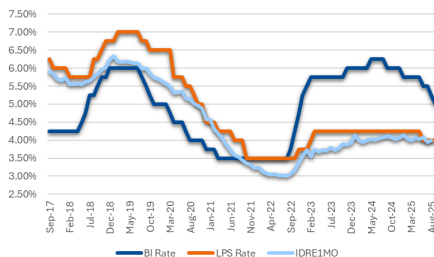


# Neutral

(Maintained)

## BI rate, LPS rate, and 1-month deposit rate



## Sector's PBV multiple valuation

Stock	P/BV (x) 2025F	P/BV (5-year) mean	StDev	Curr. to StDev
BBCA	3.7	4.2	0.3	(1.35)
BBRI*	1.9	2.1	0.3	(0.54)
BMRI	1.5	1.7	0.3	(0.60)
BBNI	1.0	1.0	0.2	(0.32)
BRIS*	2.6	2.3	0.6	0.43
BBTN	0.5	0.6	0.1	(0.59)
BTPS*	1.1	1.0	0.3	0.24

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

Source:BI, LPS, Company, Bloomberg, BRIDS  
Estimates

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# Banks

## Liquidity Battle between Fiscal and Monetary Policy

- BI announced another 25bps cut on policy rate to 5.0%, which could help lower banks' CoF, especially if LPS also cut its rate in Sep25.
- Higher FY26 tax revenues target could pose risks of lower loan demand, higher CoF, and higher NPL, subject to magnitude and timing difference.
- We retain Neutral rating on the sector with BBCA as our LT stock pick as we remain cautious on asset quality.

### More room for liquidity easing

The BI rate has continued its downward trajectory, having been cut four times in 2025 so far. While deposit rates have remained relatively sticky, the recent moves suggest that Bank Indonesia's easing stance is aimed at creating room for lower funding costs in the system. In the latest decision on 20 August 2025, Bank Indonesia cut the policy rate by 25bps to 5.0%. In our view, if this triggers further LPS rate cuts (to be announced in late Sep25), it will support banks' CoF, as a lower LPS rate would give banks more flexibility to reduce deposit pricing without risking outflows, thereby easing pressures on CoF. If the current easing persists, we believe it would help banks protect their NIM through a lower CoF environment.

### Higher tax revenue target may pose risks to the banks

The government expects FY26 revenue growth of 9.8% driven by tax revenue which is expected to increase by 13.5%. We believe this could pose risks to the banking sector, i.e., lowering loan demand, higher NPL, and higher CoF. Increased tax payments mean higher fund outflow from the private sector to government accounts at Bank Indonesia. This can temporarily reduce liquidity in the banking system. Banks may need to offer higher deposit rates to attract funds, increasing cost of funds (CoF). At the same time, households face lower disposable income, possibly affecting loan repayment capacity. Moreover, business (both SME and corporate) may delay expansion or reduce working capital, lowering loan demand.

### Risks on magnitude and timing

We believe the net impact on the banking sector will hinge on the balance between tax-driven liquidity tightening and the boost from fiscal spending, as well as the timing of these flows. Should the government channel tax revenues swiftly into spending, banks stand to benefit from stronger economic activity and improved loan quality. In the best-case scenario, private liquidity experiences only a brief dip before a rapid fiscal reflow supports growth momentum.

### Maintain Neutral, with BBCA remaining as our top pick

We remain cautious about the asset quality outlook given its potential to materially impact earnings. That said, we see near-term upside as liquidity appears to have bottomed out, cheaper valuations, greater clarity on government programs, and lower foreign fund ownership. This backdrop should benefit underperforming names such as BBCA, BBRI, and BMRI. Key downside risks to our near-term view include liquidity tightening, a sharper-than-expected deterioration in asset quality, and heightened government intervention.

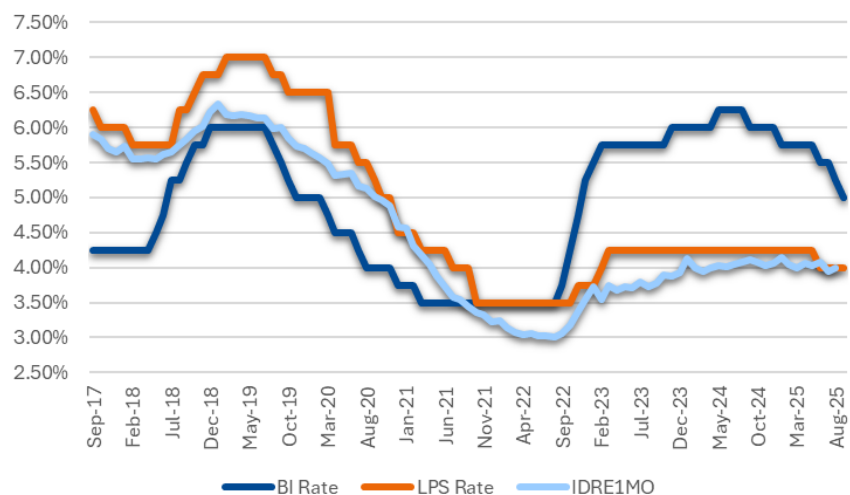
Company	Ticker	Rec	Target Price (Rp)	Market Cap. (RpBn)	P/E (x)		P/BV (x)		ROE (%) 2025F
					2025F	2026F	2025F	2026F	
Bank Central Asia	BBCA IJ	BUY	11,900	1,050,920.2	18.0	17.1	3.7	3.5	21.4
Bank Rakyat Indonesia	BBRI IJ	Non-Rated	n/a	628,969.9	n/a	n/a	n/a	n/a	n/a
Bank Mandiri	BMRI IJ	BUY	5,900	462,000.0	8.2	7.3	1.5	1.4	19.1
Bank Negara Indonesia	BBNI IJ	BUY	4,800	165,227.1	8.1	7.8	1.0	0.9	12.3
Bank Syariah Indonesia	BRIS IJ	HOLD	2,900	128,700.6	16.4	14.5	2.6	2.4	16.5
Bank Tabungan Negara	BBTN IJ	BUY	1,400	18,525.5	5.6	5.2	0.5	0.5	9.8
Bank BTPN Syariah	BTPS IJ	HOLD	1,500	11,285.9	9.4	8.5	1.1	1.0	12.3

