

Below than expected 9M24 result

2 December 2024



BBTN IJ	BUY
Sector	Banks
Price at 29 Nov 2024 (IDR)	1,285
Price target (IDR)	1,530
Upside/Downside (%)	19.1

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)	18,104
Shares outstanding (mn)	14,034
52-week range (IDR)	1,175 - 1,610
3M average daily vol. ('000)	29,829
3M average daily val. (IDR mn)	42,445

Shareholders (%)

Republic of Indonesia	55.0
Public	45.0

Stock Performance



Source: Bloomberg

	1M	3M	12M
Performance (%)	(9.2)	(7.8)	11.8

Analyst

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BBTN just released its (limited review) Jan–Sept24 results (28/11/24). 9M24 earnings were below expectations (58.9%/60.9% vs 66.1%), primarily due to elevated funding costs. Net profit declined 10% yoy, despite solid non-interest income growth of 21.1% yoy and a significant 53.9% yoy reduction in provisions. On the asset side, loan growth remained robust at 11.9% yoy, driven by both subsidized and non-subsidized mortgages. Non-housing loans, in particular, exhibited strong growth of 29.2% yoy. Total deposit increased by 14.5% yoy, supported by a 25.9% yoy increase in CA, boosting the CASA ratio to 51%. While net interest margin (NIM) remained under pressure, the upcoming low interest environment is expected to positively impact '25F NIM. Additionally, the bank's asset quality continued to strengthen, with the gross NPL declining to 3.2% and CoC improving to 0.5% and beating BBTN's '24F new guidance. Maintain BUY on BBTN with GGM TP of IDR1,530 (0.5x '25F P/B), while it currently trades at 0.4x 25F P/B, slightly above its -2SD hist mean of 0.3x.

Poor 9M24 on mounting funding cost; below

BBTN recorded poor 9M24 results mainly due to sturdy blended funding cost. The continuing challenging macroeconomic has significantly contributed to the overall weaker demand. This was confirmed by the latest study made by the bank, that BTN housing pricing index has been declining in the three consecutive quarters across all type of house. NHPI was stood at 6.1, downed from 8.7 in 9M23 and 9.5 in the beginning of the year. On more positive side, the bank booked better Non-II of 21.1% yoy, or 415basis point stronger vs previous quarter. We also like its steady softer provision cost (53.9% yoy vs 49.9% yoy) as a result of stable asset quality figure improvement. In all, BBTN's 9M24 earnings came in below ours and consensus expectation at a run rate of 58.9%/60.9% (vs 66.1%).

Steady robust loan growth trajectory

On positive sides, robust loan growth continues at 11.9% yoy to IDR 356,064bn and arrives at 90bps above upper '24F management guidance of 11% yoy and 239bps above our '25F loan growth for BBTN of 9.5% yoy. Non-subsidized segment loan growth continues strong at 11.7% yoy and much better compared to the beginning quarters of this year of 11.2% yoy, bringing total housing loan growth at 9.3% yoy. We also like BBTN's solid non-housing loans growth at 29.2% yoy to IDR 52,830bn underpinned by corporate and wholesale segment growth of 35.1% yoy and 32.0% yoy, respectively. We expect the execution of Government Housing Program next year will bring meaningful support to the stronger top line growth.

Stronger TPF growth; expect better deposit mix to continue

Total third-party deposits grew strong at 14.5% yoy to IDR 370,751bn, came in around 250bps higher than new '24F management range target of 11%-12% yoy, thanks to 25.9% yoy growth in curret account segment. We also like BBTN's time deposit softer growth by more than half to 11.1% yoy vs in the previous quarter growth of 23.2% yoy, bringing the CASA portion improves and grew much better to 17.9% yoy vs 11.2% previously, or around 150bps better to 51% of total TPF vs 49.5% in Sept23.

Pressure on NIM remains; risk metrics continue beating the new '24F target.

On key performance metrics, NIM continued under pressure and as expected recorded lower year on year (to 2.9% vs. 3.8% in 9M23). We expect the upcoming lower benchmark rate environment to bring significant impact to a softer borrowing cost and thus will help NIM to record a much higher figure. On the flip of coin, key risk metrics showed a continuing healthier numbers, with gross NPL stood at 3.2% vs 3.5% in 9M23. Credit cost was making another improvement by 76bps from 1.3% (9M23) to 0.5% and beating BBTN's '24F new guidance of up to 1.0% (much healthier than previous '24F guidance of 1.1-1.2%).

