

Stable CoF as CASA outpaced TD. As of 1H18, BNI booked net profit of IDR 7.4 Tn (up 16.0% YoY). This implies 48% of our and consensus FY18 estimates. Loan and deposit portfolio grew by 11.1% YoY and 13.5% YoY respectively. Despite the relatively modest loan growth, net interest income grew healthily at 13.3% YoY. Meanwhile, loan yield and CoF remain unchanged compared to the previous quarter at 9.6% and 2.8% respectively, leaving NIM at 5.4% (dn 20 bps YoY). From liquidity perspective, LDR came in at 87.3% (dn 160 bps YoY). To note, NPL and SML were recorded at 2.1% (dn 70 bps YoY) and 4.1% (up 20 bps YoY) respectively. Improvement in asset quality brought total loans at risk down by 200 bps YoY to 9.1%. On the P&L, non-interest income component went up by 9.1% YoY while premium income fell by 7.0% YoY due to lower contribution from BNI Life (unit link products).

Emphasizing secondary reserves and payrolls. As of 1H18, blended loan yield was recorded at 9.6% (unchanged QoQ, dn 40 bps YoY). Loan yield deterioration across segments is an impact from easing monetary policy in recent years. To note, blended loan yields for consumer, medium, and corporate segments deteriorated by ~90 bps YoY, ~40 bps YoY, and ~50 bps YoY respectively as of 1H18. To preserve NIM, management optimizes liquidity by increasing bank's exposure in secondary reserves and tapping into higher yield segments such as Payroll. As of 1H18, marketable securities and government bonds expanded by 28.6% YoY and 28.2% YoY respectively while payroll loan grew by 50.8% YoY and it accounted for almost 30% of total consumer loans. From an asset quality perspective, NPL in payroll segment deteriorated from 0.9% in 1H17 to 1.1% in 1H18.

We reiterate our BUY rating on BBNI with end-of-FY19 TP of IDR 9,125 and implied FY19 P/BV of 1.43x. While NIM may continue to be pressurized from recent rate hikes along with the bank's shortcoming to reprice loans, we expect earnings growth to remain robust in the second semester driven by rising credit demand and continuous CIR improvement. On the flip side, residual pressure on loan yield from the 3-year-long easing monetary policy has been largely muted by healthy CASA ratio. In addition, BNI strived to expand its exposure in higher yield segment to mitigate possible margin compression from key rate hikes.

Highlights (IDR bn)	2016	2017	2018E	2019F	2020F
Total Loans	393,275	441,314	489,501	550,313	616,884
Total Deposits	435,545	516,095	574,977	636,846	705,552
Net Interest Income	29,995	31,938	34,095	36,898	41,217
Pre-provision Op. Profit	22,082	24,349	26,913	29,465	33,533
Net Income	11,410	13,771	15,353	16,640	18,598
Net Interest Margin (%)	6.1%	5.5%	5.2%	5.1%	5.2%
Gross NPL (%)	3.0%	2.3%	2.1%	2.0%	2.0%
Credit Cost (%)	2.2%	1.7%	1.7%	1.7%	1.8%
Return on Equity (%)	13.6%	14.5%	14.6%	14.4%	14.4%
Return on Assets (%)	2.1%	2.1%	2.1%	2.0%	2.0%

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Stock Information

Sector	Banking
Bloomberg Ticker	BBNI JJ
Market Cap. (IDR tn)	137.1
Share Out./Float (mn)	18,649/7,627
Current Price	7,425
52-week Target Price	9,125
Upside (%)	22.9%

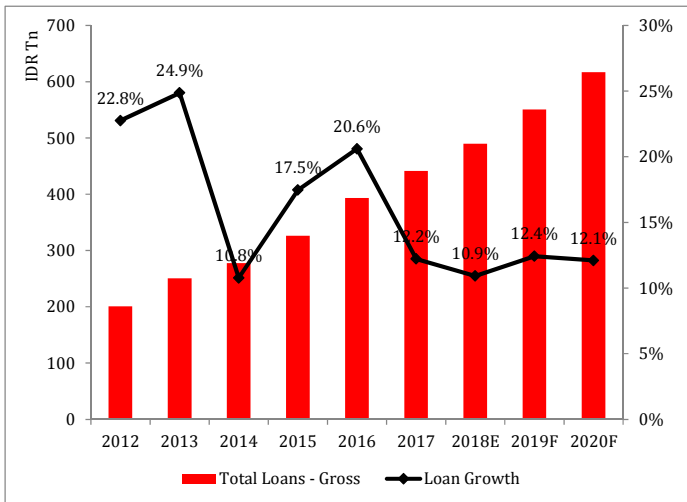
Share Price Performance

52W High (02/21/18)	10,175
52W Low (07/03/18)	6,750
52W Beta	1.13
YTD Change (%)	-25.0%

