

Below than expected 1H24 result

1 August 2024



BBTN IJ	BUY
Sector	Banks
Price at 31 July 2024 (IDR)	1,315
Price target (IDR)	1,770
Upside/Downside (%)	34.6

Stock Information

PT Bank Tabungan Negara (Persero) Tbk is a state-owned enterprise bank providing banking services (consumer banking, commercial and sharia banking). It has a strong business presence in subsidized mortgage. The bank has the continuing support from government in channeling housing subsidy which make market share stand out among its competitor.

Market cap (IDR bn)	18,445
Shares outstanding (mn)	14,034
52-week range (IDR)	1,175 - 1,610
3M average daily vol. ('000)	24,534
3M average daily val. (IDR mn)	31,552

Shareholders (%)

Republic of Indonesia	55.0
Public	45.0

Stock Performance



Source: Bloomberg

	1M	3M	12M
Performance (%)	5.1	1.5	3.1

BBTN 1H24 net profit growth was flattish at 1.9% yoy and came in below ours and street expectation. The loan growth trajectory remains solid at 14.8% yoy, with stronger TPF growth vs. last quarter, albeit mainly driven by high funding costs. As expected, pressures in NIM remain. Yet, cost of credit continues to surpass '24F guidance while gross NPL is only more than 10bps to beat BBTN's '24F target. We believe provision will stay low. Our main focus is the BBTN cost of funds. Others being equal, our simple CoF sensitivity analysis revealed that every 25 bps CoF increase will drag down net profit growth by 188 bps and GGM TP by 282 bps. While waiting for the Jul24 bank only result, we maintain our buy recommendation for BBTN with a DDM TP of IDR1,770 (0.6x '24F P/B), while it currently trades at 0.4x 24F P/B, or slightly above its -2SD hist mean of 0.3x.

1H24 net profit below ours and consensus expectation

BBTN net interest income dropped 7% yoy caused by continuing transmission benchmark interest rate. Top line growth was softer to 10.7% yoy vs. 14.9% yoy in last quarters largely driven by one-off reversal accrued interest from one of the commercial loans amounting to IDR 250bn. Other operating income grew strong at 16.9% yoy, mainly driven by recovery income spikes to IDR368bn (99.2% yoy) and far above last quarter growth of 6.9% yoy. Other expenses (provisions exc.) mounted 17.8% yoy (1Q24: 8.7% yoy) bringing PPOP tanked 24.4% yoy to IDR2.9tn. Bottom line grew 1.9% yoy to IDR 1.5tn. In overall 1H24 net profit came in below ours and street forecast '24F numbers for BBTN.

Loan growth trajectory remains intact.

Robust loan growth continues; it grew 14.4% yoy ('24F guidance: 10%-11% yoy, KBVS '24F: 10% yoy) to IDR 352,06bn. Non-subsidized segment loan growth continues strong at 12% yoy and much better compared to last quarter growth of 11.2% yoy, bringing total housing loan 30bps higher to 11.0% yoy. On non-housing loans it grew by 38.3% YoY, driven by solid growth in commercial and corporate loans of 49.0% YoY and 41.1% YoY, respectively. We expect non-housing loans and non-subsidized mortgages to continue bringing more support to overall total loan growth in our view.

Stronger TPF growth; expect better deposit mix

Total third-party deposits grew 16.64% yoy to IDR 16.6% yoy (1H24 guidance: 8%-9% yoy), primarily due to 23.2% yoy of TD growth. Demand deposit growth still arrives at double-digit growth of 14.63% yoy, albeit flat compared to last quarter. CASA reported much better growth compared to the previous period, to 11.2% yoy from 7.1% yoy in 1Q24, equal to around 51.8% of total customer deposits (1H24) from 49.9% in 1Q24. We expect BBTN to continue to strengthen its customer deposit mix.

As expected, pressure on NIM remains; risk metrics continue beating the '24F target.

