

6 June 2024

Financial Services | Banks

Bank Tabungan Negara (BBTN IJ)

Buy (Maintained)

Major Beneficiary Of Tapera Policy Expansion; BUY

- **Keep BUY and IDR1,570 TP (24% upside), c.4% yield.** Bank Tabungan Negara should be a major beneficiary of the expansion of the Housing Savings Fund (Tapera) policy, given its dominant position in subsidised mortgage loans (c.89% market share). While this should boost loan growth, the bank's key challenge will be to raise low-rate third-party funds to manage liquidity (LDR). In addition to the digital bank expansion, which should boost CASA, BBTN sees opportunities to raise alternative funds, such as via bond issuance. The stock is trading at an undemanding 0.5-0.4x FY24-25F P/BV while providing an appealing 10% ROE.
- **Addendum to Tapera policy should broaden pool of borrowers** eligible for subsidised home loans. Based on BBTN's calculations, the number of subsidised mortgage borrowers will rise significantly from 3.9m civil servant borrowers in 2022 to 18.8m in 2027, owing to the inclusion of police, army, state-owned enterprise (SOE) employees, private company employees, and self-employed individuals under the new Tapera scheme. Funds under management by the agency implementing the policy, BP Tapera, are estimated to reach IDR40trn in 2027, from IDR8.1trn in 2022, significantly increasing the bank's financial resources available to distribute mortgages.
- **Existing housing financing liquidity facility (FLPP) programme will be reviewed.** The existing Tapera policy focuses on government subsidies for liquidity support for banks to disburse subsidised home loans, while the expanded policy will focus on offering an interest rate subsidy with a maximum difference of 5%. Under this arrangement, the Government will provide a fixed-rate subsidy in addition to the borrowers' interest. Banks may benefit from a higher NIM than that of the FLPP scheme. The new subsidised mortgage programme is scheduled to be implemented early next year. Based on a borrower's maximum monthly income of IDR8m, Tapera will subsidise the housing loan at a maximum price of IDR500m.
- **BBTN expected to be major beneficiary.** The group's market share in subsidised mortgage loans is now at c.89%. BBTN is expected to maintain a significant market share of 85-89% in 2027, when the Tapera fund disbursements begin to accelerate, strengthening the bank's leadership in the home financing sector. We believe that the key challenge will be BBTN's capacity to raise third-party funds at a low rate. This is to improve liquidity and keep LDR at a healthy level. BBTN is expanding its digital platform to improve low-cost funding CASA. There are also alternative funding sources, such as bond issuances, to sustain liquidity.
- **ESG.** Our TP includes a 2% ESG premium.

Target Price (Return): IDR1,570 (23.6%)
 Price (Market Cap): IDR1,270 (USD1,094m)
 ESG score: 3.1 (out of 4)
 Avg Daily Turnover (IDR/USD) 55,698m/3.50m

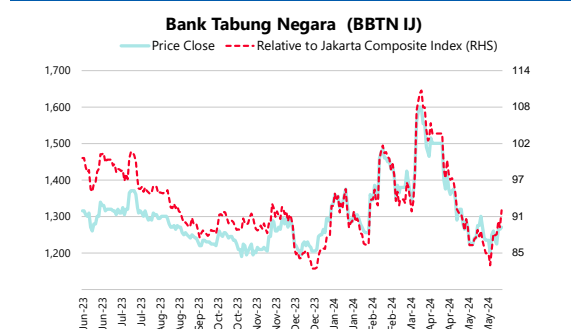
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Share Performance (%)

	YTD	1m	3m	6m	12m
Absolute	1.6	0.4	(5.9)	(1.2)	(0.4)
Relative	6.1	3.0	(1.8)	1.0	(5.1)
52-wk Price low/high (IDR)	1,190 – 1,600				



Source: Bloomberg

Overall ESG Score: 3.1 (out of 4)

E: GOOD

BBTN supports environmental preservation and improvement of human welfare. Although its business is not directly related to nature, financing provided to customers can have a direct impact on human welfare, and it is important that the bank encourages sustainable businesses. It has made efforts to conserve the environment by managing its paper and energy usage.

