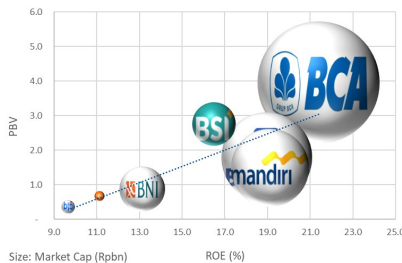


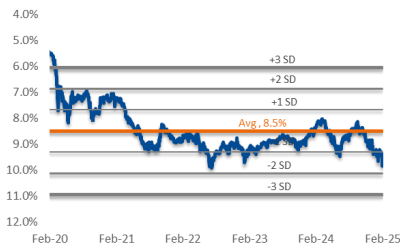
Neutral

(Maintained)

Sector's FY25F PBV-ROE matrix



Sector's implied cost of equity



Source: Company, Bloomberg, BRIDS Estimates

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Banks

Beware of catching the falling knives

- Bank valuations have derated, but PBV valuations have yet to hit bottom in the past two downcycles, i.e., 2015-2016 and 2019-2020.
- We see banks continuing to face asset quality risk and tight liquidity, with persistent foreign outflows and local fund position still elevated.
- Maintain Neutral rating on the sector with BBKA as our top pick, followed by BTPS and BRIS given their better CoF and NPL outlooks.

Valuation downside might still prevail

Following FY24 earnings results from several banks in January, the banking sector's share price fell by 7% MTD (vs. JCI's -6%), led by BMRI (-17%) and BBNI (-13%). However, we believe banks are not out of the woods yet as the sector is currently trading at 2.1x PBV, -0.5SD of its 15-year average, still above the lows seen in previous cycles, i.e., 1.5x PBV (-2.5SD) in 2015-2016 and 1.4x PBV (-3SD) in 2019-2020.

Big banks' valuation has depressed but yet to reach its historical bottom

The big banks have not yet reached their valuation bottoms in the last two downcycles, partly driven by the NPL upcycle (2015-2016 and 2019-2020). Only BBRI has seen its valuation return to 2015-2016 levels, where it declined by 44% (vs. current 43%). While asset quality concerns are not as pronounced as during the COVID-19 pandemic, it is worth noting that the current situation is still plagued by tight liquidity, contrary to previous cycles, which saw loosening liquidity trends, as reflected in big banks' CoF. As such, we think that there is still downside risk to valuation, which could fall below -1SD of its 15-year historical average.

As noted in our previous report, we see risks from persistently tight liquidity and asset quality. These risks could lead to compressed NIM and higher credit costs for FY25F, which we believe have yet to be fully priced in.

Foreign outflow dragged valuation, banks are still in overweight position

BBKA has experienced the largest foreign outflows YTD 2025, offsetting inflows from the past two years. BMRI and BBNI have also seen continued outflows since FY24. By end of Jan25, most big banks, aside from BBRI, had relatively high foreign mutual fund positions, suggesting selling pressure may continue. BBKA and BBRI are the only banks where local fund positions are neutral relative to their respective weightings.

Maintain Neutral, with BBKA remaining as our top pick

Despite outperforming peers, we continue to favor BBKA, BTPS, and BRIS due to their resilient CoF and stronger asset quality outlooks. We expect AGMs and 1Q25 results in Mar-Apr25 to remain overhang in the short term, in addition to global macro uncertainties. Key risks to our view include a stronger-than-expected Rupiah, liquidity, and asset quality.

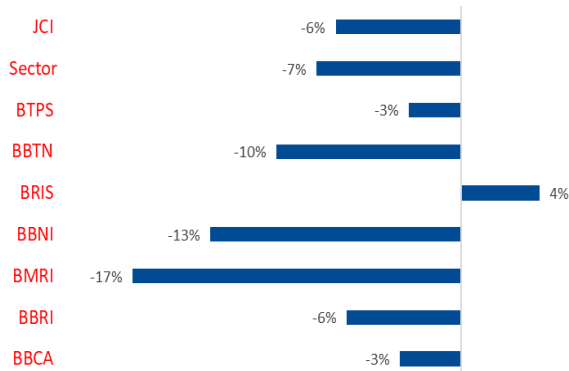
Company	Ticker	Rec	Target Price (Rp)	Market Cap. (RpBn)	P/E (x)		P/BV (x)		ROE (%) 2025F
					2024F	2025F	2024F	2025F	
Bank Central Asia	BBKA IJ	BUY	11,900	1,118,721.5	20.4	19.2	4.3	4.0	21.4
Bank Rakyat Indonesia	BBRI IJ	Non-Rated	n/a	607,751.6	n/a	n/a	n/a	n/a	n/a
Bank Mandiri	BMRI IJ	BUY	5,900	455,466.7	8.2	8.1	1.6	1.5	19.1
Bank Negara Indonesia	BBNI IJ	BUY	5,100	151,800.1	7.1	6.9	0.9	0.9	13.1
Bank Syariah Indonesia	BRIS IJ	HOLD	2,900	138,387.8	19.8	17.6	3.1	2.8	16.5
Bank Tabungan Negara	BBTN IJ	BUY	1,400	12,911.7	4.0	3.9	0.4	0.4	9.7
Bank BTPN Syariah	BTPS IJ	BUY	1,200	6,817.8	6.5	6.2	0.7	0.7	11.1

Beware of catching the falling knives

Valuation downside risk might still prevail

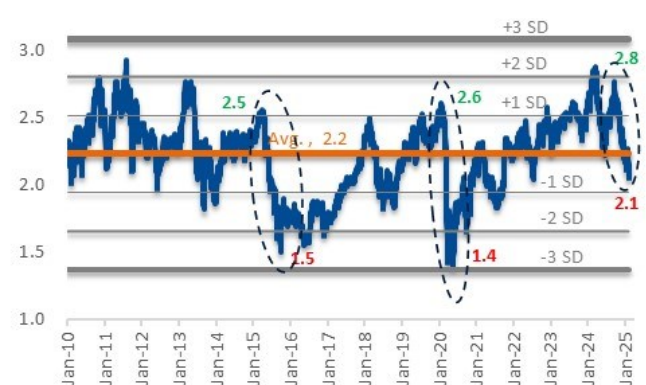
Following FY24 earnings results from several banks in January, the banking sector's share price fell by 7% MTD (vs. JCI's -6%), led by BMRI (-17%) and BBNI (-13%). However, we believe banks are not out of the woods yet as the sector is currently trading at 2.1x PBV, -0.5SD of its 15-year average, still above the lows seen in previous cycles, i.e., 1.5x PBV (-2.5SD) in 2015-2016 and 1.4x PBV (-3SD) in 2019-2020.

