

Investment Consideration

LDR has decreased

in 9M20, credit growth increased by 4.2% YoY. This growth was driven by private corporate loans which increased by 10.4% YoY, mostly from the transportation, construction, manufacturing, telecommunications, and pharmaceutical sectors. The Medium segment decreased by 9.6% YoY, the small segment increased by 8.4% YoY and the consumer segment increased by 4.5% YoY. Total Third Party Funds grew by 21.4% to IDR 705Tn, mostly contributed by current accounts, up 33.7% YoY, time deposits 17.6% YoY, and saving accounts 14.1% YoY. As a result, the Loan to Deposit Ratio (LDR) is 83.1% compared to 96.9% in 2Q20. We estimate the LDR will be in the range of 83% in FY2020

Loan Restructuring

As of September 30, 2020, BBNI has restructured loans amounting to IDR 101.7tn or 18.5% of total loans. The loan restructuring came from corporate 54.7%, Medium 26.8% and small 14.0%. In 3Q20, the additional restructuring amounted to IDR 1.75tn. BBNI estimates that the amount of restructured loans will be IDR 125tn or around 20-25% of the total loans by the end of the year

Low Asset Quality

Asset quality or Non-Performing Loans increased to 3.6% or IDR 19.6tn, and Special Mention Loans increased to 5.9%. This increase was contributed by the corporate segment, especially mining contractors, textiles, and electricity contractors. The medium segment consists of trading, restaurants and palm oil.

Valuation: 20% Upside, Buy.

Based on our DDM Valuation, we have a target price within one year of IDR 6120 or trading at 0.6x PBV which gives 24% potential upside, Buy.

Income Statement (Idr bn)	2017A	2018A	2019A	2020F	2021F	2022F
Interest Income	55.049	60.136	64.691	56.056	64.747	74.816
Interest Expense	-21.344	-22.978	-26.391	-22.510	-27.619	-32.304
Net Interest Income	33.705	37.158	38.299	33.547	37.128	42.511
Net Operating Income	11.507	11.613	13.712	12.828	14.365	17.179
Operating Expense	-20.863	-21.783	-23.687	-23.194	-25.421	-30.738
PPOP	24.349	26.988	28.325	23.180	26.073	28.953
Provision Expense	-7.126	-7.388	-8.838	-1.471	-2.049	-1.728
Operating Profit	17.223	19.599	19.487	21.709	24.024	27.225
Profit Before Tax	17.165	19.821	19.369	21.590	23.904	27.104
Tax Expense	-3.395	-4.729	-3.861	-4.727	-4.999	-5.801
Net Profit	13.616	15.015	15.384	16.774	18.791	21.177
EPS (Rp/Share)	730,2	805,2	825,0	899,5	1.007,7	1.135,6

10 November 2020
 Banking, Equity

Price IDR. 5100
 Target Price IDR. 6120
 JKSE Index 5356.005

Bank Negara Indonesia Tbk, Indonesia, Jakarta:BBNI, 15



Stock Code
 Bloomberg code BBNI IJ
 Market cap (IDR.bn) 94,175.7B
 52-Week High (IDR) 8,125
 52-Week Low (IDR) 2,970
 6-m Avg Daily. Val (IDR) 6,100
 Free Float (%) 60.00

