

Upbeat FY23 earnings

12 February 2024



BBTN IJ	BUY
Sector	Banks
Price at 12 Feb 2024 (IDR)	1,360
Price target (IDR)	1,770
Upside/Downside (%)	30.1

Stock Information

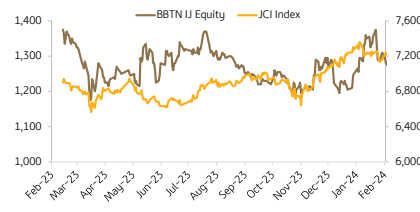
PT Bank Tabungan Negara (Persero) Tbk is a state-owned enterprise bank providing banking services (consumer banking, commercial and sharia banking). It has a strong business presence in subsidized mortgage. The bank has the continuing support from government in channeling housing subsidy which make market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

Market cap (IDR bn)	19,090
Shares outstanding (mn)	14,034
52-week range (IDR)	1,150 - 1,395
3M average daily vol. ('000)	20,701
3M average daily val. (IDR mn)	26,722

Shareholders (%)

Republic of Indonesia	55.0
Public	45.0

Stock Performance



Source: Bloomberg

	1M	3M	12M
Performance (%)	0.7	11.9	(1.4)

Analyst

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BBTN FY23 earnings beat ours and consensus expectations at a run rate of 106.5%/108.2%. It is worth noting that on a quarterly basis, the growth is even stronger at 41.8% qoq. Total loan and financing (11.9% yoy) arrive above industry growth (10.4% yoy), 90 bps surpassing BBTN guidance (10-11% yoy), and in line with our '23F forecast at IDR328,041 (101.7%). TPF also noted better growth than industry. Key risk metrics are getting healthier. We expect the asset bulk plan, which is targeted to be done in 2Q24, to have a positive impact on BBTN's '24F NPL. We also like its UUS spin-off process, which is expected to be completed in 2Q24. Maintain BUY DDM TP of IDR1,770 pegged at 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.

Earnings grew strong, beating ours and street forecast.

FY23 earnings growth was reported at a strong figure of 15.0% yoy to IDR3.5tn, amid mounting financing costs (36.4% yoy). PATMI were beating the street forecast and our '23F earnings for BBTN (108.2%/106.5%), as well as 500 basis points higher than BBTN's net profit upper range guidance in '23F of 8-10% yoy. The solid growth was mainly driven by sturdy non-interest income revenue (75.6% yoy), which has become a company initiative. Lower provision (-6.8% yoy) on the back of stable asset quality improvement has also overall underpinned solid growth. It is worth noting that on a quarterly basis, earnings grew even stronger at 41.8% qoq.

BBTN's loan growth is above industry figures and in line with our '23F for BBTN.

Total loan and financing growth at 11.9% yoy was above industry growth of 10.4% yoy, 90 bps surpassing BBTN loan growth range guidance of 10-11% yoy and in line with our '23F for BBTN at IDR328,041 (101.7%). On the loan segmentation board, sturdy non-housing loan growth at 34.2% yoy was 11.1% higher compared to the previous quarter of 23.14% yoy, and thus the portion of total loan rose to 14.7% from 12.8%. We also like BBTN's non-subsidized loan, which saw another stronger growth to 9.5% yoy from 6.64% in 3Q23.

Solid TPF backed by strong CASA growth

On the liabilities side, total TPF grew by 8.7% yoy, or more than doubled vs. industry growth at 3.8% yoy. CA deposits (25.9% yoy) have strongly supported the third-party deposits, bringing CASA to record solid growth of 20.4% yoy. We also like BBTN's high-cost funding (time deposits), which dropped by -2.3% year over year. Despite our expectation of a lower benchmark rate, we also think that BBTN CoF is likely to get lower in the following quarter, backed by its continuing strategy to focus on low-cost funding.

Better key risk metrics continue

Financial performance ratio came in at a better figure, with key risk recording a healthier figure at 3.0%, or 37 basis points lower year on year, and arriving 50 basis points better than '23F guidance. Coverage ratio was well managed at 155.2%, while cost of credit also stood at a better figure by 21 basis points to 1.2% and reached a lower range of '23F management expectations at 1.2-1.4%. In all, we also like BBTN's CIR and LAR, which strongly improve by 140 bps and 214 bps to 45.3% and 21.1%, respectively.

Expecting asset bulk sales as an additional catalyst

In line with our expectations (see our previous report in Nov23), the bank has closed the bulk of asset sales divestments amounting to IDR 861 billion and thus has had a positive impact on BBTN. The bank is expecting another round of asset sales with a potential total amount of IDR1 trillion and is expected to be completed by the end of 1H24. It is worth noting that the NPL has been 100% provisioned. With such a plan coupled with stable asset quality improvement, we might witness BBTN NPL continue to move on a downhill track.

