



Melayani Negeri, Kebanggaan Bangsa

**BUY**

**Target Price : IDR5,700**

## Stock Data

Current Price	: IDR5,050
52wk Range H-L	: IDR 8,125-2,970
Share Outstanding	: 18.648 bn
Free Float (%)	: 39.96%
Mkt Capitalization (IDR bn)	: 95,108.10

## Major Shareholders

Government	: 60.00%
Public	: 40.00%

## PT Bank Negara Indonesia (Persero) Tbk (BBNI IJ) Banking Sector

### Providing Security in Uncertainty

#### 1H20 Performance: Slightly Below Expectation

BBNI managed to score a net profit of IDR4.45 trillion (-41.60% YoY) in 1H20 with 4.5% NIM, reflecting 40.74% of our estimates which is slightly lower than expected. Net interest income booked an increase of 1% YoY to IDR17.79 trillion, followed by the 3.2% YoY growth on Non-Interest Income to IDR5.55 trillion. ATM & e-channel (+9.2% YoY), Debit Card Maintenance (+6% YoY) and Account Maintenance (+5.6% YoY) contributed to the growth on Non-Interest Income. Subsequently, BBNI managed to achieve efficiency by lowering the operating expense by -0.3% YoY. However, provisioning were being increased by 88.20% YoY to IDR7.47 trillion to anticipate deflation on asset quality. For FY20E, NIM is set to be at the 3.7% -4% level, from previously around 5%.

#### CASA Optimization and Efficiency

Third Party Funds successfully grew by 11.3% YoY to IDR662.37 trillion in 1H20. This is supported by the substantial increase on Current Account (+18.4% YoY), along with Time Deposit (+8.8% YoY) and Saving Account (+7.1% YoY). Current account growth was supported by loan and non-loan related business while e-banking and online account activation contributed on the saving account growth. Thus, CASA stood at a higher level of 65.4% (vs 64.6% in 1H19). Efficiency is also reflected on the lower Cost of Fund which remains at 2.9% in 1H20 from previously at 3.2% throughout FY19.

#### Provisions always at the ready!

Loan stood at IDR576.77 trillion in 1H20, increased by 5% YoY which is still higher than the industry growth of 3.1% YoY (as of May-2020). Corporate segment as the largest contributor rose by 12.6% YoY this period, SOE segment also grew by 6.1% YoY followed by small segment which increased by 3.4% YoY. Medium segment (12%), on the other hand, slipped by -9.1% YoY. We see this is quite fair as medium segment was the largest contributor of Non Performing Loan or NPL (6.7% in 1H20). Moreover, NPL escalate to 3% (vs 1.8% in 1H19) due to worsening Loan at Risk (LAR) which prompt BBNI to increase provision by IDR4.4 trillion in the 2Q20, resulting in 214.1% coverage ratio in 1H20. Following the loan restructuring, non covid loan restructured reached 6.4% of the total loan with manufacturing sector as the largest contributor (39.7%) followed by trading, restaurant and hotel (28.4%). Likewise, covid loan restructured has reached 68.2% of the pipeline or amounted to IDR99.96 trillion in 1H20. The targeted covid restructured loan amount is around IDR126 - 130 trillion in 3Q20, lower than the pipeline of IDR146 trillion. Whilst, BBNI revised their Loan Growth target to 2% - 4% (from 10% - 12%), followed by LDR at 90% - 92%, NPL at 3.7% - 4.5% and credit cost at 3% - 3.5% for FY20E.

#### Ample Liquidity and Generous Loan Disbursement

Liquidity might be a challenge for banks as issues arises from loan payments and defaults during the pandemic season. However, BBNI has ensure that asset and liability are still well managed. This is shown in the ever increasing Liquidity Coverage Ratio which now stood at 189%. Moreover, through tight requirements and criteria, BBNI has disbursed IDR9.5 trillion of loan to more than 36,000 clients which is 1.83x more than the given national economy recovery fund amounting to IDR5 trillion. Disbursement made easier through BNI Move, a new application made specifically for Small Medium Enterprises (SMEs) located in remote areas to make funding reachable.

