

Thursday, 28 November 2019

**BUY**  
**Maintain**

Last price (IDR)	2,120
Target Price (IDR)	2,700
Upside/Downside	+27.4%
Previous Target Price (IDR)	2,700

**Stock Statistics**

Sector	Banking
Bloomberg Ticker	BBTN IJ
No of Shrs (mn)	10,590
Mkt. Cap (IDRbn/USDmn)	22,451/1,593
Avg. daily T/O (IDRbn/USDmn)	54.3/3.9

**Major shareholders (%)**

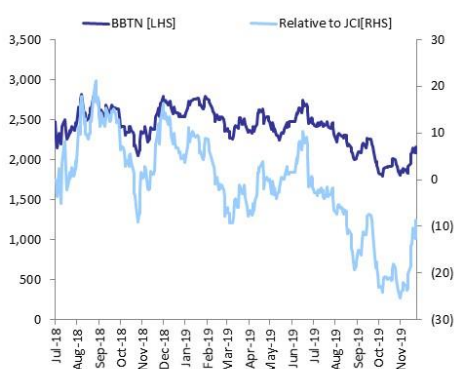
Government of Indonesia	60.0
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Estimated free float	40.0
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**EPS Consensus (IDR)**

	2019F	2020F	2021F
Danareksa	117.7	208.1	323.3
Consensus	130.3	264.8	314.8
Danareksa/Cons	(9.7)	(21.4)	2.7

**BBTN relative to JCI Index**



Source : Bloomberg



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## Bank Tabungan Negara (BBTN IJ)

### Starting a new chapter

**We maintain our BUY call on BBTN with an unchanged GGM-derived TP of IDR2,700 (implying 1.08x 2020F PBV) post the appointment of Pahala Mansury as the new CEO at the extraordinary AGM. We believe Pak Pahala will help bring about sustainable business expansion for BBTN going forward. We maintain our estimate of IDR1.2tn of net profits this year assuming credit costs of 147bps, 3.2% gross NPLs, and a 77.1% coverage ratio by the end of 2019F. Thus, based on our forecast, we believe there is limited downside going forward.**

**New CEO, new hope.** Pak Pahala Mansury was appointed as the bank's new CEO at the extraordinary AGM. Given his long-standing experience as the CFO of Mandiri in 2010-2017, we believe Pak Pahala will be able to bring about more sustainable business expansion for BBTN going forward. In our view, his short-term homework is to prepare BBTN so that the bank complies with PSAK 71 implementation, improving its assets quality, and lowering the bank's dependency on TD instruments with special rates.

**Better prepared for PSAK 71.** Post 9M19's result, BBTN's management shared its guidance for potential PSAK 71 implementation in January 2020. Assets quality and provisions policy remain the main concerns in our view. As such, we assume 12.3% yoy loans growth this year. The gross NPLs ratio should reach 3.2% with a higher coverage ratio of 77.1% as of December 2019F. A higher coverage ratio is supported by 147bps credit costs in our model. To provide an ample buffer in its capital post PSAK 71 implementation, BBTN will issue subordinated debt as tier 2 capital with an indicative size of IDR4tn as well as junior global bonds with an indicative size of USD200mn.

**Expect a 3.8% NIM next year.** Post the 100bps policy rate cuts and 50bps cut in the Reserve Requirement Ratio by BI, we foresee more upside for BBTN's NIM next year. We expect the NIM to expand to 3.8% next year mainly supported by a lower blended CoF. Our assumption reflects the fact that BBTN's funding structure is dominated by TD instruments which accounted for 49% of the total funding as of September 2019. Hence, the CoF increased by c.90bps to 5.7% in 3Q19 from 3Q18's figure, driven by a 100bps increase in the Time Deposit's CoF to 7%.

