

16 February 2021

Financial Services | Banks

## Bank Tabungan Negara (BBTN IJ)

**Buy** (Maintained)

**Back Stronger Than Ever With a Cleaner Slate; BUY**

Target Price (Return): IDR2,450 (32.1%)  
Price: IDR1,855  
Market Cap: USD1,412m  
Avg Daily Turnover (IDR/USD) 97,535m/6.93m

- **Still BUY, new IDR2,450 TP from IDR2,300, 32% upside.** 4Q20 net profit of IDR482bn (+36.9% QoQ) brought FY20 earnings above our and Street's 119% and 114% expectations at IDR1.6trn, jumping almost 8-fold from 2019's low base. Despite yields being largely impacted by restructuring, cost of funds (CoF) was also cut 90bps, resulting in kept NIMs (3.1% vs last quarter's). Provisions were also below expectations, as NPLs showed improvements. Going into 2021-2022, there should still be high earnings growth on accelerating loans and further asset quality improvements.
- **Affordable housing picking up = loan growth acceleration.** Bank Tabungan Negara closed 2020 with loans up a still-muted 1.7% YoY, propped by subsidised mortgages and consumer loans while other segments shrank. 2021 guidance: Loans up 7-9% YoY due to its mortgage and consumer main segments. Liquidity is not an issue for now, with LDR at an ample 93%, especially with third-party funds up 23.8% YoY.
- **People's Housing Savings (Tapera) is only the start.** The 2021 acceleration in loan growth is on an affordable housing and property market recovery overall, as well as taking into account the additional budget from the upcoming Tapera. Currently, the regulations regarding the contribution amount, disbursement, and overall operations remains under the planning stage. BBTN is confident Tapera will contribute to loan growth by 2021.
- **COVID-19 impacts offset by huge CoF cut, with room to cut further.** NII was flat (+0.5% YoY) by FY20, as despite lower yields, BBTN also cut CoF by as much as 90bps for the year. By Dec 2020, CoF was even 150bps lower at 4.58% vs Jan 2020's 6.08%. Hence, NIM was flat QoQ at 3.1%. Management believes there is still room for another 50bps cut in CoF for 2021, looking at a 3.4-3.6% NIM guidance. We believe non-II outperformance (+19% YoY) and lower provisions should contribute to earnings exceeding expectations. Starting 2021F with a lower CoF and expectations of improving asset quality, earnings growth should still be high, normalising to 2018 levels by 2022, in our view.
- **Asset quality improvements still ongoing.** After restructuring IDR57trn (21.9% of total loans), BBTN is confident the downgrade rate will only be 6% lower (c.IDR6trn) than the previous 7-8% estimate. Additionally, the bank will see some NPL sales (IDR1-1.5trn), write-offs, and upgrades in asset quality totalling IDR4trn – this results in NPLs moderating to 3.5-3.7% from 4.4% currently. NPL coverage is also ample at 120%.
- **Adjusting our numbers.** Including management's new guidance (7-9% loan growth, improving NIMs, and moderating cost of credit (CoC)), our 2021F earnings rose 12%. Our new IDR2,450 TP is set at 1.2x PBV, slightly below +1SD to its mean.

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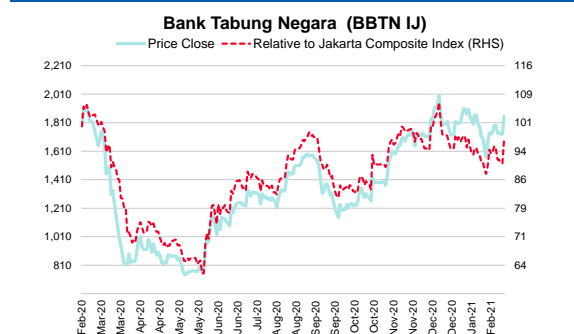


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### Share Performance (%)