#### Recommendation: Maintain BUY at Target Price IDR5,700

We continue to maintain our recommend **BUY** for **BBNI** with a renewed target price at **IDR5,700** (from IDR4,300) with implied PBV FY20E/FY21F at 0.95x/0.87x and is traded at -1.5 STD of average 5 years PBV band. We see that BBNI's strategy to increase provision in order to secure the liquidity is quite decent amidst the uncertain time, which is also align with their lower performance guidance for FY20E.

#### Key Financial Highlight

YE Dec (IDR bn)	FY17	FY18	FY19	FY20E	FY21F
Net Interest Income	33,706	37,158	38,299	36,795	40,100
Net Profit	13,617	15,015	15,384	10,936	13,608
EPS (IDR)	730	805	825	586	730
PER (x)	6.92	6.27	6.12	8.61	6.92
BVS (IDR)	5,287	5,795	6,570	5,991	6,515
PBV (x)	0.96	0.87	0.77	0.84	0.78
ROAE (%)	14.50	14.53	13.34	9.34	11.67
ROAA (%)	2.08	1.98	1.86	1.25	1.40
Dividend Yield (%)	2.86	3.43	2.70	3.81	2.76

Source: Bloomberg, MNCS



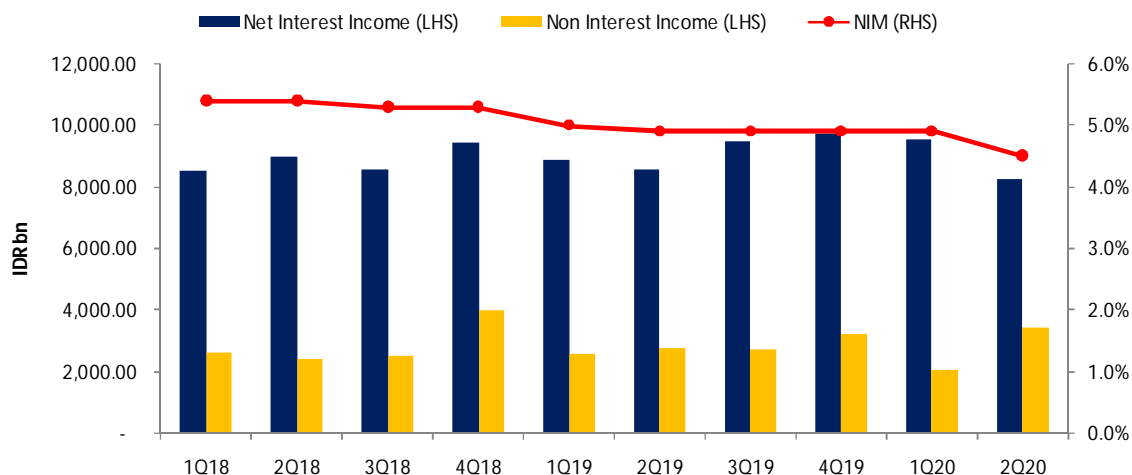
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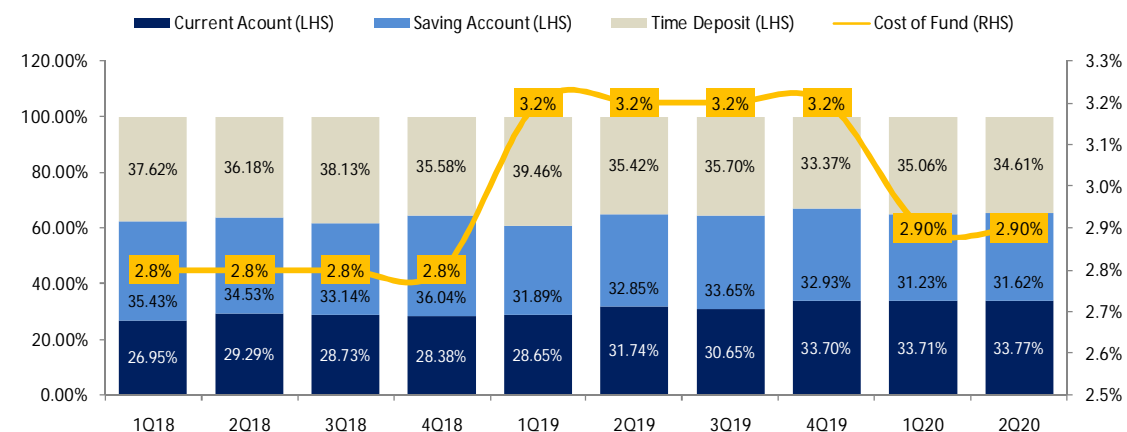
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**Exhibit 01. The pandemic is taking a toll on BBNI's Performance**



