

Bank Negara Indonesia Tbk (BBNI)

Remains on Track

Company Report | Nov 9, 2018

Buy

Dec 2019 TP (IDR)	10,525
Consensus Price (IDR)	8,906
TP to Consensus Price	+18.2%
vs. Last Price	+33.2%

Shares data

Last Price (IDR)	7,900
Price date as of	Nov 08, 2018
52 wk range (Hi/Lo)	10,175 / 6,675
Free float (%)	41.2
Outstanding sh.(mn)	18,649
Market Cap (IDR bn)	147,324
Market Cap (USD mn)	10,028
Avg. Trd Vol - 3M (mn)	22.63
Avg. Trd Val - 3M (bn)	166.41
Foreign Ownership	19.4%

Finance

Bank

Bloomberg	BBNI IJ
Reuters	BBNI.JK

Continued Core Acceleration

In 3Q18 BBNI posted the interest income of IDR13.3 trillion or growing 8.4% y-y. This growth was higher than 3Q17's interest income growth of 7.3%. Indeed, the latest growth marks the continued acceleration trend occurred since the 2Q18. Moreover, like the growth in the interest income, in the net interest income (NII) also grew by 5.6% in 3Q18 (vs. 1.8% in 3Q17). We are sanguine about the current acceleration trend persisting in next few years. A combination between **stronger loan growth** (15.6% in 3Q18) and a **narrower room for lower NIM** will bolster BBNI's performance.

Jump in Loan Growth Spurred by SOE Segment

The loan growth of 15.6% in 3Q18 was significantly higher than the growth of 10.6% in 2Q18 and the highest growth since 2Q17. The **SOE segment marked outstanding performance by posting the growth of 24.9% y-y** (vs. 7.7% y-y in 2Q18) to IDR101.9 trillion in 3Q18. The contribution of the SOE segment gave bigger contributions from 19.4% into 20.9%.

Healthier Assets Contributed by Corporate Segment

Another positive performance shown by BBNI is its healthier asset qualities. The NPL kept sliding to 2.07% in 3Q18 (vs. 2.16% in 2Q18). The **corporate segment — contributing the largest portion (51%) to the total loan — has the lowest NPL (1.5%)** among the other segments. The healthier assets allow BBNI to enjoy the stable provision and the higher net profit growth in coming years.

Target Price of IDR10,525

We set the target price of IDR10,525 of December 2019. The target price implies a 2019E P/B of 1.6x. Now, BBNI is traded at a 2018E P/B of 1.3x. BBNI's lowest valuation among the three largest banks (BBRI, BMRI, BBCA) is likely to allure investors' preference for BBNI.

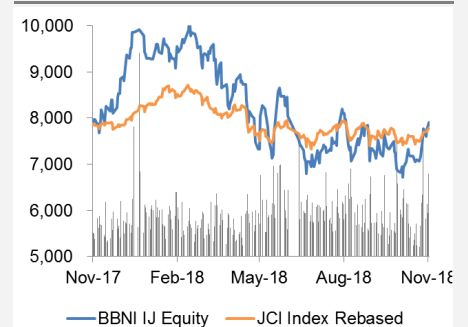
Bank Negara Indonesia Tbk | Summary (IDR bn)

	2017	2018E	2019F	2020F
Interest Income	48,178	53,402	60,862	69,131
<i>Interest Income growth</i>	10.1%	10.8%	14.0%	13.6%
Operating Revenue	45,212	49,256	55,490	62,924
Net profit	13,616	15,373	17,965	21,113
EPS (IDR)	730	824	963	1,132
<i>EPS growth</i>	20.1%	12.9%	16.9%	17.5%
BVPS (IDR)	5,411	5,919	6,600	7,399
Net Interest Margin	5.4%	5.1%	5.1%	5.2%
Loan/Deposits	83.5%	86.1%	87.0%	88.3%
NPL	2.3%	1.9%	1.8%	1.8%
ROE	14.3%	14.6%	15.4%	16.2%
ROA	2.1%	2.0%	2.1%	2.2%
P/E	13.6x	9.6x	8.2x	7.0x
P/BV	1.8x	1.3x	1.2x	1.1x
P/Op. Revenue	4.1x	3.0x	2.7x	2.3x
DPS (IDR)	256	289	337	396
<i>Dividend yield</i>	2.6%	3.7%	4.3%	5.0%

