UOBKayHian

Sector – Update | Indonesia

Thursday, 20 August 2026

Banking

Funding Quality Takes Centre Stage

Highlights

- **Resilient earnings, but with diverging funding profiles.** BMRI maintained strong earnings and 19.5% yoy loan growth, but CASA grew only 6.6%, versus BBCA's better-balanced 8.4% loan and 10.9% CASA growth.
- **Policy liquidity provides relief, but funding pressure remains.** Corporate, investment and SOE lending continue to drive credit growth, while weak organic deposit growth has increased SOE banks' reliance on time deposits and policy liquidity.
- **Maintain MARKET WEIGHT; we prefer BBCA.** BBCA's superior CASA and excess liquidity provide better NIM resilience, while successful KopDes repayments and improving funding conditions could support a more constructive view on SOE banks.

Analysis

- **7M26 results: Earnings remain resilient, but funding profiles are increasingly diverging.** Bank Central Asia (BBCA) and Bank Mandiri's (BMRI) Jul 26 bank-only results reinforce our view that headline earnings remain resilient despite a more challenging liquidity environment. BBCA's 7M26 net profit grew only 1.6% yoy, but momentum improved in July, with net interest income (NII) and net profit rising 3.9% and 5.0% yoy respectively, supported by improving asset yields. BMRI's headlines growth remained strong, with 7M26 net profit and pre-provision operating profit (PPOP) growing 19.9% and 17.4% yoy consecutively. Nevertheless, the balance sheet trends tell a different story as BMRI's loans grew 19.5% yoy against only 6.6% CASA growth, while BBCA's loans grew 8.4% against 10.9% CASA growth. We believe the widening divergence increasingly reflects the difference between policy-supported balance sheet growth at SOE banks and organically funded growth at BBCA.
- **Money supply is expanding, but not all liquidity is created equal.** Money supply (M2) growth moderated to 8.7% yoy in Jun 26 from 10.8% in May 26, while credit growth remained stronger, with expansion concentrated in corporate (+19.3% yoy) and investment lending (+22.5% yoy), with loans to SOE growing 29.9% yoy. This is consistent with our previous view that underlying credit demand remains uneven, with MSME (+1% yoy) and household (+3.5% yoy) borrowing substantially weaker than corporate credit. More importantly, liquidity available to banks increasingly reflects two different sources, which are: a) organic private sector deposit creation, and b) policy liquidity injected through government placements and Bank Indonesia (BI) incentives. We believe the distinction matters for profitability, as organically generated CASA is structurally cheaper and stickier than government placements or time deposits. This builds on the funding-quality concern highlighted in our previous report, where SOE bank time deposit growth was already materially outpacing CASA growth, leading to a significant drop in CASA ratio.

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MARKET WEIGHT (Maintained)

Sector Picks

Company	Ticker	Rec	Share Price (Rp)	Target Price (Rp)
Bank Central	BBCA	BUY	6,300	8,150

Source: Bloomberg, UOB Kay Hian

Peer Comparison

Ticker	Rec	Price 19 Aug 26 (Rp)	Target Price (Rp)	Market Cap (Rpb)	PE 2026F (x)	PE 2027F (x)	P/B 2026F (x)	P/B 2027F (x)	Div Yield 2026F (%)	Div Yield 2027F (%)	ROE 2026F (%)
BBCA	BUY	6,300	8,150	776,633	12.9	11.9	2.6	2.4	5.4	5.8	20.7
BMRI	HOLD	4,140	5,150	386,400	6.7	6.3	1.3	1.2	10.6	10.6	18.9
BBNI	HOLD	3,560	4,150	132,778	6.3	5.8	0.7	0.7	10.2	10.7	12.2
BBRI	HOLD	3,080	4,250	466,802	7.9	7.4	1.4	1.3	10.9	11.2	17.9
BRIS	BUY	1,760	3,300	81,187	9.4	8.1	1.4	1.2	2.1	2.7	15.5
BBTN	BUY	1,200	1,565	16,841	4.2	4.0	0.4	0.4	5.6	6.3	10.0
BBYB	HOLD	250	520	3,338	5.6	3.8	0.7	0.6	n.a.	n.a.	12.8
BTPS	HOLD	985	1,500	7,588	5.7	5.0	0.7	0.7	8.5	9.4	12.9