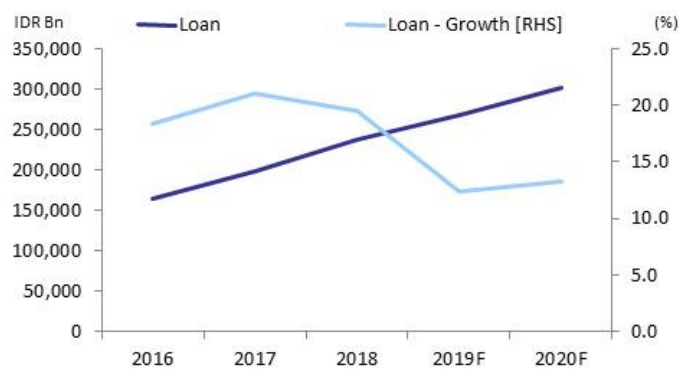
**BUY with a TP of IDR2,700.** Maintain BUY with a GGM-derived TP of IDR2,700 assuming a CoE of 11.0%, a sustainable ROAE of 11.6% and 3% long-term growth. Our TP implies 1.08x 2020F PBV (-0.5SD of the 10-yr mean).

### 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)	7.4	8.0	18.0	10.2	6.6
PBV (x)	1.0	0.9	0.9	0.8	0.8
Dividend yield (%)	2.7	2.5	1.1	2.0	3.1
ROAE (%)	14.8	12.3	5.1	8.6	12.2

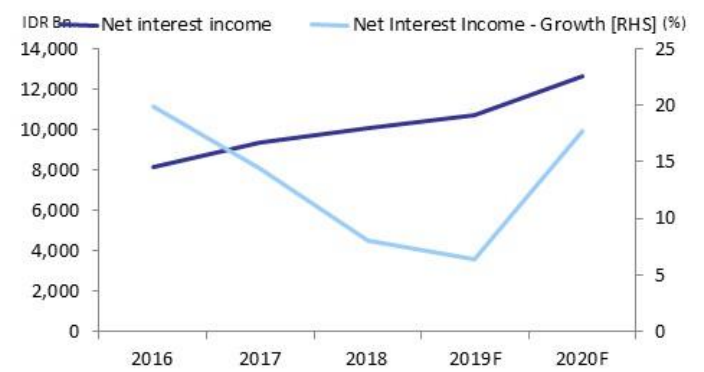
Source : BBTN, Danareksa Estimates

**Exhibit 1. Loans and Growth**



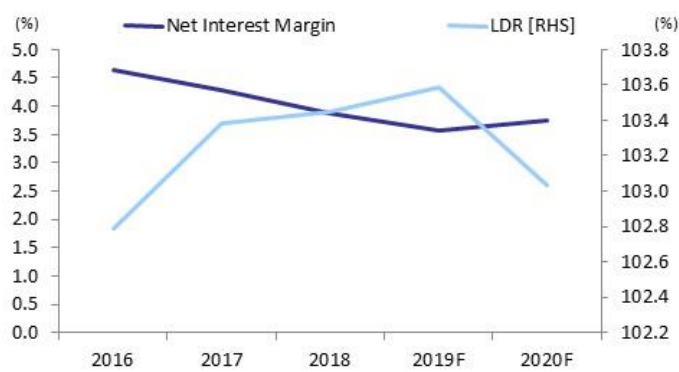
Source: Company, Danareksa Sekuritas estimates

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



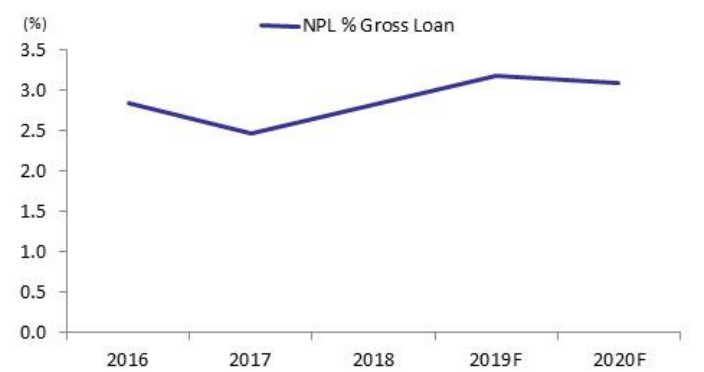
Source: Company, Danareksa Sekuritas estimates

**Exhibit 3. NIM and LDR**



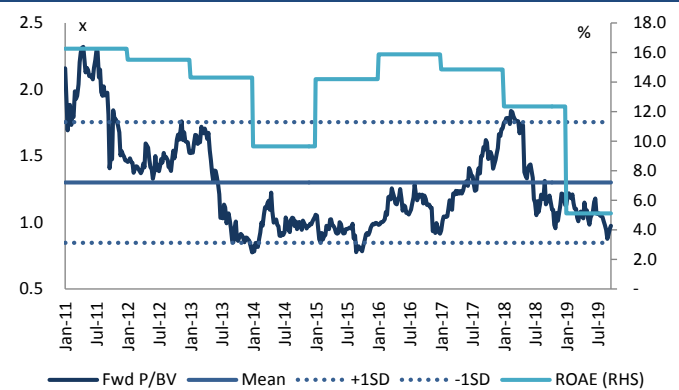
Source: Company, Danareksa Sekuritas estimates