Source: Company Data, Bloomberg, NHKS Research

Please consider the rating criteria & important disclaimer

Share Price Performance



	YTD	1M	3M	12M
Abs. Ret.	-20.2%	15.8%	7.5%	0.3%
Rel. Ret.	-14.2%	12.0%	5.3%	1.5%

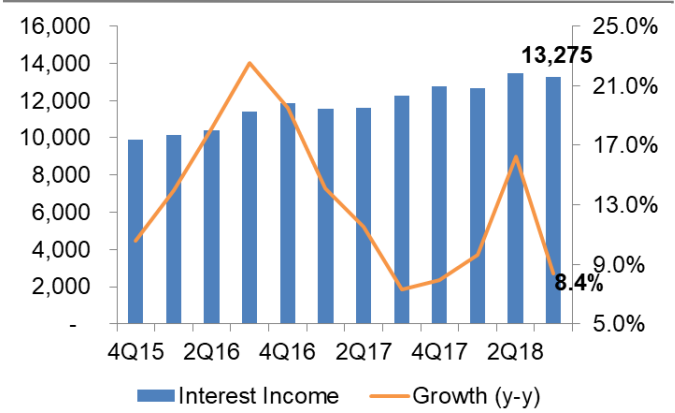
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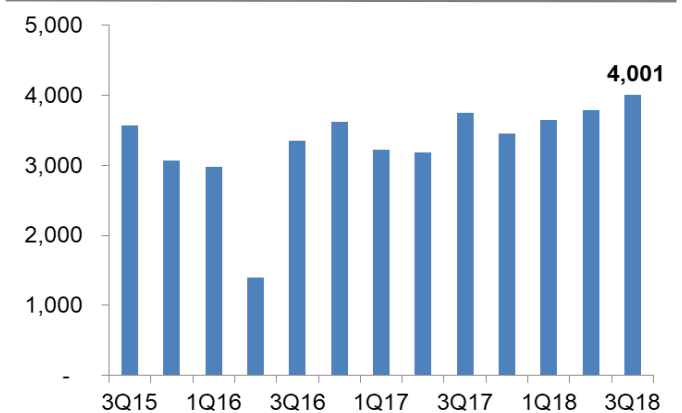
Performance Highlights