Source: Bloomberg, UOB Kay Hian

- **Government liquidity provides relief, but funding pressures remain.** The government's liquidity placement in SOE banks is slightly easing near-term liquidity pressure with interbank rates easing to 6.0% from their high of 6.6% this year, albeit remaining above benchmark rates. Repeated liquidity injections also highlight the structural mismatch at SOE banks, where corporate, infrastructure and policy-related lending is expanding faster than organic deposit growth. Combined big-five SOE banks' loan-to-deposit (LDR) reached around 91.0% in May 26, above the industry's 88.3% (BMRI's LDR standing at 94.8% in Jul 26). Looking forward, the key question is whether strong corporate and investment lending can eventually translate into broader economic activity and stronger organic deposit growth, which would help narrow the current gap between credit and funding growth.
- **BBCA's funding advantage is becoming more visible as BMRI faces a higher cost of growth.** BMRI's loan growth remained strong at 19.5% yoy, but CASA grew only 6.6%, while time deposits surged 61.1%, pushing its CASA ratio down to 70.4% and LDR up to 94.8%. Funding pressure is beginning to show in the profit and loss, with July interest expense rising 13.1% mom versus 5.2% growth in interest income, leaving NII broadly flat mom. Encouragingly, interest income accelerated to 16.7% yoy in July, suggesting asset repricing is starting to catch up, but the key question for 2H26 is whether asset yields can reprice faster than funding costs. In contrast, BBCA remains significantly better positioned, with CASA growing 10.9% yoy ahead of loan growth of 8.4%, time deposits declining 5.0%, and LDR remaining low at 79.6%. July interest income also accelerated to 5.5% yoy from 1.5% in 7M26, supporting our expectation that higher bond/SRBI yields and loan repricing should drive better earnings in 2H26. We therefore expect BBCA's earnings improvement to be primarily yield-driven, while BMRI's earnings outlook will increasingly depend on its ability to contain funding costs despite strong balance sheet growth.

Valuation/Recommendation

- **Maintain MARKET WEIGHT;** funding quality remains the key differentiator. We maintain MARKET WEIGHT as attractive valuations and resilient asset quality provide downside support, while tighter liquidity, uneven loan demand and policy intervention continue to constrain sector profitability. BBCA remains our preferred name. BBCA's superior CASA franchise, low LDR and excess liquidity should allow it to benefit disproportionately from higher asset yields without facing an equivalent increase in funding costs.
- Sep-Dec 26 will be an important test for SOE banks. The beginning of KopDes repayments should start releasing the drag from the Rp55t loans disbursed by each of BMRI, BBNI and BBRI, while providing the first evidence on whether the policy-lending mechanism can recycle liquidity back into SOE-bank balance sheets. Successful repayments, combined with slower time deposit growth and stabilising LDR, could provide a meaningful catalyst for SOE banks.
- **Potential catalysts for a more constructive view.** We would look for: a) stabilisation in interbank liquidity and deposit pricing; b) moderation in SOE bank time deposit growth; c) successful KopDes repayments from Sep-Dec 26; d) broader recovery in commercial, SME and household credit demand; and e) evidence that corporate/investment credit is beginning to generate household income and organic deposit growth. These would indicate that policy liquidity is successfully transitioning into self-sustaining private sector money creation.

