

# Bank Negara Indonesia Tbk (BBNI)

## Credit Growth with Declining Cost of Fund

BBNI's net interest income (NII) was stagnant at IDR 26.6 trillion in 3Q20, compared to 3Q19. This resulted in net income of IDR 4.3 trillion, lower 64% YoY than in 3Q19 at IDR 11.9 trillion. The slowdown in NII pressured NIM down by 60 bps to 4.3% in the same period. Meanwhile, BBNI still recorded a growth in non-interest income by 7.2% YoY to IDR 8.7 trillion.

### Coverage Ratio 2x NPL

This net profit pressure is a part of BBNI's efforts to maintain quality of assets. The company's coverage ratio was at 206.9% in 3Q20, higher than the previous year at 159.2%. However, it is lower than 2Q20 which was at 214.1% as loan restructuring process was almost finished. As a note, BBNI's total asset until September 2020 grew 12.5% YoY, supported by 21.4% DPK growth to IDR 705.1 trillion. BBNI still prioritizes low-cost funds (current account and saving account, CASA) to keep a low Cost of Fund (CoF).

### CASA Growth Pushes Down CoF by 40 Bps

BBNI CASA was at 65.4% or increased by more than 100 bps compared to the same period last year. This successfully pushed down CoF to 2.9% or improved by 40 bps from last year's position at 3.2%. DPK growth followed recovering CoF, supporting BBNI credit growth. BBNI recorded credit growth up to 4.2% to IDR 582.4 trillion in 3Q20 or grew 4.6% YtD. Meanwhile, the growth of CASA was also able to reduce BBNI's interest expense.

### Interest Expense Decreases Significantly

BBNI anticipated pressure on net interest income (NII) by reducing interest expense by up to 8% YoY. The effort was to maintain net interest margin (NIM) which is at 4.3% in 3Q20 or lower by 60 bps compared to last year. Meanwhile, BBNI also managed to book non-interest income growth, which went up by 7.2% YoY. This was better than the previous quarter that grew 3.2% YoY.

### Overweight Recommendation with Target Price IDR 6,000

NHKS Research set a target price for BBNI at the level of Rp. 6,000 for the next 12 months. We use the assumption of a forward P/B of 1x or below the 3-year average at 1.2x. Valuation which is more attractive compared to other BUKU IV banks (BBRI, BMRI, BBKA), credit growth with declining CoF, prompts us to recommend BBNI as a good opportunity for investors.

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

| in IDR bn                     | 2019   | 2020E  | 2021F  | 2022F  |
|-------------------------------|--------|--------|--------|--------|
| Interest Income               | 58,532 | 53,528 | 58,231 | 60,336 |
| <i>Interest Income growth</i> | 8.1%   | -8.6%  | 8.8%   | 3.6%   |
| Operating Revenue             | 52,012 | 51,070 | 56,130 | 58,775 |
| Net profit                    | 15,384 | 10,219 | 13,876 | 15,554 |
| EPS (IDR)                     | 825    | 548    | 744    | 834    |
| <i>EPS growth</i>             | 5.1%   | -33.6% | 35.8%  | 12.1%  |
| BVPS (IDR)                    | 6,703  | 6,065  | 6,810  | 7,455  |
| Net Interest Margin           | 4.5%   | 4.5%   | 5.0%   | 4.9%   |
| Loan/Deposits                 | 88.9%  | 84.7%  | 84.8%  | 83.8%  |
| NPL                           | 2.3%   | 3.1%   | 2.9%   | 2.9%   |
| ROE                           | 13.1%  | 8.6%   | 11.6%  | 11.7%  |
| ROA                           | 1.9%   | 1.2%   | 1.6%   | 1.7%   |
| P/E                           | 9.5x   | 10.9x  | 8.1x   | 7.2x   |
| P/BV                          | 1.2x   | 1.0x   | 0.9x   | 0.8x   |
| P/Op. Revenue                 | 2.8x   | 2.2x   | 2.0x   | 1.9x   |
| DPS (IDR)                     | 206    | 155    | 210    | 236    |
| <i>Dividend yield</i>         | 2.6%   | 2.6%   | 3.5%   | 3.9%   |

