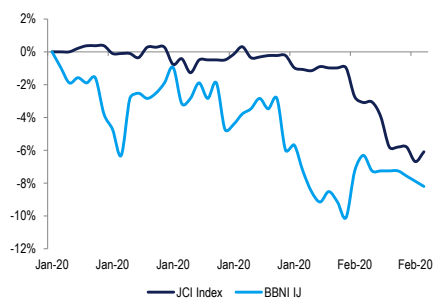


Stock Data

Target price	Rp9,000
Prior TP	Rp9,000
Current price	Rp7,400
Upside/downside	+22%
Shares outstanding (mn)	18,649
Market cap (Rp bn)	138,000
Free float	40%
Avg. 6m daily T/O (Rp bn)	153

Price Performance

	3M	6M	12M
Absolute	-4.3%	-7.9%	-18.3%
Relative to JCI	-0.1%	-3.8%	-10.4%
52w low/high (Rp)	6,675-9,850		



Major Shareholders

Republic of Indonesia	60%
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Attractive risk-reward proposition

- We recently met with BBNI management (CEO, CFO and its corporate banking director) to discuss its FY20 outlook.
- We were pleasantly surprised to find out that NIM has started to improve while provision to remain prudent, contrary to what market believes.
- It remains one of our top pick. At 1.2x P/BV we think it offers the most attractive risk-reward proposition. Risk is management change, if any.

FY20 outlook remains bright despite upcoming AGM

We recently had a discussion with BBNI's CEO, CFO and corporate banking director with regards to its FY20 outlook amidst investors' concern on upcoming AGM (potential management change hence higher risk of kitchen sinking). Pak Baiquni as its CEO admitted that AGM remains the biggest overhang and hence already anticipated such issue by starting building its provision in FY19 (instead of booking bigger profits) along with higher IFRS 9 provision adjustment.

Prudent provisioning approach

Contrary to investors' concern on underprovisioning, we found that BBNI has been quite prudent with its provisioning approach. Post IFRS 9 both KRAS and Duniatex (two biggest issues last year) coverage will be at 90% and 100%, respectively (higher than BMRI's c.45%/60% and BBRI 60-70%/100% for KRAS/Duniatex). Overall NPL/LAR coverage will be at 260%/59% vs. BMRI's 256%/61% and BBRI's 229%/60% which doesn't justify the valuation discount.

Improvement in NIM was encouraging amidst lower CoF

Our discussion with management also suggested that its NIM has come back to c.5% in Jan20 vs. 4.9% in FY19. The improvement in NIM was largely supported by lower CoF amid surge in CASA in Nov/Dec (CASA up 5% mom both in Nov and Dec). Jan20 CASA also went up by c.11% yoy vs. TD -3% yoy which showed an encouraging trend.

BBNI remains one of our top pick

BBNI remained a laggard vs. BBRI (-10%) and BMRI (-8%) YTD due to AGM overhang. Our discussion suggests that whoever replaces current management shall not be worried by asset quality post build-up in provision in FY19 and IFRS 9 adjustment. It now trades at 1.2x 2020 P/BV (post asset reval and IFRS 9 adjustment), lower than its 10Y avg of 1.4x, it also offers 36%/57% discount against BMRI/BBRI vs. its 10Y avg of 29%/44%. Risk is major change in management, though we think it's unlikely.

Financial Summary	2018	2019	2020F	2021F	2022F
Net interest income (Rp bn)	35,446	36,602	39,237	44,167	48,961
Non-interest income (Rp bn)	13,324	15,409	17,550	19,545	21,849
Total revenue (Rp bn)	48,771	52,011	56,787	63,712	70,811
PPOP (Rp bn)	26,988	28,324	31,665	36,564	40,728
Provision charges (Rp bn)	(7,388)	(8,838)	(9,206)	(10,296)	(10,747)
Net profit (Rp bn)	15,015	15,384	17,878	20,914	23,873
Net profit growth	10%	2%	16%	17%	14%
FD EPS (Rp)	805	825	959	1,121	1,280
P/BV (x)	1.3	1.1	1.2	1.0	0.9
Dividend yield	3.5%	3.6%	3.9%	4.5%	5.3%
ROAE	14.2%	13.3%	14.9%	16.6%	16.8%
IPS vs. consensus			103%	108%	108%

