



Melayani Negeri, Kebanggaan Bangsa

BUY

Target Price : IDR7,800

Stock Data

Curent Price	: IDR5,150
52wk Range H-L	: IDR6,750-4,310
Share Outstanding	: 18.648 bn
Free Float (%)	: 41.16%
Mkt Capitalization (IDR tn)	: 96.04

Major Shareholders

Government	: 58.84%
Public	: 41.16%

PT Bank Negara Indonesia (Persero) Tbk (BBNI IJ)

Banking Sector

Delivers Significant Improvements

1H21 Results Beat Estimates: Better NIM and CASA

- BBNI's net profit jumped 12.8% YoY to IDR5.03tn in 1H21. Net profit achieved 55%/58% of consensus and our FY21E targets.
- BBNI's double-digit growth of NII (+8.6% YoY) and Non-Interest Income (+19.2% YoY) drove up PPOP to increase by 20.7% YoY, offsetting +12.7% YoY opex hikes in 1H21.
- CoF dropped by 40bps YoY, helping NIM to be maintained at 4.8% (vs 4.5% in 1H20) and still in line with FY21E management guidance within the range of 4.7%-4.9%.
- Meanwhile, Non-Interest Income grew by 19.2% YoY, primarily driven by the banking businesses that grew 30.9% YoY, including trade financing, syndication, and marketable securities.
- Strong CASA franchise, which stood at 69.6% (+440bps YoY), supported CoF to drop by 120bps YoY to 1.7%. CASA grew more than 11% YoY while time deposits contracted by -8.7% YoY.
- Personnel expense in 1H21 increased significantly by 29.1% YoY and became the main contributor for driving up total operating expense growth of 12.7% YoY.
- BBNI successfully posted 4.5% YoY in loan growth as of June-21 after managing healthy growth from lower-risk segments on corporate, private, small business, and payroll loans, contributing to more than 50% from the total loan.
- NPL (gross) stood at 3.9% or 90bps YoY higher than in 1H20. However, restructuring trends have declined by IDR18.2tn to IDR81.76tn or equivalent with 14.4% of total loan in 1H21. This is also in line with LAR drop from last year's figure of 28% to 25.8% in June-21.
- BBNI maintains a sufficient provision policy amid the threat of worsening asset quality. As of June-21 LAR coverage stood at 32.9% and NPL coverage ratio improved to 215.3%.

FY21E Management Guidance

BBNI's management updated its FY21E guidance as follow :

- Management expects loan to gradually pick up by 5%-7% YoY (vs 6%-9% YoY previously)
- NIM expected to come in 4.7%-4.9% (vs 4.6%-4.8% YoY previously)
- Credit Cost expected to recover at 3.3%-3.6% (unchanged)

Maintain BUY with Unchanged TP of IDR7,800

We continue to maintain our recommendation **BUY** for **BBNI** with an **unchanged target price of IDR7,800**, implying PBV FY21E/FY22F at 1.22x/1.10x. BBNI is currently trading at -1.5STD PBV (5-years average) at 0.87x level, offers attractive valuation. We believe that BBNI's strategy to increase its provision to secure the liquidity is quite decent amidst the difficult time. The bank also delivered significant improvements in NIM, better CASA, higher LAR coverage, as well as higher ROE. Moving forward, BBNI will combine conventional banking strategy and expanding its digital ecosystem strategy through partnering with e-commerce and fintech players. Hence, we believe that FY20 performance has already bottomed out, and earnings should start to bounce back by 163% YoY in FY21E. Potential downside risks include a slower economic recovery amid pandemic. Any recoveries from written-off loans may be a positive surprise.

Key Financial Highlight

YE Dec (IDR bn)	FY18	FY19	FY20	FY21E	FY22F
Net Interest Income	35,446	36,602	37,152	42,309	46,838
Net Profit	15,015	15,384	3,280	8,628	16,264
EPS (IDR)	805	825	176	463	872
PER (x)	7.82	7.64	35.81	13.62	7.22
BVS (IDR)	5,795	6,570	5,909	6,372	7,109
PBV (x)	1.09	0.96	1.07	0.99	0.89
ROAE (%)	14.53	13.34	2.82	7.53	12.94
ROAA (%)	1.98	1.86	0.38	0.93	1.59

