%	197	0%
BBRI	507	434	17%	506	0%
BMRI	256	249	3%	267	-4%
BBNI	214	207	3%	220	-3%
Big 4	1,172	1,090	8%	1,189	-1%

Source: Company, Indo Premier

Fig. 15: CA summary

CA (Rp tr)	Jul-24	Jul-23	YoY%	Jun-24	MoM%
BBCA	346	332	4%	353	-2%
BBRI	358	286	25%	359	0%
BMRI	550	462	19%	560	-2%
BBNI	285	286	0%	302	-6%
Big 4	1,539	1,366	13%	1,574	-2%

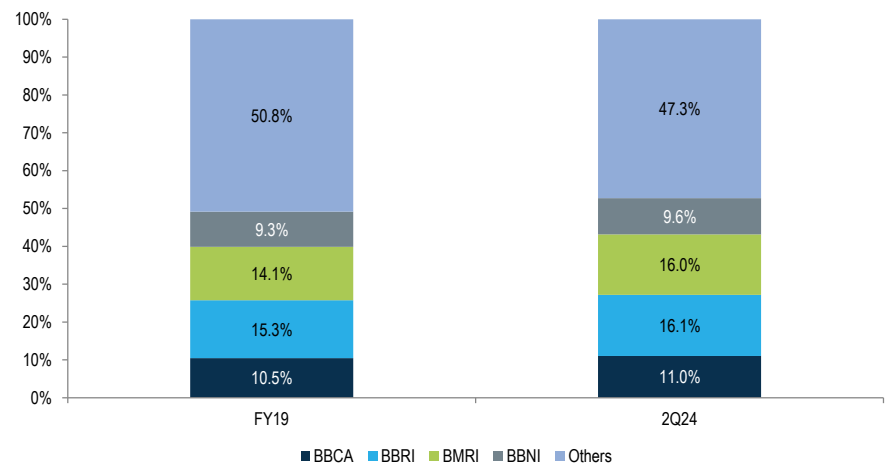
Source: Company, Indo Premier

Fig. 16: SA summary

SA (Rp tr)	Jul-24	Jul-23	YoY%	Jun-24	MoM%
BBCA	560	531	5%	556	1%
BBRI	519	509	2%	519	0%
BMRI	492	438	12%	488	1%
BBNI	239	227	5%	240	0%
Big 4	1,809	1,705	6%	1,803	0%

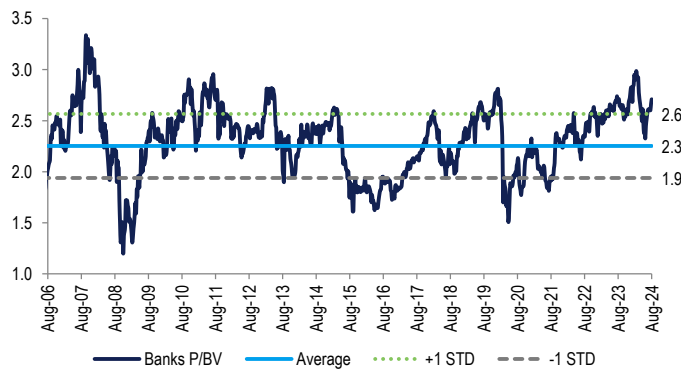
Source: Company, Indo Premier

Fig. 17: Big 4 bank-only loan market share in FY19 vs. 2Q24



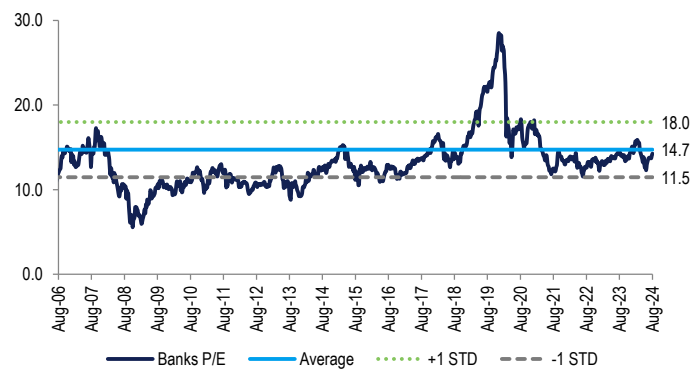
Source: OJK, Company, Indo Premier

Fig. 18: Banks' forward P/BV – now trading at 2.9x FY24F P/BV vs. 10-year average of 2.3x P/BV



Source: Bloomberg, Company, Indo Premier

Fig. 19: Banks' forward P/E – now trading at 15.4x FY24F P/E vs. 10-year average of 14.7x P/E



Source: Bloomberg, Company, Indo Premier

Fig. 20: Peer comparison table

Ticker	Closing Price	Target Price	P/BV multiple target (x)	Upside	Recommendation	P/E (x)			P/BV (x)		
						FY24F	FY25F	10Y Avg	FY24F	FY25F	10Y Avg
BBKA	10,300	10,400	4.7	1%	Buy	23.2	21.1	21.0	4.8	4.5	3.7
BBRI	5,225	5,800	2.6	11%	Buy	12.7	11.4	14.7	2.5	2.3	2.4
BMRI	7,250	7,800	2.4	8%	Buy	12.0	10.7	11.9	2.4	2.2	1.7
BBNI	5,650	5,600	1.1	-1%	Hold	10.0	9.1	10.7	1.3	1.2	1.1
BBTN	1,405	1,580	0.7	12%	Buy	6.4	5.4	6.9	0.6	0.5	0.8
BRIS*	2,630	2,600	2.4	-1%	Buy	18.1	16.3	16.1	2.8	2.4	2.2

Source: Bloomberg, Company, Indo Premier
*3Y avg

Share price closing as of: 06 September 2024

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- 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

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