

Investment Consideration

Focus on quality assets

FY19 loan growth was only 1% compared to 9% in FY18 as the Bank focused more on the settlement of problem loans. The growth of higher quality book loans in 2019 was 8.5% or higher than industry credit growth average of 6.1%. BNI will focus on the growth of high quality assets and assets that have high rates of return so that they can significantly increase operating revenue. Credit growth in 2020 is projected to be in the range of 8-10% (low double-digit). Because of the Covid-19 Pandemic, the bank will review all targets as economic conditions develop.

Net Interest Margin up 4.4%

In FY19, NIM rose to 4.4% compared to 4.1% in FY18 from increased net interest income due to the improved quality of bank assets, lower interest payments for sub debt, higher yield loans and a rising portion of lower cost CASA deposits. After the BI rate cut to 4.5%, BNI will adjust interest rates gradually so we expect they will be able to maintain NIM in the short term. Meanwhile, the bank will focus on efforts to increase high yield assets and the portion of low-cost funds (CASA) so we expect the NIM to increase in the longer term.

Provision Expense has increased significantly

Provision expenses increased significantly in 4Q19, up by 33% from the FY18 level. This was related to the Bank's efforts to improve the quality of credit assets and meet the required adequacy of impairment losses (CKPN) in accordance with the IFRS 9 requirements. BNI has fully implemented IFRS 9 as of January 1, 2020 and the capital impact is not significant, so the bank's CAR is still far above the minimum regulatory requirement. With the adoption of IFRS 9, the bank's cost of credit in 2020 is projected to be in the range of 1-2%.

Valuation: 21% Upside, Buy.

Based on our DDM Valuation, we have a target price within one year of IDR 1250, which means the shares are trading at 1.1x PBV and gives 21% potential upside. Buy.

Income Statement (Idr bn)	2017A	2018A	2019A	2020F	2021F	2022F
Interest Income	11.198	11.081	11.742	11.792	12.842	14.390
Interest Expense	-5.974	-5.681	-6.021	-5.054	-5.234	-5.760
Net Interest Income	17.172	16.762	17.763	16.845	18.076	20.151
Net Operating Income	3.168	1.999	2.263	2.191	2.314	2.622
Operating Expense	4.553	4.591	4.887	4.889	5.083	5.805
Pre Provision Operating Profit	3.839	2.808	3.097	4.040	4.839	5.448
Provision Expense	3.127	1.676	1.086	-1.114	924	508
Operating Profit	712	4.485	4.183	2.926	5.764	5.956
Profit Before Tax	951	1.219	2.011	2.926	3.915	4.940
Tax Expense	203	318	510	753	1.001	1.267
Net Profit	748	901	1.500	2.173	2.915	3.673
EPS (Rp/Share)	29,3	32,1	53,5	77,5	103,9	131,0

1 April 2020
Banking, Equity

Price IDR. 1035
Target Price IDR. 1250
JKSE Index 4538,93



Stock Code
Bloomberg code BNLI IJ
Market cap (IDR.bn) 30,145.9B
52-Week High (IDR) 1,425
52-Week Low (IDR) 770
6-m Avg Daily. Val (IDR) 1,202

