

18 August 2021
Banking, Equity

Price 1,425
Target Price 1,920
JKSE Index 6,118.15



Stock Code
Bloomberg code **BBTN IJ**
Market cap (IDR.bn) **19,909.2B**
52-Week High (IDR) **2,000**
52-Week Low (IDR) **720**
6-m Avg Daily. Val (IDR) **1,593**
Free Float (%) **40**

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

USD/IDR-YE
2020A **14050**
2021F (6M Avg) **14359**

Key Indicators
Non-Performing Loan (%) **3.79**
Net Interest Margin (x) **3.30**

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Investment Consideration High Profit Growth

In 2Q21, Bank Tabungan Negara (BBTN) posted a net profit of IDR 920 billion, a significant 19.9% YoY increase, but lower quarterly because of higher provisions. Net Interest Income grew 28.18% as NIM increased to 3.41%. Operating Expenses rose 21.03% from higher deposit premiums. Provision expense increased significantly by 27.34% because BBTN increased its coverage level to 120.72% (+1,282bps).

Good Loan and Deposit Growth

Loan growth was 6% YoY and 2% QoQ. Good credit growth was supported by subsidized mortgages which grew 12% YoY and non-housing loans, especially consumer loans, which grew 17.47% YoY, and which contributed 53% and 66% of total loans, respectively. Deposit growth increased to 31.84% YoY supported by Time Deposit growth of 43.53% which made up 62.53% of total deposits, Current Accounts increased by 15% YoY, and Savings Accounts 17.7% YoY. Although dominated by Time Deposit growth, BBTN has maintained their Cost of Funds.

Good Asset Quality and Restructuring

In terms of asset quality, NPLs increased to 4.1% from 4.7% in 2Q20. Special Mention Loans increased to 8.6% from 12.93% in 2Q20. In terms of total restructuring, the amount decreased to IDR 56.6 trillion or 21.3% of loans from 23% in 1Q21. 70% of the potential downgrade comes from the consumer and corporate segments. Management still maintains their views on asset quality, including the strategy to increase the NPL coverage level. The potential downgrade to NPL is around 4.9% while 25% is expected to return to performing loans.

Valuation: 35% Upside, Buy.

