

Bank Negara Indonesia Tbk (BBNI)

Amid Low Credit Growth and Cost of Funds



Company Report | 10 February 2021

BUY

Target Price (IDR)	7,950
Consensus Price (IDR)	7,112
TP to Consensus Price	+11.8%
vs. Last Price	+27.7%

Shares data

Last Price (IDR)	6,225
Price date as of	Feb 9, 2021
52 wk range (Hi/Lo)	7,950 / 2,970
Free float (%)	40.0
Outstanding sh.(mn)	18,649
Market Cap (IDR bn)	116,088
Market Cap (USD mn)	8,223
Avg. Trd Vol - 3M (mn)	57.712
Avg. Trd Val - 3M (bn)	351.2
Foreign Ownership	15.2%

Finance

Banking

Bloomberg	BBNI IJ
Reuters	BBNI.JK

Share Price Performance



	YTD	1M	3M	12M
Abs. Ret.	-9.4%	21.7%	21.7%	-16.3%
Rel. Ret.	1.8%	13.3%	16.7%	-7.0%

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BBNI's profit fell by -78.7% to IDR 3.28 trillion in 2020. *Loan Loss Provisions* rose sharply to IDR 22.59 Trillion (vs IDR 8.84 Trillion in FY19), putting heavy pressure on the company's profitability. However, BBNI was still able to book credit growth of 5.5% yoy with *pre-provisions operating profit* (PPOP) only decreased slightly by 1.8%. This year, the company targets single digit credit growth in the range of 6-9 percent.

Provision Pressures FY20 Bottom Line, but PPOP remains relatively solid

- BBNI recorded a significant performance decline in 2020 with net profit dropping 78.7% yoy to IDR 3.28 Trillion (vs IDR 15.38 Trillion FY19). However, the *Pre-Provision Operating Profit* (PPOP) only slightly decreased by 1.8% to Rp 27.82 trillion.
- Loan loss Provisions rose sharply from IDR 8.84 trillion in FY19 to IDR 22.59 trillion in 2020.
- The company was still able to record credit growth of 5.3% (IDR 586.2 Trillion FY20 vs IDR 556.7 Trillion FY19). Meanwhile, BBNI liquidity loosened with the LDR level at 87.3%
- Net Interest Margin has been depressed to 4.5% (from 4.9% at the end of 2019). However, the company also managed to reduce its cost of funds by 60 bps to 2.6%.

Corporate segment supports loan growth, Savings Accounts had the biggest increase

- BBNI's loan growth last year was supported by the private corporate segment with a 10.3% YoY increase. Overall, the corporate segment still made up 52.8% of total loans. By type of credit, Working Capital Loan remained the largest contributor with growth of 10.1% yoy.
- In terms of third party funds, Savings Account had the highest growth by 17% yoy (IDR 236.7 Trillion vs IDR 202.3 Trillion in FY19). This caused the ratio of low cost funds (CASA) to increase to 68.4% (vs 66.8% FY 2020).

Single digit credit growth target in 2021

- BBNI is targeting loan growth that tends to be conservative at 6% -9% in 2021, in line with the still challenging environment in economic recovery. Meanwhile, Third Party Funds growth is projected at 7.9%.
- Loan quality improvement will be the main focus this year with an NPL target of 3.7%.
- The development of banking digitization will be carried out, among others, by taking the initiative to turn mobile banking into super apps, and facilitating third parties with *Application Programming Interface* services.

Upgrade to BUY Rating with TP at Rp 7,950

- We raised our rating for BBNI from Overweight to BUY with a target price of IDR 7,950. Our target price reflects a forward P / B of 1.24x (last 3 years average). Currently, BBNI is trading at a P / B level of 1.05x.

