

26 October 2021
Banking, Equity

Price **1,805**
Target Price **2,140**
JKSE Index **6,625.70**



Stock Code
Bloomberg code **BBTN IJ**
Market cap (IDR.bn) **19,326.8B**
52-Week High (IDR) **2,180**
52-Week Low (IDR) **1,220**
6-m Avg Daily. Val (IDR) **1,473**
Free Float (%) **40**

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

USD/IDR-YE
2020A **14050**
2021F (6M Avg) **14343**

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

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Investment Consideration Strong Profit Growth

Bank Tabungan Negara (BBTN) recorded net profit of IDR 1.5 trillion, up 35.32% YoY in 9M21, supported by Net Interest Income which grew 30.2% to IDR 8.8 trillion as NIM increased 39bps to 3.52%, driven by a lower Cost of Funds and thanks to stronger credit growth of 6% YoY.

Good Loan growth thanks to Subsidized Mortgages

In 3Q21, credit grew by 6% YoY. This growth was driven by subsidized mortgages which were up 11.7% YoY and Non-Subsidized Mortgages, up 2.11%. The Bank is more optimistic about 2022F loan growth, supported by the government's higher FLPP budget, and the Tapera scheme for civil servants. BBTN is looking to possible double digit credit growth next year.

Better Asset Quality amid Restructuring

In 3Q21, NPLs decreased to 3.94% from 4.56% in 3Q20. NPL coverage was higher at 125% in 3Q21 from 111% in 3Q20. The number of potential NPL downgrades also decreased to IDR 3.2 trillion or 6.5% of restructured loans in 3Q21 compared to IDR 3.5 trillion or 6.2% of loans restructured in 2Q21. Most of the improvements were in the core consumer segment, especially housing loans.

Valuation: 19% Upside, Hold.

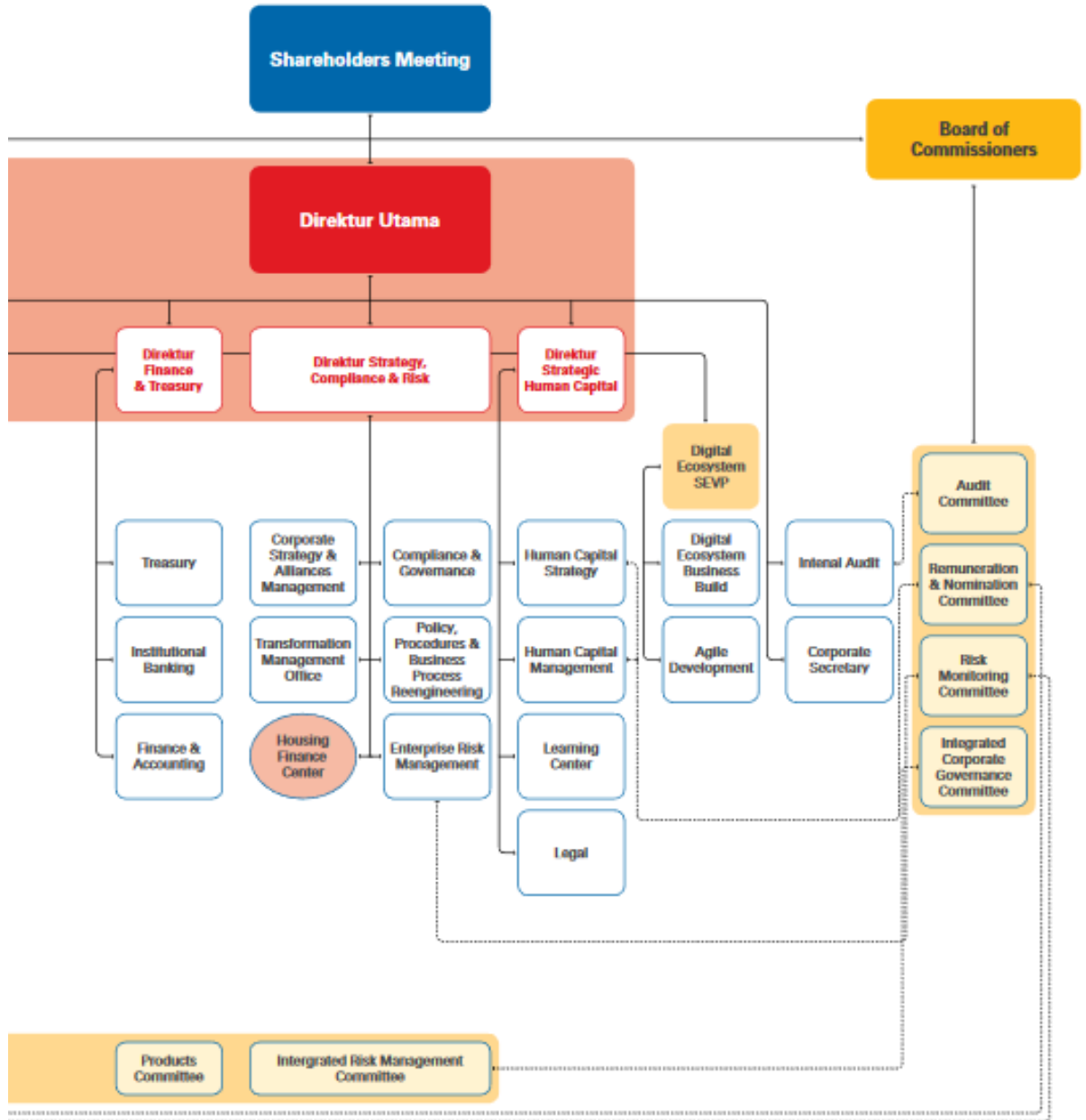
Based on our DDM Valuation, we have a target price within one year of IDR 2,140 or trading at 0.9x PBV which gives 19% potential upside, Hold.