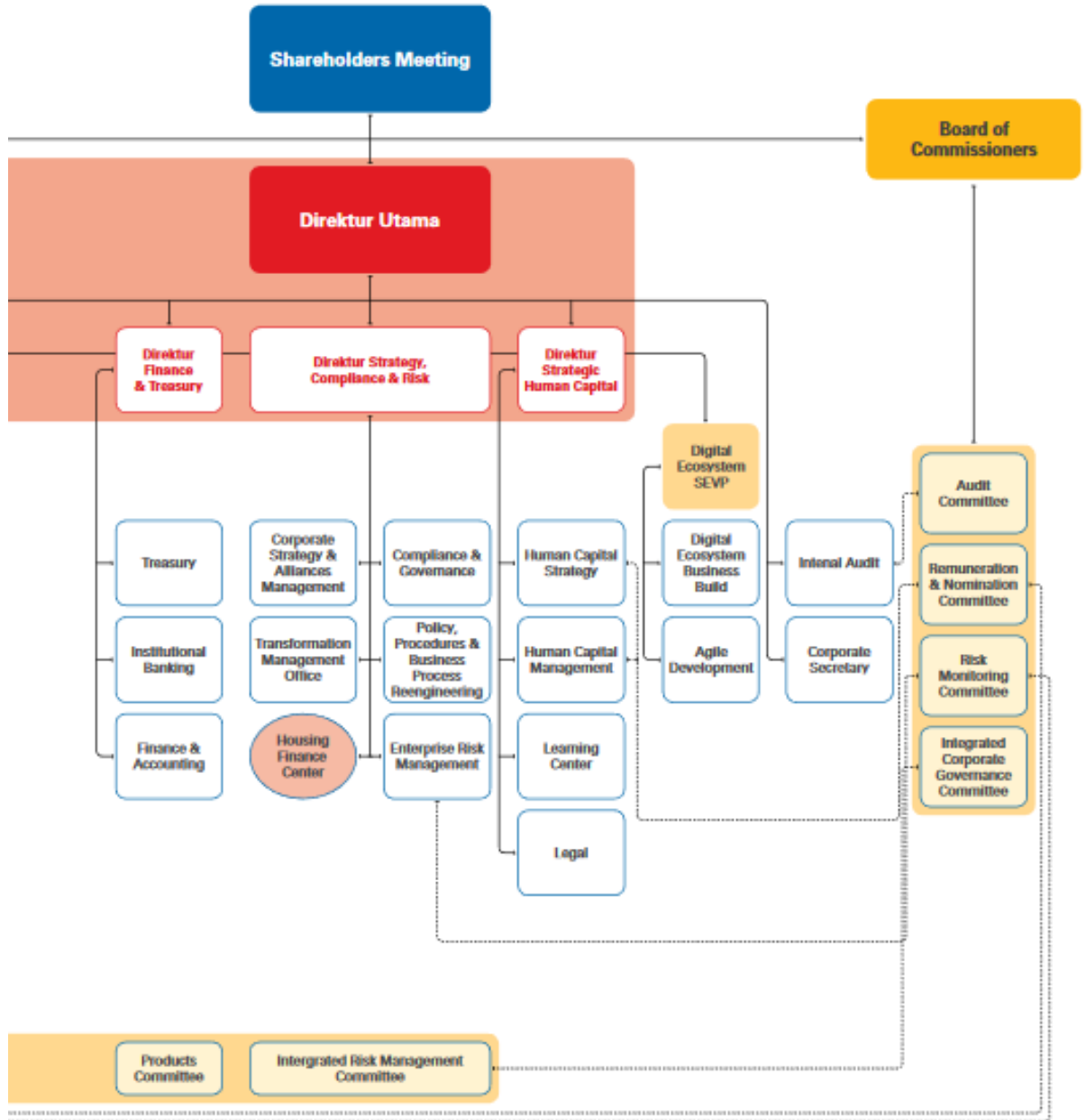
Based on our DDM Valuation, we have a target price within one year of IDR 1,920 or trading at 0.7x PBV which gives 35% potential upside, Buy.

Income Statement (Idr bn)	2017A	2018A	2019A	2020A	2021F	2022F	2023F
Interest Income	20.092	22.852	25.720	25.106	23.595	29.096	36.270
Interest Expense	-10.751	-12.763	-16.758	-16.192	-11.917	-15.354	19.906
Net Interest Income	30.842	35.614	42.478	41.298	35.512	44.450	56.175
Net Operating Income	1.604	2.072	2.110	2.515	3.287	4.076	5.308
Operating Expense	6.169	6.853	7.063	6.836	10.523	13.326	17.106
PPOP	4.776	5.308	4.008	4.593	4.441	4.493	4.566
Provision Expense	-884	-1.714	-3.487	-2.262	-2.262	-2.262	-2.262
Operating Profit	5.661	3.594	522	2.330	2.179	2.230	2.304
Profit Before Tax	3.862	3.610	411	2.271	2.119	2.170	2.244
Tax Expense	834	802	202	668	471	482	499
Net Profit	3.027	2.808	209	1.602	1.648	1.688	1.745
EPS (Rp/Share)	285,9	265,1	19,8	151,3	155,6	159,4	164,8

