

Bank Negara Indonesia Tbk (BBNI)

Solid Performance Growth, Provision Still Rising

BBNI recorded solid performance recovery in 1H21, with increases in top-line from both interest and non-interest incomes. This resulted in Pre-provision Operating Profit (PPOP) growth to IDR 16.1 trillion (up 24.4% yoy). NPL gross level also continued to decline on a quarterly basis, although it is still relatively high at 3.9%; which resulted in significant increase of provision expense.

Solid PPOP Growth, Provision Expense Remains High

- BBNI booked solid top-line performance growth throughout 1H21, with interest and non-interest incomes each increased by 18.2% and 19.2% yoy.
- Revenue growth was successfully coupled with controlled operational expenses. This resulted in the significant increase of Pre-provision Operating Profit (PPOP) to IDR 16.1 trillion (+24.4% yoy vs IDR 12.9 trillion in 1H20).
- Meanwhile, provision expenses still rose by 36.2% yoy. Thus, 1H21 net profit was recorded at IDR 5.02 trillion (+12.8% yoy) and has reached 54.2% of our FY21 estimates.

CASA Level Increases, Cost of Funds Significantly Lower

- Third party funds such as Current Account and Savings Account increased by 11.7% and 11.4% yoy respectively. This resulted in CASA ratio rose to 69.6% which is its highest level in the past 10 year.
- The increase of low-cost funding portion contributed to the decline in cost of funds to 1.6%; which continued its downward trend from 2.9% in 1H20.

Plans to Strengthen Capital

- BBNI's management has revealed the importance of strengthening its tier-1 capital. Other than to anticipate the uncertainties due to the pandemic, additional capital is also necessary to avoid the potential increase of Cost of Funds. In 1H21, BBNI's tier-1 CAR position is at 15.99%; lower compared to other major banks.
- In September 2021, the House of Representatives (DPR-RI) has approved an additional PMN of IDR 3.5 trillion for BBNI which is conveyed in the investment financing reserves for the 2022 fiscal year.

Maintain BUY with Lower TP

- We maintain our BUY recommendation for BBNI with target price at IDR 6.050/share. Our TP implies FY22 P/BV of 0.8x (-1 std of 3-year average), with a potential upside of 17.5% from last price.
- Risk factors to our target price include: 1) Economic activity restriction which potentially lead declining asset quality; 2) Increasing provision expense; 3) Lower financial performance compared to peers.

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	12.2x	7.6x
P/BV	1.2x	1.0x	0.9x	0.8x
P/Op. Revenue	2.8x	2.2x	1.8x	1.8x
DPS (IDR)	206	50	140	225
<i>Dividend yield</i>	2.6%	0.8%	2.3%	3.7%

Source: Company Data, Bloomberg, NHKSI Research

Please consider the rating criteria & important disclaimer



Company Report | 23 September 2021

BUY

Target Price (IDR)	6,050
Consensus Price (IDR)	7,180
TP to Consensus Price	-15.7%
Potential Upside	+17.5%

Shares data

Last Price (IDR)	5,150
Price date as of	Sep 22, 2021
52 wk range (Hi/Lo)	6,750 / 4,310
Free float (%)	40.0
Outstanding sh.(mn)	18,649
Market Cap (IDR bn)	96,507
Market Cap (USD mn)	6,777
Avg. Trd Vol - 3M (mn)	24.7
Avg. Trd Val - 3M (bn)	123.9
Foreign Ownership	14.4%

Financial Services

Banking

Bloomberg	BBNI IJ
Reuters	BBNI.JK

Share Price Performance



	YTD	1M	3M	12M
Abs. Ret.	-17.0%	-5.5%	3.1%	11.7%
Rel. Ret.	-18.4%	-6.0%	2.0%	-9.6%

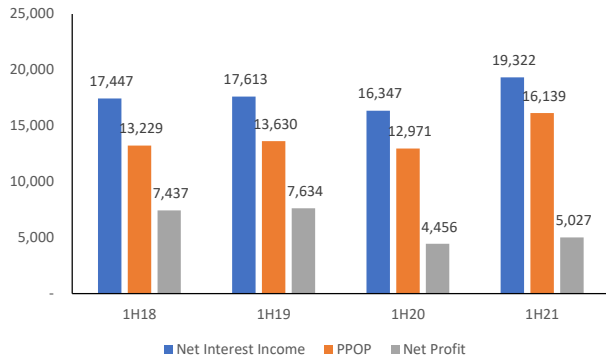
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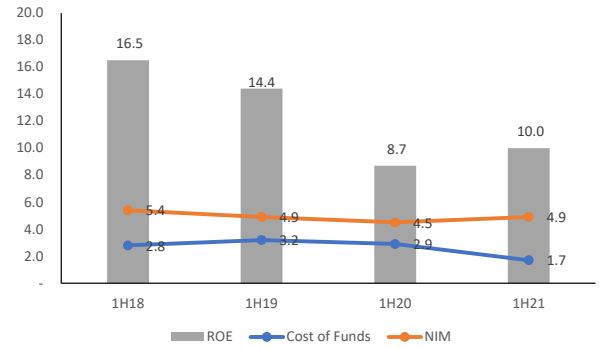
Performance Highlights

