

## Bank Tabungan Negara

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## Solid base to stand out among the crowd

20 February 2023



<b>BBTN IJ</b>	<b>BUY</b>
Sector	Banks
Price at 20 Feb 2023 (IDR)	1,355
Price target (IDR)	1,770
Upside/Downside (%)	30.6

## Stock Information

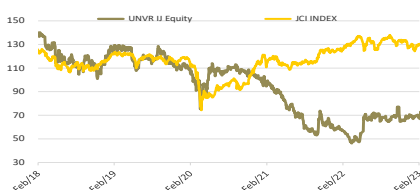
PT Bank Tabungan Negara (Persero) Tbk is a state-owned enterprise bank providing banking services (consumer banking, commercial and sharia banking). It has a strong business presence in subsidized mortgage. The bank has the continuing support from government in channeling housing subsidy which make market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

Market cap (IDR bn)	18,827
Shares outstanding (mn)	10,590
52-week range (Rp)	1,210 - 1,860
3M average daily vol. ('000)	32,69
3M average daily val. (Rp mn)	43,88

## Shareholders (%)

Republic of Indonesia	60.0
Public	40.0

## Stock Performance



Source: Bloomberg

	<b>1M</b>	<b>3M</b>	<b>12M</b>
Performance (%)	3.0	(7.2)	(21.7)

## Analyst(s)

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In all, we like BBTN FY22 result which should become a strong groundwork to kick off 2023 performance. Fresh flush capital post right issue means a better capacity to capture potential robust mortgage demand going forward, while a strategy focusing on high yield loans could maintain NII remain solid and this should be translated to a better NIM, amid the transmission rising policy rate phase. Asset recovery will provide additional support for a healthier capital, saving more on provisions and enhancing NPL further. Maintain BUY, with target price of IDR1,770 (0.7x '23F P/B) while it is currently trading at 0.5x '23F P/B, or slightly above its -2SD of 10-year historical mean.

## Both 4Q22 and FY22 beat our's and street forecast

Albeit recorded 4.2% qoq drop, BBTN's 4Q22 PATMI at IDR770 bn arrives ahead of our and street expectation at IDR595 bn and IDR667 bn, driven mainly by sharp drop in interest expenses by 32.8% qoq. On cumulative basis, FY22 earnings grew strong by 28.2% yoy to IDR3.04 tn, backed by strong net interest income which stood 14.7% yoy higher to IDR15.14 tn and with the help from PPOP solid growth at 19.7% yoy to IDR7.9t tn. FY22 earnings beat KBVs and cons. estimate at 106.1%/105.1%.

## Solid loan growth with higher optimism in '23F

Loans grew by 3.0% qoq and 8.5% yoy in 4Q22 to IDR298.28 tn, and arrives closed to '22F management guidance at 9%-10% (KBV's at 9.3% yoy). Housing loans remain as the backbone, which accounted 87.74% of total loan and grew by 6.9% yoy to IDR261.70 tn driven by subsidized mortgage segment growth at 11.61% yoy. Of the total loan board, corporate loan saw the highest at 29.14% yoy, bringing the total non-housing segment loan grew by 21.87% yoy. BBTN is guiding '23F loan growth at 10%-11%, which we think achievable as robust FLPP channeling should continue.

## Continuing cheaper deposits mix

In the same period, TPF reached IDR321.93 tn, grew by 2.9% qoq and 8.8% yoy and surpassing our '22F TPF for BBTN at IDR308.51 tn. Deposits mix saw another improvement in CASA for the 2 years in a row at 48.52% in 4Q22 vs 44.30% in 4Q21 and 41.11% in 4Q20, thanks to CA solid growth at 43.9% yoy to IDR114.0 tn, while TD portion only inched up by 0.53% yoy. The bank is targeting deposits growth to hover within the range of 10%-11%.

