

Inline FY25, '26F loan growth play vital role

27 January 2026

OVERWEIGHT (Maintain)

TOP PICK

Company	Ticker	Rec	Share Price (IDR)	Target Price (IDR)
Bank Mandiri	BMRI	Buy	4,880	5,660
Bank Central Asia	BBCA	Buy	7,675	11,080
Bank Syariah Indonesia	BRIS	Buy	2,240	3,670

Indonesia's banking sector wrapped up 2025 with solid momentum (a spike in investment loans and robust liquidity). While 1Q26 loan growth may face seasonal moderation and market confidence remain flattish due to prolonged domestic cautious business activity outlook as well as boiling geopolitical uncertainties, the outlook for the sector should remain intact as declining funding costs, sticky loan yield, steady solid CIR, Non-II and manageable provisions are expected to sustain earnings. Pressure on the banking stocks has provide an attractive discount. We favor BMRI, BBKA, and BRIS as top picks, betting on their ability to leverage volume growth and operational efficiency to navigate potential yield compression and maintain steady performance throughout the year. Maintain Overweight on the sector, with stocks pecking order: BMRI IJ > BBKA IJ > BRIS IJ.

FY25 loan growth (9.69%) came inline

Indonesia banking total loan grew by 9.69% yoy in 2025, inline within Bank Indonesia '25F credit growth of 8-11% yoy and OJK expectation of 9%-11%. The FY25 growth figure were also arrive within our expectation and came in around 69bps higher than our low based scenario of loan growth in '25F of 9.0%. On monthly basis the growth was recorded 195bps higher from 7.74% in Nov25. Of the total loan (IDR 8,448.1tn), investment loan reported the highest growth of 21.06% yoy, while working capital and consumption noted a growth of 4.52% yoy and 6.58% yoy, respectively. On the supply side, the sector maintains a robust financing capacity, underpinned by a healthy 28.57% AL/DPK. This stability is further reinforced by the impressive 13.83% yoy surge in TPF in the same period.

1Q26 loan growth could moderate on seasonal effect

We anticipate '26F loan growth to remain intact. Nonetheless, on quarterly basis, we expect 1Q26 loan demand at a more moderate rate compared to 4Q25 on seasonal effect basis. Respondents on Bank Indonesia latest banking industry survey revealed the same expectation, with 1Q26 SBT at 55.74% vs 88.92% in the previous quarter, driven by the similar loan segment in the previous quarter. On the TPF side, total funds is reported at a higher SBT of 80.01% vs 68.62% in 1Q25 supported by a higher growth expectation in SA segment to 72.93% from 63.85% in the same period.

'26F loan growth could continue; TPF is not our concern

We anticipate '26F total loan growth within the range of 8-10% (base case) and a pessimistic scenario lowest growth of 7.0% yoy. Meanwhile, Bank Indonesia expect at more optimistic growth range of 8-12%. We do not have a high concern on marketable securities portion spike and believe that loan will continue to dominate the asset portion. On liabilities side, TPF is not our concern (see our previous 3Q25 report) and will continue to grow higher on the back of milder tight liquidity environment.

KBVS '26F CoF and lending yield align with the survey

We like the survey results on CoF and loan yield expectation which inline with our '26F view. Respondents expect funding cost to continue decline, from 4.21% in 4Q25 to 4.07% in 1Q26F and 33bps softer compared to the same period of last year of 4.40% (1Q25). On lending yield, non-industrial segment is anticipated to record the lowest rate to 13.37% in 1Q26F vs 14.27% in 1Q25 and 13.98% in 4Q25 (90bps yoy, 61bps qoq), respectively. Meanwhile, the respondents expect investment loan having the mildest decline by 54bps yoy and 5bps qoq, respectively.

Expect '26F earnings to continue inline

FY25 earnings season kicks off this week with results expected to land in line with '25F. For '26F, the primary growth lever will be a stronger loan volume, which is needed to offset the impact of rates cuts transmission on lending yields. We believe the ideal scenario involves a swift reduction in blended funding costs paired with sticky lending yields. Non-interest income and tight opex management remain the primary drivers of PPOP growth. With provisioning expected to stay steady, we remain comfortable that '26F earnings likely to continue grew aligns with our and consensus '26F figure.