## Liquidity Battle between Fiscal and Monetary Policy

### More room for liquidity easing

BI rate has continued its downward trajectory, having been cut four times in 2025 so far. While deposit rates have remained relatively sticky, the recent moves suggest that Bank Indonesia's easing stance is aimed at creating room for lower funding costs in the system. In the latest decision on 20 August 2025, Bank Indonesia cut the rate to 5.0%. In our view, if this triggers further LPS rate cuts (to be announced in late Sep25), it will support banks' CoF, as a lower LPS rate would give banks more flexibility to reduce deposit pricing without risking outflows, thereby easing pressures on CoF. If the current easing persists, we believe it would help banks protect their NIM through a lower CoF environment. Loan growth slowed to 7.03% in Jul25 (from 7.77% in Jun25), the weakest pace in over three years. Meanwhile, TPF growth accelerated to 7.0% in Jul25 (from 6.6% in Jun25), supported mainly by higher fiscal spending.

**Exhibit 1. BI rate, LPS rate, and 1-month deposit rate**



Source: BI, Bloomberg, LPS, BRIDS

### Higher tax revenue poses risks to the banks

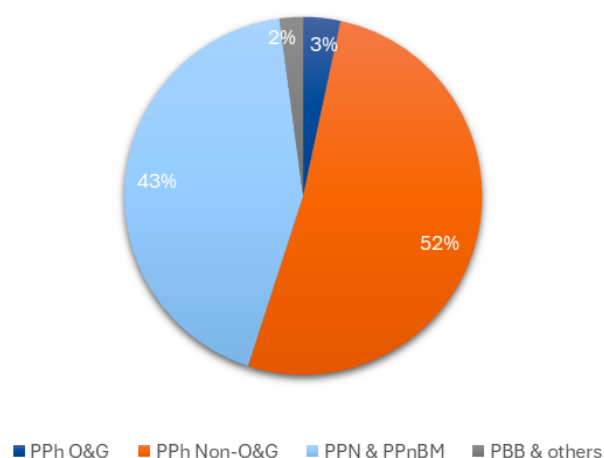
The government expects FY26 revenue growth of 9.8% driven by tax revenue which is expected to increase by 13.5%. We believe this could pose risks to the banking sector, i.e., lowering loan demand, higher NPL, and higher CoF. Increased tax payments mean higher fund outflow from the private sector to government accounts at Bank Indonesia. This can temporarily reduce liquidity in the banking system. Banks may need to offer higher deposit rates to attract funds, increasing cost of funds (CoF). At the same time, households face lower disposable income, possibly affecting loan repayment capacity. Moreover, business (both SME and corporate) may delay expansion or reduce working capital, lowering loan demand.

Based on FY24 tax revenue realization, the main contributor was non-oil and gas income tax (52%) and value-added tax (43%). Hence, we believe the 13.5% higher tax revenues must come from both taxes. Aside from the potentially broader tax base (extensification), there is a possibility that tax intensification might be imposed in FY26. We think two taxes that might increase if there is no further regulation imposed are MSME final tax and Value Added Tax.

According to *Peraturan Pemerintah (PP) Nomor 23 Tahun 2018*, MSME that has operated since 2018 can no longer use the 0.5% final income tax in FY25. In FY24, the government extended this incentive until FY25. Hence, should there be no more extension, some MSME might be subject to regular income tax. This could possibly increase their tax payments, reducing both liquidity and loan repayment capacity.

Based on *UU Nomor 7 Tahun 2021*, Value Added Tax will increase to 12% in FY25. However, on December 2024 MoF issued *PMK Nomor 131 Tahun 2024* to reduce the non-luxury items VAT back to 11% until FY25. Should there is no more extensions, VAT have to increase to 12% in FY26, impacting overall disposable incomes.

#### Exhibit 2. FY24 breakdown of tax revenues



Source: BPS, BRIDS

#### Deposit concentration risks in Indonesia's banking system

The deposit distribution data highlights the highly concentrated nature of Indonesia's banking system. Although accounts below Rp100mn make up nearly 99% of total accounts as of Jun25, they only represent 11.8% of total deposits, reflecting the domination of small retail savers in volume but not in value. In contrast, deposits above Rp5bn, while accounting for just 0.02% of accounts, contribute a striking 55.2% of total nominal deposits, with an average balance per account of Rp34.9bn. This imbalance underscores the systemic reliance on a small number of large depositors, exposing banks to concentration risks if these funds shift.

