

Buy

(Re-initiated)

Bank Tabungan Negara (BBTN IJ)

Pioneering Financial Inclusion Through the New Govt. Housing Program; Reinitiate with Buy rating

Last Price (Rp)	1,170
Target Price (Rp)	1,500
Previous Target Price (Rp)	n/a
Upside/Downside	+28.2%

No. of Shares (mn)	10,590
Mkt Cap (Rpbn/US\$mn)	12,390/771
Avg, Daily T/O (Rpbn/US\$mn)	37.9/2.4
Free Float (%)	39.8

Major Shareholder (%)	
Government of Indonesia	60.0

EPS Consensus (Rp)			
	2024F	2025F	2026F
BRIDS	229.6	238.7	245.8
Consensus	234.6	269.0	311.6
BRIDS/Cons (%)	(2.1)	(11.2)	(21.1)

- Aligned with the government housing program, BBTN is poised to capture growth in the subsidized mortgage segment.
- We believe the newly proposed scheme may lift BBTN's NIM, as we expect the rising EA yield to outpace the rising CoF.
- We re-initiate coverage with a BUY rating and an inverse CoE GGM-based TP of Rp1,500, implying a fair value PBV of 0.6x.

The most benefitted from rates cut

Compared to its banking peers, BBTN has one of the highest portions of time deposits in its third-party funds, which are more sensitive to changes in benchmark rates. As of 9M24, BBTN's TD comprises 49% of total deposits compared to the other big 6 banks' average of 30%. Despite our expectation of a 75bps rate cut by the end of FY25F, we expect BBTN's CoF to increase to 4.4% in FY25F (+25bps yoy), as we believe tight liquidity might persist amid higher funding needs for FLPP.

Higher subsidized mortgage growth from new housing program

To support the government's new housing program, 3mn housing, BBTN is proposing a new FLPP scheme, where the banks will contribute 50% of the funding. This will reduce the burden on the FLPP budget, which was set at Rp18.8tr (+4% yoy) for FY25F, as the govt's portion will drop from 75% to 50%. Assuming this scheme is implemented, we expect BBTN's subsidized mortgage to reach Rp209tr by FY25F (+16% yoy), up from our FY24F estimate of Rp179tr (+11% yoy).

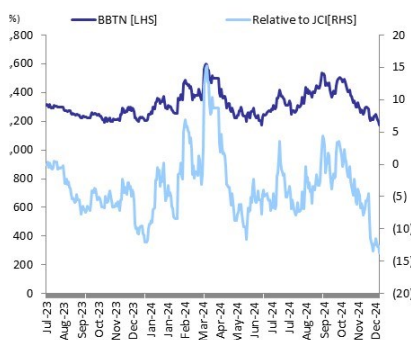
Potential NIM upside from the newly proposed FLPP scheme

Aside from having a higher contribution to the FLPP funding, BBTN has also proposed increasing the subsidized mortgage rate to 7% (from 5%) and prolonging the tenor to 30 years (from 20 years). According to our calculation, this will result in a similar monthly payment, hence reducing the risk of delinquency. In this scheme, we expect the EA yield to increase to 7.4% (from 7.0%). We forecast a modest improvement in NIM, from 2.8% to 2.9%, as we expect higher funding needs to cause CoF to increase to 4.5% from 4.2%.

Re-initiate coverage with a BUY rating with a TP of Rp1,500

We re-initiate our coverage with a BUY rating and a TP of Rp1,500, which is based on a 5-year inverse CoE GGM-based model with CoE of 14.2%, LTG of 3%, and FY25F RoE of 9.7%, implying a fair value PBV of 0.6x. Risks to our call include the bank's ability to increase its FLPP lending rate, manage the increase in its CoF to improve NIM, and maintain its loan quality under control amid the higher loan growth rate.

BBTN relative to JCI Index



Source: Bloomberg

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Key Financials

Year to 31 Dec	2022A	2023A	2024F	2025F	2026F
PPOP (Rpbn)	7,833	8,304	6,271	7,326	7,919
Net profit (Rpbn)	3,045	3,501	3,222	3,350	3,449
EPS (Rp)	287.5	284.4	229.6	238.7	245.8
EPS growth (%)	28.1	(1.1)	(19.3)	4.0	3.0
BVPS (Rp)	2,446.6	2,475.5	2,366.9	2,569.8	2,778.7
PER (x)	4.1	4.1	5.1	4.9	4.8
PBV (x)	0.5	0.5	0.5	0.5	0.4
Dividend yield (%)	3.7	4.9	3.9	4.2	4.5
ROAE (%)	12.9	12.4	10.1	9.7	9.2

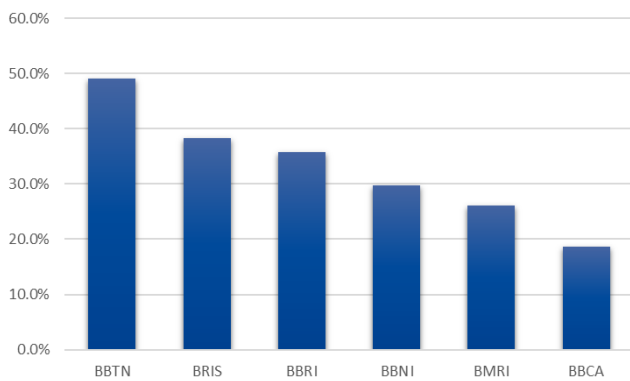
Source: BBTN, BRIDS Estimates

Pioneering Financial Inclusion Through the New Government Housing Program

The most benefitted from rates cut

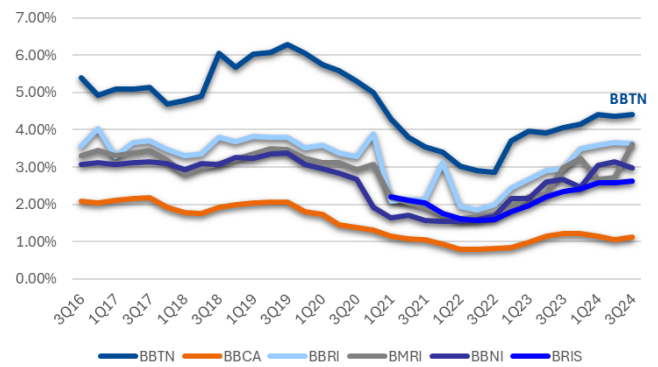
Compared to its banking peers, BBTN has one of the highest portions of time deposits in its third-party funds, which are more sensitive to changes in benchmark rates. As of 9M24, BBTN’s TD comprises 49% of total deposits compared to the other big 6 banks’ average of 30%. Despite our expectation of 75bps rate cut by the end of FY25F, we expect BBTN’s CoF to increase to 4.4% in FY25F (+25bps yoy), as we believe tight liquidity might persist amid higher funding needs for FLPP.

Exhibit 1. BBTN’s time deposit portion vs. peers (9M24)