Sharia Bank spin off have a positive impact.

According to the latest update on BBTN's plan to acquire a major sharia bank in Indonesia, the ongoing corporate action is in the due diligence process and is expected to be done by around 2Q24. We expect the UUS spin-off will turn into reality soon, as the synergy will have a positive impact on BBTN and will create a fairer landscape of competition in the Sharia banking industry.

Maintain BUY, DDM TP of IDR1,770

Our target price is based on GGM with a fair '24F P/B of 0.6x. The bank is currently traded at 0.4x'24F P/B, or slightly above its -2SD of the histogram 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; and e) a hotter than expected domestic political situation.

Exhibit 1: Key Statistics

Year end Dec (IDR bn)	2021A	2022A	2023F	2024F	2025F
Net interest income	12,991	14,997	15,689	16,864	18,581
Non interest income	2,363	2,210	2,273	2,331	2,426
Total operating income	15,354	17,207	17,962	19,194	21,007
Pre provisions operating profit	6,661	7,833	7,909	8,501	9,601
Net income	2,376	3,045	3,234	3,579	4,377
EPS (IDR)	216	277	294	326	398
EPS growth (%)	48.3	28.1	6.2	10.6	22.3
PER (x)	6.3	4.9	4.6	4.2	3.4
PBV (x)	0.7	0.6	0.5	0.4	0.4
Div. Yield (%)	0.0	4.1	4.3	4.8	5.9
RoE (%)	11.5	12.9	11.7	11.3	11.9

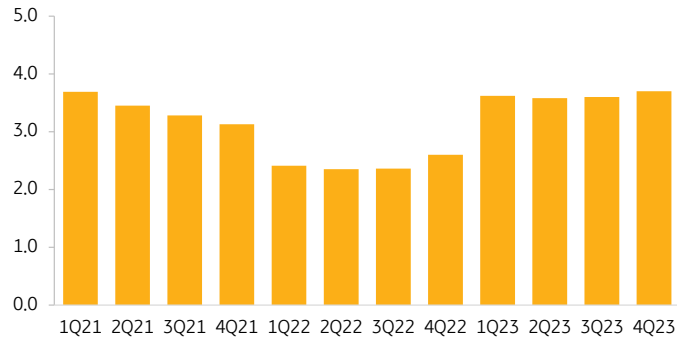
Source: Company, KBVS Research

Exhibit 2: BBTN FY23 financial and key performance metrics results

BBTN FY23 Results	12M22	12M23	YoY (%)	4Q22	4Q23	YoY (%)	3Q23	QoQ (%)	KBVS '23F	% to '23F	Cons. '23F	% to Cons.
Income statements (IDRbn)												
Interest Income	25,888	28,271	9.2	6,911	7,438	7.6	7,311	1.7				
Interest Expenses	(10,740)	(14,648)	36.4	(3,309)	(3,957)	19.6	(3,647)	8.5				
Net interest income	15,148	13,623	(10.1)	3,602	3,481	(3.4)	3,664	(5.0)				
Non-interest income	2,233	3,922	75.6	822	1,561	89.9	646	141.6				
Total operating income	17,381	17,545	0.9	4,424	5,042	14.0	4,310	17.0				
Operating expenses	(9,406)	(9,311)	(1.0)	(1,988)	(2,710)	36.3	(2,244)	20.8				
Pre-provision operating profit	7,975	8,234	3.2	2,436	2,332	(4.3)	2,067	12.8				
Provision expenses	(4,041)	(3,765)	(6.8)	(1,425)	(828)	(41.9)	(998)	(17.0)				
Net profit	3,045	3,501	15.0	770	1,188	54.3	838	41.8	3,234	108.2%	3,286	106.5%
Balance Sheets (IDRbn)												
Loans	298,282	333,698	11.9	298,282	333,698	11.9	318,300	4.8				
Current accounts	114,007	143,535	25.9	114,007	143,535	25.9	118,061	21.6				
Saving deposits	42,195	44,472	5.4	42,195	44,472	5.4	42,199	5.4				
Time deposits	165,736	161,927	(2.3)	165,736	161,927	(2.3)	163,648	(1.1)				
CASA	156,202	188,007	20.4	156,202	188,007	20.4	160,260	17.3				
Total TPF	321,938	349,934	8.7	321,938	349,934	8.7	323,908	8.0				
Total equity	25,909	30,479	17.6	25,909	30,479	17.6	29,054	4.9				
Key Ratio (%)												
NIM	4.4	3.8	(0.6)	4.4	3.8	(0.6)	3.8	0.0				
CIR	46.7	45.3	(1.40)	46.7	45.3	(1.4)	46.7	(1.4)				
ROE	16.4	13.9	(2.5)	16.4	13.9	(2.5)	12.4	1.5				
ROA	1	1.1	0.1	1.0	1.1	0.1	1.0	0.1				
LDR	92.7	95.4	2.7	92.7	95.4	2.7	98.3	(2.9)				
CASA	48.5	53.7	5.2	48.5	53.7	5.2	49.5	4.2				
NPL gross	3.4	3	(0.4)	3.4	3	(0.4)	3.5	(0.5)				
CoC	1.4	1.2	(0.2)	1.4	1.2	(0.2)	1.3	(0.1)				
Tier 1 CAR	16.1	17.5	1.4	16.1	17.5	1.4	16.7	0.9				
CAR	20.2	20.1	(0.1)	20.2	20.1	(0.1)	19.6	0.5				
Cost of Fund	2.6	3.7	1.1	2.6	3.7	1.1	3.8	(0.1)				