Interest Income (IDR bn) | 4Q15 - 3Q18



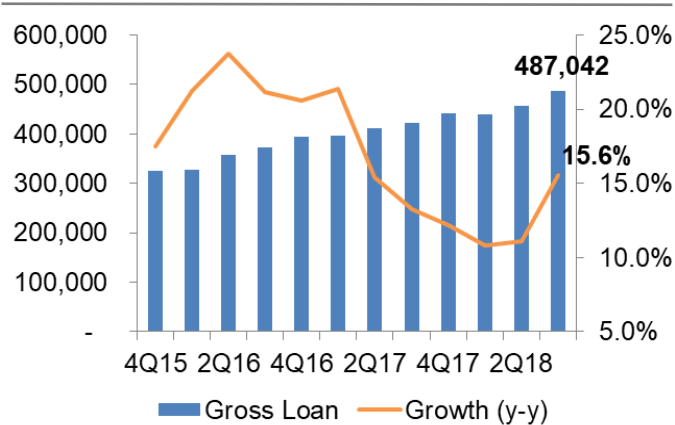
Source: Company, NHKS Research

Net Profit (IDR bn) | 4Q15 - 3Q18



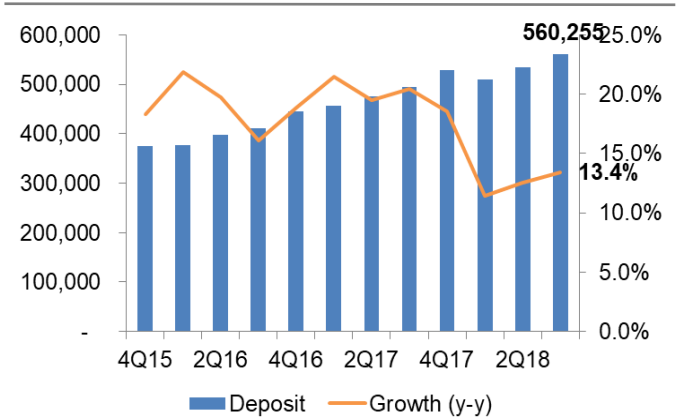
Source: Company, NHKS Research

Gross Loan (IDR bn) | 4Q15 - 3Q18



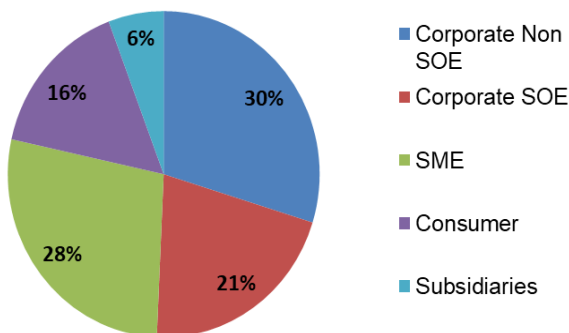
Source: Company, NHKS Research

Deposit (IDR bn) | 4Q15 - 3Q18



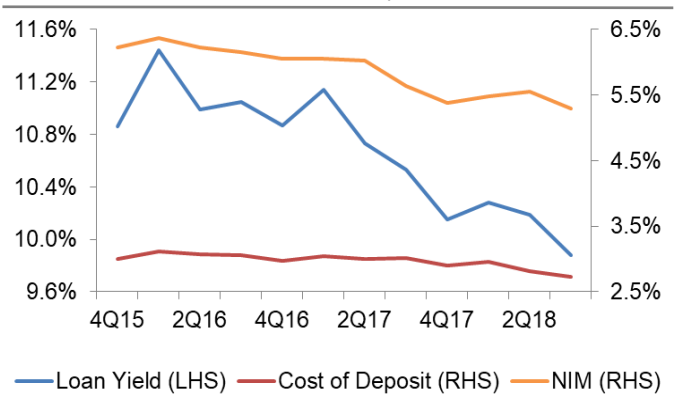
Source: Company, NHKS Research

Loan Composition



Source: Company, NHKS Research

Loan Yield, Cost of Deposit, NIM | 4Q15 - 3Q18



Source: Company, NHKS Research

3Q18 review (IDR bn)

	3Q17	4Q17	1Q18	2Q18	3Q18					4Q18E
					Actual	Estimate	y-y	q-q	surprise	
Interest Income	12,246	12,779	12,673	13,479	13,275	14,208	8.4%	-1.5%	-6.6%	13,975
Interest Expense	(4,139)	(4,352)	(4,177)	(4,529)	(4,715)	(4,721)	13.9%	4.1%	-0.1%	(4,735)
Net Interest Income	8,107	8,427	8,496	8,950	8,560	9,486	5.6%	-4.3%	-9.8%	(9,222)
Operating Rev.	11,365	12,154	11,894	12,128	12,235	12,578	7.7%	0.9%	-2.7%	12,999
PPOP	6,389	6,042	6,508	6,721	6,514	7,086	1.9%	-3.1%	-8.1%	6,461
Loan Loss Provision	(1,665)	(1,638)	(1,910)	(1,959)	(1,471)	(1,586)	-11.6%	-24.9%	-7.3%	(1,462)
Net Profit	3,744	3,459	3,646	3,791	4,001	4,389	6.9%	5.6%	-8.8%	3,935

Source: Bloomberg, NHKS research

Earnings revision (IDR bn)

		2018E	2019F	2020F
Interest Income	Revised	53,402	60,862	69,131
	Previous	55,837	64,525	69,131
	Change	-4.4%	-5.7%	0.0%
Interest Expenses	Revised	(18,174)	(21,433)	(24,275)
	Previous	(19,046)	(21,716)	(24,275)
	Change	-4.6%	-1.3%	0.0%
Net Interest Income	Revised	35,228	39,428	44,857
	Previous	36,791	42,809	44,857
	Change	-4.2%	-7.9%	0.0%
Operating Revenue	Revised	49,256	55,490	62,924
	Previous	50,071	58,554	62,924
	Change	-1.6%	-5.2%	0.0%
Pre-Provisioning OP	Revised	26,204	29,521	33,476
	Previous	27,027	31,606	33,476
	Change	-3.0%	-6.6%	0.0%
Loan Loss Provision	Revised	(6,802)	(6,852)	(6,841)
	Previous	(7,054)	(6,758)	(6,841)
	Change	-3.6%	1.4%	0.0%
Net Profit	Revised	15,373	17,965	21,113
	Previous	15,866	19,744	21,113
	Change	-3.1%	-9.0%	0.0%

Source: NHKS research

BBNI at A Glance

BBNI is the fourth-biggest bank in Indonesia after BBRI, BMRI, and BBCA and dominates 9.2% the credit market share in Indonesia. Its credit distribution focuses on the corporate segment contributing 51% to its overall credit. As the state-owned bank, it has a significant exposure to the credit distribution for state-owned enterprises. Of note, 21% of its overall credit is given to the debtors coming from the stated-owned enterprises inextricably linked to the public sector.