Sources: Company, IndoPremier

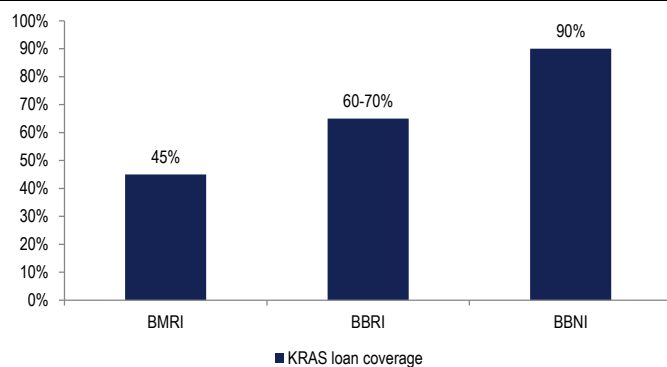
Share price closing as of 13 February 2020

FY20 outlook remains bright despite upcoming AGM amid prudent provisioning

We recently had a discussion with BBNI's CEO, CFO and corporate banking director with regards to its FY20 outlook amidst investors' concern on upcoming AGM (potential management change hence higher risk of kitchen sinking). Pak Baiquni as its CEO admitted that AGM remains the biggest overhang and hence already anticipated such issue by starting building its provision in FY19 (instead of booking bigger profit) along with higher IFRS 9 provision adjustment

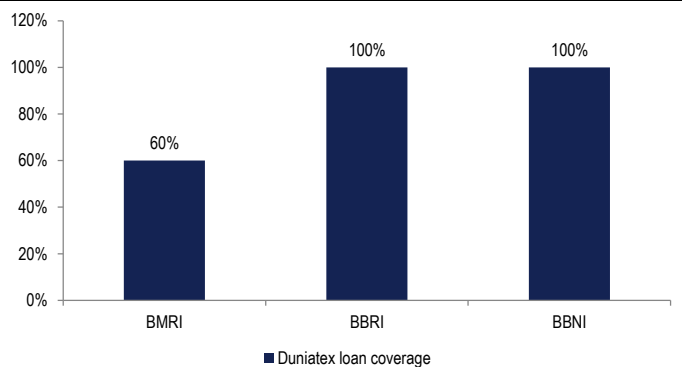
Contrary to investors' concern on underprovisioning, we found that BBNI has been quite prudent with its provisioning approach. Post IFRS 9 both KRAS and Duniatex (two biggest issues last year) coverage will be at 90% and 100%, respectively (higher than BMRI's c.45%/60% and BBRI 60-70%/100% for KRAS/Duniatex). Overall NPL/LAR coverage will be at 260%/59% vs. BMRI's 256%/61% and BBRI's 229%/60% which doesn't justify the valuation discount.

Fig. 1: Post IFRS 9, BBNI will have 90% coverage on KRAS exposure (vs. 45% for BMRI and 60-70% for BBRI)



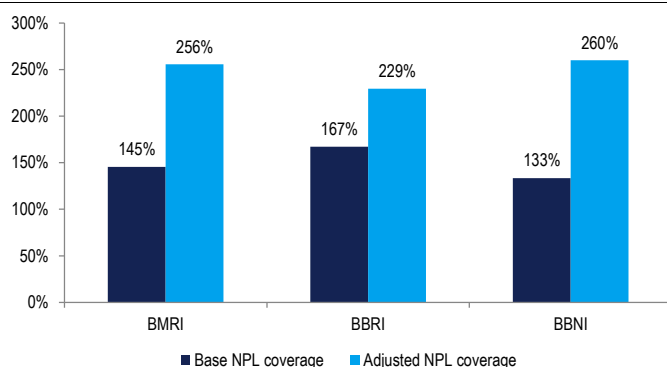
Sources: Company, IndoPremier

Fig. 2: Post IFRS 9, BBNI will have 100% coverage on Duniatex exposure (vs. 60% for BMRI and 100% on BBRI)



