Neutral

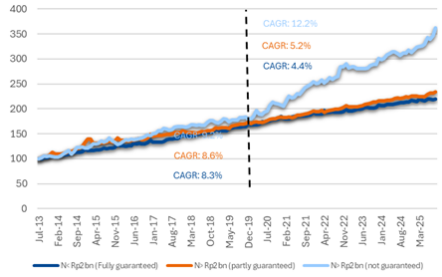
(Maintained)

Banks

K-shape Earnings Recovery Could Weigh on Margin and Asset Quality

- **We expect positive FY26 earnings growth for banking sector (+5.1% yoy) driven by higher loan growth offsetting the lower NIM in FY26F.**
- **We opine that NPL could still be in an upcycle in FY26F, with MSME and consumers loan delinquency risks affecting the investment loans.**
- **We maintain a Neutral view on the banking sector amid potential earnings downside, macro uncertainty, and lingering asset quality risks.**

Deposit distribution index



Sector's PBV multiple valuation

Stock	P/BV (x)	P/BV (5-year)		Curr. to StDev
	2025F	mean	StDev	
BBCA	3.5	4.1	0.4	(1.6)
BBRI*	1.7	2.2	0.3	(1.3)
BMRI	1.5	1.7	0.3	(0.7)
BBNI	0.9	1.0	0.2	(0.7)
BRIS*	1.9	2.3	0.6	(0.5)
BBTN	0.5	0.6	0.1	(1.0)
BTPS*	0.9	0.9	0.2	0.1

*Note: BBRI: cons numbers, BRIS: avg. since merger, BTPS: avg. 2-year

Source: BRIDS Estimates, Bloomberg

Expect a moderate earnings turnaround

We estimate sector net profit (assuming consensus numbers for BBRI) at Rp205.5tr (+5.1% yoy), compared with consensus at Rp215.9tr (+9.2% yoy), suggesting that consensus is factoring in a faster recovery with greater margin expansion than our base case. This implies upside earnings risk if funding costs decline faster than our assumptions, but also underscores downside risk should rate cuts or credit normalization underperform expectations. In general, we expect higher loan growth, lower NIM, lower opex, and mixed credit costs in FY26F.

Loan growth accelerating but potentially weighing on NIM

We expect FY26F loan growth of 11.0%, accelerating from FY25F loan growth of 9.1%, driven mainly by the wholesale segment. While this shift supports a more stable loan book given the long-term nature of investment loans, it is likely to intensify competition, particularly in the blue-chip corporate segment, and pressure loan yields. Combined with the K-shape recovery, which concentrates liquidity and bargaining power among corporate and upper-income segments, we expect weaker asset yields to more than offset CoF improvements, resulting in a pressured NIM for FY26F.

Asset quality: not out of the wood yet

Among loan types, consumer loans faced the most pressure on asset quality with its historic high NPL ratio of 2.4%, while investment loans, largely driven by large corporations, were at historic low of 1.4% as of Sep25. Despite having MSME exposure and associated delinquency risks, working capital loans have been relatively resilient, supported by large corporations contributing around 70% of the segment. However, with MSMEs and consumers still facing repayment challenges, we expect some trickle-up effects to large corporates.

Maintain Neutral rating amid earnings turnarounds

Despite an earnings turnaround expected in FY26F, we remain defensive on the banking sector outlook given consensus potential earnings revisions, macro uncertainty, and asset quality risks. While we maintain our sector Neutral rating, we select BBCA (Buy, TP Rp10,800) and BTPS (Buy, TP Rp1,600) as top picks, supported by relatively safer earnings profiles and asset quality. Key downside risk remains a sharper deterioration in asset quality, while upside risk stems from faster-than-expected CoF improvements that could offset lower loan yields.

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Company	Ticker	Rec	Target Price (Rp)	Market Cap. (RpBn)	P/E (x) 2025F	P/E (x) 2026F	P/BV (x) 2025F	P/BV (x) 2026F	ROE (%) 2025F
Bank Central Asia	BBCA IJ	BUY	10,800	989,282.7	17.5	17.2	3.5	3.3	20.7
Bank Rakyat Indonesia	BBRI IJ	Non-Rated	n/a	560,768.3	n/a	n/a	n/a	n/a	n/a
Bank Mandiri	BMRI IJ	BUY	5,500	445,200.0	9.0	8.5	1.5	1.4	16.9
Bank Negara Indonesia	BBNI IJ	BUY	4,700'	157,394.6	7.9	7.7	0.9	0.9	12.1
Bank Syariah Indonesia	BRIS IJ	BUY	3,200	99,177.9	13.1	11.7	1.9	1.7	15.8
Bank Tabungan Negara	BBTN IJ	BUY	1,300	16,280.0	5.2	5.0	0.5	0.4	9.
Bank BTPN Syariah	BTPS IJ	BUY	1,600	9,590.5	7.6	6.9	0.9	0.9	13.0

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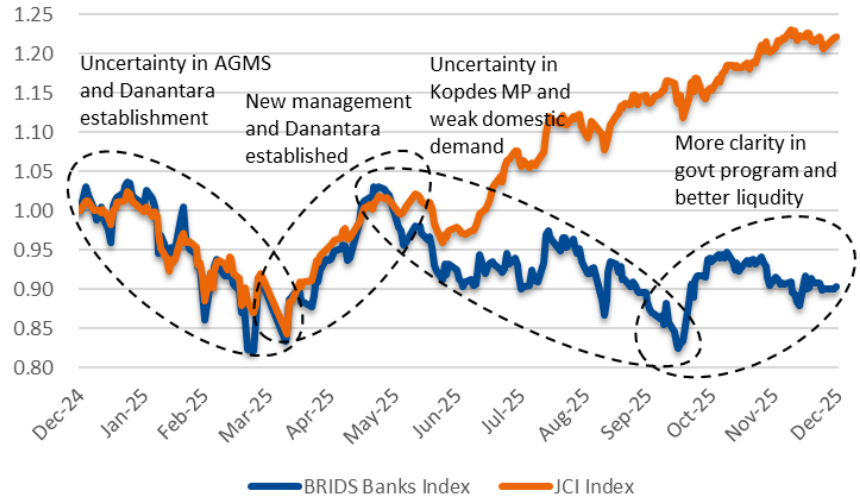
FY25 banking sector recap

Bank share price: underperformance driven by sentiment and fundamentals

FY25 was a year of de-rating and consolidation for bank equities, combined with a fundamental-driven sell-off as earnings expectation turned bleak. Share price performance was shaped by lack of policy clarity, governance signals, and liquidity expectations, as shown in the negative earnings for some banks. The sector exited 2025 with improving visibility but limited re-rating, setting the stage for FY26 to become a more fundamental-driven year, contingent on rate cuts, funding cost normalization, and clearer policy execution.

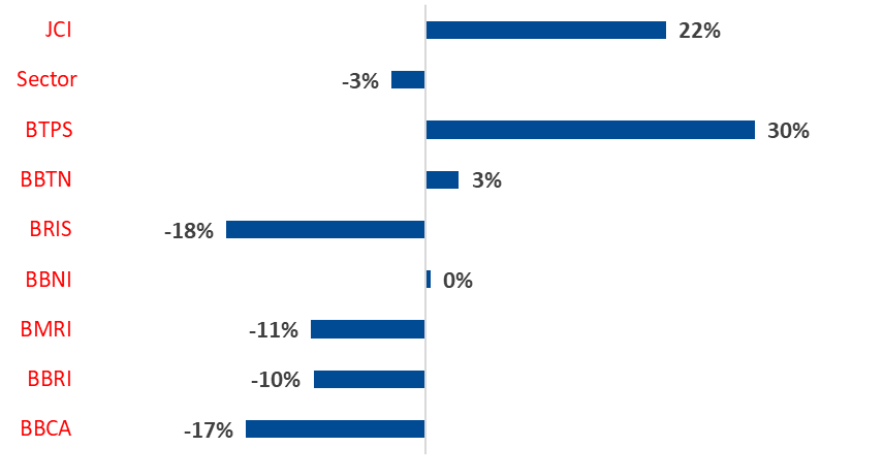
Exhibit 1. Banks' share price performance during 2025



Source: Bloomberg, BRIDS

Recall that we put Neutral ratings in our FY25F banking sector outlook. Despite that, our top pick, BBCA, was underperforming its peers due to the massive foreign sell-off and deteriorating consumer asset quality. In contrast, our second pick, BTPS, which we upgraded in our FY25 outlook report, delivered a stellar 30% performance in FY25. We remained Neutral in the banking sector long-term outlook throughout 2025 highlighting the potential risk in asset quality but citing short-term share price relieve in our ***20250915 Banks*** report on late 3Q25 as we see steady near-term corporate asset quality, year-to-date underperformance, and low foreign ownership at the time.

Exhibit 2. FY25 share price performance vs JCI index

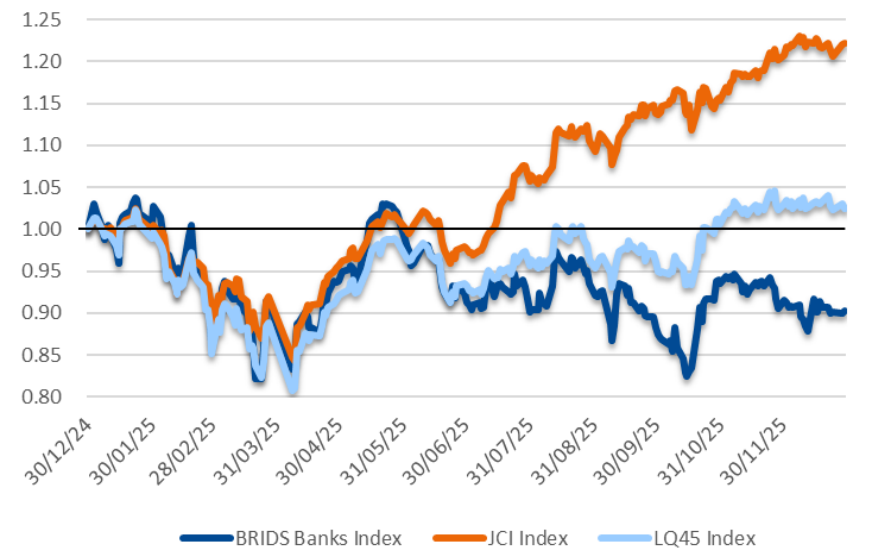


Source: Bloomberg, BRIDS

Bank share price Performance vs JCI & LQ45 price

The bank stocks materially underperformed the broader equity market throughout 2025, with performance characterized by higher volatility and weaker recovery momentum. Starting the year on similar footing, by late February–March, the BRIDS Banks Index fell at sharper rate, reflecting heightened sensitivity to domestic policy and sector-specific uncertainty. From mid-2025 onward, the divergence widened. The JCI rallied strongly, supported by improving liquidity, global risk-on sentiment, and broader sector participation including the conglomerate stocks, while the LQ45 delivered moderate gains.

Exhibit 3. BRIDS banks index vs LQ45 and JCI



Source: Blommberg, BRIDS

FY26F: Expect a Moderate Earnings Turnaround

We forecast positive earnings growth but below consensus expectation

Over the past two years, our forecasts have consistently been more conservative than consensus, with the gap widening into FY26, indicating a more cautious view on the pace of earnings normalization. Using consensus' numbers for BBRI, we estimate net profit of Rp205.5tr versus consensus at Rp215.9tr (-4.8%), compared with a narrower -1.2% gap in 2025. This suggests that consensus expects a faster and more margin-driven recovery than our expectation. This is reflected in lower assumed yoy profit growth (5.1% vs consensus 9.2% in FY26), pointing to more restrained assumptions on CoF improvement and credit cost normalization. Nonetheless, the market is still expecting a return to positive earnings growth in FY26F, following negative earnings growth in FY25F.

At the bank level, the divergence is most pronounced for SOE and policy-exposed banks. Our estimates are notably below consensus for BMRI and BBNI, especially in FY26, reflecting our concern on the potential downside in loan yield and asset-quality sensitivity. BBTN and BRIS also shows a widening gap in FY26, indicating our more cautious stance on corporate repricing and margin upside. In contrast, BBCA's gap reflects limited cyclical upside rather than downside risk, as its structurally efficient funding base leaves less room for margin expansion.

Our estimates embed a more conservative and delayed earnings recovery, while consensus is pricing a faster and broader normalization by FY26. This sets up earnings upgrade optionality should funding costs ease faster than our expectation, but also highlights downside risk if rate cuts or credit normalization disappoint.

Exhibit 4. BRIDS FY26F estimates vs consensus'

	NP (Rpbn)						
	2024A	BRIDS		Cons		BRIDS vs. Cons	
		2025F	2026F	2025C	2026C	2025	2026
BBCA	54,836	56,435	57,626	57,846	62,000	-2.4%	-7.1%
BBRI*	60,155	56,374	62,204	56,374	62,204	0.0%	0.0%
BMRI	55,783	50,528	52,209	50,813	55,133	-0.6%	-5.3%
BBNI	21,464	19,980	20,349	20,412	22,590	-2.1%	-9.9%
BRIS	7,006	7,697	8,639	7,710	8,920	-0.2%	-3.2%
BBTN	3,007	3,146	2,995	3,304	3,517	-4.8%	-14.8%
BTPS	1,061	1,261	1,429	1,272	1,493	-0.8%	-4.3%
Total	**203,312**	**195,420**	**205,450**	**197,732**	**215,858**	**-1.2%**	**-4.8%**
		yoy NP Growth				BRIDS vs. Cons (bps)	
		2025F	2026F	2025C	2026C	2025	2026
BBCA		2.9%	2.1%	5.5%	7.2%	(257)	(507)
BBRI*		-6.3%	10.3%	-6.3%	10.3%	-	-
BMRI		-9.4%	3.3%	-8.9%	8.5%	(51)	(517)
BBNI		-6.9%	1.8%	-4.9%	10.7%	(202)	(882)
BRIS		9.9%	12.2%	10.1%	15.7%	(20)	(344)
BBTN		4.6%	-4.8%	9.9%	6.5%	(526)	(1,125)
BTPS		18.9%	13.3%	19.9%	17.4%	(98)	(416)
Total		**-3.9%**	**5.1%**	**-2.7%**	**9.2%**	**(114)**	**(404)**

Source: Company, Bloomberg, BRIDS

**BRIDS estimates using consensus*

Higher loan growth and better cost offsetting the lower NIM

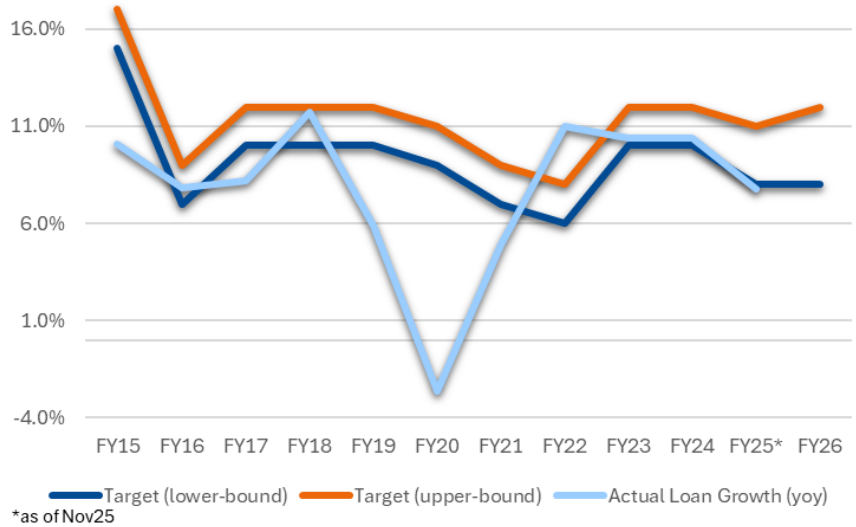
Overall, we expect loan growth to accelerate in FY26F, supported by improving system liquidity and steady credit demand. While CoF should ease amid better liquidity conditions and benchmark rate cuts, we see downside risk to NIM, as asset yields are likely to be repriced faster and more aggressively. Operating costs are expected to normalize following a high base in FY25F for several banks. Meanwhile, the credit cost outlook remains mixed: some banks have already front-loaded provisioning in FY25F, but asset quality risks may persist into FY26F, limiting a broad-based decline in credit costs.

Potential loan growth acceleration, but with downside risk from liquidity

Positive and accelerated loan growth for FY26F

Indonesia's Financial Services Authority (OJK) projects positive and slightly higher loan growth in FY26 vs. 2025, based on banks' 2025 Business Plans (RBB), with credit growth expected to reach 9-11% yoy. This outlook is supported by expectations of lower global and domestic interest rates, ample banking liquidity, and improving economic activity, particularly in SME and corporate lending. Banking system fundamentals remain solid, with LDR at around 84% and CAR at approximately 26%, providing sufficient balance sheet capacity to support expansion.

Exhibit 5. OJK loan growth target vs realization



Source: OJK, BI, BRIDS

As of Nov25, credit growth realization stood at 7.74%, lagging the FY25F target range of 8-11%. For context, the FY25F target had already been revised down from the initial 11-13%, reflecting cautious demand amid tighter financial conditions. Within BRIDS Banks Coverage, we expect FY26F loan growth of 11.0%, accelerating from FY25F loan growth of 9.1%, driven by the wholesale segment and a recovery in MSME lending.

