

Bank Tabungan Negara Persero (BBTN IJ) (Neutral) - Earnings update; maintain Neutral, TP cut to IDR 980

11 Mar
2025

Banks

Earnings update; maintain Neutral, TP cut to IDR 980

We revise earnings for FY25-26F by ~13-14% and introduce FY27F forecast year

We believe that small-to-mid-sized Indonesia banks will continue to face pressures from the major banks. Post FY24 results, BBTN demonstrated soft performance despite increased mortgage demand. The bank reported 4Q24 net profit (NP) of IDR925bn (+59% q-q; -22% y-y), bringing FY24 NP to IDR3.0tn (-14% y-y), below our estimate, which we attribute to the bank's 20% y-y decline in 4Q24 PPOP to IDR1.9tn (but up 67% q-q). For 2025, management has guided loan and deposit growth of 7-8% and 8-9%, respectively. It expects credit cost (CoC) of 1.0-1.1% and gross NPL of below 3%. Longer term, we still like the bank's prospects, particularly in providing mortgages to the mass-market segment. In our view, this is a long-term growth driver for BBTN. We maintain our Neutral rating on the stock with a revised TP of IDR 980 (from IDR1,550).

Earnings changes summary

We update our earnings projections for FY25F and FY26F, as well as add FY27F as a new forecast year. Our earnings changes are primarily driven by: 1) the current banking system conditions (tight liquidity); and 2) lower loan and deposit projections of ~-5-7% and ~-2%, respectively. Post adjustments, we project BBTN's capital adequacy ratio (CAR) to be 17.6% (-80bp from prior projections) in FY25F. The implied ROAE for FY25F would be 10.7% (previously 12.0%).

Valuation and risks

Our new TP of IDR 980 is still based on DuPont analysis with key parameters: assuming a risk-free rate of 6.5% (up from 6.3%), equity risk premium of 7.8% (from 7.6%), beta of 1.3x (from 1.28x) and a CAR-adjusted ROAE of 12.07% (down from 14.13% due to lower earnings). Our new TP implies 0.39x 2025F P/B (vs current valuation of 0.3x). Upside/downside risks include better/worse-than-expected asset quality as well as better/less favorable government stimulus programs particularly for eligible borrowers and higher/lesser equity raising would translate into upside/downside risks on the stock. We prefer major banks such as BBCA IJ and BMRI IJ, both rated Buy.

Year-end 31 Dec	FY24		FY25F		FY26F		FY27F	
	Actual	Old	New	Old	New	Old	New	
Currency (IDR)								
PPOP (bn)	5,754	9,998	7,305	10,995	7,917	0	8,296	
Reported net profit (bn)	3,007	4,142	3,616	4,554	3,938	0	4,062	
Normalised net profit (bn)	3,007	4,142	3,616	4,554	3,938	0	4,062	
FD normalised EPS	214.28	295.15	257.63	324.50	280.59		289.42	
FD norm. EPS growth (%)	-14.2	11.8	20.2	9.9	8.9		3.1	
FD normalised P/E (x)	4.0	-	3.3	-	3.0	-	3.0	
Price/adj. book (x)	0.4	-	0.3	-	0.3	-	0.3	
Price/book (x)	0.4	-	0.3	-	0.3	-	0.3	
Dividend yield (%)	-	-	-	-	-	-	-	
ROE (%)	9.5	12.0	10.7	12.0	10.7		10.3	
ROA (%)	0.7	0.8	0.7	0.8	0.7		0.7	

Source: Company data, Verdhana estimates

Rating Table

Rating	Neutral
Remains	
Target price	IDR 980
Reduced from IDR 1,550	
Closing price	IDR 855
7 March 2025	
Implied upside	+14.6%
Market Cap (USD mn)	729.2
ADT (USD mn)	1.7

Relative performance chart



Source: LSEG, Verdhana

M cap (USDmn)			729.2	
Free float (%)			40.0	
3-mth ADT (USDmn)			1.7	
(%)		1M	3M	12M
Absolute (IDR)		-	-	-
		11.4	29.3	37.4
Absolute (USD)		-	-	-
		11.5	31.3	39.8
Rel to Jakarta Stock Exchange Composite Index		-9.8	-	-
			19.2	27.4

Research Analysts

Erwin Wijaya (erwin.wijaya@verdhana.id)

Key data on Bank Tabungan Negara Persero

Profit and loss (IDRbn)