Exhibit 1. MTD share price performance



Source: Bloomberg, BRIDS

Exhibit 2. Blended forward 12-month PBV ratio



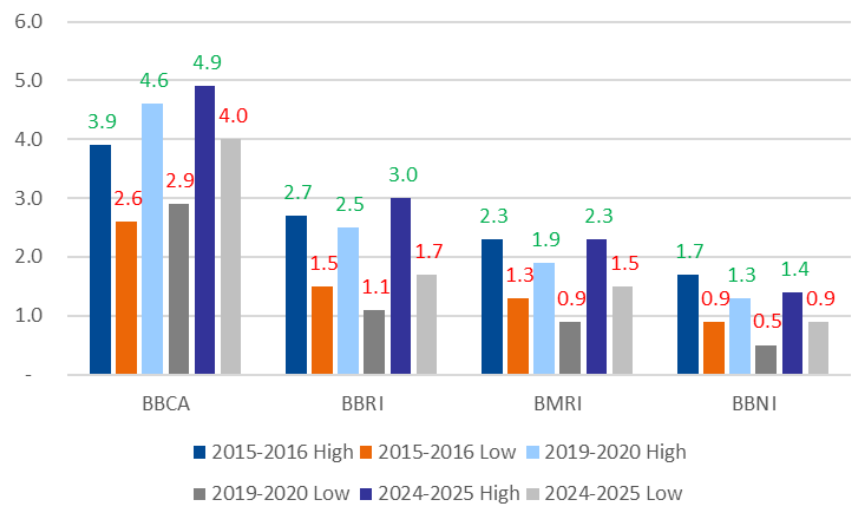
Source: Company, Bloomberg, BRIDS Estimates

Big banks' valuation has depressed but yet to reach its historical bottom

The big banks have not yet reached their valuation bottoms in the last two downcycles, partly driven by the NPL upcycle (2015-2016 and 2019-2020). Only BBRI has seen its valuation return to 2015-2016 levels, where it declined by 44% (vs. current 43%). While asset quality concerns are not as pronounced as during the COVID-19 pandemic, it is worth noting that the current situation is still plagued by tight liquidity, contrary to previous cycles, which saw loosening liquidity trends, as reflected in big banks' CoF. As such, we think that there is still downside risk to valuation, which could fall below -1SD of its 15-year historical average.

As noted in our previous report, we see risks from persistently tight liquidity and asset quality. These risks could lead to compressed NIM and higher credit costs for FY25F, which we believe have yet to be fully priced in.

Exhibit 3. Blended forward 12-month PBV ratio



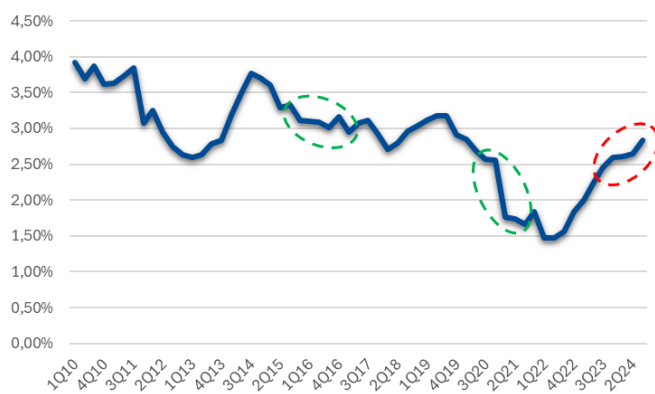
Source: Bloomberg, BRIDS

Exhibit 4. Changes in PBV ratio from high to low

Changes in PBV		BBCA	BBRI	BMRI	BBNI
2015-2016	PBV	(1.3)	(1.2)	(1.0)	(0.8)
	%	-33%	-44%	-43%	-47%
2019-2020	PBV	(1.7)	(1.4)	(1.0)	(0.8)
	%	-37%	-56%	-53%	-62%
2024-2025	PBV	(0.9)	(1.3)	(0.8)	(0.5)
	%	-18%	-43%	-35%	-36%

