Bank Tabungan Negara (BBTN IJ)

2Q26: Earnings Beat On CoC; Consumer Banking Gains Momentum

BUY (Maintained)

Share Price	Rp1,260
Target Price	Rp1,565
Upside	+24.2%

Analyst(s)
Posmarito Pakpahan
posmarito@kh.co.id
+6221 2993 3990

Highlights

- **2Q26 net profit jumped 16.8% qoq (+61.3% yoy), beating our and market expectations,** driven by lower-than-guided credit costs despite weaker core operating profit from yield normalisation.
- **Beyond Mortgages strategy continues to gain traction,** supported by pension loan acquisitions, ecosystem expansion, digitalisation and improving fee income diversification.
- **Maintain BUY with a target price of Rp1,565.** Improving asset quality, disciplined funding management and structural earnings transformation should support resilient profitability amid tighter system liquidity.

2Q26 Results

Year to 31 Dec (Rpb)	2Q26	qoq	yoy	1H26	yoy
Profit & Loss					
Interest Income	8,311	3.8%	-19.2%	16,315	-11.8%
Interest Expenses	3,984	6.6%	-15.6%	7,720	-15.7%
Net Interest Income	4,327	1.4%	-22.3%	8,595	-8.0%
Non-Interest Income	885	-7.2%	2.4%	1,839	-3.4%
Total Income	5,212	-0.2%	-19.0%	10,434	-7.3%
Operating Expenses	3,052	5.8%	11.6%	5,936	9.4%
PPOP	2,160	-7.6%	-41.6%	4,498	-22.8%
Provision Expenses	512	-43.3%	-80.9%	1,415	-61.3%
Net Profit	1,294	16.8%	61.3%	2,402	40.8%

Source: BBTN, UOB Kay Hian

Analysis

- **2Q26 net profit jumped 16.8% qoq, above expectations.** Bank Tabungan Negara's (BBTN) 2Q26 net profit came in at Rp1.3t, surging 16.8% qoq (+61.3% yoy), bringing 1H26 earnings to Rp2.4t (+40.8% yoy), above our/consensus expectations at 66%/62% of full-year forecasts. The earnings beat was primarily driven by a 130bp yoy decline in credit cost (CoC), with 1H26 CoC standing at 0.7%, lower than management's guidance of 1.0-1.2%. Nonetheless, 1H26 pre-provision operating profit (PPOP) dropped 22.8% yoy to Rp4.5t, mainly due to yield normalisation after an adjustment in 2025.
- **Consumer banking transformation gains momentum.** The earnings call highlighted the bank's transformation progress from a mortgage-focused lender into a broader consumer bank. The strategy is centred on expanding higher-yield non-housing loans through the acquisition of pension loan portfolios, while strengthening ecosystem-driven banking across healthcare, education, tourism and lifestyle. At the same time, the rapid expansion of Bale by BBTN is expected to deepen customer engagement, diversify earnings and improve cross-selling opportunities beyond traditional mortgage financing.

Key Financials

Year to 31 Dec (Rpb)	2024	2025	2026F	2027F	2028F
Net interest income	11,493	18,219	17,268	19,161	21,194
Non-Interest Income	4,576	4,108	4,192	4,182	4,333
Net profit (rep./act.)	3,007	3,495	3,655	3,881	4,224
Net profit (adj.)	3,007	3,495	3,655	3,881	4,224
EPS (Rp)	223	260	271	288	313
PE (x)	5.7	4.8	4.6	4.4	4.0
P/B (x)	0.5	0.5	0.5	0.4	0.4
Dividend yield (%)	3.5	4.1	4.3	4.6	5.0
Net int margin (%)	2.9	4.2	3.7	3.7	3.8
Cost/income Ratio (%)	63.9	52.8	59.2	58.5	57.6
Loan loss cover (%)	138.9	123.9	123.6	123.8	132.4
Consensus net profit	-	-	3,892	4,171	4,440
UOBKH/Consensus (x)	-	-	0.94	0.93	0.95

Source: BBTN, Bloomberg, UOB Kay Hian

Stock Data

GICS Sector:	Financials
Bloomberg ticker:	BBTN IJ
Share issued (m):	14,034.4
Market cap (Rpb):	17,683.4
Market cap (US$m):	986.6
3-mth avrg daily t'over (US$m):	1.8

