

26 APRIL 2019

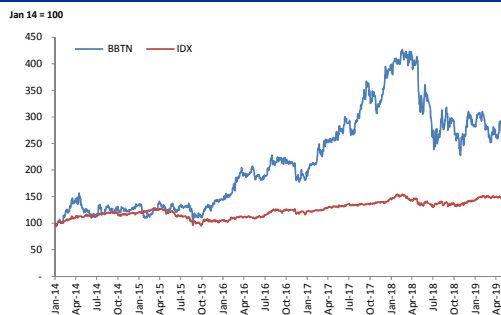
COMPANY UPDATE

NEUTRAL

STOCK INFORMATION

Bloomberg Code	BBTN IJ
Sector	Bank
Current Price	Rp 2,450
Target Price	Rp 2,750
Upside/Downside	12%
Share Out (bn shares)	10.5
Market Cap (Rp bn)	Rp 25,624
52 – w range (low-high)	Rp 2,050 – Rp 3,660
52 – w average daily	Rp 2,577

PRICE CHART



Source: Bloomberg

SHAREHOLDERS INFORMATION, AS OF 31 MARCH 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

1Q19 Inline Result

BBTN managed to book an inline result in 1Q19, in which the net interest income (NII) and net profit have reached by 21% and 22% to our 2019 forecast. The NII and net profit grew by 1.4% YoY and 5.7% YoY attained to Rp 2.40 trillion and to Rp 723 billion, respectively. Meanwhile, BBTN's total NPL slightly deteriorated to the level of 2.92% in 1Q19 which came from worsening Non Performing Financing (NPF) sharia business as a consequence of PSAK 71 implementation started in 4Q18. Currently, BBTN share price was traded precisely in its 5 years average forward PBV of 1.01x. Maintain Neutral on the counter.

1Q19 result came in line with expectation

BBTN 1Q19 financial result came in line within our expectation, in which the net interest income (NII) and net profit have reached by 21% and 22% to our 2019 forecast of Rp 11.3 trillion NII and Rp 3.2 trillion net profit. The company's net profit increased by 5.7% YoY attained to 723 billion in 1Q19 (vs Rp 684 billion in 1Q18) thanks to its significant increases in fee based income of 45% YoY (mainly came from gain on treasury trading and banking service fee) which was able to offset provision cost hike of 22.2% YoY, as a consequence of PSAK 71 implementation. Meanwhile, the NII only inched up by 1.4% YoY during the same period from Rp 2.37 trillion became to Rp 2.40 trillion due to the unchanged of average lending interest rate.

NPL slightly deteriorated as consequences of PSAK 71 implementation

BBTN's NPL in 1Q19 slightly deteriorated by 14 bps became to the level of 2.92% (vs 2.78% in 1Q18) which was dragged by worsening Non Performing Financing (NPF) from sharia business (4.82% in 1Q19 vs 1.02% in 1Q18) since the company decided to implement the PSAK 71 in 4Q18 even though it will be officially implemented in 1 January 2020, in order to minimize the risk potential of worsening NPL gradually. This PSAK will manage the calculation of loan loss reserves based on the characteristics of contractual cash flows, expected credit loss impairment and financial forecast. We note that the NPL from subsidized mortgage managed to improve at the level 0.98% in 1Q19 (vs 1.22% in 1Q18) while the NPL's non-subsidized mortgage was relatively stable at the level of 3.11% (vs 3.15% in 1Q18).

Declining NIM due tighter liquidity environment

During the 1Q19 period, BBTN's NIM decreased by 58 bps became to the level of 3.63% (vs 4.21% in 1Q18) as a result of higher CoF (6.07% in 1Q19 vs 5.04% in 1Q18) driven by: 1) time deposits growth of 20.1% YoY; 2) a 14-fold increases in time deposit from other banks, mainly dominated from Regional Development Banks, due to the tighter liquidity environment and 3) lower CASA ratio (45% in 1Q19 vs 49% in 1Q18). We noted that the company's total customer deposit grew by 11% YoY in 1Q19 to Rp 215.8 trillion (vs Rp 194.5 trillion in 1Q18) which translated into a tight liquidity with LDR ratio at the level of 112%.

