

Friday, 09 August 2019

**BUY**  
**Maintain**

Last price (IDR) 2,330  
Target Price (IDR) 3,000  
Upside/Downside +28.8%  
Previous Target Price (IDR) 3,000

**Stock Statistics**

Sector Banking  
Bloomberg Ticker BBTN IJ  
No of Shrs (mn) 10,590  
Mkt. Cap (IDRbn/USDmn) 24,675/1,736  
Avg. daily T/O (IDRbn/USDmn) 62.5/4.4

**Major shareholders (%)**

Government of Indonesia 60.0

Estimated free float 40.0

**EPS Consensus (IDR)**

	2019F	2020F	2021F
Danareksa	236.5	284.6	357.3
Consensus	261.2	321.4	389.9
Danareksa/Cons	(9.5)	(11.4)	(8.4)

**BBTN relative to JCI Index**



Source : Bloomberg



**Eka Savitri**

(62-21) 2955 5888 ext.3506

eka.savitri@danareksa.co.id

## Bank Tabungan Negara (BBTN IJ)

### Eying more capital

We continue to like BBTN, noting its expertise on the housing-related sector, from upstream to end-users. Nonetheless, the implementation of PSAK 71 starting on January 1, 2020 remains an overhang given the bank's 37.8% LLC ratio. As such, the short-term priority for BBTN is to increase its coverage ratio by issuing subdebt instruments as tier-2 capital. Assuming a IDR3tn subdebt issuance, CAR would reach 18.8% by the end of 2019F. Maintain BUY with a GGM-derived TP of IDR3,000 (implying 1.1x 2020F PBV).

**Lower growth expectations.** In view of the implementation of PSAK 71 in 2020, BBTN's management has trimmed its targets for this year. Consequently, we also revise down some of the key items such as our loans growth estimate from 14.5%/15.3% to 12.3%/13.2% for this and next year, respectively. In addition, we also raise our blended CoF assumption despite the recent 25bps policy rate cut by BI due to BBTN's high dependency on TD and its potential subdebt issuance in 2H19. As such, we expect a 4.9%/4.7% blended CoF in FY19/20F, respectively. All in all, the FY19F net profits are expected to reach IDR2.5tn.

**Capital is a constraint.** The bank's revised targets take into consideration a 17.0% CAR as of June 2019 pre-implementation of PSAK 71 with a 37.8% Loans Loss Coverage (LLC) ratio and a 3.3% gross NPLs ratio as of June 2019. As such, BBTN plans to issue a total of IDR3-5tn of subdebt instruments (USD and IDR) as tier-2 capital. Assuming IDR3tn of proceeds from the subdebt issuance, CAR would reach 18.8% by December 2019F from previously 16.6% based on our model. For the planned rights issue, we expect it to be executed in 2020.

**A focus on building up more provisions.** The future implementation of PSAK 71 next year remains an overhang for BBTN. In this regard, we expect higher provisions of IDR2.1tn for this year (our previous assumption was IDR1.9tn). Assuming 12.3% yoy loans growth and a 2.6% gross NPLs ratio this year, the LLC ratio will touch 70.7% by 2019F. To reach 100% coverage by January 1, 2020, BBTN will need to allocate an additional IDR2.0tn of provisions, which will come from the issuance of subdebt instruments, in our view.

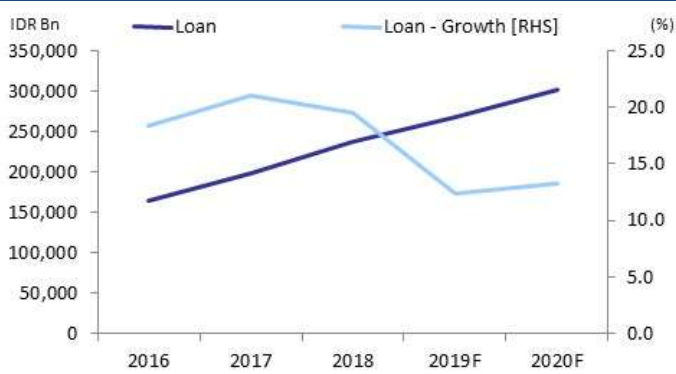
**BUY: unchanged TP of IDR3,000.** Maintain BUY with a GGM-derived TP of IDR3,000 as we roll over our valuation to next year assuming a higher CoE of 11.0%, a sustainable ROAE of 12.1% and 3% long-term growth. Our TP implies 1.1x 2020F PBV (slightly above its -0.5SD of 10-yrs mean at 1.1x).