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

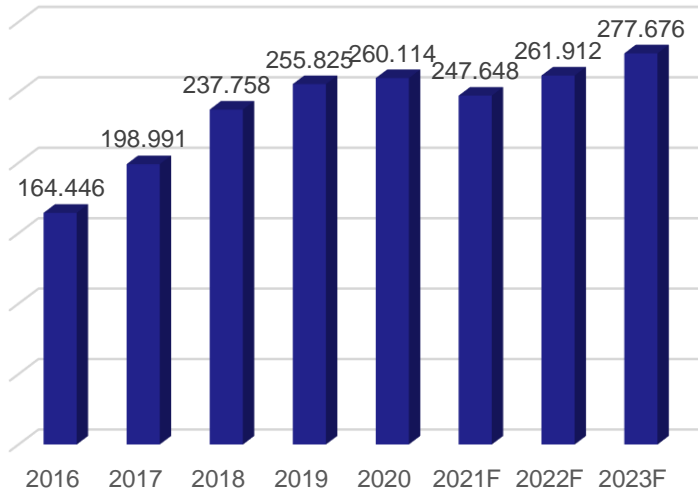


Chart: Customer Deposit (x) YoY

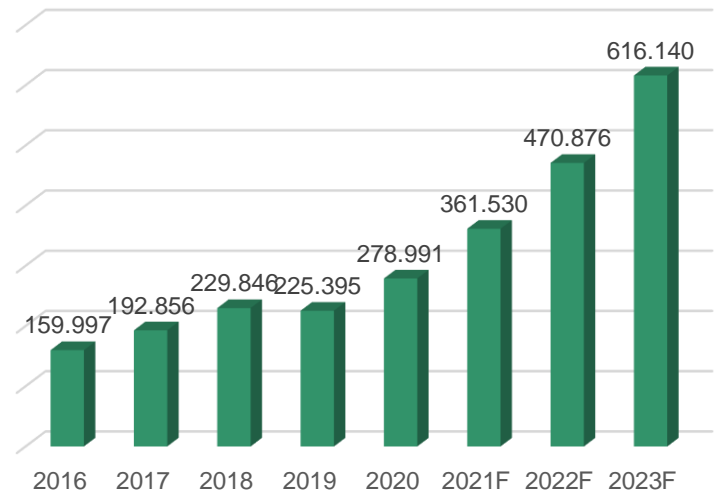


