

Friday, 23 October 2020

BUY
Maintain

Last price (IDR) 1,260
Target Price (IDR) 1,800
Upside/Downside +42.9%
Previous Target Price (IDR) 1,800

Stock Statistics

Sector Banking
Bloomberg Ticker BBTN IJ
No of Shrs (mn) 10,590
Mkt. Cap (IDRbn/USDmn) 13,343/910
Avg. daily T/O (IDRbn/USDmn) 108.8/7.4

Major shareholders (%)

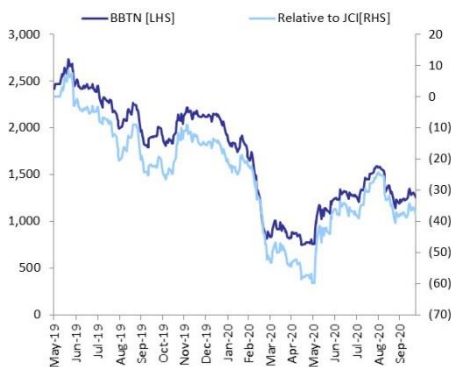
Government of Indonesia 60.0

Estimated free float 40.0

EPS Consensus (IDR)

	2020F	2021F	2022F
Danareksa	107.0	180.3	257.1
Consensus	108.6	175.8	246.3
Danareksa/Cons	(1.4)	2.6	4.4

BBTN relative to JCI Index



Source : Bloomberg



Eka Savitri
(62-21) 5091 4100 ext.3506
eka.savitri@danareksa.co.id

Bank Tabungan Negara (BBTN IJ)

Higher profits thanks to lower credit costs

We maintain our BUY call on BBTN with an unchanged GGM-derived TP of IDR1,800 (implying 0.9x 2021F PBV) given 9M20's net profits of IDR1.1tn. The 9M20 net profits are above our forecast due to lower credit costs of 83bps. Looking ahead, the NIM should only expand by 20bps to 3.3% this year in our view as BBTN aims to maintain ample liquidity. On the loans quality front, we maintain our gross NPLs ratio estimate at 4.3% with a 122.3% LLC ratio by December 2020F.

9M20 highlights. The net profits of IDR1.1tn are above our forecast due to lower credit costs of 83bps. Loans growth was -0.8% yoy yet with 4.2% yoy growth in subsidized mortgages. The NIM dropped to 3.1% given the shift in the loans mix towards the lower loan yield segment, i.e. subsidized mortgages. Meanwhile, the gross NPLs ratio stood at 4.6% with an ample 111.4% LLC ratio as of September 2020.

Manageable restructured loans portfolio. The restructured loans stood at IDR52.8tn as of September 2020 (~20.7% of its loans portfolio). This figure is dominated by non-subsidized mortgages (33.4% of the total restructured loans). BBTN also emphasised that around 8% of its restructured loans (~IDR4.2tn) might be downgraded to the NPL category once the relaxation period is over in 1Q21. Such an amount, we believe, is fairly manageable given the ample buffer in its LLC ratio. Going forward, we expect the formation of additional restructured loans to gradually decline. Hence, we maintain our 4.3% gross NPLs ratio and 122.3% LLC ratio assumption by December 2020F.

Expect a 3.3% NIM this year. BBTN's management claims that liquidity should not be an issue in the current challenging environment. We see that IDR5tn of government placements in BBTN current accounts should help support the bank's funding structure going forward. Additionally, with its LDR below 100% and in view of the currently low policy rate environment, BBTN has more room to refinance some of its wholesale funding at lower rates in 4Q20. BBTN's management estimates that the new cost of new wholesale funding will be lower by 100bps at max. As such, the NIM will expand by 20bps to 3.3% based on our model.

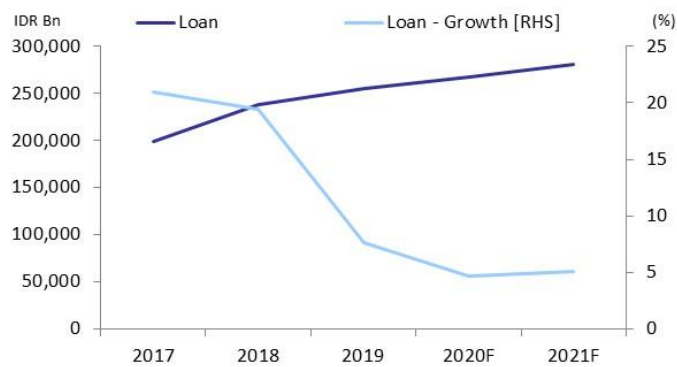
BUY: unchanged TP of IDR1,800. Maintain BUY with an unchanged GGM-derived TP of IDR1,800 assuming a 12.1% CoE, an 11.4% ROAE and 3% long-term growth. Our TP implies 0.9x 2021F PBV, -0.75SD of its 10 years mean.