Financial Performance (IDR Billion)



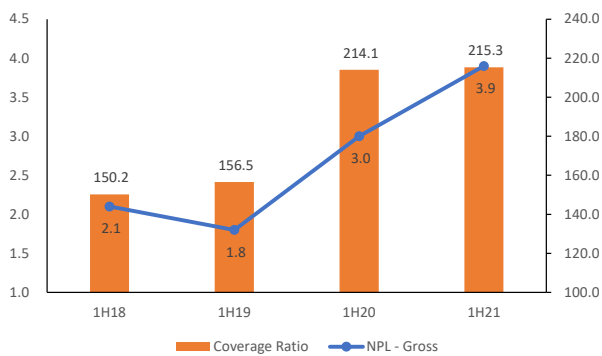
Source: Company, NHKSI Research

Profitability Ratios (%)



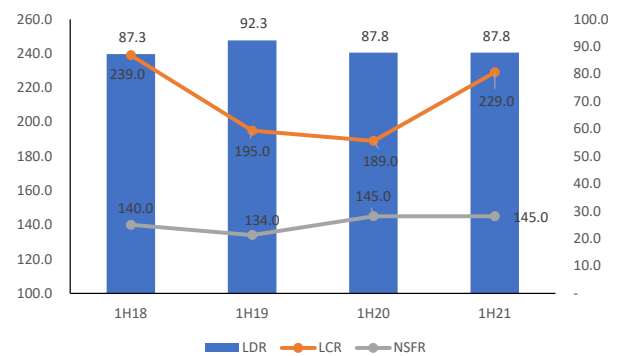
Source: Company, NHKSI Research

Asset Quality (%)



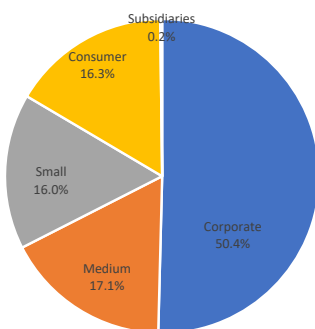
Source: Company, NHKSI Research

Liquidity (%)



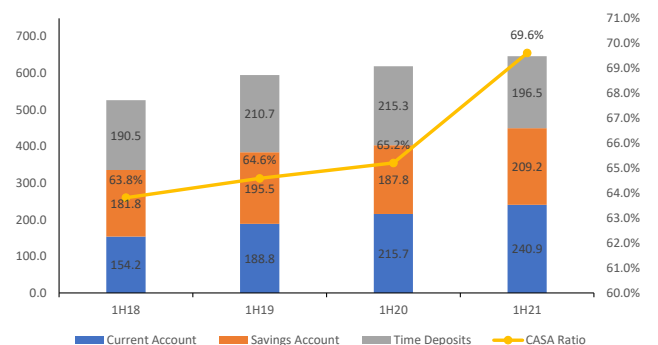
Source: Company, NHKSI Research

Loan Composition by Segment (%)



Source: Company, NHKSI Research

Third Party Funds Composition (IDR Tn)



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

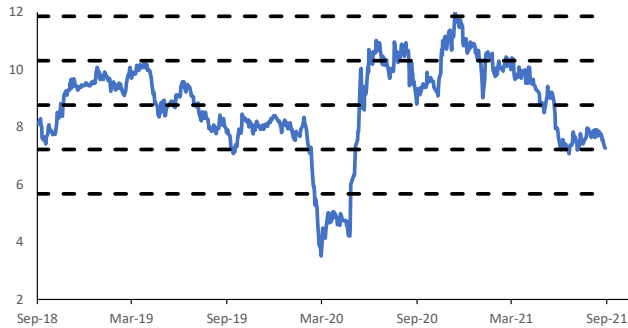
Company	Ticker	Market Cap (USD Mn)	Total Assets (USD Mn)	Net Income LTM			Dividend Yield	
				(USD Mn)	ROE (%)	P/E (x)	P/B (x)	LTM (%)
INDONESIA								
BANK NEGARA INDONESIA PERSER	BBNI IJ	6,742	60,122	267	3.4	24.9	0.8	0.9
BANK CENTRAL ASIA TBK PT	BBCA IJ	56,939	77,597	2,036	16.5	27.6	4.3	1.6
BANK RAKYAT INDONESIA PERSER	BBRI IJ	35,879	99,678	1,451	10.9	21.6	2.3	2.7
BANK MANDIRI PERSERO TBK PT	BMRI IJ	19,737	108,583	1,341	10.5	14.5	1.5	3.7
SINGAPORE								
DBS GROUP HOLDINGS LTD	DBS SP	55,750	499,287	4,515	11.0	12.4	1.3	3.0
UNITED OVERSEAS BANK LTD	UOB SP	31,448	331,827	2,256	7.6	12.9	1.1	3.9
OVERSEA-CHINESE BANKING CORP	OCBC SP	37,951	387,285	3,492	9.4	10.6	1.0	3.6
MALAYSIA								
CIMB GROUP HOLDINGS BHD	CIMB MK	11,434	147,580	736	5.3	12.0	0.8	1.0
THAILAND								
BANGKOK BANK PUBLIC CO LTD	BBL TB	6,502	128,646	618	4.2	11.1	0.5	3.1
SIAM COMMERCIAL BANK PUB CO	SCB TB	10,908	99,935	930	7.0	12.8	0.9	3.5

