

4 July 2020
Banking, Equity

Price **IDR. 1265**
Target Price **IDR. 1410**
JKSE Index **4973.79**



Stock Code **BNLI IJ**
Bloomberg code **35474.1B**
Market cap (IDR.bn) **1425**
52-Week High (IDR) **780**
52-Week Low (IDR) **1219**
6-m Avg Daily. Val (IDR)

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

USD/IDR-YE
2019A **14,375**
2020F (6M Avg) **14,564**

Key Indicators
Non Performing Loan (%) **3.73**
Net Interest Margin (%) **4.33**

Analyst: Lingga Pratiwi
Lingga.pratiwi@binaartha.com

Investment Consideration Sustainable funding focus

In 1Q20, the CASA ratio increased to 54% from 47% in 1Q19 driven by an 40% increase in new account flows. BNLI will continue to focus on low costs through sustainable funding. We estimate this year's CASA ratio will be still higher at 55.56%

Mitigating Asset Quality

The gross NPL ratio of 3.2% in 1Q20 increased 60 bps from FY19 2.8%, but decreased compared to 1Q19 which was 3.8%. The net NPL ratio increased slightly to 1.2% compared to 1.3% as of December 2019. The NPL replacement ratio also increased to 152%, from FY19 133%. This relates to efforts to mitigate bad credit potential through caution in channeling new loans and increasing restructuring and liquidation.

CAR above minimum capital requirements

In 1Q20, the Capital Adequacy Ratio (CAR) was still stable at 19.6%, from 19.9% in 1Q19, which is higher than the minimum capital requirements. The capital ratio has remained strong even after implementing PSAK 71 concerning effective financial instrument provisions starting Jan 1, 2020. We estimate the CAR will decline this year to 19.27% because of the pandemic conditions

Valuation: 11% Upside, Hold.

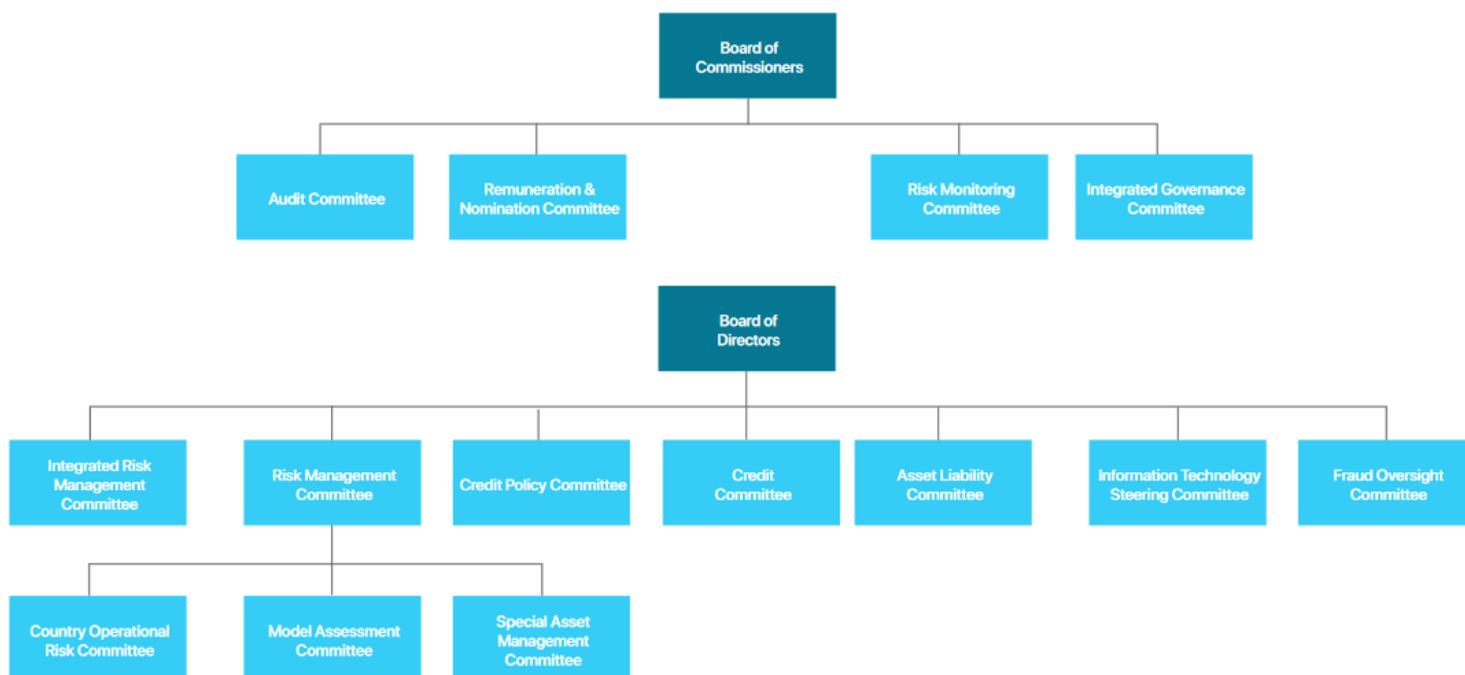
Based on our DDM Valuation, we have a target price within one year of IDR 1410, which would mean the shares trading at 1.4x PBV and gives 11% potential upside. Hold.