Major Shareholders (%)
 Government RI 60.00%
 Public 40.00%

USD/IDR-YE
 2029A 14,390
 2020F (6M Avg) 14,609

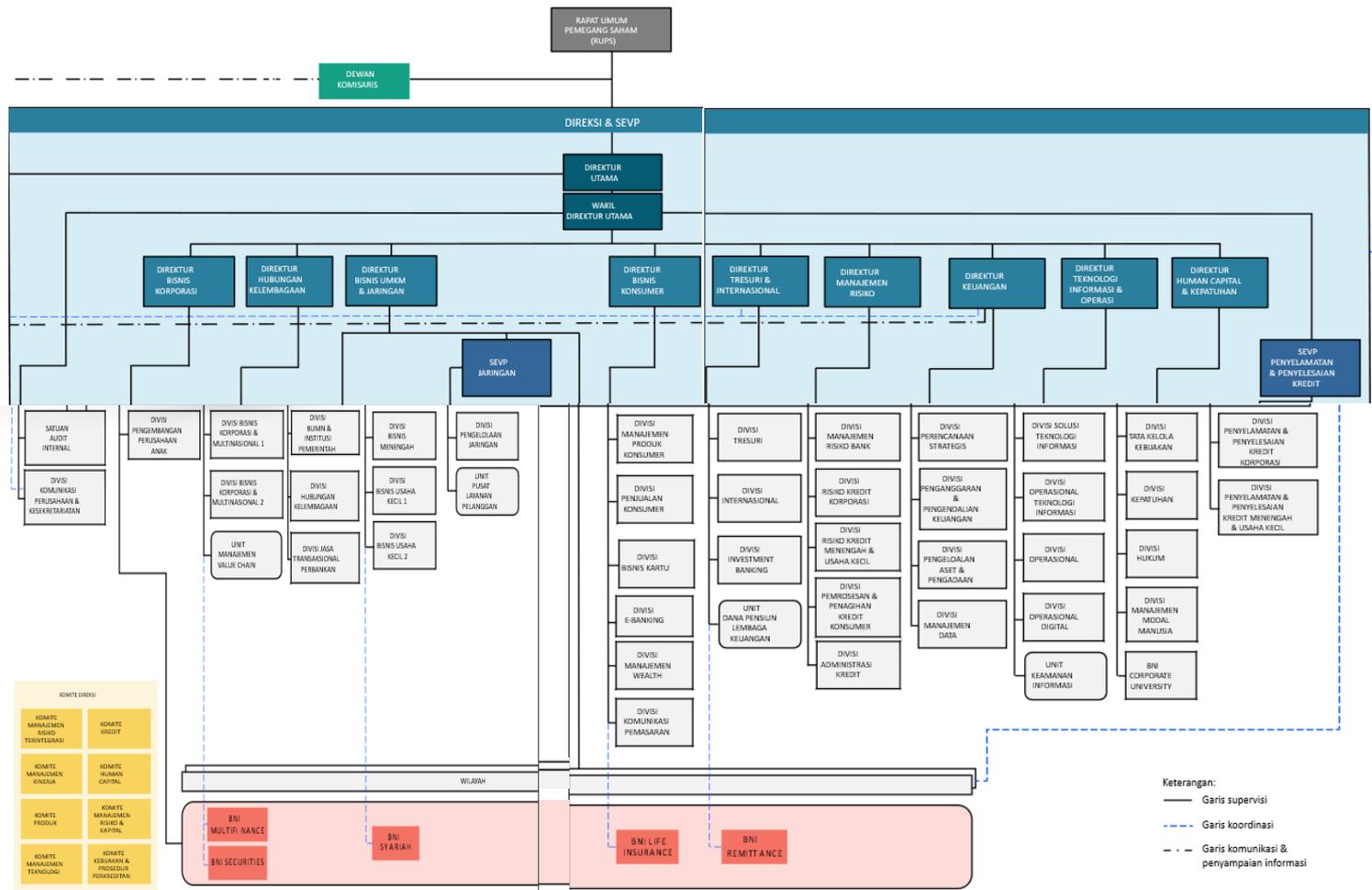
Key Indicators
 Non Performing Loan (x) 2.21
 Net Interest Margin (x) 3.80

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Company Profile

PT Bank Negara Indonesia (Persero), Tbk (hereinafter referred to as "BNI" or "Bank") was originally established in Indonesia as a central bank under the name "Bank Negara Indonesia" based on Government Regulation instead of Law No. 2 of 1946 July 5, 1946. Later, based on Law No. 17 of 1968, BNI was designated "Bank Negara Indonesia 1946", and its status became a State-Owned Commercial Bank. BNI's role as a Bank, mandated to improve the people's economy and participate in national development was confirmed by Law No. 17 of 1968 concerning Bank Negara Indonesia 1946. BNI is the first state-owned bank to become a public company after listing its shares on the Jakarta Stock Exchange and the Surabaya Stock Exchange in 1996. To strengthen its financial structure and competitiveness in the national banking industry, BNI conducted some corporate actions, including a recapitalization by the government in 1999, and later a divestment of the Government shares in 2007, and a limited public offering in 2010.

