

Wednesday, 18 July 2018

HOLD

Maintain

Last price (IDR)	4,000
Target Price (IDR)	3,900
Upside/Downside	-2.5%
Previous Target Price (IDR)	3,900

Stock Statistics

Sector	Banking
Bloomberg Ticker	BTPN IJ
No of Shrs (mn)	5,745
Mkt. Cap (IDRbn/USDmn)	22,980/1,598
Avg. daily T/O (IDRbn/USDmn)	5.0/0.3

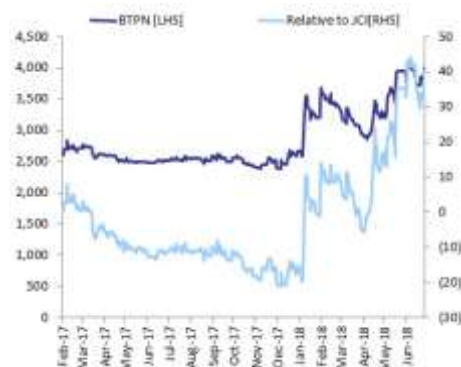
Major shareholders (%)

Sumitomo Mitsui	40.0
Summit Global Capital Management BV	20.0
Estimated free float	57.8

EPS Consensus (IDR)

	2018F	2019F	2020F
Danareksa	299.9	350.1	453.5
Consensus	337.9	391.4	415.9
Danareksa/Cons	(11.2)	(10.5)	9.1

BTPN relative to JCI Index



Source : Bloomberg



Eka Savitri
(62-21) 2955 5888 ext 3506
eka.savitri@danareksa.co.id

Bank Tabungan Pensiunan Nasional (BTPN IJ)

Retaining its focus on the mass-market segment

We reiterate our **HOLD** call on BTPN with an unchanged GGM-derived TP of **IDR3,900** given the limited upside to our TP. The 1H18 net profits of IDR1.1tn beat our estimate due to much lower operating expenses of IDR2.4tn as the **Genius and BTPN Wow!** investment costs started to stabilise. NIM contracted to 11.5% with 2% yoy loans growth and higher credit costs of 209bps arising from rebalancing of the loans mix towards the SME segment. All in all, we expect 41.4% net profits growth for FY18 given FY17's one-off early retirement expenses (from the Gemilang Project) in 4Q17.

1H18 result highlights. The net profits of IDR1.1tn beat our forecast due to a 12% yoy decline in operating expenses to IDR2.4tn. In addition, NIM compressed by c.30bps on a yoy basis to 11.5% due to rebalancing of the loans mix towards the SME and productive poor segments. Consequently, the credit cost rose to 209bps from 151bps in 1H17 because of the inherently high credit cost in the productive poor segment (1H18: 400bps vs 1H17: 420bps). All in all, we maintain our forecast of a 163bps credit cost and 41.4% net profits growth in FY18F.

Rebalancing of the loans mix towards the lower yield segment. BTPN's loans only grew by 2% yoy mainly supported by the SME and productive poor lending segments with +13% and +19% yoy growth rate, respectively. Going forward, the contribution of the bank's matured business segments - pension and micro – are expected to be lower in the loans mixture. As such, we expect the loans yield to drop to 20.4% in FY18F given the higher contribution of SME loans segment to 19.5% by end of year (June 2018: 18%).

Maintaining its ownership in BTPN Syariah. In regard to the recent IPO of BTPS, its subsidiary operating in the sharia business, BTPN has maintained its ownership at 70% since the productive poor segment will remain the bank's main growth engine. The main targets for this segment are self-employed female borrowers. This year, we expect the segment to grow by 27% yoy. As a result, the bank's exposure to this segment should increase to 10.7% of the loans book by the end of the year (June 2018: 10.1% of consolidated loans).