Income Statement (Idr bn)	2017A	2018A	2019A	2020A	2021F	2022F	2023F
Interest Income	20.092	22.852	25.720	25.106	23.876	29.460	36.624
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	35.793	44.814	56.530
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	4.722	4.856	4.921
Provision Expense	-884	-1.714	-3.487	-2.262	-2.262	-2.262	-2.262
Operating Profit	5.661	3.594	522	2.330	2.459	2.594	2.658
Profit Before Tax	3.862	3.610	411	2.271	2.400	2.534	2.598
Tax Expense	834	802	202	668	533	563	577
Net Profit	3.027	2.808	209	1.602	1.866	1.971	2.021
EPS (Rp/Share)	285,9	265,1	19,8	151,3	176,2	186,1	190,8

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

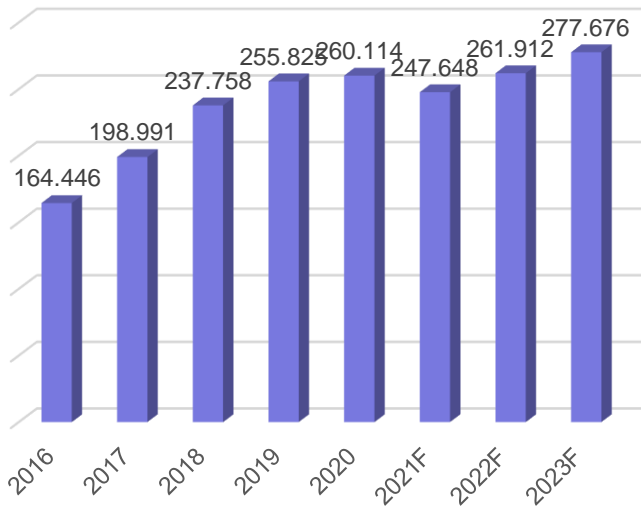


Chart: Customer Deposit (x) YoY

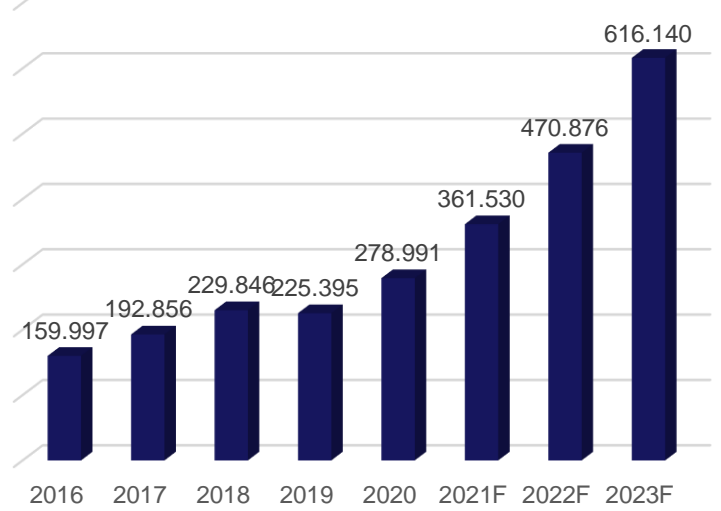


Chart: Profitability (x) YoY

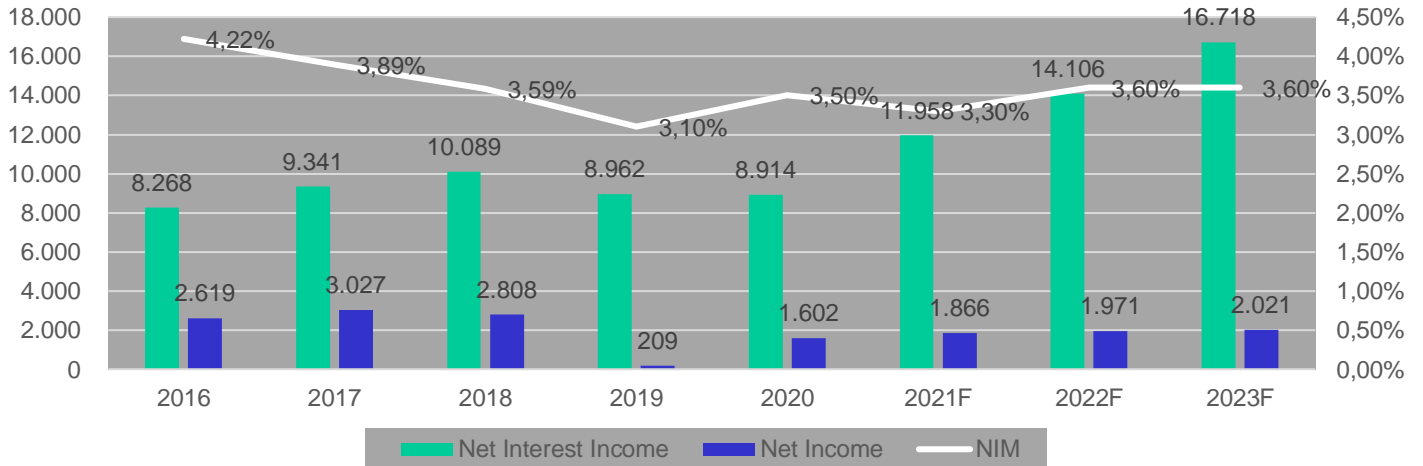