Indonesian's Bank Competitiveness in ASEAN

The banking industry in Indonesia is the investment priority in ASEAN as it offers higher credit rate than do its peers in ASEAN. It is the takeaway factor to the excellent characteristic the banking industry in Indonesia has.

Although facing the challenge of decline in reference rate, most of Indonesia's banks are still capable of maintaining NIM topping 5% higher than the NIM achieved by its peers in ASEAN. The higher NIM is capable of being translated into a higher ROE.

ASEAN Banking Sector

Company	Market Cap (USD mn)	Asset (USD mn)	Int. Income LTM (USD mn)	Net Profit LTM (USD mn)	Net Profit Growth LTM	Net Margin	ROE LTM	P/E LTM	P/BV
BBNI	10,028	82,772	5,229	1,701	40.3%	5.3%	14.2%	9.9x	1.4x
BBRI	27,454	82,886	7,056	2,298	15.2%	7.7%	19.3%	12.9x	2.4x
BBCA	40,619	55,219	3,486	1,796	11.9%	6.0%	18.4%	23.7x	4.1x
BMRI	22,940	52,203	3,385	1,071	8.1%	5.3%	15.1%	14.2x	2.0x
BBTN	1,695	19,235	1,483	234	8.5%	4.2%	14.9%	7.7x	1.1x
Singapore									
DBS	44,585	387,334	6,811	4,058	33.3%	1.9%	11.6%	11.1x	1.3x
UOB	29,900	268,287	7,275	2,938	20.6%	1.9%	11.7%	10.4x	1.2x
OCBC	35,014	340,370	7,366	3,423	21.1%	1.7%	11.7%	10.5x	1.2x
Malaysia									
CIMB	13,011	124,711	4,330	1,346	31.7%	2.5%	11.4%	9.4x	1.1x
Malayan Banking	24,790	188,433	4,326	1,962	6.3%	1.8%	11.2%	12.3x	1.4x
Hong Leong	5,233	56,880	1,204	468	26.6%	1.6%	11.1%	11.3x	1.2x
Thailand									
Bangkok Bank	12,501	94,446	3,100	1,105	9.0%	2.4%	9.0%	11.4x	1.0x
Siam Commercial	14,516	92,841	1,305	1,305	-9.6%	3.3%	11.6%	11.2x	1.3x
Bank of Ayudhya	9,033	64,128	754	754	7.5%	3.8%	10.7%	12.3x	1.3x
Philippine									
BDO Unibank (Philippine)	10,109	53,371	2,083	561	7.2%	4.1%	9.7%	18.1x	1.7x
Metropolitan Bank	4,955	41,612	1,398	384	6.5%	3.8%	8.3%	11.0x	1.0x
Philippine Island Bank	7,024	38,084	1,242	423	3.2%	3.6%	10.5%	15.4x	1.5x

