

5 February 2021  
 Banking, Equity

Price IDR. 6,275  
 Target Price IDR. 7,100  
 JKSE Index 6,107.22

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



Stock Code  
 Bloomberg code BBNI IJ  
 Market cap (IDR.bn) 103,500B  
 52-Week High (IDR) 7,950  
 52-Week Low (IDR) 2,970  
 6-m Avg Daily. Val (IDR) 5,462  
 Free Float (%) 60.00

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

USD/IDR-YE  
 2020A 14,050  
 2021F (6M Avg) 14,427

Key Indicators  
 Non Performing Loan (x) 2.73  
 Net Interest Margin (x) 4.25

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### Investment Consideration Net Profit Decreased

BBNI posted a net loss of Rp1,039.1 billion or -130.5% YoY and -664% QoQ in FY20. This decrease was due to the significant increase in provision costs by 155.6% YoY and 32.3% QoQ. Non-Interest Income grew by 1.5% YoY and 18.7% QoQ which was also supported by loan growth and LDR was still moderate with liquidity at 87.3%. Operating Expenses only grew 2% YoY and 11.6% QoQ. PPOP increased positively by 18.5% QoQ while slightly decreasing by -1.8% YoY. NIM decreased to 4.5% from 4.9% in FY19 due to efficiency in cost of funds in 4Q20.

### Loan growth increased

Loan growth increased by 5.3% YoY. Loan growth was driven by state-owned companies and bluechip companies, reflected in the Corporate loans growth of 12.8% YoY. Payday loans grew 14.3%. Quarterly, loan growth grew only 0.7% because credit demand has not fully recovered. The focus of BBNI loan growth continues to be bluechip board corporate debtors and consumers, while the SME segment growth is more conservative due to the bank focus on loan quality. BBNI management believes that an agile company structure will help the bank to grow faster than its peers, especially from the network with SOEs. Also, payroll loans will be another growth engine as the market is less penetrated while BBNI has 3.4 million payroll accounts as of December 2020. We estimate loan growth of 6-9 in 2021F.

### Credit Restructuring and Asset Quality

As of December 20, the restructured loans amounted to IDR 102 trillion or 18.6% of the bank-only loans, below the previous expectation of IDR 122 trillion or 22% of the loans. The high-risk category for the corporate, medium and small segments is IDR 8 trillion, medium risk is the remaining IDR 33 trillion with a proportion of almost 90% in the current category. BBNI will continue to monitor restructured loans and conduct surveys on corporate, medium, and small borrowers to determine their repayment capacity. In terms of asset quality, Non-Performing Loans increased to 4.3% from 11.9% in FY2019 which consisted of corporate 48.3%, medium 34%, consumers 9.7%, this was driven by asset clearance (shift in special mention loans to NPL). Although Cost of Credit is higher than the previous year, the coverage increased to 182.4% from 133.5% in FY19. We estimate gross NPL to reach 3.5% in 2021F.

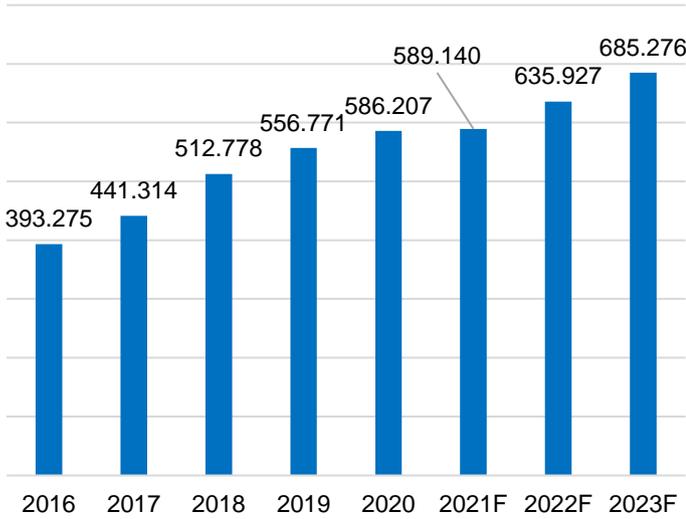
### Valuation: 13% Upside, Hold.

