

Inline 1Q24 earnings

30 April 2024



BBTN IJ	BUY
Sector	Banks
Price at 30 April 2024 (IDR)	1,320
Price target (IDR)	1,770
Upside/Downside (%)	34.1

Stock Information

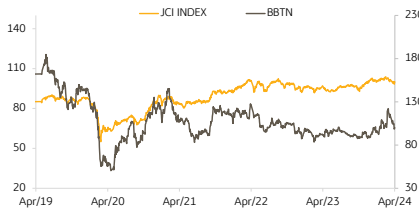
PT Bank Tabungan Negara (Persero) Tbk is a state-owned enterprise bank providing banking services (consumer banking, commercial and sharia banking). It has a strong business presence in subsidized mortgage. The bank has the continuing support from government in channeling housing subsidy which make market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

Market cap (IDR bn)	17,964
Shares outstanding (mn)	14,034
52-week range (IDR)	1,150 - 1,510
3M average daily vol. ('000)	11,827
3M average daily val. (IDR mn)	14,697

Shareholders (%)

Republic of Indonesia	55.0
Public	45.0

Stock Performance



Source: Bloomberg

	1M	3M	12M
Performance (%)	4.9	2.4	(13.2)

Analyst

Akhmad Nurcahyadi
 akhmad.nurcahyadi@kbvalbury.com

BBTN 1Q24 earnings grew by 7.4% yoy, in-line with ours and street's expectation (22.4%/22.3% vs. the 5-year average of 24.3%), backed by robust interest income (+14.9% yoy) and manageable costs of credit. The loan growth trajectory remains solid at 14.8% yoy, with a stronger TPF of 11.9% yoy. On 1Q24 risk metrics, NPL recorded a healthier level (53bps) of 3.0% vs. 3.5% in 1Q23, with continuing CoC improvement (0.8%) and closer to '24F management guidance of below 3% and 1.1-1.2%, respectively. We like BBTN's focus on high-yield loans coupled with an effort to transform the bank into a transactional bank. Maintain BUY with GGM-based 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 historical mean of 0.3x.

Inline 1Q24 earnings

BBTN 1Q24 earnings growth at 7.4% yoy to IDR860 bn, mainly driven by robust interest income (14.9% yoy) coupled with manageable cost of credit. Other interest income was underpinned by trade finance, bank guarantees, and treasury transactions. In all, first quarter PATMI arrives in line with ours and the market forecast at a run-rate of 22.4%/22.3% vs. the 5-year average of 24.3%.

Loan growth trajectory remains intact

Total loan robust growth (14.8% yoy) was backed by solid subsidized mortgage demand (12.3% yoy) and arrives 380 bps higher compared to the upper range of '24F management guidance of 10-11%. Non-subsidized also noted a healthy growth of 11.2% yoy, accounting for around 29% of the total loan and financing. We also like BBTN's non-housing loan with jumped by 46.4% yoy and made the overall portion 330 bps higher yoy. We might witness the non-housing loan portion of the total loan increase, primarily backed by robust demand from the corporate segment (+56.4% yoy). Noteworthy despite having a small portion, we also like BBTN's high-yield segment growth of 29.2% yoy.

Expecting low-cost TD switched impacting sooner to overall CoF

Total third-party funds grew 11.9% yoy and came in 2.9% higher than BBTN's '24 upper range TPF of 8-9% yoy. Despite the solid total deposit growth contributed mostly by time deposits, CASA portion continues to record a solid growth figure of 7.1% yoy, mainly supported by 8.7% yoy growth in SA and thus making the ratio remains well managed at around 50% of the total deposits. We expect the bank to successfully execute its funding strategy. Management expects the switching from the high CoF TD to the lower CoF TD segment to continue. As such, we might see a softer cost of funds, which overall will benefit BBTN's NIM expansion.

Healthier risk metrics

The bank saw another asset quality improvement, with NPL gross 53bps healthier to 3.0%, or considerably in line with '24F BBTN's NPL expectation of <3%. NPL coverage recorded 692bps stronger yoy, with loans at risk consistently making a positive progress (263bps lower yoy) to 21.6% vs. 24.2% in 1Q23. We also like to see BBTN's well-managed cost of credit at 0.8% vs. 1.1% in 1Q23 ('24F management guidance: 1.1-1.2%).

Several catalysts to reached '24F PATMI guidance

The bank expects its PATMI to grow within the range of 10%-11% yoy (1Q24: 7.4% yoy) or in line with our '24F net profit growth for BBTN (the street forecast is 45 bps higher at 10.3% yoy). Interest income growth trajectory likely to remain intact with cost of fund and cost to income could continue well managed. We also expect low provisions to persist. What's more, we also like several of BBTN's 2024 strategy initiatives, such as: (1) improving CASA and transforming the bank into a transactional bank; (2) expanding towards high-yield loans; and (3) accelerating new digital banking capabilities, which overall will support the '24F net profit growth target, in our view. It is worth noting that as of March 24, new BTN mobile apps have reached 1.4 million active users, with an average monthly new user acquisition of around 106k users in 1Q24, or far above the average of 89k monthly new users in 2023. Additionally, total transactions are soaring by 60.1% yoy to IDR 20.5 trillion, and 16 new features have been released in 1Q24.