NIM continued under pressure and as expected recorded lower year on year (to 3.0% vs. 3.6% in 1H23). On key risk metrics, all figures were improving. Gross NPL noted 53 bps better to 3.1% in 1H24 and NPL coverage booked at healthy level of 139.1%. Cost of credit also performing very well and remains below 1%, or drops 72 bps to 0.6% compared to 1.3% in the same period last year. LAR at 21.2% was arrives far above 1H23 figure of 23.1%. 1H24 Gross NPL were closer to '24F management guidance of <3% (1H24: 3.1%), while cost of credit continued beating BBTN range expectation of 1.1%-1.2% (1H24: 0.6%).

'24F guidance looks achievable; our eyes on BBTN's cost of fund

Management kept its '24F guidance for loan and customer deposit growth (10%-11% and 8%-9% yoy). We believe provisions will remain at a low level in the remaining quarters. With robust loan growth in 1H24, we expect to witness a stronger top line, even assuming no loan repricing in 2H24. We believe loan growth and TPF, as well as key risk metrics '24F guidance, are achievable. Likewise for provision which should continue to remain at a low level as 1H24 risk metrics consistently surpass '24F expectations. Our main focus is on cost of funds. The reason behind this are continuing challenging macro environments and stiffer competition among banks in the high-interest environment that remain intact. On this backdrop we might see the bank record another stronger growth in high funding costs, which could significantly impact net profit growth.

Maintain BUY, TP of IDR1,770

Our GGM approach for BBTN's fair value pegged at '24F P/B of 0.6x while currently it is trading at 0.4x'24F P/B, or slightly above its -2SD of the historical mean of 0.3x. Risks to our call are: a) lower-than-expected subsidized, non-subsidized, and total loan growth, NIM, and loan yield; b) mounting cost of funds and cost of credit. c) higher inflation; d) deteriorating asset quality; e) continuing pressures on rupiah; and e) prolonged higher-for-longer.

Exhibit 1: Key Statistics

Year end Dec (IDR bn)	2022A	2023A	2024F	2025F	2026F
Net interest income	14,997	13,430	14,600	16,278	18,255
Non interest income	2,210	3,891	4,306	4,447	4,561
Total operating income	17,207	17,321	18,906	20,726	22,816
Pre provisions operating profit	7,833	8,304	9,330	10,726	12,153
Net income	3,045	3,501	3,846	4,499	5,142
EPS (IDR)	277	319	350	410	468
EPS growth (%)	28.1	15.0	9.9	17.0	14.3
PER (x)	4.7	4.1	3.7	3.2	2.8
PBV (x)	0.6	0.5	0.4	0.4	0.3
Div. Yield (%)	1.7	4.2	4.9	5.3	6.3
RoE (%)	12.9	12.4	12.0	12.7	13.0

Source: Company, KBVS Research

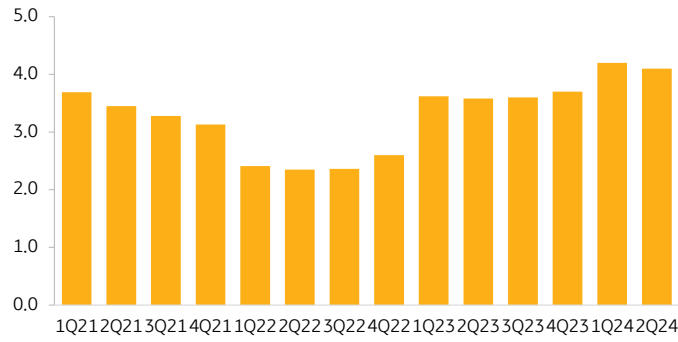
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Exhibit 2: BBTN 1H24 result and key performance metrics results

