

7 May 2021  
 Banking, Equity

Price IDR. 5,700  
 Target Price IDR. 7,110  
 JKSE Index 5,975.91

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) 14,225

Key Indicators  
 Non Performing Loan (x) 4.20  
 Net Interest Margin (x) 4.25

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### Investment Consideration Net Profit Increased Quarterly

In 1Q21, BBNI posted a net profit of IDR 2,39 billion or -43,9% YoY but up from a net loss of IDR -914Bn in 4Q20. This increase came from a significant decrease in Provisions of 43% QoQ and improvement in the cost of credit. Net Interest Income fell 2.5% QoQ as NIM fell 20bps to offset moderate credit growth, interest income was affected by restructured loans, and a lower return on assets. Non-Interest Income was also lower by -2.1% QoQ, as net premium income was down -37.3% QoQ and fees from trade finance -33% QoQ.

### Loan growth

Loans growth of 2.2% YoY came from Private Corporate 2.1%, Small business 16.2% and Consumer 0.7%. BBNI's focus is on increasing bank exposure to safer loans through growth in private, small companies (especially retail KUR) and payroll loans. We estimate credit growth will be in the 6-7% range for FY21F.

### Loan Restructuring and Asset Quality

In 1Q21, NPLs decreased slightly to 4.1% from 4.3% in FY20. Special Mention Loans rose to 5.6% from 5.1% in FY20 mainly from textile manufacturing companies. Debt restructuring decreased by 17.7% QoQ to IDR 84.3 trillion from IDR 102.4 trillion which is 15% of total loans. This decline mainly came from the corporate and small business segments as several corporate customers started repaying their loans.

### Valuation: 25% Upside, Buy.

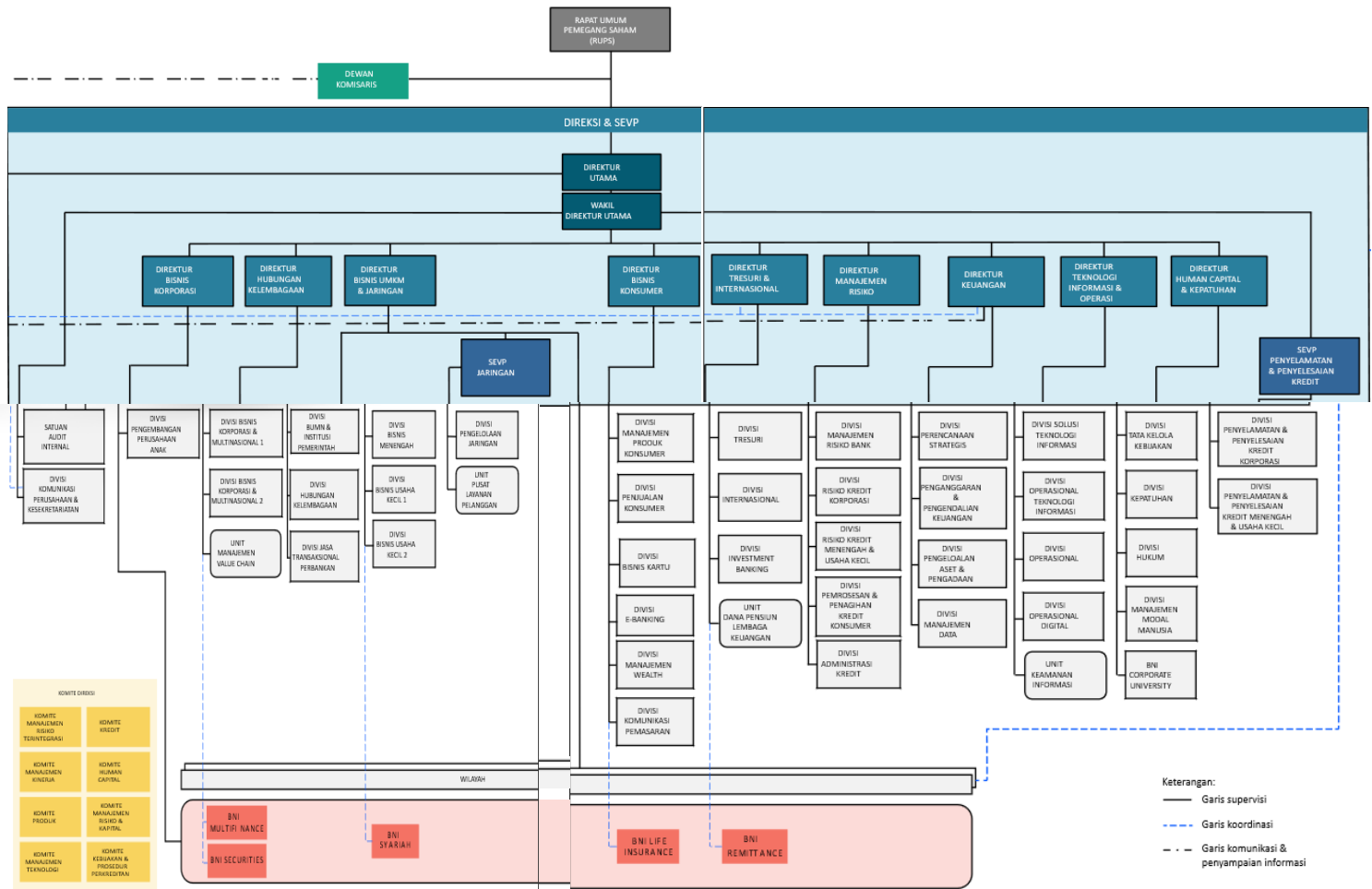
Based on our DDM Valuation, we have a target price within one year of IDR 7,100 or trading at 1.0x PBV which gives 25% potential upside, Buy.