Source: Company Data, Bloomberg, NHKS Research

Please consider the rating criteria & important disclaimer

## OVERWEIGHT

|                           |              |
|---------------------------|--------------|
| <b>Target Price (IDR)</b> | <b>6,000</b> |
| Consensus Price (IDR)     | 5,732        |
| TP to Consensus Price     | +4.7%        |
| vs. Last Price            | +6.2%        |

### Shares data

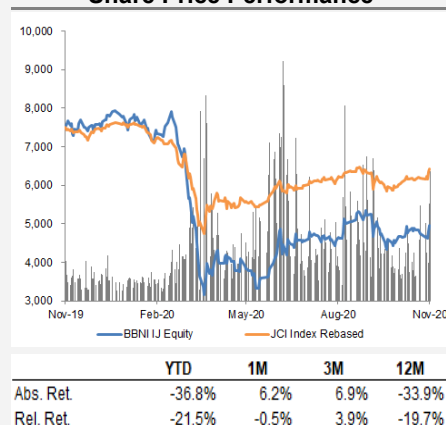
|                        |               |
|------------------------|---------------|
| Last Price (IDR)       | 5,650         |
| Price date as of       | Nov. 13, 2020 |
| 52 wk range (Hi/Lo)    | 8,000 / 2,970 |
| Free float (%)         | 40.0          |
| Outstanding sh.(mn)    | 18,649        |
| Market Cap (IDR bn)    | 97,905        |
| Market Cap (USD mn)    | 7,053         |
| Avg. Trd Vol - 3M (mn) | 62.25         |
| Avg. Trd Val - 3M (bn) | 307.33        |
| Foreign Ownership      | 16.3%         |

### Finance

#### Banking

|           |         |
|-----------|---------|
| Bloomberg | BBNI IJ |
| Reuters   | BBNI.JK |