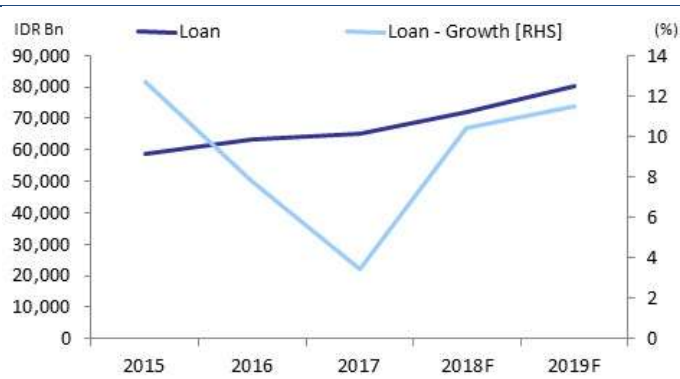
Maintain HOLD, TP of IDR3,900. We maintain our HOLD call on the stock with an unchanged GGM-derived TP of IDR3,900 (implying 1.26x 2018F P/BV) assuming a CoE of 9.2%, a 10.7% sustainable ROAE and 3% long-term growth.

Key Financials

Year to 31 Dec	2016A	2017A	2018F	2019F	2020F
PPOP (IDRbn)	3,479	3,076	3,848	4,254	5,195
Net profit (IDRbn)	1,752	1,221	1,723	2,011	2,605
EPS (IDR)	305.0	212.5	299.9	350.1	453.5
EPS growth (%)	4.7	(30.3)	41.1	16.7	29.5
BVPS (IDR)	2,797.9	2,875.6	3,085.6	3,341.2	3,694.9
PER (x)	13.1	18.8	13.3	11.4	8.8
PBV (x)	1.4	1.4	1.3	1.2	1.1
Dividend yield (%)	2.5	1.9	2.2	2.4	2.5
ROAE (%)	11.7	7.5	10.1	10.9	12.9

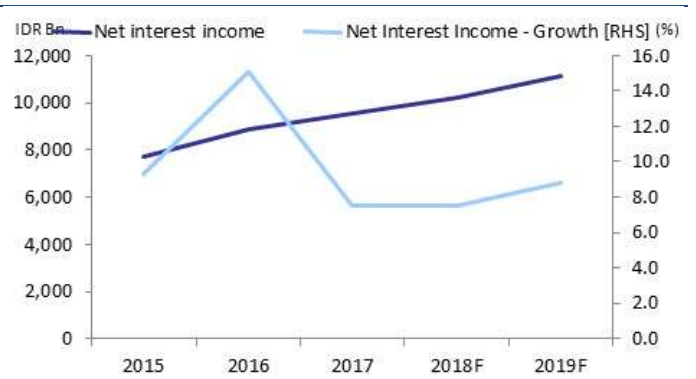
Source : BTPN, Danareksa Estimates

Exhibit 1. Loans and Growth



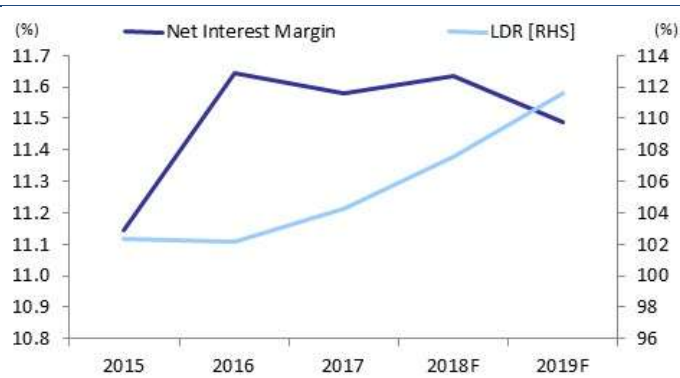
Source: Company, Danareksa Sekuritas estimates

