Overweight

(Maintain)

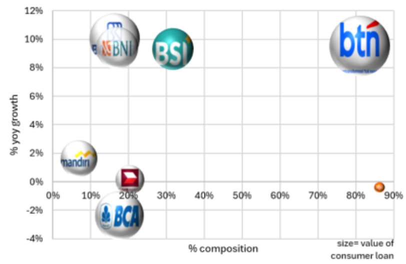
Tactical (3M): **N**

Banks

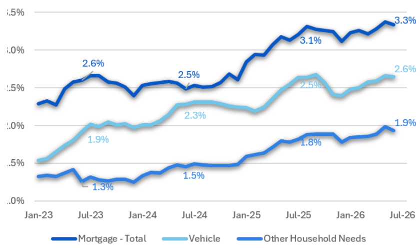
Consumer Loan Positioning: A Clear Divide Between Growers and Retreaters

- **Despite showing some stability on mom basis, MSME and consumer segments are still facing asset quality problems.**
- **Among our coverage, BBTN, BRIS, and BBNI have greater earnings sensitivity to consumer loans asset quality.**
- **We are Overweight on the sector with preference on banks with less consumer loan growth, i.e., BBCA, BTPS, and BNGA.**

Consumer exposure as of 1H26



Consumer NPL Ratio



Source: BRIDS Estimates, Bloomberg, OJK

Wholesale continues to drive productive loan growth

System loan growth accelerated to 12.5% yoy in Jun26, driven by investment credit, which surged to 25% yoy. Consumer loan remained subdued with its loan growth continuing to decelerate towards 5% while working capital loan continued its recovery from low single digit in late FY25 approaching 9% yoy as of Jun26. MSME working capital, however, has deteriorated into outright contraction at approximately 4-5% yoy.

MSME and consumer loan remain stressed as of 1H26

MSME NPL, has drifted steadily upward from 3.7% in Jan23 to 4.5-4.7% by mid-26, a 90bp deterioration over three and a half years. However, we see the NPL has somewhat stabilized, albeit still high, in 1H26. Consumer NPL has been gradually increasing across the entire period, from 1.6% as of Jan23 to 2.4-2.5% in mid-26. The increase in NPL was driven by a combination of slower loan disbursement and asset quality deterioration. Nominal NPL, albeit improving by 2% mom, rose to Rp56.9tr as of Jun26, or increase 15% yoy.

Persistent stress on consumers even before rate hike took place

BCA's deliberate consumer loan contraction, historically a reliable bellwether, signals that consumer credit risk is more elevated than industry NPL ratios currently reflect. We see the growth exposure divergence of BBTN, BRIS, and BBNI whose consumer loan grew 9-10% yoy in 1H26, may potentially translate to greater earnings sensitivity to further consumer asset quality deterioration, especially under higher BI rate and higher inflationary environment.

Overweight with cautious view in navigating asset quality issues

Since our sector rating upgrade on mid Jun26, the sector has appreciated by 6.1% with the private group-owned banks, our preferred picks, outperforming at 10.5%. While valuation remained attractive across the banks at 1.5x FY26C PBV, at -2.0SD below 5 year average, we remain cautious on potential further consumer asset quality issue in the near term given the high oil prices, higher BI rate, and potential inflationary environment. We maintain BBCA as our top pick, followed by BTPS and BNGA, which aside from facing less risk of intervention from govt program, also have less exposure in the consumer loan growth.

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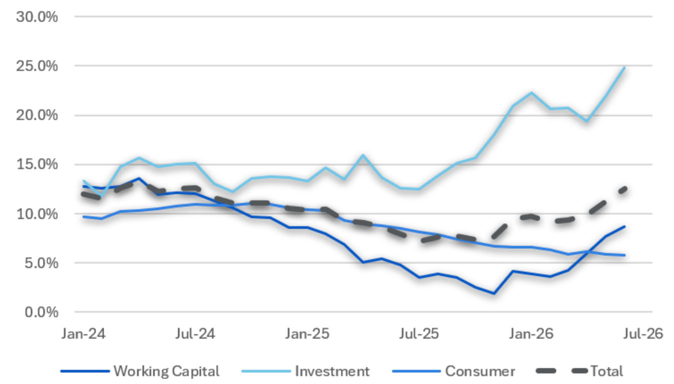
Company	Ticker	Rec	Target Price (Rp)	Market Cap. (RpBn)	P/E (x) 2026F	P/E (x) 2027F	P/BV (x) 2026F	P/BV (x) 2027F	ROE (%) 2027F
BCA	BBCA IJ	BUY	8,600	792,042.2	13.1	12.2	2.6	2.5	20.9
Bank Rakyat Indonesia	BBRI IJ	NR	n/a	503,175.9	7.7	6.4	1.5	1.5	23.3
Mandiri	BMRI IJ	BUY	6,200	407,866.7	7.1	6.7	1.3	1.2	18.6
BNI	BBNI IJ	BUY	4,800	141,729.8	6.6	5.7	0.8	0.7	13.5
Bank Syariah Indonesia	BRIS IJ	BUY	3,100	80,956.9	9.6	8.7	1.4	1.3	15.3
Bank Tabungan Negara	BBTN IJ	BUY	1,500	16,981.7	4.8	4.7	0.4	0.4	9.1
BTPN Syariah	BTPS IJ	BUY	1,400	8,204.4	6.1	5.6	0.8	0.7	13.4
CIMB	BNGA IJ	BUY	2,100	43,849.3	6.1	5.7	0.7	0.7	12.2

Consumer Loan Positioning: A Clear Divide Between Growers and Retreaters

Working capital loan recovery driven by wholesale segment
System loan growth accelerated to 12.5% yoy in Jun26, driven overwhelmingly by investment credit, which surged to 25% yoy, a multi-year high and a near-doubling from its mid-2025 trough. Consumer loan remained subdued with its loan growth continuing to decelerate towards 5% level, partly due to lower bank's appetite for the segment. Working capital loan continue its recovery from low single digit in late FY25 approaching 9% yoy as of Jun26.