Within our coverage, we expect BRIS to deliver the highest loan growth at 14.3% yoy in FY26F, broadly flattish versus FY25F, as management remains confident in its key products, namely payroll and gold, while maintaining a meaningful wholesale loan portion to support consumer business expansion. We expect BTPS to record the strongest acceleration in yoy loan growth, largely due to a low base from flat loan growth in FY25F. Among the large banks, we expect SOE banks, namely BMRI and BBNI, to outpace BBCA, which continues to adopt a more conservative growth stance.

Exhibit 6. BRIDS Banks Coverage loan growth target

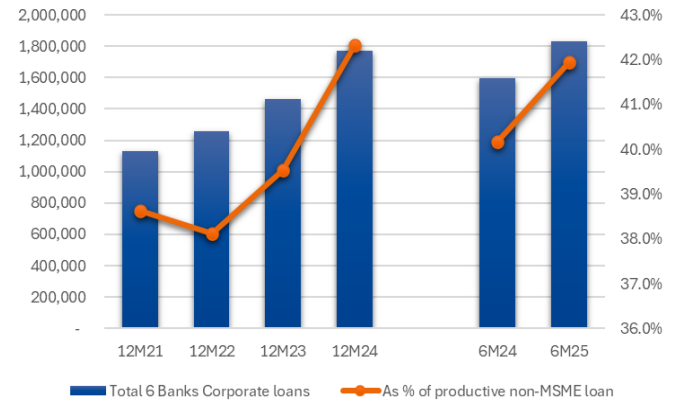
	Loan Growth (yoy) FY25F	FY26F	
BBCA	6.4%	7.9%	BBCA aims to grow in the blue-chip corporate segment to minimize asset quality risk in FY26F.
BMRI	9.7%	12.1%	BMRI expects loan growth to stay wholesale-driven in FY26F.
BBNI	10.2%	11.6%	BBNI aims to increase its non-KUR SME and medium corporate loans.
BRIS	14.2%	14.3%	BRIS expects stable loan growth, supported by the gold business and payroll loans.
BBTN	7.8%	9.8%	BBTN aims to increase the proportion of commercial housing loans. Our loan growth target still excludes KPP loans.
BTPS	0.0%	4.7%	BTPS loan growth is expected to be driven by continued improvements in attendance and on-time payment rates.

Source: BRIDS Estimates, Company

Wholesale segment to drive loan growth

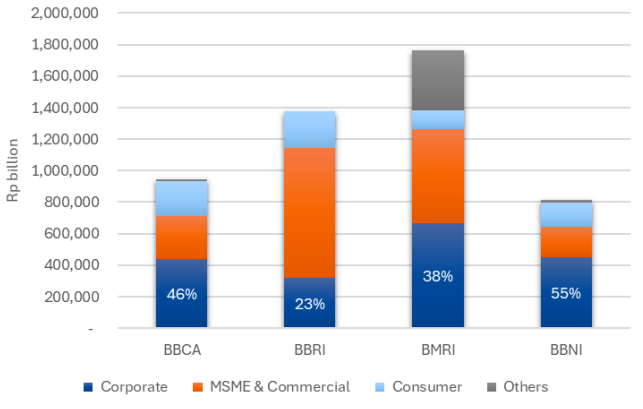
Our discussions with banks suggest that most large banks will continue to focus on wholesale loans, i.e., corporate and commercial segments, as well as selected consumer loans, to drive overall loan growth. This reflects ongoing challenges in MSME and certain consumer segments amid the current macro-economic conditions. While this strategy supports a more stable loan book given the long-term nature of investment loans concentrated in the wholesale segment, it also intensifies competition, particularly among blue-chip corporates, and could pressure loan yields. At the same time, lower contribution from retail segments is likely to weigh on overall loan yields, given the typically higher-yielding nature of retail lending.

Exhibit 7. Aggregate BRIDS banks corporate loan



Source: Company, BI, BRIDS

Exhibit 8. Banks' loan segment breakdown (as of 9M25)



Source: Company, BRIDS

Sufficient LDR post to propel loan growth supported by SAL placement

Driven by aggressive loan growth during 2022–2024, LDR rose from 78.8% in Dec22 to 88.6% in Dec24. As loan growth moderated in YTD 2025, LDR stabilized within the 86–88% range through Aug25. In Sep25, deposits increased to Rp9,694tr, up 11% yoy, partly driven by Rp200tr of SAL placement from the Ministry of Finance in the form of Deposit on Call through selected SOE banks. This sharp deposit inflow, with deposit growth accelerating from +6% yoy in Aug25 to +12% yoy in Sep25, pushed LDR down by 200bps mom from 87.2% in Aug25 to 85.2% in Sep25. Excluding SAL, LDR would have stood at 87.0% in Sep25, broadly in line with Aug25's 87.2% and Sep24's 86.9%. At this stage, liquidity improvement remains largely dependent on SAL placement.

Based on our discussions with banks, there is a mutual understanding between banks and MoF regarding a one-month notice period prior to SAL withdrawal, allowing banks to manage potential liquidity gaps. However, given the sizeable SAL balance of Rp200tr, equivalent to 2.1% of total industry deposits as of Sep25, a full withdrawal could result in meaningful short-term liquidity tightness, leading to higher CoF and/or slower loan growth, in our view. This risk is more pronounced in 1H26, given seasonally weaker liquidity due to the Eid festive period and dividend repatriation schedules.

Exhibit 9. Industry loan growth and LDR

Source: OJK, BRIDS

Exhibit 10. Industry loan and deposit growth

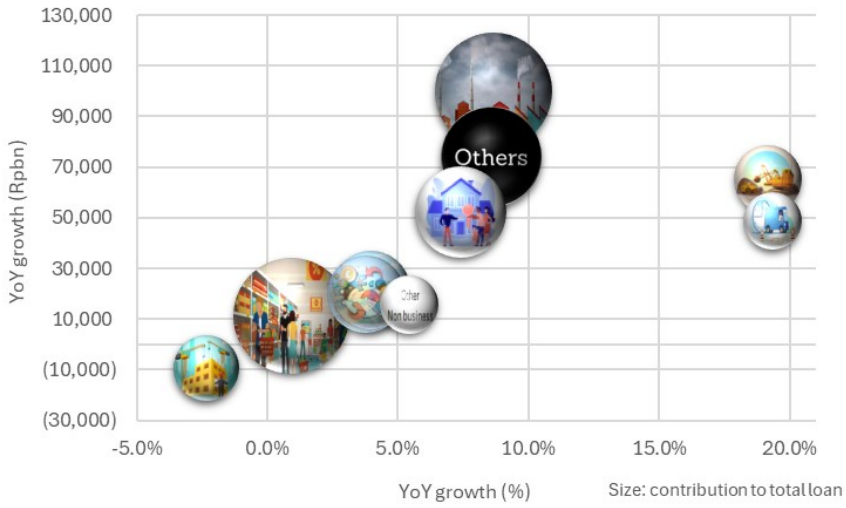
Source: OJK, BRIDS

Commodity sector continues to lead loan growth as of 9M25

Loan growth in 9M25 was primarily supported by the processing industry, which expanded by 8.6% yoy and accounted for the largest share at 15.21%, adding Rp99.9tr in new loans. Other notable contributors included the "Others" segment (+8.6% yoy) and home ownership loans (+7.4% yoy), indicating steady demand in multipurpose and mortgage lending. In contrast, wholesale and retail trade, despite representing 14.81% of total loans, recorded modest growth of only 0.9% yoy, pointing to softer MSME activity. Moderate growth was also observed in agriculture (+4.0% yoy) and financial intermediaries (+3.8% yoy), which together form a meaningful portion of system lending.

Stronger momentum was evident in commodity-related and logistics sectors. Mining and quarrying posted robust growth of 19.1% yoy (Rp65.3tr), while transportation and warehousing expanded by 19.3% yoy (Rp48.7tr), supported by elevated commodity activity and logistics demand. Overall, loan growth remained broad-based but uneven, with strength in manufacturing, commodities, and housing offsetting weakness in trade and construction.

Exhibit 11. Industry's loan growth as of 9M25



Source: OJK, BRIDS

Potential pressure on NIM, as moderating yield may offset cost of fund improvement

Lower NIM across banks except for Sharia-focused banks

Excluding Sharia banks, i.e., BRIS and BTPS, we estimate NIM compression of 22-27bps across banks in FY26F. This is primarily driven by lower EA yields amid declining benchmark rates and intense competition in wholesale lending, which more than offset CoF improvements from lower rates and better liquidity. For Sharia banks, we expect BRIS' EA yield to increase slightly (+7bps), supported by higher yields from the gold business offsetting weaker wholesale financing yields, while BTPS' EA yield is expected to improve due to the absence of promotional yields seen in FY25F.

Exhibit 12. BRIDS' FY26F yoy changes in NIM

	BBCA	BBRI	BMRI	BBNI	BRIS	BBTN	BTPS
EA Yield	(0.34)	n/a	(0.34)	(0.40)	0.07	(0.40)	0.37
CoF	(0.08)	n/a	(0.15)	(0.23)	(0.12)	(0.24)	(0.20)
NIM	(0.27)	n/a	(0.25)	(0.23)	0.13	(0.22)	0.47

Source: BRIDS Estimates

Lower benchmark rate environment

After peaking at 6.25% in mid-2024, Bank Indonesia's benchmark policy rate declined materially over 2024–2025, reflecting a shift from tightening in 2023 toward a more accommodative stance amid subdued inflation and slowing domestic demand. Following a prolonged hold at 5.75% in early 2025, BI cut rates sequentially to 5.50%, 5.25%, and 5.00%, before settling at 4.75% by Sep25, where it has since been maintained to support rupiah stability.

This trend indicates that BI is balancing support for domestic growth with its inflation target, keeping real rates relatively accommodative while responding to global monetary easing pressures. The current pause at 4.75% indicates BI is assessing transmission effects on loan pricing, depositor behavior, and currency dynamics before further adjustments.

Indonesia's loan pricing power has structurally weakened

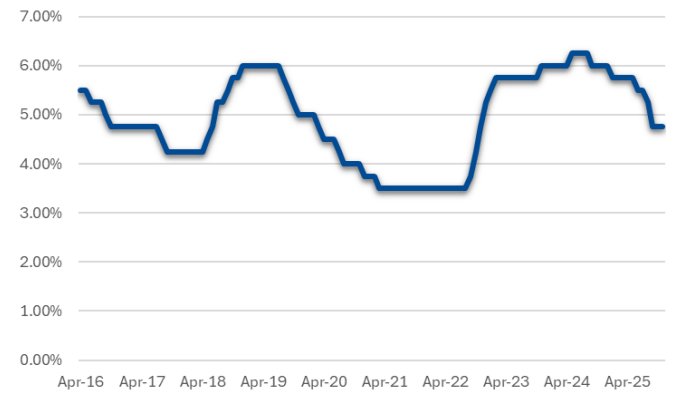
The loan yield data shows a structural compression and convergence of loan yields, with only temporary cyclical rebounds. There has been a broad-based, long-term decline in bank lending yields across working capital, investment, and consumption loans, reflecting: 1) prolonged monetary easing cycles pre-Covid, 2) intense banking competition, and 3) structural decline in lending rates as financial deepening improved. We believe Indonesia's banking sector has entered a lower-yield, higher-competition regime, making funding cost control and asset mix optimization more critical than aggressive loan repricing.

Consumption loan yields continue to price around 100-200bps above productive loans, reflecting higher unsecured exposure, retail risk premiums, and stronger pricing power from fragmented demand. However, even this segment has experienced steady compression since mid-2016.

The sharp drop around 2019-2021 aligns with accommodative monetary policy and pandemic-related support measures, while the subsequent rate normalization only delivered a modest and short-lived rebound in yields during 2022-2023. Working capital and investment loan yields have converged tightly since 2023. The spread between the two is now minimal, indicating limited differentiation in risk pricing, banks prioritizing relationship lending over margin maximization, and credit quality in SME segments.

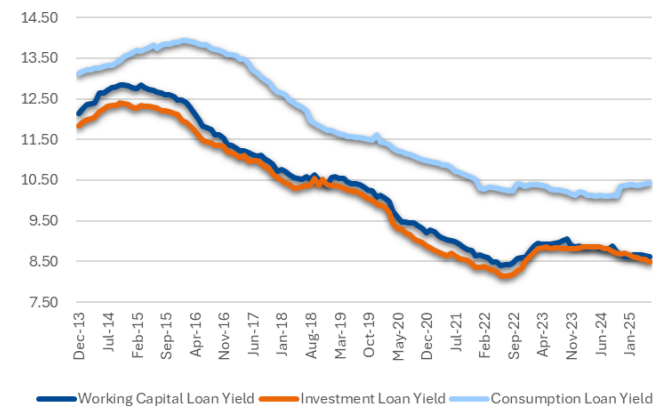
By early 2025, yields across all loan segments remain well below historical peaks, underscoring banks' limited ability to reprice assets upward despite higher policy rates, and reinforcing the view that NIM sustainability increasingly depends on loan mix optimization and funding cost efficiency rather than yield expansion.

Exhibit 13. BI 7-day reverse repo rate



Source: BI, BRIDS

Exhibit 14. Loan yield by type of use



Source: OJK, BRIDS

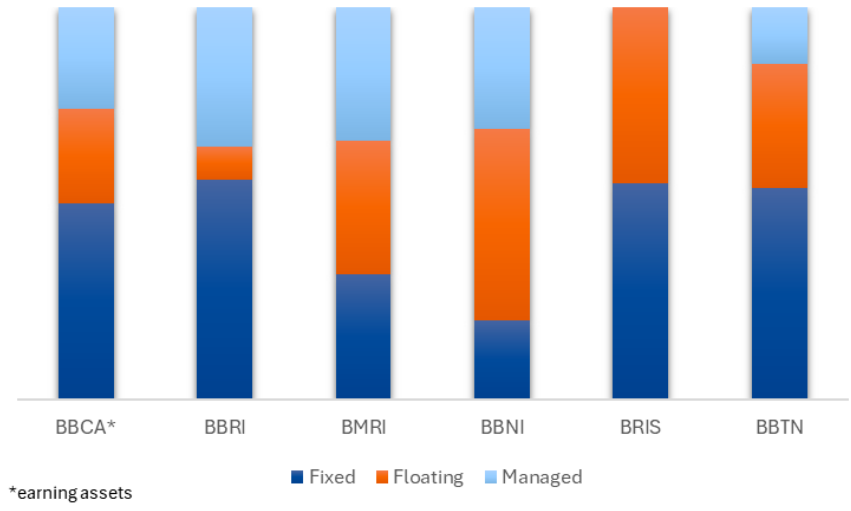
Favoring bank with higher fixed-rate loans

Given the lower benchmark rate environment and tight competition in the wholesale loans, banks with higher managed rate loans will face higher risk in yield repricing. As of Sep25, big 3 SOE banks have the largest portion of managed rate compared to peers, with BBRI, BMRI, and BBNI at 36%, 34%, and 31%, respectively. BBCA and BBTN followed with 26% and 14% respectively, while BRIS, due to its Sharia nature, has none.

Banks with higher floating rate loans will also directly be affected due to the lower benchmark rate. As of Sep25, BBNI has the largest portion with 49% of its loans in floating rate. This is followed by BRIS, BMRI, and BBTN with 45%, 34%, and 32% respectively. BBRI has the least floating rate loans with only 8% of its loans in such category.

Due to its high portion of micro loans, BBRI has the highest fixed rate loans at 56%, followed by BRIS at 55% due to its Sharia nature, BBTN at 54% due to its fixed FLPP mortgage scheme, and BBCA at 50% with its high portion of consumer loans and fixed-income securities. BMRI and BBNI have the lowest portion of fixed rate loans due to their strong footprint in the wholesale lending, making them the least beneficiaries in lower benchmark rate environments.

Exhibit 15. Loan composition by interest rate type as of 9M25



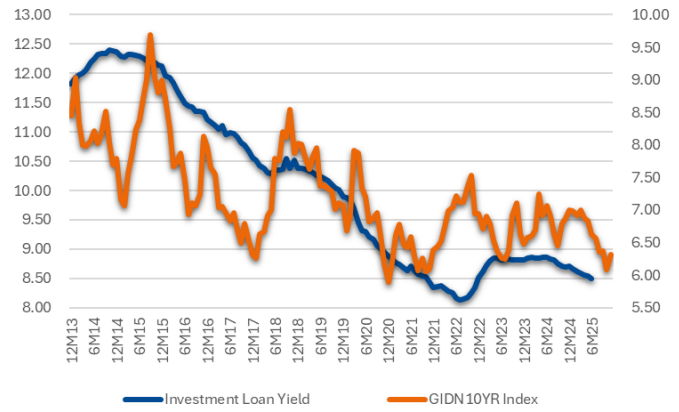
Source: Company, BRIDS

Government bond yield has fallen but the banks' EA yield has lagged

Indonesia monthly government bond yields its peak this year on Mar25 at 7.0% to its YTD low at 6.1% on Oct25, before rebounding to 6.3% on Nov25. Investment loan yield has also fallen to 8.5% in Jun25 from 8.7% in Dec24 and 8.9% in Jun24. Our BRIDS banks' aggregate cumulative EA yield stood at 7.8% in 11M25, down from 8.0% in 11M24, implying around 20bps lower yield yoy. This is still below the decline in government bond yield which declined 55bps yoy to 6.3%.

