

29 March 2019

Financial Services | Banks

## Bank Tabungan Negara (BBTN IJ)

**Neutral** (Maintained)

### FY18 Results: Big Miss On Higher Provision

Target Price (Return) IDR2,700 (+8%)  
 Price: IDR2,510  
 Market Cap: USD1,861m  
 Avg Daily Turnover (IDR/USD) IDR70,998m/5m

- Maintain NEUTRAL, TP IDR2,700, 8% upside.** 4Q18 earnings down 44% YoY (-29.6% QoQ), bringing FY18 to IDR2.8trn (-7.2% YoY) – 85%/88% of RHB/consensus FY18F on higher-than-expected provision in 4Q18 (+88.6% QoQ, +196.2% YoY) FY18 to IDR1.7trn (+93.9% YoY) with CoC to 0.8% (9M18: 0.6%, FY17: 0.5%). FY18 loans grew +19.5% YoY but lower target (13-15%) this year. NPL: 2.8% (9M18, FY17: 2.7%), coverage: 49.2% (9M18: 46.2%, FY17: 44.6%), LDR: 103.3% (9M18: 112.8%, FY17: 103.1%), NIM: 4.3% (9M18: 4.4%, FY17: 4.8%).
- IFRS 9 anticipation raised provision expenses (+94% YoY) in FY18.** Higher-than-expected provision expense was a result of preparation for the International Financial Reporting Standard (IFRS) 9 implementation in Jan 2020. Management guided for provision coverage in FY19F-20F to be around 79% and 100%, implying higher provision outlook. For FY19F, its provision is expected to be around c.IDR1.7-8trn (flattish YoY) and accounted for its P&L, while any remaining provision charges could go to retained earnings in FY20F. Bank Tabungan Negara is also exploring the option of a rights issue next year, should its CAR (FY18: 18.2%) go lower than estimated.
- FY18 loan grew 19.5% but guiding lower target of 13-15% in FY19F.** By segment: subsidised mortgage (41% of total) at +29.7% YoY, non-subsidised mortgage (33% of total) at +12.2% YoY, other housing loan (4% of total) at -1.6% YoY, construction (12% of total) at +12.2% YoY, non-housing loan (10% of total) at +24.8% YoY. Management has guided for lower loan growth target due to asset quality focus and lower mortgage subsidy disbursement.
- Higher NPL ratio of 2.8% in FY18, from shariah business.** Nominal NPL grew 26.6% YoY to IDR6.7trn mainly from IDR1trn downgrade in its *shariah* business, specifically, in the construction segment. Management guided that this is a result of the use of the 3-pillars criteria in 2018, after the relaxation in 2017, which required a downgrade despite the accounts meeting interest payments. Management targets c.2.4% NPL ratio in FY19F.
- Funding competition to suppress NIM.** FY18 deposits grew +19.3% YoY mainly due to significant time deposit (TD) growth of +33.9% YoY (+24.3% QoQ) vs CASA growth of +4.5% YoY (+10.8% QoQ). LDR improved from 9M18: 112.8% to FY18: 103.3%, but it was at the expense of NIM compression (FY18: 4.3% vs 9M18: 4.4%) since funding mostly came from expensive TD, as seen in higher CoF of 5.8% from 5.4% during the same period. Management expects NIM to be flat at c.4.3% in FY19F, and assumes 1x increase in 7-DRRR by 25bps this year.

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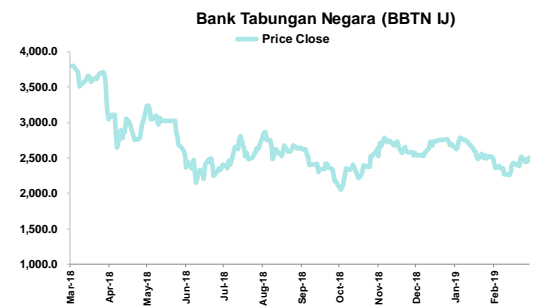


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#### Share Performance (%)

	YTD	1m	3m	6m	12m
Absolute	(1.2)	3.3	(1.2)	(4.6)	(32.0)
Relative	(5.8)	2.7	(5.8)	(13.0)	(37.5)
52-wk Price low/high (IDR)	2,010 – 3,800				



