

Banks

Overweight (Maintained)

Top Picks Poised For 2026 Rebound; OVERWEIGHT

Stocks Covered 9
 Rating (Buy/Neutral/Sell): 8 / 0 / 1
 Last 12m Earnings Revision Trend: Downtrend

- Maintain O/W; Top Picks: Bank Central Asia (BBCA)>Bank Syariah Indonesia (BRIS)>Bank Mandiri (BMRI)>Bank Rakyat Indonesia (BBRI).** Despite a 1.6% YoY earnings dip in 7M25, we see that Indonesia's banks are positioned for a 2026 rebound, supported by the Finance Ministry's (MoF) IDR200trn liquidity injection, Bank Indonesia's (BI) rate cuts and faster loan growth. Bank Tabungan Negara (BBTN), BBCA, and BRIS led PPOP, loan and NIM gains, while deposits outpaced loans, easing LDR to 87.7% and reinforcing big banks' funding edge. Resilient banks with niche strengths look to drive a healthier credit cycle ahead.
- Banks set for 2026 rebound with MoF's liquidity boost.** Despite weak bank-only earnings in 7M25, with banks under our coverage reporting a 1.6% YoY drop, we expect a turnaround in 2026. This rebound will be underpinned by widening NIMs from easing liquidity and stronger loan growth. The IDR200trn injection from idle government funds at BI (done late last week) – sourced from past budget surpluses (SILPA) – aims to inject liquidity into the banking system to revive lending, boost credit growth, and support job creation. The fund injection will most benefit BBTN, BMRI, and BBNI, in our view. Together with BI's benchmark rate cut to 5% and accelerated budget spending, this policy shift is designed to stimulate the real economy while maintaining low inflation.
- BBTN, BBCA and BRIS lead as others struggle in 7M25.** By 7M25, Indonesia's banking sector displayed mixed momentum across key metrics. BBTN, BBCA and BRIS stood out as clear outperformers, leading PPOP growth, loan expansion, and NIM improvements, while most peers contended with softer margins and profitability. BBTN posted an impressive +67.5% YoY PPOP growth, BBCA sustained gains at +12%, and BRIS rose 8.4% YoY, lifting small to mid-tier banks. In contrast, the big-4 and several mid-tier lenders booked contractions in PPOP and tighter NIMs, underscoring the drag from rising funding costs, more selective lending, and provisioning pressures. We removed Bank Negara Indonesia (BBNI) and BBTN from our sector Top Picks as their share prices are near our TPs, and replaced them with BMRI and BBRI instead.
- Deposits surge, LDR eases as big banks cement funding edge.** Funding dynamics also shifted during this period, with deposits outpacing loans and easing the sector's LDR to 87.7%, from 88.2% last year. CASA ratios remained broadly stable, with large banks like BBCA, BMRI, and BBNI solidifying their low-cost funding edge, while smaller banks struggled to improve their deposit mixes. This reinforces the view that sector funding strength remains concentrated among top-tier and niche-focused players.
- Resilient banks take the lead as sector gears up for 2026 credit revival.** Overall, 7M25 underscores the consolidation of leadership among a select group of resilient banks, particularly those with a strong foothold in Islamic banking, mortgages, and premium retail segments. These have proven more adept at managing liquidity and margin pressures, positioning themselves for a healthier credit cycle heading into 2026, while the broader sector works to regain momentum through policy support and improving macroeconomic conditions.

Top Picks

Company	Rating	Target Price
Bank Central Asia (BBCA IJ) – BUY	BUY	IDR10,260
Bank Syariah Indonesia (BRIS IJ) – BUY	BUY	IDR3,500
Bank Mandiri (BMRI IJ) – BUY	BUY	IDR5,600
Bank Rakyat Indonesia (BBRI IJ) – BUY	BUY	IDR4,300

Analysts

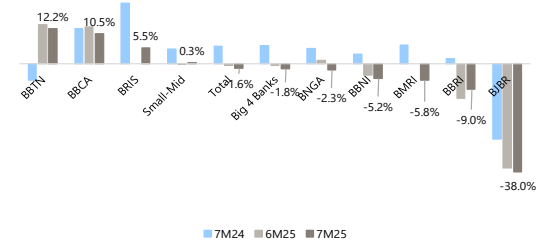
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7M25 earnings outperformance from BBTN, BBCA and BRIS



Source: Company data, RHB

Company Name	Rating	Target (IDR)	% Upside (Downside)	P/E (x) Dec-25F	P/B (x) Dec-25F	ROAE (%) Dec-25F	Yield (%) Dec-25F
Bank BJB	Sell	710	(7.8)	5.2	0.4	8.7	11.0
Bank Central Asia	Buy	10,260	29.5	17.1	3.4	20.9	4.0
Bank CIMB Niaga	Buy	2,300	34.1	5.9	0.8	13.3	9.6
Bank Mandiri	Buy	5,600	23.9	7.6	1.4	19.2	9.2
Bank Negara Indonesia	Buy	4,700	4.0	8.3	1.0	12.4	7.8
Bank Neo Commerce	Buy	390	12.1	12.1	1.2	9.8	-
Bank Rakyat Indonesia	Buy	4,300	2.9	11.2	1.7	16.1	8.1
Bank Syariah Indonesia	Buy	3,500	30.1	14.9	2.5	18.1	0.7
Bank Tabungan Negara	Buy	1,430	1.4	5.9	0.5	9.3	3.8

