

Continuing solid 4M24 bank only earnings growth

28 May 2024



BBTN IJ	BUY
Sector	Banks
Price at 27 May 2024 (IDR)	1,200
Price target (IDR)	1,770
Upside/Downside (%)	47.5

Stock Information

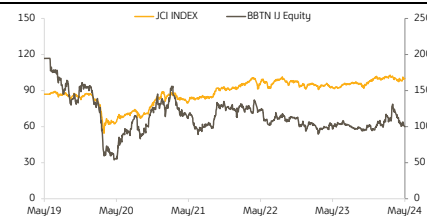
PT Bank Tabungan Negara (Persero) Tbk is a state-owned enterprise bank providing banking services (consumer banking, commercial and sharia banking). It has a strong business presence in subsidized mortgage. The bank has the continuing support from government in channeling housing subsidy which make market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

Market cap (IDR bn)	17,332
Shares outstanding (mn)	14,034
52-week range (IDR)	1,180 - 1,610
3M average daily vol. ('000)	52,285
3M average daily val. (IDR mn)	74,038

Shareholders (%)

Republic of Indonesia	55.0
Public	45.0

Stock Performance



Source: Bloomberg

	1M	3M	12M
Performance (%)	(5.4)	(15.9)	(0.4)

Analyst

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BBTN bank only 4M24 earnings growth (8.1% yoy) arrived in line with a run rate of 25.6%/26.7% ('cons: 26.8%), driven mainly by sharp improvement on provisions. Loan and TPF growth continue to beat '24F management guidance and our '24F for BBTN, while key risk metrics continue surpassing our forecast at 1.1% and far above BBTN's guidance of 1.1%-1.2% as healthy asset quality remain on track. However, NIM was contracted (11.8bps yoy). We expect to see better portion on TD middle to low institution and retail based as it will be underpinned '24F NIM. YTD drop has made BBTN stock looks more attractive, especially compared to its 2024 high of IDR1,600/share. Worth noting foreign stock ownership on BBTN interestingly has been increasing. Maintain BUY GGM TP IDR1,770 (0.6x '24F P/B), while it currently trades slightly above its -2SD hist mean.

Another solid monthly earnings growth

BBTN bank only earnings in April 2024 grew by 8.1% yoy, arrives at 25.6% of our '24F for BBTN, or inline vs last year run-rate at 26.7%. As a result of solid topline growth (15.0% yoy), net interest income successfully recorded a positive growth amid the continuing mounting interest expenses (27.0% yoy). In all, higher April24 PATMI growth (vs 1Q24: 7.4% yoy) was mainly driven by stable healthy asset quality which resulting to a sharp provision improvement (-26.7 yoy).

Loan continues beating '24F guidance

Loan growth trajectory remain intact with total loan reported 14.4% yoy higher to IDR345,52tn, or far above our conservative '24F loan growth for BBTN of 9.5% yoy and around 343bps higher vs upper range management guidance of 10-11% yoy. Housing continues as the main backbone growth driver (85%:15% vs KBVS '24F of 84%:16%), while of the total mortgage portion, non-subsidized segment was recorded double digit growth at 10.6% yoy. We also like its non-housing segment which grew very strong at 44% yoy.

Expecting low-cost TD switched

Total third-party funds grew by 11.4% yoy, 239bps higher than BBTN's '24F guidance (8-9% yoy) and our '24F total TPF or BBTN of 8.8% yoy. We notice that the solid growth was backed by robust higher TD of 20.1% yoy (1Q24: 17.2% yoy). Middle institution noted an average of up to IDR500bn, with overall middle institution portion increased to 15% vs 12% last year (April23). In the following month we expect big institutional client portion to continue lower and offset with middle institution, especially from retail segment. On this backdrop, we might witness softer increasing interest expenses due to more manageable benchmark rate hike transmission to BBTN's cost of fund.

Healthy risk metrics remains, yet NIM contracted by 11.8bps

NIM compression is inevitable due to continuing high interest rate environment. In the same period, NIM was 11.8bps lower yoy to 3.1% (vs 1Q24: 3.3%). On the risk metrics side, cost of credit stays low at 0.8% backed by steady asset quality and improved significantly yoy from 1.2% in 4M23. Higher cost of fund should remain intact and thus we believe pressure on NIM will continue. The bank kept its '24F guidance. Yet, we believe management will share their latest thought on '24F NIM expectation, despite no guidance given previously. We expect to see sooner loan repricing yield from BBTN and impacting positively to its 2Q24 Nil growth.

Increasing foreign ownership

Year to date, appetite for banking stocks to continue soft on the back of rising concern over NIM and '24F earnings growth. Nevertheless, the selling pressure (4.7% MTD) has made the stock looks more attractive from its YTD high of IDR1,600/share (26 Mar 2024). Worth noting that interestingly, BBTN saw an anomaly pattern of higher foreign ownership by 0.96% compared to other Indo banking stock under our coverage (table 2: BRIS +0.71%, BMRI +0.33%, BBCA, BMRI, BBNI declined).