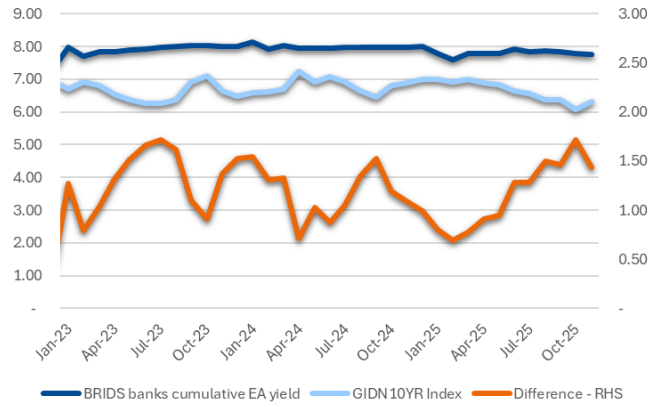
We note that the difference between government bond and bank's EA yield is hovering around 0.7-1.7% historically. Recent data shows that the numbers are still in the high range of 1.4-1.7%, which could be an early indication of decreasing EA yield in the coming months, in our view.

Exhibit 16. Investment loan yield vs government bond yield



Source: OJK, Bloomberg, BRIDS

Exhibit 17. Banks' EA yield vs government bond yield



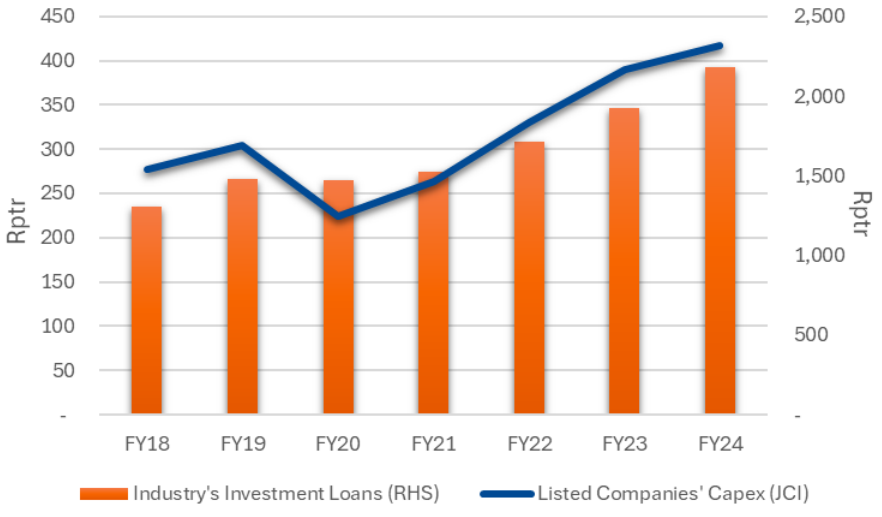
Source: Company, Bloomberg, BRIDS

Rising capex drove stronger investment loan growth

Industry investment loans expanded steadily from FY18-FY19, contracted in FY20 in line with the sharp pullback in corporate capex amid pandemic uncertainty, and then re-accelerated from FY21 onwards. The post-FY20 recovery appears structurally stronger, with both capex and investment loans rising consistently through FY24, suggesting improving corporate confidence and balance sheet capacity.

Notably, the acceleration in capex from FY22-FY24 coincides with a faster increase in investment loans, implying that bank credit has resumed its role as a key funding source for corporate expansion. For the banking sector, this trend is supportive of medium-term loan growth visibility, particularly for banks with strong corporate and investment loan franchises, although it also underscores the need to monitor asset quality as lending growth tracks a more aggressive capex cycle.

Exhibit 18. Investment Loans vs. Listed Companies' Capex



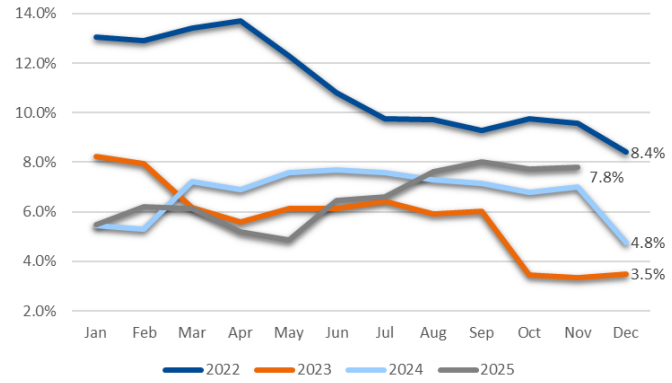
Source: OJK, Bloomberg, BRIDS

Better liquidity for FY26F

With a supportive central bank stance and more optimal use of the government budget, liquidity conditions are turning more favorable heading into FY26F. After decelerating sharply from double-digit levels in 2022 to 3.5% by end-2023, M2 growth rebounded through 2024, briefly softened in 2Q25, and then recovered in 3Q25 and 4Q25 to reach 7.8% by Nov25. This trajectory points to a normalization of money supply expansion, providing a healthier liquidity backdrop compared with the previously tight conditions.

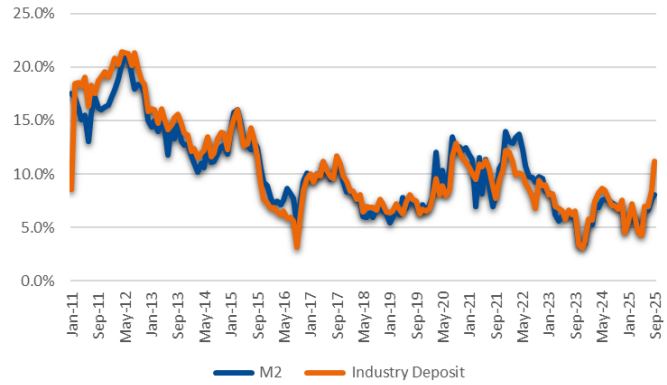
Furthermore, the recent sharp improvement in industry deposit growth has been supported by MoF's liquidity injections, which helped replenish system liquidity. As a result, M2 growth has once again moved broadly in line with industry deposit growth, reducing the liquidity mismatch seen in prior years. For FY26F, this suggests a more accommodative liquidity backdrop, with easing competition for deposits and lower pressure on funding costs. Combined, the rebound in M2 and MoF-driven liquidity support strengthen the case for better system liquidity in FY26F.

Exhibit 19. Broad money (M2) yoy growth



Source: BI, BRIDS

Exhibit 20. M2 vs industry deposits



Source: BI, OJK, BRIDS

Large depositors' dominance favors banks with strong saving account balance

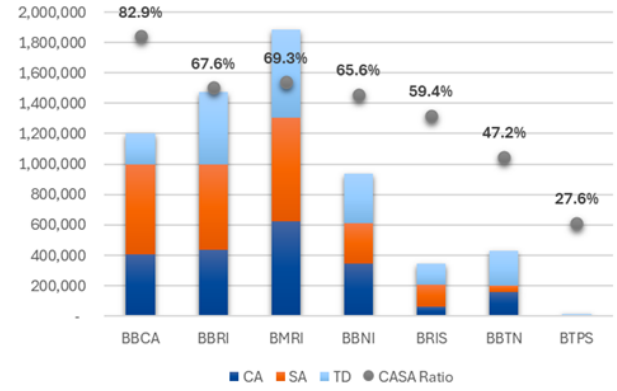
Due to tight system liquidity over the past few years having distorted the usefulness of the traditional CASA ratio as a proxy for low-cost funding, as banks increasingly relied on large depositors and special-rate current accounts to defend liquidity. This shift diluted the quality of CASA, with a rising portion of "CASA" effectively priced closer to term deposits, weakening its role as an indicator of true funding advantage. As a result, savings accounts—particularly those less influenced by special rates—have become a more reliable gauge of structural low-cost funding strength than headline CASA ratios.

Looking ahead, FY26 marks an inflection point. With benchmark rates and SRBI yields expected to trend lower, the incentive for banks to maintain aggressive special-rate deposits should diminish, allowing funding costs to normalize. In this environment, SOE banks stand to benefit more disproportionately than BBCA, as they currently carry a higher share of special-rate and large-ticket deposits accumulated during the tight liquidity phase. As these special-rate deposits reprice downward or roll off, SOE banks' cost of funds (CoF) should improve more materially, narrowing the funding gap with BBCA. By contrast, BBCA's funding base is already structurally

granular and efficiently priced, implying less downside to CoF but also more limited upside from rate normalization.

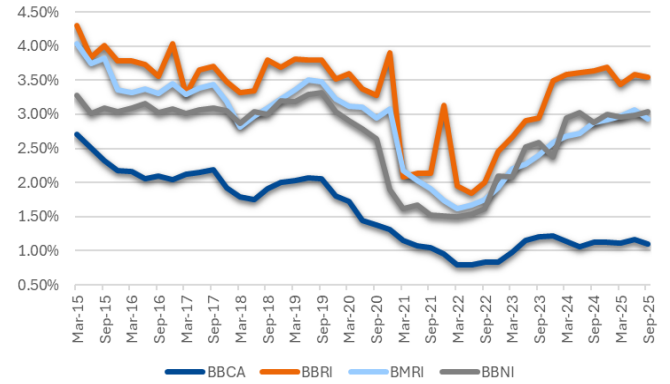
Overall, the easing of special-rate funding in FY26 should restore the relevance of deposit mix quality over deposit size, favoring banks with improving funding repricing dynamics. This creates a relative CoF tailwind for SOE banks, while BCA's advantage remains defensive rather than cyclical.

Exhibit 21. Banks' CASA Ratio (9M25)



Source: Company, BRIDS

Exhibit 22. Big 4 banks' CoF trend



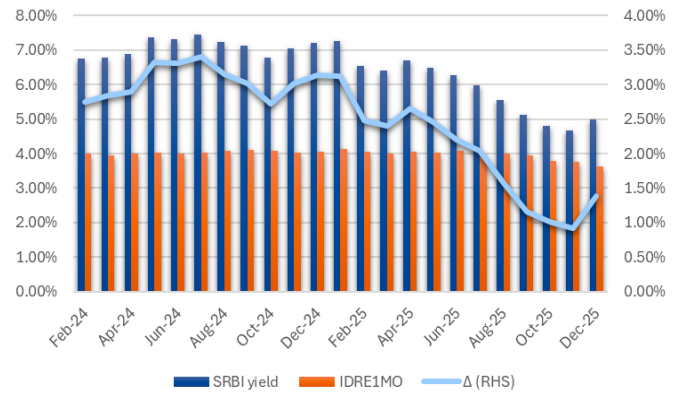
Source: Company, BRIDS

Depleting secondary reserve to fuel loan expansion

Secondary reserves as a percentage of earning assets were relatively stable across Indonesian banks in the pre-COVID period, generally clustering in the mid-20% range for the large conventional banks, reflecting balanced liquidity management under normal operating conditions. A clear structural break emerged in 2020–2021, when banks sharply increased secondary reserves amid loan growth slowdown, abundant system liquidity, and heightened risk aversion, with BBCA showing the most pronounced rise, peaking above 40%, while BBRI, BMRI, and BBNI moved into the low-30% range. Since 2022, a gradual normalization has taken place as credit growth recovered and excess liquidity was redeployed, leading to a steady decline in secondary reserves across most banks; however, levels remain structurally higher than pre-COVID, suggesting a more conservative liquidity stance. BBTN remains an outlier with structurally lower reserves, while BBCA continues to maintain the highest buffer, underscoring its defensive balance sheet positioning and liquidity strength.

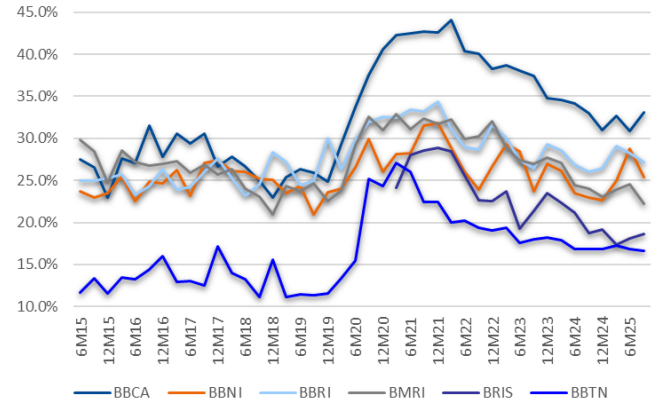
In the past two years, the banks have been trying to keep their secondary reserve due to the high yielding risk-free instruments such as SBN and SRBI. However, the recent SRBI yield has trended down amid the lower benchmark rates. This should disincentivize the banks from holding these instruments and prioritize higher yield assets, i.e., loan. However, given the current tight competition in the lower risk loans market, i.e., wholesale loans, which most of the banks are eyeing, this could bring loan yield down and make the risk-adjusted margin remain unchanged despite the declining SRBI yield.

Exhibit 23. SRBI Yield vs. IDRE1MO



Source: BI, Bloomberg, BRIDS

Exhibit 24. Secondary reserves as % of earnings assets



Source: Company, BRIDS

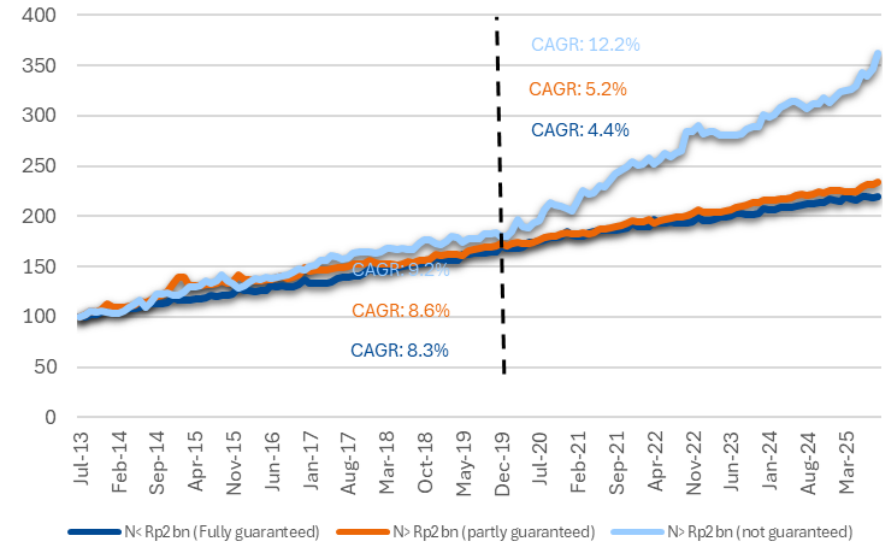
Structural changes in different income segment post covid19

In 2025, ongoing effects from post-pandemic policies, tariffs, and AI-driven productivity create divides: affluent consumers and big corporation boom, but lower-income groups and labor-intensive sectors lag amid high costs and weak hiring. This arises from structural shifts like technological adoption, where digital adapter corporations thrive via remote work and online demand, but traditional industries (manufacturing, retail & trade) suffer prolonged slumps from lockdowns or supply disruptions.

Based on LPS data, we categorized depositors with value below Rp2bn (fully guaranteed by LPS), value above Rp2bn (partly guaranteed), and value above Rp2bn (not guaranteed) as proxies of middle low, middle upper, and high-income segment, respectively. Before covid, i.e., during Jul13-Dec19, all three segments recorded relatively similar CAGR of c. 8-9%, with high income segment coming on top, followed by middle upper and middle lower, respectively.

Post covid19, i.e., during Dec19-Jun25, the trend diverged with high-income segment recorded CAGR of 12.2%, higher than its pre-covid level, but middle upper and middle lower recorded lower growth of 5.2% and 4.4% respectively. This signals a K-shape recovery in the income bracket segment, which partly justifies the banks' preference towards wholesale segment rather than MSME and certain consumer segments.

Exhibit 25. Deposit distribution index (Jul13=100)



Source: LPS, BRIDS

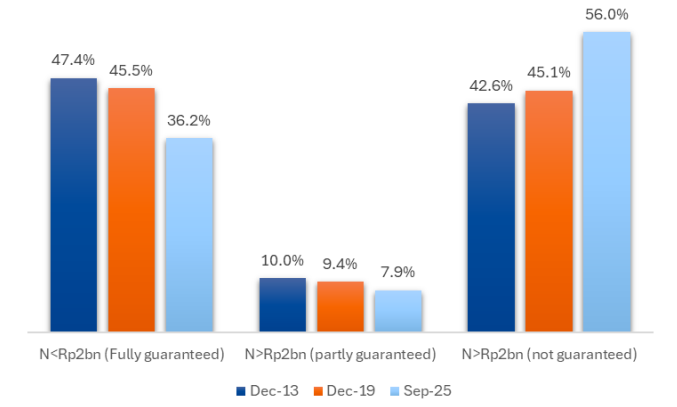
Structural shift in deposit composition affecting funding stability

Between Dec-13 and Sep-25, the share of small fully guaranteed deposits (≤ Rp2bn) declined materially from 47.4% to 36.2%, while large non-guaranteed deposits (> Rp2bn) increased from 42.6% to 56.0%. Partially guaranteed deposits also declined from 10.0% to 7.9%, suggesting the redistribution to large accounts came from small and middle depositors.