Company Structure



Source: Company

Chart: Gross Loan (x) YoY

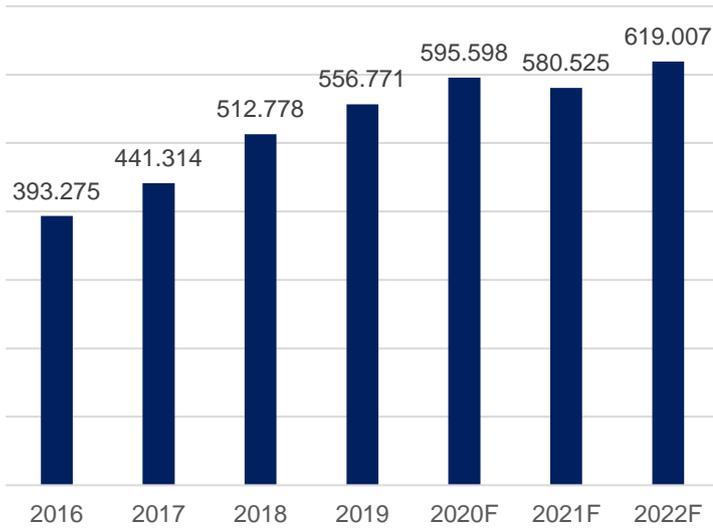


Chart: Customer Deposit (x) YoY

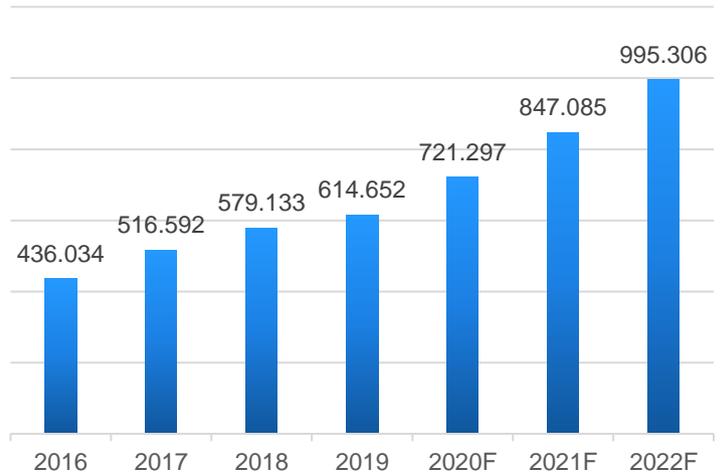


Chart: Profitability (x) YoY

