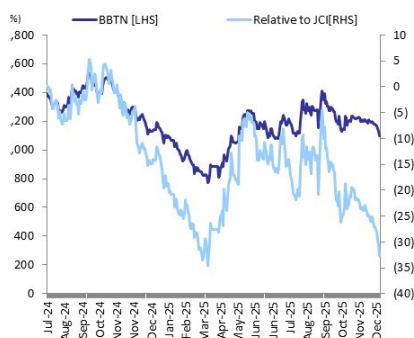


# Buy

(Maintained)

Last Price (Rp)	1,095
Target Price (Rp)	1,300
Previous Target Price (Rp)	1,400
Upside/Downside	+18.7%
No. of Shares (mn)	14,034
Mkt Cap (Rpbn/US\$mn)	11,596/695
Avg, Daily T/O (Rpbn/US\$mn)	41.1/2.5
Free Float (%)	39.8
Major Shareholder (%)	
Government of Indonesia	60.0
EPS Consensus (Rp)	
	2025F 2026F 2027F
BRIDS	221.3 230.0 251.5
Consensus	241.9 263.1 282.5
BRIDS/Cons (%)	(8.5) (12.6) (11.0)

## BBTN relative to JCI Index



Source: Bloomberg

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# Bank Tabungan Negara (BBTN IJ)

## FY26 Outlook: Higher Volume and Lower CoC to Offset the Potentially Lower Earning Assets Yield

- We forecast FY26F net profit of Rp3.2tr (+3.9% yoy) for BBTN, supported by robust loan growth (+9.8% yoy) and lower CoC.
- We see potential NIM upside from KUR housing programs but asset quality risks might arise given its nascent stage.
- Maintain Buy rating with a lower TP of Rp1,300. Risks to our view include weaker asset quality and stagnant CoF.

### Net profit growth to be driven by robust loan growth and lower CoC

In FY26F, we expect loan growth to increase to 9.8% from 7.8% in FY25F, with LDR being broadly stable at 92.9% (vs. FY25F: 92.2%). Although we estimate a 25bps lower CoF, we forecast a 22bps decline in NIM in FY26F, reflecting a 40bps lower EA yield. This follows the absence of the one-off accounting adjustment applied at the start of FY25, which had temporarily lifted yields, hence, we expect EA yield to normalize in FY26F. We project a lower CoC of 1.2% (vs. FY25F: 1.6%) in FY26F and anticipate net profit of Rp3.2tr (+3.9% yoy). Consequently, we expect ROE to soften slightly to 8.9% (vs. FY25F: 9.2%).

### Potential upside in BBTN's housing KUR scheme

Housing KUR (demand side) faces a fixed 6% interest rate, with a 5-year subsidy period and subsidy rates of 10% for loans of Rp10-100mn and 5.5% for loans of Rp100-500mn with expected CoC at around 80bps and insurance premiums of around 1.75% that are excluded from yield calculations. Housing KUR (supply side) faces 6% interest rate with 5% rate subsidy and expects a CoC of 1.5%. Funding for KUR housing is fully sourced from BBTN, implying the bank's normal CoF applies. If executed correctly, these could provide positive upside for BBTN given their higher NIM of 5.5-11% vs YTD's NIM of 3.8%. Given the uncertainty, we have yet to bake them into our forecasts.

### Stable growth outlook but asset quality risks linger

Mgmt guides loan growth to be at 10-11% in FY26F, excluding KPP loans. Mgmt also expects CoC to ease to 1.0-1.1% in FY26F from 1.6-1.7% in FY25F. However, asset quality risks persist, particularly in non-subsidized mortgages, the bank's rapid corporate loan expansion, and potential KUR housing loans.

### Maintain Buy with a lower TP of Rp1,300

We revised our FY25/26F earnings forecasts by -1.3%/+7.8% to factor in a higher CIR but a lower CoC for FY26F. We maintain our Buy rating with a lower TP of Rp1,300 after rolling forward our valuation to FY26F. Our TP is based on a GGM approach, using a 14.8% 5-year avg. CoE and an FY26F ROE of 8.9%, which yields an implied FV PBV of 0.5x. Key risks to our call include weaker asset quality in the wholesale segment and a stagnant CoF.