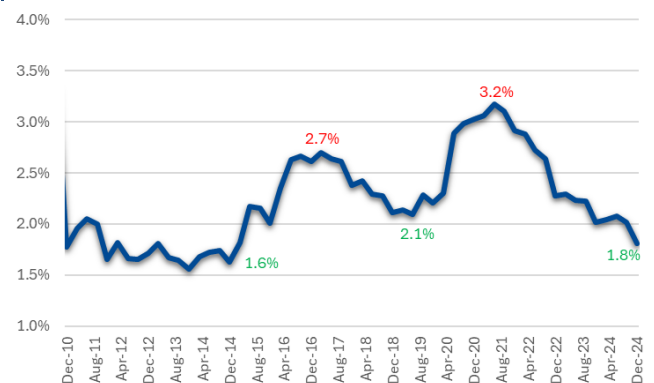
Source: Bloomberg, BRIDS

Exhibit 5. Big 4 banks average CoF ratio



Source: Companies, BRIDS

Exhibit 6. Big 4 banks average NPL ratio



Source: Companies, BRIDS

Exhibit 7. Banks' P/BV StDev and price

	P/BV (x)	P/BV (5-year)		Curr. to StDev	Prices at x StDev (Rp)		
	2025F	mean	StDev		x: -1	x: -2	x: -3
BBCA	4.0	4.2	0.4	(0.49)	8,725	7,925	7,125
BBRI*	1.8	2.1	0.4	(0.85)	3,850	3,010	2,170
BMRI	1.5	1.7	0.3	(0.44)	4,400	3,330	2,270
BBNI	0.9	1.0	0.2	(0.62)	3,820	2,970	2,110
BRIS*	2.8	2.3	0.7	0.79	1,740	1,000	260
BBTN	0.4	0.6	0.1	(2.03)	1,270	950	640
BTPS*	0.7	1.3	0.4	(1.38)	1,110	550	n.a

*Note: BBRI: cons numbers, BRIS: avg. since merger, BTPS: avg. 2-year

Source: Company, BRIDS Estimates

TD rate changes: possible impact on CoF

Effective June 14, 2024, BBCA decreased its base TD rate by 15bps for the 1-month tenor for funds under Rp2bn, while BBRI increased its base TD rate by 10bps for the same tenor. In our view, these changes are likely to be reflected in the banks' 1Q25 CoF, particularly for BBCA, as time deposits with a 1-month tenor made up 62% of its total customer deposits as of 3Q24.

Exhibit 8. Big 4 banks' TD rate changes effective 1 Feb'25

<Rp2bn	Time Deposit Rates as of 1 Feb'25									
	1m	Δ bps	3m	Δ bps	6m	Δ bps	12m	Δ bps	24m	Δ bps
BBCA	3.10%	(15)	3.00%	-	2.25%	-	2.00%	-	n.a	-
BBRI	3.35%	10	3.50%	-	3.00%	-	3.00%	-	3.00%	-
BMRI	2.25%	-	2.25%	-	2.50%	-	2.50%	-	2.50%	-
BBNI	2.25%	-	2.50%	-	2.75%	-	3.00%	-	3.00%	-

Source: Company, BRIDS

Exhibit 9. Big 4 banks' TD portion by tenor (as of 3Q24)

	3Q24 TD Portion			
	BBCA	BBRI	BMRI	BBNI
1-month	62%	18%	41%	4%
3-month	34%	65%	51%	27%
6-month	2%	10%	5%	28%
12-month	2%	7%	3%	11%
> 12-month	n.a	0%	0%	31%

Source: Company, BRIDS

Foreign outflow dragged valuation, banks are still in overweight position

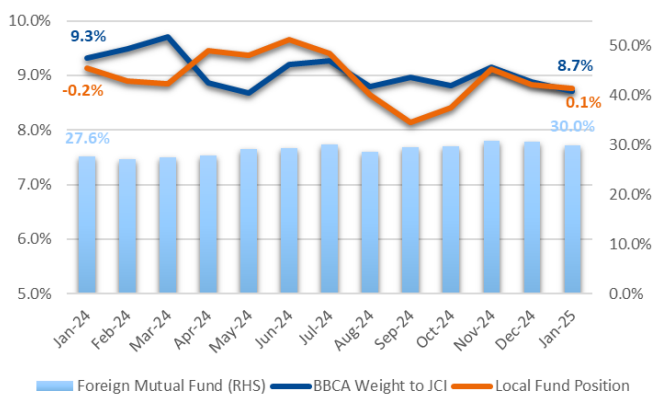
BBCA has experienced the largest foreign outflows YTD 2025, offsetting inflows from the past two years. BMRI and BBNI have also seen continued outflows since FY24. By the end of January 2025, most big banks, aside from BBRI, had relatively high foreign mutual fund positions, suggesting selling pressure might still continue. BBCA and BBRI are the only banks where local fund positions are Neutral relative to their respective weightings.

Exhibit 10. 7 Banks' foreign flows (as of 7 Feb25)

Rpbn	Foreign Flow		
	2023	2024	YTD 2025
BBRI	5,834	(37,692)	20
BBCA	746	841	(3,665)
BMRI	463	(1,420)	(2,216)
BBNI	3,530	(914)	(368)
BRIS	645	1,797	164
BBTN	(219)	272	(54)
BTPS	(1,065)	(579)	10

