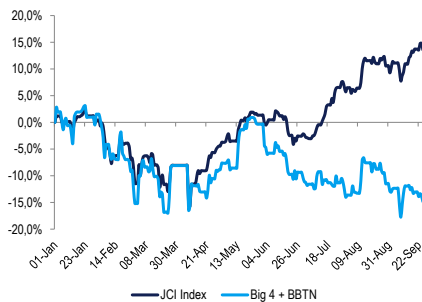


Sector Update | 26 September 2025

Sector Index Performance

	3M	6M	12M
Absolute	-4.7%	-7.0%	-29.5%
Relative to JCI	-22.4%	-31.2%	-33.4%



Summary Valuation Metrics

P/E (x)	2025F	2026F	2027F
BMRI IJ	7.9	6.8	5.8
BBRI IJ	10.9	9.7	8.9
BBNI IJ	7.6	7.0	6.4
P/BV (x)	2025F	2026F	2027F
BMRI IJ	1.3	1.2	1.1
BBRI IJ	1.9	1.8	1.8
BBNI IJ	0.9	0.8	0.7
Div. Yield	2025F	2026F	2027F
BMRI IJ	10.7%	7.6%	8.9%
BBRI IJ	8.3%	7.8%	8.8%
BBNI IJ	5.5%	5.3%	5.7%

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Higher US\$ TD counter rate may pressure both liquidity and CoF

- All SOE banks recently announced that it will raise counter US\$ TD rate to 4% effective on 5th of Nov25 from 0.75-2% previously.
- The aim is to make onshore US\$ TD rate more attractive vs. SG banks' TD rate. We think this may result in conversion instead of repatriation.
- As such, we expect there may be some pressure to both currency and IDR liquidity from the conversion.

SOE banks to raise US\$ TD rate to 4%

SOE banks recently announced that it will raise US\$ TD counter rate to 4% effective on 5th of Nov25 from 0.75-2% previously. The aim is to make onshore US\$ TD rate to be more competitive compared to offshore US\$ TD rate especially SG. Our checks suggest that average US\$ TD rate offered by the big 3 SG banks stood at 3.7-3.9%. However, given that the interest from TD in SG is non-taxable, the rate offered by SG banks is still more attractive than effective rate offered by Indo SOE banks (3.2%). Even the tax-free INDON yield stood at 3.3% is also lower vs. SG banks' TD rate.

Our worry this may lead to conversion of IDR to USD due to -ve spread

Current counter rate for IDR TD deposit stood at 2-3%, never in history that the spread between IDR to US\$ TD touched negative territory (US\$ rate > IDR rate) with 5Y average spread at around +180bp; this was exacerbated by: BI's consecutive rate cuts, MoF's Rp200tr placement and LPS insurance rate cut – all resulted in lower IDR TD rate. This, in our view, may eventually result in conversion of IDR to US\$ (resulting in weaker Rupiah) which has already happened for retail depositors (we classify retail as nominal deposit balance <Rp5bn) with FX deposit growth of +11.6% yoy in Jul25 vs. +3.7% for IDR deposit growth. As such, with higher rate of US\$ counter TD rate, we think this trend may continue or even amplifying in terms of magnitude.

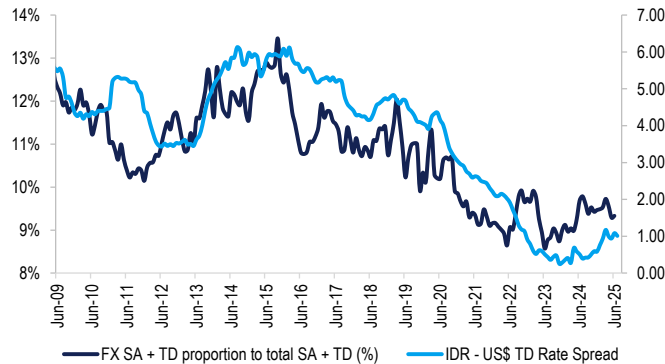
Liquidity and CoF shall be impacted

Industry's LDR stood at 86% in Jun25 with IDR LDR stood at 88% and FX LDR at 80%, implying better liquidity position for FX which made the increase in US\$ TD counter rate is dilutive towards SOE banks as: 1) with more FX liquidity, the FX loan demand may not be there to support the excess liquidity – note that FX loan grew by 4.2% yoy in Jun25 vs. FX deposit of 5.6%. 2) Margin wise, average FX loan yield for big 3 SOE banks stood at 5.7%, slightly above the 4% TD rate. Concurrently, if conversion happens, then it will result in higher CoF for Rupiah deposit as well.

