

Bank Tabungan Negara

Proxy of promising mortgage market

28 December 2022



BBTN IJ	BUY
Sector	Banks
Price at 28 Dec 2022 (IDR)	1,355
Price target (IDR)	1,770
Upside/Downside (%)	30.6

Stock Information

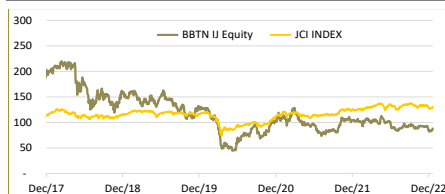
PT Bank Tabungan Negara (Persero) Tbk is a state-owned enterprise bank providing banking services (consumer banking, commercial and sharia banking). It has a strong business presence in subsidized mortgage. The bank has the continuing support from government in channeling housing subsidy which make market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

Market cap (IDR bn)	14,349
Shares outstanding (mn)	10,590
52-week range (Rp)	1,297 - 1,861
3M average daily vol. ('000)	13,909
3M average daily val. (Rp mn)	19,824

Shareholders (%)

Republic of Indonesia	60.0
Public	40.0

Stock Performance



Source: Bloomberg

	1M	3M	12M
Performance (%)	(8.1)	(6.6)	(19.9)

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Captive market for sustainable long term growth outlook with undemanding valuation are the two main catalysts that too good to be ignored. Post right issue, the bank will have stronger capital and this mean a better capacity to capture potential robust mortgage demand going forward. Maintain BUY, with higher 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.

Moderating earnings growth, yet still at high single digit

BBTN's earnings growth momentum is expected to moderate at 9.5% yoy in '23F as a result of high base effect and strong recovery momentum growth ('21 at 48.3% yoy and '22F at 20.8% yoy). Next year earnings growth will be supported by the interest income improvement at 10.3% yoy and with the help from non-interest income growth of 9.1% yoy as well as a softer increase in provisions expenses. Our interest income forecast for BBTN in 2023 is derived by the assumption of 7.3% yoy loan growth, blended loan yield of 8.8% and average earnings asset yield of 7.6%.

Robust FLPP channeling should continue

As per 24 Dec '22, Housing Financing Liquidity Facility (FLPP) channeling has reached 226.000 units (IDR25.2 tn), or 13% surpassing 2022 guidance of 200.000 units (IDR19.1 tn). The government is targeting FLPP to reach 220.000 units (IDR25.2 tn) in 2023 with additional units coming from Tapera program of 10.000 units (IDR1.1 tn). Historically, BBTN absorbs more than 70% of the industry's FLPP channeled (2 years average at 75%). That said, assuming a conservative 50% share in 2023 FLPP, BBTN will channel at least 110.000 units of FLPP which translated into an interest income of IDR29.8 tn (loan yield at 8.8% with average selling price of IDR145.5mn/unit).

Expecting softer loan growth, and slight NIM contraction

BBTN expect loan growth to arrive in mid teen level in 2023, while we are using a more conservative approach of 7.1% yoy as we accommodate the macro uncertainty next year. Of the total, we forecast housing and non-housing growth at 6.9% yoy and 8.6% yoy, respectively. Subsidized mortgage will remain the largest portion at 55.7% of the total housing loan in 2023 or equal to around 8.6% yoy growth and higher than non-subsidized housing loan growth of only 6.7% yoy. Adjusting to the macro background, NIM is expected to slightly contract to 3.63%, down from our previous NIM assumption of 3.96%.

11M22 earnings grew by 41.5% yoy

BBTN's bank only net profit grew strongly at 41.5% yoy in 11M22, helped by solid net interest income and PPOP growths of 28.8% and 36.1% yoy, respectively. In Nov '22 stand alone, it grew even stronger at 42.4% MoM, thanks to lower provision expenses of around 16.3% mom. In the same period, total loan grew 8.1% yoy, backed by 7.5% yoy of loan channeled and 13.4% yoy growth in sharia financing.

Stronger capital, bigger loan capacity

Post right issue, BBTN will have stronger capital base and will provide more upside room and bigger capacity for loan growth acceleration. Assuming all fund raised from rights issue at IDR4.13 tn, CAR is expected to reach 19.1%, in-line with the management's guidance of 19%-20% post rights issue. We also expect Tier-1 to improve to 14.5% in 2022 (9M22: 13.1%) and 15.1% in 2023, respectively.