Source: Company data, RHB

Top Picks Poised For 2026 Rebound

Banks poised to rebound in 2026, thanks to MoF liquidity push

Indonesian banks under our coverage saw earnings dip 1.6% YoY in 7M25, but a recovery is expected in 2026 as easing liquidity and faster loan growth widen NIMs. The injection of IDR200trn from idle government funds at BI (which happened last Friday) – sourced from past budget surpluses – aims to revive lending, spur credit growth and support jobs. Together with BI's rate cut to 5% and accelerated budget spending, these measures are set to unlock liquidity and stimulate private-sector activity while keeping inflation contained. BBTN, BBKA, and BRIS stood out as outperformers in PPOP, loan expansion, and NIMs, while most peers faced margin pressure, tighter funding, and slower growth. Overall, 7M25 underscores a more concentrated leadership among niche-focused banks and a sector positioning for a healthier credit cycle into 2026.

The Government's IDR200trn lifeline supercharges BBTN and BMRI

The Government's IDR200trn injection into five state-owned enterprise (SOE) banks will most benefit BBTN and BMRI, in our view. For BBTN, the low-cost funds significantly lift margins due to its higher funding costs, while BMRI gains immediate liquidity relief to drive stronger loan growth.

Under the scheme, BBRI, BBNI, and BMRI each receive IDR55trn, BBTN IDR25trn, and BRIS IDR10trn. Structured as 6-month deposits on call at roughly 80% of the BI rate (equivalent to ~4% at the current BI rate), the funds must go to the real sector, not government bonds. Risk controls include the MoF's ability to debit statutory reserves at BI if banks fail to repay, plus mandatory monthly reporting.

The programme reshapes NIM, liquidity, and lending capacity across SOE banks. With the cost of funds near 4% (at the current BI rate), spreads expand and pressure on deposit competition eases – particularly for banks with high loan-to-deposit ratios. BBTN stands out with a 5% asset base injection, markedly improving margins and liquidity, while BMRI's 2.5% asset base infusion eases funding stress. BRIS and BBNI gain extra liquidity headroom and BBRI enjoys a steady boost to its already-strong CASA and SMEs expansion. Note: When comparing the injected funds to total third-party deposits, BBTN and BBNI emerge as the biggest beneficiaries.

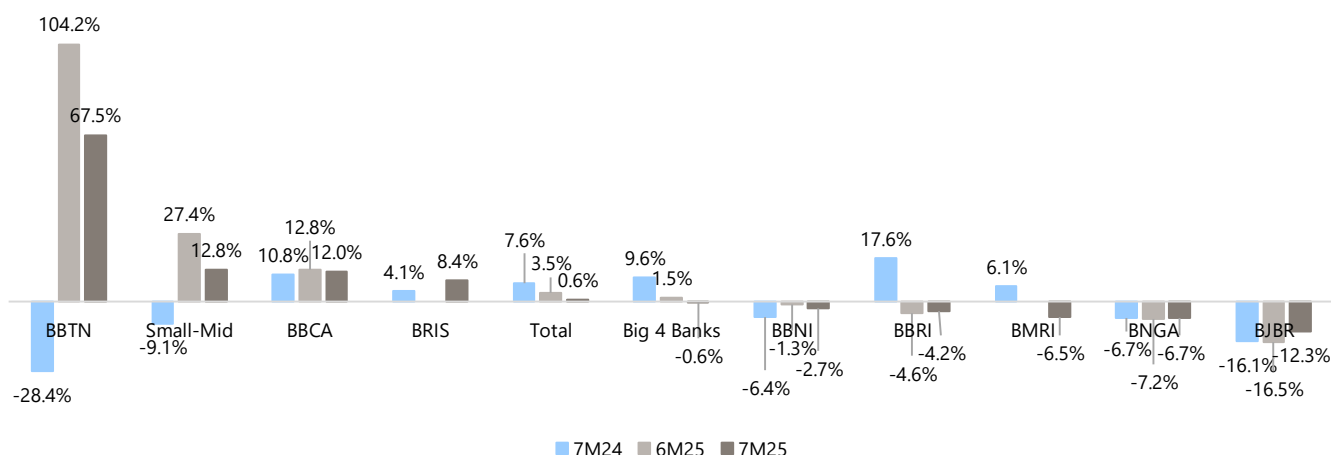
PPOP growth in 7M25: BBTN, BBKA and BRIS shone, but the majority of peers still struggled

During 7M25, only three banks under our coverage – BBTN, BBKA and BRIS – posted higher PPOP. BBTN led with a striking 67.5% YoY jump, extending its 6M25 triple-digit growth momentum, driven by mortgage expansion and optimised interest income. BBKA maintained a solid double-digit growth of +12%, while BRIS rose 8.4% YoY, outperforming last year's pace.

