

Bank Tabungan Neg. (BBTN JJ)

27 February 2015

Results Note

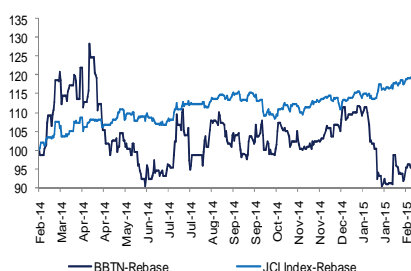
HOLD (Unchanged)

Stock Data

Target price (Rp)	Rp1,150
Prior TP (Rp)	Rp1,150
Share price (Rp)	Rp1,060
Upside/downside (%)	+8.5
Shares outstanding (m)	10,568
Market cap. (US\$ m)	873
Free float (%)	39.8
Avg. 6m daily T/O (US\$ m)	3.4

Price Performance

	3M	6M	12M
Absolute (%)	-6.2	-4.1	-4.5
Vs. JCI (%)	-12.0	-9.4	-21.5
52w high/low (Rp)	1,060 - 990		



Major Shareholders

Republic of Indonesia	60.1%
-----------------------	-------

Estimate Change; Vs. Consensus

	2014F	2015F
Latest EPS (Rp)	104	116
Vs. Prior EPS (%)	-	-
Vs. Consensus (%)	(13.2)	(22.3)

Source: Bloomberg

Stephan Hasjim

PT Indo Premier Securities
stephan.hasjim@ipc.co.id
+62 21 5793 1168

Coping with asset quality issues

- **Weak FY14 results (in-line) despite strong profit recovery in 4Q.**
- **Lower deposit rates helped NIMs to recover in the last quarter.**
- **NPL ratio stays high at 4%; provision coverage still low (34%).**
- **Maintain Hold rating (TP: Rp1,150).**

Weak FY14 results. BBTN's net profit fell 28.6% yoy to Rp1,116bn in FYM14 but this is in line with our forecast (Rp1,100bn). As the bank's weak earnings results had already been evident since 2Q, it was no longer a surprise. Its earnings actually recovered in 4Q (+66% qoq), due to lower cost of funds arising from a deposit rate cap imposed by the OJK (Indonesia's Financial Services Authority) on major banks in the country. ROAA and ROAE dropped significantly to 0.82% and 9.5% in FY14, respectively, by far the lowest among the six major banks in our coverage. We see little scope for profitability ratios to rise significantly in the next two years given rising competition for deposits, possible lending rate cuts on subsidized mortgages (due to government intervention), and the bank's low provisions/NPL coverage of only 34%.

NIMs recovered in 4Q. We estimate BBTN's NIM has narrowed by 74bps yoy to 4.05% in FY14 owing to the bank's weak deposit franchise and rate sensitive loan customers (subprime mortgage loans). In 4Q, NIM recovered to 4.29% in 4Q, from 3.82% in 3Q, although still below 1Q (4.40%) due to the OJK's intervention in the banking industry. With competition for deposit funding expected to remain strong in coming years while the government may put pressure on BBTN to lower its subsidized home mortgage rates (30% of loan portfolio), we see little scope for a sustained NIM recovery in the next two years.

NPLs underprovisioned. BBTN's net credit cost (after recoveries) rose to 49bps in FY14 (FY13: 26bps). Its NPL ratio of 4.0% was unchanged from the previous year, albeit improving vs. 4.85% in 3Q. However, we expect credit cost to remain high in the next two years given BBTN's low provisions/NPL coverage of 33.9%. Although the bank has a good track record of getting full recoveries on its home mortgage NPLs in past years (due to rising property prices), BBTN's worsening NPLs also came from its commercial loans (NPL ratio: >10%), including KUR loans. In our estimate, BBTN's loan provisions covered only 73% of its non-mortgage NPLs of Rp2.15tn (46% of total NPLs). Even accounting for 70%-insured KUR NPLs, the bank was only 85% covered for its remaining non-mortgage NPLs (assuming zero provision coverage for its mortgage NPLs).