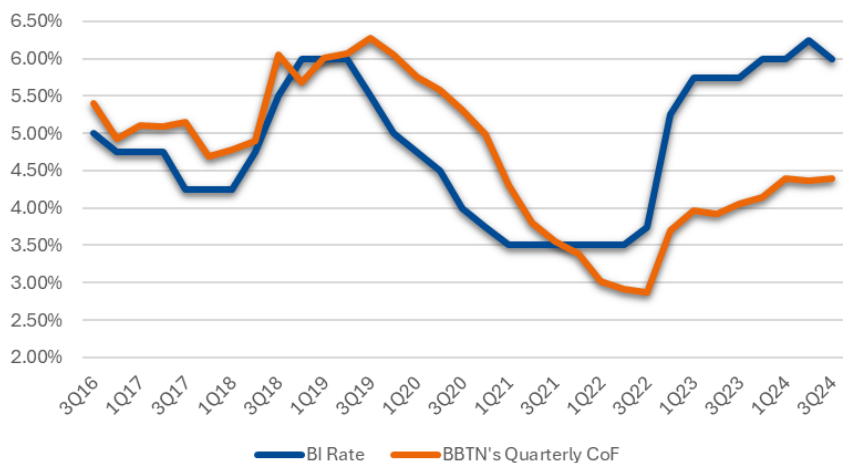
Source: Companies, BRIDS

Exhibit 2. BBTN’s CoF vs. peers



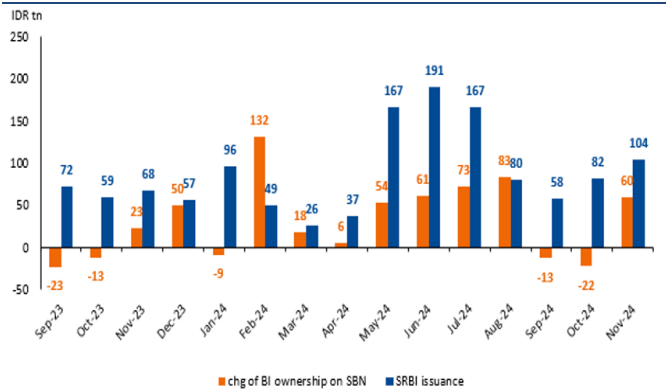
Source: Companies, BRIDS

Exhibit 3. BBTN’s CoF vs. BI 7DRR Rate



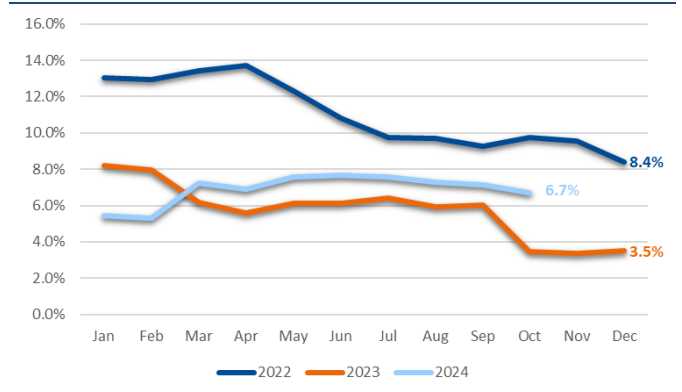
Source: BI, Company, BRIDS

Exhibit 4. SRBI issuance vs. maturity



Source: BI, Kemenkeu, BRIDS Economic Research

Exhibit 5. Historical M2 yoy growth

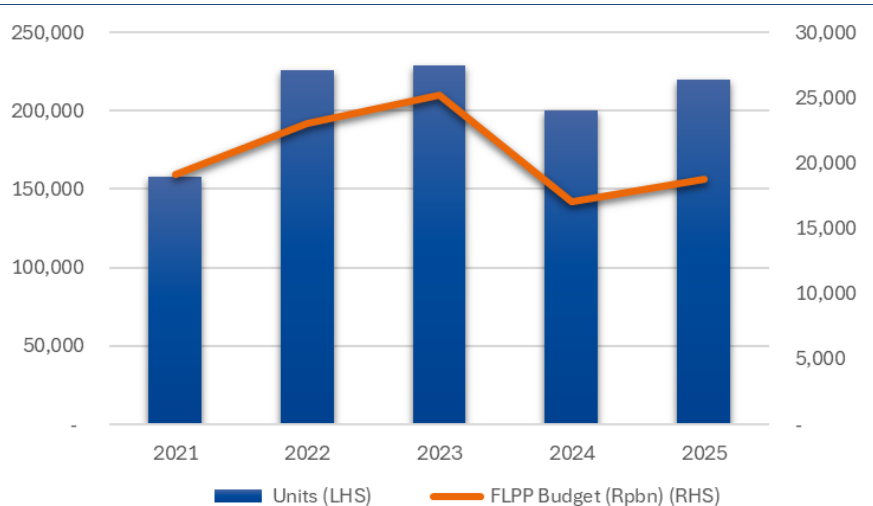


Source: BI, Company, BRIDS

Higher subsidized mortgage growth from the new housing program

To support the government’s latest housing program (i.e., 3mn housing), BBTN is proposing a new FLPP scheme where the banks will contribute 50% of the funding. This will reduce the burden on the FLPP budget, which was set at Rp18.8tr (+4% yoy) for FY25F, as the govt’s portion will drop from 75% to 50%. Assuming this scheme is implemented, we expect BBTN's subsidized mortgage to reach Rp209tr by FY25F (+16% yoy), up from our FY24F of Rp179tr (+11% yoy).

Exhibit 6. FLPP budget (Rp billion) and target (unit)

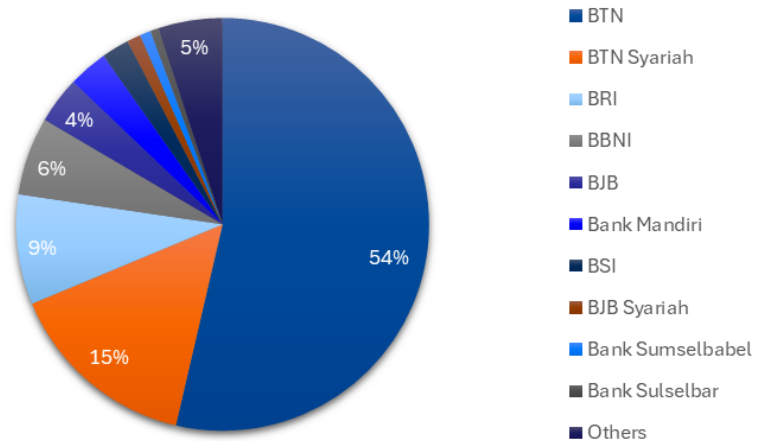


Source: Kementerian PUPR, BRIDS

The market leader in Indonesia mortgage market

Among the SOE banks, BBTN has the largest portfolio of housing loans (mortgages), which accounts for 85.2% of total loans as of Sep24. Among these, c. 56.9% are subsidized mortgages, which aim to provide housing to low-income people by providing lenient down payments and low interest rates on mortgages. BBTN (incl. BTN Syariah) continues to be the market leader in subsidized FLPP allocation, with allocation market shares reaching 67%, 71%, and 69%, in FY22, FY23 and FY24 respectively.

Exhibit 7. Market share of FLPP scheme subsidized housing (2024)

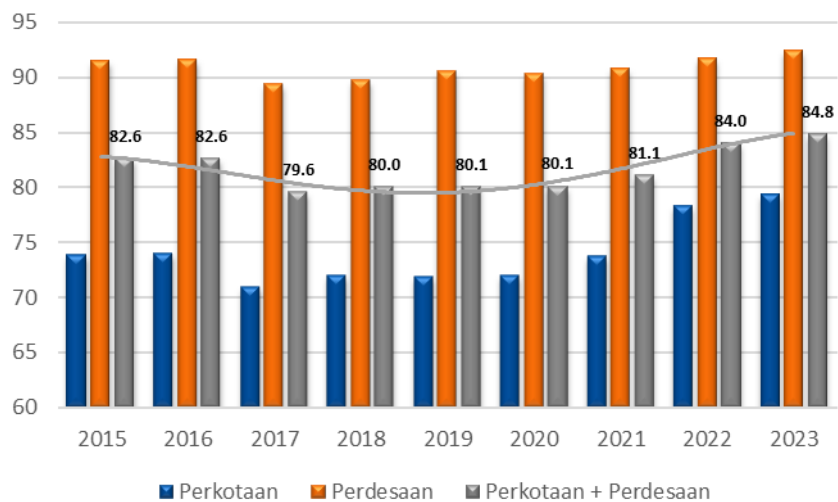


Source: Bisnis, BRIDS

Opportunity in housing backlog in Indonesia

Based on BPS data, more than 15% of households are yet to own a house as of FY23. This translates to c. 11mn households, which presents both a challenge and an opportunity in the mortgage market. We believe BTN, with continued government support, will remain the main financial institution for large-scale subsidized housing initiatives as Indonesia pushes to reduce its housing backlog. One of the latest government initiatives to reduce the backlog is the 3mn Housing Program, which will replace the previous 1mn Housing Program.