A strong showing from BBTN and BRIS boosted small to mid-tier banks (+12.8% YoY). In contrast, the big-4 players slipped to an average of -0.6% YoY vs +9.6% in 7M24. BBNI (-2.7%), BBRI (-4.6%) and BMRI (-6.5%) recorded lower PPOP, while BNGA (-6.7%) and BJBR (-12.3%) saw steeper contractions, underscoring margin pressure and weaker profitability.

Overall, sector PPOP growth slowed sharply to just +0.6% YoY from +9.6% a year earlier. BBTN, BBKA and BRIS emerged as clear outperformers, while BBRI, BBNI, BMRI, BNGA and BJBR lagged, reflecting uneven earnings momentum amid tighter liquidity and rising costs.

Figure 1: PPOP (banks-only) growth for 7M25 – BBTN, BBKA, and BRIS shone but the majority of peers continued to struggle



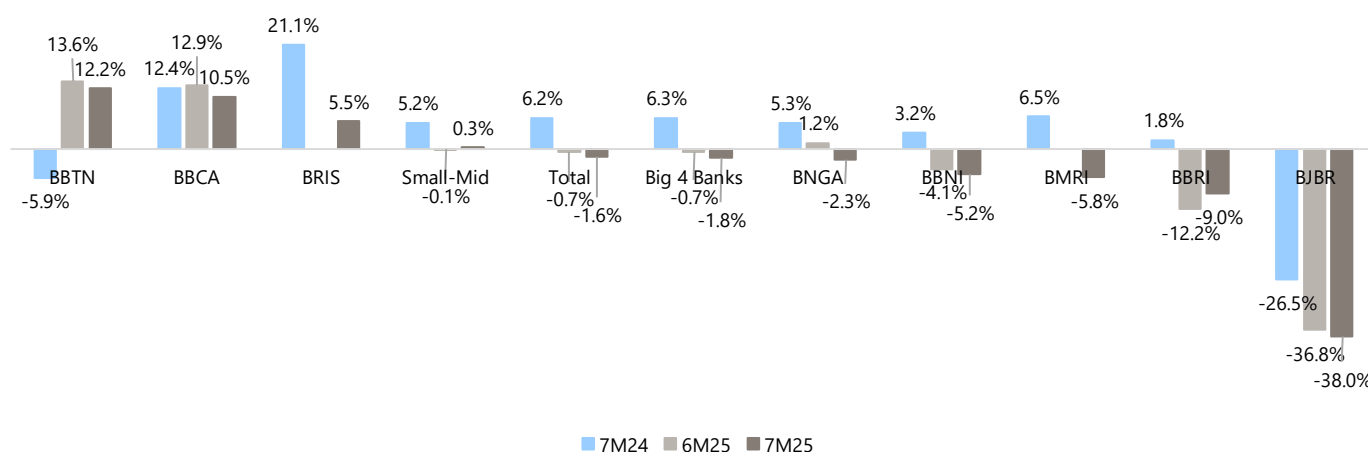
Note: BMRI and BRIS have yet to release 1H25 financial results as they are still undergoing their audit processes
 Source: Company data, RHB

BBTN, BBKA and BRIS defied sector earnings weakness in 7M25

By 7M25, the sector earnings momentum weakened sharply, slipping to -1.6% YoY from +6.2% a year earlier. BBTN (+12.2% YoY), BBKA (+10.5% YoY), and BRIS (+5.5% YoY) stood out for their resilience amid tighter liquidity and rising costs. BBTN's rebound from last year's contraction underscored improved profitability, driven by stronger core income and interest income adjustments.

The big-4 fell 1.8% YoY, weighed down by steep drops at BBRI (-9.0%), BMRI (-5.8%), and BBNI (-5.2%). BNGA (-2.3%) and BJBR (-38%) also struggled, reflecting sector-wide margin compression and higher provisioning pressures.

Figure 2: Earnings (banks-only) growth – BBTN, BBKA, and BRIS defied the sector earnings weakness in 7M25



Notes: BMRI and BRIS have yet to release 1H25 financial results as they are still undergoing their audit processes
 Source: Company data, RHB

Loan growth loses steam: Only a few banks bucked the trend

In 7M25, loan growth across the banking sector slowed sharply to 7.8% YoY from 13.9% last year, driven by tighter liquidity, higher funding costs, and more selective lending. Both large banks and small to mid-tier lenders saw weaker expansion vs the previous year's strong gains.