Source: Bloomberg

Forecasts and Valuation	Dec-17	Dec-18	Dec-19F	Dec-20F	Dec-21F
Reported net profit (IDRb)	3,027	2,808	3,638	4,097	4,727
Net profit growth (%)	15.6	(7.2)	29.6	12.6	15.4
Recurring net profit (IDRb)	3,027	2,808	3,638	4,097	4,727
Recurring EPS (IDR)	286	265	344	387	446
BVPS (IDR)	2,046	2,251	2,577	2,893	3,260
DPS (IDR)	49	57	62	69	77
Recurring P/E (x)	8.8	9.5	7.3	6.5	5.6
P/B (x)	1.2	1.1	1.0	0.9	0.8
Dividend Yield (%)	2.0	2.3	2.5	2.7	3.1
Return on average equity (%)	14.8	12.3	14.1	14.1	14.5
Return on average assets (%)	1.6	1.5	1.4	1.4	1.4

Source: Company data, RHB

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Figure 1: BTN's results snapshot

INCOME STATEMENT (IDRbn)	4Q17	3Q18	4Q18	QoQ	YoY	FY17	FY18	YoY	FY18/ RHB	FY18/ Cons.
	Interest Income	5,650	5,913	6,258	5.8%	10.8%	20,081	22,839	13.7%	
Interest Expense	2,753	3,131	3,601	15.0%	30.8%	10,637	12,634	18.8%		
<b>Net Interest Income</b>	<b>2,897</b>	<b>2,782</b>	<b>2,657</b>	<b>-4.5%</b>	<b>-8.3%</b>	<b>9,444</b>	<b>10,205</b>	<b>8.1%</b>		
Non-Interest Income	403	455	649	42.6%	61.0%	1,612	2,085	29.3%		
<b>Total Operating Income</b>	<b>3,300</b>	<b>3,237</b>	<b>3,306</b>	<b>2.1%</b>	<b>0.2%</b>	<b>11,056</b>	<b>12,290</b>	<b>11.2%</b>		
Operating Expense	1,709	1,787	1,671	-6.5%	-2.2%	6,280	6,983	11.2%		
<b>PPOP</b>	<b>1,591</b>	<b>1,450</b>	<b>1,635</b>	<b>12.8%</b>	<b>2.8%</b>	<b>4,776</b>	<b>5,307</b>	<b>11.1%</b>		
Provision Expense	286	449	847	88.6%	196.2%	884	1,714	93.9%		
<b>Operating Profit</b>	<b>1,305</b>	<b>1,001</b>	<b>788</b>	<b>-21.3%</b>	<b>-39.6%</b>	<b>3,892</b>	<b>3,593</b>	<b>-7.7%</b>		
Non-Operating Income/Expense	22	(33)	58	N/A	163.6%	30	16	-46.7%		
<b>Net Profit</b>	<b>1,022</b>	<b>812</b>	<b>572</b>	<b>-29.6%</b>	<b>-44.0%</b>	<b>3,027</b>	<b>2,808</b>	<b>-7.2%</b>	<b>85%</b>	<b>88%</b>
BALANCE SHEET (IDRbn)	FY17	9M18	FY18	QoQ	YoY	FY17	FY18	YoY		
Loan	198,991	220,077	237,758	8.0%	19.5%	198,991	237,758	19.5%		
Deposit	192,949	195,048	230,264	18.1%	19.3%	192,949	230,264	19.3%		
CASA	95,605	90,164	99,926	10.8%	4.5%	95,605	99,926	4.5%		
Time Deposits	97,344	104,884	130,338	24.3%	33.9%	97,344	130,338	33.9%		
RATIOS	FY17	9M18	FY18			FY17	FY18			
ROAA (%)	1.7%	1.5%	1.3%			1.7%	1.3%			
ROAE (%)	18.1%	16.1%	14.9%			18.1%	14.9%			
NIM (%)	4.8%	4.4%	4.3%			4.8%	4.3%			
CoC (%)	0.5%	0.6%	0.8%			0.5%	0.8%			
CASA (%)	49.5%	46.2%	43.4%			49.5%	43.4%			
LDR (%)	103.1%	112.8%	103.3%			103.1%	103.3%			
CIR (%)	56.8%	59.1%	56.8%			56.8%	56.8%			
NPL (%)	2.7%	2.7%	2.8%			2.7%	2.8%			
Coverage (%)	44.6%	46.2%	49.2%			44.6%	49.2%			
CAR (%)	18.9%	18.0%	18.2%			18.9%	18.2%			