Source: Bloomberg, MNCS as of Aug 16, 2021



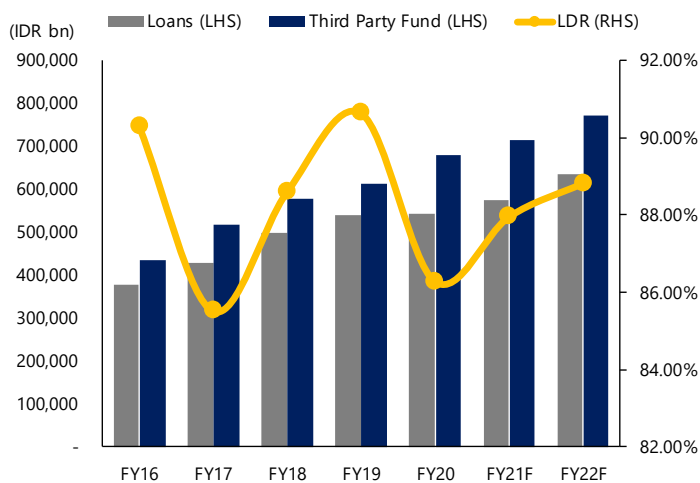
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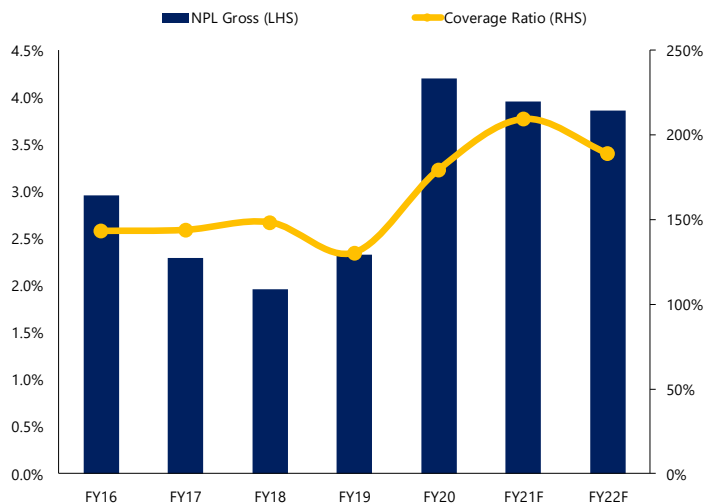
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Exhibit 01. BBNI's Loan, Third Party Fund, and LDR