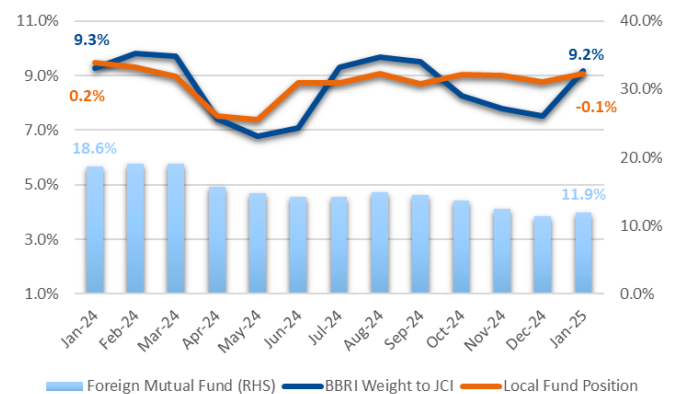
Source: IDX, BRIDS, Bloomberg

Exhibit 11. BBCA's weighting and fund position



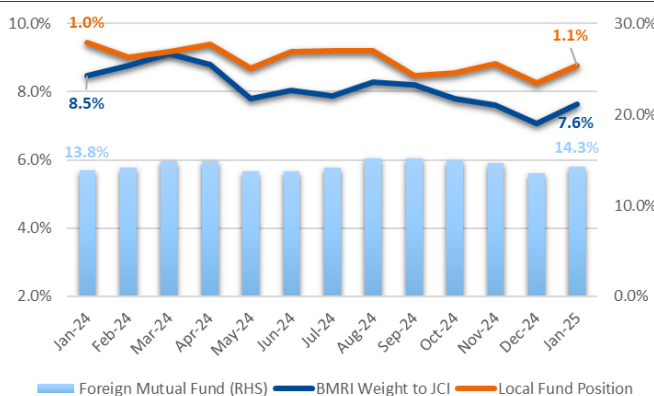
Source: KSEI, BRIDS

Exhibit 12. BBRI's weighting and fund position



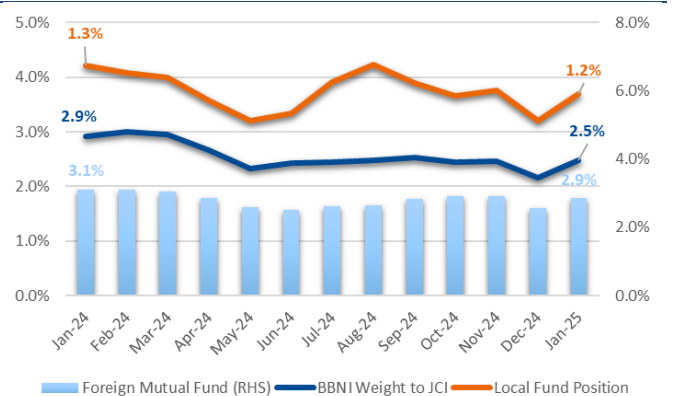
Source: KSEI, BRIDS

Exhibit 13. BMRI's weighting and fund position



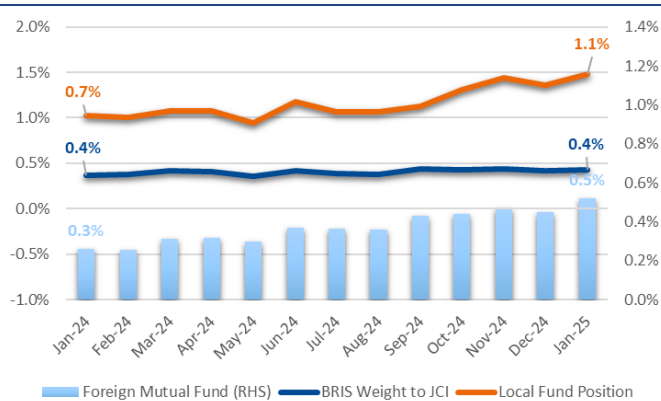
Source: KSEI, BRIDS

Exhibit 14. BBNI's weighting and fund position



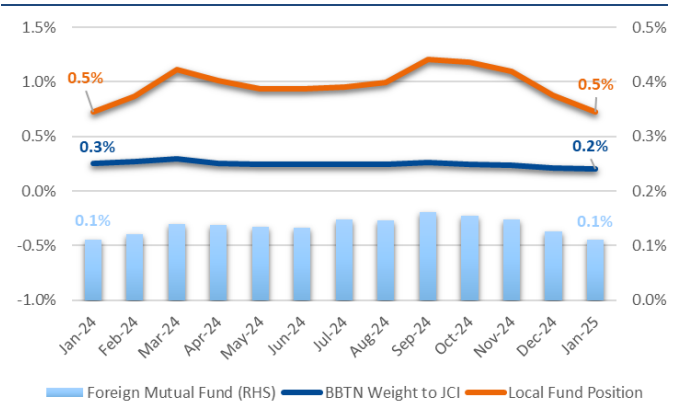
Source: KSEI, BRIDS

Exhibit 15. BRIS's weighting and fund position



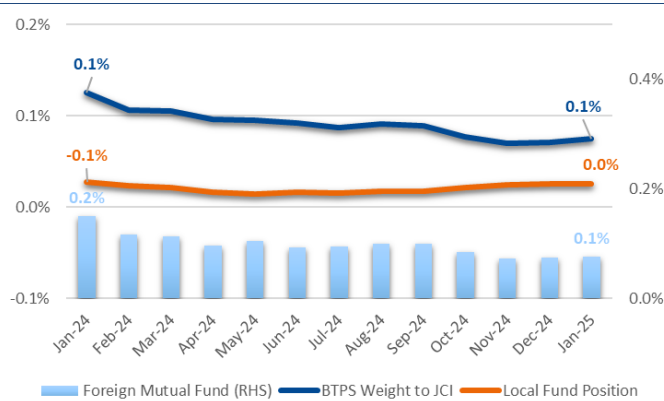
Source: KSEI, BRIDS

Exhibit 16. BBTN's weighting and fund position



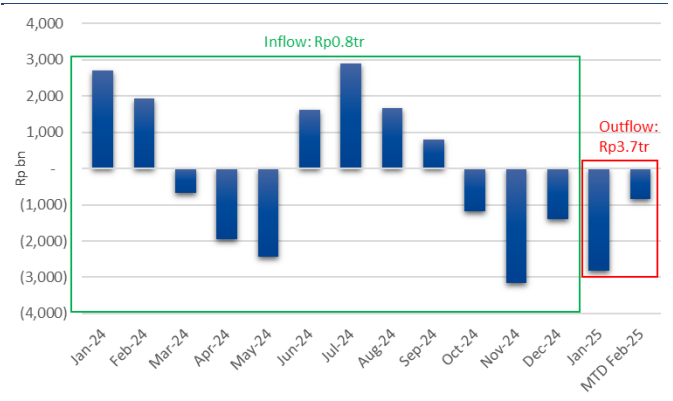
Source: KSEI, BRIDS

Exhibit 17. BTPS's weighting and fund position



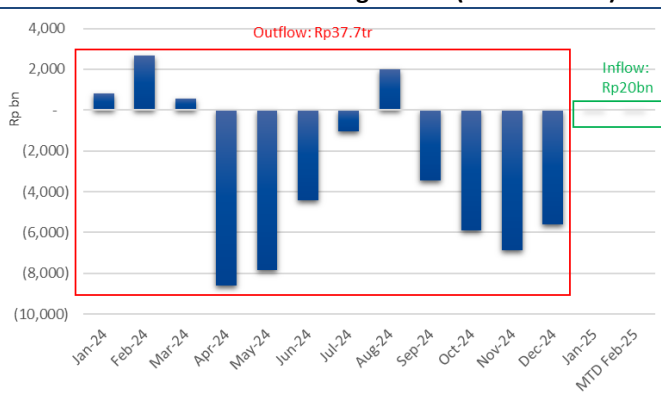
Source: KSEI, BRIDS

Exhibit 18. BBKA's historical foreign flows (as of 7 Feb25)



