

30 APRIL 2019

COMPANY UPDATE

NEUTRAL

STOCK INFORMATION

Bloomberg Code	BBNI IJ
Sector	Bank
Current Price	Rp 9,625
Target Price	Rp 10,600
Previous Target Price	Rp 10,600
Upside/Downside	10%
Share Out (bn shares)	18.6
Market Cap (Rp bn)	Rp 179,493
52 – w range (low-high)	Rp 6,725 – Rp 9,850
52 – w average daily	Rp 8,200

PRICE CHART



Source: Bloomberg

SHAREHOLDERS INFORMATION, AS OF 31 MARCH 2019

The Government of Republic Indonesia	60.0%
Public (below 5%)	40.0%

Source: Company data

FORWARD PBV BAND



Source: Bloomberg and Lotus Andalan Research

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PT BANK NEGARA INDONESIA (PERSERO) TBK

A Satisfying 1Q19 Result

BBNI managed to book a satisfying result in 1Q19, in which net interest income (NII) and net profit figures covered by 24% to our 2018 forecast of Rp 37.14 trillion in NII and Rp 17.10 trillion in net profit. Meanwhile, its NPL maintained at the low level of 1.9% in 1Q19 thanks to a write-off of Rp 1.5 trillion and Rp 30.3 trillion in restructuring loan which resulted in better coverage ratio at 153%. Recently, BBNI's share price increased by 10% YTD 2019 which was precisely traded to its 5 years average forward PBV + 1std dev of 1.49x, hence, we downgrade our BUY rating to NEUTRAL since our fair value only offer limited upside potential of 10%.

1Q19 Inline Result

During the 1Q19 period, the company booked Rp 8.86 trillion in net interest income (NII) which only advanced by 4.3% YoY (vs Rp 8.50 trillion in 1Q18) since the company reduced its average lending rate by 30 bps to the level of 9.4% (vs 9.7% in 1Q18, mainly came from corporate and consumer segments). Meanwhile, the net profit during the same period grew by 11.5% YoY became to Rp 4.08 trillion (vs Rp 3.66 trillion in 1Q18) due to the declining in provisioning cost allocation by 9.5% YoY, which was in line with its low NPL. All in all, BBNI's 1Q19 NII and net profit figures came in line with our expectation, which were covered by 24% to our 2018 forecast of Rp 37.14 trillion in NII and Rp 17.10 trillion in net profit.

Maintained NPL at low level of 1.9%

BBNI managed to maintain its NPL at low level of 1.9% in 1Q19 which improved by 40 bps compared to the 1Q18 at the level of 2.3% thanks to a write-off of Rp 1.5 trillion and Rp 30.3 trillion in restructuring loan (mainly came from plantation, hospitality and pharmaceutical sectors). We note that the NPL from corporate, medium, small and consumer segments improved to 1.6% (vs 1.7% in 1Q18); to 2.7% (vs 3.1% in 1Q19); to 1.9% (vs 3.0% in 1Q19) and to 2.2% (vs 2.5% in 1Q18), respectively. As a result, the company's coverage ratio strengthened to the level of 153% in 1Q19 (vs 148% in 1Q18).

Loan grew by 18.6% YoY, higher than industry

BBNI's 1Q19 total loan increased by 18.6% YoY to reached Rp 521.3 trillion (vs Rp 439.5 trillion in 1Q18) which higher than banking industry growth of 12.1% YoY in February 2019. The company's total loan was mainly dominated by corporate and SoE segments (52%) which grew by 24.6% YoY to Rp 269.3 trillion. Meanwhile, BBNI's loan from consumer and small segments increased by 8.5% YoY and 18.5% YoY attained to Rp 80.1 trillion and to Rp 68.4 trillion which contributed 15% and 13% to the company's total loan, respectively.

1Q19 declining NIM as a result of lending rate reduction and higher CoF

On the profitability side, the company's NIM in 1Q19 decreased by 40 bps to the level of 5.0% (vs 5.4% n 1Q18), entirely affected by 1) lending rate reduction; 2) 40 bps increases in CoF (3.2% vs 2.8% in 1Q18) mainly from time deposit hike of 22.5% YoY and 3) lower CASA ratio (60.5% vs 62.4% in 1Q18). We noted that the company's total customer deposit grew by 16.8% YoY in 1Q19 to Rp 575.7 trillion (vs Rp 492.9 trillion in 1Q18) which translated into an ample liquidity with LDR ratio at the level of 91%.