Source: Bloomberg

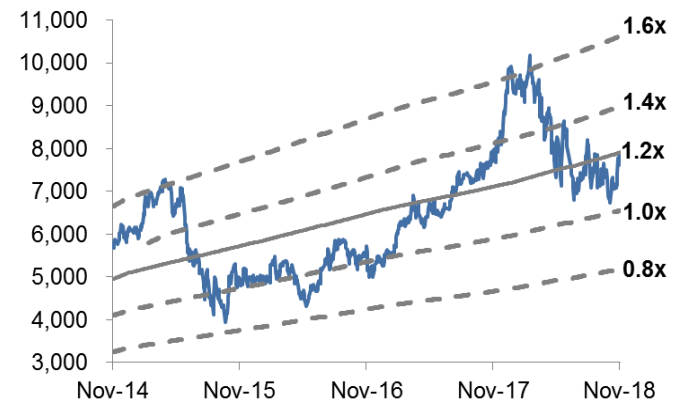
Multiple Valuation

Forward P/B band | Last 4 years



Source: NHKS research

Dynamic Forward P/B band | Last 4 years



Source: NHKS research

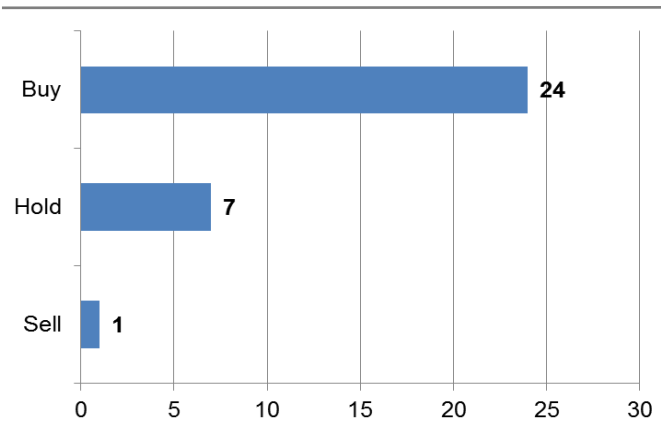
Rating and Target Price Update

Target Price Revision

Date	Rating	Target Price	Last Price	Consensus	vs Last Price	vs Consensus
11/17/2017	Buy	9,550 (Dec 2018)	7,675	8,169	+24.4%	+16.9%
02/14/2018	Hold	10,825 (Dec 2018)	9,525	9,765	+13.6%	+10.9%
05/04/2018	Hold	8,125 (Dec 2018)	7,475	9,941	+8.7%	-18.3%
08/06/2018	Buy	9,675 (Dec 2018)	7,900	9,029	+22.5%	+7.2%
11/09/2018	Buy	10,525 (Dec 2018)	7,900	8,906	+33.2%	+18.2%

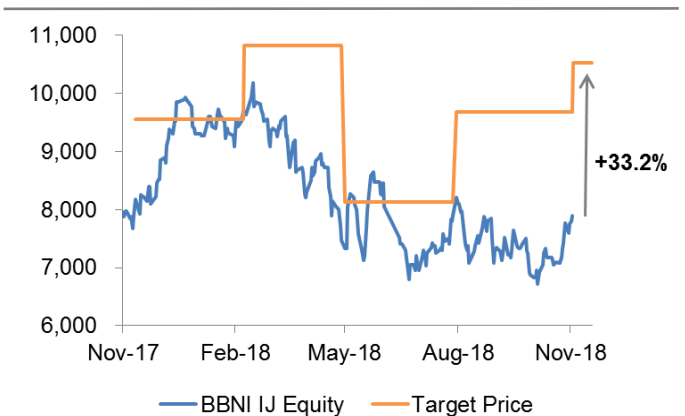
Source: NHKS research, Bloomberg

Analyst Coverage Rating



Source: Bloomberg

Closing and Target Price



Source: NHKS research

NH Korindo Sekuritas Indonesia (NHKS) stock ratings

1. Period: End of year target price
2. Rating system based on a stock's absolute return from the date of publication
 - Buy : Greater than +15%
 - Hold : -15% to +15%
 - Sell : Less than -15%