Maintain BUY, TP of IDR1,770

Our GGM approach for BBTN 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

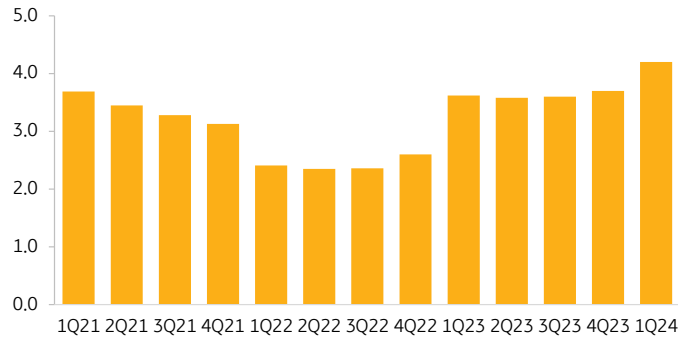
Source: Company, KBVS Research

Exhibit 2: BBTN 1Q24 result and key performance metrics results

BBTN	1Q23	1Q24	YoY (%)	3M23	3M24	YoY (%)	4Q23	QoQ (%)	KBVS '24F	% to '24F	Cons. '24F	% to Cons.
Income statements (IDRbn)												
Interest Income	6,676	7,672	14.9	6,676	7,672	14.9	7,438	3.1				
Interest Expenses	(3,555)	(4,445)	25.0	(3,555)	(4,445)	25.0	(3,957)	12.3				
Net interest income	3,121	3,227	3.4	3,121	3,227	3.4	3,481	(7.3)				
Operating expenses	(2,227)	(2,421)	8.7	(2,227)	(2,421)	8.7	(2,709)	(10.6)				
Pre-provision operating profit	1,769	1,811	2.4	1,769	1,811	2.4	2,332	(22.3)				
Provision expenses	(751)	(657)	(12.5)	(751)	(657)	(12.5)	(828)	(20.7)				
Net profit	801	860	7.4	801	860	7.4	1,188	(27.6)	3,846	22.4%	3,851	22.3%
Balance Sheets (IDRbn)												
Loans	299,748	344,244	14.8	299,748	344,244	14.8	333,698	3.2				
Current accounts	127,405	135,765	6.6	127,405	135,765	6.6	143,535	-5.4				
Saving deposits	39,405	42,842	8.7	39,405	42,842	8.7	44,472	-3.7				
Time deposits	152,798	179,134	17.2	152,798	179,134	17.2	161,927	10.6				
CASA	166,810	178,607	7.1	166,810	178,607	7.1	188,007	-5.0				
Total TPF	319,608	357,741	11.9	319,608	357,741	11.9	349,934	2.2				
Total equity	27,624	30,568	10.7	27,624	30,568	10.7	30,479	0.3				
Key Ratio (%)												
NIM	3.5	3.3	-0.2	3.5	3.3	-0.2	3.8	-0.5				
CIR	47.4	54.6	7.2	47.4	54.6	7.2	45.3	9.3				
ROE	13.1	12.7	-0.4	13.1	12.7	-0.4	13.9	-1.2				
ROA	1.0	1.0	0.0	1.0	1.0	0.0	1.1	-0.1				
NPL gross	3.5	3.0	-0.5	3.5	3.0	-0.5	3.0	0.0				
LAR	24.2	21.6	-2.6	24.2	21.6	-2.6	21.1	0.5				
NPL coverage	145.9	152.8	6.9	145.9	152.8	6.9	155.2	-2.4				
CoC	1.1	0.8	-0.3	1.1	0.8	-0.3	1.2	-0.4				
LDR	93.8	96.2	2.4	93.8	96.2	2.4	95.4	0.8				
CASA	52.2	49.9	-2.3	52.2	49.9	-2.3	53.7	-3.8				
Cost of Fund	3.6	4.2	0.6	3.6	4.2	0.6	3.6	0.6				