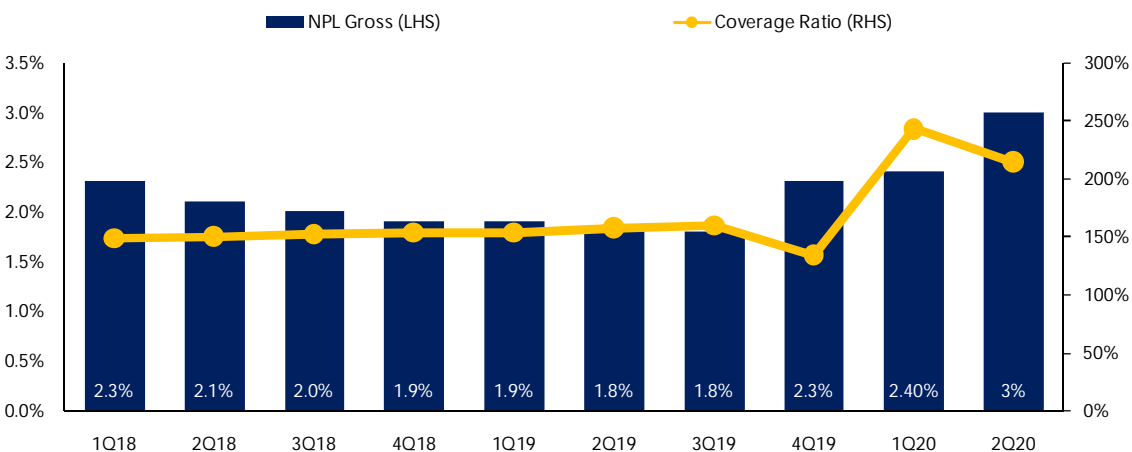
Source: BBNI, MNCS

**Exhibit 02. Maintained CASA with lower CoF**



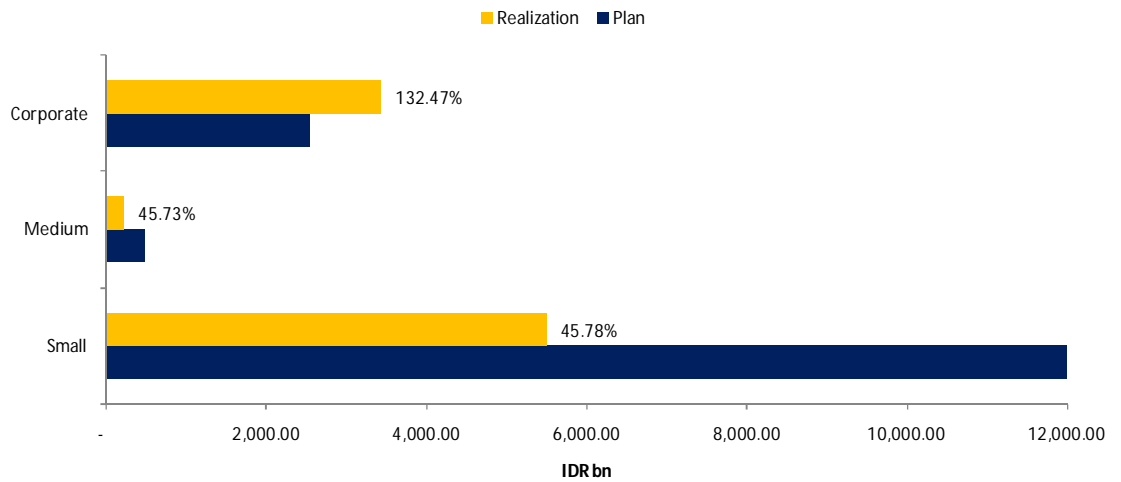
Source: BBNI, MNCS

**Exhibit 03. Rising NPL backed by higher Coverage Ratio**



Source: BBNI, MNCS

Exhibit 04. National Economic Recovery Fund Plan vs Realization as of August 13, 2020



