Banking

SAL Is Propping Up Headline Liquidity

Highlights

- **Underlying liquidity is tighter than headline ratios suggest.** Adjusted for SAL, we estimate BMRI's LDR at around 101.0% (vs 94.4% reported) and BBNI's at around 95.0% (vs 86.9%), with additional SAL expected to roll off through 4Q26 and uncertainty remaining over the maturity of the initial placements.
- **Strong loan growth is exerting more pressure on both funding and capital.** Loan growth at BMRI and BBNI continues to outpace organic CASA growth, increasing reliance on TD and other funding sources, while Tier 1/CET1 ratios at the SOE banks declined 180-270bp in 1H26.
- **Maintain MARKET WEIGHT; remain selective on SOE banks.** Strong balance sheet growth is becoming more funding- and capital-intensive, while KopDes adds uncertainty around repayment and provisioning. BBCA remains our preferred pick, and HOLD BBRI, BMRI and BBNI.

Analysis

- **Funding conditions have improved since 2Q26, although costs remain elevated.** This is consistent with our recent discussions with banks, which generally pointed to April-June as the most difficult period for liquidity. Since then, funding pressure has eased, but banks have responded differently. Private banks remain relatively cautious on loan growth, while SOE banks continue to grow faster, supported by government liquidity or excess budget balance (SAL) placements, time deposit (TD) and other funding sources.

  In Aug 26, Bank Central Asia's (BBCA) loans grew 10.5% yoy, broadly in line with current account and savings account (CASA) growth of 10.8% and loan-to-deposit ratio (LDR) stood at 81.0%. Bank Mandiri's (BMRI) loans rose 17.6% against a CASA growth of 8.2%, with TD up 47.8% and LDR at 94.4%. Bank Negara Indonesia's (BBNI) LDR was lower at 86.9%, although TD grew 63.7%. Funding costs have yet to fully reflect the improvement in liquidity conditions: interest expense declined 3.8% mom at BBCA in August but increased 1.2% at BMRI and 5.8% at BBNI. Nevertheless, management teams at some banks indicated that special deposit rates have started to fall.
- **BMRI leans hardest on non-deposit funding.** At end-Aug 26, BMRI had around Rp341t of repo, borrowings, liabilities to other banks, and securities issued, equivalent to 21% of loans. This compares with only Rp28t, or less than 3% of loans, at BBCA. This gives BMRI additional room to fund the balance sheet despite its higher LDR, although these sources are generally more expensive and market-sensitive than CASA. BBCA is in a different position as CASA alone exceeds its loan book, while its Rp394t securities portfolio provides another liquidity buffer.

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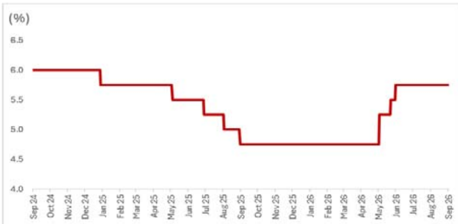
MARKET WEIGHT (Maintained)

Sector Picks

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

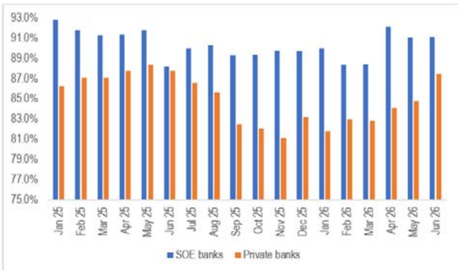
Source: Bloomberg, UOB Kay Hian

BI Rate



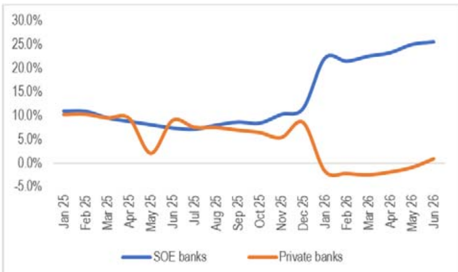
Source: BI, UOB Kay Hian

LDR Trend



Source: OJK, UOB Kay Hian

YOY Loan Growth



Source: OJK, UOB Kay Hian

Valuation

Ticker	Rec	Price 18 Sep 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	770,469	12.9	11.9	2.6	2.4	5.4	5.7	20.1
BMRI	HOLD	4,260	5,150	398,533	6.8	6.7	1.3	1.2	10.4	10.3	19.6
BBNI	HOLD	3,650	4,150	136,135	6.2	5.6	0.8	0.7	9.9	10.3	12.5
BBRI	HOLD	3,310	3,690	497,114	8.4	7.8	1.5	1.4	10.1	10.2	17.9
BRIS	BUY	1,610	3,300	74,268	8.6	7.6	1.3	1.1	2.2	2.8	15.7
BBTN	BUY	1,170	1,565	16,280	4.3	4.1	0.4	0.4	5.5	6.2	9.7
BBYB	HOLD	228	520	3,178	4.6	4.1	0.6	0.5	n.a.	n.a.	14.7
BTPS	HOLD	985	1,500	7,935	4.4	n.a.	0.7	0.7	8.5	9.4	15.6