S: EXCELLENT

Operations are in accordance with regulations, especially that of common labour practices in Indonesia, from planning, selection and recruitment, career management, remuneration, to social security and pensions. BBTN also focuses on occupational health and safety. Employees are able to contribute to enable it achieve ESG targets set.

G: EXCELLENT

In 2019-2022, it prepared a governance roadmap that is in line with its long-term transformation plan, which factors in the implementation of Indonesian Governance Risk & Compliance initiatives, the existence of plans for implementing financial conglomerates through the formation of subsidiaries, and sustainable financial action.

Forecasts and Valuation	Dec-22	Dec-23	Dec-24F	Dec-25F	Dec-26F
Reported net profit (IDRb)	3,045	3,501	3,301	3,870	4,540
Net profit growth (%)	28.1	15.0	(5.7)	17.2	17.3
Recurring net profit (IDRb)	2,997	3,628	3,440	4,023	4,708
Recurring EPS (IDR)	261.74	275.44	245.10	286.61	335.42
BVPS (IDR)	1,660.76	2,268.68	2,570.66	2,923.40	3,324.26
DPS (IDR)	19.30	43.39	49.89	47.04	55.15
Recurring P/E (x)	4.85	4.61	5.18	4.43	3.79
P/B (x)	0.76	0.56	0.49	0.43	0.38
Dividend Yield (%)	1.5	3.4	3.9	3.7	4.3
Return on average equity (%)	14.4	13.4	9.7	10.0	10.4

