

25 April 2022

Financial Services | Banks

## Bank Tabungan Negara (BBTN IJ)

### Buy (Maintained)

### Raised TP On Robust 1Q22 Earnings; Keep BUY

Target Price (Return): IDR2,450 (38.0%)  
Price (Market Cap): IDR1,775 (USD1,309m)  
ESG score: 3.13 (out of 4)  
Avg Daily Turnover (IDR/USD) 47,888m/3.34m

- **Keep BUY with a higher IDR2,450 TP from IDR2,280, 38% upside and c.3% yield.** Bank Tabungan Negara's 1Q22 earnings exceeded our expectations increasing 23.8% YoY, with pre-provision operating profit (PPOP) 49.5% higher YoY. The robust 1Q22 earnings growth is likely to continue, driven by strong mortgage loans growth due to first-home buyers, because of the multiplier impact from the commodity price rally. Cost of funds (COF) and credit costs are expected to come lower. CASA ratio is likely to improve driven by the introduction of a new low cost saving. We raise FY22-23F earnings 30%-14%.
- **Raised earnings estimates on robust 1Q22.** BBTN's 1Q22 earnings came in above expectations, increasing 23.8% YoY to IDR774bn, and reaching 35% and 28% of our and consensus' full-year estimates. PPOP jumped 49.5% YoY to IDR1.7trn due to a strong loan growth, widened NIM as a result of the lower COF, as well as higher non-interest income due to increased commissions, service, and administration fees. The main driver of the lower COF was a higher CASA ratio, which increased to 44.1% in 1Q22 (from 38.2% in 1Q21). We raised FY22-23F earnings 30%-14%, driven by lower COF and higher non-interest income.
- **Robust mortgage loans growth likely to sustain** due to a low overall mortgage loan penetration in Indonesia, a merely 2.94% as of Dec 2021, with a rising middle class and consumer income. Although we expect a 50bps rate hike by the Bank Indonesia, we estimate a 9-11% YoY FY22F loan growth will be achieved due to a higher consumer income, coming from normalised business activities, as well as a multiplier impact from rising commodity price. 1Q22 loan growth rose 6% YoY to IDR277trn, driven by subsidised mortgage loans (+9% YoY). Non-subsidised loans also showed a good performance growing 5% YoY. Mortgage loans – mostly due to first-home buyers – accounted for 90% of BBTN's loan portfolio. Demand from first-home buyers is more resilient than that of second-home buyers or investment buyers.
- **Its CASA still has a lot of room to grow.** BBTN's current CASA is only 44.1% and among the lowest ratio in Indonesia's small-to-mid cap banks sector. In 1Q22, BBTN launched a new low-cost savings account, *Tabungan BTN Bisnis*, aimed at SME – particularly offered to building material retailers – by providing ease of bank transactions, partly via a digital platform services. BBTN is expanding its digital transactions and its digital banking users increased 26% YoY to 3.0m, and transaction value increased 28% YoY to IDR22.4trn in 1Q22.
- **ESG:** Our TP has a 2% valuation premium incorporated, given BBTN's ESG score of 3.13 (above the country median of 3.0).
- **Key risk** remains a higher-than-expected inflation, triggered by increased basic necessities prices.

#### Analysts

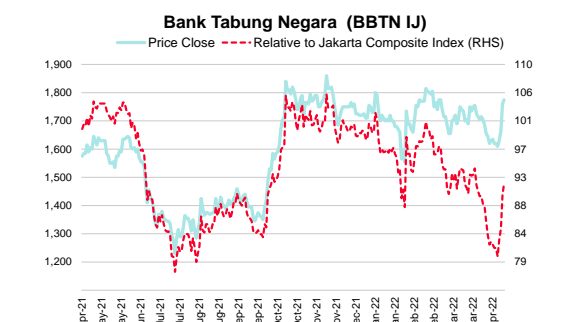
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#### Share Performance (%)

	YTD	1m	3m	6m	12m
Absolute	2.6	4.1	6.3	(2.5)	4.4
Relative	(7.2)	0.9	(1.1)	(11.3)	(16.1)
52-wk Price low/high (IDR)				1,230 – 1,860	



Source: Bloomberg

#### Overall ESG Score: 3.13 (out of 4)

##### E: GOOD

BBTN supports environmental preservation and improvement of human welfare. Although the bank's business is not directly related to nature, the financing provided to customers can have a direct impact on the human welfare and it is important that the bank encourages sustainable businesses. Therefore, efforts made that pay attention to environmental values have started with the bank's own operations, particularly in terms of managing the paper and energy used by its banking activities.

##### S: EXCELLENT

The management of human resources at the bank referred to a number of regulations, especially Law No. 13 of 2003 concerning manpower, as well as common labor practices in Indonesia, from planning, selection and recruitment, career management, remuneration, to social security and pensions. In addition, the bank also paid attention to occupational health and safety aspects. With these various efforts, employees could contribute optimally to achieve the targets that had been set by the bank.