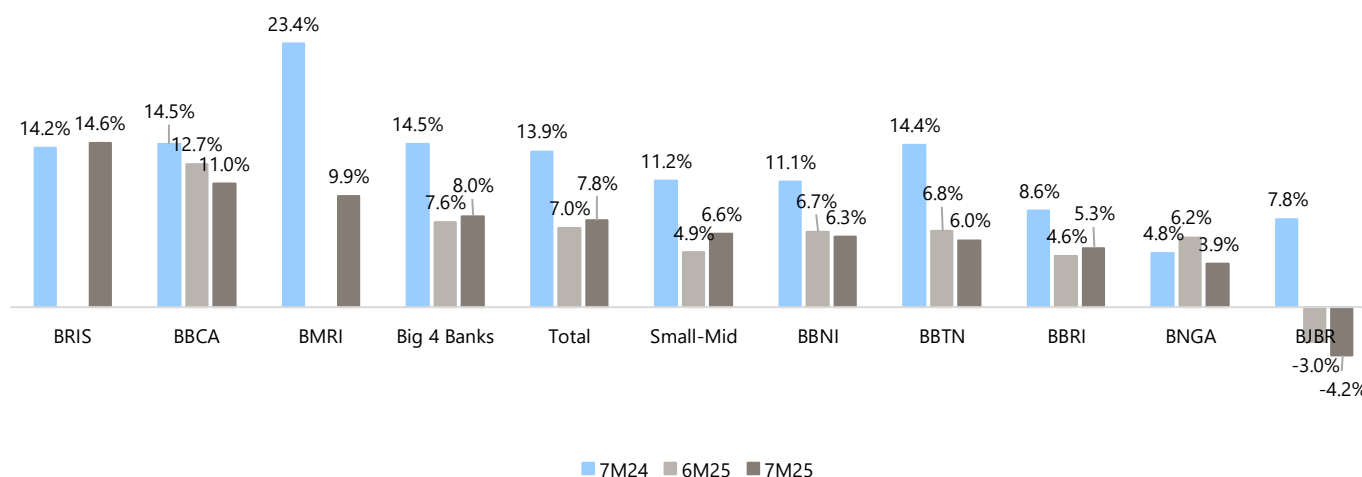
BRIS and BBKA emerged as bright spots, posting robust loan growth of 14.6% YoY and 11.0% YoY. BBTN also showed resilience with 6.0% YoY growth, underscoring the strength of niche franchises such as Islamic banking, mortgage lending, and broad-based lending.

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In contrast, BJBR fell deeper into a contraction (-4.2% YoY vs +7.8% in 7M24), with BNGA slowing to +3.9% YoY. BMRI also saw a sharp deceleration to 9.9% YoY from 23.4% last year, signalling tighter credit appetite and higher provisioning. The trend points to a consolidation of growth leadership among a handful of resilient banks while the broader sector contends with margin pressure and muted demand.

Figure 3: Loan (bank-only) growth – only a few banks bucked the trend



Note: BMRI and BRIS have yet to release 1H25 financial results as they are still undergoing their audit processes

Source: Company data, RHB

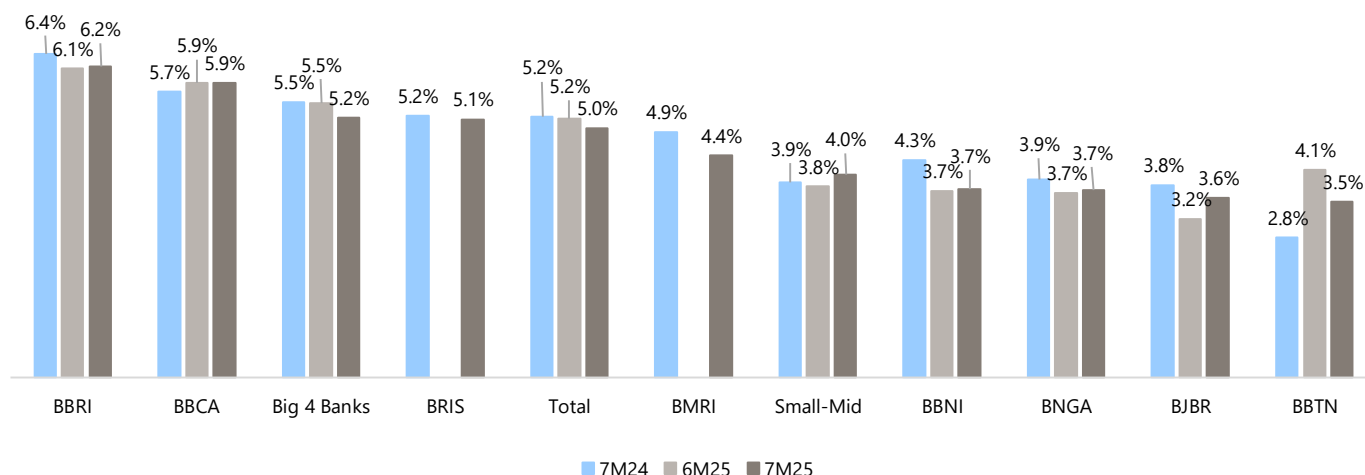
Margins under pressure: Only a few banks bucked the NIM squeeze

NIMs weakened across the banking sector in 7M25 as tighter liquidity and higher funding costs eroded spreads. The total sector NIM eased to roughly 5% from 5.2% last year, with that of the big-4 banks also slipping to 5.2% from 5.5%, showing margin pressure was broad-based rather than limited to smaller players.

Among the standouts, BBRI and BBCA maintained the highest margins at 6.2% and 5.9%, underpinned by their strong CASA base and disciplined pricing. BRIS held steady at 5.1%, thanks to its stable Islamic funding structure, while BBTN lifted its margin to 3.5% from 2.8% last year, supported by interest income adjustments.

On the other hand, BMRI's NIM declined to 4.4% from 4.9% and BBNI slid to 3.7% from 4.3%, reflecting greater exposure to rising funding costs. Smaller lenders such as BJBR also saw erosion to 3.6% from 3.8%, although it recovered from 3.2% in 6M25. Overall, the data underscores a sector-wide squeeze on margins, with only a select few banks managing to stabilise or improve their NIM through a stronger funding mix and better asset yield management.