Source: Bloomberg, UOB Kay Hian

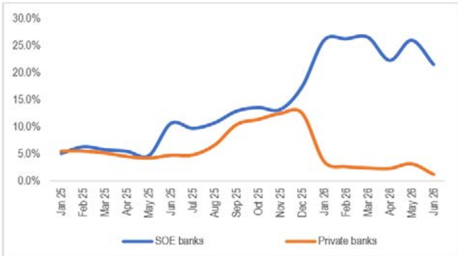
- **SAL flatters the headline numbers.** BMRI held Rp104t of SAL at end-Aug 26. Excluding this, we estimate LDR at 101.0% (vs reported 94.4%), while TD growth would be around 17.0% yoy (vs 47.8%). At BBNI, removing its Rp95.6t SAL balance would lift LDR from 86.9% to around 95.0%, while TD growth would fall from the reported 64% yoy to 24%. The government currently has around Rp299t of SAL placed in the banking system, equivalent to around 2.9% of industry deposits, of which Rp200t is expected to remain until Jul 27 under the latest MoF announcement.

  Based on our discussion with BBNI, the SAL balance above the Rp200t that the government intends to maintain is expected to be gradually withdrawn through 4Q26, with other SOE banks likely to see a similar pattern. At BBNI, this implies around Rp40.6t of its Rp95.6t balance as at end-Aug 26 SAL will be withdrawn, leaving the initial Rp55t placement by year-end. BMRI has already seen Rp19t withdrawn from its Rp104t balance as at end-Aug 26. Meanwhile, BBNI has yet to receive formal notification of the announced Jul 27 extension and therefore continues to assume a 1Q27 maturity for its initial Rp55t placement. Assuming similar treatment across the SOE banks, the additional SAL should therefore roll off first, while the initial placements have greater funding visibility. The resulting replacement-funding need will ultimately depend on the pace of balance sheet growth.
- **Slower loan growth could improve the funding equation.** BBNI's loans grew 27.1% yoy, or around 20.0% excluding Agrinas, while BMRI's grew 17.6%, well ahead of CASA growth of 16.4% and 8.2%, respectively. Following a strong loan growth in 1H26, BBNI indicated that it will increasingly prioritise loan pricing and NIM over volume, although actual growth could still come above its 8-10% guidance. With SAL rolling off, sustaining loan growth materially above CASA means leaning harder on TD or wholesale funding, so any moderation would reduce replacement-funding needs and free banks to be more selective on new lending. The key question is therefore less about maintaining headline loan growth and more about whether incremental growth generates sufficient risk-adjusted returns.
- **Capital is becoming more relevant to sustaining SOE-bank loan growth**. Capital ratios fell materially in 1H26, with BBRI's Tier 1 down 199bp to 20.4%, BMRI's CET1 down 180bp to 16.4% and BBNI's CET1 down 270bp to 15.5%. We expect part of the decline to be recovered through 2H earnings, as the 1H26 ratios already reflect 2025 dividend payments. However, if loan growth continues to outpace internal capital generation, maintaining the current pace would require greater retention of earnings. BBRI has already guided for a lower DPR, while BBNI expects to maintain its 2026 DPR of around 65% before potentially reducing it the following year.
- **KopDes adds another area of uncertainty for theSOE banks**. The Rp175t facility is distributed across BBRI (3.8%), BMRI (Rp3.4%), BBNI (5.6%) and BRIS (3%), with the first annual repayment of around Rp38t due on 25 September. BBNI indicated that verification remains well behind schedule, with only three of around 24,000 buildings verified and none formally handed over, potentially delaying the first repayment into October. Management also indicated that a missed payment under the existing agreement could require its exposure to move to collectability 2 and result in higher provisions, although undisbursed KopDes funds could provide a temporary bridge for the first instalment.