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)	4.8	63.7	11.8	7.0	4.9
PBV (x)	0.6	0.6	0.7	0.6	0.6
Dividend yield (%)	4.2	0.2	0.8	1.4	3.1
ROAE (%)	12.3	0.9	5.3	9.7	12.5

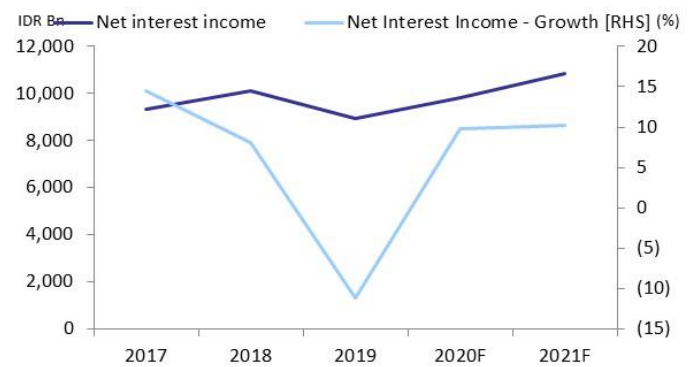
Source : BBTN, Danareksa Estimates

Exhibit 1. Loans and Growth



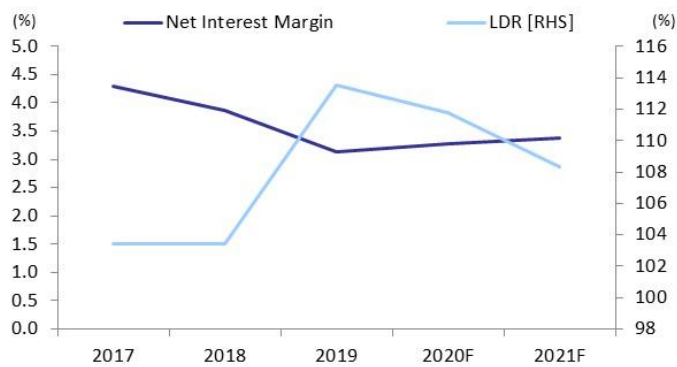
Source: Company, Danareksa Sekuritas estimates

Exhibit 2. Net Interest Income and Growth



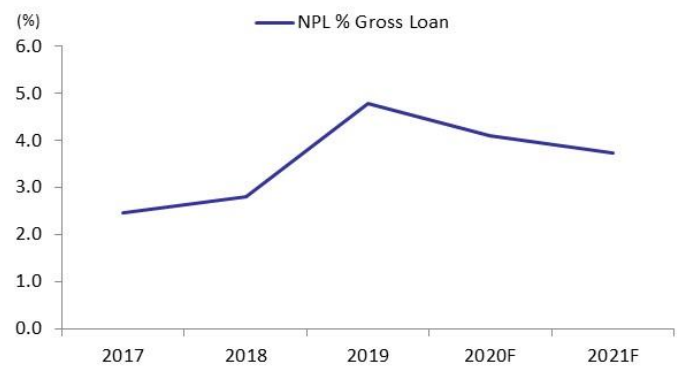
Source: Company, Danareksa Sekuritas estimates

Exhibit 3. NIM and LDR



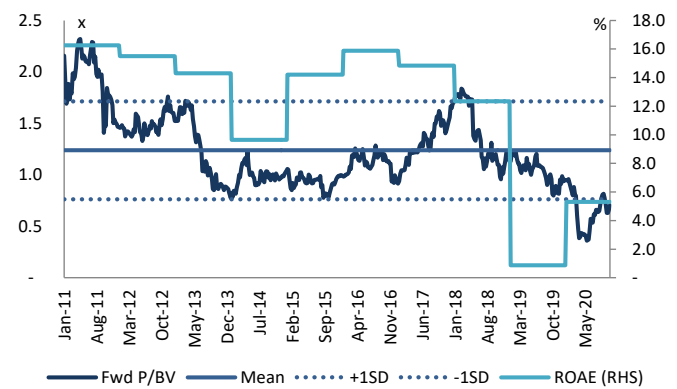
Source: Company, Danareksa Sekuritas estimates

Exhibit 4. NPLs



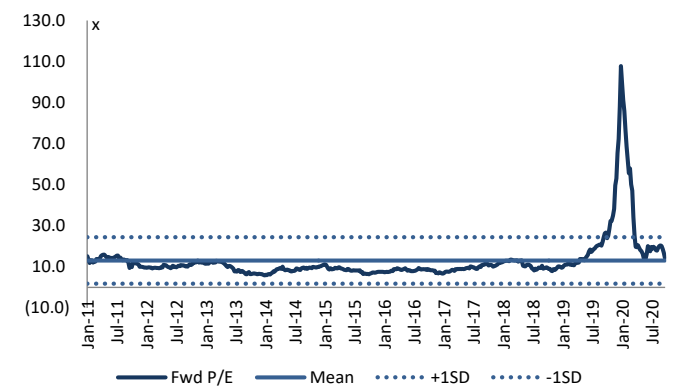
Source: Company, Danareksa Sekuritas estimates