Maintain BUY with higher 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

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Exhibit 1: BBTN's Financial Overview

Profit & Loss (IDR bn)	10M21	11M21	10M22	11M22	10M22 YoY (%)	11M22 YoY (%)
Interest income	20,531	22,465	21,052	23,335	2.5	3.9
Interest expense	(10,779)	(11,718)	(8,393)	(9,489)	(22.1)	(19.0)
Net interest income	9,752	10,747	12,659	13,846	29.8	28.8
Non Int Inc & others	1,829	2,022	1,025	1,184	(43.9)	(41.5)
Total Income	11,581	12,769	13,685	15,030	18.2	17.7
Opex	(6,993)	(7,668)	(7,472)	(8,087)	6.9	5.5
PPOP	4,588	5,101	6,212	6,943	35.4	36.1
Provision	(2,235)	(2,442)	(3,024)	(3,366)	35.3	37.8
Operating income	2,352	2,658	3,188	3,576	35.5	34.5
Others income (exp)	(26)	(29)	(38)	(42)	47.6	46.1
PBT	2,327	2,630	3,150	3,534	35.4	34.4
Tax	(603)	(655)	(661)	(740)	9.6	13.0
Net Profit	1,723	1,974	2,489	2,794	44.4	41.5

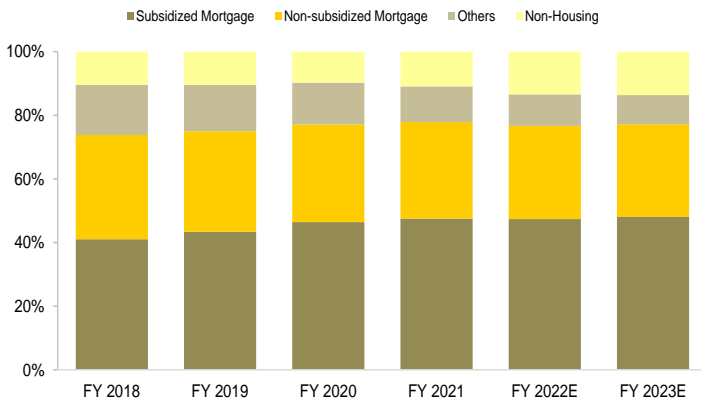
Loans and Deposits (IDR bn)						
Loans	244,237	245,882	262,908	264,293	7.6	7.5
Sharia financing	27,578	27,586	30,749	31,292	11.5	13.4
Total Loan	271,815	273,468	293,657	295,585	8.0	8.1
Total deposits	308,720	299,711	314,651	321,836	1.9	7.4
Demand deposits	92,291	73,380	96,369	115,499	4.4	57.4
Savings deposits	47,701	48,723	38,918	38,242	(18.4)	(21.5)
Time deposits	168,728	177,608	179,364	168,095	6.3	(5.4)

Ket Financial Metrics						
NIM (%)	3.4	3.4	4.2	4.1	0.7	0.7
Asset yield - IEA (%)	7.2	7.1	6.9	6.9	(0.3)	(0.1)
Cost of fund (%)	3.7	3.6	2.8	2.8	(0.9)	(0.7)
Cost of credit (%)	1.1	1.1	1.4	1.4	0.3	0.3
CASA (Rpb)	139,992	122,103	135,287	153,741	(4,705)	31,638
CASA ratio (%)	45.3	40.7	43.0	47.8	(2.4)	7.0
LDR (%)	79.1	82.0	83.6	82.1	4.4	0.1

Forecast Changes (IDR bn)	New			Original		Difference (%)		Street		Difference (%)	
	2022F	2023F	2024F	2022F	2023F	2022F	2023F	2022F	2023F	2022F	2023F
Loan	300,527	321,985	351,751	303,346	329,808	-0.9%	-2.4%	N/A	N/A	N/A	N/A
Deposit	308,518	332,433	366,703	307,650	338,505	0.3%	-1.8%	N/A	N/A	N/A	N/A
Interest Income	27,269	30,074	32,702	27,880	28,592	-2.2%	5.2%	N/A	N/A	N/A	N/A
Interest Expenses	(13,374)	(15,633)	(16,096)	(13,413)	(13,914)	-0.3%	12.4%	N/A	N/A	N/A	N/A
Net Interest Income	13,895	14,441	16,607	14,467	14,678	-4.0%	-1.6%	N/A	N/A	N/A	N/A
Provision Expenses	(3,619)	(3,716)	(4,045)	(3,369)	(3,460)	7.4%	7.4%	N/A	N/A	N/A	N/A
Net Profit	2,870	3,141	3,857	2,807	3,202	2.2%	-1.9%	2893	3290	-0.8%	-4.5%

