

29 April 2021
Banking, Equity

Price **1585**
Target Price **2140**
JKSE Index **5974.48**



Stock Code **BBTN IJ**
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) **14229**

Key Indicators
Non Performing Loan (%) **3.74**
Net Interest Margin (x) **3.30**

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Investment Consideration High Profit Growth

BBTN recorded a 36.75% YoY increase in net profit. This growth was caused by an increase in Net Interest Income of 27.32% YoY because Interest expenses decreased by -10.28% YoY from a decrease in the cost of funds by 3.69% due to a reduction in Time Deposit rates and less expensive savings products like Batara Prima Savings. In addition, the expensive IDR 11tr debt issue (approx. 3% of total funding) will mature in 2021. Profit from Operations rose 51.40% due to a sharp decline of Provisions by -25.73%. Operating Expenses increased by 18.07% due to an increase in insurance premiums, an increase in DTA reserves, remuneration for human resources, and new recruitment in specialist fields.

Higher NIM

In 1Q21, NIM increased to 3.31% in line with our previous expectations. For the future, we estimate that NIM will be stable at around 3,30% in 2021F as BBTN loan interest rates are relatively sticky because they are linked to subsidized KPR loans.

Loan Growth

Loan growth increased by 3.19% YoY, mostly supported by the subsidized KPR segment which grew by 9.0% YoY while non-subsidized mortgage growth was 0.20% YoY. Quarterly loan disbursement in 1Q21 has shown a recovery as BBTN is focused on subsidized and non-subsidized KPR as well as other consumer loans which are higher than the same period last year. We are forecasting a 8% increase in credit growth in 2021F.

Restructured Loan

As of March 31, 2021, the total number of borrowers in the Covid-19 restructuring was 343,641 with total loans of IDR 58.96 trillion. 32% are from subsidized mortgage schemes, 34% non-subsidized mortgage schemes, 17% Construction & Commercial loans, and under 10% from corporate, sharia financing, and other housing & consumer loans. BBTN expects that 85% will be restructured by 2022 at the latest. 7.5% of the total restructured loans are classified as NPL which will reduce to around 4.12% in FY21F 3.74% in FY22F.

Valuation: 35% Upside, Buy.