	YTD	1m	3m	6m	12m
Absolute	7.5	0.0	14.9	27.9	5.1
Relative	2.6	1.6	0.1	8.4	(1.8)
52-wk Price low/high (IDR)				745 – 2,000	



Source: Bloomberg

Forecasts and Valuation	Dec-19	Dec-20	Dec-21F	Dec-22F	Dec-23F
Reported net profit (IDRb)	209	1,602	2,142	2,567	3,243
Net profit growth (%)	(92.6)	666.8	33.7	19.8	26.4
Recurring net profit (IDRb)	265	1,638	2,185	2,615	3,296
Recurring EPS (IDR)	25.05	154.67	206.35	246.90	311.25
BVPS (IDR)	2,268.12	1,899.69	1,985.05	2,104.55	2,278.62
DPS (IDR)	53.03	45.14	30.25	40.44	48.47
Recurring P/E (x)	74.06	11.99	8.99	7.51	5.96
P/B (x)	0.82	0.98	0.93	0.88	0.81
Dividend Yield (%)	2.9	2.4	1.6	2.2	2.6
Return on average equity (%)	0.9	7.3	10.4	11.9	14.0

Source: Company data, RHB

### Note:

Small cap stocks are defined as companies with a market capitalisation of less than USD1bn.

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## Financial Exhibits

<b>Asia</b>	<b>Financial summary (IDR)</b>	<b>Dec-19</b>	<b>Dec-20</b>	<b>Dec-21F</b>	<b>Dec-22F</b>	<b>Dec-23F</b>
Indonesia	EPS	19.73	151.27	202.22	242.35	306.25
Financial Services	Recurring EPS	25.05	154.67	206.35	246.90	311.25
<b>Bank Tabungan Negara</b>	DPS	53.03	45.14	30.25	40.44	48.47
BBTN IJ	BVPS	2,268.12	1,899.69	1,985.05	2,104.55	2,278.62
Buy						
<b>Valuation basis</b>	<b>Valuation metrics</b>	<b>Dec-19</b>	<b>Dec-20</b>	<b>Dec-21F</b>	<b>Dec-22F</b>	<b>Dec-23F</b>
P/BV backed by GGM. Assumptions include:	Recurring P/E (x)	74.06	11.99	8.99	7.51	5.96
i. COE of 15.3%;	P/B (x)	0.8	1.0	0.9	0.9	0.8
ii. ROE of 14%;	Dividend Yield (%)	2.9	2.4	1.6	2.2	2.6
iii. 11.4% long-term growth.						
<b>Key drivers</b>	<b>Income statement (IDRb)</b>	<b>Dec-19</b>	<b>Dec-20</b>	<b>Dec-21F</b>	<b>Dec-22F</b>	<b>Dec-23F</b>
i. Better-than-expected loan growth;	Interest income	25,720	25,167	27,278	29,733	32,744
ii. Better-than-expected operational efficiency;	Interest expense	(16,758)	(16,045)	(17,372)	(18,955)	(21,087)
iii. Higher-than-expected increase in CASA.	<b>Net interest income</b>	<b>8,962</b>	<b>9,122</b>	<b>9,906</b>	<b>10,778</b>	<b>11,656</b>
	Non interest income	2,110	2,515	2,823	3,154	3,550
	<b>Total operating income</b>	<b>11,072</b>	<b>11,637</b>	<b>12,729</b>	<b>13,932</b>	<b>15,206</b>
	Overheads	(7,063)	(7,053)	(7,444)	(7,859)	(8,299)
	<b>Pre-provision operating profit</b>	<b>4,008</b>	<b>4,584</b>	<b>5,284</b>	<b>6,073</b>	<b>6,907</b>
	Loan impairment allowances	(3,487)	(2,262)	(2,483)	(2,721)	(2,681)
	Other exceptional items	(111)	(51)	(56)	(62)	(68)