Chart: Profitability (x) YoY

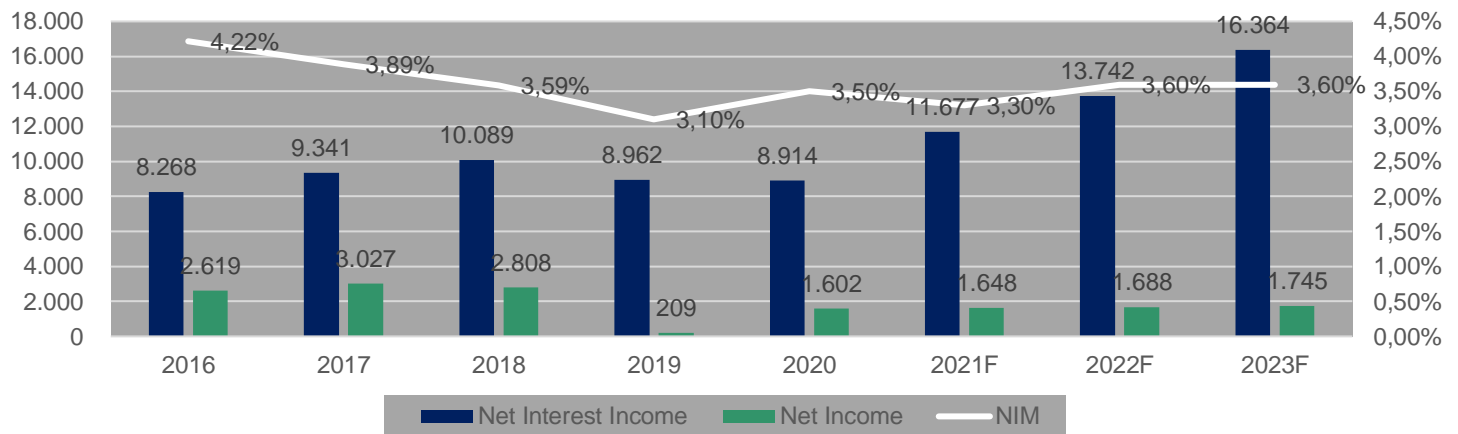


Chart: Net Interest Margin (x) YoY

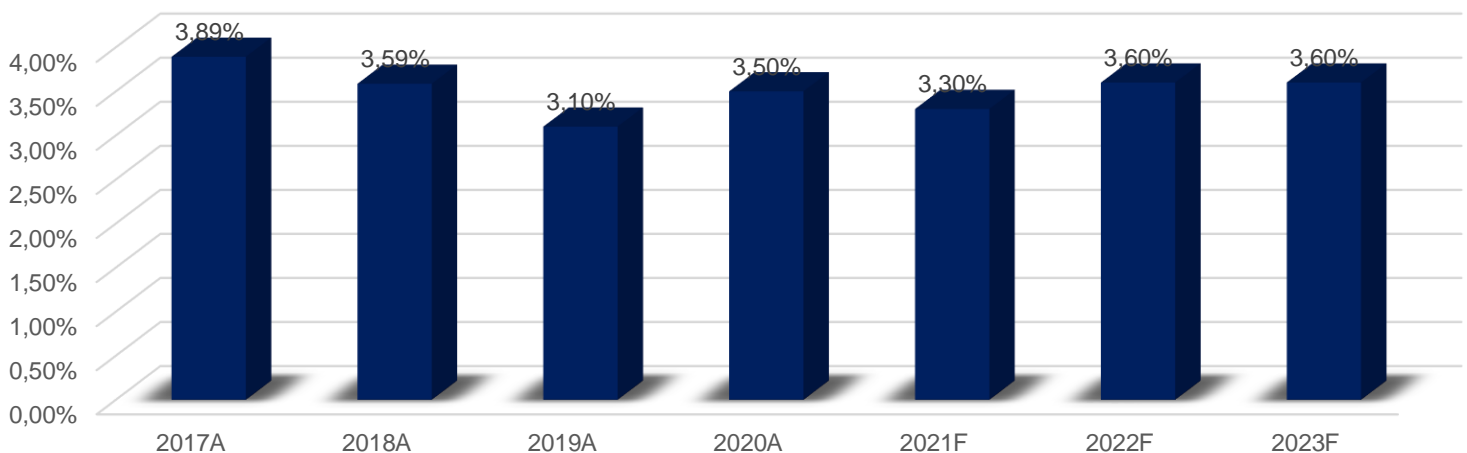


