

24 January 2019
Banking, Equity

Price **IDR. 7650**
Target Price **IDR. 8640**
JKSE Index **6249.21**

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



Stock Code
Bloomberg code **BBNI IJ**
Market cap (IDR.bn) **142.196**
52-Week High (IDR) **10250**
52-Week Low (IDR) **6650**
6-m Avg Daily. Val (IDR) **7625**
Free Float (%) **60.00**

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

USD/IDR-YE
2029A **13866**
2020F (6M Avg) **13623**

Key Indicators
Non Performing Loan (x) **2.1**
Net Interest Margin (x) **4.4**

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Investment Consideration Reducing Corporate Assets

BBNI will make changes to the composition of the portfolio, by reducing corporate assets and concentrating more on lending to small business and consumers, which provide higher returns via higher NIM and have lower risk than large companies. In the small business segment, KUR will be one of the main engines of credit growth this year, while the driving force for consumer credit will still come from payroll loans. BBNI continues to improve its digital marketing in collaboration with Tokopedia, Traveloka, Bukalapak and continues to optimize opportunities by cross-selling to the customer database of its Corporate segment.

Restructured Loan Increased

Restructured Loans to total loans ratio increased from 6.1% in 3Q19 to 6.9% in 2019, mostly contributed by KRAS (IDR5.4tn) which was downgraded to SML in 4Q19, while the downgrade to NPL came from tin manufacturing & mining in Bangka (IDR877bn), IT trading in Jakarta (IDR682bn), and Duniatex (IDR464bn). BBNI has set aside a 38% provision on KRAS and 100% on Duniatex in 2019.

Additional Provision IDR 13-15 Trillion

In 2019, the NPL coverage ratio came down to 133.5% from 152.9% in 2018. However, NPL coverage is projected to reach 180-200% as the company is guiding IDR 13-15 trillion of additional provisions for IFRS9 which will be charged to retained earning based on IFRS 9 by Januari 2020 for the Manufacturing, Trading, Hotel and Mining Sectors.

Cost Of Fund still rising

In 2019, CASA increased to 66,6% from 64.8% in 2018, but Cost Of Funds has not yet come down in 2019 and even increased by 3.2%. This is because the banking industry is still affected by the tight liquidity,, however, BBNI will remain focused on maintaining CASA growth through its relationships with corporate and institutional clients. We estimate CASA in 2020 will be 68.77%.

Valuation: 13% Upside, Hold.

