

16 Maret 2020
Banking, Equity

Price **IDR. 1300**
Target Price **IDR. 1030**
JKSE Index **5154.11**



Stock Code
Bloomberg code **BBTN IJ**
Market cap (IDR.bn) **14,773.1B**
52-Week High (IDR) **2,750**
52-Week Low (IDR) **1,350**
6-m Avg Daily. Val (IDR) **1,975**
Free Float (%) **60**

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

USD/IDR-YE
2019A **13,866**
2020F (6M Avg) **14,494**

Key Indicators
Non Performing Loan (%) **3.73**
Net Interest Margin (x) **2.43**

Investment Consideration

Significant drop in net income

FY19 net profit was dramatically slashed by IDR209 million or 92.6% YoY, as growing deposits (+56.6% YoY) imposed higher interest expense (+31.4% YoY). On QoQ basis, PPop also fell due to a 20.2% QoQ increase in Provision expenses in 4Q19, although on YoY basis it was up by 103%.

Single-digit loan growth

In FY19, deferred loans grew slower at 7.4% YoY compared to 19.5% YoY in FY18 as a result of lower construction segment loans (-0.7% YoY) and subsidized mortgages (-13.2% YoY). We estimate in 2020 loans will grow at 7.5% YoY.

Asset Quality Downgraded

Asset quality took a turn for the worst as gross NPL increased to 4.8% in FY19 from 2.8%. As much as 18.7% of the NPL came from Construction loans since there has been a slowdown in the sales of high-rise buildings especially apartments in Jakarta and Kalimantan, whereas Other Housing loans contributed 4.7% to the NPL. The decline in asset quality prompted BBTN to increase the provisions by IDR7.8 trillion in order to fulfill the IFRS9 requirement.

Valuation: 21% Downside potential, Sell

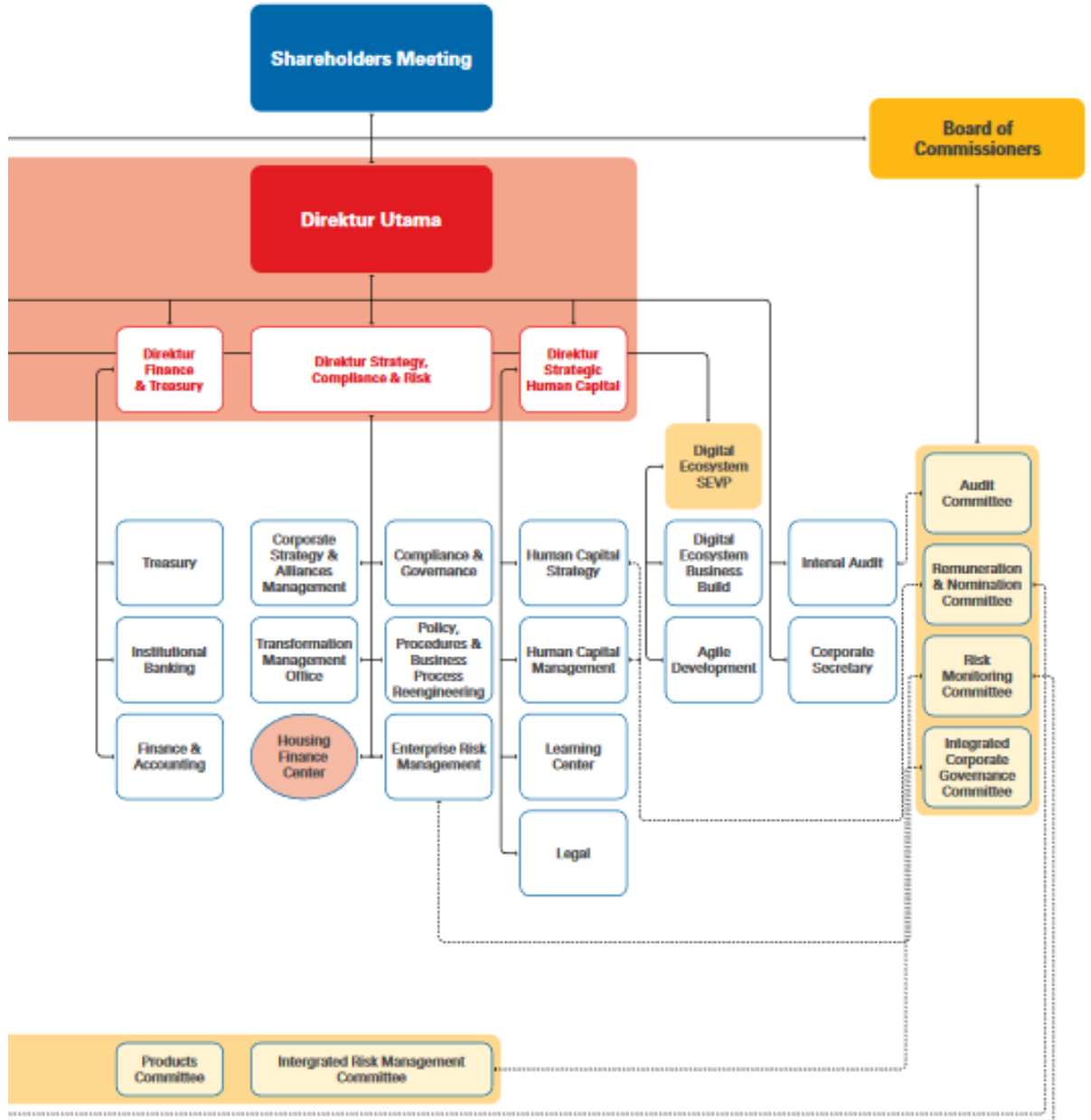
Based on our DDM Valuation, we conclude the one-year target price of IDR 1,030 or 21% downside potential. BBTN shares are now traded at 0.7x PBV. Sell.