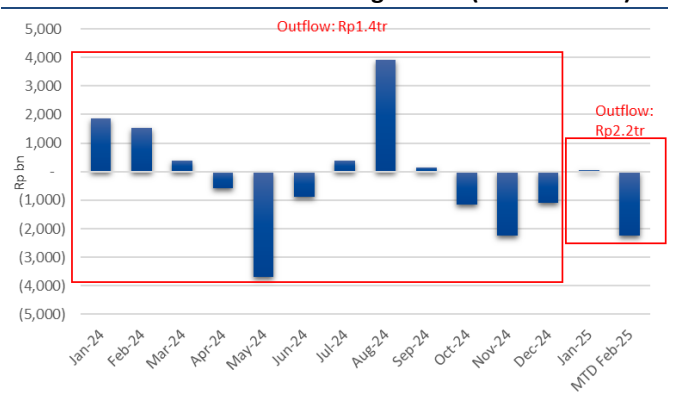
Source: IDX, BRIDS

Exhibit 19. BBRI's historical foreign flows (as of 7 Feb25)

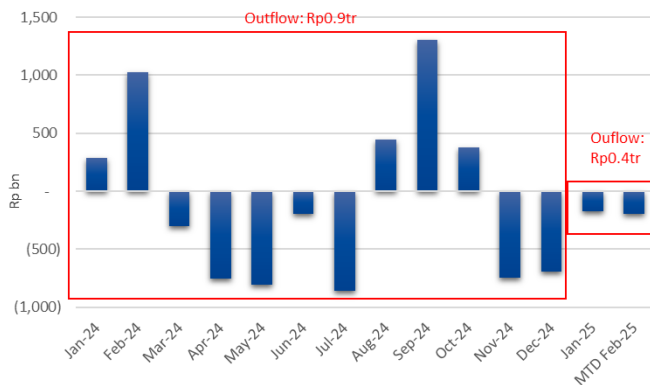


Source: IDX, BRIDS

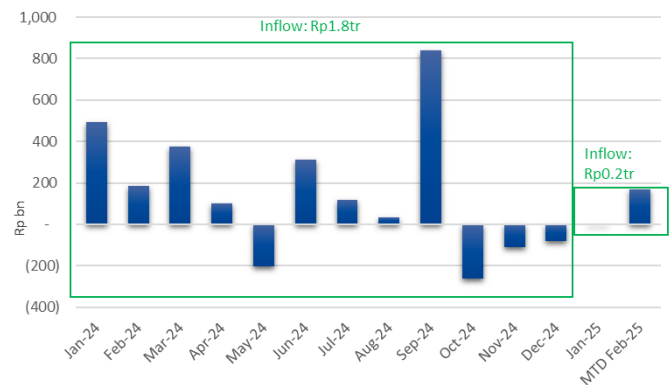
Exhibit 20. BMRI's historical foreign flows (as of 7 Feb25)



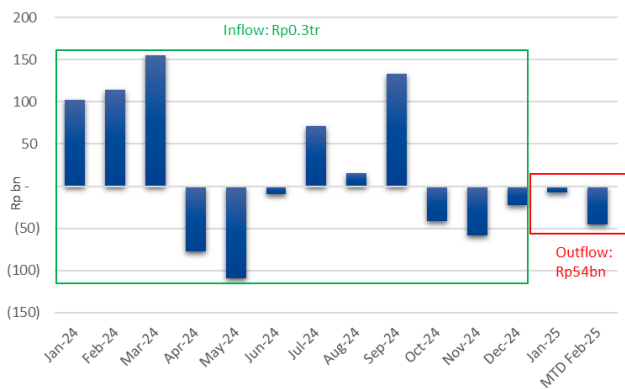
Source: IDX, BRIDS

Exhibit 21. BBNI's historical foreign flows (as of 7 Feb25)


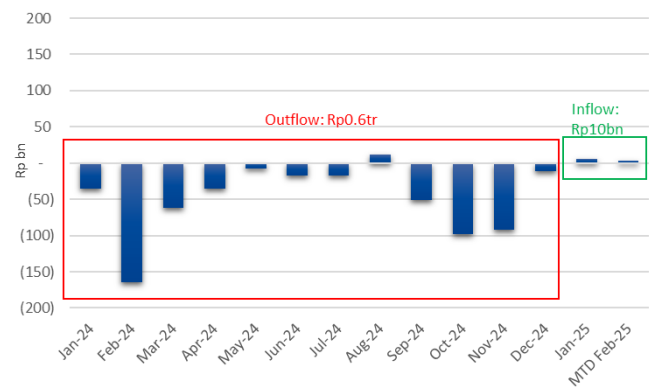
Source: IDX, BRIDS

Exhibit 22. BRIS's historical foreign flows (as of 7 Feb25)


Source: IDX, BRIDS

Exhibit 23. BBTN's historical foreign flows (as of 7 Feb25)