'24F guidance looks achievable

The bank kept its '24F loan growth guidance within the range of 10%-11% and increasing its TPF growth expectation to 11.0-12.0% yoy from 8.0%-9.0% yoy previously. On risk metrics, NPL for '24F in unchanged at <3.0%. Cost of credit is expected to record much healthier and hence the bank increasing the '24F expectation to up to 1.0% from up to 1.1%, previously.

Expecting softer borrowing cost

A key driver for Bank BTN's performance in 2025 will be a reduction in borrowing costs. To achieve this, the bank is strategically shifting its deposit mix, prioritizing middle-tier institutions with lower funding costs. This proactive approach has already yielded positive results, with the proportion of deposits from middle-tier institutions increasing significantly to 29.5% in 9M24, compared to 19.8% at the beginning of the year. Furthermore, Bank BTN's digital transformation is accelerating at a rapid pace. Mobile transaction value surged by an impressive 167.1% YoY to IDR 60.1 trillion, while mobile financial transactions reached a record high of 4.1 million, up 180.5% YoY. This robust growth underscores the bank's commitment to digital innovation and its potential to significantly enhance operational efficiency and customer experience.

Maintain BUY, TP of IDR1,530

Our GGM approach for BBTN's fair value pegged at '25F P/B of 0.5x while currently it is trading at 0.4x'25F 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	12,398	12,785	13,602
Non interest income	2,210	3,891	4,379	4,511	4,603
Operating income	17,207	17,321	16,776	17,296	18,206
Pre provisions operating profit	7,833	8,304	7,200	7,296	7,543
Net income	3,045	3,501	3,537	3,604	3,721
EPS (IDR)	277	319	322	328	339
EPS growth (%)	28.1	15.0	1.0	1.9	3.2
PER (x)	4.7	4.1	4.1	4.0	3.9
PBV (x)	0.6	0.5	0.4	0.4	0.4
Div. Yield (%)	1.6	4.2	4.8	4.9	5.0
RoE (%)	12.9	12.4	11.1	10.4	9.8

Source: Company, KBVS Research

Exhibit 2: BBTN 9M24 result and key performance metrics results

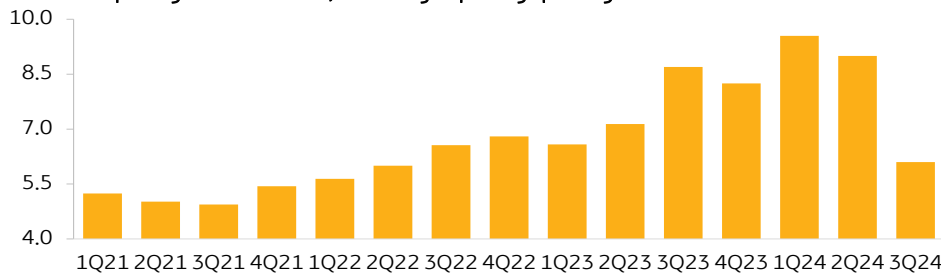
Income statements (IDRbn)	9M23	9M24	YoY (%)	3Q23	3Q24	YoY (%)	2Q24	QoQ (%)	KBVS '24F	% to '24F	Cons. '24F	% to Cons.
Interest Income	20,833	22,366	7.4	7,311	7,391	1.1	7,303	1.2				
Interest Expenses	(10,691)	(13,475)	26.0	(3,647)	(4,526)	24.1	(4,504)	0.5				
Net interest income	10,142	8,891	(12.3)	3,664	2,865	(21.8)	2,799	2.4				
Non-interest income	2,362	2,860	21.1	644	851	32.1	1,004	(15.2)				
Total operating income	12,504	11,751	(6.0)	4,308	3,716	(13.7)	3,803	(2.3)				
Operating expenses	(6,601)	(7,736)	17.2	(2,244)	(2,605)	16.1	(2,710)	(3.9)				
Pre-provision operating profit	5,903	4,015	(32.0)	2,064	1,112	(46.1)	1,093	1.7				
Provision expenses	(2,937)	(1,355)	(53.9)	(989)	(379)	(61.7)	(319)	18.8				
Net profit	2,313	2,082	(10.0)	839	581	(30.8)	642	(9.5)	3,537	58.9%	3,418	60.9%

