

Monday, 18 May 2020

BUY
Maintain

Last price (IDR) 745
Target Price (IDR) 1,500
Upside/Downside +101.3%
Previous Target Price (IDR) 1,500

Stock Statistics

Sector Banking
Bloomberg Ticker BBTN JJ
No of Shrs (mn) 10,590
Mkt. Cap (IDRbn/USDmn) 7,890/531
Avg. daily T/O (IDRbn/USDmn) 38.9/2.6

Major shareholders (%)

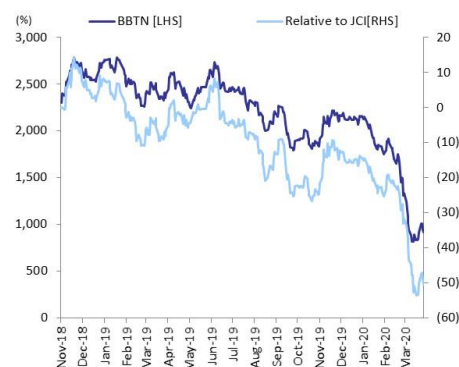
Government of Indonesia 60.0

Estimated free float 40.0

EPS Consensus (IDR)

	2020F	2021F	2022F
Danareksa	107.0	180.3	257.1
Consensus	149.6	225.8	264.9
Danareksa/Cons	(28.5)	(20.2)	(2.9)

BBTN relative to JCI Index



Source : Bloomberg



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Bank Tabungan Negara (BBTN JJ)

Liquidity first

We maintain our BUY call on BBTN with an unchanged GGM-derived TP of IDR1,500 (implying 0.8x 2020F PBV) post the 1Q20 results. Despite the additional government budget for 170K more subsidized houses, we do not expect the plan to significantly boost demand itself. NIM should only expand by 20bps to 3.3% in our view as BBTN aims to maintain ample liquidity. On the assets quality side, we maintain our gross NPLs ratio estimate at 4.1% by December 2020F with credit costs of 124bps.

1Q20 highlights. The net profits of IDR457bn are above our forecast due to lower credit costs of 69bps. Loans grew 4.6% yoy mainly driven by 10.6% yoy growth in subsidized mortgages. That said, NIM still dropped to 3.1% given a higher contribution from subsidized mortgages, the segment with lower loan yields. Additionally, the gross NPLs ratio stood at 4.9% with an ample 105.7% LLC ratio as of March 2020 post PSAK 71 implementation.

Depending on subsidized mortgages as the growth driver. Given that the COVID-19 outbreak will soften the GDP growth outlook, BBTN has switched its focus more towards subsidized mortgages. This strategy is supported by the government's commitment to provide an additional budget for 170K houses. Moreover, exposure to non-fixed income earners in its mortgages portfolio is still manageable, approximately IDR45tn from both subsidized and non-subsidized mortgages (17% of its loans book as of March 2020). All in all, we forecast 6.0% yoy growth in subsidized mortgages while its total loans portfolio is expected to grow by 4.7% this year.

Maintaining sufficient liquidity is the key. BBTN's management highlighted liquidity as the key focus in the currently challenging environment. Despite its initiatives to tap more CASA deposits through electronic banking and one stop payroll solutions, we assume these will only help during normal conditions. Restructuring loans will be most likely done by giving borrowers affected by the COVID-19 pandemic lower lending rates. As such, the NIM will only tick upwards by 20bps to 3.3% in our model on the back of lower asset yields by 50bps to 8.5% and lower blended CoFs by c.60bps to 5.4% in FY20F.

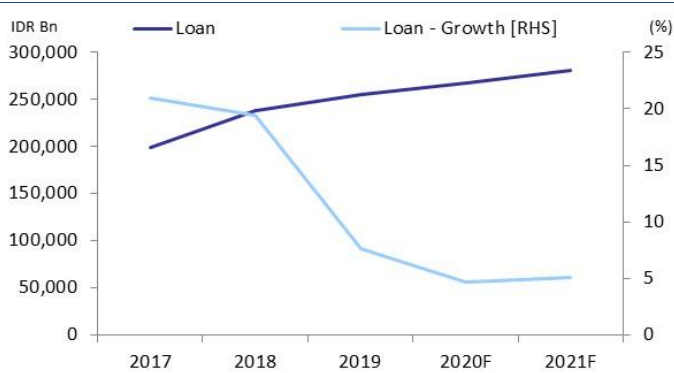
BUY with an unchanged TP of IDR1,500. Maintain BUY with an unchanged GGM-derived TP of IDR1,500 assuming a CoE of 11.7%, a 10.3% ROAE and 3% long-term growth. Our TP implies 0.8x 2020F PBV (-1SD of the 10-yr mean).

