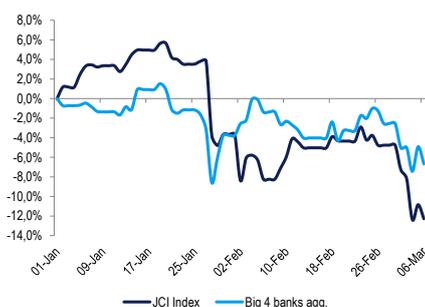


Sector Update | 06 March 2026

Sector Index Performance

	3M	6M	12M
Absolute	-6.8%	-6.8%	-12.3%
Relative to JCI	5.4%	-3.2%	-27.0%



Summary Valuation Metrics

P/E (x)	2026F	2027F	2028F
BBCA IJ	14.2	13.0	12.0
BBRI IJ	9.3	8.4	7.7
BBNI IJ	7.5	6.9	6.3

P/BV (x)	2026F	2027F	2028F
BBCA IJ	2.9	2.7	2.5
BBRI IJ	1.7	1.6	1.5
BBNI IJ	0.8	0.8	0.7

Div. Yield	2026F	2027F	2028F
BBCA IJ	4.7%	4.9%	5.4%
BBRI IJ	8.8%	9.3%	10.3%
BBNI IJ	5.0%	5.3%	5.8%

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Roadshow feedback: concerns on PSO, fiscal and MSCI

- We just came back from a roadshow and was quite surprised that foreign investor remained very bearish on Indonesia.
- There are 3 main concerns for investors: 1) PSO, 2) fiscal capacity and 3) MSCI.
- There isn't any major concern on the fundamental other than minor concern on loan growth/margin outlook. BMRI/BBNI/BBTN are our picks.

PSO loan was one of the key discussions

One of the most consistent concerns that we got is the PSO (public service obligation) by SOE banks. For instance, the question on the bank was: 1) is there any other program than village cooperative (KDMP – Rp210tr/4.0% of big 4 SOE loan) that requires significant liquidity, 2) in terms of the detail for KDMP loan, most were asking whether MoF will cover both principal and interest for KDMP loan given that the interest burden is quite significant for each cooperative i.e. Rp143mn p.a. or c.Rp12mn/month which requires c.Rp200mn of revenue/month (assuming 6% EBITDA margin similar to AMRT) to be just breakeven. 3) Lastly, bigger proportion of PSO loan may eventually dilute SOE banks' margin and incremental loan growth to private sector.

Investors are starting to compare the multiple of Indo's banks with China's banks

Given the aforementioned reasoning, some investors have started to compare the valuation of Indo's banks with China's banks. Currently China's banks trade at 0.5x P/B and 5.6x P/E (10Y average at 0.6x P/B and 4.8x P/E) vs. Indo's banks at 1.8x P/B and 10.1x P/E (10Y average at 2.2x P/B and 14.5x P/E) – a significant discount but bear in mind China's banks ROE at 9% currently (10Y average at 12%) vs. Indo's banks ROE at 18% (10Y average at 16%). We believe the comparison is unjustified given the difference in ROE and as we expect KDMP loan to be a one-off event.

Fiscal was another key concern

Another key concern was the fiscal situation in Indonesia which we have highlighted in our previous strategy note ([link](#)). Investors expect that the mismatch between revenue (target is up by +14.4% yoy in FY26F from realization in FY25) and spending (target of +11.3% yoy in FY26F) may widen further this year of which our economist expects to reach Rp749tr deficit (-2.91% of GDP). This will eventually led to higher financing needs and bond yield which is negative for banks' valuation. It was also corroborated by the recent rating outlook downgrade by Moody's and Fitch.

