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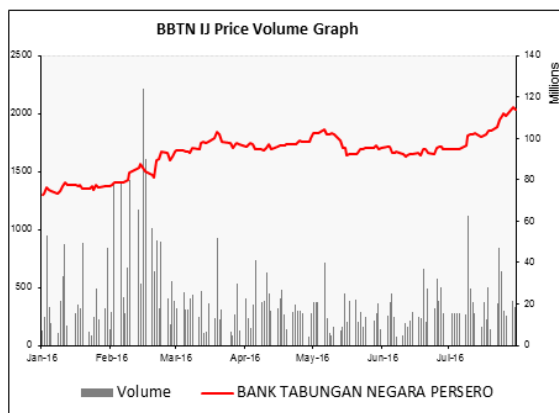


**PT Bank Tabungan Negara (Persero) Tbk is a State-Owned Enterprise Bank in Indonesia that provides commercial banking services with primary focus on housing loans.**

**Current Price: IDR 1,990**

**52-Week Target Price: IDR 2,380**

*Previous Target Price: IDR 1,865*



Source: Bloomberg, SinarMas Investment Research

#### Share Price Performance

Price (IDR)	1,990
52-Week High (08/01/16)	2,100
52-Week Low (08/24/15)	935
52-Week Beta	0.74
YTD Change/%	+695/+53.7%

#### Stock Information

Market Cap (IDR)	21,074.1 Bn
Shares Out/Float (M)	10,590.0/4,229.0

## Company Update

### PT Bank Tabungan Negara (Persero) Tbk (BBTN)

#### 1H16 Earnings Review

**BUY**

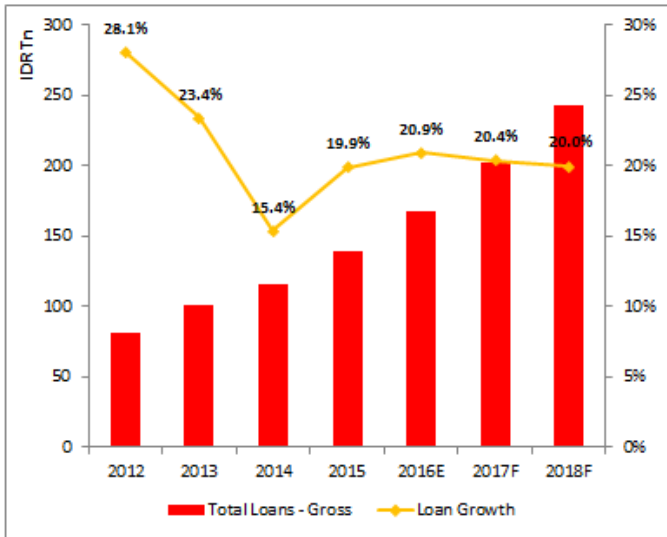
We upgrade our recommendation on PT Bank Tabungan Negara (Persero) Tbk (BBTN) to **BUY** with 52-week target price of IDR 2,380, deriving via 2-stage GGM. We raised our 52-week target price due to improvement in asset quality and expectation of better funding composition in 2H16. Given the soft economic recovery, Bank Tabungan managed to lower its NPL from 4.7% in 1H15 to 3.4% in 1H16. The bank aims to cut loans in loss category (collectability 5) by 50% this year through collateral (direct) sale, which potentially brings NPL below 3.0%. Though we see industry's NPL will continue to rise, we view BBTN's asset quality will be sustainable throughout 2H16. Moreover, we see that funding will get better, as FLPP fund will lower both LDR and CoF.

**Solid credit and deposit growth in 1H16; 18.4% YoY and 17.3% YoY respectively.** Continuing FY15's momentum, credit growth in the housing sector remains strong, and will get better in the second half of this year due to two reasons; 1) seasonality effect (40% disbursement in 1H and 60% in 2H), and 2) better LDR as FLPP fund will soon be injected into Bank Tabungan (we expect demand deposit to grow by 50%-52% YoY this year). IDR 9.2 Tn had been allocated for FLPP in the State Budget (IDR 5.6 Tn for FY15). Meanwhile, Bank Tabungan had submitted an invoice amounted to IDR 13.9 Tn (IDR 5.6 Tn disbursement in FY15 and IDR 8.3 Tn in 1H16) to the Ministry of Public Works and Housing (Kemenpupera), which has passed the audit process. The FLPP fund injected into BBTN will be treated as CASA, with CoF of 0.3% p.a.