Expect stronger BBKA and BMRI foreign ownership

BRIS remains the favorite with a +1.4% YTD increase (outperforming YTD24). It led FY25 YoY at +1.3%, while major peers saw declines. The "Big Three" sell-off : BMRI was the most sold YoY (-3.2%), followed by BBNI (-2.9%) and BBKA (-2.8%). Despite YoY decreasing foreign ownership, BMRI (+0.3%) and BBNI (+0.1%) showed monthly improvement. Yet, BBKA remains under pressure (-0.2% MoM), while BRIS stayed flat. BBTN led monthly growth (+0.4% to 10.6%) driven by optimism surrounding 2026 earnings and the spin-off positive impact expectation.

Pressure on stocks remains; valuation closed to -2SD

Concern on valuation remains as market still doubt that the sector could steadily recover amid the continuing cautious outlook, especially due to the latest boiling geopolitical tension. YTD, banks under our coverage tend to flat with only +0.6% capital gain. BBTN led the gain, followed by BBRI with 1M return of 4.7% and 4.1%, respectively. BBKA remain under pressure with -5.0% decline in stock price. Currently, the average bank under our coverage traded within -1 and -2SD.

Maintain Overweight

Banks under our universe '26F key: (1) BBKA: dominates through unmatched transactional banking and low funding costs, (2) BMRI: driven by corporate loan strength and the normalization of one-time opex, (3) BRIS: growth fueled by high-yield segments and a robust gold business, (4) BBRI: focus remains on the recovery and performance of its SME portfolio, (5) BBNI: expected to maintain steady, consistent performance and (6) BBTN: candidate for a potential '26F earnings beat. Maintain Overweight rating on the sector and favoring BBKA, BMRI and BRIS (sharia banking segment). Our stocks pecking order on the sector: BMRI IJ > BBKA IJ > BRIS IJ. Risk to our call: (1) lower-than-expected loan growth, (2) declining loan yield accelerates faster than funding cost, (3) motionless domestic economic activity coupled with declining market confidence and (4) prolonged boiling and uncertainty on geopolitical tension.

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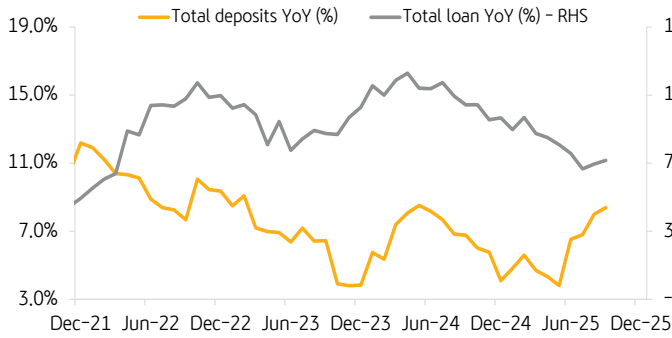
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Figure 1: Indo banking stocks under coverage

Ticker	Target Price (IDR)	Rec	O/S	Market Cap (IDRtn)	2025F	P/E 2026F (x)	2027F	P/B 2026F (x)	2027F	ROE 2026F (x)	2027F	Dividend Yield 2026F (x)	2027F
BBKA	11,080	Buy	123,275	946	16.6	15.2	14.0	2.8	2.4	24.1	24.9	4.3	4.6
BBRI	4,470	Buy	151,559	577	10.1	9.0	8.3	1.7	1.6	19.1	19.5	7.9	8.9
BMRI	5,660	Buy	93,333	455	8.9	8.4	7.7	1.3	1.2	17.9	18.8	5.6	7.1
BBNI	5,110	Buy	37,297	169	8.2	7.8	7.2	0.9	0.9	12.2	12.2	6.1	6.4
BBTN	1,530	Buy	14,034	17	4.6	4.2	3.9	0.4	0.3	8.9	9.0	4.3	4.8
BRIS	3,670	Buy	46,129	103	13.2	11.0	9.3	1.7	1.5	16.8	14.3	0.8	0.9
Average					10.3	9.3	8.4	1.5	1.3	16.5	16.5	4.8	5.5