Exhibit 8. Proportion of households with home ownerships status



Source: BPS

Three million housing units to reduce housing backlog in Indonesia

If the 3mn Housing Program could indeed reduce the housing backlog by 3mn units per year, we estimate that 100% homeownership will be achieved by FY28F. However, we think this might not be the scenario, as we believe the 3mn Housing Program will also include renovations as part of its parameters, similar to the case under the 1mn Housing Program.

Exhibit 9. Indonesia home ownership, backlog, and projection; 3mn backlog reduced p.a.

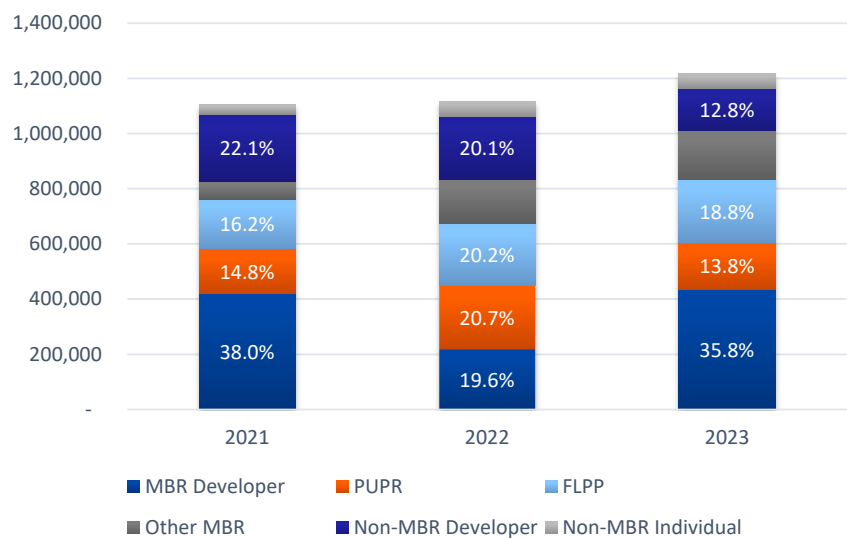
Parameter	Units	2019	2020	2021	2022	2023	2024F	2025F	2026F	2027F	2028F	2029F
Population	million	266.91	270.2	272.7	275.72	278.7	281.6	284.44	287.2	289.88	292.48	295.00
Home ownership		80.10%	80.10%	81.10%	84.00%	84.80%	87.98%	91.10%	94.20%	97.26%	100.29%	103.30%
Person per household		3.8	3.8	3.8	3.8	3.8	3.8	3.8	3.8	3.8	3.8	3.8
Number of household	million	70.24	71.11	71.76	72.56	73.34	74.11	74.85	75.58	76.28	76.97	77.63
No home household	million	13.98	14.15	13.56	11.61	11.15	8.91	6.66	4.38	2.09	(0.23)	(2.56)
Backlog reduced (added)	million		(0.17)	0.59	1.95	0.46	3.00	3.00	3.00	3.00	3.00	3.00

Source: BPS, Statista, BRIDS

To achieve 3mn housing per year, it has to include more than FLPP

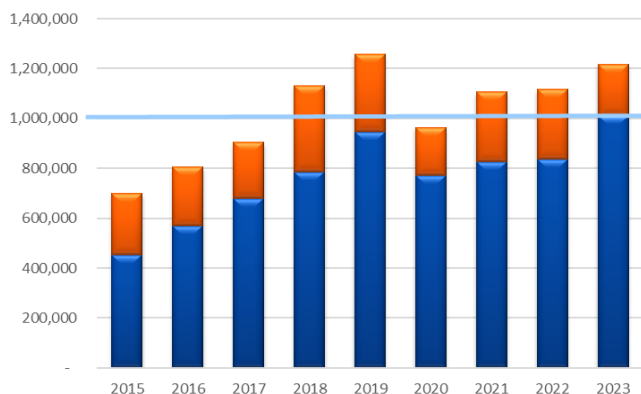
In the past 3 years (FY21-23), the government has achieved its 1mn Housing Program (PSR). During this period, FLPP contributed 16-20% to the 1mn Housing Program. Hence, to upgrade the program into 3mn housing units, aside from widening the FLPP scheme, the government must incorporate other PSR contributors, in our view. Aside from the PUPR and the FLPP scheme, other major contributors include MBR and non-MBR developers, which account for 40-60% of total PSR during FY21-23. To accelerate these segments, the government must give incentives. According to news reports, the government plans to continue the VAT incentive program or take bolder measures, such as removing VAT (11%) and BPHTB (5%) to support the housing program.

Exhibit 10. PSR contributor in FY21-23



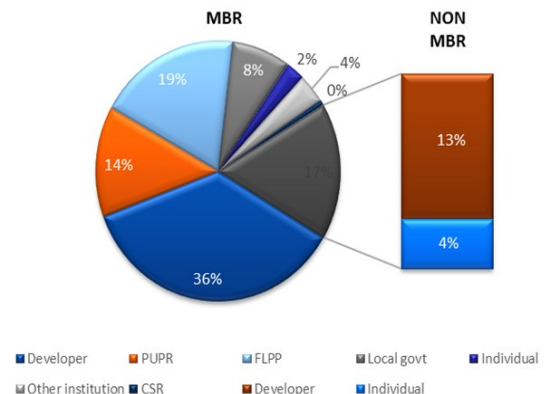
Source: PUPR, BRIDS

Exhibit 11. One million housing program (PSR) achievement



Source: PUPR, BRIDS

Exhibit 12. PSR contributor



Source: PUPR, BRIDS

Achieving 100% home ownership by reducing backlog by c. 2.5mn p.a.

Based on our estimate, it is possible to achieve 100% home ownership by FY29F if the housing backlog can be reduced by 2.57mn per year. While not impossible, this feat has never been achieved before. Reducing the housing backlog is a complex challenge requiring coordinated efforts from the government, financial institutions, developers, and other stakeholders. Some key challenges include, but are not limited to:

1. A significant portion of the population cannot afford housing due to low incomes relative to housing prices.
2. Rising costs of land, building materials, and labor make it difficult to build affordable housing.
3. Complex land ownership disputes and unclear land titles hinder housing development.
4. Lack of infrastructure, such as roads, water, and electricity, in some areas discourages developers from building affordable housing in suburban and rural regions.
5. Efforts to relocate communities from slums to formal housing often face resistance due to economic and social ties to their existing locations.

Exhibit 13. Indonesia home ownership, backlog, and projection; 100% home ownership by FY29F

