

26 May 2020  
Banking, Equity

Price **IDR. 765**  
Target Price **IDR. 830**  
JKSE Index **4626.799**



**Stock Code**  
**Bloomberg code** **BBTN IJ**  
**Market cap (IDR.bn)** **8048.4B**  
**52-Week High (IDR)** **2750**  
**52-Week Low (IDR)** **720**  
**6-m Avg Daily. Val (IDR)** **1593**  
**Free Float (%)** **60**

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

**USD/IDR-YE**  
**2019A** **14390**  
**2020F (6M Avg)** **14488**

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

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### Investment Consideration

#### Increase in Restructured Loan

Restructured loans are 3% of total loans and are estimated to increase to 18% of total loans of IDR. 45 trillion. Restructuring is from the debtors with both subsidized and non-subsidized mortgages. To help the restructuring process, the bank has provided an online platform.

#### Loan growth to slow

Loan growth was 4.14% YoY and loans remain dominated by Subsidized Mortgages which increased 10.57% YoY, Non-Subsidized Mortgages grew 0.19% YoY, and Construction Loans fell -4%. Loan growth slowed due to a slowdown in disbursement during the current pandemic. We estimate Loan Growth in 2020 will be 4%.

#### Net Interest Margin fell

In 1Q20 the Net Interest Margin was 3.13% compared to 3.32% in the 4Q19. The decline occurred due to a decrease in loan yields as Gross NPLs rose to 4.91% while Net NPLs were more than 2%.

#### CASA worsened

Third-Party Funds grew 2.73% YoY, but decreased -1.6% from the previous quarter. This was partly as CASA fell to 42% due to a decrease in saving accounts which moved to more expensive Time Deposits. BTN has gradually shifted to low-cost funds by reducing the portion of Prime Savings Account as well as Time Deposits held by Institutions that have high-Interest Expenses

#### Valuation: 8% Upside, Hold.

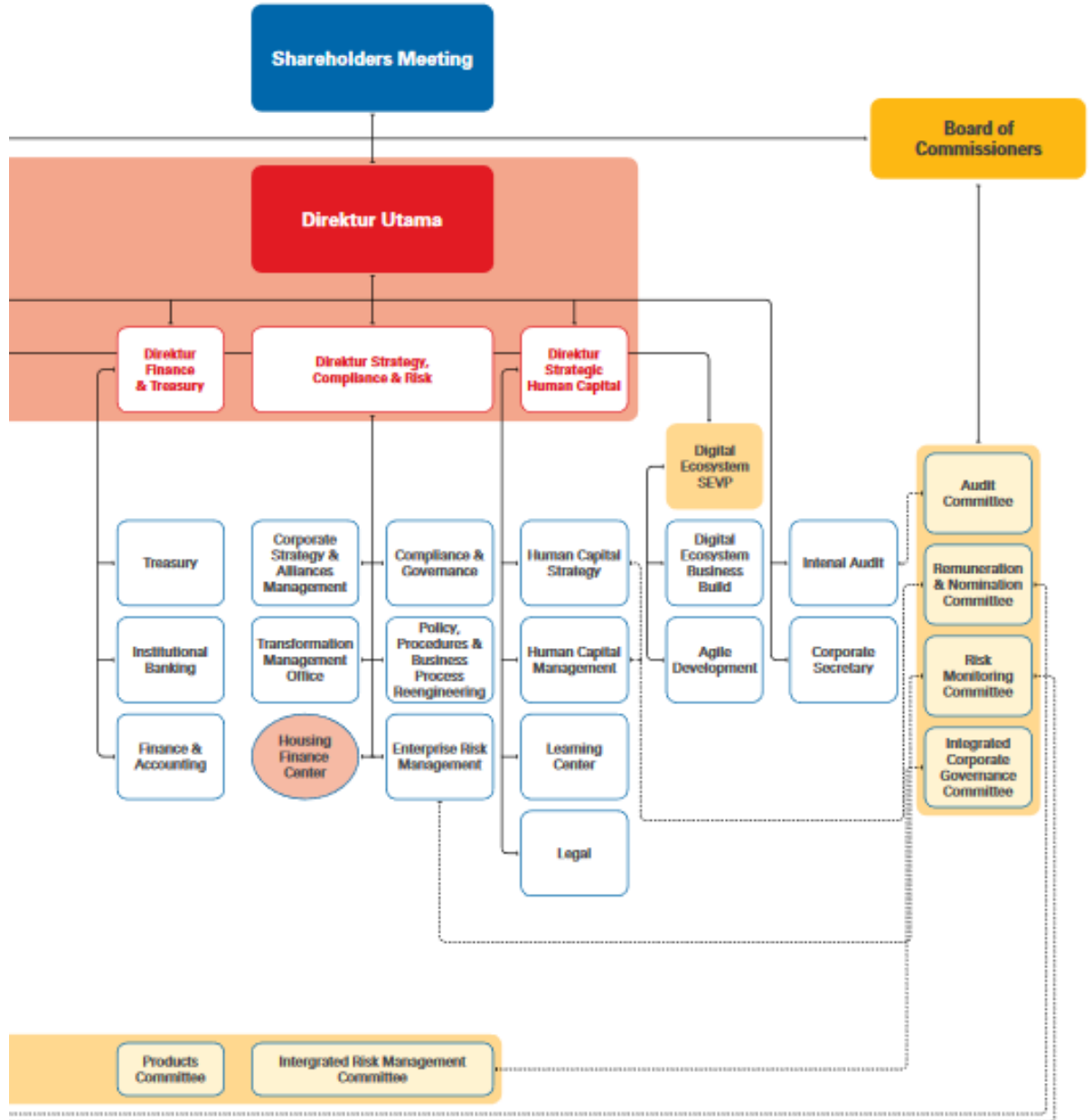
Based on our DDM Valuation, we have a target price within one year of IDR 830 or trading at 0.4x PBV which gives 8% potential upside, Hold.