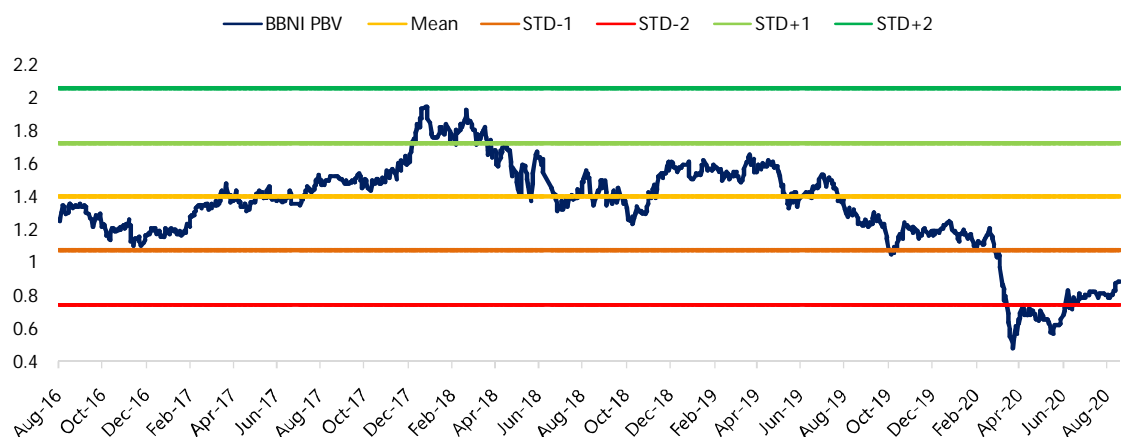
Source: BBNI, MNCS

Exhibit 05. BBNI's 1H20 Performance highlights

IDR Billion	1Q20	2Q20	QoQ	1H19	1H20	YoY	MNCS FY20E	% of FY20E
<b>Net Interest Income</b>	<b>9,539</b>	<b>8,258</b>	<b>-13.43%</b>	<b>17,613</b>	<b>17,797</b>	<b>1.04%</b>	<b>34,879.59</b>	<b>51.02%</b>
Non-interest Income	2,091	3,458	65.38%	5,375	5,549	3.24%		
PPOP	7,626	5,745	-24.67%	13,630	13,371	-1.90%		
Provision Expenses	2,271	5,196	128.80%	3,968	7,467	88.18%		
<b>Net Profit</b>	<b>4,253</b>	<b>203</b>	<b>-95.23%</b>	<b>7,634</b>	<b>4,456</b>	<b>-41.63%</b>	<b>10,936.41</b>	<b>40.74%</b>
<b>Ratios (%)</b>								
CAR	16.10	16.70		18.70	16.70			
LDR	92.30	87.80		92.30	87.80			
NIM	4.90	4.50		4.90	4.50			
NPL gross	2.40	3.00		1.80	3.00			

Source: BBNI, MNCS

Exhibit 06. Currently, BBNI is traded at 0.88x PBV (close to -1.5STD 5-year mean)



