

Bank Tabungan Negara

Expecting stronger results in the following quarters

11 May 2023



BBTN IJ	BUY
Sector	Banks
Price at 10 May 2023 (IDR)	1,285
Price target (IDR)	1,770
Upside/Downside (%)	37.7

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)	13,827
Shares outstanding (mn)	10,590
52-week range (Rp)	1,150 - 1,670
3M average daily vol. ('000)	22,83
3M average daily val. (Rp mn)	43,88

Shareholders (%)

Republic of Indonesia	60.0
Public	40.0

Stock Performance



Source: Bloomberg

	1M	3M	12M
Performance (%)	4.5	(6.5)	(20.4)

Analyst(s)

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Flattish 1Q23 earnings growth (+3.4% yoy) still acceptable in our view. On the positive side, mounting CoF (1Q23: 43.5% yoy) could overall cushioned BBTN's 2023 top line growth. Assuming it has peaked in 1Q23 and focus on high yield loans continue, we expect to witness '23F earnings to grow stronger (KBVS: 6.3% yoy and consensus 7.3% yoy). As one of the largest subsidized mortgage bank providers, loan channeling likely to arrive within similar figure with 2022. We also like BBTN's sturdy capital position, which could translate into a bigger loan capacity. Maintain BUY, with target price of IDR1,770 (0.6x '23F P/B) while it is currently trading at 0.5x '23F P/B, or slightly above its -2SD of 10-year historical mean of 0.4x.

1Q23 earnings surpassing KBVs and in line with cons expectation

BBTN 1Q23 earnings stood at IDR801 bn, or +3.42% yoy as transmission of benchmark rate hikes takes place and made CoF came 121bps higher to IDR3.5tn (43.48% yoy). Manageable opex (+5.45% yoy) and well managed provisions expenses (-4.69% yoy) are main drivers for 1Q23 PATMI growth. Despite recorded soft growth, in quarterly basis, 1Q23 net profit surpassing KBVs 1Q23F for BBTN by 2.36% and above our forecast by 1.29%, whereas historically 1Q23 contributes around 23.5% to its full year figures (consensus was in line at 0.90%).

Expecting 2023 PATMI growth to remain solid

Following low based earnings effect which made prior growth looks stunning, we view '23F earnings could remain arrived higher year-on-year at +6.3% yoy. Our forecast for BBTN '23F PATMI will be supported by 10.6% yoy growth in net interest income and manageable opex, aside from provisions expenses which we expect to continue lower year-on-year (1Q23: -4.69% yoy). Should BBTN need to make another CoF adjustment, we view the continuing loan growth momentum; coupled with pick up in loan yield could overall cushions net interest income growth to remain positives. Ceteris paribus, assuming CoF have peaked in 1Q23, we expect to witness BBTN's earnings to grow stronger than our assumption. Worth noting that consensus expecting BBTN '23F earnings to grow by 7.9% yoy, or approximately 160bps higher than KBVs.

Healthy solid loan growth with TPF remain ample

Loans grew by 8.2% yoy to IDR299.74 bn, inched up by 0.5% qoq and arrives closed to FY22 growth at 8.5% yoy. Subsidized mortgage grew by 10.9% yoy and contributes almost half to total loan, while as a total for housing loan was 6.4% yoy higher (contributes 88.3%). 1Q23 loan growth also supported by total non-housing loans which grew 23.1% yoy and made up around 11.7% of BBTN's total loans. On liabilities side, TPF noted a healthy growth at 10.1% yoy, with 8.04% yoy higher (3.7% qoq) CASA from 44.2% in 1Q22, thanks to CA strong growth and a 5.8% yoy drop in TD funds.

Manageable key performance metrics

BBTN saw another well-managed key performance metrics. NPL remain well behaves, 6bps better to 3.54% from 3.60% in 1Q22 with coverage ratio at 145.90% (1Q23). Likewise for LAR coverage which recorded solid figures at 40.13%, sharply improves from 38.38% a year earlier. NIM slightly contracted by 78bps yoy to 3.51%. We expect NIM to recover in the following quarters backed by stable earnings assets growth tied with stronger net interest income as we assumed soften CoF hikes in the following quarters and BBTN will continue to focus on high yield loan.

