

# Bank Negara Indonesia Tbk (BBNI)

## An Attractive Valuation with Low Cost of Fund

### Provisions Press Net Profits Declined 41.6%

Allowance for impairment losses, which increased the provision fee up to 88.2% YoY, pushed down BBNI's net profit by 41.6% YoY or to IDR 4.5 trillion in the 1H20 period. In the midst of this pressure, BBNI was able to distribute loans worth IDR 576.8 trillion or grew by 5% YoY. The increase in credit was supported by third party funds that rose 11.3%, with a strong growth in current account of 18.4% YoY. This credit growth was amidst the contraction of the domestic economy by 5.23% YoY during the 1H20 period. Meanwhile, BBNI's interest income recorded at IDR 28.2 trillion, a slight decline of 1.5% YoY due to the large amount of restructuring and relaxation. However, because it succeeded in suppressing the Cost of Fund (CoF), BBNI's net interest income still grew 1% YoY with PPOP down 1.9% YoY during the 1H20 period. This positive sentiment will boost BBNI's NIM which currently decline by 40 bps.

### Cost of Fund Declined by 30 Bps

BBNI's NIM was at 4.5% for the 1H20 period, or down 40 bps from 4.9% in the same period last year. BBNI experienced delays in payments and loan principal and interest which subsequently impacted its NIM. As of June, BBNI's loan restructuring has reached a value of IDR 119.3 trillion, out of a total application of IDR 146.7 trillion. Meanwhile, the approved restructuring amounted to 20.68% of BBNI 1H20 loan portfolio worth IDR 576.8 trillion. On the other hand, BBNI role as a participant in the government's working capital program, means BBNI gets an even lower cost of funds (CoF). Until 1H20, BBNI's CoF fell 30 bps to the level of 2.9%.

### Attractive Valuation with Target Price IDR 6,000

NHKS Research set a target price for BBNI at the level of IDR 6,000 for the next 12 month. We estimate a forward P/B of 1x or below the 3-year average of 1.3x. BBNI Valuation which is more attractive compared to other BUKU IV banks (BBRI, BMRI, and BBCA) will remain a good opportunity for value-oriented investors.

### Bank Negara Indonesia Tbk | Summary (IDR bn)

in IDR bn	2019	2020E	2021F	2022F
Interest Income	58,532	53,039	59,650	63,371
<i>Interest Income growth</i>	8.1%	-9.4%	12.5%	6.2%
Operating Revenue	52,012	52,154	57,732	60,610
Net profit	15,384	9,599	12,199	16,396
EPS (IDR)	825	515	654	879
<i>EPS growth</i>	5.1%	-37.6%	27.1%	34.4%
BVPS (IDR)	6,703	6,188	6,740	7,469
Net Interest Margin	4.8%	4.7%	5.3%	5.0%
Loan/Deposits	88.9%	85.7%	80.3%	75.1%
NPL	2.3%	3.3%	2.9%	1.8%
ROE	13.1%	8.0%	10.1%	12.4%
ROA	1.9%	1.2%	1.5%	1.8%
P/E	9.5x	11.7x	9.2x	6.8x
P/BV	1.2x	1.0x	0.9x	0.8x
P/Op. Revenue	2.8x	2.1x	1.9x	1.8x
DPS (IDR)	206	145	185	248
<i>Dividend yield</i>	2.6%	2.4%	3.1%	4.1%

Source: Company Data, Bloomberg, NHKS Research

Please consider the rating criteria & important disclaimer

## BUY

<b>Target Price (IDR)</b>	<b>6,000</b>
Consensus Price (IDR)	5,509
TP to Consensus Price	+8.9%
vs. Last Price	+18.2%