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>176.1</b>	<b>186.5</b>	<b>200.9</b>	<b>221.2</b>

Company Profile

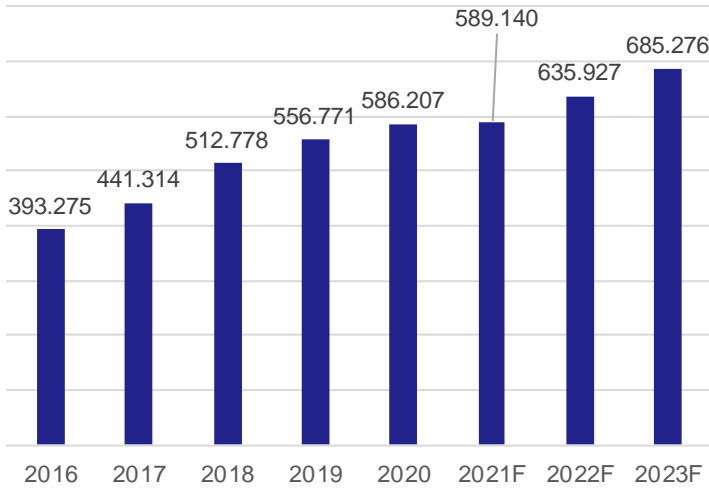
PT Bank Negara Indonesia (Persero), Tbk (hereinafter referred to as "BNI" or "Bank") was originally established in Indonesia as a central bank under the name "Bank Negara Indonesia" based on Government Regulation instead of Law No. 2 of 1946 July 5, 1946. Later, based on Law No. 17 of 1968, BNI was designated "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