Relative Valuations

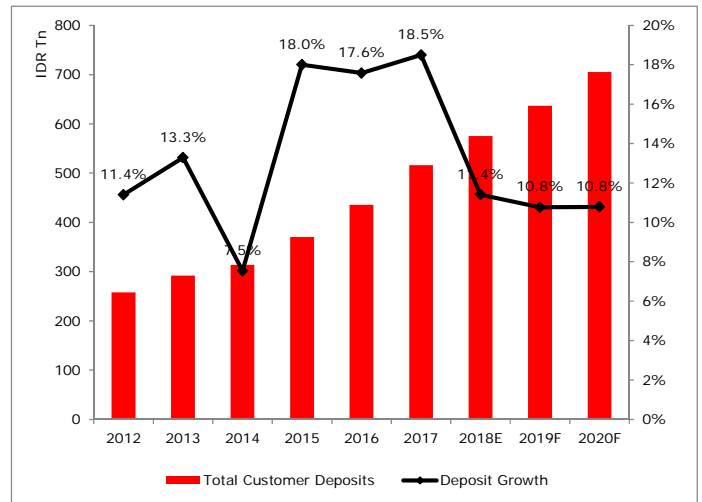
Trailing P/E	10.2x
Forward P/E	8.3x
Trailing P/BV	1.4x
Forward P/BV	1.2x

Total Loans & Loan Growth



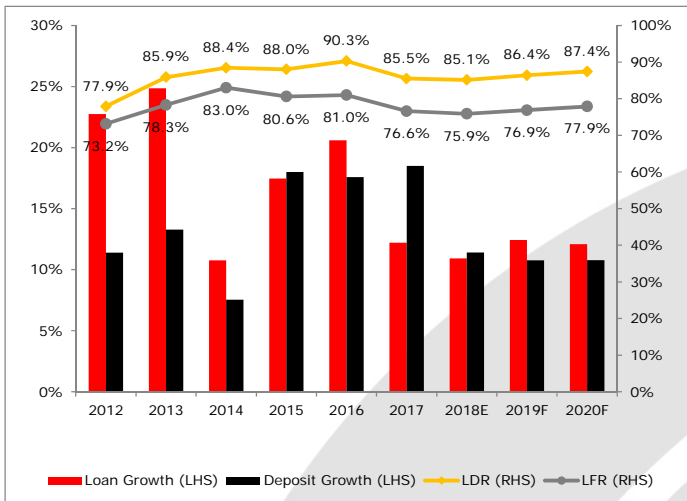
Source: Company Data, Sinarmas Investment Research

Total Deposits & Deposit Growth



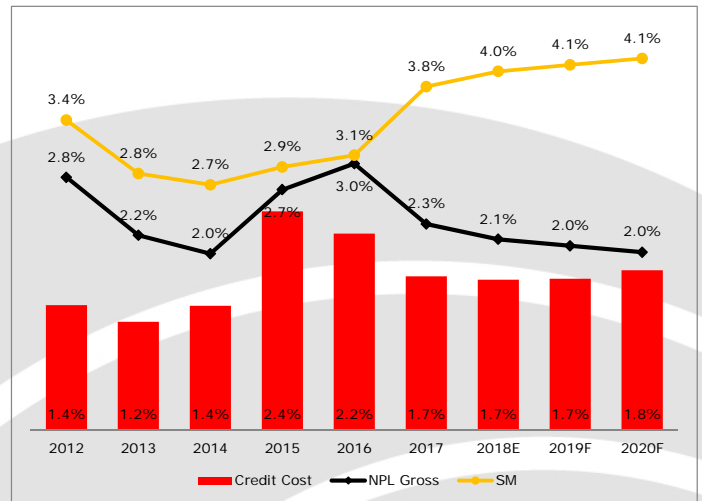
Source: Company Data, Sinarmas Investment Research