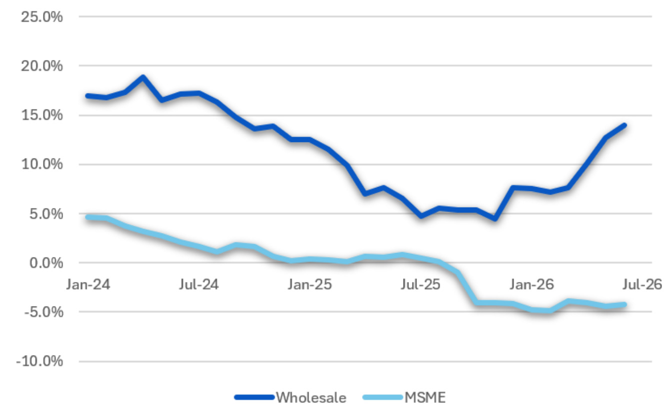
However, we do not think of this as a broad-based credit recovery and instead see the rebound to be led by wholesale segment which masked the MSME segment negative loan growth. Wholesale working capital has rebounded sharply to 14% yoy by Jun26 after bottoming near 5% in mid-2025, driving the headline recovery. MSME working capital, however, has deteriorated into outright contraction at approximately 4-5% yoy, a level sustained since late 2025.

Exhibit 1. Industry yoy loan growth by type



Source: OJK, BRIDS

Exhibit 2. Working capital yoy loan growth



Source: OJK, BRIDS

MSME working capital contraction at -5% yoy is a significant warning signal for the real economy. MSMEs account for roughly 60% of GDP and over 90% of employment in Indonesia. When this segment cannot access or is not accessing working capital credit, the transmission mechanism breaks down at the grassroots level, resulting in slowing inventory restocking, deferred wage payments, and strain in supply chains serving larger corporates.

The disconnect between robust wholesale credit and contracting MSME credit also suggests that the current growth impulse is narrowly concentrated in capital-intensive sectors rather than being broad-based across the economy. This kind of growth is less job-generative and less consumption-supportive per unit of credit extended.

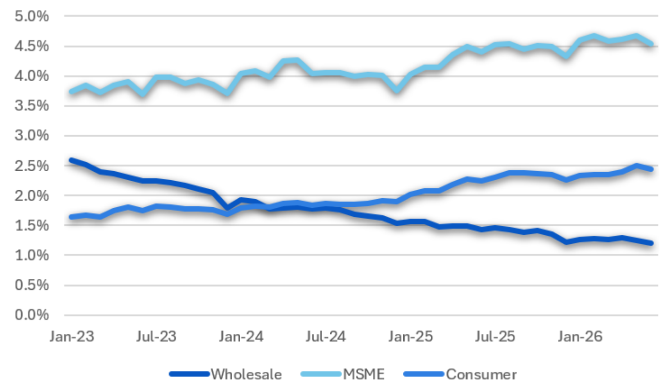
If MSME working capital remains in contraction through 2H26, it would likely manifest in weakening informal sector employment data, subdued retail sales in non-discretionary categories, and pressure on household income in Tier 2-3 cities. This may ultimately feed back into the consumer NPL trends already visible in the industry data.

Asset quality: Improving wholesale, stabilizing MSME, persisting consumer

Wholesale NPL has been on a clean, uninterrupted downtrend from 2.6% in Jan23 to 1.2% by Jun26, largely reflecting the large corporate credit quality improvement on the back of stable cash flows and collateral coverage. Consumer NPL has been gradually increasing across the entire period, from 1.6% as of Jan23 to 2.4-2.5% in mid-26. The increase in NPL did not only come from slower loan disbursement, but also from asset quality deterioration. Nominal NPL, albeit improving by 2% mom, rose to Rp56.9tr as of Jun26, or increase 15% yoy.

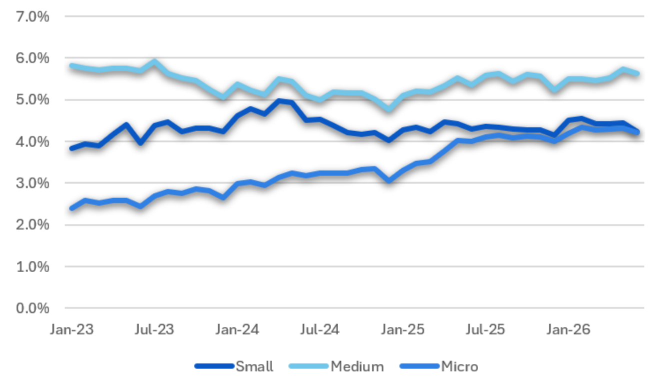
MSME NPL, has drifted steadily upward from 3.7% in Jan23 to 4.5-4.7% by mid-26, a 90bp deterioration over three and a half years. However, we see the NPL has somewhat stabilized, albeit still high, in the first half of 2026. Among the MSME segment, the stabilizing trend was seen in the micro and small segments. Whereas in the medium segment we note that there is a slight increase in both NPL and SML ratio from end of 2025 level.

