

Investment Consideration

Targeting higher inet profit

As of 9M19, BBNI managed to book bottom line profit of IDR. 11,973 trillion up 4.7% from 1H19 and growth of 2.7% yoy. The increase in net profit was supported by lower growth of time deposit at 0.8% yoy while current account and saving accounts increased 13%yoy and 7.5% respectively. This is inline with BBNI's focus on lowering cost of funds to increase profitability. This strategy was proven by lower interest expense growth of 24.6% yoy in 3Q19 compared to 26.2%yoy in 2Q19. Together with slightly higher interest income growth in 3Q19 of 10.6% yoy compared to 9.4% yoy in 2Q19, net interest income (NII) grew 3.3% yoy in 3Q19 compared to 1.0%yoy in 2Q19. We estimate net profit growth in CAGR during 2019-2020 to average 16% compared to 2018A.

Corporate private loan grew faster

As of 9M19, in the business loan segment, corporate private loans grew 24.8% yoy as this type of loan has an advantage over other corporate financing given current market conditions. While in Consumer loans, Payroll loans grew fastest among others at 13.1% yoy. Going forward, BBNI is focusing on corporate private loan growth.

Added outlets for small loan segment

In order to maintain and sustainable growth momentum, BBNI's small loan business segment plans to increase the number of outlets in 2019 to 269 compared to 197 in 2016. Small loans are mostly to the Trading, Restaurant, Hotel and Agriculture sectors. KUR (Kredit Usaha Rakyat) and BCM (Branch Credit Manajemen) were the main contributors to loan growth in the small loans segment.

Loan at risk fall

Loan at risk fell to 8.6% in 3Q19 from 8.7% in 3Q18. The decrease was affected by the small and medium loans segment which experienced an improvement in payments for example from coal mines in East Borneo. The increase in NPL was due to corporate and medium sized debtors.

Valuation: 2% Upside, Hold.

Based on our DDM Valuation, we have a target price within one year of IDR 7960. or trading at 1x PBV which gives 2% potential upside, Hold.

Income Statement (Idr bn)	2017A	2018A	2019F	2020F	2021F
Interest Income	55.049	59.128	65.425	74.001	85.722
Interest Expense	-21.344	-21.970	-26.750	-29.128	-33.687
Net Interest Income	33.705	37.158	38.675	44.874	52.035
Net Operating Income	11.507	11.613	14.165	18.579	21.527
Operating Expense	-20.863	-21.783	-22.010	-24.295	-28.150
PPOP	24.349	26.988	31.164	39.905	46.278
Provision Expense	-7.126	-7.388	-10.230	-14.433	-16.244
Operating Profit	17.223	19.599	20.934	25.472	30.033
Profit Before Tax	17.165	19.821	20.908	25.482	30.044
Tax Expense	-3.395	-4.729	-4.149	-5.057	-5.963
Net Profit	13.771	15.092	16.759	20.425	24.082
EPS (Rp/Share)	730	805	889	1.085	1.279

29 October 2019
 Banking, Equity

Price IDR. 7775
 Target Price IDR. 7960
 JKSE Index 6265.38

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



Stock Code
 Bloomberg code BBNI IJ
 Market cap (IDR.bn) 143128.4
 52-Week High (IDR) 10250
 52-Week Low (IDR) 6650
 6-m Avg Daily. Val (IDR) 8147
 Free Float (%) 60.00

