

14 August 2020
Banking, Equity

Price 1450
Target Price 1670
JKSE Index 5143.89



Stock Code
Bloomberg code BBTN IJ
Market cap (IDR.bn) 14137.7B
52-Week High (IDR) 2350
52-Week Low (IDR) 720
6-m Avg Daily. Val (IDR) 1185
Free Float (%) 60

Major Shareholders (%)
Government RI 60.00%
Public 40.00%

USD/IDR-YE
2019A 14390
2020F (6M Avg) 14754

Key Indicators
Non Performing Loan (%) 2.96
Net Interest Margin (x) 3.00

Analyst: Lingga Pratiwi
Lingga.pratiwi@binaartha.com

Investment Consideration

NIM still low

In 1H20, BBTN posted a net profit of IDR 768 billion, down -41.24% YoY. The decrease was due to provisioning costs, up +115.03% YoY. Net Interest Margin was at 3.16% which is smaller than 3.53% in 1H19. BBTN managed to reduce operating expenses by -3.4% YoY with rental, service & maintenance costs falling by -16.76% YoY. BBTN plans to close several more branches in the next two quarters and a total of 115 branches this year. BBTN also won the trust of the government with a deposit of IDR 5tn, which can reduce the Cost of Funds.

Focus on smaller loans

BBTN posted loan growth of +0.32% YoY in 1H20, slower than 1Q20 of +4.14%. In June, an increase in non-subsidized loans was in line with BBTN's strategy to focus on smaller size loans. BBTN is still maintaining a cautious expansion strategy. They will have a cooperation with Semen Indonesia, for construction of subsidized houses which can be significant. The process of completing the house for sale is faster. We still estimate loan growth to be around +4 - 6% in FY2020.

Restructured loan process

As at 30 June 2020, BBTN has restructured IDR 36.46 trillion or 15% of total loans, which consisted of 38.03% non-subsidized KPR, 34.30% Subsidized KPR, 16.01% Construction & Commercial Loans and the rest from Sharia Financing and Housing & Other Consumer loans. The amount of loans restructured in July only reached IDR 4.5 trillion, or half of the total loans restructured in June which was IDR 9.9 trillion. By the end of the year, BBTN estimates that loan restructuring will reach IDR 45 trillion, 18% of the total loans and will be dominated by Subsidized and Non-Subsidized loans.

Valuation: 15% Upside, Hold.