Source: IDX, BRIDS

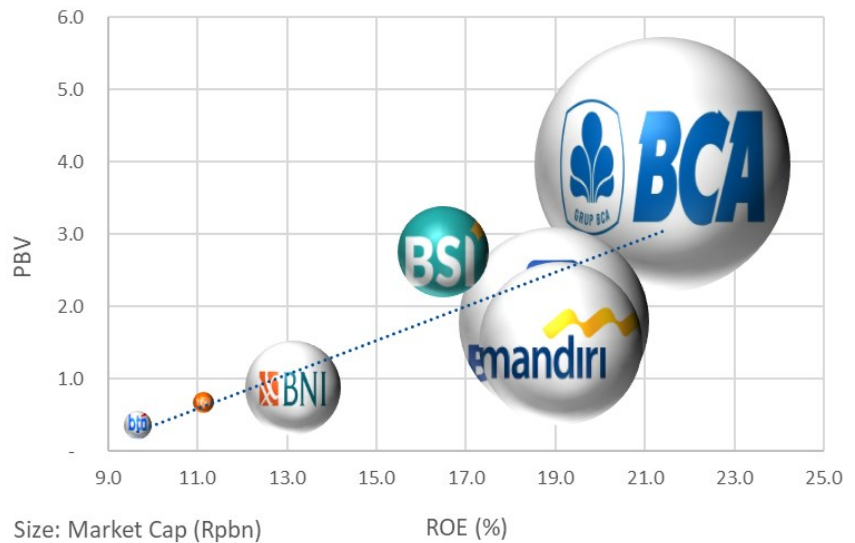
Exhibit 24. BTPS's historical foreign flows (as of 7 Feb25)


Source: IDX, BRIDS

Maintain Neutral, with BBKA remaining as our top pick

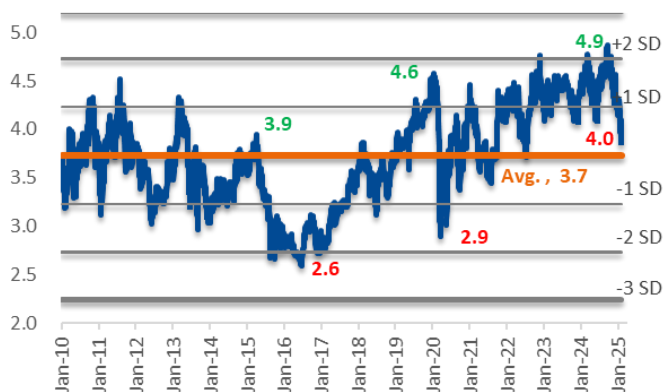
Despite outperforming peers, we continue to favor BBKA, BTPS, and BRIS due to their resilient CoF and stronger asset quality outlooks. We expect AGMs and 1Q25 results in March-April 2025 to remain an overhang in the short term, in addition to global macro uncertainties. Key risks to our view include a stronger-than-expected Rupiah, liquidity, and asset quality

Exhibit 25. Sector's FY25F PBV-ROE Matrix



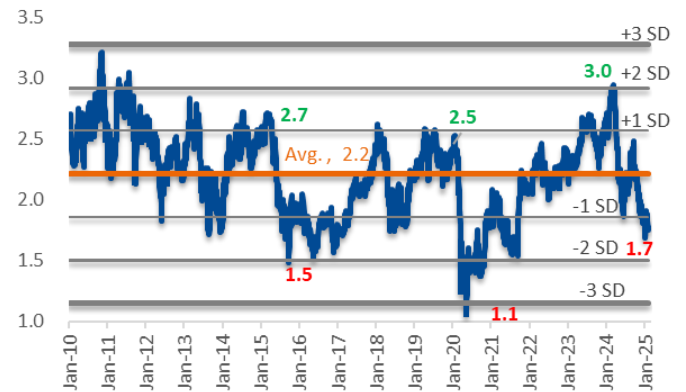
Source: Bloomberg, BRIDS Estimates

Exhibit 26. BBCA's P/BV band (15-year)



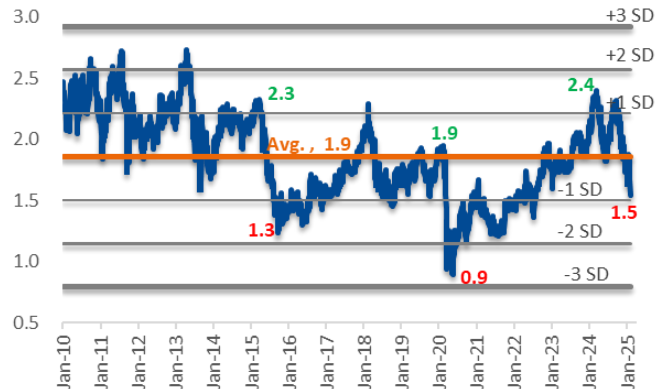
Source: Company, Bloomberg, BRIDS Estimates

Exhibit 27. BBRI's P/BV band (15-year)



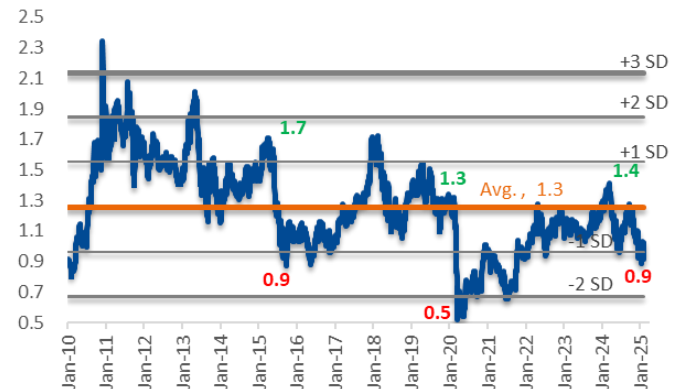
Source: Company, Bloomberg, BRIDS Estimates

Exhibit 28. BMRI's P/BV band (15-year)