### Key Financials

Year to 31 Dec	2017A	2018A	2019F	2020F	2021F
PPOP (IDRbn)	4,776	5,308	5,251	6,091	7,394
Net profit (IDRbn)	3,027	2,808	2,503	3,013	3,783
EPS (IDR)	285.9	265.2	236.5	284.6	357.3
EPS growth (%)	15.6	(7.3)	(10.8)	20.4	25.5
BVPS (IDR)	2,046.1	2,251.8	2,440.9	2,668.6	2,954.5
PER (x)	8.1	8.8	9.9	8.2	6.5
PBV (x)	1.1	1.0	1.0	0.9	0.8
Dividend yield (%)	2.5	2.3	2.0	2.4	3.1
ROAE (%)	14.8	12.3	10.1	11.1	12.7

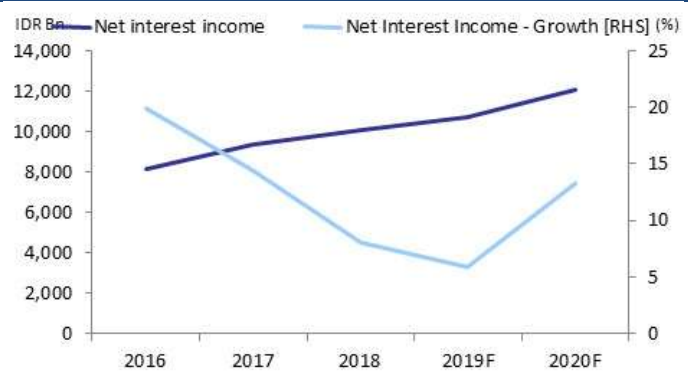
Source : BBTN, Danareksa Estimates

**Exhibit 1. Loans and Growth**



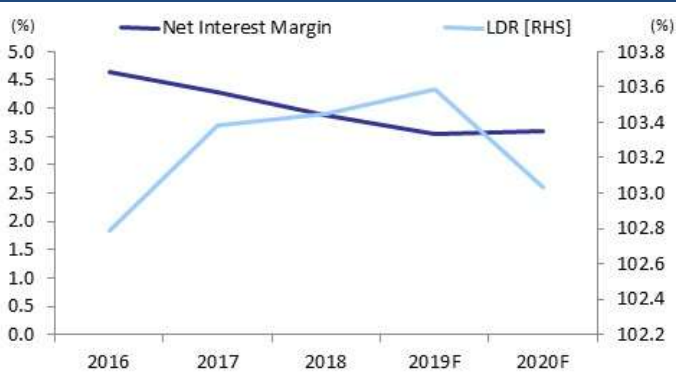
Source: Company, Danareksa Sekuritas estimates

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



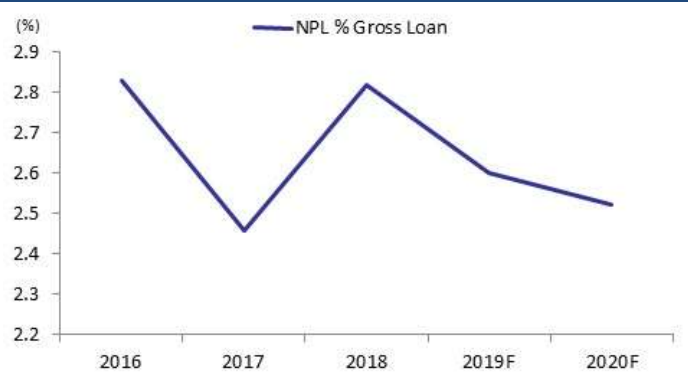
Source: Company, Danareksa Sekuritas estimates