Income Statement (Idr bn)	2017A	2018A	2019A	2020F	2021F	2022F
Interest Income	20.092	22.852	25.720	8.838	25.301	26.659
Interest Expense	-10.751	-12.763	-16.758	-11.069	-11.732	-12.438
<b>Net Interest Income</b>	<b>30.842</b>	<b>35.614</b>	<b>42.478</b>	<b>19.907</b>	<b>37.033</b>	<b>39.097</b>
Net Operating Income	1.604	2.072	2.110	2.190	2.320	2.356
Operating Expense	6.169	6.853	7.063	7.345	7.833	8.281
<b>Pre Provision Operating Profit</b>	<b>4.776</b>	<b>5.308</b>	<b>4.008</b>	<b>-7.386</b>	<b>8.056</b>	<b>8.296</b>
Provision Expense	-884	-1.714	-3.487	-7.723	-7.738	-7.987
Operating Profit	5.661	3.594	522	-15.109	318	309
<b>Profit Before Tax</b>	<b>3.862</b>	<b>3.610</b>	<b>411</b>	<b>227</b>	<b>206</b>	<b>197</b>
Tax Expense	834	802	202	50	46	44
<b>Net Profit</b>	<b>3.027</b>	<b>2.808</b>	<b>209</b>	<b>176</b>	<b>160</b>	<b>153</b>
<b>EPS (Rp/Share)</b>	<b>285,9</b>	<b>265,1</b>	<b>19,8</b>	<b>16,6</b>	<b>15,1</b>	<b>14,5</b>