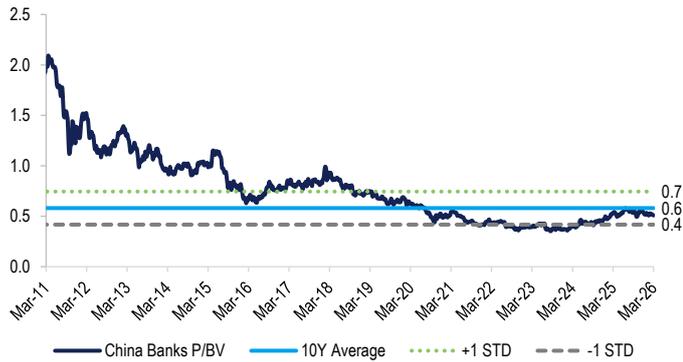
Last concern is on potential MSCI downgrade to frontier market

Lastly, most investors remained concerned on the potential MSCI downgrade to frontier market given most of their mandate is emerging market (frontier market only constitute 1-2% EM AUM). Although most also believe that OJK and IDX have taken positive steps to address the MSCI concern.

Maintain OW with BMRI and BBRI as our picks

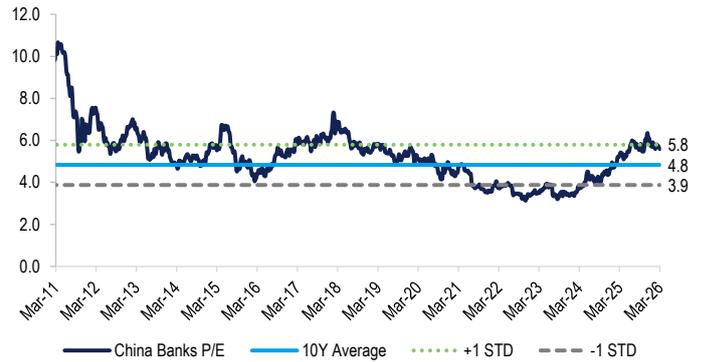
We remain positive on Indo banks given the earnings inflection thesis, valuation is at 6 years low (for P/B) and 12 years low (for P/E). BMRI/BBNI/BBTN are our picks as reflected in strong Jan26 earnings numbers (for BMRI/BBTN) while BBNI booked the strongest PPOP growth (+14% yoy).

Fig. 1: China banks' P/BV – now trading at 0.5x FY26F P/BV vs. 10-year average of 0.6x P/BV



Source: Bloomberg, Company, Indo Premier

Fig. 2: China banks' P/E – now trading at 5.6x FY26F P/E vs. 10-year average of 4.8x P/E



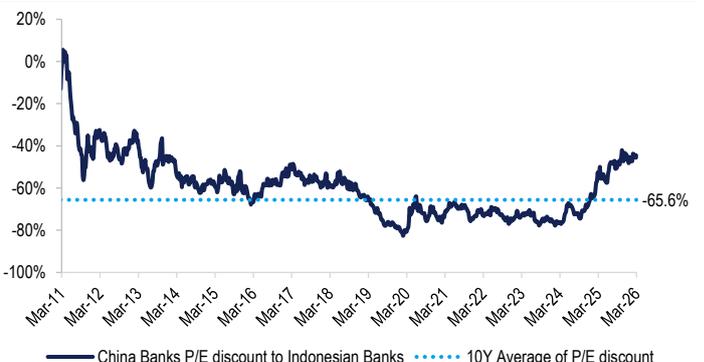
Source: Bloomberg, Company, Indo Premier

Fig. 3: China banks' P/BV discount to Indonesian banks – now stood at -71.9% vs. 10Y average of -73.4%



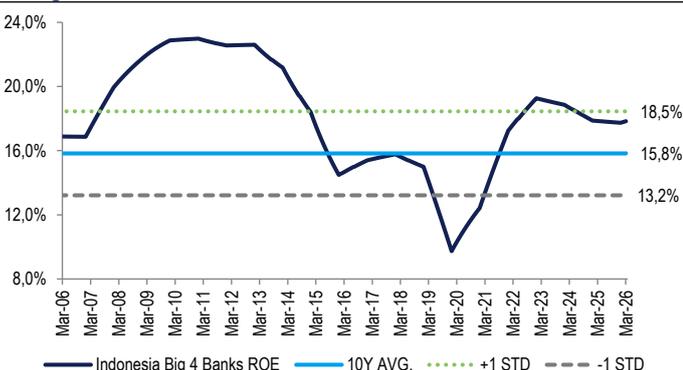
Source: Bloomberg, Company, Indo Premier