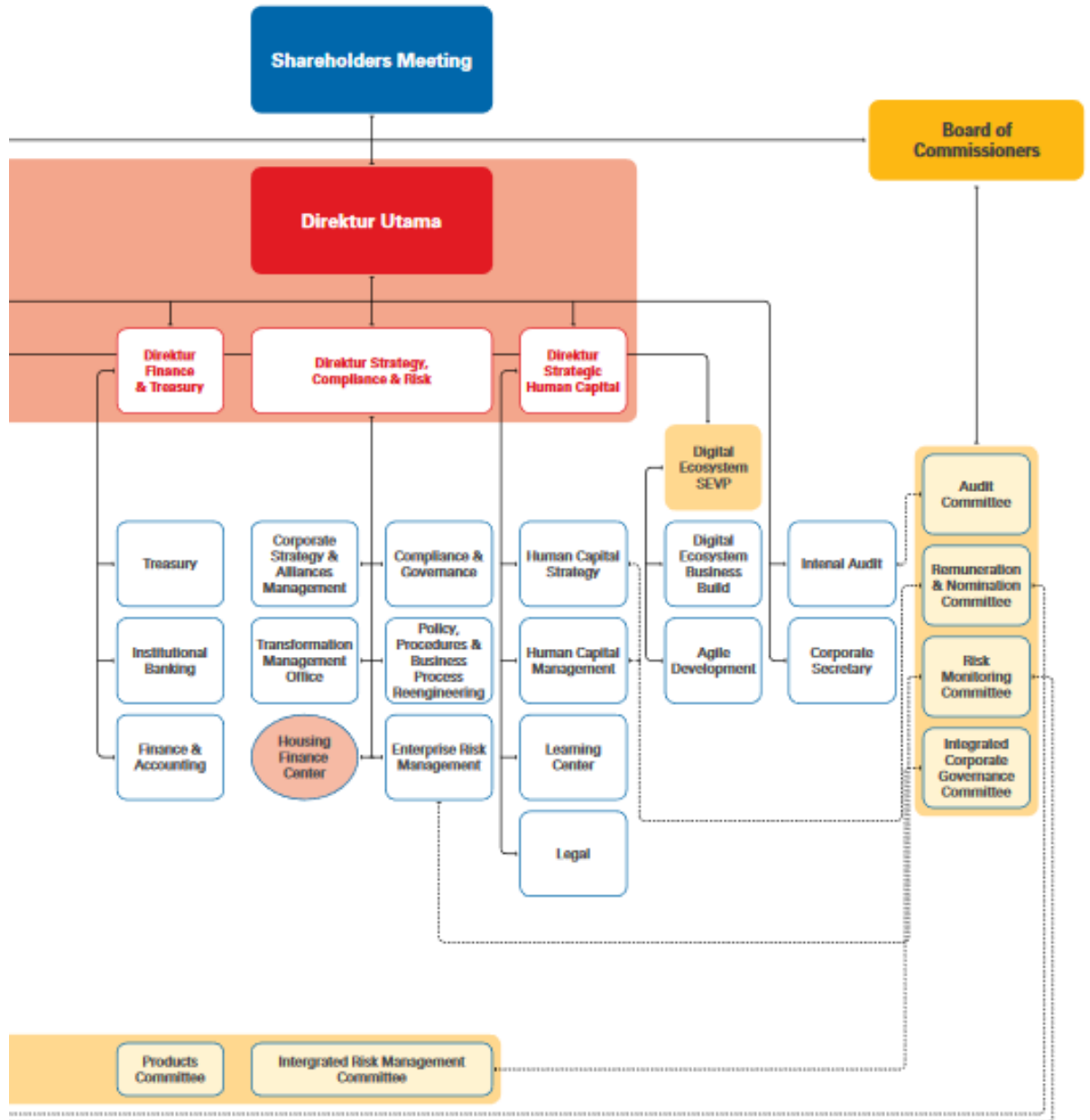
Based on our DDM Valuation, we have a target price within one year of IDR 1670 or trading at 0.7x PBV which gives 15% potential upside, Hold.

Income Statement (Idr bn)	2017A	2018A	2019A	2020F	2021F	2022F
Interest Income	20.092	22.852	25.720	19.597	21.060	22.625
Interest Expense	-10.751	-12.763	-16.758	-10.038	-11.056	-12.025
Net Interest Income	30.842	35.614	42.478	29.635	32.116	34.651
Net Operating Income	1.604	2.072	2.110	2.262	2.501	2.575
Operating Expense	6.169	6.853	7.063	7.934	8.583	9.191
Pre Provision Operating Profit	4.776	5.308	4.008	3.888	3.922	3.983
Provision Expense	-884	-1.714	-3.487	-3.487	-3.487	-3.487
Operating Profit	5.661	3.594	522	401	435	497
Profit Before Tax	3.862	3.610	411	290	323	384
Tax Expense	834	802	202	64	72	85
Net Profit	3.027	2.808	209	226	251	299
EPS (Rp/Share)	285,9	265,1	19,8	21,3	23,7	28,2

Company Profile

PT Bank Tabungan Negara (Persero) Tbk (“the Bank”) was originally established as a fully state-owned bank under the name “Bank Tabungan Pos” based on Martial Law No. 9, February 9, 1950. Subsequently, the name of the Bank was changed to “Bank Tabungan Negara” based on Government Regulation Amendment of Law No. 4 of 1963. The Bank started operating as a state-owned commercial bank on April 29, 1989. Based on Government Regulation No. 24 of 1992, the status of the Bank was changed to a state-owned limited liability corporation (Persero). The scope of the Bank’s activities is to conduct commercial banking activities in accordance with the prevailing laws and regulations, including activities based on sharia principles.