### Share Price Performance

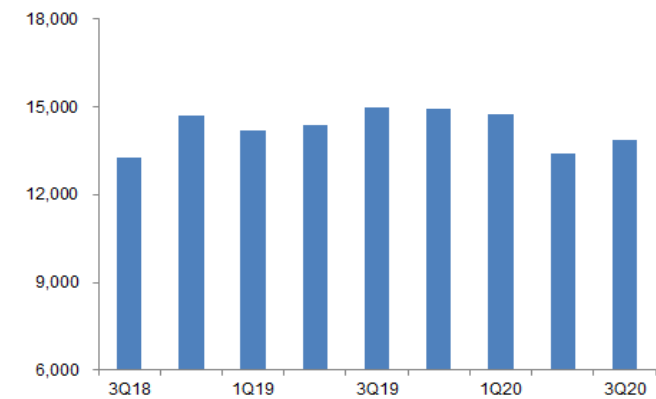


### Arief Machrus

arief.machrus@nhsec.co.id

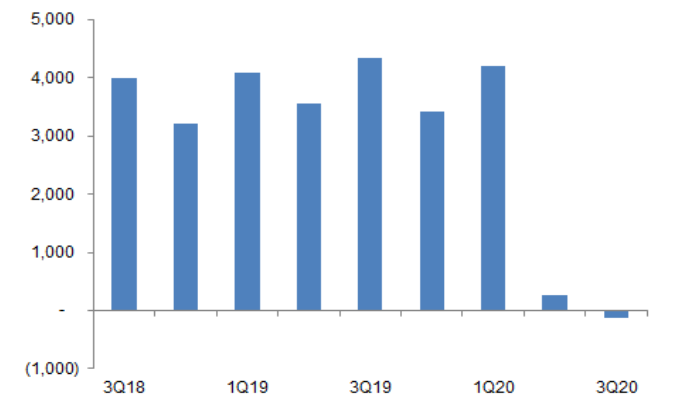
## Performance Highlights

Interest Income (IDR bn) | 3Q18 - 3Q20



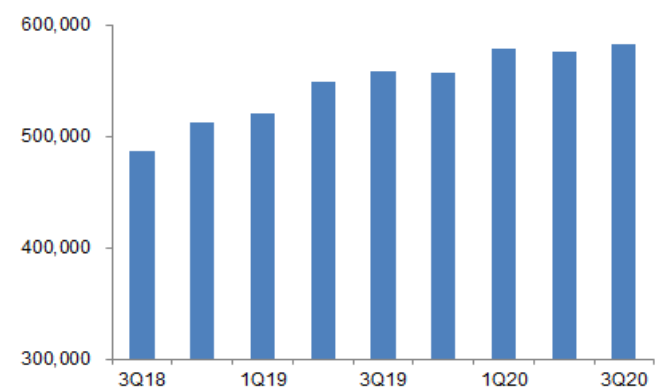
Source: Company, NHKSI Research

Net Profit (IDR bn) | 3Q18 - 3Q20



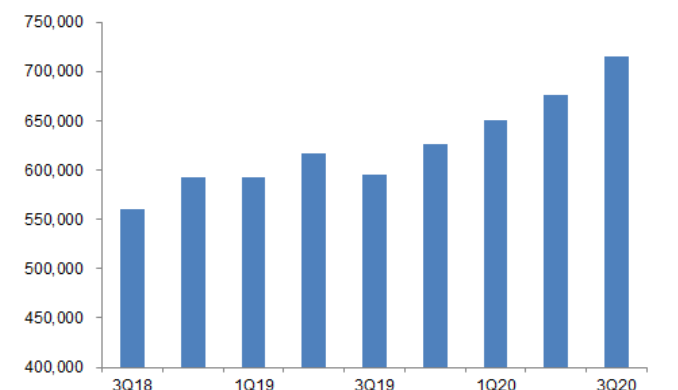
Source: Company, NHKSI Research

Gross Loan (IDR bn) | 3Q18 - 3Q20



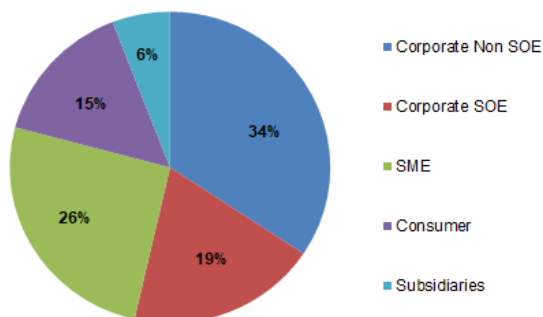
Source: Company, NHKS Research

Deposit (IDR bn) | 3Q18 - 3Q20



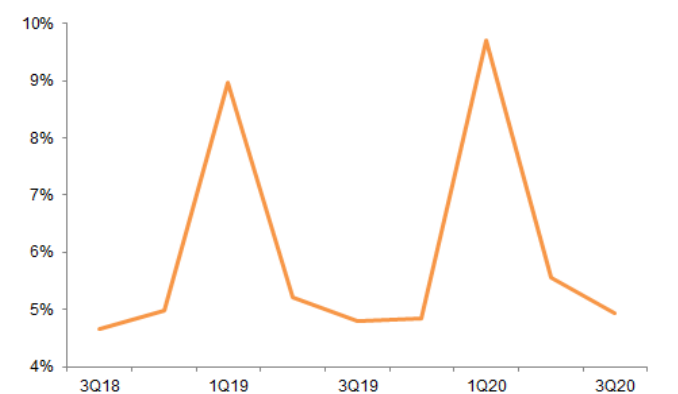
Source: Company, NHKS Research

Loan Composition



Source: Company, NHKS Research

Net Interest Margin | 3Q18 - 3Q20



Source: Company, NHKS Research

## 3Q20 review (IDR bn)

|  | 3Q19         | 4Q19         | 1Q20         | 2Q20       | 3Q20         |              |                |                |            | 4Q20         |
|--|--------------|--------------|--------------|------------|--------------|--------------|----------------|----------------|------------|--------------|
|  |              |              |              |            | Actual       | Estimate     | y-y            | q-q            | Surprise   |              |
| Interest Income                          | 14,993       | 14,941       | 14,745       | 13,418     | 13,869       | 17,733       | -7.5%          | 3.4%           | 27.9%      | 11,497       |
| Interest Expense                         | (5,734)      | (5,211)      | (5,206)      | (5,160)    | (5,018)      | (6,390)      | -12.5%         | -2.7%          | 27.3%      | (2,154)      |
| Net Interest Income                      | 9,259        | 9,730        | 9,539        | 8,258      | 8,850        | 11,343       | -4.4%          | 7.2%           | 28.2%      | 9,343        |
| Operating Revenue                        | 12,846       | 14,267       | 13,216       | 11,393     | 12,746       | 17,942       | -0.8%          | 11.9%          | 40.8%      | 13,714       |
| Pre-Provisioning Operating Profit (PPOP) | 6,915        | 7,780        | 7,626        | 5,745      | 6,615        | 9,784        | -4.3%          | 15.1%          | 47.9%      | 8,338        |
| Loan loss provisions                     | (1,461)      | (3,408)      | (2,271)      | (5,196)    | (6,510)      | (3,768)      | 345.4%         | 25.3%          | -42.1%     | 428          |