Loan grew by 19.6% YoY, higher than banking industry system

BBTN managed to book 1Q19 total loan growth of 19.6% YoY reached to Rp 242.1 trillion (vs Rp 202.5 trillion in 1Q18), higher than banking industry growth of 12.1% YoY (as of February 2019), which was mainly contributed by mortgage loan. Loan from subsidized segment increased by 28.9% YoY to Rp 101.9 trillion (vs Rp 79.1 trillion in 9M17), as a direct beneficiary from government development of affordable housing. Meanwhile, loan from non-subsidized mortgage during the same period grew by 14.4% YoY from Rp 69.8 trillion to Rp 79.8 trillion.

Neutral rating – fair value Rp 2,750/share

Based on yesterday closing price, BBTN share price was traded precisely in its 5 years average forward PBV of 1.01x while our fair value only offer limited upside potential of 12%, thus we maintain our Neutral recommendation.

Financial Summary

(Rp billion)	2017A	2018A	2019F	2020F	2021F
Net interest income	9,341	10,089	11,347	13,133	15,651
PPOP	4,776	5,308	6,003	7,088	8,320
Net profit	3,027	2,808	3,225	3,819	4,846
EPS (Rp)	286	265	305	361	458
PER (x)	8.56	9.23	8.04	6.79	5.35
BVPS (Rp)	2,047	2,253	2,505	2,804	3,190
PBV (x)	1.20	1.09	0.98	0.87	0.77
Dividend yield (%)	2.33	2.17	2.49	2.95	4.21
RoAE (%)	14.84	12.34	12.81	13.60	15.28
NIM (%)	4.33	3.91	3.87	3.98	4.10

Source: Company data and Lotus Andalan Research

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Interim Result										
	1Q18	1Q19	YoY	FY19F	%cover	4Q18	1Q19	QoQ	The Comments	
<b>P/L (In Rp billion)</b>										
Net Interest Income	2,367	2,401	1.4%	11,347	21%	2,657	2,401	-9.6%	In line with our expectation	
Operating expenses	(1,706)	(1,822)	6.8%	(7,563)	24%	(1,671)	(1,822)	9.0%		
PPOP	1,074	1,179	9.8%	6,003	20%	1,636	1,179	-27.9%		
Provision	(207)	(253)	22.2%	(1,841)	14%	(847)	(253)	-70.1%	Higher provision due PSAK 71	
Non op. inc (exp)- net	7	(5)	N.A.	(16)	31%	(26)	(5)	-80.8%		
Pre-tax profit	874	921	5.4%	4,146	22%	763	921	20.7%		
Income tax	(190)	(198)	4.2%	(921)	21%	(191)	(198)	3.7%		
Net Profit	684	723	5.7%	3,225	22%	572	723	26.4%	In line supported by higher FBI	
<b>BS ( In Rp billion)</b>										
Loan - gross	202,503	242,135	19.6%	274,294	88%	237,758	242,135	1.8%	Strong growth and higher than industry	
Customer Deposit	194,481	215,829	11.0%	239,704	90%	230,264	215,829	-6.3%		
<b>KFR</b>										
NIM	4.2%	3.6%		3.9%		4.3%	3.6%		Declining NIM due higher CoF	
Total CAR	17.9%	17.6%		16.5%		18.2%	17.6%			
LDR	104.1%	112.2%		104.4%		103.3%	112.2%			
CASA to Deposits	49.0%	44.7%		39.5%		43.4%	44.7%			
NPL - gross	2.8%	2.9%		2.7%		2.8%	2.9%		Worsened NPL mainly from NPF sharia (due PSAK71)	
Provisioning coverage	42.3%	45.1%		47.9%		49.2%	45.1%			