### Shares data

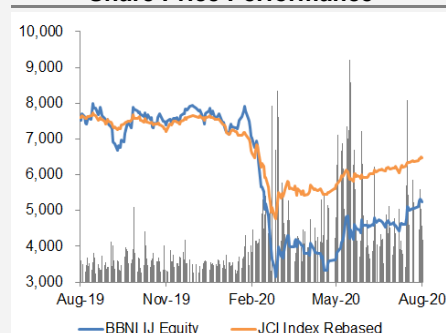
Last Price (IDR)	5,075
Price date as of	Aug. 31, 2020
52 wk range (Hi/Lo)	8,125 / 2,970
Free float (%)	40.0
Outstanding sh.(mn)	18,649
Market Cap (IDR bn)	97,905
Market Cap (USD mn)	6,533
Avg. Trd Vol - 3M (mn)	75.01
Avg. Trd Val - 3M (bn)	348.83
Foreign Ownership	18.5%

### Finance

#### Banking

Bloomberg	BBNI IJ
Reuters	BBNI.JK

### Share Price Performance



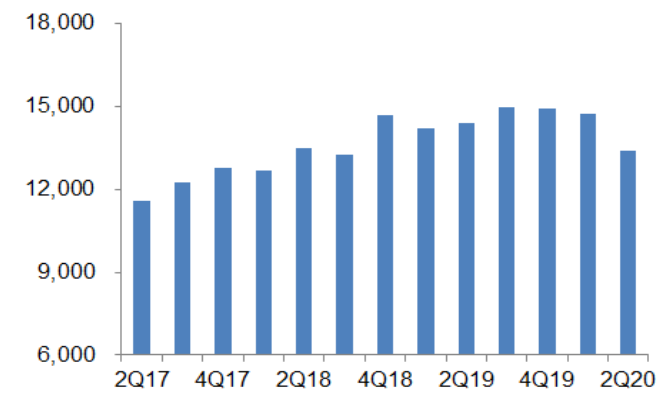
	YTD	1M	3M	12M
Abs. Ret.	-33.1%	12.2%	43.4%	-30.9%
Rel. Ret.	-18.0%	7.6%	30.1%	-29.7%