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

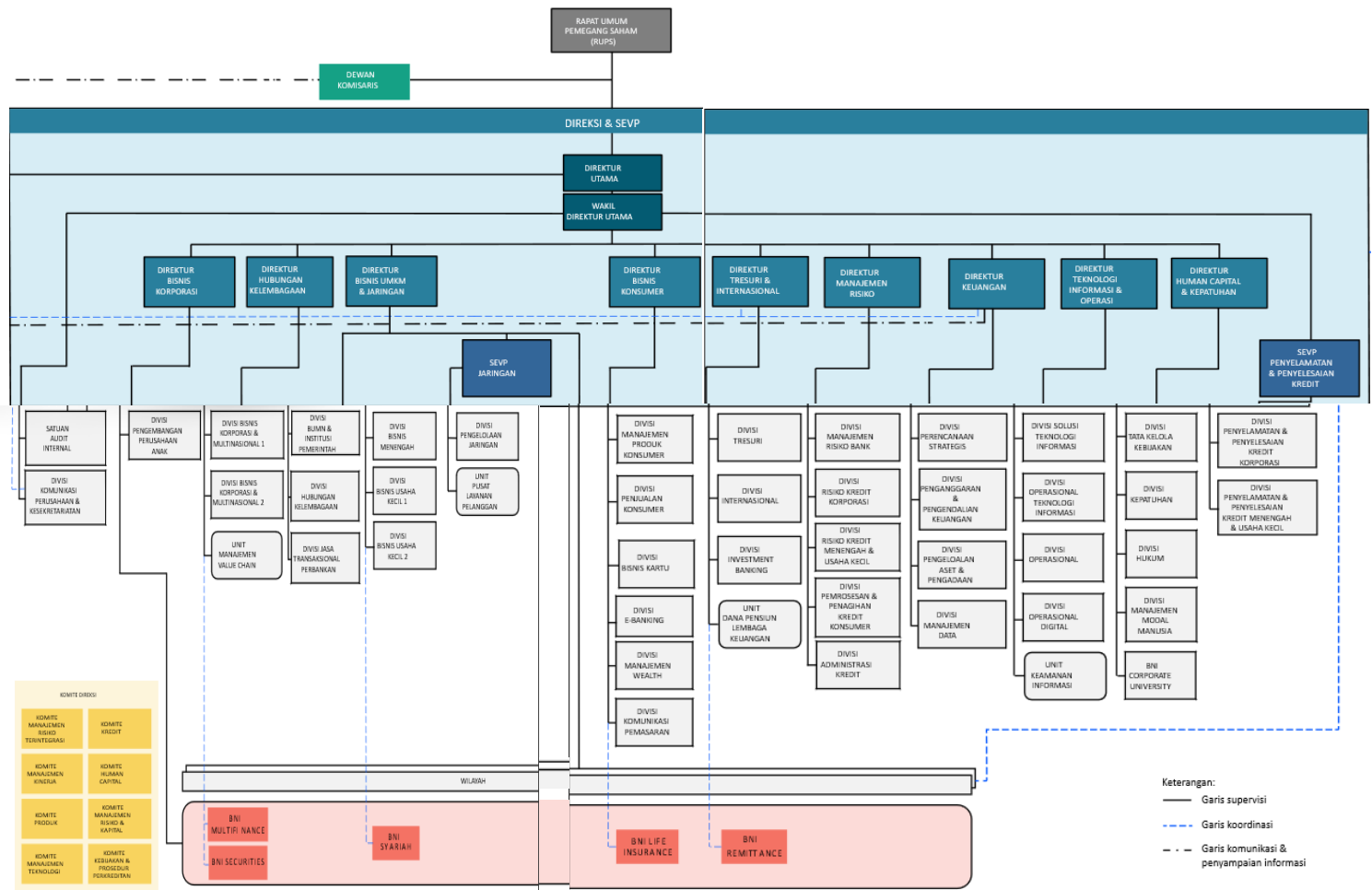
USD/IDR-YE
 2018A 14,390
 2019F (6M Avg) 14,148

Key Indicators
 Non Performing Loan (x) 1.85
 Net Interest Margin (x) 5.26

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. Furthermore, based on Law No. 17 of 1968, BNI was designated "Bank Negara Indonesia 1946", and its status became a State-Owned Commercial Bank. Furthermore, BNI's role as a Bank which is mandated to improve the people's economy and participate in national development is 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 another recapitalization process by the Government in 1999, divestment of Government shares in 2007, and a limited public offering in 2010.

Company Structure



Source: Company

Chart: Net Interest Margin (x) yoy

Net Interest Income

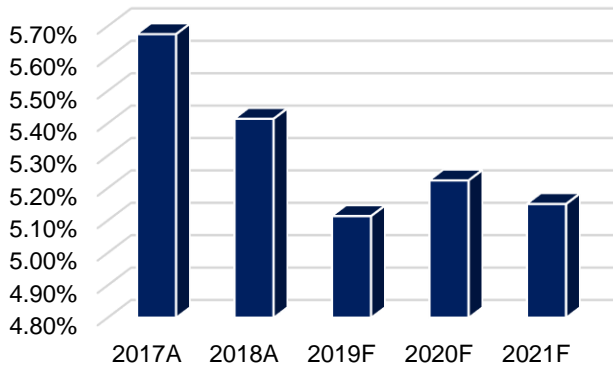


Chart: Loan to Deposit Ratio (x) yoy

Loan to Deposit Ratio

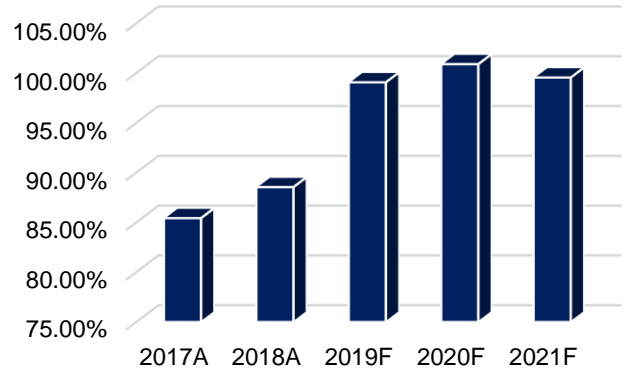


Chart: Profitability Ratio (x) yoy

Gross NPL (Bank only)