Income statements (IDRbn)	6M23	6M24	YoY (%)	2Q23	2Q24	YoY (%)	1Q24	QoQ (%)	KBVS '24F	% to '24F	Cons. '24F	% to Cons.
Interest Income	13,522	14,975	10.7	6,846	7,303	6.7	7,672	(4.8)				
Interest Expenses	(7,044)	(8,949)	27.0	(3,489)	(4,504)	29.1	(4,445)	1.3				
Net interest income	6,478	6,026	(7.0)	3,357	2,799	(16.6)	3,227	(13.3)				
Non-interest income	1,718	2,009	16.9	843	1,004	19.1	1,005	(0.1)				
Total operating income	8,196	8,035	(2.0)	4,200	3,803	(9.5)	4,232	(10.1)				
Operating expenses	(4,357)	(5,131)	17.8	(2,130)	(2,710)	27.2	(2,421)	11.9				
Pre-provision operating profit	3,839	2,904	(24.4)	2,070	1,093	(47.2)	1,811	(39.6)				
Provision expenses	(1,948)	(976)	(49.9)	(1,197)	(319)	(73.4)	(657)	(51.4)				
Net profit	1,474	1,502	1.9	673	642	(4.6)	860	(25.3)	3,846	39.0%	3,851	39.0%
Balance Sheets (IDRbn)												
Loans	307,669	352,066	14.4	307,669	352,066	14.4	344,244	2.3				
Current accounts	128,677	147,504	14.6	128,677	147,504	14.6	135,765	8.6				
Saving deposits	41,541	41,713	0.4	41,541	41,713	0.4	42,842	(2.6)				
Time deposits	143,038	176,165	23.2	143,038	176,165	23.2	179,134	(1.7)				
CASA	170,218	189,217	11.2	170,218	189,217	11.2	178,607	5.9				
Total TPF	313,256	365,382	16.6	313,256	365,382	16.6	357,741	2.1				
Total equity	28,395	31,033	9.3	28,395	31,033	9.3	30,568	1.5				
Key Ratio (%)												
NIM	3.6	3	(0.6)	3.6	3	(0.6)	3.3	(0.3)				
CIR	47.8	58.8	11.0	47.8	58.8	11.0	54.6	4.2				
ROE	12	11.1	(0.9)	12	11.1	(0.9)	12.7	(1.6)				
ROA	0.9	0.8	(0.1)	0.9	0.8	(0.1)	1.0	(0.2)				
NPL gross	3.7	3.1	(0.6)	3.7	3.1	(0.6)	3.0	0.1				
LAR	23.1	21.2	(1.9)	23.1	21.2	(1.9)	21.6	(0.4)				
NPL coverage	139.1	135.7	(3.4)	139.1	135.7	(3.4)	152.8	(17.1)				
CoC	1.3	0.6	(0.7)	1.3	0.6	(0.7)	0.8	(0.2)				
LDR	98.2	96.4	(1.8)	98.2	96.4	(1.8)	96.2	0.2				
CASA	54.3	51.8	(2.5)	54.3	51.8	(2.5)	49.9	1.9				
Cost of Fund	3.6	4.1	0.5	3.6	4.1	0.5	4.2	(0.1)				

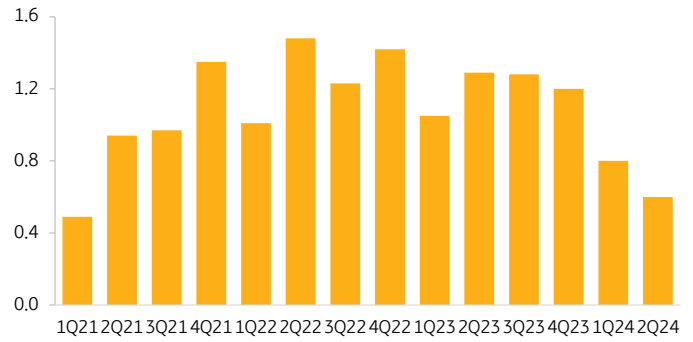
Source : Company, KBVS Research

Exhibit 3: Softened CoF to play crucial role (%)