Earning risk is imminent while also elevating the risk premium

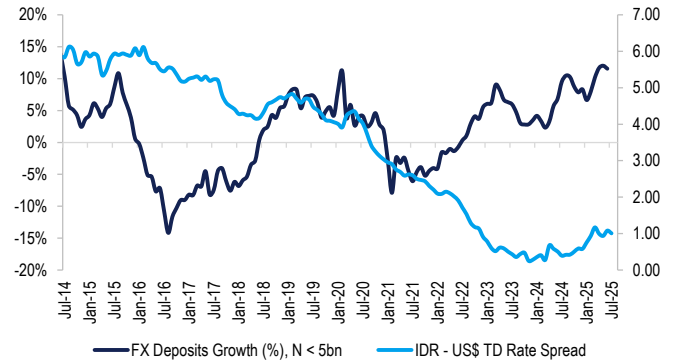
We believe earnings risk from higher CoF/lower NIM is imminent, but we would prefer to wait and see the magnitude until this policy is being implemented in Nov25; thus, a full year impact in 2026. Separately, this will also result in higher equity risk premium which currently stood at 7.8% (5-6% average in 2022-1H24). We maintain our OW rating for the sector as we think that valuation is attractive (current P/E and P/B of 10.7x and 1.9x are lower than 10Y average of 14.7x and 2.2x) but we think that short-term the sector may lack tangible catalysts. Risks are: elevated CoF and worsening asset quality from worsening economic condition.

Fig. 1: IDR – US\$ TD rate spread (pre-higher US\$ counter rate) stood at 108bp in Jun25 vs. 5Y average of 180bp



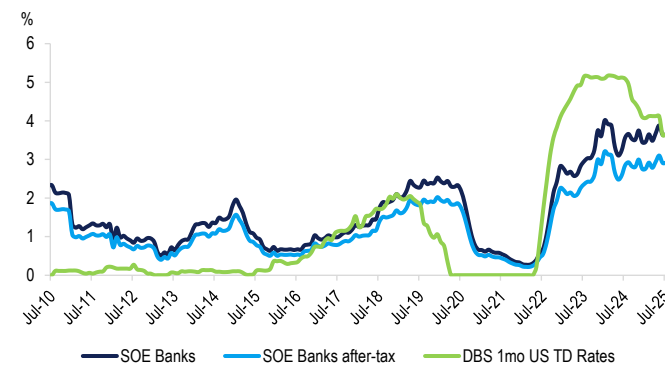
Source: OJK, BI, Indo Premier

Fig. 2: The lower rate spread was followed by higher retail FX deposits growth (<Rp 5bn) at +11.6% yoy in Jul25



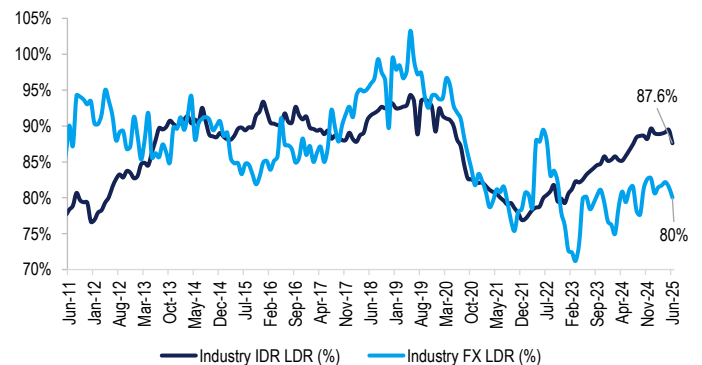
Source: OJK, LPS, Indo Premier

Fig. 3: After adjusted for tax, effective 1mo TD rate of SOE banks at 3.2% is still below DBS Singapore rate of 3.7%