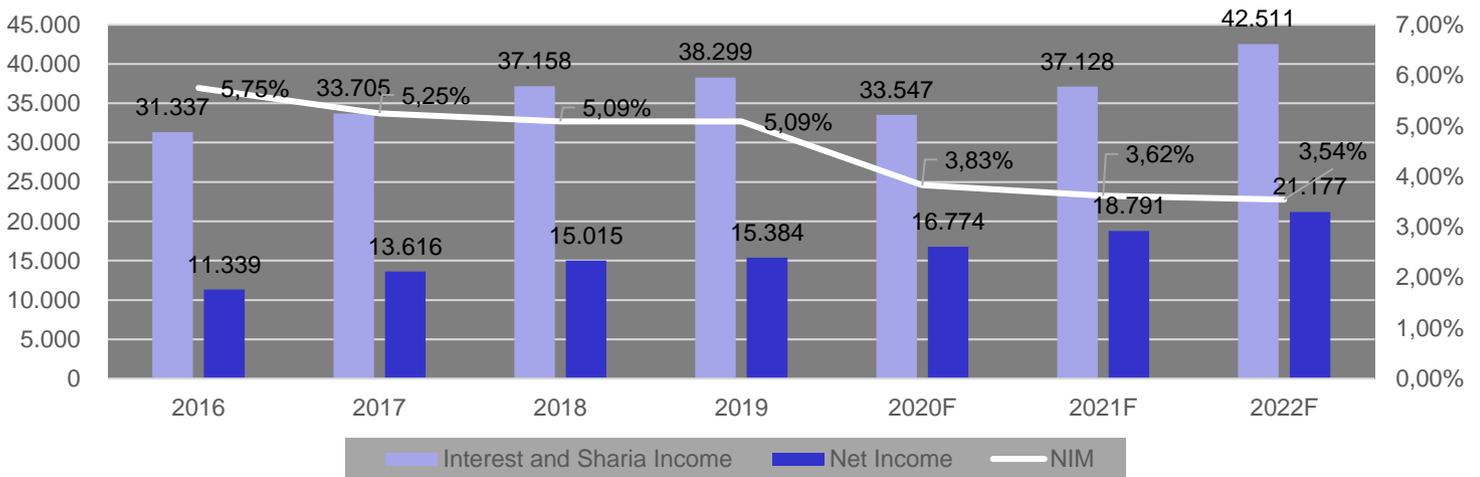


Chart: Net Interest Margin (x) YoY

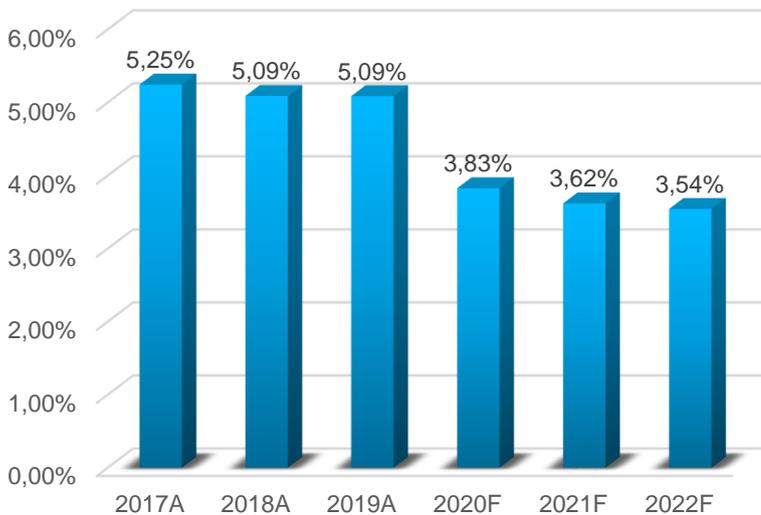


Chart: Loan to Deposit Ratio (x) YoY

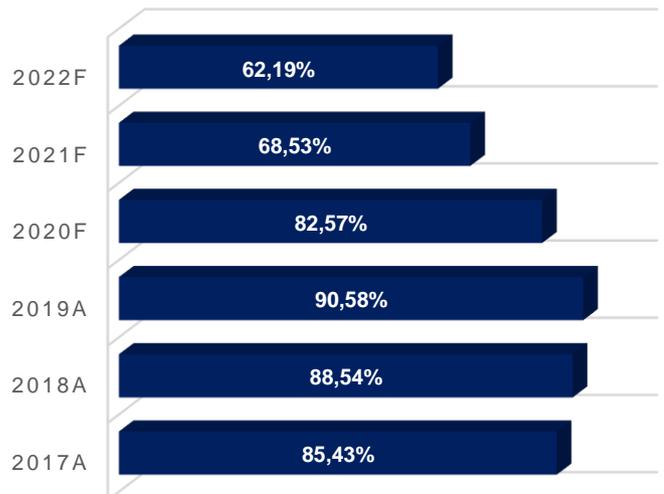