Based on our DDM Valuation, we have a target price within one year of IDR 7,100 or trading at 1.1x PBV which gives 13% potential upside, Hold.

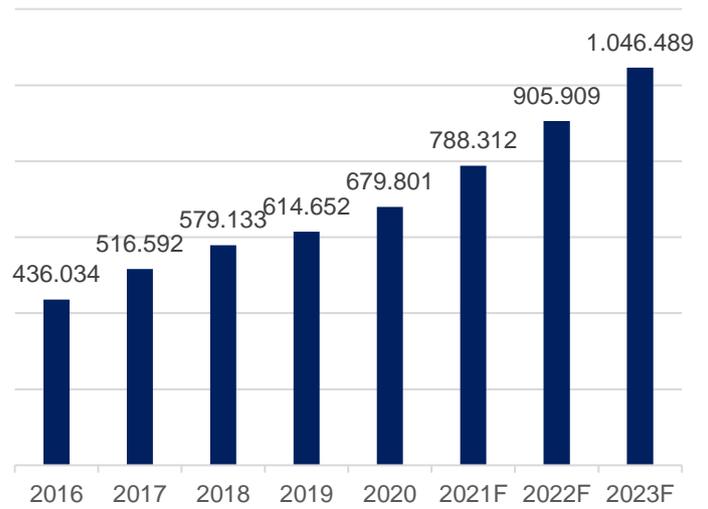
Income Statement (Idr bn)	2017A	2018A	2019A	2020A	2021F	2022F	2023F
Interest Income	55.049	60.136	64.691	61.503	64.197	73.043	82.976
Interest Expense	-21.344	-22.978	-26.391	-22.880	-23.376	-26.871	-33.275
<b>Net Interest Income</b>	<b>33.705</b>	<b>37.158</b>	<b>38.299</b>	<b>38.623</b>	<b>40.820</b>	<b>46.172</b>	<b>49.701</b>
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
<b>PPOP</b>	<b>24.349</b>	<b>26.988</b>	<b>28.325</b>	<b>27.822</b>	<b>29.911</b>	<b>33.313</b>	<b>35.111</b>
Provision Expense	-7.126	-7.388	-8.838	-22.590	-24.885	-27.643	-29.021
<b>Operating Profit</b>	<b>17.223</b>	<b>19.599</b>	<b>19.487</b>	<b>5.231</b>	<b>5.027</b>	<b>5.670</b>	<b>6.091</b>
Profit Before Tax	17.165	19.821	19.369	5.112	4.906	5.548	5.968
Tax Expense	-3.395	-4.729	-3.861	-1.791	-1.348	-1.734	-1.753
<b>Net Profit</b>	<b>13.616</b>	<b>15.015</b>	<b>15.384</b>	<b>3.280</b>	<b>3.475</b>	<b>3.743</b>	<b>4.121</b>
<b>EPS (Rp/Share)</b>	<b>730,2</b>	<b>805,2</b>	<b>825,0</b>	<b>175,9</b>	<b>186,3</b>	<b>200,7</b>	<b>221,0</b>