	<b>Pre-tax profit</b>	<b>411</b>	<b>2,271</b>	<b>2,746</b>	<b>3,290</b>	<b>4,158</b>
	Taxation	(202)	(669)	(604)	(724)	(915)
	<b>Reported net profit</b>	<b>209</b>	<b>1,602</b>	<b>2,142</b>	<b>2,567</b>	<b>3,243</b>
	<b>Recurring net profit</b>	<b>265</b>	<b>1,638</b>	<b>2,185</b>	<b>2,615</b>	<b>3,296</b>
<b>Key risks</b>	<b>Profitability ratios</b>	<b>Dec-19</b>	<b>Dec-20</b>	<b>Dec-21F</b>	<b>Dec-22F</b>	<b>Dec-23F</b>
i. Lower loan disbursements from the Government;	Return on average assets (%)	0.1	0.5	0.6	0.8	0.9
ii. Higher CoF;	Return on average equity (%)	0.9	7.3	10.4	11.9	14.0
iii. Worsening asset quality;	Return on IEAs (%)	8.6	8.5	9.4	9.4	9.1
	Cost of funds (%)	6.1	5.3	5.6	6.3	6.2
	Net interest spread (%)	2.5	3.3	3.8	3.1	2.8
	Net interest margin (%)	3.0	3.1	3.4	3.4	3.2
	Non-interest income / total income (%)	19.1	21.6	22.2	22.6	23.3
	Cost to income ratio (%)	63.8	60.6	58.5	56.4	54.6
	Credit cost (bps)	156	92	91	90	80
<b>Company Profile</b>	<b>Balance sheet (IDRb)</b>	<b>Dec-19</b>	<b>Dec-20</b>	<b>Dec-21F</b>	<b>Dec-22F</b>	<b>Dec-23F</b>
BBTN is a state-owned enterprise bank focused on housing loans. Nearly 80% of its loan book consists of housing-related loans, eg subsidised and non-subsidised mortgage loans.	Total gross loans	232,213	260,114	286,838	317,823	352,514
	Other interest earning assets	72,551	24,956	9,433	20,511	32,418
	Total gross IEAs	304,763	285,070	296,271	338,334	384,932
	Total provisions	(6,145)	(13,066)	(24,786)	(34,413)	(43,902)
	Net loans to customers	226,787	248,577	262,118	283,481	308,689
	Total net IEAs	298,618	272,004	271,484	303,921	341,031
	Total non-IEAs	13,159	89,204	42,508	46,759	51,435
	Total assets	311,777	361,208	313,992	350,680	392,465
	Customer deposits	225,383	279,130	252,052	284,411	320,995
	Other interest-bearing liabilities	50,322	54,991	33,243	35,524	38,023
	Total IBLs	275,705	334,121	285,296	319,936	359,018
	Total non-IBLs	12,236	7,099	7,809	8,590	9,449
	Total liabilities	287,941	341,220	293,105	328,526	368,467
	Share capital	7,349	7,349	7,349	7,349	7,349
	Shareholders' equity	24,019	20,118	21,022	22,287	24,131
	<b>Asset quality and capital</b>	<b>Dec-19</b>	<b>Dec-20</b>	<b>Dec-21F</b>	<b>Dec-22F</b>	<b>Dec-23F</b>
	Reported NPLs / gross cust loans (%)	5.3	5.2	3.5	2.9	2.8
	Total provisions / reported NPLs (%)	50.0	55.3	0.0	0.0	0.0
	CET-1 ratio (%)	11.7	10.2	10.2	10.4	10.7
	Tier-1 ratio (%)	15.6	13.2	12.8	12.7	12.9
	Total capital ratio (%)	17.3	18.8	17.9	17.4	17.3

