

Below than expected FY24 PATMI

12 February 2025



BBTN IJ	BUY
Sector	Banks
Price at 12 Feb 2025 (IDR)	930
Price target (IDR) - UR	1,530
Upside/Downside (%)	64.5

Stock Information

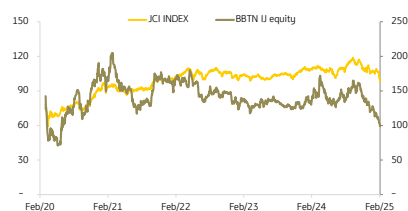
PT Bank Tabungan Negara (Persero) Tbk is a state-owned enterprise bank providing banking services (consumer banking, commercial and sharia banking). It has a strong business presence in subsidized mortgage. The bank has the continuing support from government in channeling housing subsidy which make market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

Market cap (IDR bn)	12,912
Shares outstanding (mn)	14,034
52-week range (IDR)	905 - 1,610
3M average daily vol. ('000)	22,099
3M average daily val. (IDR mn)	25,184

Shareholders (%)

Republic of Indonesia	55.0
Public	45.0

Stock Performance



Source: Bloomberg

	1M	3M	12M
Performance (%)	(17.0)	(28.5)	(31.6)

Analyst

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BBTN FY24 PATMI missed expectations. Funding costs remain high despite quarterly declines. Loan growth (7.3% yoy) driven by mortgages ('25F guidance: 7-8% yoy). Deposits grew strongly at 9.1% yoy, exceeding industry growth ('25F guidance: 8-9% yoy). NIM declined to 2.9%, mirroring industry trends. CoC improved yoy to 0.6% (vs 1.2%). NPLs rose slightly to 3.16%, in line with our forecast (3.2%). We are reviewing our target price (currently 1.5% below consensus) due to the sharp stock decline and weaker-than-expected FY24 results. While waiting for the FY24 full note report release, we maintain our BUY stance on the stock. Our GGM-based TP of IDR 1,530 is pegged at 0.4x '25F P/B, while the current market price implies a deeply undervalued 0.3x '25F P/B, at its -2SD, even more depressed than during the COVID-19 pandemic.

FY24 earnings below ours and street expectation

BBTN top line grew by only a single digit (4.6% yoy). While blended deposit costs have shown a quarterly decline, the lingering effects of the previous high-interest environment, reflected in a significant yoy increase of 21.9%, have led to a 13.9% decline in net interest income and a 28.3% drop in PPop. Encouragingly, quarterly results demonstrated stronger performance, with PPop surging 69.7% yoy, primarily driven by a remarkable 143.6% surge in non-interest income. However, despite this positive quarterly result, the bank's full-year 2024 net income fell short of both our '24F forecast and consensus estimates

7.3% yoy loan growth; total deposit (9.1% yoy) grew more than doubled vs industry

Loans grew 7.3% yoy to IDR357.9 trillion, driven primarily by housing loans. Mortgage loan growth reached 8.5%, with the housing and non-housing segments aligning closer to the 80-20% target composition (FY24: 85.4-14.6%). Strong liquidity, fueled by 9.1% yoy TPF growth exceeding industry levels, benefited from low funding costs. CASA deposits increased 9.8% yoy (9.2% qoq), further solidifying the bank's funding position.

Mix key financial metrics result

Key financial metrics presented a mixed performance, with profitability mirroring the prevailing decline observed across the banking industry. NIM contracted (yoy) to 2.9% vs 3.8%. Conversely, risk metrics demonstrated significant improvement, with the CoC declining substantially to 0.6% from 1.2%. NPLs exhibited a slight increase of 15 basis points to 3.16%, primarily attributed to challenges in borrower repayment capacity. While this marginally exceeded the bank's internal guidance of below 3%, it aligns with our '24 NPL forecast for BBTN of 3.2%. Additionally, a notable improvement was observed in the LDR by 157 basis points, enhancing the bank's resilience amidst prevailing liquidity challenges.

A more conservative '25F guidance

This year, BBTN anticipates achieving total deposit growth within the 8-9% yoy range, while projecting loan growth to hover between 7-8% yoy. The CoC is expected to stabilize within the 1.0-1.1% range, with the NPL ratio targeted to remain below the 3% threshold. To solidify its long-term trajectory, the bank endeavors to transcend its traditional mortgage lending focus by embracing a comprehensive full-banking approach. This strategic shift encompasses several key initiatives: (a) monetizing the housing ecosystem (b) pursuing Full-Banking offerings and (c) evolving into a financial group (establishing subsidiaries)

Expect Bale to support BBTN long term goal

We believe deposit mix will be a critical factor in determining BBTN's future success. We commend their strategic initiatives to diversify deposits, particularly by bolstering Current Account and Savings Account (CASA) balances and cultivating stronger institutional funding relationships. Furthermore, BBTN's sustained focus on enhancing its digital capabilities will be instrumental in driving its transactional banking performance. The recent launch of the "Bale Superapps" platform represents a significant step towards establishing BBTN as a comprehensive financial services provider, effectively addressing the evolving needs and lifestyle preferences of its customer base.

