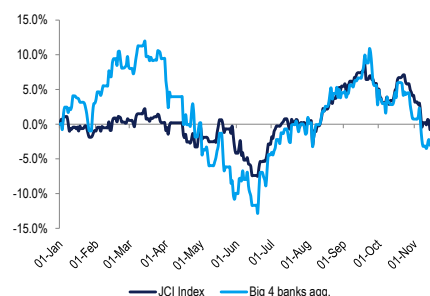


## Sector Index Performance

	3M	6M	12M
Absolute	-11.2%	-0.4%	-0.9%
Relative to JCI	-5.7%	0.7%	-4.3%



## Summary Valuation Metrics

P/E (x)	2024F	2025F	2026F
BBCA IJ	22.2	20.2	18.6
BBRI IJ	10.3	9.3	8.3
BMRI IJ	10.2	9.1	8.2

P/BV (x)	2024F	2025F	2026F
BBCA IJ	4.6	4.3	3.9
BBRI IJ	2.0	1.9	1.8
BMRI IJ	2.0	1.8	1.7

Div. Yield	2024F	2025F	2026F
BBCA IJ	2.8%	3.2%	3.5%
BBRI IJ	7.9%	8.2%	9.2%
BMRI IJ	5.8%	5.9%	6.6%

## 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

## Not out of the woods yet

- Post our roadshow with BBRI's management, we think the overall sector is lacking catalysts despite attractive valuation.
- Top concerns are: 1) macro including growth, liquidity and currency, 2) policy risk and 3) normalizing growth.
- Consistent with our previous strategy report ([link](#)), we think the sector is not out of the woods yet but valuation and dividend shall act as buffer.

**Bottom-up concerns (CoC and loan growth) are generally well accepted**

During our meetings, we were surprised that none of the investors expressed a major concern towards BRI's CoC as they have understand that the issue on 2023 Kupedes may take longer than a year to solve; currently we expect BBRI's CoC to be at 3-3.1% range for FY24F and 2.9-3% in FY25F. At the same time, investors also generally accepted the fact that micro loan growth will still slow next year due to: 1) persistent weak purchasing power especially for mid-low segment, 2) micro loan officers' focus on asset quality and 3) soft landing on KUR growth; we expect micro loan growth to be at 5-7% range in FY25F driven by flat/slight drop in KUR and low-teens growth in Kupedes. Main concern for BBRI is on 2024's Kupedes vintage, this ensures that spike in CoC is cyclical not structural factor.

**Main concerns are macro condition and policy risk**

From what we gathered, almost all investors are expressing concern on the formation of Danantara in the form of: 1) potentially higher leverage which may also crowd-out existing liquidity and 2) change in SOE banks' board. At the same time, the biggest concern lies on Indonesia's overall macro situation i.e. persistent weak purchasing power which has crept-up to middle-class along with bond yield and currency, especially with projected higher spending next year in both US and Indonesia. Policy risk in the form of populist policy i.e. MSME loan amnesty, 3 million housing is the last concern.

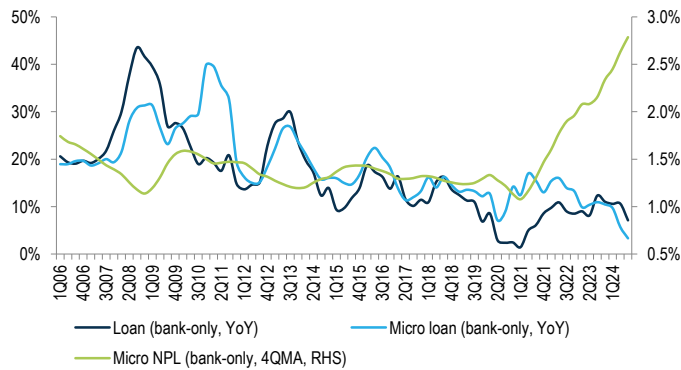
**Adjustment in yield and/or currency is imperative**

Consistent with our previous strategy note that highlighted the external and domestic risks ([link](#)), we think overall banks may not out of the woods yet. We think rather than concentrating on valuation for each banks, we believe the two best indicators to look at are: 1) bond yield (currently at 6.9% vs. YTD peak of 7.2% amid limited bond issuance towards year-end, this we expect to pick-up in Jan25 from front-loading activity) and 2) currency (currently at Rp15,900 vs. YTD peak of Rp16,400 despite DXY has reached YTD high); we believe adjustment in either yield or currency is imperative especially with the current macro and policy uncertainties, the latter was absent during Apr-May sell-off.