Maintain BUY, TP of IDR1,770

At yesterday closing price of IDR 1,220, the stock is traded at an appealing multiple '24F P/B of 0.4x or slightly above its -2SD of the historical mean of 0.3x P/B. Maintain our BUY stance for BBTN with GGM TP of IDR1,770/share, pegged at '24F P/B of 0.6x. 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

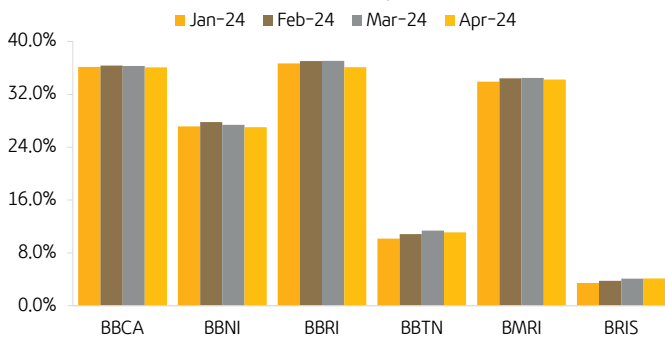
Exhibit 2: BBTN Bank Only 4M24 result

Profit & Loss (IDRbn)	4M23	4M24	YoY	Feb-24	Mar-24	Apr-24	YoY	KBVS '24F	% to '24F	Cons. '24F	% to Cons.
Interest income	8,817	10,144	15.0%	2,490.25	2,554.63	2,471.65	15.4%				
Interest expense	(4,703)	(5,973)	27.0%	(1,422.19)	(1,519.60)	(1,528.52)	33.2%				
Net interest income	4,114	4,170	1.4%	1,068.06	1,035.04	943.13	-5.1%				
Opex	(2,782)	(3,245)	16.6%	(669.31)	(940.59)	(827.19)	23.5%				
PPOP	2,271	2,057	-9.4%	606.11	575.61	286.32	-42.9%				
Provision	(1,101)	(807)	-26.7%	(218.70)	(170.77)	(190.69)	-45.5%				
Net Profit	936	984	5.2%	280.23	304.44	123.61	-8.2%	3,846	25.6%	3,666	26.8%

Balance Sheet (IDRbn)	1M24	2M24	3M24	4M24	MoM	4M23	4M24	YoY
Total Loan	333,289	339,539	344,244	345,522	0.4%	301,945	345,522	14.4%
Total deposits	344,252	350,508	357,740	358,292	0.2%	321,661	358,292	11.4%
Demand deposits	135,592	134,558	135,765	136,312	0.4%	131,665	136,312	3.5%
Savings deposits	41,679	41,395	42,842	41,638	-2.8%	39,876	41,638	4.4%
Time deposits	166,981	174,556	179,134	180,342	0.7%	150,120	180,342	20.1%
CASA	177,271	175,952	178,606	177,950	-0.4%	171,540	177,950	3.7%
Total Equity	30,485	30,877	30,568	30,430	-0.5%	27,897	30,430	9.1%

Source: Company, KB Valbury Sekuritas

Exhibit 3: Bank under our radar stocks foreign ownership (%)



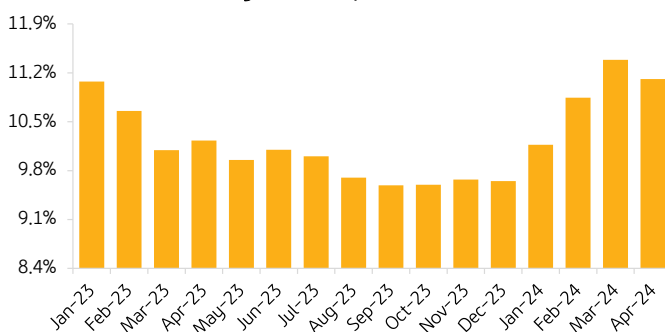
Source: Company, KBVS Research

Exhibit 4: BRIS stocks foreign ownership chg (%)

Ticker	Jan-24	Feb-24	Mar-24	Apr-24	YTD 2024	YTD 2023	Apr-23	Apr-24	YoY (chg)
BBKA IJ	36.1%	36.3%	36.3%	36.1%	-0.1%	0.4%	36.1%	36.1%	0.0%
BBNI IJ	27.2%	27.8%	27.4%	27.0%	-0.1%	1.1%	26.0%	27.0%	1.0%
BBRI IJ	36.7%	37.0%	37.1%	36.1%	-0.5%	1.2%	36.4%	36.1%	-0.3%
BBTN IJ	10.2%	10.8%	11.4%	11.1%	0.9%	-1.1%	10.2%	11.1%	0.9%
BMRI IJ	33.9%	34.4%	34.5%	34.2%	0.3%	0.2%	33.4%	34.2%	0.9%
BRIS IJ	3.4%	3.8%	4.1%	4.2%	0.7%	0.4%	2.4%	4.2%	1.8%
Average	24.6%	25.0%	25.1%	24.8%	0.2%	0.4%	24.1%	24.8%	0.7%

Source: Company, KBVS Research

Exhibit 5: BBTN stocks foreign ownership (%)



Source: Company, KBVS Research

Exhibit 6: Currently trades at 0.4x '24F P/B slightly above its -2SD of 0.3x



Source: Company, 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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