

Investment Consideration Strong profit

In 9M21, Bank Negara Indonesia (BBNI) recorded a net profit of IDR 7.7 trillion, up 79% from IDR 4.3 trillion in 9M20. This was mainly due to non-interest income growing by 14.2% YoY contributed by securities and e-channel fees, while NII grew by 17.6% YoY. Interest income decreased -3.9% YoY to IDR 37.5 trillion in 9M21, following lower interest rates which reduced asset yields and credit refocusing to higher quality loans that yield lower yields. Provision expenses decreased by 1.5% YoY due to improvements in asset and credit quality.

Stable credit growth and CASA growth

Loans grew by 3.7% YoY driven by corporate private loans, up 5.2% YoY, small loans up 14.7% YoY, and payroll loans up 17.5% YoY. The Bank has a more optimistic credit outlook for the coming quarters and maintains its loan growth target of 5-7% in 2021. Deposit growth was 1.4% YoY with 9.2% growth in current accounts, so the CASA ratio was higher at 69.7% from 69.6% in 2Q21. Most CASA growth has come from far increased penetration of mobile banking and cash management services. BBNI says that >70% of their CASA comes from these two platforms and the contribution is growing.

Digital bank acquisition and capital increase

BBNI has made an agreement to acquire a small bank (capital IDR 2-3tn) which will be developed into a digital bank in collaboration with a technology company (reported to be Sea Ltd) with a focus on SME customers due to the tremendous growth potential and also in line with the ESG goal to have a positive impact on society. The acquisition will have little impact on the CAR at <1%. BBNI also detailed their rights issue plan with a timeline of early next year and with IDR 3.5 trillion of government participation (IDR 5.8 trillion total rights issue to maintain 40% public ownership).

Valuation: 18% Upside, Hold.

Based on our DDM Valuation, we have a target price within one year of IDR 8,300 or trading at 1.3x PBV which gives 18% potential upside, Hold.

Income Statement (Idr bn)	2017A	2018A	2019A	2020A	2021F	2022F	2023F
Interest Income	55.049	60.136	64.691	61.503	64.510	73.815	79.787
Interest Expense	-21.344	-22.978	-26.391	-22.880	-23.376	-26.871	-28.792
Net Interest Income	33.705	37.158	38.299	38.623	41.133	46.943	50.995
Net Operating Income	11.507	11.613	13.712	13.413	11.515	12.078	14.539
Operating Expense	-20.863	-21.783	-23.687	-24.214	-22.424	-24.937	-29.129
PPOP	24.349	26.988	28.325	27.822	30.224	34.085	36.405
Provision Expense	-7.126	-7.388	-8.838	-22.590	-24.885	-27.643	-29.021
Operating Profit	17.223	19.599	19.487	5.231	5.340	6.442	7.384
Profit Before Tax	17.165	19.821	19.369	5.112	5.219	6.320	7.261
Tax Expense	-3.395	-4.729	-3.861	-1.791	-1.434	-1.975	-2.132
Net Profit	13.616	15.015	15.384	3.280	3.702	4.272	5.038
EPS (Rp/Share)	730,2	805,2	825,0	176,1	198,7	229,3	270,4

1st November 2021
 Banking, Equity

Price IDR. 7,000
 Target Price IDR. 8,300
 JKSE Index 6,591.35

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



Stock Code
 Bloomberg code BBNI IJ
 Market cap (IDR.bn) 139,398.7B
 52-Week High (IDR) 7,575
 52-Week Low (IDR) 4,560
 6-m Avg Daily. Val (IDR) 5,385
 Free Float (%) 60%