### Arief Machrus

arief.machrus@nhsec.co.id

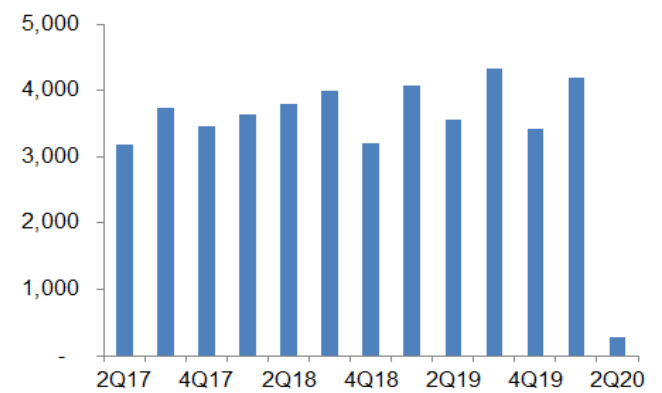
## Performance Highlights

Interest Income (IDR bn) | 2Q17 - 2Q20



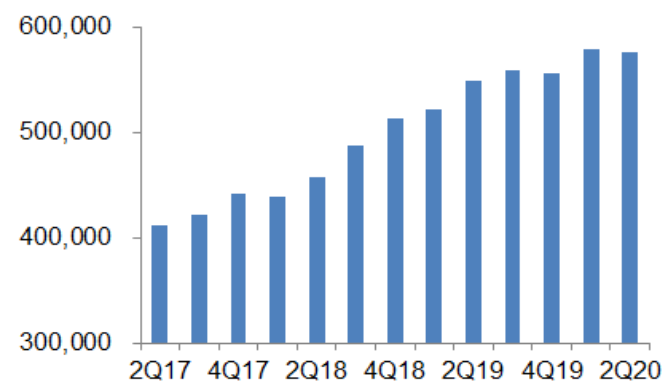
Source: Company, NHKSI Research

Net Profit (IDR bn) | 2Q17 - 2Q20



Source: Company, NHKSI Research

Gross Loan (IDR bn) | 2Q17 - 2Q20



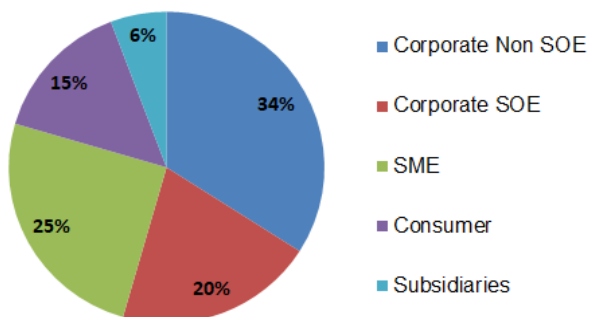
Source: Company, NHKS Research

Deposit (IDR bn) | 2Q17 - 2Q20



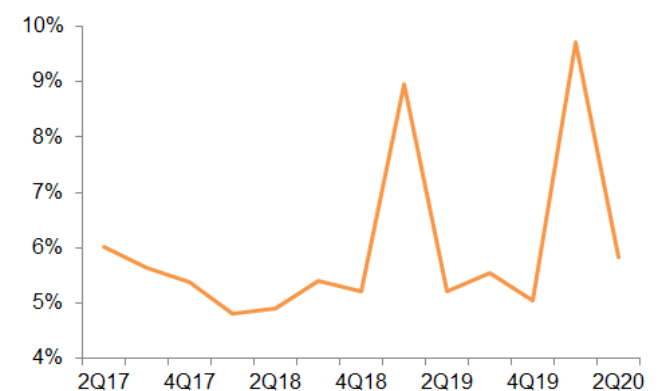
Source: Company, NHKS Research

Loan Composition



Source: Company, NHKS Research

NIM | 2Q17 - 2Q20



Source: Company, NHKS Research

## 2Q20 review (IDR bn)

	2Q19	3Q19	4Q19	1Q20	2Q20					3Q20E
					Actual	Estimate	y-y	q-q	Surprise	
Interest Income	14,398	14,993	14,941	14,745	13,418		-6.8%	-9.0%		17,733
Interest Expense	(5,644)	(5,734)	(5,211)	(5,206)	(5,160)		-8.6%	-0.9%		(6,390)
Net Interest Income	8,755	9,259	9,730	9,539	8,258		-5.7%	-13.4%		11,343
Operating Revenue	12,509	12,846	14,267	13,216	11,393		-8.9%	-13.8%		17,942
Pre-Provisioning Operating Profit (PPOP)	6,737	6,915	7,780	7,626	5,745		-14.7%	-24.7%		9,784
Loan loss provisions	(2,240)	(1,461)	(3,408)	(2,271)	(5,196)		131.9%	128.8%		(3,768)
<b>Net Profit</b>	<b>3,559</b>	<b>4,339</b>	<b>3,412</b>	<b>4,187</b>	<b>269</b>		<b>-92.4%</b>	<b>-93.6%</b>		<b>3,991</b>

Source: Bloomberg, NHKSI Research

## Earnings revision (IDR bn)

		2020E	2021F	2022F
Interest Income	Revised Previous Change	53,039	59,650	63,371
Interest Expenses	Revised Previous Change	(17,508)	(19,359)	(21,582)
Net Interest Income	Revised Previous Change	35,531	40,291	41,789
Operating Revenue	Revised Previous Change	52,154	57,732	60,610
Pre-Provisioning OP	Revised Previous Change	28,324	31,354	32,916
Loan Loss Provision	Revised Previous Change	(14,704)	(14,869)	(11,947)
<b>Net Profit</b>	<b>Revised Previous Change</b>	<b>9,599</b>	<b>12,199</b>	<b>16,396</b>

Source: NHKSI Research

## BBNI at A Glance

BBNI is the fourth largest bank in Indonesia after BBRI, BMRI and BBKA which dominate the credit market share in Indonesia. The focus of lending is the corporate segment which accounts for 54% of total loans. Meanwhile, the main focus of BBNI for the 3Q20 period is to utilize government funds placed in banks to boost the SME economy. This program is aimed at sectors that are relatively resilient to the impact of a pandemic, such as the consumption sector. The Covid-19 outbreak caused the domestic economy to slow down, especially SMEs due to the implementation of the physical social distancing.

