

3 November 2020
Banking, Equity

Price **1390**
Target Price **1670**
JKSE Index **5115.128**



Stock Code
Bloomberg code **BBTN IJ**
Market cap (IDR.bn) **14137.7B**
52-Week High (IDR) **2240**
52-Week Low (IDR) **720**
6-m Avg Daily. Val (IDR) **1480**
Free Float (%) **38.9**

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

USD/IDR-YE
2019A **14390**
2020F (6M Avg) **14676**

Key Indicators
Non Performing Loan (%) **3.92**
Net Interest Margin (x) **3.5**

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Investment Consideration

Loans decreased slightly

Loans decreased by 0.32%, to 22.914Bn in the 3Q20 compared to 22.914Bn in 3Q19. This decrease was contributed by Other Housing Loans down by 10.15% YoY, Construction Loans -5.56% YoY, Non-Subsidized Mortgages -1.96% YoY, while Subsidized Mortgages grew by 5.84%. BBTN loan growth is low due to weak demand.

Restructuring has peaked

As of September 30, 2020, BBTN has restructured IDR 52.8 trillion or 21% of the total loans, this consists of both Non-Subsidized Mortgages, and Subsidized Mortgages. With restructuring now slowing down, it is estimated that 3-7% of the Subsidized Mortgages will now become Non-Subsidized Mortgages. Looking back, we can see that the peak of loan restructuring was in the 2Q20, in May.

NIM will increase

In 3Q20, the net interest margin (NIM) decreased to 3.13% compared to 3.41% in 3Q19. However, there is the possibility of a decrease in Cost of Funds of 20 bps. Renegotiation of the IDR 2 trillion loan interest rate is underway and opens room for greater CoF efficiency in the 4Q20. BBTN has also received another IDR 5 trillion from the Economic Recovery Program Phase II which has a lower interest rate of 2.8% and which can help to reduce reliance on Time Deposits. It is estimated that the Net Interest Margin will increase to around 3.5% in FY2020.

Valuation: 20% Upside, Buy.

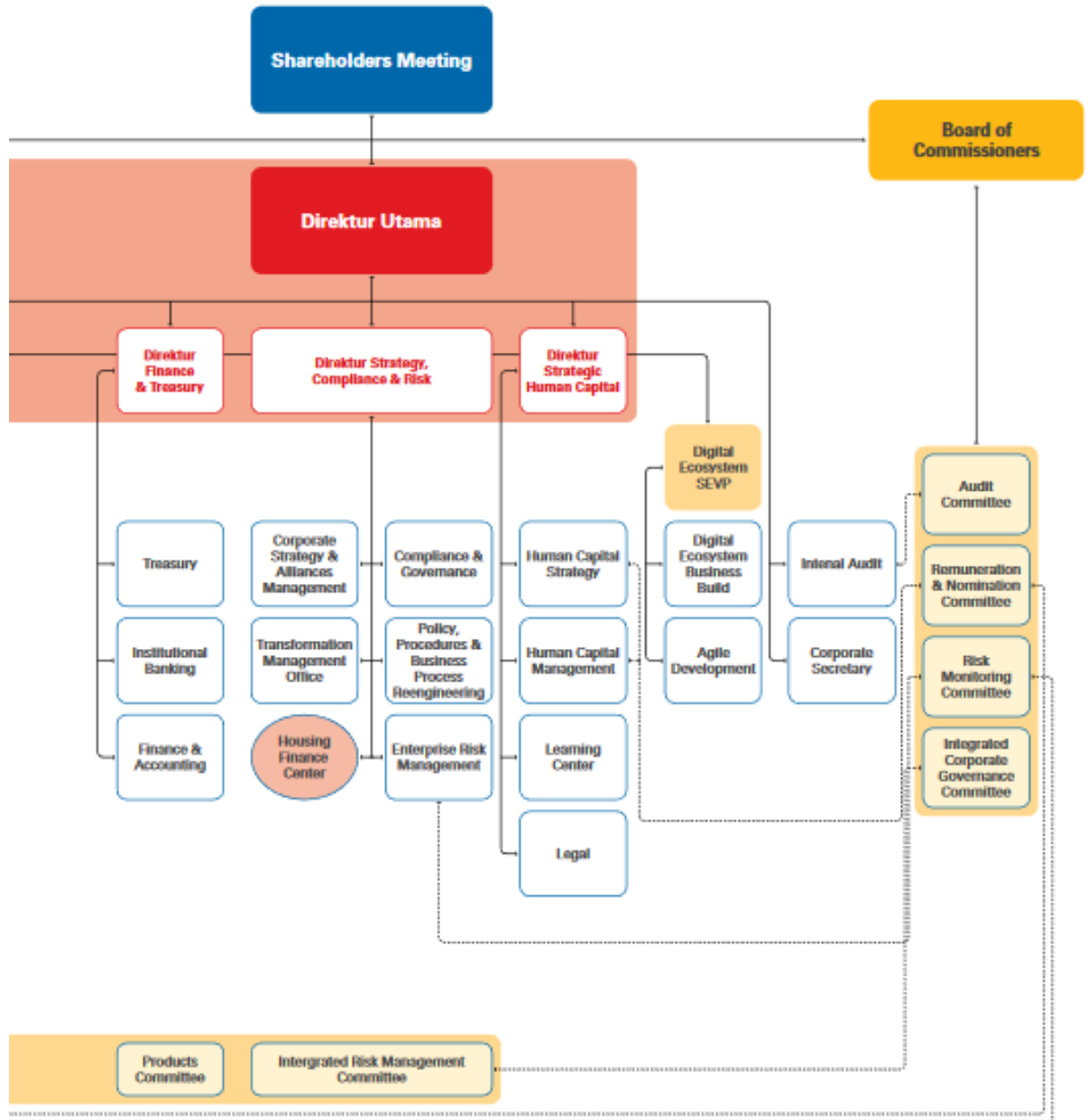
Based on our DDM Valuation, we have a target price within one year of IDR 1670 or trading at 0.7x PBV which gives 20% potential upside, Buy.