Chart: Gross Loan (x) QoQ

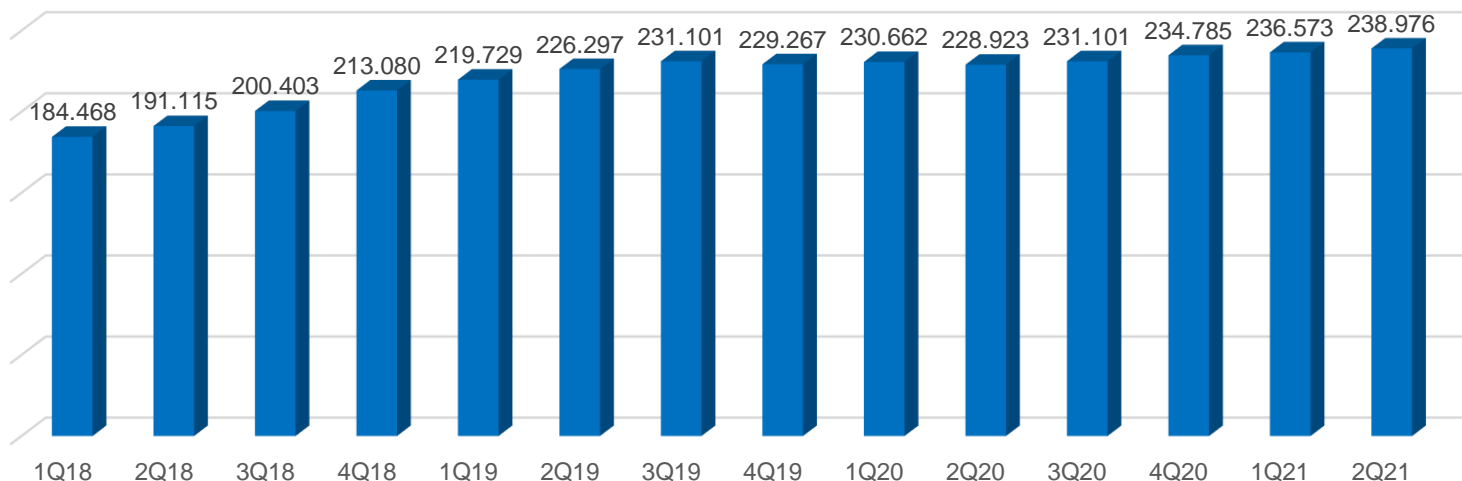


Chart: Net Income (x) QoQ

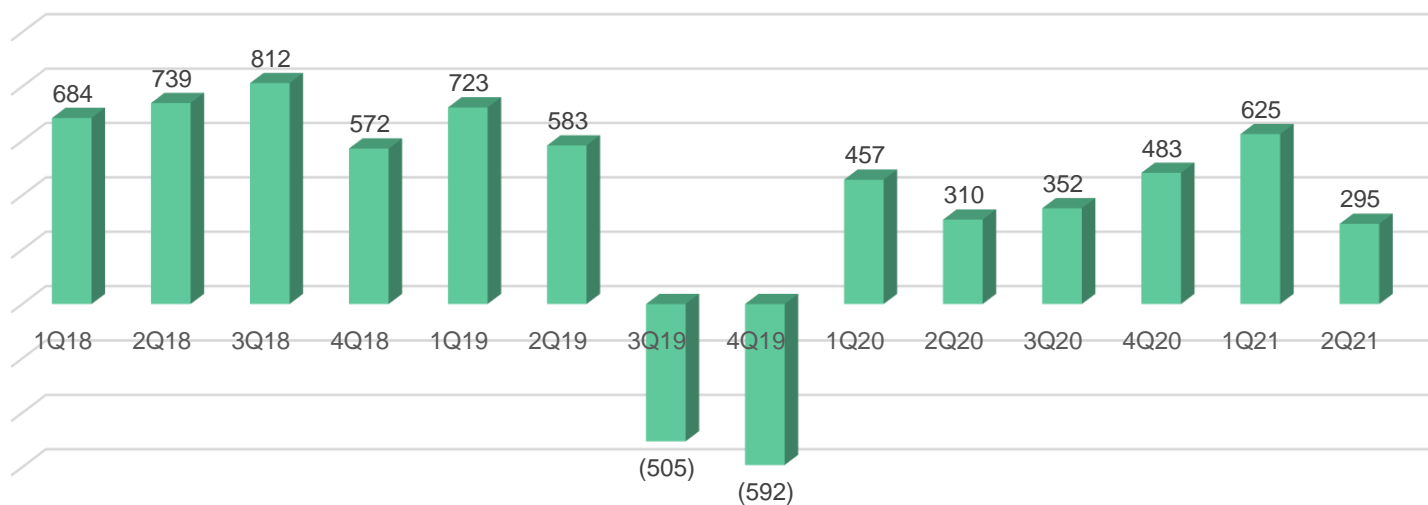
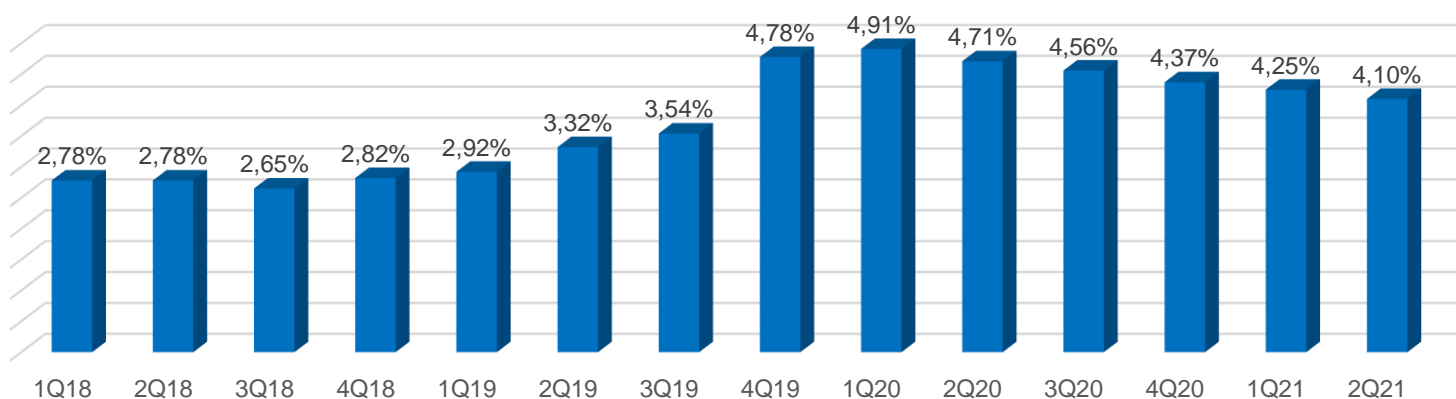