Figure 4: NIM ratios (banks-only) – only a few banks bucked the NIM squeeze



Note: BMRI and BRIS have yet to release 1H25 financial results as they are still undergoing their audit processes
 Source: Company data, RHB

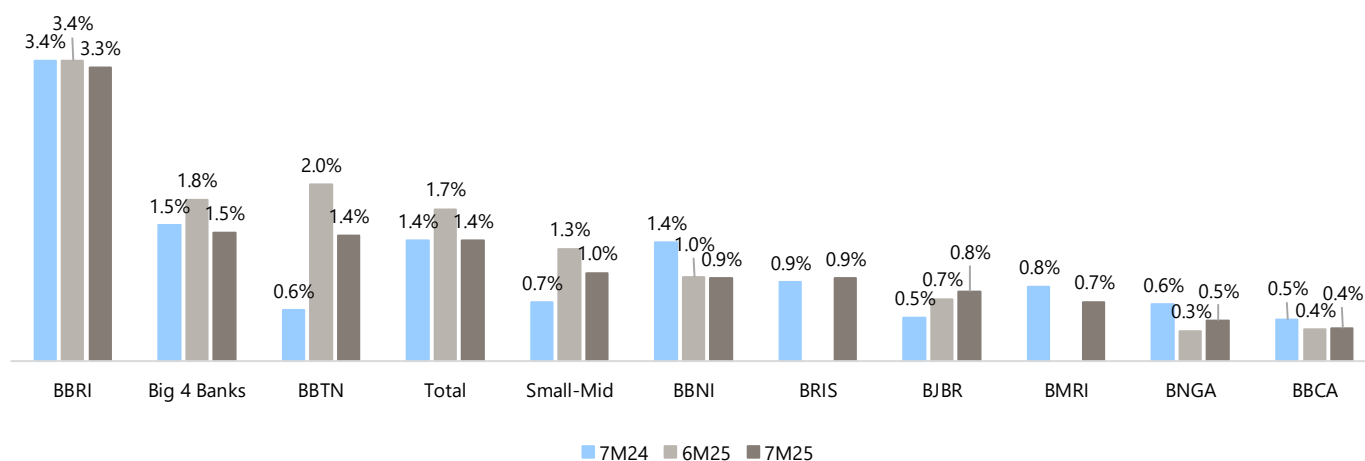
Credit costs held steady as some banks faced provisioning pressures

The sector’s cost of credit (CoC) stayed broadly stable in 7M25, signalling tighter asset quality control and steady provisioning. Total CoC stood at c.1.4%, with that of the big-4 banks at 1.5% and small-mid banks rising to 1.0% from 0.7% a year earlier.

BBRI maintained the highest CoC at 3.3% vs 3.4% last year due to its micro-lending exposure, while BBCA continued to record one of the lowest levels at 0.4%, reflecting robust asset quality. BBTN’s CoC rose to 1.4% from 0.6%, driven by higher provisioning to boost loan loss coverage, while BBNI’s CoC eased to 0.9% from 1.4%.

Among the smaller lenders, BNGA’s credit cost improved to 0.5% from 0.6% (after dipping to 0.3% in 6M25), while BJBR’s climbed to 0.8% from 0.5%, and BRIS’ remained flat at 0.9%. BMRI’s CoC slipped to 0.7% from 0.8%. Overall, the figures point to a sector that is largely resilient in managing credit costs despite the pockets of provisioning pressure.

Figure 5: CoC (banks-only) – credit costs held steady as some banks faced provisioning pressure



Note: BMRI and BRIS have yet to release 1H25 financial results as they are still undergoing their audit processes
 Source: Company data, RHB

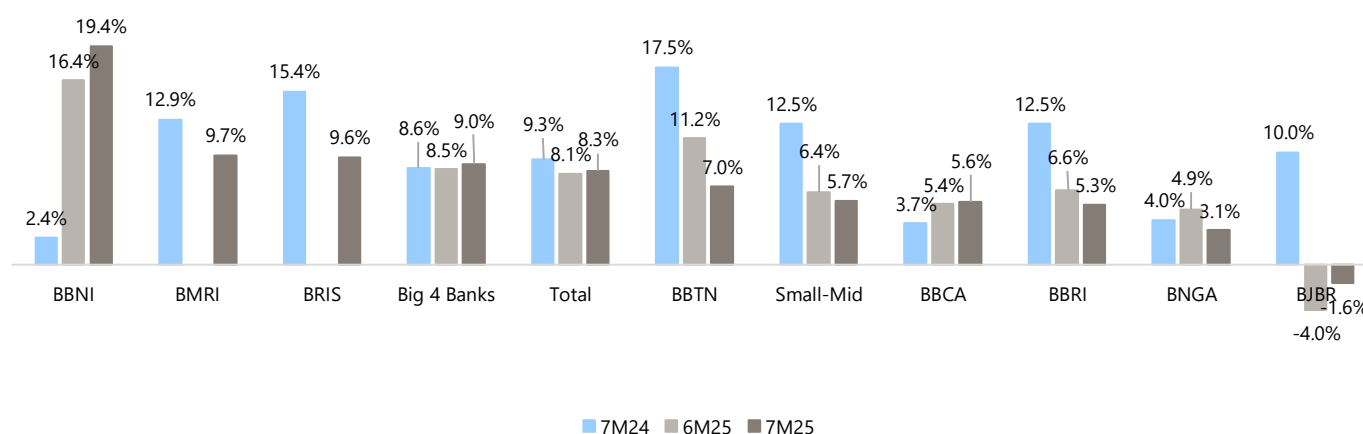
Deposit race tightens: BBNI led as others lost momentum