**Exhibit 4. NPLs**



Source: Company, Danareksa Sekuritas estimates

**Exhibit 5. PBV ROAE Band Chart**



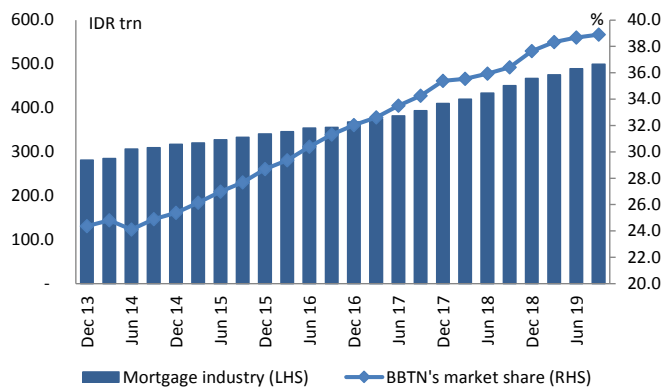
Source: Bloomberg, Danareksa Sekuritas estimates

**Exhibit 6. PE Band Chart**



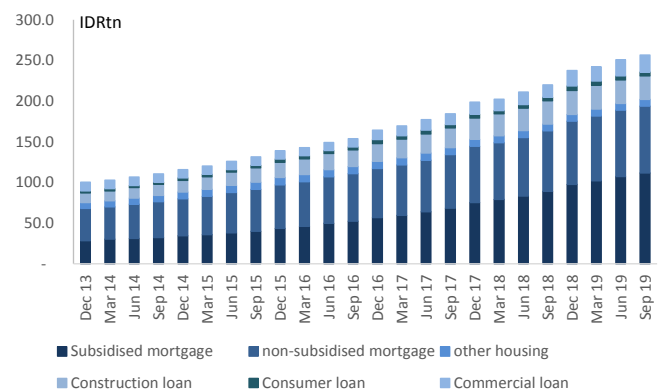
Source: Bloomberg, Danareksa Sekuritas estimates