### Key Financials

Year to 31 Dec	2023A	2024A	2025F	2026F	2027F
PPOP (Rpbn)	8,304	5,806	9,539	8,971	9,883
Net profit (Rpbn)	3,501	3,007	3,105	3,228	3,530
EPS (Rp)	284.4	214.3	221.3	230.0	251.5
EPS growth (%)	(1.1)	(24.6)	3.3	3.9	9.4
BVPS (Rp)	2,475.5	2,320.9	2,486.8	2,659.3	2,847.9
PER (x)	3.9	5.1	4.9	4.8	4.4
PBV (x)	0.4	0.5	0.4	0.4	0.4
Dividend yield (%)	5.2	4.9	5.1	5.3	5.7
ROAE (%)	12.4	9.5	9.2	8.9	9.1

Source: BBTN, BRIDS Estimates

### Exhibit 1. BBTN's earnings revision summary

BBTN - Forecast Changes	2025F (Prev)	2025F (Curr)	Δ%	2026F (Prev)	2026F (Curr)	Δ%	2027F (Prev)	2027F (Curr)	Δ%
Net Interest Income (Rpbn)	16,185	16,340	1.0	16,090	16,339	1.5	16,874	17,847	5.8
PPOP (Rpbn)	9,744	9,539	(2.1)	9,170	8,971	(2.2)	9,537	9,883	3.6
Net profit (Rpbn)	3,146	3,105	(1.3)	2,995	3,228	7.8	3,115	3,530	13.3
BVPS (Rp)	2,489	2,487	(0.1)	2,649	2,659	0.4	2,815	2,848	1.2
Gross Loans (Rpbn)	386,062	386,062	-	423,824	423,824	-	463,173	463,173	-
Customer Deposits (Rpbn)	417,453	418,499	0.3	454,871	456,193	0.3	496,500	498,136	0.3
Ratios (%)	2025F (Prev)	2025F (Curr)	Δ bps	2026F (Prev)	2026F (Curr)	Δ bps	2027F (Prev)	2027F (Curr)	Δ bps
Net Interest Margin	3.7	3.7	4	3.4	3.5	5	3.3	3.5	19
Gross NPL Ratio	3.3	3.3	-	3.3	3.3	-	3.3	3.3	-
Cost/Income Ratio	52.3	54.6	235	55.3	57.8	245	55.7	56.8	107
Cost of Credit	1.6	1.6	-	1.3	1.2	(8)	1.3	1.3	(0)
ROAE	9.3	9.2	(12)	8.3	8.9	63	8.1	9.1	101

Source: Company, BRIDS Estimates, Bloomberg

### Exhibit 2. BBTN's Valuation

#### Gordon Growth Valuation with Inverse Cost of Equity

##### Parameters:

Cost of equity (%) - Mean

Cost of equity (%) - SD

SD used

Cost of equity (%) used

Long-term growth (%)

Forward ROE (%)

Fair value P/BV (x)

BV/share (IDR)

Fair value (IDR)

##### Remarks:

14.8 5-Year average

2.0 5-Year average

14.8

3.0 Long-term GDP growth

8.9 FY26F ROAE

0.5 (ROAE - g) / (COC - g)

2,659 FY26F Book value per share

1,300 Fair value P/BV multiple x BVPS

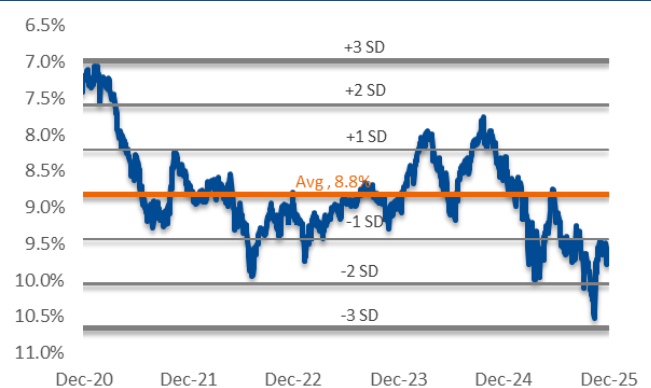
Source: Company, BRIDS Estimates

### Exhibit 3. BBTN's cost of equity band chart (5-year)



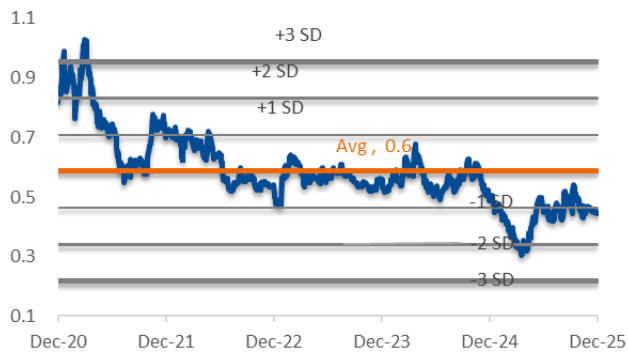
Source: Company, Bloomberg, BRIDS Estimates