Chart: Net Interest Margin (x) YoY

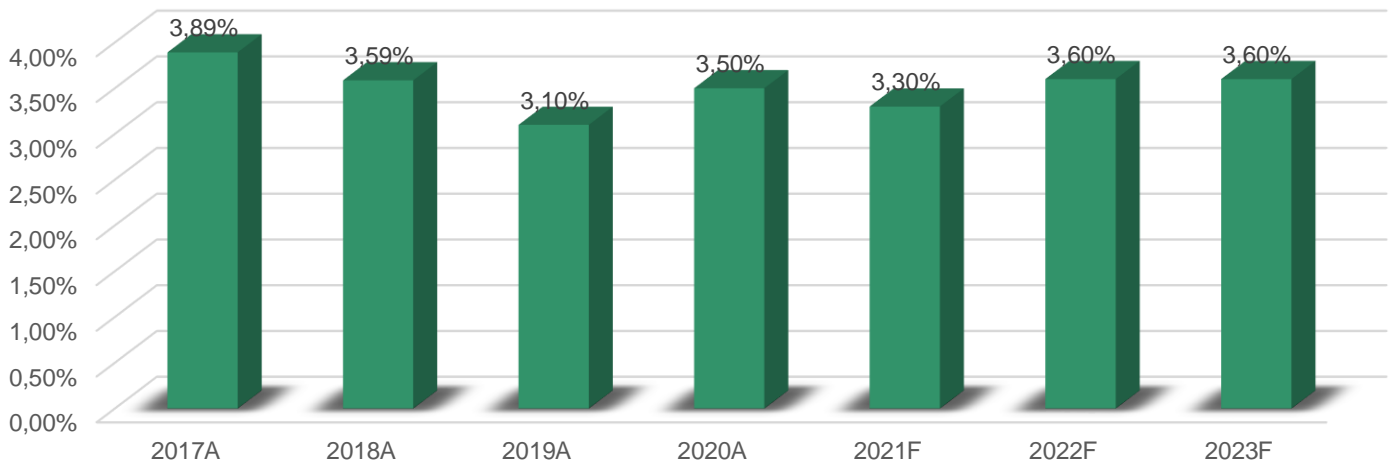


Chart: Gross Loan (x) QoQ

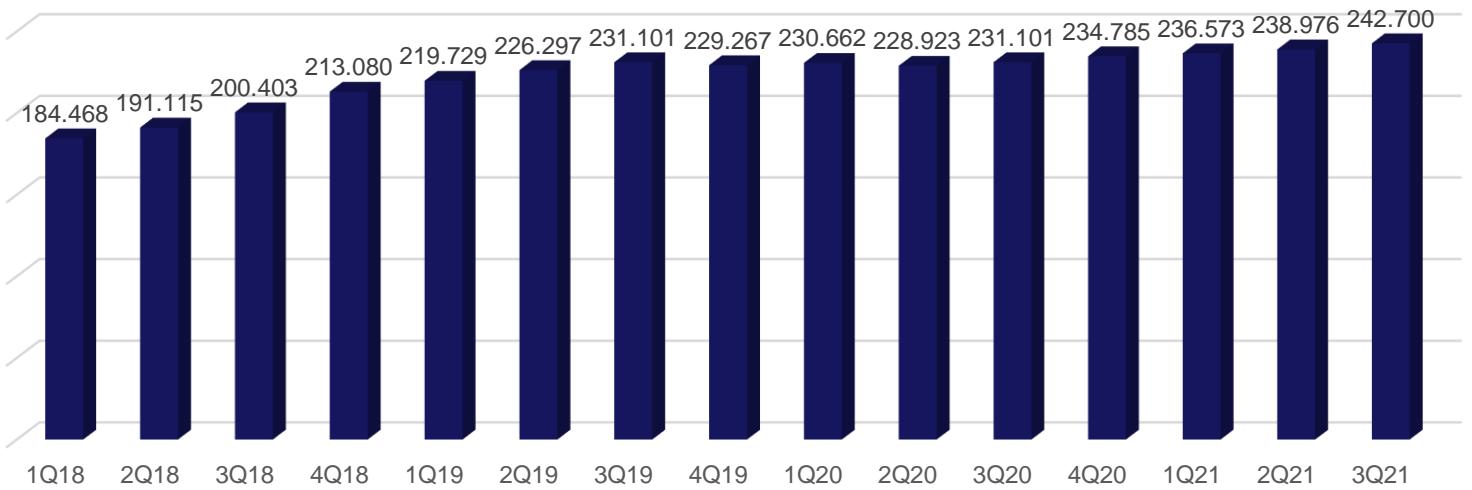


Chart: Net Income (x) QoQ

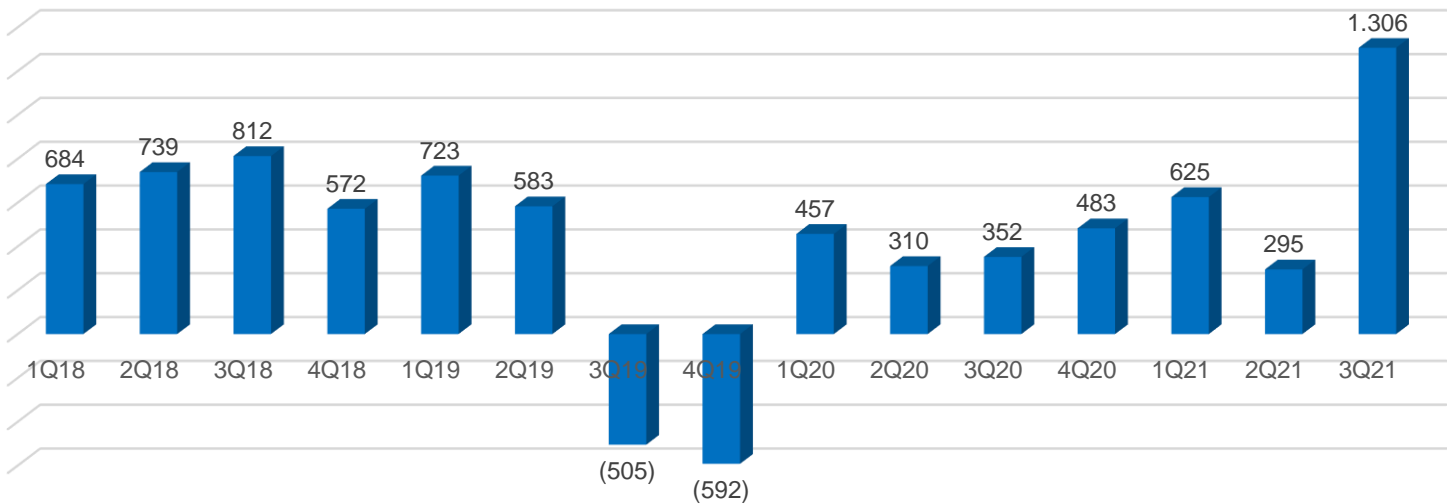
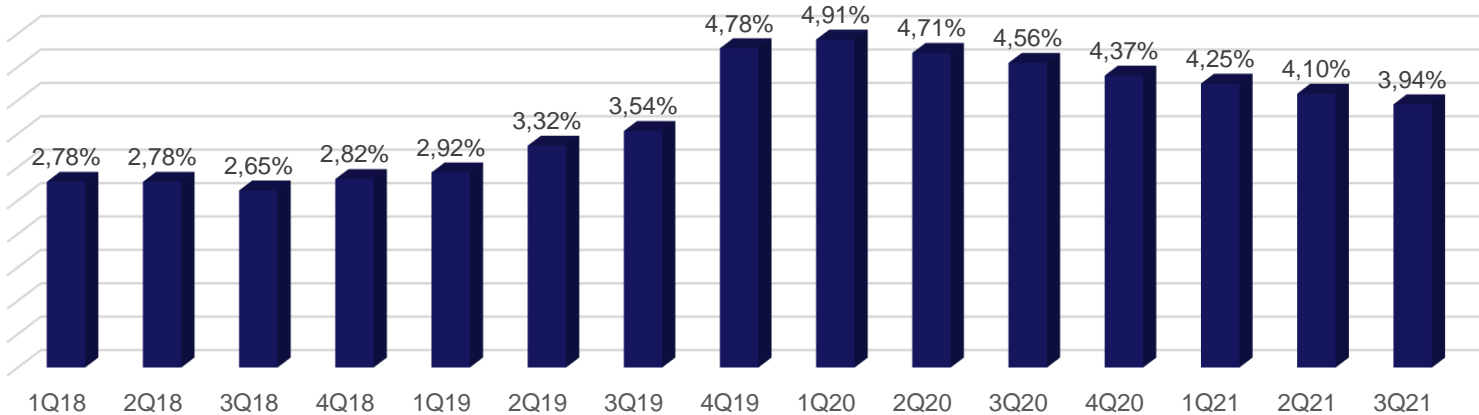


