

Friday, 15 November 2019

BUY
Maintain

Last price (IDR)	1,835
Target Price (IDR)	2,700
Upside/Downside	+47.1%
Previous Target Price (IDR)	2,700

Stock Statistics

Sector	Banking
Bloomberg Ticker	BBTN IJ
No of Shrs (mn)	10,590
Mkt. Cap (IDRbn/USDmn)	19,433/1,379
Avg. daily T/O (IDRbn/USDmn)	50.9/3.6

Major shareholders (%)

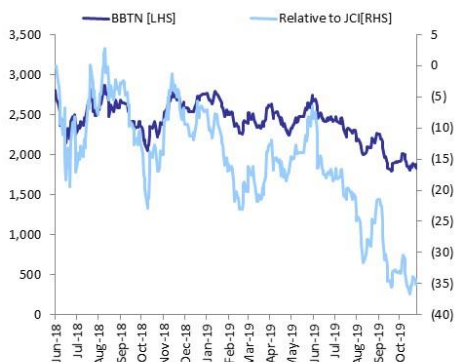
Government of Indonesia	60.0
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Estimated free float	40.0
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EPS Consensus (IDR)

	2019F	2020F	2021F
Danareksa	117.7	208.1	323.3
Consensus	175.2	294.8	325.1
Danareksa/Cons	(32.8)	(29.4)	(0.5)

BBTN relative to JCI Index



Source : Bloomberg



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Bank Tabungan Negara (BBTN IJ)

Upside emerges

We maintain our BUY call on BBTN with an unchanged GGM-derived TP of IDR2,700 (implying 1.08x 2020F PBV) post the release of the 9M19 results. At the bottom line, net profits reached IDR801bn, or inline with our FY forecast of IDR1.2tn (64.3%) given that 9M's net profits were 60.6-80.0% of the full year net profits in the past four years. Our net profits projection is based on the assumptions of 3.2% gross NPLs and a 77.1% coverage ratio by the end of 2019F. As such, we believe our valuation implies limited downside for BBTN going forward.

9M19 highlights. The net profits of IDR801bn are inline with our FY forecast (64.3% of FY19F). The loans growth already normalized at 16.7% yoy in September 2019 supported by 25.5% yoy growth in subsidized mortgages. NIM still declined by c.80bps on a yoy basis to 3.4% due to the pressure on the blended CoF. The credit costs of 117bps in 9M19 were still below our forecast of 147bps in FY19F. The gross NPLs ratio stood at 3.5% as of September 2019 and are expected to decline to 3.2% as of December 2019F.

More conservative guidance. BBTN's management shared its new guidance which is more conservative in our view. Loans growth is expected to range between 8-12% this year, which, we believe, should come in at the higher bound (we assume 12.3% yoy loans growth this year). The gross NPLs ratio should be within the 3.1-3.2% range by the end of the year. Funding should be easier for BBTN following the 100bps policy rate cuts and the few relaxation policies introduced by BI, including offshore long-term borrowings as part of the funding instruments. Another point is the subordinated debt issuance plan as tier 2 capital given the implementation of PSAK 71 in January 2020. Please note that an extraordinary AGM will be held on 27 November 2019, with the appointment of the new CEO as one of the main agendas.

Expect 3.8% NIM next year. Post the 100bps policy rate cuts by BI, we expect more upside in its NIM next year. This is because of the significant contribution of TD instruments at 59.8% of total customer deposits as of September 2019. In 9M19, the blended CoF expanded by c.120bps to 5.9% compared to 9M18's figure. All in all, we expect NIM to reach 3.8% with a 4.8% blended CoF and flattish asset yields at 8.4% for FY20F.