Source: Bloomberg, MNCS

**Exhibit 07. Financial Projections**

Income Statement						Balance Sheet					
IDR Billion	FY17	FY18	FY19	FY20E	FY21F	IDR Billion	FY17	FY18	FY19	FY20E	FY21F
Interest Income	55,050	60,136	64,691	62,644	67,758	Cash	11,578	14,044	15,362	17,276	19,754
Interest Expense	(21,344)	(22,978)	(26,391)	(25,849)	(27,659)	CA with BI	32,701	35,591	37,104	42,490	47,004
<b>Net Interest Income</b>	<b>33,706</b>	<b>37,158</b>	<b>38,299</b>	<b>36,795</b>	<b>40,100</b>	CA with Other Banks	21,335	13,134	14,963	16,613	18,325
Non-Interest Income	11,040	11,613	13,712	15,634	16,167	Placement with BI and Banks	28,593	39,324	47,777	55,490	64,450
<b>Operating Income</b>	<b>44,746</b>	<b>48,771</b>	<b>52,012</b>	<b>52,429</b>	<b>56,267</b>	Marketable Securities	36,050	32,044	27,162	38,019	53,153
Operating Expense	(20,396)	(21,783)	(23,687)	(25,267)	(27,094)	Loans	426,790	497,887	539,862	560,135	603,593
<b>Pre-Provision Income</b>	<b>24,350</b>	<b>26,988</b>	<b>28,325</b>	<b>27,161</b>	<b>29,173</b>	Fixed Assets	22,805	26,127	26,525	29,348	32,472
Provision Expense	(7,126)	(7,388)	(8,838)	(13,327)	(11,995)	Other Assets	129,479	150,421	136,851	149,904	200,939
<b>Pre-tax Profit</b>	<b>17,166</b>	<b>19,821</b>	<b>19,369</b>	<b>13,795</b>	<b>17,165</b>	<b>Total Assets</b>	<b>709,330</b>	<b>808,572</b>	<b>845,605</b>	<b>909,275</b>	<b>1,039,690</b>
Tax	(3,395)	(4,729)	(3,861)	(2,759)	(3,433)	Current Account	143,162	169,274	207,035	231,986	269,738
Minority Interest	(154)	(77)	(124)	(99)	(124)	Saving Account	182,295	206,056	202,266	205,698	215,656
<b>Net Profit</b>	<b>13,617</b>	<b>15,015</b>	<b>15,384</b>	<b>10,936</b>	<b>13,608</b>	Time Deposit	190,641	203,445	205,010	216,008	237,747
						Third Party Funds	<b>516,098</b>	<b>578,775</b>	<b>614,311</b>	<b>653,692</b>	<b>723,142</b>
<b>EPS (full amount)</b>	<b>730</b>	<b>805</b>	<b>825</b>	<b>586</b>	<b>730</b>	Deposit Other Banks	11,683	13,874	11,584	14,996	19,411
<b>BVS (full amount)</b>	<b>5,287</b>	<b>5,795</b>	<b>6,570</b>	<b>5,991</b>	<b>6,515</b>	Securities Issued	2,986	2,987	2,985	4,985	6,985
						Borrowings	<b>44,722</b>	<b>52,025</b>	<b>57,236</b>	<b>85,160</b>	<b>127,881</b>
						Other Liabilities	30,547	29,012	32,302	35,883	37,999
						<b>Total Liabilities</b>	<b>608,427</b>	<b>698,198</b>	<b>720,601</b>	<b>794,938</b>	<b>915,442</b>
						<b>Shareholder's Equity</b>	<b>100,903</b>	<b>110,373</b>	<b>125,004</b>	<b>114,337</b>	<b>124,249</b>
						<b>Total Liabilities and Equity</b>	<b>709,330</b>	<b>808,572</b>	<b>845,605</b>	<b>909,275</b>	<b>1,039,690</b>

Ratios					
Percentage (%)	FY17	FY18	FY19	FY20E	FY21F
NIM	5.59	5.38	5.12	4.59	4.51
ROAE	14.50	14.53	13.34	9.34	11.67
ROAA	2.08	1.98	1.86	1.25	1.40
LFR	85.02	88.14	90.20	88.76	86.64
CASA	63.06	64.85	66.63	66.96	67.12
NPL Gross	2.29	1.96	2.33	3.23	3.15
Coverage Ratio	143.81	148.35	130.45	129.69	145.17
Cost Efficiency	45.58	44.66	45.54	48.19	48.15
Cost to Income	73.90	72.80	75.38	83.40	80.51
CAR	18.53	18.50	19.73	17.40	17.58

Growth					
Percentage (%)	FY17	FY18	FY19	FY20E	FY21F
Loan Growth	12.21	16.19	8.60	5.00	8.20
Deposit Growth	18.50	12.14	6.14	6.41	10.62
Net Interest Income Growth	7.56	10.24	3.07	-3.93	8.98
Net Profit Growth	20.08	10.27	2.46	-28.91	24.43

Source: BBNI, MNCS

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### MNC Research Investment Ratings Guidance

**BUY** : Share price may exceed 10% over the next 12 months

**HOLD** : Share price may fall within the range of +/- 10% of the next 12 months

**SELL** : Share price may fall by more than 10% over the next 12 months

**Not Rated** : Stock is not within regular research coverage

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