Strategy

Digital Banks: Beyond Growth, Different Paths To ROE

Highlights

- **SeaBank validates the ecosystem model; SUPA is the emerging challenger**. SeaBank has translated its Shopee integration into Rp53t in assets and a 23.6% annualised ROE. SUPA offers the strongest listed organic growth exposure, but its 22% CASA mix and 7% cost of funds must improve for rapid asset expansion to generate attractive returns.
- **ARTO offers unconfirmed asset-origination optionality.** Its sizeable customer and deposit franchise generate only 6% annualised ROE. Bloomberg reported a shareholder-level review involving ARTO and BFIN, although neither company has confirmed a transaction. Any upside depends on whether an eventual structure improves origination and ROE without excessive premiums or dilution.
- **BBYB combines operating recovery with speculative ownership optionality.** Its 58% LDR and 50% CAR provide room to grow, while Akulaku's approved gradual divestment and OJK's proposed removal of KBMI 1 could encourage ownership changes or consolidation. However, no control sale has been confirmed, and re-rating requires either a value-accretive transaction or sustainable loan growth without higher credit costs.

What's New

- **The next contest is control of both sides of the balance sheet.** Early digitalisation relied on app downloads, promotional deposits and partnership-led lending. As customer acquisition matures, competitive advantage increasingly comes from controlling both liabilities and assets: A high-frequency ecosystem that generates sticky deposits, proprietary data and repeatable loan demand. The 2Q26 data supports this shift. SeaBank (not listed) and Superbank (SUPA) expanded loans by 53% and 60% yoy, while Bank Jago (ARTO) delivered balanced loan and deposit growth of 24% and 23%. Bank Neo Commerce (BBYB), despite a large digital user base, recorded 12% loan and 8% deposit contractions.
- **SeaBank provides the proof of concept; SUPA is the emerging challenger.** SeaBank's common ownership and deep integration with Shopee connects commerce, payments, deposits and credit within a relatively closed loop. This has made SeaBank Indonesia's largest digital bank, with loans of Rp39.8t, assets of Rp53t, up from Rp11t in 2021, and an annualised ROE of 23.6% in 1H26, demonstrating that ecosystem banking can deliver both scale and attractive returns. SUPA is following a similar path through Grab, OVO and Emtek's ecosystem: Around 7m users supported 60% loan growth, 89% deposit growth and 130% pre-provision operating profit (PPOP) growth. Management targets a mid-teens ROE in 2027 and Rp100t in assets within five to seven years (1H26: Rp27t), requiring a broader lending franchise beyond its existing ecosystem and consumer-focused segments. Nevertheless, funding remains SUPA's main constraint: CASA represented only 22% of deposits and its estimated cost of funds was around 7%, the highest among peers.
- **ARTO has built liabilities; the strategic question is how to originate better assets.** ARTO served 20.1m customers and gathered Rp27.6t in deposits in 1H26, including a 53% CASA mix, while 3.6m users were connected to Bibit and Stockbit. Yet, lending still relies heavily on platforms and financing partners, and its annualised ROE remained around 6%. Bloomberg reported that Jerry Ng and other investors are reviewing options involving ARTO and BFIN, including a potential merger; neither company has confirmed such a transaction. Strategically, BFIN's secured-financing products, physical distribution, salesforce and collection capabilities could

Analyst(s)

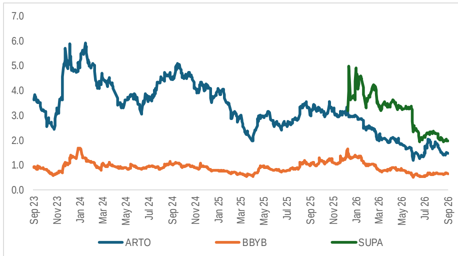
Posmarito Pakpahan
posmarito@kh.co.id
+6221 2993 3990

Company List

Ticker	Rec	Share Price (Rp)	Target Price (Rp)
SUPA	NR	520	n.a.
ARTO	NR	1,020	n.a.
BBYB	HOLD	264	520

Source: Bloomberg

Forward P/B Trends



Source: Bloomberg. UOB Kay Hian

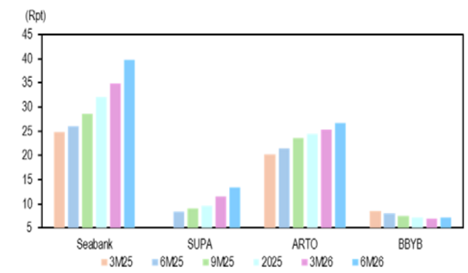
help ARTO monetise its customers and deposits more effectively. A partnership, share swap, holding-company structure or new strategic investor could potentially deliver similar benefits. Any re-rating would depend on whether an eventual transaction broadens loan origination and creates a credible path towards sustainable double-digit ROE without excessive premiums or dilution.