Summary of Financials

INCOME STATEMENT					PROFITABILITY & STABILITY				
(IDR bn)	2017/12A	2018/12E	2019/12F	2020/12E		2017/12A	2018/12E	2019/12F	2020/12E
Interest Income	48,178	53,402	60,862	69,131	ROE	14.3%	14.6%	15.4%	16.2%
<i>Growth (% y/y)</i>	<i>10.1%</i>	<i>10.8%</i>	<i>14.0%</i>	<i>13.6%</i>	ROA	2.1%	2.0%	2.1%	2.2%
Interest Expenses	(16,240)	(18,174)	(21,433)	(24,275)	Non-Int. Inc. /Op. Rev	29.4%	28.5%	28.9%	28.7%
Net Interest Income	31,938	35,228	39,428	44,857	Cost/Income	46.1%	46.8%	46.8%	46.8%
<i>Net Interest Margin</i>	<i>5.4%</i>	<i>5.1%</i>	<i>5.1%</i>	<i>5.2%</i>	Cash Dividend (IDR bn)	4,766	5,381	6,288	7,390
Net Fee Income	7,314	8,070	9,033	10,276	Dividend Yield (%)	2.6%	3.7%	4.3%	5.0%
Trading Income	1,590	1,109	1,602	1,617	Payout Ratio (%)	35.0%	35.0%	35.0%	35.0%
Other Operating Income	4,370	4,849	5,427	6,174	Loan/Deposits	83.5%	86.1%	87.0%	88.3%
Operating Revenue	45,212	49,256	55,490	62,924	Loan/Assets	62.2%	63.5%	65.1%	66.2%
Operating Expenses	(20,863)	(23,052)	(25,969)	(29,449)	NPL	2.3%	1.9%	1.8%	1.8%
Pre-provisioning OP	24,349	26,204	29,521	33,476	Loan Loss Res./Loan	3.3%	2.8%	2.4%	2.1%
Provision for Impairment	(7,126)	(6,802)	(6,852)	(6,841)	CASA/Deposits	63.1%	64.0%	64.4%	64.7%
EBT	17,165	19,279	22,529	26,477	Time Deposits/Deposits	36.9%	36.0%	35.6%	35.3%
Income Tax	(3,395)	(3,868)	(4,520)	(5,312)	Par Value (IDR)	375	375	375	375
Non-controlling Interest	(154)	(38)	(45)	(52)	Total Shares (mn)	18,649	18,649	18,649	18,649
Net Profit	13,616	15,373	17,965	21,113	Share Price (IDR)	9,900	7,900	7,900	7,900
<i>Growth (% y/y)</i>	<i>20.1%</i>	<i>12.9%</i>	<i>16.9%</i>	<i>17.5%</i>	Market Cap (IDR tn)	184.6	147.3	147.3	147.3

BALANCE SHEET					VALUATION INDEX				
(IDR bn)	2017/12A	2018/12E	2019/12F	2020/12E		2017/12A	2018/12E	2019/12F	2020/12E
Cash	11,578	14,888	16,383	17,688	Price /Earnings	13.6x	9.6x	8.2x	7.0x
Placement in Banks	82,629	82,319	87,967	96,160	Price /Book Value	1.8x	1.3x	1.2x	1.1x
Net Loans	426,790	498,409	574,165	660,055	Price/Op. Revenue	4.1x	3.0x	2.7x	2.3x
Investment	117,292	129,810	134,836	140,959	PE/EPS Growth	0.7x	0.7x	0.5x	0.4x
Fixed Asset	22,805	23,789	25,036	26,506	EV/Operating Revenue	4.9x	4.0x	3.5x	3.2x
Other Assets	48,237	58,842	65,921	76,346	EV/PPOP	9.2x	7.5x	6.6x	6.0x
Total Assets	709,330	808,058	904,308	1,017,714	EV (IDR bn)	223,559	195,938	194,415	200,173
Deposits	528,275	595,740	676,212	763,286	Op. Rev. CAGR (3-Yr)	12.5%	11.8%	10.3%	11.6%
Debt	48,204	61,389	61,559	68,821	EPS CAGR (3-Yr)	8.1%	19.2%	16.6%	15.7%
Other liabilities	31,948	40,540	43,455	47,630	Basic EPS (IDR)	730	824	963	1,132
Total Liabilities	608,427	697,670	781,226	879,737	Diluted EPS (IDR)	730	824	963	1,132
Capital Stock & APIC	23,623	23,623	23,623	23,623	BVPS (IDR)	5,411	5,919	6,600	7,399
Retained Earnings	60,314	71,419	84,003	98,828	Op. Revenue PS (IDR)	2,424	2,641	2,976	3,374
Shareholders' Equity	100,903	110,388	123,082	137,977	DPS (IDR)	256	289	337	396

CASH FLOW STATEMENT					OWNERSHIP			
(IDR bn)	2017/12A	2018/12E	2019/12F	2020/12E	By Geography	% Shareholders	%	
Operating Cash Flow	15,967	14,855	9,184	7,672	Indonesia	80.6	Republic of Indonesia	58.8
Investing Cash Flow	(87,544)	(86,306)	(83,060)	(94,485)	United States	7.5	Vanguard	2.0
Financing Cash Flow	85,174	74,264	75,371	88,119	Luxembourg	3.6	Prudential	1.4
Net Changes in Cash	13,597	2,813	1,495	1,305	Ireland	1.8	Blackrock	1.3

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