

Monday, 20 January, 2025

NEWSLETTER

Banking Sector Outlook: Valuation Conundrum Amid Macro Risks

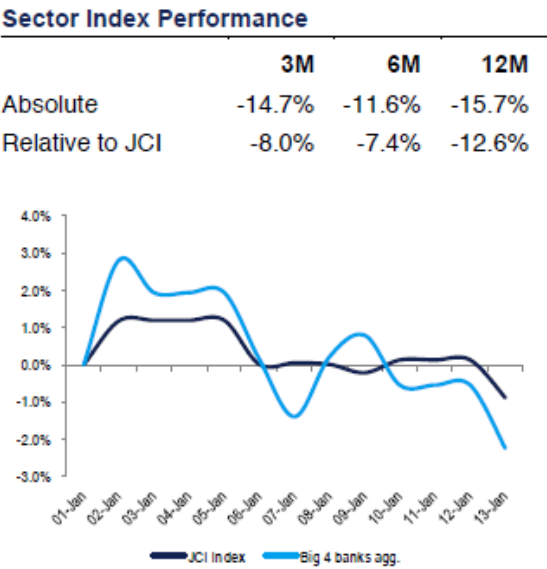
Welcome to our first edition! this edition of Bank Sector Insights from BI Capital Team. We are dedicated to keeping you informed about the latest developments in the finance sector, our ongoing projects, and our commitment to sustainability and innovation. Here's what's new in the listed bank sector.

Market Highlights on the Bank Landscape

- Get the latest updates on the finance sector market,
- Banking Sector Decline: Big 4 banks dropped 12% since FY23, with BBRI leading at -33%.
 - Drivers of Pressure: Rising bond yields (7.3%), elevated UST yields, and a strong USD index (DXY at 110).
 - Currency Impact: IDR weakened to Rp16,283, approaching its 2024 peak of Rp16,450

Difficult phase on finance sector

Despite pressures, valuations are attractive: Banks' P/B and P/E at 2.2x and 11.6x, while BBRI trades at 1.7x P/B and 8.4x P/E (below 10Y averages). Near-term risks in 1Q25 include market impacts from Trump's inauguration, Danantara's formation, FY24 results, FY25 outlook, and SOE banks' AGMs in March.

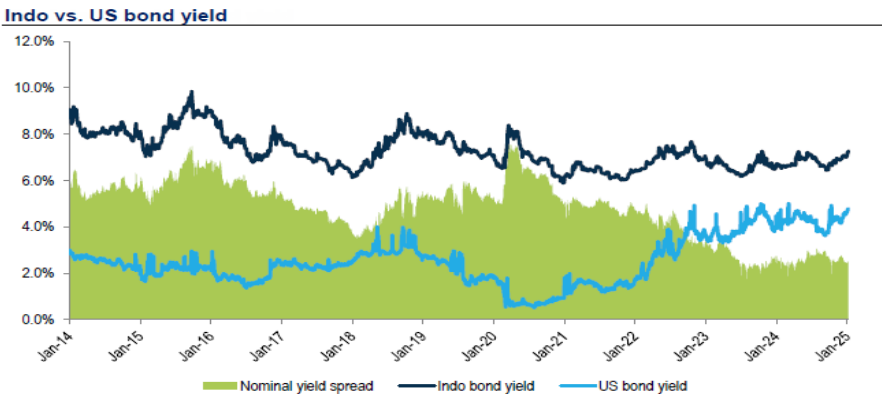


Summary Valuation Metrics

P/E (x)	2024F	2025F	2026F
BBCA IJ	21.8	20.7	19.2
BBRI IJ	9.3	8.4	7.5
BMRI IJ	9.1	8.1	7.3

P/BV (x)	2024F	2025F	2026F
BBCA IJ	4.5	4.2	3.9
BBRI IJ	1.8	1.7	1.6
BMRI IJ	1.8	1.6	1.5

Div. Yield	2024F	2025F	2026F
BBCA IJ	2.9%	3.2%	3.4%
BBRI IJ	8.8%	9.1%	10.1%
BMRI IJ	6.4%	6.6%	7.4%



Source: Bloomberg

Summary Overview

Current pressures on the banking sector, linking macroeconomic headwinds with historical benchmarks to offer a balanced perspective. While valuations appear attractive, near-term risks justify a cautious approach, with potential buying opportunities emerging as external pressures subside