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

USD/IDR-YE
 2020A 14,050
 2021F (6M Avg) 14,337

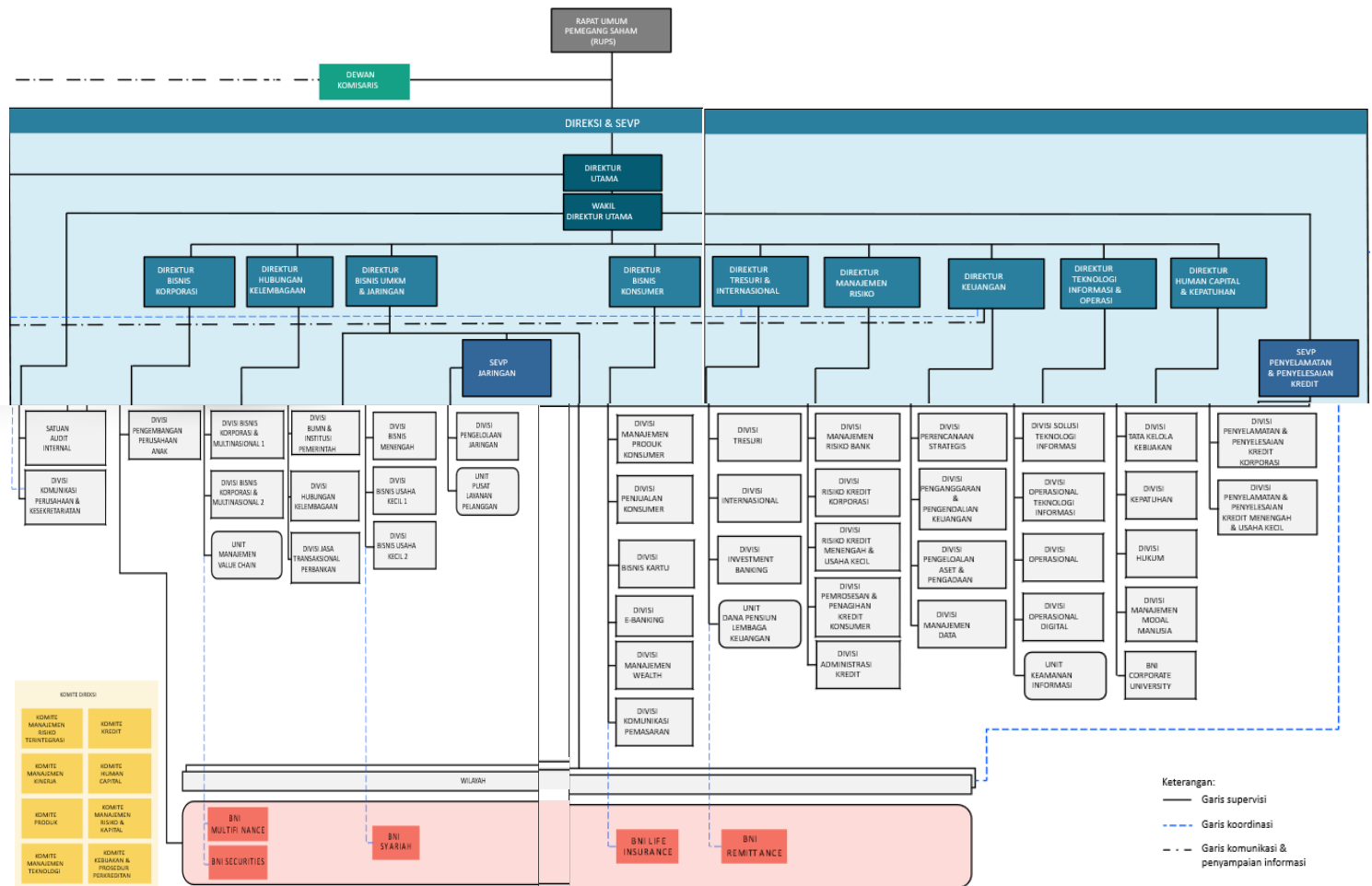
Key Indicators
 Non Performing Loan (x) 3.10
 Net Interest Margin (x) 4.18

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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

