

Tuesday, 25 September 2018

BUY
Maintain

Last price (IDR) 2,640
Target Price (IDR) 3,600
Upside/Downside +36.4%
Previous Target Price (IDR) 3,500

Stock Statistics

Sector Banking
Bloomberg Ticker BBTN IJ
No of Shrs (mn) 10,590
Mkt. Cap (IDRbn/USDmn) 27,958/1,881
Avg. daily T/O (IDRbn/USDmn) 93.0/6.3

Major shareholders (%)

Government of Indonesia 60.0

Estimated free float 40.0

EPS Consensus (IDR)

	2018F	2019F	2020F
Danareksa	329.7	358.3	426.0
Consensus	321.6	365.0	409.0
Danareksa/Cons	2.5	(1.8)	4.2

BBTN relative to JCI Index



Source : Bloomberg



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Bank Tabungan Negara (BBTN IJ)

A model of strength

We continue to like BBTN for its resilient business model for the housing-related segment. Given a higher FLPP allocation in the 2019 proposed state budget, BBTN's growth will be driven mainly by subsidized mortgages in our view. Additionally, BBTN will obtain borrowings from SMF for the 25% portion in the FLPP scheme with a 4.45% rate, an indication of the bank's funding flexibility in a higher interest rates environment. Further ahead, we expect BBTN to conduct a rights issue in 1Q20 at the soonest as the plan is not included in the government's 2019 budget. **BUY** with a new GGM-derived TP of IDR3,600 (implying 1.4x 2019F P/BV).

2019: a higher budget for FLPP. Based on the 2019 proposed state budget, the government has allocated a total of IDR8.7tn, comprising IDR5.2tn for the FLPP scheme and IDR3.5tn for interest rate subsidies (SSB). Despite possible budget cuts, we believe BBTN can grow its business on the back of its extensive knowledge and long track record in the housing market, especially in the low income segment (ticket size IDR300mn).

Subsidized mortgages remain the bank's core business. BBTN's management reaffirmed its commitment toward providing subsidized mortgages under the FLPP and interest rate subsidy schemes. The FLPP funding scheme is likely to maintain its 75:25 ratio between the government and SMF. Assuming 0.5% funding costs for the government's portion and SMF's portion with an agreed rate of 4.45%, then the FLPP's blended CoF will only be at 1.5%. As for the SSB scheme, the government will continue to use the 12-months SBI (current rate: 6.46%) as its reference rate for interest rate subsidies. As such, with more flexibility in the government's schemes coupled with the affordable funding provided by SMF, we expect 17.0% growth in subsidized mortgages in 2019F.

Capital injection plans: 1Q20 at the soonest. Given the future implementation of PSAK 71 on January 1st 2020, BBTN is currently assessing a rights issue plan with proceeds range of IDR3-5tn. We expect this should take place in 1Q20 at the soonest because the plan is not included in the government's 2019 proposed budget. As of June 2018 CAR stood at 17.4%. Moreover, every IDR1tn of additional capital will elevate its CAR by 0.6% from our base case of 16.5% as of Dec 2020 assuming all else the same.

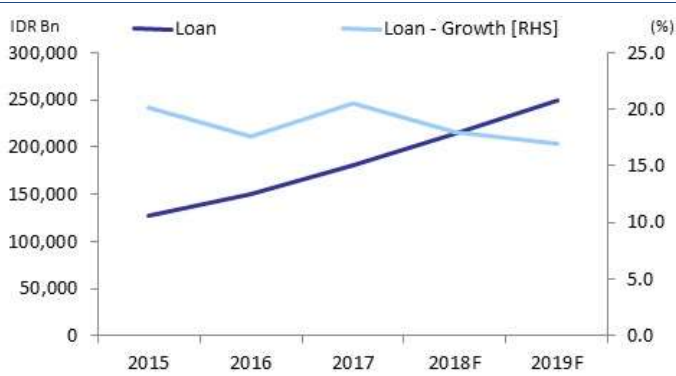
BUY: new TP of IDR3,600. Maintain BUY with a higher TP of IDR3,600 as we roll over our valuation to 2019 assuming 11.3% CoE, 14.5% sustainable ROAE and 3% long-term growth. BBTN remains as one of our top picks in the sector.