Stronger loan capacity

BBTN also booked healthier and stronger capital, with Tier-1 CAR stood at 137bps higher on quarterly basis and surged 427bps yoy to 17.5%. With such stronger capital we view BBTN could increase its capacity in channeling loans and thus providing a better room for growth going forward.

Maintain BUY with target price of IDR1,770

Our target price is based on Gordon Growth Model-derived fair P/B of 0.6x. 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	2021A	2022A	2023F	2024F	2025F
Net interest income	12,991	14,997	15,689	16,864	18,581
Non-interest income	2,363	2,210	2,273	2,331	2,426
Total operating income	15,354	17,207	17,962	19,194	21,007
Pre-provision operating profit	6,661	7,833	7,909	8,501	9,601
Net profit	2,376	3,045	3,234	3,579	4,377
EPS (IDR)	216	277	294	326	398
EPS growth (%)	48.3	28.1	6.2	10.6	22.3
PER (x)	5.9	4.6	4.4	3.9	3.2
PBV (x)	0.7	0.5	0.5	0.4	0.4
Div. Yield (%)	0.0	4.3	4.6	5.1	6.2
ROE (%)	11.5	12.9	11.7	11.3	11.9

Source: Company, KB Valbury Sekuritas

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Exhibit 1: BBTN's 3M23 Results

Income statements (IDRbn)	3M22	3M23	YoY (%)	1Q22	1Q23	YoY (%)	4Q22	QoQ (%)	KBVS 2023F	% to '23F	Cons'	% to Cons'
Net interest income	3,574	3,121	-12.7	3,574	3,121	-12.7	3,602	-13.4				
Non-interest income	557	875	57.1	557	875	57.1	858	2.0				
Total operating income	4,131	3,996	-3.3	4,131	3,996	-3.3	4,460	-10.4				
Operating expenses	-2,357	-2,229	-5.4	-2,357	-2,229	-5.4	-2,033	9.6				
Pre-provision operating profit	1,774	1,767	-0.4	1,774	1,767	-0.4	2,427	-27.2				
Provision expenses	-786	-749	-4.7	-786	-749	-4.7	-1,425	-47.4				
Net profit	774	801	3.5	774	801	3.5	770	4.0	3,234	24.8	3,286	24.4

Source : Company, KB Valbury Sekuritas

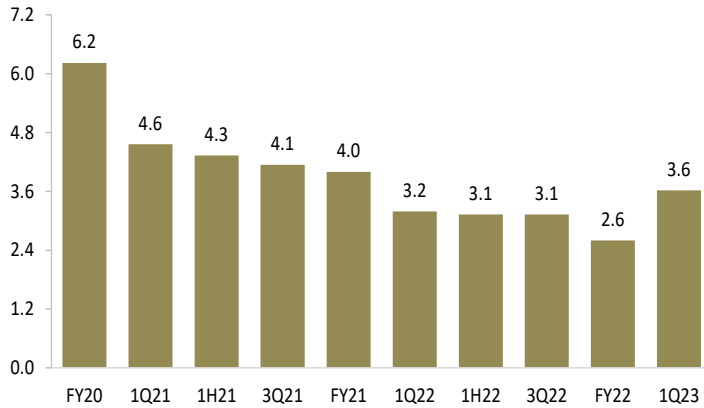
Balance sheets (IDRbn)	3M22	3M23	YoY (%)	1Q22	1Q23	YoY (%)	4Q22	QoQ (%)
Loans	277,137	299,748	8.2	277,137	299,748	8.2	298,282	0.5
Current accounts	82,749	127,405	54.0	82,749	127,405	54.0	114,007	11.8
Saving deposits	45,514	39,405	(13.4)	45,514	39,405	(13.4)	42,195	(6.6)
Time deposits	162,269	152,798	(5.8)	162,269	152,798	(5.8)	165,736	(7.8)
CASA	128,263	166,810	30.1	128,263	166,810	30.1	156,202	6.8
Total TPF	290,532	319,608	10.0	290,532	319,608	10.0	321,938	(0.7)
Total equity	21,483	27,624	28.6	21,483	27,624	28.6	25,909	6.6