Major Shareholders
Standard Chartered 44.56%
ASII 44.56%
Public 10.88%

USD/IDR-YE
2019A 14,375
2020F (6M Avg) 14,127

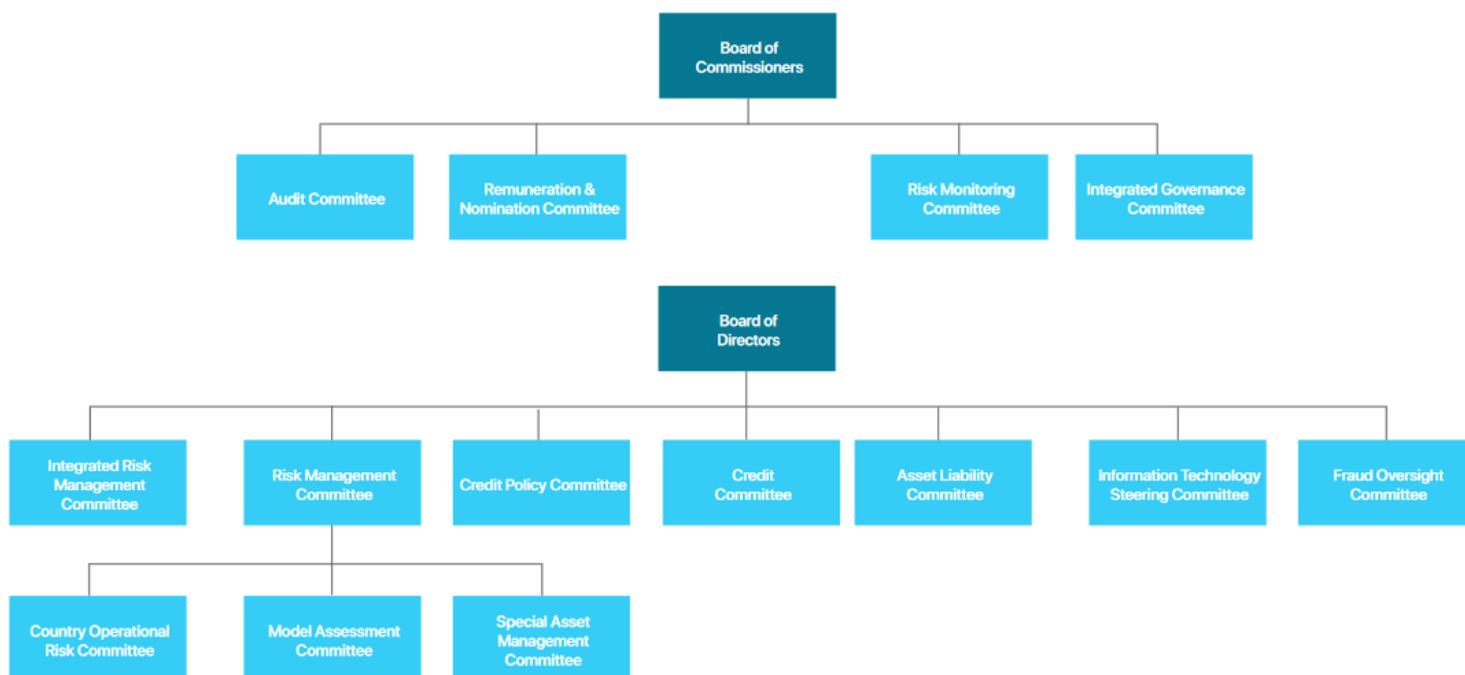
Key Indicators
Non Performing Loan (%) 3,96
Net Interest Margin (%) 4,10

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Company Profile

PT Bank Permata Tbk (formerly PT Bank Bali Tbk) (the “Bank”) was established in Indonesia on 17 December 1954 based on the notarial deed No. 228 of Eliza Pondaag, S.H., a substitute notary of Raden Mas Soerojo, S.H., a notary in Jakarta. The deed of establishment was approved by the Minister of Justice of the Republic of Indonesia (now Minister of Law and Human Rights) in its Decision Letter No. J.A.5/2/2 dated 4 January 1955, registered in Jakarta District Court under No. 123 dated 15 January 1955 and published in Supplement No. 292 to State Gazette of the Republic of Indonesia No. 22 dated 18 March 1955. The Bank started its commercial operations on 5 January 1955. According to article 3 of its Articles of Association, the Bank operates as a commercial bank. The Bank obtained the license as a commercial bank under the Decision Letter of the Minister of Finance No. 19371/U.M.II dated 19 February 1957. The Bank also obtained a license to engage in foreign exchange activities and as a bank which engaged in activities based on sharia principles based on the Decision Letter of the Monetary Council of Bank Indonesia No. Sekr/D.M./97 dated 8 May 1956 and the letter of Directorate of Sharia Banking No. 6/1082/DPbS dated 5 October 2004 respectively.