Key '25F growth; latest update on spin-off

In 2025, BBTN's growth trajectory will be primarily driven by a combination of competitive earnings asset yields and a reduction in funding costs. The bank's strategic focus on securing low-cost funding has yielded positive results, evident in the significant increase in deposits from middle-tier institutions to 29.4% in FY24 vs 19.8% previously. Furthermore, we anticipate a continued decline in borrowing costs, coupled with the ongoing benefits derived from the FLPP liquidity facility. This dual advantage is poised to provide a significant catalyst for BBTN's funding cost optimization. Regarding the spin-off of its UUS, BBTN executed a CSPA with Bank Victoria Syariah in Jan25. The transaction now awaits shareholder approval at the upcoming AGMS in Mar25. Upon successful shareholder approval, we anticipate the commencement of commercial operations for the spin-off entity no later than the 4Q25.

Maintain BUY, TP of IDR1,530 (under review)

To accommodate the continuing pressured on the stock and weak FY24 results, we will revisit our model and make a target price adjustment, despite currently trade at a deeply undervalued 0.3x '25F P/B, at its -2SD and even more depressed than during the COVID-19 pandemic. Risks to our call are: a) lower-than-expected loan growth, NIM, and loan yield; b) soft declining borrowing cost and higher-than-expected cost of credit. c) continuing repayment pressure and deteriorating asset quality; d) 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 12M24 result and key performance metrics results

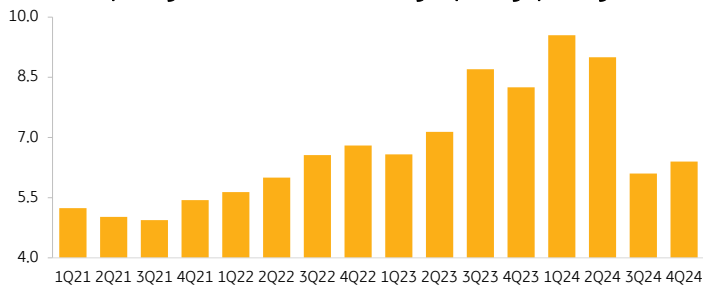
Income statements (IDRbn)	12M23	12M24	YoY (%)	4Q23	4Q24	YoY (%)	3Q24	QoQ (%)	KBVS '24F	% to '24F	Cons. '24F	% to Cons.
Interest Income	28,271	29,578	4.6	7,438	7,212	(3.0)	7,391	(2.4)				
Interest Expenses	(14,648)	(17,848)	21.8	(3,957)	(4,373)	10.5	(4,526)	(3.4)				
Net interest income	13,623	11,730	(13.9)	3,481	2,839	(18.4)	2,865	(0.9)				
Non-interest income	3,922	4,612	17.6	1,561	1,846	18.3	758	143.5				
Total operating income	17,545	16,342	(6.9)	5,042	4,685	(7.1)	3,623	29.3				
Operating expenses	(9,311)	(10,440)	12.1	(2,710)	(2,798)	3.2	(2,511)	11.4				
Pre-provision operating profit	8,234	5,902	(28.3)	2,332	1,887	(19.1)	1,112	69.7				
Provision expenses	(3,765)	(2,051)	(45.5)	(828)	(696)	(15.9)	(379)	83.6				
Net profit	3,501	3,007	(14.1)	1,188	925	(22.1)	581	59.2	3,537	85.0%	3,418	88.0%

Balance Sheets (IDRbn)	12M23	12M24	YoY (%)	4Q23	4Q24	YoY (%)	3Q24	QoQ (%)
Loans	333,698	357,973	7.3	333,698	357,973	7.3	356,064	0.5
Current accounts	143,535	160,848	12.1	143,535	160,848	12.1	148,645	8.2
Saving deposits	44,472	45,510	2.3	44,472	45,510	2.3	40,344	12.8
Time deposits	161,927	175,309	8.3	161,927	175,309	8.3	181,763	(3.6)
Total TPF	349,934	381,667	9.1	349,934	381,667	9.1	370,752	2.9
CASA	188,007	206,358	9.8	188,007	206,358	9.8	188,989	9.2
Total equity	30,479	32,572	6.9	30,479	32,572	6.9	32,008	1.8