The deposit growth yoy chart reinforces this shift: growth in non-guaranteed deposits is consistently more volatile and cyclical. In contrast, fully guaranteed small deposits show lower volatility but structurally slower growth, reflecting retail consumption drawdowns and limited savings accumulation.

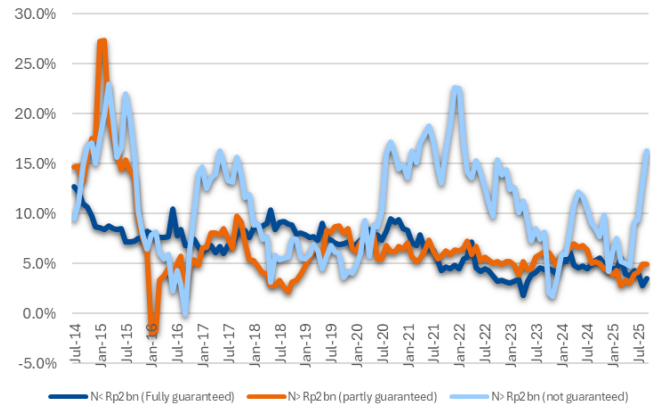
From a banking perspective, this evolving mix implies that headline liquidity remains ample, but funding quality has weakened. Greater reliance on large, non-guaranteed deposits increases sensitivity to interest rates, confidence, and market conditions, raising rollover and repricing risk.

Exhibit 26. Deposit distribution composition



Source: LPS, BRIDS

Exhibit 27. Deposit growth yoy



Source: LPS, BRIDS

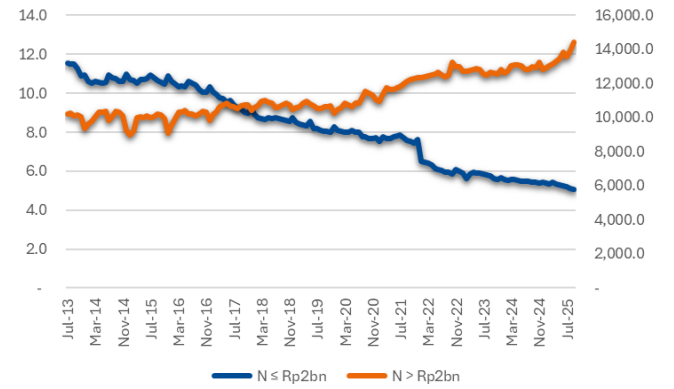
Similar but more pronounced in forex deposits

We note a clear polarization in deposit behavior by account size, indicating a structural shift in funding dynamics. For rupiah deposits, the average balance per small account (≤ Rp2bn) has steadily declined, while large accounts (> Rp2bn) have grown consistently, accelerating post-2020. This suggests surplus liquidity and savings accumulation are increasingly concentrated among corporates and affluent depositors, while retail balances are being drawn down, likely due to consumption recovery and lack of jobs post covid19 pandemic.

A similar but more pronounced pattern is visible in forex deposits. Small forex accounts experienced a sharp drop from 2021 onward, while large forex accounts rose strongly, reflecting corporate FX holdings, export proceeds, and hedging activity amid commodity upcycles and currency volatility. The divergence implies that FX liquidity is now heavily concentrated in large-ticket accounts, increasing funding concentration risk.

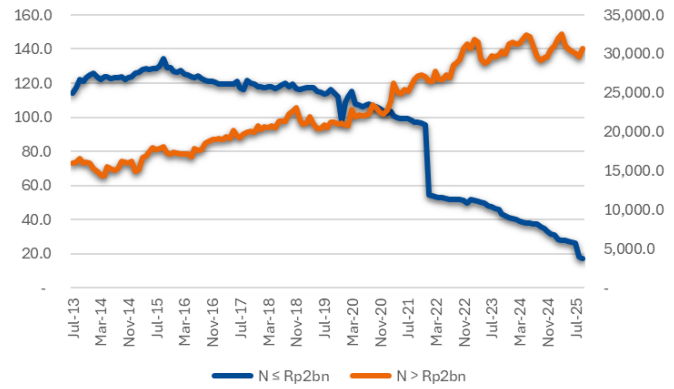
For banks, this trend is double-edged: larger accounts support headline deposit growth and liquidity, but also raise funding volatility and pricing sensitivity, especially in a rate-cut cycle where large depositors are more mobile. Banks with strong granular retail franchises retain an advantage in funding stability and CASA durability, while those reliant on large-ticket deposits face higher rollovers and repricing risk despite ample system liquidity.

Exhibit 28. Nominal rupiah deposit per account (Rp million)



Source: LPS, BRIDS

Exhibit 29. Nominal forex deposit per account (Rp million)

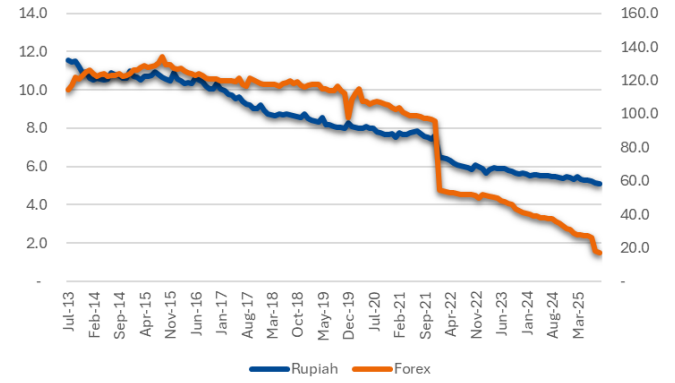


Source: LPS, BRIDS

For small accounts (≤ Rp2bn), both rupiah and forex balances per account have trended structurally lower, with a particularly sharp drop in forex balances post-2021. This indicates drawdowns by retail and smaller businesses amid consumption recovery, FX conversion, and higher living or operating costs, which we believe affected the middle class more. This suggests that the middle class are becoming less able or willing to accumulate financial buffers, making this funding base more volume-driven but less value-accretive.

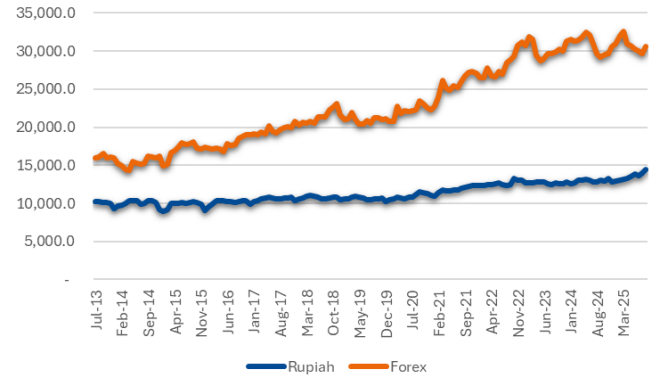
In contrast, large accounts (> Rp2bn) show a strong and sustained increase in nominal balances, especially in forex deposits, which surged markedly after 2020. This reflects corporate cash accumulation, export proceeds, commodity windfalls, and precautionary FX holdings during periods of global uncertainty and rupiah volatility. Rupiah balances in large accounts also rose steadily, but at a slower and more stable pace than forex.

Exhibit 30. Nominal per account of N<Rp2bn (Rp million)



Source: LPS, BRIDS

Exhibit 31. Nominal per account of N>Rp2bn (Rp million)



Source: LPS, BRIDS

Asset quality: not yet out of the wood

NPL ratio risks persisted in FY26F

Exhibit 32 chart highlights the cyclical behavior of the banking industry NPL ratio, where each deterioration and recovery phase has historically lasted ~26–43 months. Past cycles show a clear pattern: NPLs rise gradually during periods of economic slowdown or financial tightening, peak, and then normalize over a multi-year period as growth, refinancing, and balance-sheet repair take effect.

The current downcycle in NPLs, which started in early 2025, has only been underway for around 9 months, significantly shorter than previous normalization phases. This suggests that the industry is still early in the NPL upcycle. In prior cycles, NPL upcycle typically extended well beyond two years, implying further downside potential for NPL ratios ahead.

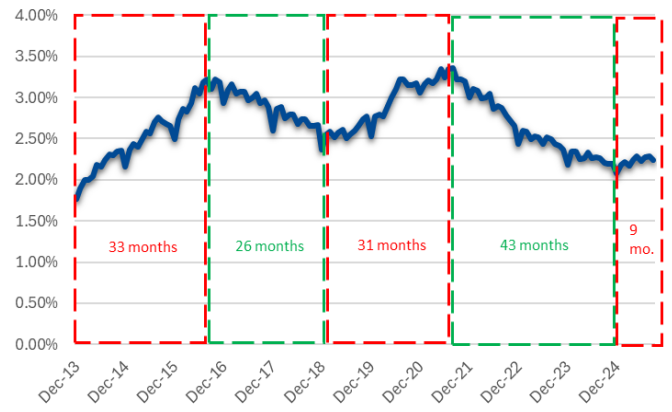
Among loan types, consumer loans faced the biggest hit while investment loans, which are driven by large corporations, were at their best place historically. Despite being affected by MSME, which also faces delinquency risks, working capital loans were relatively steady as large corporations now contribute around 70% of those loans. With MSMEs and consumers still struggling with their repayment capabilities, we are expecting some trickle-up effect into the large corporates.

Consumer loans facing its biggest problem historically

Exhibit 33 shows a clear shift in NPL dynamics across loan types, pointing to a changing risk profile within bank portfolios. Working capital loans remain the most cyclical, with NPLs peaking above 4% during stress periods and now declining but still elevated, reflecting sensitivity to business cycles and cash-flow volatility. Investment loan NPLs have improved materially since 2021, falling below consumer loan NPLs, which is unusual historically and suggests better project quality, refinancing support, and stronger sponsor balance sheets post-pandemic.

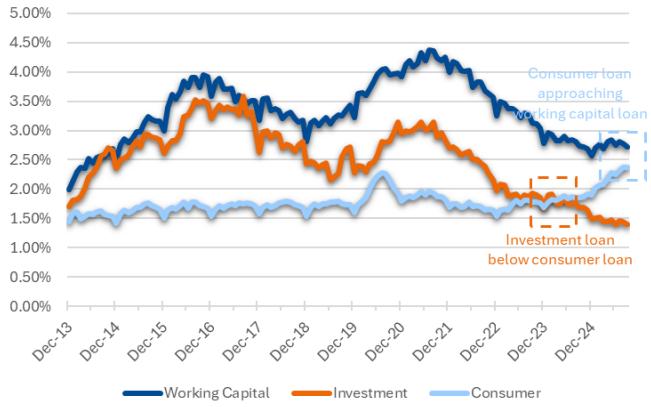
Meanwhile, consumer NPLs have been trending up and are now approaching working capital NPL levels, indicating rising pressure on households from higher living costs and tighter financial conditions. As of Sep25, consumer loan NPL reached its historical high at 2.4%, reinforcing the need for banks to be more selective in retail growth, while corporate and investment lending appears structurally healthier.

Exhibit 32. Overall industry NPL ratio



Source: OJK, BRIDS

Exhibit 33. Industry NPL ratio by loan type



Source: OJK, BRIDS

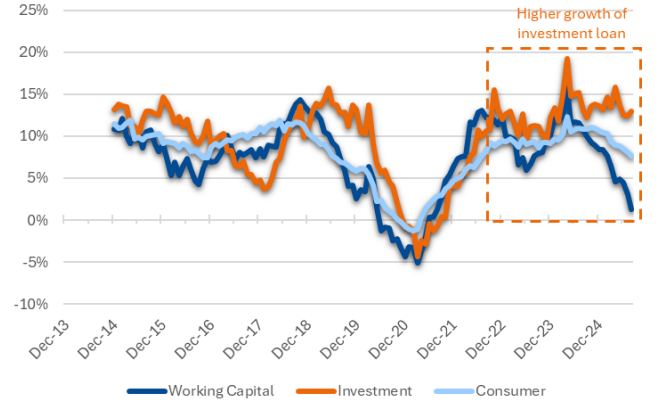
Investment loan led the loan growth in recent years

Post-pandemic, there is a shift in loan growth composition, with investment loans clearly leading the recovery since 2022. After a sharp contraction in 2020–2021 across all segments, investment loan growth rebounded more strongly and consistently, sustaining double-digit expansion and outperforming both working capital and consumer loans. This reflects renewed capex activity, infrastructure spending, and corporate balance-sheet repair, as well as banks' preference for longer-tenor, project-backed lending with clearer cash-flow visibility.

In contrast, working capital loan growth has been more volatile and recently softened, suggesting normalization after the initial post-reopening restocking cycle and more cautious short-term borrowing by corporates. Consumer loan growth remains positive but more moderate, reflecting pressure on household balance sheets and tighter underwriting amid rising consumer NPLs.

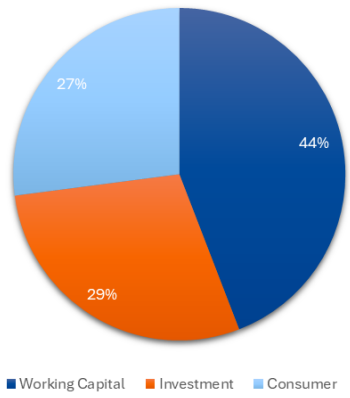
Overall, the loan growth data indicates a rotation toward investment-led credit growth, which is structurally positive for asset quality given the earlier improvement in investment loan NPLs. For banks, this supports more durable medium-term growth, but also implies greater sensitivity to project execution and capex cycles rather than short-term consumption trends. As of Sep25, investment loan accounted for 29% of total bank loana, up from 25% a decade ago.

Exhibit 34. Loan growth by type



Source: OJK, BRIDS

Exhibit 35. Proportion of industry loan



Source: OJK, BRIDS

Big business-driven growth

In the past three years, in both loans and deposits, businesses were the driver. In terms of loans, investment drove overall loan growth with CAGR of 12.4% during Jun22-Jun25. Consumer followed with 9.4% while working capital lagged at 7.3 during the same period. The data suggests that investment loans, of which 82% portion was non-SME as of Jun25, were driven by large corporations. Consumer growth with CAGR of 9.4% was relatively in line with industry CAGR of 9.3%, while working capital, the largest loan segment, dragged down overall growth with CAGR of 7.3%.

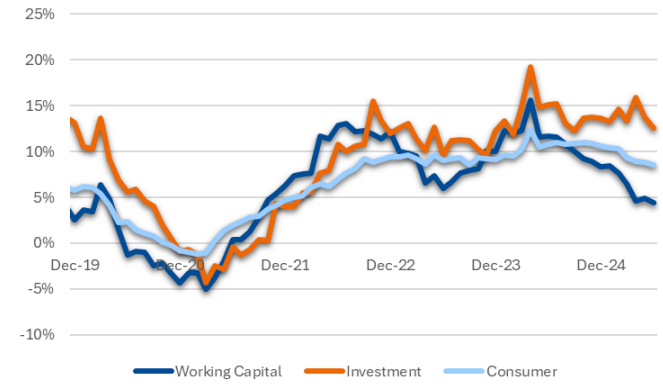
Exhibit 36. Three year trend of loans and deposits

	Value, Rp tr			Portion		
	Jun-22	Jun-25	CAGR	Jun-22	Jun-25	Δ, bps
Working Capital	2,864	3,540	7.3%	46%	44%	(245)
Investment	1,636	2,322	12.4%	26%	29%	233
Consumer	1,677	2,198	9.4%	27%	27%	12
Total Loans	**6,177**	**8,060**	**9.3%**	100%	100%	-
Current Account	2,230	3,023	10.7%	29%	32%	308
Saving Account	2,518	2,934	5.2%	33%	31%	(167)
Time Deposit	2,854	3,371	5.7%	38%	36%	(141)
Total Deposits	**7,602**	**9,328**	**7.1%**	100%	100%	-

Source: OJK, BRIDS

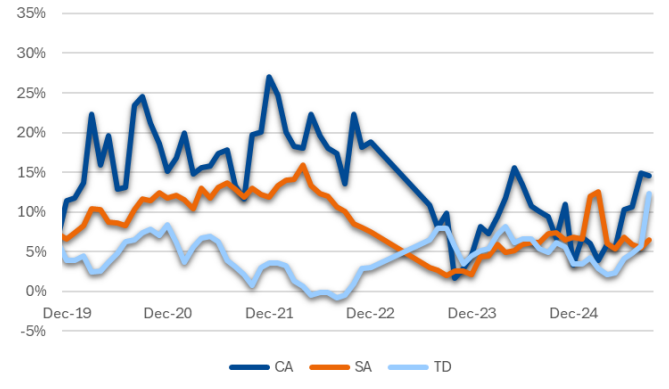
In terms of deposits, overall growth (7,1%) was lagging behind loans (9.3%), causing the tightening of liquidity in the banking system, hence causing cost of funds to increase. Current account (CA) drove overall deposits with 10.7%, while saving account (SA) and time deposit (TD) lagged with 5.2% and 5.7% CAGR, respectively. Although a component of typically low-cost deposits, CASA, CA cost of fund has been affected by special rates offered by the banks given the tightening liquidity, especially among retail customers. Based on our discussion with the banks, these special rate deposits were in the process of renegotiation given that liquidity has improved, partly due to the SAL placement, and benchmark rate has been trending down.

