

KB Bukopin (BBKP IJ)

Operating Recovery Gains Traction; Legacy NPLs Remain A Hurdle

Highlights

- **Earnings recovery supported by lower funding costs.** NII rose 54.4% yoy, supported by a 100bp reduction in CoF, although profitability remains modest.
- **Legacy NPL resolution remains the key challenge.** LaR improved to 21.9%, but gross NPL remained elevated at 10.0%, with further clean-up potentially affecting earnings and capital.
- **Valuation rerating hinges on sustainable profitability.** Trading at 0.91x P/B, BBKP needs stronger capital generation and further asset-quality improvement to justify a higher valuation.

Analysis

- **Earnings recovery gains traction, supported by lower funding costs.** KB Bank (BBKP) booked a bank-only net profit of Rp6b in 1H26, following a net profit of Rp13b in full-year 2025, marking a significant turnaround from historical losses. Net interest income (NII) rose 54.4% yoy to Rp695b, while pre-provision operating profit (PPOP) improved 43.5% yoy. Net interest margin (NIM) expanded 70bp yoy to 2.0%, largely supported by a 100bp reduction in cost of funds (CoF) to 4.3% while loan yield was relatively stable at 8.2% in 1H26. Deposits grew 12.4% yoy, with CASA increasing 15.2% yoy, lifting the CASA ratio to 32.3%. While operating performance is improving, earnings remain modest, limiting the bank's capacity to absorb additional credit costs.
- **Asset quality improves, but legacy loans remain a significant overhang.** BBKP's loan-at-risk (LaR) ratio declined to 21.9% in Jun 26 from 24.4% in Jun 25, while normal loans (good loans) grew 8.1% yoy, accounting for nearly 80% of total loans (2021: 35%). However, gross NPL remained elevated at 10.0%, suggesting that legacy asset-quality issues have yet to be fully resolved. Management acknowledged that much of the historical LaR reduction was achieved through write-offs and asset swaps. BBKP continues to resolve legacy loans through organic collections, targeting Rp3t annually following Rp2.8t in 2025 and Rp1.4t in 1H26. Management is prioritising this approach to preserve capital, while discussing the possibility of a larger NPL clean-up in 2027, although no firm plan has been announced.

Key Financials

Year to 31 Dec (Rpb)	2021	2022	2023	2024	2025
Net interest income	830	1,050	809	1,120	1,192
Non-interest income	245	350	617	313	296
Pre-provision opr profit	(2,039)	(1,136)	(1,192)	(1,429)	(666)
Net profit (adj.)	(2,282)	(5,027)	(6,034)	(6,329)	66
EPS (Rp)	(-12.1)	(26.8)	(32.1)	(33.7)	0.4
PE (x)	n.m	n.m.	n.m.	n.m.	116.9
P/B (x)	0.58	0.69	0.55	0.96	0.96
ROE (%)	(21.1)	(41.2)	(47.6)	(57.2)	0.8

Source: BBKP, Bloomberg, UOB Kay Hian

Analyst(s)

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NOT RATED

Share Price	Rp41
Target Price	n.a.
Upside	n.a.

Stock Data

Sector	Banking
Bloomberg ticker	BBKP IJ
Shares issued (m)	187,887.5
Market cap (Rpb)	7,703.4
Market cap (US\$m)	430.4
3-mth avg daily t'over (US\$m)	0.2

Price Performance (%)

52-week high/low				
1mth	3mth	6mth	1yr	YTD
(21.2)	(19.6)	(35.9)	(43.1)	(46.8)

Major Shareholders (%)

KB Kookmin Bank	66.88
STIC Eugene Star Holding	16.98

Balance Sheet Metrics

FY26 NAV/Share	n.a.
FY26 Net Debt/Share	n.a.