If middle upper segment faces increased in tax payments while the government spending aims for the middle lower income segment through its social aid, this could negatively impact the banking sector deposits as liquidity in the middle lower segment might be more prone to be spent rather than saved. In the worst-case scenario, middle upper segment move its liquidity out of the Indonesia banking system due to the higher taxation while middle lower segment burning its liquidity in the online gambling platforms.

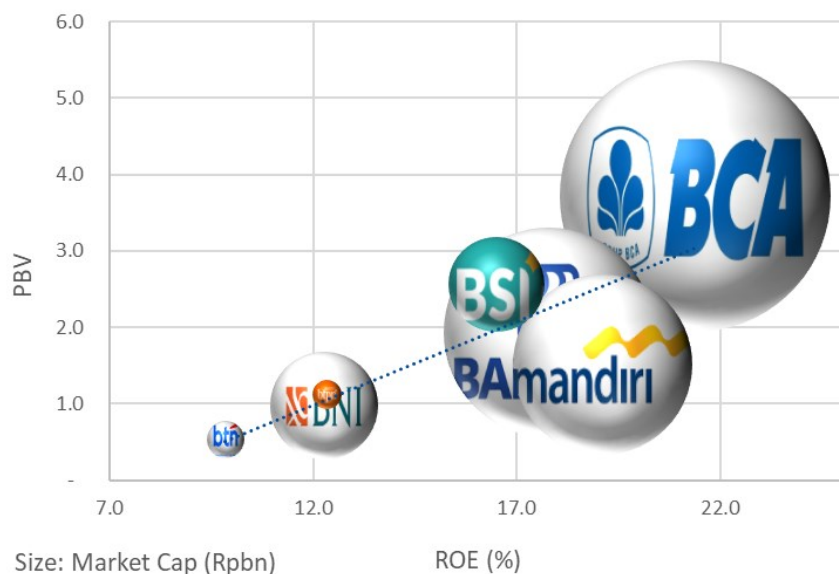
**Exhibit 3. Conventional banks' deposit distribution by nominal tiers (as of Jun25)**

Tiering (Rp)	Nominal (Rpbn)	%	Accounts	%	Nominal/Account (Rp)
< 100mn	1,109,480	11.8%	629,940,258	98.9%	1,761,246
100mn - 200mn	458,410	4.9%	3,263,331	0.5%	140,473,032
200mn - 500mn	737,410	7.9%	2,309,100	0.4%	319,349,530
500mn - 1bn	628,350	6.7%	874,030	0.1%	718,911,250
1bn - 2bn	547,350	5.8%	386,348	0.1%	1,416,727,924
2bn - 5bn	719,880	7.7%	225,433	0.0%	3,193,321,297
> 5bn	5,175,270	55.2%	148,290	0.0%	34,899,656,079
<b>Total</b>	<b>9,376,150</b>	<b>100.0%</b>	<b>637,146,790</b>	<b>100.0%</b>	<b>14,715,840</b>

Source: LPS, BRIDS

### Maintain Neutral, with BBKA remaining as our top pick

We remain cautious about the asset quality outlook given its potential to materially impact earnings. That said, we see near-term upside as liquidity appears to have bottomed out, cheaper valuations, greater clarity on government programs, and lower foreign fund ownership. This backdrop should benefit underperforming names such as BBKA, BBRI, and BMRI. Key downside risks to our near-term view include liquidity tightening, a sharper-than-expected deterioration in asset quality, and heightened government intervention.

**Exhibit 4. Sector's FY25F PBV-ROE Matrix**


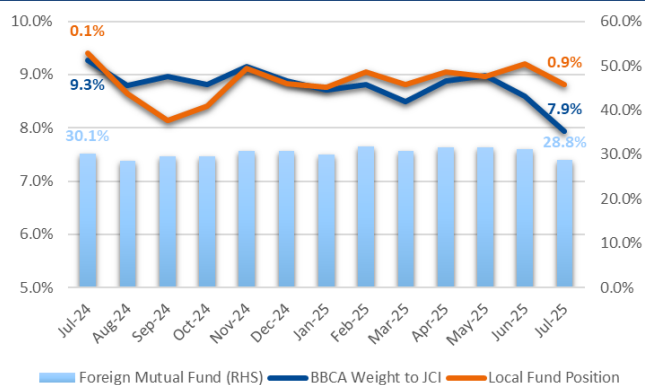
Source: Bloomberg, BRIDS Estimates

Exhibit 5. Banking sector's foreign flow as of 19 Aug25

Ticker	2023	2024	1Q25	Apr-25	May-25	Jun-25	Jul-25	MTD Aug-25	YTD
BBRI	5,834	(37,692)	(3,002)	(2,336)	3,989	(3,315)	386	2,104	(2,174)
BBCA	746	841	(10,319)	(688)	1,371	(3,954)	(5,795)	1,447	(17,939)
BMRI	463	(1,420)	(5,913)	(3,689)	741	(1,023)	(3,591)	732	(12,742)
BBNI	3,530	(914)	(2,367)	(1,142)	97	159	(108)	45	(3,315)
BRIS	645	1,797	(187)	171	818	76	502	19	1,399
BBTN	(219)	272	(38)	(79)	(25)	(10)	(20)	41	(130)
BTPS	(1,065)	(579)	6	91	95	19	90	(31)	271
<b>Total</b>	<b>9,934</b>	<b>(37,694)</b>	<b>(21,820)</b>	<b>(7,672)</b>	<b>7,087</b>	<b>(8,047)</b>	<b>(8,536)</b>	<b>4,357</b>	<b>(34,631)</b>