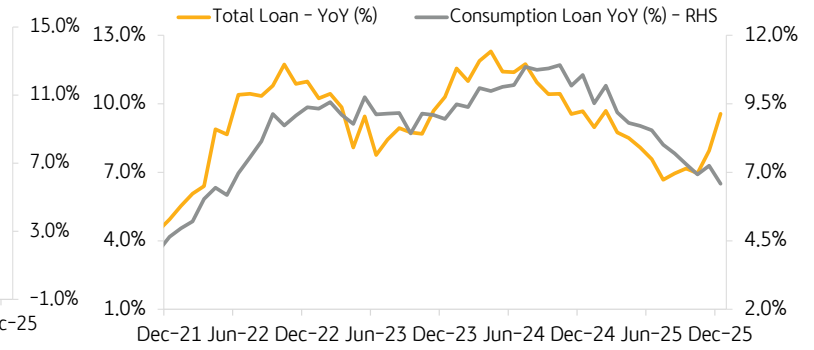
Source: Company, KBVS Research

Exhibit 2: Total loan and total deposit – YoY (%)



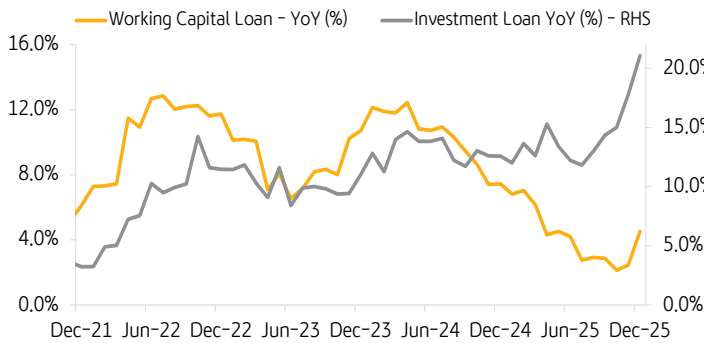
Source: Bank Indonesia, OJK, KBVS Research

Exhibit 3: Total loan and consumption loan – YoY (%)



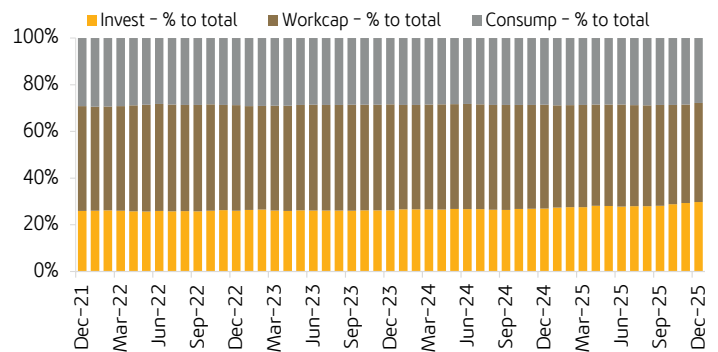
Source: Bank Indonesia, OJK, KBVS Research

Exhibit 4: Working capital and investment loan – YoY (%)



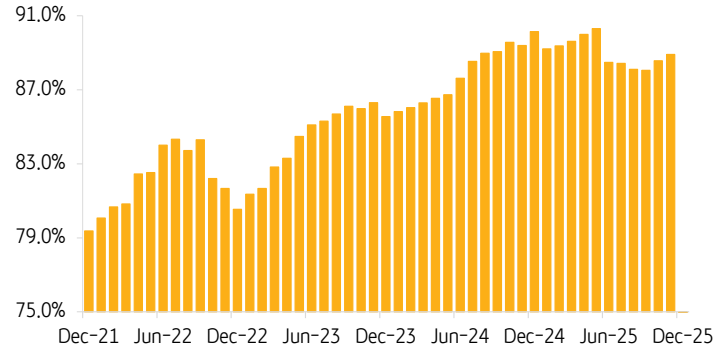
Source: Bank Indonesia, OJK, KBVS Research

Exhibit 5: Investment, working capital and consumption loan portion – (%)