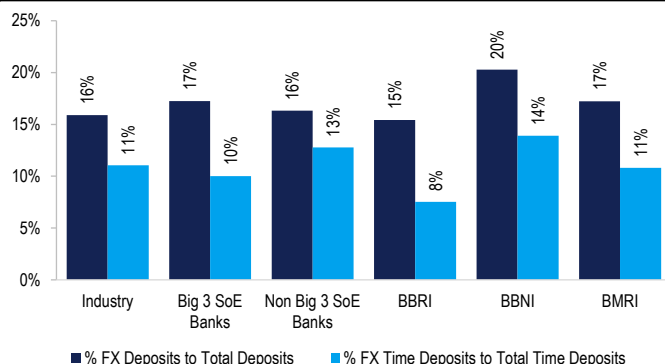
Source: BI, Bloomberg, Indo Premier

Fig. 4: Better FX liquidity position – industry FX LDR now stood at 80% in Jun25 vs. industry IDR LDR of 88%



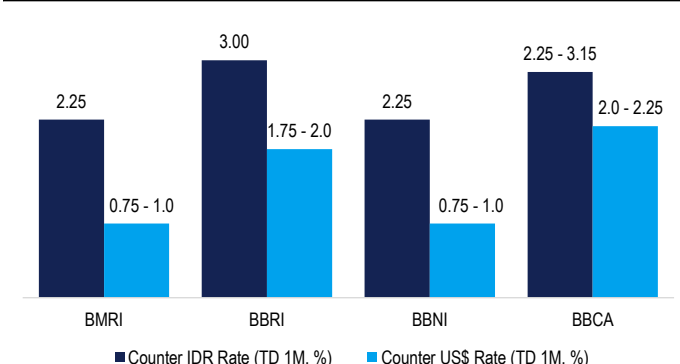
Source: OJK, Company, Indo Premier

Fig. 5: Industry and SoE banks exposure towards FX deposits



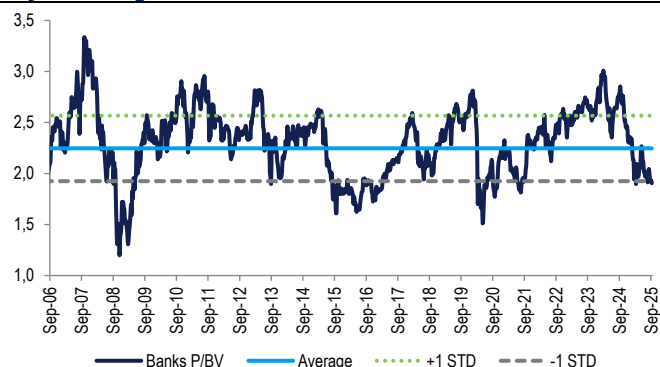
Source: OJK, Company, Indo Premier

Fig. 6: Counter TD rate comparison (pre-higher US\$ counter rate)



Source: Company, Indo Premier

Fig. 7: Banks' forward P/BV – now trading at 1.9x FY25F P/BV vs. 10-year average of 2.2x P/B



Source: Bloomberg, Company, Indo Premier

Fig. 8: Banks' forward P/E – now trading at 10.7x FY25F P/E vs. 10-year average of 14.7x 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)		
						FY25F	FY26F	10Y Avg	FY25F	FY26F	10Y Avg
BBCA	7.700	10.400	4,3	35%	Buy	16,6	15,2	21,3	3,5	3,2	3,8
BBRI	4.070	4.700	2,1	15%	Buy	10,9	9,7	14,7	1,9	1,8	2,4
BMRI	4.360	6.000	1,7	38%	Buy	7,9	6,8	11,7	1,3	1,2	1,6
BBNI	4.190	4.800	0,9	15%	Buy	7,6	7,0	10,4	0,9	0,8	1,1
BBTN	1.275	1.450	0,6	14%	Buy	5,5	5,0	6,9	0,5	0,5	0,8
BRIS*	2.670	3.500	2,7	31%	Buy	15,2	13,4	15,8	2,4	2,1	2,2

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

Share price closing as of: 25 September 2025

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

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