### Exhibit 4. Sector's cost of equity band chart (5-year)



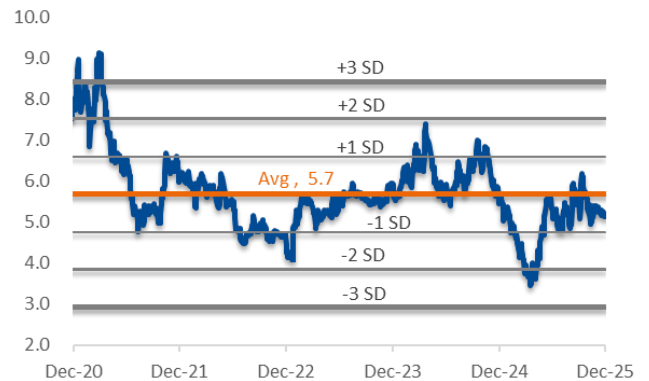
Source: Company, Bloomberg, BRIDS Estimates

**Exhibit 5. BBTN's P/BV band chart (5-year)**



Source: Company, Bloomberg, BRIDS Estimates

**Exhibit 6. BBTN's P/E band chart (5-year)**



Source: Company, Bloomberg, BRIDS Estimates

**Exhibit 7. Income Statement**

Year to 31 Dec (Rpbn)	2023A	2024A	2025F	2026F	2027F
Interest Income	28,281	29,542	34,629	34,919	37,425
Interest Expense	(14,851)	(18,049)	(18,288)	(18,580)	(19,578)
<b>Net Interest Income</b>	<b>13,430</b>	<b>11,493</b>	<b>16,340</b>	<b>16,339</b>	<b>17,847</b>
Non-Interest Income (NII)	3,341	3,564	3,665	3,901	4,013
<b>Oper. Income</b>	<b>16,772</b>	<b>15,056</b>	<b>20,005</b>	<b>20,240</b>	<b>21,860</b>
Oper. Expenses	(9,012)	(10,222)	(11,479)	(12,281)	(12,989)
<b>Pre-provisions profit</b>	<b>8,304</b>	<b>5,806</b>	<b>9,539</b>	<b>8,971</b>	<b>9,883</b>
Provisions & Allowances	(3,764)	(1,981)	(5,795)	(5,028)	(5,562)
<b>Operating Profits</b>	<b>4,540</b>	<b>3,825</b>	<b>3,743</b>	<b>3,943</b>	<b>4,321</b>
Non-Operating Income	(160)	(52)	104	104	104
Exceptionals	0	0	0	0	0
<b>Pre-tax Profit</b>	<b>4,380</b>	<b>3,773</b>	<b>3,847</b>	<b>4,047</b>	<b>4,425</b>
Income Tax	(879)	(766)	(742)	(819)	(896)
Minorities	0	0	0	0	0
<b>Net Profit</b>	<b>3,501</b>	<b>3,007</b>	<b>3,105</b>	<b>3,228</b>	<b>3,530</b>