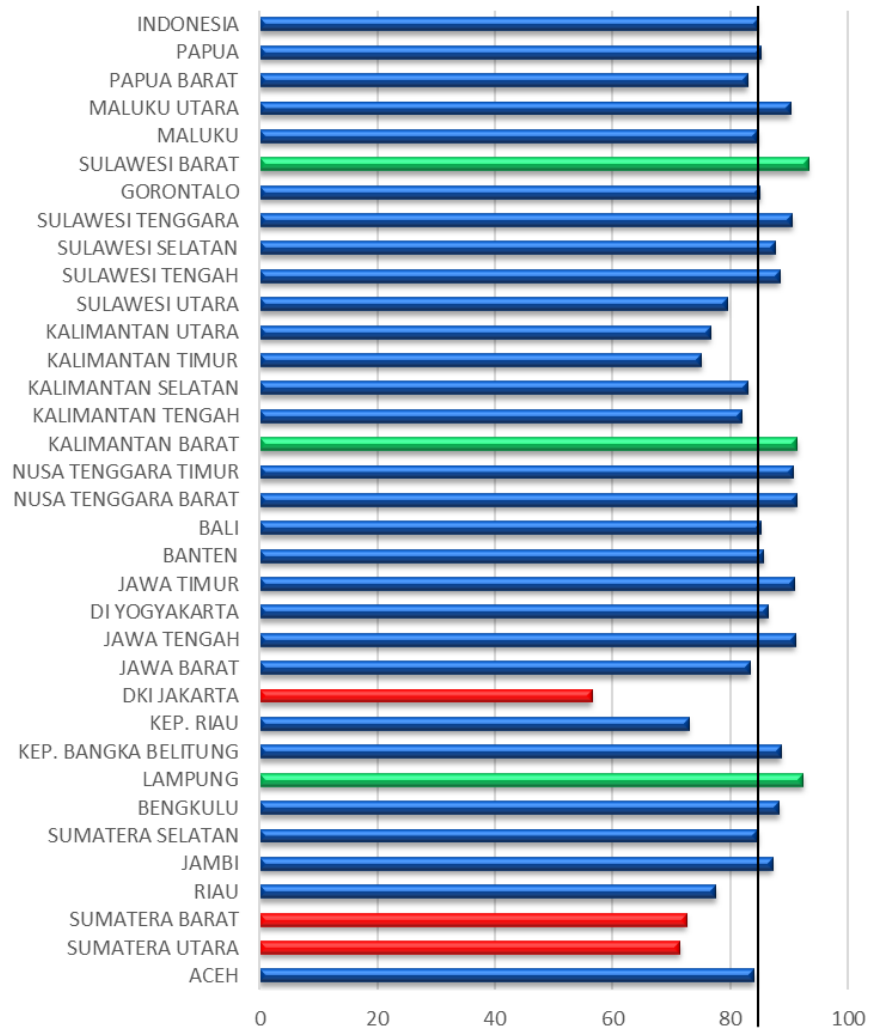
Parameter	Units	2019	2020	2021	2022	2023	2024F	2025F	2026F	2027F	2028F	2029F
Population	million	266.91	270.2	272.7	275.72	278.7	281.6	284.44	287.2	289.88	292.48	295.00
Home ownership		80.10%	80.10%	81.10%	84.00%	84.80%	87.40%	89.96%	92.50%	95.02%	97.52%	100.00%
Person per household		3.8	3.8	3.8	3.8	3.8	3.8	3.8	3.8	3.8	3.8	3.8
Number of household	million	70.24	71.11	71.76	72.56	73.34	74.11	74.85	75.58	76.28	76.97	77.63
No home household	million	13.98	14.15	13.56	11.61	11.15	9.34	7.51	5.67	3.80	1.91	(0.00)
Backlog reduced (added)	million		(0.17)	0.59	1.95	0.46	2.57	2.57	2.57	2.57	2.57	2.57

Source: BPS, Statista, BRIDS

Trends in Homeownership: Rural vs. Urban

From FY15 to FY23, the proportion of households with homeownership status has increased. Rural areas consistently report a higher percentage of homeownership compared to urban areas, exceeding 80%, while urban homeownership lags behind at around 75%. In terms of trends, both urban and rural homeownership remain stable, with slight variations over the years. At the provincial level, West Sulawesi, Lampung, and West Kalimantan exhibit the highest homeownership rates, exceeding 85%. Conversely, Jakarta, as an urbanized province, records the lowest homeownership rate, falling below 60%. This aligns with our observation that rural provinces or regions with less urban development tend to have higher homeownership rates. In our view, densely populated or economically dynamic provinces show a higher prevalence of non-homeownership, likely due to housing affordability challenges in urban areas.

Exhibit 14. Proportion of households with home ownerships status by province (2023)



Source: BPS

Potential NIM upside from the newly proposed FLPP scheme

Aside from having a higher contribution to the FLPP funding, BBTN has also proposed increasing the subsidized mortgage rate to 7% (from 5%) and prolonging the tenor to 30 years (from 20 years). According to our calculation, this will result in a similar monthly payment, hence reducing the risk of delinquency. In this scheme, we expect the EA yield to increase to 7.4% (from 7.0%). We forecast a modest improvement in NIM, from 2.8% to 2.9%, as we expect higher funding needs to cause CoF to increase to 4.5% from 4.2%.

Exhibit 15. Mortgage instalment calculation

Home price	Rp	166,000,000	
DP (1%)	Rp	1,660,000	
Mortgage	Rp	164,340,000	
		Current	Proposed
Period	year	20	30
Interest	p.a.	5%	7%
Monthly installment	Rp	1,084,571	1,093,358

Source: BRIDS

Three million housing program: too early to be excited

During FY14-24, the government enforced a 1mn Housing Program aimed at reducing the housing backlog by providing 1mn housing units per year. Despite the potential benefit BBTN as the main player in the mortgage market, we see the impact of the program to be gradual as we have yet to see the full implementation of the 3mn Housing Program.

The 3mn Housing Program (Program Tiga Juta Rumah) in Indonesia, currently planned by the government, aims to address the nation's housing deficit by constructing 3mn affordable homes for low-income families. The program focuses on providing decent and affordable housing through public-private partnerships, including subsidized mortgage schemes and infrastructure support. It targets urban and rural areas to reduce overcrowding and improve living conditions. The government works with developers and financial institutions to ensure the homes are accessible, contributing to social welfare and economic growth.

The program is closely linked to BBTN, as the bank acts as the primary institution supporting the financing of this initiative. Specializing in the housing sector, BBTN offers various subsidized and non-subsidized mortgage products aimed at low- and middle-income families. BBTN collaborates with the government to distribute subsidized home loans through programs such as FLPP (Housing Financing Liquidity Facility) and SSB (Interest Rate Subsidy), playing a crucial role in helping achieve the program's goals.

Proposed Scheme for 2025

BBTN management anticipates stronger margins in FY25, bolstered by a revised subsidized mortgage scheme that could unlock higher loan yields (7-8%) from FLPP-backed mortgages, up from the current 5% cap. The yield adjustment may involve a tiered yield structure, with 7.0%, 7.5%, and potentially 8% yields, along with an increased tenor to 30 years to maintain affordability. The proposed scheme shifts the funding burden more evenly between banks and the government, moving from the current 75:25 split to a 50:50 arrangement. This adjustment would require BBTN to seek additional funding, inevitably pushing up CoF. However, we believe that the increased loan yield, if implemented next year, could offset the higher funding costs.

Exhibit 16. Various housing subsidy scheme for lower-income households

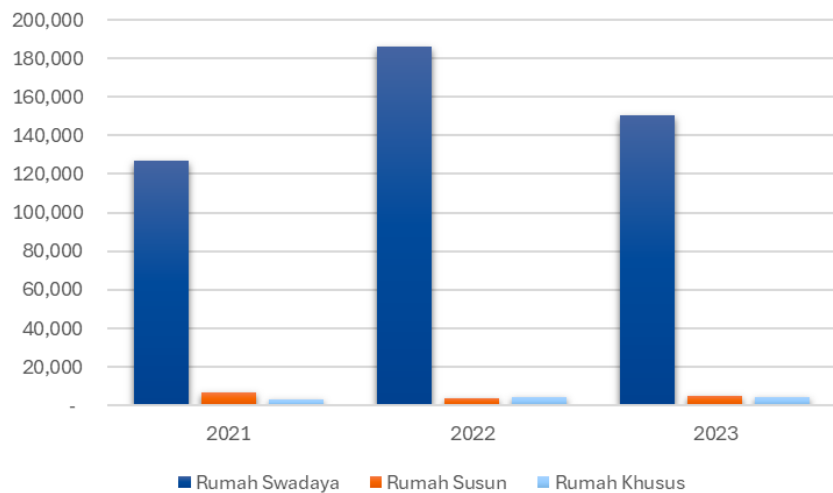
Program	Type of Support	Key Feature	Target Group
FLPP	Mortgage Subsidy	Fixed low-interest mortgage (5%)	Lower-income households
SSB	Interest Rate Subsidy	Interest-rate reduction on commercial loans	Lower-income households
SBUM	Down Payment Assistance	Lump-sum subsidy for down payment	Lower-income households (can be used in conjunction with FLPP/SSB)
BP2BT	Savings-based Subsidy	Matching subsidy for savings used as down payment	Lower-income households (non-stable income)
Tapera	Mandatory Savings	Long-term savings fund for housing	Tapera participant (lower-income)

Source: Various Sources, BRIDS

Government aid in one million housing through PUPR ministry

Aside from FLPP and other financing subsidy schemes, the government has a program under the PUPR ministry (Public Works and Housing), which also contributes to the 1mn housing program. Under PUPR, there are three programs contributing to the one million housing development over the past 10 years. Among these, the biggest contributors are Program Rumah Swadaya, which contributes around 120,000–180,000 units per year during FY21–23. As these programs require less budget than FLPP, it would be sensible for the government to upscale these programs to achieve the target of 3mn housing per year.