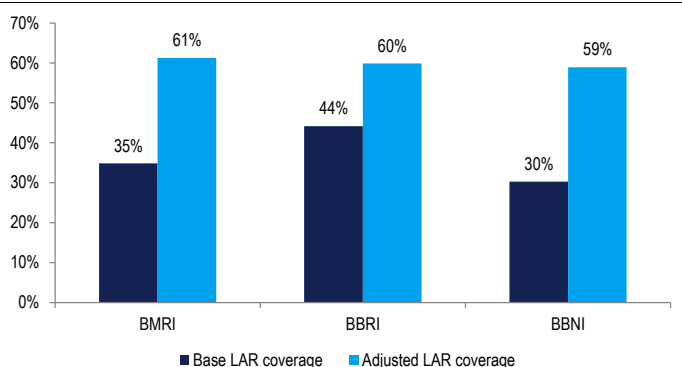
Sources: Company, IndoPremier

Fig. 3: Post IFRS 9, BBNI's overall NPL coverage will rise to 260% vs. BMRI's 256% and BBRI's 229%



Sources: Company, IndoPremier

Fig. 4: Post IFRS 9, BBNI's overall LAR coverage will rise to 59% vs. BMRI's 61% and BBRI's 60%

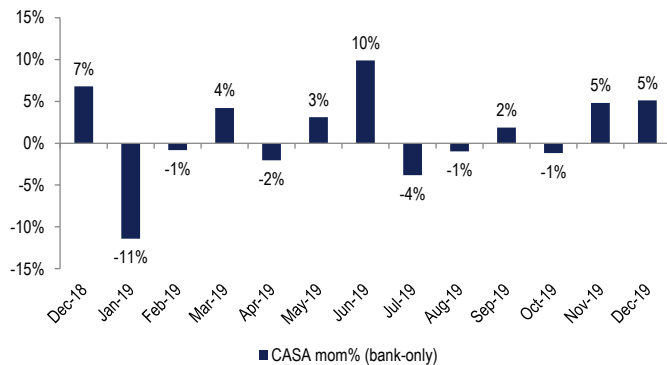


Sources: Company, IndoPremier

Improvement in NIM was encouraging amidst lower CoF

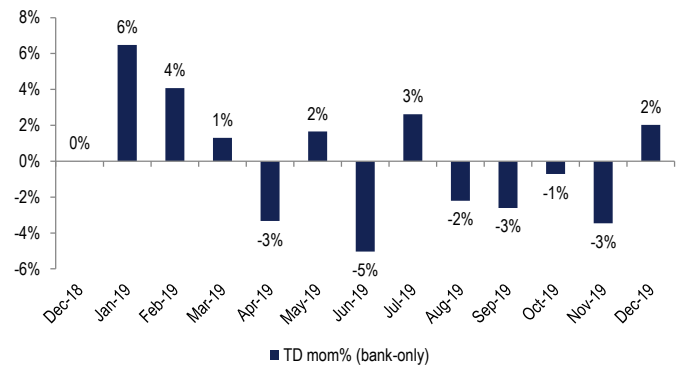
Our discussion with management also suggested that its NIM has come back to c.5% in Jan20 vs. 4.9% in FY19. The improvement in NIM was largely supported by lower CoF amid surge in CASA in Nov/Dec (CASA up 5% mom both in Nov and Dec). Jan20 CASA also went up by c.11% yoy vs. TD -3% yoy which showed an encouraging trend.

Fig. 5: CASA saw a surge in Nov19 and Dec19, growing by 5% mom in both months



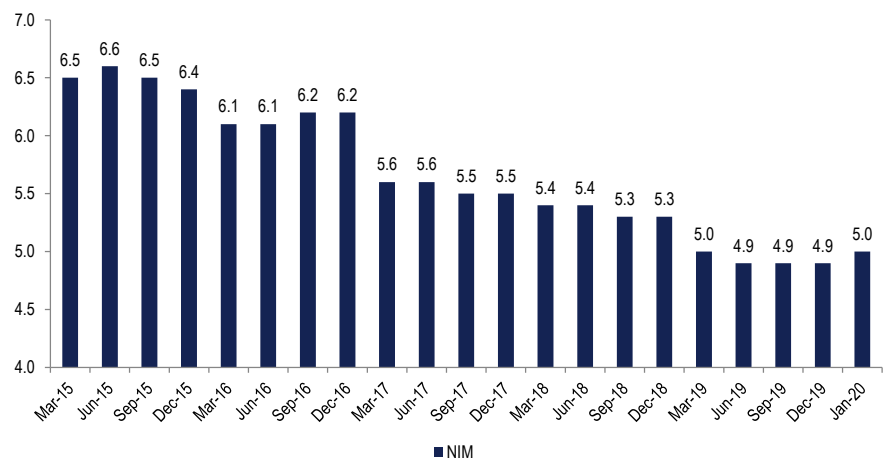
Sources: Company, IndoPremier

Fig. 6: TD was relatively more benign at -3% mom in Nov19 and +2% mom in Dec19



Sources: Company, IndoPremier

Fig. 7: NIM has improved to 5% in Jan20 vs. 4.9% as of FY19, supported by lower CoF amid surge in CASA in Nov/Dec19