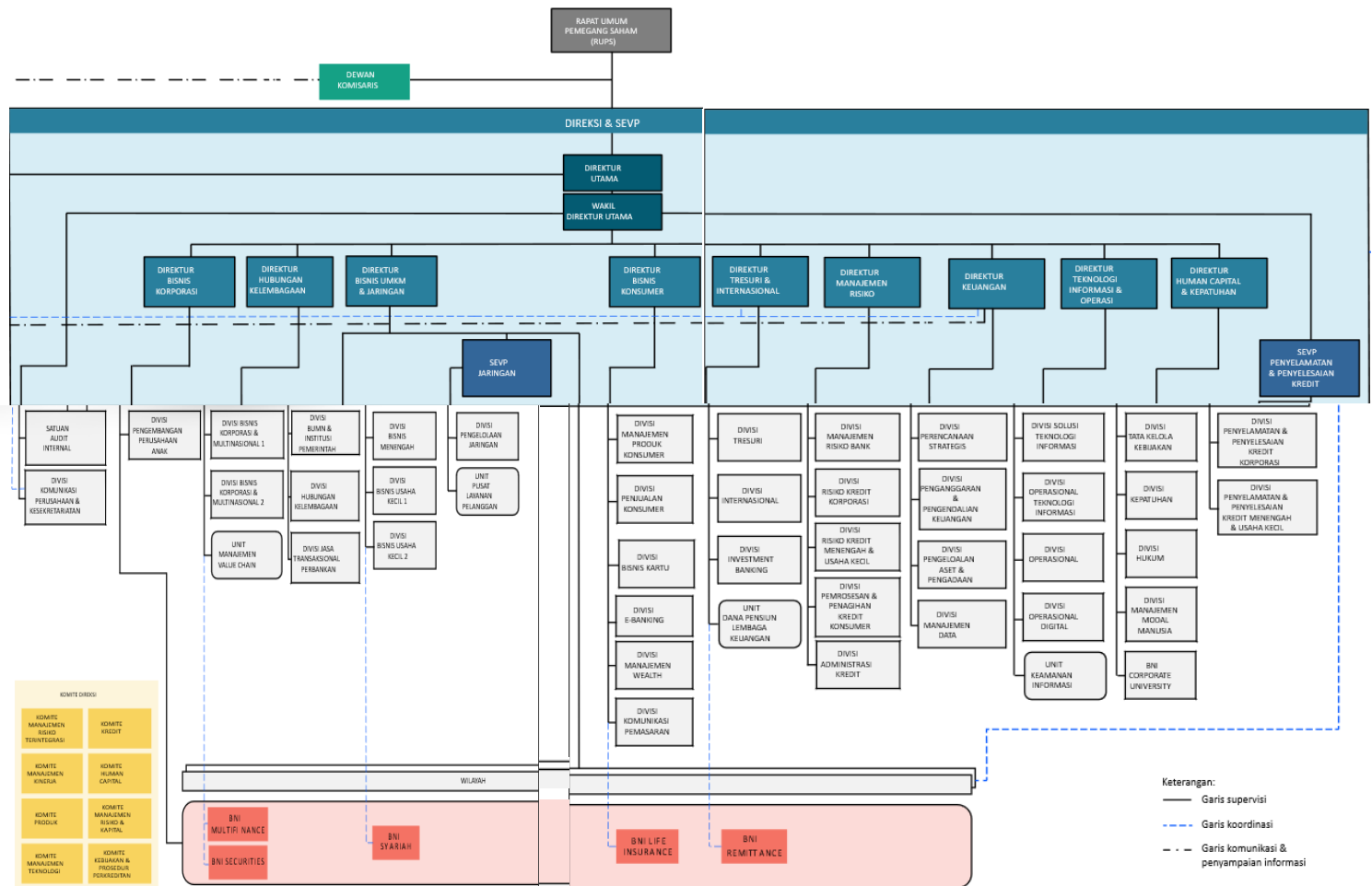
Based on our DDM Valuation, we have a target price within one year of IDR 8640 or trading at 0.8x PBV which gives 13% potential upside, Hold.

Income Statement (Idr bn)	2017A	2018A	2019F	2020F	2021F	2022F
Interest Income	55.049	60.136	60.229	63.655	69.338	75.793
Interest Expense	-21.344	-22.978	-21.930	-27.239	-28.575	-31.226
Net Interest Income	76.393	83.114	82.159	90.894	97.913	107.019
Net Operating Income	11.507	11.613	11.358	12.639	13.643	15.009
Operating Expense	20.863	21.783	23.687	25.387	28.344	30.660
Pre Provision						
Operating Profit	24.349	26.988	25.970	23.668	26.062	28.916
Provision Expense	-7.126	-7.388	-6.484	-1.471	-2.049	-1.728
Operating Profit	31.475	19.599	19.486	22.197	24.014	27.188
Profit Before Tax	17.165	19.821	19.368	22.078	23.894	27.066
Tax Expense	3.395	4.729	3.984	4.904	5.111	5.901
Net Profit	13.771	15.092	15.384	17.173	18.782	21.165
EPS (Rp/Share)	909,2	1.008,7	1.022,1	1.144,5	1.250,0	1.409,7

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



Keterangan:
 — Garis supervisi
 - - - Garis koordinasi
 - - - Garis komunikasi & penyampai informasi