Income Statement (Idr bn)	2017A	2018A	2019A	2020F	2021F	2022F
Interest Income	20.092	22.852	25.720	19.828	22.158	24.504
Interest Expense	-10.751	-12.763	-16.758	-12.555	-13.861	-15.342
Net Interest Income	30.842	35.614	42.478	32.382	36.019	39.846
Net Operating Income	1.604	2.072	2.110	2.279	2.517	2.790
Operating Expense	6.169	6.853	7.063	7.642	8.498	9.389
Pre Provision Operating Profit	4.776	5.308	4.008	1.910	2.316	2.563
Provision Expense	-884	-1.714	-3.487	-1.479	-2.070	-2.388
Operating Profit	5.661	3.594	522	431	246	175
Profit Before Tax	3.862	3.610	411	320	134	63
Tax Expense	834	802	202	71	30	14
Net Profit	3.027	2.808	209	249	104	49
EPS (Rp/Share)	285,9	265,1	19,8	23,5	9,8	4,6

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: Net Interest Margin (x) yoy

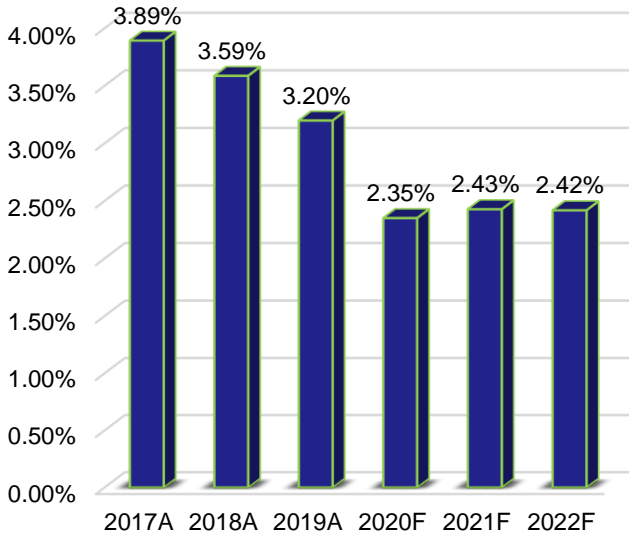


Chart: Loan to Deposit Ratio (x) yoy

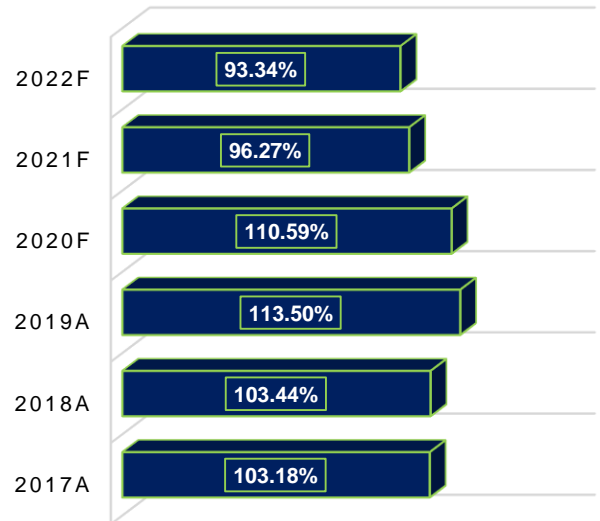


Chart: Growth (x) YoY

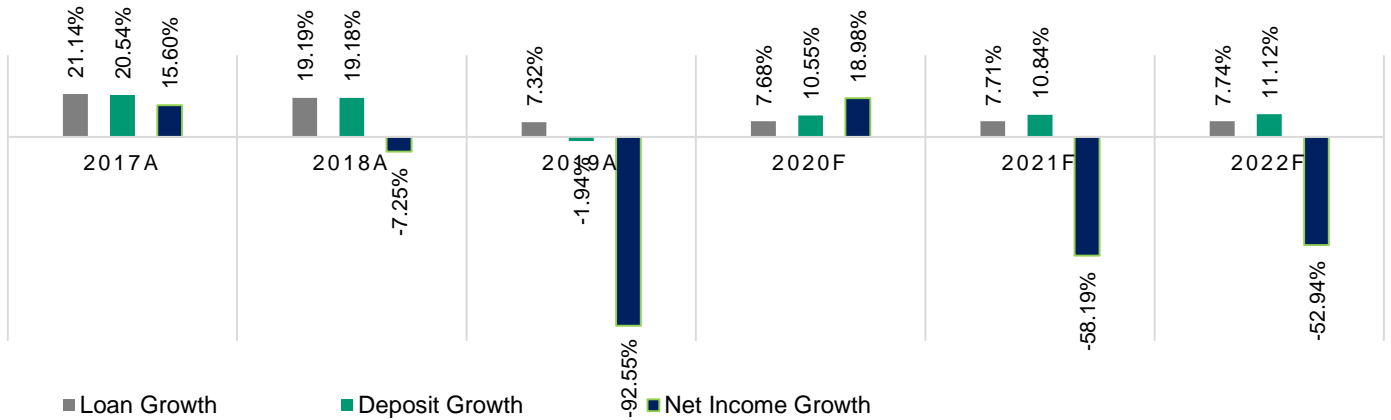
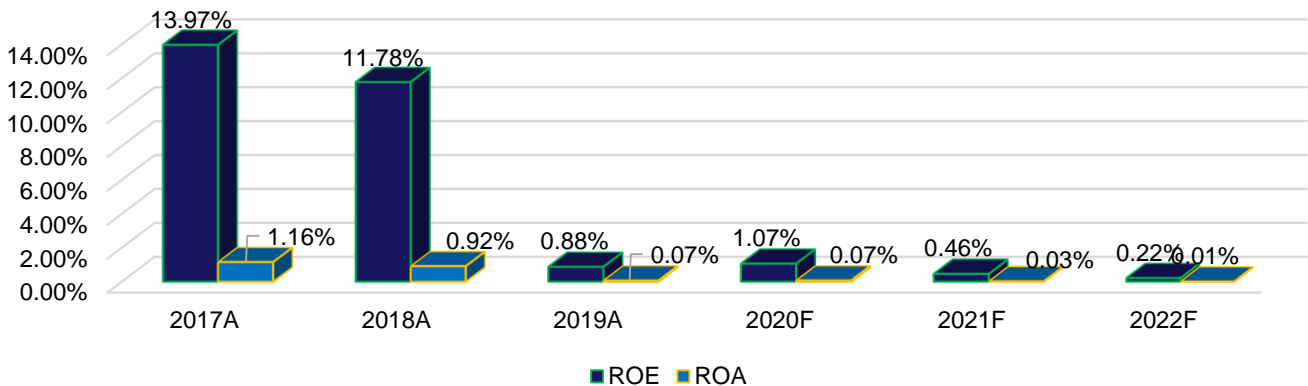


Chart: Profitability Ratio (x) yoy



Balance Sheet (IDR.bn)