## Improving key performance metrics

BBTN saw better non-performing loan (NPL) by 32 bps to 3.38% on the back of improving collectability 5 by 9.2% yoy. On the segment basis, non-housing saw the highest enhancement to 3.44% vs 5.18% last year. Coverage ratio getting stronger at 155.65% vs 141.82% in FY21. BBTN expect to witness '23F NPL to sit below 3% with coverage ratio at more than 160%. On profitability, NIM saw 41 bps higher figure to 4.40%. The bank also booked healthier and stronger capital, with Tier-1 capital reached IDR22.53 tn, grew by 21.59% yoy with solid Tier-1 CAR at 16.13%, or 233 bp yoy higher from 13.80% in FY21 and around 163 bps vs our forecast at 14.5%. On the cost side, BBTN enjoyed another lower CoF from 3.13% to 2.60% in FY22. The 53 bps lower should be a good start to manage the transmission rising policy rate without sacrificing mild NIM contraction, in our view.

## Stronger capital, bigger loan capacity

With a new flush capital received from right issue amounting IDR4.13 tn, BBTN could increase its capacity in loan channeling from 800k units in 5-years period to around 1.32 mn units and this means a momentum for a better room for growth with a stronger capital going forward.

## Maintain BUY with target price of IDR1,770

Our target price is based on Gordon Growth Model-derived fair P/B of 0.7x. BBTN is currently trading at 0.5x '23F P/B, or slightly above its -2SD of 10-year historical mean at 0.4x. Risks to our call are: a) lower-than-expected loan growth, NIM and loan yield, b) higher than expected credit cost and c) higher inflation, slowing economic activity and d) deteriorating asset quality.

## Key Statistics

Year-end Dec	2020A	2021A	2022F	2023F	2024F
Net interest income	8,925	12,991	13,895	14,441	16,607
Non-interest income	2,515	2,363	2,591	2,827	2,616
Total operating income	11,439	15,354	16,485	17,267	19,223
Pre-provision operating profit	4,593	6,661	7,489	7,948	9,232
Net profit	1,602	2,376	2,870	3,141	3,857
EPS (IDR)	151	224	271	297	364
EPS growth (%)	N/A	48.3	20.8	9.5	22.8
PER (x)	9.0	6.0	5.0	4.6	3.7
PBV (x)	0.7	0.7	0.6	0.5	0.5
Div. Yield (%)	-	-	4.0	4.4	5.4
ROE (%)	7.3	11.5	12.5	12.2	13.4

Source: Company, KB Valbury Sekuritas

Exhibit 1: BBTN's Financial Overview

IDRbn	4Q22	4Q21	YoY	3Q22	QoQ	12M22	12M21	YoY
Interest Income	6,911	7,256	(4.8)	6,300	9.7	25,888	25,828	0.2
Interest Expenses	(3,309)	(2,811)	17.7	(2,491)	32.8	(10,740)	(12,626)	(14.9)
Net Interest Income	3,602	4,445	(19.0)	3,809	(5.4)	15,148	13,202	14.7
Non Interest Income	858	678	26.5	367	133.8	2,234	2,488	(10.2)
Operating Expenses	(2,033)	(2,558)	(20.5)	(2,640)	(23.0)	(9,406)	(9,025)	4.2
Pre-Provision Operating Profit	2,427	2,565	(5.4)	1,536	58.0	7,976	6,665	19.7
Provision Expenses	(1,425)	(1,596)	(10.7)	(546)	161.0	(4,041)	(3,628)	11.4
Earnings Before Tax	978	945	3.5	980	(0.2)	3,876	2,993	29.5
Net Profit	770	861	(10.6)	804	(4.2)	3,045	2,376	28.2

Key Metrics (%)