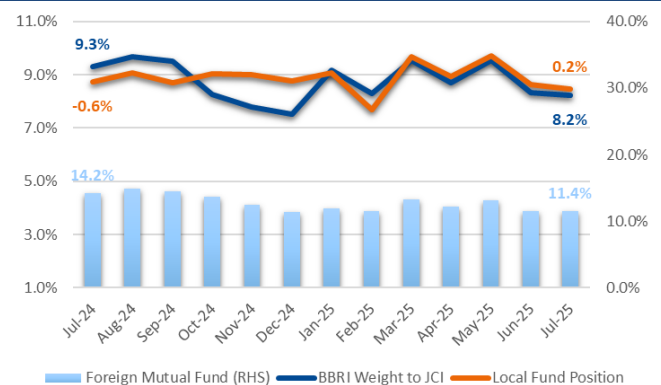
Source: Bloomberg, IDX, BRIDS

Exhibit 6. BBCA's weighting and fund position



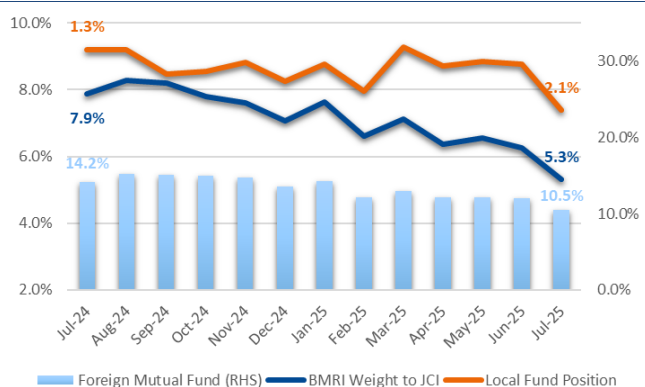
Source: KSEI, BRIDS

Exhibit 7. BBRI's weighting and fund position



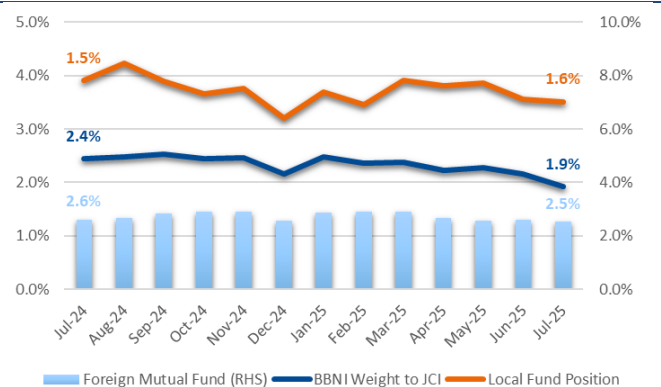
Source: KSEI, BRIDS

Exhibit 8. BMRI's weighting and fund position



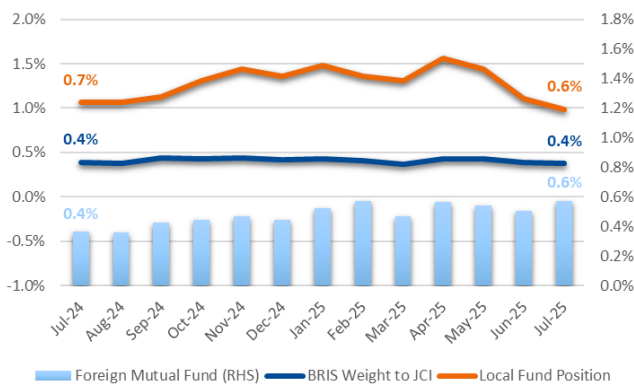
Source: KSEI, BRIDS

Exhibit 9. BBNI's weighting and fund position



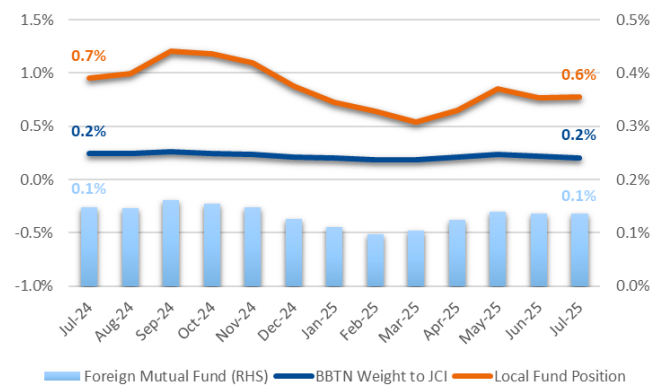
Source: KSEI, BRIDS

**Exhibit 10. BRIS's weighting and fund position**



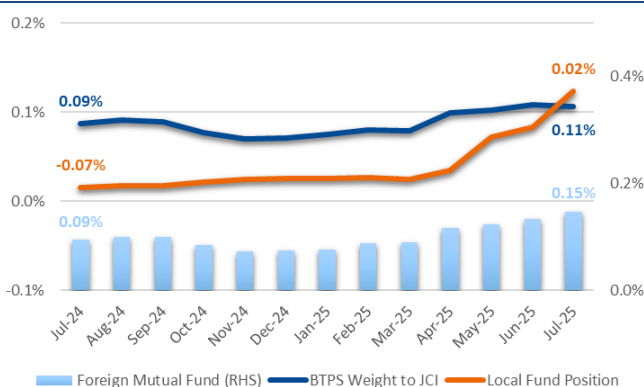