Source: Company data, RHB

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Financial Services | Banks

Financial Exhibits

Asia	Financial summary (IDR)	Dec-22	Dec-23	Dec-24F	Dec-25F	Dec-26F
Indonesia	EPS	265.92	265.76	235.22	275.74	323.47
Financial Services	Recurring EPS	261.74	275.44	245.10	286.61	335.42
Bank Tabungan Negara	DPS	19.30	43.39	49.89	47.04	55.15
BBTN IJ	BVPS	1,660.76	2,268.68	2,570.66	2,923.40	3,324.26
Buy						
Valuation basis	Valuation metrics	Dec-22	Dec-23	Dec-24F	Dec-25F	Dec-26F
P/BV backed by GGM. Assumptions include:	Recurring P/E (x)	4.85	4.61	5.18	4.43	3.79
i. COE of 12.0%;	P/B (x)	0.8	0.6	0.5	0.4	0.4
ii. ROE of 11.3%; and	Dividend Yield (%)	1.5	3.4	3.9	3.7	4.3
iii. 9.1% long-term growth.						
Key drivers	Income statement (IDRb)	Dec-22	Dec-23	Dec-24F	Dec-25F	Dec-26F
i. Better-than-expected loan growth;	Interest income	25,907	28,281	36,921	40,155	43,972
ii. Better-than-expected operational efficiency;	Interest expense	(10,910)	(14,851)	(19,809)	(21,602)	(23,581)
iii. Higher-than-expected increase in CASA.	Net interest income	14,997	13,430	17,112	18,553	20,391
	Non interest income	1,710	3,885	4,111	4,356	4,622
	Total operating income	16,707	17,316	21,223	22,909	25,013
	Overheads	(8,874)	(9,012)	(12,273)	(12,950)	(13,666)
	Pre-provision operating profit	7,833	8,304	8,950	9,959	11,346
	Loan impairment allowances	(4,018)	(3,764)	(4,595)	(4,867)	(5,387)
	Other exceptional items	61	(160)	(175)	(193)	(212)
	Pre-tax profit	3,876	4,380	4,179	4,899	5,747
	Taxation	(831)	(879)	(878)	(1,029)	(1,207)
	Reported net profit	3,045	3,501	3,301	3,870	4,540
	Recurring net profit	2,997	3,628	3,440	4,023	4,708
Key risks						
i. Weakening consumer spending, especially in the low- to mid-income segment						
Company Profile	Profitability ratios	Dec-22	Dec-23	Dec-24F	Dec-25F	Dec-26F
BBTN is state-owned enterprise bank focused on housing loans. Nearly 80% of its loan book consists of housing related loans, such as subsidised and nonsubsidised mortgage loans.	Return on average assets (%)	0.8	0.8	0.7	0.7	0.7
	Return on average equity (%)	14.4	13.4	9.7	10.0	10.4
	Return on IEAs (%)	6.8	6.9	7.6	7.0	6.8
	Cost of funds (%)	3.2	4.1	4.9	4.7	4.6
	Net interest spread (%)	3.6	2.8	2.7	2.3	2.2
	Net interest margin (%)	4.0	3.3	3.5	3.2	3.1
	Non-interest income / total income (%)	10.2	22.4	19.4	19.0	18.5
	Cost to income ratio (%)	53.1	52.0	57.8	56.5	54.6
	Credit cost (bps)	156	134	145	137	137
	Balance sheet (IDRb)	Dec-22	Dec-23	Dec-24F	Dec-25F	Dec-26F
	Total gross loans	266,658	296,584	337,329	373,377	413,305
	Other interest earning assets	126,612	129,224	203,255	236,380	273,201
	Total gross IEAs	393,269	425,808	540,584	609,757	686,506
	Total provisions	(15,679)	(15,617)	(53,641)	(65,263)	(77,293)
	Net loans to customers	250,983	282,392	283,715	308,142	336,042
	Total net IEAs	377,590	410,192	486,943	544,494	609,213
	Total non-IEAs	24,558	28,558	31,414	34,555	38,011
	Total assets	402,148	438,750	518,357	579,049	647,224
	Customer deposits	321,937	322,501	392,065	439,523	492,964
	Other interest-bearing liabilities	42,811	42,125	45,594	49,401	53,582
	Total IBLs	364,748	364,627	437,659	488,924	546,546
	Total non-IBLs	11,491	43,644	44,761	49,237	54,162
	Total liabilities	376,239	408,271	482,420	538,161	600,708
	Share capital	10,106	11,436	11,436	11,436	11,436
	Shareholders' equity	20,448	31,841	36,080	41,031	46,658
	Minority interests	-	-	-	-	1
	Asset quality and capital	Dec-22	Dec-23	Dec-24F	Dec-25F	Dec-26F
	Reported NPLs / gross cust loans (%)	6.0	5.6	2.4	2.4	2.4
	Total provisions / reported NPLs (%)	60.9	65.9	180.4	204.9	226.8
	CET-1 ratio (%)	11.5	11.8	12.6	12.8	5.5
	Tier-1 ratio (%)	14.0	14.0	14.8	14.8	6.3
	Total capital ratio (%)	18.9	18.6	19.3	19.0	8.6

Source: Company data, RHB

Figure 1: Tapera now vs estimated developments in 2027

	2020 - Now	2027
Fee (% of Salary)	0.5% Employer 3% 2.5% Employee	0.5% Employer 3% 2.5% Employee
Participants	Civil Servants (ex Housing Savings Advisory Board or BAPERTARUM)	Civil Servants, include police and military, SOEs, private, and self-employee
Number of participants (m)	3.9 (2022)	18.8*
AUM (IDRtrn)	8.1 (2022)	40.2**
Total unit disbursed (units)	9.816 (2021 - 1Q24)	600-850k ***
BBTN's portion (%)	c.89%	85-89%

Note: * Assuming 10% of total workforce exclude civil servants/PNS

Note 2: ** Assuming 18.8m participants with 3% fee of IDR3.5m of minimum wages

Note 3: *** Assuming SSB scheme with 5% interest rate subsidy and starting in 2027, using 38% of total AUM for the Benefit Fund

Source: Company data, RHB

Figure 2: Previous Tapera regulation PP25/2020 vs addendum to Tapera regulation PP21/2024