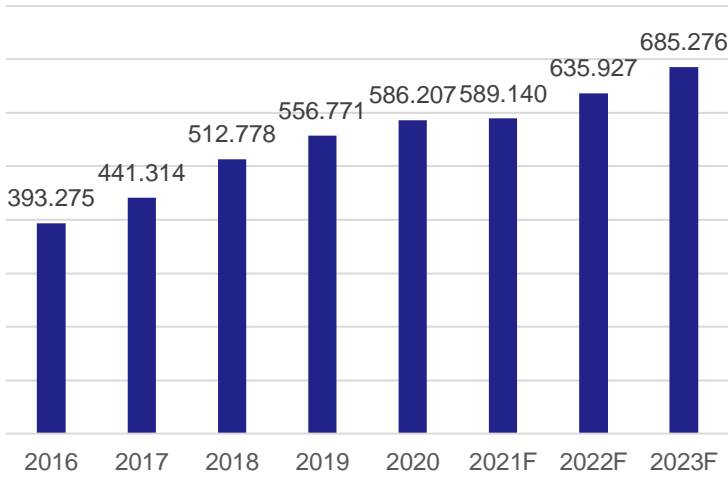


Chart: Customer Deposit (x) YoY

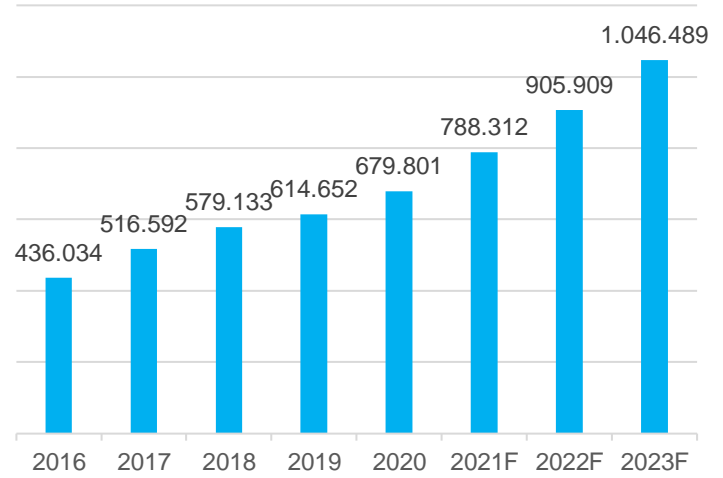


Chart: Profitability (x) YoY

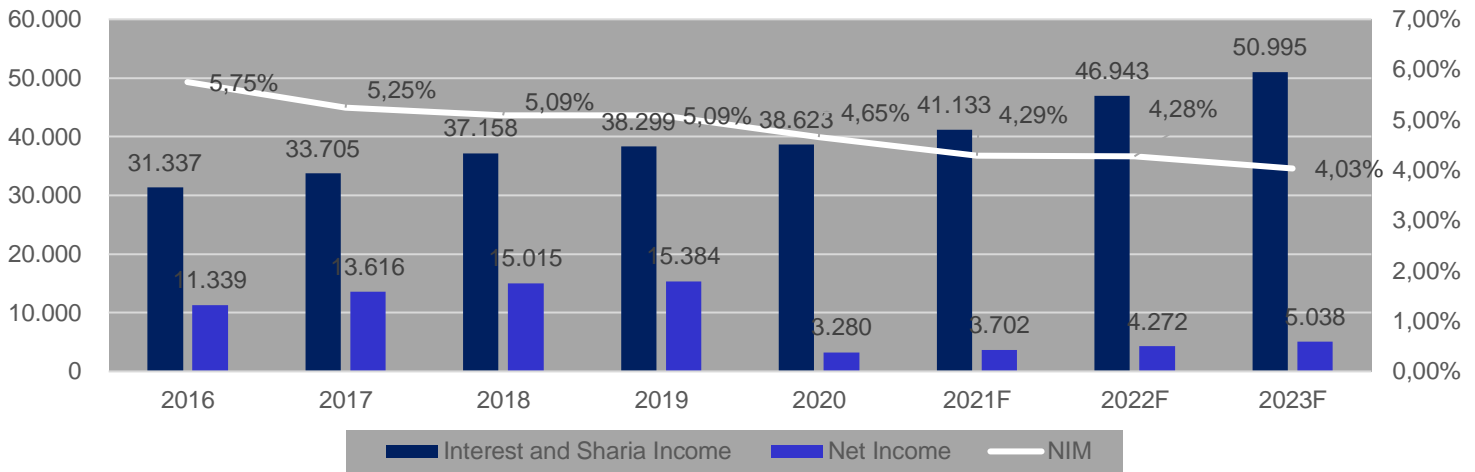