Income Statement (Idr bn)	2017A	2018A	2019A	2020F	2021F	2022F
Interest Income	11.198	11.081	11.742	11.862	12.918	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	16.916	18.152	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	4.111	4.916	5.448
Provision Expense	3.127	1.676	1.086	-1.114	924	508
Operating Profit	712	4.485	4.183	2.997	5.841	5.956
Profit Before Tax	951	1.219	2.011	2.997	3.992	4.940
Tax Expense	203	318	510	771	1.020	1.267
Net Profit	748	901	1.500	2.226	2.972	3.673
EPS (Rp/Share)	29,3	32,1	53,5	79,4	106,0	131,0

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

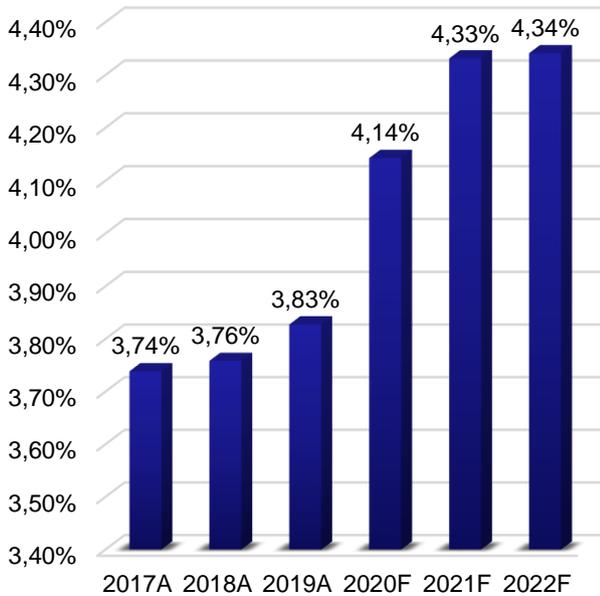


Chart: Loan to Deposit Ratio (x) YoY

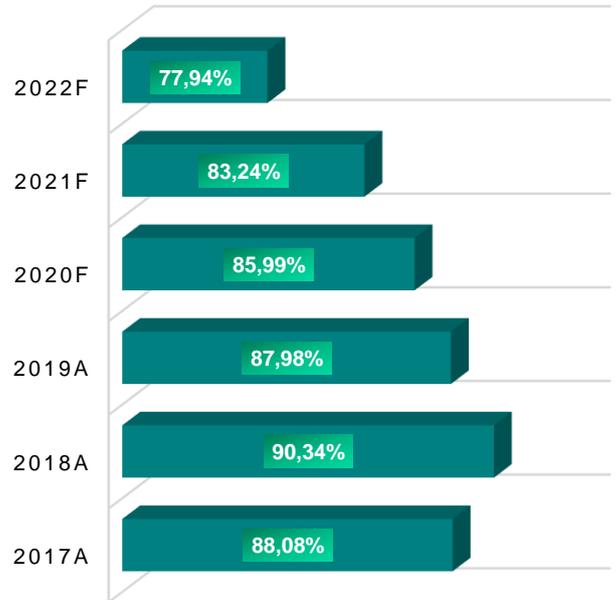
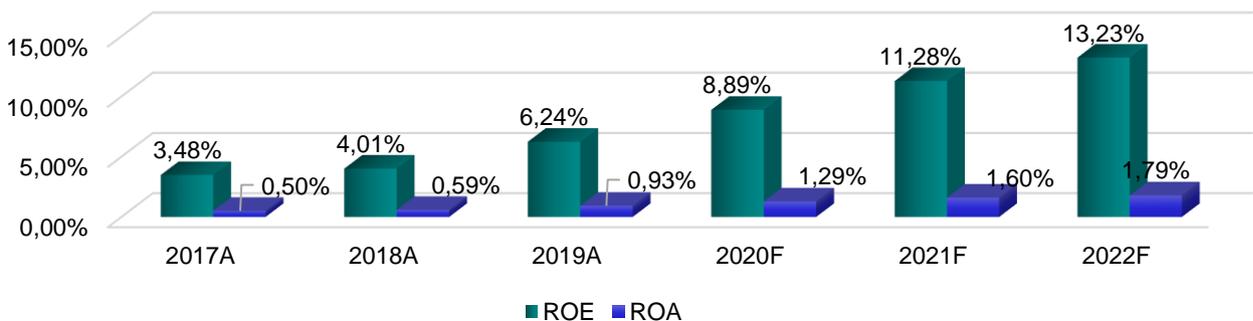