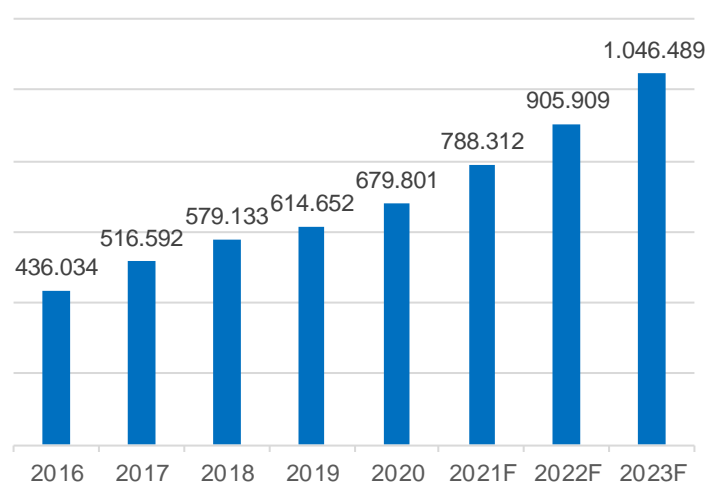


Source: Company

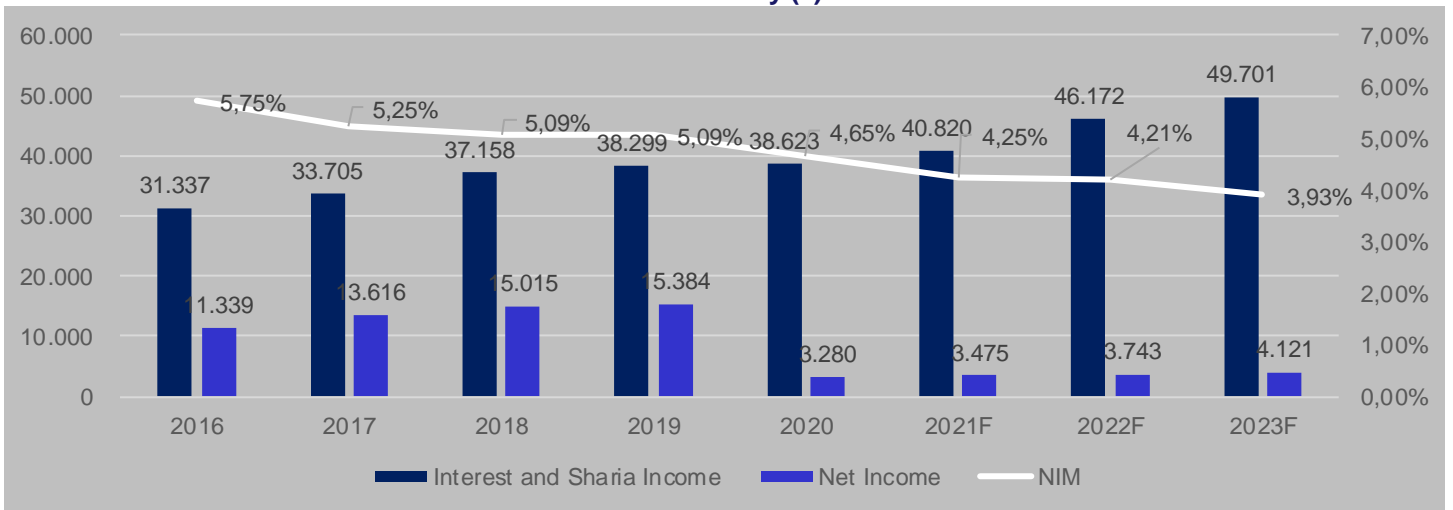
**Chart: Gross Loan (x) YoY**



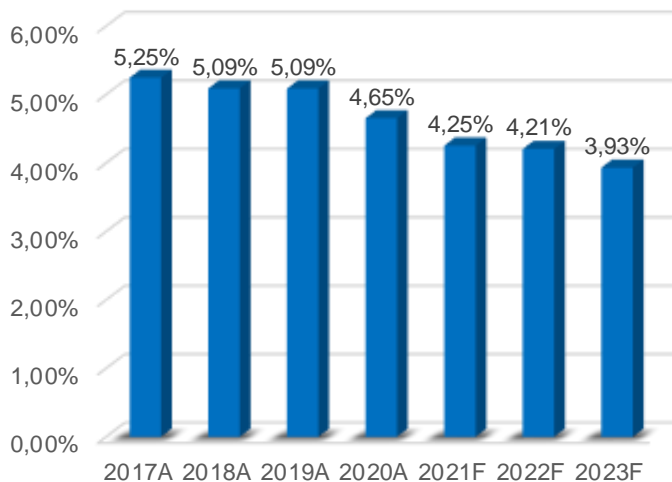