**Chart: Gross Loan (x) YoY**

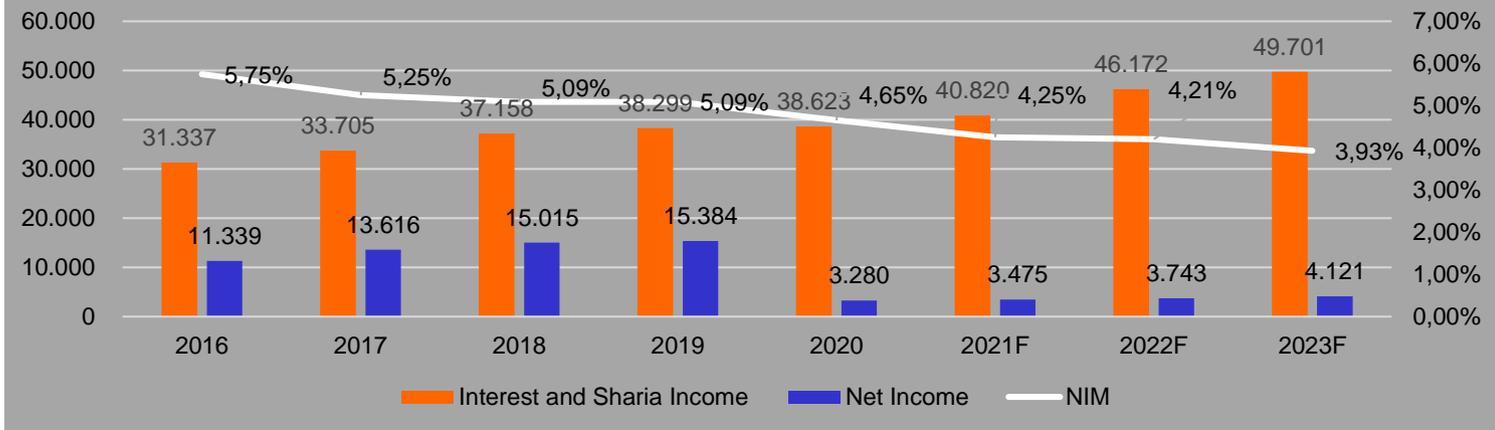


**Chart: Customer Deposit (x) YoY**

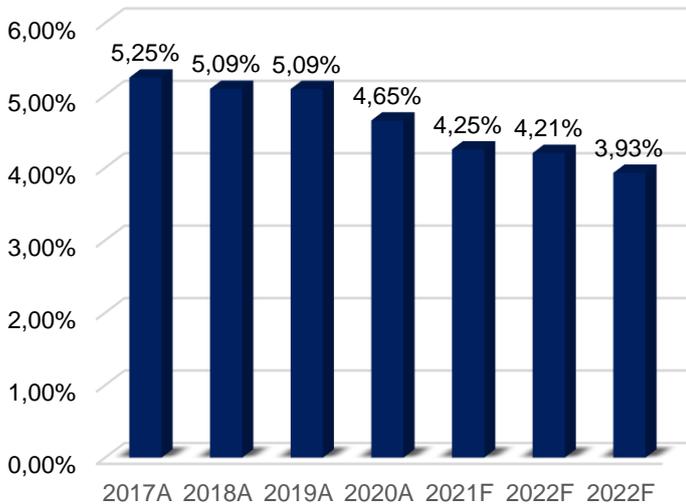


**Chart: Profitability (x) YoY**

**Profitability**



**Chart: Net Interest Margin (x) YoY**



**Chart: Loan to Deposit Ratio (x) YoY**

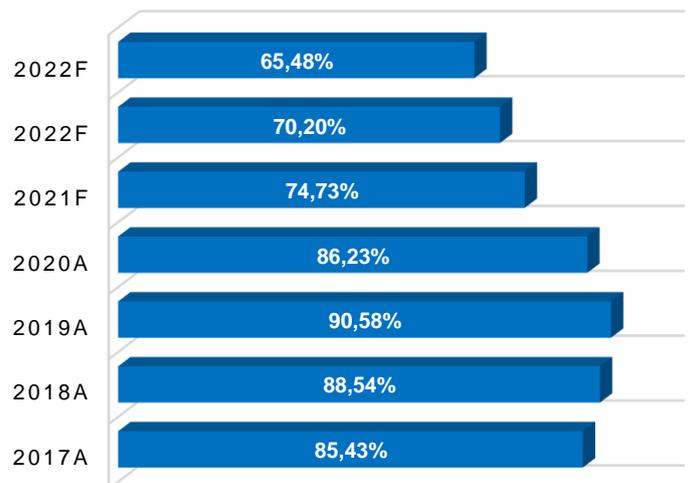


Chart: Net Income (x) QoQ

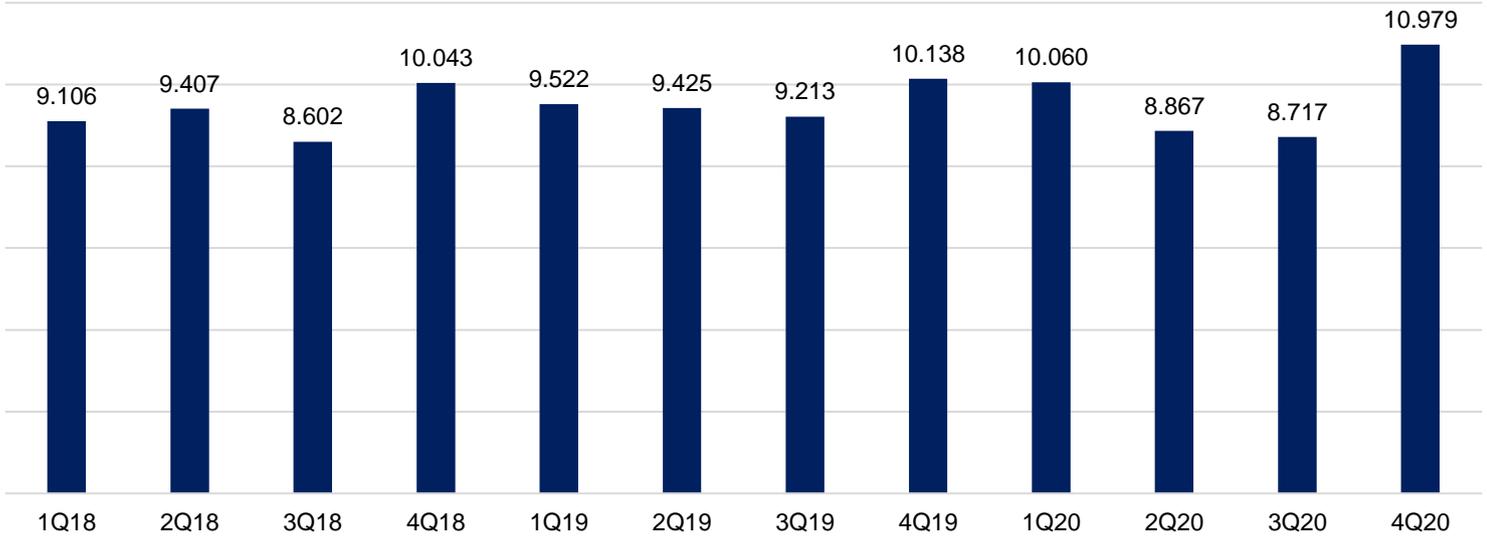