BMRI's 7M26 Results

Profit & Loss (Rpt)	7M26	yoy	Jul-26	Jun-26	mom	yoy
Interest income	75.0	6.8%	11.4	10.8	5.2%	16.7%
Interest expense	26.7	1.6%	4.7	4.1	13.1%	7.6%
Net Interest Income	48.3	10.0%	6.7	6.7	0.3%	23.8%
Other Opr Income	22.3	12.1%	3.2	4.3	-24.3%	-4.5%
Other Opr Expenses	25.3	0.3%	3.7	3.8	-2.8%	177.2%
PPoP	45.4	17.4%	6.3	7.2	-12.7%	-16.0%
Provision Expenses	4.8	-4.3%	0.8	0.8	-0.1%	-54.3%
Income After Tax	33.0	19.9%	4.5	5.2	-13.3%	-4.8%

Balance Sheet (Rpt)	Jul-26	Jul-25	Dec-25	mom	yoy	ytd
Loan	1,596	1,336	1,497	0.3%	19.5%	6.6%
Deposit	1,684	1,421	1,675	-1.5%	18.5%	0.6%
Current Account	618	602	640	-3.0%	2.6%	-3.5%
Saving	567	510	546	-0.2%	11.4%	3.9%
Time Deposit	499	310	489	-1.1%	61.1%	2.1%
CASA	1,185	1,112	1,186	-1.7%	6.6%	-0.1%

Ratios	Jul-26	Jul-25	Dec-25	mom	yoy	ytd
LDR	94.8%	94.0%	89.4%	1.7%	0.8%	5.4%
CASA	70.4%	78.2%	70.8%	-0.1%	-7.8%	-0.4%
Loan/CASA	134.7%	120.2%	126.2%	2.6%	14.5%	8.4%

Source: BMRI, UOB Kay Hian

BBCA's 7M26 Results

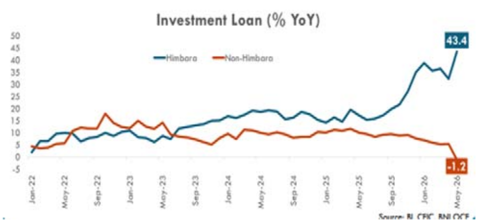
Profit & Loss (Rpt)	7M26	yoy	Jul-26	Jun-26	mom	yoy
Interest income	54.6	1.5%	8.3	7.9	4.6%	5.5%
Interest expense	7.9	8.9%	1.2	1.2	-2.5%	15.7%
Net Interest Income	46.7	0.3%	7.1	6.7	5.8%	3.9%
Other Opr Income	17.0	7.4%	2.3	2.0	17.5%	9.9%
Other Opr Expenses	18.6	4.1%	2.9	2.7	7.9%	20.1%
PPoP	45.1	1.3%	6.5	6.0	8.8%	-0.1%
Provision Expenses	1.9	-0.2%	0.3	0.4	-37.2%	-18.2%
Pretax Income	43.0	1.1%	6.2	5.6	11.3%	0.9%
Income After Tax	35.3	1.6%	5.1	4.5	12.1%	5.0%

Balance Sheet (Rpt)	Jul-26	Jul-25	Dec-25	mom	yoy	ytd
Loan	1,001	924	962	-0.3%	8.4%	4.1%
Deposit	1,258	1,162	1,220	0.4%	8.2%	3.1%
Current Account	446	382	431	1.2%	16.8%	3.5%
Saving	629	587	601	0.3%	7.0%	4.6%
Time Deposit	183	193	188	-1.4%	-5.0%	-2.5%
CASA	1,074	969	1,032	0.7%	10.9%	4.1%

Ratios	Jul-26	Jul-25	Dec-25	mom	yoy	ytd
LDR	79.6%	79.5%	78.9%	-0.5%	0.1%	0.7%
CASA	85.4%	83.4%	84.6%	0.3%	2.0%	0.8%
Loan/CASA	93.2%	95.3%	93.2%	-0.9%	-2.1%	-0.1%