Exhibit 17. PUPR contribution to one million housing program



Source: PUPR, BRIDS

Budget for Rumah Swadaya development

In Rumah Swadaya housing aid, there are three sub-programs, i.e., the development of new Swadaya houses, the upgrade of existing Swadaya houses, and the rehabilitation and reconstruction of Swadaya houses, which require a maximum budget of Rp50mn, Rp20mn, and Rp20mn, respectively. However, aside from the new development, the program does not reduce the housing backlog. The Swadaya house program requires less budget compared to the financing scheme as it does not have to include the land cost and developer margin, in our view.

Exhibit 18. Budget for Swadaya House development

Assistance of Swadaya House (Rp million)	Building Material	Labour Cost	Total
Building New Swadaya House	43.0	7.0	50.0
Upgrading Swadaya House	17.5	2.5	20.0
Rehabilitation and Reconstruction Swadaya House	17.5	2.5	20.0

Source: PUPR, BRIDS

Budget for Rumah Khusus development

Aside from Rumah Swadaya, PUPR is also tasked with building a specialized housing program that caters to several segments. Based on the PUPR database, since 2015, most of the recipients have been fishermen (aligned with the government housing program which targets coastal areas), disaster victims, and military officers (TNI). The costs associated with the development of Rumah Khusus are higher, as we believe this program is a new building development.

Exhibit 19. PUPR Ministry (By target)

Rank	Target hunian	jml_unit	%	Total biaya	%	biaya/unit
1	NELAYAN	10,228	30.99%	960,344,898,682	20.69%	93,893,713
2	Others	5,033	15.25%	984,845,387,124	21.22%	195,677,605
3	KORBAN BENCANA	2,356	7.14%	184,002,761,971	3.96%	78,099,644
4	TNI	2,177	6.60%	415,591,882,980	8.95%	190,901,186
5	POLRI	1,897	5.75%	658,825,880,095	14.19%	347,298,830
6	DAERAH TERPENCIL	1,846	5.59%	171,445,703,883	3.69%	92,874,162
7	DAERAH TERTINGGAL	1,763	5.34%	279,200,549,952	6.02%	158,366,733
8	PERBATASAN	1,739	5.27%	232,006,298,578	5.00%	133,413,628
9	MBR	1,371	4.15%	194,402,920,599	4.19%	141,796,441
10	Relokasi Masyarakat yang terdampak Bencana Tsunami dan Likuifaksi di Provinsi Sulawes	650	1.97%	121,079,958	0.00%	186,277

Source: PUPR, BRIDS

Contractors for Rumah Khusus

Based on the PUPR database, we note that most of the top contributors are SOE contractors. These contractors include, but are not limited to, PT Brantas Abipraya, PT Hutama Karya, PT Adhi Karya, PT PP, and PT Nindya Karya.

Exhibit 20. PUPR Ministry (By contractor name)

Rank	Contractor Name	jml_unit	%	Total biaya	%	biaya/unit
1	N/A	10,471	31.73%	1,092,151,755,547	23.53%	104,302,527
2	PT. Brantas Abipraya	1,283	3.89%	442,350,811,375	9.53%	344,778,497
3	PT Hutama Karya	1,133	3.43%	419,592,760,090	9.04%	370,337,829
4	PT. Adhi Karya	1,000	3.03%	227,185,823	0.00%	227,186
5	PT. Java Perkasa	405	1.23%	67,432,661,444	1.45%	166,500,399
6	PT PEMBANGUNAN PERUMAHAN (PERSERO). TBK	386	1.17%	66,157,362,930	1.43%	171,392,132
7	PT Bhina Reka Utama	358	1.08%	30,430,793	0.00%	85,002
8	PT. BHINA REKA UTAMA	222	0.67%	36,249,324,210	0.78%	163,285,244
9	PT NARATEX JAYA ABADI	220	0.67%	10,495,637,303	0.23%	47,707,442
10	PT Nindya Karya (Persero)	205	0.62%	16,917,594,921	0.36%	82,524,853

Source: PUPR, BRIDS

The restructure of PUPR Ministry

The restructure of the Kementerian Pekerjaan Umum dan Perumahan Rakyat (Kementerian PUPR) reflects a strategic effort to enhance governance and operational efficiency in addressing Indonesia's evolving infrastructure and housing challenges. Under the new arrangement, the ministry is divided into two distinct entities: the Ministry of Public Works and the Ministry of Housing. The Ministry of Public Works will prioritize the development of critical infrastructure, including the construction and maintenance of roads, bridges, water resource management systems, and sanitation networks. In parallel, the Ministry of Housing will dedicate its efforts to urban development and housing initiatives, addressing pressing issues such as housing shortages, affordability, and sustainable urban planning. By delineating these responsibilities, the government seeks to streamline operations, improve resource allocation, and ensure a more focused and effective approach to meeting the nation's developmental priorities.

BBTN Initiative: long road to reap benefits

Recently, BBTN conducted a rebranding effort to revitalize itself, aiming to increase its appeal to the younger generation. This rebranding effort includes a logo change and the development of its mobile app. It aims to enhance brand awareness by offering various promotions and improving customer loyalty through programs such as ‘Bale by BTN.’ ‘Bale by BTN’ is a program intended to bolster customer retention by awarding ‘Bale Points,’ which are earned based on the average balance of savings and/or transactions determined by the bank. Some parts of the program are already running, with more under development, as shown in Exh.21.

Exhibit 21. Bale Points Loyalty Program

Activity	Calculation Mechanism	Number of Points
Average daily balance in 1 Month	each multiple of IDR 500,000, minimum IDR 2,500,000 (max 500,000 points)/month	100
	Opening of NTB Savings*	10,000
Activation	Mobile Banking Activation	10,000
	Contactless Debit Activation*	10,000
	Opening SIAP Savings*	10,000
	Opening of E-Deposit*	10,000
Transactional	Use of BTN Debit Card in E-commerce with minimum transaction and multiples of IDR 50,000 (maximum 100,000 points per day)	100
	Use of BTN Debit Card at EDC merchants with minimum transaction and multiples of IDR 50,000 (maximum 100,000 points per day)	100
	Payments and purchases via BTN Mobile (QRIS, Virtual Account, etc.) with a minimum transactions and multiples of IDR 50,000 (maximum 100,000 points per day)	100

*Under development

Source: Company

Finally, the rebranding efforts include the overhaul of BBTN’s digital products. BTN mobile app users have reached 1.9mn (+137% yoy), with a target of 2.2mn users by the end of 2024. Digital banking transactions provide additional benefits in terms of fee-based income for the bank. As of 9M24, fee-based income reached Rp133bn (vs. 9M23: Rp109bn) and management expects it to reach Rp191bn in FY24, especially with the existence of Bale by BTN and the separation of its digital banking unit into two new business units, namely digital banking development and digital sales.