Chart: Interest and Sharia Income (x) QoQ

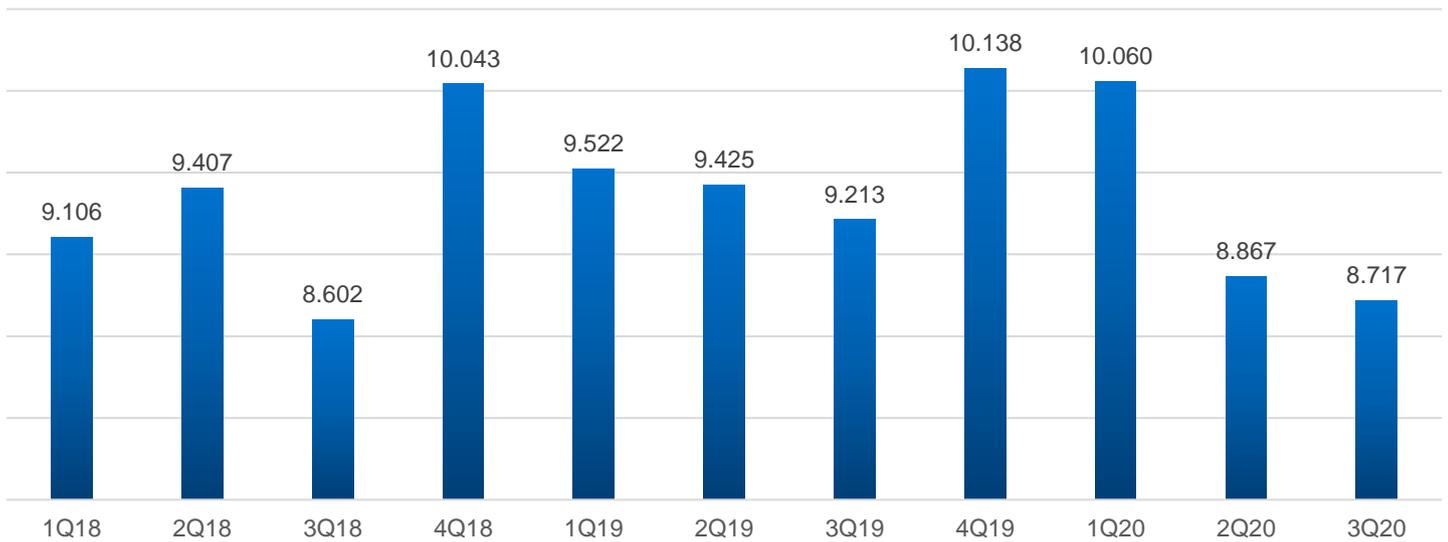


Chart: Net Income (x) QoQ

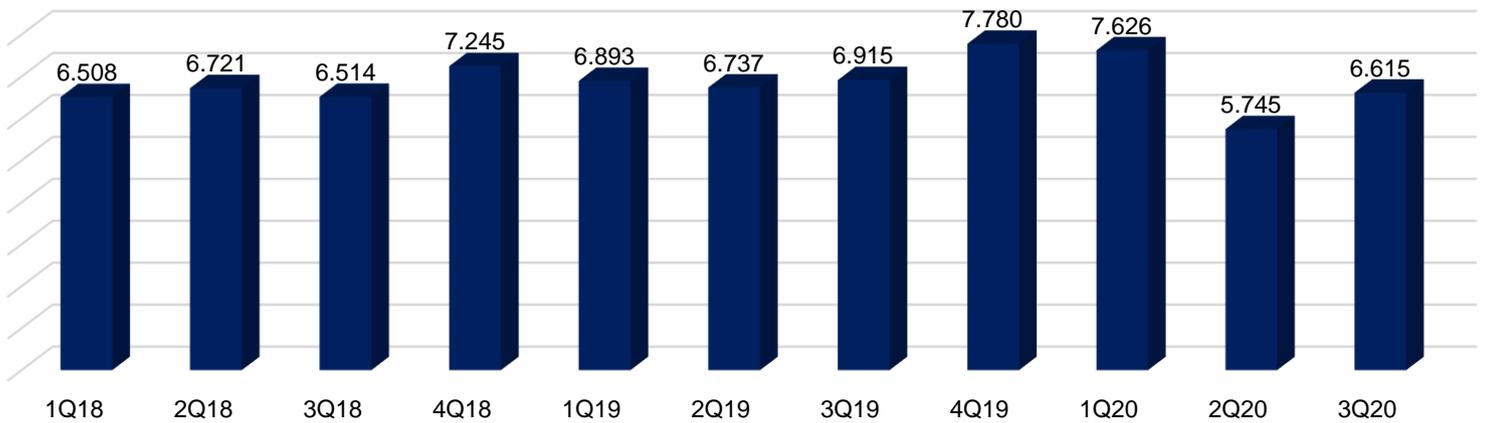
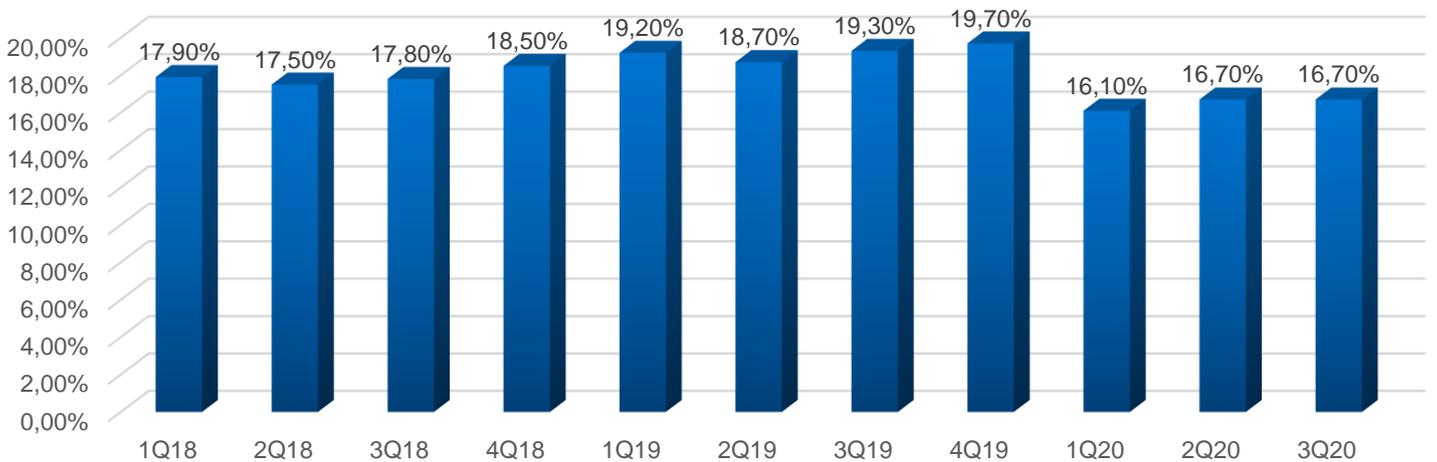