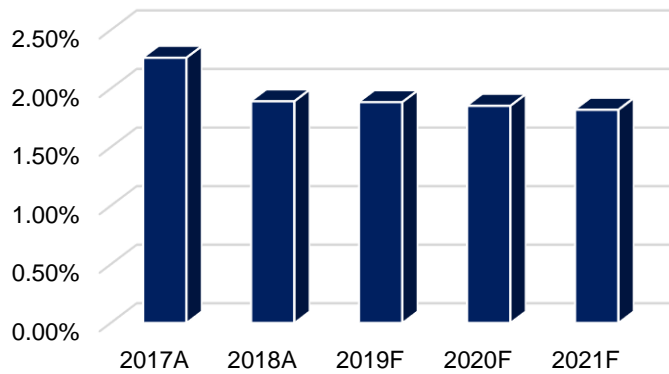
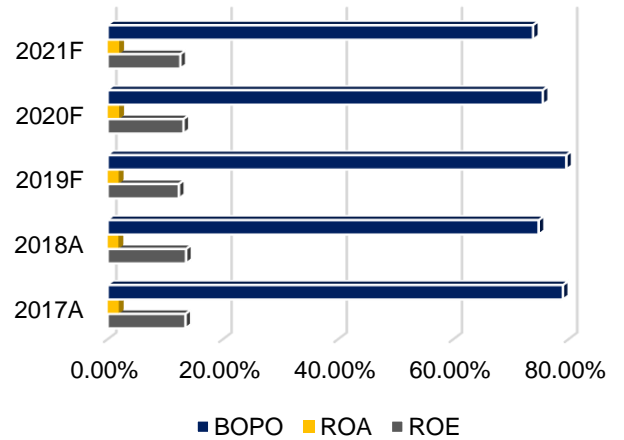


Chart: Loan Growth (x) QoQ

Profitability



Balance Sheet (IDR.bn)

Balance sheet (Idr bn)	2017A	2018A	2019F	2020F	2021F
Cash and CA with BI	44.278	49.635	53.886	36.194	63.416
Interbank Placement	28.593	39.324	31.262	36.826	42.883
Marketable Securities	36.050	32.044	28.167	33.180	38.637
Gross Loan	441.314	512.778	595.813	702.690	831.050
Allowance for Loans	-14.524	-14.892	-17.393	-20.256	-23.606
Loans-net	426.790	497.887	578.420	682.434	807.444
Other Earning Asset	201.244	217.385	199.760	235.310	274.011
Non Earning Asset	37.018	43.665	47.835	56.537	66.617
Total Asset	709.330	808.572	879.900	1.010.476	1.211.488
Deposit:					
Current Account	143.184	169.298	204.276	238.974	279.566
Saving Deposits	182.439	206.166	215.600	262.063	336.742
Time Deposits	190.969	203.669	181.535	173.741	166.895
Other Interest Bearing Liabilities	38.850	58.978	78.566	106.889	145.421
Non Interest Bearing Liabilities	52.985	60.087	65.704	73.720	85.565
Total Liabilities	608.427	698.198	745.682	855.387	1.014.189
Total Shareholder's Equity	100.903	110.374	134.219	155.089	197.299

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Ratio Analysis	2017A	2018A	2019F	2020F	2021F
NIM	5,68%	5,41%	5,11%	5,26%	5,18%
LDR	85,43%	88,54%	99,07%	104,14%	106,11%
Gross NPL (Bank only)	2,26%	1,89%	1,88%	1,85%	1,82%
Cost of Credit	1,61%	1,44%	1,72%	2,05%	1,95%
Provision Coverage	102,61%	100,33%	99,00%	99,00%	99,00%
CAR	18,50%	18,50%	20,29%	21,23%	23,54%
CASA	63,03%	64,83%	69,82%	74,25%	78,69%
Cost-to-Income Ratio	46,15%	44,66%	41,39%	37,84%	37,82%
ROE	13,49%	13,60%	12,36%	13,04%	12,09%
ROA	1,92%	1,86%	1,88%	2,00%	1,97%
ROAE		13,55%	12,98%	12,70%	12,57%
BOPO	79,02%	74,80%	79,60%	75,67%	74,75%
Loan Growth	12,21%	16,19%	16,19%	17,94%	18,27%
Deposit Growth	18,48%	12,11%	3,85%	12,20%	16,07%
Net Income Growth	20,09%	10,27%	10,45%	21,96%	17,92%