Price Chart

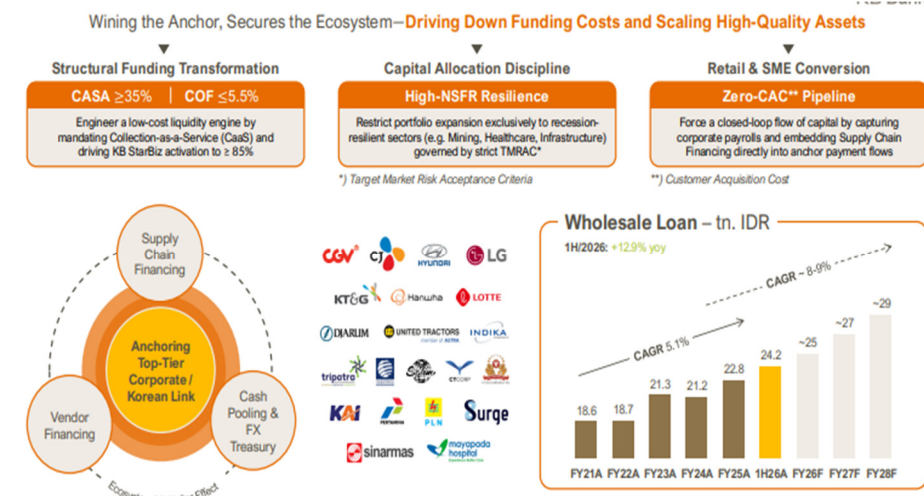


Source: Bloomberg

Company Description

Bank KB Bukopin has one head office, 29 main branches, and 142 sub-branches in Indonesia.

Anchoring The Ecosystem: Risk-Adjusted Growth And Liquidity

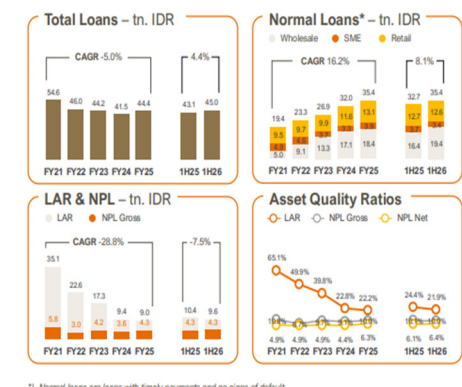


- Wholesale banking becomes the primary growth engine, with greater emphasis on funding generation.** Wholesale loans increased 12.9% yoy to Rp24.2t in 1H26, while retail loans declined 1.0% yoy as the bank continued rebalancing its portfolio. BBKP is shifting towards an ecosystem-based strategy, leveraging relationships with top-tier corporates and Korean-linked businesses to capture transaction banking, cash management and fee income opportunities. Management targets a CASA ratio above 35%, supported by deeper corporate relationships and a greater focus on retail funding and wealth management. The strategy could strengthen BBKP's funding franchise, although its success will depend on the bank's ability to translate loan relationships into sustainable low-cost deposits and recurring fee income.
- The next phase of the turnaround hinges on legacy asset resolution and capital preservation.** BBKP's CAR declined to 15.8% in 1H26 from 16.7% in 1H25, while management targets ROA to improve from 0.3% in 2026 to 1.1% in 2028. Although improving NIM and operating efficiency support the earnings recovery, the bank's limited profitability and elevated NPL leave its capital position sensitive to further credit clean-up costs. The key question is whether BBKP can resolve its remaining legacy exposures through internal earnings and recoveries. Greater visibility on the potential NPL clean-up and its implications for earnings and capital will be important in assessing the sustainability of BBKP's turnaround.
- Potential cooperative acquisition remains speculative, no formal discussions confirmed.** On 5 October, Minister of Cooperatives Ferry Juliantono raised the possibility of cooperatives reacquiring BBKP. However, management confirmed that no discussions had taken place, while OJK had not been informed of any proposed transaction. KB Kookmin Bank, which remains the controlling shareholder with approximately 66.88% ownership, has provided substantial support for BBKP's restructuring over recent years. At this stage, any potential ownership change remains speculative.

Valuation

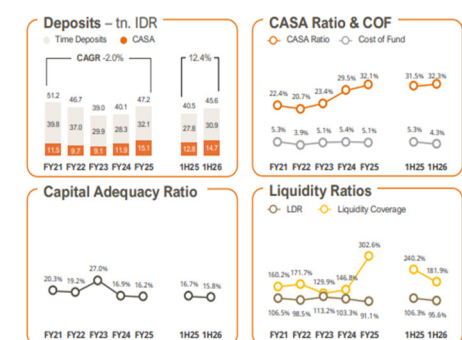
- BBKP is currently trading at 0.91x 1H26 P/B. Current profitability remains marginal, while management's aspiration to achieve 1.1% ROA by 2028 implies a substantial improvement in earnings generation. The sustainability of earnings recovery, progress in resolving legacy NPLs and potential capital requirements will be important factors in assessing the bank's valuation going forward.

