

2 AUGUST 2019

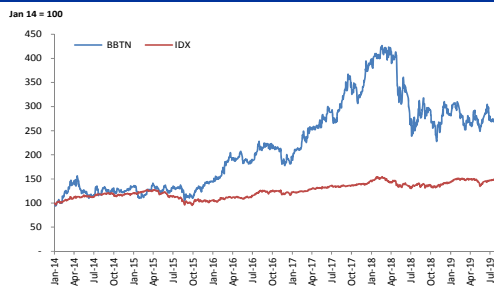
COMPANY UPDATE

NEUTRAL

STOCK INFORMATION

Bloomberg Code	BBTN IJ
Sector	Bank
Current Price	Rp 2,400
Target Price	Rp 2,300
Previous Target Price	Rp 2,750
Upside/Downside	-4%
Share Out (bn shares)	10.5
Market Cap (Rp bn)	Rp 25,102
52 – w range (low-high)	Rp 2,050 – Rp 2,860
Average daily turnover (Rp bn)	
1 month	Rp 45.0
3 month	Rp 54.0
YTD 2019	Rp 65.9

PRICE CHART



Source: Bloomberg

SHAREHOLDERS INFORMATION, AS OF 30 JUNE 2019

Government Of Republic Indonesia	60.0%
Public (below 5%)	40.0%

Source: Company data

PBV BAND



Source: Bloomberg and Lotus Andalan Research

PT BANK TABUNGAN NEGARA (PERSERO) TBK

2Q19 Disappointing Result

BBTN's NPL deteriorated by 54 bps became to the level of 3.32% in 2Q19 (vs 2.78% in 2Q18) as the consequences of PSAK 71 implementation mainly came from its Non Performing Financing (NPF) worsening in sharia business. The company's 1H19 net profit declined by 8.3% YoY to Rp 1.31 trillion (vs Rp 1.42 trillion in 1H18) as a result of higher CoF and 15.3% YoY provision cost hike. BBTN's share price was traded below its 5 years average forward PBV of 1.01x while our fair value offer 4% downside potential. Maintain Neutral rating on the counter.

Weaker 1H19 Result – Below expectation

BBTN recorded a disappointed 1H19 financial result and below our expectation, in which the net interest income (NII) and net profit only covered by 42% and 41% to our 2019F of Rp 11.3 trillion in NII and Rp 3.2 trillion in net profit. The NII inched down by 1% YoY became to Rp 4.72 trillion in 1H19 (vs Rp 4.77 trillion in 1H18) due to average lending rate re-pricing mainly in consumer (-33 bps YoY) and commercial (-71 bps YoY) segments. Meanwhile, the company's net profit declined by 8.3% YoY from Rp 1.42 trillion to Rp 1.31 trillion on the back of higher CoF (+74 bps YoY) and an increase in provision cost allocation of 15.3% YoY as the consequence of PSAK 71 implementation (adopted from IFRS 9, will be implemented in 1 January 2020).

NIM continued to decline

BBTN's NIM continued to decline by 64 bps in 2Q19 became to the level of 3.5% (vs 4.2% in 2Q18) which was caused by 1) an increase in its blended CoF by 74 bps (5.91% in 2Q19 vs 5.17% in 2Q18); 2) time deposit growth of 25% YoY; 3) lower CASA ratio (42.2% in 2Q19 vs 46.4% in 1Q18) and 4) 32% YoY increases in deposits from other banks (dominated from Regional Development Banks, due to its tight liquidity). We noted that the company's 2Q19 total loan and customer deposit grew by 18.8% YoY and 15.9% YoY reached to Rp 251 trillion (vs Rp 211.4 trillion in 2Q18) and to Rp 219.8 trillion (vs Rp 189.6 trillion in 2Q18), respectively. This reflected into a tight liquidity in which the company's LDR was registered to the level of 114% (vs 112% in 2Q18), higher than the industry (LDR was at 95.5% in May 2019).

NPL deterioration due to the consequences of PSAK 71 implementation

In 2Q19, BBTN's NPL deteriorated by 54 bps became to the level of 3.32% (vs 2.78% in 2Q18) as the consequences of PSAK 71 implementation mainly came from its Non Performing Financing (NPF) worsening in sharia business (4.47% in 2Q19 vs 1.09% in 2Q18). We highlight that the NPL from construction, non-mortgage and non-subsidized mortgage segments deteriorated in 2Q19 by 425 bps, 93 bps and 31 bps become to the level of 8.53% (vs 4.28% in 2Q18); 6.03% (vs 5.10% in 2Q18) and 3.49% (vs 3.18% in 2Q18), respectively. Meanwhile, the NPL from subsidized mortgage managed to improve at the level 1.05% in 2Q19 (vs 1.21% in 2Q18).