##### G: EXCELLENT

The bank is committed to completing the implementation of sustainability governance. In 2019-2022, the bank has prepared a Bank Governance roadmap.

Forecasts and Valuation	Dec-20	Dec-21F	Dec-22F	Dec-23F	Dec-24F
Reported net profit (IDRb)	1,602	2,376	2,904	3,479	4,294
Net profit growth (%)	666.9	48.3	22.2	19.8	23.4
Recurring net profit (IDRb)	1,644	2,411	2,942	3,520	4,339
Recurring EPS (IDR)	155.27	227.65	277.77	332.36	409.75
BVPS (IDR)	1,833.88	2,058.26	2,300.32	2,628.39	3,024.70
DPS (IDR)	1.98	30.26	44.88	54.85	65.70
Recurring P/E (x)	11.43	7.80	6.39	5.34	4.33
P/B (x)	0.97	0.86	0.77	0.68	0.59
Dividend Yield (%)	0.1	1.7	2.5	3.1	3.7
Return on average equity (%)	7.4	11.5	12.6	13.3	14.3

Source: Company data, RHB

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## Financial Exhibits

<b>Asia</b>	<b>Financial summary (IDR)</b>	<b>Dec-20</b>	<b>Dec-21F</b>	<b>Dec-22F</b>	<b>Dec-23F</b>	<b>Dec-24F</b>
Indonesia	EPS	151.31	224.38	274.24	328.48	405.48
Financial Services	Recurring EPS	155.27	227.65	277.77	332.36	409.75
<b>Bank Tabungan Negara</b>	DPS	1.98	30.26	44.88	54.85	65.70
BBTN IJ	BVPS	1,833.88	2,058.26	2,300.32	2,628.39	3,024.70
Buy						
<b>Valuation basis</b>	<b>Valuation metrics</b>	<b>Dec-20</b>	<b>Dec-21F</b>	<b>Dec-22F</b>	<b>Dec-23F</b>	<b>Dec-24F</b>
P/BV backed by GGM. Assumptions include:	Recurring P/E (x)	11.43	7.80	6.39	5.34	4.33
i. COE of 14.3%;	P/B (x)	1.0	0.9	0.8	0.7	0.6
ii. ROE of 14.2%; and	Dividend Yield (%)	0.1	1.7	2.5	3.1	3.7
iii. 10% long-term growth.						
<b>Key drivers</b>	<b>Income statement (IDRb)</b>	<b>Dec-20</b>	<b>Dec-21F</b>	<b>Dec-22F</b>	<b>Dec-23F</b>	<b>Dec-24F</b>
i. Better-than-expected loan growth;	Interest income	25,106	25,795	31,879	35,180	38,904
ii. Better-than-expected operational efficiency;	Interest expense	(16,192)	(12,804)	(18,889)	(20,779)	(22,726)
iii. Higher-than-expected increase in CASA.	<b>Net interest income</b>	<b>8,914</b>	<b>12,991</b>	<b>12,990</b>	<b>14,400</b>	<b>16,178</b>
	Non interest income	2,515	2,363	2,500	2,649	2,812
	<b>Total operating income</b>	<b>11,428</b>	<b>15,354</b>	<b>15,490</b>	<b>17,050</b>	<b>18,989</b>
	Overheads	(6,836)	(8,692)	(9,562)	(10,125)	(10,725)
	<b>Pre-provision operating profit</b>	<b>4,593</b>	<b>6,661</b>	<b>5,928</b>	<b>6,925</b>	<b>8,264</b>
	Loan impairment allowances	(2,262)	(3,625)	(2,157)	(2,412)	(2,701)
	Other exceptional items	(59)	(44)	(48)	(53)	(58)
	<b>Pre-tax profit</b>	<b>2,271</b>	<b>2,993</b>	<b>3,723</b>	<b>4,460</b>	<b>5,505</b>
	Taxation	(668)	(617)	(819)	(981)	(1,211)
	<b>Reported net profit</b>	<b>1,602</b>	<b>2,376</b>	<b>2,904</b>	<b>3,479</b>	<b>4,294</b>
	<b>Recurring net profit</b>	<b>1,644</b>	<b>2,411</b>	<b>2,942</b>	<b>3,520</b>	<b>4,339</b>
	<b>Profitability ratios</b>	<b>Dec-20</b>	<b>Dec-21F</b>	<b>Dec-22F</b>	<b>Dec-23F</b>	<b>Dec-24F</b>
	Return on average assets (%)	0.5	0.6	0.7	0.8	0.9
	Return on average equity (%)	7.4	11.5	12.6	13.3	14.3
	Return on IEAs (%)	7.6	7.2	8.0	7.7	7.6
	Cost of funds (%)	5.5	4.1	5.7	5.6	5.5
	Net interest spread (%)	2.1	3.0	2.3	2.2	2.2
	Net interest margin (%)	2.7	3.6	3.3	3.2	3.2
	Non-interest income / total income (%)	22.0	15.4	16.1	15.5	14.8
	Cost to income ratio (%)	59.8	56.6	61.7	59.4	56.5
	Credit cost (bps)	96.8	150.3	75.3	69.9	69.9
	<b>Balance sheet (IDRb)</b>	<b>Dec-20</b>	<b>Dec-21F</b>	<b>Dec-22F</b>	<b>Dec-23F</b>	<b>Dec-24F</b>
	Total gross loans	235,052	247,285	325,724	364,442	408,306
	Other interest earning assets	119,666	117,152	102,152	116,372	131,004
	Total gross IEAs	354,718	364,437	427,877	480,815	539,310
	Total provisions	(13,065)	(14,439)	(33,212)	(42,394)	(51,739)
	Net loans to customers	222,900	234,120	292,516	322,053	356,571
	Total net IEAs	341,653	349,998	394,665	438,421	487,571
	Total non-IEAs	19,555	21,871	24,058	26,463	29,110
	Total assets	361,208	371,868	418,722	464,884	516,680
	Customer deposits	259,972	273,189	317,899	354,050	394,471
	Other interest-bearing liabilities	49,850	34,500	36,837	39,396	42,199
	Total IBLs	309,822	307,689	354,735	393,446	436,671
	Total non-IBLs	31,399	42,773	39,770	43,747	48,121
	Total liabilities	341,221	350,462	394,505	437,193	484,792
	Share capital	7,349	7,349	7,349	7,349	7,349
	Shareholders' equity	19,421	21,797	24,360	27,835	32,032
	<b>Asset quality and capital</b>	<b>Dec-20</b>	<b>Dec-21F</b>	<b>Dec-22F</b>	<b>Dec-23F</b>	<b>Dec-24F</b>
	Reported NPLs / gross cust loans (%)	5.7	5.1	3.3	2.8	2.8
	Total provisions / reported NPLs (%)	55.3	68.3	92.5	108.5	112.3
	CET-1 ratio (%)	10.2	10.8	10.5	10.8	11.3
	Tier-1 ratio (%)	13.2	13.5	12.8	12.9	13.1
	Total capital ratio (%)	18.8	18.7	17.5	17.2	17.2