- **BBYB: Rebuilding its origination engine.** BBYB has substantial capacity to resume growth, with LDR of 58% and CAR of around 50%, but the key challenge is converting excess liquidity and capital into risk-adjusted lending. Management's Rp8t year-end loan target implies around 13% growth in 2H26, driven by fintech channelling and multifinance as it gradually recalibrates overly restrictive credit scoring. This is a sensible shift away from Akulaku, where a 64% effective yield is offset by a high 31% credit cost, but the scalability and asset quality of the new channels remain untested. Meanwhile, lower funding costs, QRIS growth and expanding wealth management and bancassurance products are creating a broader earnings base. The planned BNPL launch adds strategic optionality, but our investment view depends on whether BBYB can restore loan and PPOP growth without pushing its already-high cost of credit above management's 16% guidance.

Valuation/Recommendation

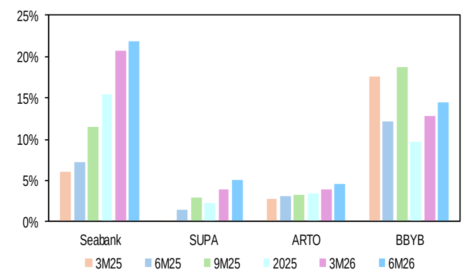
- **Three distinct investment plays.** We remain selective: SUPA offers organic ROE-inflection potential, ARTO carries unconfirmed asset-origination optionality involving BFIN, and BBYB provides higher-risk ownership and consolidation optionality. Neither ARTO nor BBYB has announced a transaction.
- **SUPA's premium requires visible ROE delivery.** At 43.2x 2026F PE and 2.1x P/B against 4.6% ROE, its valuation already anticipates strong growth. Further re-rating requires higher CASA, lower funding costs and credible progress towards management's mid-teens ROE target.
- **ARTO's valuation requires better asset monetisation.** Its 32.8x 2026F PE and 1.5x P/B remain demanding relative to 4.8% ROE. Reported strategic options involving BFIN could strengthen secured lending and physical distribution, but remain unconfirmed. Re-rating requires either a value-accretive transaction or stronger organic origination.
- **BBYB is inexpensive but remains high risk.** Its 5.9x 2026F PE and 0.7x P/B reflect loan contraction, elevated credit costs and ownership uncertainty. Speculation is supported by Akulaku's approval to gradually reduce its stake to a maximum of 30%, Gozco Capital's increased ownership to 10.53% and OJK's proposed removal of KBMI 1, although no control sale or buyer has been confirmed. Re-rating requires either sustainable operating recovery or a value-accretive transaction without material dilution.
- **Key risks:** a) adverse economic conditions, b) execution risk, c) regulatory changes, and d) corporate-action optionality failing to materialise or benefit minorities. The reported ARTO-BFIN review and potential BBYB ownership changes remain unconfirmed, while expensive acquisitions, unfavourable share swaps or dilutive rights issues could limit value creation.

Loan Outstanding As Of Jun 26



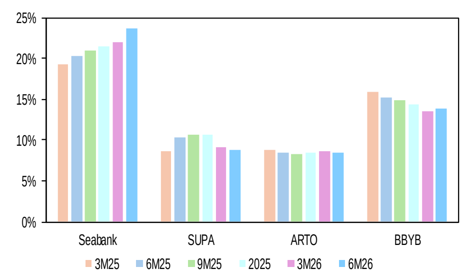
Source: Respective companies, UOB Kay Hian

ROE Trends



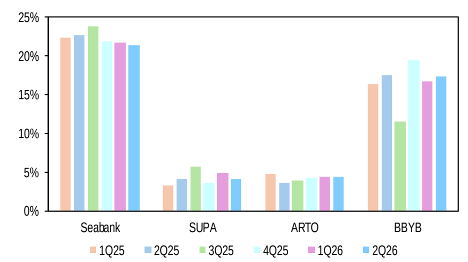
Source: Respective companies, UOB Kay Hian

NIM Trends



Source: Respective companies, UOB Kay Hian

Credit Cost Trends



Source: Respective companies, UOB Kay Hian

Valuation Comparison

Ticker	Company Name	Price 7 Sep 26 (Rp)	Market Cap (Rpb)	PE 2026F (x)	PE 2027F (x)	P/B 2026F (x)	P/B 2027F (x)	Div Yield 2026F (%)	Div Yield 2027F (%)	ROE 2026F (%)
SUPA	Super Bank Indonesia	520	17,626	43.2	25.0	2.1	1.9	n.a.	n.a.	4.6
ARTO	Bank Jago	1,020	14,139	32.8	18.8	1.5	1.4	n.a.	0.7	4.8
BBYB	Bank Neo Commerce	264	3,525	5.9	4.0	0.7	0.6	n.a.	n.a.	13.1

