

Investment Consideration

Good Loan Growth

Total Loans in 1Q20 grew by 11.2% YoY, and 4.1% QoQ with growth contributed by the private corporate segment, with some impact from the weakening of the rupiah against the US dollar. The growth of Business Loans came from Private companies which grew by 24.8% YoY. SOEs grew more slowly, while the growth of Medium, Small and Consumer Loans began to slow down. We estimate loan growth in the range of 2-3% in 2020.

Asset Quality drops

SML was at 6.5% in 1Q20, an increase from 4.6% in FY19, this increase was due to a decrease in credit quality in all segments, especially the medium and small business segments. The Corporate Segment rose to 5.5% in 1Q20 from 5.1% in FY19 mainly because of a Palm Oil plantation debtor in Riau with loans totaling IDR. 733 billion. The Medium segment which is dominated by the Trading, Restaurant & Hotel sectors with IDR. 2 Trillion of loans, increased to 11.7% in 1Q20 from 6.7% in FY19. The Small segment rose to 7.8% in 1Q20 from 2.9% in FY19 due also to trading, Restaurant & Hotel borrowers. NPLs increased by 2.4% due to downgrades in 1Q20 of borrowers which were previously included in Loans at Risk. The loan Coverage Ratio increased significantly by 243.2%, partly caused by the implementation of IFRS 9. As of April 2020, BBNI had Restructured Loans of IDR. 69,789Bn of which 28.5% came from the Corporate segment and 24% from the Medium.

CASA is a priority

In 1Q20 Third Party Funds grew 10.4% YoY, and 3.5% QoQ with the CASA Ratio growing to 64.9%. As the LDR is being maintained in the range of 90-92%, CASA is a top priority to reduce the Cost of Fund and keep the net interest margin stable. We estimate the CASA ratio to be in the range of 62-66% in 2020.

Non-Interest growth

Non-Interest Income decreased -19.4% YoY, because a subsidiary BNI Life suffered a loss. In the Bank Only, total Non-Interest Income still grew by 17.8%.

Valuation: 39% Upside, Buy.

Based on our DDM Valuation, we have a target price within one year of IDR 5040 or trading at 0.5x PBV which gives 39% potential upside, Buy.

Income Statement (Idr bn)	2017A	2018A	2019A	2020F	2021F	2022F
Interest Income	14.672	60.136	64.691	56.887	56.630	57.115
Interest Expense	-5.670	-22.978	-26.391	-26.406	-25.835	-26.226
Net Interest Income	20.342	83.114	91.082	83.294	82.465	83.341
Net Operating Income	3.153	11.613	13.712	12.822	13.373	13.395
Operating Expense	6.113	21.783	23.687	23.051	23.558	23.836
Pre Provision Operating Profit	6.042	26.988	28.325	20.252	20.610	20.449
Provision Expense	-1.638	-7.388	-8.838	-1.471	-2.049	-1.728
Operating Profit	7.679	19.599	19.487	18.781	18.561	18.721
Profit Before Tax	4.402	19.821	19.369	18.662	18.441	18.599
Tax Expense	880	4.729	3.861	4.086	3.857	3.981
Net Profit	3.522	15.092	15.509	14.576	14.585	14.618
EPS (Rp/Share)	185,5	810,0	821,4	777,5	775,5	778,5

26 May 2020
Banking, Equity

Price **IDR. 3630**
Target Price **IDR. 5040**
JKSE Index **4626.799**

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



Stock Code **BBNI IJ**
Bloomberg code **BBNI IJ**
Market cap (IDR.bn) **65,643.3B**
52-Week High (IDR) **9450**
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) **14488**