Chart: Non Performing Loan (x) QoQ



Balance Sheet (IDR.bn)

Balance sheet (Idr bn)	2017A	2018A	2019A	2020A	2021F	2022F	2023F
Cash and CA with BI	13.582	16.661	16.881	12.537	-7.606	-24.692	-46.822
Interbank Placement	24.698	26.465	11.097	19.830	92.841	147.817	214.824
Marketable Securities	7.706	5.848	8.085	3.204	29.229	46.537	71.071
Gross Loan	198.991	237.758	255.825	260.114	247.648	261.912	277.676
Allowance for Loans	-2.025	-2.778	-5.426	-12.152	-3.549	-3.629	-3.737
Loans-net	196.966	234.980	250.399	247.962	244.098	258.283	273.939
Other Earning Asset	40.995	43.562	33.284	84.821	198.656	316.292	475.298
Non Earning Asset	9.822	11.233	11.212	15.888	18.932	25.580	32.627
Total Asset	261.365	306.436	311.777	361.208	454.081	575.464	735.042
Deposit:							
Current Account	54.657	58.050	52.116	72.045	100.862	141.207	197.690
Saving Account	40.948	41.886	45.641	41.814	45.996	50.595	55.655
Time Deposits	97.250	129.910	127.638	165.132	214.672	279.073	362.795
Other Interest Bearing Liabilities	12.262	9.229	13.443	15.022	15.865	16.754	17.674
Non Interest Bearing Liabilities	34.584	43.520	49.103	47.207	55.814	65.989	78.311
Total Liabilities	239.702	282.596	287.941	341.221	433.208	553.620	712.126
Total Shareholder's Equity	21.663	23.840	23.836	19.988	20.872	21.844	22.916