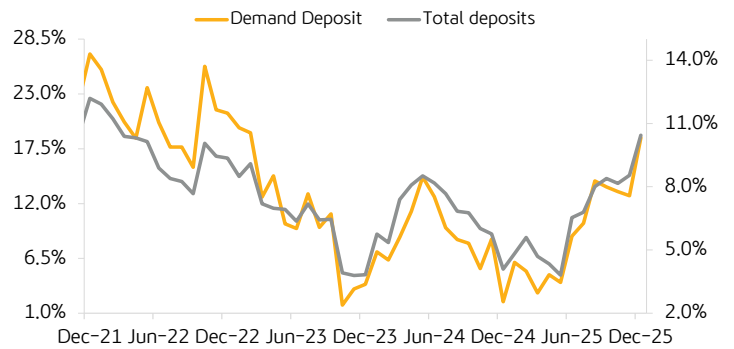
Source: Bank Indonesia, OJK, KBVS Research

Exhibit 6: Loan to deposit ratio – (%)



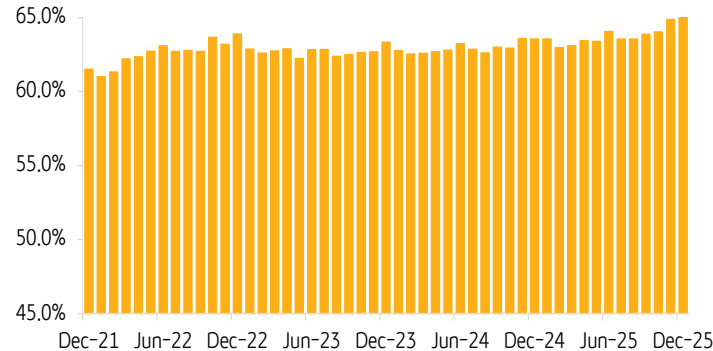
Source: Bank Indonesia, OJK, KBVS Research

Exhibit 7: Expect DD growth to continue steady to help higher CASA – YoY (%)



Source: Bank Indonesia, OJK, KBVS Research

Exhibit 8: CASA portion to continue stronger – (%)



Source: Bank Indonesia, OJK, KBVS Research

Exhibit 9: Current account savings account portion – YoY (%)



Source: Bank Indonesia, OJK, KBVS Research

Exhibit 10: BBKA forward PB Band (x)

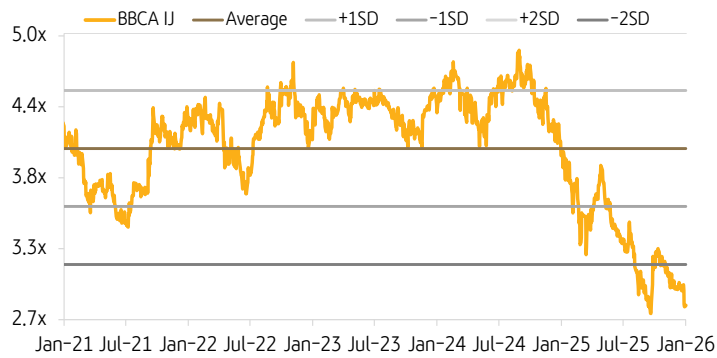


Exhibit 11: BBRI forward PB Band (x)

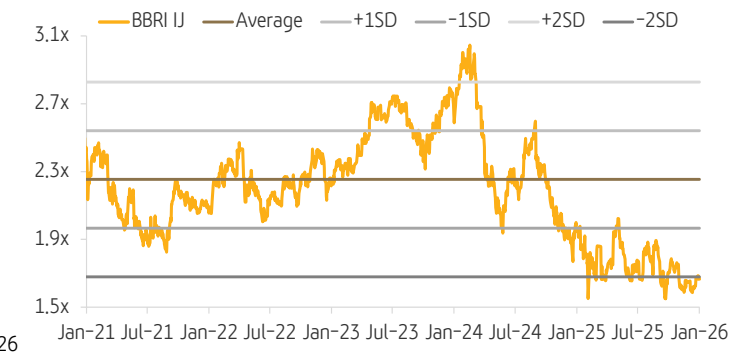


Exhibit 12: BMRI forward PB Band (x)