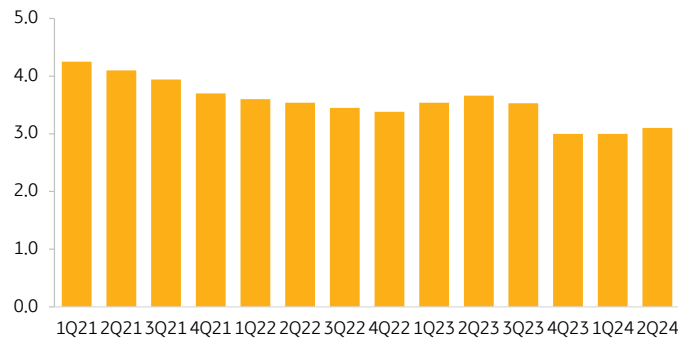
Source: Company, KBVS Research

Exhibit 4: Improving CoC likely to remain in place (%)



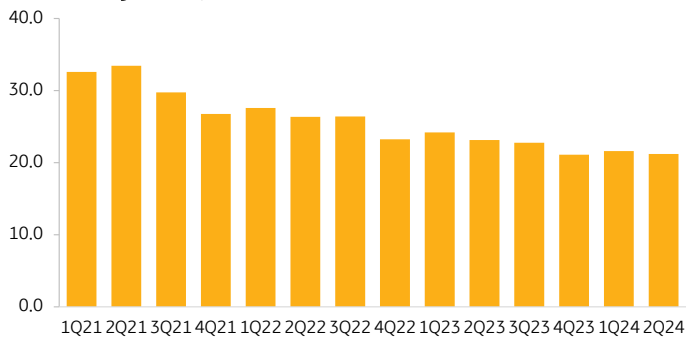
Source: Company, KBVS Research

Exhibit 5: Healthier NPL sounds to continue (%)



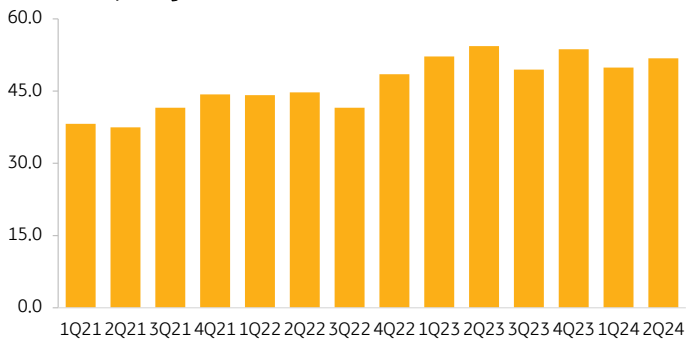
Source: Company, KBVS Research

Exhibit 6: Steady LAR improvement (%)



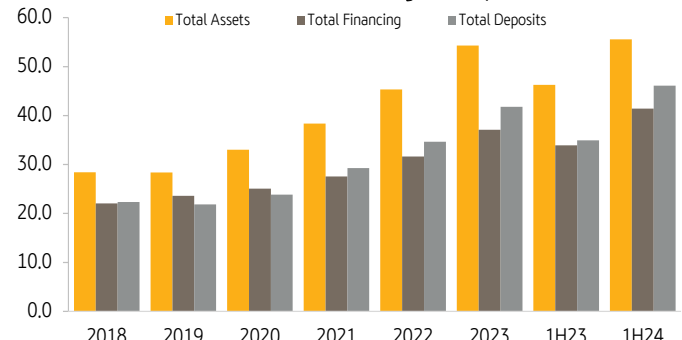
Source: Company, KBVS Research

Exhibit 7: Expecting CASA to remain solid (%)



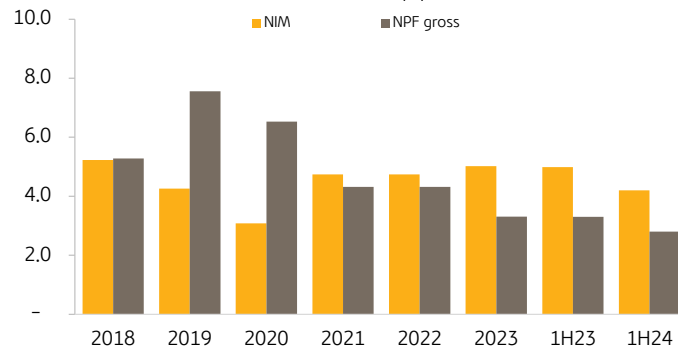
Source: Company, KBVS Research

Exhibit 8: Sharia business units Assets, Financing and Deposits (IDR tn)