| <b>Net Profit</b>                        | <b>4,339</b> | <b>3,412</b> | <b>4,339</b> | <b>269</b> | <b>(137)</b> | <b>3,991</b> | <b>-103.2%</b> | <b>-150.8%</b> | <b>N/A</b> | <b>5,899</b> |

Source: Bloomberg, NHKSI Research

## Earnings revision (IDR bn)

|                     |                | 2020E         | 2021F         | 2022F         |
|---------------------|----------------|---------------|---------------|---------------|
| Interest Income     | Revised        | 53,528        | 58,231        | 60,336        |
|                     | Previous       | 53,039        | 59,650        | 63,371        |
|                     | Change         | 0.9%          | -2.4%         | -4.8%         |
| Interest Expenses   | Revised        | (17,538)      | (18,328)      | (18,735)      |
|                     | Previous       | (17,508)      | (19,359)      | (21,582)      |
|                     | Change         | 0.2%          | -5.3%         | -13.2%        |
| Net Interest Income | Revised        | 35,990        | 39,903        | 41,601        |
|                     | Previous       | 35,531        | 40,291        | 41,789        |
|                     | Change         | 1.3%          | -1.0%         | -0.5%         |
| Operating Revenue   | Revised        | 51,070        | 56,130        | 58,775        |
|                     | Previous       | 52,154        | 57,732        | 60,610        |
|                     | Change         | -2.1%         | -2.8%         | -3.0%         |
| Pre-Provisioning OP | Revised        | 28,324        | 31,994        | 33,502        |
|                     | Previous       | 28,324        | 31,354        | 32,916        |
|                     | Change         | 0.0%          | 2.0%          | 1.8%          |
| Loan Loss Provision | Revised        | (13,549)      | (13,262)      | (13,035)      |
|                     | Previous       | (14,704)      | (14,869)      | (11,947)      |
|                     | Change         | -7.9%         | -10.8%        | 9.1%          |
| <b>Net Profit</b>   | <b>Revised</b> | <b>10,219</b> | <b>13,876</b> | <b>15,554</b> |
|                     | Previous       | 9,599         | 12,199        | 16,396        |
|                     | Change         | 6.5%          | 13.7%         | -5.1%         |

Source: NHKSI Research

## BBNI at A Glance

BBNI is the fourth largest bank in Indonesia after BBRI, BMRI and BBCA 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