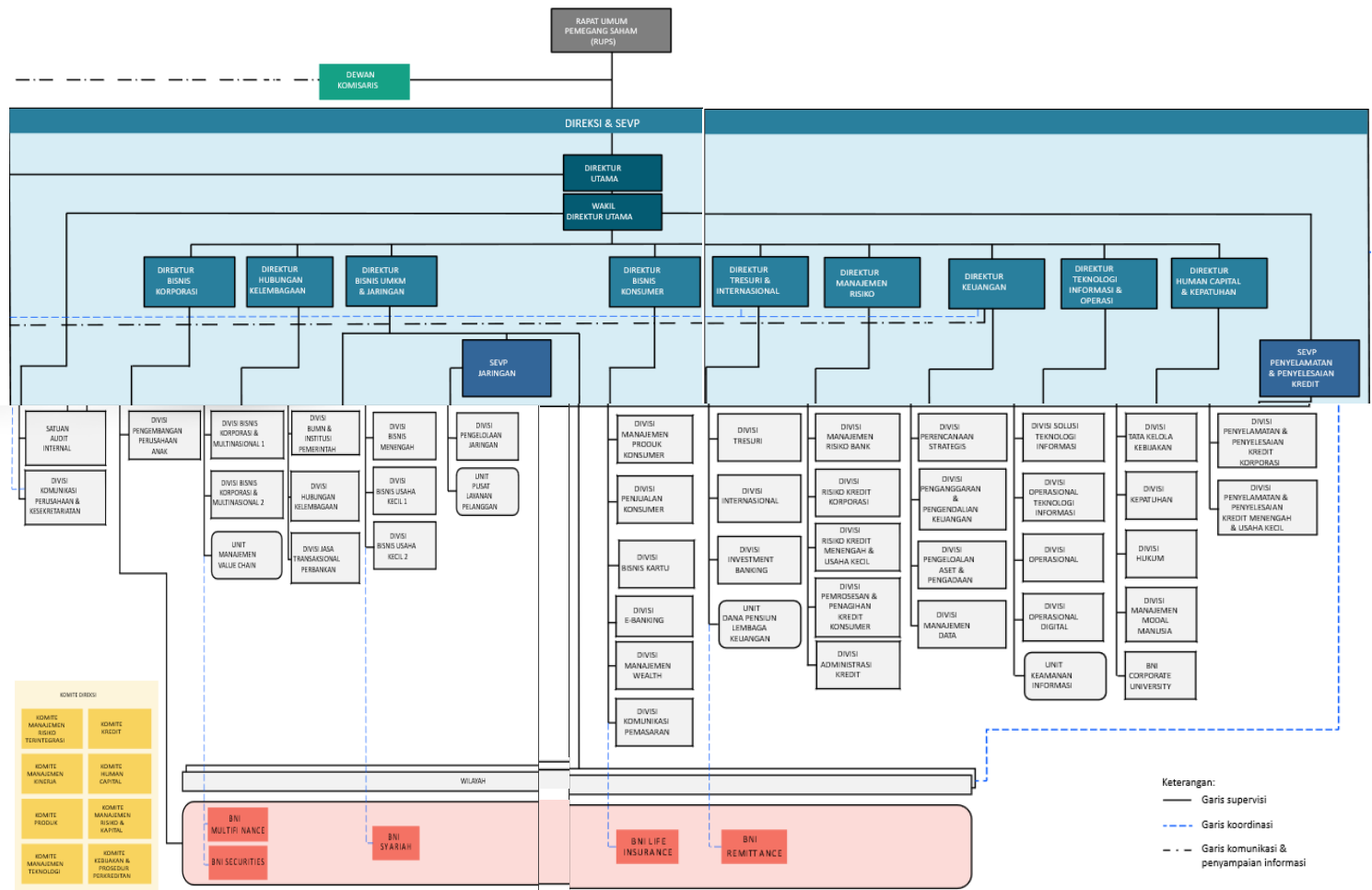
Key Indicators
Non Performing Loan (x) **3,1**
Net Interest Margin (x) **3,9**

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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