Chart: PPOP (x) QoQ

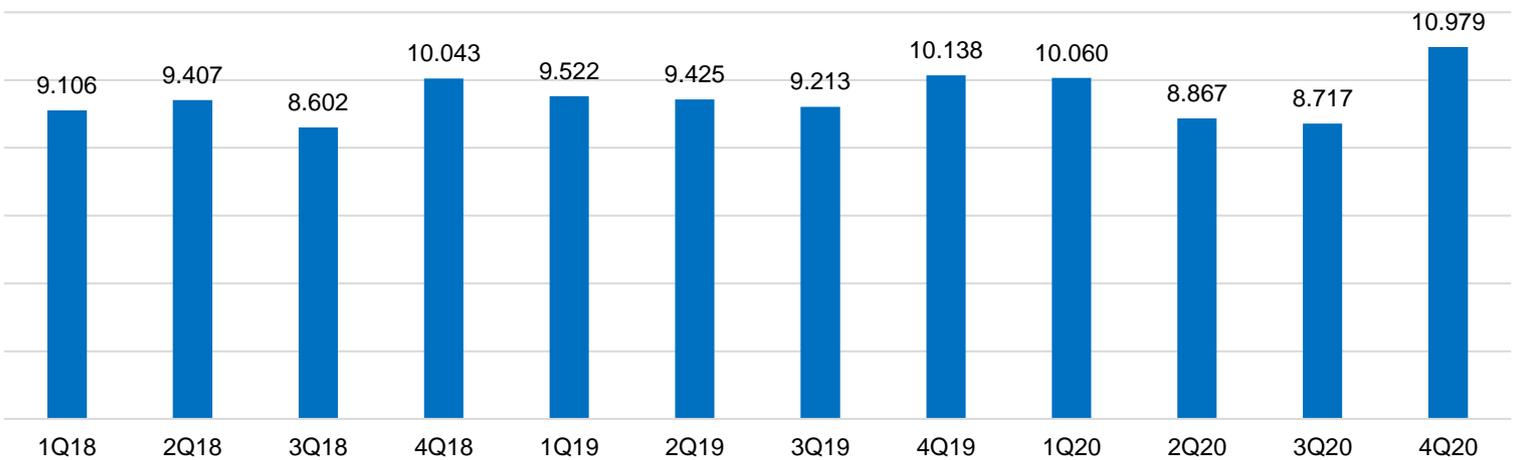
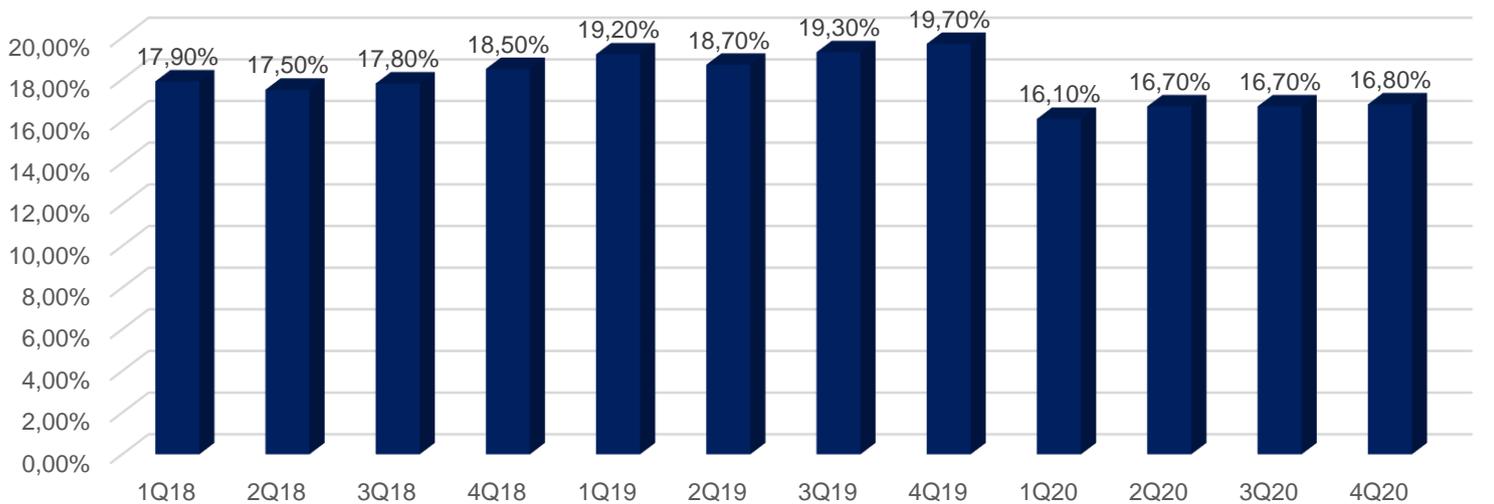


Chart: CAR (x) QoQ



**Balance Sheet (IDR.bn)**

Balance sheet (Idr bn)	2017A	2018A	2019A	2020A	2021F	2022F	2023F
Cash and CA with BI	44.278	49.635	52.466	52.390	53.463	49.601	45.087
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
<b>Total Asset</b>	<b>709.330</b>	<b>808.572</b>	<b>845.605</b>	<b>891.337</b>	<b>1.003.622</b>	<b>1.125.860</b>	<b>1.271.972</b>
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
<b>Total Liabilities</b>	<b>608.427</b>	<b>698.198</b>	<b>720.601</b>	<b>778.465</b>	<b>896.006</b>	<b>1.023.477</b>	<b>1.174.879</b>
<b>Total Shareholder's Equity</b>	<b>100.903</b>	<b>110.374</b>	<b>125.004</b>	<b>112.872</b>	<b>107.617</b>	<b>102.383</b>	<b>97.094</b>