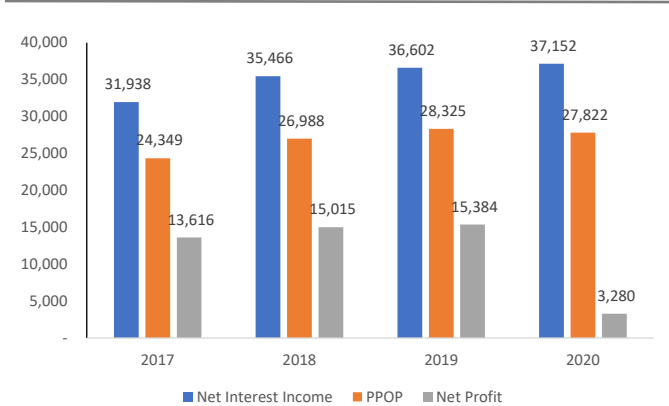
Bank Negara Indonesia Tbk | Summary (IDR bn)

in IDR bn	2019	2020	2021F	2022F
Interest Income	58,532	56,173	64,026	68,080
<i>Interest Income growth</i>	8.1%	-4.0%	14.0%	6.3%
Operating Revenue	52,012	52,036	61,818	63,747
Net profit	15,384	3,280	9,259	14,863
EPS (IDR)	825	176	496	797
<i>EPS growth</i>	5.1%	-78.7%	182.3%	60.5%
BVPS (IDR)	6,703	6,053	6,425	7,134
Net Interest Margin	4.1%	4.2%	5.0%	4.7%
Loan/Deposits	88.9%	85.1%	82.5%	82.9%
NPL	2.3%	4.2%	3.7%	3.7%
ROE	13.1%	2.8%	8.0%	11.8%
ROA	1.9%	0.4%	1.0%	1.5%
P/E	9.5x	35.1x	16.0x	10.0x
P/BV	1.2x	1.0x	1.2x	1.1x
P/Op. Revenue	2.8x	2.2x	2.4x	2.3x
DPS (IDR)	206	50	140	225
<i>Dividend yield</i>	2.6%	0.8%	1.8%	2.8%

Source: Company Data, Bloomberg, NHKSI Research
Please consider the rating criteria & important disclaimer

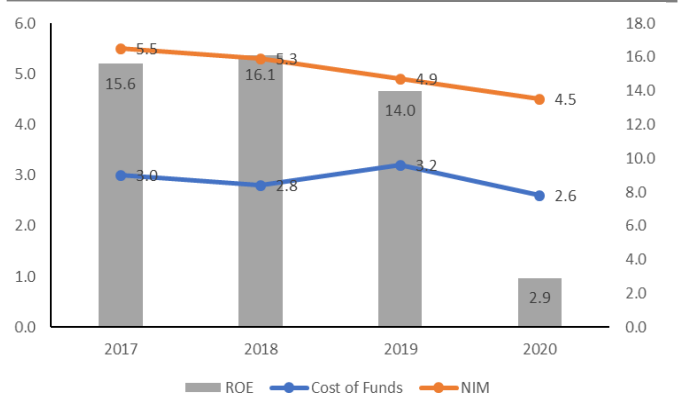
Performance Highlights

Financial Performance (IDR Billion)



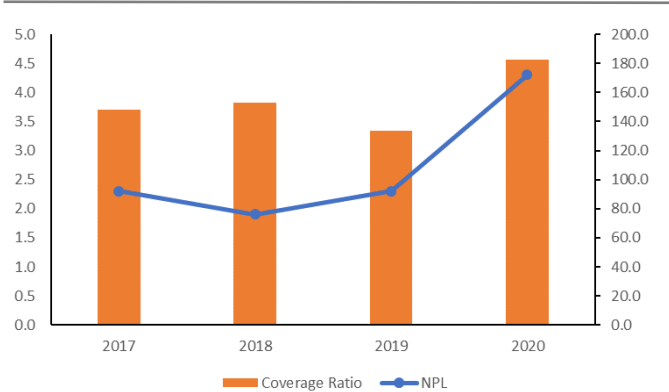
Source: Company, NHKSI Research

Profitability Ratios (%)



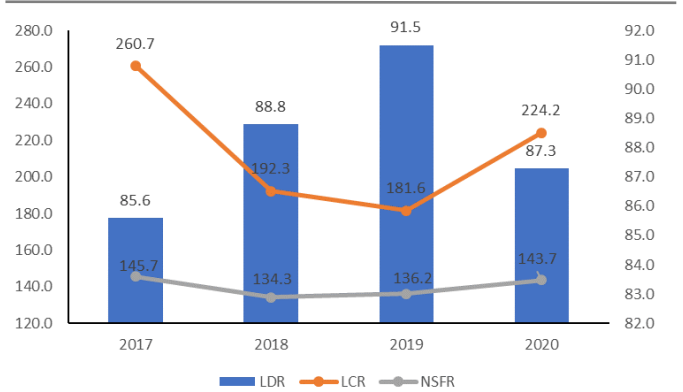
Source: Company, NHKSI Research

Asset Quality (%)



