

Friday, 12 April 2019

**BUY**  
**Maintain**

Last price (IDR) 2,350  
Target Price (IDR) 3,000  
Upside/Downside +27.7%  
Previous Target Price (IDR) 3,600

**Stock Statistics**

Sector Banking  
Bloomberg Ticker BBTN IJ  
No of Shrs (mn) 10,590  
Mkt. Cap (IDRbn/USDmn) 24,887/1,760  
Avg. daily T/O (IDRbn/USDmn) 76.7/5.4

**Major shareholders (%)**

Government of Indonesia 60.0

Estimated free float 40.0

**EPS Consensus (IDR)**

	2019F	2020F	2021F
Danareksa	291.6	347.4	410.9
Consensus	316.5	372.6	398.2
Danareksa/Cons	(7.9)	(6.8)	3.2

**BBTN relative to JCI Index**



Source : Bloomberg



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# Bank Tabungan Negara (BBTN IJ)

## Greater clarity

We continue to like BBTN, noting its resilient business model for the housing-related segment, from upstream to end-users. Despite that, the implementation plan of PSAK 71 starting on January 1, 2020 remain the overhang issue with 49.2% coverage ratio at end-2018. As such, the short-term priority for BBTN is to increase its coverage ratio followed by a rights issue. We believe that BBTN would likely conduct the rights issue in 2020F following the formation of the financial services holding entity. **Maintain BUY with a lower GGM-derived TP of IDR3,000 (implying 1.2x 2019F PBV).**

**Subsidized mortgages remain as the core business.** The government's decision to prioritize the FLPP scheme over the interest rates subsidy scheme will benefit BBTN given the funding is already secured by the government and SMF with a 75-25 composition. Tapera funds will also provide more certainty for BBTN on the the subsidized mortgage funding going forward. As such, we estimate 17.0% yoy growth in subsidized mortgages this year.

**Seeking a higher coverage ratio in the short-term.** The planned implementation of PSAK 71 next year has created volatility in BBTN's share price since 4Q18. Yet, with more clarity from BBTN's management on its provisions policy, we expect IDR1.9tn of provisions in FY19F. Assuming 14.5% yoy loans growth and a 2.6% gross NPLs ratio this year, the coverage ratio should touch 67.9%. To reach 100% coverage by January 1, 2020, BBTN will need to allocate an additional IDR2.3tn of provisions, which would likely offset its equity. Thus, CAR would drop by c.1.5% from 16.6% by the end of 2020F.

**Next step: to conduct a rights issue.** Aside from this year's plan to issue USD300mn of global bonds, BBTN will need to raise its capital level. This is because the bank will continue to lend aggressively to support the government's subsidized mortgages program. However, we expect the formation of a financial services holding entity to represent a critical juncture for BBTN to execute this plan. Assuming a total capital injection of IDR11tn with 60% government ownership and a IDR2,250 exercise price (1x PBV 2018), dilution would be 32-33% based on our calculations. In turn, CAR would be elevated to 21.6% by the end of 2020F assuming 15.3% yoy loans growth.

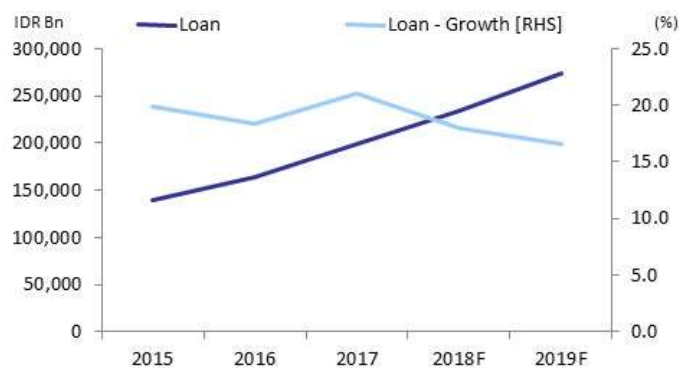
**BUY: new TP of IDR3,000.** Maintain BUY with a new GGM-derived TP of IDR3,000 assuming a CoE of 10.5%, a sustainable ROAE of 12.0% and a 3% long-term growth. Our TP implies 1.2x 2019F PBV (-0.25SD of its 10-yrs mean).