Neutral rating – new fair value Rp 2,300/share

We revise down our net profit projection by 18.3% and 8.8% to Rp 2.63 trillion in 2019F (previously at Rp 3.23 trillion) and to Rp 3.48 trillion in 2020F (previously at Rp 3.82 trillion) due to the changes assumption of 1) lower earning asset yield by 20 bps – 40 bps in 2019F-2020F and 2) higher provision cost expectation (+10% in 2019F and +2% in 2020F, due to the PSAK 71 implementation). Meanwhile, the company's NIM is projected to decline at the level of 3.5% in 2019F and 3.7% in 2020F as a result of higher CoF in the midst of its tight liquidity environment. Therefore, we cut BBTN's fair value to Rp 2,300 per share (previously at Rp 2,750/share) which implying target PBV 2020F of 0.84x. Recently, the share price was traded below its 5 years average forward PBV of 1.01x while our fair value offer 4% downside potential. Maintain Neutral rating on the counter.

Financial Summary

(Rp billion)	2017A	2018A	2019F	2020F	2021F
Net interest income	9,341	10,089	10,499	12,718	15,771
PPOP	4,776	5,308	5,555	6,864	8,384
Net profit	3,027	2,808	2,634	3,481	4,516
EPS (Rp)	286	265	249	329	427
PER (x)	8.39	9.04	9.64	7.30	5.62
BVPS (Rp)	2,047	2,253	2,448	2,728	3,089
PBV (x)	1.17	1.07	0.98	0.88	0.78
Dividend yield (%)	2.38	2.22	2.07	2.74	3.56
RoAE (%)	14.84	12.34	10.59	12.71	14.67
NIM (%)	4.33	3.91	3.55	3.75	4.00

Source: Company data and Lotus Andalan Research

Theodorus ArielKristian

theodorus.ariel@lotussekuritas.com

(+62-21) 2395 1000 ext. 2050

Interim Result									
	1H18	1H19	YoY	FY19F-old	cover	1Q19	2Q19	QoQ	The Comments
P/L (In Rp billion)									
Net Interest Income	4,765	4,715	-1.0%	11,347	42%	2,401	2,314	-3.6%	Below expectation
Operating expenses	(3,525)	(3,623)	2.8%	(7,563)	48%	(1,822)	(1,801)	-1.2%	
PPOP	2,222	2,196	-1.2%	6,003	37%	1,179	1,017	-13.7%	Below expectation
Provision	(418)	(482)	15.3%	(1,841)	26%	(253)	(229)	-9.5%	
Non op. inc (exp)- net	9	(19)	N.A.	(16)	116%	(5)	(14)	180.0%	
Pre-tax profit	1,814	1,695	-6.6%	4,146	41%	921	774	-16.0%	
Income tax	(390)	(389)	-0.3%	(921)	42%	(198)	(191)	-3.5%	
Net Profit	1,424	1,306	-8.3%	3,225	41%	723	583	-19.4%	Below expectation
BS (In Rp billion)									
Loan - gross	211,353	251,041	18.8%	274,294	92%	242,135	251,041	3.7%	
Customer Deposit	189,627	219,758	15.9%	239,704	92%	215,829	219,758	1.8%	
KFR									
NIM	4.2%	3.5%		3.9%		3.6%	3.5%		NIM continued to decline
Total CAR	17.4%	17.0%		16.5%		17.6%	17.0%		
LDR	111.5%	114.2%		104.4%		112.2%	114.2%		
CASA to Deposits	46.4%	42.2%		39.5%		44.7%	42.2%		Lower CASA ratio
NPL - gross	2.8%	3.3%		2.7%		2.9%	3.3%		NPL deterioration due PSAK71 implementation
Provisioning coverage	56.7%	57.8%		47.9%		45.1%	57.8%		