**We view the outlook for the bank will stay attractive in the next coming years as growth in construction loans have not fully translated into mortgages just yet.** The disbursement of FLPP fund will relieve the bank from liquidity constraint and the 0.3% p.a. CoF from FLPP will great help margins, considering that Bank Tabungan Negara had to fund some of the subsidized mortgages with TD (5.0% loan yield vs 8.0% TD CoF). Thus, we see a potential upside on PT Bank Tabungan Negara (Persero) Tbk (BBTN) and raised our 52-week target price to IDR 2,380 with BUY recommendation.

Highlights (in IDR Bn)	1H15	1H16	% YoY	FY15	FY16E	% YoY
Total Loans	126,125	149,316	18.4%	136,905	166,021	21.3%
Total Deposits	114,719	134,555	17.3%	127,709	160,160	25.4%
Net Interest Income	3,194	3,696	15.7%	6,811	8,277	21.5%
Other Op. Income	519	584	12.5%	1,107	1,319	19.2%
Op. Expense	2,562	2,895	13.0%	5,384	6,140	14.0%
Net Income	831	1,042	25.4%	1,851	2,522	36.3%
LDR (%)	109.9%	111.0%	1.0%	108.8%	104.9%	-3.9%
NPL (%)	4.7%	3.4%	-1.3%	3.4%	2.7%	-0.7%
NIM (%)	4.7%	4.7%	-0.1%	4.5%	4.5%	0.1%

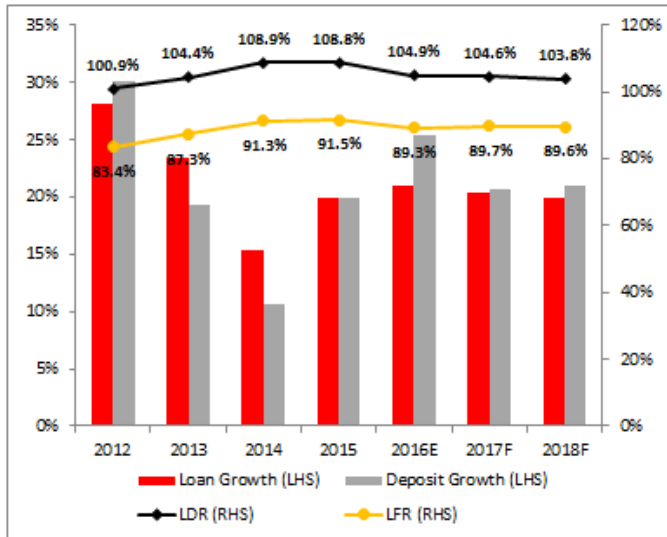
Source: Company Data, SinarMas Investment Research

**Total Loans & Loan Growth**


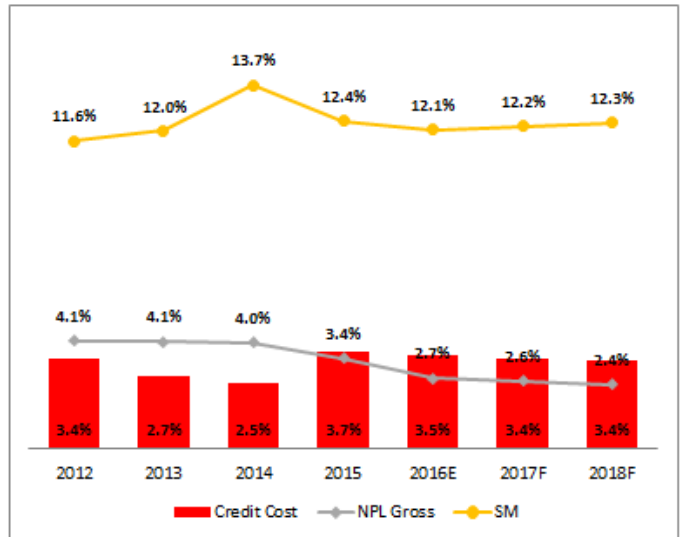
Source: Company Data, Sinarmas Investment Research