Company Structure



Source: Company

Chart: Gross Loan (x) YoY

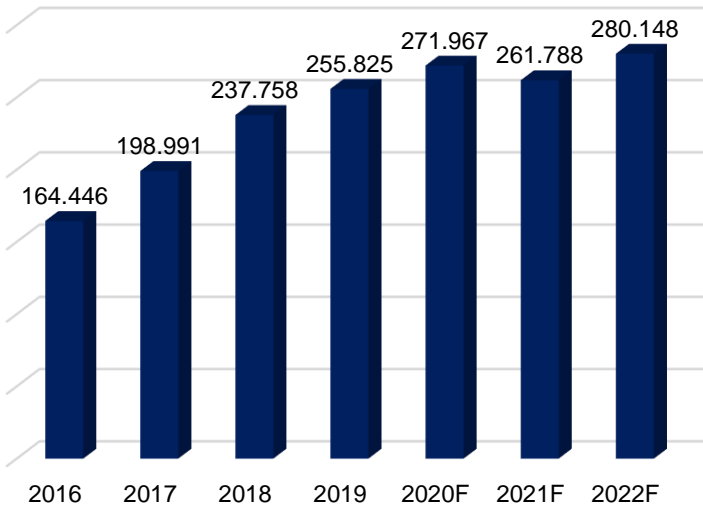


Chart: Customer Deposit (x) YoY

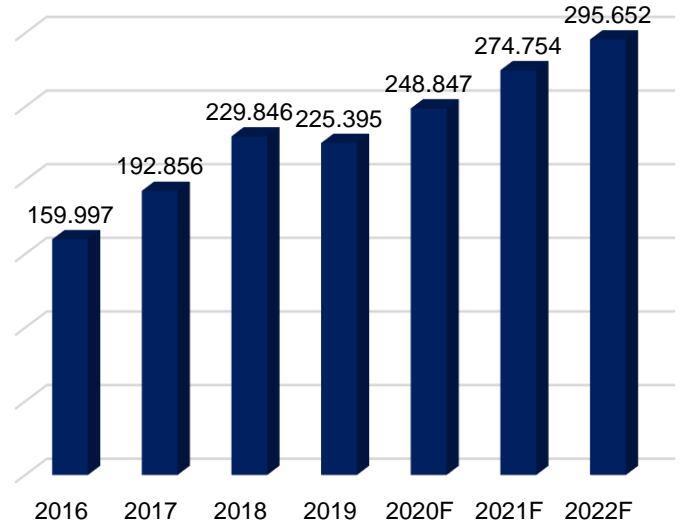


Chart: Profitability (x) YoY