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

Source: Company

Chart: Net Interest Margin (x) YoY

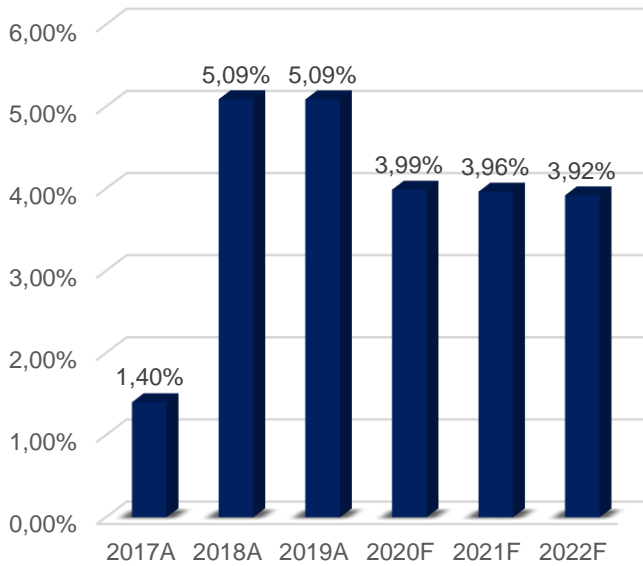


Chart: Loan to Deposit Ratio (x) YoY

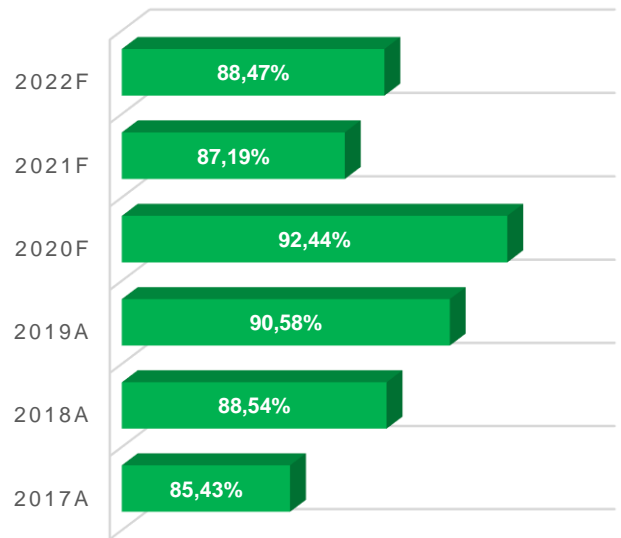


Chart: Profitability (x) YoY

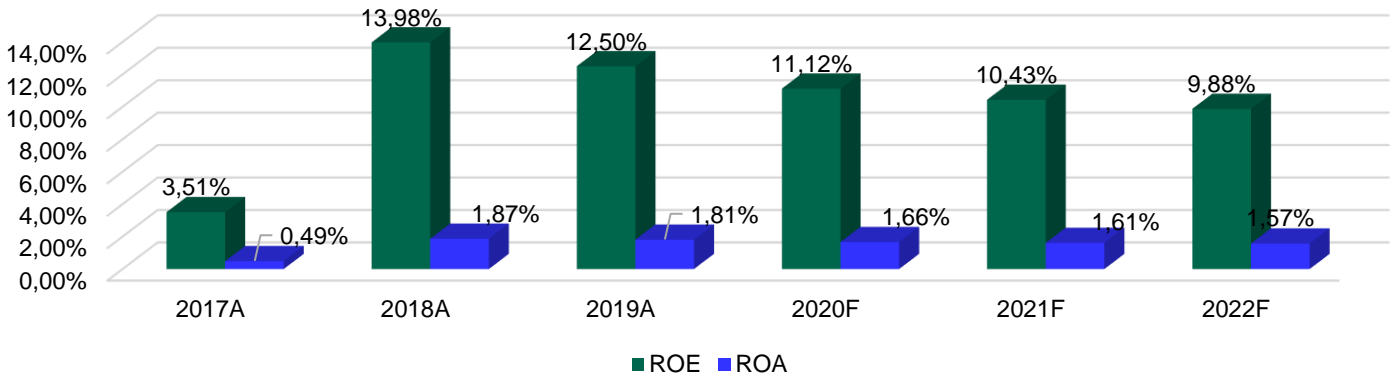
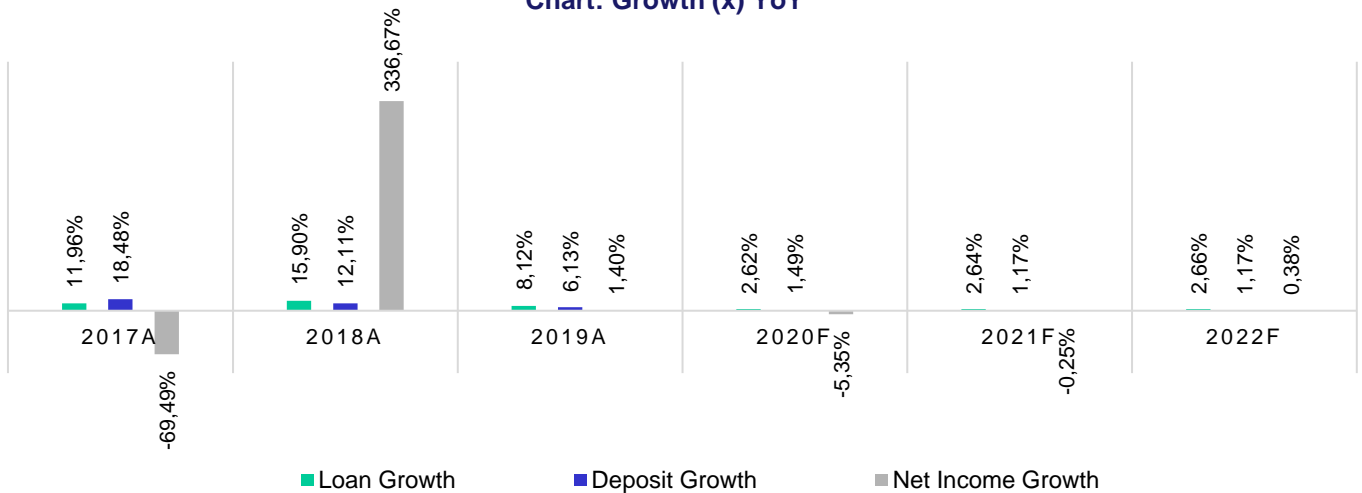


Chart: Growth (x) YoY



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	85.003	98.133	113.927
Interbank Placement	28.593	39.324	47.777	34.417	44.684	45.249
Marketable Securities	36.050	32.044	27.162	30.477	35.542	35.730
Gross Loan	441.314	512.778	556.771	576.660	550.312	564.930
Allowance for Loans	-14.524	-14.892	-16.909	-22.435	-22.783	-23.568
Loans-net	426.790	497.887	539.862	554.224	527.529	541.362
Other Earning Asset	201.244	217.385	209.943	187.545	226.443	223.116
Non Earning Asset	37.018	43.665	43.334	45.282	45.813	46.587
Total Asset	709.330	808.572	845.605	872.054	897.918	924.991
Deposit:						
Current Account	143.184	169.298	207.047	208.082	209.122	210.168
Saving Account	182.439	206.166	202.417	206.466	208.530	210.616
Time Deposits	190.969	203.669	205.189	209.292	213.478	217.748
Other Interest Bearing Liabilities	38.850	58.978	39.634	42.190	44.910	47.806
Non Interest Bearing Liabilities	52.985	60.087	66.315	73.195	80.790	89.172
Total Liabilities	608.427	698.198	720.601	739.225	756.830	775.509
Total Shareholder's Equity	100.903	110.374	125.004	132.830	141.087	149.482