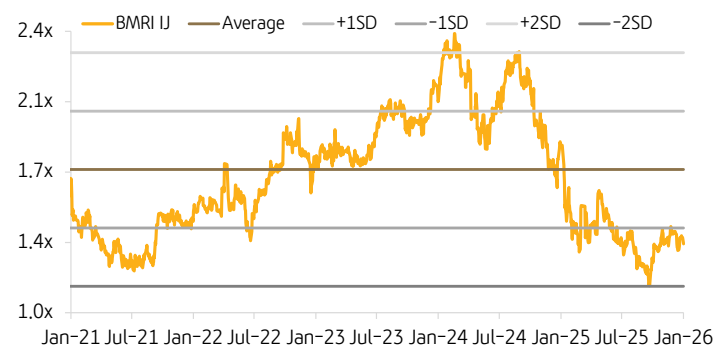


Exhibit 13: BBNI forward PB Band (x)

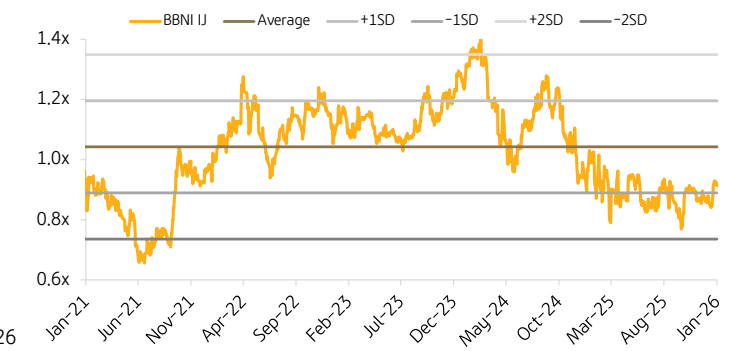


Exhibit 14: BBTN forward PB Band (x)

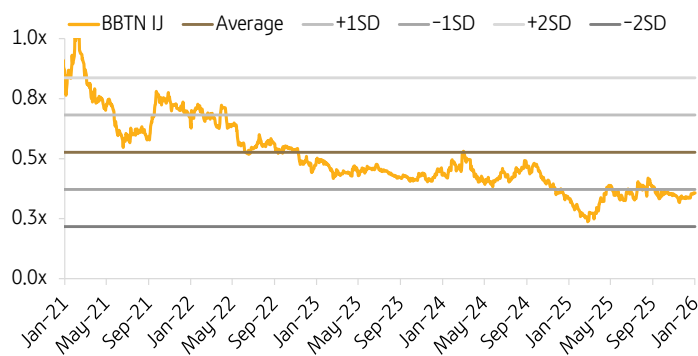


Exhibit 15: BRIS forward PB Band (x)

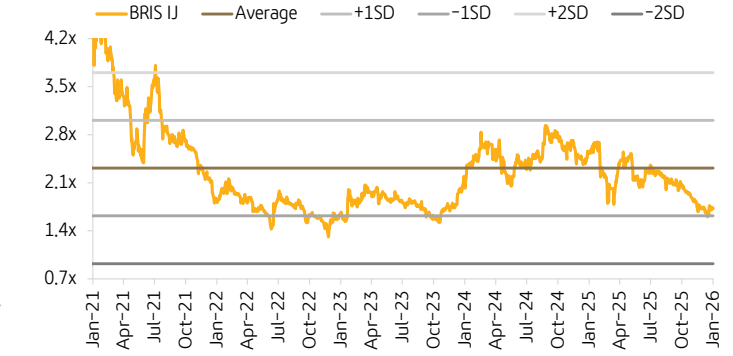


Exhibit 16: Banks under our coverage Forward PB Band (x)