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Ratio Highlights

Ratio Analysis	2017A	2018A	2019A	2020A	2021F	2022F	2023F
Profitability & Efficiency							
NIM	3,89%	3,59%	3,10%	3,50%	3,30%	3,60%	3,60%
Cost-to-Income Ratio	56,36%	56,35%	63,80%	59,81%	70,32%	74,79%	78,93%
ROE	13,97%	11,78%	0,88%	8,02%	7,90%	7,73%	7,61%
ROA	1,16%	0,92%	0,07%	0,44%	0,36%	0,29%	0,24%
ROAE		12,88%	6,33%	4,45%	7,96%	7,81%	7,67%
BOPO	73,91%	71,82%	73,07%	75,18%	75,06%	79,64%	83,58%
Cost of Credit	0,44%	0,72%	1,36%	0,87%	0,91%	0,86%	0,81%
Liquidity							
LDR	103,18%	103,44%	113,50%	93,23%	68,50%	55,62%	45,07%
CASA	49,57%	43,48%	43,37%	40,81%	40,62%	40,73%	41,12%
Asset Quality							
Gross NPL	2,30%	2,49%	4,42%	4,12%	3,79%	3,58%	3,35%
Provision Coverage	21,63%	24,35%	22,99%	22,99%	22,99%	22,99%	23,27%
Capital							
CAR	18,50%	18,61%	17,32%	19,34%	18,42%	18,36%	18,71%
Growth							
Loan Growth	21,14%	19,19%	7,32%	2,41%	5,48%	5,76%	6,02%
Deposit Growth	20,54%	19,18%	-1,94%	23,78%	29,58%	30,25%	30,85%
Net Income Growth	15,60%	-7,25%	-92,55%	665,71%	2,85%	2,43%	3,37%

BBTN QoQ Result

Balance Sheet	2Q20	1Q20	2Q21	%QoQ	%YoY
Loan	251.837	261.340	265.907	1,75%	5,59%
Loan Loss Reserves	-12.798	-12.879	-13.172	2,28%	2,93%
NPL	10.344	9.605	9.381	-2,34%	-9,31%
Deposit					
Demand	59.753	71.470	68.750	-3,80%	15,06%
Savings	36.575	41.193	43.051	4,51%	17,71%
Time Deposit	129.910	182.190	186.548	2,39%	43,60%
Total Asset	314.603	375.730	380.514	1,27%	20,95%
Shareholder Equity	17.116	19.117	19.910	4,15%	16,32%

Income Statement	2Q20	1Q20	2Q21	%QoQ	%YoY
Interest Income	6.064	6.342	6.173	-2,67%	1,80%
Interest Expense	3.960	3.624	3.303	-8,86%	-16,59%
Net Interest Income	2.103	2.718	2.870	5,58%	36,43%
Net Operating Income	714	480	647	34,94%	-9,30%
Operating Expense	1.687	2.036	2.063	1,31%	22,28%
PPOP	1.131	1.162	1.455	25,18%	28,67%
Provision Expense	606	320	998	211,74%	64,66%
Operating Profit	-148	21	-73	-452,20%	-50,58%
Profit Before Tax	376	863	384	-55,54%	1,87%
Tax Expense	66	238	89	-62,73%	34%
Net Profit	310	625	295	-52,81%	-4,99%

Ratio	2Q20	1Q20	2Q21	%QoQ	%YoY
Profitability & Efficiency					
NIM	3,16%	3,31%	3,41%	0,10	0,15
Cost-to-Income Ratio	56,43%	53,55%	51,99%	(1,56)	(2,88)
ROE	10,06%	15,12%	11,02%	(4,10)	5,06
ROA	0,69%	0,94%	0,68%	(0,26)	0,25
LCR	132,22%	232,85%	221,15%	(11,70)	100,63
COF	5,16%	5,75%	3,45%	(2,30)	0,59
Liquidity					
LDR	111,27%	88,62%	89,12%	0,50	(22,65)
CASA	42,56%	38,20%	37,47%	(0,73)	(4,36)
Asset Quality					
Gross NPL (Bank only)	4,71%	4,25%	4,10%	(0,15)	(0,46)
Coverage Ratio	107,90%	115,93%	120,72%	4,79	8,03
Capital					
CAR	19,10%	12,30%	17,80%	5,50	(6,80)

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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