LDR & LFR



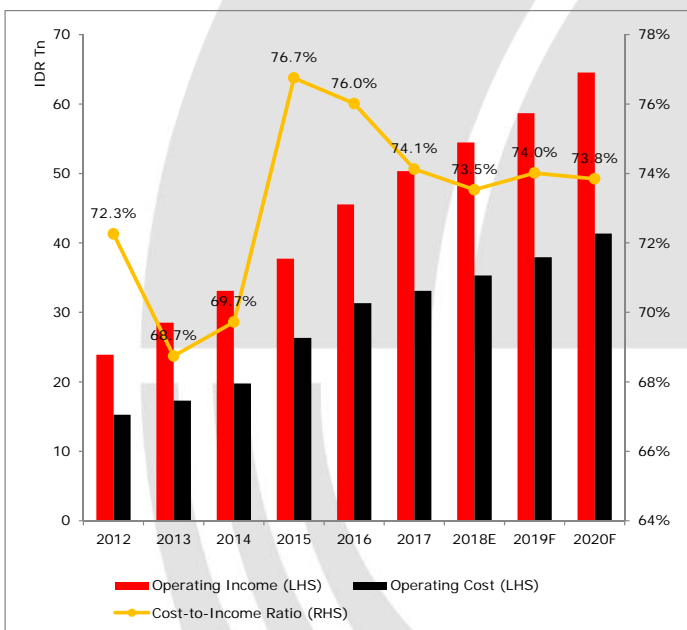
Source: Company Data, Sinarmas Investment Research

Credit Cost, NPL, and SML



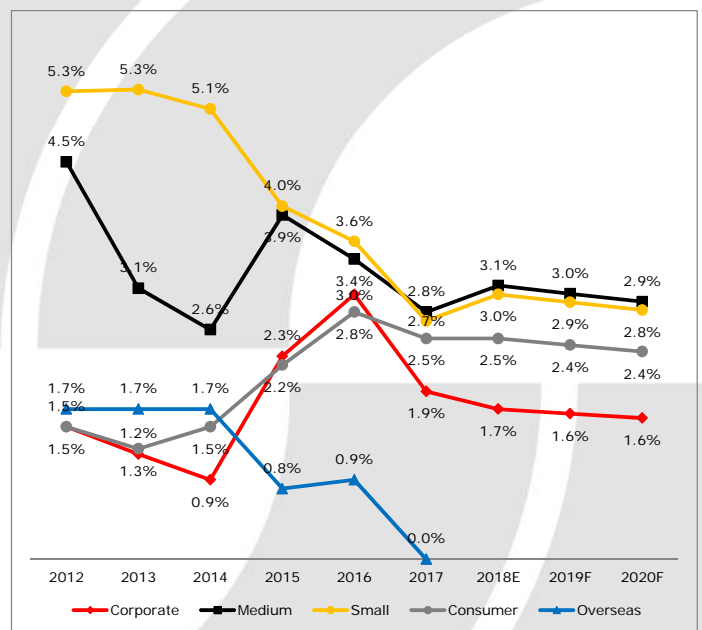
Source: Company Data, Sinarmas Investment Research

Operating Income, Operating Cost, and CIR



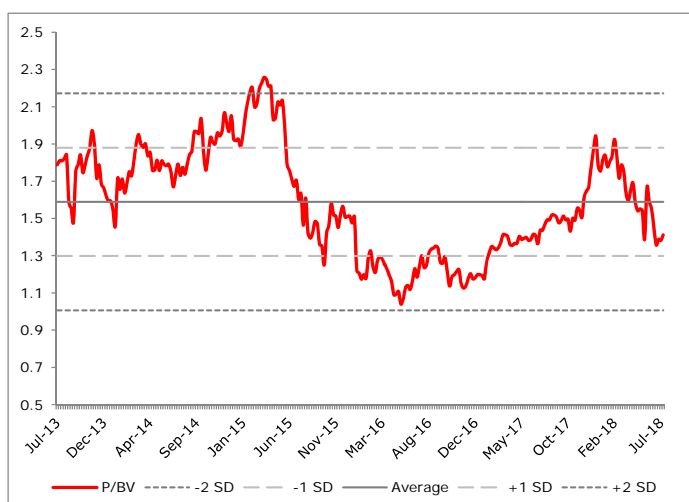
Source: Company Data, Sinarmas Investment Research