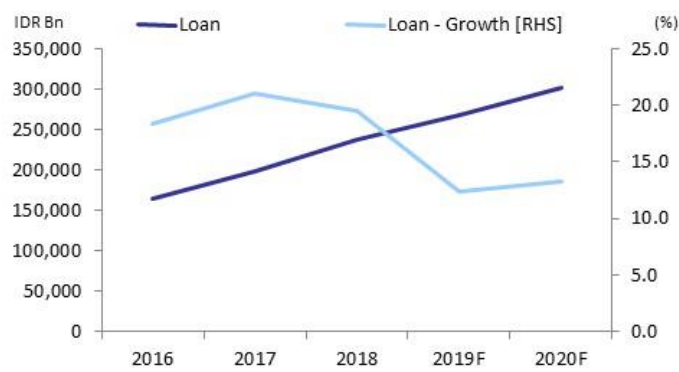
BUY with a TP of IDR2,700. Maintain BUY with a GGM-derived TP of IDR2,700 assuming a CoE of 11.0%, a sustainable ROAE of 11.6% and 3% long-term growth. Our TP implies 1.08x 2020F PBV (-0.5SD of 10-yrs mean).

Key Financials

Year to 31 Dec	2017A	2018A	2019F	2020F	2021F
PPOP (IDRbn)	4,776	5,308	5,291	6,127	7,313
Net profit (IDRbn)	3,027	2,808	1,246	2,203	3,423
EPS (IDR)	285.9	265.2	117.7	208.1	323.3
EPS growth (%)	15.6	(7.3)	(55.6)	76.8	55.4
BVPS (IDR)	2,046.1	2,251.8	2,345.9	2,512.4	2,771.1
PER (x)	6.4	6.9	15.6	8.8	5.7
PBV (x)	0.9	0.8	0.8	0.7	0.7
Dividend yield (%)	3.1	2.9	1.3	2.3	3.5
ROAE (%)	14.8	12.3	5.1	8.6	12.2

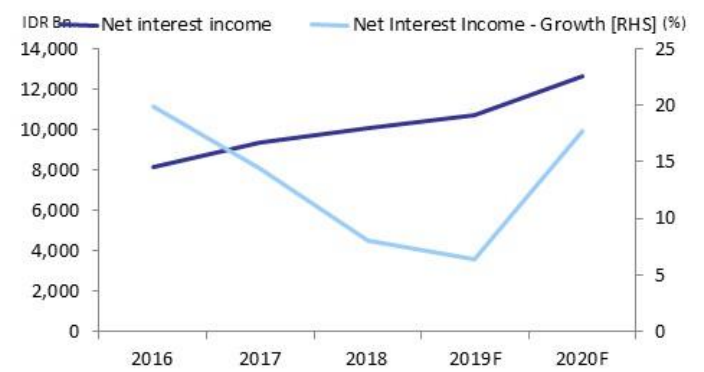
Source : BBTN, Danareksa Estimates

Exhibit 1. Loans and Growth



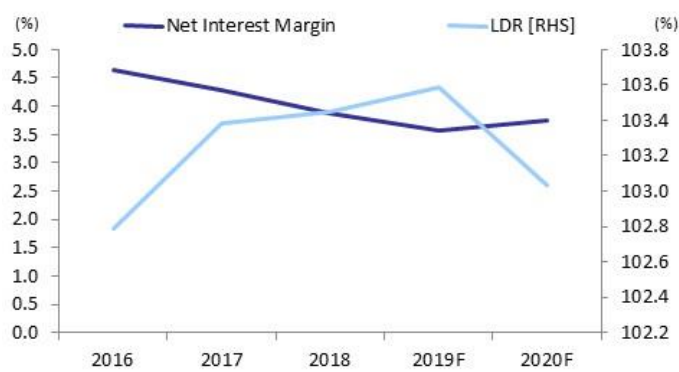
Source: Company, Danareksa Sekuritas estimates

Exhibit 2. Net Interest Income and Growth



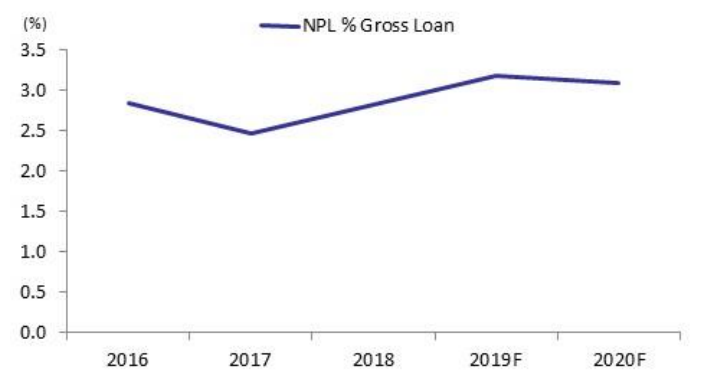
Source: Company, Danareksa Sekuritas estimates