**Exhibit 3. NIM and LDR**



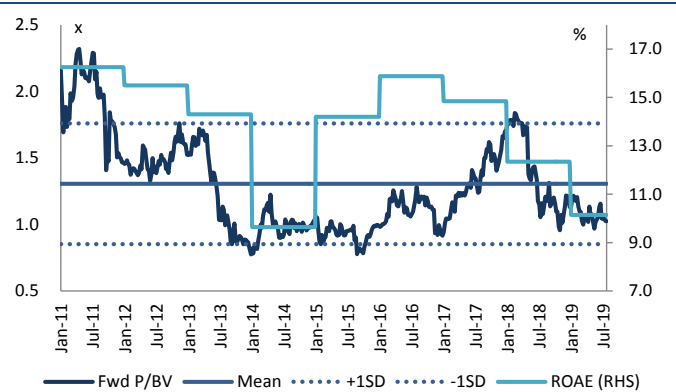
Source: Company, Danareksa Sekuritas estimates

**Exhibit 4. NPLs**



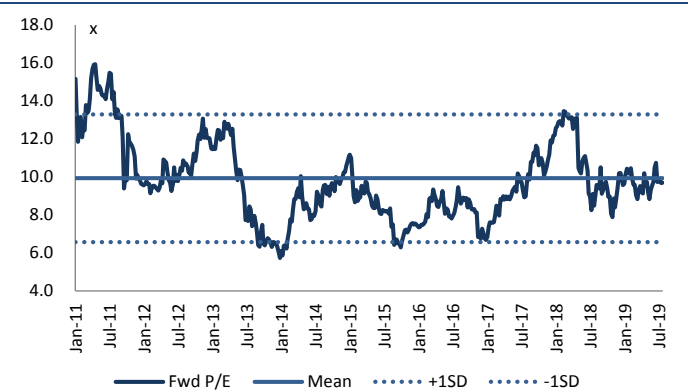
Source: Company, Danareksa Sekuritas estimates

**Exhibit 5. PBV ROAE Band Chart**



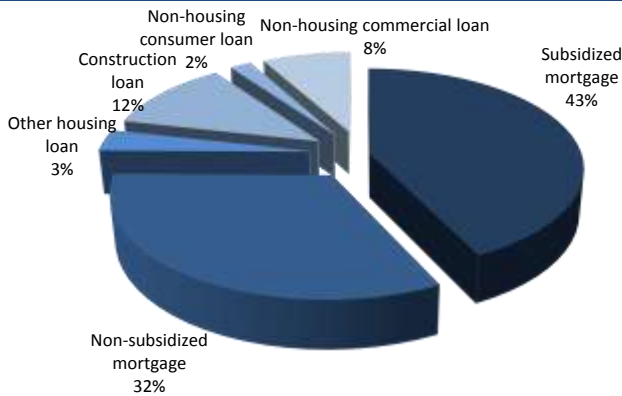
Source: Bloomberg, Danareksa Sekuritas estimates

**Exhibit 6. PE Band Chart**



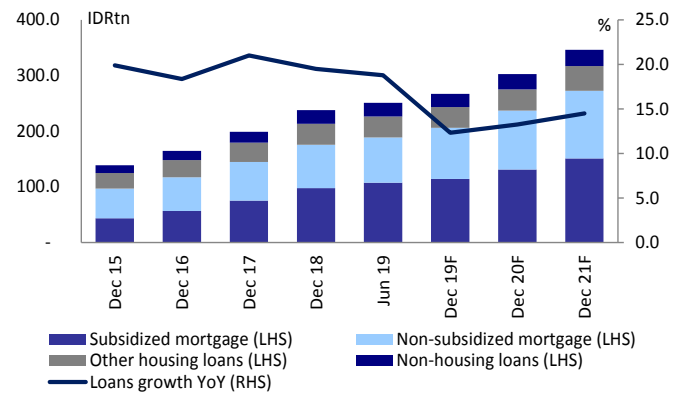
Source: Bloomberg, Danareksa Sekuritas estimates