**Total Deposits & Deposit Growth**

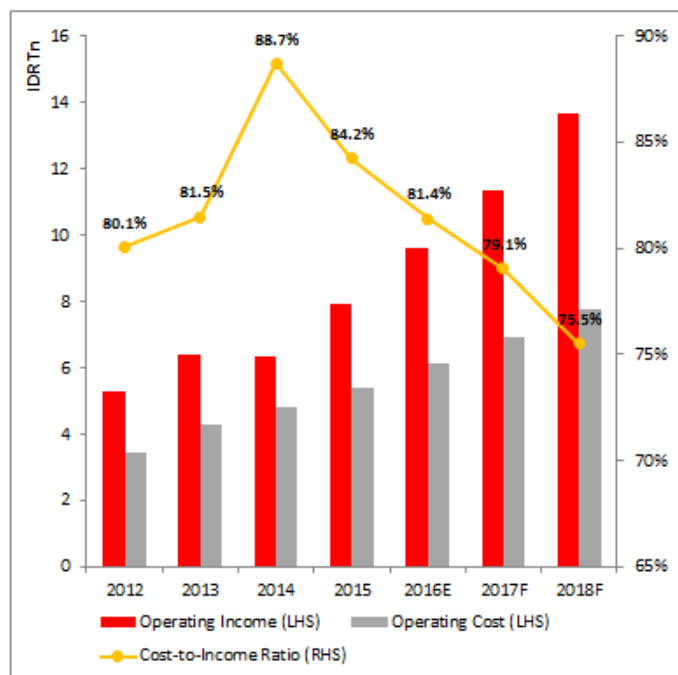

Source: Company Data, Sinarmas Investment Research

**LDR & LFR**


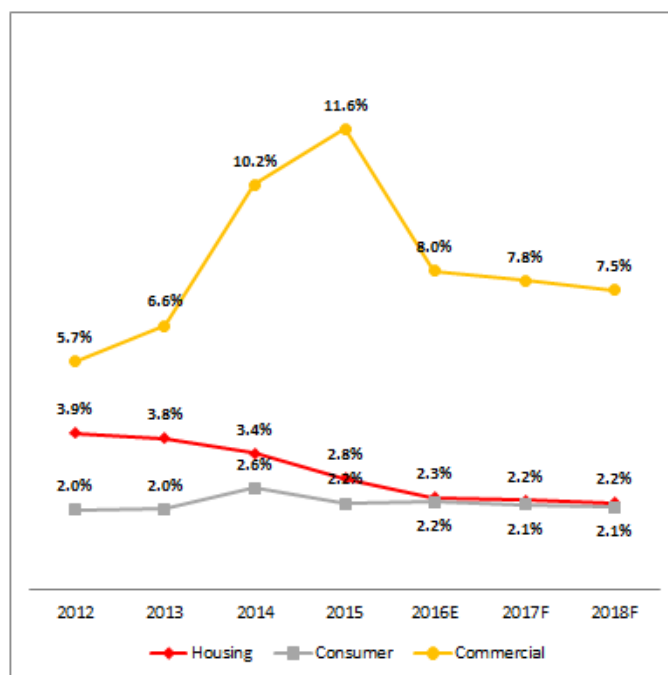
Source: Company Data, Sinarmas Investment Research