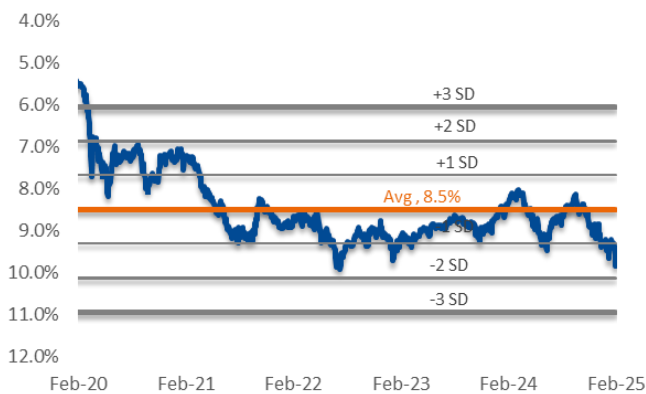
Source: Company, Bloomberg, BRIDS Estimates

Exhibit 29. BBNi's P/BV band (15-year)



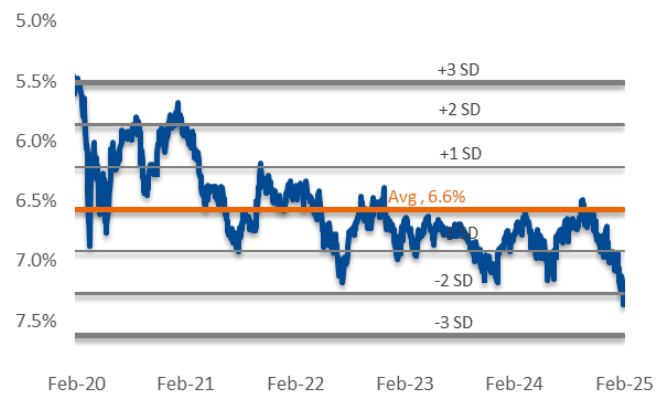
Source: Company, Bloomberg, BRIDS Estimates

Exhibit 30. Sector's cost of equity band chart (5-year)



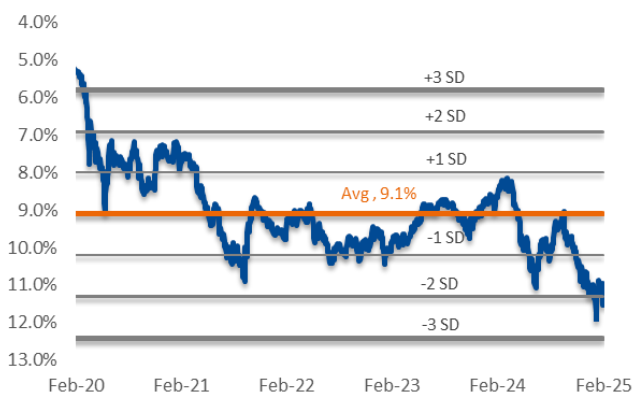
Source: Company, Bloomberg, BRIDS Estimates

Exhibit 31. BBKA's cost of equity band chart (5-year)



Source: Company, Bloomberg, BRIDS Estimates

Exhibit 32. BBRI's cost of equity band chart (5-year)



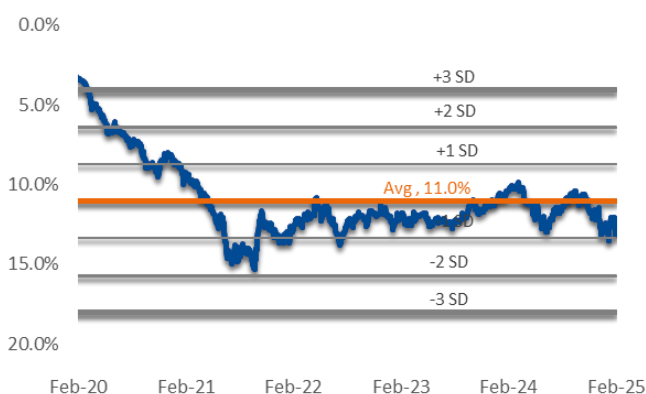
Source: Company, Bloomberg, BRIDS Estimates

Exhibit 33. BMRI's cost of equity band chart (5-year)



Source: Company, Bloomberg, BRIDS Estimates

Exhibit 34. BBNI's cost of equity band chart (5-year)



Source: Company, Bloomberg, BRIDS Estimates

Exhibit 35. BRIS's cost of equity band chart (since merger)



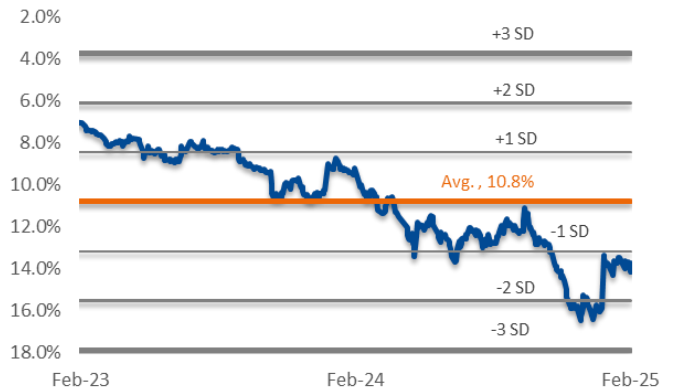
Source: Company, Bloomberg, BRIDS Estimates

Exhibit 36. BBTN's cost of equity band chart (5-year)