Income Statement (Idr bn)	2017A	2018A	2019A	2020F	2021F	2022F
Interest Income	20.092	22.852	25.720	19.597	21.060	22.625
Interest Expense	-10.751	-12.763	-16.758	-10.038	-11.056	-12.025
Net Interest Income	30.842	35.614	42.478	29.635	32.116	34.651
Net Operating Income	1.604	2.072	2.110	2.262	2.501	2.575
Operating Expense	6.169	6.853	7.063	7.934	8.583	9.191
Pre Provision Operating Profit	4.776	5.308	4.008	3.888	3.922	3.983
Provision Expense	-884	-1.714	-3.487	-3.487	-3.487	-3.487
Operating Profit	5.661	3.594	522	401	435	497
Profit Before Tax	3.862	3.610	411	290	323	384
Tax Expense	834	802	202	64	72	85
Net Profit	3.027	2.808	209	226	251	299
EPS (Rp/Share)	285,9	265,1	19,8	21,3	23,7	28,2

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

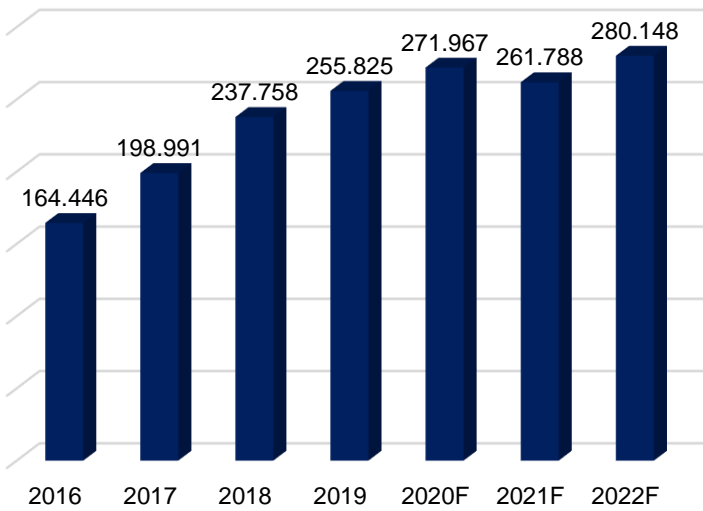


Chart: Customer Deposit (x) YoY

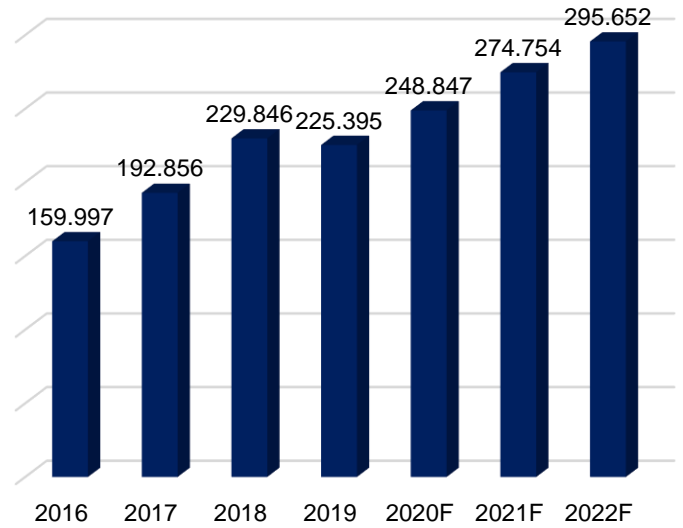


Chart: Profitability (x) YoY

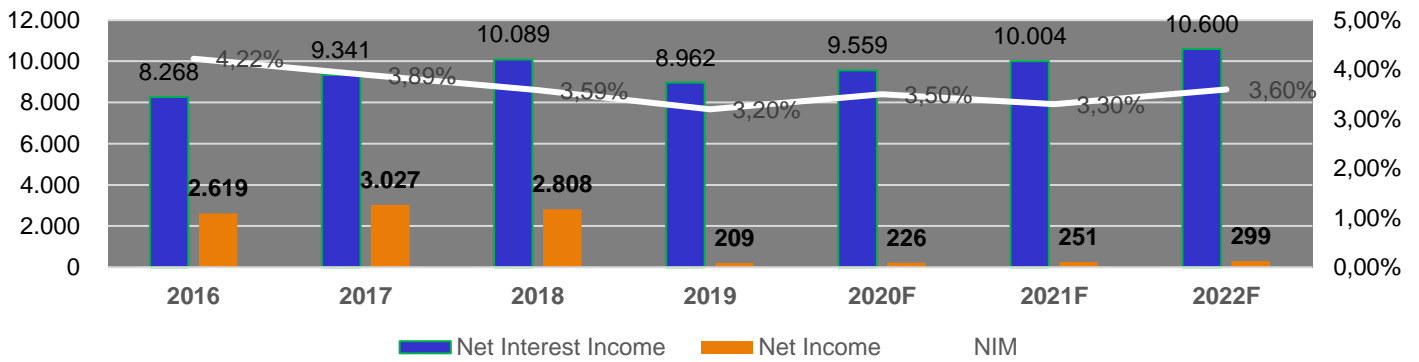


Chart: Net Interest Margin (x) YoY

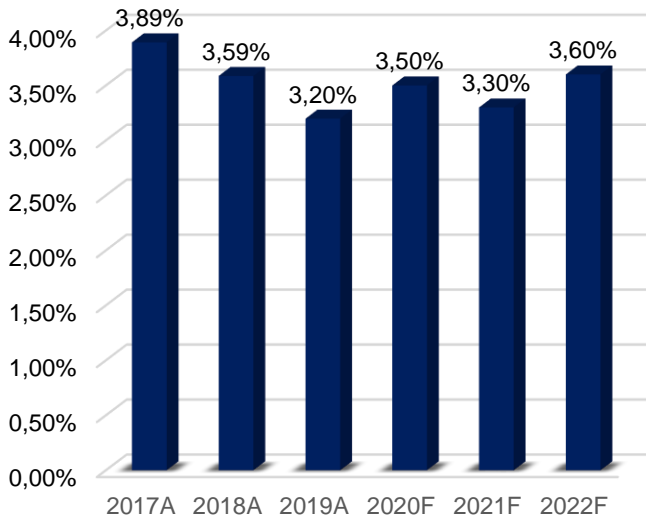


Chart: CAR (x) YoY

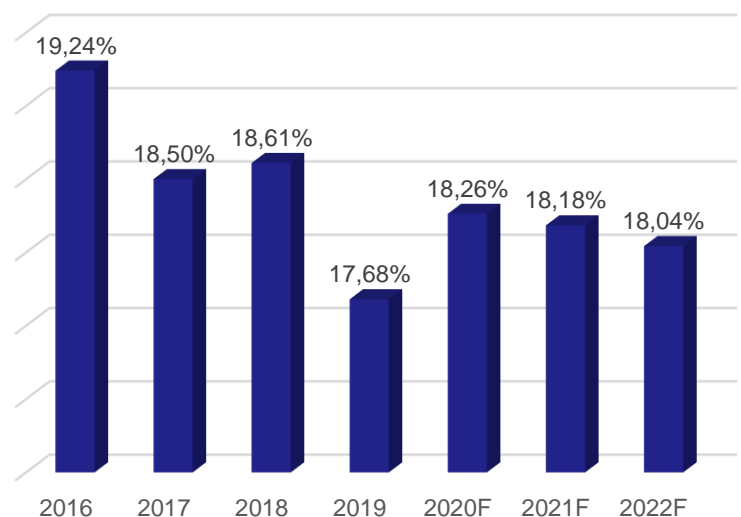


Chart: Gross Loan (x) QoQ

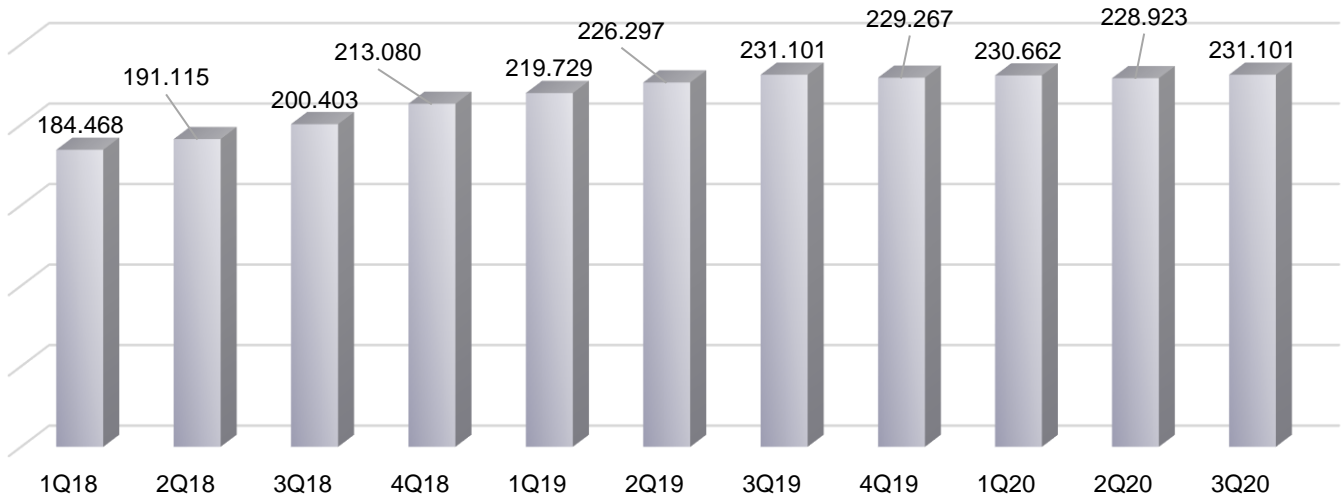


Chart: Net Income (x) QoQ

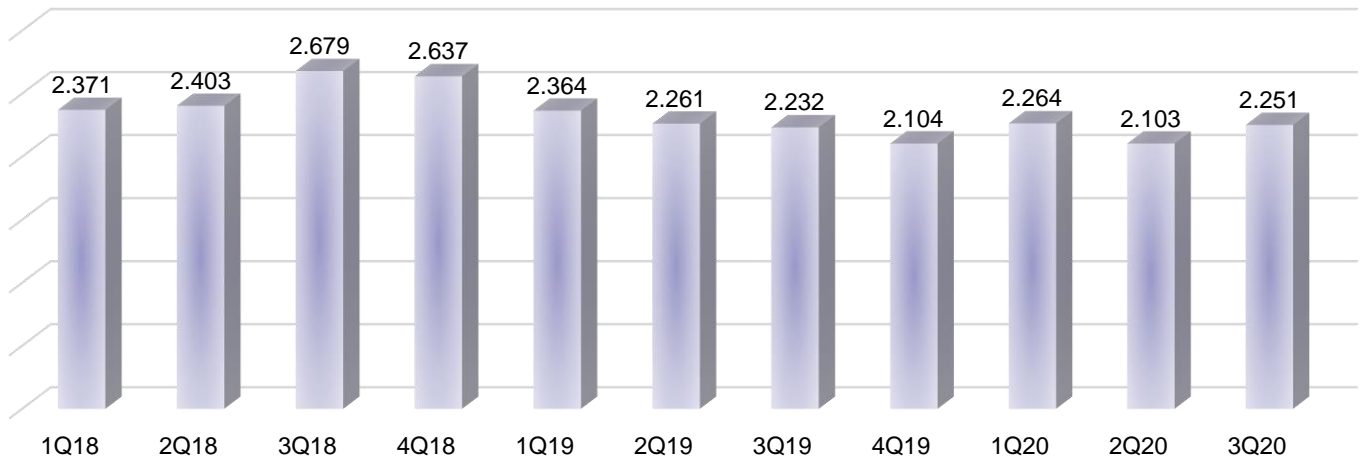