Source: Bloomberg

Data as of 21 September 2021

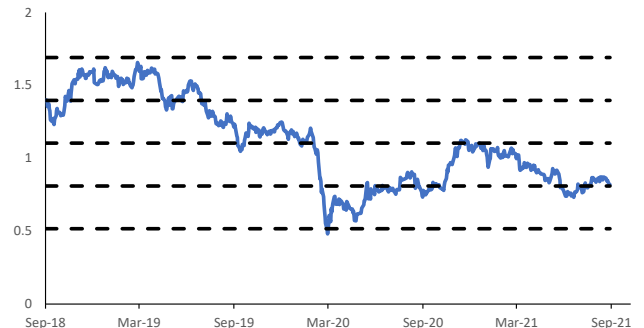
Multiple Valuation

Blended Forward P/E Band | Last 3 years



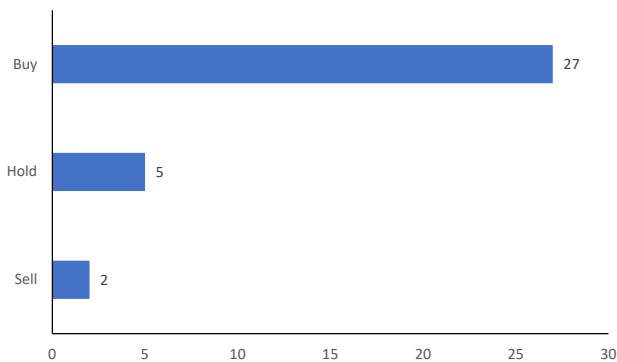
Source: NHKSI Research

P/BV 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	Potential Upside	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%
10/02/2021	Buy	7,950	6,225	7,112	+27.2%	+11.8%
23/09/2021	Buy	6,050	5,150	7,180	+17.5%	-15.7%

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>	<i>8.1%</i>	<i>-4.0%</i>	<i>14.0%</i>	<i>6.3%</i>	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>	<i>4.1%</i>	<i>4.2%</i>	<i>5.0%</i>	<i>4.7%</i>	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%	2.3%	3.7%
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	6,050	6,050
<i>Growth (% y/y)</i>	<i>5.1%</i>	<i>-78.7%</i>	<i>182.3%</i>	<i>60.5%</i>	Market Cap (IDR tn)	146.4	115.2	112.8	112.8

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	12.2x	7.6x
Placement in Banks	99,844	112,503	137,092	130,411	Price /Book Value	1.2x	1.0x	0.9x	0.8x
Net Loans	539,862	541,979	588,348	623,251	Price/Op. Revenue	2.8x	2.2x	1.8x	1.8x
Investment	109,125	129,825	145,651	168,783	PE/EPS Growth	1.9x	-0.4x	0.1x	0.1x
Fixed Asset	26,525	27,362	28,216	29,040	EV/Operating Revenue	3.7x	2.8x	2.5x	2.3x
Other Assets	54,888	62,344	65,965	67,271	EV/PPOP	6.8x	5.3x	4.4x	4.1x
Total Assets	845,605	891,337	990,338	1,046,989	EV (IDR bn)	193,839	147,710	153,545	148,412
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	85.6	Republic of Indonesia	60.0	
Investing Cash Flow	(31,135)	(50,341)	(61,737)	(64,110)	United States	4.8	Government Pension F	1.4	
Financing Cash Flow	14,738	45,639	87,918	52,909	Luxembourg	3.2	Vanguard Group	1.3	
Net Changes in Cash	(17,618)	45,123	7,742	3,166	Norway	2.0	Prudential PLC	1.2	

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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