Source: Company data and Lotus Andalan Research

Forecast Revision						
	Old		New		Changes	
	2019F	2020F	2019F	2020F	2019F	2020F
Loan & Cust Deposit (In billion Rp)						
Loan	274,294	318,051	279,713	330,744	2.0%	4.0%
Customer Deposit	239,704	274,219	245,435	287,443	2.4%	4.8%
P&L (In billion Rp)						
Interest Income	26,084	30,108	25,823	29,540	-1.0%	-1.9%
Interest Expense	(14,737)	(16,976)	(15,324)	(16,822)	4.0%	-0.9%
Net Interest Income	11,347	13,133	10,499	12,718	-7.5%	-3.2%
Opex	7,563	8,783	6,998	8,506	-7.5%	-3.2%
PPOP	6,003	7,088	5,555	6,864	-7.5%	-3.2%
Provision	(1,841)	(2,164)	(2,027)	(2,209)	10.1%	2.1%
Non op inc (exp) - net	(16)	(13)	(15)	(13)	-7.5%	-3.2%
Pre-tax profit	4,146	4,910	3,512	4,642	-15.3%	-5.5%
Net profit	3,225	3,819	2,634	3,481	-18.3%	-8.8%
Profitability						
Earning Asset Yield	8.9%	9.1%	8.7%	8.7%	-0.2%	-0.4%
Cost of Fund	5.2%	5.3%	5.3%	5.1%	0.1%	-0.2%
NIM	3.9%	4.0%	3.5%	3.7%	-0.3%	-0.2%
ROAE	12.8%	13.6%	10.6%	12.7%	-2.2%	-0.9%
BOPO	85.3%	85.0%	87.3%	85.5%	2.1%	0.5%
Capital & Asset Quality						
CAR	16.5%	15.2%	16.0%	15.7%	-0.5%	0.5%
LDR	104.4%	105.1%	104.2%	104.7%	-0.2%	-0.4%
CASA	39.5%	35.9%	39.8%	36.3%	0.2%	0.5%
NPL-gross	2.7%	2.7%	2.7%	2.7%	0.0%	0.0%
Provisioning coverage	47.9%	47.2%	47.9%	48.1%	0.0%	0.9%

Source: Lotus Andalan Research

Loan Composition											
Period	1Q17	2Q17	3Q17	4Q17	1Q18	2Q18	3Q18	4Q18	1Q19	2Q19	YoY
Loan (In billion Rp)											
Subsidized mortgage	59,529	63,995	68,347	75,278	79,148	83,360	88,928	97,633	101,999	107,342	28.8%
Non subsidized mortgage	62,189	63,469	65,971	69,309	69,804	72,005	74,690	77,760	79,834	81,478	13.2%
Other housing & construction	31,598	32,275	32,851	34,641	35,516	35,942	36,785	37,686	37,895	37,477	4.3%
Non mortgage	16,371	17,662	17,334	19,763	18,035	20,046	19,674	24,679	22,407	24,745	23.4%
Total	169,687	177,401	184,503	198,991	202,503	211,353	220,077	237,758	242,135	251,042	18.8%
Portion											
Subsidized mortgage	35.1%	36.1%	37.0%	37.8%	39.1%	39.4%	40.4%	41.1%	42.1%	42.8%	
Non subsidized mortgage	36.6%	35.8%	35.8%	34.8%	34.5%	34.1%	33.9%	32.7%	33.0%	32.5%	
Other housing & construction	18.6%	18.2%	17.8%	17.4%	17.5%	17.0%	16.7%	15.9%	15.7%	14.9%	
Non mortgage	9.6%	10.0%	9.4%	9.9%	8.9%	9.5%	8.9%	10.4%	9.3%	9.9%	
Total	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	
Growth - QoQ											
Subsidized mortgage	4.7%	7.5%	6.8%	10.1%	5.1%	5.3%	6.7%	9.8%	4.5%	5.2%	
Non subsidized mortgage	2.8%	2.1%	3.9%	5.1%	0.7%	3.2%	3.7%	4.1%	2.7%	2.1%	
Other housing & construction	3.1%	2.1%	1.8%	5.4%	2.5%	1.2%	2.3%	2.4%	0.6%	-1.1%	
Non mortgage	-0.8%	7.9%	-1.9%	14.0%	-8.7%	11.2%	-1.9%	25.4%	-9.2%	10.4%	
Total	3.2%	4.5%	4.0%	7.9%	1.8%	4.4%	4.1%	8.0%	1.8%	3.7%	