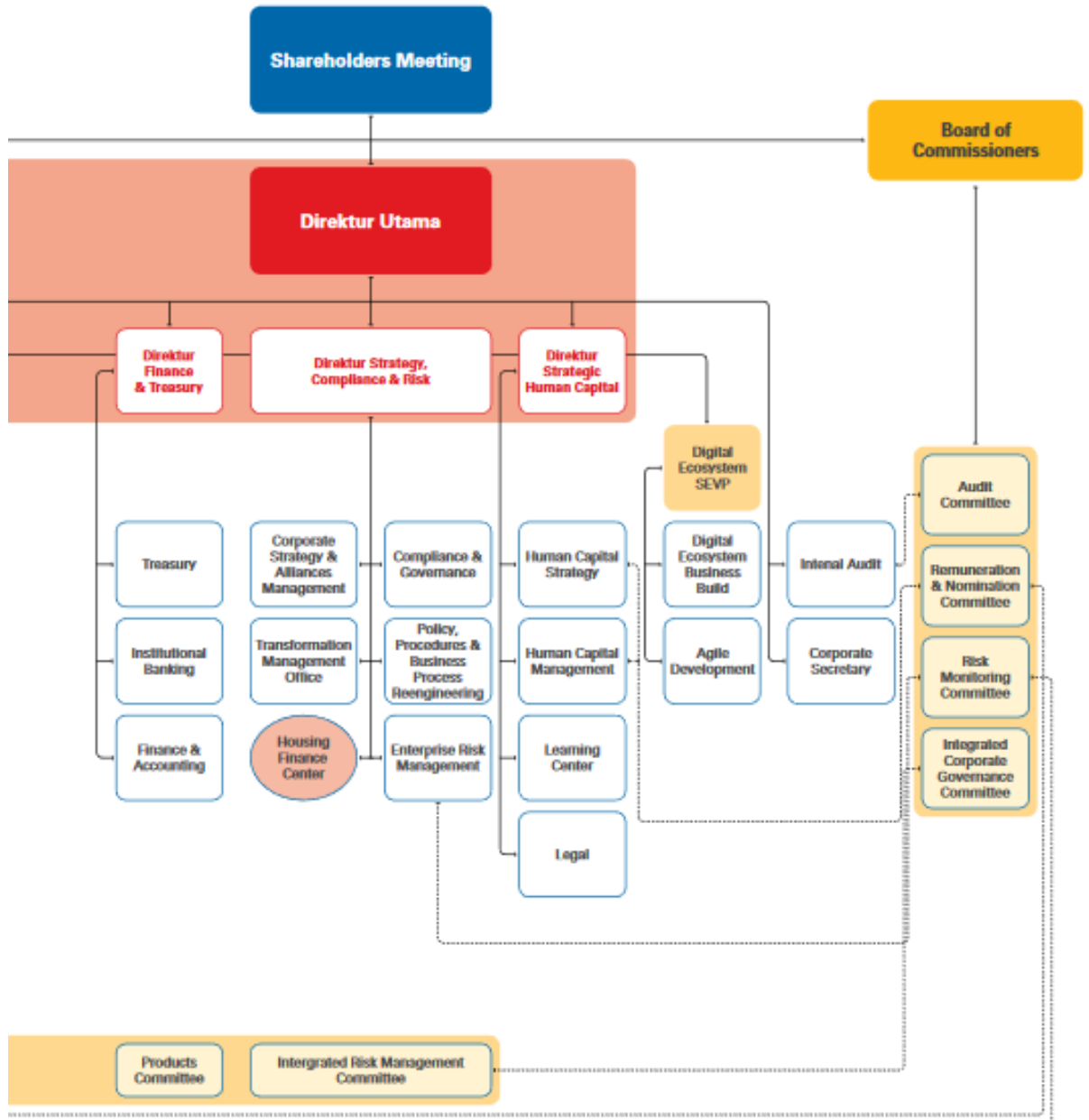
Based on our DDM Valuation, we have a target price within one year of IDR 2140 or trading at 0.8x PBV which gives 35% potential upside, Buy.

Income Statement (Idr bn)	2017A	2018A	2019A	2020A	2021F	2022F	2023F
Interest Income	20.092	22.852	25.720	25.106	22.442	24.191	25.860
Interest Expense	-10.751	-12.763	-16.758	-16.192	-11.615	-12.649	-13.575
Net Interest Income	30.842	35.614	42.478	41.298	34.057	36.840	39.436
Net Operating Income	1.604	2.072	2.110	2.515	2.834	2.919	3.139
Operating Expense	6.169	6.853	7.063	6.836	9.075	9.542	10.117
PPOP	4.776	5.308	4.008	4.593	4.586	4.920	5.308
Provision Expense	-884	-1.714	-3.487	-2.262	-2.262	-2.262	-2.262
Operating Profit	5.661	3.594	522	2.330	2.324	2.657	3.046
Profit Before Tax	3.862	3.610	411	2.271	2.264	2.597	2.986
Tax Expense	834	802	202	668	503	577	664
Net Profit	3.027	2.808	209	1.602	1.761	2.020	2.322
EPS (Rp/Share)	285.9	265.1	19.8	151.3	166.3	190.8	219.3