Exhibit 2. Net Interest Income and Growth



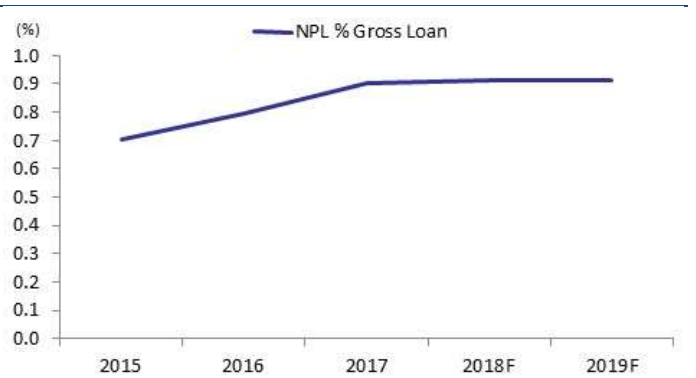
Source: Company, Danareksa Sekuritas estimates

Exhibit 3. NIM and LDR



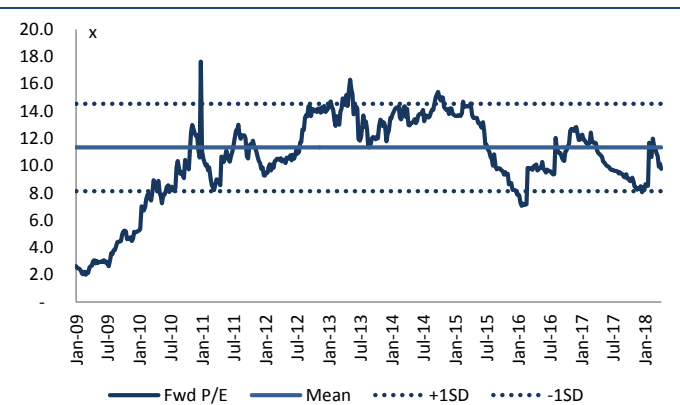
Source: Company, Danareksa Sekuritas estimates

Exhibit 4. NPLs



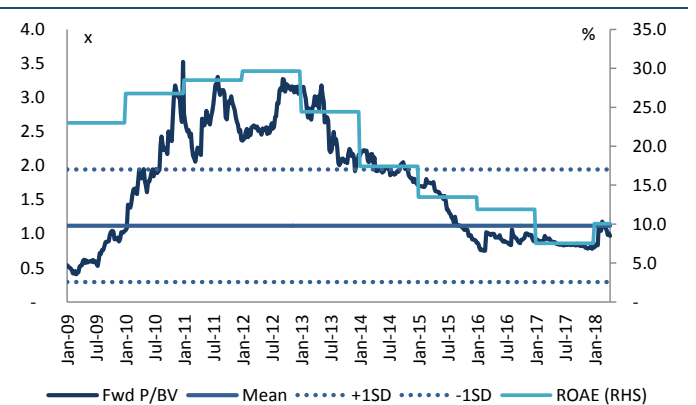
Source: Company, Danareksa Sekuritas estimates