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**Ratio Highlights**

Ratio Analysis	2017A	2018A	2019A	2020A	2021F	2022F	2023F
<b>Profitability &amp; Efficiency</b>							
NIM	5,25%	5,09%	5,09%	4,65%	4,25%	4,21%	3,93%
Cost-to-Income Ratio	46,15%	44,66%	45,54%	46,53%	42,85%	42,81%	45,34%
ROE	13,81%	13,89%	12,56%	2,98%	3,31%	3,75%	4,36%
ROA	1,92%	1,86%	1,82%	0,37%	0,35%	0,33%	0,32%
ROAE		13,85%	13,23%	7,77%	3,14%	3,53%	4,06%
BOPO	52,71%	52,09%	52,60%	32,71%	27,62%	28,39%	34,23%
Cost of Credit	1,61%	1,44%	1,59%	3,85%	-4,22%	-4,35%	-4,23%
<b>Liquidity</b>							
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%
<b>Asset Quality</b>							
Gross NPL	2,26%	1,89%	2,25%	4,26%	2,73%	2,99%	3,24%
Provision Coverage	148,00%	152,90%	133,50%	182,40%	156,27%	157,39%	165,35%
<b>Capital</b>							
CAR	19,40%	18,50%	18,50%	16,80%	17,93%	17,74%	17,49%
<b>Growth</b>							
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%	5,93%	7,71%	10,11%

**QoQ Result**

Balance Sheet	4Q19	3Q20	4Q20	%QoQ	%YoY
Loan	556.771	582.386	586.207	0,66%	5,29%
Loan Loss Reserves	-16.909	-41.702	-44.228	6,06%	161,57%
NPL	11.763	19.033	22.173	16,50%	88,50%
Deposit					
Demand	207.047	238.030	227.487	-4,43%	9,87%
Savings	202.417	223.190	236.881	6,13%	17,03%
Time Deposit	205.189	244.186	215.433	-11,77%	4,99%
<b>Total Asset</b>	<b>845.605</b>	<b>916.954</b>	<b>891.337</b>	<b>-2,79%</b>	<b>5,41%</b>
<b>Shareholder Equity</b>	<b>122.516</b>	<b>110.407</b>	<b>110.193</b>	<b>-0,19%</b>	<b>-10,06%</b>

Income Statement	4Q19	3Q20	4Q20	%QoQ	%YoY
Interest Income	15.375	14.567	16.005	9,87%	4,10%
Interest Expense	5.237	5.849	5.026	-14,08%	-4,03%
Net Interest Income	10.138	8.717	10.979	25,95%	8,29%
Net Operating Income	4.129	4.029	3.700	-8,16%	-10,38%
Operating Expense	6.487	6.132	6.844	11,61%	5,50%
PPOP	7.780	6.615	7.836	18,46%	0,71%
Provision Expense	3.408	6.510	8.614	32,32%	152,72%
Operating Profit	4.372	105	-778	-841,54%	-117,80%
Profit Before Tax	4.313	94	-824	-980,66%	-119,10%
Tax Expense	885	207	199	-3,71%	-77,49%
Net Profit	3.429	-113	-1.023	802,69%	-129,83%

Ratio	4Q19	3Q20	4Q20	QoQ	YoY
<b>Profitability &amp; Efficiency</b>					
NIM	5,09%	4,30%	4,65%	0,35	(0,43)
Cost of Funds	1,59%	2,90%	3,85%	0,95	2,27
Cost-to-Income Ratio	45,54%	44,20%	46,53%	2,33	0,99
ROE	12,56%	5,40%	2,98%	(2,42)	(9,58)
ROA	1,82%	0,90%	0,37%	(0,53)	(1,45)
BOPO	42,63%	29,42%	16,52%	(12,90)	(26,11)
<b>Liquidity</b>					
LDR	90,58%	83,10%	86,23%	3,13	(4,35)
CASA	66,62%	65,40%	68,31%	2,91	1,69
<b>Asset Quality</b>					
Gross NPL (Bank only)	2,25%	3,60%	4,26%	0,66	2,01
Coverage Ratio	133,50%	206,90%	182,40%	(24,50)	48,90
<b>Capital</b>					
CAR	18,50%	16,70%	16,80%	0,10	(1,70)

**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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