

Investment Consideration Rising CASA

Third-Party Funds rose 11.3% YoY in 1H20 and the CASA ratio increased by 5.4%, with Current Accounts up 18.4% YoY, Saving Accounts 7.1% YoY. BNI remains focused on CASA through several strategies, namely improving relationships with corporate and institutional customers, optimizing digital clients and growing mobile and internet banking. Growth in demand deposits is supported by business loans (medium segment and small) as well as building relationships with government agencies, state-owned enterprises, as well as the private sector. With higher CASA, the Cost of Funds fell to 2.9%, down 0.3% YoY, minimizing the decrease in the Net Interest Margin to 4.5%, down only 0.4%.

Stable Loan growth

Loan growth was 5% YoY. This growth was driven by private corporations which grew 12.6% YoY, including the transportation and manufacturing sectors, particularly palm oil. Credit growth to SOEs was 6.1% YoY, especially in electricity, construction and telecommunications. Loan growth to the middle segment was held back -9.1% YoY because it has the highest NPLs. Growth in consumer loans came mainly from 6% YoY growth in mortgages and 11.6% YoY for payroll loans. We still forecast credit growth in the range of 4-6% in 2020.

Restructuring loans

Total restructured loans as at the end of June 2020 reached IDR 99.9 trillion (68.2% of the target). Approval for restructuring has been granted to 203,000 debtors with a total of IDR 119.3 trillion (81.3% of the target) or 20.7% of the total loans. BNI plans to complete the credit restructuring program within 2020. The estimated total loans restructured up to 3Q20 will be around IDR 126-130 trillion, lower than the initial target of IDR 146 trillion. Restructuring for debtors in the corporate, medium and consumer segments has reached more than 90% of the target, IDR 48.4 trillion in the corporate segment, IDR 23.9 trillion in the medium segment, and IDR 10.1 trillion in the consumer segment. For the small business segment realization up to June only reached IDR 36.9 trillion, 63% of the target. 18.8% of the total were restructure with deferred principal payments, 27.3% with postponed interest payments, and the remaining 53.9% used a combination of postponement of payments principal and interest and lower interest rates.

Valuation: 9% Upside, Hold.

Based on our DDM Valuation, we have a target price within one year of IDR 5750 or trading at 0.7x PBV which gives 9% potential upside, Hold.

Income Statement (Idr bn)	2017A	2018A	2019A	2020F	2021F	2022F
Interest Income	55.049	60.136	64.691	55.038	61.885	68.902
Interest Expense	-21.344	-22.978	-26.391	-22.466	-27.012	-31.037
Net Interest Income	33.705	37.158	38.299	32.572	34.873	37.865
Net Operating Income	11.507	11.613	13.712	12.771	14.202	16.591
Operating Expense	-20.863	-21.783	-23.687	-23.072	-25.114	-29.661
Pre Provision Operating Profit	24.349	26.988	28.325	22.272	23.961	24.796
Provision Expense	-7.126	-7.388	-8.838	-1.471	-2.049	-1.728
Operating Profit	17.223	19.599	19.487	20.800	21.912	23.068
Profit Before Tax	17.165	19.821	19.369	20.682	21.792	22.947
Tax Expense	-3.395	-4.729	-3.861	-4.528	-4.557	-4.912
Net Profit	13.616	15.015	15.384	16.066	17.126	17.920
EPS (Rp/Share)	730,2	805,2	825,0	861,5	918,4	960,9

25 August 2020
 Banking, Equity

Price IDR. 5275
 Target Price IDR. 5750
 JKSE Index 5338.89

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) 8125
 52-Week Low (IDR) 2970
 6-m Avg Daily. Val (IDR) 6100
 Free Float (%) 60.00