Source: Company, KBVS Research

Exhibit 9: Sharia business unit NIM and NPF (%)



Source: Company, KBVS Research

Exhibit 10: Currently trades at 0.4x '24F P/B slightly above its -2SD of 0.3x



Source: Company, Bloomberg, KBVS Research

FINANCIAL TABLES
Exhibit 11: Profit & Loss

Year End Dec (IDR bn)	2022A	2023A	2024F	2025F	2026F
Interest income	25,907	28,281	30,308	32,702	35,629
Interest expense	(10,910)	(14,851)	(15,708)	(16,424)	(17,374)
Net interest income	14,997	13,430	14,600	16,278	18,255
Non-interest income	2,210	3,891	4,306	4,447	4,561
Operating expenses	(9,374)	(9,017)	(9,576)	(10,000)	(10,663)
Pre-provision operating profit	7,833	8,304	9,330	10,726	12,153
Loan loss provision	(4,018)	(3,764)	(4,042)	(4,568)	(5,137)
Pretax profit	3,876	4,380	5,129	5,999	6,856
Tax expenses	(831)	(879)	(1,282)	(1,500)	(1,714)
Net profit	3,045	3,501	3,846	4,499	5,142

Exhibit 12: Balance sheet

Year End Dec (IDR bn)	2022A	2023A	2024F	2025F	2026F
Assets					
Cash	1,662	2,127	2,853	3,263	3,727
Current Account BI	25,417	18,146	19,391	20,153	21,192
Interbank	14,446	32,763	33,192	33,449	31,097
Gov Bond	1,721	5,283	1,899	2,076	2,303
Marketable Securities	51,965	35,894	41,824	49,033	41,924
Loan	282,607	318,106	347,745	384,220	450,318
Fixed assets	6,354	8,118	7,688	8,310	8,902
Other assets	17,977	18,313	18,496	19,421	20,392
Total Asset	402,148	438,750	473,088	519,925	579,855
Liabilities					
Interbank Deposit	175	115	91	91	91
Deposit from customer	321,923	349,584	380,219	415,536	460,698
Debts Sec and Subordinates	42,631	51,147	50,542	57,448	65,642
Other Liabilities	11,509	7,425	8,588	9,447	11,442
Total liabilities	376,239	408,271	439,441	482,523	537,873
Equity					
Capital Stock	5,295	7,017	7,017	7,017	7,017
Additional Paid-in Capital	2,054	4,419	4,419	4,419	4,419
Retained Earnings	13,947	16,839	19,985	23,715	27,957
Other Equity	4,613	2,204	2,226	2,251	2,588
Total Equity	25,909	30,479	33,647	37,402	41,982

Exhibit 13: Key performance metrics

Year End Dec (IDR bn)	2022A	2023A	2024F	2025F	2026F
NIM (%)	4.0	3.3	3.3	3.4	3.5
LDR (%)	92.7	95.5	96.1	97.2	97.7
CASA (%)	48.5	53.8	57.7	61.1	64.3
NPL (%)	3.4	3.0	2.9	2.8	2.7
ROE (%)	12.9	12.4	12.0	12.7	13.0
ROA (%)	0.8	0.8	0.8	0.9	0.9
CAR (%)	20.2	20.1	20.4	20.4	20.2
BVPS (IDR)	2,359	2,775	3,064	3,405	3,822
PER (x)	4.7	4.1	3.7	3.2	2.8
PBV (x)	0.6	0.5	0.4	0.4	0.3
Div. Yield (%)	1.7	4.2	4.9	5.3	6.3

Source: Company, KBVS Research

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