Source: KSEI, BRIDS

**Exhibit 11. BBTN's weighting and fund position**



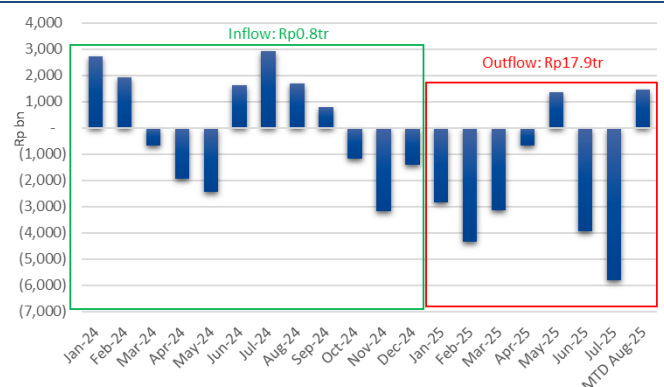
Source: KSEI, BRIDS

**Exhibit 12. BTPS's weighting and fund position**



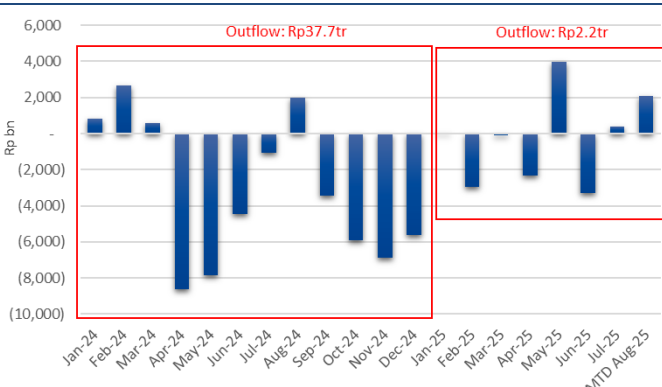
Source: KSEI, BRIDS

**Exhibit 13. BBKA's historical foreign flows (as of 19 Aug25)**



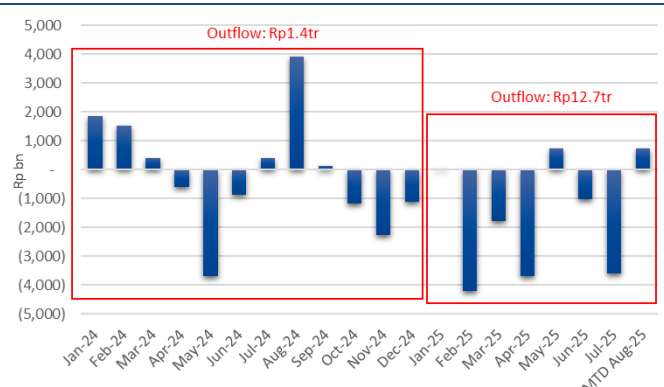
Source: IDX, BRIDS

**Exhibit 14. BBRI's historical foreign flows (as of 19 Aug25)**



Source: IDX, BRIDS

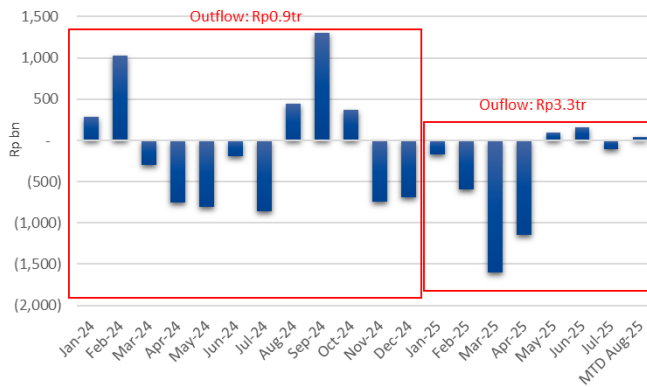
**Exhibit 15. BMRI's historical foreign flows (as of 19 Aug25)**