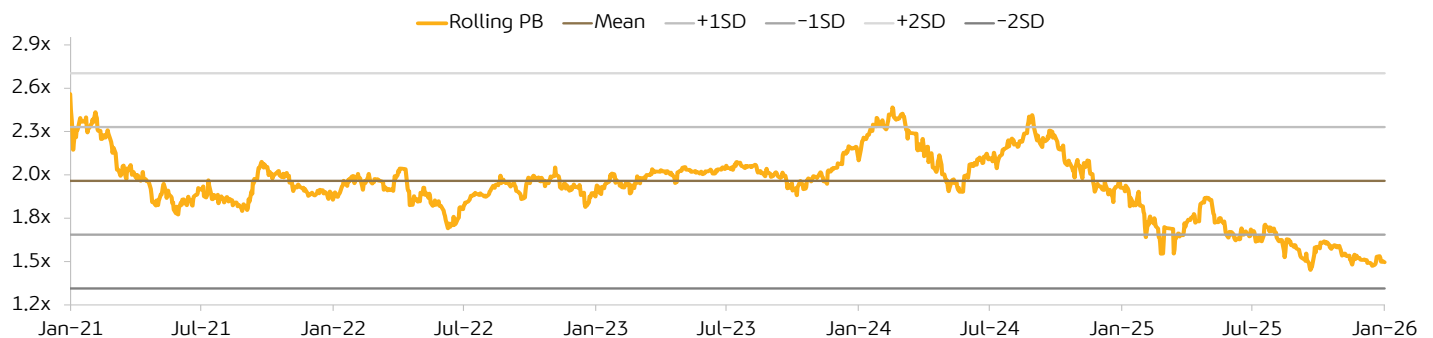
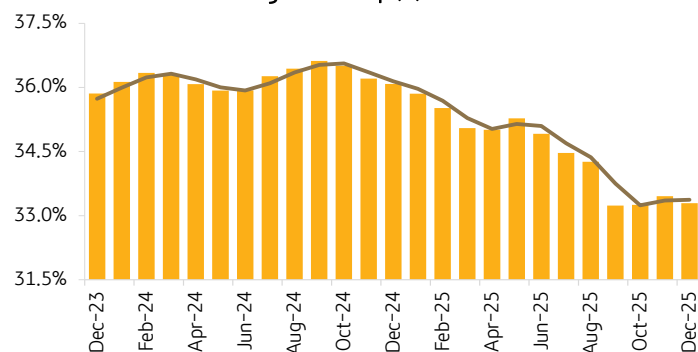
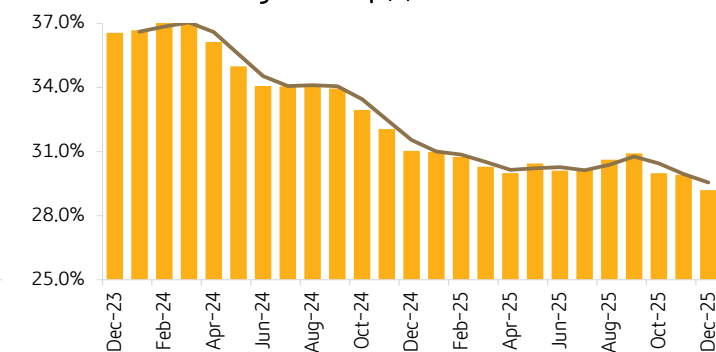


Exhibit 17: BBKA stocks foreign ownership (%)



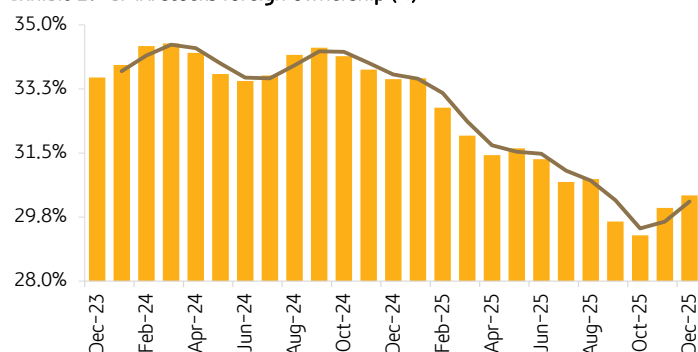
Source: The Indonesia Central Securities Depository (KSEI), KBVS Research

Exhibit 18: BBRI stocks foreign ownership (%)



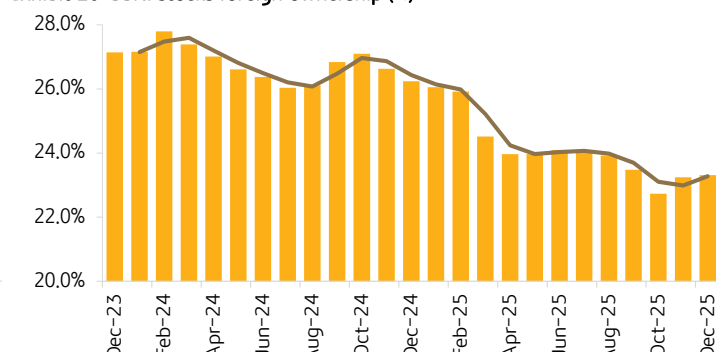
Source: The Indonesia Central Securities Depository (KSEI), KBVS Research