Price Performance (%)

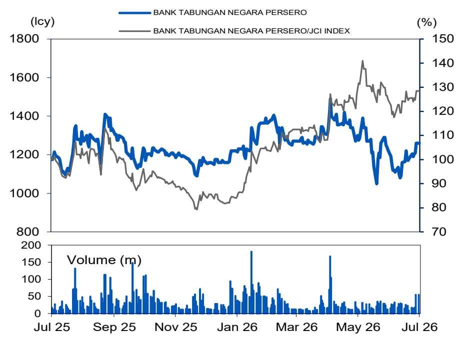
52-week high/low: Rp1,505/Rp1,040

1mth	3mth	6mth	1yr	YTD
0.8	(3.8)	(0.8)	3.3	7.2

Major Shareholders	%
Danantara	60.0

Balance Sheet Metrics	%
FY26 NAV/Share (Rp)	2,883
FY26 CAR tier-1 (%)	18.3

Price Chart



Source: Bloomberg

Company Description

BBTN is an SOE bank specialising in mortgage loans.

- **Asset quality shows structural modest improvement, but CoC guidance is maintained.** NPL and LaR ratio declined slightly to 2.99% and 18.6% in 1H26. CoC fell to 0.7% in 1H26 from 2.0% in 1H25 (2025:1.6%). The modest improvement in asset quality was due to tighter underwriting standards, more selective loan origination, and the rollout of cluster-based collection and recovery strategies that controlled new slippages despite ongoing portfolio diversification toward non-housing loans. Despite the stronger-than-expected asset quality trends, management maintained its 2026 CoC guidance of 1.0-1.2% as a prudent buffer against potential macro uncertainties. it expects asset quality to continue improving, with gross NPL trending toward about 2.8% by year-end.
- **Focused on protecting funding costs rather than chasing growth.** Loan grew 11.2% while deposit rose 6.6%, bringing loan-to-deposit ratio (LDR) relatively high at 96.6%. Liquidity remains tight following the higher benchmark rates and elevated SRBI yields. Nevertheless, the bank emphasised a disciplined funding strategy focused on protecting margins rather than chasing volume. The bank will prioritise transactional CASA growth through payroll, ecosystem partnerships, and merchant acquisition to maintain CoF at around 3.3% while adopting a more selective lending approach, favouring higher-yield segments such as pension, SME, and consumer loans. Hence, management reiterated its 2026 loan growth guidance of 8-10% and deposit growth target of 7-9%. The non-housing loans accounted for 20.4% of its loans in 1H26, rising from 14.6% in 2024, including the acquisition of Rp12.6t pension loans from SMBC Indonesia. The bank aims for its non-housing segment contribution to expand to 30% by 2030.
- **Expecting growing fee income from larger customer base and deeper penetration.** Fee income grew 11.4% yoy to Rp792.3b, accounting for 7.6% of total operating income (1H25: 6.3%). The stronger fee income was driven by an increase in digital customer base and deeper ecosystem penetration. The number of users for its digital banking app, Bale, increased to 4.3m (+62.4% yoy) with a 41.6% yoy rise in transaction volume and 55% yoy increase in transaction value. Management flagged a potential upside to the earnings from renegotiating a meaningful bancassurance income. Meanwhile, operational efficiency is expected to improve through digitalisation rather than cost cutting. Management highlighted ongoing investments in centralised loan processing, AI-enabled credit assessment and automation to shorten turnaround times, improve underwriting consistency and enhance productivity.

Valuation/Recommendation

- **Maintain BUY with a target price of Rp1,565.** We arrive at a fair P/B of 0.55x by using GGM (ROE: 9.7%, cost of equity: 14.5%, long-term growth: 4%). Despite a tighter liquidity environment and softer macro outlook, we expect earnings to remain resilient, supported by improving asset quality, disciplined funding management, and continued diversification into higher-yield lending and fee-generating businesses.

Earnings Revision/Risk

- **Keep our earnings estimates.** With management reiterates its full-year 2026 guidance despite the strong 1H26 results, we maintain our earnings forecasts. However, we see potential upside to the earnings from a) lower-than-guided CoC and b) higher fee income from renegotiating a meaningful bancassurance income.
- **Risks** include: a) Asset quality. Non-housing expansion may increase credit volatility; NPL gains could reverse if the macroeconomic environment weakens; b) Funding and NIM. CoF decline relies on mix improvement and government liquidity injection; tighter liquidity may pressure NIM; c) Execution ecosystem and diversification strategy may scale slower than planned; and d) Policy exposure. Reliance on FLPP/KPP programmes ties growth to policy and subsidy budgets, and capital, faster growth or higher CoC could erode capital buffers.

