

28 OCTOBER 2019

COMPANY UPDATE
BUY
STOCK INFORMATION

Bloomberg Code	BBNI IJ
Sector	Bank
Current Price	Rp 7,825
Target Price	Rp 11,500
Previous Target Price	Rp 11,500
Upside/Downside	47%
Share Out (bn shares)	18.6
Market Cap (Rp bn)	Rp 145,926
52 – w range (low-high)	Rp 6,675 – Rp 9,850
Average daily turnover (Rp bn)	
1 month	Rp 193.1
3 month	Rp 162.5
YTD 2019	Rp 186.5

PRICE CHART


Source: Bloomberg

SHAREHOLDERS INFORMATION, AS OF 30 SEPTEMBER 2019

The Government of Republic Indonesia	60.5%
Public (below 5%)	39.5%

Source: Company data

FORWARD PBV BAND


Source: Bloomberg and Lotus Andalan Research

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PT BANK NEGARA INDONESIA (PERSERO) TBK
Expected Result – Healthy Asset Quality

BBNI managed to maintain its NPL at healthy level of 1.8% in 3Q19 (vs 1.8% in 2Q19 and 2.0% in 3Q18) thanks to 1) Rp 845 billion corporate debtor payment from coal mining sector; 2) upgraded bad debt of Rp 895 billion into current category (mainly come from marble mining sea transportation and mining contracting as well as corporate segment); and 3) a write-off of Rp 4.2 trillion. In all, the company's 9M19 net interest income (NII) and net profit came in line with expectation which covered by 72% and 70% to our 2019F, respectively. Currently, BBNI share price plummeted by 21% from its highest closing price this year implied to its average 5 years forward PBV – 1 stdev of 1.09x and reflected an attractive valuation. Kept BUY rating on the counter.

NPL maintained at healthy level of 1.8% in 3Q19

BBNI managed to maintain its asset quality at a healthy level in 3Q19, in which the NPL stood at the level of 1.8% (vs 1.8% in 2Q19 and 2.0% in 3Q18) while its provision coverage ratio strengthened to 159.2% (vs 156.5% in 2Q19 and 152.0% in 3Q18) driven by 1) Rp 845 billion corporate debtor payment from coal mining sector in East Kalimantan; 2) upgraded bad debt of Rp 275 billion medium segment to current category (mainly come from marble mining sea transportation and mining contracting); 3) upgraded corporate bad debt of Rp 620 billion to special mention loan (category 2); and 4) a write-off of Rp 4.2 trillion. We forecast that the company's NPL will reach to the level of 2.1% in 2019F (vs 1.96% in 2018) as consequence of PSAK 71 implementation and loan restructure program from KRAS and Duniatex. Note that, bad debt from Duniatex will not threat significantly to the company's NPL since the total exposure is only Rp 450 billion, in our view.

Strong 3Q19 net profit

On quarterly basis, the company's 3Q19 net profit increased by 22.0% QoQ reach to Rp 4.3 trillion (vs Rp 3.6 trillion in 2Q19) due to a significant decline in provision cost of 34.7% QoQ (Rp 1.5 trillion in 3Q19 vs Rp 2.2 trillion in 2Q19) thanks to Rp 845 billion debtor payment from coal mining sector and an upgraded bad debt of Rp 895 billion into special mention loan (category 2) and current (category 1). Meanwhile, the company net interest income (NII) only grew by 5.8% QoQ during the same period from Rp 8.8 trillion became to Rp 9.3 trillion as a result of sluggish loan growth environment.

The 9M19 result came in line with our expectation

All in all, the company's 9M19 financial results came in line with our expectation, in which NII and net profit covered by 72% and 70% to our 2019F of Rp 37.1 trillion in NII and Rp 17.1 trillion in net profit, respectively. Note that the NII only inched up 3.3% YoY became to Rp 26.9 trillion in 9M19 (vs Rp 26.0 trillion in 9M18) as consequence of its lending rate reduction by 50 bps. As a result, the company's net profit only advanced by 4.7% YoY from Rp 11.4 trillion to Rp 11.9 trillion.