Reiterate Hold. Our TP of Rp1,150 is derived from Gordon Growth Model with assumptions of LT ROE of 13.5%, LT growth of 9% and cost of equity of 14%, which lead to our target P/B multiple of 1.1x, implying a target FY15F P/E of 9.9x. We retain our Hold rating as we believe the weak results are already priced-in.

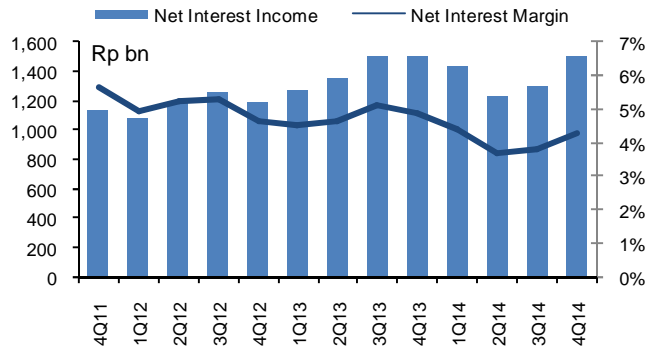
Year To 31 Dec	2012A	2013A	2014F	2015F	2016F
Operating income (RpBn)	5,192	6,087	6,034	6,837	8,064
PPOP (RpBn)	1,978	2,377	1,946	2,224	2,856
Net profit (RpBn)	1,364	1,562	1,100	1,231	1,560
Net profit growth (%)	21.9	14.5	(29.6)	11.9	26.7
FD EPS (Rp)	147	149	104	116	147
P/E (x)	6.8	6.7	9.6	8.6	6.8
P/B (x)	1.0	0.9	0.8	0.8	0.7
Dividend yield (%)	0.1	0.1	0.1	0.1	0.1
ROAA (%)	1.4	1.3	0.8	0.8	0.9
ROAE (%)	16.9	14.5	9.4	9.5	11.1

Source : BBTN,IndoPremier

Share Price Closing as of : 26-February-2015

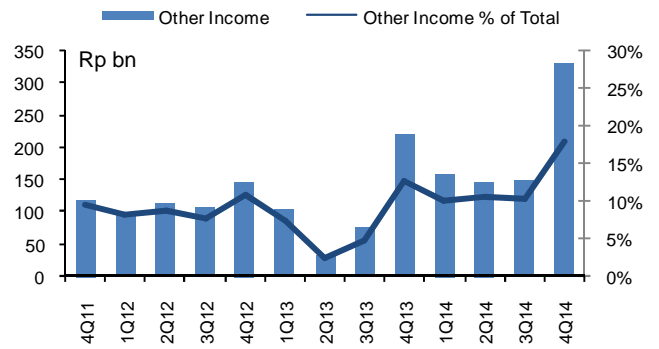
BBTN Results Note

Fig. 1: Net Interest Income (Rp bn) and NIMs (%)



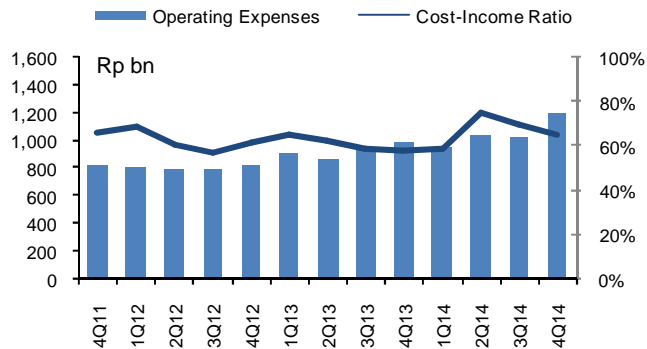
Source : Company, IndoPremier

Fig. 2: Non-Interest Income (Rp bn; % of Gross Income)