Source: Company data, RHB

Figure 1: 1Q22 results

INCOME STATEMENT (IDRbn)	1Q21	4Q21	1Q22	QoQ	YoY	3M21	3M22	YoY	% of RHB	% of Cons.
Interest Income	6,359	7,255	6,052	-16.6%	-4.8%	6,359	6,052	-4.8%	19.6%	
Interest Expense	3,585	2,811	2,478	-11.9%	-30.9%	3,585	2,478	-30.9%	11.6%	
<b>Net Interest Income</b>	<b>2,774</b>	<b>4,444</b>	<b>3,574</b>	<b>-19.6%</b>	<b>28.8%</b>	<b>2,774</b>	<b>3,574</b>	<b>28.8%</b>	<b>37.4%</b>	<b>22.2%</b>
Non-Interest Income	480	678	557	-17.8%	16.0%	480	557	16.0%	17.6%	
<b>Total Operating Income</b>	<b>3,254</b>	<b>5,122</b>	<b>4,131</b>	<b>-19.3%</b>	<b>27.0%</b>	<b>3,254</b>	<b>4,131</b>	<b>27.0%</b>	<b>32.5%</b>	
Operating Expense	2,067	2,558	2,357	-7.9%	14.0%	2,067	2,357	14.0%	30.9%	
<b>PPOP</b>	<b>1,187</b>	<b>2,564</b>	<b>1,774</b>	<b>-30.8%</b>	<b>49.5%</b>	<b>1,187</b>	<b>1,774</b>	<b>49.5%</b>	<b>34.7%</b>	<b>N/A</b>
<b>Provision Expense</b>	<b>320</b>	<b>1,597</b>	<b>786</b>	<b>-50.8%</b>	<b>145.6%</b>	<b>320</b>	<b>786</b>	<b>145.6%</b>	<b>36.3%</b>	
<b>Operating Profit</b>	<b>867</b>	<b>967</b>	<b>988</b>	<b>2.2%</b>	<b>14.0%</b>	<b>867</b>	<b>988</b>	<b>14.0%</b>	<b>34.4%</b>	<b>27.9%</b>
<b>Net Profit</b>	<b>625</b>	<b>861</b>	<b>774</b>	<b>-10.1%</b>	<b>23.8%</b>	<b>625</b>	<b>774</b>	<b>23.8%</b>	<b>34.6%</b>	<b>28.0%</b>
BALANCE SHEET (IDRbn)	3M21	FY21	3M22	QoQ	YoY	3M21	3M22	YoY		
Loan	261,340	274,835	277,137	0.8%	6.0%	261,340	277,137	6.0%		
Deposit	294,910	295,976	290,532	-1.8%	-1.5%	294,910	290,532	-1.5%		
CASA	112,660	131,120	128,263	-2.2%	13.8%	112,660	128,263	13.8%		
Time Deposits	182,250	164,856	162,269	-1.6%	-11.0%	182,250	162,269	-11.0%		
RATIOS	3M21	FY21	3M22			3M21	3M22			
ROAA (%)	0.9%	0.8%	1.1%			0.9%	1.1%			
ROAE (%)	15.1%	13.6%	16.9%			15.1%	16.9%			
NIM (%)	3.3%	4.0%	4.3%			3.3%	4.3%			
CoC (%)	0.5%	1.4%	1.2%			0.5%	1.2%			
CASA (%)	38.2%	44.3%	44.1%			38.2%	44.1%			
LDR (%)	88.6%	92.9%	95.4%			88.6%	95.4%			
CIR (%)	63.5%	57.5%	57.1%			63.5%	57.1%			
NPL (%)	4.3%	3.7%	3.6%			4.3%	3.6%			
CAR (%)	17.7%	19.1%	18.2%			17.7%	18.2%			
Coverage (%)	115.9%	141.8%	146.7%			115.9%	146.7%			

