

Monday, 22 October 2018

HOLD

Maintain

Last price (IDR)	3,820
Target Price (IDR)	3,900
Upside/Downside	+2.1%
Previous Target Price (IDR)	3,900

Stock Statistics

Sector	Banking
Bloomberg Ticker	BTPN IJ
No of Shrs (mn)	5,745
Mkt. Cap (IDRbn/USDmn)	21,946/1,445
Avg. daily T/O (IDRbn/USDmn)	4.8/0.3

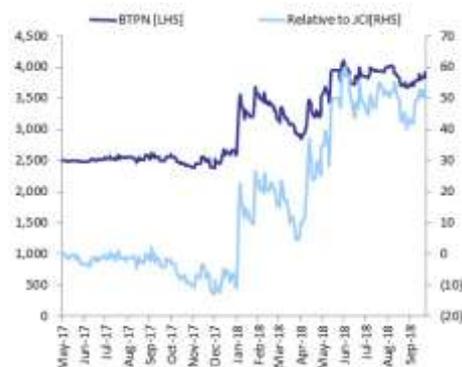
Major shareholders (%)

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

EPS Consensus (IDR)

	2018F	2019F	2020F
Danareksa	299.9	350.1	453.5
Consensus	335.6	378.3	415.2
Danareksa/Cons	(10.6)	(7.5)	9.2

BTPN relative to JCI Index



Source : Bloomberg



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Bank Tabungan Pensiunan Nasional (BTPN IJ)

Fully valued

We reiterate our **HOLD** call on BTPN with an unchanged GGM-derived TP of **IDR3,900** after the company reported better-than-expected 9M18 net profits of **IDR1.6tn** thanks to **11.7% yoy** lower operating expenses. NIM slipped to **11.5%** with **3% yoy** loans growth and higher credit costs of **203bps** arising from rebalancing of the loans mix towards the SME segment. This year, we expect a **11.1% NIM**, **155bps** credit costs and **41.4%** net profits growth.

9M18 result highlights. The net profits of **IDR1.6tn** beat our forecast thanks to a **11.7% yoy** decline in operating expenses to **IDR4.3tn**. In addition, the NIM compressed by **c.20bps** on a yoy basis to **11.5%** because of rebalancing of the loans mix towards the SME and productive poor segments. Consequently, the credit costs rose to **203bps** from **154bps** in 9M17 because of the inherently high credit costs in the productive poor segment (9M18: **394bps**).

Rebalancing of the loans mix towards the lower yielding segments. BTPN's loans only grew by **3% yoy** mainly supported by the SME and productive poor lending segments with **+12%** and **+21% yoy** growth, respectively. Going forward, the bank's matured business segments - pension and micro loans - are expected to be lower in the loans mix. As such, we expect the loans yield to drop to **20.4%** in FY18F given the higher contribution from the SME loans segment of **19.5%** by year-end vs. **19%** as of September 2018.

More access to cheaper funding. With the merged entity in January 2019, BTPN will have more access to cheaper funding instruments given the synergies from SMBC as its parent. Currently, the major challenge for BTPN following policy rate hikes (a total of **150bps** ytd) is its high dependency on expensive funding instruments, i.e. TD and bonds. Assets wise, BTPN will continue to focus on the mass-market segment through SME and the productive poor segment despite the mature phase of its pension segment. BTPN will also be closer to becoming a BUKU IV bank (core capital above **IDR30tn**), which we expect to happen by mid-2020 at the soonest.

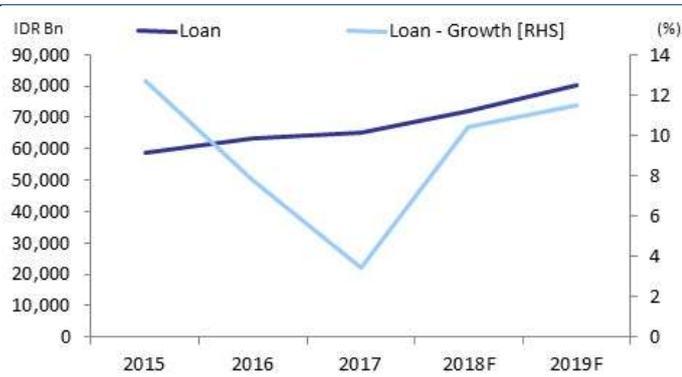
Maintain HOLD, TP of IDR3,900. We maintain our **HOLD** call on the stock with an unchanged GGM-derived TP of **IDR3,900** (implying **1.3x** 2018F P/BV) assuming a CoE of **9.2%**, a **10.7%** sustainable ROAE and **3%** long-term growth.

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)	12.5	18.0	12.7	10.9	8.4
PBV (x)	1.4	1.3	1.2	1.1	1.0
Dividend yield (%)	2.6	1.9	2.4	2.5	2.6
ROAE (%)	11.7	7.5	10.1	10.9	12.9