Key Financials

Year to 31 Dec	2016A	2017A	2018F	2019F	2020F
PPOP (IDRbn)	4,060	4,776	5,421	5,817	6,891
Net profit (IDRbn)	2,619	3,027	3,490	3,794	4,510
EPS (IDR)	247.4	285.9	329.7	358.3	426.0
EPS growth (%)	41.5	15.6	15.3	8.7	18.9
BVPS (IDR)	1,806.9	2,046.1	2,309.9	2,603.7	2,953.0
PER (x)	10.7	9.2	8.0	7.4	6.2
PBV (x)	1.5	1.3	1.1	1.0	0.9
Dividend yield (%)	1.9	2.2	2.5	2.4	2.9
ROAE (%)	15.9	14.8	15.1	14.6	15.3

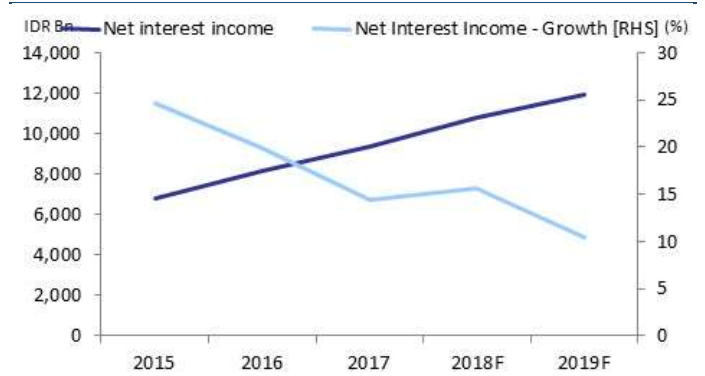
Source : BBTN, Danareksa Estimates

Exhibit 1. Loans and Growth



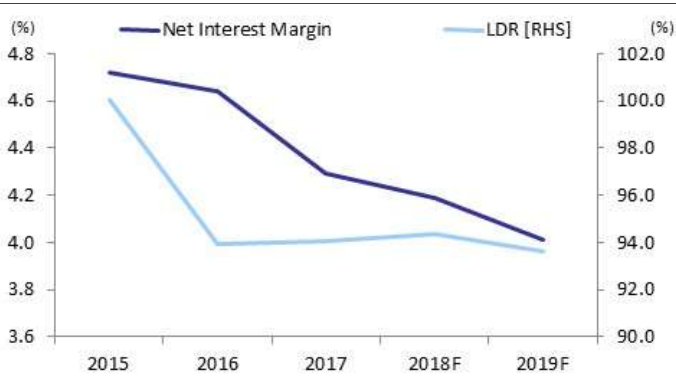
Source: Company, Danareksa Sekuritas estimates

Exhibit 2. Net Interest Income and Growth



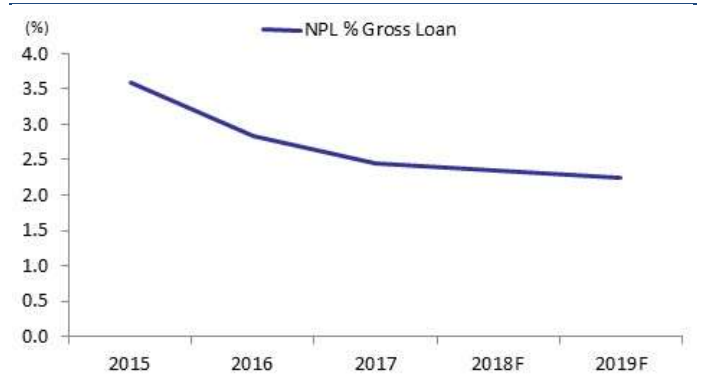
Source: Company, Danareksa Sekuritas estimates