Chart: Net Interest Margin (x) YoY

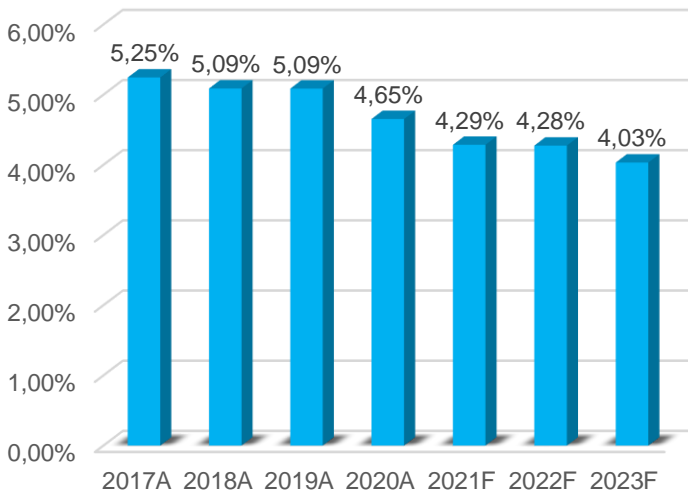


Chart: Loan to Deposit Ratio (x) YoY

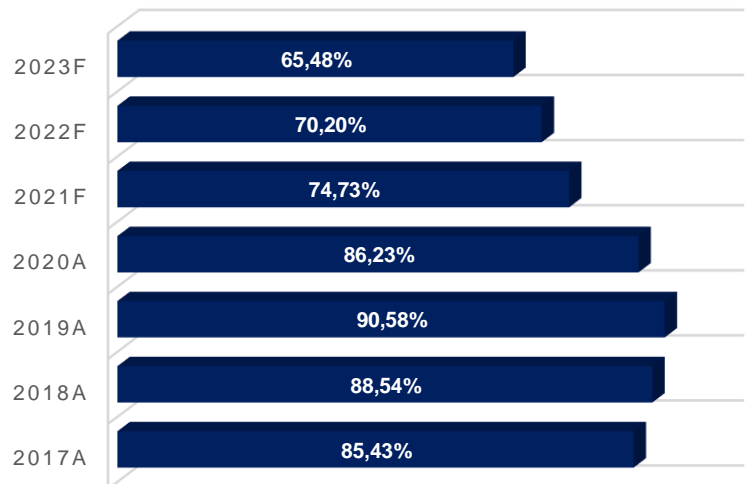