Exhibit 37. Industry loan growth by type



Source: OJK, BRIDS

Exhibit 38. Customer deposit growth

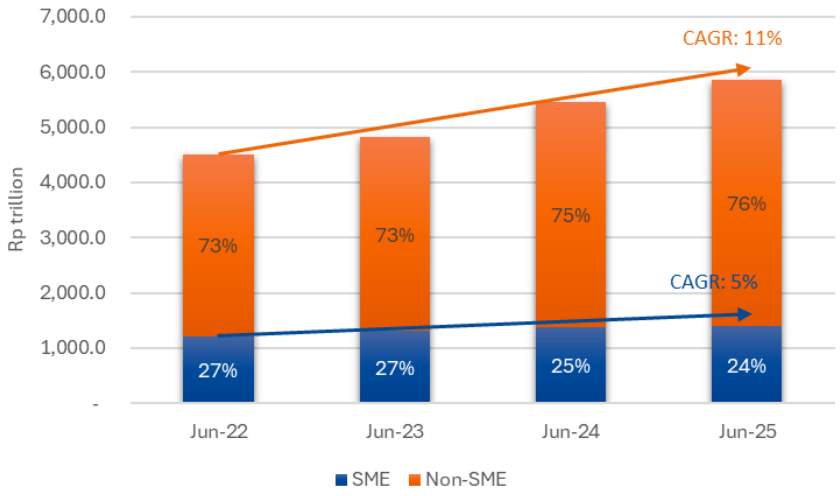


Source: OJK, BRIDS

Uneven productive loan growth

Total loans expanded at around 9% CAGR from Jun-22 to Jun-25, driven mainly by non-SME lending (11% CAGR), while SME loans grew more modestly at 5% CAGR. As a result, the loan mix gradually shifted away from SMEs, with SME contribution declining from 27% to 24%, and non-SME rising from 73% to 76%. This trend suggests banks are prioritizing corporate and commercial segments that offer better scale, pricing power, and lower operational and credit volatility, supporting near-term earnings visibility. However, the slower SME growth indicates continued risk caution and uneven SME recovery, implying potential policy-driven upside should incentives or guarantees be strengthened to re-accelerate SME lending.

Exhibit 39. Productive loan trend over the past three years by segment



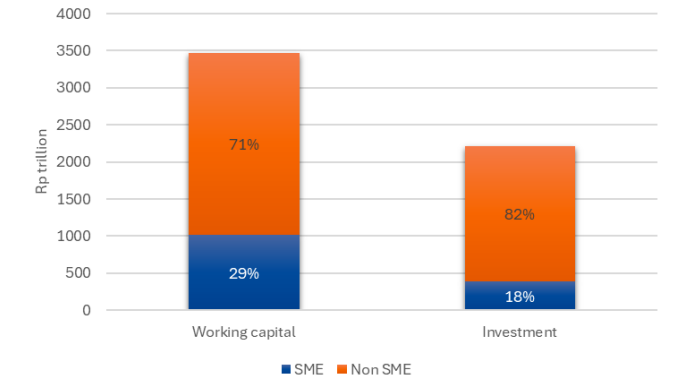
Source: BI, OJK, BRIDS

As of 1H25, the loan data shows a clear structural segmentation between SME and Non-SME lending, both by loan purpose and borrower type. Within the SME portfolio, lending is overwhelmingly skewed toward working capital (72%), underscoring SMEs' dependence on short-term liquidity to support operations rather than long-term expansion, while investment loans account for only 28%. In contrast, non-SME loans are more balanced, with 57% working capital and a sizeable 43% investment, reflecting stronger capacity among corporates to undertake capex and long-tenor projects.

Viewed from the loan-purpose angle, working capital loans are still SME-heavy in usage (29%) but dominated by non-SME in value (71%), indicating that while many SMEs rely on working capital facilities, loan sizes remain relatively small. More strikingly, investment loans are almost entirely a non-SME domain (82%), with SMEs accounting for just 18%, highlighting structural barriers for SMEs in accessing long-term financing.

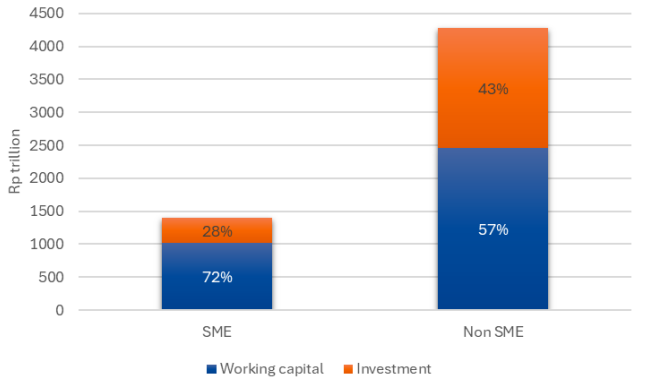
Overall, the data suggests that credit growth and investment-led expansion are being driven primarily by non-SME borrowers. This explains banks' preference for non-SME investment lending—which offers scale, visibility, and improving asset quality—while SME lending continues to be more liquidity-driven, operationally intensive, and structurally constrained despite policy support.

Exhibit 40. Productive loan breakdown by type



Source: BI, BRIDS

Exhibit 41. Productive loan breakdown by segment

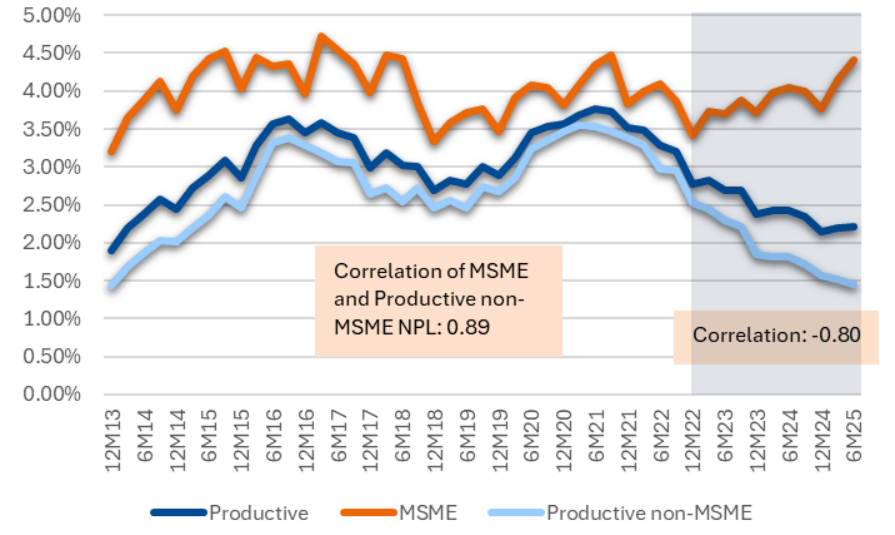


Source: BI, BRIDS

K-shape recovery post covid19

The chart in Exhibit 42 indicates a strong historical linkage between MSME and overall productive NPLs, with a high correlation of 0.89, reflecting shared exposure to economic cycles and funding conditions. However, in the more recent period, this relationship breaks down, as shown by the negative correlation (-0.80) between productive and productive non-MSME NPLs, signaling a K-shaped recovery in asset quality. Large corporates and non-MSME borrowers are experiencing faster balance-sheet normalization and NPL improvement, supported by refinancing, rate relief, and stronger cash flows, while MSME asset quality lags and remains more volatile. This divergence explains banks' continued preference for non-MSME lending, as risk-adjusted returns improve unevenly across borrower segments despite overall macro recovery.

Exhibit 42. NPL ratio of productive vs MSME loan



Source: Company, Bloomberg, BRIDS Estimates

Jakarta as proxy of corporate asset quality

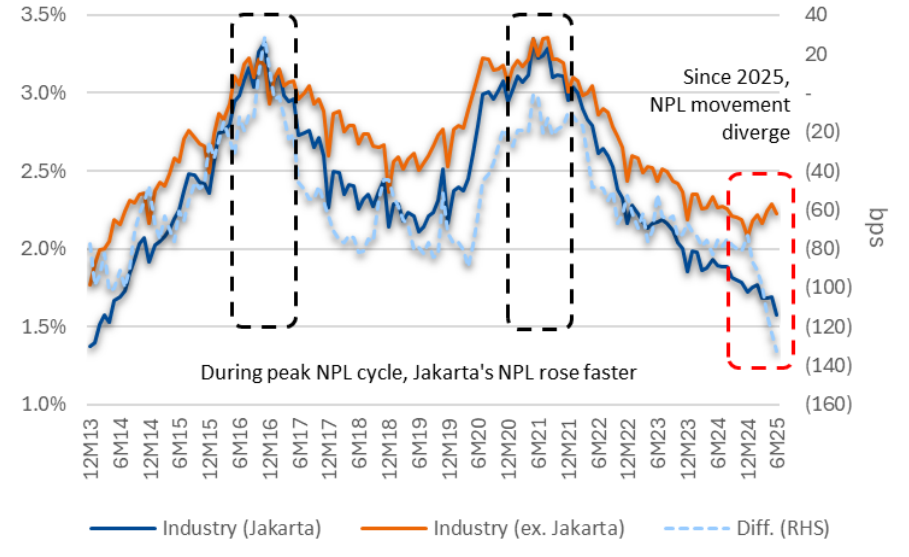
We analyzed NPL trend of Jakarta vs ex. Jakarta and found that Jakarta's NPLs are structurally lower than non-Jakarta NPLs for most of the cycle, reflecting stronger borrower quality and better access to refinancing among Jakarta-based corporates. However, during peak stress periods (notably 2015–2016 and 2020–2021), Jakarta NPLs temporarily rose above ex-Jakarta levels, highlighting the segment's higher cyclical sensitivity and sharper downside during economic shocks.

We also note that Jakarta's NPLs are more volatile than those outside Jakarta, with sharper upswings during stress periods (2015–2016, 2020–2021) and faster downswings during recovery phases. Importantly, post-2024 the NPL trend has clearly diverged, with Jakarta NPLs continuing to decline, while ex-Jakarta NPLs have increased, reinforcing a K-shaped normalization in regional asset quality.

For banks with high corporate loan exposure, this implies greater earnings and provisioning volatility: Jakarta-centric portfolios offer lower structural NPLs and faster recovery, but are more exposed to sharp spikes during downturns, requiring disciplined risk management. Conversely, banks with larger ex-Jakarta exposure may face higher but more stable NPLs, with slower resolution despite improving macro conditions.

Since the divergence in early 2025, we note that the difference between Jakarta vs ex. Jakarta was at its widest level historically in 1H25 at 133bps. This level surpasses its historical low of c. 100bps back in 2024 and during covid19 of c. 90bps in 2020. While this is supported by the fact that K-shape recovery favors the upper consumer and big corporations, a turnaround in Jakarta's NPL trend could result in a sharper asset quality deterioration and higher credit costs for the banks.

Exhibit 43. NPL ratio of Jakarta province vs ex. Jakarta



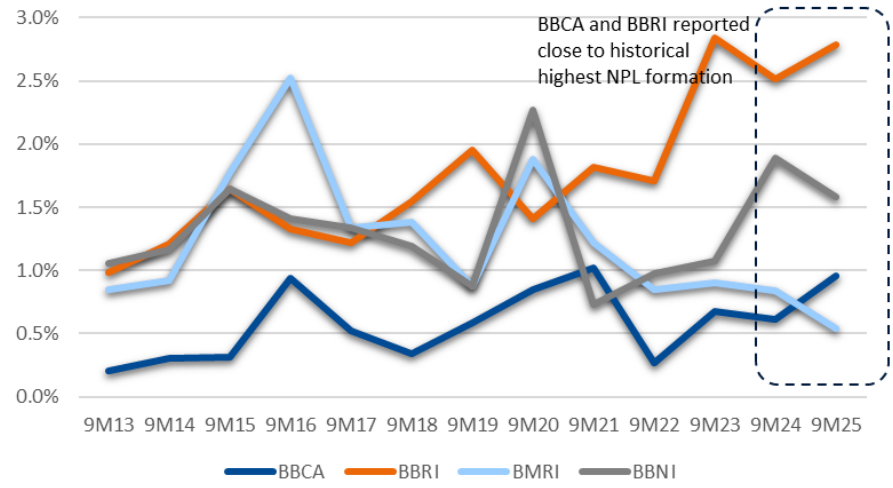
Source: OJK, BRIDS

Some banks reported high NPL formations in 9M25

The net NPL formation in Exhibit 44 shows a clear divergence in NPL trajectories among major banks, underscoring a K-shaped asset quality outcome post-pandemic. BBCA generally maintains the lowest and most stable NPLs, reflecting its conservative underwriting and strong risk controls, even during stress periods. In contrast, BBRI exhibits a structurally higher and rising NPL trend post-2022, driven by its large exposure to MSME and micro segments, which remain more sensitive to higher rates and uneven economic recovery.

BMRI and BBNI display more cyclical NPL patterns, with sharp spikes around 2020 followed by gradual normalization. However, post-2024, BMRI's NPLs continue to trend down, while BBNI's remain relatively sticky and volatile, suggesting slower resolution in certain corporate and commercial segments. Overall, the chart highlights that banks with stronger retail and granular portfolios (BBCA) are structurally more resilient, while banks with heavier exposure to MSME or cyclical corporates face more pronounced and persistent asset quality pressures.

Exhibit 44. NPL formation as % of loans



Source: Company, BRIDS Estimates

Rising NPL formation depleting coverage buffers

We analyzed the interaction between NPL formation, write-offs, and headline Big 4 NPL ratios across cycles, highlighting how asset quality has been actively managed rather than passively improving. Historically, spikes in NPL formation as a percentage of loans (2015–2016 and 2019–2020) were followed by elevated Big 4 NPL ratios, reflecting credit stress transmission from flows to stocks.

However, post-2021 dynamics show a structural shift. While NPL formation moderated, it did not collapse, and write-offs as a percentage of loans increased materially, particularly during 2022–2023. This higher write-off intensity helped absorb new problem loans, allowing the headline Big 4 NPL ratio to decline steadily toward 2.0% despite ongoing NPL inflows.

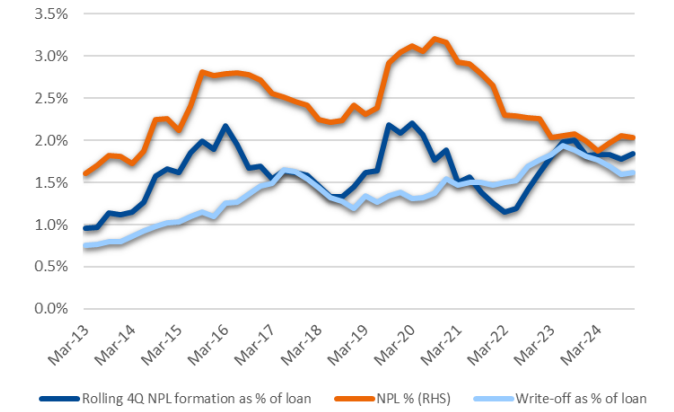
The convergence of NPL formation and write-off ratios in recent periods suggests that asset quality normalization has been driven largely by aggressive balance-sheet cleanup, recoveries, and loan growth, rather than a fully benign credit environment. In other words, credit stress has become more manageable and contained, but not absent, implying that banks'

current NPL ratios are increasingly a function of active risk management discipline rather than cyclical tailwinds alone.

Depleting NPL coverage in recent years but remaining ample

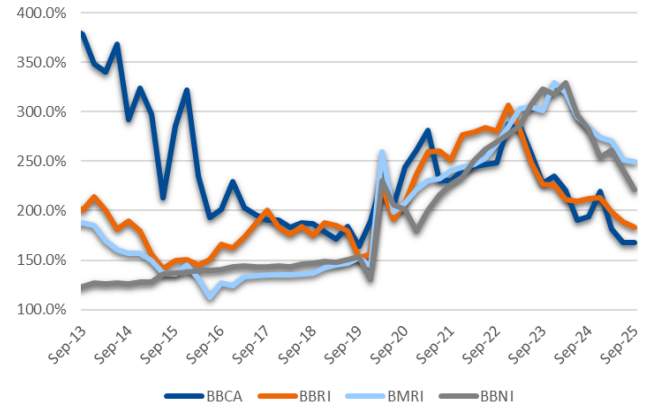
We also note that despite recent years' NPL coverage subtraction, the ratios across the Big 4 banks have remained structurally strong compared to pre-covid level. All the banks saw a sharp build-up in coverage during 2020–2022, coinciding with pandemic-related risk buffers, pushing coverage above 250–300%, as banks adopted a precautionary stance amid heightened uncertainty. This build-up has created buffers amid recent increase in write-off and improving wholesale NPL also partly cushioned the impact. Consequently, should macro situation stagnate and wholesale loan asset quality worsen, we believe the banks will need to set aside more provisions in response.