DG to NEUTRAL since the price increased by 10% YTD 2019

Recently, BBNI's share price increased by 10% YTD 2019 which was precisely traded to its 5 years average forward PBV + 1std dev of 1.49x, hence, we downgrade our BUY rating to NEUTRAL since our fair value only offer limited upside potential of 10%.

Financial Summary

(Rp billion)	2017A	2018A	2019F	2020F	2021F
Net interest income	31,938	35,446	37,141	42,497	48,690
PPOP	24,349	26,988	29,951	32,957	37,801
Net profit	13,616	15,015	17,095	19,042	22,646
EPS (Rp)	731	806	918	1,022	1,216
PER (x)	13.17	11.94	10.49	9.42	7.92
BVPS (Rp)	5,291	5,801	6,437	7,138	7,996
PBV (x)	1.82	1.66	1.50	1.35	1.20
Dividend yield (%)	2.66	2.93	3.33	3.71	5.68
RoAE (%)	14.66	14.53	15.00	15.06	16.06
NIM (%)	5.69	5.44	5.11	5.26	5.35

Source: Company data and Lotus Andalan Research

Interim Financial Result										
	1Q18	1Q19	YoY	FY19F	cover	4Q18	1Q19	QoQ	The Comments	
P/L (In Rp billion)										
Net Interest Income	8,496	8,859	4.3%	37,141	24%	9,440	8,859	-6.2%	Inline	
Operating expenses	(5,278)	(5,495)	4.1%	(22,687)	24%	(5,269)	(5,495)	4.3%		
PPOP	6,508	6,893	5.9%	29,951	23%	7,246	6,893	-4.9%	Inline	
Provision	(1,909)	(1,728)	-9.5%	(7,411)	23%	(2,048)	(1,728)	-15.6%		
Non op. income - net	(22)	(33)	N.A.	85	N.A.	305	(33)	N.A.		
Pre-tax profit	4,577	5,132	12.1%	22,625	23%	5,503	5,132	-6.7%		
Net Profit	3,656	4,076	11.5%	17,095	24%	3,577	4,076	13.9%	Inline	
BS (In Rp billion)										
Loan - gross	439,460	521,349	18.6%	587,255	89%	512,778	521,349	1.7%		
Customer deposit	492,903	575,748	16.8%	651,127	88%	578,775	575,748	-0.5%		
Profitability										
Avg Loan Yield	9.7%	9.4%		8.8%		9.7%	9.4%			
Cost of Fund	2.8%	3.2%		3.9%		2.8%	3.2%			
NIM	5.4%	5.0%		5.1%		5.3%	5.0%		Lower NIM environment	
BOPO	70.5%	70.5%		73.2%		70.1%	70.5%			
Capital & Assets Quality										
Total CAR	17.9%	19.2%		18.8%		18.5%	19.2%			
LDR	90.1%	91.3%		90.2%		88.8%	91.3%		Ample liquidity	
CASA	62.4%	60.5%		66.4%		64.8%	60.5%			
NPL - gross	2.3%	1.9%		2.1%		1.9%	1.9%		Maintain at low level	
Provisioning coverage	148.0%	153.1%		162.9%		152.9%	153.1%			