### Indonesian Banking Competitiveness in ASEAN

The banking industry in Indonesia is a top investment priority in ASEAN. Higher lending rates compared to other banks in ASEAN are a major factor in the excellence of the banking industry in Indonesia. The majority of banks in Indonesia are still able to maintain their NIMs above 5% even though they are facing pressure to lower their benchmark interest rates by the central bank. This advantage of NIM is able to translate into a higher ROE.

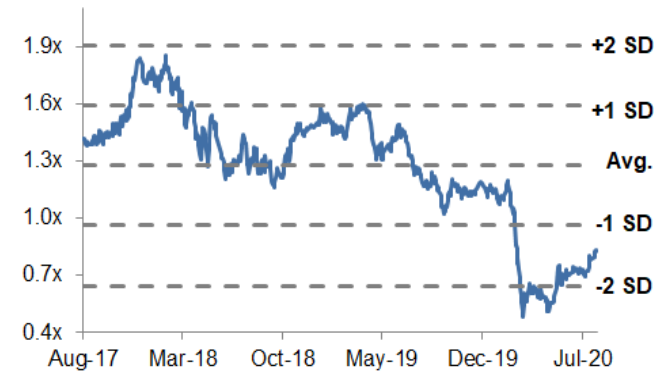
### ASEAN Banking Sector

Company	Market Cap (USD mn)	Asset (USD mn)	Int. Income LTM (USD mn)	Net Profit LTM (USD mn)	Net Profit Growth LTM	Net Margin	ROE LTM	P/E LTM	P/BV
<b>BBNI</b>	6,721	61,068	3,720	852	-19.8%	5.3%	10.9%	8.0	0.9
BBRI	30,735	102,315	7,576	1,982	-15.6%	7.7%	15.2%	15.7	2.4
BBKA	54,792	66,367	3,976	1,951	2.4%	6.0%	17.0%	28.6	4.7
BMRI	19,460	95,201	5,725	1,693	-8.1%	5.3%	13.3%	11.7	1.6
<b>Singapore</b>									
DBS	39,057	430,571	7,589	4,012	-7.3%	1.7%	10.8%	9.6	1.0
UOB	24,084	300,765	7,767	2,662	-11.8%	1.7%	9.8%	9.0	0.9
OCBC	28,180	365,678	8,122	2,779	-16.9%	1.8%	8.2%	10.0	0.8
<b>Malaysia</b>									
CIMB	7,861	140,141	4,710	629	-47.1%	2.1%	4.8%	12.3	0.6
Malayan Banking	19,781	203,988	4,086	1,769	-7.4%	1.6%	9.2%	11.1	1.0
Hong Leong	3,393	59,191	1,206	442	-3.2%	1.6%	9.3%	7.5	0.7
<b>Thailand</b>									
Bangkok Bank	6,650	108,104	3,273	909	-20.6%	2.3%	6.5%	7.3	0.5
Siam Commercial	8,069	99,602	3,916	1,222	0.5%	3.3%	9.5%	6.6	0.6
Bank of Ayudhya	5,149	79,298	3,565	856	-17.2%	3.5%	9.9%	6.0	0.6
<b>Philippine</b>									
BDO Unibank (Philippine)	7,790	62,894	2,854	555	-28.7%	4.9%	7.9%	13.3	1.0
Metropolitan Bank	3,113	48,338	1,893	474	0.5%	4.3%	7.8%	6.7	0.5
Philippine Island Bank	6,247	43,490	1,734	524	3.7%	3.8%	9.9%	11.3	1.1