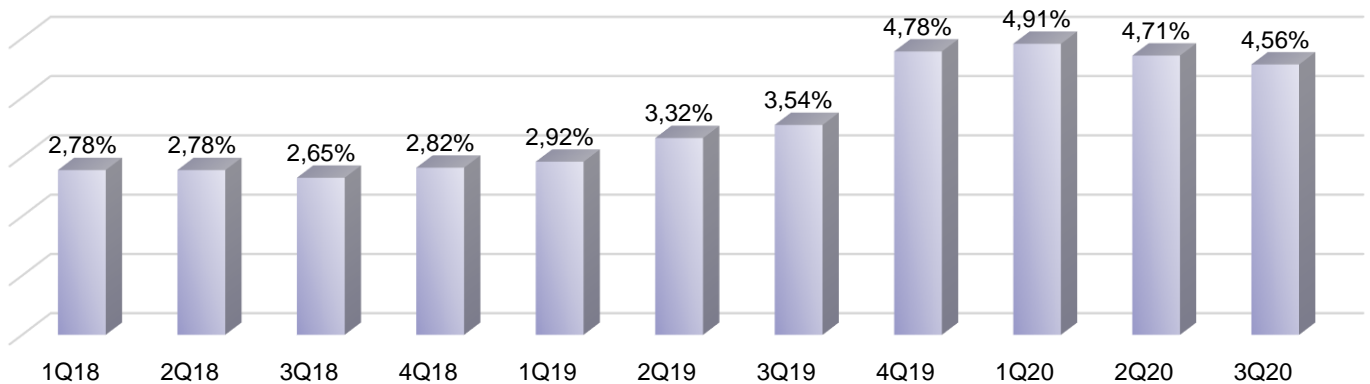


Chart: Non Performing Loan (x) QoQ



Balance Sheet (IDR.bn)

Balance sheet (ldr bn)	2017A	2018A	2019A	2020F	2021F	2022F
Cash and CA with BI	13.582	16.661	16.881	28.752	31.099	37.927
Interbank Placement	24.698	26.465	11.097	18.528	40.906	44.735
Marketable Securities	7.706	5.848	8.085	6.149	13.575	14.846
Gross Loan	198.991	237.758	255.825	271.967	261.788	280.148
Allowance for Loans	-2.025	-2.778	-5.426	-4.083	-3.649	-3.858
Loans-net	196.966	234.980	250.399	267.884	258.138	276.289
Other Earning Asset	40.995	43.562	33.284	35.242	77.807	85.090
Non Earning Asset	9.822	11.233	11.212	12.279	13.580	14.602
Total Asset	261.365	306.436	311.777	344.157	380.625	413.909
Deposit:						
Current Account	54.657	58.050	52.116	57.328	63.060	69.367
Saving Account	40.948	41.886	45.641	51.118	57.252	64.122
Time Deposits	97.250	129.910	127.638	140.401	154.441	162.163
Other Interest Bearing Liabilities	12.262	9.229	13.443	14.205	15.009	15.859
Non Interest Bearing Liabilities	34.584	43.520	49.103	58.216	69.020	81.829
Total Liabilities	239.702	282.596	287.941	321.267	358.783	393.341
Total Shareholder's Equity	21.663	23.840	23.836	22.890	21.842	20.568