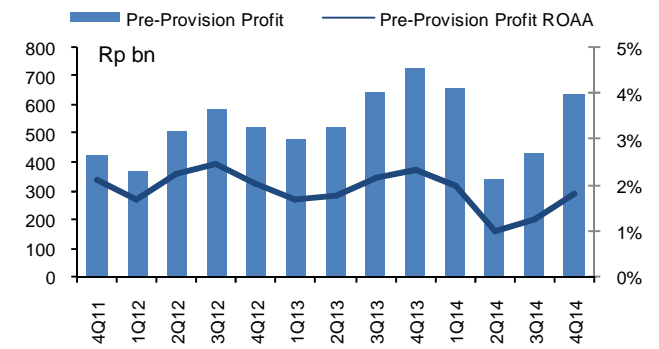
Source : Company, IndoPremier

Fig. 3: Operating Expense (Rp bn) and Cost/Income Ratio (%)



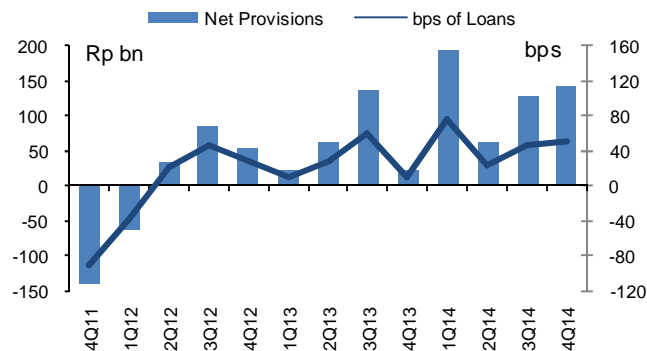
Source : Company, IndoPremier

Fig. 4: Pre-Provision Profit (Rp bn; % of Average Assets)



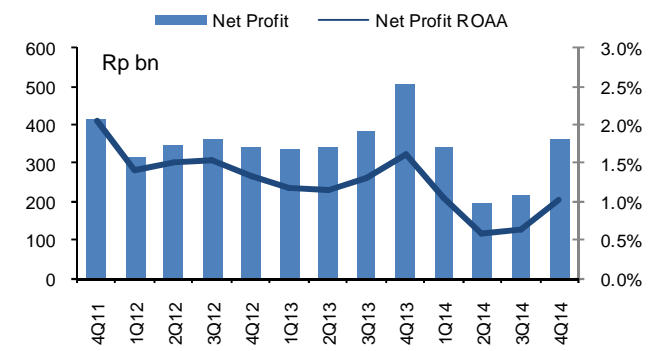
Source : Company, IndoPremier

Fig. 5: Net Loan Provisioning (Rp bn; bps of Average Loans)



Source : Company, IndoPremier

Fig. 6: Net Profit (Rp bn) and ROAA (%)



Source : Company, IndoPremier

BBTN Results Note

(Rp billion)	FY14	FY13	% Y-Y	4Q14	3Q14	% Q-Q
Net Interest Income	5,480	5,653	-3.1	1,508	1,300	16.0
Fees & Commissions	432	393	10.0	126	105	20.5
Insurance & Other Incomes	156	136	15.0	75	29	158.8
Trading Income	194	-95	n.m.	128	15	n.m.
Operating Income	6,262	6,087	2.9	1,837	1,449	26.8
Operating Expenses	-4,194	-3,710	13.0	-1,200	-1,015	18.2
Pre-Provision Profit	2,068	2,377	-13.0	637	433	47.1
Provision for Impairment/Losses	-772	-432	78.5	-271	-170	59.3
Recovery of Written-Off Loans	250	191	30.6	130	45	192.0
Operating Profit	1,546	2,136	-27.6	496	307	61.4
Other Non Operating Items	1	5	n.m.	2	0	n.m.
Pre-Tax Profit	1,548	2,141	-27.7	499	308	62.1
Tax	-433	-579	-25.2	-139	-91	52.4
Net Profit	1,116	1,562	-28.6	360	217	66.2
Gross Loans	115,916	100,467	15.4	115,916	110,538	4.9
Customer Deposits	106,479	96,208	10.7	106,479	101,835	4.6
Non-Performing Loans (NPL)	4,651	4,069	14.3	4,651	5,361	-13.2
Special Mention Loans	16,004	12,101	32.3	16,004	16,546	-3.3
Loan Loss Reserves (LLR)	1,577	1,137	38.6	1,577	1,477	6.7
Total Assets	144,576	131,170	10.2	144,576	142,428	1.5
Risk-Weighted Assets	76,333	66,262	15.2	76,333	74,600	2.3
Shareholders' Funds	12,206	11,557	5.6	12,206	11,819	3.3
BV Per Share	1,155	1,094	5.6	1,155	1,118	3.3