Source: IDX, BRIDS

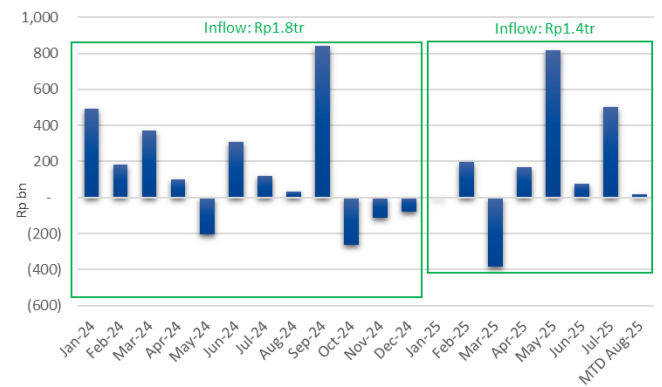


**Exhibit 16. BBNI's historical foreign flows (as of 19 Aug25)**



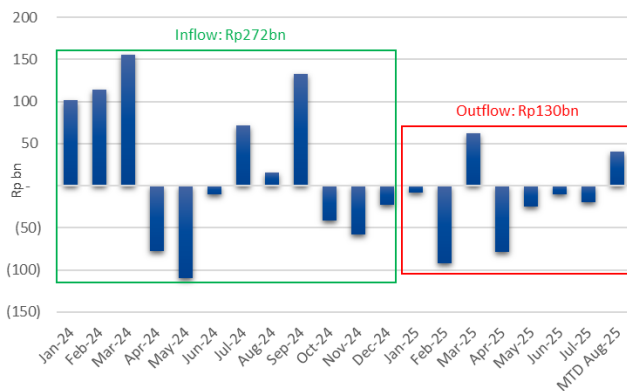
Source: IDX, BRIDS

**Exhibit 17. BRIS's historical foreign flows (as of 19 Aug25)**



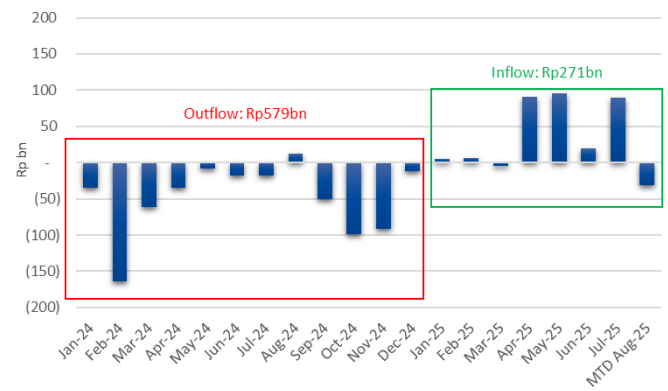
Source: IDX, BRIDS

**Exhibit 18. BBTN's historical foreign flows (as of 19 Aug25)**



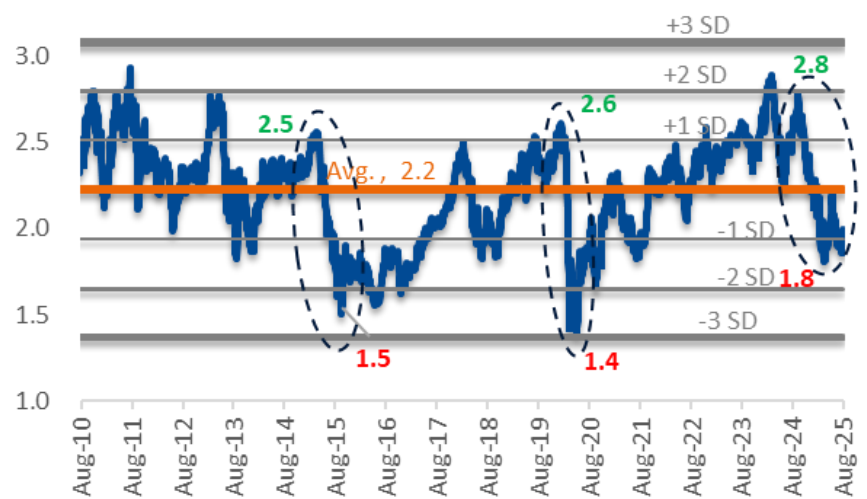
Source: IDX, BRIDS

**Exhibit 19. BTPS's historical foreign flows (as of 19 Aug25)**



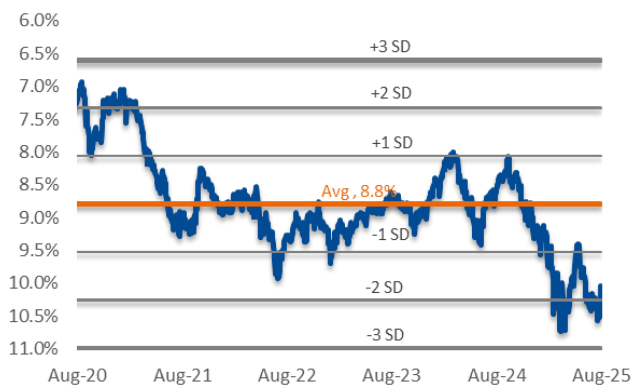
Source: IDX, BRIDS

**Exhibit 20. Sector's blended forward 12-month PBV ratio**



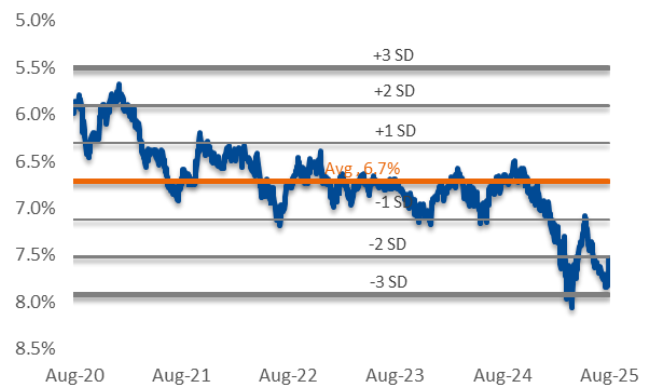
Source: Company, Bloomberg, BRIDS Estimates