### Key Financials

Year to 31 Dec	2017A	2018A	2019F	2020F	2021F
PPOP (IDRbn)	4,776	5,308	5,879	6,802	7,759
Net profit (IDRbn)	3,027	2,808	3,088	3,678	4,350
EPS (IDR)	285.9	265.2	291.6	347.4	410.9
EPS growth (%)	15.6	(7.3)	10.0	19.1	18.3
BVPS (IDR)	2,046.1	2,251.8	2,485.1	2,763.0	3,091.7
PER (x)	8.2	8.9	8.1	6.8	5.7
PBV (x)	1.1	1.0	0.9	0.9	0.8
Dividend yield (%)	2.4	2.3	2.5	3.0	3.5
ROAE (%)	14.8	12.3	12.3	13.2	14.0

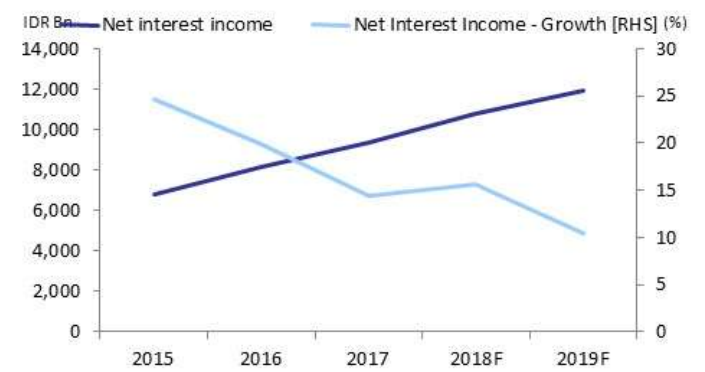
Source : BBTN, Danareksa Estimates

**Exhibit 1. Loans and Growth**



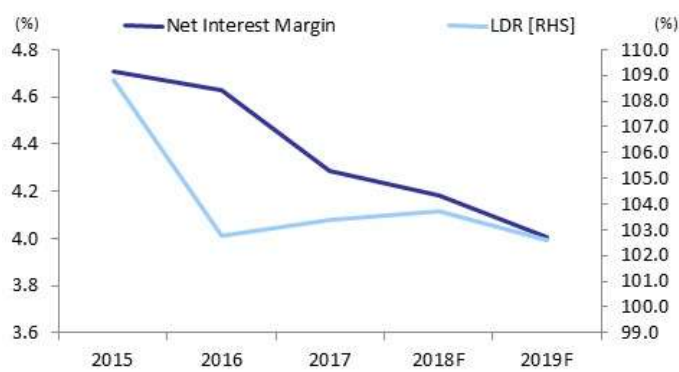
Source: Company, Danareksa Sekuritas estimates

**Exhibit 2. Net Interest Income and Growth**



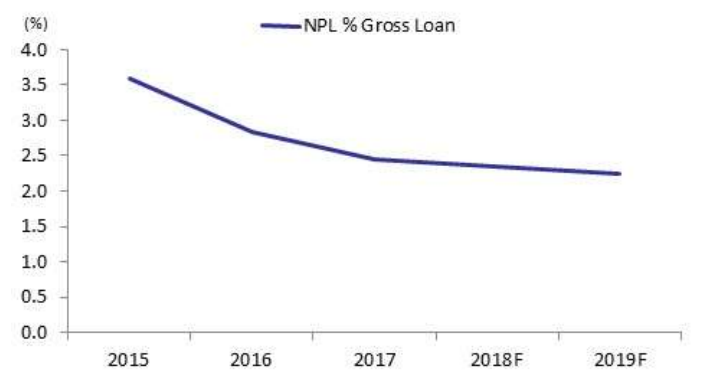
Source: Company, Danareksa Sekuritas estimates