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

USD/IDR-YE
 2029A 14390
 2020F (6M Avg) 14475

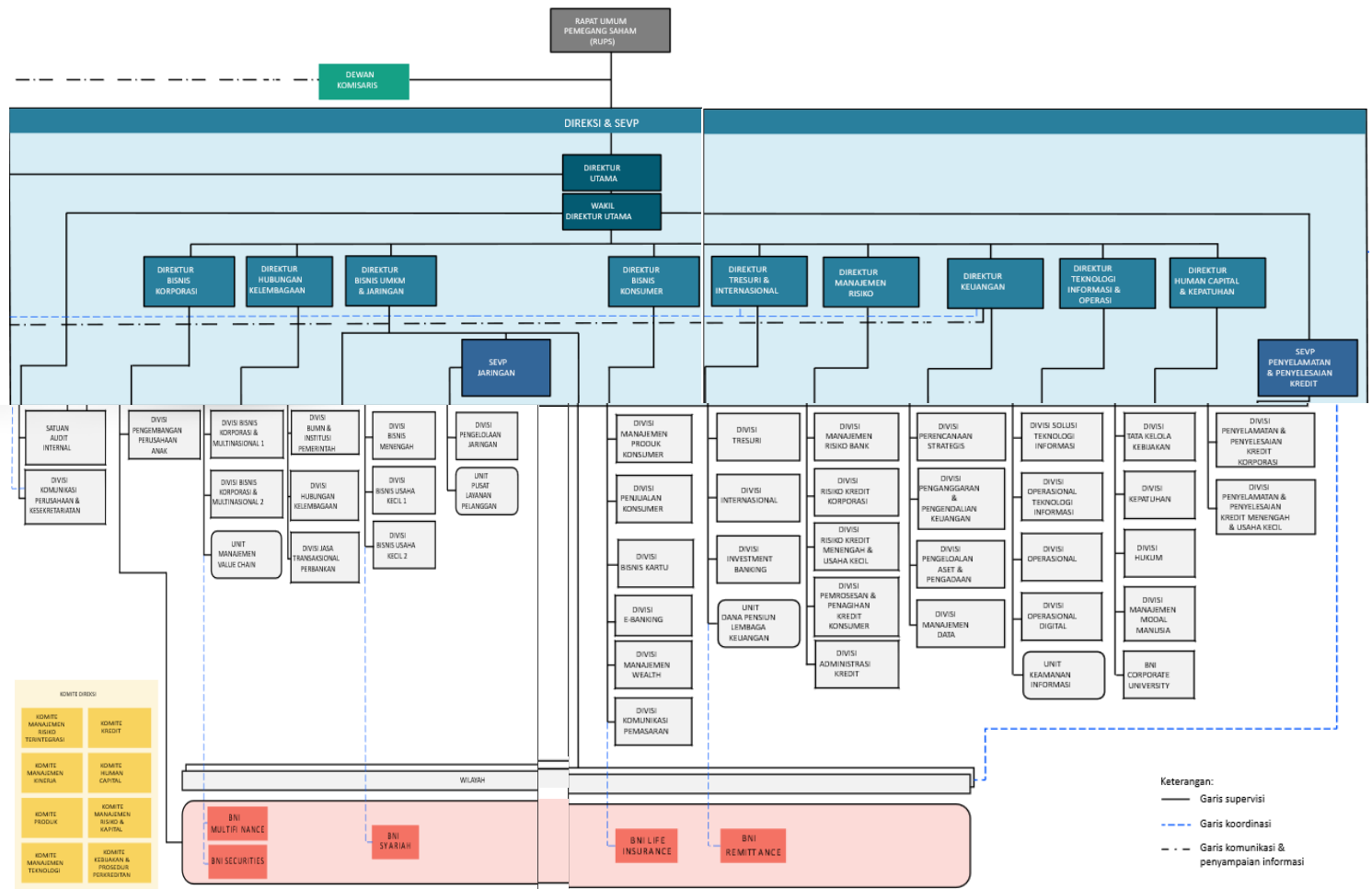
Key Indicators
 Non Performing Loan (x) 2.21
 Net Interest Margin (x) 3.80

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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