Fig. 4: China banks' P/E discount to Indonesian banks – now stood at -44.7% vs. 10Y average of -65.6%



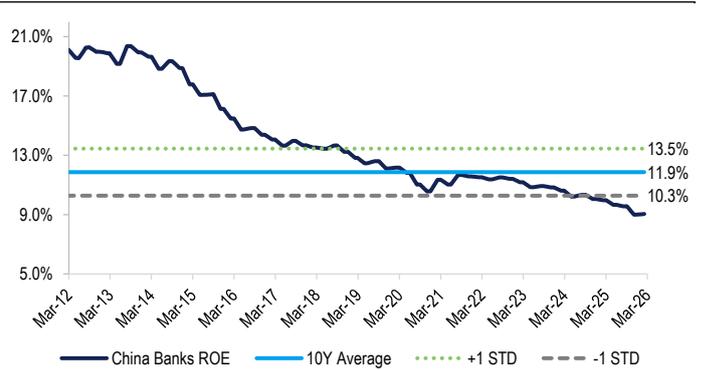
Source: Bloomberg, Company, Indo Premier

Fig. 5: Indonesia big 4 banks ROE – now stood at 17.8% vs. 10Y average of 15.8%



Source: Bloomberg, Company, Indo Premier

Fig. 6: China's banks' ROE – now stood at 9.1% vs. 10Y average of 11.9%



Source: Bloomberg, Company, Indo Premier

Fig. 7: Fiscal realization and projection – our economist expects fiscal deficit of -Rp749tr or -2.91% of GDP in FY26F

	FY24	% Realization to APBN 2024	FY25	% Realization to APBN 2025	2026 APBN	% yoy	IPOT 2026 APBN Outlook	% yoy
Spending	3359.76	100.49	3,451	95	3,843	11.3	3,651	5.8
<i>Organization type</i>								
Central Gov't	2496.22	100.42	2,602	96	3,150	21.0		
Regional Transfer	863.54	100.69	849	92	693	-18.4		
Revenue	2850.6	101.72	2,756	92	3,154	14.4	2,902	5.3
Tax	1,931.6	97.12	1,918	88	2,358	23.0		
Custom & Excise	300.2	93.54	300	100	336	11.9		
Non-Tax	584.4	106.42	534	104	459	-14.0		
Grant	34.39	98.46	4		1	-84.6		
Balance	-509.2	94.11	-695.1	112.8	-689		-749	
<i>% to GDP</i>			-2.92		-2.68		-2.91	

Source: MoF, Indo Premier

Fig. 8: Jan26 big 4 banks NII, PPOP, and net income summary – BMRI's net income grew robustly by +16% yoy while BBNI booked the strongest PPOP growth at 14% yoy

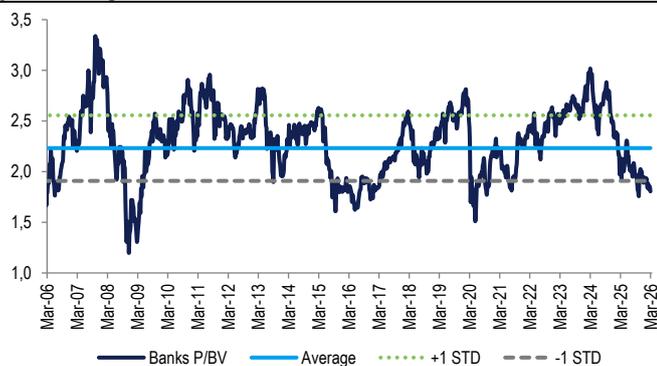
NII (Rp bn) - bank only	Jan-26	Jan-25	YoY%	Dec-25	MoM%	IPS FY26F - consol	% of IPS	Cons FY26F	% of Cons
BBCA	6,628	6,697	-1%	6,741	-2%	90,350	7%	NA	NA
BBRI	9,787	8,921	10%	10,175	-4%	163,102	6%	NA	NA
BMRI	7,213	6,545	10%	7,307	-1%	112,797	6%	NA	NA
BBNI	3,726	3,174	17%	3,807	-2%	42,969	9%	NA	NA
Big 4	27,354	25,337	8%	28,030	-2%	409,218	7%	NA	NA