**Exhibit 3. NIM and LDR**



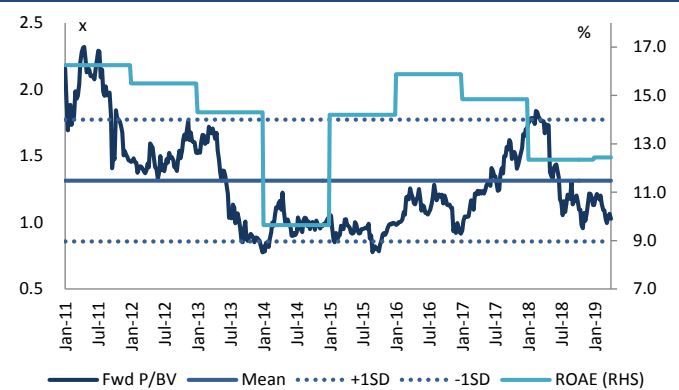
Source: Company, Danareksa Sekuritas estimates

**Exhibit 4. NPLs**



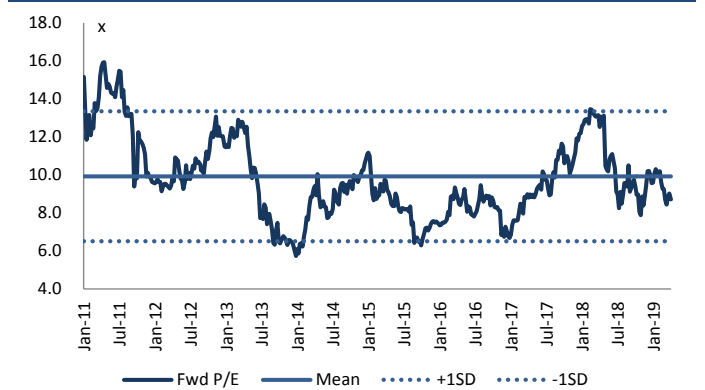
Source: Company, Danareksa Sekuritas estimates

**Exhibit 5. PBV ROAE Band Chart**



Source: Bloomberg, Danareksa Sekuritas estimates

**Exhibit 6. PE Band Chart**



Source: Bloomberg, Danareksa Sekuritas estimates

### Exhibit 7. Income Statement

Year to 31 Dec (IDRbn)	2017A	2018A	2019F	2020F	2021F
Interest Income	19,272	22,852	25,450	28,766	32,781
Interest Expense	(9,931)	(12,763)	(13,909)	(15,232)	(16,542)
<b>Net Interest Income</b>	<b>9,341</b>	<b>10,089</b>	<b>11,541</b>	<b>13,534</b>	<b>16,238</b>
Non-Interest Income (NII)	1,201	1,595	2,207	2,431	2,686
<b>Oper. Income</b>	<b>10,542</b>	<b>11,684</b>	<b>13,748</b>	<b>15,966</b>	<b>18,925</b>
Oper. Expenses	(6,169)	(6,853)	(7,870)	(9,163)	(11,166)
<b>Pre-provisions profit</b>	<b>4,776</b>	<b>5,308</b>	<b>5,879</b>	<b>6,802</b>	<b>7,759</b>
Provisions & Allowances	(884)	(1,714)	(1,970)	(2,057)	(2,182)
<b>Operating Profits</b>	<b>3,892</b>	<b>3,594</b>	<b>3,908</b>	<b>4,746</b>	<b>5,577</b>
Non-Operating Income	(30)	16	0	0	0
Exceptionals	0	0	0	0	0
<b>Pre-tax Profit</b>	<b>3,862</b>	<b>3,610</b>	<b>3,908</b>	<b>4,746</b>	<b>5,577</b>
Income Tax	(834)	(802)	(821)	(1,068)	(1,227)
Minorities	0	0	0	0	0
<b>Net Profit</b>	<b>3,027</b>	<b>2,808</b>	<b>3,088</b>	<b>3,678</b>	<b>4,350</b>