|                               | Market Cap<br>(USD mn) | Asset<br>(USD mn) | Int. Income<br>LTM<br>(USD mn) | Net Profit<br>LTM<br>(USD mn) | Net Profit<br>Growth LTM | ROE<br>LTM | P/E<br>LTM | P/BV |
|-------------------------------|------------------------|-------------------|--------------------------------|-------------------------------|--------------------------|------------|------------|------|
| <b>Indonesia</b>              |                        |                   |                                |                               |                          |            |            |      |
| BBNI                          | 5,949                  | 61,068            | 3,598                          | 534                           | -50.3%                   | 6.7%       | 11.2       | 0.8  |
| BBRI                          | 28,453                 | 102,315           | 7,763                          | 1,982                         | -15.6%                   | 15.2%      | 14.5       | 2.2  |
| BBCA                          | 49,322                 | 66,367            | 3,846                          | 1,913                         | -2.1%                    | 16.0%      | 26.0       | 4.0  |
| BMRI                          | 19,007                 | 95,201            | 5,511                          | 1,469                         | -21.8%                   | 11.1%      | 13.1       | 1.5  |
| BBTN                          | 1,015                  | 22,516            | 1,660                          | 36                            | -61.6%                   | 2.5%       | 28.2       | 0.8  |
| <b>Singapore</b>              |                        |                   |                                |                               |                          |            |            |      |
| DBS Group                     | 39,275                 | 430,571           | 7,589                          | 4,012                         | -7.3%                    | 10.8%      | 9.7        | 1.0  |
| United Overseas Bank          | 23,694                 | 300,765           | 7,767                          | 2,662                         | -11.8%                   | 9.8%       | 8.8        | 0.9  |
| Oversea-Chinese Banking       | 27,971                 | 365,678           | 8,122                          | 2,779                         | -16.9%                   | 8.2%       | 9.8        | 0.8  |
| <b>Malaysia</b>               |                        |                   |                                |                               |                          |            |            |      |
| CIMB Group                    | 6,968                  | 140,141           | 4,710                          | 629                           | -47.1%                   | 4.8%       | 10.9       | 0.5  |
| Malayan Banking               | 18,923                 | 203,988           | 4,086                          | 1,769                         | -7.4%                    | 9.2%       | 10.6       | 1.0  |
| Hong Leong Financial          | 3,883                  | 59,191            | 1,206                          | 442                           | -3.2%                    | 9.3%       | 8.6        | 0.8  |
| <b>Thailand</b>               |                        |                   |                                |                               |                          |            |            |      |
| Bangkok Bank                  | 6,020                  | 108,104           | 3,266                          | 731                           | -36.6%                   | 5.2%       | 8.2        | 0.4  |
| Siam Commercial Bank          | 7,075                  | 99,602            | 3,771                          | 890                           | -33.9%                   | 6.9%       | 7.9        | 0.5  |
| Bank of Ayudhya               | 4,497                  | 79,298            | 3,499                          | 837                           | -19.5%                   | 9.5%       | 5.4        | 0.5  |
| <b>Philippines</b>            |                        |                   |                                |                               |                          |            |            |      |
| BDO Unibank                   | 8,180                  | 62,894            | 2,856                          | 571                           | -33.7%                   | 7.8%       | 13.8       | 1.1  |
| Metropolitan Bank & Trust     | 3,738                  | 48,338            | 1,860                          | 349                           | -34.7%                   | 5.6%       | 11.4       | 0.6  |
| Bank of the Philippine Island | 6,853                  | 43,490            | 1,734                          | 476                           | -14.8%                   | 9.9%       | 13.8       | 1.2  |

