

# PT Bank Tabungan Negara Tbk.

## At Pre-One Million Houses Valuation



BUY (TP: IDR 1,340)

2 June 2020

**1Q20: consolidation period.** As of 1Q20, total loan portfolio grew by 4.6% YoY, whereas customer deposit grew by 2.7% YoY. Growth in loan portfolio was driven by Subsidized Mortgages and Corporate segments which grew by 10.6% YoY and 87.8% YoY respectively. Meanwhile, NIM and NPL came in at 3.1% (dn 19 bps YTD) and 4.9% (up 13 bps YTD) respectively. To anticipate Covid-19 and comply with IFRS 9, management raised LLC from 45.1% in 1Q19 to 105.7% in 1Q20 as provision on earning assets was raised to IDR 13.1tn (up 309.8% YoY) at the end of the quarter. In 1Q20, consolidated NII, PPOP, and NPAT were recorded at IDR 2.2tn (dn 9.2% YoY), IDR 870bn (dn 26.2% YoY), and IDR 457bn (dn 36.8% YoY).

**Potential impact from Covid-19.** Management forward guidance indicates a more optimistic stance compared to other banks as they view higher coverage ratio (105.7% in 1Q20 vs 45.1% in 1Q19) should sustain this period of volatility. In addition, management expects NIM to improve in the coming quarters as CoF declines following the shift from TD to wholesale funding. In terms of loan restructuring, out of IDR 112.8tn (44.5% of total loans) and IDR 80.0tn (31.6% of total loans) outstanding in Subsidized and Non-subsidized Mortgages, 17.6% and 28.2% respectively are more vulnerable to downgrades as they are coming from debtors with higher risk profile (self-employed, contract workers, or fixed income earners with a monthly salary below IDR 5mn). In all, management lowered their FY20E NPAT from IDR 2.5tn to IDR 1.2tn - 1.3tn.

**We raise our rating on PT Bank Tabungan Negara (Persero) Tbk (BBTN) from NEUTRAL to BUY with 52-week TP of IDR 1,340, implying 0.9x FY21F P/BV.** At current, BBTN is traded at 0.5x FY21F P/BV or at the same level with before One Million Houses program. Despite the challenging outlook and muted loan growth, we see limited room for downside due to: 1) bottoming valuation, 2) OJK relaxation on restructuring, 3) its role as one of the government's most strategic assets, and 4) liquidity support from TAPERA. Meanwhile, recent government stimulus package also added IDR 1.5tn of interest rate subsidy (SSB) to be spent this year, adding 172k subsidized housing to the banking system (~146k to BTN). To note, our BVPS estimates bake in 3.1% FY20E NIM (same level as 1Q20 NIM), IDR 763bn FY20E NPAT (63.6% of management lower-end guidance), and IDR 5.0tn rights issue in FY21F to support bank's capital. While Tier 2 Capital is relatively strong supported by wholesale funding, current Tier 1 Capital calls for near term RI in our view.

Highlights (IDR bn)	2018	2019	2020E	2021F	2022F
Total Loans	238,298	255,825	258,383	290,681	331,377
Total Deposits	229,829	225,383	232,403	265,363	301,775
Net Interest Income	10,089	8,962	9,317	11,805	13,677
Pre-provision Op. Profit	5,308	4,008	4,320	6,568	8,076
Net Income	2,808	209	763	2,447	3,873
Net Interest Margin	4.0%	3.1%	3.1%	4.1%	4.2%
Gross NPL	2.9%	4.8%	5.6%	4.4%	3.2%
Credit Cost	0.8%	1.4%	1.3%	1.3%	1.0%
Return on Equity	12.3%	0.9%	3.7%	11.9%	15.2%
Return on Asset	1.0%	0.1%	0.2%	0.8%	1.1%

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### Stock Information

Sector	Banking
Bloomberg Ticker	BBTN IJ
Market Cap. (IDR tn)	8.0
Share Out./Float (mn)	10,590/4,234
Current Price	760
52-week Target Price	1,340
Upside (%)	76.3%

### Share Price Performance

52W High (06/19/19)	2,750
52W Low (05/18/20)	720
52W Beta	1.15
YTD Change (%)	-64.2%