Exhibit 3. NIM and LDR



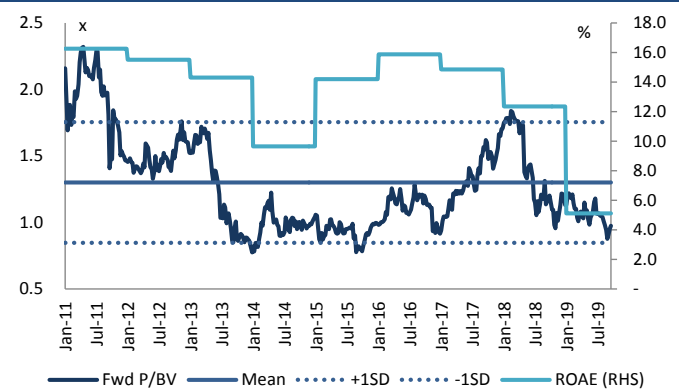
Source: Company, Danareksa Sekuritas estimates

Exhibit 4. NPL



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 result

FYE Dec (IDRbn)	3Q18	2Q19	3Q19	QoQ (%)	YoY (%)	9M18	9M19	YoY (%)
Net interest income	2,767	2,261	2,311	2.2	(16.5)	7,452	6,937	(6.9)
<i>Reported NIM (%)</i>	4.5	3.3	3.5			4.2	3.4	
Non-interest income	448	502	495	(1.3)	10.6	1,470	1,596	8.6
<i>Non-Il/Total income (%)</i>	13.9	18.2	17.6			16.5	18.7	
Operating income	3,214	2,763	2,806	1.6	(12.7)	8,922	8,533	(4.4)
Overhead expenses	(1,764)	(1,746)	(1,797)	2.9	1.9	(5,250)	(5,328)	1.5
<i>Cost-Income Ratio (%)</i>	54.9	63.2	64.1			58.8	62.4	
Pre-Provisions profit	1,450	1,017	1,009	(0.8)	(30.4)	3,672	3,205	(12.7)
Provisions allowance	(449)	(229)	(1,693)	638.2	277.0	(867)	(2,175)	150.9
<i>Credit cost - annualised (bps)</i>	83.0	36.5	266.6			55.2	117.2	
Pretax profit	1,033	774	(689)	(189.0)	(166.7)	2,847	1,006	(64.7)
Tax	(221)	(191)	184	(196.3)	(183.2)	(611)	(205)	(66.4)
<i>Effective tax rate (%)</i>	(21.4)	(24.6)	(26.7)			(21.5)	(20.4)	
Profit after tax	812	583	(505)	(186.6)	(162.2)	2,236	801	(64.2)
Other Key Data and Ratios								
Gross loans	220,077	251,041	256,934	2.3	16.7	220,077	256,934	16.7
Customer deposits	193,899	218,705	230,352	5.3	18.8	193,899	230,352	18.8
Gross NPLs	5,832	8,335	9,095	9.1	56.0	5,832	9,095	56.0
Total assets	272,304	280,022	316,211	12.9	16.1	272,304	316,211	16.1
Equity	23,250	24,661	24,120	(2.2)	3.7	23,250	24,120	3.7
ROAA (%)	1.2	0.8	(0.7)			1.1	0.3	
ROAE (%)	14.2	9.5	(8.3)			13.3	4.5	
LDR (%)	113.5	114.8	111.5			113.5	111.5	
Gross NPL ratio (%)	2.7	3.3	3.5			2.7	3.5	
Coverage (%)	43.8	37.8	52.6			43.8	52.6	
CAR (%)	18.0	17.0	16.9			18.0	16.9	