Source: Company data, RHB

Figure 2: Revised earnings estimates

	RHB (Old)		RHB (New)		Change (%)	
	2022E	2023E	2022E	2023E	2022E	2023E
Net Interest Income	9,565	10,906	12,990	14,400	35.8%	32.0%
Operating Income	12,725	14,465	15,490	17,050	21.7%	17.9%
PPOP	5,107	6,420	5,928	6,925	16.1%	7.9%
Provision	2,237	2,500	2,157	2,412	-3.6%	-3.5%
Net Income	2,239	3,058	2,904	3,479	29.7%	13.8%
Loans	325,724	364,442	325,724	364,442	0.0%	0.0%
EPS	211	289	274	328	29.7%	13.8%
BVPS	2,296	2,602	2,287	2,615	-0.4%	0.5%
DPS	37	42	45	55	20.4%	29.7%
ROE	14.5%	15.5%	12.7%	13.4%	-12.3%	-13.6%

Source: Company data, RHB

Figure 3: GGM valuation

Cost of Equity	14.3%	Sustainable ROE (%)	14.2%
Risk-Free Rate (Rf)	7.0%	Long term growth (g%)	10.0%
Beta (x)	1.83		
Expected Market Return (Rm)	11.0%	Implied PBV (x)	0.98
Risk Premium (Rm-Rf)	4.0%	Average FY22E & FY23E BVPS (IDR)	2,451
		Fair value (IDR)	2,393
		ESG premium	48
		TP (IDR)	2,441
		<b>TP (IDR) (rounded)</b>	<b>2,450</b>

Source: Company data, RHB

## Recommendation Chart

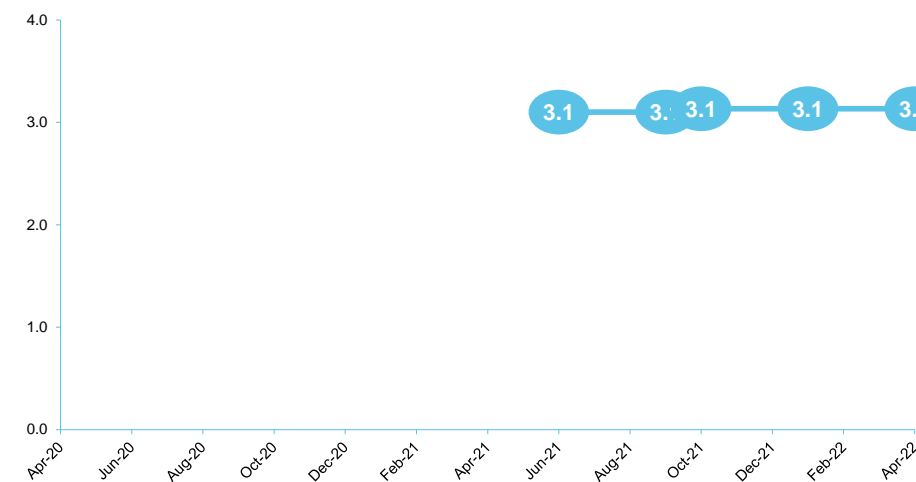


Source: RHB, Bloomberg

Date	Recommendation	Target Price	Price
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
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

Source: RHB, Bloomberg

## ESG Rating History



Source: RHB

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<b>Buy:</b>	Share price may exceed 10% over the next 12 months
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