### Relative Valuations

Trailing P/E	33.1x
Forward P/E	4.8x
Trailing P/BV	0.5x
Forward P/BV	0.5x

Income Statement (IDR bn)	2018	2019	2020E	2021F	2022F
Interest Income	22,852	25,720	24,240	27,153	31,349
% growth		12.6%	-5.8%	12.0%	15.5%
Interest Expense	12,763	16,758	14,923	15,348	17,672
% growth		31.3%	-11.0%	2.9%	15.1%
<b>Net Interest Income</b>	<b>10,089</b>	<b>8,962</b>	<b>9,317</b>	<b>11,805</b>	<b>13,677</b>
% growth		-11.2%	4.0%	26.7%	15.9%
Other Operating Income	2,072	2,110	1,895	2,081	2,174
% growth		1.8%	-10.2%	9.8%	4.5%
Operating Expense	8,567	10,550	10,234	10,749	10,886
% growth		23.1%	-3.0%	5.0%	1.3%
<b>Pre-provision Operating Profit</b>	<b>5,308</b>	<b>4,008</b>	<b>4,320</b>	<b>6,568</b>	<b>8,076</b>
% growth		-24.5%	7.8%	52.0%	22.9%
Net Operating Income	3,594	522	978	3,137	4,965
% growth		-85.5%	87.4%	220.7%	58.3%
Income Before Tax Expense	3,610	411	978	3,137	4,965
% growth		-88.6%	137.9%	220.7%	58.3%
<b>Net Income</b>	<b>2,808</b>	<b>209</b>	<b>763</b>	<b>2,447</b>	<b>3,873</b>
% growth		-92.5%	264.6%	220.7%	58.3%

Balance Sheet (IDR bn)	2018	2019	2020E	2021F	2022F
Cash and Equivalents	1,244	1,369	735	4,614	3,630
CA w/ Central Bank	15,418	15,512	11,620	13,268	15,089
CA w/ Other Banks	1,587	748	785	825	866
Interbank Placement	26,465	11,097	11,097	11,097	11,097
<b>Total Loans - Net</b>	<b>235,000</b>	<b>249,709</b>	<b>244,524</b>	<b>277,468</b>	<b>320,663</b>
Marketable Securities	5,848	9,960	10,458	10,981	11,530
Government Bonds	9,393	11,054	11,164	12,560	14,318
Fixed Assets	5,018	5,401	5,401	5,671	5,954
<b>Total Assets</b>	<b>306,436</b>	<b>311,777</b>	<b>303,455</b>	<b>344,518</b>	<b>390,312</b>
Demand Deposits	58,049	52,116	52,116	57,588	64,787
Saving Deposits	41,877	45,638	45,638	52,255	58,918
Time Deposits	129,902	127,630	134,649	155,520	178,070
<b>Total Customer Deposits</b>	<b>229,829</b>	<b>225,383</b>	<b>232,403</b>	<b>265,363</b>	<b>301,775</b>
Deposits From Other Banks	3,010	4,521	4,521	4,747	4,984
Marketable Securities	20,645	19,784	18,958	19,906	20,901
Fund Borrowings	15,499	22,466	22,466	23,589	26,538
Subordinated Debts	-	-	-	-	-
<b>Total Liabilities</b>	<b>282,596</b>	<b>287,941</b>	<b>285,735</b>	<b>321,057</b>	<b>362,750</b>
<b>Total Equity</b>	<b>23,840</b>	<b>23,836</b>	<b>17,721</b>	<b>23,461</b>	<b>27,562</b>

Source: Company Data, Sinarmas Investment Research

Financial Ratio (%)	2018	2019	2020E	2021F	2022F
Loan to Deposit Ratio	103.7%	113.5%	111.2%	109.5%	109.8%
Loan to Funding Ratio	88.3%	93.7%	92.5%	92.4%	93.3%
CASA Ratio	43.5%	43.4%	42.1%	41.4%	41.0%
Net Interest Margin	4.0%	3.1%	3.1%	4.1%	4.2%
Average Loan Yield	10.2%	10.2%	9.4%	10.0%	10.1%
Average Deposit CoF	4.6%	5.6%	4.9%	4.6%	4.8%
Gross NPL	2.9%	4.8%	5.6%	4.4%	3.2%
Net NPL	1.8%	3.0%	3.5%	2.7%	2.0%
Credit Cost	0.8%	1.4%	1.3%	1.3%	1.0%
Coverage Ratio	48.3%	49.9%	95.4%	104.4%	100.4%
Cost to Income Ratio	85.6%	98.1%	96.3%	89.3%	85.2%
Cost Efficiency Ratio	70.4%	95.3%	91.3%	77.4%	68.7%
Return on Equity	12.3%	0.9%	3.7%	11.9%	15.2%
Return on Asset	1.0%	0.1%	0.2%	0.8%	1.1%
EPS	265.1	19.8	72.0	156.9	248.4
BVPS	2,251.2	2,250.8	1,673.3	1,504.8	1,767.9

Source: Company Data, Sinarmas Investment Research

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