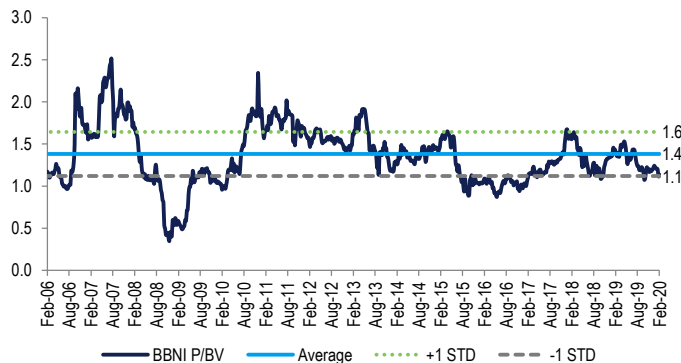
Sources: Company, IndoPremier

BBNI remains one of our top picks

BBNI remained a laggard to BBRI (-10%) and BMRI (-8%) YTD due to AGM overhang. Our discussion suggests that whoever replaces current management shall not be worried by asset quality amid aggressive provision in FY19 and IFRS 9 adjustment.

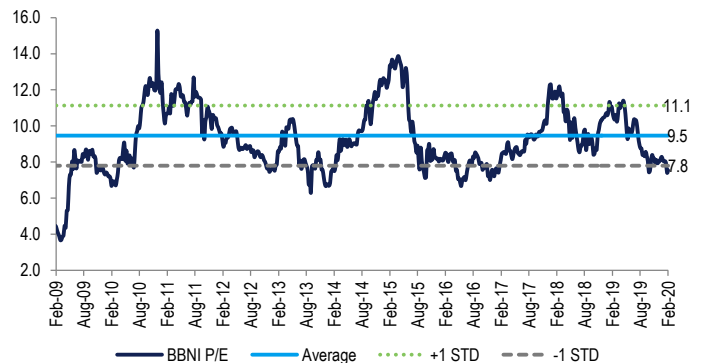
It now trades at 1.2x 2020 P/BV (post asset reval and IFRS 9 adjustment), lower than its 10Y avg of 1.4x, it also offers 36%/57% discount against BMRI/BBRI vs. its 10Y avg of 29%/44%. Risk is major change in management, though we think its unlikely.

Fig. 8: BBNI forward P/BV – now trading at 1.2x P/BV vs. 10 year average of 1.4x P/BV



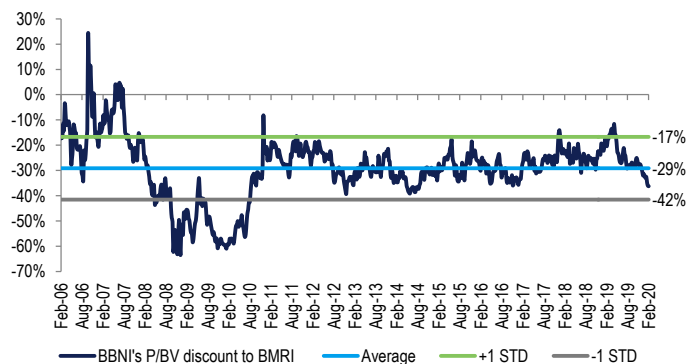
Sources: Company, Bloomberg, IndoPremier

Fig. 9: BBNI forward P/E – now trading at 7.7x P/E vs. 10 year average of 9.5x P/E



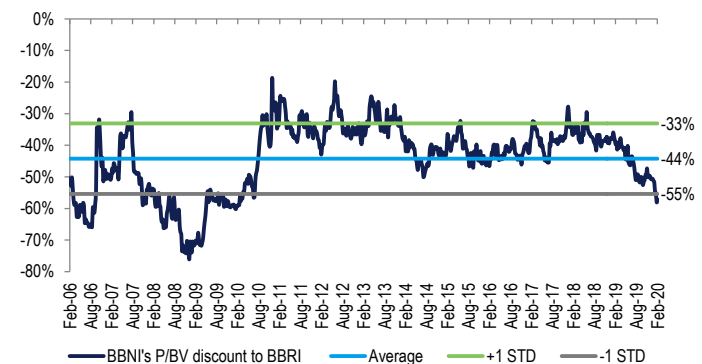
Sources: Company, Bloomberg, IndoPremier