Source : Company, KB Valbury Sekuritas

Key metrics (%)	3M22	3M23	YoY (%)	1Q22	1Q23	YoY (%)	4Q22	QoQ (%)
Loan (IDRbn)	277,137	299,748	8.2	277,137	299,748	8.2	298,282	0.5
Deposit (IDRbn)	290,532	319,608	10.0	290,532	319,608	10.0	321,937	-0.7
LDR	95.4	93.8	-1.6	95.4	93.8	-1.6	92.7	1.1
CASA	44.2	52.2	8.0	44.2	52.2	8.0	48.5	3.7
NIM	4.3	3.5	-0.8	4.3	3.5	-0.8	4.4	-0.9
Cost of Fund	2.4	3.6	1.2	2.4	3.6	1.2	2.6	1.0
NPL Ratio	3.6	3.5	-0.1	3.6	3.5	-0.1	3.4	0.2
NPL Coverage Ratio	146.7	145.9	-0.8	146.7	145.9	-0.8	155.7	-9.8
Cost of Credit	1.0	1.1	0.0	1.0	1.1	0.0	1.4	-0.4

Source : Company, KB Valbury Sekuritas

Exhibit 2: Expecting CoF have peaked in 1Q23 (%)



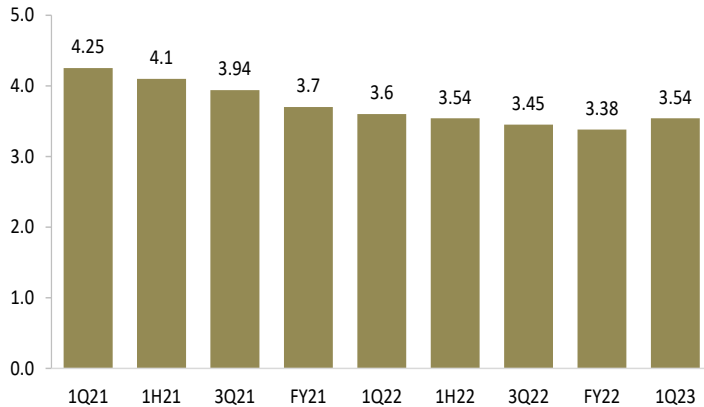
Source: Company, KB Valbury Sekuritas

Exhibit 3: Solid loans growth remains

Loan type (IDRbn)	1Q22	4Q22	1Q23	QoQ (%)	YoY (%)
Subsidised Mortgage	134.0	145.9	148.7	1.9	10.9
Non-Subsidised Mortgage	84.3	87.8	88.8	1.1	5.4
Other Housing	6.9	7.0	7.1	1.2	1.8
Construction	23.3	21.1	20.1	-4.8	-14.0
Consumer	6.4	7.0	6.4	-8.6	0.5
Commercial	9.5	11.6	9.9	-14.6	3.9
Corporate	12.7	18.0	18.9	4.9	49.0
Total	277.1	298.3	299.7	0.5	8.2

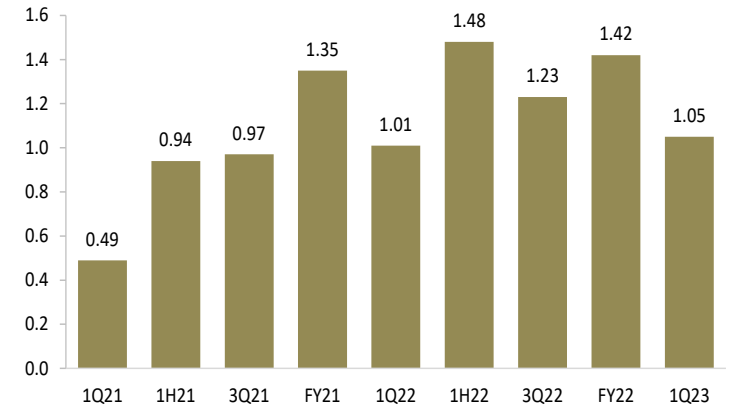
Source: Company, KB Valbury Sekuritas

Exhibit 4: NPL likely remain well behaves in the remaining quarters (%)