	PP25/2020	PP21/2024
Civil servants	Ministry of Finance in coordination with Ministry of State Apparatus Utilisation and Bureaucratic Reform (PAN-RB)	
SOE	Ministry of SOE	
Regional-owned enterprise (BUMD)	Regional government in accordance with Ministry of Home Affairs (Kemendagri)	
Private	Ministry of Manpower	Ministry of Manpower
Self-employed	Ministry of Manpower	BP Tapera

Source: Company data, RHB

Figure 3: The potential new subsidised mortgage scheme

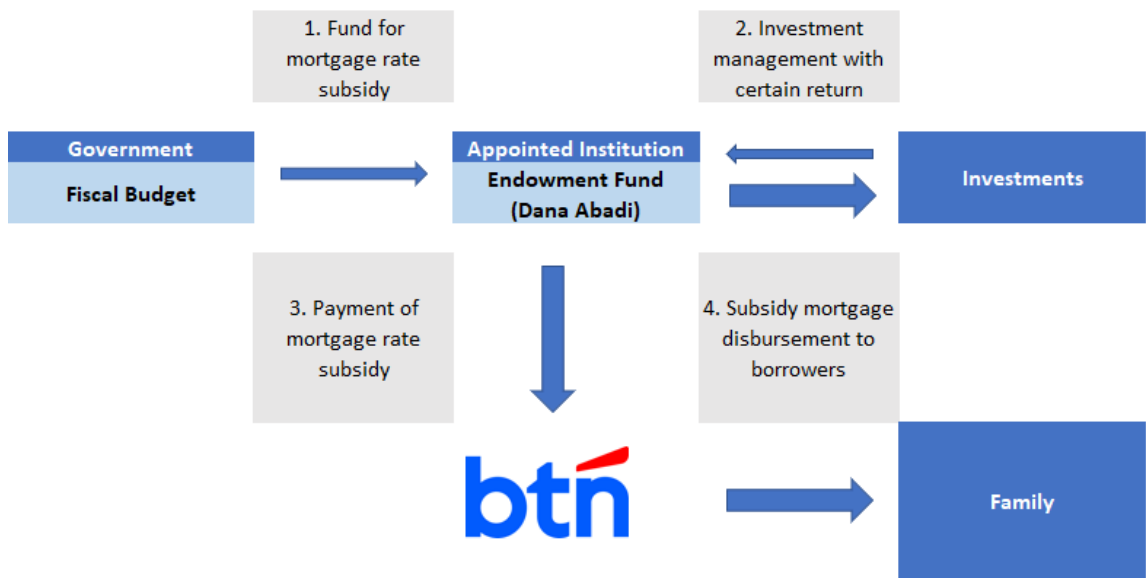
Background

- The elected presidential administration launched a programme of 3m houses to reduce the housing backlog in Indonesia, equivalent to a total of 600,000 house disbursements per year.
- The challenge lies on the mismatch between the funds provided by the Government for the distribution of existing subsidised mortgages and the target distribution of mortgages per year (vs the 1m houses programme with an annual distribution of 200,000 houses).
- There are ongoing discussions on the new subsidised mortgage scheme to accommodate the 3m houses programme (3x).

	Existing scheme	New scheme proposal
Source of funds	Annual stated budget	Bank funding
Government subsidy	Liquidity support for banks	Interest rate difference up to 5%
Interest	5%	5% and 7% (Depending on low to middle segment income)
Mortgage term	20 years	30 years
Subsidy term	20 years	10 years

Source: Company data, RHB

Figure 4: Next subsidised mortgage scheme: Interest rate subsidies



Note: Government via Finance Ministry allocates budget for mortgage rate subsidised to be managed by the appointed institution
Note 2: Fund allocated to be invested into instruments with a certain required return
Note 3: Appointed institutions to pay the mortgage rate subsidy (rate differential) using the returns from investments.
Note 4: The subsidy provided is only for the first 10 years, and then the customer will be charged a floating rate.
Source: Company data, RHB

Emissions And ESG

Trend analysis

Total scope-1 and scope-2 emissions fell by 28% YoY to 16,247 tonnes eq. CO₂ in 2023, down from 22,622 tonnes eq. CO₂ in 2022. However, scope-3 emissions have increased significantly when BBTN included Financed Emission as part of its scope-3 computation emission. If we eliminate Financed Emissions and compare apples to apples, scope-3 emissions should fall 19.7% by 2023.