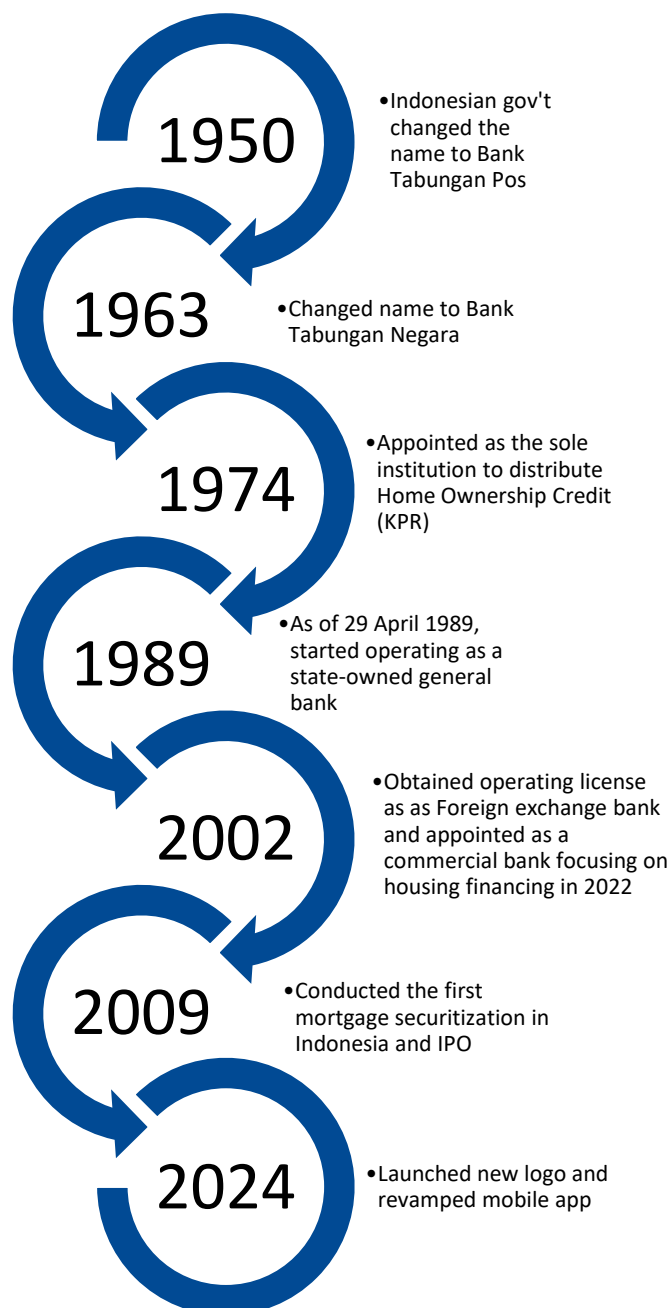
In terms of loan expansion, BBTN has established six sales centers as of 9M24, with three additional centers in Jakarta in Oct24. Regarding funding initiatives, two institutional funding units, middle segment (≤ Rp500bn) and large institutions (> Rp500bn), were developed. Furthermore, the bank launched BTN Prospera, a retail funding product targeting assets under management between Rp100-500bn.

While these initiatives may reduce CoF over time by shifting funding origination from corporate to retail customers, we deem them as long-term efforts, as the timeline for realizing meaningful benefits from such programs is likely to be lengthy. Thus, we do not expect the impact of these initiatives to materialize as early as FY25.

Bank Tabungan Negara (BBTN IJ) Company Profile

Postspaarbank was founded in 1897 and underwent several name changes. It became Bank Tabungan Post in 1950 and was finally renamed Bank Tabungan Negara in 1963. BBTN was the pioneering bank selected by the government to deliver housing financing and mortgages to low- and middle-income earners. The bank restructured its corporate framework in 2002 and later, in 2009, carried out an initial public offering (IPO), resulting in its listing on the Indonesia Stock Exchange. At the time, this IPO was the largest in Indonesia. The bank’s current vision is to become the best mortgage bank in Southeast Asia by 2025. The bank’s business activities include housing loans and banking, sharia business activities, and treasury and asset management. The bank actively supports the government in advancing the welfare of the Indonesian people through home ownership.

Exhibit 22. BBTN’s History



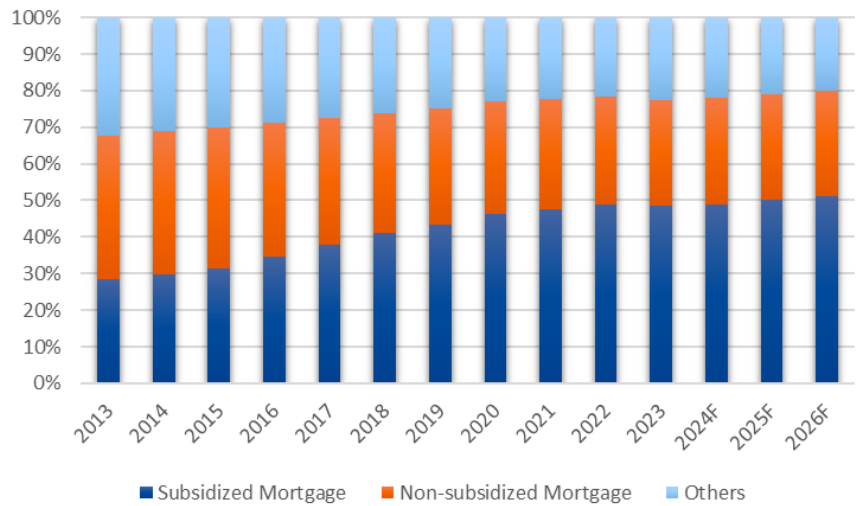
Source: Company, BRIDS

Financial Highlights and Outlook

Loan portfolio shift: non-subsidized to subsidized mortgage

From 2013 to 2017, BBTN’s loan portfolio was primarily driven by the non-subsidized mortgage segment. However, since 2017, the subsidized mortgage segment has taken the lead, a trend we anticipate will strengthen further, bolstered by the government’s 3mn housing program.

Exhibit 23. BBTN’s loan breakdown

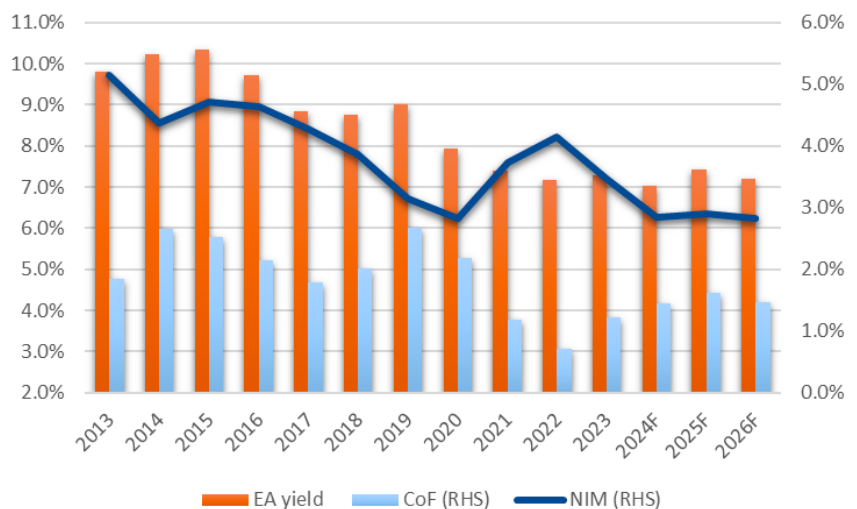


Source: Company, BRIDS Estimates

NIM trends driven by shifts in loan portfolio

The shift in the loan portfolio has contributed to a consistent downtrend in NIM since 2013. Additionally, a change in the subsidizing scheme from SSB to FLPP further pressured EA yield, driving NIM even lower. However, we anticipate NIM will bottom out in 2024F. Looking ahead to 2025F, we expect EA yield to improve, supported by higher yields from subsidized mortgages. However, coupled with our projection of a higher CoF, this is likely to result in a flattish or slightly improved NIM in 2025F, in our view.

Exhibit 24. BBTN’s NIM, CoF, and EA yield

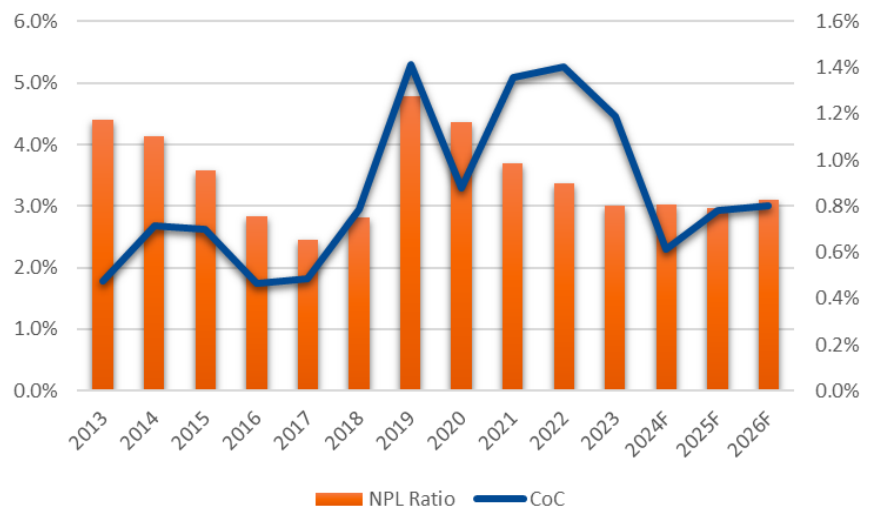


Source: Company, BRIDS Estimates

BBTN's CoC outlook: stabilization amid asset sale plans

We anticipate BBTN will reach a 5-year low in CoC in 2024F, followed by a gradual increase in 2025F and 2026F, primarily driven by softer economic growth and the slow recovery of the low-income segment, which remains vulnerable to macroeconomic pressures. Nonetheless, we expect NPL to stabilize around 3%, as management has indicated plans for a bulk asset sale totaling Rp1.1-1.3tr in Dec24, which could reduce NPL by 25-28bps.