**Exhibit 7. Mortgage industry and BBTN's market share**



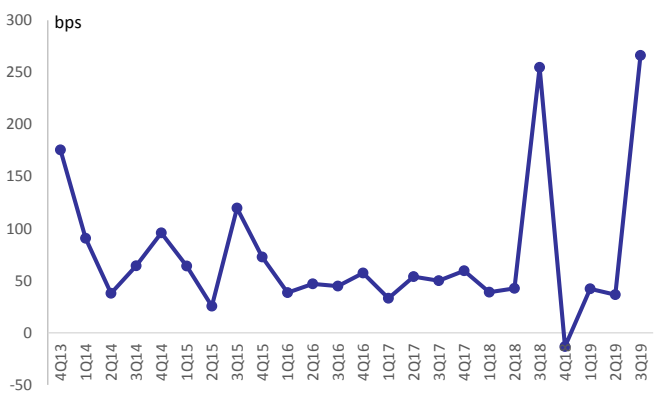
Source: Bank Indonesia, Company

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



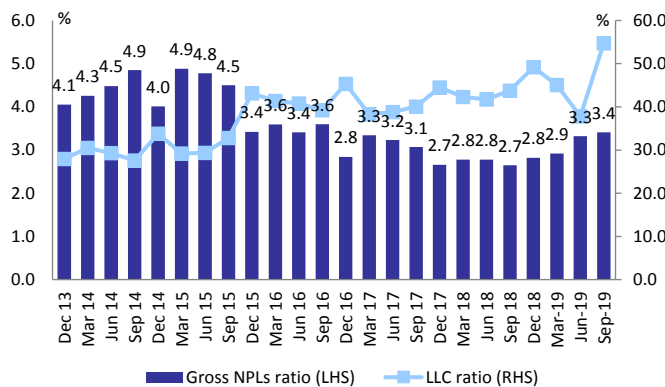
Source: Company

**Exhibit 9. BBTN's annualized credit costs**



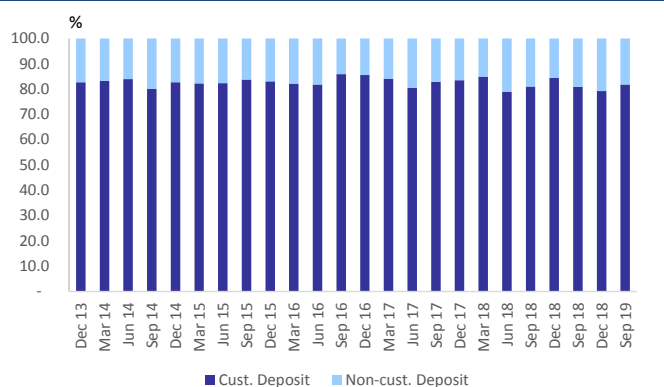
Source: Company, Danareksa Sekuritas estimates

**Exhibit 10. BBTN's gross NPLs ratio and LLC ratio**



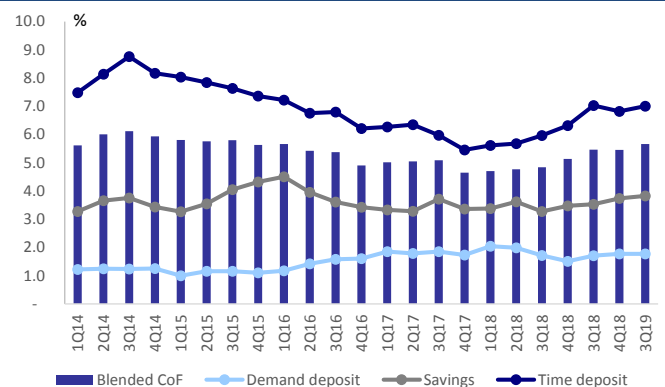
Source: Company

**Exhibit 11. BBTN's funding structure**



Source: Company

**Exhibit 12. Quarterly blended CoFs**



Source: Company, Danareksa Sekuritas estimates

### Exhibit 13. 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)
<b>Net Interest Income</b>	<b>9,341</b>	<b>10,089</b>	<b>10,734</b>	<b>12,634</b>	<b>15,020</b>
Non-Interest Income (NII)	1,201	1,595	2,176	2,374	2,598
<b>Oper. Income</b>	<b>10,542</b>	<b>11,684</b>	<b>12,910</b>	<b>15,007</b>	<b>17,617</b>
Oper. Expenses	(6,169)	(6,853)	(7,619)	(8,881)	(10,304)
<b>Pre-provisions profit</b>	<b>4,776</b>	<b>5,308</b>	<b>5,291</b>	<b>6,127</b>	<b>7,313</b>
Provisions & Allowances	(884)	(1,714)	(3,713)	(3,284)	(2,924)
<b>Operating Profits</b>	<b>3,892</b>	<b>3,594</b>	<b>1,577</b>	<b>2,843</b>	<b>4,389</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>1,577</b>	<b>2,843</b>	<b>4,389</b>
Income Tax	(834)	(802)	(331)	(640)	(966)
Minorities	0	0	0	0	0
<b>Net Profit</b>	<b>3,027</b>	<b>2,808</b>	<b>1,246</b>	<b>2,203</b>	<b>3,423</b>

### Exhibit 14. 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)
<b>Net Loans</b>	<b>196,635</b>	<b>234,460</b>	<b>260,513</b>	<b>291,712</b>	<b>331,793</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>391,426</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>345,083</b>	<b>379,190</b>	<b>422,786</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	14,628	16,391	19,129
<b>Shareholders' Funds</b>	<b>21,663</b>	<b>23,840</b>	<b>24,837</b>	<b>26,600</b>	<b>29,338</b>
Minority interests	0	0	0	0	0
<b>Total Equity &amp; Liabilities</b>	<b>261,365</b>	<b>306,436</b>	<b>345,083</b>	<b>379,190</b>	<b>422,786</b>

### Exhibit 15. 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 16. Dupont and growth

Year to 31 Dec	2017A	2018A	2019F	2020F	2021F
<b>Dupont</b>					
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
<b>Growth (%)</b>					
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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