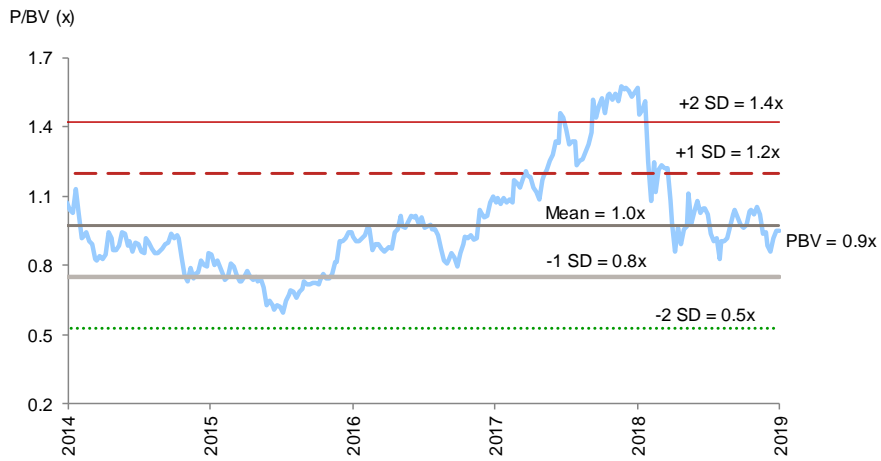
Source: Company data, RHB

Figure 2: Peer comparison of Indonesian bank stocks

Name	BBG Ticker	Rating	Price (IDR)	TP (IDR)	Upside/ Downside (%)	Market Cap (USDm)	2019E						
							EPS Growth (%)	P/E (x)	P/BV (x)	PEG (x)	Yield (%)	ROA (%)	ROE (%)
Bank Central Asia	BBCA IJ	Neutral	27,450	27,300	(0.5)	47,370	14.3	22.9	3.9	1.6	1.0	3.4	18.1
Bank Rakyat Indonesia	BBRI IJ	Buy	4,100	4,750	15.9	35,397	15.3	13.4	2.4	0.9	2.6	2.7	18.9
Bank Mandiri	BMRI IJ	Buy	7,400	9,850	33.1	24,171	15.2	12.0	1.7	0.8	3.3	2.3	15.2
Bank Negara Indonesia	BBNI IJ	Buy	9,450	11,100	17.5	12,335	18.1	9.9	1.5	0.5	2.6	2.0	16.1
Bank Danamon	BDMN IJ	Neutral	9,225	8,500	(7.9)	6,189	8.4	20.9	2.0	2.5	1.5	3.1	9.9
Bank Tabungan Negara	BBTN IJ	Neutral	2,510	2,700	7.6	1,860	29.6	7.3	1.0	0.2	2.5	1.4	14.1
Bank Pan Indonesia	PNBN IJ	Buy	1,395	2,000	43.4	2,352	14.7	9.4	0.8	0.6	0.0	1.6	9.1
Bank CIMB Niaga	BNGA IJ	Buy	1,070	1,550	44.9	1,882	11.3	6.9	0.6	0.6	2.6	2.0	9.4
Bank Tabungan Pensiunan Nasional	BTPN IJ	Buy	3,630	5,000	37.7	2,070	13.9	9.2	1.1	0.7	2.9	3.3	12.1
Bank BJB	BJBR IJ	Sell	2,010	1,400	(30.3)	1,384	9.7	13.3	1.7	1.4	4.6	1.6	13.6
Bank Permata	BNLI IJ	Buy	970	1,400	44.3	1,904	13.6	26.2	1.2	1.9	0.0	0.9	4.5
Bank Jawa Timur	BJTM IJ	Neutral	655	665	1.5	687	-1.3	7.9	1.1	-6.1	6.9	2.9	14.2
BTPN Syariah	BTPS IJ	Buy	2,230	2,600	16.6	1,202	12.3	15.8	3.4	1.3	0.0	8.0	24.3
<b>Sector Weighted Average (Big 4 Banks)</b>							<b>15.2</b>	<b>16.5</b>	<b>2.8</b>	<b>1.1</b>	<b>2.1</b>	<b>2.8</b>	<b>17.5</b>
<b>Sector Weighted Average (Small &amp; Mid Banks)*</b>							<b>12.5</b>	<b>14.8</b>	<b>1.4</b>	<b>1.2</b>	<b>2.0</b>	<b>2.3</b>	<b>10.3</b>
<b>Sector Weighted Average</b>							<b>14.8</b>	<b>16.3</b>	<b>2.6</b>	<b>1.1</b>	<b>2.0</b>	<b>2.8</b>	<b>16.6</b>

Note: Prices are as at 28 Mar 2019

Source: Bloomberg, RHB

**Figure 3: BTN's 5-year average P/BV band**

Note: Prices are as at 28 Mar 2019

Source: Bloomberg, RHB

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<b>Trading Buy:</b>	Share price may exceed 15% over the next 3 months, however longer-term outlook remains uncertain
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<b>Not Rated:</b>	Stock is not within regular research coverage

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