Gross NPL per Segment



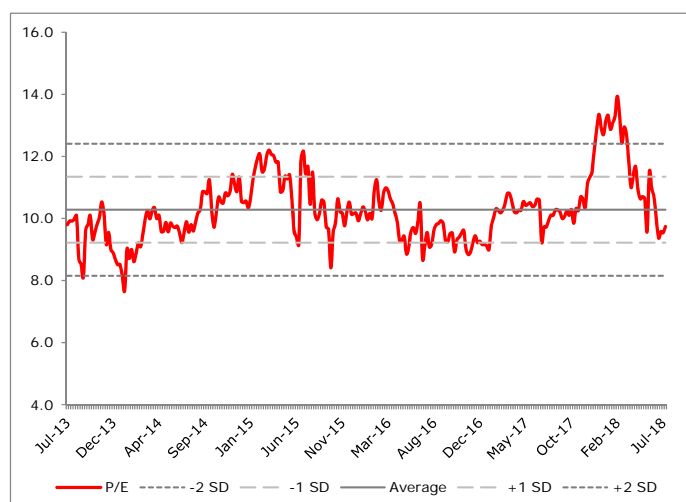
Source: Company Data, Sinarmas Investment Research

Trailing P/BV Band



Source: Bloomberg, Sinarmas Investment Research

Trailing P/E Band



Source: Bloomberg, Sinarmas Investment Research

Financial Ratio	2016	2017	2018E	2019F	2020F
Loan to Deposit Ratio	90.3%	85.5%	85.1%	86.4%	87.4%
Loan to Funding Ratio	81.0%	76.6%	75.9%	76.9%	77.9%
CASA Ratio	64.6%	63.1%	66.7%	68.4%	68.6%
Net Interest Margin	6.1%	5.5%	5.2%	5.1%	5.2%
Average Loan Yield	11.3%	10.5%	10.0%	10.0%	10.1%
Average Deposit CoF	3.0%	3.0%	2.8%	3.0%	3.1%
Gross NPL	3.0%	2.3%	2.1%	2.0%	2.0%
Net NPL	0.4%	0.7%	0.5%	0.5%	0.5%
Credit Cost	2.2%	1.7%	1.7%	1.7%	1.8%
Coverage Ratio	143.3%	143.8%	150.5%	153.7%	157.1%
Cost to Income Ratio	76.0%	74.1%	73.5%	74.0%	73.8%
Cost Efficiency Ratio	68.8%	65.8%	64.9%	64.7%	64.1%
Return on Assets	2.1%	2.1%	2.1%	2.0%	2.0%
Return on Equity	13.6%	14.5%	14.6%	14.4%	14.4%
P/E	14.91	12.36	11.08	10.23	9.15
P/BV	1.95	1.73	1.60	1.43	1.27

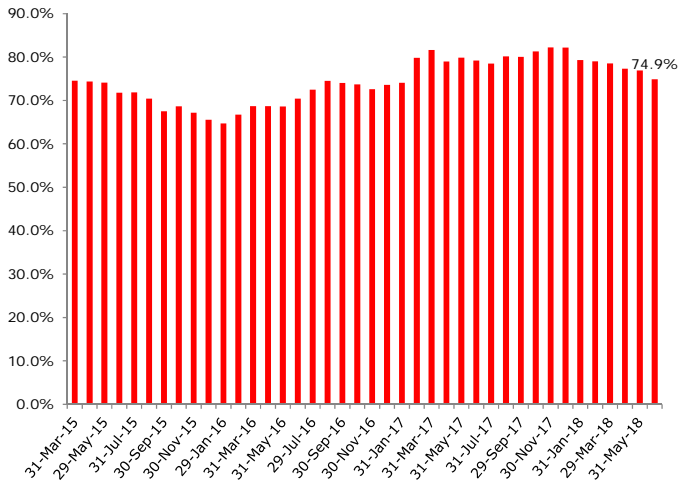
Source: Company Data, Sinarmas Investment Research