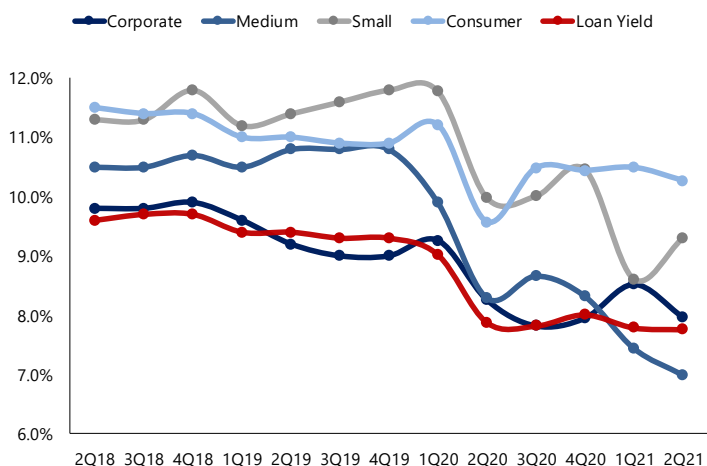
Source: BBNI, MNCS

Exhibit 02. BBNI's NPL Gross and Coverage Ratio



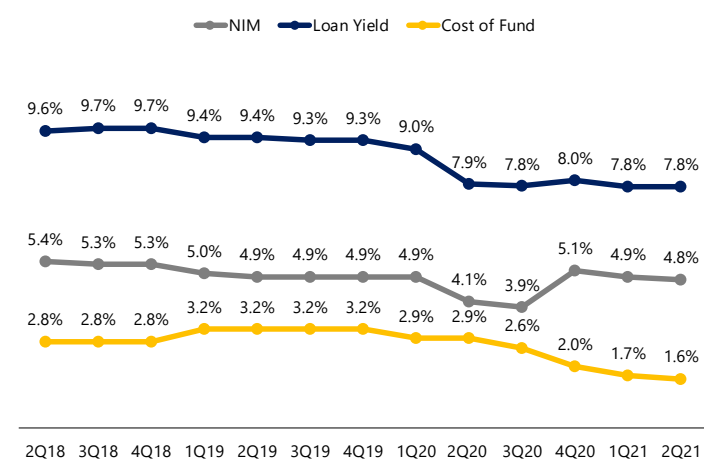
Source: BBNI, MNCS

Exhibit 03. Loan Yield by Segment – Bank Only



Source: BBNI

Exhibit 04. BBNI's NIM, Loan Yield and Cost of Fund



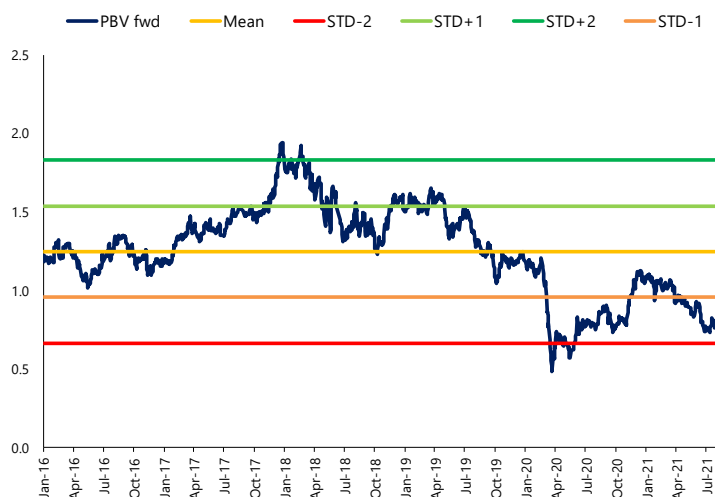
Source: BBNI

Exhibit 05. BBNI's FY20 Results

IDR Billion	1H20	1H21	YoY	%MNCS FY21E	% Cons FY21E
Net Interest Income	17,797	19,322	8.6%		
PPOP	13,371	16,139	20.7%		
Provision Expenses	7,467	9,786	31.1%		
Net Profit	4,456	5,027	12.8%	58%	55%
Ratios (%)					
CAR	17.0	19.1			
LDR	86.9	88.1			
NIM	4.5	4.8			
NPL gross	3.0	3.9			

Source: BBNI, MNCS

Exhibit 06. 5 Years Average of BBNI's PBV Band



Source: Bloomberg

Exhibit 07. Financial Projections

Income Statement						Balance Sheet					
IDR Billion	FY18	FY19	FY20	FY21E	FY22F	IDR Billion	FY18	FY19	FY20	FY21E	FY22F
Interest Income	54,139	58,532	56,173	67,188	72,390	Cash	14,044	15,362	17,324	18,334	20,563
Interest Expense	(18,692)	(21,930)	(19,021)	(24,878)	(25,552)	CA with BI	35,591	37,104	35,066	36,813	39,831
Net Interest Income	35,446	36,602	37,152	42,309	46,838	CA with Other Banks	13,134	14,963	16,108	17,939	19,977
Non-Interest Income	13,324	15,409	14,884	15,938	16,966	Placement with BI and Banks	39,324	47,777	61,329	74,823	91,286
Operating Income	48,771	52,012	52,036	58,248	63,804	Marketable Securities	32,044	27,162	29,687	32,360	35,309
Operating Expense	(21,783)	(23,687)	(24,214)	(25,719)	(27,939)	Loans	497,887	539,862	541,979	575,383	635,534
Pre-Provision Income	26,988	28,325	27,822	31,254	34,760	Fixed Assets	26,127	26,525	27,362	28,226	29,118
Provision Expense	(7,388)	(8,838)	(22,590)	(20,331)	(14,232)	Other Assets	150,421	136,851	162,483	181,047	210,658
Pre-tax Profit	19,821	19,369	5,112	10,883	20,514	Total Assets	808,572	845,605	891,337	964,925	1,082,276
Tax	(4,729)	(3,861)	(1,791)	(2,177)	(4,103)	Current Account	169,274	207,035	227,475	245,383	268,329
Minority Interest	(77)	(124)	(41)	(78)	(148)	Saving Account	206,056	202,266	236,696	243,677	261,807
Net Profit	15,015	15,384	3,280	8,628	16,264	Time Deposit	203,445	205,010	215,281	224,248	241,656
						Third Party Funds	578,775	614,311	679,452	713,309	771,792
EPS (full amount)	805	825	176	463	872	Deposit Other Banks	13,874	11,584	9,023	11,680	15,120
BVS (full amount)	5,795	6,570	5,909	6,372	7,109	Securities Issued	2,987	2,985	2,985	4,985	6,985
						Borrowings	52,025	57,236	44,114	65,637	97,660
						Other Liabilities	29,012	32,302	40,300	44,601	51,540
						Total Liabilities	698,198	720,601	778,465	843,285	946,743
						Shareholder's Equity	110,373	125,004	112,872	121,640	135,533
						Total Liabilities and Equity	808,572	845,605	891,337	964,925	1,082,276

Ratios					
Percentage (%)	FY18	FY19	FY20	FY21E	FY22F
NIM	5.14	4.89	4.50	4.77	4.84
ROAE	14.53	13.34	2.82	7.53	12.94
ROAA	1.98	1.86	0.38	0.93	1.59
LFR	88.14	90.20	85.90	87.34	88.02
CASA	64.85	66.63	68.32	68.56	68.69
NPL Gross	1.96	2.33	4.30	3.96	3.86
Coverage Ratio	148.35	130.45	179.57	209.41	189.07
Cost to Income	43.15	44.10	45.25	44.15	43.79
CAR	18.50	19.73	16.78	17.27	19.06

Growth					
Percentage (%)	FY18	FY19	FY20	FY21E	FY22F
Loan Growth	16.19	8.58	5.29	7.02	9.27
Deposit Growth	12.14	6.14	10.60	4.98	8.20
Net Interest Income	10.98	3.26	1.50	10.45	11.45
Net Profit Growth	10.27	2.46	-78.68	163.01	88.51

Source: BBNI, MNCS

MNC Research Industry Ratings Guidance

OVERWEIGHT: Stock's total return is estimated to be above the average total return of our industry coverage universe over next 6-12 months

NEUTRAL: Stock's total return is estimated to be in line with the average total return of our industry coverage universe over next 6-12 months

UNDERWEIGHT: Stock's total return is estimated to be below the average total return of our industry coverage universe over next 6-12 months

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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