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Ratio Highlights

Ratio Analysis	2017A	2018A	2019A	2020F	2021F	2022F
Profitability & Efficiency						
NIM	3,89%	3,59%	3,20%	3,50%	3,30%	3,60%
Cost-to-Income Ratio	56,36%	56,35%	63,80%	67,11%	68,64%	69,77%
ROE	13,97%	11,78%	0,88%	0,99%	1,15%	1,45%
ROA	1,16%	0,92%	0,07%	0,07%	0,07%	0,07%
ROAE		12,88%	6,33%	0,93%	1,07%	1,30%
BOPO	73,91%	71,82%	73,07%	66,26%	68,56%	70,36%
Cost of Credit	0,44%	0,72%	1,36%	1,28%	1,33%	1,24%
Liquidity						
LDR	103,18%	103,44%	113,50%	109,29%	95,28%	94,76%
CASA	49,57%	43,48%	43,37%	43,58%	43,79%	45,15%
Asset Quality						
Gross NPL	2,30%	2,49%	4,42%	3,92%	2,88%	2,83%
Provision Coverage	21,63%	24,35%	22,99%	22,99%	22,99%	22,99%
Capital						
CAR	18,50%	18,61%	17,68%	18,26%	18,18%	18,04%
Growth						
Loan Growth	21,14%	19,19%	7,32%	6,80%	6,91%	7,01%
Deposit Growth	20,54%	19,18%	-1,94%	10,40%	10,41%	7,61%
Net Income Growth	15,60%	-7,25%	-92,55%	7,76%	11,50%	18,86%

BBTN QoQ Result

Balance Sheet	3Q19	2Q20	3Q20	%QoQ	%YoY
Loan	256.934	251.837	254.918	1,22%	-0,78%
Loan Loss Reserves	-4.794	-12.798	-12.946	1,16%	170,04%
NPL	7.438	10.344	11.394	10,15%	53,18%
Deposit					
Demand	51.121	59.753	62.737	4,99%	22,72%
Savings	41.370	36.575	38.289	4,69%	-7,45%
Time Deposit	137.792	129.910	172.283	32,62%	25,03%
Total Asset	316.211	314.603	356.974	13,47%	12,89%
Shareholder Equity	24.120	17.116	17.616	2,92%	-26,97%

Income Statement	3Q19	2Q20	3Q20	%QoQ	%YoY
Interest Income	6.589	6.064	6.343	4,62%	-3,73%
Interest Expense	4.357	3.960	4.092	3,34%	-6,08%
Net Interest Income	2.232	2.103	2.251	7,03%	0,84%
Net Operating Income	488	714	577	-19,16%	18,32%
Operating Expense	1.712	1.687	1.799	6,65%	5,07%
PPOP	1.008	1.131	1.029	-8,95%	2,12%
Provision Expense	1.693	606	561	-7,46%	-66,87%
Operating Profit	-4	-148	-23	-84,37%	465,26%
Profit Before Tax	-689	376	445	18,30%	-164,64%
Tax Expense	-184	66	93	41,10%	-150,57%
Net Profit	-505	310	352	13,45%	-169,77%

Ratio	3Q19	2Q20	3Q20	QoQ	YoY
Profitability & Efficiency					
NIM	3,41%	3,16%	3,13%	(0,03)	(0,28)
Cost-to-Income Ratio	57,13%	56,43%	55,72%	(0,71)	(1,41)
ROE	5,11%	10,06%	9,56%	(0,50)	4,45
ROA	0,44%	0,63%	0,59%	(0,04)	0,15
BOPO	61,83%	74,37%	77,02%	2,64	15,19
Coverage Ratio	52,67%	107,90%	111,36%	3,46	58,69
Liquidity					
LDR	111,54%	111,27%	93,26%	(18,01)	(18,28)
CASA	40,16%	42,58%	36,96%	(5,61)	(3,20)
Asset Quality					
Gross NPL (Bank only)	3,54%	4,71%	4,56%	(0,15)	1,02
Provision Coverage	31%	68%	71%	2,99	40,75
Capital					
CAR	16,88%	19,10%	18,95%	(0,15)	2,07

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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