**Exhibit 8. Balance Sheet**

Year to 31 Dec (Rpbn)	2023A	2024A	2025F	2026F	2027F
Gross Loans	333,698	357,973	386,062	423,824	463,173
Provisions	(15,592)	(13,057)	(14,691)	(16,534)	(18,761)
<b>Net Loans</b>	<b>318,106</b>	<b>344,916</b>	<b>371,371</b>	<b>407,290</b>	<b>444,412</b>
Govt. Bonds	35,894	35,476	35,062	34,653	34,249
Securities	5,283	25,363	24,210	24,694	25,188
Other Earnings Assets	0	0	0	0	0
<b>Total Earnings Assets</b>	<b>408,191</b>	<b>430,640</b>	<b>450,213</b>	<b>485,816</b>	<b>524,554</b>
Fixed Assets	12,954	14,060	15,796	17,580	19,412
Non-Earnings Assets	14,762	15,724	16,750	17,842	19,005
<b>Total Assets</b>	<b>438,750</b>	<b>469,615</b>	<b>509,275</b>	<b>549,451</b>	<b>594,186</b>
Customer Deposits	349,584	381,654	418,499	456,193	498,136
Banks Deposits	115	101	90	79	70
Int. Bearing Liab. - Others	4	3	0	0	0
<b>Total Liabilities</b>	<b>408,271</b>	<b>437,043</b>	<b>474,374</b>	<b>512,129</b>	<b>554,217</b>
Share capital & Reserves	13,640	13,426	13,426	13,426	13,426
Retained Earnings	16,839	19,146	21,475	23,896	26,543
<b>Shareholders' Funds</b>	<b>30,479</b>	<b>32,572</b>	<b>34,901</b>	<b>37,322</b>	<b>39,969</b>
Minority interests	0	0	0	0	0
<b>Total Equity &amp; Liabilities</b>	<b>438,750</b>	<b>469,615</b>	<b>509,275</b>	<b>549,451</b>	<b>594,186</b>

**Exhibit 9. Key Ratios**

Year to 31 Dec	2023A	2024A	2025F	2026F	2027F
Yield on Earning Assets	7.3	7.0	7.9	7.5	7.4
Cost of funds	3.8	4.3	4.1	3.8	3.9
Interest Spread	3.4	2.7	3.8	3.6	3.5
Net Interest Margin	3.5	2.7	3.7	3.4	3.3
Cost/Income Ratio	52.0	63.8	52.3	55.3	55.7
Oper. Exp./Oper. Gross Inc.	85.9	88.8	89.8	90.3	90.6
Gross NPL Ratio	3.0	3.2	3.3	3.3	3.3
LLP/Gross NPL	155.2	115.4	124.3	127.0	130.5
Cost of Credit	1.2	0.6	1.6	1.3	1.3
Loan to Deposit Ratio	95.5	93.8	92.5	93.2	93.3
Loan to Funding Ratio	93.2	92.5	90.7	91.5	91.8
CASA Mix	53.8	54.1	54.3	54.6	54.9
ROAE	12.4	9.5	9.3	8.3	8.1
ROAA	0.8	0.7	0.6	0.6	0.5
CAR	19.7	17.7	15.6	15.4	15.0

**Exhibit 10. Dupont and Growth**

Year to 31 Dec	2023A	2024A	2025F	2026F	2027F
<b>Dupont</b>					
Pre-Tax ROAA	1.0	0.8	0.8	0.8	0.8
Tax Retention rate	79.9	79.7	80.7	79.8	79.8
Post-Tax ROAA	0.8	0.7	0.6	0.6	0.6
Goodwil, Assoc& Min	0.0	0.0	0.0	0.0	0.0
Leverage	14.9	14.4	14.5	14.7	14.8
ROAE	12.4	9.5	9.2	8.9	9.1
<b>Growth (%)</b>					
Interest income	9.2	4.5	17.2	0.8	7.2
Net Interest Income	(10.4)	(14.4)	42.2	0.0	9.2
Other Oper. Expenses	1.6	13.4	12.3	7.0	5.8
Fee Based Income	13.6	(2.2)	2.5	9.8	9.3
Pre-Provision Oper. Profit	6.0	(30.1)	64.3	(6.0)	10.2
Net Profit	15.0	(14.1)	3.3	3.9	9.4
Shareholders' Equity	17.6	6.9	7.2	6.9	7.1
Loan	11.9	7.3	7.8	9.8	9.3
Earnings Asset	10.8	5.5	4.5	7.9	8.0
Deposit	8.6	9.2	9.6	9.0	9.2
Int. Bearing Liab.	9.9	7.3	8.6	8.0	8.2
CASA	20.4	9.8	10.2	11.3	11.5
Total Asset	9.1	7.0	8.4	7.9	8.1

Source: BBTN, BRIDS Estimates

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<b>BUY</b>	Expected total return of 10% or more within a 12-month period
<b>HOLD</b>	Expected total return between -10% and 10% within a 12-month period
<b>SELL</b>	Expected total return of -10% or worse within a 12-month period

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