Exhibit 45. Big 4 banks asset quality trend



Source: Company, BRIDS

Exhibit 46. NPL coverage trend

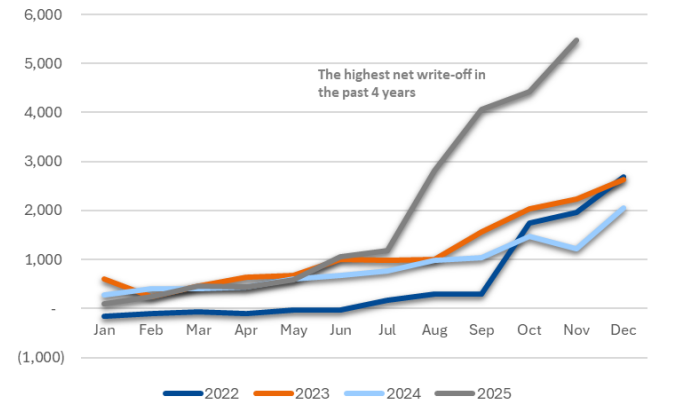


Source: Company, BRIDS

Different write-off trends among big banks

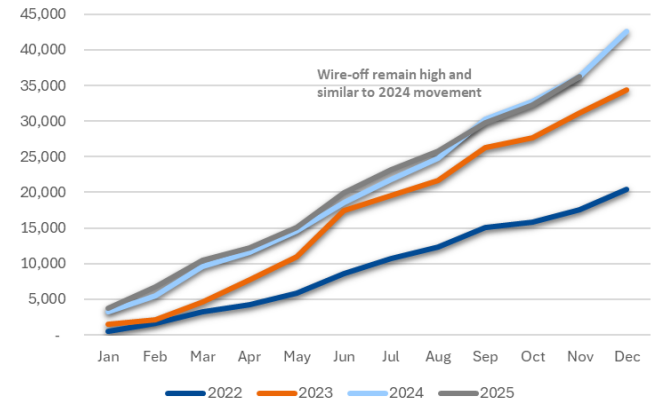
Across the Big 4, write-off behavior in 2025 reflects divergent asset quality strategies rather than divergent stress levels. BBCA is accelerating clean-up, BBRI is maintaining structurally high but stable write-offs, BMRI is deferring write-offs, and BBNI sits in between. Importantly, higher write-offs, especially for BBCA and BBRI, could be interpreted as positive for future earnings visibility, as they reduce legacy risk and support structurally lower NPL ratios into the next cycle.

Exhibit 47. BBCA (bank-only) cumulative net write-off



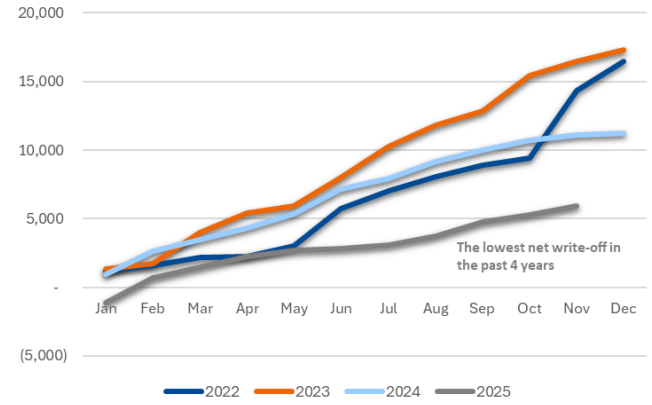
Source: Company, BRIDS

Exhibit 48. BBRI (bank-only) cumulative net write-off



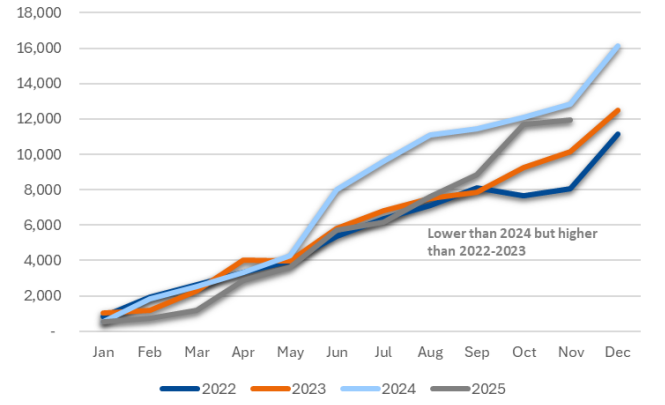
Source: Company, BRIDS

Exhibit 49. BMRI (bank-only) cumulative net write-off



Source: Company, BRIDS

Exhibit 50. BBNI (bank-only) cumulative net write-off



Source: Company, BRIDS

BBCA recorded the highest net write-off level in the past four years in 2025, with a sharp acceleration from mid-year onward. This indicates a proactive balance-sheet clean-up, rather than a deterioration in underlying asset quality, as BBCA typically front-loads write-offs when recoverability is low. The elevated write-offs reflect confidence in earnings resilience and capital strength, allowing BBCA to aggressively remove legacy problem loans while keeping NPL ratios structurally low. Overall, this supports the view that BBCA's asset quality improvement is clean, decisive, and sustainable.

BBRI's net write-offs remain high and closely track the 2024 trajectory, consistent with its large exposure to MSME and micro loans, where continuous write-offs are part of normal portfolio management. The persistence of high write-offs suggests that credit normalization in the MSME segment is ongoing, rather than complete, but the absence of a sharp acceleration versus 2024 implies no new systemic stress. This steady write-off pattern underscores BBRI's ability to absorb credit costs through scale and recurring earnings, albeit with structurally higher credit cost intensity than peers.

BMRI posted the lowest net write-off level in the past four years in 2025, indicating a more conservative or delayed clean-up approach compared with peers. While this may reflect better recovery performance or lower immediate stress, it also suggests that some problem loans may remain on the balance sheet longer. Given BMRI's larger exposure to corporate and commercial loans, the muted write-offs point to gradual resolution rather than aggressive de-risking, which could leave asset quality more sensitive should macro conditions weaken.

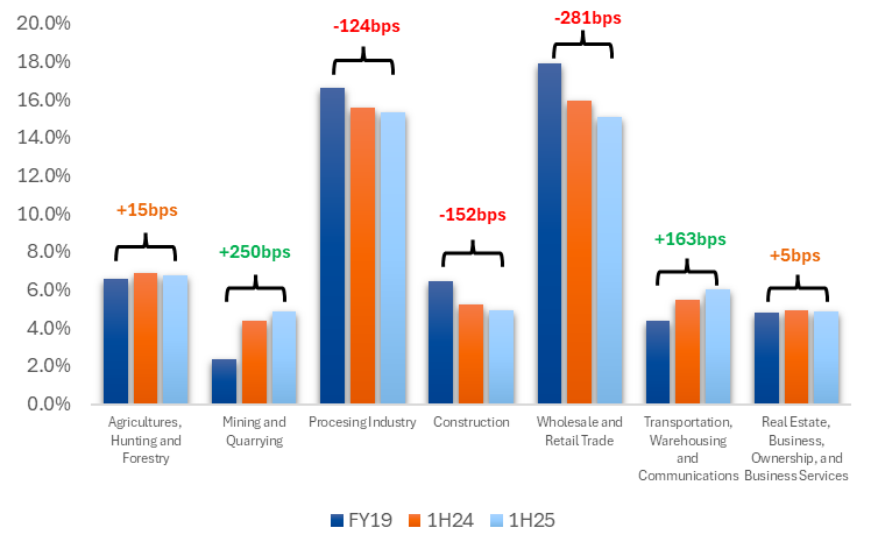
BBNI's 2025 net write-offs are lower than 2024 but higher than 2022–2023, signaling a moderate normalization phase. This pattern suggests that BBNI is unwinding pandemic-era stress more cautiously, without the aggressive clean-up seen at BBCA, but also not as restrained as BMRI. The trajectory implies incremental asset quality improvement, though at a slower pace, consistent with BBNI's historically high corporate and trade-finance exposure.

Shifting risks from domestic to global

Processing industry and wholesale & retail trade remain the two biggest sectors for the banking sector loans. However, their share to total loans have been deteriorating since covid19 pandemic outbreak in early 2020. Processing industry share declined from 16.6% as of Dec19 to 15.3% as of Jun25, while wholesale & retail trade share declined even further from 17.9% to 15.1% on the same period. We believe these two sectors represent mass market segment conditions, of which the banks have been reducing their exposure to.

On the other hand, mining & quarrying loan shares have doubled from 2.4% as of Dec20 to 4.9% as of Jun25. The rapid growth was supported by the down streaming initiatives in certain metal, such as Nickel, in our view. In addition, transport, warehousing, & communications loan share have also seen a rapid increase from 4.4% to 6.0%. As the banks' exposure to these two sectors, which now account for almost 11% of total loans, increase, the asset quality risks are now shifting more towards the global economy and commodity prices.

Exhibit 51. Contribution to total industry loan



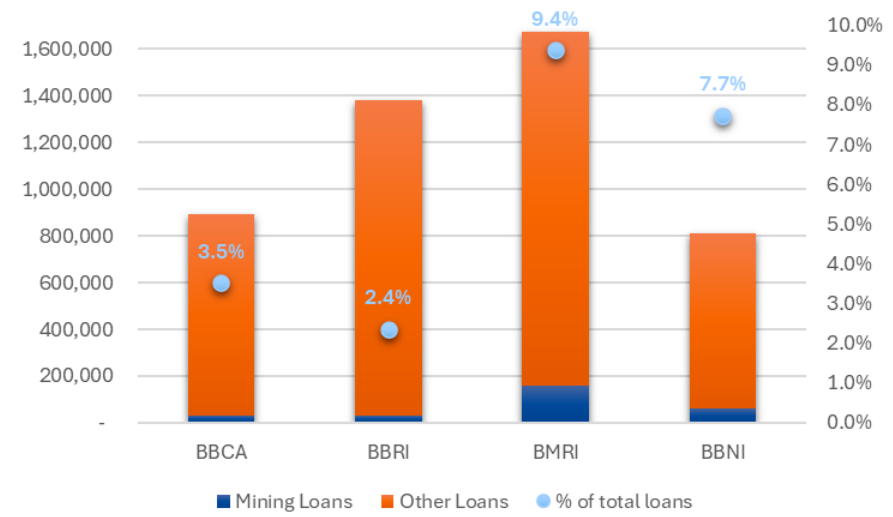
Source: OJK, BRIDS

Differences in mining loan exposure among the big 4 banks

We note that in mining loan exposure among the Big 4 banks, BMRI stands out as the most exposed, followed by BBNI, while BBCA and BBRI maintain relatively limited exposure. BMRI's mining loans account for roughly 9.4% of total loans, reflecting its strong corporate and SOE-linked franchise and closer involvement in large-scale commodity and energy financing. BBNI's exposure is also notable at around 7.7%, consistent with its corporate- and trade-oriented loan book. In contrast, BBCA (3.5%) and especially BBRI (2.4%) have more diversified or domestically oriented portfolios, reducing direct sensitivity to commodity cycles.

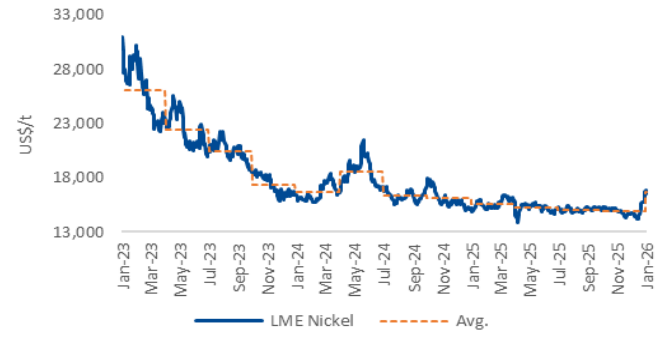
From a risk perspective, higher mining exposure offers earnings upside during commodity upcycles, but also introduces greater cyclicality and concentration risk, implying that banks like BMRI and BBNI are more exposed to swings in global commodity prices, while BBCA and BBRI benefit from more stable asset quality and earnings visibility across cycles.

Exhibit 52. Big 4 banks' mining loans exposure



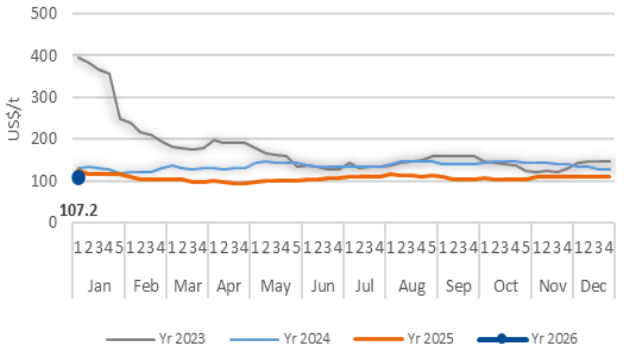
Source: Company, BRIDS

Exhibit 53. LME Nickel



Source: Bloomberg, BRIDS

Exhibit 54. Newcastle coal price (futures)



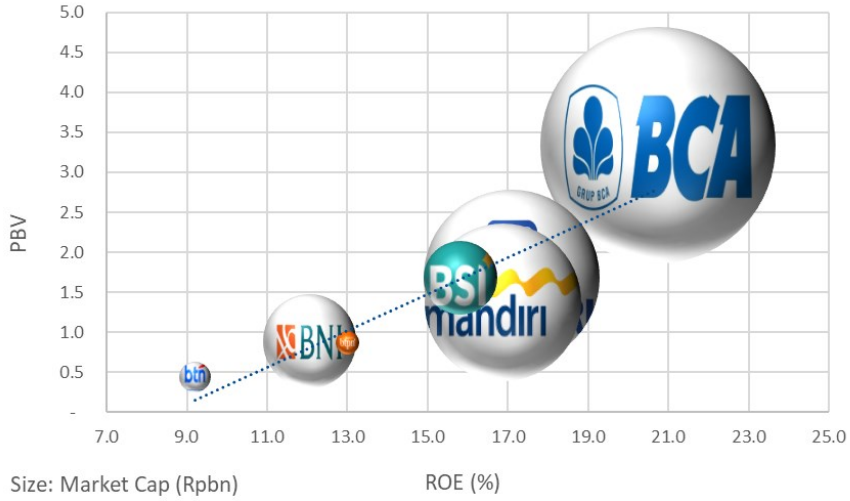
Source: Bloomberg, BRIDS

Valuations and recommendations

Maintain Neutral rating amid earnings turnarounds

Despite our expectation of earnings turnaround in FY26F, we remain defensive on the banking sector outlook given consensus potential earnings revisions, macro uncertainty, and asset quality risks. While we maintain our Neutral rating, we select BBCA (Buy, TP Rp10,800) and BTPS (Buy, TP Rp1,600) as top picks, supported by relatively safer earnings profiles and asset quality. Key downside risk remains a sharper deterioration in asset quality, while upside risk stems from faster-than-expected CoF improvements that could offset lower loan yields.

Exhibit 55. Sector's FY26F PBV-ROE Matrix



Source: Bloomberg, BRIDS Estimates

Exhibit 56. Sector's PBV multiple valuations

Stock	P/BV (x)	P/BV (5-year)		Curr. to StDev
	2025F	mean	StDev	
BBCA	3.5	4.1	0.4	(1.6)
BBRI*	1.7	2.2	0.3	(1.3)
BMRI	1.5	1.7	0.3	(0.7)
BBNI	0.9	1.0	0.2	(0.7)
BRIS*	1.9	2.3	0.6	(0.5)
BBTN	0.5	0.6	0.1	(1.0)
BTPS*	0.9	0.9	0.2	0.1

*Note: BBRI: cons numbers, BRIS: avg. since merger, BTPS: avg. 2-year

Source: Bloomberg, BRIDS Estimates

Bank-only update as of November 2025

11M25 banking ratios: margin pressure dominates performance

The 11M25 cumulative ratios across banking peers indicate a year characterized by margin pressure in a lower rate environment. On the income side, most banks recorded a yoy decline in EA yields. Notable exceptions were BBTN (+81bps yoy) and BRIS (+17bps yoy), which posted higher EA yields yoy, supported by changes in accounting standards related to mortgage loans. On the other hand, operating efficiency trends were mixed. Some banks were able to mitigate yield pressure through stronger non-interest income and cost efficiency, while others experienced CIR deterioration as overhead growth outpaced income.

Within the peer group, BBTN recorded a sharp (-988bps yoy) improvement in CIR, mainly due to higher NII from accounting adjustments. NISP also delivered a solid 720bps improvement in CIR, supported by more than doubled other operating income, driven by a quadrupling of gains from the sale of financial assets. In contrast, BMRI saw a meaningful rise in opex (+37.4% yoy), driven by a 53.6% yoy increase in other expenses stemming from a one-off adjustment following the 2Q25 audit. Credit cost trends were similarly mixed. BTPS posted the largest decline in CoC (-536bps yoy), reflecting its strategy of prioritizing asset quality in 2025. Meanwhile, BBTN reported higher CoC (+86bps yoy) as it aims to maintain NPL coverage above 110%.