Chart: Net Income (x) QoQ

Net Income

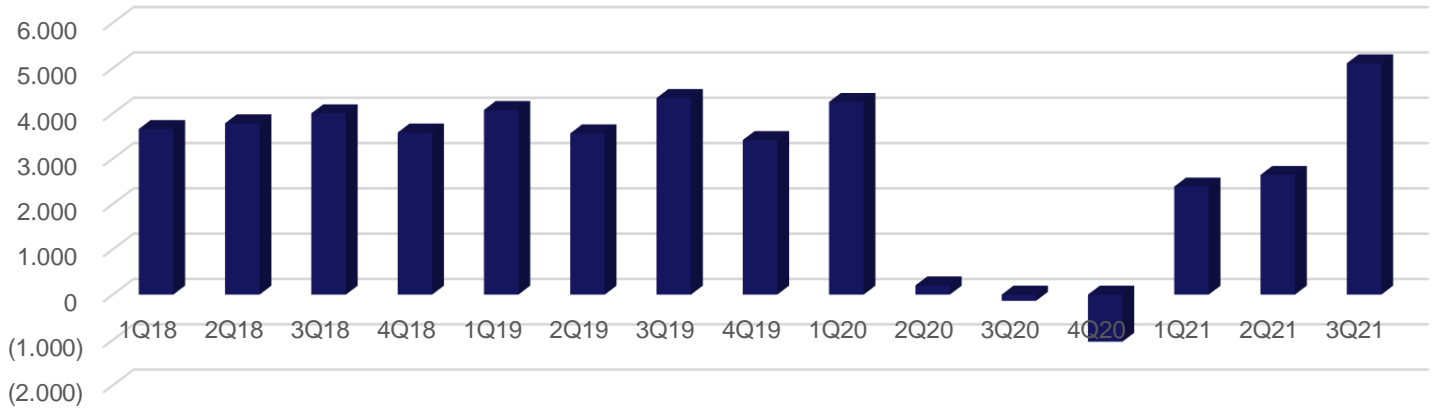


Chart: PPOP (x) QoQ

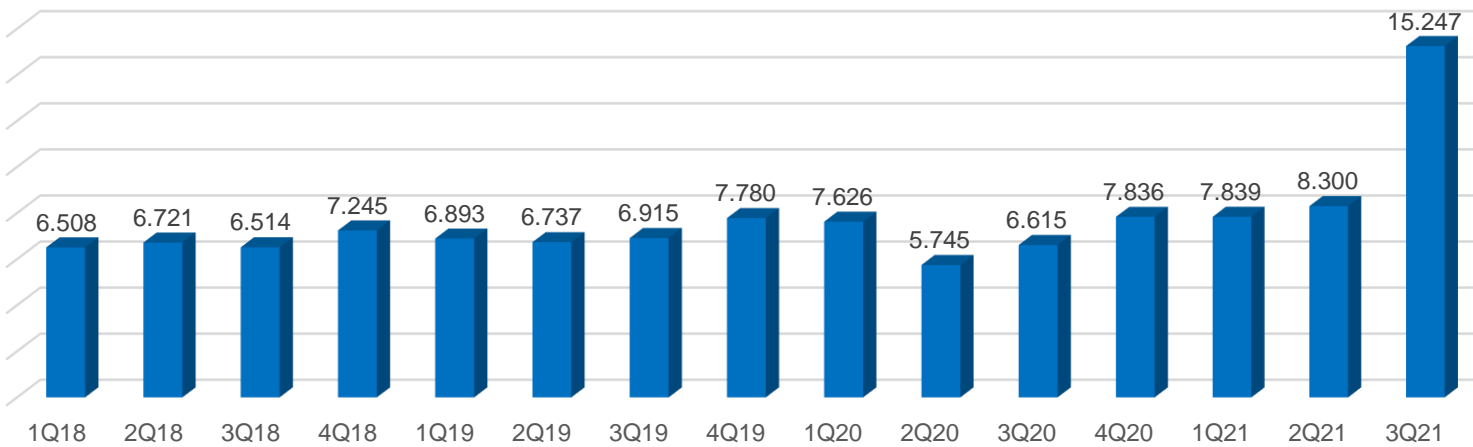
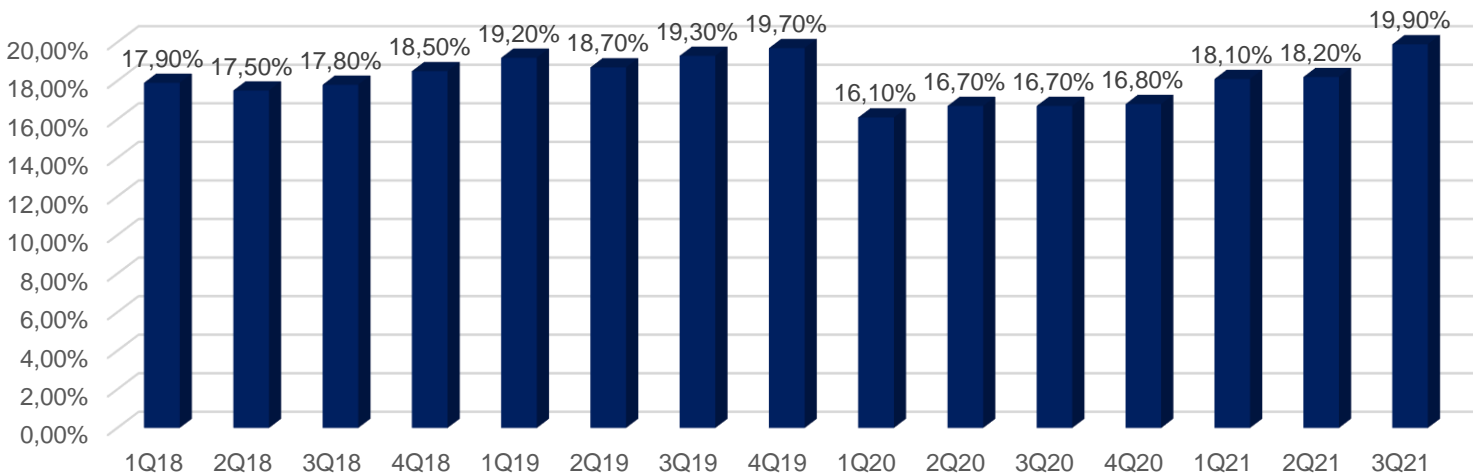