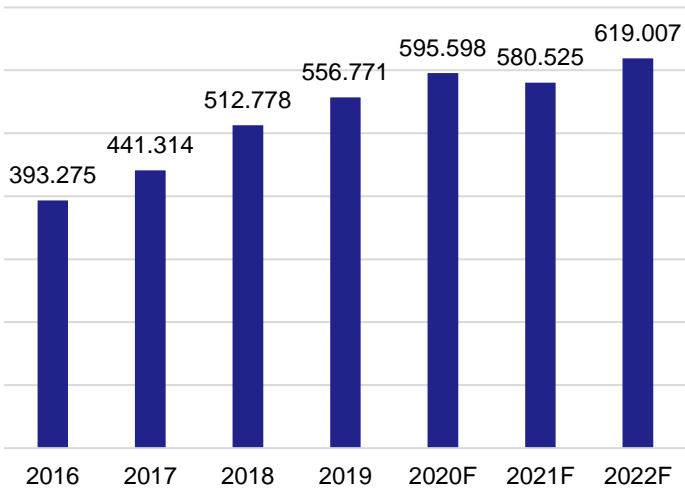


Chart: Customer Deposit (x) YoY

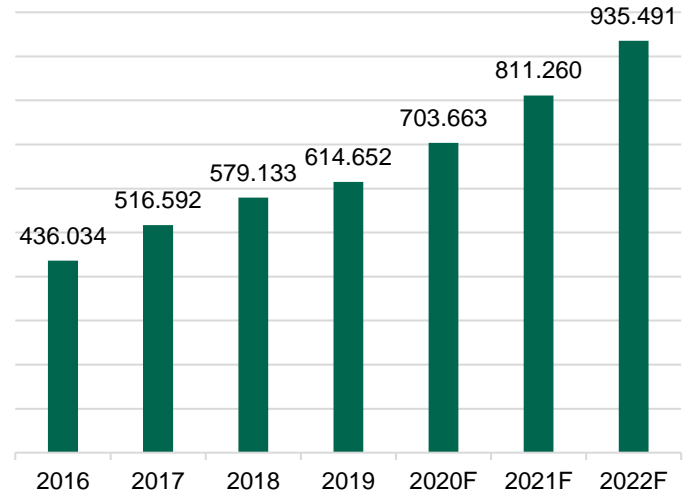


Chart: Profitability (x) YoY

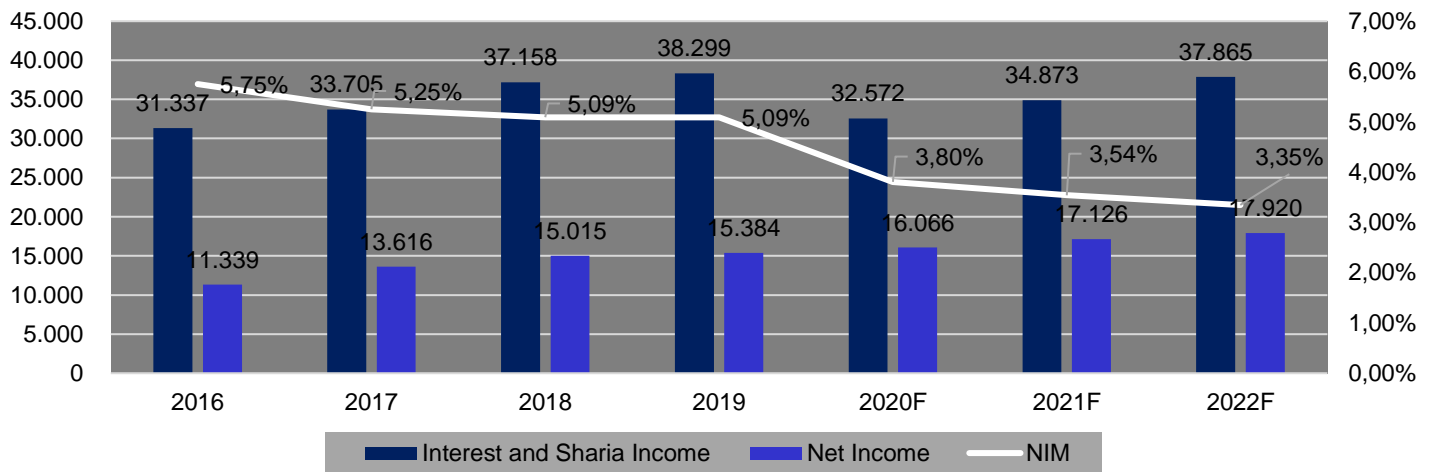


Chart: Net Interest Margin (x) YoY