Source: Bloomberg

## Multiple Valuation

Forward P/B band | Last 3 years



Source: NHKSI Research

Dynamic Forward P/B band | Last 3 years



Source: NHKSI Research

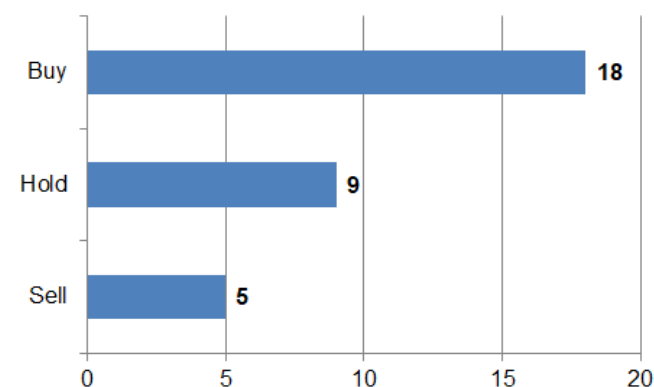
## Rating and Target Price Update

Target Price Revision

Date	Rating	Target Price	Last Price	Consensus	vs Last Price	vs Consensus
02/14/2018	Hold	10,825 (Dec 2018)	9,525	9,765	+13.6%	+10.9%
05/04/2018	Hold	8,125 (Dec 2018)	7,475	9,941	+8.7%	-18.3%
08/06/2018	Buy	9,675 (Dec 2018)	7,900	9,029	+22.5%	+7.2%
11/09/2018	Buy	10,525 (Dec 2018)	7,900	8,906	+33.2%	+18.2%
31/01/2020	Hold	6,000 (12 Month)	5,075	5,509	+18.2%	+8.9%

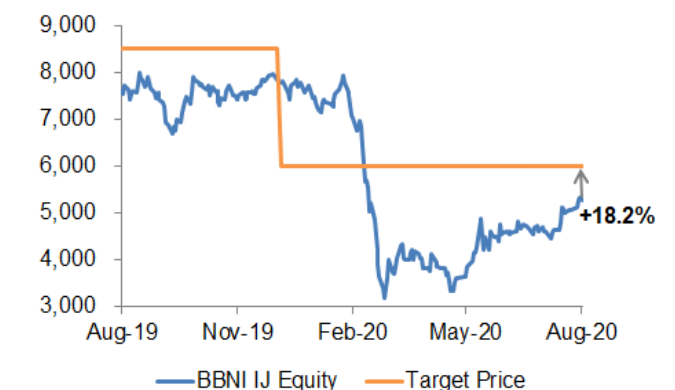
Source: NHKSI Research, Bloomberg

Analyst Coverage Rating



Source: Bloomberg

Closing and Target Price



Source: NHKSI Research

### NH Korindo Sekuritas Indonesia (NHKS) stock ratings

1. Period: End of year target price
2. Rating system based on a stock's absolute return from the date of publication
  - Buy : Greater than +15%
  - Hold : -15% to +15%
  - Sell : Less than -15%