Exhibit 25. BBTN's CoC and NPL



Source: Company, BRIDS Estimates

Re-initiate coverage with a BUY rating with a TP of Rp1,500

We re-initiate our coverage with a BUY rating and a TP of Rp1,500, which is based on a 5-year inverse CoE GGM-based model with CoE of 14.2%, LTG of 3%, and FY25F RoE of 9.7%, implying a fair value PBV of 0.6x. Risks to our call include the bank's ability to increase its FLPP lending rate, manage the increase in its CoF to improve NIM, and maintain its loan quality under control amid the higher loan growth rate.

Exhibit 26. BBTN's valuation

Gordon Growth Valuation with Inverse Cost of Equity	
Parameters:	Remarks:
Cost of equity (%) - Mean	14.2 5-Year average
Cost of equity (%) - SD	2.4 5-Year average
SD used	
Cost of equity (%) used	14.2
Long-term growth (%)	3.0 Long-term GDP growth
Forward ROE (%)	9.7 FY25F ROAE
Fair value P/BV (x)	0.6 (ROAE - g) / (COC - g)
BV/share (IDR)	2,570 FY25F Book value per share
Fair value (IDR)	1,500 Fair value P/BV multiple x BVPS

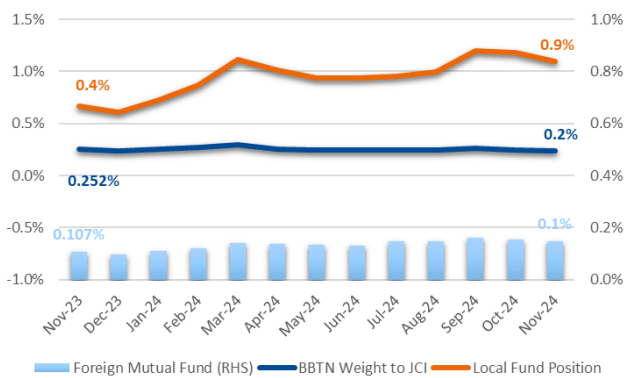
Source: Company, BRIDS Estimates

Exhibit 27. Peers' comparison

Ticker	Rec.	Target Price (Rp)	Market Cap (Rpbn)	P/E (x)		P/BV (x)		ROE
				FY24F	FY25F	FY24F	FY25F	FY25F
BBCA IJ	BUY	12,800	1,220,423	22.4	20.5	4.6	4.3	21.8%
BBRI IJ	NR	n/a	628,970	n/a	n/a	n/a	n/a	n/a
BMRI IJ	BUY	8,200	555,333	9.8	8.8	2.0	1.8	21.2%
BBNI IJ	BUY	7,600	166,719	7.7	6.9	1.0	1.0	14.5%
BRIS IJ	HOLD	3,000	127,317	18.7	16.2	2.9	2.6	16.9%
BBTN IJ	BUY	1,500	16,420	5.1	4.9	0.5	0.5	9.7%
BTPS IJ	HOLD	1,200	6,895	6.6	6.3	0.7	0.7	11.1%

Source: Company, BRIDS Estimates

Exhibit 28. BBTN's fund positioning



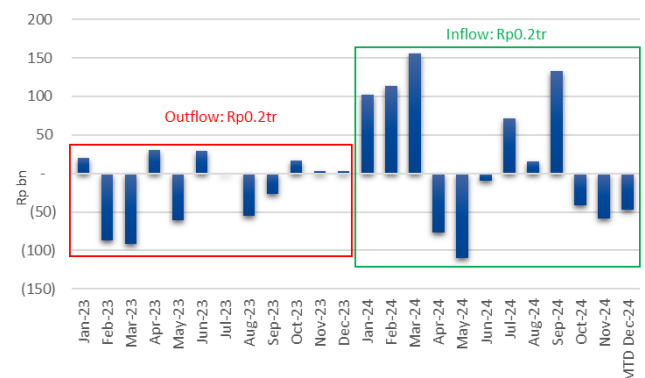
Source: KSEI, BRIDS

Exhibit 30. BBTN's cost of equity band chart (5-year)



Source: Company, BRIDS Estimates

Exhibit 29. BBTN's foreign flow (as of 13 Dec24)



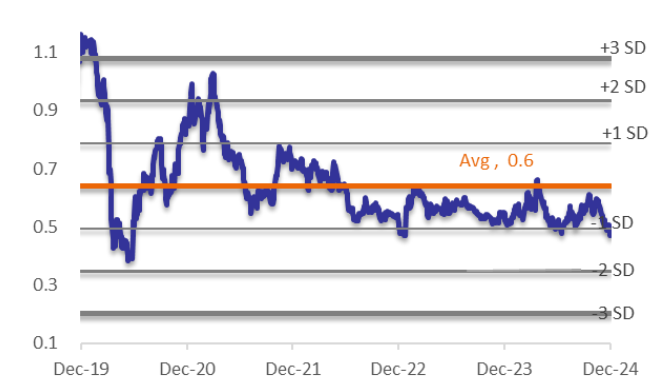
Source: IDX, BRIDS

Exhibit 31. Sector's cost of equity band chart (5-year)



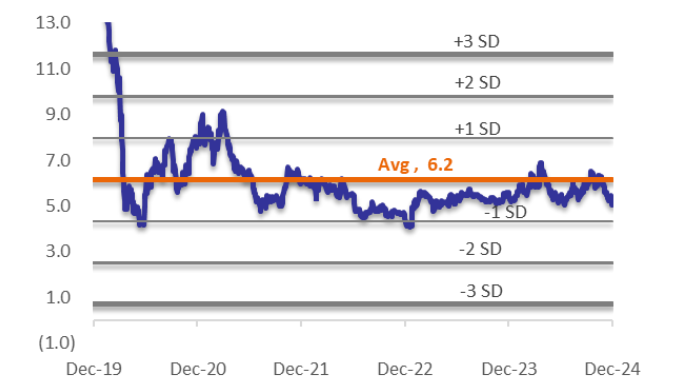
Source: Company, BRIDS Estimates

Exhibit 32. BBTN's PBV band chart (5-year)



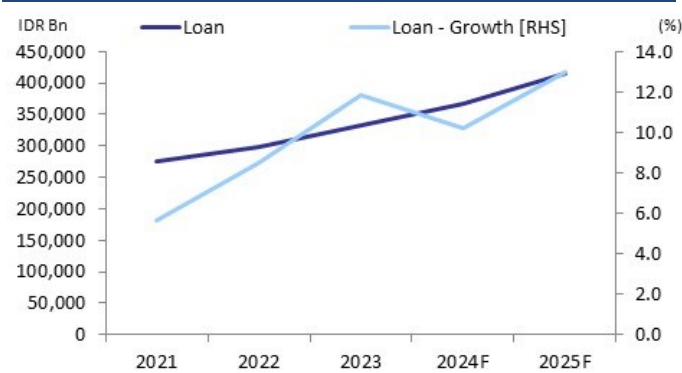
Source: Company, BRIDS Estimates

Exhibit 33. BBTN's PE band chart (5-year)