Income Statement (IDR bn)	2016	2017	2018E	2019F	2020F
Interest Income	43,768	48,178	51,944	58,025	65,304
<i>% growth</i>		10.1%	7.8%	11.7%	12.5%
Interest Expense	13,773	16,240	17,849	21,128	24,087
<i>% growth</i>		17.9%	9.9%	18.4%	14.0%
Net Interest Income	29,995	31,938	34,095	36,898	41,217
<i>% growth</i>		6.5%	6.8%	8.2%	11.7%
Other Operating Income	15,560	18,378	20,362	21,793	23,333
<i>% growth</i>		18.1%	10.8%	7.0%	7.1%
Operating Expense	31,325	33,094	35,319	37,948	41,366
<i>% growth</i>		5.6%	6.7%	7.4%	9.0%
Pre-provision Operating Profit	22,082	24,349	26,913	29,465	33,533
<i>% growth</i>		10.3%	10.5%	9.5%	13.8%
Net Operating Income	14,229	17,223	19,138	20,743	23,183
<i>% growth</i>		21.0%	11.1%	8.4%	11.8%
Income Before Tax Expense	14,303	17,165	19,138	20,743	23,183
<i>% growth</i>		20.0%	11.5%	8.4%	11.8%
Net Income	11,410	13,771	15,353	16,640	18,598
<i>% growth</i>		20.7%	11.5%	8.4%	11.8%

Balance Sheet (IDR bn)	2016	2017	2018E	2019F	2020F
Cash and Equivalents	11,168	11,578	25,282	31,634	38,425
CA w/ Central Bank	30,147	32,701	36,788	39,547	42,053
CA w/ Other Banks	6,298	21,335	14,935	16,055	17,259
Interbank Placement	33,662	28,593	18,585	19,979	21,478
Total Loans - Net	376,595	426,790	473,898	533,015	597,762
Marketable Securities	23,765	36,050	42,359	46,594	51,254
Government Bonds	63,006	79,849	99,812	104,802	110,043
Fixed Assets	21,972	22,805	23,669	24,565	25,496
Total Assets	603,032	709,330	788,397	874,376	967,953
Demand Deposits	122,652	143,162	174,657	200,856	225,963
Saving Deposits	158,662	182,295	208,728	234,819	258,301
Time Deposits	154,230	190,638	191,591	201,171	221,288
Total Customer Deposits	435,545	516,095	574,977	636,846	705,552
Deposits From Other Banks	10,801	12,177	14,003	15,754	17,329
Marketable Securities	6,731	2,986	3,434	3,863	4,250
Fund Borrowings	32,389	44,722	52,549	59,117	65,029
Subordinated Debts	-	-	-	-	-
Total Liabilities	513,778	608,427	679,262	752,285	831,251
Total Equity	89,254	100,903	109,135	122,090	136,702

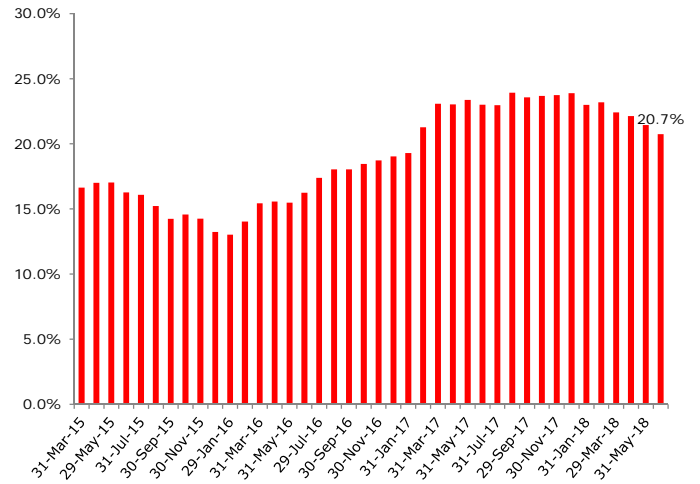
Source: Company Data, Sinarmas Investment Research

Foreign Ownership in BBNI



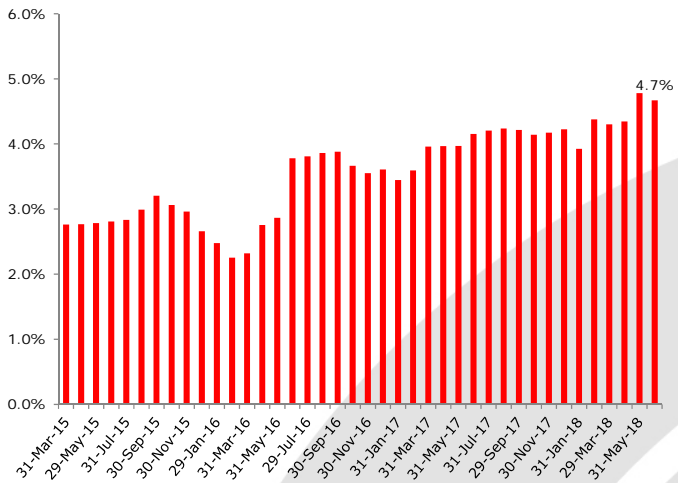
Source: KSEI, Sinarmas Investment Research