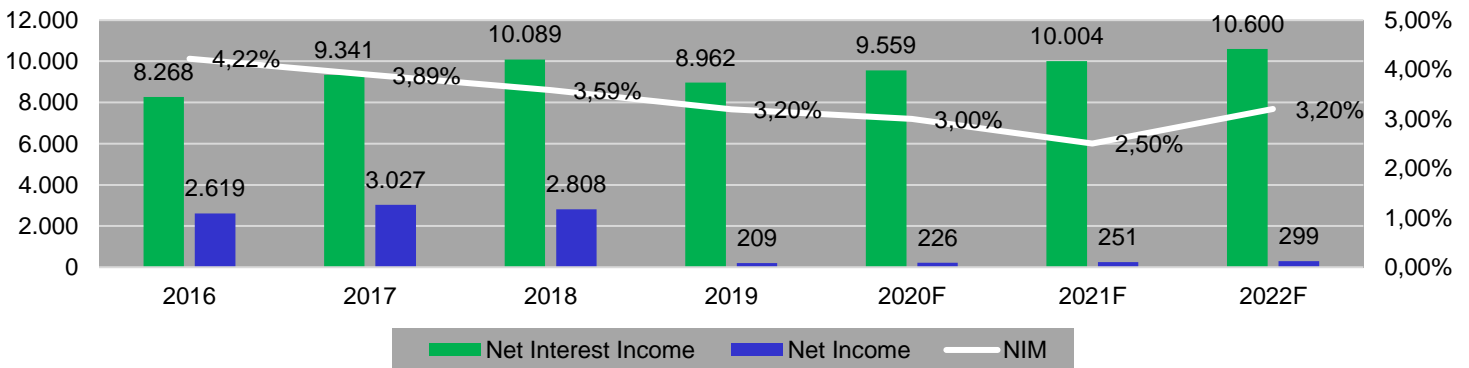


Chart: Net Interest Margin (x) YoY

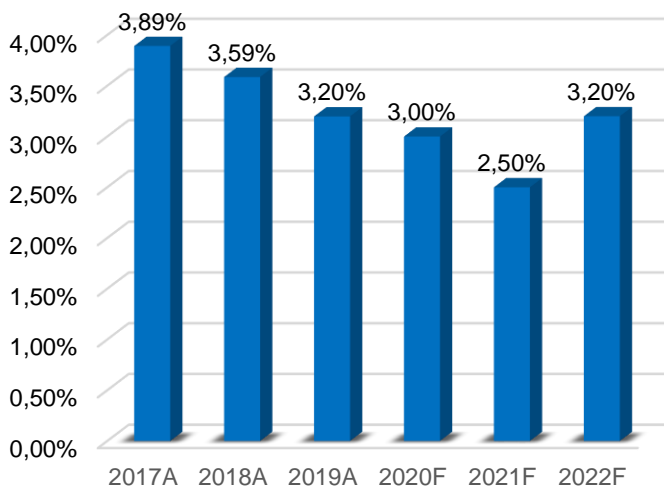


Chart: CAR (x) YoY

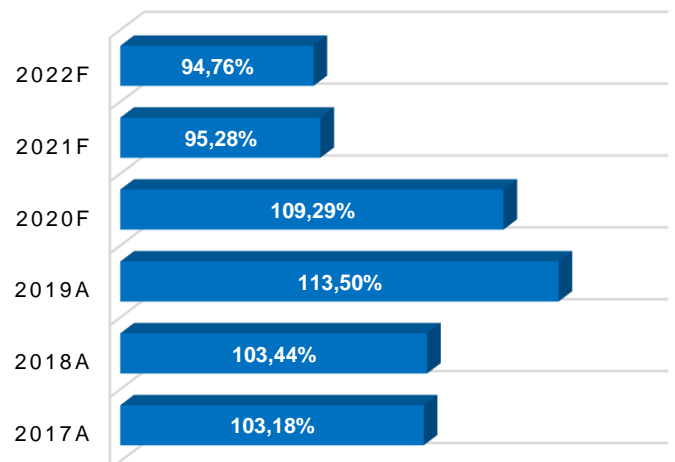


Chart: Gross Loan (x) QoQ