Source: Bloomberg

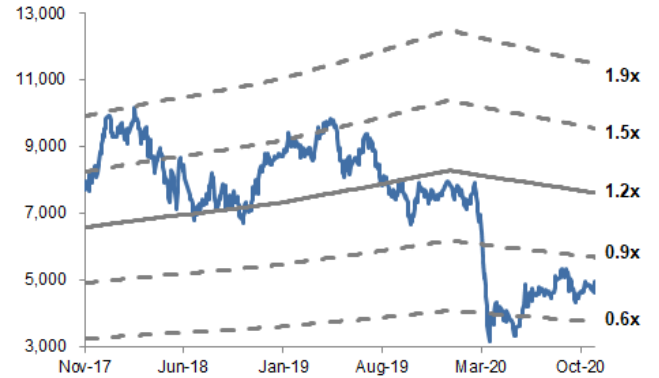
## Multiple Valuation

Forward P/B band | Last 3 years



Source: NHKSI Research

Dynamic Forward P/B band | Last 3 years



Source: NHKSI Research

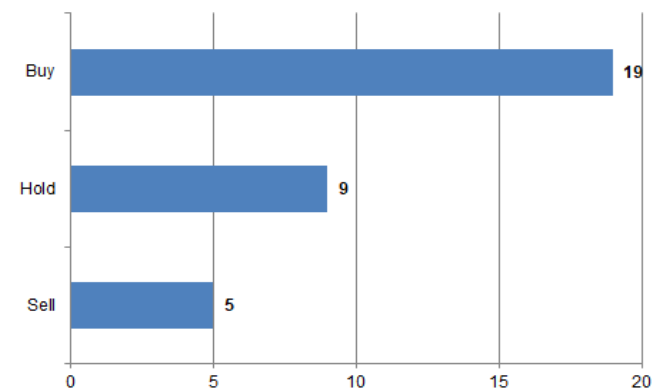
## Rating and Target Price Update

Target Price Revision

| Date       | Rating     | Target Price      | Last Price | Consensus | vs Last Price | vs Consensus |
|------------|------------|-------------------|------------|-----------|---------------|--------------|
| 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 | Buy        | 6,000 (12 Month)  | 5,075      | 5,509     | +18.2%        | +8.9%        |
| 13/11/2020 | Overweight | 6,000 (12 Month)  | 5,650      | 5,732     | +6.2%         | +4.7%        |

Source: NHKSI Research, Bloomberg

Analyst Coverage Rating



Source: Bloomberg

Closing and Target Price



Source: NHKSI Research

## 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>53,528</b> | <b>58,231</b> | <b>60,336</b> | ROE                       | 13.1%    | 8.6%     | 11.6%    | 11.7%    |
| <i>Growth (% y/y)</i>      | 8.1%          | -8.6%         | 8.8%          | 3.6%          | ROA                       | 1.9%     | 1.2%     | 1.6%     | 1.7%     |
| Interest Expenses          | (21,930)      | (17,538)      | (18,328)      | (18,735)      | Non-Int. Inc. /Op. Rev    | 29.6%    | 29.5%    | 28.9%    | 29.2%    |
| <b>Net Interest Income</b> | <b>36,602</b> | <b>35,990</b> | <b>39,903</b> | <b>41,601</b> | Cost/Income               | 45.5%    | 44.5%    | 43.0%    | 43.0%    |
| <i>Net Interest Margin</i> | 4.5%          | 4.5%          | 5.0%          | 4.9%          | Cash Dividend (IDR bn)    | 3,846    | 2,886    | 3,919    | 4,393    |
| Net Fee Income             | 8,851         | 8,457         | 9,376         | 9,775         | Dividend Yield (%)        | 2.6%     | 2.6%     | 3.5%     | 3.9%     |
| Trading Income             | 1,604         | 2,465         | 2,241         | 2,593         | Payout Ratio (%)          | 25.0%    | 28.2%    | 28.2%    | 28.2%    |
| Other Operating Income     | 4,954         | 4,158         | 4,610         | 4,807         | Loan/Deposits             | 88.9%    | 84.7%    | 84.8%    | 83.8%    |
| <b>Operating Revenue</b>   | <b>52,012</b> | <b>51,070</b> | <b>56,130</b> | <b>58,775</b> | Loan/Assets               | 65.8%    | 62.8%    | 62.9%    | 61.8%    |
| Operating Expenses         | (23,687)      | (22,746)      | (24,136)      | (25,273)      | NPL                       | 2.3%     | 3.1%     | 2.9%     | 2.9%     |
| <b>Pre-provisioning OP</b> | <b>28,325</b> | <b>28,324</b> | <b>31,994</b> | <b>33,502</b> | Loan Loss Res./Loan       | 3.0%     | 0.5%     | 0.6%     | 0.1%     |
| Provision for Impairment   | (8,838)       | (13,549)      | (13,262)      | (13,035)      | CASA/Deposits             | 66.6%    | 63.9%    | 64.4%    | 65.0%    |
| <b>EBT</b>                 | <b>19,369</b> | <b>14,535</b> | <b>18,461</b> | <b>20,183</b> | Time Deposits/Deposits    | 33.4%    | 36.1%    | 35.6%    | 35.0%    |
| Income Tax                 | (3,861)       | (4,171)       | (4,431)       | (4,440)       | Par Value (IDR)           | 375      | 375      | 375      | 375      |
| Non-controlling Interest   | (124)         | (145)         | (154)         | (189)         | Total Shares (mn)         | 18,649   | 18,649   | 18,649   | 18,649   |
| <b>Net Profit</b>          | <b>15,384</b> | <b>10,219</b> | <b>13,876</b> | <b>15,554</b> | Share Price (IDR)         | 7,850    | 6,000    | 6,000    | 6,000    |
| <i>Growth (% y/y)</i>      | 5.1%          | -33.6%        | 35.8%         | 12.1%         | 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         | 17,945         | 18,247         | 19,570         | Price /Earnings      | 9.5x     | 10.9x    | 8.1x     | 7.2x     |
| Placement in Banks          | 99,844         | 99,929         | 100,105        | 104,451        | Price /Book Value    | 1.2x     | 1.0x     | 0.9x     | 0.8x     |
| Net Loans                   | 539,862        | 534,620        | 559,308        | 586,689        | Price/Op. Revenue    | 2.8x     | 2.2x     | 2.0x     | 1.9x     |
| Investment                  | 109,125        | 117,746        | 129,222        | 146,941        | PE/EPS Growth        | 1.9x     | -0.3x    | 0.2x     | 0.6x     |
| Fixed Asset                 | 26,525         | 28,384         | 28,133         | 32,001         | EV/Operating Revenue | 3.7x     | 3.1x     | 2.8x     | 2.8x     |
| Other Assets                | 54,888         | 56,983         | 59,694         | 60,324         | EV/PPOP              | 6.8x     | 5.7x     | 5.0x     | 4.8x     |
| <b>Total Assets</b>         | <b>845,605</b> | <b>855,607</b> | <b>894,710</b> | <b>949,975</b> | EV (IDR bn)          | 193,839  | 160,220  | 159,884  | 162,439  |
| Deposits                    | 626,237        | 634,616        | 663,367        | 700,722        | Op. Rev. CAGR (3-Yr) | 12.5%    | 13.1%    | 10.8%    | 9.1%     |
| Debt                        | 60,321         | 63,462         | 63,104         | 66,657         | EPS CAGR (3-Yr)      | 8.1%     | 4.1%     | 7.0%     | 4.5%     |
| Other liabilities           | 34,044         | 44,423         | 41,249         | 43,572         | Basic EPS (IDR)      | 825      | 548      | 744      | 834      |
| <b>Total Liabilities</b>    | <b>720,601</b> | <b>742,500</b> | <b>767,720</b> | <b>810,951</b> | Diluted EPS (IDR)    | 825      | 548      | 744      | 834      |
| Capital Stock & APIC        | 23,623         | 23,623         | 23,623         | 23,623         | BVPS (IDR)           | 6,703    | 6,065    | 6,810    | 7,455    |
| Retained Earnings           | 82,464         | 75,610         | 86,599         | 98,234         | Op. Revenue PS (IDR) | 2,789    | 2,739    | 3,010    | 3,152    |
| <b>Shareholders' Equity</b> | <b>125,004</b> | <b>113,107</b> | <b>126,990</b> | <b>139,024</b> | DPS (IDR)            | 206      | 155      | 210      | 236      |