QoQ Result

Balance sheet (ldr bn)	1Q19	2Q19	3Q19	4Q19	1Q20	2Q20	3Q20	4Q20	1Q21	2Q21	3Q21	4Q21
Cash and CA with BI	47.232	47.039	42.793	53.886	29.310	30.686	30.008	36.194	37.214	37.297	38.197	63.416
Interbank Placement	19.201	41.846	33.194	31.262	36.998	35.407	36.071	36.826	37.680	38.641	39.717	42.883
Marketable Securities	35.406	30.497	29.908	28.167	33.336	31.902	32.500	33.180	33.950	34.816	35.785	38.637
Gross Loan	521.349	549.234	571.996	595.813	620.735	646.817	674.115	702.690	732.603	763.921	796.713	831.050
Allowance for Loans	-14.963	-15.007	-16.898	-17.393	-17.967	-18.660	-19.356	-20.256	-21.007	-21.821	-22.692	-23.606
Loans-net	506.386	534.227	555.099	578.420	602.768	628.157	654.759	682.434	711.596	742.100	774.021	807.444
Other Earning Asset	201.856	216.285	212.101	199.760	236.413	226.246	230.485	235.310	240.768	246.908	253.784	274.011
Non Earning Asset	45.090	45.664	47.516	47.835	51.740	52.597	54.551	56.537	58.683	60.934	63.329	66.617
Total Asset	800.564	843.214	857.509	879.900	920.231	937.686	969.803	1.010.476	1.048.261	1.087.239	1.129.331	1.211.488
Deposit:												
Current Account	164.981	188.865	196.419	204.276	212.447	220.945	229.783	238.974	248.533	258.474	268.813	279.566
Saving Deposits	183.716	195.555	205.333	215.600	226.380	237.699	249.584	262.063	275.166	288.925	303.371	336.742
Time Deposits	227.327	210.905	195.670	181.535	190.612	177.269	175.496	173.741	172.004	170.284	168.581	166.895
Other Interest Bearing Liabilities	48.230	67.358	72.747	78.566	84.852	91.640	98.971	106.889	115.440	124.675	134.649	145.421
Non Interest Bearing Liabilities	60.468	63.821	65.269	65.704	68.766	69.474	71.544	73.720	76.006	78.407	80.929	85.565
Total Liabilities	684.722	726.504	735.437	745.682	783.057	797.026	825.378	855.387	887.149	920.765	956.343	1.014.189
Total Shareholder's Equity	115.842	116.710	122.072	134.219	137.174	140.660	144.426	155.089	161.113	166.475	172.989	197.299

Income Statement (ldr bn)	1Q19	2Q19	3Q19	4Q19	1Q20	2Q20	3Q20	4Q20	1Q21	2Q21	3Q21	4Q21
Interest Income	16.469	15.890	16.540	16.861	17.640	18.467	18.974	19.667	20.401	21.178	22.002	23.007
Interest Expense	-6.946	-6.465	-6.604	-6.736	-6.932	-7.181	-7.371	-7.644	-7.927	-8.230	-8.550	-8.979
Net Interest Income	9.522	9.425	9.936	10.125	10.709	11.287	11.603	12.023	12.474	12.948	13.452	14.028
Net Operating Income	2.866	3.084	4.077	4.137	4.457	4.540	4.704	4.878	5.062	5.256	5.463	5.746
Operating Expense	-5.495	-5.773	-5.332	-5.410	-5.829	-5.937	-6.151	-6.378	-6.619	-6.874	-7.143	-7.514
Pre Provision Operating Profit	6.893	6.737	8.682	8.852	9.337	9.890	10.155	10.522	10.916	11.331	11.771	12.260
Provision Expense	-1.728	-2.240	-2.912	-3.349	-3.450	-3.553	-3.660	-3.770	-3.883	-3.999	-4.119	-4.243
Operating Profit	5.165	4.497	5.769	5.503	5.887	6.336	6.495	6.753	7.033	7.331	7.652	8.017
Profit Before Tax	5.132	4.499	5.772	5.505	5.890	6.339	6.498	6.755	7.036	7.334	7.654	8.020
Tax Expense	-1.014	-897	-1.145	-1.093	-1.169	-1.258	-1.290	-1.341	-1.396	-1.456	-1.519	-1.592
Net Profit	8.196	7.966	11.265	11.354	11.283	11.378	11.422	11.473	11.570	11.782	11.987	12.188
EPS (Rp/Share)	155	290	246	234	251	270	277	288	300	312	326	341

Ratio Analysis	3Q18	2Q19	3Q19
NIM	5,30%	4,90%	4,90%
ROE	16,80%	14,40%	14,70%
ROA	2,80%	2,40%	2,50%
Loan at Risk (Bank only)	8,70%	8,60%	8,60%
CAR	17,80%	18,70%	19,30%
Gross NPL	2,00%	1,80%	1,80%
LDR	89,00%	92,30%	96,60%

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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