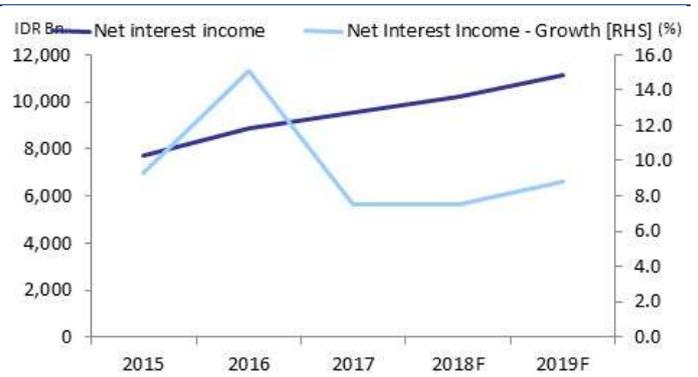
Source : BTPN, Danareksa Estimates

Exhibit 1. Loans and Growth



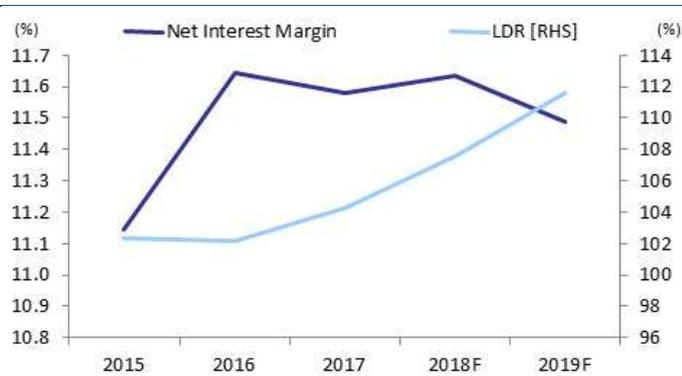
Source: Company, Danareksa Sekuritas estimates

Exhibit 2. Net Interest Income and Growth



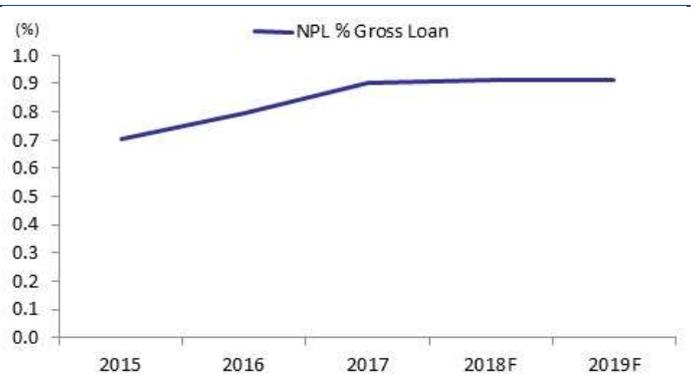
Source: Company, Danareksa Sekuritas estimates

Exhibit 3. NIM and LDR



Source: Company, Danareksa Sekuritas estimates

Exhibit 4. NPLs



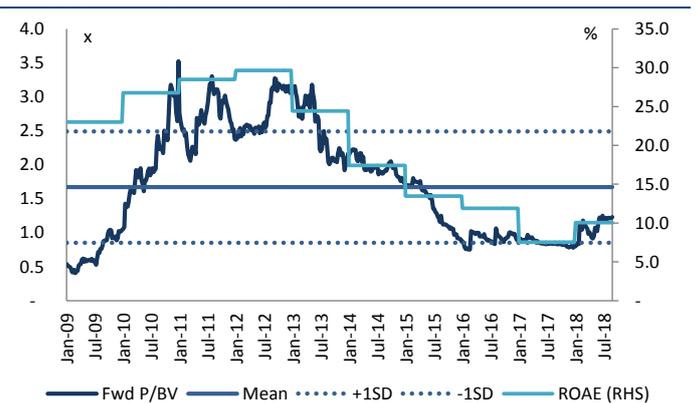
Source: Company, Danareksa Sekuritas estimates

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)	3Q17	2Q18	3Q18	QoQ (%)	YoY (%)	9M17	9M18	YoY (%)
Net interest income	2,353	2,423	2,445	0.9	3.9	7,115	7,250	1.9
Reported NIM (%)	11.5	11.7	11.5			11.7	11.5	
Non-interest income	151	175	240	37.2	59.5	506	611	20.6
Non-IT/Total income (%)	6.0	6.7	8.9			6.6	7.8	
Operating income	2,503	2,598	2,685	3.4	7.3	7,622	7,861	3.1
Overhead expenses	(1,591)	(1,390)	(1,476)	6.2	(7.2)	(4,839)	(4,274)	(11.7)
Cost-Income Ratio (%)	63.5	53.5	55.0			63.5	54.4	
Pre-Provisions profit	912	1,208	1,208	0.0	32.4	2,782	3,587	28.9
Provisions allowance	(255)	(331)	(319)	(3.7)	25.0	(743)	(1,015)	36.7
Credit cost - annualised (bps)	154	199	188			154	203	
Pretax profit	655	853	813	(4.7)	24.2	2,037	2,471	21.3
Tax	(170)	(225)	(208)	(7.7)	22.1	(529)	(639)	20.7
Effective tax rate (%)	26.0	26.4	25.6			26.0	25.9	
Net Profit	432	557	530	(4.7)	22.9	1,367	1,622	18.7
Other Key Data and Ratios								
Gross loans	65,764	67,768	67,823	0.1	3.1	65,764	67,823	3.1
Customer deposits	64,921	66,574	70,232	5.5	8.2	64,921	70,232	8.2
Gross non-performing loans	592	766	827	8.1	39.8	592	827	39.8
Total assets	93,788	99,903	98,055	(1.9)	4.5	93,788	98,055	4.5
Equity	16,682	17,045	17,610	3.3	5.6	16,682	17,610	5.6
ROAA (%)	1.8	2.3	2.1			2.2	3.4	
ROAE (%)	10.5	13.0	12.2			12.9	19.0	
LDR (%)	101.3	101.8	96.6			101.3	96.6	
Gross NPL ratio (%)	0.9	1.1	1.22			0.9	1.2	
LLC ratio (%)	129.4	129.6	128.6			129.4	128.6	
CAR (%)	24.8	24.1	25.0			24.8	25.0	

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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