Corporate Structure



Source: Company

Chart: Net Interest Margin (x) YoY

Net Interest Margin

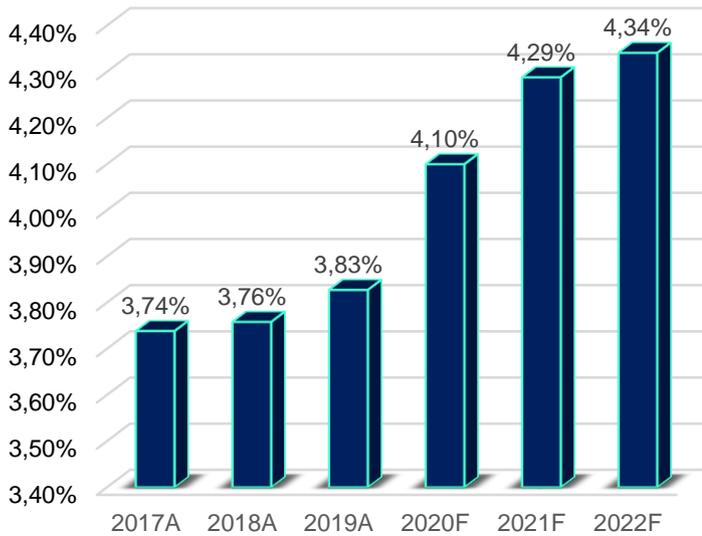


Chart: Loan to Deposit Ratio (x) YoY

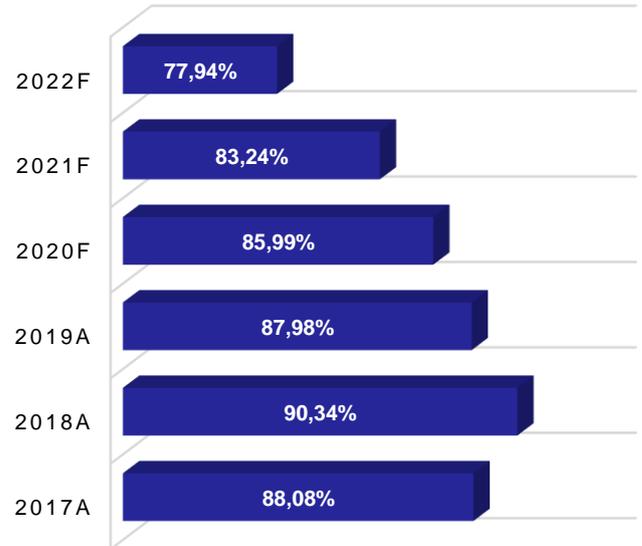


Chart: Growth (x) YoY



Chart: Profitability Ratio (x) YoY



Balance Sheet (IDR.bn)

Balance sheet (Idr bn)	2017A	2018A	2019A	2020F	2021F	2022F
Cash and CA with BI	10.482	11.087	10.387	7.426	6.965	5.765
Interbank Placement	6.294	11.851	14.855	14.163	18.999	23.886
Marketable Securities	13.447	3.632	2.618	8.229	6.401	8.292
Gross Loan	98.507	107.296	108.844	113.996	118.811	125.016
Allowance for Loans	-8.472	-8.086	-3.762	-5.638	-5.601	-6.108
Loans-net	90.035	99.210	105.082	108.358	113.210	118.908
Other Earning Asset	41.234	36.392	40.626	50.347	58.604	73.786
Non Earning Asset	6.577	6.204	5.356	6.493	6.683	7.672
Total Asset	148.328	152.893	161.451	172.624	185.462	206.131
Deposit:						
Current Account	28.384	26.551	29.923	28.190	26.557	31.071
Saving Account	34.815	36.587	40.229	45.458	51.368	58.046
Time Deposits	48.643	55.626	53.558	58.914	64.806	71.286
Other Interest Bearing Liabilities	10.893	8.630	11.695	12.800	14.011	15.335
Non Interest Bearing Liabilities	4.083	3.047	2.009	2.061	2.113	2.168
Total Liabilities	126.818	130.441	137.414	147.423	158.854	177.906
Total Shareholder's Equity	21.511	22.452	24.037	25.201	26.608	28.225