Source: Company data and Lotus Andalan Research

Loan Composition											
Period	1Q17	2Q17	3Q17	4Q17	1Q18	2Q18	3Q18	4Q18	1Q19	YoY	
<b>Loan (In billion Rp)</b>											
Subsidized mortgage	59,529	63,995	68,347	75,278	79,148	83,360	88,928	97,633	101,999	28.9%	
Non subsidized mortgage	62,189	63,469	65,971	69,309	69,804	72,005	74,690	77,760	79,834	14.4%	
Other housing & construction	31,598	32,275	32,851	34,641	35,516	35,942	36,785	37,686	37,895	6.7%	
Non mortgage	16,371	17,662	17,334	19,763	18,035	20,046	19,674	24,679	22,407	24.2%	
<b>Total</b>	<b>169,687</b>	<b>177,401</b>	<b>184,503</b>	<b>198,991</b>	<b>202,503</b>	<b>211,353</b>	<b>220,077</b>	<b>237,758</b>	<b>242,135</b>	<b>19.6%</b>	
<b>Portion</b>											
Subsidized mortgage	35.1%	36.1%	37.0%	37.8%	39.1%	39.4%	40.4%	41.1%	42.1%		
Non subsidized mortgage	36.6%	35.8%	35.8%	34.8%	34.5%	34.1%	33.9%	32.7%	33.0%		
Other housing & construction	18.6%	18.2%	17.8%	17.4%	17.5%	17.0%	16.7%	15.9%	15.7%		
Non mortgage	9.6%	10.0%	9.4%	9.9%	8.9%	9.5%	8.9%	10.4%	9.3%		
<b>Total</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>		
<b>Growth - QoQ</b>											
Subsidized mortgage	4.7%	7.5%	6.8%	10.1%	5.1%	5.3%	6.7%	9.8%	4.5%		
Non subsidized mortgage	2.8%	2.1%	3.9%	5.1%	0.7%	3.2%	3.7%	4.1%	2.7%		
Other housing & construction	3.1%	2.1%	1.8%	5.4%	2.5%	1.2%	2.3%	2.4%	0.6%		
Non mortgage	-0.8%	7.9%	-1.9%	14.0%	-8.7%	11.2%	-1.9%	25.4%	-9.2%		
<b>Total</b>	<b>3.2%</b>	<b>4.5%</b>	<b>4.0%</b>	<b>7.9%</b>	<b>1.8%</b>	<b>4.4%</b>	<b>4.1%</b>	<b>8.0%</b>	<b>1.8%</b>		

Source: Company data and Lotus Andalan Research

NPL Gross											
Period	1Q17	2Q17	3Q17	4Q17	1Q18	2Q18	3Q18	4Q18	1Q19	YoY*	
<b>Loan Type</b>											
Subsidized mortgage	1.67%	1.66%	1.49%	1.16%	1.22%	1.21%	1.08%	0.81%	0.98%	-24.0	
Non subsidized mortgage	3.09%	3.38%	3.35%	3.00%	3.15%	3.18%	3.11%	2.77%	3.11%	-4.0	
Other housing	4.25%	4.53%	4.63%	4.09%	4.27%	4.40%	4.22%	3.58%	4.10%	-17.0	
Construction	4.56%	3.84%	3.53%	3.14%	3.86%	4.28%	4.26%	7.05%	6.16%	230.0	
Non mortgage	8.09%	6.86%	6.78%	5.82%	5.74%	5.10%	4.90%	5.60%	6.34%	60.0	
<b>Total</b>	<b>3.34%</b>	<b>3.23%</b>	<b>3.07%</b>	<b>2.66%</b>	<b>2.78%</b>	<b>2.78%</b>	<b>2.65%</b>	<b>2.82%</b>	<b>2.92%</b>	<b>14.0</b>	
<b>QoQ*</b>											
Subsidized mortgage	15.0	-1.0	-17.0	-33.0	6.0	-1.0	-13.0	-27.0	17.0		
Non subsidized mortgage	44.0	29.0	-3.0	-35.0	15.0	3.0	-7.0	-34.0	34.0		
Other housing	66.0	28.0	10.0	-54.0	18.0	13.0	-18.0	-64.0	52.0		
Construction	135.0	-72.0	-31.0	-39.0	72.0	42.0	-2.0	279.0	-89.0		
Non mortgage	95.0	-123.0	-8.0	-96.0	-8.0	-64.0	-20.0	70.0	74.0		
<b>Total</b>	<b>50.0</b>	<b>-11.0</b>	<b>-16.0</b>	<b>-41.0</b>	<b>12.0</b>	<b>0.0</b>	<b>-13.0</b>	<b>17.0</b>	<b>10.0</b>		