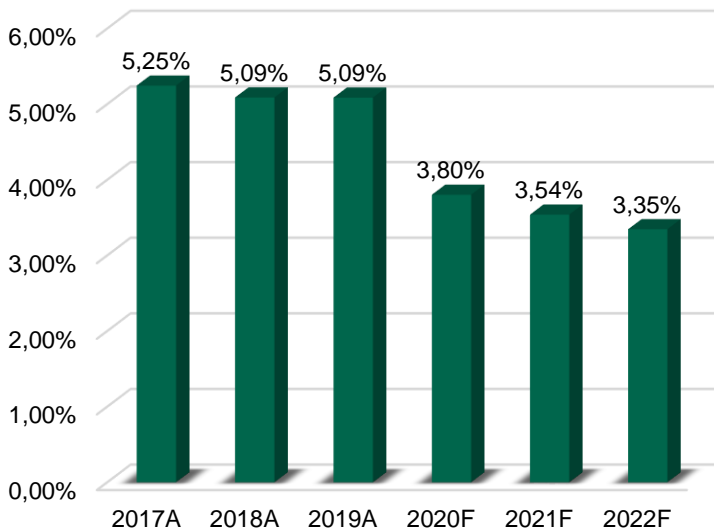


Chart: Net Interest Margin (x) YoY

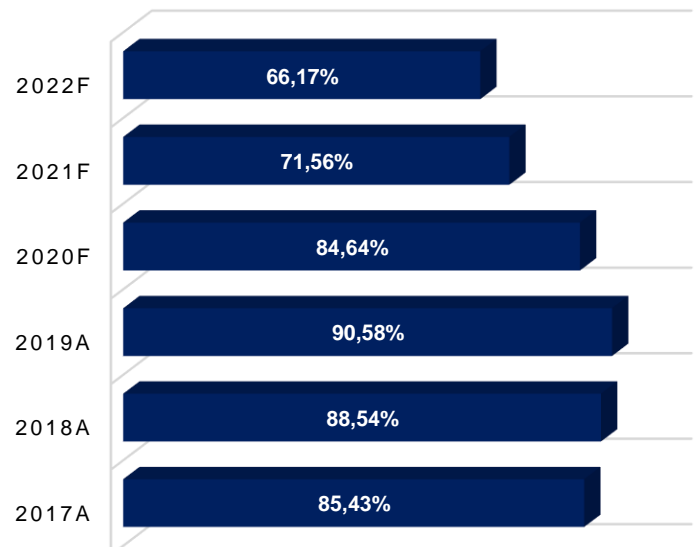


Chart: Gross Loan (x) QoQ

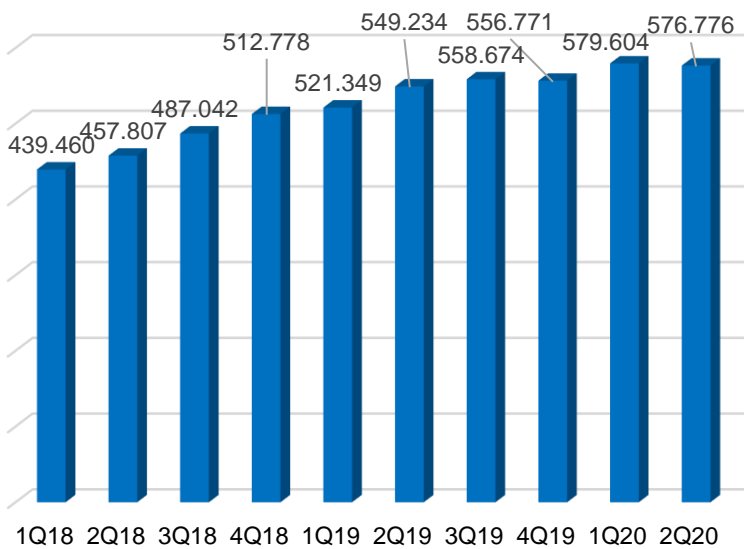