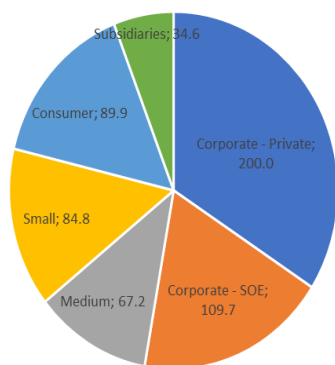
Source: Company, NHKSI Research

Liquidity (%)



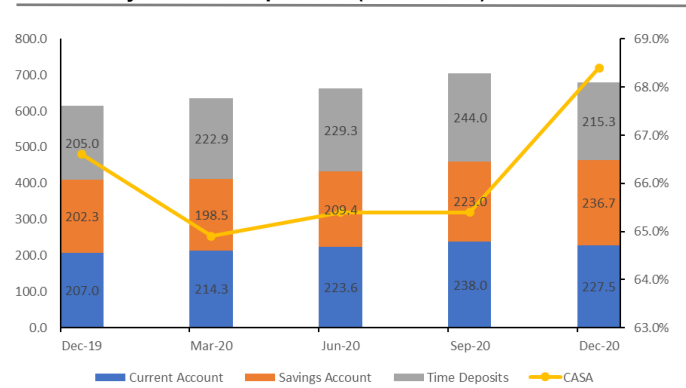
Source: Company, NHKSI Research

Loan Composition by Segment (IDR Trillion)



Source: Company, NHKSI Research

Third Party Funds Composition (IDR Trillion)



Source: Company, NHKSI Research

Company Overview



PT. Bank Negara Indonesia (Persero), Tbk was established on July 5, 1946 as a central bank under the name "Bank Negara Indonesia" based on Government Regulation in Lieu of Law No. 2 of 1946. BBNI is the first SOE (State-Owned Enterprise) bank to become a public company after listing its shares on the Jakarta Stock Exchange and the Surabaya Stock Exchange in 1996.

As much as 60% of BBNI's shares are owned by the Government of the Republic of Indonesia, while the remaining 40% is owned by the public, both individuals and institutions, domestic and foreign. The Company has several subsidiaries that provide integrated financial services, namely BNI Syariah Bank, BNI Multifinance, BNI Sekuritas, BNI Life Insurance, and BNI Remittance.

BBNI offers deposit services and loan facilities for the corporate, medium and small segments. Currently, BBNI is one of the largest banks in Indonesia, which included in the BUKU IV bank category (banks with a minimum core capital of IDR 30 trillion).