## Summary of Financials

INCOME STATEMENT					PROFITABILITY & STABILITY				
(IDR bn)	2019/12A	2020/12E	2021/12F	2022/12E		2019/12A	2020/12E	2021/12F	2022/12E
<b>Interest Income</b>	<b>58,532</b>	<b>53,039</b>	<b>59,650</b>	<b>63,371</b>	ROE	13.1%	8.0%	10.1%	12.4%
<i>Growth (% y/y)</i>	8.1%	-9.4%	12.5%	6.2%	ROA	1.9%	1.2%	1.5%	1.8%
Interest Expenses	(21,930)	(17,508)	(19,359)	(21,582)	Non-Int. Inc. /Op. Rev	29.6%	31.9%	30.2%	31.1%
<b>Net Interest Income</b>	<b>36,602</b>	<b>35,531</b>	<b>40,291</b>	<b>41,789</b>	Cost/Income	45.5%	45.7%	45.7%	45.7%
<i>Net Interest Margin</i>	4.8%	4.7%	5.3%	5.0%	Cash Dividend (IDR bn)	3,846	2,711	3,446	4,631
Net Fee Income	8,851	8,429	9,558	9,913	Dividend Yield (%)	2.6%	2.4%	3.1%	4.1%
Trading Income	1,604	4,041	3,175	4,023	Payout Ratio (%)	25.0%	28.2%	28.2%	28.2%
Other Operating Income	4,954	4,153	4,709	4,885	Loan/Deposits	88.9%	85.7%	80.3%	75.1%
<b>Operating Revenue</b>	<b>52,012</b>	<b>52,154</b>	<b>57,732</b>	<b>60,610</b>	Loan/Assets	65.8%	64.4%	60.0%	55.0%
Operating Expenses	(23,687)	(23,830)	(26,379)	(27,694)	NPL	2.3%	3.3%	2.9%	1.8%
<b>Pre-provisioning OP</b>	<b>28,325</b>	<b>28,324</b>	<b>31,354</b>	<b>32,916</b>	Loan Loss Res./Loan	3.0%	7.1%	5.4%	-0.1%
Provision for Impairment	(8,838)	(14,704)	(14,869)	(11,947)	CASA/Deposits	66.6%	63.4%	63.9%	64.1%
<b>EBT</b>	<b>19,369</b>	<b>13,448</b>	<b>16,295</b>	<b>20,770</b>	Time Deposits/Deposits	33.4%	36.6%	36.1%	35.9%
Income Tax	(3,861)	(3,688)	(3,960)	(4,175)	Par Value (IDR)	375	375	375	375
Non-controlling Interest	(124)	(161)	(136)	(199)	Total Shares (mn)	18,649	18,649	18,649	18,649
<b>Net Profit</b>	<b>15,384</b>	<b>9,599</b>	<b>12,199</b>	<b>16,396</b>	Share Price (IDR)	7,850	6,000	6,000	6,000
<i>Growth (% y/y)</i>	5.1%	-37.6%	27.1%	34.4%	Market Cap (IDR tn)	146.4	111.9	111.9	111.9

BALANCE SHEET					VALUATION INDEX				
(IDR bn)	2019/12A	2020/12E	2021/12F	2022/12E		2019/12A	2020/12E	2021/12F	2022/12E
Cash	15,362	17,804	19,179	22,770	Price /Earnings	9.5x	11.7x	9.2x	6.8x
Placement in Banks	99,844	95,003	147,763	190,304	Price /Book Value	1.2x	1.0x	0.9x	0.8x
Net Loans	539,862	467,130	496,936	544,446	Price/Op. Revenue	2.8x	2.1x	1.9x	1.8x
Investment	109,125	126,432	120,654	136,025	PE/EPS Growth	1.9x	-0.3x	0.3x	0.2x
Fixed Asset	26,525	28,337	28,039	31,033	EV/Operating Revenue	3.7x	2.7x	2.7x	2.6x
Other Assets	54,888	46,845	62,607	64,789	EV/PPOP	6.8x	5.0x	4.9x	4.8x
<b>Total Assets</b>	<b>845,605</b>	<b>781,552</b>	<b>875,179</b>	<b>989,367</b>	EV (IDR bn)	193,839	141,277	153,937	156,854
Deposits	626,237	586,823	654,030	724,388	Op. Rev. CAGR (3-Yr)	12.5%	13.9%	11.8%	10.3%
Debt	60,321	44,459	58,253	64,519	EPS CAGR (3-Yr)	8.1%	1.9%	2.5%	6.4%
Other liabilities	34,044	34,874	37,211	61,174	Basic EPS (IDR)	825	515	654	879
<b>Total Liabilities</b>	<b>720,601</b>	<b>666,156</b>	<b>749,495</b>	<b>850,080</b>	Diluted EPS (IDR)	825	515	654	879
Capital Stock & APIC	23,623	23,623	23,623	23,623	BVPS (IDR)	6,703	6,188	6,740	7,469
Retained Earnings	82,464	74,963	84,451	97,401	Op. Revenue PS (IDR)	2,789	2,797	3,096	3,250
<b>Shareholders' Equity</b>	<b>125,004</b>	<b>115,396</b>	<b>125,684</b>	<b>139,287</b>	DPS (IDR)	206	145	185	248

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