Valuation/Recommendation

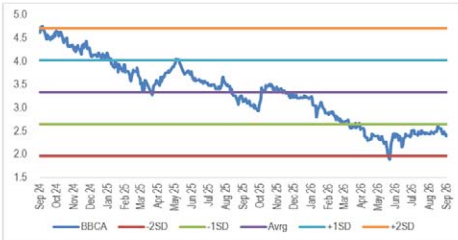
- **Maintain MARKET WEIGHT; BBCA remains our preferred pick.** Valuations are inexpensive, but we remain selective as sustaining recent SOE-bank loan growth has become more demanding on both funding and capital. At BMRI, the funding trade-off is more pronounced, with underlying liquidity tighter after adjusting for SAL, although access to multiple funding sources and adequate regulatory liquidity ratios provide buffers. We would look for stronger organic funding, stabilising capital ratios and clearer

YOY Deposit Growth



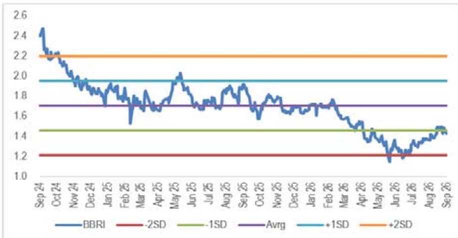
Source: OJK, UOB Kay Hian

BBCA's 2-Year Forward P/B



Source: Bloomberg, UOB Kay Hian

BBRI's 2-Year Forward P/B

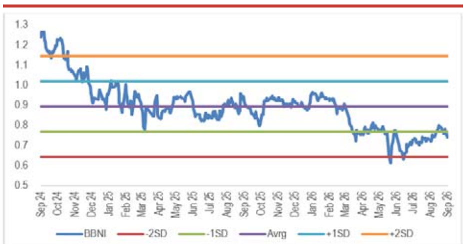


Source: Bloomberg, UOB Kay Hian

BMRI's 2-Year Forward P/B

Source: Bloomberg, UOB Kay Hian

BBNI's 2-Year Forward P/B



Source: Bloomberg, UOB Kay Hian

evidence that recent balance sheet growth can generate sufficient risk-adjusted returns before becoming more constructive. We maintain BUY on BBCA and HOLD on BBRI, BMRI and BBNI.

8M26 Results Highlights

	BMRI				BBNI				BBCA			
Profit & Loss (Rpt)	8M26	8M25	yoy (%)	mom (%)	8M26	8M25	yoy (%)	mom (%)	8M26	8M25	yoy (%)	mom (%)
Interest income	86.2	80.9	6.5	-1.4	51.6	44.0	17.1	2.7	62.9	61.4	2.4	0.0
Interest expense	31.4	29.8	5.4	1.2	22.7	18.8	20.8	5.8	9.0	8.3	9.4	-3.8
Net Interest Income	54.8	51.2	7.2	-3.2	28.9	25.3	14.3	-0.1	53.8	53.1	1.3	0.7
Other Opr Income	25.7	22.8	12.9	4.2	15.6	14.1	10.4	-6.1	19.2	18.3	5.0	-6.7
Other Opr Expenses	28.9	31.9	-9.4	0.1	20.8	18.5	12.3	2.7	21.5	20.7	3.9	0.4
PPoP	51.6	42.0	22.8	-1.2	23.7	20.8	13.4	-7.4	51.5	50.7	1.6	-1.9
Provision Expenses	5.5	4.5	23.6	-4.1	5.9	4.7	26.9	-18.9	2.2	2.7	-18.6	-2.2
Pretax Income	46.1	37.6	22.5	-0.8	17.7	16.2	9.6	-4.2	49.0	47.9	2.5	-2.1
Income After Tax	37.5	30.7	22.3	-0.6	14.3	13.4	6.9	11.1	40.2	39.1	2.9	-2.7
Balance Sheet (Rpt)	Aug 26	Aug 25	yoy (%)	mom (%)	Aug 26	Aug 25	yoy (%)	mom (%)	Aug 26	Aug 25	yoy (%)	mom (%)
Loan	1,592	1,353	17.6	-0.2	977	769	27.1	0.7	1,018	921	10.5	1.7
Deposit	1,687	1,435	17.6	0.2	1,125	869	29.4	-0.9	1,257	1,160	8.3	-0.1
Current Account	623	591	5.5	0.9	443	367	20.8	-4.4	448	390	14.7	0.3
Saving	563	505	11.4	-0.8	292	264	10.5	0.5	627	579	8.2	-0.3
Time Deposit	501	339	47.8	0.5	390	238	63.7	2.3	183	191	-4.3	-0.3
CASA	1,186	1,096	8.2	0.1	735	631	16.4	-2.5	1,074	969	10.8	0.0
Ratios*	Aug 26	Aug 25	yoy (%)	mom (%)	Aug 26	Aug 25	yoy (%)	mom (%)	Aug 26	Aug-25	yoy (%)	mom (%)
LDR (%)	94.4	94.3	0.1	-0.4	86.9	88.4	-1.5	1.4	81.0	79.4	1.6	1.4
CASA (%)	70.3	76.4	-6.1	-0.1	65.3	72.6	-7.3	-1.1	85.5	83.6	1.9	0.0
Loan/CASA (%)	134.3	123.5	10.8	-0.4	133.0	121.8	11.2	4.3	94.7	95.0	-0.3	1.6

**Banks only*

Source: Respective companies, UOB Kay Hian