Exhibit 5. PE BAND CHART



Source: Company, Danareksa Sekuritas estimates

Exhibit 6. PBV ROAE BAND CHART



Source: Company, Danareksa Sekuritas estimates

Exhibit 7. BTPN's result

FYE Dec (IDRbn)	2Q17	1Q18	2Q18	QoQ (%)	YoY (%)	1H17	1H18	YoY (%)	Comments YoY
Net interest income	2,380	2,383	2,423	1.7	1.8	4,765	4,806	0.9	
<i>Reported net interest margin (%)</i>	10.9	11.3	11.7			11.8	11.5		NIM compression due to rebalancing of the loans mix towards SME.
Non-interest income	164	196	136	(30.3)	(16.8)	266	332	24.8	
<i>Non-Il/Total income (%)</i>	6.4	7.6	5.3			5.3	6.5		
Operating income	2,544	2,579	2,559	(0.8)	0.6	5,031	5,138	2.1	
Overhead expenses	(1,628)	(1,408)	(996)	(29.3)	(38.8)	(2,734)	(2,404)	(12.1)	
<i>Cost-Income Ratio (%)</i>	64.0	54.6	38.9			54.3	46.8		Lower CIR due to sizeable restructuring costs in 2017.
Pre-Provisions profit	916	1,171	1,563	33.6	70.6	2,297	2,734	19.0	
Provisions	(235)	(366)	(331)	(9.4)	40.8	(488)	(697)	42.9	
<i>Credit cost - annualised (bps)</i>	143	224	199			151	209		Higher credit costs because of changes in the loans mix.
Pretax profit	681	805	853	6.0	25.2	1,382	1,658	19.9	
Tax	(177)	(206)	(225)	9.3	27.0	(359)	(431)	20.1	
<i>Effective tax rate (%)</i>	26.0	25.6	26.4			26.0	26.0		
Profit after tax	504	599	628	4.8	24.6	1,023	1,227	19.9	
Minority Interest	(47)	(64)	(71)	11.7	51.4	(88)	(135)	53.4	
Net Profit	457	535	557	4.0	21.8	935	1,092	16.8	
Other Key Data and Ratios									
Gross loans	66,336	65,293	67,768	3.8	2.2	66,336	67,768	2.2	Mostly supported by 13% and 19% yoy growth in the SME and productive poor segments, respectively.
Customer deposits	64,875	62,992	71,995	14.3	11.0	64,875	71,995	11.0	
Gross non-performing loans	590	659	766	16.1	29.7	590	766	29.7	Uptick in gross NPLs as there are changes in the loans mix portfolio.
Total assets	97,057	95,829	99,903	4.3	2.9	97,057	99,903	2.9	
Shareholders' funds	16,233	17,090	17,045	(0.3)	5.0	16,233	17,045	5.0	
ROAA (%)	1.9	2.2	2.3			2.2	2.2		
ROAE (%)	11.4	12.7	13.0			13.4	13.0		
LDR (%)	102.3	103.7	94.1			102.3	94.1		
Gross NPL ratio (%)	0.9	1.0	1.13			0.9	1.1		
LLC ratio (%)	126.4	131.7	129.6			126.4	129.6		
CAR (%)	24.0	24.8	24.1			24.0	24.1		

Source : Company, Danareksa Sekuritas estimates

Exhibit 8. Income Statement

Year to 31 Dec (IDRbn)	2016A	2017A	2018F	2019F	2020F
Interest Income	13,695	14,046	14,667	15,521	17,117
Interest Expense	(4,841)	(4,524)	(4,428)	(4,382)	(4,362)
Net Interest Income	8,854	9,522	10,239	11,138	12,755
Non-Interest Income (NII)	689	640	784	941	1,082
Oper. Income	9,543	10,162	11,023	12,079	13,837
Oper. Expenses	(6,064)	(7,086)	(7,175)	(7,825)	(8,642)
Pre-provisions profit	3,479	3,076	3,848	4,254	5,195
Provisions & Allowances	(870)	(1,098)	(1,166)	(1,237)	(1,326)
Operating Profits	2,610	1,978	2,683	3,017	3,869
Non-Operating Income	(5)	(42)	(25)	(24)	(30)
Exceptionals	0	0	0	0	0
Pre-tax Profit	2,605	1,937	2,658	2,993	3,839
Income Tax	(729)	(515)	(664)	(659)	(845)
Minorities	(124)	(201)	(270)	(323)	(389)
Net Profit	1,752	1,221	1,723	2,011	2,605