Source: Company data, RHB

Figure 1: 4Q20 results review

INCOME STATEMENT (IDRbn)	4Q19	3Q20	4Q20	QoQ	YoY	FY19	FY20	YoY	% of RHB	% of Cons.
Interest income	6,352	6,322	6,484	2.6%	2.1%	25,678	25,167	-2.0%		
Interest expense	4,211	4,035	4,088	1.3%	-2.9%	16,600	16,045	-3.3%		
<b>NII</b>	<b>2,141</b>	<b>2,287</b>	<b>2,396</b>	<b>4.8%</b>	<b>11.9%</b>	<b>9,078</b>	<b>9,122</b>	<b>0.5%</b>		
Non-II	518	571	891	56.0%	72.0%	2,114	2,515	19.0%		
<b>Total operating income</b>	<b>2,659</b>	<b>2,858</b>	<b>3,287</b>	<b>15.0%</b>	<b>23.6%</b>	<b>11,192</b>	<b>11,637</b>	<b>4.0%</b>		
Operating expense	1,856	1,834	1,720	-6.2%	-7.3%	7,184	7,053	-1.8%		
<b>PPOP</b>	<b>803</b>	<b>1,024</b>	<b>1,567</b>	<b>53.0%</b>	<b>95.0%</b>	<b>4,008</b>	<b>4,584</b>	<b>14.4%</b>		
Provision expense	1,312	562	663	18.0%	-49.5%	3,487	2,262	-35.1%		
<b>Operating profit</b>	<b>-508</b>	<b>462</b>	<b>904</b>	<b>95.7%</b>	<b>-277.9%</b>	<b>522</b>	<b>2,322</b>	<b>345.0%</b>		
<b>Net profit</b>	<b>-592</b>	<b>352</b>	<b>482</b>	<b>36.9%</b>	<b>-181.5%</b>	<b>209</b>	<b>1,602</b>	<b>665.5%</b>	<b>119%</b>	<b>114%</b>
BALANCE SHEET (IDRbn)	FY19	9M20	FY20	QoQ	YoY	FY19	FY20	YoY		
Loan	255,825	254,918	260,114	2.0%	1.7%	255,825	260,114	1.7%		
Deposit	225,410	273,340	279,130	2.1%	23.8%	225,410	279,130	23.8%		
CASA	97,760	101,030	114,760	13.6%	17.4%	97,760	114,760	17.4%		
Time deposits	127,650	172,310	164,370	-4.6%	28.8%	127,650	164,370	28.8%		
RATIOS	FY19	9M20	FY20			FY19	FY20			
ROAA (%)	0.1%	0.6%	0.7%			0.1%	0.7%			
ROAE (%)	1.0%	9.6%	10.0%			1.0%	10.0%			
NIM (%)	3.3%	3.1%	3.1%			3.3%	3.1%			
CoC (%)	1.4%	0.8%	0.9%			1.4%	0.9%			
CASA (%)	43.4%	37.0%	41.1%			43.4%	41.1%			
LDR (%)	113.5%	93.3%	93.2%			113.5%	93.2%			
CIR (%)	64.2%	63.9%	60.6%			64.2%	60.6%			
NPL (%)	4.8%	4.6%	4.4%			4.8%	4.4%			
CAR (%)	17.3%	19.0%	19.3%			17.3%	19.3%			
Coverage (%)	50.0%	111.4%	115.0%			50.0%	115.0%			

Source: RHB

Figure 2: Changes to our estimates

	RHB (old)		RHB (new)		Change (%)	
	2021F	2022F	2021F	2022F	2021F	2022F
Net Interest Income	9,594	10,870	9,906	10,778	3%	-1%
Operating Income	12,066	13,633	12,729	13,932	5%	2%
PPOP	4,549	5,699	5,284	6,073	16%	7%
Provision	1,956	2,170	2,483	2,721	27%	25%
Net Income	1,918	2,638	2,142	2,567	12%	-3%
Loans	291,525	325,724	286,838	317,823	-2%	-2%
Loans Growth	9.6%	11.5%	8.6%	10.4%		
EPS	181	249	202	242	12%	-3%
EPS Growth	43.0%	37.5%	33.7%	19.8%		
BVPS	1,749	1,924	1,972	2,092	13%	9%
DPS	25	36	30	40	19%	12%
ROE	10.7%	13.6%	10.5%	11.9%	-3%	-12%