Chart: CAR (x) QoQ



Balance Sheet (IDR.bn)

Balance sheet (ldr bn)	2017A	2018A	2019A	2020A	2021F	2022F	2023F
Cash and CA with BI	44.278	49.635	52.466	52.390	49.425	40.488	29.483
Interbank Placement	28.593	39.324	47.777	61.329	81.065	106.978	134.809
Marketable Securities	36.050	32.044	27.162	29.687	49.002	58.803	73.273
Gross Loan	441.314	512.778	556.771	586.207	589.140	635.927	685.276
Allowance for Loans	-14.524	-14.892	-16.909	-44.228	-66.240	-86.618	-112.244
Loans-net	426.790	497.887	539.862	541.979	522.901	549.309	573.032
Other Earning Asset	201.244	217.385	209.943	247.192	370.402	462.089	579.017
Non Earning Asset	37.018	43.665	43.334	49.777	56.856	64.861	74.837
Total Asset	709.330	808.572	845.605	891.337	999.584	1.116.746	1.256.368
Deposit:							
Current Account	143.184	169.298	207.047	227.487	272.984	325.343	388.510
Saving Account	182.439	206.166	202.417	236.881	269.601	306.140	348.051
Time Deposits	190.969	203.669	205.189	215.433	245.727	274.426	309.928
Other Interest Bearing Liabilities	38.850	58.978	39.634	43.495	46.817	50.392	54.253
Non Interest Bearing Liabilities	52.985	60.087	66.315	55.169	60.877	67.175	74.137
Total Liabilities	608.427	698.198	720.601	778.465	896.006	1.023.477	1.174.879
Total Shareholder's Equity	100.903	110.374	125.004	112.872	103.579	93.269	81.490