**Exhibit 7. BBTN's loans portfolio as of June 2019**



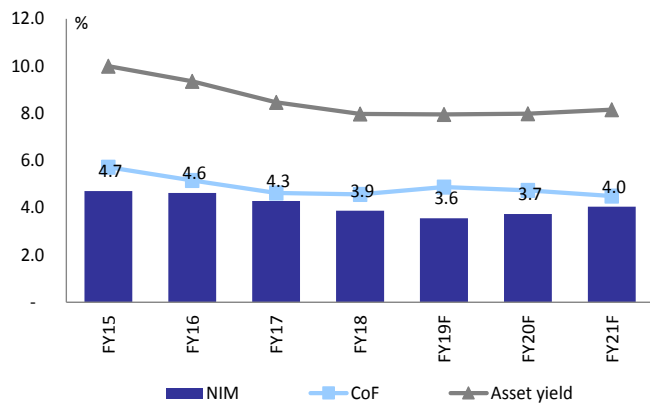
Source: Company

**Exhibit 8. BBTN's loans portfolio projection**



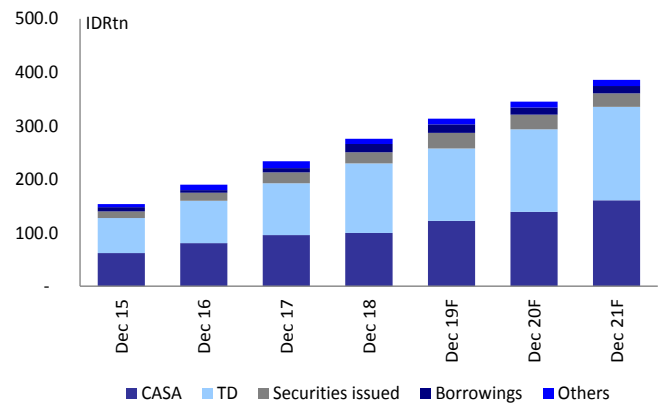
Source: Company, Danareksa Sekuritas estimates

**Exhibit 9. NIMs, asset yields and blended CoFs projection**



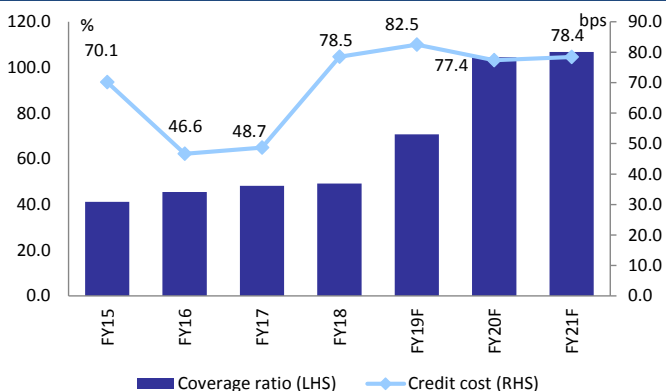
Source: Company, Danareksa Sekuritas estimates

**Exhibit 10. BBTN's funding mixture projection**



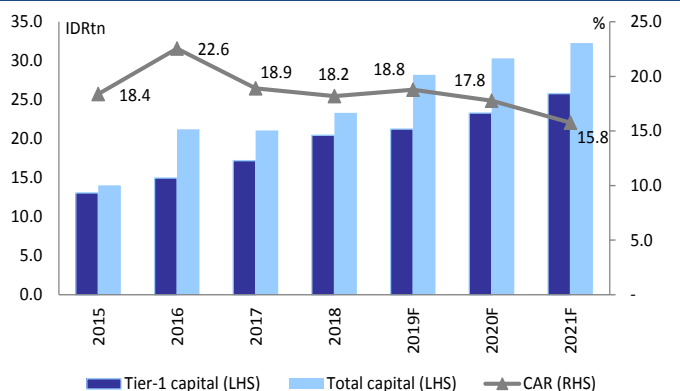
Source: Company, Danareksa Sekuritas estimates