Key Financials

Year to 31 Dec	2018A	2019A	2020F	2021F	2022F
PPOP (IDRbn)	5,308	4,008	4,670	5,375	6,143
Net profit (IDRbn)	2,808	209	1,133	1,909	2,722
EPS (IDR)	265.2	19.8	107.0	180.3	257.1
EPS growth (%)	(7.3)	(92.5)	441.6	68.4	42.6
BVPS (IDR)	2,251.8	2,251.4	1,781.0	1,943.3	2,161.8
PER (x)	3.5	46.5	8.6	5.1	3.6
PBV (x)	0.4	0.4	0.5	0.5	0.4
Dividend yield (%)	5.8	0.2	1.2	2.0	4.2
ROAE (%)	12.3	0.9	5.3	9.7	12.5

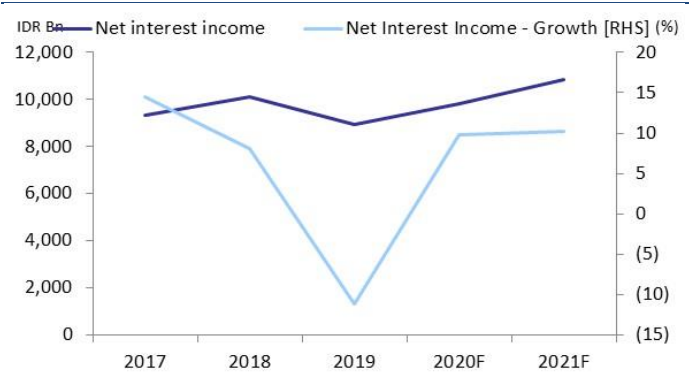
Source : BBTN, Danareksa Estimates

Exhibit 1. Loans and Growth



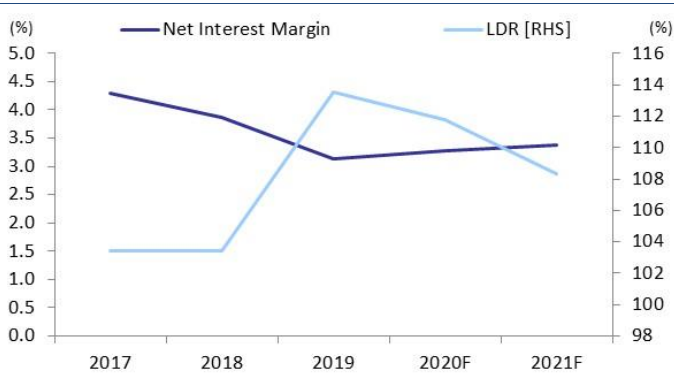
Source: Company, Danareksa Sekuritas estimates

Exhibit 2. Net Interest Income and Growth



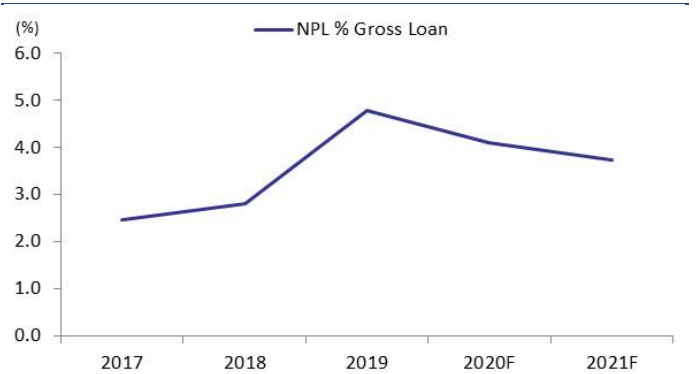
Source: Company, Danareksa Sekuritas estimates

Exhibit 3. NIM and LDR



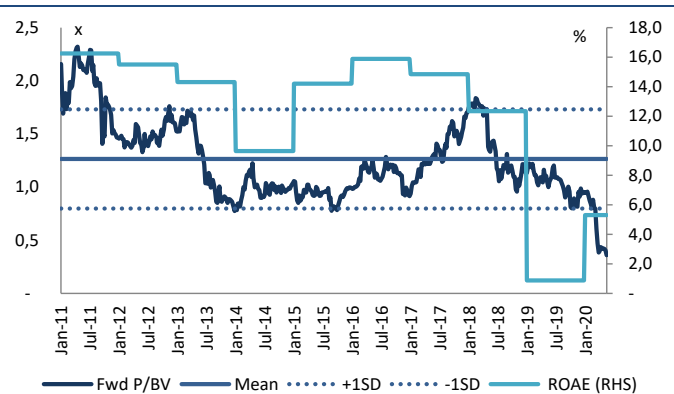
Source: Company, Danareksa Sekuritas estimates