Exhibit 3. NIM and LDR



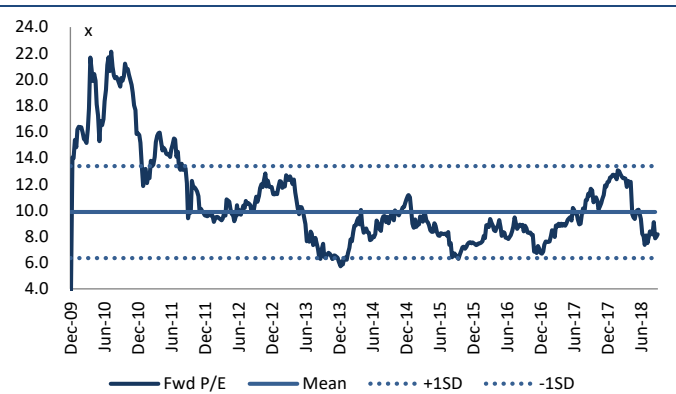
Source: Company, Danareksa Sekuritas estimates

Exhibit 4. NPLs



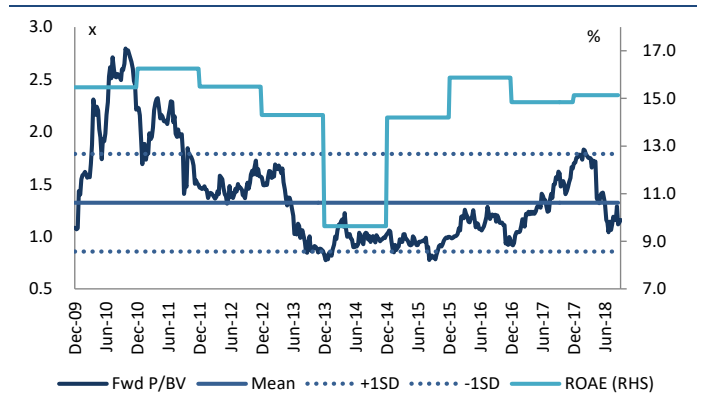
Source: Company, Danareksa Sekuritas estimates

Exhibit 5. PE BAND CHART



Source: Company, Danareksa Sekuritas estimates

Exhibit 6. PBV ROAE BAND CHART



Source: Company, Danareksa Sekuritas estimates

Exhibit 7. Income Statement

Year to 31 Dec (IDRbn)	2016A	2017A	2018F	2019F	2020F
Interest Income	17,139	19,272	22,655	25,808	29,229
Interest Expense	(8,975)	(9,931)	(11,859)	(13,893)	(15,525)
Net Interest Income	8,164	9,341	10,796	11,914	13,705
Non-Interest Income (NII)	1,000	1,201	1,758	2,046	2,374
Oper. Income	9,164	10,542	12,554	13,960	16,079
Oper. Expenses	(5,387)	(6,169)	(7,133)	(8,144)	(9,188)
Pre-provisions profit	4,060	4,776	5,421	5,817	6,891
Provisions & Allowances	(708)	(884)	(980)	(1,015)	(1,153)
Operating Profits	3,352	3,892	4,441	4,802	5,738
Non-Operating Income	(22)	(30)	0	0	0
Exceptionals	0	0	0	0	0
Pre-tax Profit	3,330	3,862	4,441	4,802	5,738
Income Tax	(711)	(834)	(950)	(1,008)	(1,228)
Minorities	0	0	0	0	0
Net Profit	2,619	3,027	3,490	3,794	4,510