Source: Company

Chart: Net Interest Margin (x) YoY

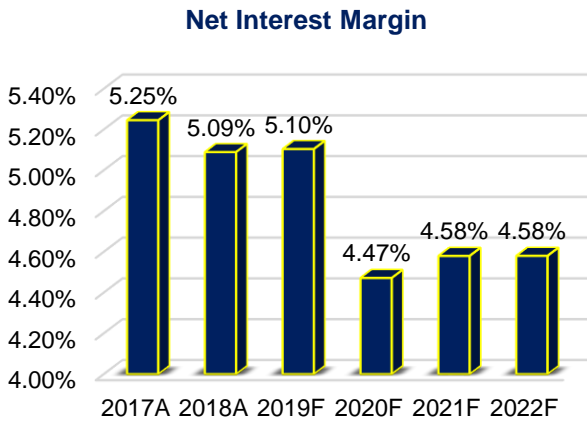


Chart: Loan to Deposit Ratio (x) YoY

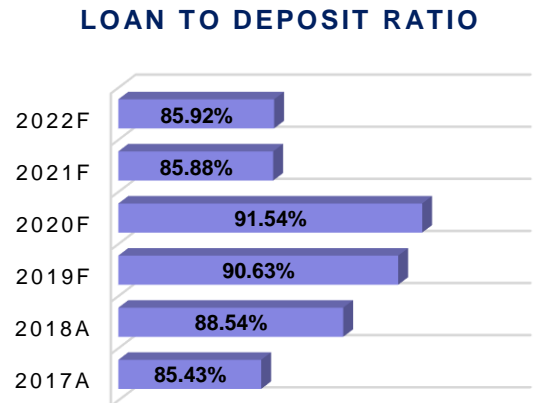


Chart: Profitability (x) YoY

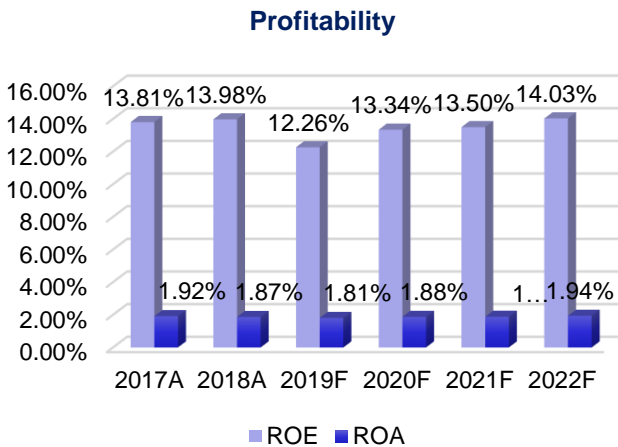
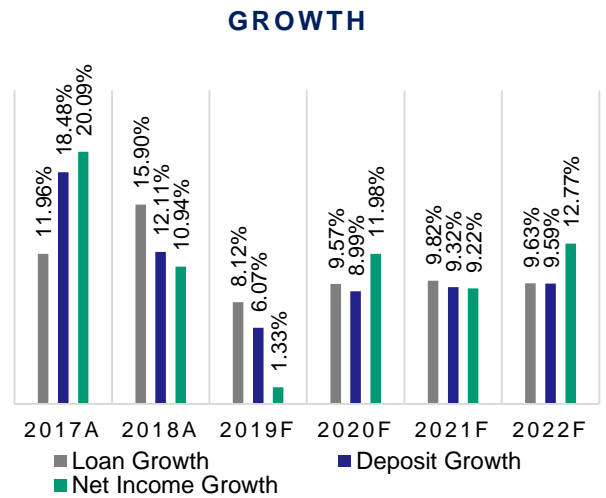


Chart: Profitability Ratio(x) YoY



Balance Sheet (IDR.bn)

Balance sheet (ldr bn)	2017A	2018A	2019F	2020F	2021F	2022F
Cash and CA with BI	44.278	49.635	70.405	70.267	74.656	81.824
Interbank Placement	28.593	39.324	47.777	38.259	53.819	60.798
Marketable Securities	36.050	32.044	31.163	32.736	41.033	45.457
Gross Loan	441.314	512.778	556.771	612.930	628.648	689.203
Allowance for Loans	-14.524	-14.892	-19.220	-19.168	-20.793	-23.012
Loans-net	426.790	497.887	537.551	593.762	607.854	666.191
Other Earning Asset	201.244	217.385	193.598	201.448	261.428	283.851
Non Earning Asset	37.018	43.665	44.051	48.255	52.496	57.524
Total Asset	709.330	808.572	845.605	913.732	996.434	1.089.390
Deposit:						
Current Account	143.184	169.298	207.035	231.879	259.705	290.869
Saving Account	182.439	206.166	202.266	228.561	258.985	293.722
Time Deposits	190.969	203.669	205.010	209.110	213.292	217.558
Other Interest Bearing Liabilities	38.850	58.978	37.873	40.208	42.686	45.318
Non Interest Bearing Liabilities	52.985	60.087	66.321	73.203	80.798	89.181
Total Liabilities	608.427	698.198	718.505	782.960	855.466	936.648
Total Shareholder's Equity	100.903	110.374	127.100	130.772	140.968	152.741