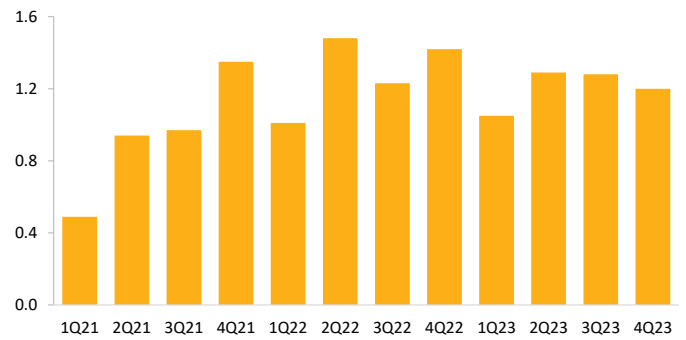
Source : Company, KBVS Research

Exhibit 3: Expecting softened CoF to continue (%)



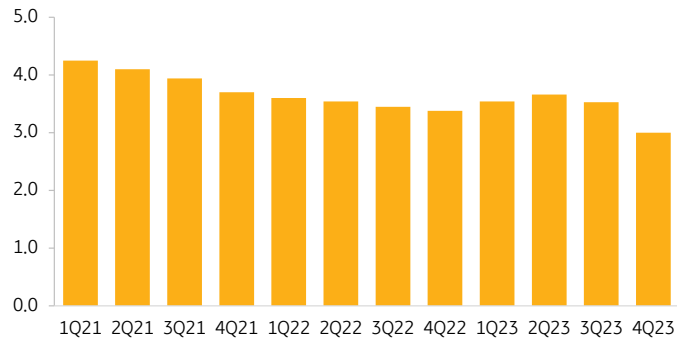
Source: Company, KBVS Research

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



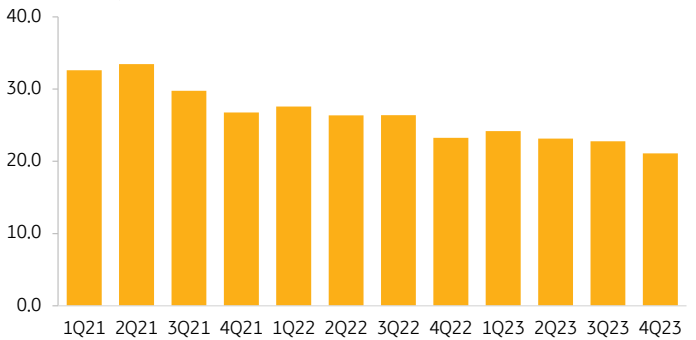
Source: Company, KBVS Research

Exhibit 5: Healthier NPL as a solid foundation (%)



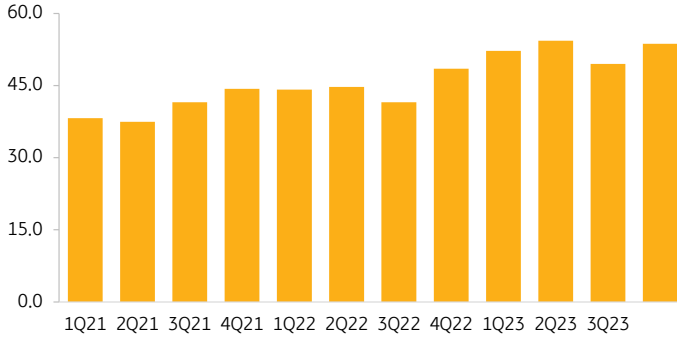
Source: Company, KBVS Research

Exhibit 6: Steady LAR improvement (%)