Industry-wide deposit growth slowed to 8.3% YoY in 7M25 from 9.3% last year. While the big-4 banks' deposit growth inched up to 9.0% YoY from 8.6%, that of the small and mid-tier banks cooled sharply to 5.7% from 12.5%, reflecting fiercer competition for funds and rising deposit costs.

BBNI was the clear standout, with third-party funds surging 19.4% YoY from just 2.4% in 7M24 – underscoring aggressive funding drives and stronger franchise traction. BRIS also posted healthy growth at 9.6% YoY, while BBKA's deposit growth improved to 5.6% from 3.7%, signalling the strength of niche strategies like Islamic banking and premium retail segments.

Conversely, BBTN's deposit growth dropped to 7.0% YoY from 17.5% last year, while BBRI's slowed to 5.3% from 12.5%. BJBR fell deepest into negative territory at -1.6% YoY vs +10.0% a year ago. Overall, funding leadership is consolidating in a handful of outperforming banks while the wider sector struggles with slower inflows and mounting competition.

Figure 6: Third-party funds (banks-only) growth. The deposit race tightened – BBNI led while others lost momentum



Note: BMRI and BRIS have yet to release 1H25 financial results as they are still undergoing their audit processes
Source: Company data, RHB

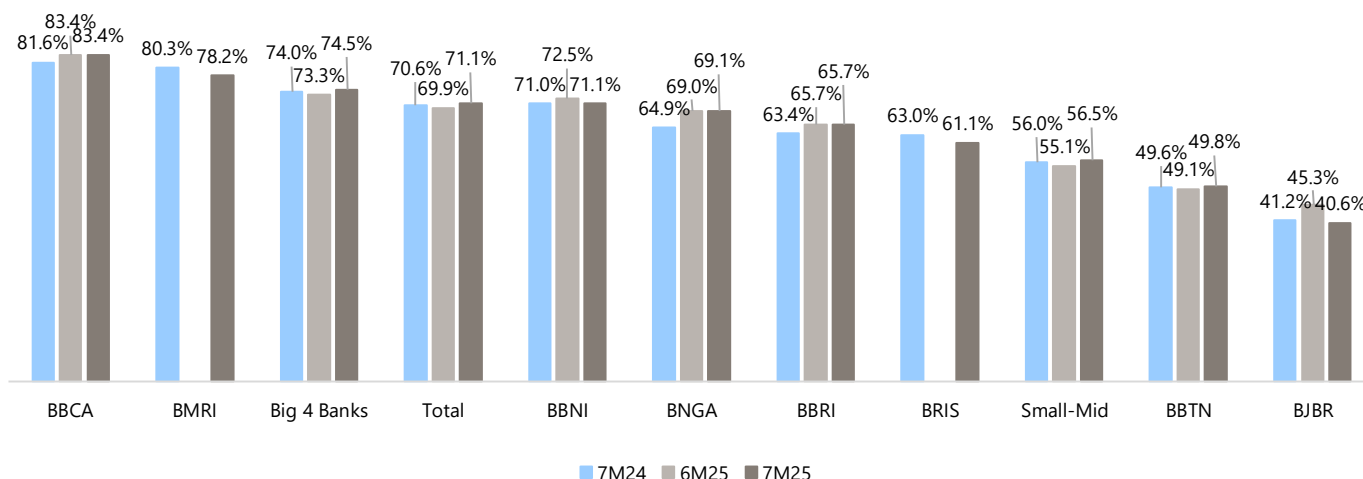
CASA stability held as big banks cemented their low-cost funding edge

CASA ratios stayed broadly stable in 7M25 compared to 7M24, highlighting resilient low-cost funding despite tighter liquidity. Total CASA rose slightly to 71.1% from 70.6%, with the big four banks steady at 74.5% vs 74.0% last year, underscoring their ability to preserve cheap deposit bases.

BBKA retained the highest CASA ratio at 83.4% from 81.6%, cementing its dominance in low-cost deposits. BMRI's CASA held at 78.2%, while BBNI's edged up to 71.1%, and BNGA's improved to 69.1% from 64.9% on a better funding mix. BBRI's CASA also strengthened to 65.7% from 63.4%.

On the flip side, BRIS' CASA slipped to 61.1% from 63.0%, while that of small and mid-tier banks ticked up to 56.5% from 56.0%. BBTN's CASA stayed nearly flat at 49.8%, and BJBR's CASA fell to 40.6% from 41.2%, showing greater reliance on costlier deposits. Overall, the figures indicated a concentration of CASA strength among large and niche banks, while smaller players still struggled to lift their proportion of low-cost funds.