1H26 Key Ratios

Key Metrics (%)	1H26	1Q26	2025	yoy	ytd
Loan (Rpt)	418	401	401	11.2%	4.4%
Deposit (Rpt)	433	423	437	6.6%	-1.0%
CASA (Rpt)	213	212	213	6.6%	-0.2%
Loan/Deposit Ratio	96.6%	94.8%	91.6%	0.6%	5.0%
CASA Ratio	49.1%	50.2%	48.7%	0.0%	0.4%
NIM	3.5%	3.6%	4.2%	-0.9%	-0.7%
Cost of Fund	3.0%	3.0%	3.9%	-1.1%	-0.9%
CIR	50.5%	49.9%	49.3%	6.7%	1.2%
NPL Ratio	3.0%	3.1%	3.1%	-0.3%	-0.1%
NPL Coverage Ratio	121.7%	124.0%	123.9%	6.7%	-2.2%
Credit Cost	0.7%	0.9%	1.6%	-1.3%	-0.9%
Tier-1 CAR	18.0%	18.4%	18.7%	1.8%	-0.7%
ROE	13.3%	12.4%	11.7%	1.6%	1.6%
ROA	0.9%	1.1%	0.9%	0.0%	0.0%

Source: BBTN

Loan Growth And Breakdown

(Rpt)	Jun-26	qoq	yoy	Loan Mix
Housing Loan	333	0.9%	4.8%	79.6%
Subsidised Mortgage	197	1.8%	8.1%	47.1%
Non Subsidised	113	0.4%	2.0%	27.0%
Other Housing Loan	9	0.3%	3.3%	2.2%
Construction Loan	14	-6.1%	-13.8%	3.3%
Non Housing Loan	85	20.6%	46.1%	20.4%
Consumer Loan	20	131.2%	160.9%	4.7%
Commercial Loan	15	3.3%	-3.6%	3.5%
Corporate Loan	51	6.1%	43.0%	12.2%
Total Loan	418	4.4%	11.2%	100.0%

Source: BBTN

Monthly Cost Of Deposit By Product

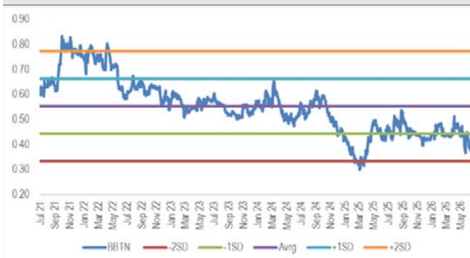
Source: BBTN, UOB Kay Hian

NPL Ratio By Segment

By Segment (%)	Dec-23	Dec-24	Dec-25	Jun-25	Mar-26	Jun-26
Housing Loan	3.2%	3.3%	3.5%	3.7%	3.5%	3.5%
Subsidized Mortgage	1.5%	1.7%	1.4%	1.7%	1.4%	1.4%
Non-Subsidized Mortgage	2.0%	3.7%	5.3%	5.3%	5.2%	5.3%
Other Housing Loan	3.7%	4.4%	3.9%	4.9%	3.8%	3.7%
Construction Loan	23.8%	16.0%	16.4%	15.0%	17.4%	19.4%
Non-Housing Loan	1.9%	2.4%	1.1%	1.2%	1.5%	0.9%
Consumer Loan	1.6%	1.5%	1.2%	1.2%	1.3%	0.4%
Commercial Loan	6.2%	7.3%	4.8%	4.0%	4.6%	3.5%
Corporate Loan	0.1%	0.1%	0.0%	0.0%	0.1%	0.1%
Total Loan & Financing	3.0%	3.2%	3.1%	3.3%	3.1%	3.0%
Mortgage	1.7%	2.5%	2.9%	3.1%	2.8%	2.8%