PPOP (Rp bn) - bank only	Jan-26	Jan-25	YoY%	Dec-25	MoM%	IPS FY26F - consol	% of IPS	Cons FY26F	% of Cons
BBCA	6,402	6,395	0%	5,323	20%	79,061	8%	NA	NA
BBRI	8,760	8,248	6%	9,347	-6%	127,348	7%	NA	NA
BMRI	6,174	5,522	12%	8,987	-31%	95,340	6%	NA	NA
BBNI	2,820	2,474	14%	4,571	-38%	36,618	8%	NA	NA
Big 4	24,156	22,639	7%	28,228	-14%	338,367	7%	NA	NA

Net income (Rp bn) - bank only	Jan-26	Jan-25	YoY%	Dec-25	MoM%	IPS FY26F - consol	% of IPS	Cons FY26F	% of Cons
BBCA	4,999	4,726	6%	4,433	13%	60,704	8%	61,735	8%
BBRI	3,727	2,009	86%	4,958	-25%	59,610	6%	60,607	6%
BMRI	4,653	4,005	16%	7,391	-37%	59,960	8%	56,613	8%
BBNI	1,686	1,630	3%	1,728	-2%	21,257	8%	21,770	8%
Big 4	15,065	12,370	22%	18,510	-19%	201,531	7%	200,725	8%

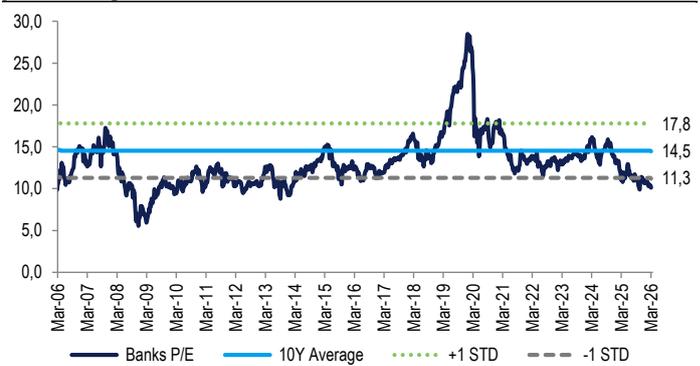
Source: Company, Indo Premier

Fig. 9: Banks' forward P/BV – now trading at 1.8x FY26F P/BV vs. 10-year average of 2.2x P/BV



Source: Bloomberg, Company, Indo Premier

Fig. 10: Banks' forward P/E – now trading at 10.1x FY26F P/E vs. 10-year average of 14.5x P/E



Source: Bloomberg, Company, Indo Premier

Fig. 11: Peer comparison table

Ticker	Closing Price	Target Price	P/BV multiple target (x)	Upside	Recommendation	P/E (x)			P/BV (x)		
						FY26F	FY27F	10Y Avg	FY26F	FY27F	10Y Avg
BBCA	7,000	10,600	4.4	51%	Buy	14.2	13.0	21.0	2.9	2.7	3.8
BBRI	3,670	5,000	2.3	36%	Buy	9.3	8.4	14.4	1.7	1.6	2.3
BMRI	4,980	6,400	1.7	29%	Buy	7.8	7.0	11.4	1.3	1.2	1.6
BBNI	4,270	5,200	1.0	22%	Buy	7.5	6.9	10.2	0.8	0.8	1.1
BBTN	1,340	1,900	0.7	42%	Buy	4.6	4.0	6.7	0.5	0.4	0.8
BRIS*	2,230	2,900	2.2	30%	Buy	11.9	10.3	15.9	1.7	1.5	2.2

Source: Bloomberg, Company, Indo Premier
*4Y avg

Share price closing as of: 06 March 2026

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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