Source: Company data and Lotus Andalan Research

Customer Deposit (In trillion Rp)											
Period	1Q17	2Q17	3Q17	4Q17	1Q18	2Q18	3Q18	4Q18	1Q19	2Q19	YoY
Deposits											
Current account	41.7	41.7	44.5	54.7	51.1	48.6	48.2	58.1	53.3	52.9	8.7%
Saving account	30.7	33.0	37.2	41.0	44.1	39.5	42.0	41.9	43.3	40.0	1.2%
Time deposits	85.0	84.4	86.4	97.4	99.3	101.5	104.9	130.3	119.3	126.9	25.0%
Total	157.4	159.1	168.1	193.0	194.5	189.6	195.0	230.3	215.8	219.8	15.9%
Growth - QoQ											
Current account	-9.0%	0.0%	6.7%	22.8%	-6.4%	-4.9%	-0.9%	20.5%	-8.2%	-0.8%	
Saving account	-11.7%	7.5%	12.5%	10.2%	7.6%	-10.4%	6.4%	-0.2%	3.3%	-7.7%	
Time deposits	6.8%	-0.7%	2.4%	12.7%	2.0%	2.3%	3.3%	24.3%	-8.5%	6.4%	
Total	-1.7%	1.1%	5.6%	14.8%	0.8%	-2.5%	2.9%	18.1%	-6.3%	1.8%	
Portion											
CASA	46.0%	47.0%	48.6%	49.5%	49.0%	46.5%	46.2%	43.4%	44.7%	42.2%	
Time deposits	54.0%	53.0%	51.4%	50.5%	51.0%	53.5%	53.8%	56.6%	55.3%	57.8%	
Total	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	

Source: Company data and Lotus Andalan Research

NPL Gross											
Period	1Q17	2Q17	3Q17	4Q17	1Q18	2Q18	3Q18	4Q18	1Q19	2Q19	YoY*
Loan Type											
Subsidized mortgage	1.67%	1.66%	1.49%	1.16%	1.22%	1.21%	1.08%	0.81%	0.98%	1.05%	-16.0
Non subsidized mortgage	3.09%	3.38%	3.35%	3.00%	3.15%	3.18%	3.11%	2.77%	3.11%	3.49%	31.0
Other housing	4.25%	4.53%	4.63%	4.09%	4.27%	4.40%	4.22%	3.58%	4.10%	4.40%	0.0
Construction	4.56%	3.84%	3.53%	3.14%	3.86%	4.28%	4.26%	7.05%	6.16%	8.53%	425.0
Nonmortgage	8.09%	6.86%	6.78%	5.82%	5.74%	5.10%	4.90%	5.60%	6.34%	6.03%	93.0
Total	3.34%	3.23%	3.07%	2.66%	2.78%	2.78%	2.65%	2.82%	2.92%	3.32%	54.0
QoQ*											
Subsidized mortgage	15.0	-1.0	-17.0	-33.0	6.0	-1.0	-13.0	-27.0	17.0	7.0	
Non subsidized mortgage	44.0	29.0	-3.0	-35.0	15.0	3.0	-7.0	-34.0	34.0	38.0	
Other housing	66.0	28.0	10.0	-54.0	18.0	13.0	-18.0	-64.0	52.0	30.0	
Construction	135.0	-72.0	-31.0	-39.0	72.0	42.0	-2.0	279.0	-89.0	237.0	
Nonmortgage	95.0	-123.0	-8.0	-96.0	-8.0	-64.0	-20.0	70.0	74.0	-31.0	
Total	50.0	-11.0	-16.0	-41.0	12.0	0.0	-13.0	17.0	10.0	40.0	