Source: BBTN

Forward P/B



Source: Bloomberg

Profit & Loss

Year to 31 Dec (Rpb)	2025	2026F	2027F	2028F
Interest income	36,341	35,472	38,557	42,203
Interest expense	(18,122)	(18,204)	(19,396)	(21,009)
Net interest income/(expense)	18,219	17,268	19,161	21,194
Fees & Commissions	1,080	1,102	1,124	1,146
Net Trading Income	3,028	3,090	3,058	3,187
Non-Interest Income	4,108	4,192	4,182	4,333
Total Income	22,326	21,460	23,343	25,527
Staff Costs	(5,004)	(5,355)	(5,729)	(6,130)
Other Operating Expense	(6,790)	(7,341)	(7,937)	(8,584)
Pre-Provision Profit	10,532	8,765	9,676	10,813
Loan Loss Provision	(6,179)	(4,196)	(4,824)	(5,534)
Pre-tax profit	4,376	4,569	4,852	5,280
Tax	(881)	(914)	(970)	(1,056)
Minorities	0	0	0	0
Net profit	3,495	3,655	3,881	4,224
Net profit (adj.)	3,495	3,655	3,881	4,224

Balance Sheet

Year to 31 Dec (Rpb)	2025	2026F	2027F	2028F
Cash With Central Bank	52,845	51,875	51,162	50,467
Govt Treasury Bills & Securities	58,986	64,287	70,405	77,119
Interbank Loans	6,105	6,105	6,105	6,105
Customer Loans	388,219	425,515	465,979	510,847
Investment Securities	2,857	3,114	3,410	3,735
Derivative Receivables	3,091	3,400	3,740	4,114
Properties & Other Fixed Assets	10,509	10,824	11,149	11,483
Other Assets	5,181	5,238	5,142	3,911
Total assets	527,793	570,358	617,091	667,782
Interbank Deposits	123	135	149	164
Customer Deposits	437,398	476,701	522,067	571,854
Debts Securities Issued	48,404	49,027	47,640	45,617
Other Liabilities	5,659	5,659	5,659	5,659
Total liabilities	491,583	531,522	575,514	623,294
Shareholders' funds	36,210	38,836	41,577	44,488
Minority interest	10,509	10,824	11,149	11,483
Total Equity & Liabilities	527,793	570,358	617,091	667,782

Operating Ratios

Year to 31 Dec (%)	2025	2026F	2027F	2028F
Capital Adequacy				
Tier-1 CAR	17.7	18.3	17.2	16.2
Total CAR	19.9	20.4	19.3	18.2
Total Assets/Equity	14.6	14.7	14.8	15.0
Tangible Assets/Tangible Common Equity	14.6	14.7	14.8	15.0
Asset Quality				
NPL Ratio	3.1	3.0	3.0	2.9
Loan Loss Coverage	123.9	123.6	123.8	132.4
Loan Loss Reserve/Gross Loans	3.8	3.7	3.7	3.8
Increase in NPLs	9.2	6.1	9.2	5.3
Credit Cost (bp)	154	100	105	110
Liquidity				
Loan/Deposit Ratio	91.6	92.0	92.0	92.0
Liquid Assets/Short-Term Liabilities	27.0	25.6	24.4	23.4
Liquid Assets/Total Assets	22.3	21.4	20.7	20.0

Key Metrics

Year to 31 Dec (%)	2025	2026F	2027F	2028F
Growth				
Net Interest Income, yoy Chg	58.5	(5.2)	11.0	10.6
Fees & Commissions, yoy Chg	0.7	2.0	2.0	2.0
Pre-Provision Profit, yoy Chg	81.4	(16.8)	10.4	11.7
Net Profit, yoy Chg	16.2	4.6	6.2	8.8
Customer Loans, yoy Chg	16.2	4.6	6.2	8.8
Customer Deposits, yoy Chg	12.0	9.6	9.5	9.6
Profitability				
Net Interest Margin	4.2	3.7	3.7	3.8
Cost/Income Ratio	52.8	59.2	58.5	57.6
Adjusted ROA	0.7	0.7	0.7	0.7
Reported ROE	10.2	9.7	9.7	9.8
Adjusted ROE	10.2	9.7	9.7	9.8
Valuation				
P/BV	0.5	0.5	0.4	0.4
P/NTA	0.5	0.5	0.4	0.4
Adjusted P/E	4.1	4.3	4.6	5.0
Dividend Yield	3.3	4.8	5.1	5.4