Balance Sheets (IDRbn)	9M23	9M24	YoY (%)	3Q23	3Q24	YoY (%)	2Q24	QoQ (%)
Loans	318,300	356,064	11.9	318,300	356,064	11.9	352,066	1.1
Current accounts	118,061	148,645	25.9	118,061	148,645	25.9	147,504	0.8
Saving deposits	42,199	40,344	(4.4)	42,199	40,344	(4.4)	41,713	(3.3)
Time deposits	163,648	181,763	11.1	163,648	181,763	11.1	176,165	3.2
Total TPF	323,908	370,752	14.5	323,908	370,752	14.5	365,382	1.5
CASA	160,260	188,989	17.9	160,260	188,989	17.9	189,217	(0.1)
Total equity	29,054	32,008	10.2	29,054	32,008	10.2	31,033	3.1

Key Ratio (%)	9M23	9M24	YoY (%)	3Q23	3Q24	YoY (%)	2Q24	QoQ (%)
NIM	3.8	2.9	-0.9	3.8	2.9	-0.9	3.0	-0.1
CIR	46.6	60.2	13.6	46.6	60.2	13.6	58.8	1.4
ROE	12.4	10.1	-2.3	12.4	10.1	-2.3	11.1	-1.0
ROA	1.0	0.8	-0.2	1.0	0.8	-0.2	0.8	0.0
NPL gross	3.5	3.2	-0.3	3.5	3.2	-0.3	3.1	0.1
LAR	22.7	20.8	-1.9	22.7	20.8	-1.9	21.2	-0.4
NPL coverage	142.1	126.5	-15.6	142.1	126.5	-15.6	135.7	-9.2
CoC	1.3	0.5	-0.8	1.3	0.5	-0.8	0.6	-0.1
LDR	98.3	96.0	-2.3	98.3	96.0	-2.3	96.4	-0.4
CASA	49.5	51.0	1.5	49.5	51.0	1.5	51.8	-0.8
Cost of Fund	3.8	4.1	0.3	3.8	4.1	0.3	4.1	0.0

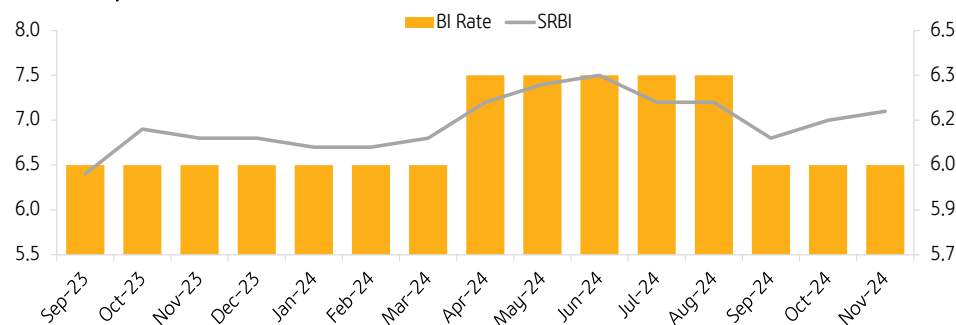
Source : Company, KBVS Research

Exhibit 3: Expecting NHPI to recover, backed by improving spending and better demand



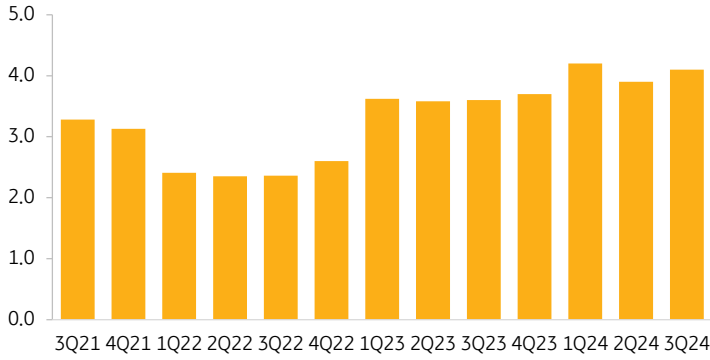
Source: Company, KBVS Research

Exhibit 4: Expect SRBI to softened



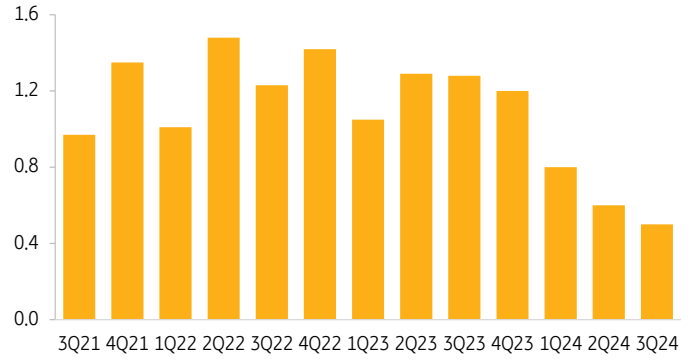
Source: Company, KBVS Research

Exhibit 5: Softened cost of fund to play crucial role (%)