Exhibit 4. NPLs



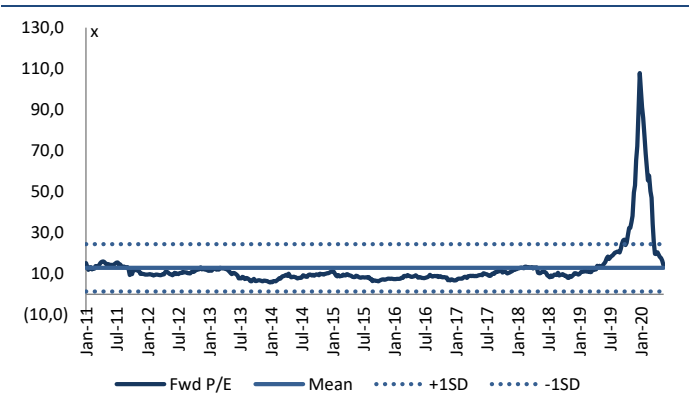
Source: Company, Danareksa Sekuritas estimates

Exhibit 5. PBV ROAE Band Chart



Source: Company, Danareksa Sekuritas estimates

Exhibit 6. PE Band Chart



Source: Company, Danareksa Sekuritas estimates

Exhibit 7. BBTN's result

(IDR bn)	1Q19	4Q19	1Q20	QoQ (%)	YoY (%)
Net interest income	2,364	2,104	2,179	3.6	(7.8)
<i>Net interest margin (%)</i>	3.6	2.9	3.1		
Non-interest income	600	521	475	(8.8)	(20.8)
Operating income	2,964	2,625	2,654	1.1	(10.5)
Overhead expenses	(1,784)	(1,821)	(1,784)	(2.0)	(0.0)
<i>Cost-Income Ratio (%)</i>	60.2	69.4	67.2		
Pre-Provisions profit	1,180	804	870	8.2	(26.2)
Provisions allowance	(253)	(1,311)	(439)	(66.5)	73.4
<i>Credit cost - annualised (bps)</i>	42.1	204.5	69.0		
Pretax profit	921	(595)	586	N/A	(36.4)
Tax	(198)	3	(129)	N/A	(34.8)
<i>Effective tax rate (%)</i>	21.5	0.5	22.0		
Net Profit	723	(592)	457	N/A	(36.8)
Other Key Data and Ratios					
Gross loans	242,135	255,825	253,252	(1.0)	4.6
Customer deposits	215,479	225,383	221,719	(1.6)	2.9
Gross non-performing loans	7,070	12,228	12,409	1.5	75.5
Total assets	301,346	311,777	308,187	(1.2)	2.3
Shareholders' funds	24,534	23,836	16,489	(30.8)	(32.8)
ROAA (%)	1.0	(0.8)	0.6		
ROAE (%)	12.0	(9.9)	9.1		
LDR (%)	112.4	113.5	114.2		
Gross NPLs ratio (%)	2.9	4.8	4.9		
LLC ratio (%)	45.0	50.0	105.7		
CAR (%)	17.6	17.3	18.7		

Source : Company, Danareksa Sekuritas estimates

Exhibit 8. Income Statement

Year to 31 Dec (IDRbn)	2018A	2019A	2020F	2021F	2022F
Interest Income	22,852	25,720	25,504	26,172	27,126
Interest Expense	(12,763)	(16,758)	(15,670)	(15,335)	(15,296)
Net Interest Income	10,089	8,962	9,835	10,837	11,829
Non-Interest Income (NII)	1,595	1,466	1,986	2,064	2,155
Oper. Income	11,684	10,428	11,821	12,900	13,985
Oper. Expenses	(6,853)	(7,063)	(7,151)	(7,526)	(7,841)
Pre-provisions profit	5,308	4,008	4,670	5,375	6,143
Provisions & Allowances	(1,714)	(3,487)	(3,226)	(2,989)	(2,675)
Operating Profits	3,594	522	1,444	2,386	3,468
Non-Operating Income	16	(111)	0	0	0
Exceptionals	0	0	0	0	0
Pre-tax Profit	3,610	411	1,444	2,386	3,468
Income Tax	(802)	(202)	(310)	(477)	(746)
Minorities	0	0	0	0	0
Net Profit	2,808	209	1,133	1,909	2,722