Chart: CAR (x) QoQ



Balance Sheet (IDR.bn)

Balance sheet (Ildr bn)	2017A	2018A	2019A	2020F	2021F	2022F
Cash and CA with BI	44.278	49.635	52.466	63.758	54.634	47.197
Interbank Placement	28.593	39.324	47.777	51.597	87.993	117.870
Marketable Securities	36.050	32.044	27.162	45.689	69.991	93.075
Gross Loan	441.314	512.778	556.771	595.598	580.525	619.007
Allowance for Loans	-14.524	-14.892	-16.909	-18.405	-18.433	-19.824
Loans-net	426.790	497.887	539.862	577.193	562.092	599.183
Other Earning Asset	201.244	217.385	209.943	281.159	445.922	581.200
Non Earning Asset	37.018	43.665	43.334	51.471	60.633	70.605
Total Asset	709.330	808.572	845.605	973.580	1.123.281	1.298.185
Deposit:						
Current Account	143.184	169.298	207.047	250.526	303.137	366.796
Saving Account	182.439	206.166	202.417	234.804	272.373	315.952
Time Deposits	190.969	203.669	205.189	235.967	271.575	312.558
Other Interest Bearing Liabilities	38.850	58.978	39.634	42.825	46.273	49.998
Non Interest Bearing Liabilities	52.985	60.087	66.315	73.169	80.732	89.076
Total Liabilities	608.427	698.198	720.601	837.291	974.089	1.134.379
Total Shareholder's Equity	100.903	110.374	125.004	136.288	149.191	163.806

Income Statement (IDR.bn)

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Operating Expense	-20.863	-21.783	-23.687	-23.194	-25.421	-30.738
Pre Provision Operating Profit	24.349	26.988	28.325	23.180	26.073	28.953
Provision Expense	-7.126	-7.388	-8.838	-1.471	-2.049	-1.728
Operating Profit	17.223	19.599	19.487	21.709	24.024	27.225
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Net Profit	13.616	15.015	15.384	16.774	18.791	21.177
EPS (Rp/Share)	730,2	805,2	825,0	899,5	1.007,7	1.135,6