Figure 7: CASA ratio (banks-only) – CASA stability held as big banks cemented their low-cost funding edge



Note: BMRI and BRIS have yet to release 1H25 financial results as they are still undergoing their audit processes
 Source: Company data, RHB

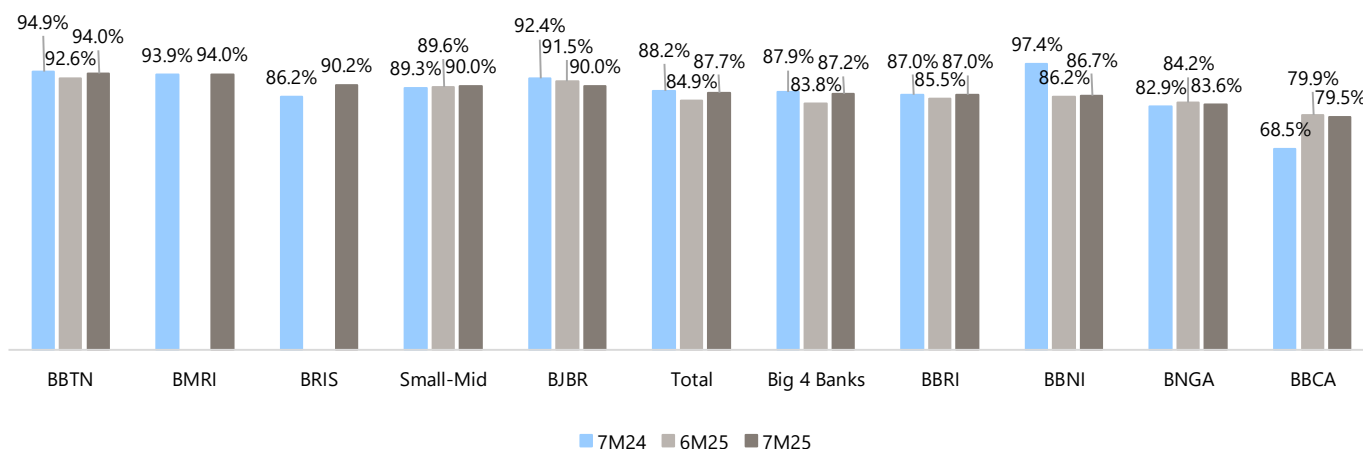
Solid deposit growth eased LDR in 7M25

The banking sector’s LDR edged down in 7M25, signalling deposits were growing faster than loans. Total sector LDR decreased to 87.7% from 88.2% a year earlier, while the big-4 banks averaged 87.2%, slightly below 87.9% last year. This trend highlights a continued normalisation of credit intermediation and healthier balance sheet management.

At the individual bank level, BBTN and BMRI led the pack at around 94%. Small to mid-tier banks and BRIS maintained solid ratios near 90%, while BBCA – although its ratio remained conservative – surged from 68.5% to 79.5% – indicating stronger loan demand. Meanwhile, BBNI eased from 97.4% to 86.7%, showing more balanced funding and lending, and BNGA stabilised in the low-to-mid 80% range.

Overall, the 7M25 LDR landscape showed that the sector was entering a healthier credit cycle, with most banks clustered in the 80-90% range. This balanced funding environment should underpin earnings momentum and NIM stability into 2H25, provided asset quality stays sound and deposit competition remains contained.

Figure 8: LDR (banks-only) – solid deposit growth eased LDR in 7M25



Note: BMRI and BRIS have yet to release 1H25 financial results as they are still undergoing their audit processes
 Source: Company data, RHB

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Figure 9: Highlights of the banks' performance over 7M25