**Chart: Customer Deposit (x) YoY**



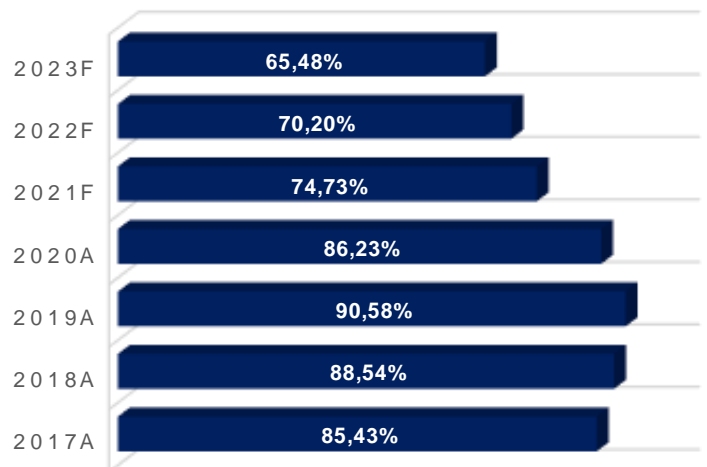
**Chart: Profitability (x) YoY**



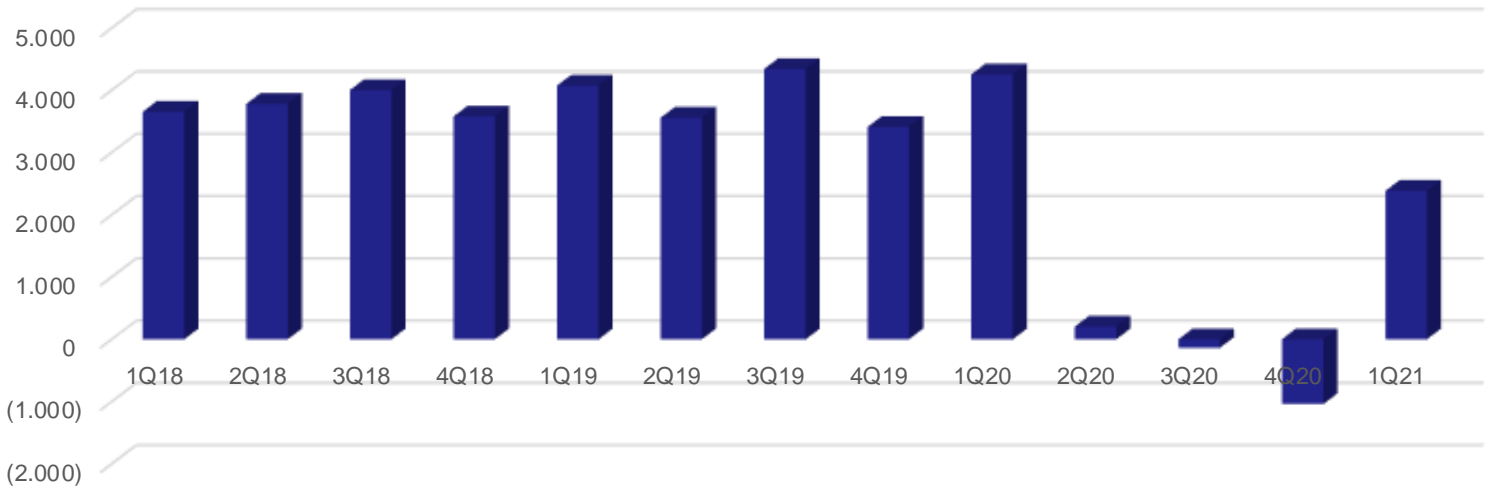
**Chart: Net Interest Margin (x) YoY**



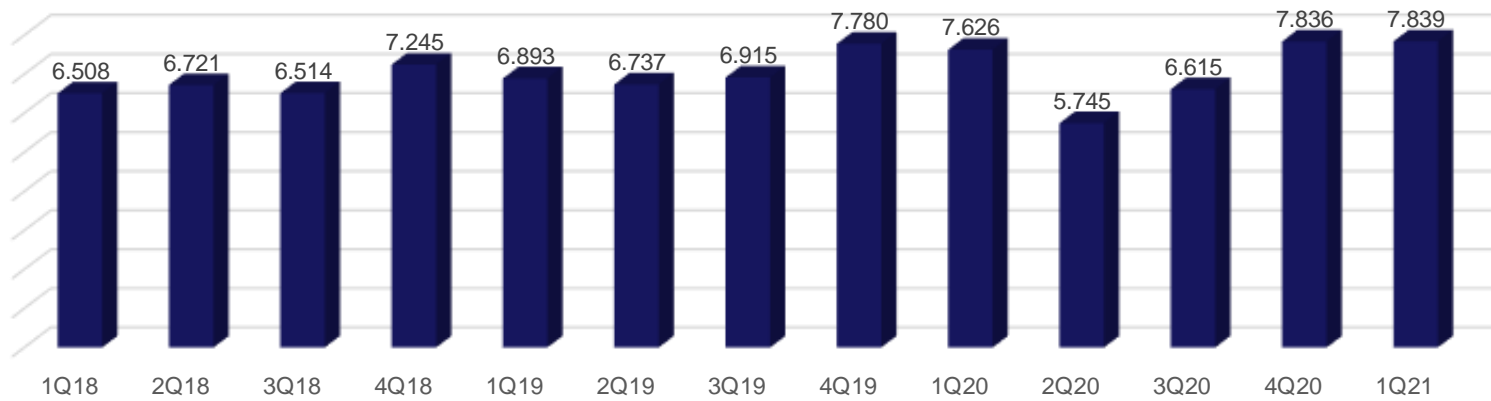
**Chart: Loan to Deposit Ratio (x) YoY**