Loans And Asset Quality



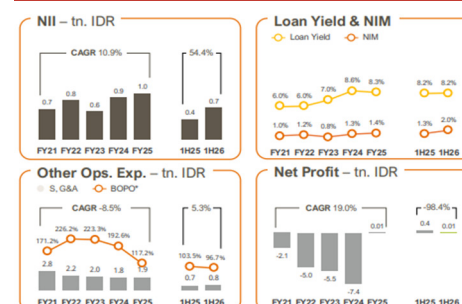
Source: BBKP

Liquidity And Capital



Source: BBKP

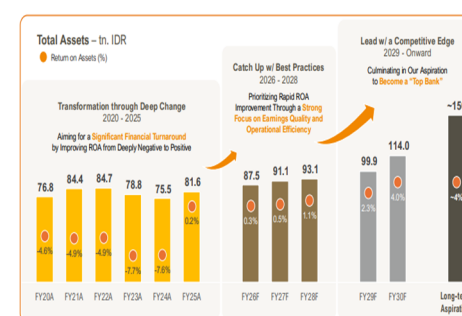
Profitability And Yield Trend



* Operating Expense to Operating Income Ratio

Source: BBKP

A Long-term Aspiration



Source: BBKP

Profit & loss

Year to 31 Dec (Rpb)	2022	2023	2024	2025
Net interest income	1,050	809	1,120	1,192
Fees & commissions	323	334	211	229
Other income	27	283	103	67
Non-interest income	350	617	313	296
Total income	1,400	1,426	1,433	1,488
Staff costs	-734	-810	-800	-790
Other operating expense	-1,773	-1,808	-2,062	-1,363
Pre-provision profit	-1,108	-1,192	-1,429	-666
Loan loss provision	-3,921	-5,467	-3,372	-429
Other provisions	0	0	0	0
Other non-operating income	-117	-128	-116	1,238
Pre-tax profit	-5,146	-6,787	-4,917	143
Tax	-113	-732	1,424	17
Minorities	-5	-22	1	1
Net profit	-5,027	-6,034	-6,329	66
Net profit (adj.)	-5,027	-6,034	-6,329	66

Operating Ratios

Year to 31 Dec (%)	2022	2023	2024	2025
Capital Adequacy				
Tier-1 CAR	11.5	19.3	11.4	14.8
Total assets/equity (x)	8.0	6.0	10.4	11.2
Tangible assets/ Tangible equity (x)	12.3	16.4	9.3	8.1
Asset Quality				
NPL ratio	6.6	9.1	8.7	9.7
Loan loss reserve/gross loans	3.2	7.2	6.3	5.6
Liquidity				
Loan/deposit ratio	98.5	113.2	103.3	146.0

Balance Sheet

Year to 31 Dec (Rpb)	2022	2023	2024	2025
Cash with central bank	4,665	3,495	3,042	4,421
Govt securities	12,010	12,213	14,300	11,479
Interbank loans	12,925	5,048	3,195	6,128
Customer loans	50,583	49,419	14,749	49,875
Investment securities	0	17,536	21,767	19,719
Derivative receivables	0	0	0	0
Fixed assets (incl. prop.)	3,396	3,234	12	3,623
Total assets	89,995	84,307	83,075	89,795
Interbank deposits	0	0	0	0
Customer deposits	51,962	44,789	46,593	54,639
Derivative payables	0	0	0	0
Debt equivalents	24,974	23,208	26,332	25,259
Other liabilities	1,842	2,200	2,188	1,856
Total liabilities	78,779	70,197	75,114	81,755
Shareholders' funds	11,221	14,136	7,962	8,065
Minority interest - accumulated	-5	-26	-0.21	-25
Total equity & liabilities	89,995	84,307	83,075	89,795

Key Metric

Year to 31 Dec (%)	2022	2023	2024	2025
Growth				
Net interest income, yoy chg	26.5%	-22.9%	38.4%	6.5%
Fees & commissions, yoy chg	-23.0%	3.2%	-36.9%	8.6%
Pre-provision profit, yoy chg	n.m	n.m	n.m	n.m
Net profit, yoy chg	n.m	n.m	n.m	n.m
Customer loans, yoy chg *	-13.6%	-2.3%	-3.8%	4.9%
Customer deposits, yoy chg	-6.9%	-13.8%	4.0%	17.3%
Profitability (%)				
Net interest margin	1.2	1.0	1.3	1.4
Adjusted ROA	(5.6)	(6.9)	(7.6)	0.1
Reported ROE	(41.2)	(47.6)	(57.2)	0.8
Valuation				
P/BV (x)	0.69	0.55	0.96	0.96
Adjusted P/E (x)	n.m.	n.m.	n.m.	116.9

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