**Company Profile**

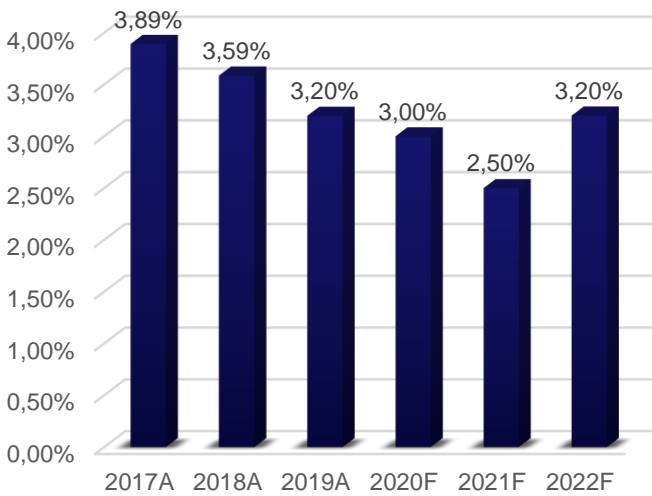
PT Bank Tabungan Negara (Persero) Tbk (“the Bank”) was originally established as a fully state-owned bank under the name “Bank Tabungan Pos” based on Martial Law No. 9, February 9, 1950. Subsequently, the name of the Bank was changed to “Bank Tabungan Negara” based on Government Regulation Amendment 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**