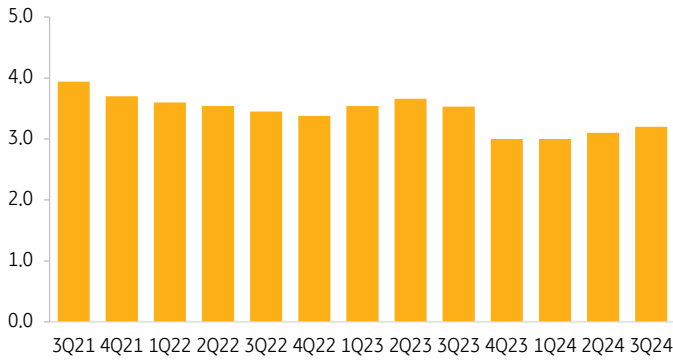
Source: Company, KBVS Research

Exhibit 6: Improving CoC likely to remain in place (%)



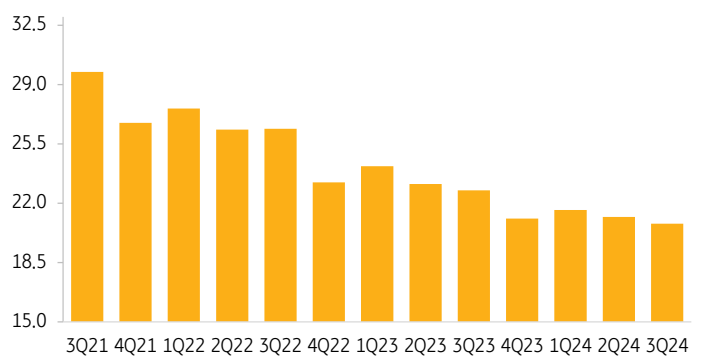
Source: Company, KBVS Research

Exhibit 7: Healthier NPL sound to continue (%)



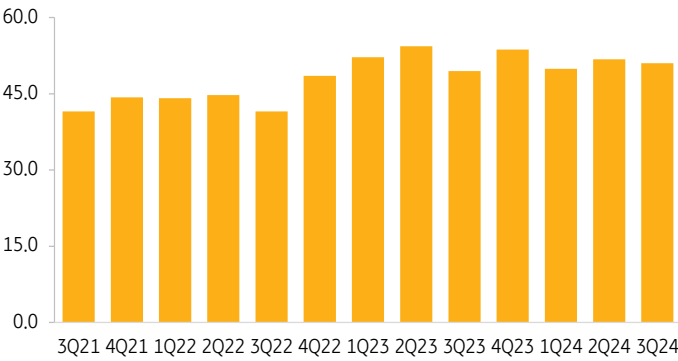
Source: Company, KBVS Research

Exhibit 8: Steady LAR improvement (%)



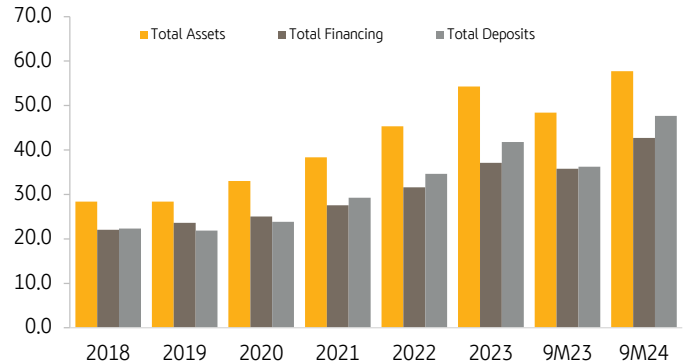
Source: Company, KBVS Research

Exhibit 9: Expecting CASA to remain solid (%)



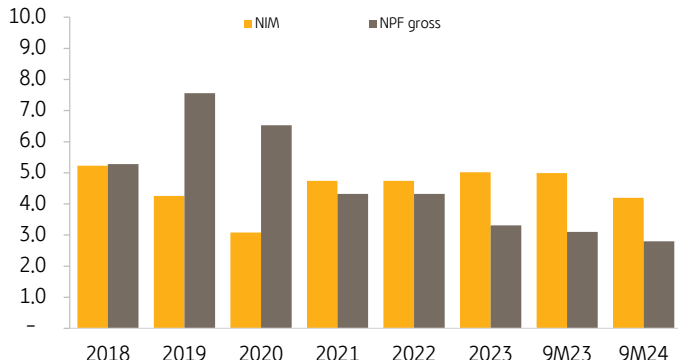
Source: Company, KBVS Research

Exhibit 10: Sharia business units Assets, Financing and Deposits (IDR tn)