### Exhibit 8. Balance Sheet

Year to 31 Dec (IDRbn)	2017A	2018A	2019F	2020F	2021F
Gross Loans	198,991	237,758	272,341	314,133	363,923
Provisions	(2,356)	(3,298)	(4,738)	(7,774)	(8,500)
<b>Net Loans</b>	<b>196,635</b>	<b>234,460</b>	<b>267,603</b>	<b>306,358</b>	<b>355,422</b>
Govt. Bonds	8,184	9,393	4,910	4,910	4,910
Securities	7,706	5,848	7,684	6,915	5,552
Other Earnings Assets	0	0	0	0	0
<b>Total Earnings Assets</b>	<b>240,142</b>	<b>281,579</b>	<b>324,211</b>	<b>360,836</b>	<b>403,200</b>
Fixed Assets	6,941	7,412	7,648	7,866	8,078
Non-Earnings Assets	5,159	6,216	7,488	9,021	10,868
<b>Total Assets</b>	<b>261,365</b>	<b>306,436</b>	<b>351,118</b>	<b>388,353</b>	<b>433,619</b>
Customer Deposits	192,474	229,829	262,293	299,891	342,703
Banks Deposits	5,445	3,010	3,323	3,290	3,257
Int. Bearing Liab. - Others	0	0	0	0	0
<b>Total Liabilities</b>	<b>239,702</b>	<b>282,596</b>	<b>324,807</b>	<b>359,100</b>	<b>400,886</b>
Share capital & Reserves	10,295	10,209	10,209	10,209	10,209
Retained Earnings	11,369	13,631	16,101	19,044	22,524
<b>Shareholders' Funds</b>	<b>21,663</b>	<b>23,840</b>	<b>26,311</b>	<b>29,253</b>	<b>32,733</b>
Minority interests	0	0	0	0	0
<b>Total Equity &amp; Liabilities</b>	<b>261,365</b>	<b>306,436</b>	<b>351,118</b>	<b>388,353</b>	<b>433,619</b>

### Exhibit 9. Ratios

Year to 31 Dec (IDRbn)	2017A	2018A	2019F	2020F	2021F
Yield on Earning Assets	8.8	8.8	8.4	8.4	8.6
Cost of funds	4.7	5.0	4.7	4.5	4.4
Interest Spread	4.2	3.7	3.7	3.9	4.1
Net Interest Margin	4.3	3.9	3.8	4.0	4.3
Cost/Income Ratio	56.4	56.3	57.2	57.4	59.0
Oper. Exp./Oper. Gross Inc.	81.4	85.6	85.9	84.8	84.3
Gross NPL Ratio	2.5	2.8	2.6	2.5	2.3
LLP/Gross NPL	48.2	49.2	67.9	100.3	102.5
Cost of Credit	0.5	0.8	0.8	0.7	0.6
Loan to Deposit Ratio	103.4	103.4	103.8	104.7	106.2
Loan to Funding Ratio	93.4	94.9	93.5	96.0	98.8
CASA Mix	48.3	42.9	46.8	46.9	47.5
ROAE	14.8	12.3	12.3	13.2	14.0
ROAA	1.3	1.0	0.9	1.0	1.1
CAR	18.9	18.2	16.6	15.6	14.2

### Exhibit 10. Dupont and growth

Year to 31 Dec	2017A	2018A	2019F	2020F	2021F
<b>Dupont</b>					
Pre-Tax ROAA	1.6	1.3	1.2	1.3	1.4
Tax Retention rate	78.4	77.8	79.0	77.5	78.0
Post-Tax ROAA	1.3	1.0	0.9	1.0	1.1
Goodwil, Assoc& Min	0.0	0.0	0.0	0.0	0.0
Leverage	11.7	12.5	13.1	13.3	13.3
ROAE	14.8	12.3	12.3	13.2	14.0
<b>Growth (%)</b>					
Interest income	12.4	18.6	11.4	13.0	14.0
Net Interest Income	14.4	8.0	14.4	17.3	20.0
Other Oper. Expenses	14.5	11.1	14.8	16.4	21.9
Fee Based Income	26.9	9.3	25.4	13.9	14.5
Pre-Provision Oper. Profit	17.6	11.1	10.7	15.7	14.1
Net Profit	15.6	(7.3)	10.0	19.1	18.3
Shareholders' Equity	13.2	10.0	10.4	11.2	11.9
Loan	21.0	19.5	14.5	15.3	15.9
Earnings Asset	22.7	17.3	15.1	11.3	11.7
Deposit	20.9	17.6	14.1	14.1	14.1
Int. Bearing Liab.	22.9	18.0	15.3	10.7	11.8
CASA	18.5	4.5	24.4	14.4	15.6
Total Asset	22.0	17.2	14.6	10.6	11.7

Source : BBTN, Danareksa Estimates

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