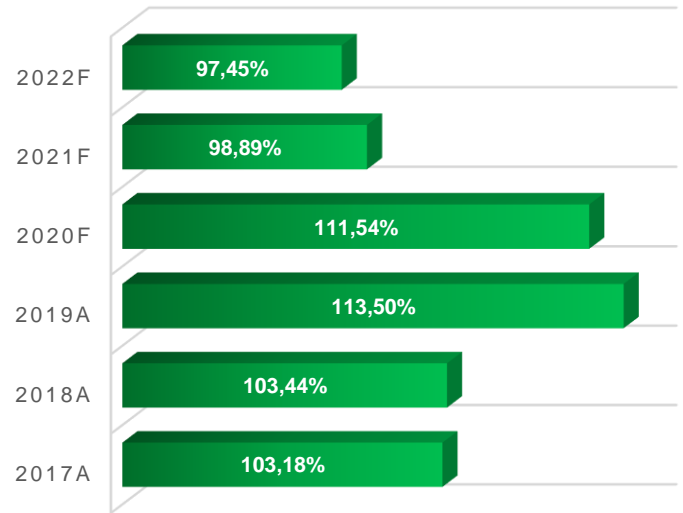


Source: Company

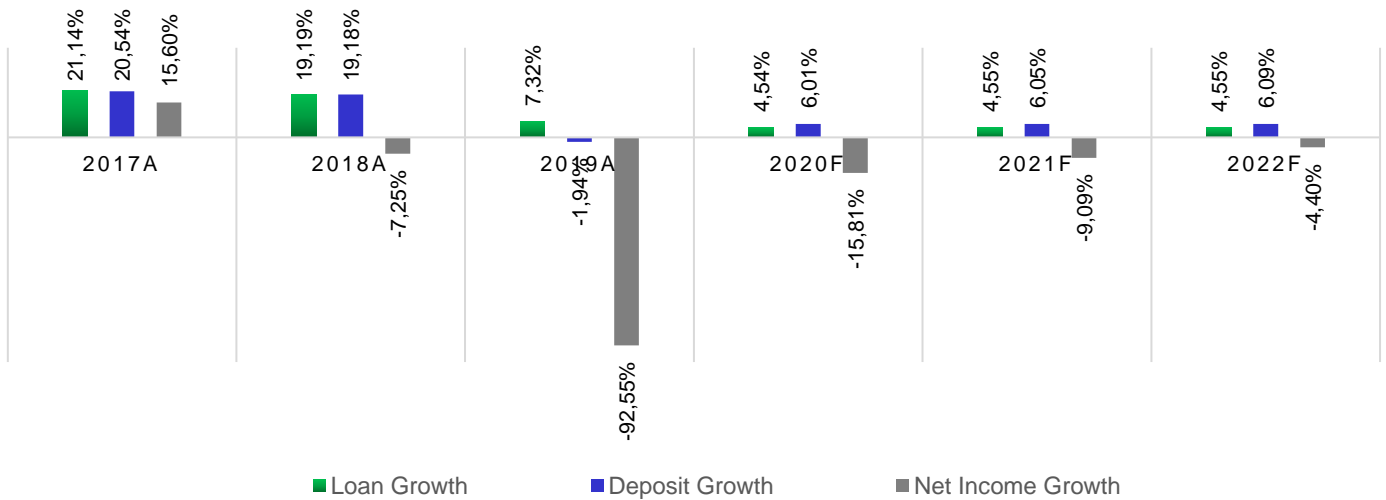
**Chart: Net Interest Margin (x) yoy**



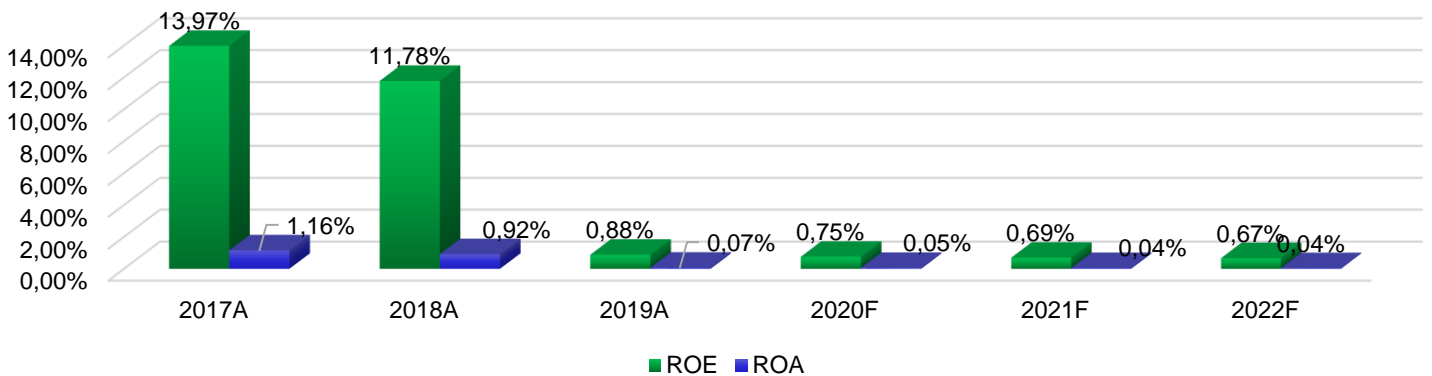
**Chart: Loan to Deposit Ratio (x) yoy**



**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	30.256	38.752	49.292
Interbank Placement	24.698	26.465	11.097	15.452	30.961	31.613
Marketable Securities	7.706	5.848	8.085	5.822	12.151	14.914
Gross Loan	198.991	237.758	255.825	266.519	250.583	261.989
Allowance for Loans	-2.025	-2.778	-5.426	-4.389	-4.523	-4.763
Loans-net	196.966	234.980	250.399	262.130	246.060	257.226
Other Earning Asset	40.995	43.562	33.284	30.904	64.460	72.192
Non Earning Asset	9.822	11.233	11.212	11.888	12.598	13.360
<b>Total Asset</b>	<b>261.365</b>	<b>306.436</b>	<b>311.777</b>	<b>335.178</b>	<b>361.870</b>	<b>392.070</b>
Deposit:						
Current Account	54.657	58.050	52.116	54.722	57.458	60.331
Saving Account	40.948	41.886	45.641	50.205	55.226	60.748
Time Deposits	97.250	129.910	127.638	134.019	140.720	147.756
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
<b>Total Liabilities</b>	<b>239.702</b>	<b>282.596</b>	<b>287.941</b>	<b>311.825</b>	<b>338.805</b>	<b>369.165</b>
<b>Total Shareholder's Equity</b>	<b>21.663</b>	<b>23.840</b>	<b>23.836</b>	<b>23.354</b>	<b>23.065</b>	<b>22.905</b>