Balance sheet (ldr bn)	2017A	2018A	2019A	2020F	2021F	2022F
Cash and CA with BI	13.582	16.661	16.881	27.549	33.002	40.602
Interbank Placement	24.698	26.465	11.097	17.436	36.824	41.075
Marketable Securities	7.706	5.848	8.085	6.384	14.309	19.098
Gross Loan	198.991	237.758	255.825	275.544	265.892	286.469
Allowance for Loans	-2.025	-2.778	-5.426	-3.956	-4.331	-4.892
Loans-net	196.966	234.980	250.399	271.587	261.561	281.576
Other Earning Asset	40.995	43.562	33.284	33.891	75.905	92.442
Non Earning Asset	9.822	11.233	11.212	12.368	13.668	15.148
Total Asset	261.365	306.436	311.777	345.395	384.136	429.769
Deposit:						
Current Account	54.657	58.050	52.116	52.637	53.164	53.695
Saving Account	40.948	41.886	45.641	49.749	54.226	59.100
Time Deposits	97.250	129.910	127.638	146.783	168.801	194.121
Other Interest Bearing Liabilities	12.262	9.229	13.443	14.175	14.904	15.670
Non Interest Bearing Liabilities	34.584	43.520	49.103	58.703	70.497	84.659
Total Liabilities	239.702	282.596	287.941	322.047	361.591	407.246
Total Shareholder's Equity	21.663	23.840	23.836	23.348	22.545	22.523