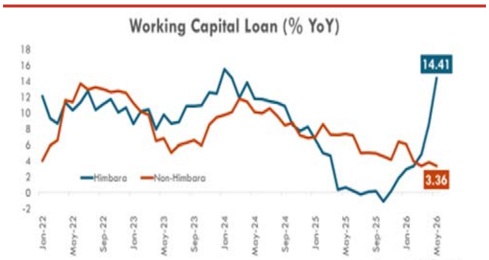
Source: BBCA, UOB Kay Hian

Investment Loan Growth By SOE Banks vs Non-SOE Banks



Source: BBNI

Working Loan Growth By SOE Banks vs Non-SOE Banks



Source: BBNI

Industry Data As Of Jun 26

Money Supply	Unit	Dec-23	yoy	Dec-24	yoy	Dec-25	yoy	Mar-26	yoy	Jun-26	yoy
M1	Rpt	4,936	2.1%	5,224	5.8%	5,956	14.0%	6,034	14.4%	5,938	9.8%
M2	Rpt	8,825	3.5%	9,211	4.4%	10,135	9.6%	10,355	9.7%	10,433	8.7%
Deposits & Loan											
Bench Mark Rate	%	6.00%	0.50%	6.0%	0.00%	4.75%	-1.3%	4.75%	-1.0%	5.75%	0.3%
Loan/Deposit Ratio	%	86.8%	1.55%	90.1%	3.3%	89.2%	-0.8%	88.2%	-1.4%	91.7%	3.3%
NPL Ratio	%	2.2%	-0.3%	2.1%	-0.1%	2.2%	0.1%	2.1%	0.0%	2.1%	-0.1%
All Deposits	Rpt	8,234	3.80%	8,537	3.7%	9,469	10.5%	9,659	10.7%	9,719	8.1%
Individual	Rpt	4,160	3.20%	4,042	-2.8%	4,189	2.8%	4,216	2.4%	4,238	2.8%
Corporate	Rpt	3,762	5.00%	4,160	10.6%	4,921	18.2%	4,995	18.8%	4,954	12.7%
By Products											
Current account	Rpt	2,525	3.90%	2,580	2.2%	3,060	18.6%	3,131	21.1%	3,088	10.2%
Saving	Rpt	2,690	2.00%	2,862	6.3%	3,109	8.4%	3,166	8.4%	3,198	8.2%
Time deposit	Rpt	3,019	5.40%	3,096	2.5%	3,301	5.7%	3,362	4.4%	3,433	6.3%
By Currency											
Rupiah	Rpt	6,978	3.50%	7,269	4.1%	8,131	11.3%	8,208	11.1%	8,112	6.3%
Forex	Rpt	1,256	5.80%	1,268	1.0%	1,338	`	1,451	8.6%	1,606	18.5%
All Loans	Rpt	7,045	10.30%	7,688	9.1%	8,449	9.3%	8,516	8.9%	8,917	12.1%
Individuals	Rpt	3,346	9.00%	3,443	2.9%	3,581	3.1%	3,594	3.0%	3,639	3.5%
Corporates	Rpt	3,644	11.60%	4,185	14.8%	4,808	14.6%	4,863	14.0%	5,215	19.3%
Others	Rpt	55	2.30%	60	9.6%	60	-0.8%	59	-4.1%	63	-3.2%
MSME	Rpt	1,364	7.90%	1,405	3.0%	1,502	-0.3%	1,498	0.1%	1,519	1.0%
By Usage											
Working capital	Rpt	3,199	10.70%	3,416	6.8%	3,590	4.4%	3,565	4.0%	3,807	9.6%
Investment	Rpt	1,848	11.00%	2,077	12.4%	2,507	20.5%	2,585	20.0%	2,712	22.5%
Consumer	Rpt	1,998	8.90%	2,195	9.8%	2,352	6.4%	2,366	5.8%	2,397	5.7%

Source: Bank Indonesia, UOB Kay Hian
**July's data will be announced the end of week or next week*