Exhibit 9. Balance Sheet

Year to 31 Dec (IDRbn)	2018A	2019A	2020F	2021F	2022F
Gross Loans	237,758	255,825	267,743	281,380	297,725
Provisions	(3,298)	(6,116)	(13,839)	(12,821)	(13,171)
Net Loans	234,460	249,709	253,904	268,559	284,554
Govt. Bonds	9,393	11,054	10,462	10,359	9,292
Securities	5,848	8,085	11,235	14,564	20,291
Other Earnings Assets	0	0	0	0	0
Total Earnings Assets	281,579	289,171	310,945	330,344	357,903
Fixed Assets	7,412	8,108	8,326	8,538	8,845
Non-Earnings Assets	6,216	5,811	5,433	5,079	4,748
Total Assets	306,436	311,777	325,523	345,467	373,421
Customer Deposits	229,829	225,383	239,483	259,713	285,885
Banks Deposits	3,010	4,521	3,290	3,257	3,224
Int. Bearing Liab. - Others	0	0	0	0	0
Total Liabilities	282,596	287,941	306,667	324,893	350,533
Share capital & Reserves	10,209	10,669	10,669	10,669	10,669
Retained Earnings	13,631	13,167	8,187	9,905	12,219
Shareholders' Funds	23,840	23,836	18,856	20,574	22,888
Minority interests	0	0	0	0	0
Total Equity & Liabilities	306,436	311,777	325,523	345,467	373,421

Exhibit 10. Ratios

Year to 31 Dec (IDRbn)	2018A	2019A	2020F	2021F	2022F
Yield on Earning Assets	8.8	9.0	8.5	8.2	7.9
Cost of funds	5.0	6.0	5.4	5.0	4.6
Interest Spread	3.7	3.0	3.1	3.2	3.3
Net Interest Margin	3.9	3.1	3.3	3.4	3.4
Cost/Income Ratio	56.3	63.8	60.5	58.3	56.1
Oper. Exp./Oper. Gross Inc.	85.6	98.1	94.7	91.5	88.2
Gross NPL Ratio	2.8	4.8	4.1	3.7	3.3
LLP/Gross NPL	49.2	50.0	126.0	121.7	133.3
Cost of Credit	0.8	1.4	1.2	1.1	0.9
Loan to Deposit Ratio	103.4	113.5	111.8	108.3	104.1
Loan to Funding Ratio	94.9	104.3	101.5	99.5	96.4
CASA Mix	42.9	42.5	42.7	44.9	44.7
ROAE	12.3	0.9	5.3	9.7	12.5
ROAA	1.0	0.1	0.4	0.6	0.8
CAR	18.2	17.3	18.6	18.1	17.7

Exhibit 11. Dupont and growth

Year to 31 Dec	2018A	2019A	2020F	2021F	2022F
Dupont					
Pre-Tax ROAA	1.3	0.1	0.5	0.7	1.0
Tax Retention rate	77.8	50.9	78.5	80.0	78.5
Post-Tax ROAA	1.0	0.1	0.4	0.6	0.8
Goodwil, Assoc& Min	0.0	0.0	0.0	0.0	0.0
Leverage	12.5	13.0	14.9	17.0	16.5
ROAE	12.3	0.9	5.3	9.7	12.5
Growth (%)					
Interest income	18.6	12.6	(0.8)	2.6	3.6
Net Interest Income	8.0	(11.2)	9.7	10.2	9.2
Other Oper. Expenses	11.1	3.1	1.2	5.2	4.2
Fee Based Income	9.3	1.6	21.6	4.6	5.3
Pre-Provision Oper. Profit	11.1	(24.5)	16.5	15.1	14.3
Net Profit	(7.3)	(92.5)	441.6	68.4	42.6
Shareholders' Equity	10.0	0.0	(20.9)	9.1	11.2
Loan	19.5	7.6	4.7	5.1	5.8
Earnings Asset	17.3	2.7	7.5	6.2	8.3
Deposit	17.6	(1.3)	5.6	8.3	9.9
Int. Bearing Liab.	18.0	2.1	6.7	6.0	8.0
CASA	4.5	(2.2)	6.0	13.9	9.4
Total Asset	17.2	1.7	4.4	6.1	8.1

Source : BBTN, Danareksa Estimates

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