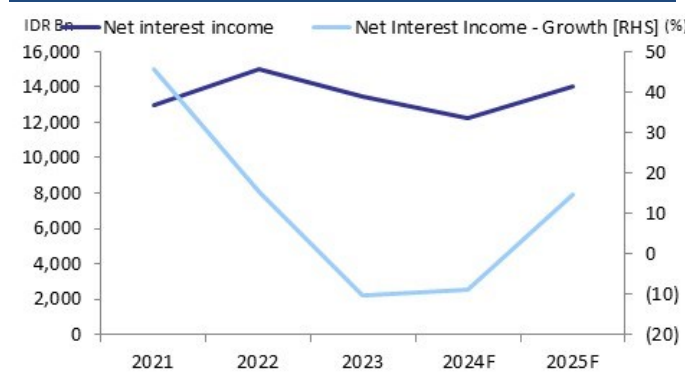
Source: Company, BRIDS Estimates

Exhibit 34. Loan and Growth



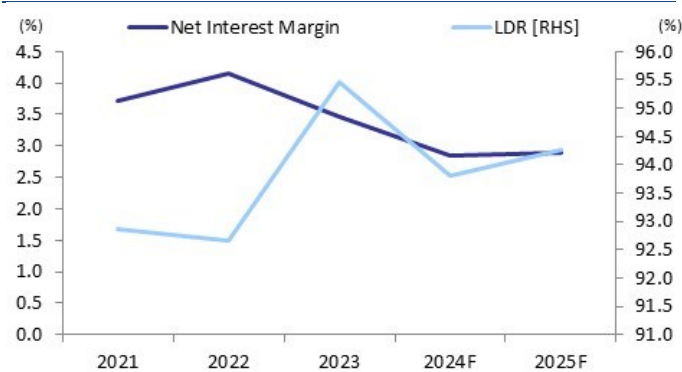
Source: Company, BRIDS Estimates

Exhibit 35. Net Interest Income and Growth



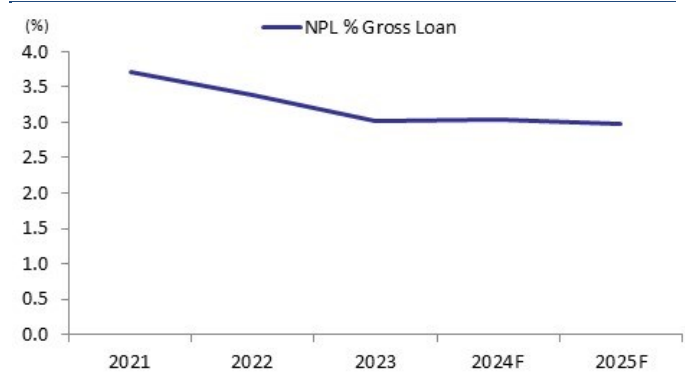
Source: Company, BRIDS Estimates

Exhibit 36. NIM and LDR



Source: Company, BRIDS Estimates

Exhibit 37. NPL



Source: Company, BRIDS Estimates

Exhibit 38. Income Statement

Year to 31 Dec (Rpbn)	2022A	2023A	2024F	2025F	2026F
Interest Income	25,907	28,281	30,298	35,893	39,149
Interest Expense	(10,910)	(14,851)	(18,057)	(21,838)	(23,787)
Net Interest Income	14,997	13,430	12,241	14,055	15,362
Non-Interest Income (NII)	2,220	3,341	3,445	3,806	4,097
Oper. Income	17,217	16,772	15,685	17,861	19,459
Oper. Expenses	(8,874)	(9,012)	(10,143)	(11,263)	(12,268)
Pre-provisions profit	7,833	8,304	6,271	7,326	7,919
Provisions & Allowances	(4,018)	(3,764)	(2,159)	(3,054)	(3,524)
Operating Profits	3,815	4,540	4,112	4,272	4,395
Non-Operating Income	61	(160)	(80)	(80)	(80)
Exceptionals	0	0	0	0	0
Pre-tax Profit	3,876	4,380	4,032	4,192	4,316
Income Tax	(831)	(879)	(809)	(841)	(866)
Minorities	0	0	0	0	0
Net Profit	3,045	3,501	3,222	3,350	3,449

Exhibit 39. Balance Sheet

Year to 31 Dec (Rpbn)	2022A	2023A	2024F	2025F	2026F
Gross Loans	298,282	333,698	367,723	415,354	466,122
Provisions	(15,675)	(15,592)	(18,201)	(20,310)	(23,136)
Net Loans	282,607	318,106	349,521	395,045	442,987
Govt. Bonds	51,965	35,894	37,796	40,251	42,866
Securities	1,721	5,283	9,616	9,808	10,004
Other Earnings Assets	0	0	0	0	0
Total Earnings Assets	368,372	408,191	455,074	513,291	576,386
Fixed Assets	10,600	12,954	15,925	18,653	21,456
Non-Earnings Assets	13,103	14,762	16,630	18,736	21,107
Total Assets	402,148	438,750	497,870	566,749	645,272
Customer Deposits	321,923	349,584	392,034	440,652	492,875
Banks Deposits	175	115	126	139	152
Int. Bearing Liab. - Others	5	4	0	0	0
Total Liabilities	376,239	408,271	464,652	530,683	606,274
Share capital & Reserves	11,962	13,640	13,640	13,640	13,640
Retained Earnings	13,947	16,839	19,578	22,426	25,358
Shareholders' Funds	25,909	30,479	33,218	36,066	38,998
Minority interests	0	0	0	0	0
Total Equity & Liabilities	402,148	438,750	497,870	566,749	645,272

Exhibit 40. Key Ratios

Year to 31 Dec	2022A	2023A	2024F	2025F	2026F
Yield on Earning Assets	7.2	7.3	7.0	7.4	7.2
Cost of funds	3.1	3.8	4.2	4.4	4.2
Interest Spread	4.1	3.4	2.8	3.0	3.0
Net Interest Margin	4.2	3.5	2.8	2.9	2.8
Cost/Income Ratio	53.1	52.0	61.8	60.6	60.8
Oper. Exp./Oper. Gross Inc.	86.2	85.9	88.1	89.4	90.0
Gross NPL Ratio	3.4	3.0	3.0	3.0	3.1
LLP/Gross NPL	155.7	155.2	163.3	164.6	160.3
Cost of Credit	1.4	1.2	0.6	0.8	0.8
Loan to Deposit Ratio	92.7	95.5	93.8	94.3	94.6
Loan to Funding Ratio	90.2	93.2	91.9	92.5	93.0
CASA Mix	48.5	53.8	54.3	54.6	54.8
ROAE	12.9	12.4	10.1	9.7	9.2
ROAA	0.8	0.8	0.7	0.6	0.6
CAR	20.4	19.7	18.6	17.8	17.0

Exhibit 41. Dupont and Growth

Year to 31 Dec	2022A	2023A	2024F	2025F	2026F
Dupont					
Pre-Tax ROAA	1.0	1.0	0.9	0.8	0.7
Tax Retention rate	78.6	79.9	79.9	79.9	79.9
Post-Tax ROAA	0.8	0.8	0.7	0.6	0.6
Goodwil, Assoc& Min	0.0	0.0	0.0	0.0	0.0
Leverage	16.4	14.9	14.7	15.4	16.1
ROAE	12.9	12.4	10.1	9.7	9.2
Growth (%)					
Interest income	0.4	9.2	7.1	18.5	9.1
Net Interest Income	15.4	(10.4)	(8.9)	14.8	9.3
Other Oper. Expenses	2.1	1.6	12.6	11.0	8.9
Fee Based Income	13.2	13.6	(0.8)	22.4	12.6
Pre-Provision Oper. Profit	17.6	6.0	(24.5)	16.8	8.1
Net Profit	28.1	15.0	(8.0)	4.0	3.0
Shareholders' Equity	21.0	17.6	9.0	8.6	8.1
Loan	8.5	11.9	10.2	13.0	12.2
Earnings Asset	4.0	10.8	11.5	12.8	12.3
Deposit	8.8	8.6	12.1	12.4	11.9
Int. Bearing Liab.	7.3	9.9	14.0	14.3	14.3
CASA	19.1	20.4	13.4	12.8	12.3
Total Asset	8.1	9.1	13.5	13.8	13.9

Source: BBTN, BRIDS Estimates

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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

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