

BUY (Maintain)

Target Price (IDR) **1,500**

Potential Upside (%) **9.5**

Price Comparison

Cons. Target Price (IDR)	1,801
SSI vs. Cons. (%)	83.3

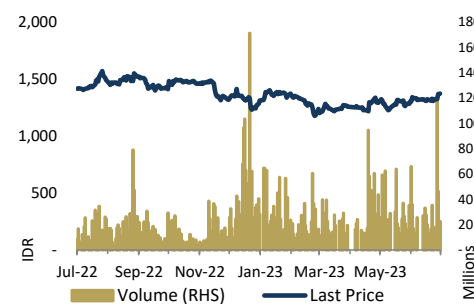
Stock Information

Last Price (IDR)	1,370
Shares Issued (Mn)	14,034
Market Cap. (IDR Bn)	19,227
52-Weeks High/Low (IDR)	1,572/1,150
3M Avg. Daily Value (IDR Bn)	40.3
Free Float (%)	39.9
Shareholder Structure:	
Negara Republik Indonesia (%)	60.0
Public (%)	40.0

Stock Performance

(%)	YTD	1M	3M	12M
Absolute	1.5	5.4	9.6	(3.0)
JCI Return	0.2	2.7	0.6	1.9
Relative	1.3	2.7	9.0	(4.9)

Stock Price & Volumes, 12M



Company Background

Focusing on mortgage loans, Bank Tabungan Negara is a state-owned corporation. The majority of its loan book is made up of housing-related loans, which may include both subsidized and unsubsidized mortgage loans.

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NPL recovery to support future earnings

Lower-than-expected results. BBTN booked a net profit of IDR 673bn in 2Q23 (-16.0% QoQ, -3.4% YoY), bringing its cumulative 6M23 net profit to IDR 1.47tn (+0.2% YoY), falling short of our estimates (43.7% of our full-year forecast) and consensus (45.7%). The lower-than-expected bottom line was mainly caused by the increase in interest expense to IDR 7.04tn (+42.6% YoY) in 1H23. The bank's NII dropped -19.4% YoY in 2Q23, as its CoF started to increase to 3.90% in 1H23 vs. 2.92% in 1H22. As of Jun-23, BBTN's loan growth only reached 7.5% YoY, still driven by subsidized mortgages (+10.8% YoY). Regarding asset quality, BBTN's NPL ratio increased as some of its restructured loans were degraded to NPL, as there has been no Covid-related debt restructuring since November '22. Consequently, BBTN's NPL coverage ratio fell to 139% in 2Q23 from 146% in the previous quarter, while its LAR coverage ratio remained relatively stable at 22%.

NPL recovery strategies. BBTN will implement several strategies to reduce its NPL ratio; 1) partnering with IFG for insurance claim payment for any bad loans. potentially raising IDR 277bn from claims that have not yet been disbursed, which is expected to be received within this year and could increase BBTN's non-interest income; 2) Collaborate with large buyers, such as multi-finance companies, developers, and end-users, to sell BBTN's ready-to-sell assets, including bonds, working capital loans, and KPR Maju. It is important to note that the total asset sales target is around IDR 1 trillion. 3) promoting KPR Maju, which is essentially a mortgage facility for BBTN's Ex-NPL & write-off mortgage recycle product and offers higher mortgage rates (1-2% more) than subsidized mortgages.

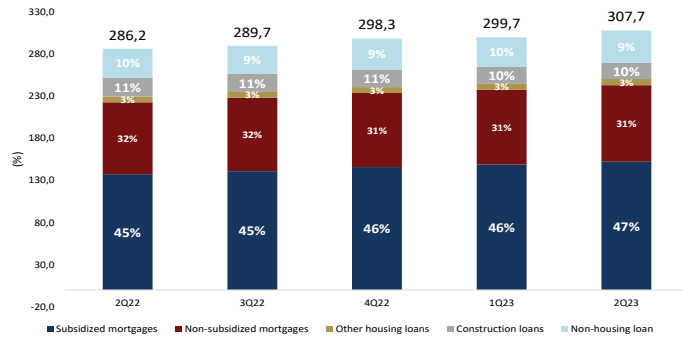
2023F guidance. BBTN still aims to book 10-11% loan growth this year, supported by subsidized mortgages, as the gov't has allocated IDR 25.8tn (+12.2% YoY) to provide mortgage interest subsidy for low-income households in 2023F. BBTN expects its NIM to reach 3.9%-4.0% this year, lower than its previous guidance but higher than the 1H23 figure of 3.62%, as it targets a gradual reduction in its wholesale funding portion (since it bears the highest CoF) by enhancing retail and transaction banking businesses and increasing product holdings through cross-selling strategies. Cost of Credit (CoC) is expected to drop to 1.1%-1.2% in 2023F vs. 1.3% in 2022, while the NPL ratio is expected to fall below 3% in 2023F, boosting its NPL coverage ratio to > 160% this year.