Chart: Customer Deposit (x) QoQ

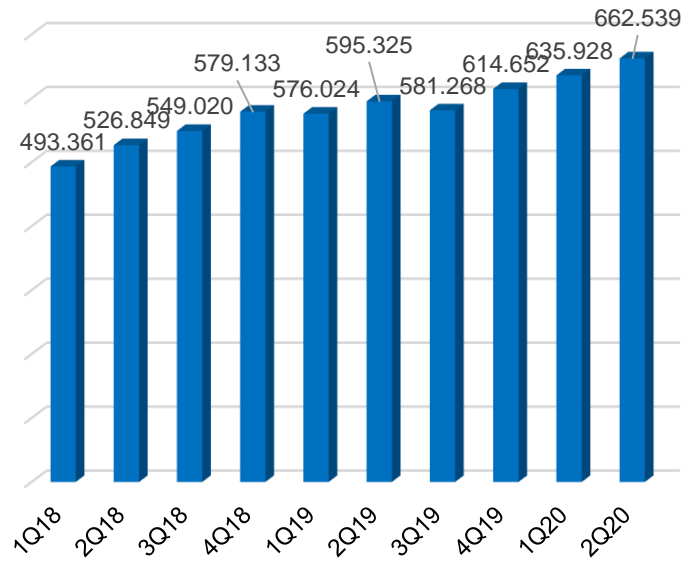


Chart: Net Income (x) QoQ

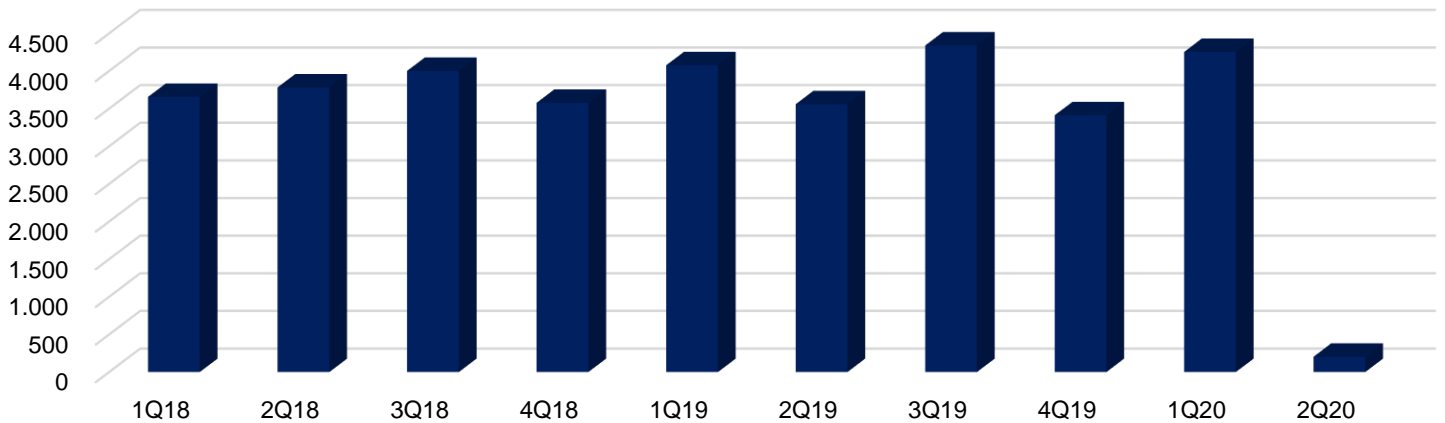
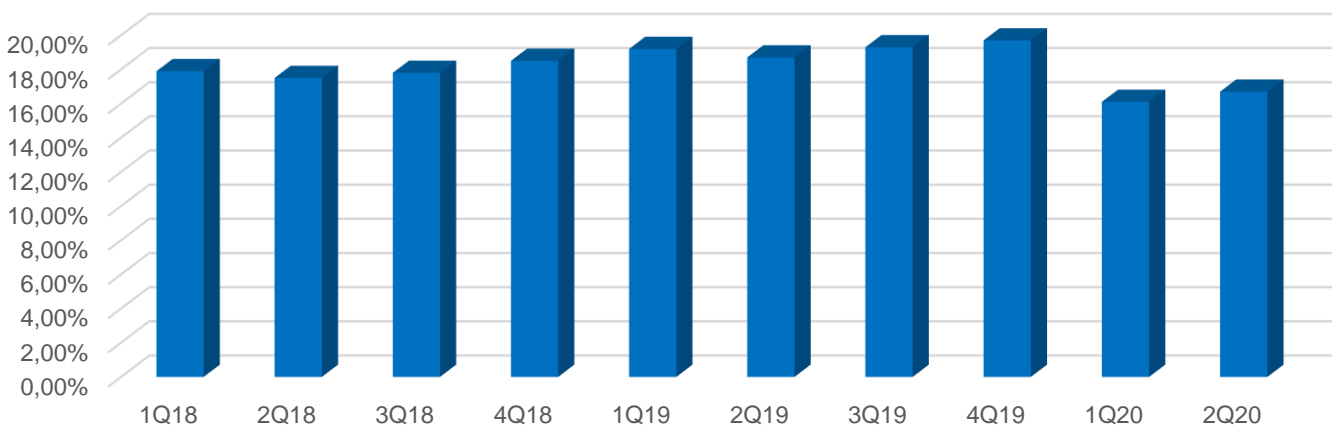


Chart: CAR (x) QoQ



Balance Sheet (IDR.bn)