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Ratio Analysis	2017A	2018A	2019A	2020F	2021F	2022F
NIM	3,74%	3,76%	3,83%	4,10%	4,29%	4,34%
LDR	88,08%	90,34%	87,98%	85,99%	83,24%	77,94%
Gross NPL	4,64%	4,43%	2,82%	3,96%	3,73%	3,50%
Cost of Credit	3,17%	1,56%	1,00%	-0,98%	0,78%	0,41%
Provision Coverage	75,65%	78,93%	61,99%	70,46%	66,23%	68,35%
CAR	18,50%	19,40%	19,90%	19,27%	19,52%	19,56%
CASA	56,51%	53,16%	56,71%	55,56%	54,60%	55,56%
Cost-to-Income Ratio	54,25%	62,04%	61,21%	54,75%	51,22%	51,59%
ROE	3,48%	4,01%	6,24%	8,62%	10,95%	13,01%
ROA	0,50%	0,59%	0,93%	1,26%	1,57%	1,78%
ROAE		3,75%	5,13%	7,43%	9,79%	11,98%
BOPO	95,04%	91,35%	85,64%	63,14%	74,17%	70,96%
Loan Growth	-6,97%	9,17%	1,46%	4,75%	4,87%	5,22%
Deposit Growth	-14,47%	6,19%	4,16%	7,16%	7,67%	12,38%
Net Income Growth	-111,54%	20,42%	66,48%	44,84%	34,12%	26,01%

QoQ Result

Balance Sheet	4Q18	3Q19	4Q19	%QoQ	%YoY
Loan	91.773	93.376	94.067	0,74%	2,50%
Loan Loss Reserves	-8.086	-5.680	-3.762	-33,78%	-53,48%
NPL	4.038	3.081	2.634	-14,52%	-34,77%
Deposit					
Demand	26.551	28.341	29.923	5,58%	12,70%
Savings	36.587	38.310	40.229	5,01%	9,95%
Time Deposit	55.626	54.143	53.558	-1,08%	-3,72%
Total Asset	152.893	155.080	161.451	4,11%	5,60%
Shareholder Equity	22.452	23.729	24.037	1,30%	7,06%

Income Statement	4Q18	3Q19	4Q19	%QoQ	%YoY
Interest Income	2.901	2.870	3.088	7,59%	6,46%
Interest Expense	1.490	1.465	1.474	0,62%	-1,07%
Net Interest Income	1.411	1.405	1.614	14,86%	14,40%
Net Operating Income	514	576	650	12,81%	26,55%
Operating Expense	1.211	1.198	1.343	12,03%	10,90%
PPOP	714	783	922	17,69%	29,09%
Provision Expense	191	274	374	36,48%	96,13%
Profit Before Tax	543	509	548	7,58%	0,84%
Tax Expense	136	128	140	9,41%	2,82%
Net Profit	407	381	408	6,97%	0,17%

Ratio	4Q18	3Q19	4Q19	QoQ	YoY
NIM	2,02%	1,97%	2,07%	0,09	0,05
LDR	77,27%	77,30%	76,04%	(1,26)	(1,24)
Gross NPL (Bank only)	4,40%	3,30%	2,80%	(0,50)	(1,60)
Cost of Credit	1,17%	1,13%	1,09%	(0,04)	(0,08)
Provision Coverage	200%	184%	143%	(41,52)	(57,43)
CAR	18,50%	19,30%	19,70%	0,40	1,20
CASA	53,16%	55,18%	56,71%	1,53	3,54
Cost-to-Income Ratio	62,90%	60,48%	59,29%	(1,18)	(3,61)
ROE	1,81%	1,61%	1,70%	0,09	(0,12)
ROA	0,27%	0,25%	0,25%	0,01	(0,01)
BOPO	73,51%	69,33%	65,35%	(3,98)	(8,16)

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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