\*) In bps

Source: Company data and Lotus Andalan Research

Customer Deposits - Rp trillion										
Period	1Q17	2Q17	3Q17	4Q17	1Q18	2Q18	3Q18	4Q18	1Q19	YoY
<b>Deposits</b>										
Current account	41.7	41.7	44.5	54.7	51.1	48.6	48.2	58.1	53.3	4.2%
Saving account	30.7	33.0	37.2	41.0	44.1	39.5	42.0	41.9	43.3	-1.8%
Time deposits	85.0	84.4	86.4	97.4	99.3	101.5	104.9	130.3	119.3	20.1%
<b>Total</b>	<b>157.4</b>	<b>159.1</b>	<b>168.1</b>	<b>193.0</b>	<b>194.5</b>	<b>189.6</b>	<b>195.0</b>	<b>230.3</b>	<b>215.8</b>	<b>11.0%</b>
<b>Growth - QoQ</b>										
Current account	-9.0%	0.0%	6.7%	22.8%	-6.4%	-4.9%	-0.9%	20.5%	-8.2%	
Saving account	-11.7%	7.5%	12.5%	10.2%	7.6%	-10.4%	6.4%	-0.2%	3.3%	
Time deposits	6.8%	-0.7%	2.4%	12.7%	2.0%	2.3%	3.3%	24.3%	-8.5%	
<b>Total</b>	<b>-1.7%</b>	<b>1.1%</b>	<b>5.6%</b>	<b>14.8%</b>	<b>0.8%</b>	<b>-2.5%</b>	<b>2.9%</b>	<b>18.1%</b>	<b>-6.3%</b>	
<b>Portion</b>										
CASA	46.0%	47.0%	48.6%	49.5%	49.0%	46.5%	46.2%	43.4%	44.7%	
Time deposits	54.0%	53.0%	51.4%	50.5%	51.0%	53.5%	53.8%	56.6%	55.3%	
<b>Total</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	