Ratio Highlights

Ratio Analysis	2017A	2018A	2019A	2020F	2021F	2022F
Profitability & Efficiency						
NIM	5,25%	5,09%	5,09%	3,83%	3,62%	3,54%
Cost-to-Income Ratio	46,15%	44,66%	45,54%	50,02%	49,37%	51,50%
ROE	13,81%	13,89%	12,56%	12,54%	12,81%	13,13%
ROA	1,92%	1,86%	1,82%	1,72%	1,67%	1,63%
ROAE		13,85%	13,23%	12,55%	12,67%	12,97%
BOPO	52,71%	52,09%	52,60%	64,21%	64,45%	66,65%
Cost of Credit	-1,61%	-1,44%	-1,59%	-0,25%	-0,35%	-0,28%
Liquidity						
LDR	85,43%	88,54%	90,58%	82,57%	84,53%	86,19%
CASA	63,03%	64,83%	66,62%	67,29%	67,94%	68,60%
Asset Quality						
Gross NPL	2,26%	1,89%	2,25%	2,21%	2,10%	2,16%
Provision Coverage	102,46%	100,25%	94,73%	99,15%	98,04%	97,30%
Capital						
CAR	19,40%	18,50%	18,50%	18,80%	18,60%	18,63%
Growth						
Loan Growth	11,96%	15,90%	8,12%	6,25%	4,58%	6,63%
Deposit Growth	18,48%	12,11%	6,13%	17,35%	17,44%	17,50%
Net Income Growth	20,09%	10,27%	2,46%	9,03%	12,03%	12,69%

QoQ Result

Balance Sheet	3Q19	2Q20	3Q20	%QoQ	%YoY
Loan	558.674	576.776	582.386	0,97%	4,24%
Loan Loss Reserves	-16.004	-36.542	-41.702	14,12%	160,57%
NPL	9.537	12.171	13.367	9,82%	40,16%
Deposit					
Demand	178.078	219.719	238.030	8,33%	33,67%
Savings	195.600	213.526	223.190	4,53%	14,11%
Time Deposit	207.590	229.294	244.186	6,49%	17,63%
Total Asset	815.265	880.124	916.954	4,18%	12,47%
Shareholder Equity	118.805	109.873	110.407	0,49%	-7,07%

Income Statement	3Q19	2Q20	3Q20	%QoQ	%YoY
Interest Income	15.966	15.096	14.567	-3,51%	-8,77%
Interest Expense	6.753	6.229	5.849	-6,09%	-13,38%
Net Interest Income	9.213	8.867	8.717	-1,69%	-5,38%
Net Operating Income	3.633	2.526	4.029	59,50%	10,90%
Operating Expense	5.932	5.648	6.132	8,57%	3,37%
PPOP	6.915	5.745	6.615	15,13%	-4,34%
Provision Expense	1.461	5.196	6.510	25,28%	345,44%
Operating Profit	5.453	549	105	-80,90%	-98,08%
Profit Before Tax	5.425	507	94	-81,56%	-98,28%
Tax Expense	1.065	269	207	-23,23%	-80,58%
Net Profit	4.360	238	-113	-147,67%	-102,60%

Ratio	3Q19	2Q20	3Q20	QoQ	YoY
Profitability & Efficiency					
NIM	4,90%	4,50%	4,30%	(0,20)	(0,60)
Cost of Funds	3,20%	2,90%	2,90%	-	(0,30)
Cost-to-Income Ratio	43,60%	43,50%	44,20%	0,70	0,60
ROE	14,70%	8,70%	5,40%	(3,30)	(9,30)
ROA	2,50%	1,40%	0,90%	(0,50)	(1,60)
BOPO	57,26%	37,91%	29,42%	(8,49)	(27,84)
Liquidity					
LDR	96,60%	87,80%	83,10%	(4,70)	(13,50)
CASA	64,30%	65,40%	65,40%	-	1,10
Asset Quality					
Gross NPL (Bank only)	1,80%	3,00%	3,60%	0,60	1,80
Coverage Ratio	159,20%	214,10%	206,90%	(7,20)	47,70
Capital					
CAR	19,30%	16,70%	16,70%	-	(2,60)

Stock Ratings:

Buy: a recommendation to purchase the security with upside potential of 20% or greater

Hold: a recommendation to neither buy nor sell a security with upside potential of 0-19%.

Sell: a recommendation to close out a long position in a security with upside potential below 0% or negative.

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