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**Ratio Highlights**

Ratio Analysis	2017A	2018A	2019A	2020F	2021F	2022F
<b>Profitability &amp; Efficiency</b>						
NIM	3,89%	3,59%	3,20%	3,00%	2,50%	3,20%
Cost-to-Income Ratio	56,36%	56,35%	63,80%	-18055,90%	49,30%	49,96%
ROE	13,97%	11,78%	0,88%	0,75%	0,69%	0,67%
ROA	1,16%	0,92%	0,07%	0,05%	0,04%	0,04%
ROAE		12,88%	6,33%	0,82%	0,72%	0,68%
BOPO	73,91%	71,82%	73,07%	96,94%	42,82%	43,88%
Cost of Credit	-0,44%	-0,72%	-1,36%	-2,90%	-3,09%	-3,05%
<b>Liquidity</b>						
LDR	103,18%	103,44%	113,50%	111,54%	98,89%	97,45%
CASA	49,57%	43,48%	43,37%	43,91%	44,47%	45,04%
<b>Asset Quality</b>						
Gross NPL	2,30%	2,49%	4,42%	4,49%	4,49%	4,49%
Provision Coverage	21,63%	24,35%	22,99%	23,67%	23,33%	23,50%
<b>Capital</b>						
CAR	18,50%	18,61%	17,68%	18,26%	18,18%	18,18%
<b>Growth</b>						
Loan Growth	21,14%	19,19%	7,32%	4,54%	4,55%	4,55%
Deposit Growth	20,54%	19,18%	-1,94%	6,01%	6,05%	6,09%
Net Income Growth	15,60%	-7,25%	-92,55%	-15,81%	-9,09%	-4,40%

**BBTN QoQ Result**

Balance Sheet	1Q19	4Q19	1Q20	%QoQ	%YoY
Loan	242.135	255.825	253.252	-1,01%	4,59%
Loan Loss Reserves	-3.185	-6.116	-13.136	114,78%	312,42%
NPL	5.643	10.140	10.891	7,41%	93,01%
Deposit					
Demand	53.304	52.116	53.371	2,41%	0,13%
Savings	43.272	45.641	39.500	-13,46%	-8,72%
Time Deposit	118.916	127.638	128.795	0,91%	8,31%
<b>Total Asset</b>	<b>301.346</b>	<b>311.777</b>	<b>308.187</b>	<b>-1,15%</b>	<b>2,27%</b>
<b>Shareholder Equity</b>	<b>24.534</b>	<b>23.836</b>	<b>16.489</b>	<b>-30,82%</b>	<b>-32,79%</b>

Income Statement	1Q19	4Q19	1Q20	%QoQ	%YoY
Interest Income	6.421	6.347	6.298	-0,77%	-1,92%
Interest Expense	4.057	4.243	4.034	-4,92%	-0,55%
<b>Net Interest Income</b>	<b>2.364</b>	<b>2.104</b>	<b>2.264</b>	<b>7,60%</b>	<b>-4,27%</b>
Net Operating Income	600	521	331	-36,40%	-44,74%
Operating Expense	1.784	1.821	1.733	-4,84%	-2,91%
<b>PPOP</b>	<b>1.180</b>	<b>804</b>	<b>862</b>	<b>7,26%</b>	<b>-26,89%</b>
Provision Expense	253	1.311	431	-67,11%	70,33%
<b>Operating Profit</b>	<b>-5</b>	<b>-88</b>	<b>155</b>	<b>-276,65%</b>	<b>-3033,90%</b>
Profit Before Tax	921	-595	586	-198,51%	-36,38%
Tax Expense	198	-3	129	-4889,15%	-34,88%
<b>Net Profit</b>	<b>723</b>	<b>-592</b>	<b>457</b>	<b>-177,19%</b>	<b>-36,79%</b>

Ratio	1Q19	4Q19	1Q20	QoQ	YoY
<b>Profitability &amp; Efficiency</b>					
NIM	2,28%	2,18%	2,17%	(0,01)	(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
Cost of Credit	1,53%	1,80%	1,78%	(0,02)	0,25
<b>Liquidity</b>					
LDR	105,35%	111,09%	112,36%	1,27	7,01
CASA	42,02%	42,45%	41,20%	(1,25)	(0,81)
<b>Asset Quality</b>					
Gross NPL (Bank only)	2,82%	2,65%	4,78%	2,13	1,96
Provision Coverage	29%	31%	34%	3,39	5,02
<b>Capital</b>					
CAR	18,21%	16,88%	17,32%	0,44	(0,89)

**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.

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