**Exhibit 21. Sector's cost of equity band chart (5-year)**



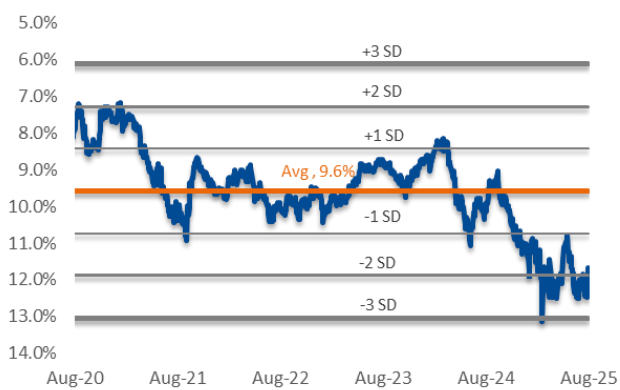
Source: Company, Bloomberg, BRIDS Estimates

**Exhibit 22. BBKA's cost of equity band chart (5-year)**



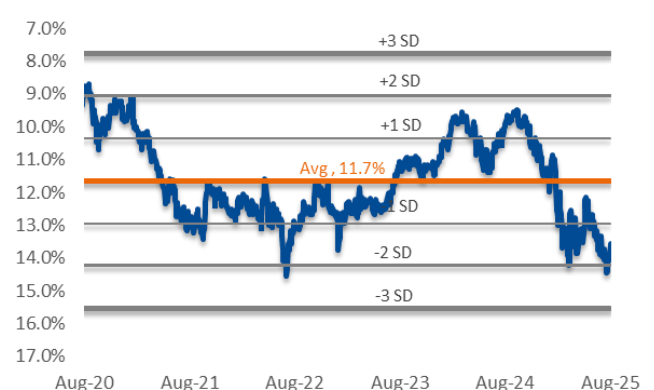
Source: Company, Bloomberg, BRIDS Estimates

**Exhibit 23. BBRI's cost of equity band chart (5-year)**



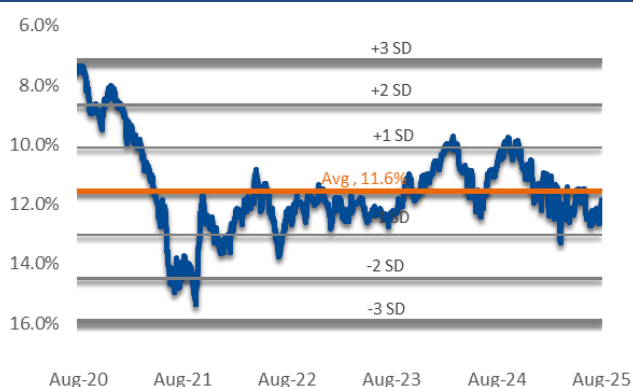
Source: Company, Bloomberg, BRIDS Estimates