Key Ratio (%)	12M23	12M24	YoY (%)	4Q23	4Q24	YoY (%)	3Q24	QoQ (%)
NIM	3.8	2.9	(0.9)	3.8	2.9	(0.9)	2.9	0.0
CIR	45.3	57.1	11.8	45.3	57.1	11.8	60.2	(3.1)
ROE	13.9	10.8	(3.1)	13.9	10.8	(3.1)	10.1	0.7
ROA	1.1	0.8	(0.3)	1.1	0.8	(0.3)	0.8	0.0
NPL gross	3.0	3.2	0.2	3.0	3.2	0.2	3.2	0.0
LAR	21.1	19.7	(1.4)	21.1	19.7	(1.4)	20.8	(1.1)
NPL coverage	155.2	115.4	(39.8)	155.2	115.4	(39.8)	126.5	(11.1)
CoC	1.2	0.6	(0.6)	1.2	0.6	(0.6)	0.5	0.1
LDR	95.4	93.8	(1.6)	95.4	93.8	(1.6)	96.0	(2.2)
CASA	53.7	54.1	0.4	53.7	54.1	0.4	51.0	3.1
Cost of Fund	3.7	4.1	0.4	3.7	4.1	0.4	4.1	0.0

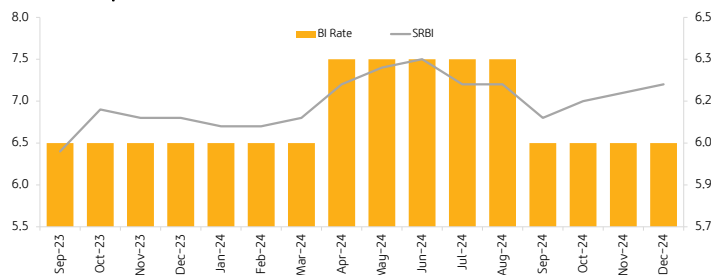
Source : Company, KBVS Research

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



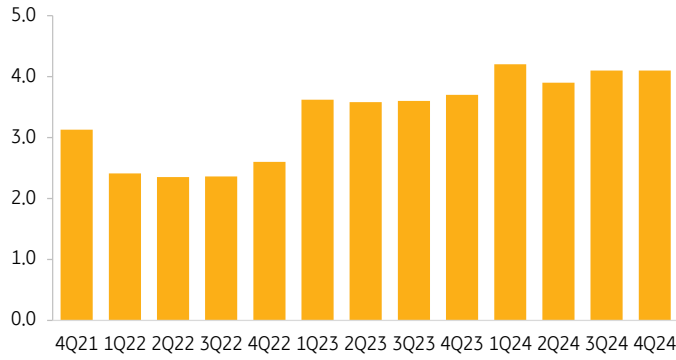
Source: Company, KBVS Research

Exhibit 4: Expect SRBI to softened



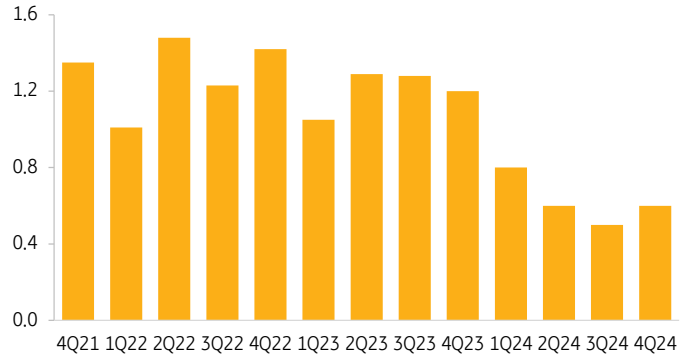
Source: Company, KBVS Research

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



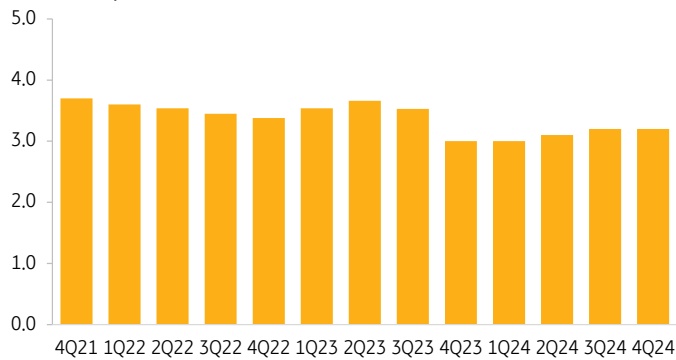
Source: Company, KBVS Research

Exhibit 6: Improving CoC year-on-year remain intact (%)