Source : Company

Exhibit 8. Income Statement

Year to 31 Dec (IDRbn)	2017A	2018A	2019F	2020F	2021F
Interest Income	19,272	22,852	25,127	28,281	31,526
Interest Expense	(9,931)	(12,763)	(14,393)	(15,647)	(16,507)
Net Interest Income	9,341	10,089	10,734	12,634	15,020
Non-Interest Income (NII)	1,201	1,595	2,176	2,374	2,598
Oper. Income	10,542	11,684	12,910	15,007	17,617
Oper. Expenses	(6,169)	(6,853)	(7,619)	(8,881)	(10,304)
Pre-provisions profit	4,776	5,308	5,291	6,127	7,313
Provisions & Allowances	(884)	(1,714)	(3,713)	(3,284)	(2,924)
Operating Profits	3,892	3,594	1,577	2,843	4,389
Non-Operating Income	(30)	16	0	0	0
Exceptionals	0	0	0	0	0
Pre-tax Profit	3,862	3,610	1,577	2,843	4,389
Income Tax	(834)	(802)	(331)	(640)	(966)
Minorities	0	0	0	0	0
Net Profit	3,027	2,808	1,246	2,203	3,423

Exhibit 9. Balance Sheet

Year to 31 Dec (IDRbn)	2017A	2018A	2019F	2020F	2021F
Gross Loans	198,991	237,758	267,049	302,393	343,541
Provisions	(2,356)	(3,298)	(6,536)	(10,681)	(11,749)
Net Loans	196,635	234,460	260,513	291,712	331,793
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
Total Earnings Assets	240,142	281,579	319,479	353,610	391,426
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
Total Assets	261,365	306,436	345,083	379,190	422,786
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
Total Liabilities	239,702	282,596	320,246	352,590	393,447
Share capital & Reserves	10,295	10,209	10,209	10,209	10,209
Retained Earnings	11,369	13,631	14,628	16,391	19,129
Shareholders' Funds	21,663	23,840	24,837	26,600	29,338
Minority interests	0	0	0	0	0
Total Equity & Liabilities	261,365	306,436	345,083	379,190	422,786

Exhibit 10. Ratios

Year to 31 Dec (IDRbn)	2017A	2018A	2019F	2020F	2021F
Yield on Earning Assets	8.8	8.8	8.4	8.4	8.5
Cost of funds	4.7	5.0	4.9	4.8	4.5
Interest Spread	4.2	3.7	3.5	3.7	3.9
Net Interest Margin	4.3	3.9	3.6	3.8	4.0
Cost/Income Ratio	56.4	56.3	59.0	59.2	58.5
Oper. Exp./Oper. Gross Inc.	81.4	85.6	94.2	90.7	87.1
Gross NPL Ratio	2.5	2.8	3.2	3.1	2.9
LLP/Gross NPL	48.2	49.2	77.1	114.5	120.0
Cost of Credit	0.5	0.8	1.5	1.2	0.9
Loan to Deposit Ratio	103.4	103.4	103.6	103.0	102.4
Loan to Funding Ratio	93.4	94.9	93.1	94.3	95.2
CASA Mix	48.3	42.9	46.8	46.9	47.5
ROAE	14.8	12.3	5.1	8.6	12.2
ROAA	1.3	1.0	0.4	0.6	0.9
CAR	18.9	18.2	18.7	17.1	15.1

Exhibit 11. Dupont and growth

Year to 31 Dec	2017A	2018A	2019F	2020F	2021F
Dupont					
Pre-Tax ROAA	1.6	1.3	0.5	0.8	1.1
Tax Retention rate	78.4	77.8	79.0	77.5	78.0
Post-Tax ROAA	1.3	1.0	0.4	0.6	0.9
Goodwil, Assoc& Min	0.0	0.0	0.0	0.0	0.0
Leverage	11.7	12.5	13.4	14.1	14.3
ROAE	14.8	12.3	5.1	8.6	12.2
Growth (%)					
Interest income	12.4	18.6	10.0	12.6	11.5
Net Interest Income	14.4	8.0	6.4	17.7	18.9
Other Oper. Expenses	14.5	11.1	11.2	16.6	16.0
Fee Based Income	26.9	9.3	23.1	11.9	12.4
Pre-Provision Oper. Profit	17.6	11.1	(0.3)	15.8	19.4
Net Profit	15.6	(7.3)	(55.6)	76.8	55.4
Shareholders' Equity	13.2	10.0	4.2	7.1	10.3
Loan	21.0	19.5	12.3	13.2	13.6
Earnings Asset	22.7	17.3	13.5	10.7	10.7
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	12.6	9.9	11.5

Source : BBTN, Danareksa Estimates

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