**Attractive valuation and dividend may act as a short-term buffer; BMRI and BBRI remain our top picks for the sector**

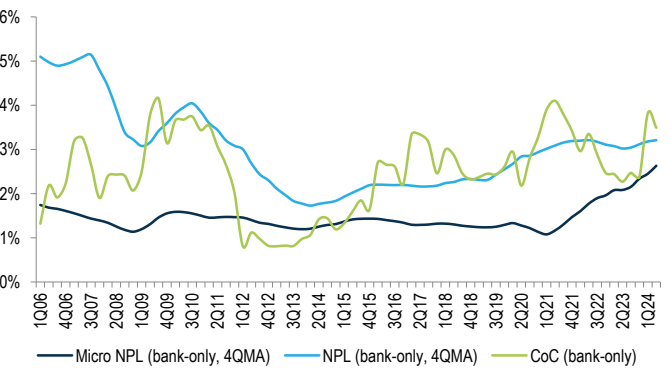
Currently, banks ex-BCA currently trades at 1.7x P/B (vs. 10Y average of 1.8x) and at 9.2x P/E (vs. 10Y average of 12.2x), an attractive valuation but worth noting that foreign investors typically focus more on: 1) growth and 2) currency outlook, two factors that are lacking clarity right now, in our view. We still maintain our Overweight call for the sector with BMRI and BBRI as our top picks but we also expect short-term volatility to persist. Upside risk to our call is normalizing DXY and subsiding concerns on both macro and domestic policy front.