Exhibit 3. Industry NPL ratio



Source: OJK, BRIDS

Exhibit 4. NPL ratio of MSME segment



Source: OJK, BRIDS

Broad-based deterioration in consumer loan, no segment spared

Mortgage NPL ratio has risen from 2.6% in Jun23 to 3.3% by Jun26, with slight mom improvement in NPL and SML ratio by 4 and 16bps respectively. Given its sheer size in consumer loan books and as it carries the most systemic weight, we believe the mortgage asset quality trend will determine the consumer asset quality outlook.

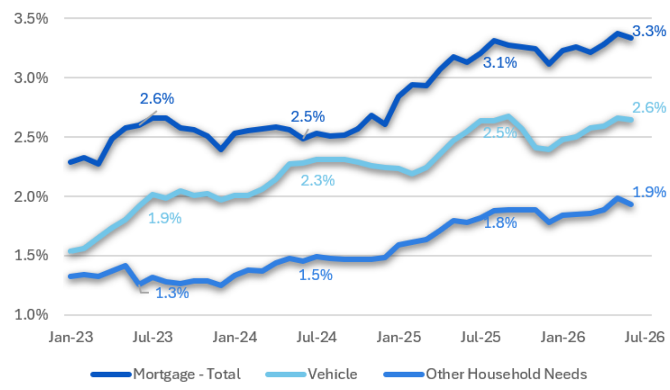
Vehicle NPL has risen from 1.9% as of Jun23 to 2.6% as of Jun26, a full doubling over the same period. This is particularly concerning because it coincides with the contracting vehicle loan book which declined 10% yo as of Jun26. Banks and multifinance companies that leaned heavily into auto financing during 2022-23 are now working through that vintage.

Other household NPL ratio also remained high at 1.9% as of Jun26 (+15bps yoy) albeit slightly lower than its peak at 2.0% as of May26. As the largest segment within consumer loan, we believe the 17% yoy increase in other household nominal NPL which outpaced the 8% yoy loan growth, warrant close monitoring.

The Apartment Stress Is Structural, Not Cyclical
Mortgage - Housing NPL ratio has risen from 2.2% to 3.3%, a 110bp move but with a relatively gradual, linear slope. This reflects the broad-based household income pressure affecting both lower and middle-class homeowners, amplified by elevated mortgage rates that took time to bite post promotional rates.

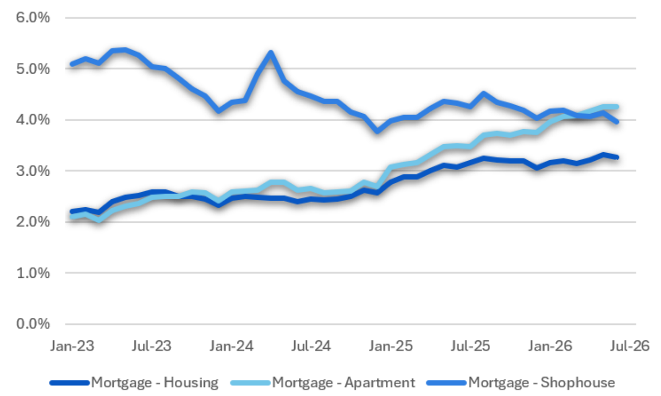
Mortgage - Apartment is the standout stress point, rising from 2.1% in Jan23 to 4.3% by Jul26, a 220bp deterioration and the steepest trajectory among mortgages. The slope shows no sign of flattening. This is consistent with well-documented structural issues in the Indonesian apartment market: oversupply, stalled rental fee, and weakening middle-income purchasing power. At 4.3% NPL on a segment that was already growing slowly (-0.5% yoy), the apartment mortgage book is the most clearly stressed pocket in the entire consumer universe.