Exhibit 57. Bank-only cumulative ratios (11M25)

Bank	EA yield (%) - ann	CoF (%) - ann	NIM (%) - ann	CIR (%) - ann	CoC (%) - ann	yoy %				
						EA yield (yoy, bps) - ann	CoF (yoy, bps) - ann	NIM (yoy, bps) - ann	CIR (yoy, bps) - ann	CoC (yoy, bps) - ann
BBCA	6.8	1.1	5.9	29.8	0.4	(20)	1	(19)	(46)	17
BBRI	9.6	3.3	6.7	37.6	3.3	(25)	(18)	(9)	256	4
BMRI	7.1	2.6	4.5	43.0	0.4	(20)	16	(39)	979	(29)
BBNI	6.6	2.9	3.9	48.0	0.9	(35)	1	(39)	333	(5)
BRIS	8.2	2.6	5.7	52.1	0.8	17	12	5	150	1
BBTN	8.1	4.1	4.0	54.0	1.6	81	(23)	105	(988)	86
BTPS	26.7	4.3	24.2	49.0	7.9	(103)	2	(95)	414	(536)
BNGA	7.2	3.8	3.8	46.8	0.5	(29)	(8)	(23)	26	(7)
NISP	7.0	3.3	4.0	50.0	0.1	(67)	(22)	(49)	(720)	35
BDMN	7.8	3.7	4.7	54.8	1.2	(25)	4	(34)	26	(41)
Aggregate	**7.8**	**2.7**	**5.2**	**40.8**	**1.3**	**(21)**	**(2)**	**(20)**	**292**	**(2)**

Source: Company, BRIDS

Nov25 Monthly: CoF improvement begins amid persistent margin pressure

The Nov25 monthly data show that EA yields softened mom across most banks, reflecting ongoing loan repricing toward lower yields. CoF also declined mom, which helped partially cushion margin pressure. However, NIM still trended lower for most banks, as the benefit from lower CoF has yet to meaningfully translate into NIM support, given the more pronounced decline in EA yields. Operating efficiency trends were mixed. CIR improved for some banks, driven by stronger NII (BBRI and BRIS) or lower opex (BMRI), while others saw an increase in CIR on lower income (BBCA, BTPS, BNGA, NISP) or higher opex (BBNI and BNGA). Credit cost trends were similarly mixed across the peer group. Overall, the Nov25 mom picture suggests that yield

pressure remains the key drag, with NIM stability hinging on the pace and sustainability of further CoF normalization.

Exhibit 58. Bank-only monthly ratios (Nov25)

Bank	EA yield (%) - ann	CoF (%) - ann	NIM (%) - ann	CIR (%) - ann	CoC (%) - ann	mom % EA yield (mom, bps) - ann	CoF (mom, bps) - ann	NIM (mom, bps) - ann	CIR (mom, bps) - ann	CoC (mom, bps) - ann
BBCA	6.5	1.0	5.6	33.3	0.2	(27)	(5)	(22)	178	(15)
BBRI	9.2	2.7	6.8	33.1	4.0	21	(46)	65	(520)	105
BMRI	6.7	2.4	4.4	38.5	(0.5)	(25)	(2)	(25)	(851)	(62)
BBNI	6.5	2.6	4.0	65.5	(0.2)	(28)	(18)	(9)	2,954	(246)
BRIS	7.8	2.4	5.4	55.6	0.8	3	(13)	15	(230)	7
BBTN	7.7	3.4	4.2	56.4	0.9	(8)	(38)	37	(2)	(63)
BTPS	24.6	3.9	22.3	51.7	8.4	(230)	(72)	(181)	146	133
BNGA	6.8	3.5	3.7	53.4	0.8	(33)	(28)	(9)	1,645	63
NISP	6.4	3.0	3.8	52.3	0.5	(34)	(24)	(14)	198	59
BDMN	7.5	3.6	4.4	69.5	0.8	(22)	(7)	(21)	(138)	36
Aggregate	**7.4**	**2.4**	**5.1**	**42.2**	**1.0**	**(14)**	**(20)**	**5**	**103**	**(28)**

Source: Company, BRIDS

Banks foreign flow and fund positioning

Foreign fund outflows weigh on big 4 banks

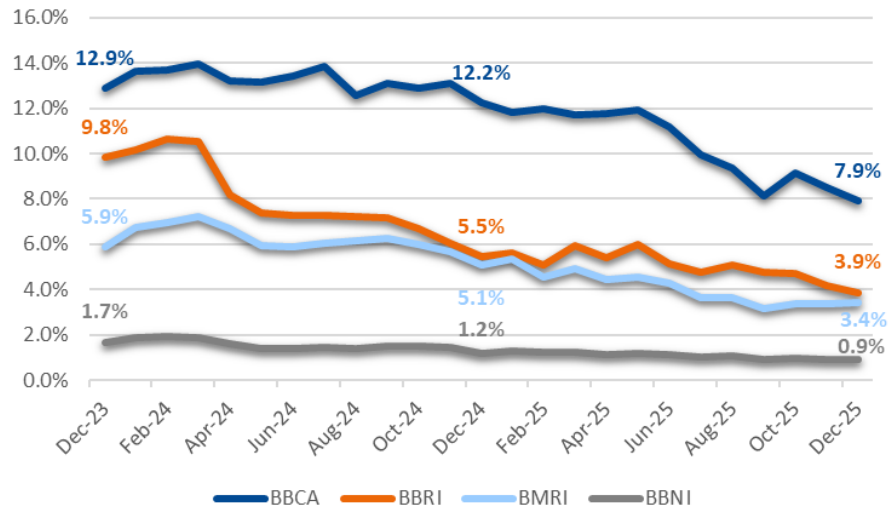
Among the banks, BBCA (Rp29.4tr) recorded the largest foreign outflow in 2025, followed by BMRI (Rp13.6tr) and BBRI (Rp9.6tr). Nevertheless, BBCA continues to have the highest level of foreign mutual fund ownership, which likely explains the sizable foreign outflows despite its relatively robust fundamentals, in our view. BMRI's foreign outflows were concentrated in the first 3 quarters of 2025 and began to reverse into inflows in 4Q25. On the other hand, BBRI continued to see outflows in 2025 despite the substantial foreign outflows already recorded in 2024, largely driven by Rp10.1tr of foreign selling in 4Q25 alone. Over the past 2 years, BBRI also recorded the steepest decline in foreign mutual fund ownership, falling by more than 50% from Dec23 to Dec25. Overall, all of the big 4 banks experienced a meaningful decline in foreign mutual fund ownership across 2024-2025. In contrast, within our coverage, the banks experiencing foreign inflows are BRIS (Rp1.5tr) and BTPS (Rp281bn).

Exhibit 59. Banking sector's foreign flow as of 30 Dec25

Ticker	2023	2024	1Q25	2Q25	3Q25	4Q25	2025
BBRI	5,834	(37,692)	(3,002)	(1,662)	5,131	(10,055)	(9,587)
BBCA	746	841	(10,319)	(3,271)	(16,537)	694	(29,433)
BMRI	463	(1,420)	(5,913)	(3,970)	(7,079)	3,350	(13,612)
BBNI	3,530	(914)	(2,367)	(886)	(759)	(139)	(4,151)
BRIS	645	1,797	(187)	1,065	646	(23)	1,501
BBTN	(219)	272	(38)	(113)	13	73	(65)
BTPS	(1,065)	(579)	6	206	45	24	281
Total	**9,934**	**(37,694)**	**(21,820)**	**(8,632)**	**(18,538)**	**(6,075)**	**(55,065)**

Source: IDX, BRIDS

Exhibit 60. Big 4 Banks' total foreign weighting

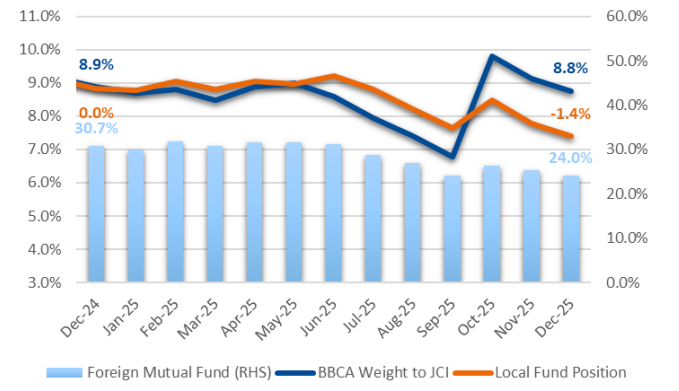


Source: KSEI, BRIDS

SOE heavy ownership in local funds

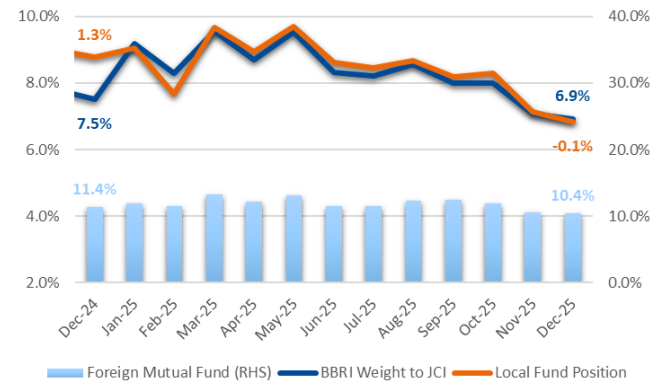
As of Dec25, the weighting and fund position charts collectively point to rotation rather than a sector exit. Foreign investors are reducing exposure to large-cap banks, especially BBCA and BMRI, while selectively maintaining or increasing positions in smaller names, i.e., BRIS, BBTN, and BTPS. Local funds, meanwhile, are more constructive on SOE banks ahead of a FY26 easing cycle, with well positioned in BMRI and BBNI and maintaining their neutral position in BBRI throughout 2025. Net-net, positioning suggests less downside pressure but also limited near-term re-rating, with valuation and rate expectations driving differentiation across names rather than balance sheet concerns.

Exhibit 61. BBCA's weighting and fund position



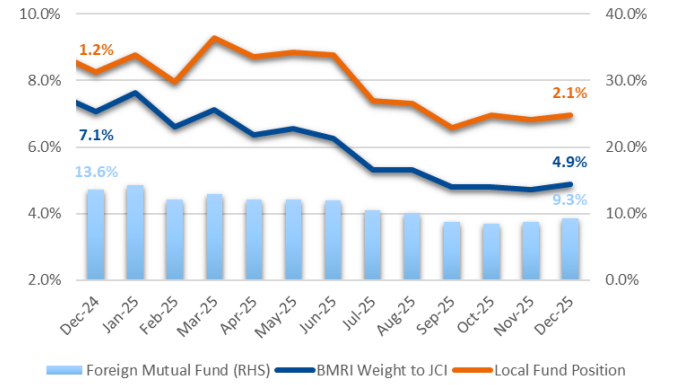
Source: KSEI, BRIDS

Exhibit 62. BBRI's weighting and fund position



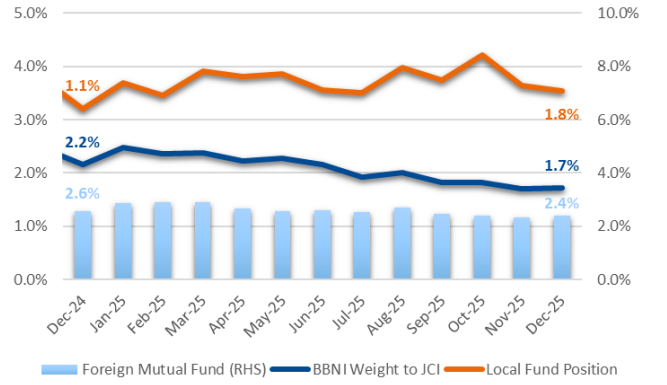
Source: KSEI, BRIDS

Exhibit 63. BMRI's weighting and fund position



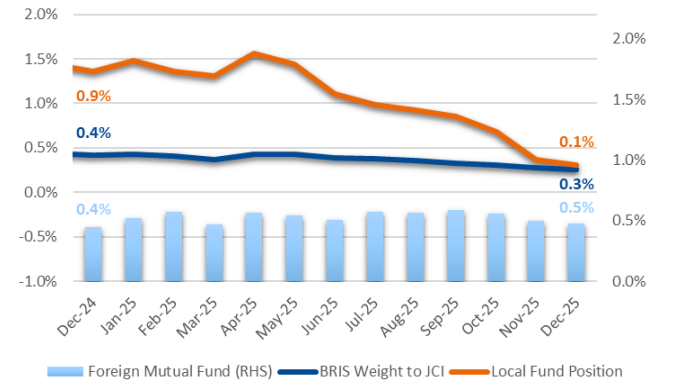
Source: KSEI, BRIDS

Exhibit 64. BBNI's weighting and fund position



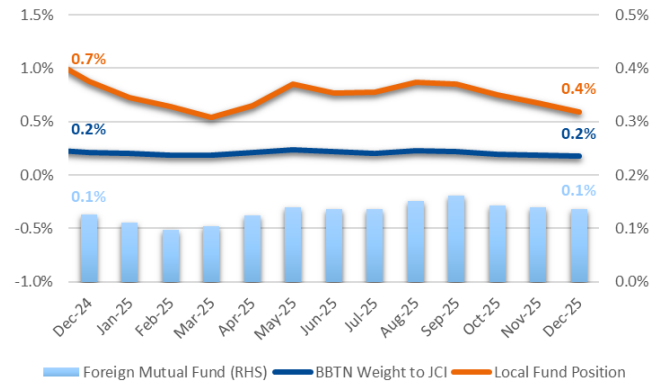
Source: KSEI, BRIDS

Exhibit 65. BRIS's weighting and fund position



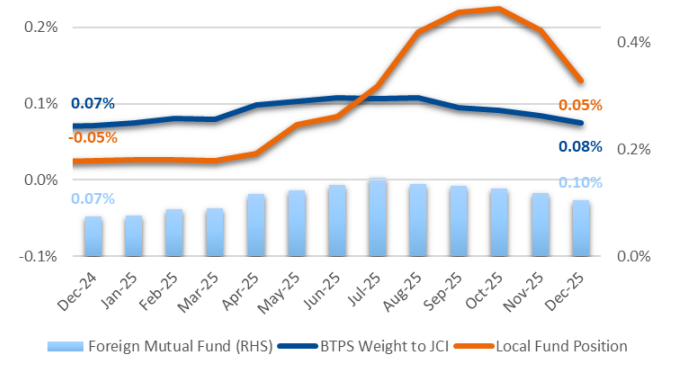
Source: KSEI, BRIDS

Exhibit 66. BBTN's weighting and fund position



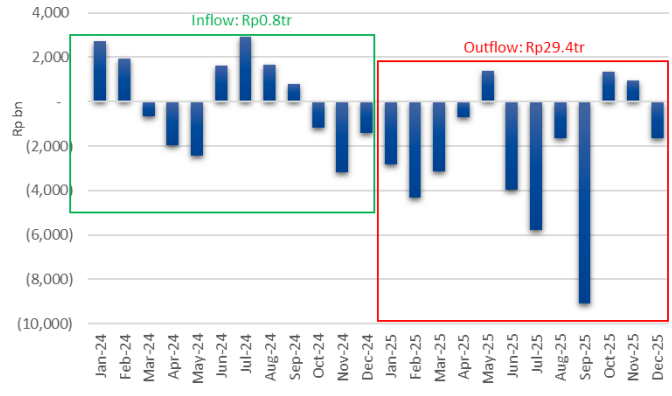
Source: KSEI, BRIDS

Exhibit 67. BTPS's weighting and fund position



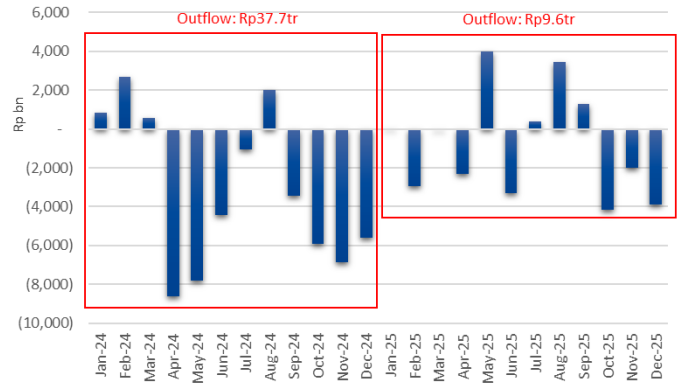
Source: KSEI, BRIDS

Exhibit 68. BBCA's historical foreign flows (as of 30 Dec25)



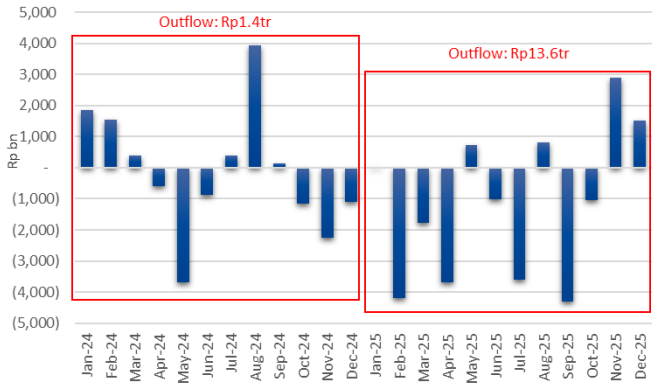
Source: IDX, BRIDS

Exhibit 69. BBRI's historical foreign flows (as of 30 Dec25)



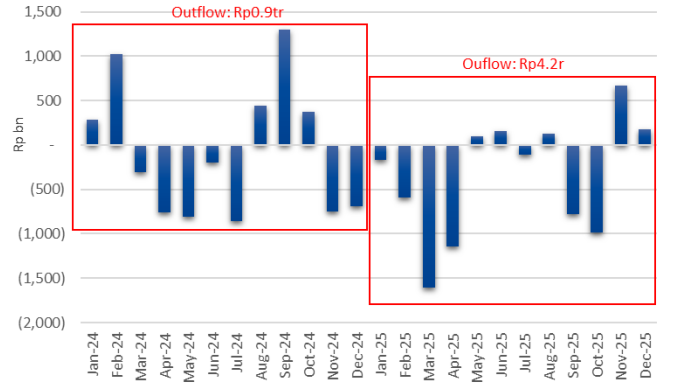
Source: IDX, BRIDS

Exhibit 70. BMRI's historical foreign flows (as of 30 Dec25)