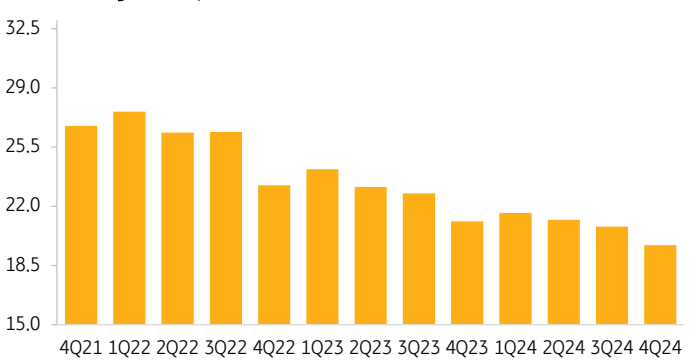
Source: Company, KBVS Research

Exhibit 7: Expect healthier NPL (%)



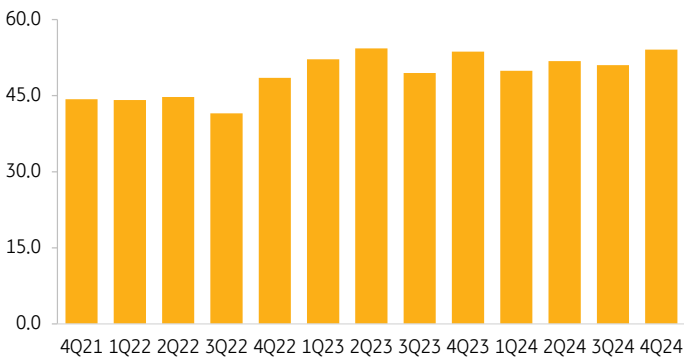
Source: Company, KBVS Research

Exhibit 8: Steady LAR improvement (%)



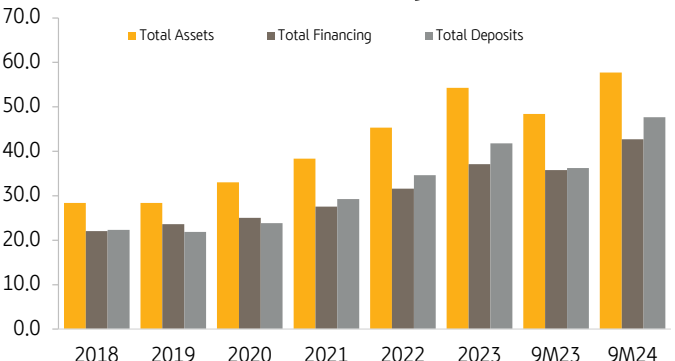
Source: Company, KBVS Research

Exhibit 9: Solid CASA to continue (%)



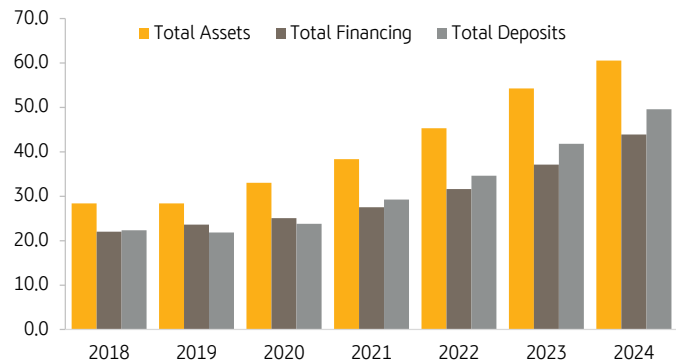
Source: Company, KBVS Research

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



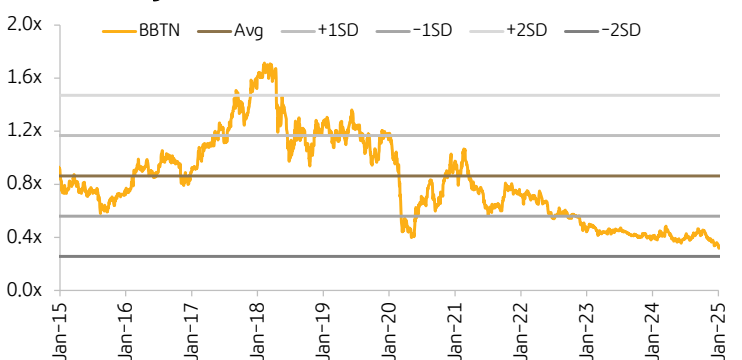
Source: Company, KBVS Research

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



Source: Company, KBVS Research

Exhibit 12: Currently trades at 0.3x '25F P/B at 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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