Source : BBTN, IndoPremier

Key Ratios (%)	FY14	FY13	% Y-Y	4Q14	3Q14	% Q-Q
ROAA (annualized)	0.82	1.32	-37.7	1.02	0.63	60.8
ROAE (annualized)	9.5	14.5	-34.2	12.0	7.4	62.2
Net Interest Margin (bps)	405	479	-15.4	429	382	12.3
Credit Cost (bps)	49	26	84.3	50	46	7.5
Fee Inc/Operating Income	6.9	6.5	6.9	6.9	7.2	-5.0
Non Int Inc/Operating Income	12.5	7.1	75.2	17.9	10.2	74.9
Op. Cost/ Operating Income	67.0	61.0	9.9	65.3	70.1	-6.8
Loan-to-Deposit Ratio (LDR)	108.9	104.4	4.2	108.9	108.5	0.3
NPL/Loan Ratio	4.0	4.1	-0.9	4.0	4.8	-17.3
LLR/NPL Ratio	33.9	27.9	21.3	33.9	27.6	23.0
Tier-1 Capital Ratio	14.1	14.9	-5.7	14.1	13.6	3.6
Total Capital Ratio	15.1	15.6	-3.3	15.1	14.3	5.4

Source : BBTN, IndoPremier

BBTN Results Note

Year To 31 Dec (RpBn)	2012A	2013A	2014F	2015F	2016F
Income Statement					
Interest income	8,819	10,783	12,732	14,609	17,071
Interest expense	(4,092)	(5,130)	(7,346)	(8,447)	(9,744)
Net interest income	4,727	5,653	5,386	6,162	7,327
Fees and commissions	355	393	432	475	523
Trading income	26	(95)	80	50	50
Other operating income	84	136	136	150	165
Total operating income	5,192	6,087	6,034	6,837	8,064
Personnel expenses	(1,487)	(1,613)	(1,613)	(1,774)	(1,952)
G&A expenses	(1,463)	(1,784)	(2,141)	(2,462)	(2,831)
Other operating expenses	(264)	(313)	(334)	(376)	(425)
Pre-provision operating profit	1,978	2,377	1,946	2,224	2,856
Provisions	(214)	(432)	(640)	(823)	(1,064)
Loan recovery income	107	191	200	240	288
Operating profit	1,871	2,136	1,505	1,641	2,080
Non-operating profit	(8)	5	1	0	0
Exceptional items	0	0	0	0	0
Pre-tax profit	1,863	2,141	1,506	1,641	2,080
Income tax	(499)	(579)	(407)	(410)	(520)
Minority interests	0	0	0	0	0
Reported net profit	1,364	1,562	1,100	1,231	1,560
Balance Sheet					
Cash	695	924	862	993	1,142
Current account with BI	7,298	9,859	9,159	10,550	12,135
Placements at BI & other banks	11,628	5,239	7,195	9,662	10,329
Short-term investments	1,014	4,202	4,622	5,084	5,592
Government bonds	7,469	8,385	8,334	8,334	8,334
Gross loans	81,411	100,467	113,422	130,562	153,184
Loan provisions	(981)	(1,137)	(1,438)	(1,961)	(2,725)
Other assets	1,632	1,707	1,878	2,066	2,273
Total Assets	111,749	131,170	145,634	166,969	192,027
Customer deposits	80,668	96,208	107,757	124,122	142,769
Deposits from other banks	707	275	303	333	366
Securities and borrowings	16,209	18,562	20,172	23,577	28,063
Other liabilities	3,886	4,568	5,024	5,527	6,080
Total Liabilities	101,470	119,613	133,256	153,559	177,278
Share capital	5,178	5,282	5,284	5,284	5,284
Additional Paid-In Capital	1,897	2,036	2,038	2,038	2,038
Reserves and others	29	(90)	(90)	(90)	(90)
Retained earnings	3,175	4,328	5,146	6,179	7,517
Shareholders' equity	10,279	11,557	12,378	13,411	14,749
Minority interest	0	0	0	0	0
Total Liabilities & Equity	111,749	131,170	145,634	166,969	192,027