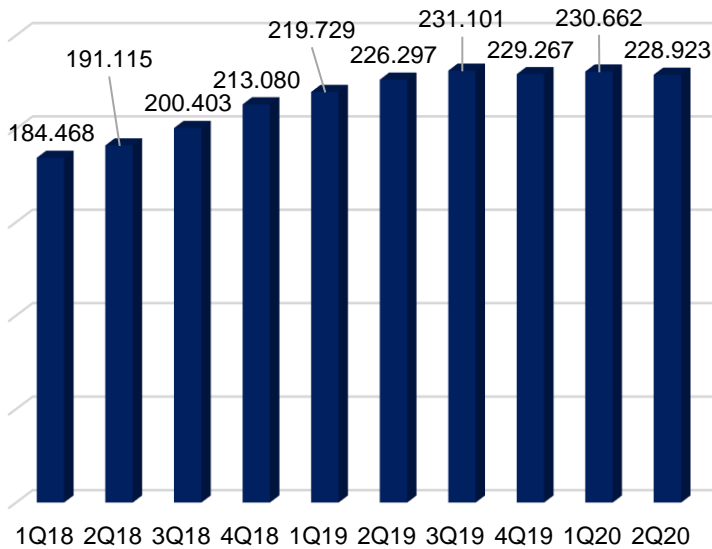


Chart: Loan to Deposit Ratio (x) QoQ

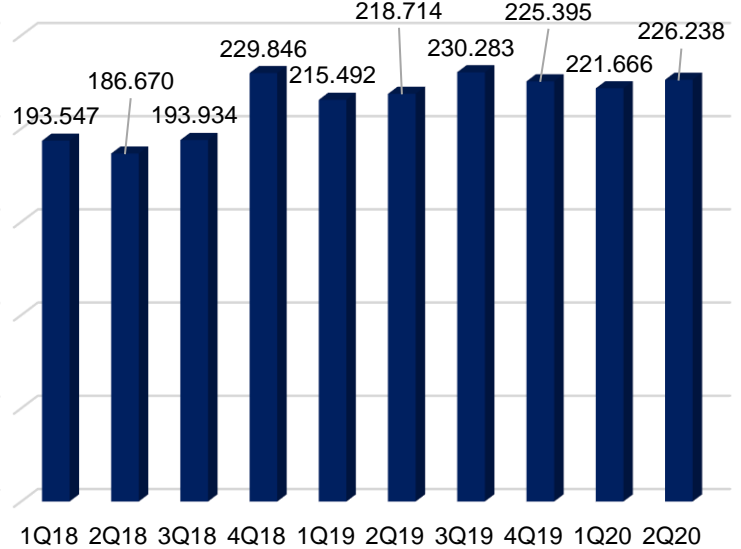


Chart: Net Income (x) QoQ

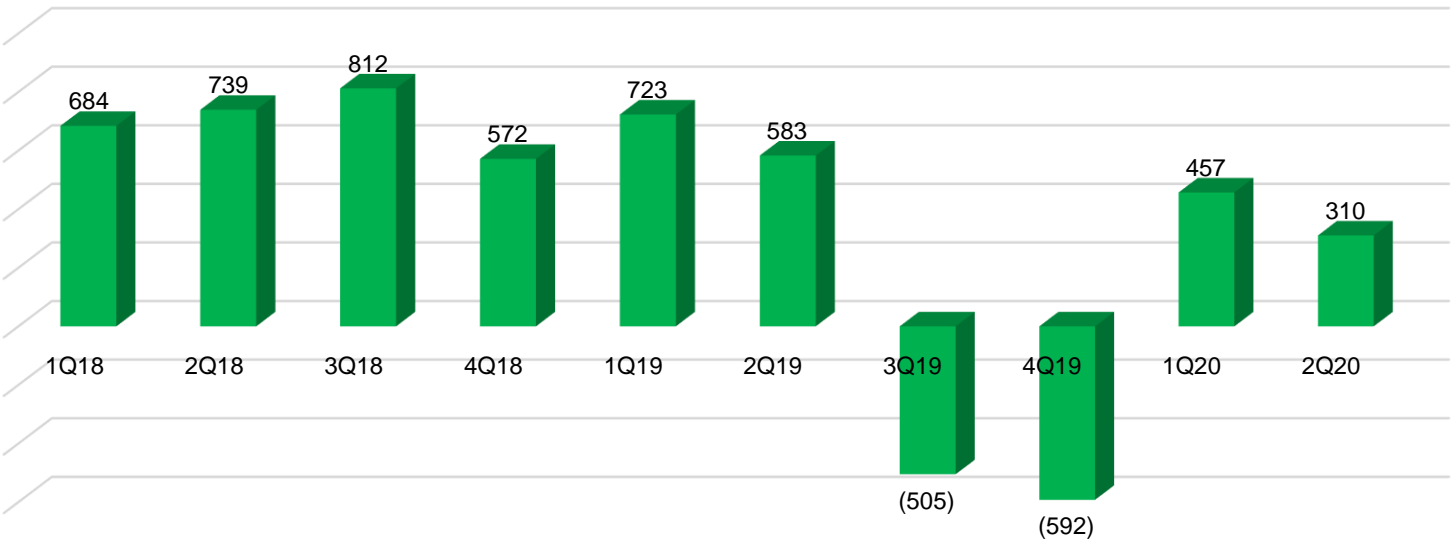
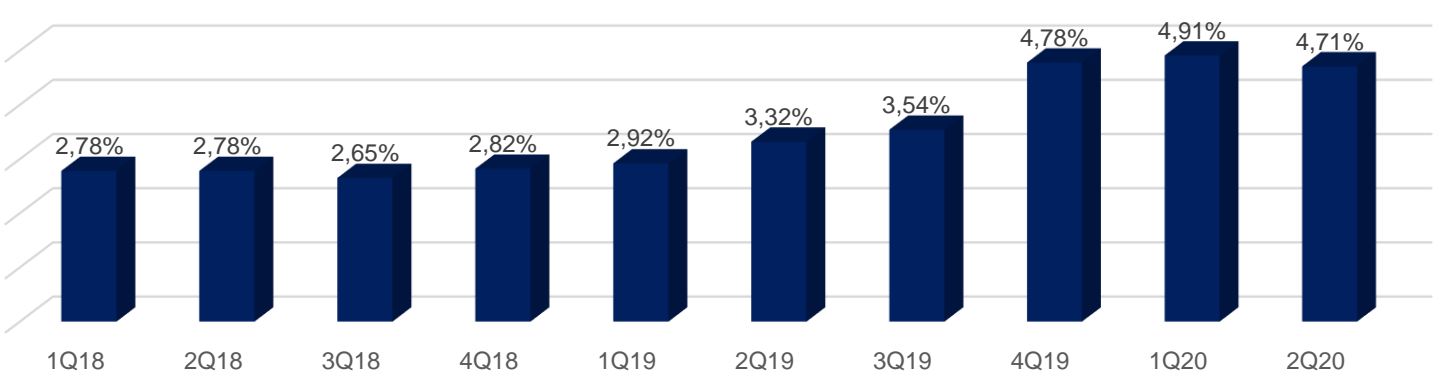