Source: NHKSI Research, Bloomberg

## 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%

### DISCLAIMER

This document is strictly confidential and is being supplied to you solely for your information. The recipients of this report must make their own independent decisions regarding any securities or financial instruments mentioned herein. This document may not be quoted, reproduced, exhibited, redistributed, transmitted, edited, translated, or published, in whole or in part, for any purpose without notice. Any failure to comply with this restriction may constitute a violation of civil or criminal laws.

This report and any electronic access hereto are restricted and intended only for the clients and related entities of PT NH Korindo Sekuritas Indonesia. This report is only for information and recipient use. It is not reproduced, copied, or made available for others. Under no circumstances is it considered as a selling offer or solicitation of securities buying. Any recommendation contained herein may not be suitable for all investors. Although the information hereof is obtained from reliable sources, its accuracy and completeness cannot be guaranteed. PT NH Korindo Sekuritas Indonesia, its affiliated companies, employees, and agents are held harmless from any responsibility and liability for claims, proceedings, action, losses, expenses, damages, or costs filed against or suffered by any person as a result of acting pursuant to the contents hereof. Neither is PT NH Korindo Sekuritas Indonesia, its affiliated companies, employees, nor agents are liable for errors, omissions, misstatements, negligence, inaccuracy contained herein. All rights reserved by PT NH Korindo Sekuritas Indonesia.

Source: NHKSI Research, Bloomberg