Exhibit 5. Consumer loan NPL ratio



Source: OJK, BRIDS

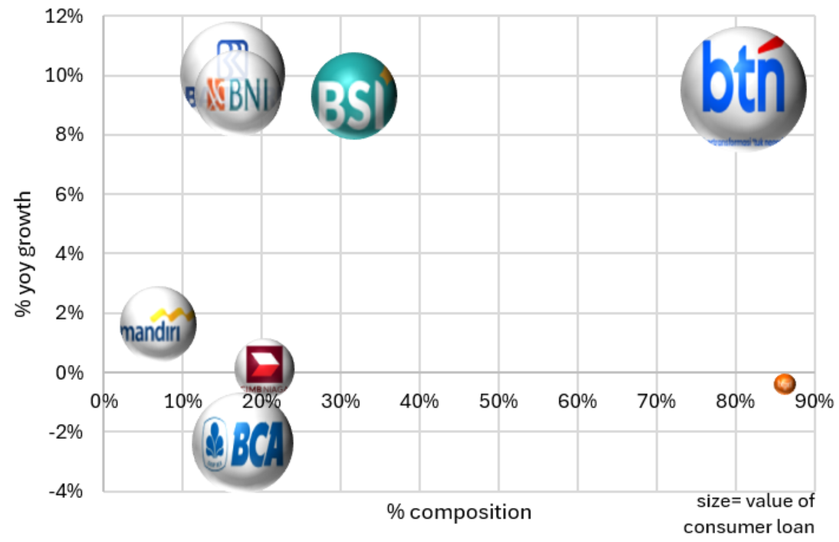
Exhibit 6. Mortgage NPL ratio



Source: OJK, BRIDS

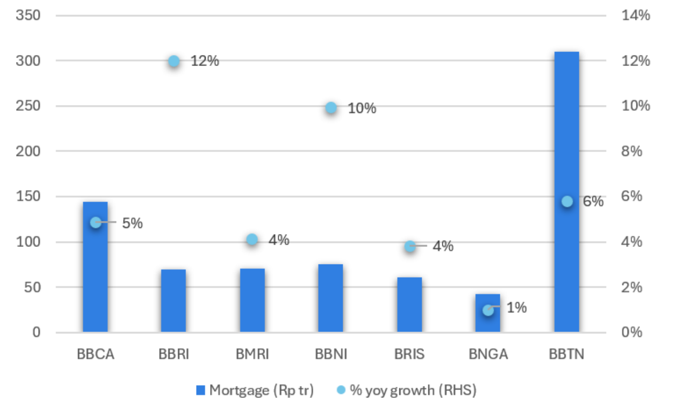
Different consumer loan positioning among banks
Exhibit 7 reveals a clear strategic divide on consumer lending. BBTN's apparent ~10% YoY growth is supported by the SMBC pension loan acquisition (Rp10.6tn as of Jun26); on an organic basis, growth moderates to ~6%, though BTN's ~85% consumer composition still leaves it the most structurally exposed to the mortgage NPL deterioration documented across sub-segments. BBRI, BRIS, and BBNI are the organic growers at ~9-10% yoy, actively adding consumer exposure into a deteriorating asset quality environment, while BBCA's deliberate contraction at -3% yoy is the most instructive data point in the chart. Historically a reliable bellwether, BCA's retreat signals that consumer credit risk is more elevated than industry NPL ratios currently reflect. BMRI and BNGA occupy a cautious middle ground with flat-to-minimal growth, effectively prioritizing book quality over volume. The strategic divergence today will likely translate into diverging provision trajectories through 2H26-2027, with BBTN, BRIS, and BBNI carrying greater earnings sensitivity to further consumer asset quality deterioration.