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Ratio Analysis	2017A	2018A	2019F	2020F	2021F	2022F
NIM	5,25%	5,09%	5,10%	4,47%	4,58%	4,58%
LDR	85,43%	88,54%	90,63%	91,54%	85,88%	85,92%
Gross NPL	2,26%	1,89%	2,25%	2,12%	2,05%	2,09%
Cost of Credit	-1,61%	-1,44%	-1,16%	-0,24%	-0,33%	-0,25%
Provision Coverage	102,46%	100,25%	101,36%	100,80%	101,08%	100,94%
CAR	19,40%	18,50%	19,70%	19,20%	19,13%	19,34%
CASA	63,03%	64,83%	66,63%	68,77%	70,86%	72,88%
Cost-to-Income Ratio	46,15%	44,66%	47,70%	51,75%	52,10%	51,46%
ROE	13,81%	13,98%	12,26%	13,34%	13,50%	14,03%
ROA	1,92%	1,87%	1,81%	1,88%	1,88%	1,94%
ROAE		13,89%	13,12%	12,80%	13,42%	13,77%
BOPO	52,71%	52,09%	54,66%	67,05%	66,12%	66,25%
Loan Growth	11,96%	15,90%	8,12%	9,57%	9,82%	9,63%
Deposit Growth	18,48%	12,11%	6,07%	8,99%	9,32%	9,59%
Net Income Growth	20,09%	10,94%	1,33%	11,98%	9,22%	12,77%

QoQ Result

Balance Sheet	4Q18	3Q19	4Q19	%QoQ	%YoY
Loan	512.778	558.674	556.771	-0,34%	8,58%
Loan Loss Reserves	-14.892	-16.004	-19.220	20,10%	29,07%
NPL	9.140	9.537	11.763	23,34%	28,69%
Deposit					
Demand	169.298	178.078	207.035	16,26%	22,29%
Savings	206.166	195.600	202.266	3,41%	-1,89%
Time Deposit	203.669	207.590	205.010	-1,24%	0,66%
Total Asset	808.572	815.265	845.605	3,72%	4,58%
Shareholder Equity	108.077	118.805	124.803	5,05%	15,48%

Income Statement	4Q18	3Q19	4Q19	%QoQ	%YoY
Interest Income	16.403	15.966	15.349	-3,86%	-6,42%
Interest Expense	6.360	6.753	5.211	-22,83%	-18,06%
Net Interest Income	10.043	9.213	10.138	10,04%	0,95%
Net Operating Income	2.471	3.633	1.775	-51,16%	-28,18%
Operating Expense	5.269	5.932	6.487	9,36%	23,13%
PPOP	7.245	6.915	5.426	-21,54%	-25,12%
Provision Expense	2.049	1.461	3.408	133,22%	66,37%
Operating Profit	306	-28	-59	107,86%	-119,32%
Profit Before Tax	5.502	5.425	1.958	-63,90%	-64,41%
Tax Expense	1.856	1.065	-6.960	-753,57%	-475,06%
Net Profit	3.647	4.360	8.918	104,54%	144,55%

Ratio	4Q18	3Q19	4Q19	QoQ	YoY
NIM	2,25%	2,15%	2,05%	(0,11)	(0,20)
LDR	88,54%	96,11%	90,63%	(5,48)	2,09
Gross NPL (Bank only)					-
Cost of Credit	1,00%	1,05%	0,80%	(0,25)	(0,20)
Provision Coverage	100%	100%	101%	0,93	1,10
CAR	18,50%	19,30%	19,70%	0,40	1,20
CASA	64,83%	64,29%	66,63%	2,34	1,80
Cost-to-Income Ratio	42,10%	46,18%	54,46%	8,28	12,35
ROE	3,31%	3,65%	7,15%	3,49	3,84
ROA	0,44%	0,53%	1,05%	0,52	0,61
BOPO	50,76%	57,26%	48,41%	(8,85)	(2,34)

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.

**RESEARCH TEAM
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