Chart: Non Performing Loan (x) QoQ



Balance Sheet (IDR.bn)

Balance sheet (Idr bn)	2017A	2018A	2019A	2020F	2021F	2022F
Cash and CA with BI	13.582	16.661	16.881	28.752	31.099	37.927
Interbank Placement	24.698	26.465	11.097	18.528	40.906	44.735
Marketable Securities	7.706	5.848	8.085	6.149	13.575	14.846
Gross Loan	198.991	237.758	255.825	271.967	261.788	280.148
Allowance for Loans	-2.025	-2.778	-5.426	-4.083	-3.649	-3.858
Loans-net	196.966	234.980	250.399	267.884	258.138	276.289
Other Earning Asset	40.995	43.562	33.284	35.242	77.807	85.090
Non Earning Asset	9.822	11.233	11.212	12.279	13.580	14.602
Total Asset	261.365	306.436	311.777	344.157	380.625	413.909
Deposit:						
Current Account	54.657	58.050	52.116	57.328	63.060	69.367
Saving Account	40.948	41.886	45.641	51.118	57.252	64.122
Time Deposits	97.250	129.910	127.638	140.401	154.441	162.163
Other Interest Bearing Liabilities	12.262	9.229	13.443	14.205	15.009	15.859
Non Interest Bearing Liabilities	34.584	43.520	49.103	58.216	69.020	81.829
Total Liabilities	239.702	282.596	287.941	321.267	358.783	393.341
Total Shareholder's Equity	21.663	23.840	23.836	22.890	21.842	20.568