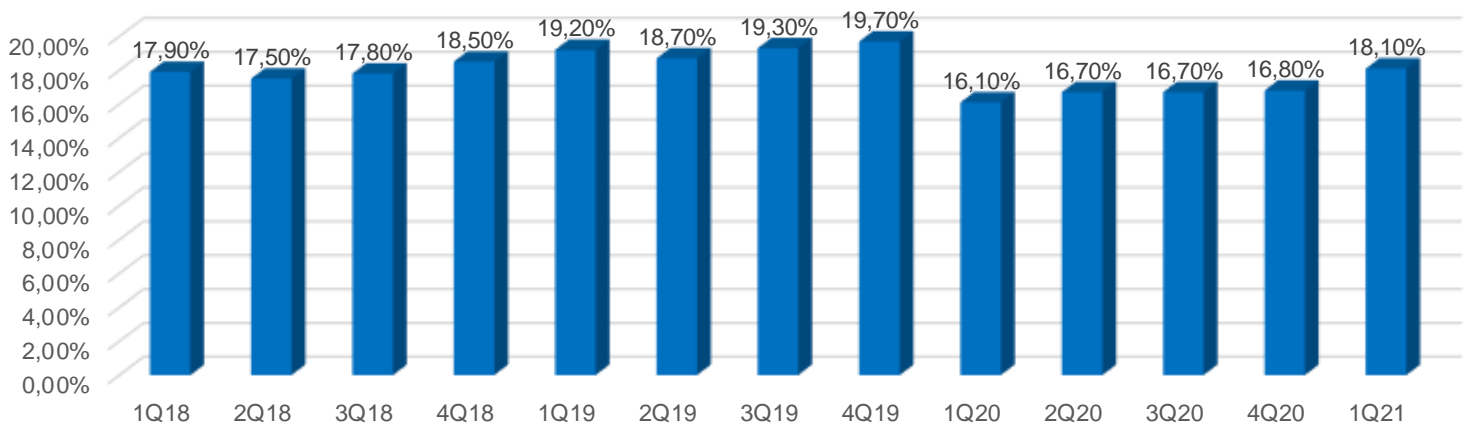
**Chart: Net Income (x) QoQ**



**Chart: PPOP (x) QoQ**



**Chart: CAR (x) QoQ**



**Balance Sheet (IDR.bn)**

Balance sheet (ldr 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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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>Pre Provision Operating Profit</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>
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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%	4,20%	3,10%	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	1Q20	4Q20	1Q21	%QoQ	%YoY
Loan	579.604	586.207	559.332	-4,58%	-3,50%
Loan Loss Reserves	-32.687	-44.228	-46.232	4,53%	41,44%
NPL	17.168	22.075	23.000	4,19%	33,97%
Deposit					
Demand	214.350	227.487	232.346	2,14%	8,40%
Savings	198.635	236.881	201.221	-15,05%	1,30%
Time Deposit	222.942	215.433	205.407	-4,65%	-7,87%
<b>Total Asset</b>	<b>868.448</b>	<b>891.337</b>	<b>862.441</b>	<b>-3,24%</b>	<b>-0,69%</b>
<b>Shareholder Equity</b>	<b>107.475</b>	<b>110.193</b>	<b>115.143</b>	<b>4,49%</b>	<b>7,13%</b>

Income Statement	1Q20	4Q20	1Q21	%QoQ	%YoY
Interest Income	15.836	16.005	13.992	-12,58%	-11,64%
Interest Expense	5.776	5.026	3.834	-23,70%	-33,62%
<b>Net Interest Income</b>	<b>10.060</b>	<b>10.979</b>	<b>10.157</b>	<b>-7,49%</b>	<b>0,97%</b>
Net Operating Income	3.157	3.700	3.284	-11,26%	4,02%
Operating Expense	5.590	6.844	5.602	-18,15%	0,21%
<b>PPOP</b>	<b>7.626</b>	<b>7.836</b>	<b>7.839</b>	<b>0,04%</b>	<b>2,79%</b>
Provision Expense	2.271	8.614	4.812	-44,14%	111,91%
<b>Operating Profit</b>	<b>5.355</b>	<b>-778</b>	<b>3.027</b>	<b>-489,07%</b>	<b>-43,48%</b>
Profit Before Tax	5.335	-824	3.004	-464,67%	-43,70%
Tax Expense	1.115	199	609	205,81%	-45,38%
<b>Net Profit</b>	<b>4.220</b>	<b>-1.023</b>	<b>2.395</b>	<b>-334,12%</b>	<b>-43,25%</b>

Ratio	1Q20	4Q20	1Q21	QoQ	YoY
<b>Profitability &amp; Efficiency</b>					
NIM	4,90%	4,65%	4,90%	0,25	-
Cost of Funds	2,90%	3,85%	1,70%	(2,15)	(1,20)
Cost-to-Income Ratio	40,10%	46,53%	40,60%	(5,93)	0,50
ROE	16,90%	2,98%	9,70%	6,72	(7,20)
ROA	2,60%	0,37%	1,50%	1,13	(1,10)
<b>Liquidity</b>					
LDR	92,30%	86,23%	87,20%	0,97	(5,10)
CASA	64,90%	68,31%	67,90%	(0,41)	3,00
<b>Asset Quality</b>					
Gross NPL (Bank only)	2,40%	4,26%	4,10%	(0,16)	1,70
Coverage Ratio	243,20%	182,40%	200,50%	18,10	(42,70)
<b>Capital</b>					
CAR	16,10%	16,80%	18,10%	1,30	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.

**RESEARCH TEAM  
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