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Ratio Highlights

Ratio Analysis	2017A	2018A	2019A	2020F	2021F	2022F
Profitability & Efficiency						
NIM	1,40%	5,09%	5,09%	3,99%	3,96%	3,92%
Cost-to-Income Ratio	50,29%	44,66%	45,54%	53,23%	53,34%	53,82%
ROE	3,51%	13,98%	12,50%	11,12%	10,43%	9,88%
ROA	0,49%	1,87%	1,81%	1,66%	1,61%	1,57%
ROAE		8,74%	13,24%	11,81%	10,78%	10,16%
BOPO	56,92%	52,09%	52,60%	68,84%	67,63%	68,55%
Cost of Credit	-0,37%	-1,44%	-1,59%	-0,26%	-0,37%	-0,31%
Liquidity						
LDR	85,43%	88,54%	90,58%	92,44%	87,19%	88,47%
CASA	63,03%	64,83%	66,62%	66,45%	66,18%	65,90%
Asset Quality						
Gross NPL	2,26%	1,89%	2,25%	3,15%	3,15%	3,16%
Provision Coverage	102,46%	100,25%	94,73%	97,49%	96,11%	96,80%
Capital						
CAR	19,40%	18,50%	18,50%	18,80%	18,60%	18,63%
Growth						
Loan Growth	11,96%	15,90%	8,12%	2,62%	2,64%	2,66%
Deposit Growth	18,48%	12,11%	6,13%	1,49%	1,17%	1,17%
Net Income Growth	-69,49%	336,67%	1,40%	-5,35%	-0,25%	0,38%

QoQ Result

Balance Sheet	1Q19	4Q19	1Q20	%QoQ	%YoY
Loan	521.349	556.771	576.660	3,57%	10,61%
Loan Loss Reserves	-14.963	-16.909	-22.435	32,68%	49,94%
NPL	9.335	11.763	16.885	43,55%	80,87%
Deposit					
Demand	164.981	207.047	208.082	0,50%	26,12%
Savings	183.716	202.417	206.466	2,00%	12,38%
Time Deposit	227.327	205.189	209.292	2,00%	-7,93%
Total Asset	800.564	845.605	872.054	3,13%	8,93%
Shareholder Equity	113.462	122.516	130.341	6,39%	14,88%

Income Statement	1Q19	4Q19	1Q20	%QoQ	%YoY
Interest Income	16.469	12.329	15.836	28,44%	-3,84%
Interest Expense	6.946	5.237	5.776	10,30%	-16,85%
Net Interest Income	9.522	7.093	10.060	41,83%	5,64%
Net Operating Income	2.866	4.129	3.157	-23,54%	10,14%
Operating Expense	5.495	6.487	5.590	-13,82%	1,73%
PPOP	6.893	4.734	7.626	61,08%	10,63%
Provision Expense	1.728	3.408	2.271	-33,38%	31,41%
Operating Profit	-33	-59	-20	-65,79%	-39,13%
Profit Before Tax	5.132	1.267	5.335	320,93%	3,96%
Tax Expense	1.014	885	1.115	26,04%	9,99%
Net Profit	4.118	383	4.220	1002,86%	2,47%

Ratio	1Q19	4Q19	1Q20	QoQ	YoY
Profitability & Efficiency					
NIM	2,28%	1,64%	2,07%	0,43	(0,20)
Cost of Credit	1,11%	0,80%	0,87%	0,07	(0,25)
Cost-to-Income Ratio	44,36%	57,81%	42,30%	(15,51)	(2,06)
ROE	3,59%	0,30%	3,26%	2,96	(0,33)
ROA	0,51%	0,04%	0,49%	0,44	(0,02)
BOPO	55,41%	50,52%	47,89%	(2,63)	(7,52)
Liquidity					
LDR	90,51%	90,58%	92,44%	1,85	1,93
CASA	60,54%	66,62%	66,45%	(0,17)	5,92
Asset Quality					
Gross NPL (Bank only)	1,90%	2,25%	3,10%	0,84	1,19
Provision Coverage	97%	100%	81%	(18,95)	(15,38)
Capital					
CAR	19,20%	19,70%	16,10%	(3,60)	(3,10)

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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