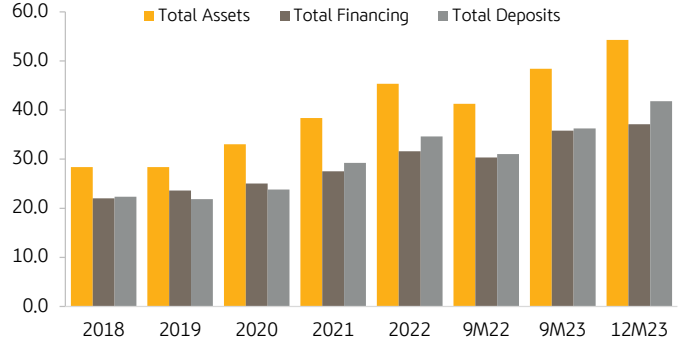
Source: Company, KBVS Research

Exhibit 7: Low-cost funding to benefit profitability (%)



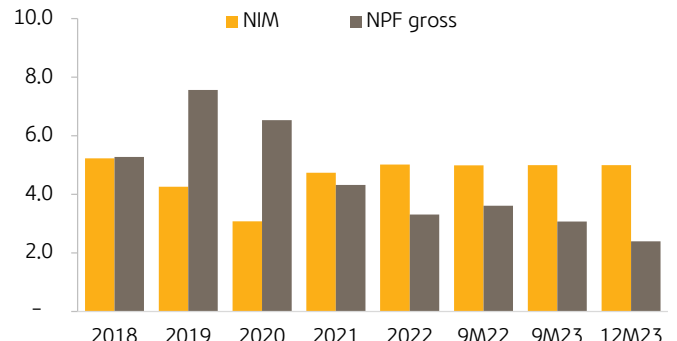
Source: Company, KBVS Research

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)	2021A	2022A	2023F	2024F	2025F
Interest income	25,795	25,907	28,658	30,954	33,924
Interest expense	(12,804)	(10,910)	(12,969)	(14,090)	(15,342)
Net interest income	12,991	14,997	15,689	16,864	18,581
Non-interest income	2,363	2,210	2,273	2,331	2,426
Operating expenses	(8,692)	(9,374)	(10,052)	(10,693)	(11,406)
Pre-provision operating profit	6,661	7,833	7,909	8,501	9,601
Loan loss provision	(3,625)	(4,018)	(3,658)	(3,791)	(3,827)
Pretax profit	2,993	3,876	4,313	4,772	5,835
Tax expenses	(617)	(831)	(1,078)	(1,193)	(1,459)
Net profit	2,376	3,045	3,234	3,579	4,377

Exhibit 12: Balance sheet

Year End Dec (IDR bn)	2021A	2022A	2023F	2024F	2025F
Assets					
Cash	1,540	1,662	1,772	1,805	2,005
Current Account BI	10,692	25,417	13,469	14,528	15,760
Interbank	28,996	14,446	20,201	21,789	23,638
Gov Bond	2,231	1,721	2,523	1,814	1,968
Marketable Securities	46,080	51,965	56,945	64,692	66,979
Loan	260,400	282,607	311,277	344,220	385,308
Fixed assets	5,737	6,354	7,036	7,688	8,310
Other assets	16,193	17,873	13,151	9,206	6,444
Total Asset	371,868	402,044	426,374	465,740	510,411
Liabilities					
Interbank Deposit	71	175	136	136	136
Deposit from customer	295,952	321,923	336,713	363,190	393,994
Debts Sec and Subordinates	43,194	42,631	46,670	50,870	57,870
Other Liabilities	11,245	11,405	13,673	17,328	19,060
Total liabilities	350,462	376,135	397,193	431,524	471,061
Equity					
Capital Stock	5,295	5,295	5,295	5,295	5,295
Additional Paid-in Capital	2,054	2,054	2,054	2,054	2,054
Retained Earnings	11,140	13,947	16,572	19,504	23,165
Other Equity	2,918	4,613	5,259	7,362	8,835
Shareholder's Equity	21,407	25,909	29,181	34,216	39,349
Non-controlling Interest	-	-	-	-	-
Total Equity	21,407	25,909	29,181	34,216	39,349

Exhibit 13: Key performance metrics

Year End Dec (IDR bn)	2021A	2022A	2023F	2024F	2025F
NIM (%)	3.6	4.0	3.9	3.8	3.8
LDR (%)	92.9	92.7	97.4	99.9	102.8
CASA (%)	44.3	48.5	45.9	43.5	41.4
NPL (%)	4.4	3.5	3.6	3.5	3.4
ROE (%)	11.5	12.9	11.7	11.3	11.9
ROA (%)	0.6	0.8	0.8	0.8	0.9
CAR (%)	19.1	19.0	20.0	20.0	20.2
BVPS (IDR)	1,949	2,359	2,657	3,115	3,583
PER (x)	6.3	4.9	4.6	4.2	3.4
PBV (x)	0.7	0.6	0.5	0.4	0.4
Div. Yield (%)	0.0	4.1	4.3	4.8	5.9

Source: Company, KBVS Research

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