Kept BUY rating – fair value Rp 11,500 per share

Currently, BBNI share price plummeted by 21% from its highest closing price this year (at Rp 9,850/shr as of 18 April 2019) which was implied to its average 5 years forward PBV – 1 stdev of 1.09x and reflected an attractive valuation. Hence, we kept BUY rating on the counter with a 47% upside potential.

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)	10.71	9.71	8.53	7.66	6.44
BVPS (Rp)	5,291	5,801	6,437	7,138	7,996
PBV (x)	1.48	1.35	1.22	1.10	0.98
Dividend yield (%)	3.27	3.60	4.10	4.57	5.43
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									
	9M18	9M19	YoY	FY19F	cover	2Q19	3Q19	QoQ	The Comments
P/L (In Rp billion)									
Net Interest Income	26,010	26,873	3.3%	37,141	72%	8,754	9,260	5.8%	Inline
Operating expenses	(16,112)	(17,200)	6.8%	(22,687)	76%	(5,773)	(5,932)	2.8%	
PPOP	19,742	20,544	4.1%	29,951	69%	6,737	6,914	2.6%	Inline
Provision	(5,340)	(5,430)	1.7%	(7,411)	73%	(2,240)	(1,462)	-34.7%	
Non op. income - net	(84)	(59)	-29.8%	85	N.A.	2	(28)	N.A.	
Pre-tax profit	14,318	15,056	5.2%	22,625	67%	4,499	5,425	20.6%	
Net Profit	11,438	11,973	4.7%	17,095	70%	3,558	4,339	22.0%	Inline
BS (In Rp billion)									
Loan - gross	487,042	558,674	14.7%	587,255	95%	549,234	558,674	1.7%	
Customer deposit	548,593	580,976	5.9%	651,127	89%	595,067	580,976	-2.4%	
Profitability									
Avg Loan Yield	9.8%	9.3%		9.0%		9.3%	9.3%		
Cost of Fund	2.8%	3.2%		3.4%		3.2%	3.2%		
NIM	5.3%	4.9%		5.1%		4.9%	4.9%		Lower NIM (YoY), but stable in QoQ
BOPO	70.3%	71.8%		73.2%		72.6%	71.8%		
Capital & Assets Quality									
Total CAR	17.8%	19.3%		18.8%		18.7%	19.3%		
LDR	89.0%	96.6%		90.2%		92.3%	96.6%		Ample liquidity
CASA	61.9%	64.3%		66.4%		64.6%	64.3%		
NPL - gross	2.0%	1.8%		2.1%		1.8%	1.8%		Maintain at low level
Provisioning coverage	152.0%	159.2%		162.9%		156.5%	159.2%		