Exhibit 19: BMRI stocks foreign ownership (%)



Source: The Indonesia Central Securities Depository (KSEI), KBVS Research

Exhibit 20: BBNI stocks foreign ownership (%)



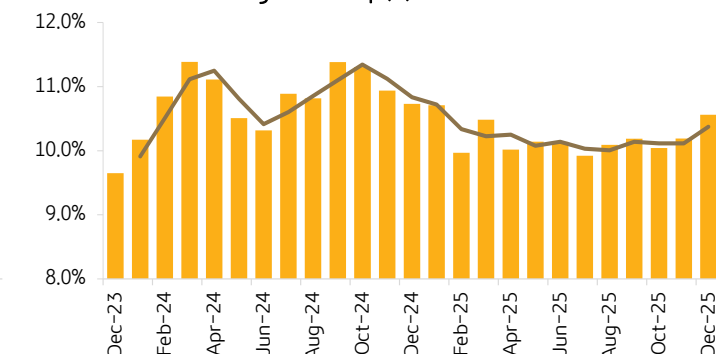
Source: The Indonesia Central Securities Depository (KSEI), KBVS Research

Exhibit 21: BBTN stocks foreign ownership (%)



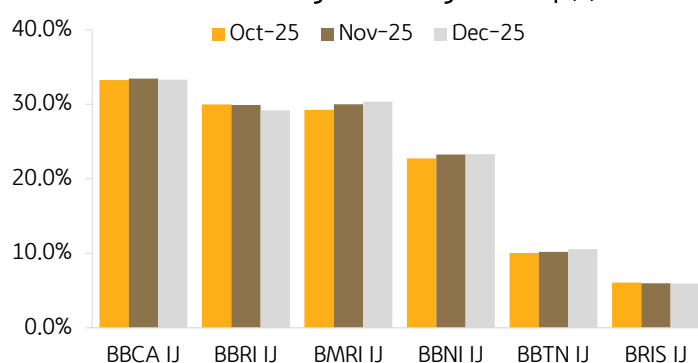
Source: The Indonesia Central Securities Depository (KSEI), KBVS Research

Exhibit 22: BRIS stocks foreign ownership (%)



Source: The Indonesia Central Securities Depository (KSEI), KBVS Research

Exhibit 23: Bank under our coverage stocks foreign ownership (%)



Source: The Indonesia Central Securities Depository (KSEI), KBVS Research

Exhibit 24: Bank under our coverage stocks foreign ownership (%)

Ticker	Jan-24	Dec-24	Jan-25	Dec-25	YTD 2024	YTD 2025	Incr / (Decr)	Nov-25	Dec-25	MoM '24 (chg)	MoM '25 (chg)	YoY (chg)
BBKA IJ	36.1%	36.1%	35.9%	33.3%	0.0%	-2.6%	-2.5%	33.5%	33.3%	-0.1%	-0.2%	-2.8%
BBRI IJ	36.7%	31.0%	31.0%	29.2%	-5.6%	-1.8%	3.9%	29.9%	29.2%	-1.0%	-0.7%	-1.8%
BMRI IJ	33.9%	33.5%	33.5%	30.3%	-0.4%	-3.2%	-2.8%	30.0%	30.3%	-0.3%	0.3%	-3.2%
BBNI IJ	27.2%	26.2%	26.1%	23.3%	-0.9%	-2.7%	-1.8%	23.2%	23.3%	-0.4%	0.1%	-2.9%
BBTN IJ	10.2%	10.7%	10.7%	10.6%	0.6%	-0.1%	-0.7%	10.2%	10.6%	-0.2%	0.4%	-0.2%
BRIS IJ	3.4%	4.6%	4.6%	5.9%	1.2%	1.4%	0.2%	6.0%	5.9%	-0.1%	0.0%	1.3%
Average	24.6%	23.7%	23.6%	22.1%	-0.1%	-0.1%	-0.1%	22.1%	22.1%	0.0%	0.0%	-0.1%

Source: The Indonesia Central Securities Depository (KSEI), KBVS Research

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