Exhibit 7. Consumer loan expossure as of 1H26



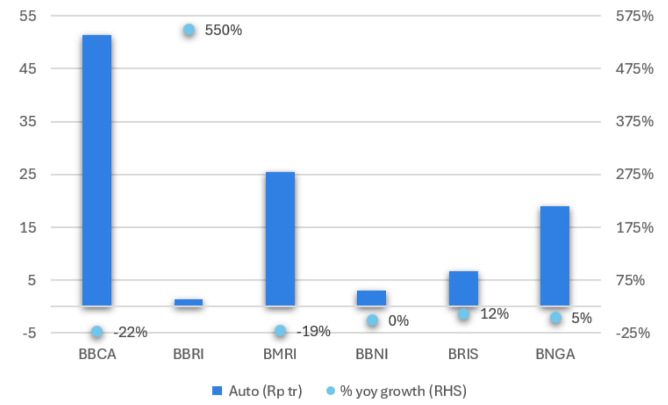
Source: Company, BRIDS Estimates

Exhibit 8. Mortgage expossure as of 1H26



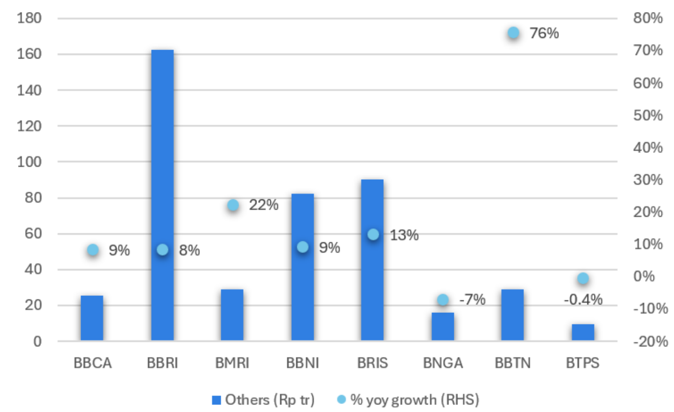
Source: Company, BRIDS

Exhibit 9. Auto loan expossure as of 1H26



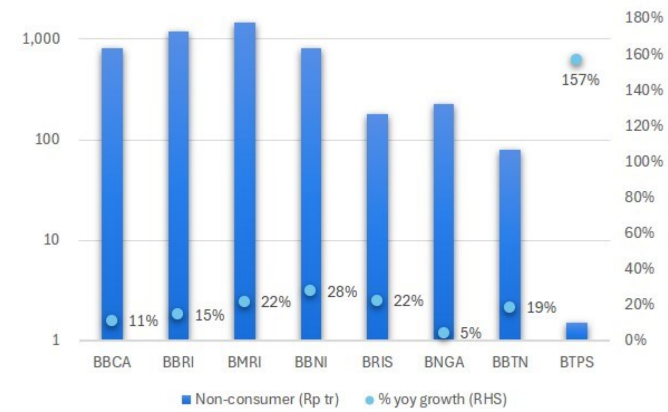
Source: Company, BRIDS

Exhibit 10. Other consumer loan expossure as of 1H26



Source: Company, BRIDS

Exhibit 11. Non-consumer loan expossure as of 1H26



Source: Company, BRIDS

Overweight with cautious view in navigating asset quality issues
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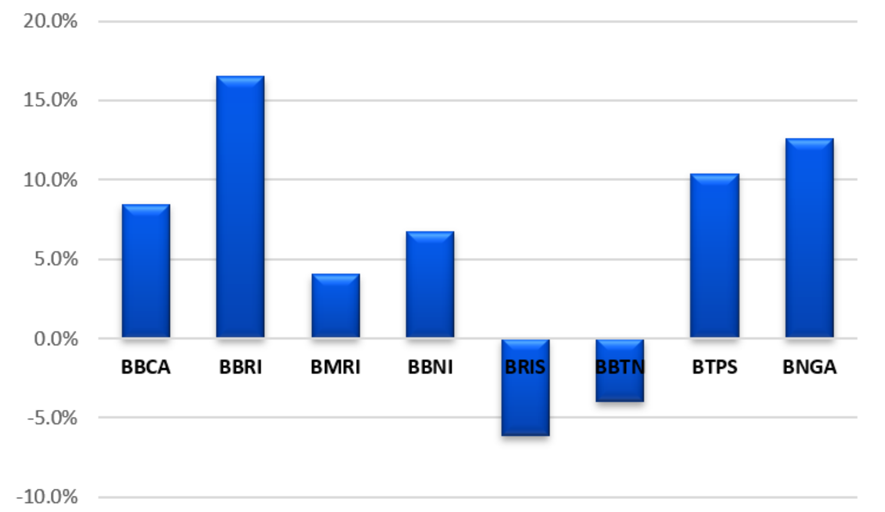
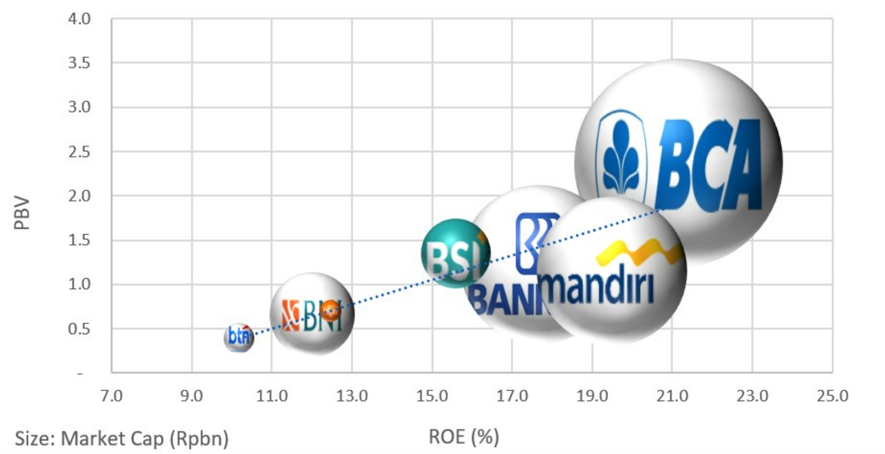
Exhibit 12. Share price performance since sector upgrade



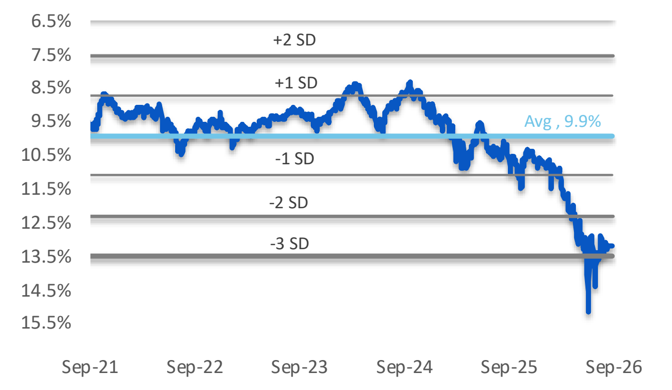
Source: Bloomberg, BRIDS Estimates

Exhibit 13. Sector's FY26F PBV-ROE Matrix



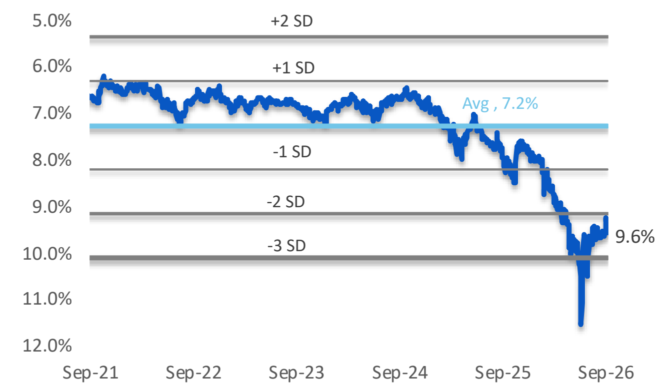
Source: Bloomberg, BRIDS Estimates

Exhibit 14. Sector's CoE band chart (5-year)