Maintain our BUY rating with a lower TP of IDR 1,500/share. Given that the backlog of home ownership in Indonesia is expected to remain over 12.7 million in 2023, BBTN still has massive growth potential. In a high-rate environment, however, BBTN faces the risk of having a higher CoF than its peers due to its high LDR ratio and its recent efforts to expand its loan portfolio in the commercial segment, which could result in higher NPL and CoC. We maintain our BUY rating with a 12-month TP of IDR 1,500 per share, implying a PBV multiple of 0.6x for 2023F. Downside risks include a weaker-than-anticipated economic recovery, lower-than-anticipated NIM and loan growth, and increased credit costs.

Forecast and Valuation (at closing price IDR 1,370 per share)

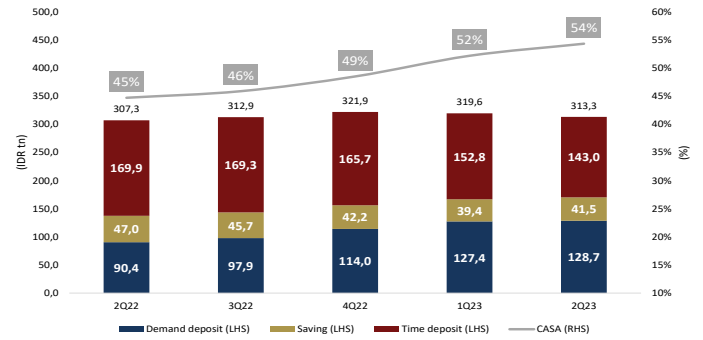
Y/E Dec (IDR Bn)	19A	20A	21A	22A	23F
Net Interest Income (IDR Bn)	9.078	9.122	13.201	15.148	16.426
Pre Provision Profit (IDR Bn)	4.009	4.593	6.661	7.975	8.569
Operating Profit (IDR Bn)	522	2.330	3.037	3.934	4.260
Net Profit (IDR Bn)	209	1.602	2.376	3.045	3.373
EPS (IDR)	20	151	225	236	319
EPS Growth (%)	(93)	666	48	5,1	11
P/E Ratio (x)	77,6	10,1	6,8	5,8	4,8
BVPS (IDR)	2.252	1.889	2.023	1.846	2.710
P/BV Ratio (x)	0,7	0,8	0,8	0,7	0,6
DPS (IDR)	2,0	-	44,9	57,6	63,7
Dividend Yield (%)	0,1	-	2,9	3,7	4,2