Yoy Loan Growth By Sectors To Domestic Private Companies

Type of Loan (%)	May-25	Jun-25	Aug-25	Sep-25	Oct-25	Nov-25	Dec-25	Jan-26	Feb-26	Mar-26	Apr-26	May-26	Jun-26
Investment Loans	13.4	12.2	13.0	14.4	15.0	17.8	20.5	22.0	20.0	20.1	18.4	20.5	22.5
Agriculture, Livestock, Forestry & Fisheries	8.5	7.3	8.5	8.5	11.3	17.4	27.8	32.2	31.3	11.4	10.7	9.1	9.6
Mining & Quarrying	49.7	59.4	53.0	54.9	49.3	44.3	31.2	25.9	25.4	20.5	11.5	10.4	7.4
Manufacturing	6.9	5.2	11.2	11.3	14.1	18.1	18.9	21.1	17.7	19.4	21.7	25.2	28.8
Electricity, Gas & Water Supply	9.8	9.7	12.9	24.8	28.1	30.7	25.8	28.4	26.6	25.9	28.0	30.5	29.6
Construction	11.6	8.9	5.8	4.8	4.0	14.6	31.7	38.0	35.8	65.7	64.2	65.1	69.0
Trade, Hotels & Restaurants	7.0	7.7	4.1	4.7	8.2	8.9	11.6	13.0	12.6	13.1	13.7	15.3	17.0
Transportation & Communication	24.5	25.5	32.8	32.0	32.4	34.3	28.1	26.2	27.0	28.2	19.4	22.6	24.9
Finance, Real Estate & Business Services	6.1	2.4	(6.3)	(5.5)	(9.7)	(11.5)	(5.0)	(3.1)	(9.3)	(6.2)	(8.8)	(2.9)	4.0
Services	12.8	12.5	9.5	12.7	8.0	17.7	22.8	23.6	22.5	20.9	26.4	28.5	30.3
Working Capital Loans	4.5	4.2	2.9	2.9	2.1	2.5	2.8	4.7	3.7	4.0	5.8	7.9	9.6
Agriculture, Livestock, Forestry & Fisheries	2.7	2.4	1.9	(1.1)	(5.4)	(2.7)	(1.4)	(3.5)	(6.1)	(6.0)	(5.5)	(2.3)	(2.1)
Mining & Quarrying	(5.6)	(6.4)	(4.0)	(5.9)	(10.3)	(13.9)	(14.0)	(8.8)	(3.8)	(4.2)	14.3	31.4	11.2
Manufacturing	7.8	7.5	6.6	7.5	5.3	4.3	1.1	1.4	1.4	3.9	4.8	8.9	10.7
Electricity, Gas & Water Supply	73.8	28.1	(16.9)	33.8	26.5	(14.4)	136.1	156.0	13.7	14.8	(3.8)	(12.0)	55.3
Construction	(4.6)	(4.1)	(4.7)	(7.0)	(2.2)	5.2	24.9	32.6	30.5	30.3	29.2	26.5	28.1
Trade, Hotels & Restaurants	0.3	1.8	1.2	0.5	(1.0)	0.9	1.8	2.3	0.3	(0.5)	0.9	2.1	3.0
Transportation & Communication	3.5	5.8	12.5	9.1	8.7	8.0	7.1	(0.7)	0.2	7.1	8.3	9.2	11.9
Finance, Real Estate & Business Services	10.0	8.9	4.4	4.5	8.6	7.6	8.1	5.5	10.9	9.6	11.5	9.6	10.4
Services	21.6	11.5	7.9	12.2	8.0	8.4	3.3	5.7	0.1	(2.1)	0.4	6.1	28.2
Consumer Loans	8.7	8.5	7.7	7.3	6.9	7.2	6.4	7.2	6.3	5.8	6.0	5.8	5.7
Total	8.1	7.6	7.0	7.2	7.0	7.9	9.3	10.2	8.9	8.9	9.4	10.8	12.1

Source: Bank Indonesia, UOB Kay Hian
**July's data will be announced the end of week or next week*