Exhibit 5. PBV ROAE Band Chart



Source: Bloomberg, Danareksa Sekuritas estimates

Exhibit 6. PE Band Chart



Source: Bloomberg, Danareksa Sekuritas estimates

Exhibit 7. BBTN's result

FYE Dec (IDRbn)	3Q19	2Q20	3Q20	QoQ (%)	YoY (%)	9M19	9M20	YoY (%)
Net interest income	2,232	2,226	2,359	6.0	5.7	6,858	6,726	(1.9)
<i>Reported NIM (%)</i>	3.1	3.0	3.2			3.4	3.1	
Non-interest income	488	590	580	(1.7)	18.9	1,589	1,624	2.2
<i>Non-II/Total income (%)</i>	17.9	21.0	19.7			18.8	19.4	
Operating income	2,720	2,816	2,939	4.4	8.0	8,447	8,350	(1.1)
Overhead expenses	(1,712)	(1,689)	(1,912)	13.2	11.7	(5,243)	(5,333)	1.7
<i>Cost-Income Ratio (%)</i>	62.9	60.0	65.0			62.1	63.9	
Pre-Provisions profit	1,008	1,127	1,027	(8.9)	1.9	3,204	3,017	(5.8)
Provisions allowance	(1,693)	(603)	(565)	(6.3)	(66.6)	(2,176)	(1,599)	(26.5)
<i>Credit cost - annualised (bps)</i>	266	92	89			176	83	
Pretax profit	(689)	376	445	18.3	(164.7)	1,006	1,408	40.0
Tax	184	(66)	(93)	41.0	(150.5)	(204)	(288)	40.8
<i>Effective tax rate (%)</i>	(26.7)	(17.5)	(20.9)			(20.3)	(20.5)	
Profit after tax	(505)	310	352	13.5	(169.8)	801	1,120	39.7
Other Key Data and Ratios								
Gross loans	256,934	251,837	254,918	1.2	(0.8)	256,934	254,918	(0.8)
Customer deposits	230,352	226,322	273,333	20.8	18.7	230,352	273,333	18.7
Gross NPLs	8,761	11,862	11,624	(2.0)	32.7	8,761	11,624	32.7
Total assets	316,211	318,539	356,974	12.1	12.9	316,211	356,974	12.9
Equity	24,120	17,116	17,616	2.9	(27.0)	24,120	17,616	(27.0)
ROAA (%)	(0.6)	0.4	0.4			0.3	0.4	
ROAE (%)	(8.3)	7.4	8.1			4.5	7.2	
LDR (%)	111.5	111.3	93.3			111.5	93.3	
Gross NPL ratio (%)	3.4	4.7	4.6			3.4	4.6	
LLC ratio (%)	54.7	107.9	111.4			54.7	111.4	
CAR (%)	16.9	19.1	19.0			16.9	19.0	

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	4.3	3.9	3.6
LLP/Gross NPL	49.2	50.0	122.3	122.6	132.2
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

DISCLAIMER

The information contained in this report has been taken from sources which we deem reliable. However, none of P.T. Danareksa Sekuritas and/or its affiliated companies and/or their respective employees and/or agents makes any representation or warranty (express or implied) or accepts any responsibility or liability as to, or in relation to, the accuracy or completeness of the information and opinions contained in this report or as to any information contained in this report or any other such information or opinions remaining unchanged after the issue thereof.

We expressly disclaim any responsibility or liability (express or implied) of P.T. Danareksa Sekuritas, its affiliated companies and their respective employees and agents whatsoever and howsoever arising (including, without limitation for any claims, proceedings, action, suits, losses, expenses, damages or costs) which may be brought against or suffered by any person as a result of acting in reliance upon the whole or any part of the contents of this report and neither P.T. Danareksa Sekuritas, its affiliated companies or their respective employees or agents accepts liability for any errors, omissions or mis-statements, negligent or otherwise, in the report and any liability in respect of the report or any inaccuracy therein or omission therefrom which might otherwise arise is hereby expressly disclaimed.

The information contained in this report is not to be taken as any recommendation made by P.T. Danareksa Sekuritas or any other person to enter into any agreement with regard to any investment mentioned in this document. This report is prepared for general circulation. It does not have regard to the specific person who may receive this report. In considering any investments you should make your own independent assessment and seek your own professional financial and legal advice.