Exhibit 8. Balance Sheet

Year to 31 Dec (IDRbn)	2016A	2017A	2018F	2019F	2020F
Gross Loans	150,222	181,003	213,540	249,689	288,734
Provisions	(1,725)	(2,025)	(2,315)	(2,605)	(2,910)
Net Loans	148,497	178,978	211,225	247,084	285,825
Govt. Bonds	9,244	8,184	5,069	4,910	4,910
Securities	4,172	7,706	8,043	8,204	7,383
Other Earnings Assets	13,833	17,656	20,775	23,475	26,455
Total Earnings Assets	195,373	239,811	275,706	318,222	360,775
Fixed Assets	6,557	6,941	7,310	7,546	7,764
Non-Earnings Assets	4,157	5,159	6,404	7,948	9,866
Total Assets	214,168	261,365	300,737	346,951	393,697
Customer Deposits	159,988	192,474	226,266	266,620	312,110
Banks Deposits	3,653	5,445	3,356	3,323	3,290
Int. Bearing Liab. - Others	190,026	233,597	270,106	312,887	355,595
Total Liabilities	195,038	239,702	276,282	319,385	362,432
Share capital & Reserves	10,201	10,295	10,295	10,295	10,295
Retained Earnings	8,930	11,369	14,161	17,272	20,970
Shareholders' Funds	19,131	21,663	24,456	27,566	31,265
Minority interests	0	0	0	0	0
Total Equity & Liabilities	214,168	261,365	300,737	346,951	393,697

Exhibit 9. Ratios

Year to 31 Dec (IDRbn)	2016A	2017A	2018F	2019F	2020F
Yield on Earning Assets	9.7	8.9	8.8	8.7	8.6
Cost of funds	5.2	4.7	4.7	4.8	4.6
Interest Spread	4.5	4.2	4.1	3.9	4.0
Net Interest Margin	4.6	4.3	4.2	4.0	4.0
Cost/Income Ratio	57.0	56.4	56.8	58.3	57.1
Oper. Exp./Oper. Gross Inc.	81.8	81.4	81.8	82.8	81.8
Gross NPL Ratio	2.8	2.5	2.3	2.2	2.2
LLP/Gross NPL	37.1	41.4	42.0	42.4	42.7
Cost of Credit	0.5	0.5	0.5	0.4	0.4
Loan to Deposit Ratio	93.9	94.0	94.4	93.6	92.5
Loan to Funding Ratio	79.9	78.4	80.0	80.8	82.2
CASA Mix	49.3	48.3	49.4	50.0	50.3
ROAE	15.9	14.8	15.1	14.6	15.3
ROAA	1.4	1.3	1.2	1.2	1.2
CAR	21.8	18.2	16.8	16.9	16.5

Exhibit 10. Dupont and growth

Year to 31 Dec	2016A	2017A	2018F	2019F	2020F
Dupont					
Pre-Tax ROAA	1.7	1.6	1.6	1.5	1.5
Tax Retention rate	78.6	78.4	78.6	79.0	78.6
Post-Tax ROAA	1.4	1.3	1.2	1.2	1.2
Goodwil, Assoc& Min	0.0	0.0	0.0	0.0	0.0
Leverage	11.7	11.7	12.2	12.5	12.6
ROAE	15.9	14.8	15.1	14.6	15.3
Growth (%)					
Interest income	14.5	12.4	17.6	13.9	13.3
Net Interest Income	19.9	14.4	15.6	10.4	15.0
Other Oper. Expenses	20.0	14.5	15.6	14.2	12.8
Fee Based Income	10.8	26.9	18.1	17.5	16.6
Pre-Provision Oper. Profit	18.4	17.6	13.5	7.3	18.5
Net Profit	41.5	15.6	15.3	8.7	18.9
Shareholders' Equity	38.0	13.2	12.9	12.7	13.4
Loan	17.6	20.5	18.0	16.9	15.6
Earnings Asset	24.7	22.7	15.0	15.4	13.4
Deposit	26.4	20.9	16.0	17.6	16.8
Int. Bearing Liab.	23.6	22.9	15.6	15.8	13.6
CASA	29.9	18.5	18.8	18.9	17.5
Total Asset	24.7	22.0	15.1	15.4	13.5

Source : BBTN, Danareksa Estimates

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