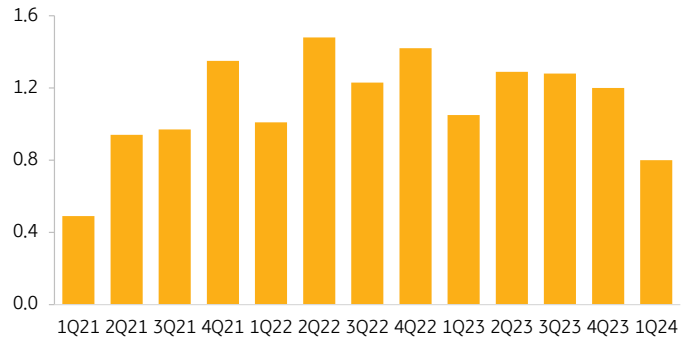
Source : Company, KBVS Research

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



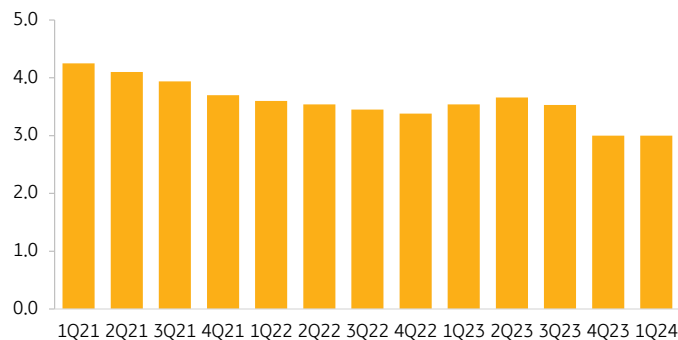
Source: Company, KBVS Research

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



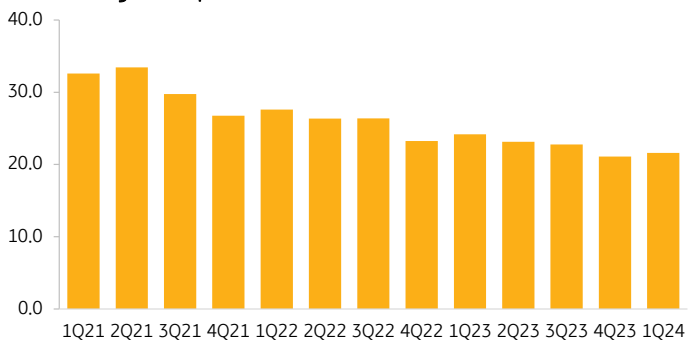
Source: Company, KBVS Research

Exhibit 5: Healthier NPL sounds to continue (%)



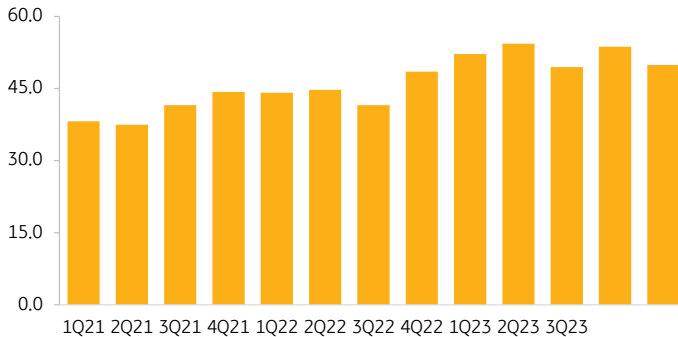
Source: Company, KBVS Research

Exhibit 6: Steady LAR improvement (%)



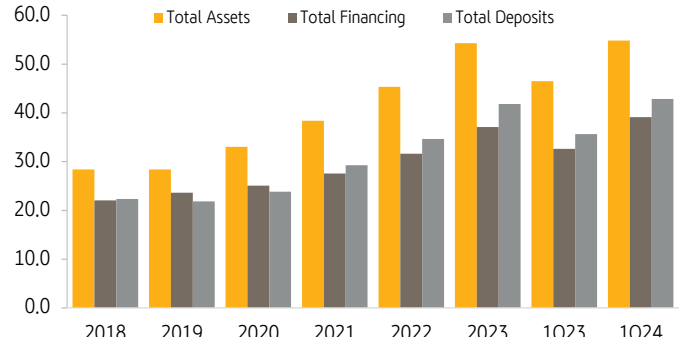
Source: Company, KBVS Research

Exhibit 7: Expecting CASA to remain solid (%)



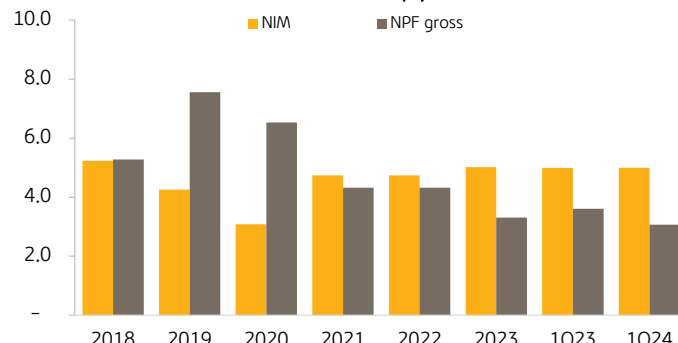
Source: Company, KBVS Research

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

Disclaimer

This report is prepared by PT KB Valbury Sekuritas, a member of the Indonesia Stock Exchange, or its subsidiaries or its affiliates ("KBVS"). All the material presented in this report is under copyright to KBVS. None of the parts of this material, nor its contents, may be copied, photocopied, or duplicated in any form or by any means or altered in any way, or transmitted to, or distributed to any other party without the prior written consent of KBVS.