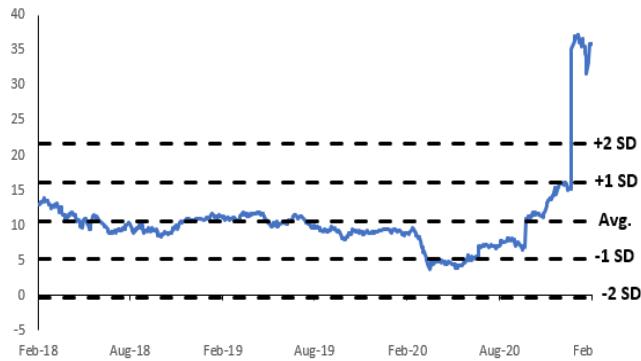
ASEAN Banking Peers

Company	Ticker	Market Cap (USD Mn)	Total Assets (USD Mn)	Net Income LTM (USD Mn)	ROE (x)	P/E (x)	P/B (x)	Dividend Yield LTM (%)
INDONESIA								
BANK NEGARA INDONESIA PERSER	BBNI IJ	8,298	64,010	225	2.82	35.44	1.05	3.31
BANK MANDIRI PERSERO TBK PT	BMRI IJ	21,932	102,645	1,176	8.7	17.92	1.62	5.37
BANK CENTRAL ASIA TBK PT	BBCA IJ	62,122	77,240	1,865	15.13	32.03	4.71	1.57
BANK RAKYAT INDONESIA PERSER	BBRI IJ	40,814	108,568	1,280	9.24	30.58	2.89	3.63
SINGAPORE								
DBS GROUP HOLDINGS LTD	DBS SP	50,090	467,564	3,448	9.99	14.02	1.22	3.92
UNITED OVERSEAS BANK LTD	UOB SP	30,172	309,261	2,222	8.41	12.44	1	4.77
OVERSEA-CHINESE BANKING CORP	OCBC SP	35,455	372,904	2,550	7.96	12.52	0.98	4.18
MALAYSIA								
CIMB GROUP HOLDINGS BHD	CIMB MK	10,029	144,524	430	3.29	22.19	0.74	2.93
BANGKOK BANK PUBLIC CO LTD	BBL TB	8,166	127,453	543	3.92	14.22	0.54	3.91
THAILAND								
SIAM COMMERCIAL BANK PUB CO	SCB TB	11,973	109,298	877	6.71	13.17	0.87	3.79

Source: Bloomberg

Multiple Valuation

P/E Band | Last 3 years



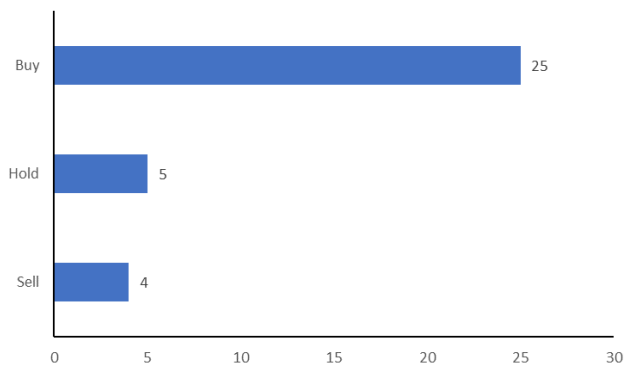
Source: NHKSI Research

P/B band | Last 3 years



Source: NHKSI Research

Analyst Coverage Rating



Source: Bloomberg

Closing and Target Price



Source: NHKSI Research

Rating and Target Price Update

Target Price Revision

Date	Rating	Target Price	Last Price	Consensus	vs Last Price	vs Consensus
31/01/2020	Buy	6,000	5,075	5,509	+18.2%	+8.9%
13/11/2020	Overweight	6,000	5,650	5,732	+6.2%	+4.7%
10/02/2020	Buy	7,950	6,225	7,112	+27.2%	+11.8%

Source: NHKSI Research, Bloomberg

Summary of Financials

INCOME STATEMENT					PROFITABILITY & STABILITY				
(IDR bn)	2019/12A	2020/12A	2021/12F	2022/12F		2019/12A	2020/12A	2021/12F	2022/12F
Interest Income	58,532	56,173	64,026	68,080	ROE	13.1%	2.8%	8.0%	11.8%
<i>Growth (% y/y)</i>	8.1%	-4.0%	14.0%	6.3%	ROA	1.9%	0.4%	1.0%	1.5%
Interest Expenses	(21,930)	(19,021)	(19,498)	(22,365)	Non-Int. Inc. /Op. Rev	29.6%	28.6%	28.0%	28.3%
Net Interest Income	36,602	37,152	44,528	45,715	Cost/Income	45.5%	46.5%	43.0%	43.0%
<i>Net Interest Margin</i>	4.1%	4.2%	5.0%	4.7%	Cash Dividend (IDR bn)	3,846	927	2,615	4,198
Net Fee Income	8,851	8,309	9,959	10,224	Dividend Yield (%)	2.6%	0.8%	1.8%	2.8%
Trading Income	1,604	2,544	2,501	2,849	Payout Ratio (%)	25.0%	28.2%	28.2%	28.2%
Other Operating Income	4,954	4,031	4,831	4,960	Loan/Deposits	88.9%	85.1%	82.5%	82.9%
Operating Revenue	52,012	52,036	61,818	63,747	Loan/Assets	65.8%	65.8%	63.6%	63.8%
Operating Expenses	(23,687)	(24,214)	(26,582)	(27,411)	NPL	2.3%	4.2%	3.7%	3.7%
Pre-provisioning OP	28,325	27,822	35,236	36,336	Loan Loss Res./Loan	3.0%	7.5%	6.5%	6.7%
Provision for Impairment	(8,838)	(22,590)	(22,767)	(16,893)	CASA/Deposits	66.6%	68.3%	70.1%	70.6%
EBT	19,369	5,112	12,318	19,287	Time Deposits/Deposits	33.4%	31.7%	29.9%	29.4%
Income Tax	(3,861)	(1,791)	(2,956)	(4,243)	Par Value (IDR)	375	375	375	375
Non-controlling Interest	(124)	(41)	(103)	(181)	Total Shares (mn)	18,649	18,649	18,649	18,649
Net Profit	15,384	3,280	9,259	14,863	Share Price (IDR)	7,850	6,175	7,950	7,950
<i>Growth (% y/y)</i>	5.1%	-78.7%	182.3%	60.5%	Market Cap (IDR tn)	146.4	115.2	148.3	148.3