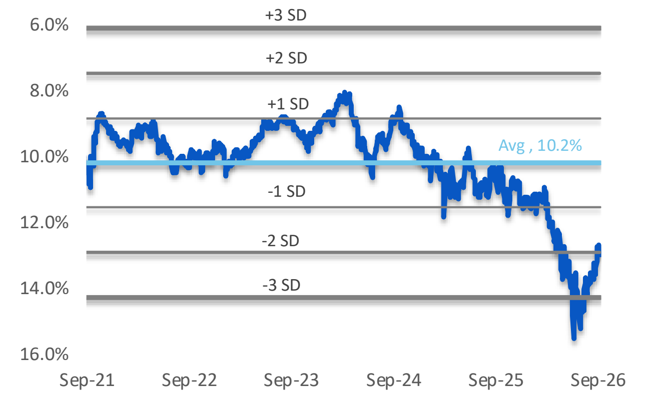
Source: Company, Bloomberg, BRIDS Estimates

Exhibit 15. BBCA's CoE band chart (5-year)



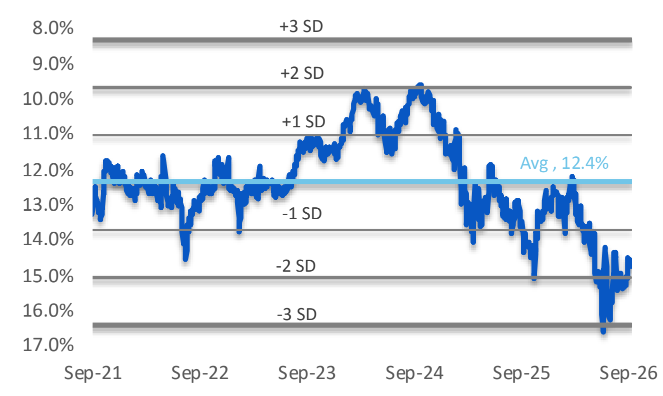
Source: Company, Bloomberg, BRIDS Estimates

Exhibit 16. BBRI's CoE band chart (5-year)



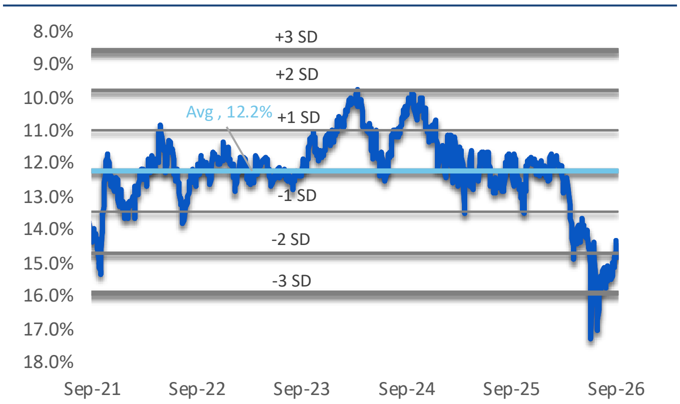
Source: Company, Bloomberg, BRIDS Estimates

Exhibit 17. BMRI's CoE band chart (5-year)



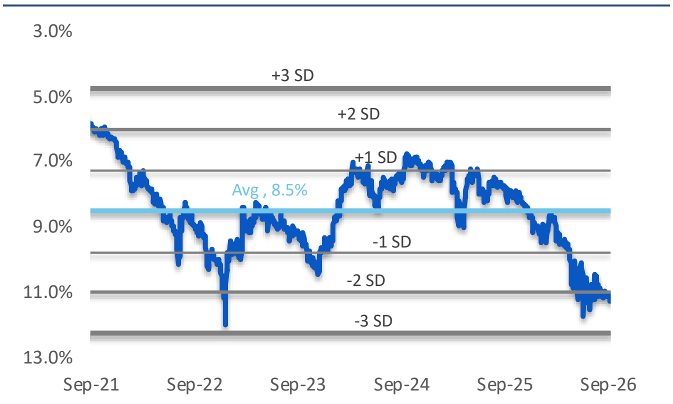
Source: Company, Bloomberg, BRIDS Estimates

Exhibit 18. BBNI's CoE band chart (5-year)



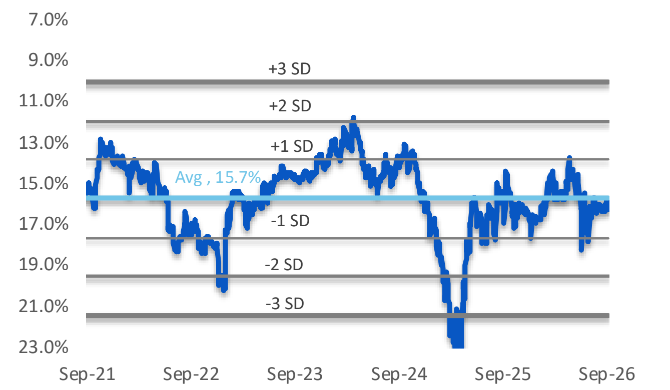
Source: Company, Bloomberg, BRIDS Estimates

Exhibit 19. BRIS's CoE band chart (5-year)



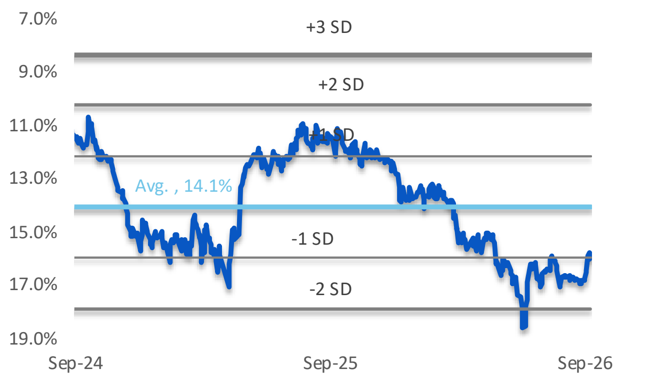
Source: Company, Bloomberg, BRIDS Estimates