The research presented in this report is based on the information obtained by KBVS from sources believed to be reliable, however KBVS do not make representations as to their accuracy, completeness or correctness. KBVS accepts no liability for any direct, indirect and/or consequential loss (including any claims for loss of profit) arising from the use of the material presented in this report and further communication given or relied in relation to this document. The material in this report is not to be construed as an offer or a solicitation of an offer to buy or sell any securities or financial products. This report is not to be relied upon in substitution for the exercise of independent judgement. Past performance and no representation or warranty, express or implied, is made regarding future performance. Information, valuations, opinions, forecasts and estimates contained in this report reflects a judgement at its original date of publication by KBVS and are subject to change without notice, its accuracy is not guaranteed or it may be incomplete.

The Research Analyst(s) primarily responsible for the content of this research report, in part or as a whole, certifies that the views about the companies and their securities expressed in this report accurately reflect his/her personal views. The Analyst also certifies that no part of his/her compensation was, is or will related to specific recommendation views expressed in this report. It also certifies that the views and recommendations expressed in this report do not and will not take into account client circumstances, objectives, needs and no intentions involved as a use for recommendations for sale or buy any securities or financial instruments.

KB Valbury Sekuritas Head Office

Sahid Sudirman Center 41st Floor Unit A-C
Jalan Jenderal Sudirman No. 86 Kelurahan Karet Tengsin,
Kecamatan Tanah Abang, Jakarta Pusat 10220, Indonesia
T. +62 21 – 250 98 300
F. +62 21 – 255 33 778

Branch Office

Jakarta – Sudirman

Sahid Sudirman Center 41st Floor Unit A-C
Jalan Jenderal Sudirman No. 86 Karet Tengsin,
Tanah Abang, Jakarta Pusat 10220
T. (021) 25098300/301

Jakarta – Kelapa Gading

Rukan Plaza Pasifik
Jl. Raya Boulevard Barat Blok A1 No. 10
Jakarta Utara 11620
T. (021) 29451577

Jakarta – Puri Indah

Rukan Grand Aries Niaga Blok E1 No. IV
Jl. Taman Aries, Kembangan
Jakarta Barat 11620
T. (021) 22542390

Jakarta – Pluit

Jl. Pluit Putra Raya No. 2
Jakarta Utara 14450
T. (021) 6692119

Bandung

Jl. HOS Cokroaminoto No. 82
Bandung 40171
T. (022) 87255800

Malang

Jl. Pahlawan Trip No. 7
Malang 65112
T. (0341) 585888

Banjarmasin

Jl. Gatot Subroto No. 33
Banjarmasin 70235
T. (0511) – 3265918

Pekanbaru

Jl. Tuanku Tambusai, Komplek CNN
Blok A No. 3 Pekanbaru 28291
T. (0761) 839393

Palembang

Komplek PTC Mall Blok I No. 7
Jl. R. Sukamto
Palembang 30114
T. (0711) 5700281

Surabaya

Pakuwon Center Lt 21
Jl. Embong Malang No.1
Surabaya 60261
T. (031) 2955788

Padang

Jl. Kampung Nias II No. 10,
Padang 25211
T. (0751) 8955747

Yogyakarta

Jl. Magelang KM 5.5 No. 75
Yogyakarta 55000
T. (0274) 623111

Semarang

Candi Plaza Building Lt. Dasar
Jl. Sultan Agung No. 90-90A
Semarang 50252
T. (024) 8501122

Makassar

Komplek RUKO Citraland City Losari
Business Park, Blok B2 No. 09
Jl. Citraland Boulevard Makassar 90111
T. (0241) 16000818

Medan

Komplek Jati Junction No. P5-5A
Jl. Perintis Kemerdekaan
Medan 20218
T. (061) 88816222

Denpasar

Jl. Teuku Umar No. 177
Komplek Ibis Styles Hotel
Denpasar Bali 80114
T. (0361) 225229

Investment Gallery

Jakarta

Citra Garden 6 Ruko Sixth Avenue
Blok J.1 A/18, Cengkareng
Jakarta Barat 11820
T. (021) 522392181

Semarang

Jl. MT Haryono 637
Semarang 50242
T. (024) 8415195

Salatiga

Jl. Diponegoro No. 68
Salatiga 50711
T. (0298) 313007

Solo

Jl. Ronggowarsito No. 34
Surakarta 57118
T. (0271) 6726306