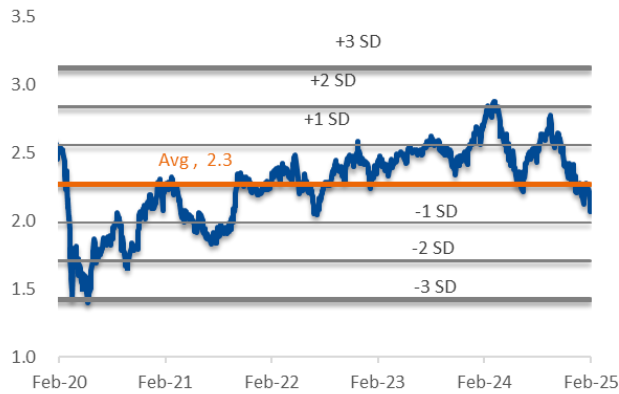
Source: Company, Bloomberg, BRIDS Estimates

Exhibit 37. BTPS's cost of equity band chart (2-year)



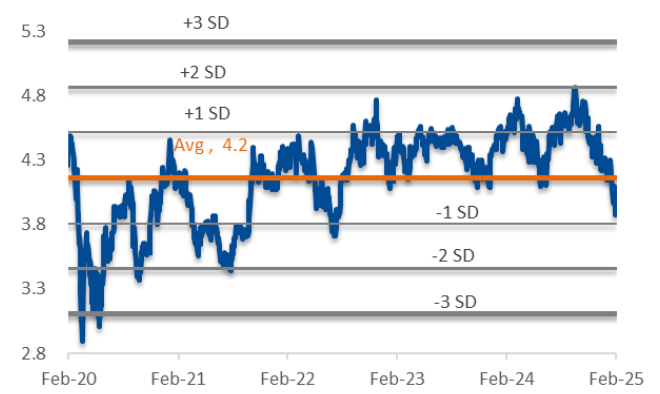
Source: Company, Bloomberg, BRIDS Estimates

Exhibit 38. Sector's P/BV band chart (5-year)



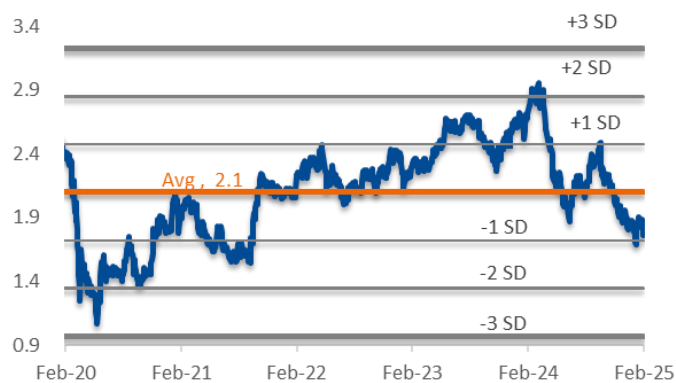
Source: Company, Bloomberg, BRIDS Estimates

Exhibit 39. BBKA's P/BV band chart (5-year)



Source: Company, Bloomberg, BRIDS Estimates

Exhibit 40. BBRI's P/BV band chart (5-year)



Source: Company, Bloomberg, BRIDS Estimates

Exhibit 41. BMRI's P/BV band chart (5-year)



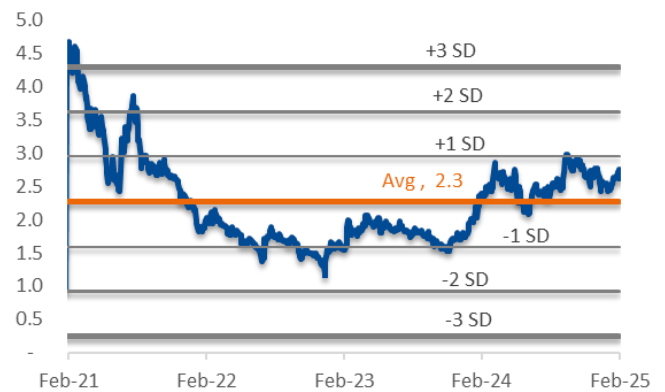
Source: Company, Bloomberg, BRIDS Estimates

Exhibit 42. BBNI's P/BV band chart (5-year)



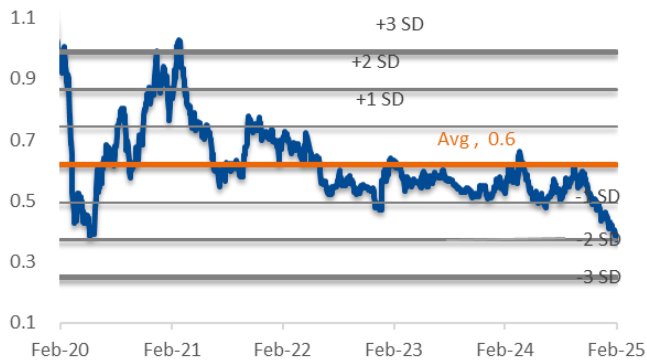
Source: Company, Bloomberg, BRIDS Estimates

Exhibit 43. BRIS's P/BV band chart (since merger)



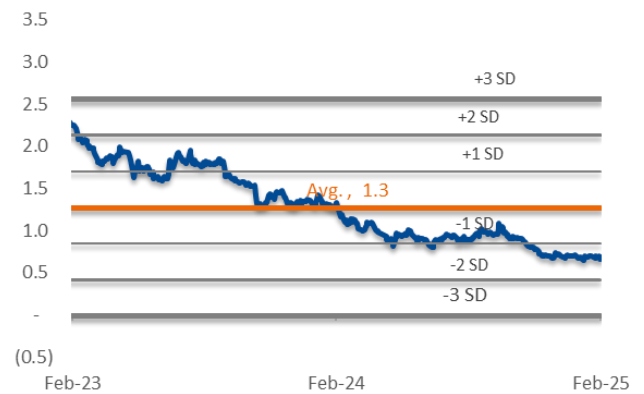
Source: Company, Bloomberg, BRIDS Estimates

Exhibit 44. BBTN's P/BV band chart (5-year)



Source: Company, Bloomberg, BRIDS Estimates

Exhibit 45. BTPS's P/BV band chart (2-year)



Source: Company, Bloomberg, 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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