**Fig. 1: BBRI micro loan growth vs. micro NPL**



Source: Company, Indo Premier

**Fig. 2: BBRI NPL vs. CoC**



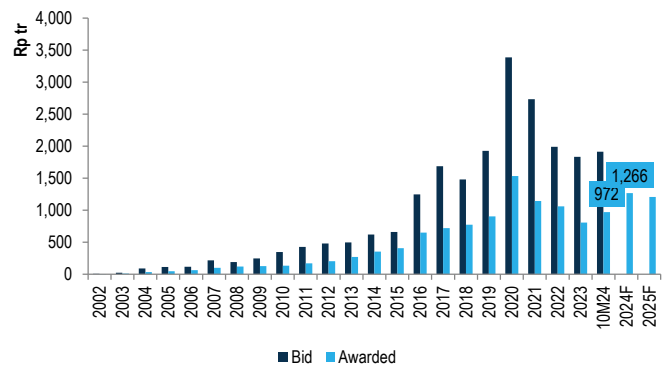
Source: Company, Indo Premier

**Fig. 3: Gov't 10Y bond yield at 6.9% (vs. YTD peak of 7.2%) amid limited bond issuance towards year-end**



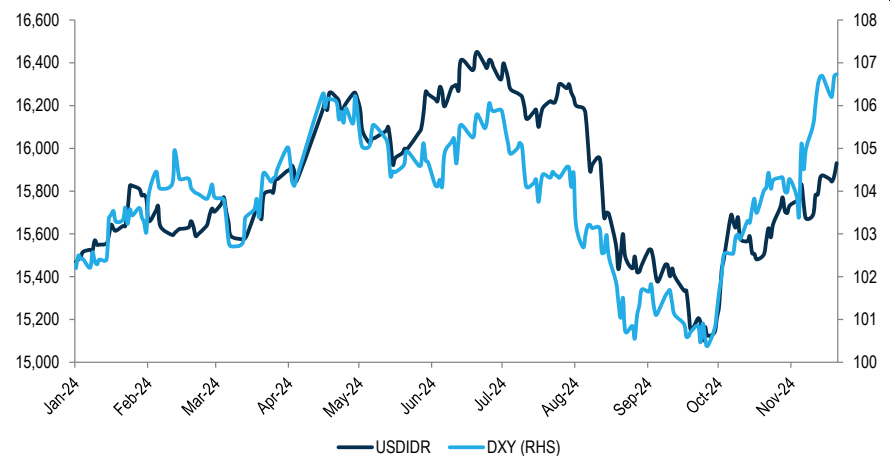
Source: Bloomberg, Indo Premier

**Fig. 4: Gross gov't bond issuance (Rp tr)**



Source: DJPPR, Indo Premier

**Fig. 5: Rupiah currently at Rp15,900 (vs. YTD peak of Rp16,400) despite DXY has reached YTD high**



Source: Bloomberg, Indo Premier

Fig. 6: Banks performance during sell-off cycle

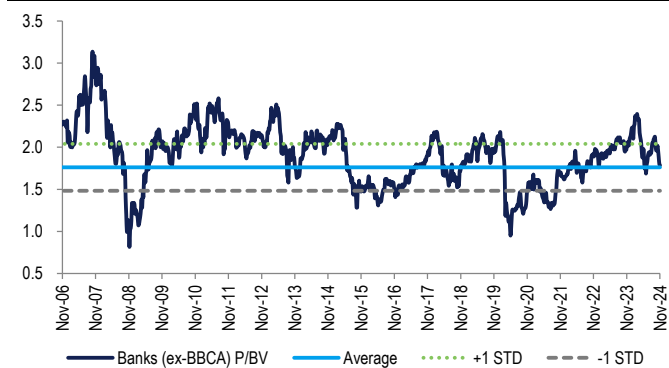
P/E	BMRI NPL cycle (2015)			Trade wars (2018)			Covid-19 (2020)			YTD24		
	Peak	Trough	Chg%	Peak	Trough	Chg%	Peak	Trough	Chg%	Peak	Current	Chg%
BBCA	17.6	13.8	-21%	20.2	17.3	-14%	23.5	15.7	-33%	22.9	20.6	-10%
BBRI	10.6	7.5	-30%	13.3	9.1	-32%	13.3	7.0	-47%	12.8	9.9	-22%
BMRI	11.3	7.7	-32%	14.1	10.2	-27%	10.8	5.4	-50%	11.1	9.4	-16%
BBNI	10.0	6.4	-36%	10.6	7.2	-32%	7.6	3.2	-58%	8.7	7.2	-17%
<b>Aggregate</b>	<b>12.4</b>	<b>8.9</b>	<b>-28%</b>	<b>14.9</b>	<b>11.2</b>	<b>-25%</b>	<b>14.5</b>	<b>8.4</b>	<b>-42%</b>	<b>14.5</b>	<b>12.4</b>	<b>-14%</b>
MSCI EM	12.9	10.6	-18%	13.1	10.8	-18%	12.8	8.8	-31%	14.2	13.4	-5%
S&P 500*	17.9	15.8	-12%	16.3	18.1	11%	19.5	13.9	-28%	20.4	24.4	20%

P/B	BMRI NPL cycle (2015)			Trade wars (2018)			Covid-19 (2020)			YTD24		
	Peak	Trough	Chg%	Peak	Trough	Chg%	Peak	Trough	Chg%	Peak	Current	Chg%
BBCA	3.5	2.6	-25%	3.4	3.0	-13%	3.9	2.5	-35%	4.6	4.2	-9%
BBRI	2.3	1.5	-35%	2.3	1.6	-32%	2.4	1.3	-48%	2.7	1.9	-29%
BMRI	2.1	1.3	-38%	2.1	1.5	-31%	1.7	0.8	-52%	2.2	1.9	-17%
BBNI	1.7	0.9	-48%	1.6	1.0	-34%	1.1	0.4	-60%	1.3	1.0	-20%
<b>Aggregate</b>	<b>2.4</b>	<b>1.6</b>	<b>-34%</b>	<b>2.4</b>	<b>1.8</b>	<b>-26%</b>	<b>2.4</b>	<b>1.3</b>	<b>-44%</b>	<b>2.9</b>	<b>2.4</b>	<b>-17%</b>
MSCI EM	1.5	1.2	-18%	1.7	1.4	-18%	1.6	1.0	-35%	1.7	1.6	-10%
S&P 500	2.7	2.4	-11%	2.9	3.4	19%	3.5	2.3	-33%	4.1	5.0	21%

\*S&P 500 was trending up during trade wars and 2024

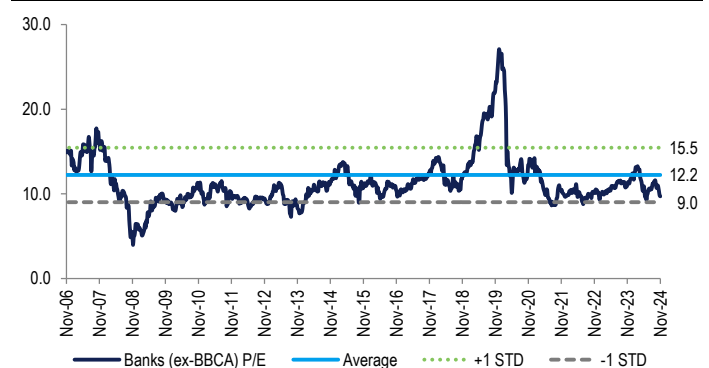
Source: Indo Premier

Fig. 7: Banks (ex-BBCA) forward P/B – now trading at 1.7x FY25F P/B vs. 10-year average of 1.8x P/B



Source: Bloomberg, Company, Indo Premier  
Consists of: BBRI, BMRI, BBNI

Fig. 8: Banks (ex-BBCA) forward P/E – now trading at 9.2x FY25F P/E vs. 10-year average of 12.2x P/E



Source: Bloomberg, Company, Indo Premier

Fig. 9: 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
BBCA	9,850	11,500	4.7	17%	Buy	22.2	20.2	21.1	4.6	4.3	3.8
BBRI	4,250	5,800	2.6	36%	Buy	10.3	9.3	14.7	2.0	1.9	2.4
BMRI	6,150	7,800	2.4	27%	Buy	10.2	9.1	11.9	2.0	1.8	1.7
BBNI	4,720	5,600	1.1	19%	Hold	8.4	7.6	10.7	1.1	1.0	1.1
BBTN	1,245	2,120	0.8	70%	Buy	5.7	4.8	6.9	0.5	0.5	0.8
BRIS*	2,690	3,300	2.7	23%	Buy	18.5	16.7	16.1	2.8	2.5	2.2

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

Share price closing as of: 21 November 2024

## 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.