Chart: Non Performing Loan (x) QoQ



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	-7.563	-24.592	-46.667
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	454.124	575.564	735.197
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	20.916	21.944	23.072

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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%	69,03%	73,29%	77,66%
ROE	13,97%	11,78%	0,88%	8,02%	8,92%	8,98%	8,76%
ROA	1,16%	0,92%	0,07%	0,44%	0,41%	0,34%	0,27%
ROAE		12,88%	6,33%	4,45%	8,47%	8,95%	8,87%
BOPO	73,91%	71,82%	73,07%	75,18%	74,29%	78,77%	82,87%
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%	16,48%	5,60%	2,52%

BBTN QoQ Result

Balance Sheet	3Q20	2Q21	3Q21	%QoQ	%YoY
Loan	254.918	265.907	270.247	1,63%	6,01%
Loan Loss Reserves	-12.946	-13.172	-13.319	1,12%	2,89%
NPL	11.394	9.381	10.146	8,16%	-10,95%
Deposit					
Demand	62.737	68.750	73.284	6,59%	16,81%
Savings	38.289	43.051	47.686	10,76%	24,54%
Time Deposit	172.283	186.548	170.246	-8,74%	-1,18%
Total Asset	356.974	380.514	368.056	-3,27%	3,10%
Shareholder Equity	17.616	19.910	20.575	3,34%	16,80%

Income Statement	3Q20	2Q21	3Q21	%QoQ	%YoY
Interest Income	6.343	6.173	12.382	100,59%	95,20%
Interest Expense	4.092	3.303	6.646	101,19%	62,40%
Net Interest Income	2.251	2.870	5.737	99,90%	154,82%
Net Operating Income	577	647	1.162	79,52%	101,43%
Operating Expense	1.799	2.063	4.187	103,02%	132,77%
PPOP	1.029	1.455	2.712	86,40%	163,41%
Provision Expense	561	998	1.034	3,56%	84,27%
Operating Profit	-23	-73	73	-200,31%	-417,23%
Profit Before Tax	445	384	1.751	356,63%	293,21%
Tax Expense	93	89	445	402,74%	378%
Net Profit	352	295	1.306	342,79%	270,81%

Ratio	3Q20	2Q21	3Q21	%QoQ	%YoY
Profitability & Efficiency					
NIM	3,13%	3,41%	3,52%	0,11	0,28
Cost-to-Income Ratio	55,72%	51,99%	51,17%	(0,82)	(3,73)
ROE	9,56%	11,02%	11,81%	0,79	1,46
ROA	0,59%	0,68%	0,74%	0,06	0,09
LCR	178,40%	221,15%	257,85%	36,70	42,75
COF	0,83%	3,45%	0,97%	(2,48)	2,62
Liquidity					
LDR	93,26%	89,12%	92,79%	3,67	(4,14)
CASA	36,96%	37,47%	41,53%	4,06	0,51
Asset Quality					
Gross NPL (Bank only)	4,56%	4,10%	3,94%	(0,16)	(0,46)
Coverage Ratio	111,36%	120,72%	125,46%	4,74	9,36
Capital					
CAR	18,95%	17,80%	17,97%	0,17	(1,15)

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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