

## THE SECRET BEHIND HIMBARA OUTPERFORMING PRIVATE BANKS IN Q1 2026

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The stronger earnings growth delivered by **state-owned banks (Himbara = Himpunan Bank Milik Negara, Indonesia's state-owned banking group)** in Q1 2026 compared to private banks was mainly driven by their far more aggressive credit expansion. The biggest growth contributors continued to come from corporate loans, investment loans, MSMEs (Micro, Small & Medium Enterprises), KUR (Kredit Usaha Rakyat, Indonesia's government-backed subsidized SME lending program), and financing tied to **government-related programs**. OJK (Otoritas Jasa Keuangan, Indonesia's Financial Services Authority) data as of March 2026 showed **Indonesia's banking loan growth reached 9.49% YoY to IDR 8,659T, while state-owned banks expanded much faster at 13.66% YoY**. Investment loans surged 20.85% YoY, while corporate loans grew 14.88% YoY — both segments where Himbara has traditionally maintained strong exposure.

**At the individual bank level**, PT. Bank Mandiri Tbk. (Persero) (BMRI) posted net profit of IDR 15.4T, up 16.6% YoY, supported by loan growth of 17.4% YoY to IDR 1,530T. PT. Bank Rakyat Indonesia (Persero) Tbk. (BBRI) booked earnings of IDR 15.5T (+13.7% YoY), with loans rising 13.68% YoY to IDR 1,562T, while interest expenses actually declined 9.31%. PT. Bank Negara Indonesia (Persero) Tbk. (BBNI) recorded the most aggressive loan growth among big banks at 20.1% YoY, alongside earnings of IDR 5.6T. Meanwhile, PT. Bank Tabungan Negara (Persero) Tbk. (BBTN) posted net profit of IDR 1.1T, up 22.6% YoY. *In other words, the key driver was not merely loan volume growth, but also a combination of improving CASA, lower cost of funds, and still-manageable asset quality.*

**On the other hand, private banks delivered more moderate growth as their expansion strategy remained relatively cautious.** PT. Bank Central Asia Tbk. (BBCA), for instance, still recorded the largest earnings in the industry at IDR 14.7T, but growth was only around 3.8% YoY, with loan growth of 5.6% YoY to IDR 994T. This suggests the earnings growth gap between Himbara and private banks was largely driven by differences in credit appetite, as well as Himbara's stronger positioning in government projects, corporate financing, and national priority sectors.

**Regarding the IDR 200T SAL fund placement (SAL = Saldo Anggaran Lebih, or the Indonesian government's excess budget balance/reserve fund managed by the Ministry of Finance), we believe it provided meaningful support from a liquidity and funding-cost perspective**, although it was certainly not the sole factor behind stronger state-owned bank earnings. The government through Finance Ministry indeed placed these funds to maintain banking liquidity, suppress cost of funds, and open wider room for credit expansion; this program has even been extended for another 6 months.

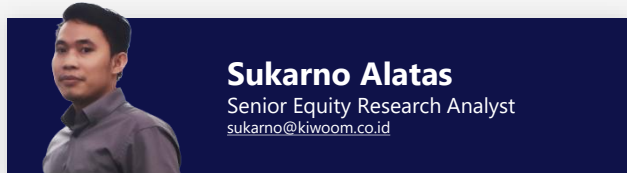
**With industrial DPK (Dana Pihak Ketiga , or Third Party Funds) growing 13.55% YoY to IDR 10,231 T and demand deposits rising 21.37% YoY, Himbara clearly benefits from a cheaper funding structure.** However, profit increases are still determined more by credit quality, Net Interest Income (NII) growth, provisioning efficiency, and the ability to maintain NPLs. OJK itself noted that the industrial gross NPL fell to 2.14%, LaR fell to 8.94%, ROA rose to 2.47%, while CAR remains very strong at 25.09%. This means the banking industry backdrop is quite healthy, and Himbara is the party optimally utilizing the current credit growth momentum.

**KIWOOM INSIGHT:** From a valuation perspective, **BBNI and BBTN** currently look the cheapest in the large-cap bank group, with PBV at approximately 0.9x and 0.54x respectively and PERs that are still in the low single digits. Interestingly, these cheap valuations are accompanied by solid profit and credit growth in Q1 2026. Specifically for BBTN, its valuation is starting to enter the deep value play category as it is traded around a PER of 5.36x despite profit still growing double digits and its position remaining very strategic as the main player in national mortgages (Kredit Pemilikan Rumah / KPR). Nevertheless, the market still applies a significant discount due to BBTN's sensitivity to cost of funds, liquidity, and property interest rate cycles being higher than its peers. Therefore, BBTN is more suitable for investors with an aggressive profile who believe in the potential for interest rate cuts in 2H26.

Meanwhile, **BMRI** still appears as the most balanced choice between valuation, asset quality, credit growth, and earnings stability. With a PBV of around 1.5x, BMRI's valuation is considered reasonable compared to its franchise quality and level of profitability. **BBRI** is also starting to look attractive again for medium-term accumulation at a PBV around 1.5x and PER 8–9x, especially if the recovery trend in MSME credit quality continues and provisioning pressure begins to ease.

On the other hand, **BBCA** remains the benchmark for quality in the Indonesian banking industry with the strongest CASA and the most defensive profile, but its valuation is also the most premium at PBV ~2.9x and PER around 13x, so the room for rerating is relatively more limited compared to other banks. Meanwhile, **PT. Bank Syariah Indonesia (Persero) Tbk. (BRIS)** still offers an attractive long-term Islamic banking growth story, although its valuation has become relatively expensive at around 1.75x PBV and ~12x PER compared to other state-owned banks. Overall, **KIWOOM RESEARCH is currently overweight on BMRI and BBNI** due to the combination of cheap valuation, attractive dividend yield, and consistent earnings momentum, while **BBTN is becoming attractive as a tactical turnaround story if interest rates and Rupiah stability improve in 2H26.**

## Kiwoom Research Team



### HEAD OFFICE

Treasury Tower 27th Floor Unit A, District 8 Kawasan SCBD Lot 28,  
Jl.Jend.Sudirman Kav 52-53, Jakarta Selatan 12190

Tel : (021) 5010 5800

Fax : (021) 5010 5820

Email : [cs@kiwoom.co.id](mailto:cs@kiwoom.co.id)

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