**Credit Cost, NPL, and Special Mentions**


Source: Company Data, Sinarmas Investment Research

**Operating Income, Operating Cost, and CIR (BOPO)**


Source: Company Data, Sinarmas Investment Research

**NPL per Segment**


Source: Company Data, Sinarmas Investment Research

Key Ratios (%)	2014	2015	2016E	2017F	2018F
LDR	108.9%	108.8%	104.9%	104.6%	103.8%
LFR	91.3%	91.5%	89.3%	89.7%	89.6%
CASA	46.6%	48.6%	51.3%	53.9%	56.6%
NIM	4.1%	4.5%	4.5%	4.5%	4.6%
Avg. Loan Yield	11.0%	11.2%	10.8%	10.2%	9.7%
Avg. Deposit CoF	5.7%	5.3%	4.6%	4.1%	3.4%
NPL Gross	4.0%	3.4%	2.7%	2.6%	2.4%
NPL Net	2.8%	2.1%	1.7%	1.6%	1.5%
Credit Cost	1.4%	1.5%	1.2%	1.1%	1.1%
Coverage Ratio	33.9%	43.2%	44.4%	44.7%	44.9%
CIR	88.7%	84.2%	81.4%	79.1%	75.5%
CER	75.7%	68.0%	64.0%	60.9%	56.7%
ROA	0.8%	1.2%	1.3%	1.4%	1.6%
ROE	9.4%	14.2%	16.9%	18.7%	21.0%

Source: Company Data, Sinarmas Investment Research

<b>B/S (IDR Bn)</b>	<b>2014</b>	<b>2015</b>	<b>2016E</b>	<b>2017F</b>	<b>2018F</b>
Cash and Equivalents	920	1,181	6,328	10,186	16,384
CA w/ Central Banks	9,372	10,986	13,207	15,318	17,101
CA w/ Other Banks	1,093	201	200	210	179
Interbank Placement	1,496	7,839	9,015	8,489	9,770
Total Loans - Net	114,339	136,905	166,021	199,992	240,052
Marketable Securities	5,437	1,808	2,264	2,768	2,494
Government Bonds	8,238	8,231	8,642	8,964	9,114
Fixed Assets	1,488	1,553	1,631	1,713	1,798
Total Assets	144,576	171,808	210,650	251,229	300,764
Demand Deposits	23,423	31,368	47,053	64,566	87,529
Saving Deposits	26,168	30,758	35,064	39,606	44,779
Time Deposits	56,880	65,583	78,043	89,139	101,582
Total Customer Deposits	106,471	127,709	160,160	193,311	233,891
Deposits From Other Banks	1,179	1,721	1,979	2,276	2,618
Marketable Securities	8,520	12,492	15,379	18,633	22,454
Fund Borrowings	6,998	7,727	8,499	9,349	10,284
Sub Debts	-	-	-	-	-
Total Liabilities	132,370	157,947	194,640	232,477	278,348
Total Equity	12,206	13,860	16,009	18,752	22,416

Source: Company Data, Sinarmas Investment Research

<b>I/S (IDR Bn)</b>	<b>2014</b>	<b>2015</b>	<b>2016E</b>	<b>2017F</b>	<b>2018F</b>
Interest Income	12,807	14,966	17,273	19,680	22,399
<i>% growth</i>		16.9%	15.4%	13.9%	13.8%
Interest Expense	7,343	8,155	8,996	9,875	10,483
<i>% growth</i>		11.1%	10.3%	9.8%	6.2%
Net Interest Income	5,465	6,811	8,277	9,806	11,916
<i>% growth</i>		24.6%	21.5%	18.5%	21.5%
Other Operating Income	895	1,107	1,319	1,567	1,743
<i>% growth</i>		23.7%	19.2%	18.8%	11.2%
Provision Expense	771	901	1,127	1,292	1,474
<i>% growth</i>		16.8%	25.1%	14.6%	14.1%
Other Operating Expense	4,042	4,483	5,013	5,630	6,270
<i>% growth</i>		10.9%	11.8%	12.3%	11.4%
Net Operating Income	1,546	2,534	3,456	4,450	5,915
<i>% growth</i>		63.9%	36.4%	28.8%	32.9%
Income Before Tax Expense	1,548	2,542	3,464	4,459	5,924
<i>% growth</i>		64.2%	36.3%	28.7%	32.9%
Tax Expense (%)	28%	27%	27%	27%	27%
Net Income	1,116	1,851	2,522	3,247	4,313
<i>% growth</i>		65.9%	36.3%	28.7%	32.9%

Source: Company Data, Sinarmas Investment Research

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