Source : BBTN,IndoPremier

BBTN Results Note

Year to 31 Dec	2012A	2013A	2014F	2015F	2016F
Growth Ratios (% yoy)					
Gross loans	28.1	23.4	12.9	15.1	17.3
Total assets	25.4	17.4	11.0	14.6	15.0
Customer deposits	30.2	19.3	12.0	15.2	15.0
Net interest income	24.9	19.6	(4.7)	14.4	18.9
Non-interest income	6.3	(6.7)	49.4	4.1	9.3
Total operating income	22.6	14.2	(29.5)	9.0	26.7
Operating expense	18.1	15.5	10.2	12.8	12.9
PPOP	31.6	20.2	(18.1)	14.3	28.4
Net profit	21.9	14.5	(29.6)	11.9	26.7
Profitability Ratios					
ROAA (%)	1.44	1.32	0.81	0.80	0.88
ROAE (%)	16.9	14.5	9.4	9.5	11.1
NIM (%)	5.03	4.79	3.98	4.02	4.14
Credit cost (bps)	14.91	26.45	41.26	47.83	54.70
Cost/income (%)	61.9	61.0	67.8	67.5	64.6
LDR (%)	100.9	104.4	105.3	105.2	107.3
CAR (%)	17.7	15.6	15.5	14.7	13.8
NPL ratio (%)	4.1	4.1	4.3	4.5	4.7
Provisions/NPL (%)	29.5	27.9	29.5	33.2	37.7

Source : BBTN,IndoPremier

Head Office

PT INDO PREMIER SECURITIES

Wisma GKBI 7/F Suite 718

Jl. Jend. Sudirman No.28

Jakarta 10210 - Indonesia

p +62.21.5793.1168

f +62.21.5793.1167

Institutional Equity & Private Client

Benny B. Soebagjo	Head of Equities	benny.soebagjo@ipc.co.id
Angkula Ruriawan	Equity Sales	angkula.ruriawan@ipc.co.id
Alexander Salim	Equity Sales	alexander.salim@ipc.co.id
Edward Azizy	Equity Sales	edazizy@ipc.co.id
Henry Sutanto	Equity Sales	henry.sutanto@ipc.co.id
Isna Alfiathi	Equity Sales	isna.alfiathi@ipc.co.id
Angky Amarylis	Sales Trader	angky.amarylis@ipc.co.id
Thomas Samuil	Sales Trader	thomas.samuil@ipc.co.id

INVESTMENT RATINGS

BUY : Expected total return of 10% or more within a 12-month period
HOLD : Expected total return between -10% and 10% within a 12-month period
SELL : Expected total return of -10% or worse within a 12-month period

ANALYSTS CERTIFICATION.

The views expressed in this research report accurately reflect the analyst's personal views about any and all of the subject securities or issuers; and no part of the research analyst's compensation was, is, or will be, directly or indirectly, related to the specific recommendations or views expressed in the report.

DISCLAIMERS

This research is based on information obtained from sources believed to be reliable, but we do not make any representation or warranty nor accept any responsibility or liability as to its accuracy, completeness or correctness. Opinions expressed are subject to change without notice. This document is prepared for general circulation. Any recommendations contained in this document do not have regard to the specific investment objectives, financial situation and the particular needs of any specific addressee. This document is not and should not be construed as an offer or a solicitation of an offer to purchase or subscribe or sell any securities. PT. Indo Premier Securities or its affiliates may seek or will seek investment banking or other business relationships with the companies in this report.