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Ratio Analysis	2017A	2018A	2019A	2020F	2021F	2022F
NIM	3,89%	3,59%	3,20%	2,35%	2,43%	2,42%
LDR	103,18%	103,44%	113,50%	110,59%	96,27%	93,34%
Gross NPL	2,30%	2,49%	4,42%	3,52%	3,73%	4,01%
Cost of Credit	-0,44%	-0,72%	-1,36%	-0,54%	-0,78%	-0,83%
Provision Coverage	21,63%	24,35%	22,99%	23,67%	23,33%	23,50%
CAR	18,50%	18,61%	17,68%	18,26%	18,18%	18,18%
CASA	49,57%	43,48%	43,37%	41,09%	38,88%	36,75%
Cost-to-Income Ratio	56,36%	56,35%	63,80%	80,00%	78,58%	78,55%
ROE	13,97%	11,78%	0,88%	1,07%	0,46%	0,22%
ROA	1,16%	0,92%	0,07%	0,07%	0,03%	0,01%
ROAE		12,88%	6,33%	0,97%	0,76%	0,34%
BOPO	73,91%	71,82%	73,07%	84,67%	82,22%	81,86%
Loan Growth	21,14%	19,19%	7,32%	7,68%	7,71%	7,74%
Deposit Growth	20,54%	19,18%	-1,94%	10,55%	10,84%	11,12%
Net Income Growth	15,60%	-7,25%	-92,55%	18,98%	-58,19%	-52,94%

BBTN QoQ Result

Balance Sheet	4Q18	3Q19	4Q19	%QoQ	%YoY
Loan	237.758	256.934	255.825	-0,43%	7,60%
Loan Loss Reserves	-3.298	-4.794	-6.116	27,58%	85,44%
NPL	5.309	7.438	10.140	36,33%	90,99%
Deposit					
Demand	58.050	51.121	52.116	1,95%	-10,22%
Savings	41.886	41.370	45.641	10,32%	8,96%
Time Deposit	129.910	137.792	127.638	-7,37%	-1,75%
Total Asset	306.436	316.211	311.777	-1,40%	1,74%
Shareholder Equity	23.840	24.120	23.836	-1,18%	-0,02%

Income Statement	4Q18	3Q19	4Q19	%QoQ	%YoY
Interest Income	6.293	6.589	6.347	-3,68%	0,86%
Interest Expense	3.655	4.357	4.243	-2,62%	16,08%
Net Interest Income	2.637	2.232	2.104	-5,77%	-20,24%
Net Operating Income	601	488	521	6,83%	-13,37%
Operating Expense	1.602	1.712	1.821	6,35%	13,62%
PPOP	1.636	1.008	804	-20,25%	-50,87%
Provision Expense	848	1.693	1.311	-22,56%	54,68%
Operating Profit	-25	-4	-88	2044,50%	247,74%
Profit Before Tax	763	-689	-595	-13,66%	-177,92%
Tax Expense	192	-184	-3	-98,54%	-101,40%
Net Profit	572	-505	-592	17,30%	-203,58%

Ratio	4Q18	3Q19	4Q19	QoQ	YoY
NIM	2,23%	2,27%	2,19%	(0,08)	(0,04)
LDR	103,44%	111,57%	113,50%	1,93	10,06
Gross NPL (Bank only)	2,82%	2,65%	4,78%	2,13	1,96
Cost of Credit	1,53%	1,80%	1,78%	(0,02)	0,25
Provision Coverage	29%	31%	34%	3,39	5,02
CAR	18,61%	16,88%	17,68%	0,80	(0,93)
CASA	43,48%	40,16%	43,37%	3,21	(0,11)
Cost-to-Income Ratio	49,47%	62,94%	69,37%	6,43	19,89
ROE	2,40%	-2,09%	-2,48%	(0,39)	(4,88)
ROA	0,19%	-0,16%	-0,19%	(0,03)	(0,38)
BOPO	63,97%	61,83%	69,20%	7,37	5,23

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
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