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Ratio Highlights

Ratio Analysis	2017A	2018A	2019A	2020F	2021F	2022F
Profitability & Efficiency						
NIM	3,89%	3,59%	3,20%	3,00%	2,50%	3,20%
Cost-to-Income Ratio	56,36%	56,35%	63,80%	67,11%	68,64%	69,77%
ROE	13,97%	11,78%	0,88%	0,99%	1,15%	1,45%
ROA	1,16%	0,92%	0,07%	0,07%	0,07%	0,07%
ROAE		12,88%	6,33%	0,93%	1,07%	1,30%
BOPO	73,91%	71,82%	73,07%	66,26%	68,56%	70,36%
Cost of Credit	0,44%	0,72%	1,36%	1,28%	1,33%	1,24%
Liquidity						
LDR	103,18%	103,44%	113,50%	109,29%	95,28%	94,76%
CASA	49,57%	43,48%	43,37%	43,58%	43,79%	45,15%
Asset Quality						
Gross NPL	2,30%	2,49%	4,42%	3,92%	2,88%	2,83%
Provision Coverage	21,63%	24,35%	22,99%	22,99%	22,99%	22,99%
Capital						
CAR	18,50%	18,61%	17,68%	18,26%	18,18%	18,04%
Growth						
Loan Growth	21,14%	19,19%	7,32%	6,80%	6,91%	7,01%
Deposit Growth	20,54%	19,18%	-1,94%	10,40%	10,41%	7,61%
Net Income Growth	15,60%	-7,25%	-92,55%	7,76%	11,50%	18,86%

BBTN QoQ Result

Balance Sheet	2Q19	1Q20	2Q20	%QoQ	%YoY
Loan	251.041	253.252	251.837	-0,56%	0,32%
Loan Loss Reserves	-3.153	-13.136	-12.798	-2,58%	305,94%
NPL	6.823	10.891	10.344	-5,02%	51,61%
Deposit					
Demand	52.879	53.371	59.753	11,96%	13,00%
Savings	39.955	39.500	36.575	-7,40%	-8,46%
Time Deposit	125.881	128.795	129.910	0,87%	3,20%
Total Asset	312.475	308.187	314.603	2,08%	0,68%
Shareholder Equity	24.661	16.489	17.116	3,80%	-30,59%

Income Statement	2Q19	1Q20	2Q20	%QoQ	%YoY
Interest Income	6.362	6.298	6.064	-3,72%	-4,70%
Interest Expense	4.101	4.034	3.960	-1,84%	-3,44%
Net Interest Income	2.261	2.264	2.103	-7,07%	-6,99%
Net Operating Income	501	331	714	115,42%	42,35%
Operating Expense	1.746	1.733	1.687	-2,65%	-3,41%
PPOP	1.017	862	1.131	31,10%	11,20%
Provision Expense	229	431	606	40,54%	164,42%
Operating Profit	-14	155	-148	-195,50%	985,54%
Profit Before Tax	774	586	376	-35,75%	-51,35%
Tax Expense	191	129	66	-48,80%	-65,38%
Net Profit	583	457	310	-32,08%	-46,76%

Ratio	2Q19	1Q20	2Q20	QoQ	YoY
Profitability & Efficiency					
NIM	3,53%	3,13%	3,16%	0,03	(0,37)
Cost-to-Income Ratio	57,81%	58,99%	56,43%	(2,56)	(1,38)
ROE	12,59%	12,17%	10,06%	(2,11)	(2,53)
ROA	1,12%	0,76%	0,63%	(0,13)	(0,49)
BOPO	81,85%	80,49%	74,37%	(6,11)	(7,47)
Coverage Ratio	37,87%	105,66%	107,90%	2,24	70,03
Liquidity					
LDR	114,24%	114,22%	111,27%	(2,95)	(2,97)
CASA	42,45%	41,90%	42,58%	0,68	0,13
Asset Quality					
Gross NPL (Bank only)	3,32%	4,91%	4,71%	(0,20)	1,39
Provision Coverage	21%	63%	68%	5,34	46,85
Capital					
CAR	16,99%	18,73%	19,10%	0,37	2,11

Stock Ratings:

Buy: a recommendation to purchase the security with upside potential of 20% or greater

Hold: a recommendation to neither buy nor sell a security with upside potential of 0-19%.

Sell: a recommendation to close out a long position in a security with upside potential below 0% or negative.

**RESEARCH TEAM
(62-21) 520-6678 ext.612**

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