Loan (IDRbn)	298,282	274,835	8.5	289,693	3.0	298,282	274,835	8.5
Deposit (IDRbn)	321,937	295,976	8.8	312,846	2.9	321,937	295,976	8.8
LDR	92.7	92.9	(0.2)	92.6	0.1	92.7	92.9	(0.2)
CASA Ratio	48.5	44.3	4.2	45.9	2.6	48.5	44.3	4.2
NIM	4.4	4.0	0.4	4.5	(0.1)	4.4	4.0	0.4
Cost of Fund	2.6	3.1	(0.5)	2.4	0.2	2.6	3.1	(0.5)
NPL Ratio	3.4	3.7	(0.3)	3.5	(0.1)	3.4	3.7	(0.3)
NPL Coverage Ratio	155.7	141.8	13.8	150.5	5.2	155.7	141.8	13.8
Tier-1 CAR	16.1	13.8	2.3	13.0	3.1	16.1	13.8	2.3
ROE	16.4	13.6	2.8	16.8	(0.4)	16.4	13.6	2.8
ROA	1.0	0.8	0.2	1.0	(0.0)	1.0	0.8	0.2

Source : Company

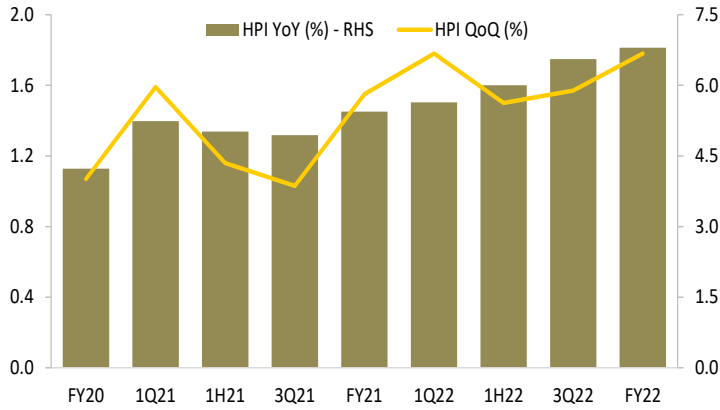
Income Statements (IDR bn)	12M22	12M21	YoY	4Q22	4Q21	YoY	3Q22	QoQ	2022F	% to '22F	Cons	% to cons
Net interest income	15,148	13,202	14.7	3,602	4,445	(19.0)	3,809	(5.4)	13,895	109.0		
Non-interest income	2,234	2,488	(10.2)	858	678	26.5	367	133.8	2,591	86.2		
Operating expenses	(9,406)	(9,025)	4.2	(2,033)	(2,558)	(20.5)	(2,640)	(23.0)	(8,997)	104.6		
Pre-provision operating profit	7,976	6,665	19.7	2,427	2,565	(5.4)	1,536	58.0	7,489	106.5		
Provision expenses	(4,041)	(3,628)	11.4	(1,425)	(1,596)	(10.7)	(546)	161.0	(3,619)	111.7		
Net profit	3,045	2,376	28.2	770	861	(10.6)	804	(4.2)	2,870	106.1	2,898	105.1

Source : Company

Balance Sheet (IDR bn)	12M22	12M21	YoY	4Q22	4Q21	YoY	3Q22
Loan	298,282	274,835	8.5	298,282	274,835	8.5	289,693
CASA	156,202	131,120	19.1	156,202	131,120	19.1	143,591
Current accounts	114,007	79,198	44.0	114,007	79,198	44.0	97,882
Saving deposits	42,195	51,922	(18.7)	42,195	51,922	(18.7)	45,709
Time deposits	165,736	164,856	0.5	165,736	164,856	0.5	169,255
Total TPF	321,938	295,976	8.8	321,938	295,976	8.8	312,846
Total equity	25,909	21,407	21.0	25,909	21,407	21.0	21,597