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Ratio Highlights

Ratio Analysis	2017A	2018A	2019A	2020A	2021F	2022F	2023F
Profitability & Efficiency							
NIM	5,25%	5,09%	5,09%	4,65%	4,29%	4,28%	4,03%
Cost-to-Income Ratio	46,15%	44,66%	45,54%	46,53%	42,59%	42,25%	44,45%
ROE	13,81%	13,89%	12,56%	2,98%	3,67%	4,72%	6,39%
ROA	1,92%	1,86%	1,82%	0,37%	0,37%	0,38%	0,40%
ROAE		13,85%	13,23%	7,77%	3,32%	4,19%	5,55%
BOPO	52,71%	52,09%	52,60%	32,71%	27,51%	28,13%	30,64%
Cost of Credit	1,61%	1,44%	1,59%	3,85%	-4,22%	-4,35%	-4,23%
Liquidity							
LDR	85,43%	88,54%	90,58%	86,23%	74,73%	70,20%	65,48%
CASA	63,03%	64,83%	66,62%	68,31%	68,83%	69,71%	70,38%
Asset Quality							
Gross NPL	2,26%	1,89%	2,25%	4,26%	4,20%	3,10%	3,24%
Provision Coverage	148,00%	152,90%	133,50%	182,40%	156,27%	157,39%	165,35%
Capital							
CAR	19,40%	18,50%	18,50%	16,80%	17,93%	17,74%	17,49%
Growth							
Loan Growth	11,96%	15,90%	8,12%	5,58%	6,81%	7,94%	7,76%
Deposit Growth	18,48%	12,11%	6,13%	10,60%	15,96%	14,92%	15,52%
Net Income Growth	20,09%	10,27%	2,46%	-78,68%	12,84%	15,42%	17,93%

QoQ Result

Balance Sheet	3Q20	2Q21	3Q21	%QoQ	%YoY
Loan	582.386	569.735	570.643	0,16%	-2,02%
Loan Loss Reserves	-41.702	-48.389	-49.365	2,02%	18,38%
NPL	18.404	22.400	21.700	-3,13%	17,91%
Deposit					
Demand	238.030	240.854	252.834	4,97%	6,22%
Savings	223.190	209.175	212.899	1,78%	-4,61%
Time Deposit	244.186	196.545	202.821	3,19%	-16,94%
Total Asset	916.954	875.138	919.448	5,06%	0,27%
Shareholder Equity	110.407	116.377	119.579	2,75%	8,31%

Income Statement	3Q20	2Q21	3Q21	%QoQ	%YoY
Interest Income	14.567	13.831	29.217	111,24%	100,58%
Interest Expense	5.849	4.045	7.747	91,51%	32,45%
Net Interest Income	8.717	9.786	21.470	119,40%	146,30%
Net Operating Income	4.029	4.572	5.676	24,15%	40,87%
Operating Expense	6.132	6.058	11.899	96,40%	94,05%
PPOP	6.615	8.300	15.247	83,71%	130,51%
Provision Expense	6.510	4.974	8.823	77,39%	35,54%
Operating Profit	105	3.326	6.424	93,18%	6023,04%
Profit Before Tax	94	3.281	6.356	93,70%	6694,99%
Tax Expense	207	637	1.227	92,56%	493,20%
Net Profit	-113	2.644	5.129	93,98%	-4625,90%

Ratio	3Q20	2Q21	3Q21	QoQ	YoY
Profitability & Efficiency					
NIM	4,30%	4,80%	4,80%	-	0,50
Cost of Funds	2,73%	1,64%	1,54%	(0,10)	(1,19)
Cost-to-Income Ratio	44,20%	40,80%	42,10%	1,30	(2,10)
ROE	5,40%	10,40%	10,30%	(0,10)	4,90
ROA	0,90%	1,50%	1,50%	-	0,60
Liquidity					
LDR	83,10%	87,80%	85,10%	(2,70)	2,00
CASA	65,40%	69,60%	69,70%	0,10	4,30
Asset Quality					
Gross NPL (Bank only)	3,60%	3,90%	3,80%	(0,10)	0,20
Coverage Ratio	206,90%	215,30%	226,80%	11,50	19,90
Capital					
CAR	16,70%	18,20%	19,90%	1,70	3,20

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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