**Exhibit 11. BBTN's coverage ratio and credit cost projection**



Source: Company, Danareksa Sekuritas estimates

**Exhibit 12. BBTN's CAR projection**



Source: Company, Danareksa Sekuritas estimates

**Exhibit 13. Changes in forecast**

Key assumptions	2018	Old			New			Changes (ppt)		
		2019F	2020F	2021F	2019F	2020F	2021F	2019F	2020F	2021F
Loans growth (%)	19.5	14.5	15.3	15.9	12.3	13.2	14.5	(2.2)	(2.1)	(1.4)
Deposits growth (%)	17.6	14.1	14.1	14.1	12.1	13.7	14.1	(2.0)	(0.4)	-
Asset yields (%)	8.8	8.4	8.4	8.6	8.3	8.4	8.5	(0.1)	-	(0.1)
CoFs (%)	5.0	4.7	4.5	4.4	4.9	4.7	4.5	0.2	0.2	0.1
NIMs (%)	3.9	3.8	4.0	4.3	3.6	3.7	4.0	(0.2)	(0.3)	(0.3)
Credit costs (bps)	79	76	73	64	83	77	78	7.0	4.0	14.0
LLC ratio (%)	49.2	67.9	100.3	102.5	70.7	104.5	106.8	2.8	4.2	4.3
Net profit growth (%)	(7.3)	10.0	19.1	18.3	(10.8)	20.4	25.5	N/A	1.3	7.2
CAR	18.2	16.6	15.6	14.2	18.8	17.8	15.8	2.2	2.2	1.6
LDR (%)	103.4	103.8	104.7	106.2	103.6	103.0	103.2	(0.2)	(1.7)	(3.0)
ROAE (%)	12.3	12.3	13.2	14.0	10.1	11.1	12.7	(2.2)	(2.1)	(1.3)

Source : Company, Danareksa Sekuritas estimates

#### Exhibit 14. Income Statement

Year to 31 Dec (IDRbn)	2017A	2018A	2019F	2020F	2021F
Interest Income	19,272	22,852	25,053	28,195	31,593
Interest Expense	(9,931)	(12,763)	(14,376)	(15,612)	(16,474)
<b>Net Interest Income</b>	<b>9,341</b>	<b>10,089</b>	<b>10,678</b>	<b>12,583</b>	<b>15,119</b>
Non-Interest Income (NII)	1,201	1,595	2,176	2,374	2,607
<b>Oper. Income</b>	<b>10,542</b>	<b>11,684</b>	<b>12,853</b>	<b>14,957</b>	<b>17,726</b>
Oper. Expenses	(6,169)	(6,853)	(7,603)	(8,866)	(10,332)
<b>Pre-provisions profit</b>	<b>4,776</b>	<b>5,308</b>	<b>5,251</b>	<b>6,091</b>	<b>7,394</b>
Provisions & Allowances	(884)	(1,714)	(2,082)	(2,202)	(2,544)
<b>Operating Profits</b>	<b>3,892</b>	<b>3,594</b>	<b>3,169</b>	<b>3,888</b>	<b>4,850</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>3,169</b>	<b>3,888</b>	<b>4,850</b>
Income Tax	(834)	(802)	(665)	(875)	(1,067)
Minorities	0	0	0	0	0
<b>Net Profit</b>	<b>3,027</b>	<b>2,808</b>	<b>2,503</b>	<b>3,013</b>	<b>3,783</b>