Foreign MF Ownership in BBNI



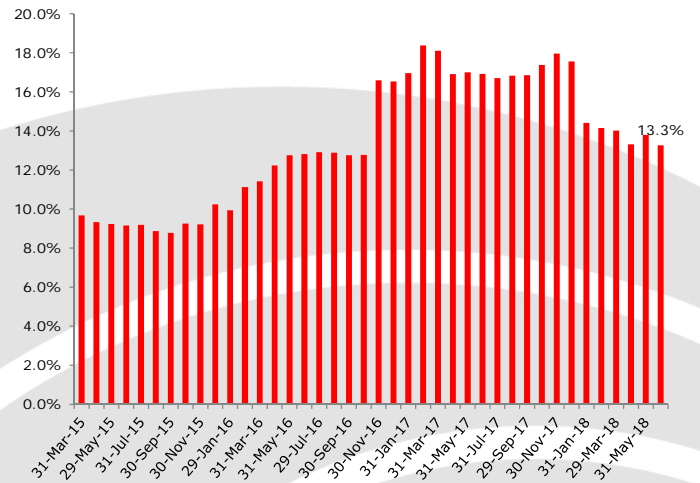
Source: KSEI, Sinarmas Investment Research

Foreign IS Ownership in BBNI



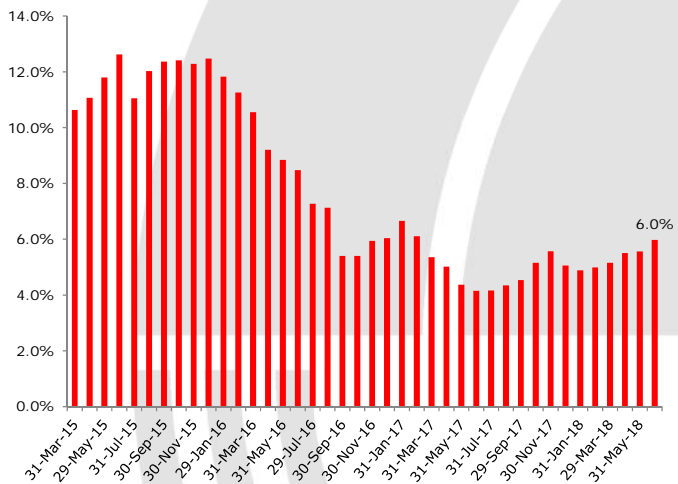
Source: KSEI, Sinarmas Investment Research

Foreign IB Ownership in BBNI



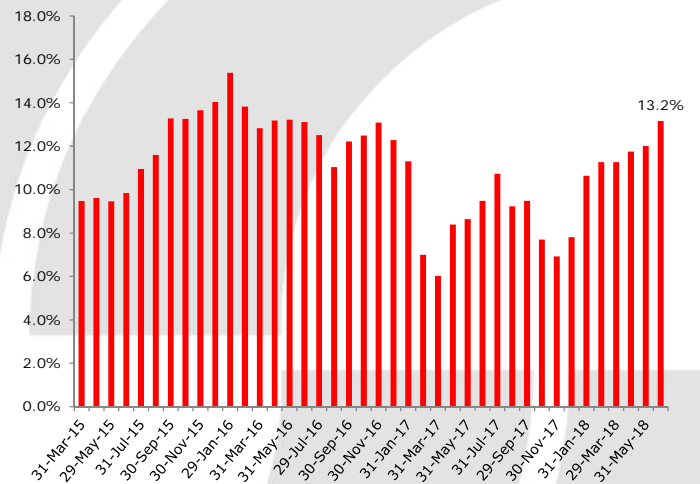
Source: KSEI, Sinarmas Investment Research

Local MF Ownership in BBNI



Source: KSEI, Sinarmas Investment Research

Local PF and IS Ownership in BBNI



Source: KSEI, Sinarmas Investment Research

Notes:

MF = Mutual Fund

PF = Pension Fund

IS = Insurance

IB = Investment Banking

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