BALANCE SHEET					VALUATION INDEX				
(IDR bn)	2019/12A	2020/12A	2021/12F	2022/12F		2019/12A	2020/12A	2021/12F	2022/12F
Cash	15,362	17,324	25,066	28,233	Price /Earnings	9.5x	35.1x	16.0x	10.0x
Placement in Banks	99,844	112,503	137,092	130,411	Price /Book Value	1.2x	1.0x	1.2x	1.1x
Net Loans	539,862	541,979	588,348	623,251	Price/Op. Revenue	2.8x	2.2x	2.4x	2.3x
Investment	109,125	129,825	145,651	168,783	PE/EPS Growth	1.9x	-0.4x	0.1x	0.2x
Fixed Asset	26,525	27,362	28,216	29,040	EV/Operating Revenue	3.7x	2.8x	3.1x	2.9x
Other Assets	54,888	62,344	65,965	67,271	EV/PPOP	6.8x	5.3x	5.4x	5.1x
Total Assets	845,605	891,337	990,338	1,046,989	EV (IDR bn)	193,839	147,710	188,978	183,844
Deposits	626,237	688,824	763,341	805,043	Op. Rev. CAGR (3-Yr)	12.5%	13.9%	14.4%	12.1%
Debt	60,321	47,199	62,916	60,758	EPS CAGR (3-Yr)	8.1%	-28.7%	-6.5%	3.0%
Other liabilities	34,044	42,442	44,265	48,143	Basic EPS (IDR)	825	176	496	797
Total Liabilities	720,601	778,465	870,522	913,943	Diluted EPS (IDR)	825	176	496	797
Capital Stock & APIC	23,623	23,623	23,623	23,623	BVPS (IDR)	6,703	6,053	6,425	7,134
Retained Earnings	82,464	66,981	75,313	87,561	Op. Revenue PS (IDR)	2,789	2,790	3,315	3,418
Shareholders' Equity	125,004	112,872	119,816	133,045	DPS (IDR)	206	50	140	225

CASH FLOW STATEMENT					OWNERSHIP			
(IDR bn)	2019/12A	2020/12A	2021/12F	2022/12F	By Geography	% Shareholders	%	
Operating Cash Flow	(1,222)	49,825	(18,439)	14,367	Indonesia	84.8	Republic of Indonesia	60.0
Investing Cash Flow	(31,135)	(50,341)	(61,737)	(64,110)	United States	5.3	Vanguard Group	1.5
Financing Cash Flow	14,738	45,639	87,918	52,909	Luxembourg	2.9	Norges Bank	1.4
Net Changes in Cash	(17,618)	45,123	7,742	3,166	Norway	2.0	Others	37.1

Source: Company Data, Bloomberg, NHKSI Research

NH Korindo Sekuritas Indonesia (NHKSI) Stock Ratings

1. Based on a stock's forecasted absolute return over a period of 12 months from the date of publication.
2. Rating system based on a stock's potential upside from the date of publication
 - Buy : Greater than +15%
 - Overweight : +5% to 15%
 - Hold : -5% to +5%
 - Underweight : -5% to -15%
 - Sell : Less than -15%

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