Source: Bloomberg. UOB Kay Hian

Selective Digital Banks' 1H26 Results

	Seabank Indonesia				SUPA			
Profit & Loss (Rpb)	2Q25	2Q26	qoq (%)	yoy (%)	2Q25	2Q26	qoq (%)	yoy (%)
Interest income	2,240	3,239	6.9	44.6	538	775	7.0	44.0
Interest expense	-311	-413	9.0	32.7	-136	-267	20.9	97.1
Net Interest Income	1,929	2,826	6.6	46.5	402	508	0.8	26.2
Other Opr Income	147	296	13.6	101.8	-11	31	16.5	-387.3
Other Opr Expenses	-487	-652	4.4	33.9	-281	-284	-6.6	1.1
PPoP	1,589	2,470	7.9	55.5	111	254	12.6	129.5
Provision Expenses	-1,439	-1,991	10.2	38.3	-81	-120	-4.1	49.3
Pre-tax Income	150	479	-0.5	219.1	30	134	33.5	343.4
Tax Exp	-33	-105	-0.7	218.6	-10	-30	33.5	196.9
Income After Tax	117	374	-0.5	219.2	20	104	33.5	415.5
Balance Sheet (Rpb)	2Q25	2Q26	qoq (%)	yoy (%)	2Q25	2Q26	qoq (%)	yoy (%)
Loan	25,999	39,807	14.4	53.1	8,384	13,436	17.6	60.3
Impairment	-3,348	-5,366	10.9	60.3	-497	-454	5.2	-8.6
Deposit	28,323	41,803	6.9	47.6	8,425	15,932	10.3	89.1
Current Account	7,022	11,486	8.4	63.6	174	466	-9.5	168.3
Saving	12,402	17,618	7.2	42.1	1,616	3,012	19.3	86.4
Time Deposit	8,898	12,699	5.1	42.7	6,636	12,454	9.2	87.7
CASA	19,424	29,103	7.7	49.8	1,789	3,477	14.4	94.3
Ratios (%)	2Q25	2Q26	qoq (ppt)	yoy (ppt)	2Q25	2Q26	qoq (ppt)	yoy (ppt)
LDR	91.8%	95.2%	6.3	3.4	99.5%	84.3%	5.2	-15.2
CASA	68.6%	69.6%	0.5	1.0	21.2%	21.8%	0.8	0.6
Loan/CASA	133.8%	136.8%	8.1	2.9	468.6%	386.4%	10.3	-82.2

	ARTO				BBYB			
Profit & Loss (Rpb)	2Q25	2Q26	qoq (%)	yoy (%)	2Q25	2Q26	qoq (%)	yoy (%)
Interest income	804	1,042	5.6	29.5	789	739	0.1	-6.3
Interest expense	-230	-279	7.4	21.4	-197	-177	-7.3	-10.0
Net Interest Income	575	763	4.9	32.7	592	563	2.6	-5.0
Other Opr Income	105	150	10.5	42.5	97	108	11.3	11.2
Other Opr Expenses	-409	-501	4.7	22.4	-213	-203	-4.2	-4.3
PPoP	271	412	7.2	52.2	477	467	7.9	-2.1
Provision Expenses	-185	-280	2.2	51.5	-363	-305	3.2	-15.9
Pre-tax Income	86	132	20.4	54.5	115	157	15.1	36.2
Tax Exp	-19	-29	20.3	53.9	1	1	45.9	1.9
Income After Tax	67	103	20.4	54.6	116	158	15.2	36.0
Balance Sheet (Rpb)	2Q25	2Q26	qoq (%)	yoy (%)	2Q25	2Q26	qoq (%)	yoy (%)
Loan	21,434	26,625	5.7	24.2	8,087	7,133	1.5	-11.8
Impairment	-409	-696	7.9	70.1	-556	-483	-2.9	-13.2
Deposit	22,195	27,186	4.1	22.5	13,334	12,294	-8.4	-7.8
Current Account	5,307	4,990	-1.6	-6.0	687	568	0.2	-17.3
Saving	6,137	9,581	8.6	56.1	3,324	3,394	-3.2	2.1
Time Deposit	10,752	12,615	3.2	17.3	9,323	8,332	-10.9	-10.6
CASA	11,444	14,570	4.9	27.3	4,011	3,962	-2.7	-1.2
Ratios (%)	2Q25	2Q26	qoq (ppt)	yoy (ppt)	2Q25	2Q26	qoq (ppt)	yoy (ppt)
LDR	96.6%	97.9%	1.5	1.4	60.6%	58.0%	5.6	-2.6
CASA	51.6%	53.6%	0.4	2.0	30.1%	32.2%	1.9	2.1
Loan/CASA	187.3%	182.7%	1.4	-4.6	201.6%	180.1%	7.4	-21.6

Source: Respective companies. UOB Kay Hian