Chart: Growth (x) YoY



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	7.254	6.699	5.308
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	172.451	185.196	205.673
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	25.028	26.342	27.767

Income Statement (IDR.bn)

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Ratio Highlights

Ratio Analysis	2017A	2018A	2019A	2020F	2021F	2022F
Profitability & Efficiency						
NIM	3,74%	3,76%	3,83%	4,14%	4,33%	4,34%
Cost-to-Income Ratio	54,25%	62,04%	61,21%	54,32%	50,83%	51,59%
ROE	3,48%	4,01%	6,24%	8,89%	11,28%	13,23%
ROA	0,50%	0,59%	0,93%	1,29%	1,60%	1,79%
ROAE		3,75%	5,13%	7,57%	10,09%	12,26%
BOPO	95,04%	91,35%	85,64%	62,82%	73,79%	70,96%
Cost of Credit	3,17%	1,56%	1,00%	-0,98%	0,78%	0,41%
Liquidity						
LDR	88,08%	90,34%	87,98%	85,99%	83,24%	77,94%
CASA	56,51%	53,16%	56,71%	55,56%	54,60%	55,56%
Asset Quality						
Gross NPL	4,64%	4,43%	2,82%	3,96%	3,73%	3,50%
Provision Coverage	75,65%	78,93%	61,99%	70,46%	66,23%	68,35%
Capital						
CAR	18,50%	19,40%	19,90%	19,27%	19,52%	19,56%
Growth						
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%	48,34%	33,53%	23,59%

QoQ Result

Balance Sheet	1Q19	4Q19	1Q20	%QoQ	%YoY
Loan	104.334	94.067	96.178	2,24%	-7,82%
Loan Loss Reserves	-5.800	-3.762	-5.054	34,35%	-12,87%
NPL	3.965	2.634	3.078	16,85%	-22,37%
Deposit					
Demand	28.248	29.923	36.630	22,41%	29,67%
Savings	28.293	40.229	41.697	3,65%	47,38%
Time Deposit	63.118	53.558	55.382	3,40%	-12,26%
Total Asset	160.379	161.451	167.394	3,68%	4,37%
Shareholder Equity	22.955	24.037	23.247	-3,29%	1,27%

Income Statement	1Q19	4Q19	1Q20	%QoQ	%YoY
Interest Income	2.923	3.088	2.946	-4,59%	0,78%
Interest Expense	1.596	1.474	1.407	-4,55%	-11,82%
Net Interest Income	1.328	1.614	1.539	-4,64%	15,93%
Net Operating Income	529	650	568	-12,72%	7,39%
Operating Expense	1.164	1.343	1.191	-11,32%	2,29%
PPOP	692	922	916	-0,60%	32,36%
Provision Expense	107	374	635	69,98%	493,78%
Profit Before Tax	567	548	281	-48,73%	-50,47%
Tax Expense	137	140	279	99,19%	103,91%
Net Profit	430	408	2	-99,57%	-99,60%

Ratio	1Q19	4Q19	1Q20	QoQ	YoY
Profitability & Efficiency					
NIM	1,95%	2,07%	1,90%	(0,17)	(0,05)
Cost of Credit	1,18%	1,09%	0,99%	(0,10)	(0,19)
ROE	1,87%	1,70%	0,01%	(1,69)	(1,87)
ROA	0,27%	0,25%	0,00%	(0,25)	(0,27)
BOPO	73,78%	65,10%	57,75%	(7,35)	(16,03)
Cost-to-Income Ratio	62,71%	59,29%	56,51%	(2,78)	(6,20)
Liquidity					
LDR	87,19%	76,04%	71,93%	(4,11)	(15,26)
CASA	47,25%	56,71%	58,58%	1,87	11,33
Asset Quality					
Gross NPL (Bank only)	3,80%	2,80%	3,20%	0,40	(0,60)
Provision Coverage	146%	143%	164%	21,38	17,91
Capital					
CAR	19,20%	19,70%	19,60%	(0,10)	0,40

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
(62-21) 520-6678 ext.612**

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