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

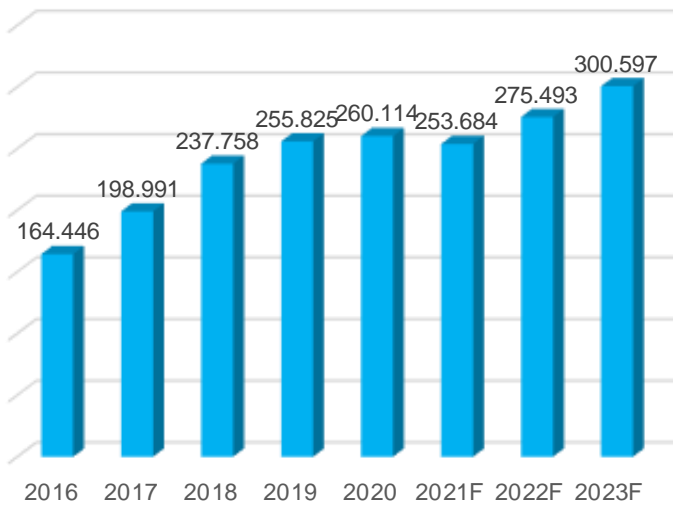


Chart: Customer Deposit (x) YoY

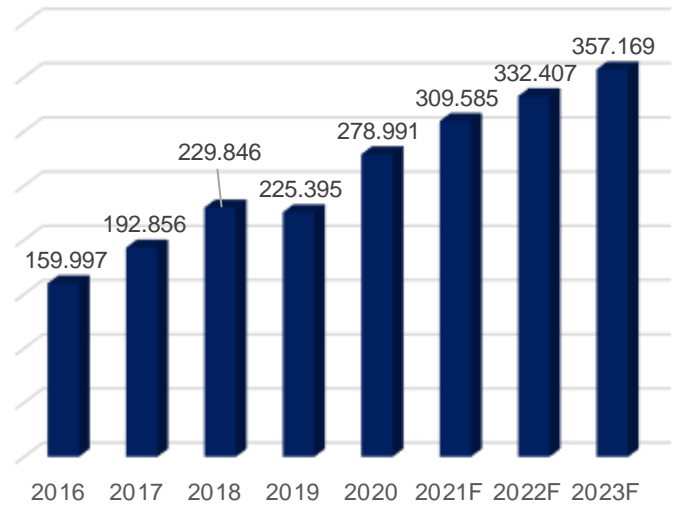


Chart: Profitability (x) YoY

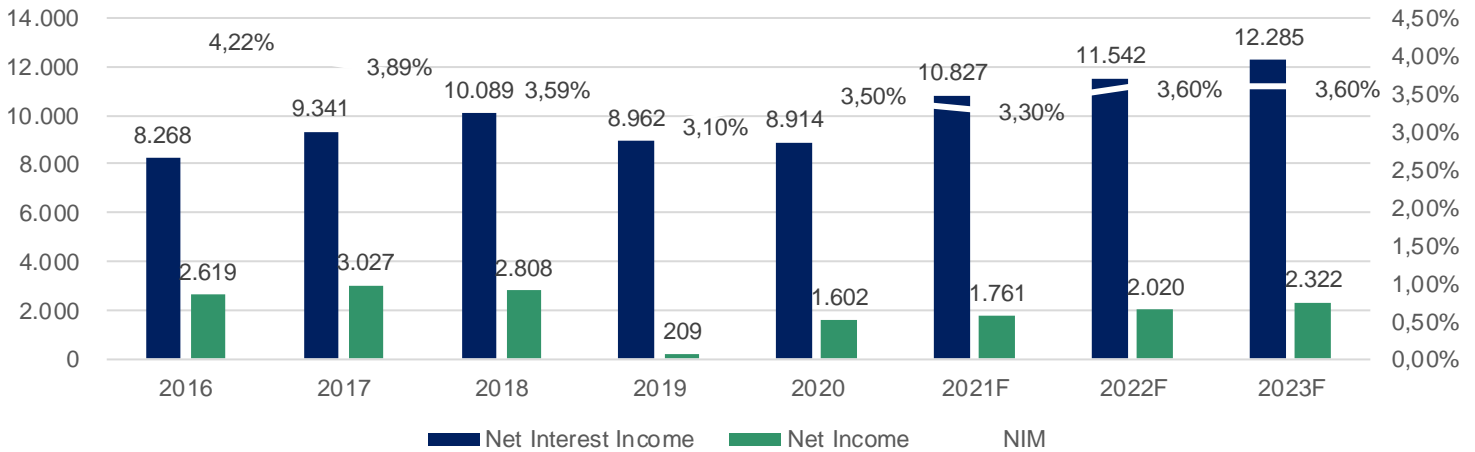


Chart: Net Interest Margin (x) YoY



Chart: CAR (x) YoY

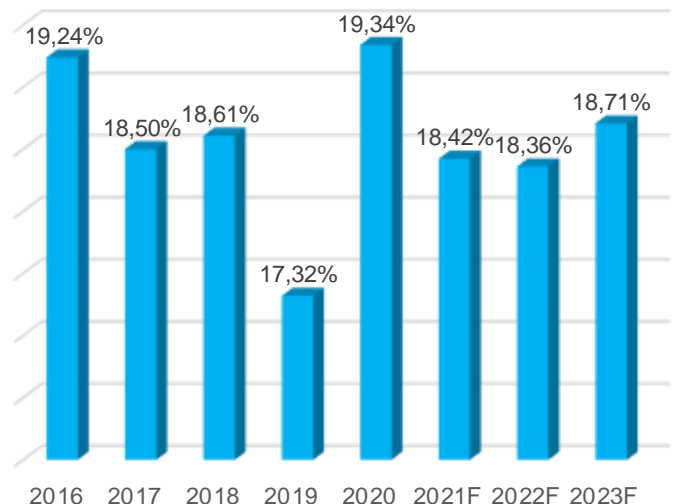


Chart: Gross Loan (x) QoQ

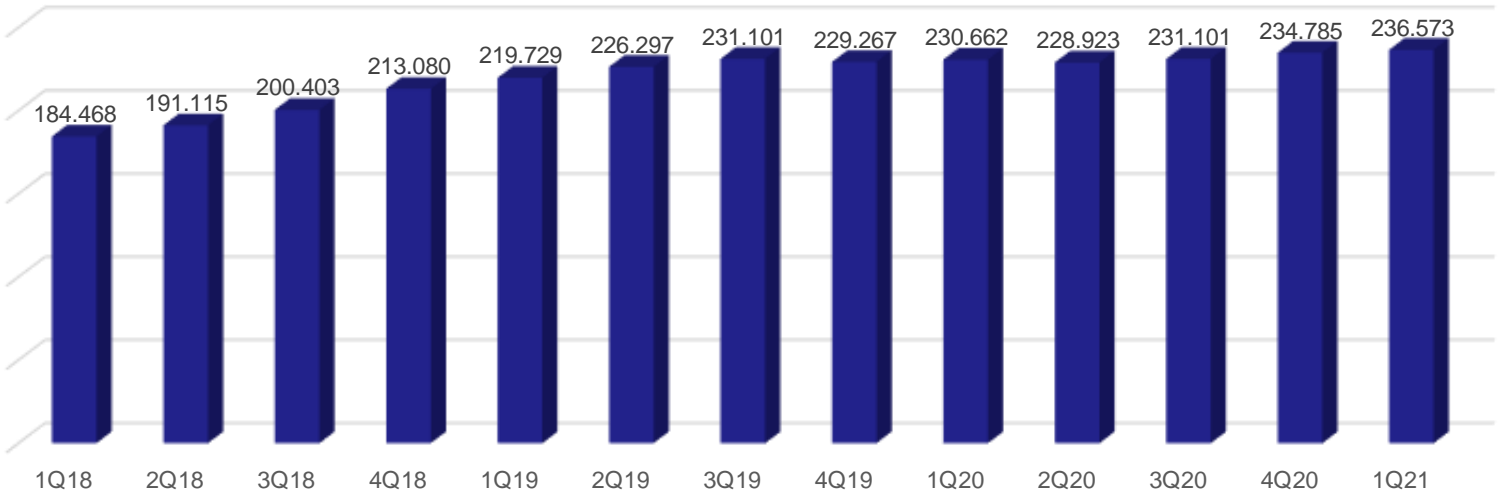


Chart: Net Income (x) QoQ

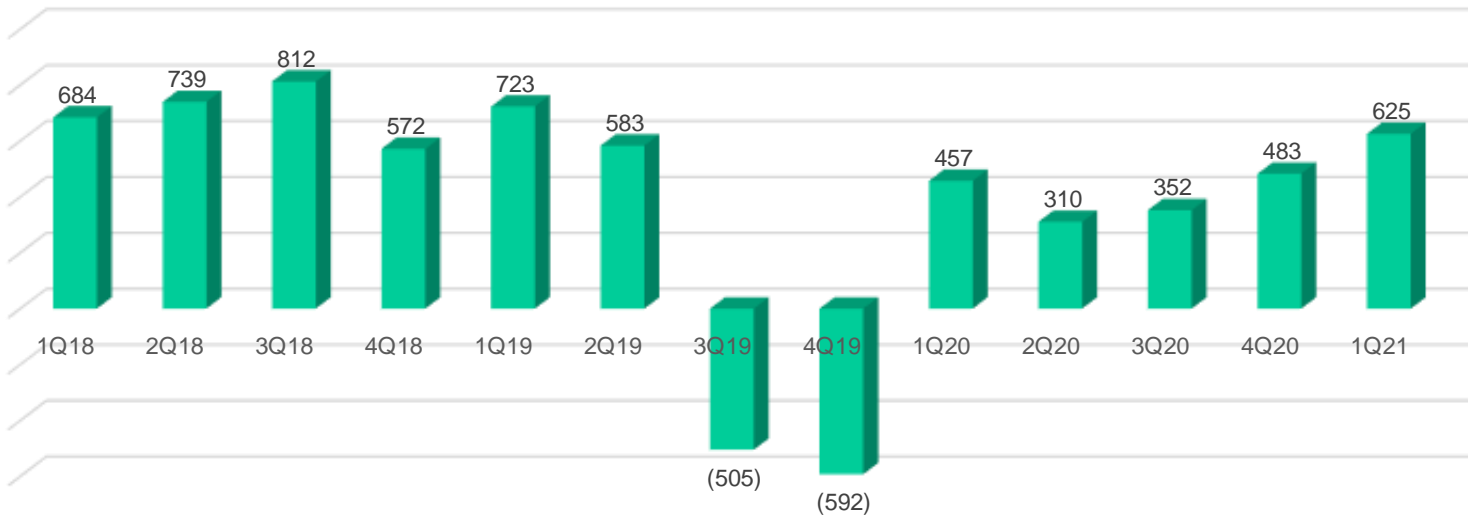
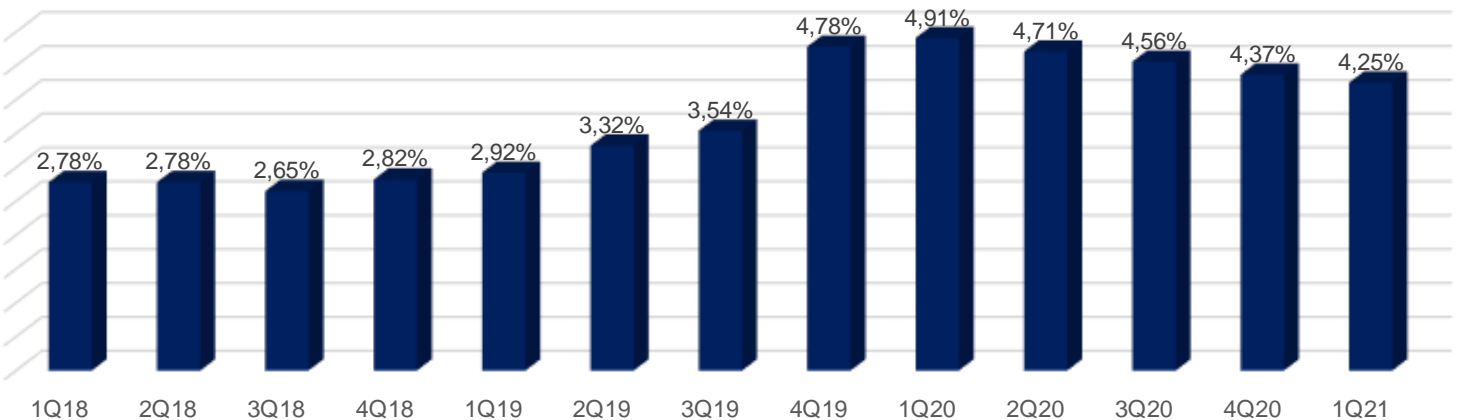


Chart: Non Performing Loan (x) QoQ



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	4.475	8.318	15.310
Interbank Placement	24.698	26.465	11.097	19.830	61.311	64.737	65.409
Marketable Securities	7.706	5.848	8.085	3.204	19.303	20.381	21.639
Gross Loan	198.991	237.758	255.825	260.114	253.684	275.493	300.597
Allowance for Loans	-2.025	-2.778	-5.426	-12.152	-3.605	-3.755	-3.951
Loans-net	196.966	234.980	250.399	247.962	250.078	271.738	296.647
Other Earning Asset	40.995	43.562	33.284	84.821	131.191	138.522	144.718
Non Earning Asset	9.822	11.233	11.212	15.888	16.327	18.316	19.296
Total Asset	261.365	306.436	311.777	361.208	402.071	436.894	475.970
Deposit:							
Current Account	54.657	58.050	52.116	72.045	80.690	88.759	97.635
Saving Account	40.948	41.886	45.641	41.814	47.250	52.920	59.271
Time Deposits	97.250	129.910	127.638	165.132	181.645	190.728	200.264
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	381.264	415.150	453.155
Total Shareholder's Equity	21.663	23.840	23.836	19.988	20.807	21.744	22.816