Source: Company data and Lotus Andalan Research

Loan Segment (Rp trillion)											
Period	1Q17	2Q17	3Q17	4Q17	1Q18	2Q18	3Q18	4Q18	1Q19	YoY	
Segments											
Corporate & SoE	194.9	204.1	208.3	218.8	216.1	225.4	247.0	262.7	269.3	24.6%	
Consumer	65.6	67.1	68.5	71.4	73.9	75.5	77.0	79.7	80.1	8.5%	
Medium	63.4	65.2	67.7	70.3	67.1	70.8	72.1	74.7	72.7	8.4%	
Small	50.9	52.7	53.7	56.5	57.7	60.0	62.9	66.1	68.4	18.5%	
Subsidiaries	21.7	23.1	23.1	24.4	24.7	26.1	28.0	29.6	30.8	24.5%	
Total	396.5	412.2	421.4	441.3	439.5	457.8	487.0	512.8	521.3	18.6%	
Growth - QoQ											
Corporate & SoE	-0.2%	4.8%	2.1%	5.0%	-1.2%	4.3%	9.6%	6.4%	2.5%		
Consumer	0.8%	2.2%	2.2%	4.2%	3.4%	2.2%	2.1%	3.5%	0.5%		
Medium	3.4%	2.9%	3.7%	3.8%	-4.5%	5.5%	1.9%	3.6%	-2.7%		
Small	0.4%	3.5%	2.0%	5.1%	2.2%	4.0%	4.8%	5.0%	3.6%		
Subsidiaries	4.1%	6.2%	0.1%	5.4%	1.4%	5.7%	7.0%	5.7%	4.1%		
Total	0.8%	3.9%	2.2%	4.7%	-0.4%	4.2%	6.4%	5.3%	1.7%		
Portion											
Corporate & SoE	49.1%	49.5%	49.4%	49.6%	49.2%	49.2%	50.7%	51.2%	51.7%		
Consumer	16.5%	16.3%	16.3%	16.2%	16.8%	16.5%	15.8%	15.5%	15.4%		
Medium	16.0%	15.8%	16.1%	15.9%	15.3%	15.5%	14.8%	14.6%	13.9%		
Small	12.8%	12.8%	12.8%	12.8%	13.1%	13.1%	12.9%	12.9%	13.1%		
Subsidiaries	5.5%	5.6%	5.5%	5.5%	5.6%	5.7%	5.7%	5.8%	5.9%		
Total	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 (%), Bank Only											
Period	1Q17	2Q17	3Q17	4Q17	1Q18	2Q18	3Q18	4Q18	1Q19	YoY*	
Segment											
Corporate	3.0	2.6	2.6	1.9	1.7	1.6	1.5	1.7	1.6	-10	
Medium	3.5	3.2	3.3	2.8	3.1	2.7	3.0	2.6	2.7	-40	
Small	3.8	4.1	3.5	2.7	3.0	2.8	2.4	1.6	1.9	-110	
Consumer	3.0	2.8	2.7	2.5	2.5	2.5	2.4	2.1	2.2	-30	
Total	3.0	2.8	2.8	2.3	2.3	2.1	2.0	1.9	1.9	-40	
Change - QoQ*											
Corporate	0	-40	0	-70	-20	-10	-10	20	-10		
Medium	10	-30	10	-50	30	-40	30	-40	10		
Small	20	30	-60	-80	30	-20	-40	-80	30		
Consumer	20	-20	-10	-20	0	0	-10	-30	10		
Total	0	-20	-5	-45	0	-20	-10	-10	0		

*) In bps

Source: Company data and Lotus Andalan Research

Third Party Fund (Rp Trillion)										
Period	1Q17	2Q17	3Q17	4Q17	1Q18	2Q18	3Q18	4Q18	1Q19	YoY
Deposits										
Demand	108.1	120.9	128.7	143.2	132.8	154.2	157.3	169.3	165.0	24.2%
Savings	152.3	161.4	161.3	182.3	174.6	181.8	181.8	206.1	183.6	5.1%
Time Deposits	184.6	181.5	190.5	190.6	185.4	190.5	209.2	203.4	227.2	22.5%
Total	445.0	463.9	480.5	516.1	492.9	526.5	548.2	578.8	575.7	16.8%
<i>CASA ratio</i>	<i>58.5%</i>	<i>60.9%</i>	<i>60.4%</i>	<i>63.1%</i>	<i>62.4%</i>	<i>63.8%</i>	<i>61.8%</i>	<i>64.8%</i>	<i>60.5%</i>	
Growth - QoQ										
Demand	-11.9%	11.9%	6.5%	11.2%	-7.2%	16.1%	2.0%	7.6%	-2.5%	
Savings	-4.0%	6.0%	-0.1%	13.0%	-4.2%	4.1%	0.0%	13.3%	-10.9%	
Time Deposits	19.7%	-1.7%	5.0%	0.1%	-2.7%	2.7%	9.8%	-2.7%	11.7%	
Total	2.2%	4.2%	3.6%	7.4%	-4.5%	6.8%	4.1%	5.6%	-0.5%	