Exhibit 9. Balance Sheet

Year to 31 Dec (IDRbn)	2016A	2017A	2018F	2019F	2020F
Gross Loans	63,168	65,352	72,156	80,444	91,331
Provisions	(685)	(794)	(890)	(992)	(1,014)
Net Loans	62,483	64,558	71,266	79,452	90,317
Govt. Bonds	0	0	0	0	0
Securities	5,953	6,367	7,013	7,372	6,648
Other Earnings Assets	765	749	0	0	0
Total Earnings Assets	80,492	83,964	92,066	101,865	110,107
Fixed Assets	2,880	2,994	3,278	3,550	3,841
Non-Earnings Assets	3,736	3,898	3,817	3,858	3,837
Total Assets	91,371	95,490	104,286	114,515	123,945
Customer Deposits	61,806	62,670	67,083	72,055	78,915
Banks Deposits	915	823	74	76	77
Int. Bearing Liab. - Others	73,490	76,639	82,876	91,089	101,055
Total Liabilities	74,823	78,095	85,609	94,046	101,055
Share capital & Reserves	2,208	2,263	2,263	2,263	2,263
Retained Earnings	13,866	14,258	15,464	16,933	18,965
Shareholders' Funds	16,074	16,521	17,727	19,195	21,228
Minority interests	475	671	942	1,265	1,654
Total Equity & Liabilities	91,371	95,287	104,278	114,506	123,937

Exhibit 10. Ratios

Year to 31 Dec (IDRbn)	2016A	2017A	2018F	2019F	2020F
Yield on Earning Assets	18.0	17.1	16.7	16.0	16.2
Cost of funds	7.0	6.0	5.6	5.0	4.5
Interest Spread	11.1	11.1	11.1	11.0	11.6
Net Interest Margin	11.6	11.6	11.6	11.5	12.0
Cost/Income Ratio	63.5	69.7	65.1	64.8	62.5
Oper. Exp./Oper. Gross Inc.	81.9	86.5	82.6	81.7	78.7
Gross NPL Ratio	0.8	0.9	0.9	0.9	0.8
LLP/Gross NPL	136.5	134.6	135.3	135.3	135.3
Cost of Credit	1.4	1.7	1.7	1.6	1.5
Loan to Deposit Ratio	102.2	104.3	107.6	111.6	115.7
Loan to Funding Ratio	86.1	85.3	87.2	88.4	90.5
CASA Mix	12.2	12.4	14.3	15.6	17.1
ROAE	11.7	7.5	10.1	10.9	12.9
ROAA	2.0	1.3	1.7	1.8	2.2
CAR	24.4	24.9	23.9	23.6	22.7

Exhibit 11. Dupont and growth

Year to 31 Dec	2016A	2017A	2018F	2019F	2020F
Dupont					
Pre-Tax ROAA	3.0	2.1	2.7	2.7	3.2
Tax Retention rate	72.0	73.4	75.0	78.0	78.0
Post-Tax ROAA	2.2	1.5	2.0	2.1	2.5
Goodwil, Assoc& Min	0.1	0.2	0.3	0.3	0.3
Leverage	5.8	5.7	5.8	5.9	5.9
ROAE	11.7	7.5	10.1	10.9	12.9
Growth (%)					
Interest income	5.3	2.6	4.4	5.8	10.3
Net Interest Income	15.1	7.5	7.5	8.8	14.5
Other Oper. Expenses	17.6	16.9	1.3	9.1	10.4
Fee Based Income	(2.4)	(7.1)	22.5	20.0	15.0
Pre-Provision Oper. Profit	7.2	(11.6)	25.1	10.6	22.1
Net Profit	3.0	(30.3)	41.1	16.7	29.5
Shareholders' Equity	16.2	2.8	7.3	8.3	10.6
Loan	7.8	3.5	10.4	11.5	13.5
Earnings Asset	12.5	4.3	9.6	10.6	8.1
Deposit	9.6	1.2	5.8	7.4	9.5
Int. Bearing Liab.	11.8	4.3	8.1	9.9	10.9
CASA	(1.7)	2.3	22.2	17.4	19.8
Total Asset	12.7	4.5	9.2	9.8	8.2

Source : BTPN, Danareksa Estimates

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