Source: Company data and Lotus Andalan Research

Loan Segment (Rp trillion)												
Period	1Q17	2Q17	3Q17	4Q17	1Q18	2Q18	3Q18	4Q18	1Q19	2Q19	3Q19	YoY
Segments												
Corporate & SoE	194.9	204.1	208.3	218.8	216.1	225.4	247.0	262.7	269.3	285.3	291.8	18.1%
Consumer	65.6	67.1	68.5	71.4	73.9	75.5	77.0	79.7	80.1	81.7	83.6	8.6%
Medium	63.4	65.2	67.7	70.3	67.1	70.8	72.1	74.7	72.7	76.1	74.9	3.8%
Small	50.9	52.7	53.7	56.5	57.7	60.0	62.9	66.1	68.4	72.9	75.0	19.2%
Subsidiaries	21.7	23.1	23.1	24.4	24.7	26.1	28.0	29.6	30.8	33.1	33.4	19.3%
Total	396.5	412.2	421.4	441.3	439.5	457.8	487.0	512.8	521.3	549.2	558.7	14.7%
Growth - QoQ												
Corporate & SoE	-0.2%	4.8%	2.1%	5.0%	-1.2%	4.3%	9.6%	6.4%	2.5%	5.9%	2.3%	
Consumer	0.8%	2.2%	2.2%	4.2%	3.4%	2.2%	2.1%	3.5%	0.5%	2.0%	2.4%	
Medium	3.4%	2.9%	3.7%	3.8%	-4.5%	5.5%	1.9%	3.6%	-2.7%	4.7%	-1.6%	
Small	0.4%	3.5%	2.0%	5.1%	2.2%	4.0%	4.8%	5.0%	3.6%	6.6%	2.8%	
Subsidiaries	4.1%	6.2%	0.1%	5.4%	1.4%	5.7%	7.0%	5.7%	4.1%	7.6%	0.8%	
Total	0.8%	3.9%	2.2%	4.7%	-0.4%	4.2%	6.4%	5.3%	1.7%	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%	52.0%	52.2%	
Consumer	16.5%	16.3%	16.3%	16.2%	16.8%	16.5%	15.8%	15.5%	15.4%	14.9%	15.0%	
Medium	16.0%	15.8%	16.1%	15.9%	15.3%	15.5%	14.8%	14.6%	13.9%	13.9%	13.4%	
Small	12.8%	12.8%	12.8%	12.8%	13.1%	13.1%	12.9%	12.9%	13.1%	13.3%	13.4%	
Subsidiaries	5.5%	5.6%	5.5%	5.5%	5.6%	5.7%	5.7%	5.8%	5.9%	6.0%	6.0%	
Total	100.0%	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 (%), Bank Only												
Period	1Q17	2Q17	3Q17	4Q17	1Q18	2Q18	3Q18	4Q18	1Q19	2Q19	3Q19	YoY*
Segment												
Corporate	3.0	2.6	2.6	1.9	1.7	1.6	1.5	1.7	1.6	1.1	1.1	-40
Medium	3.5	3.2	3.3	2.8	3.1	2.7	3.0	2.6	2.7	3.7	3.9	90
Small	3.8	4.1	3.5	2.7	3.0	2.8	2.4	1.6	1.9	2.1	2.2	-20
Consumer	3.0	2.8	2.7	2.5	2.5	2.5	2.4	2.1	2.2	2.1	2.1	-30
Total	3.0	2.8	2.8	2.3	2.3	2.1	2.0	1.9	1.9	1.8	1.8	-20
Change - QoQ*												
Corporate	0	-40	0	-70	-20	-10	-10	20	-10	-50	0	
Medium	10	-30	10	-50	30	-40	30	-40	10	100	20	
Small	20	30	-60	-80	30	-20	-40	-80	30	20	10	
Consumer	20	-20	-10	-20	0	0	-10	-30	10	-10	0	
Total	0	-20	-5	-45	0	-20	-10	-10	0	-10	0	

*) In bps

Source: Company data and Lotus Andalan Research

Customer Deposit (Rp Trillion)												
Period	1Q17	2Q17	3Q17	4Q17	1Q18	2Q18	3Q18	4Q18	1Q19	2Q19	3Q19	YoY
Deposits												
Current	108.1	120.9	128.7	143.2	132.8	154.2	157.3	169.3	165.0	188.8	178.0	13.0%
Savings	152.3	161.4	161.3	182.3	174.6	181.8	181.8	206.1	183.6	195.5	195.5	7.5%
Time Deposits	184.6	181.5	190.5	190.6	185.4	190.5	209.2	203.4	227.2	210.7	207.4	-0.8%
Total	445.0	463.9	480.5	516.1	492.9	526.5	548.2	578.8	575.7	595.1	581.0	5.9%
<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>	<i>64.6%</i>	<i>64.3%</i>	
Growth - QoQ												
Demand	-11.9%	11.9%	6.5%	11.2%	-7.2%	16.1%	2.0%	7.6%	-2.5%	14.5%	-5.7%	
Savings	-4.0%	6.0%	-0.1%	13.0%	-4.2%	4.1%	0.0%	13.3%	-10.9%	6.5%	0.0%	
Time Deposits	19.7%	-1.7%	5.0%	0.1%	-2.7%	2.7%	9.8%	-2.7%	11.7%	-7.2%	-1.6%	
Total	2.2%	4.2%	3.6%	7.4%	-4.5%	6.8%	4.1%	5.6%	-0.5%	3.4%	-2.4%	

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)	10.71	9.71	8.53	7.66
Total assets	17.63	13.99	7.86	11.87	PBV (x)	1.48	1.35	1.22	1.10
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 (%)	3.27	3.60	4.10	4.57
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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