	BBRI	BBCA	BMRI	BBNI	BBTN	BNGA	BJBR	BRIS	Total	Big-4 Banks	Small-Mid
7M25											
Profit & Loss (IDRbn)											
NII	65,369	46,552	43,932	22,195	9,214	6,942	3,513	11,219	208,936	178,048	30,889
PPOP	59,909	44,545	38,655	18,405	5,299	5,327	1,128	7,020	180,289	161,514	18,775
Provisioning	24,042	1,913	5,008	4,076	3,038	569	551	1,519	40,716	35,040	5,676
OP	35,866	42,632	33,647	14,329	2,261	4,759	577	5,501	139,573	126,474	13,098
Net profit	28,588	34,708	27,533	11,870	1,798	3,799	481	4,152	112,928	102,699	10,229
Balance Sheet (IDRbn)											
Gross loans	1,267,123	923,512	1,335,953	763,655	376,891	213,992	116,660	295,517	5,293,305	4,290,244	1,003,060
CASA	957,932	969,182	1,111,625	625,717	199,598	176,883	52,634	200,072	4,293,644	3,664,456	629,188
Time deposits	499,067	192,874	309,766	254,951	201,226	79,120	77,056	127,636	1,741,698	1,256,659	485,039
Total third-party funds	1,457,000	1,162,056	1,421,391	880,668	400,824	256,004	129,691	327,708	6,035,342	4,921,115	1,114,226
Ratios (%)											
NIM (%)	6.2%	5.9%	4.4%	3.7%	3.5%	3.7%	3.6%	5.1%	5.0%	5.2%	4.0%
Credit cost (%)	3.3%	0.4%	0.7%	0.9%	1.4%	0.5%	0.8%	0.9%	1.4%	1.5%	1.0%
CASA (%)	65.7%	83.4%	78.2%	71.1%	49.8%	69.1%	40.6%	61.1%	71.1%	74.5%	56.5%
LDR (%)	87.0%	79.5%	94.0%	86.7%	94.0%	83.6%	90.0%	90.2%	87.7%	87.2%	90.0%
7M24											
Profit & Loss (IDRbn)											
NII	64,370	43,955	43,141	22,178	6,817	7,193	3,604	10,268	201,526	173,644	27,882
PPOP	62,503	39,783	41,343	18,919	3,164	5,710	1,286	6,478	179,186	162,548	16,638
Provisioning	23,023	1,162	5,438	3,859	1,123	760	338	1,264	36,967	33,482	3,485
OP	39,480	38,621	35,905	15,060	2,041	4,950	948	5,214	142,219	129,066	13,153
Net profit	31,419	31,396	29,228	12,518	1,603	3,887	775	3,934	114,759	104,560	10,199
Balance Sheet (IDRbn)											
Gross loans	1,203,851	832,341	1,215,875	718,663	355,678	205,970	121,833	257,911	4,912,123	3,970,730	941,393
CASA	876,415	904,341	1,039,632	523,929	186,001	161,179	54,270	188,334	3,934,100	3,344,316	589,784
Time deposits	506,642	196,366	255,633	213,580	188,669	87,162	77,520	110,796	1,636,368	1,172,221	464,147
Total third-party funds	1,383,057	1,100,707	1,295,265	737,509	374,670	248,341	131,790	299,130	5,570,468	4,516,538	1,053,930
Ratios (%)											
NIM (%)	6.4%	5.7%	4.9%	4.3%	2.8%	3.9%	3.8%	5.2%	5.2%	5.5%	3.9%
Credit cost (%)	3.4%	0.5%	0.8%	1.4%	0.6%	0.6%	0.5%	0.9%	1.4%	1.5%	0.7%
CASA (%)	63.4%	81.6%	80.3%	71.0%	49.6%	64.9%	41.2%	63.0%	70.6%	74.0%	56.0%
LDR (%)	87.0%	68.5%	93.9%	97.4%	94.9%	82.9%	92.4%	86.2%	88.2%	87.9%	89.3%
YoY Growth											
Profit & Loss (%)											
NII	1.6%	5.9%	1.8%	0.1%	35.2%	-3.5%	-2.5%	9.3%	3.7%	2.5%	10.8%
PPOP	-4.2%	12.0%	-6.5%	-2.7%	67.5%	-6.7%	-12.3%	8.4%	0.6%	-0.6%	12.8%
Provisioning	4.4%	64.6%	-7.9%	5.6%	170.5%	-25.2%	63.0%	20.2%	10.1%	4.7%	62.9%
OP	-9.2%	10.4%	-6.3%	-4.9%	10.8%	-3.9%	-39.1%	5.5%	-1.9%	-2.0%	-0.4%
Net profit	-9.0%	10.5%	-5.8%	-5.2%	12.2%	-2.3%	-38.0%	5.5%	-1.6%	-1.8%	0.3%
Balance Sheet (%)											
Gross loans	5.3%	11.0%	9.9%	6.3%	6.0%	3.9%	-4.2%	14.6%	7.8%	8.0%	6.6%
CASA	9.3%	7.2%	6.9%	19.4%	7.3%	9.7%	-3.0%	6.2%	9.1%	9.6%	6.7%
Time deposits	-1.5%	-1.8%	21.2%	19.4%	6.7%	-9.2%	-0.6%	15.2%	6.4%	7.2%	4.5%
Total third-party funds	5.3%	5.6%	9.7%	19.4%	7.0%	3.1%	-1.6%	9.6%	8.3%	9.0%	5.7%
Ratios (Δ)											
NIM (Δ)	-0.3%	0.2%	-0.5%	-0.6%	0.7%	-0.2%	-0.3%	-0.1%	-0.2%	-0.3%	0.2%
Credit cost (Δ)	-0.1%	-0.1%	-0.2%	-0.4%	0.8%	-0.2%	0.3%	0.0%	0.0%	-0.1%	0.3%
CASA (Δ)	2.4%	1.8%	-2.1%	0.0%	0.2%	4.2%	-0.6%	-1.9%	0.5%	0.4%	0.5%
LDR (Δ)	-0.1%	11.0%	0.1%	-10.7%	-0.9%	0.7%	-2.5%	4.0%	-0.5%	-0.7%	0.7%

Source: Company data, RHB

RHB Guide to Investment Ratings

Buy:	Share price may exceed 10% over the next 12 months
Trading Buy:	Share price may exceed 15% over the next 3 months, however longer-term outlook remains uncertain
Neutral:	Share price may fall within the range of +/- 10% over the next 12 months
Take Profit:	Target price has been attained. Look to accumulate at lower levels
Sell:	Share price may fall by more than 10% over the next 12 months
Not Rated:	Stock is not within regular research coverage

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