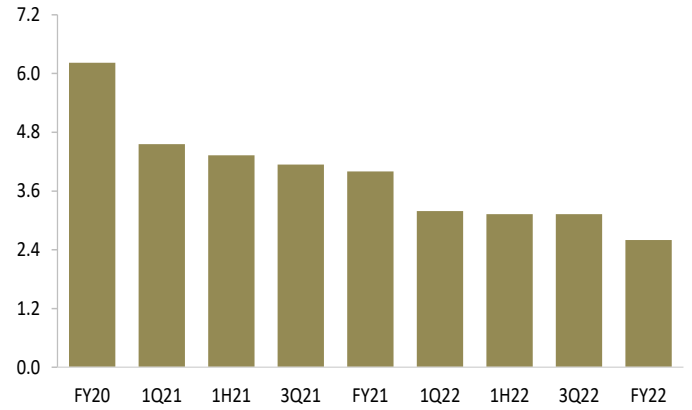
Source : Company

**Exhibit 2: Increasing house prices remains (%)**



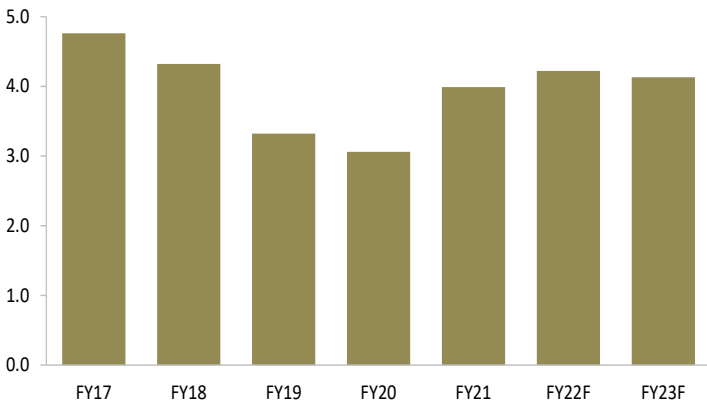
Source: Company, KB Valbury Sekuritas

**Exhibit 3: Softer CoF as a good start to manage transmission rising rate**



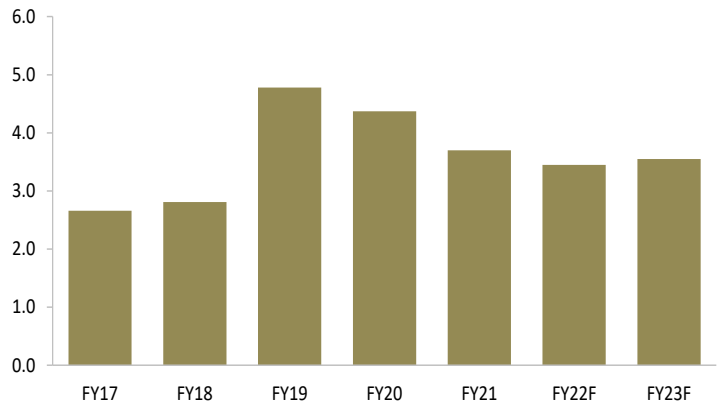
Source: Company, KB Valbury Sekuritas

**Exhibit 4: Expecting an acceptable slight NIM contraction in FY23F (%)**



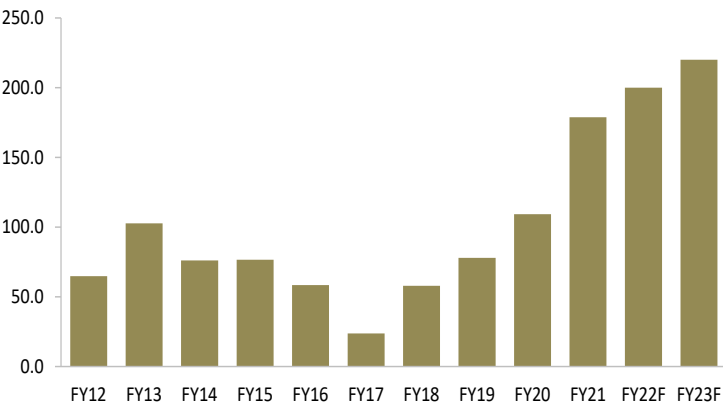
Source: Company, KB Valbury Sekuritas

**Exhibit 5: Trending down NPL and expecting stable in '23F**



Source: Company, KB Valbury Sekuritas

**Exhibit 6: Continuing robust FLPP to benefit BBTN (000 units)**



Source: Company, KB Valbury Sekuritas

**Exhibit 7: Currently trading at 0.5x '23F P/B, below its 10-year hist. -1SD**



Source: Company, KB Valbury Sekuritas

# Bank Tabungan Negara

## FINANCIAL TABLES

### CONSOLIDATED STATEMENTS OF PROFIT OR LOSS

Year End Dec (IDR bn)	2020A	2021A	2022F	2023F	2024F
Interest income	25,116	25,795	27,269	30,074	32,702
Interest expenses	(16,192)	(12,804)	(13,374)	(15,633)	(16,096)
Net interest income	8,925	12,991	13,895	14,441	16,607
Non-interest income	2,515	2,363	2,591	2,827	2,616
Total operating income	11,439	15,354	16,485	17,267	19,223
Operating expenses	(6,847)	(8,692)	(8,997)	(9,319)	(9,991)
Pre-provision operating profit	4,593	6,661	7,489	7,948	9,232
Loan loss provision	(2,262)	(3,625)	(3,619)	(3,716)	(4,045)
Pretax profit	2,271	2,993	3,826	4,188	5,143
Tax Expenses	(668)	(617)	(957)	(1,047)	(1,286)
Net profit	1,602	2,376	2,870	3,141	3,857

Source: Company, KB Valbury Sekuritas

### CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

Year End Dec (IDR bn)	2020A	2021A	2022F	2023F	2024F
<b>Assets</b>					
Cash	1,429	1,540	1,770	1,808	1,960
Current Account BI	11,108	10,692	12,341	13,297	14,668
Interbank	23,046	28,996	24,680	26,593	29,334
Marketable Securities	56,288	46,080	41,989	47,804	56,032
Gov Bond	3,204	2,231	3,083	3,322	3,665
Loan	247,053	260,400	285,361	305,558	333,262
Fixed assets	5,818	5,737	7,245	7,914	8,552
Other assets	13,262	16,193	15,543	16,942	18,043
Total Asset	361,208	371,868	392,012	423,237	465,517
<b>Liabilities</b>					
Interbank Deposit	33	71	66	66	66
Deposit from customer	278,991	295,952	308,518	332,433	366,703
Debts Sec and Subordinates	49,812	43,194	47,199	51,199	55,199
Other Liabilities	12,384	11,245	11,807	12,397	13,017
Total liabilities	341,221	350,462	367,590	396,095	434,985
<b>Equity</b>					
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	8,763	11,140	14,009	16,576	19,806
Other Equity	3,875	2,918	3,064	3,217	3,378
Shareholder's Equity	19,988	21,407	24,422	27,143	30,533
Non-controlling Interest	-	-	-	-	-
Total Equity	19,988	21,407	24,422	27,143	30,533

Source: Company, KB Valbury Sekuritas

### RATIO ANALYSIS

Year End Dec	2020A	2021A	2022F	2023F	2024F
NIM (%)	3.0	3.9	4.4	4.4	4.5
LDR (%)	93.2	92.9	92.7	93.5	93.7
CASA (%)	41.1	44.3	45.0	43.8	42.7
NPL (%)	4.4	4.4	3.5	3.6	3.5
ROAE (%)	7.3	11.5	12.5	12.2	13.4
ROAA (%)	0.5	0.6	0.8	0.8	0.9
CAR (%)	19.3	19.1	19.5	20.2	20.2
BVPS (IDR)	1,887	2,021	2,306	2,563	2,883
PER (x)	9.0	6.0	5.0	4.6	3.7
PBV (x)	0.7	0.7	0.6	0.5	0.5
Div. Yield (%)	-	-	4.0	4.4	5.4

Source: Company, KB Valbury Sekuritas

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