**Exhibit 24. BMRI's cost of equity band chart (5-year)**



Source: Company, Bloomberg, BRIDS Estimates

**Exhibit 25. BBNI's cost of equity band chart (5-year)**



Source: Company, Bloomberg, BRIDS Estimates

**Exhibit 26. BRIS's cost of equity band chart (since merger)**

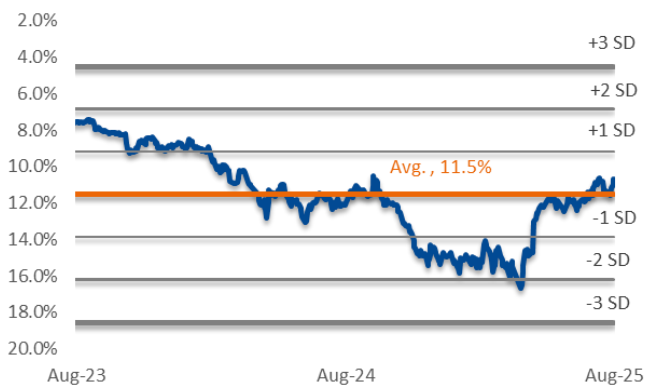


Source: Company, Bloomberg, BRIDS Estimates

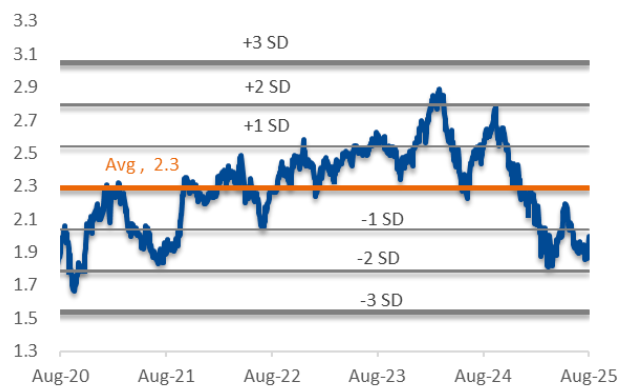


**Exhibit 27. BBTN's cost of equity band chart (5-year)**

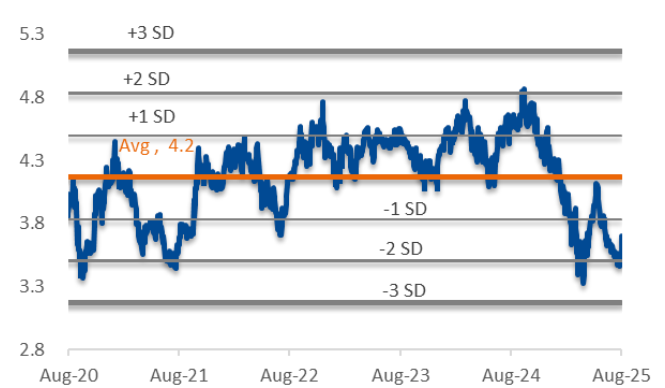

Source: Company, Bloomberg, BRIDS Estimates

**Exhibit 28. BTPS's cost of equity band chart (2-year)**


Source: Company, Bloomberg, BRIDS Estimates

**Exhibit 29. Sector's P/BV band chart (5-year)**


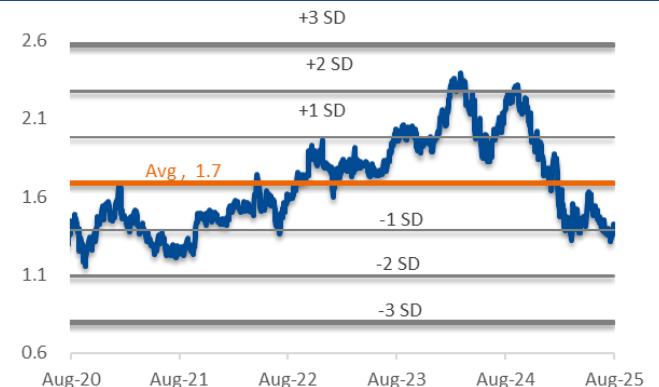
Source: Company, Bloomberg, BRIDS Estimates

**Exhibit 30. BBKA's P/BV band chart (5-year)**


Source: Company, Bloomberg, BRIDS Estimates

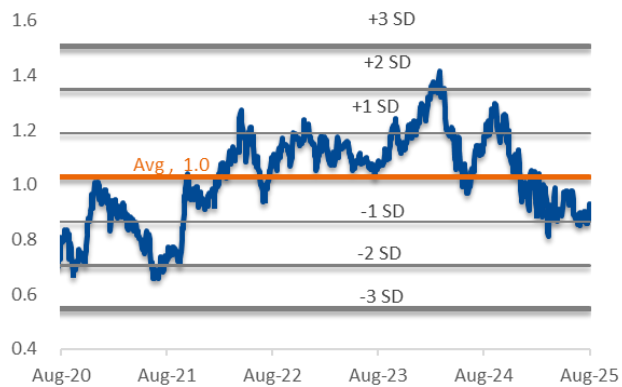
**Exhibit 31. BBRI's P/BV band chart (5-year)**


Source: Company, Bloomberg, BRIDS Estimates

**Exhibit 32. BMRI's P/BV band chart (5-year)**


Source: Company, Bloomberg, BRIDS Estimates

**Exhibit 33. BBNI's P/BV band chart (5-year)**



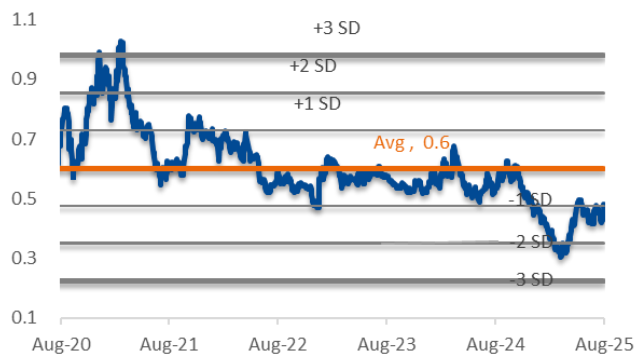
Source: Company, Bloomberg, BRIDS Estimates

**Exhibit 34. BRIS's P/BV band chart (since merger)**



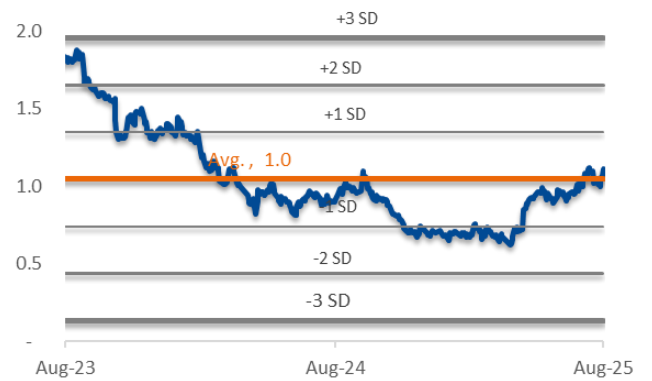
Source: Company, Bloomberg, BRIDS Estimates

**Exhibit 35. BBTN's P/BV band chart (5-year)**



Source: Company, Bloomberg, BRIDS Estimates

**Exhibit 36. BTPS's P/BV band chart (2-year)**



Source: Company, Bloomberg, BRIDS Estimates

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**INVESTMENT RATING**

<b>BUY</b>	Expected total return of 10% or more within a 12-month period
<b>HOLD</b>	Expected total return between -10% and 10% within a 12-month period
<b>SELL</b>	Expected total return of -10% or worse within a 12-month period

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