#### Exhibit 15. Balance Sheet

Year to 31 Dec (IDRbn)	2017A	2018A	2019F	2020F	2021F
Gross Loans	198,991	237,758	267,049	302,393	346,250
Provisions	(2,356)	(3,298)	(4,904)	(7,968)	(8,640)
<b>Net Loans</b>	<b>196,635</b>	<b>234,460</b>	<b>262,145</b>	<b>294,425</b>	<b>337,610</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>319,479</b>	<b>353,610</b>	<b>394,134</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>346,089</b>	<b>380,844</b>	<b>424,728</b>
Customer Deposits	192,474	229,829	257,801	293,480	335,377
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>320,246</b>	<b>352,590</b>	<b>393,447</b>
Share capital & Reserves	10,295	10,209	10,209	10,209	10,209
Retained Earnings	11,369	13,631	15,634	18,045	21,071
<b>Shareholders' Funds</b>	<b>21,663</b>	<b>23,840</b>	<b>25,843</b>	<b>28,254</b>	<b>31,280</b>
Minority interests	0	0	0	0	0
<b>Total Equity &amp; Liabilities</b>	<b>261,365</b>	<b>306,436</b>	<b>346,089</b>	<b>380,844</b>	<b>424,728</b>

### Exhibit 16. Ratios

Year to 31 Dec (IDRbn)	2017A	2018A	2019F	2020F	2021F
Yield on Earning Assets	8.8	8.8	8.3	8.4	8.5
Cost of funds	4.7	5.0	4.9	4.7	4.5
Interest Spread	4.2	3.7	3.5	3.6	3.9
Net Interest Margin	4.3	3.9	3.6	3.7	4.0
Cost/Income Ratio	56.4	56.3	59.1	59.3	58.3
Oper. Exp./Oper. Gross Inc.	81.4	85.6	88.4	87.3	85.8
Gross NPL Ratio	2.5	2.8	2.6	2.5	2.3
LLP/Gross NPL	48.2	49.2	70.7	104.5	106.8
Cost of Credit	0.5	0.8	0.8	0.8	0.8
Loan to Deposit Ratio	103.4	103.4	103.6	103.0	103.2
Loan to Funding Ratio	93.4	94.9	93.1	94.3	95.9
CASA Mix	48.3	42.9	46.8	46.9	47.5
ROAE	14.8	12.3	10.1	11.1	12.7
ROAA	1.3	1.0	0.8	0.8	0.9
CAR	18.9	18.2	18.8	17.8	15.8

### Exhibit 17. Dupont and growth

Year to 31 Dec	2017A	2018A	2019F	2020F	2021F
<b>Dupont</b>					
Pre-Tax ROAA	1.6	1.3	1.0	1.1	1.2
Tax Retention rate	78.4	77.8	79.0	77.5	78.0
Post-Tax ROAA	1.3	1.0	0.8	0.8	0.9
Goodwil, Assoc& Min	0.0	0.0	0.0	0.0	0.0
Leverage	11.7	12.5	13.1	13.4	13.5
ROAE	14.8	12.3	10.1	11.1	12.7
<b>Growth (%)</b>					
Interest income	12.4	18.6	9.6	12.5	12.1
Net Interest Income	14.4	8.0	5.8	17.8	20.2
Other Oper. Expenses	14.5	11.1	10.9	16.6	16.5
Fee Based Income	26.9	9.3	23.1	11.9	13.2
Pre-Provision Oper. Profit	17.6	11.1	(1.1)	16.0	21.4
Net Profit	15.6	(7.3)	(10.8)	20.4	25.5
Shareholders' Equity	13.2	10.0	8.4	9.3	10.7
Loan	21.0	19.5	12.3	13.2	14.5
Earnings Asset	22.7	17.3	13.5	10.7	11.5
Deposit	20.9	17.6	12.1	13.7	14.1
Int. Bearing Liab.	22.9	18.0	13.7	10.2	11.7
CASA	18.5	4.5	22.2	13.9	15.6
Total Asset	22.0	17.2	12.9	10.0	11.5

Source : BBTN, Danareksa Estimates

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