*) In bps

Source: Company data and Lotus Andalan Research

Financial Highlights of PT Bank Tabungan Negara (Persero) Tbk

In Rp Billion									
BALANCE SHEET	2017A	2018A	2019F	2020F	INCOME STATEMENT	2017A	2018A	2019F	2020F
ASSETS					Interest income	19,272	22,852	25,823	29,540
Cash and cash equivalent	1,028	1,244	1,555	1,086	Interest expenses	(9,931)	(12,763)	(15,324)	(16,822)
Current account with BI and others bank	13,111	17,005	19,741	19,632	Net Interest income	9,341	10,089	10,499	12,718
Placement with BI and others bank	24,698	26,465	21,776	22,790	Fees and commissions	-	-	-	-
Marketable securities	15,890	15,242	14,481	14,323	Other non-interest income	1,606	2,072	2,054	2,651
Gross loans	198,991	237,758	279,713	330,744	Total net operating income	10,947	12,161	12,553	15,369
Loan provisions	(2,356)	(3,298)	(3,597)	(4,249)	Salaries expenses	(2,554)	(2,877)	(2,864)	(3,525)
Fixed assets	4,837	5,018	5,426	5,897	G&A expenses	(2,953)	(3,225)	(3,282)	(4,021)
Others	5,167	7,004	5,443	5,871	Other expenses	(663)	(751)	(851)	(960)
TOTAL ASSETS	261,365	306,436	344,538	396,094	Pre Provision Operating profit (PPOP)	4,776	5,308	5,555	6,864
LIABILITIES & EQUITY					Provision	(884)	(1,714)	(2,027)	(2,209)
Customers deposits	192,474	229,829	268,385	315,800	Operating profit	3,892	3,594	3,527	4,655
Other banks deposits	5,445	3,010	3,193	3,102	Non - operating income	(30)	16	(15)	(13)
Fund borrowings	7,991	15,499	12,920	14,920	Profit before tax	3,862	3,610	3,512	4,642
Subordinated borrowings	23,480	20,645	22,167	20,618	Tax expense	(834)	(802)	(878)	(1,160)
Others	10,312	13,613	11,962	12,787	Net profit before non-controlling interest	3,027	2,808	2,634	3,481
Total Liabilities	239,702	282,596	318,628	367,228	Non-controlling interest	-	-	-	-
Capital stock	5,295	5,295	5,295	5,295	Net profit	3,027	2,808	2,634	3,481
Additional paid in capital	2,054	2,054	2,054	2,054	EPS (Rp)	286	265	249	329
Others	2,802	2,777	2,777	2,777					
Retained Earnings	11,512	13,714	15,785	18,739					
Total Equity	21,663	23,840	25,911	28,865					
Non-Controlling Interest	-	-	-	-					
TOTAL LIABILITIES & EQUITY	261,365	306,436	344,538	396,094					
KEY FINANCIAL RATIO	2017A	2018A	2019F	2020F	MARKET RATIO	2017A	2018A	2019F	2020F
Growth (%)					PER (x)	8.39	9.04	9.64	7.30
Total assets	22.04	17.24	12.43	14.96	PBV (x)	1.17	1.07	0.98	0.88
Gross loans	21.01	19.48	17.65	18.24	BVPS (Rp)	2,047	2,253	2,448	2,728
Customer deposits	20.31	19.41	16.78	17.67	Dividend yield (%)	2.38	2.22	2.07	2.74
Risk weighted assets	17.76	9.43	31.72	6.71					
Net interest income	14.42	8.01	4.06	21.14					
PPOP	17.65	11.14	4.65	23.56					
Net profit	15.60	(7.25)	(6.19)	32.16					
Profitability (%)									
Earning Asset Yield	8.93	8.87	8.73	8.71					
Cost of Fund	4.77	5.12	5.32	5.09					
NIM	4.33	3.91	3.55	3.75					
ROAA	1.27	0.99	0.81	0.94					
ROAE	14.84	12.34	10.59	12.71					
Cost to Income Ratio	56.37	56.35	55.75	55.34					
BOPO	81.36	85.58	87.35	85.54					
Capital & Assets Quality (%)									
CAR	18.87	18.21	16.03	15.72					
LDR	103.39	103.45	104.22	104.73					
CASA to Deposits	49.67	43.48	39.76	36.34					
NPL - gross	2.66	2.82	2.68	2.67					
Provisioning coverage	44.51	49.19	47.90	48.09					

Source: Company data and Lotus Andalan Research

Notes:

The definitions of Lotus Andalan Research for Investment Ratings:

- **BUY** : +15% and above, over the next 12 months
- **Neutral** : -15% to +15%, over the next 12 months
- **SELL** : -15% and worse, over the next 12 months

PT Lotus Andalan Sekuritas

The City Tower Lantai 7
Jl. MH. Thamrin No. 81
Jakarta Pusat 10310
Tel : (021) 2395 1000
Fax : (021) 2395 1099

BRANCH OFFICE

Pluit

Kawasan CBD Pluit Blok A No.20
Jl. Pluit Selatan Raya No.1
Jakarta 14440
Tel : +6221 66675345
Fax : +6221 66675234

Bandung

Komplek Paskal Hyper Square Blok C No. 15
Jl. Pasir Kaliki No. 25 - 27
Bandung 40181
Tel : +6222 86061027
Fax : +6222 86060684

Surabaya

Ruko Permata Bintoro
Jl Ketampon Kav 1-2
Surabaya
Tel : +6231 562 2555
Fax : +6231 567 1398

Kelapa Gading

Sentra Bisnis Artha Gading
Jl. Boulevard Artha Gading Blok A6B No. 7
Jakarta Utara 14240
Tel : +6221 45856402
Fax : +6221 45873961

Puri

Rukan Grand Taman Aries Niaga
Jl. Taman Aries – Kembangan Blok G 1 No. 1 I
Jakarta Barat 11620
Tel : +6221 2931 9515
Fax : +6221 2931 9516

Medan

Jalan Kartini No.5
Medan 20152
Tel : +6261 451 8855
Fax : +6261 455 6836

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