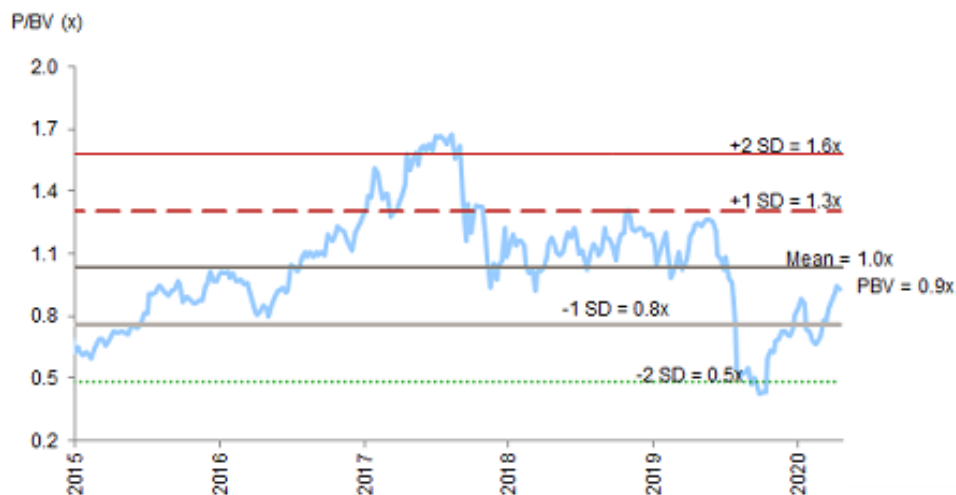
Source: RHB

Figure 3: RHB vs Street estimates

	RHB		Consensus		RHB/consensus	
	2021F	2022F	2021F	2022F	2021F	2022F
NII	9,906	10,778	10,382	11,786	95%	91%
Operating income	12,729	13,932	13,268	15,471	96%	90%
PPOP	5,284	6,073	6,291	5,945	84%	102%
Provision	2,483	2,721	3,590	2,417	69%	113%
Net income	2,142	2,567	2,028	2,765	106%	93%
Loans	286,838	317,823	272,066	301,983	105%	105%
Loans growth	8.6%	10.4%	6.8%	11.0%		
EPS	202	242	189	248	107%	98%
EPS growth	33.7%	19.8%	58.4%	31.1%		
BVPS	1,972	2,092	1,887	2,101	105%	100%
DPS	30	40	23	33	134%	121%
ROE	10.5%	11.9%	11.0%	12.9%	95%	92%

Source: RHB

Figure 4: BBTN's discount to P/BV band



Source: RHB

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Figure 5: GGM valuation

Cost of equity calculation		Sustainable ROE (%)	12%
Risk free rate (%)	6.5%	COE (%)	11.5%
Equity premium (%)	4.5%	Long-term growth (g)	9.6%
Beta (x)	1.1	Implied P/BV (x)	1.2
Cost of equity; COE (CAPM)	11.5%	FY21F BVPS	1,972
		<b>TP (IDR/share)</b>	<b>2,450</b>

Source: RHB

## Recommendation Chart



Source: RHB, Bloomberg

Date	Recommendation	Target Price	Price
2020-12-11	Buy	2,300	1,705
2020-10-23	Trading Buy	1,580	1,430
2020-08-03	Neutral	1,250	1,210
2020-06-02	Buy	1,190	925
2020-05-17	Neutral	820	745
2020-04-16	Neutral	950	900
2019-11-15	Sell	1,500	1,920
2019-04-23	Neutral	2,150	2,630
2019-03-29	Neutral	2,700	2,440
2019-01-25	Buy	5,000	2,700

Source: RHB, Bloomberg

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