Exhibit 20. BBTN's CoE band chart (5-year)



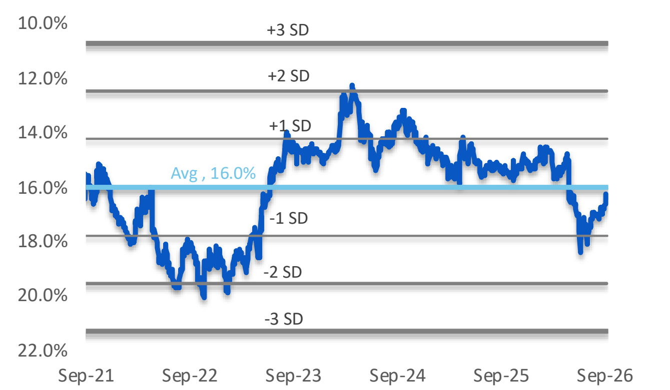
Source: Company, Bloomberg, BRIDS Estimates

Exhibit 21. BTPS's CoE band chart (2-year)



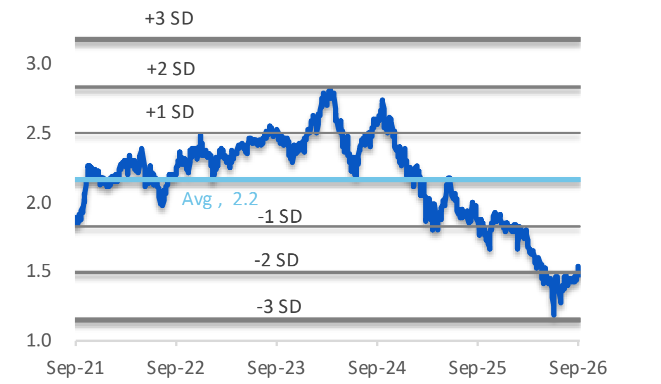
Source: Company, Bloomberg, BRIDS Estimates

Exhibit 22. BNGA's CoE band chart (5-year)



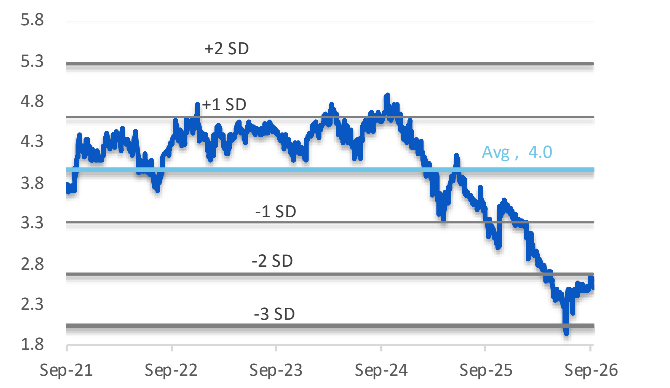
Source: Company, Bloomberg, BRIDS Estimates

Exhibit 23. Sector's P/BV band chart (5-year)



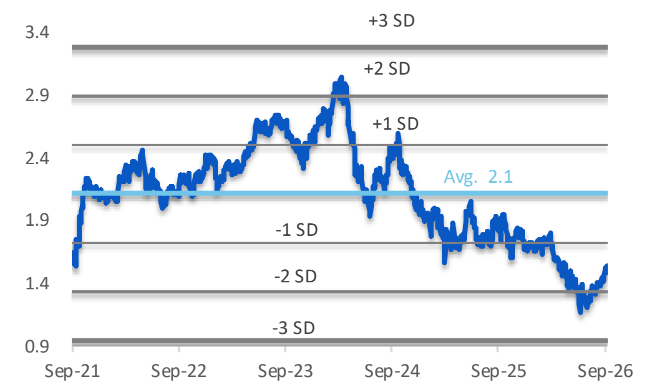
Source: Company, Bloomberg, BRIDS Estimates

Exhibit 24. BBCA's P/BV band chart (5-year)



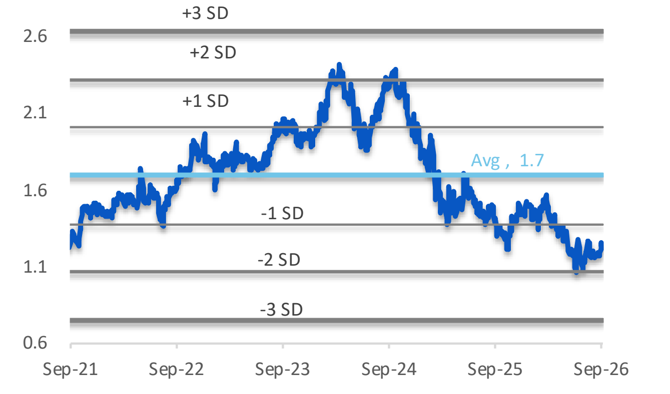
Source: Company, Bloomberg, BRIDS Estimates

Exhibit 25. BBRI's P/BV band chart (5-year)