Emissions (tCO₂e)

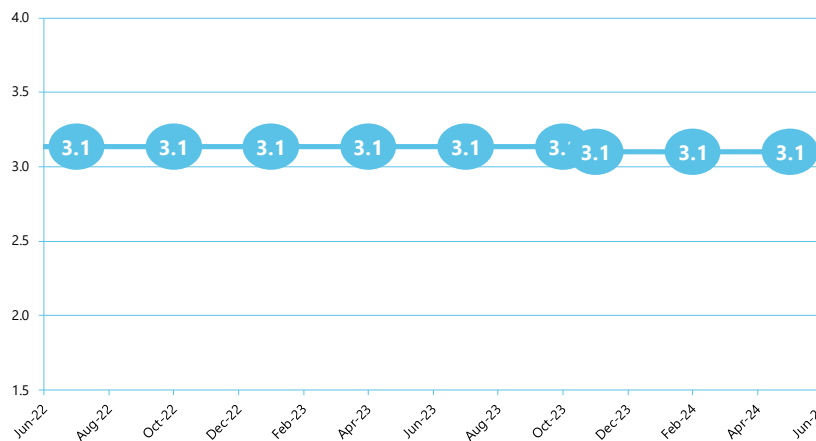
	Dec-21	Dec-22	Dec-23
Scope 1	20,736	5,637	7,282
Scope 2	26,432	16,985	8,964
Scope 3	11,024	4,892	812,347
Total emissions	58,192	27,514	828,593

Source: Company data, RHB

Latest ESG-Related Developments

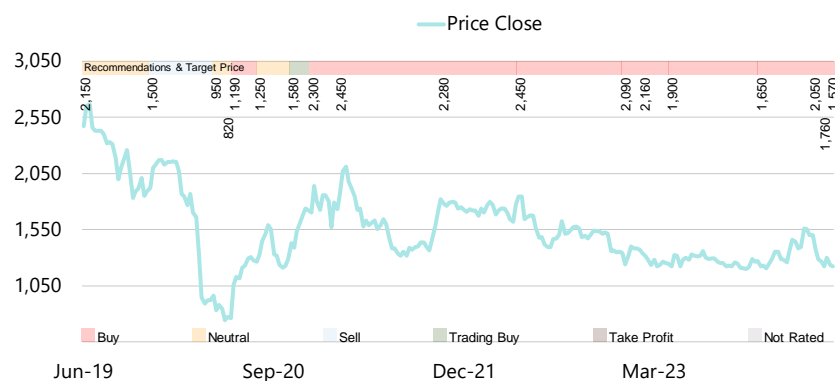
- Solar panels have been installed at three of BBTN's offices.
- 12 categories of sustainable business activities listed under its portfolio guidelines.
- Lending to MSMEs targeted to reach 20% out of its total productive loans portfolio.
- Targets proportion of women on the board of 20%.
- ESG performance ranked at 176 out of 1,097 banking services company as assessed by Refinitiv.

ESG Rating History



Source: RHB

Recommendation Chart



Source: RHB, Bloomberg

Date	Recommendation	Target Price	Price
2024-05-28	Buy	1,570	1,250
2024-04-29	Buy	1,760	1,310
2024-04-05	Buy	2,050	1,500
2024-01-02	Buy	1,650	1,265
2023-11-29	Buy	1,650	1,280
2023-04-27	Buy	1,900	1,250
2023-02-20	Buy	2,160	1,355
2023-01-05	Buy	2,090	1,310
2022-11-10	Buy	2,450	1,525
2022-07-15	Buy	2,450	1,395
2022-04-24	Buy	2,450	1,775
2021-10-22	Buy	2,280	1,820
2021-02-16	Buy	2,450	1,930
2020-12-11	Buy	2,300	1,705
2020-10-23	Trading Buy	1,580	1,430

Source: RHB, Bloomberg

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