Figure 1. BBTN's Loan breakdown by segment



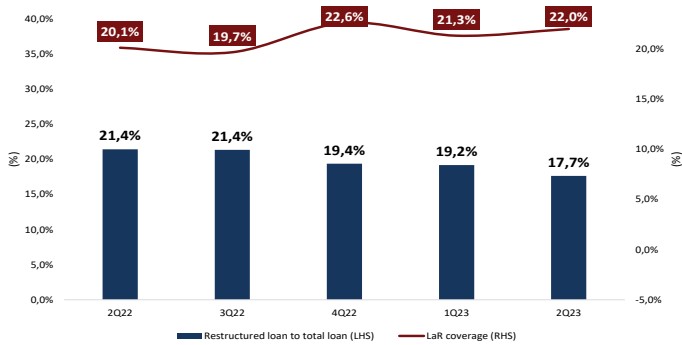
Source: Company, SSI research

Figure 2. BBTN's TPF breakdown



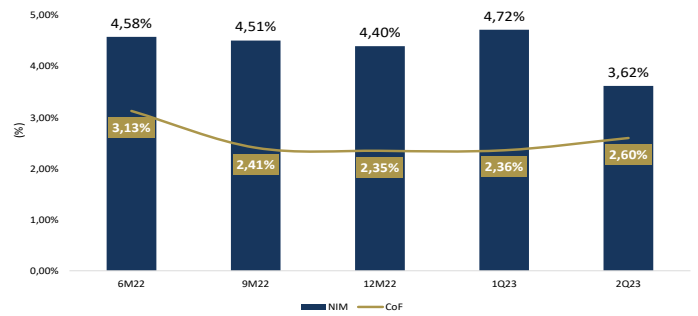
Source: Company, SSI research

Figure 3. BBTN's Restructured loan



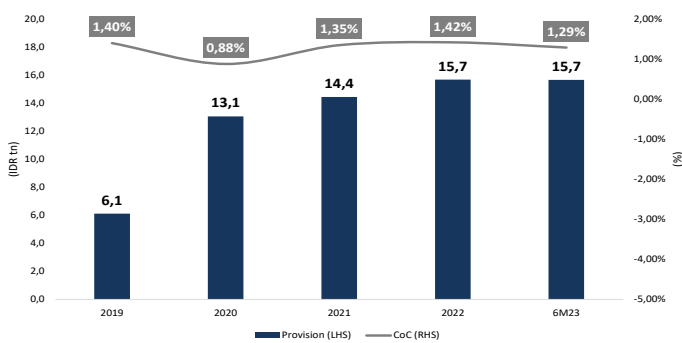
Source: Company, SSI research

Figure 4. BBTN's NIM and CoF



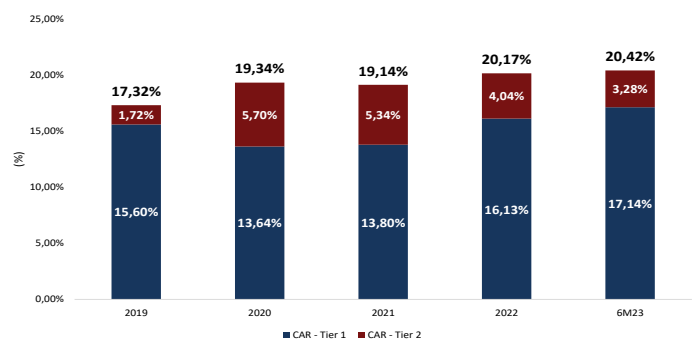
Source: Company, SSI research

Figure 5. BBTN's provision and CoC



Source: Company, SSI research

Figure 6. BBTN's CAR



Source: Company, SSI research

Figure 7. BBTN 2Q23 results

(IDRbn)	2Q22	1Q23	2Q23	q-q (%)	y-y (%)	6M 22	6M 23	y-y (%)	6M 23/ 2023F	6M 23/ cons
Interest Income	6.625	6.676	6.846	2,5	3,3	12.677	13.522	6,7		
Interest expense	2.462	3.555	3.489	(19)	41,7	4.940	7.044	42,6		
Net interest income	4.163	3.121	3.357	7,6	(19,4)	7.737	6.478	(16,3)		
Non-interest income	397	875	843	(3,7)	112,6	976	1.718	76,0		
Total operating income	4.559	3.996	4.200	5,1	(7,9)	8.713	8.196	(5,9)	44,1	46,5
Operating expense	2.321	2.228	2.136	(4,1)	(8,0)	4.700	4.364	(7,1)		
Impairment of fin. assets	1.284	749	1.192	59,1	(7,2)	2.070	1.941	(6,2)		
Operating profit	955	1.019	872	(14,4)	(8,7)	1.943	1.891	(2,7)	44,4	44,3
Pretax profit	936	1.023	843	(17,6)	(9,9)	1.917	1.866	(2,7)		
Net profit	697	801	673	(16,0)	(3,4)	1.471	1.474	0,2	43,7	45,7
BS & ratio analysis	2Q22	1Q23	2Q23	q-q	y-y	6M 22	6M 23			
Gross loans (IDRbn)	286.152	299.748	307.670	2,6	7,5	286.152	307.670			
Third party funding (IDRbn)	307.309	319.608	313.256	(2,0)	1,9	307.309	313.256			
Net interest margin (%)	4,6	3,5	3,6			4,6	3,6			
Cost efficiency (%)	50,9	55,8	50,9			53,9	53,2			
Cost to income (%)	86,4	86,5	88,7			85,8	87,6			
Loan/deposit (%)	93,1	93,8	98,2			93,1	98,2			
Loan/funding (%)	81,6	82,8	85,5			81,6	85,5			
Capital adequacy (%)	17,4	21,2	20,4			17,4	20,4			
Gross NPL (%)	3,54	3,54	3,66			3,5	3,7			
LLP/NPL (%)	149,8	145,7	139,0			149,8	139,0			
ROAE (%)	13,6	13,0	10,9			14,4	11,9			

Source: Company, Bloomberg, SSI Research

Table 1 Valuation Highlights

Ticker	Recommendation	CP		Upside (%)	P/B 23F	Net Profit		EPS Growth		ROE (%)		ROA (%)	
		IDR	TP IDR			23F	24F	23F	24F	23F	24F	23F	24F
BBCA	BUY	9,150	10,300	12.6	4.5	45.7	50.0	12.3	9.3	19.4	18.8	3.3	3.3
BBRI	BUY	5,625	6,200	10.2	2.6	56.5	62.9	10.5	11.3	18.2	18.7	3.0	3.2
BMRI	BUY	5,525	6,600	19.5	1.0	46.6	51.6	13.3	10.6	19.4	19.6	2.2	2.2
BBNI	BUY	9,050	12,700	40.3	1.1	21.9	24.1	19.4	10.1	15.0	14.5	2.1	2.1
BBTN	BUY	1,370	1,500	9.5	0.5	3.4	3.8	10.8	11.4	12.4	12.4	0.8	0.9
Sector						33.7	38.0	13.3	12.9	16.1	16.6	2.2	2.3

Source: Companies, SSI Research

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