Year-end 31 Dec	FY23	FY24	FY25F	FY26F	FY27F
Interest income	28,281	29,542	32,659	34,723	36,783
Interest expense	-14,851	-18,049	-19,319	-20,682	-22,225
Net interest income	13,430	11,493	13,340	14,041	14,558
Net fees and commissions	1,096	1,072	1,152	1,238	1,331
Trading related profits	0	0	0	0	0
Other operating revenue	2,795	3,504	3,500	3,750	4,000
Non-interest income	3,891	4,576	4,652	4,988	5,331
Operating income	17,321	16,069	17,992	19,029	19,888
Depreciation	-490	-527	-526	-506	-513
Amortisation	0	0			
Operating expenses	-4,538	-5,290	-5,599	-5,930	-6,286
Employee share expense	-4,142	-4,497	-4,562	-4,676	-4,793
Pre-provision op profit	8,152	5,754	7,305	7,917	8,296
Provisions for bad debt	-3,765	-1,981	-2,785	-2,994	-3,219
Other provision charges	0	0			
Operating profit	4,386	3,773	4,520	4,922	5,077
Other non-op income			0	0	0
Associates & JCEs	0	0			
Pre-tax profit	4,386	3,773	4,520	4,922	5,077
Income tax	-879	-766	-904	-984	-1,015
Net profit after tax	3,507	3,007	3,616	3,938	4,062
Minority interests	0	0	0	0	0
Other items	0	0	0	0	0
Preferred dividends	0	0	0	0	0
Normalised NPAT	3,507	3,007	3,616	3,938	4,062
Extraordinary items	0	0			
Reported NPAT	3,507	3,007	3,616	3,938	4,062
Dividends					
Transfer to reserves	3,507	3,007	3,616	3,938	4,062

Growth (%)

Net interest income	-10.4	-14.4	16.1	5.3	3.7
Non-interest income	127.6	17.6	1.7	7.2	6.9
Non-interest expenses	6.6	16.6	5.8	5.9	6.0
Pre-provision earnings	6.1	-29.4	27.0	8.4	4.8
Net profit	15.2	-14.2	20.2	8.9	3.1
Normalised EPS	15.2	-14.2	20.2	8.9	3.1
Normalised FDEPS	15.2	-14.2	20.2	8.9	3.1
Loan growth	12.6	8.4	8.0	8.0	7.9
Interest earning assets	9.1	7.0	9.8	7.8	7.8
Interest bearing liabilities	9.7	7.4	9.1	7.4	7.4
Asset growth	9.1	7.0	8.9	7.4	7.3
Deposit growth	8.6	9.2	8.3	7.5	7.5

Source: Company data, Verdhana estimates

Balance sheet (IDRbn)

As at 31 Dec	FY23	FY24	FY25F	FY26F	FY27F
Cash and equivalents	2,127	2,106	6,175	2,565	4,230
Inter-bank lending	0	0			
Deposits with central bank	18,146	22,740	24,630	26,478	28,464
Total securities	41,177	61,014	60,538	65,538	65,538
Other int earning assets	32,763	10,610	20,949	25,949	30,949
Gross loans	333,698	357,973	384,821	413,682	444,709
Less provisions	-15,592	-13,057	-12,305	-11,496	-10,626
Net loans	318,106	344,916	372,516	402,186	434,082
Long-term investments	0	0	0	0	0
Fixed assets	8,118	9,176	7,471	7,149	6,819
Goodwill	0	0	0	0	0
Other intangible assets	0	0	0	0	0
Other non IEAs	18,313	19,053	19,053	19,053	19,053
Total assets	438,750	469,615	511,332	548,918	589,136
Customer deposits	349,584	381,654	413,383	444,387	477,716
Bank deposits, CDs, debentures	115	101	110	118	127
Other int bearing liabilities	51,147	48,667	55,934	59,655	63,654
Total int bearing liabilities	400,846	430,423	469,427	504,159	541,497
Non-int bearing liabilities	7,425	6,620	6,620	6,620	6,620
Total liabilities	408,271	437,043	476,047	510,779	548,117
Minority interest	0	0	0	0	0
Common stock	11,436	11,436	11,436	11,436	11,436
Preferred stock	0	0			
Retained earnings	3,658	3,164	3,077	3,129	3,209
Reserves for credit losses	0	0	0	0	0
Proposed dividends	0	0	0	0	0
Other equity	15,385	17,972	20,772	23,573	26,374
Shareholders' equity	30,479	32,572	35,285	38,139	41,019
Total liabilities and equity	438,750	469,615	511,332	548,918	589,136
Non-perf assets	10,049	11,318	12,167	13,079	14,060

Balance sheet ratios (%)

INVESTMENT RATINGS

A rating of 'Buy', indicates that the analyst expects the stock to outperform the Benchmark over the next 12 months. A rating of 'Neutral', indicates that the analyst expects the stock to perform in line with the Benchmark over the next 12 months. A rating of 'Reduce', indicates that the analyst expects the stock to underperform the Benchmark over the next 12 months. A rating of 'Suspended', indicates that the rating, target price, and estimates have been suspended temporarily to comply with applicable regulations and/or firm policies. Securities and/or companies that are labelled as 'Not Rated' or 'No Rating' are not in regular research coverage. Benchmark is Indonesia Composite Index ('IDX Composite'). A 'Target Price', if discussed, indicates the analyst's forecast for the share price with a 12-month time horizon, reflecting in part of the analyst's estimates for the company's earnings, and may be impeded by general market and macroeconomic trends, and by other risks related to the company or the market in general.

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