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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%	66,43%	65,98%	65,59%
ROE	13,97%	11,78%	0,88%	8,02%	8,46%	9,29%	10,18%
ROA	1,16%	0,92%	0,07%	0,44%	0,44%	0,46%	0,49%
ROAE		12,88%	6,33%	4,45%	8,24%	8,88%	9,73%
BOPO	73,91%	71,82%	73,07%	75,18%	72,90%	73,51%	73,90%
Cost of Credit	0,44%	0,72%	1,36%	0,87%	0,89%	0,82%	0,75%
Liquidity							
LDR	103,18%	103,44%	113,50%	93,23%	81,94%	82,88%	84,16%
CASA	49,57%	43,48%	43,37%	40,81%	41,33%	42,62%	43,93%
Asset Quality							
Gross NPL	2,30%	2,49%	4,42%	4,12%	3,74%	3,48%	3,21%
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%	8,05%	8,60%	9,11%
Deposit Growth	20,54%	19,18%	-1,94%	23,78%	10,97%	7,37%	7,45%
Net Income Growth	15,60%	-7,25%	-92,55%	665,71%	9,91%	14,71%	14,94%

BBTN QoQ Result

Balance Sheet	1Q20	4Q20	1Q21	%QoQ	%YoY
Loan	253.252	260.114	261.340	0,47%	3,19%
Loan Loss Reserves	-13.136	-13.061	-12.879	-1,39%	-1,96%
NPL	10.891	9.665	9.605	-0,61%	-11,81%
Deposit					
Demand	53.371	72.045	71.470	-0,80%	33,91%
Savings	39.500	41.814	41.193	-1,49%	4,29%
Time Deposit	128.795	165.132	182.190	10,33%	41,46%
Total Asset	308.187	361.208	375.730	4,02%	21,92%
Shareholder Equity	16.489	19.988	19.117	-4,36%	15,94%

Income Statement	1Q20	4Q20	1Q21	%QoQ	%YoY
Interest Income	6.298	6.401	6.342	-0,92%	0,70%
Interest Expense	4.034	4.105	3.624	-11,72%	-10,17%
Net Interest Income	2.264	2.296	2.718	18,40%	20,08%
Net Operating Income	331	892	480	-46,23%	44,80%
Operating Expense	1.733	1.618	2.036	25,83%	17,51%
PPOP	862	1.570	1.162	-25,99%	34,75%
Provision Expense	431	664	320	-51,77%	-25,77%
Operating Profit	155	-43	21	-147,96%	-86,60%
Profit Before Tax	586	863	863	-0,03%	47,21%
Tax Expense	129	380	238	-37,55%	84%
Net Profit	457	483	625	29,54%	36,75%

Ratio	1Q20	4Q20	1Q21	QoQ	YoY
Profitability & Efficiency					
NIM	3,13%	3,50%	3,31%	(0,19)	0,37
Cost-to-Income Ratio	58,99%	59,81%	53,55%	(6,26)	0,82
ROE	12,17%	8,02%	15,12%	7,10	(4,15)
ROA	0,76%	0,44%	0,94%	0,50	(0,32)
LCR	140,51%	256,32%	232,85%	(23,47)	115,81
Liquidity					
LDR	114,22%	93,23%	88,62%	(4,61)	(20,99)
CASA	41,88%	40,81%	38,20%	(2,61)	(1,07)
Asset Quality					
Gross NPL (Bank only)	4,91%	4,37%	4,25%	(0,12)	(0,54)
Coverage Ratio	105,66%	115,02%	115,93%	0,91	9,36
Capital					
CAR	11,47%	19,34%	12,30%	(7,04)	7,87

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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