Balance sheet (Idr bn)	2017A	2018A	2019A	2020F	2021F	2022F
Cash and CA with BI	44.278	49.635	52.466	66.837	60.383	55.657
Interbank Placement	28.593	39.324	47.777	47.884	79.870	103.942
Marketable Securities	36.050	32.044	27.162	42.401	63.531	82.076
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	260.925	404.760	512.521
Non Earning Asset	37.018	43.665	43.334	50.283	58.202	66.565
Total Asset	709.330	808.572	845.605	955.237	1.085.437	1.233.927
Deposit:						
Current Account	143.184	169.298	207.047	243.242	285.764	335.720
Saving Account	182.439	206.166	202.417	230.610	262.729	299.321
Time Deposits	190.969	203.669	205.189	229.811	262.767	300.449
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	819.656	938.264	1.074.565
Total Shareholder's Equity	100.903	110.374	125.004	135.580	147.172	159.362

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Ratio Highlights

Ratio Analysis	2017A	2018A	2019A	2020F	2021F	2022F
Profitability & Efficiency						
NIM	5,25%	5,09%	5,09%	3,80%	3,54%	3,35%
Cost-to-Income Ratio	46,15%	44,66%	45,54%	50,88%	51,17%	54,47%
ROE	13,81%	13,89%	12,56%	12,07%	11,84%	11,42%
ROA	1,92%	1,86%	1,82%	1,68%	1,58%	1,45%
ROAE		13,85%	13,23%	12,31%	11,95%	11,63%
BOPO	52,71%	52,09%	52,60%	64,99%	65,82%	68,98%
Cost of Credit	-1,61%	-1,44%	-1,59%	-0,25%	-0,35%	-0,28%
Liquidity						
LDR	85,43%	88,54%	90,58%	84,64%	71,56%	66,17%
CASA	63,03%	64,83%	66,62%	67,34%	67,61%	67,88%
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%	14,48%	15,29%	15,31%
Net Income Growth	20,09%	10,27%	2,46%	4,43%	6,60%	4,63%

QoQ Result

Balance Sheet	2Q19	1Q20	2Q20	%QoQ	%YoY
Loan	549.234	579.604	576.776	-0,49%	5,01%
Loan Loss Reserves	-15.007	-32.687	-36.542	11,79%	143,50%
NPL	9.203	12.257	12.171	-0,70%	32,25%
Deposit					
Demand	188.865	214.350	219.719	2,50%	16,34%
Savings	195.555	198.635	213.526	7,50%	9,19%
Time Deposit	210.905	222.942	229.294	2,85%	8,72%
Total Asset	843.214	868.448	880.124	1,34%	4,38%
Shareholder Equity	114.274	107.475	109.873	2,23%	-3,85%

Income Statement	2Q19	1Q20	2Q20	%QoQ	%YoY
Interest Income	15.890	15.836	15.096	-4,67%	-5,00%
Interest Expense	6.465	5.776	6.229	7,84%	-3,65%
Net Interest Income	9.425	10.060	8.867	-11,86%	-5,92%
Net Operating Income	3.084	3.157	2.526	-19,98%	-18,09%
Operating Expense	5.773	5.590	5.648	1,02%	-2,16%
PPOP	6.737	7.626	5.745	-24,66%	-14,72%
Provision Expense	2.240	2.271	5.196	128,83%	131,93%
Operating Profit	4.497	5.355	549	-89,74%	-87,78%
Profit Before Tax	4.499	5.335	507	-90,49%	-88,73%
Tax Expense	897	1.115	269	-75,84%	-69,96%
Net Profit	3.602	4.220	238	-94,37%	-93,40%

Ratio	2Q19	1Q20	2Q20	QoQ	YoY
Profitability & Efficiency					
NIM	4,90%	4,90%	4,50%	(0,40)	(0,40)
Cost of Credit	1,40%	1,50%	2,60%	1,10	1,20
Cost-to-Income Ratio	43,40%	40,10%	43,50%	3,40	0,10
ROE	14,40%	16,90%	8,70%	(8,20)	(5,70)
ROA	2,40%	2,60%	1,40%	(1,20)	(1,00)
BOPO	52,69%	47,89%	37,91%	(9,98)	(14,78)
Liquidity					
LDR	92,30%	92,30%	87,80%	(4,50)	(4,50)
CASA	64,60%	6490,00%	65,40%	(6.424,60)	0,80
Asset Quality					
Gross NPL (Bank only)	1,80%	2,40%	3,00%	0,60	1,20
Coverage Ratio	156,50%	243,20%	214,10%	(29,10)	57,60
Capital					
CAR	18,70%	16,10%	16,70%	0,60	(2,00)

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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