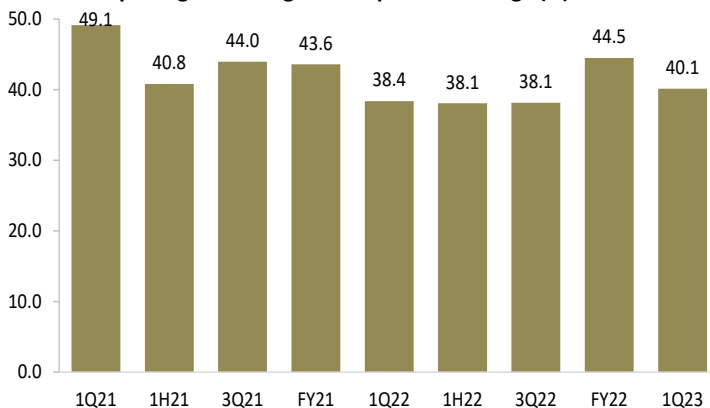
Source: Company, KB Valbury Sekuritas

Exhibit 5: Expecting continuing COC improvement



Source: Company, KB Valbury Sekuritas

Exhibit 6: Expecting continuing well shape LAR coverage (%)



Source: Company, KB Valbury Sekuritas

Exhibit 7: Trading at 0.5x '23F P/B, above its -2SD 10-year hist of 0.4x



Source: Company, KB Valbury Sekuritas

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FINANCIAL TABLES

CONSOLIDATED STATEMENTS OF PROFIT OR LOSS

Year End Dec (IDR bn)	2021A	2022A	2023F	2024F	2025F
Interest income	25,795	25,907	28,658	30,954	33,924
Interest expenses	(12,804)	(10,910)	(12,969)	(14,090)	(15,342)
Net interest income	12,991	14,997	15,689	16,864	18,581
Non-interest income	2,363	2,210	2,273	2,331	2,426
Total operating income	15,354	17,207	17,962	19,194	21,007
Operating expenses	(8,692)	(9,374)	(10,052)	(10,693)	(11,406)
Pre-provision operating profit	6,661	7,833	7,909	8,501	9,601
Loan loss provision	(3,625)	(4,018)	(3,658)	(3,791)	(3,827)
Pretax profit	2,993	3,876	4,313	4,772	5,835
Tax Expenses	(617)	(831)	(1,078)	(1,193)	(1,459)
Net profit	2,376	3,045	3,234	3,579	4,377

Source: Company, KB Valbury Sekuritas

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

Year End Dec (IDR bn)	2021A	2022A	2023F	2024F	2025F
Assets					
Cash	1,540	1,662	1,772	1,805	2,005
Current Account BI	10,692	25,417	13,469	14,528	15,760
Interbank	28,996	14,446	20,201	21,789	23,638
Marketable Securities	46,080	51,965	56,945	64,692	66,979
Gov Bond	2,231	1,721	2,523	1,814	1,968
Loan	260,400	282,607	311,277	344,220	385,308
Fixed assets	5,737	6,354	7,036	7,688	8,310
Other assets	16,193	17,873	13,151	9,206	6,444
Total Asset	371,868	402,044	426,374	465,740	510,411
Liabilities					
Interbank Deposit	71	175	136	136	136
Deposit from customer	295,952	321,923	336,713	363,190	393,994
Debts Sec and Subordinates	43,194	42,631	46,670	50,870	57,870
Other Liabilities	11,245	11,405	13,673	17,328	19,060
Total liabilities	350,462	376,135	397,193	431,524	471,061
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	11,140	13,947	16,572	19,504	23,165
Other Equity	2,918	4,613	5,259	7,362	8,835
Shareholder's Equity	21,407	25,909	29,181	34,216	39,349
Non-controlling Interest	-	-	-	-	-
Total Equity	21,407	25,909	29,181	34,216	39,349

Source: Company, KB Valbury Sekuritas

RATIO ANALYSIS

Year End Dec	2021A	2022A	2023F	2024F	2025F
NIM (%)	3.6	4.0	3.9	3.8	3.8
LDR (%)	92.9	92.7	97.4	99.9	102.8
CASA (%)	44.3	48.5	45.9	43.5	41.4
NPL (%)	4.4	3.5	3.6	3.5	3.4
ROAE (%)	11.5	12.9	11.7	11.3	11.9
ROAA (%)	0.6	0.8	0.8	0.8	0.9
CAR (%)	19.1	19.0	20.0	20.0	20.2
BVPS (IDR)	1,949	2,359	2,657	3,115	3,583
PER (x)	5.9	4.6	4.4	3.9	3.2
PBV (x)	0.7	0.5	0.5	0.4	0.4
Div. Yield (%)	0.0	4.3	4.6	5.1	6.2

Source: Company, KB Valbury Sekuritas

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