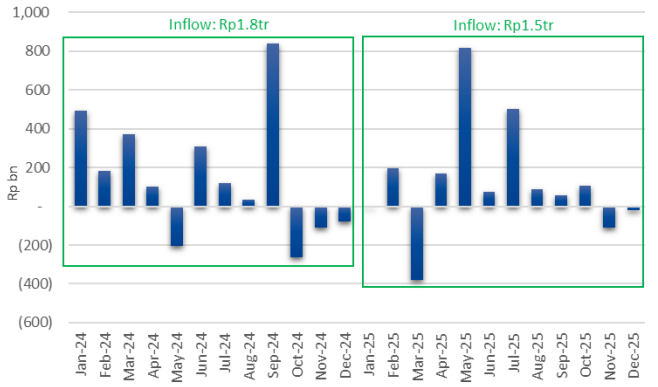
Source: IDX, BRIDS

Exhibit 71. BBNI's historical foreign flows (as of 30 Dec25)



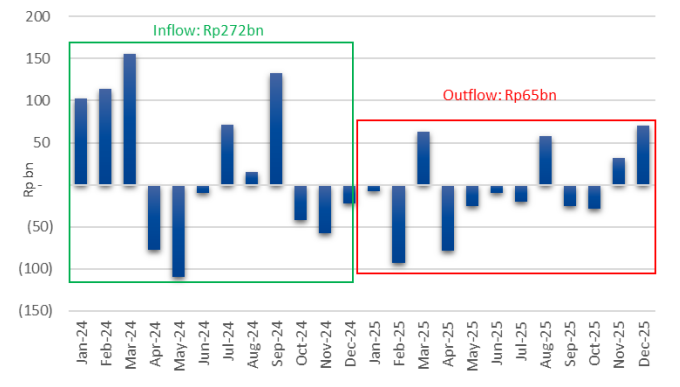
Source: IDX, BRIDS

Exhibit 72. BRIS's historical foreign flows (as of 30 Dec25)



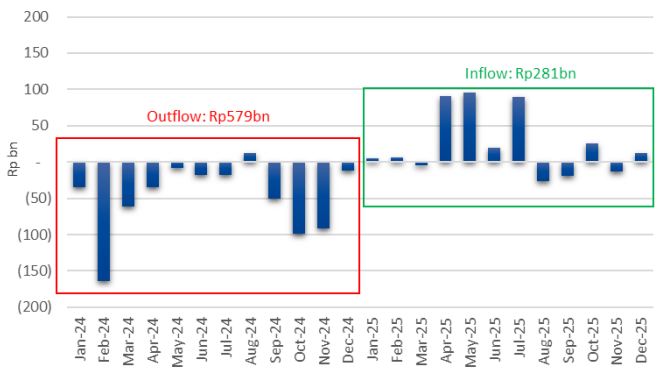
Source: IDX, BRIDS

Exhibit 73. BBTN's historical foreign flows (as of 30 Dec25)



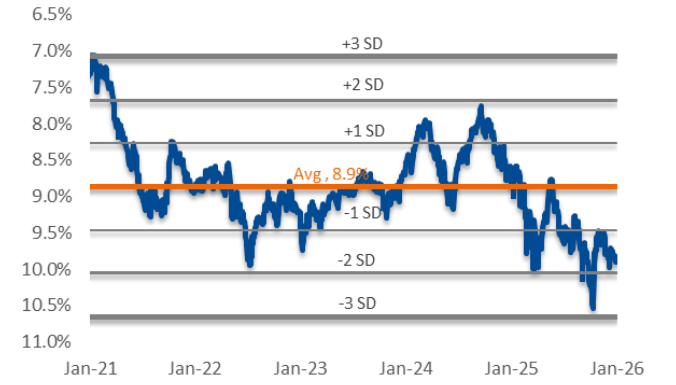
Source: IDX, BRIDS

Exhibit 74. BTPS's historical foreign flows (as of 30 Dec25)



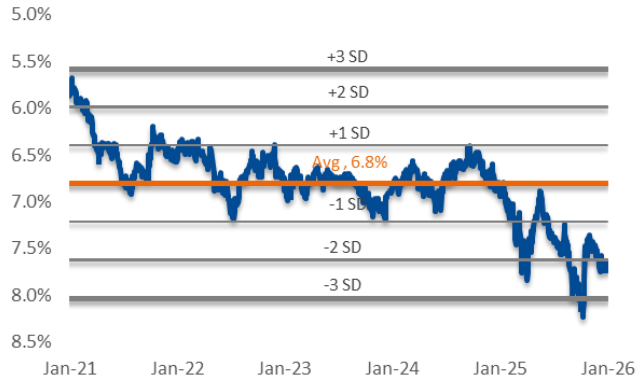
Source: IDX, BRIDS

Exhibit 75. Sector's cost of equity band chart (5-year)



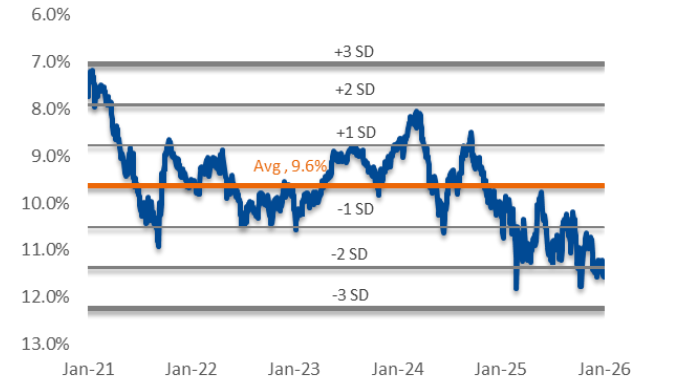
Source: Company, Bloomberg, BRIDS Estimates

Exhibit 76. BBCA's cost of equity band chart (5-year)



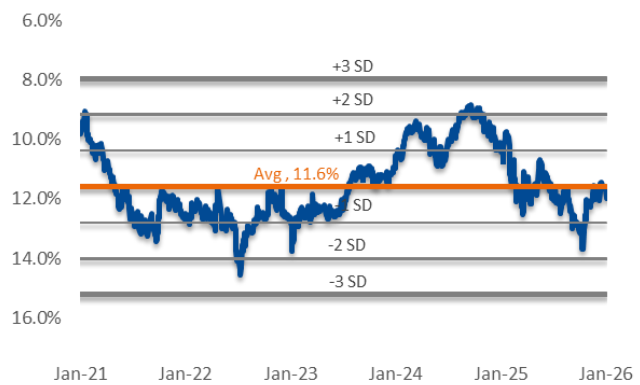
Source: Company, Bloomberg, BRIDS Estimates

Exhibit 77. BBRI's cost of equity band chart (5-year)



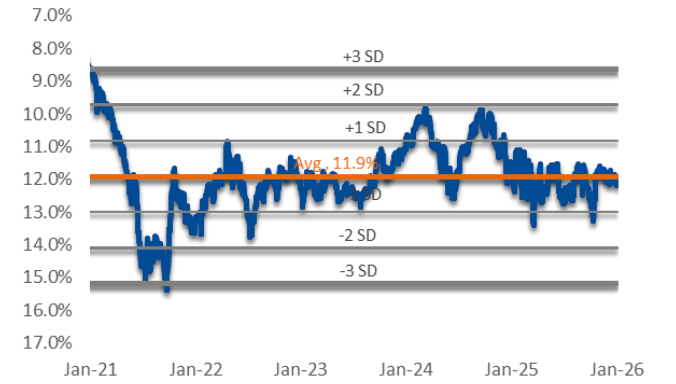
Source: Company, Bloomberg, BRIDS Estimates

Exhibit 78. BMRI's cost of equity band chart (5-year)



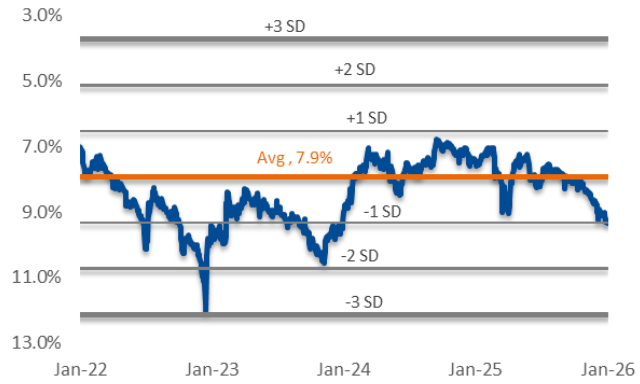
Source: Company, Bloomberg, BRIDS Estimates

Exhibit 79. BBNI's cost of equity band chart (5-year)



Source: Company, Bloomberg, BRIDS Estimates

Exhibit 80. BRIS's cost of equity band chart (since merger)

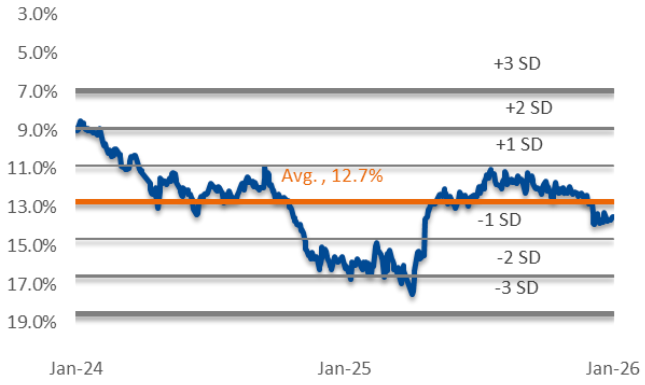


Source: Company, Bloomberg, BRIDS Estimates

Exhibit 81. BBTN's cost of equity band chart (5-year)

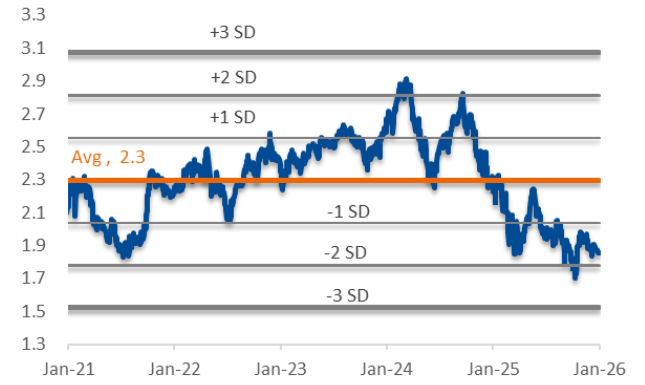
Source: Company, Bloomberg, BRIDS Estimates

Exhibit 82. BTPS's cost of equity band chart (2-year)



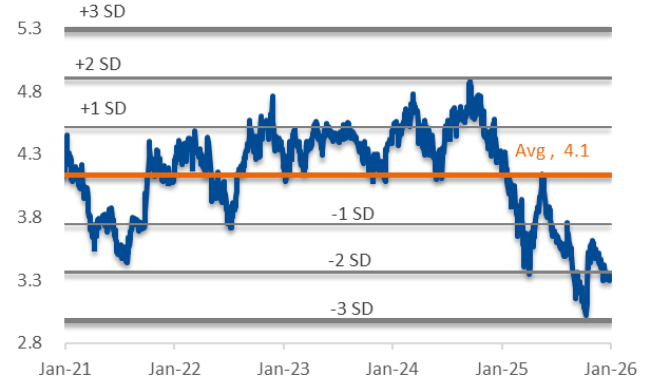
Source: Company, Bloomberg, BRIDS Estimates

Exhibit 83. Sector's P/BV band chart (5-year)



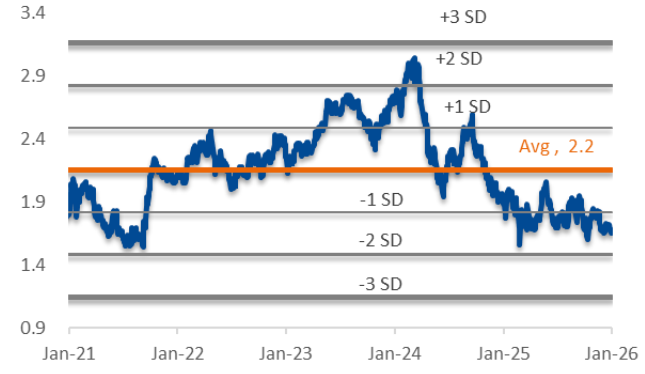
Source: Company, Bloomberg, BRIDS Estimates

Exhibit 84. BBCA's P/BV band chart (5-year)



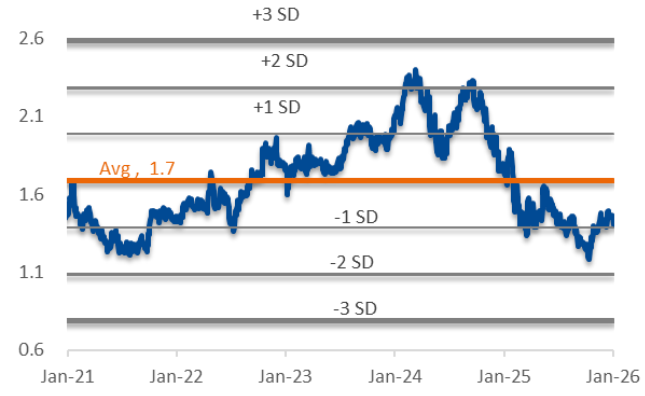
Source: Company, Bloomberg, BRIDS Estimates

Exhibit 85. BBRI's P/BV band chart (5-year)



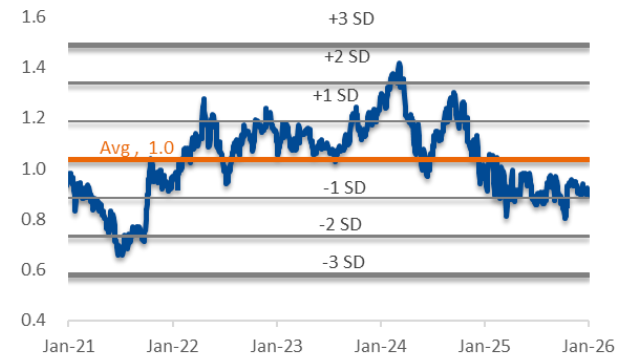
Source: Company, Bloomberg, BRIDS Estimates

Exhibit 86. BMRI's P/BV band chart (5-year)



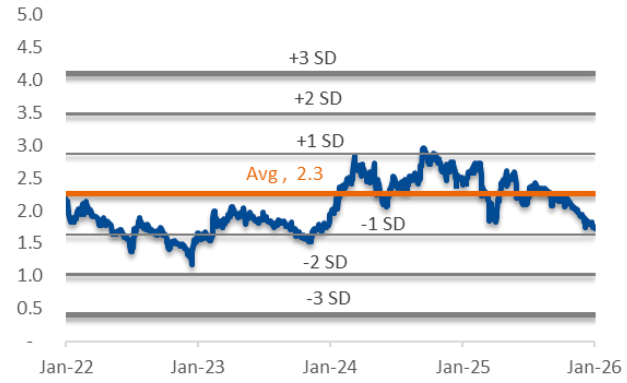
Source: Company, Bloomberg, BRIDS Estimates

Exhibit 87. BBNI's P/BV band chart (5-year)



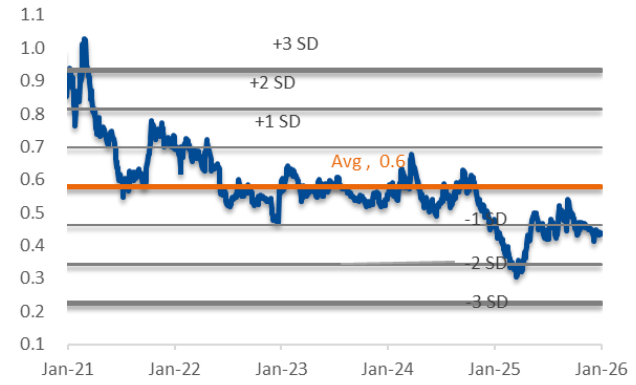
Source: Company, Bloomberg, BRIDS Estimates

Exhibit 88. BRIS's P/BV band chart (since merger)



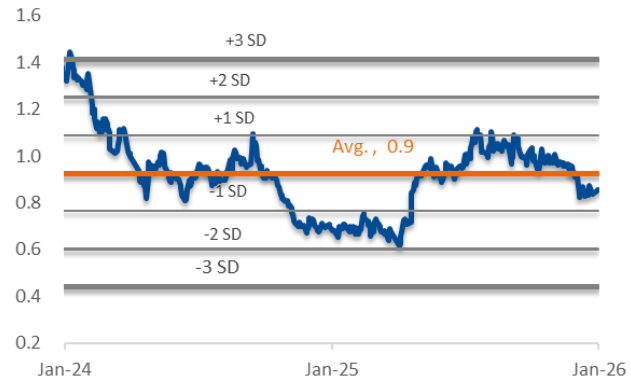
Source: Company, Bloomberg, BRIDS Estimates

Exhibit 89. BBTN's P/BV band chart (5-year)



Source: Company, Bloomberg, BRIDS Estimates

Exhibit 90. BTPS's P/BV band chart (2-year)



Source: Company, Bloomberg, BRIDS Estimates

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INVESTMENT RATING	
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