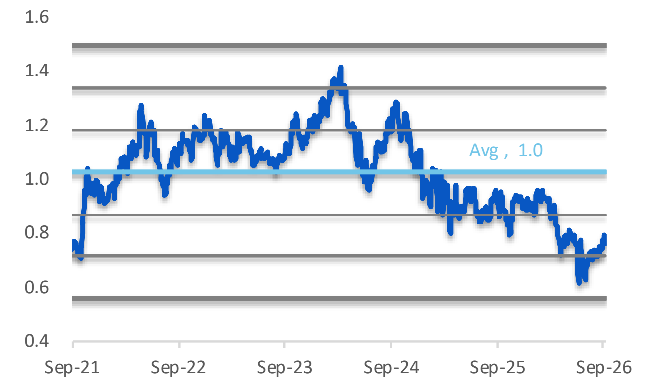
Source: Company, Bloomberg, BRIDS Estimates

Exhibit 26. BMRI's P/BV band chart (5-year)



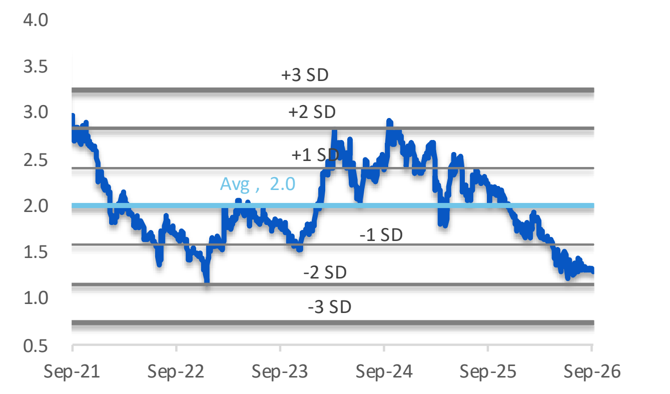
Source: Company, Bloomberg, BRIDS Estimates

Exhibit 27. BBNI's P/BV band chart (5-year)



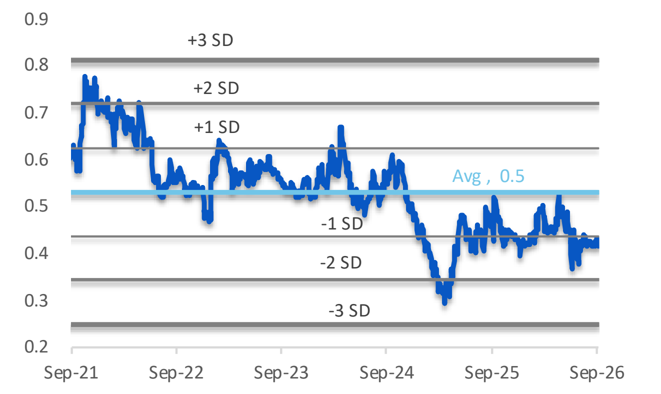
Source: Company, Bloomberg, BRIDS Estimates

Exhibit 28. BRIS's P/BV band chart (5-year)



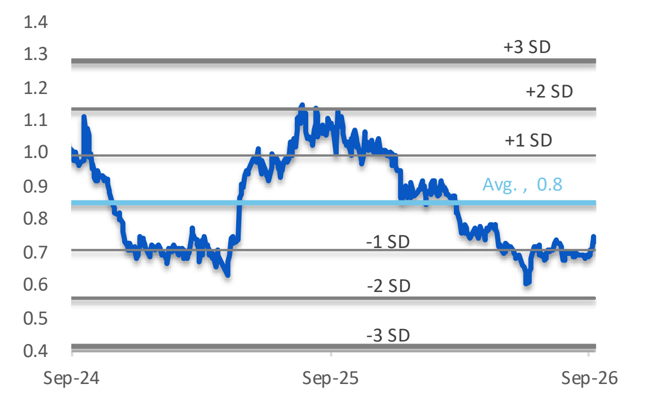
Source: Company, Bloomberg, BRIDS Estimates

Exhibit 29. BBTN's P/BV band chart (5-year)



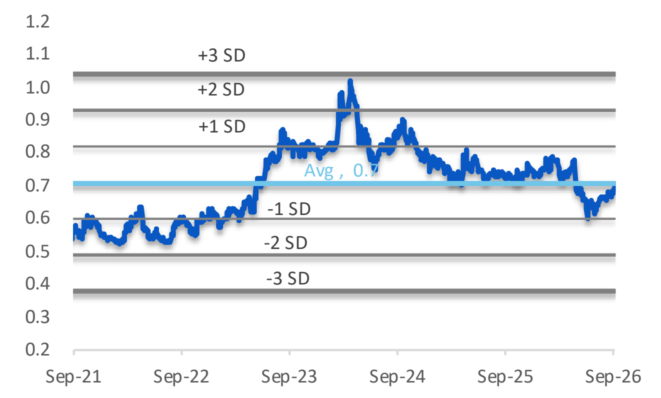
Source: Company, Bloomberg, BRIDS Estimates

Exhibit 30. BTPS's P/BV band chart (2-year)



Source: Company, Bloomberg, BRIDS Estimates

Exhibit 31. BNGA's P/BV band chart (2-year)



Source: Company, Bloomberg, BRIDS Estimates

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Suryanti Salim	Sales Trader	suryanti.salim@brids.co.id

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