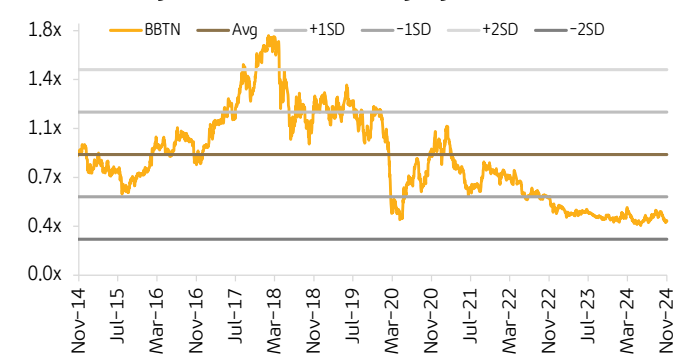
Source: Company, KBVS Research

Exhibit 11: Sharia business unit NIM and NPF (%)



Source: Company, KBVS Research

Exhibit 12: Currently trades at 0.4x '25F P/B slightly above its -2SD of 0.3x



Source: Company, Bloomberg, KBVS Research

FINANCIAL TABLES
Exhibit 13: Profit & Loss

Year End Dec (IDR bn)	2022A	2023A	2024F	2025F	2026F
Interest income	25,907	28,281	30,815	33,167	35,963
Interest expense	(10,910)	(14,851)	(18,417)	(20,382)	(22,361)
Net interest income	14,997	13,430	12,398	12,785	13,602
Non-interest income	2,210	3,891	4,379	4,511	4,603
Operating expenses	(9,374)	(9,017)	(9,576)	(10,000)	(10,663)
Pre-provision operating profit	7,833	8,304	7,200	7,296	7,543
Loan loss provision	(4,018)	(3,764)	(2,325)	(2,331)	(2,422)
Pretax profit	3,876	4,380	4,716	4,805	4,961
Tax expenses	(831)	(879)	(1,179)	(1,201)	(1,240)
Net profit	3,045	3,501	3,537	3,604	3,721

Exhibit 14: Balance sheet

Year End Dec (IDR bn)	2022A	2023A	2024F	2025F	2026F
Assets					
Cash	1,662	2,127	1,731	1,971	2,481
Current Account BI	25,417	18,146	19,453	20,232	21,293
Interbank	14,446	32,763	33,298	33,579	31,245
Gov Bond	1,721	5,283	1,905	2,084	2,314
Marketable Securities	51,965	35,894	41,957	49,225	42,123
Loan	282,607	318,106	349,463	388,174	450,318
Fixed assets	6,354	8,118	7,688	8,310	8,902
Other assets	17,977	18,313	18,496	16,831	17,673
Total Asset	402,148	438,750	473,991	520,406	576,350
	-	-	-	-	-
Liabilities					
Interbank Deposit	175	115	91	91	91
Deposit from customer	321,923	349,584	381,431	417,161	462,895
Debts Sec and Subordinates	42,631	51,147	50,542	57,448	65,642
Other Liabilities	11,509	7,425	8,588	9,447	8,125
Total liabilities	376,239	408,271	440,653	484,148	536,753
	-	-	-	-	-
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	19,675	22,572	25,572
Other Equity	4,613	2,204	2,226	2,251	2,588
Total Equity	25,909	30,479	33,338	36,259	39,597

Exhibit 15: Key performance metrics

Year End Dec (IDR bn)	2022A	2023A	2024F	2025F	2026F
NIM (%)	4.4	3.8	3.2	3.1	3.0
LDR (%)	92.7	95.5	95.8	96.8	97.3
CASA (%)	48.5	53.8	57.5	60.8	64.0
NPL (%)	3.4	3.0	2.9	2.8	2.7
ROE (%)	12.9	12.4	11.1	10.4	9.8
ROA (%)	0.8	0.8	0.8	0.7	0.7
CAR (%)	20.2	20.1	20.1	19.8	19.3
BVPS (IDR)	2,359	2,775	3,035	3,301	3,605
PER (x)	4.7	4.1	4.1	4.0	3.9
PBV (x)	0.6	0.5	0.4	0.4	0.4
Div. Yield (%)	1.6	4.2	4.8	4.9	5.0

Source: Company, KBVS Research

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