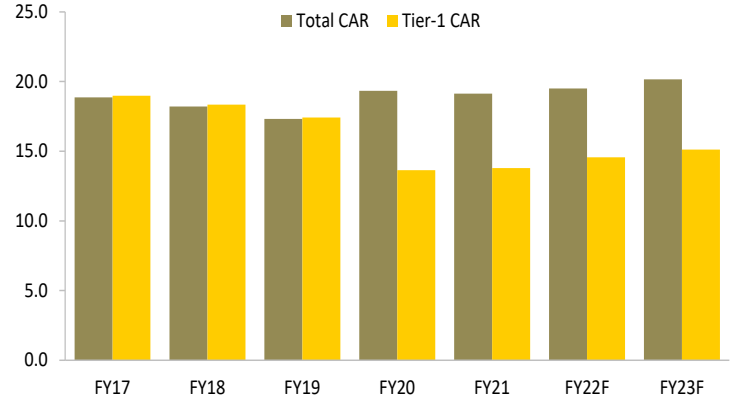
Source: Company, KB Valbury Sekuritas

Exhibit 2: Subsidized and non-subsidized taking the largest portion (%)



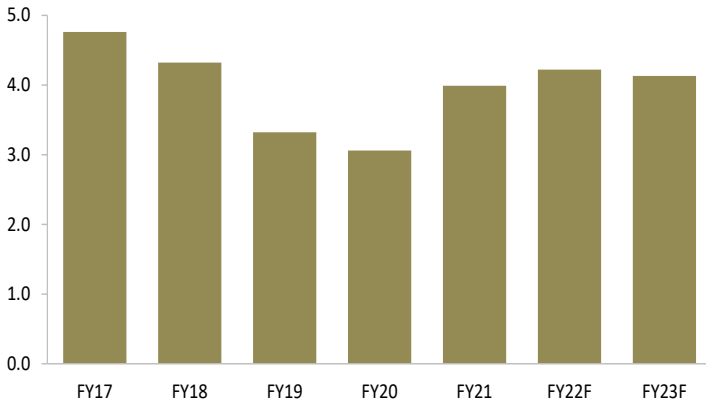
Source: Company, KB Valbury Sekuritas

Exhibit 3: Better capital for better capacity and provides room for higher loan



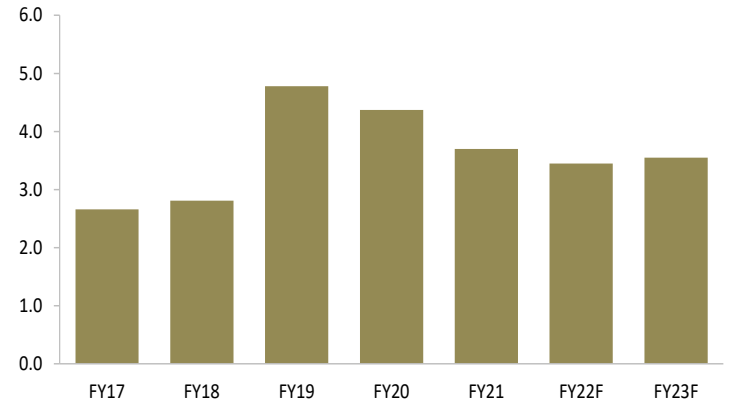
Source: Company, KB Valbury Sekuritas

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



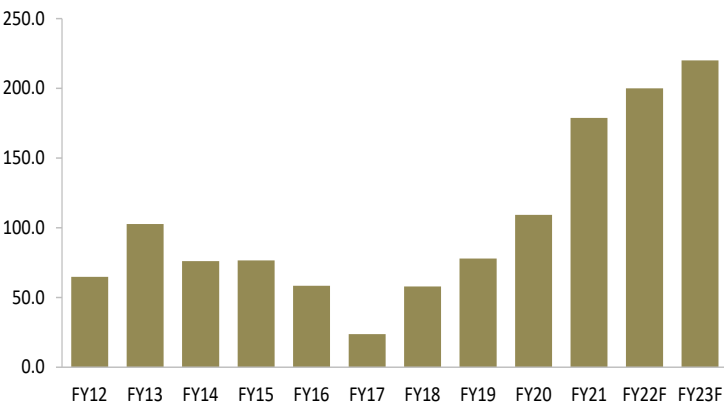
Source: Company, KB Valbury Sekuritas

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
Assets					
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
Liabilities					
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
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	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 (%)	2.7	3.6	3.7	3.6	3.8
LDR (%)	93.2	92.9	97.4	96.9	95.9
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 (%)	0.0	0.0	4.0	4.4	5.4

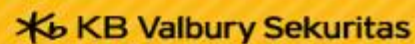
Source: Company, KB Valbury Sekuritas

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