Source: Company data and Lotus Andalan Research

Financial Highlights of PT Bank Negara Indonesia (Persero) Tbk

In Rp Billion									
BALANCE SHEET	2017A	2018A	2019F	2020F	INCOME STATEMENT	2017A	2018A	2019F	2020F
ASSETS					Interest income	48,178	54,139	63,799	74,074
Cash and cash equivalent	11,578	14,044	14,496	12,361	Interest expenses	(16,240)	(18,692)	(26,658)	(31,578)
Current account with BI and others bank	54,036	48,725	50,678	57,299	Net Interest income	31,938	35,446	37,141	42,497
Placement with BI and others bank	28,593	39,324	36,336	34,751	Net premium income	1,768	1,712	1,797	1,887
Marketable securities	115,899	118,836	127,642	137,143	Other non-interest income	11,040	11,613	13,700	14,786
Gross loans	441,314	512,778	587,255	674,357	Total net operating income	44,745	48,771	52,638	59,170
Loan provisions	(14,524)	(14,892)	(20,117)	(21,522)	Salaries expenses	(9,227)	(9,519)	(9,953)	(11,622)
Fixed assets	22,805	26,127	26,716	27,350	G&A expenses	(6,923)	(7,667)	(7,917)	(9,099)
Others	49,630	63,630	49,119	53,901	Other expenses	(4,247)	(4,597)	(4,817)	(5,491)
TOTAL ASSETS	709,330	808,572	872,124	975,640	Pre Provision Operating profit (PPOP)	24,349	26,988	29,951	32,957
					Provision	(7,126)	(7,388)	(7,411)	(7,855)
LIABILITIES & EQUITY					Operating profit	17,223	19,599	22,539	25,103
Customers deposits	516,098	578,775	651,127	735,950	Non - operating income	(57)	221	85	96
Other banks deposits	12,011	14,233	10,579	11,498	Profit before tax	17,165	19,821	22,625	25,198
Fund borrowings	44,722	52,025	48,373	50,199	Tax expense	(3,395)	(4,729)	(5,398)	(6,012)
Subordinated borrowings	3,482	2,987	2,987	2,987	Net profit before non-controlling interest	13,771	15,092	17,227	19,186
Others	32,113	50,179	36,895	39,729	Non-controlling interest	154	77	132	145
Total Liabilities	608,427	698,198	749,961	840,364	Net profit	13,616	15,015	17,095	19,042
Capital stock	9,055	9,055	9,055	9,055	EPS (Rp)	731	806	918	1,022
Additional paid in capital	14,568	14,568	14,568	14,568					
Others	14,636	13,397	13,397	13,397					
Retained Earnings	60,314	71,057	82,902	95,966					
Total Equity	98,572	108,077	119,922	132,986					
Non-Controlling Interest	2,331	2,297	2,242	2,290					
TOTAL LIABILITIES & EQUITY	709,330	808,572	872,124	975,640					
KEY FINANCIAL RATIO	2017A	2018A	2019F	2020F	MARKET RATIO	2017A	2018A	2019F	2020F
Growth (%)					PER (x)	13.17	11.94	10.49	9.42
Total assets	17.63	13.99	7.86	11.87	PBV (x)	1.82	1.66	1.50	1.35
Gross loans	12.21	16.19	14.52	14.83	BVPS (Rp)	5,291	5,801	6,437	7,138
Customer deposits	18.49	12.14	12.50	13.03	Dividend yield (%)	2.66	2.93	3.33	3.71
Risk weighted assets	23.18	9.36	10.20	13.91					
Net interest income	6.48	10.99	4.78	14.42					
PPOP	10.26	10.84	10.98	10.04					
Net profit	20.09	10.27	13.85	11.39					
Profitability (%)									
Earning Asset Yield	8.58	8.31	8.78	9.17					
Cost of Fund	3.06	3.05	3.92	4.17					
NIM	5.69	5.44	5.11	5.26					
ROAA	2.08	1.98	2.03	2.06					
ROAE	14.66	14.53	15.00	15.06					
Cost to Income Ratio	47.46	46.29	44.62	45.76					
Op. exp to Op. inc (BOPO)	73.90	72.80	73.24	73.87					
Capital & Quality Assets (%)									
CAR	18.62	18.57	18.77	18.28					
LDR	85.51	88.60	90.19	91.63					
CASA to Deposits	63.06	64.85	66.45	67.90					
NPL - gross	2.29	1.96	2.10	2.12					
Provisioning coverage	143.71	148.17	162.86	150.70					

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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