Source: Company data and Lotus Andalan Research

## Financial Highlights of PT Bank Tabungan Negara (Persero) Tbk

In Rp Billion									
<b>BALANCE SHEET</b>	<b>2017A</b>	<b>2018A</b>	<b>2019F</b>	<b>2020F</b>	<b>INCOME STATEMENT</b>	<b>2017A</b>	<b>2018A</b>	<b>2019F</b>	<b>2020F</b>
<b>ASSETS</b>					Interest income	19,272	22,852	26,084	30,108
Cash and cash equivalent	1,028	1,244	1,316	1,099	Interest expenses	(9,931)	(12,763)	(14,737)	(16,976)
Current account with BI and others bank	13,111	17,005	19,353	18,828	<b>Net Interest income</b>	<b>9,341</b>	<b>10,089</b>	<b>11,347</b>	<b>13,133</b>
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	2,220	2,738
Gross loans	198,991	237,758	274,294	318,051	<b>Total net operating income</b>	<b>10,947</b>	<b>12,161</b>	<b>13,567</b>	<b>15,870</b>
Loan provisions	(2,356)	(3,298)	(3,527)	(4,086)	Salaries expenses	(2,554)	(2,877)	(3,096)	(3,640)
Fixed assets	4,837	5,018	5,426	5,897	G&A expenses	(2,953)	(3,225)	(3,547)	(4,152)
Others	5,167	7,004	5,443	5,871	Other expenses	(663)	(751)	(920)	(992)
<b>TOTAL ASSETS</b>	<b>261,365</b>	<b>306,436</b>	<b>338,562</b>	<b>382,773</b>	<b>Pre Provision Operating profit (PPOP)</b>	<b>4,776</b>	<b>5,308</b>	<b>6,003</b>	<b>7,088</b>
					Provision	(884)	(1,714)	(1,841)	(2,164)
<b>LIABILITIES &amp; EQUITY</b>					<b>Operating profit</b>	<b>3,892</b>	<b>3,594</b>	<b>4,162</b>	<b>4,924</b>
Customers deposits	192,474	229,829	262,653	302,575	Non - operating income	(30)	16	(16)	(13)
Other banks deposits	5,445	3,010	3,193	3,102	<b>Profit before tax</b>	<b>3,862</b>	<b>3,610</b>	<b>4,146</b>	<b>4,910</b>
Fund borrowings	7,991	15,499	12,333	14,612	Tax expense	(834)	(802)	(921)	(1,091)
Subordinated borrowings	23,480	20,645	21,917	20,018	<b>Net profit before non-controlling interest</b>	<b>3,027</b>	<b>2,808</b>	<b>3,225</b>	<b>3,819</b>
Others	10,312	13,613	11,962	12,787	Non-controlling interest	-	-	-	-
<b>Total Liabilities</b>	<b>239,702</b>	<b>282,596</b>	<b>312,059</b>	<b>353,096</b>	<b>Net profit</b>	<b>3,027</b>	<b>2,808</b>	<b>3,225</b>	<b>3,819</b>
Capital stock	5,295	5,295	5,295	5,295	EPS (Rp)	<b>286</b>	<b>265</b>	<b>305</b>	<b>361</b>
Additional paid in capital	2,054	2,054	2,054	2,054					
Others	2,802	2,777	2,777	2,777					
Retained Earnings	11,512	13,714	16,377	19,551					
<b>Total Equity</b>	<b>21,663</b>	<b>23,840</b>	<b>26,504</b>	<b>29,678</b>					
Non-Controlling Interest	-	-	-	-					
<b>TOTAL LIABILITIES &amp; EQUITY</b>	<b>261,365</b>	<b>306,436</b>	<b>338,562</b>	<b>382,773</b>					
<b>KEY FINANCIAL RATIO</b>	<b>2017A</b>	<b>2018A</b>	<b>2019F</b>	<b>2020F</b>	<b>MARKET RATIO</b>	<b>2017A</b>	<b>2018A</b>	<b>2019F</b>	<b>2020F</b>
<b>Growth (%)</b>					PER (x)	8.56	9.23	8.04	6.79
Total assets	22.04	17.24	10.48	13.06	PBV (x)	1.20	1.09	0.98	0.87
Gross loans	21.01	19.48	15.37	15.95	BVPS (Rp)	2,047	2,253	2,505	2,804
Customer deposits	20.31	19.41	14.28	15.20	Dividend yield (%)	2.33	2.17	2.49	2.95
Risk weighted assets	17.76	9.43	29.41	14.40					
Net interest income	14.42	8.01	12.46	15.74					
PPOP	17.65	11.14	13.10	18.06					
Net profit	15.60	(7.25)	14.84	18.43					
<b>Profitability (%)</b>									
Earning Asset Yield	8.93	8.87	8.89	9.12					
Cost of Fund	4.77	5.12	5.18	5.30					
NIM	4.33	3.91	3.87	3.98					
ROAA	1.27	0.99	1.00	1.06					
ROAE	14.84	12.34	12.81	13.60					
Cost to Income Ratio	56.37	56.35	55.75	55.34					
BOPO	81.36	85.58	85.29	85.01					
<b>Capital &amp; Assets Quality (%)</b>									
CAR	18.87	18.21	16.53	15.20					
LDR	103.39	103.45	104.43	105.11					
CASA to Deposits	49.67	43.48	39.51	35.86					
NPL - gross	2.66	2.82	2.68	2.72					
Provisioning coverage	44.51	49.19	47.90	47.20					

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

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