Fig. 10: BBNI now trading at a 36% P/BV discount to BMRI vs. 10-year average of 29%



Sources: Company, Bloomberg, IndoPremier

Fig. 11: BBNI now trading at a 57% P/BV discount to BBRI vs. 10-year average of 44%



Sources: Company, Bloomberg, IndoPremier

Fig. 12: Peer comparison table

Ticker	Closing Price	Target Price	P/BV multiple	Upside target (x)	Recommendation	P/E (x)		P/BV (x)	
						2020F	2021F	2020F	2021F
BMRI **	7,850	9,000	1.9	15%	Buy	11.7	10.3	1.8	1.6
BBRI **	4,570	5,200	2.6	14%	Buy	14.6	13.0	2.6	2.3
BBCA *	33,950	31,000	4.0	-9%	Hold	26.0	22.7	4.2	3.7
BBNI **	7,400	9,000	1.4	22%	Buy	7.7	6.6	1.2	1.0
BBTN **	1,750	2,750	1.3	57%	Buy	6.8	5.0	1.0	0.8

* including asset reval

** including asset reval, post IFRS 9 book value

Sources: Company, Bloomberg, IndoPremier

Share price closing as of 13 February 2020

Income Statement (Rp bn)	2018	2019	2020F	2021F	2022F
Interest income	54,139	58,532	65,072	72,605	80,289
Interest expense	(18,692)	(21,930)	(25,835)	(28,438)	(31,328)
Net interest income	35,446	36,602	39,237	44,167	48,961
Non-interest income	13,324	15,409	17,550	19,545	21,849
Total operating income	48,771	52,011	56,787	63,712	70,811
Opex	(21,783)	(23,687)	(25,123)	(27,149)	(30,083)
PPOP	26,988	28,324	31,665	36,564	40,728
Provisions	(7,388)	(8,838)	(9,206)	(10,296)	(10,747)
Operating profit	19,600	19,486	22,459	26,268	29,981
Non-operating profit	221	(118)	-	-	-
Pre-tax profit	19,821	19,368	22,459	26,268	29,981
Income tax	(4,729)	(3,902)	(4,492)	(5,254)	(5,996)
Minority interest	(77)	(82)	(89)	(100)	(111)
Net profit	15,015	15,384	17,878	20,914	23,873

Balance Sheet (Rp bn)	2018	2019	2020F	2021F	2022F
Cash + CA with BI	49,635	50,078	57,420	61,558	66,102
Secondary reserves	171,294	149,261	159,709	170,888	182,851
Gross loans	512,779	556,771	648,023	724,732	810,530
Loan provisions	(14,892)	(17,154)	(29,984)	(29,984)	(29,217)
Other assets	89,756	93,577	98,447	103,803	109,695
Total Assets	808,572	832,532	933,614	1,030,997	1,139,962
Total deposits	593,007	626,236	709,569	792,295	884,706
Securities and borrowings	76,536	57,236	76,536	76,536	76,536
Other liabilities	28,655	28,555	28,555	28,555	28,555
Total liabilities	698,198	712,027	814,660	897,386	989,797
Shareholders' equity	110,374	120,506	118,954	133,611	150,165
Total liabilities & equity	808,572	832,532	933,614	1,030,997	1,139,962

Sources: Company, IndoPremier

Growth YoY	2018	2019	2020F	2021F	2022F
Gross loans	16.2%	8.6%	16.4%	11.8%	11.8%
Total assets	14.0%	3.0%	12.1%	10.4%	10.6%
Total deposits	12.3%	5.6%	13.3%	11.7%	11.7%
Net interest income	11.0%	3.3%	11.2%	12.6%	10.9%
Non-interest income	0.4%	15.6%	13.9%	11.4%	11.8%
Total operating income	7.9%	6.6%	9.2%	12.2%	11.1%
Operating expense	4.4%	8.7%	6.1%	8.1%	10.8%
PPOP	10.8%	4.9%	11.8%	15.5%	11.4%
Net profit	10.3%	2.5%	16.2%	17.0%	14.1%

Key Ratios	2018	2019	2020F	2021F	2022F
ROAA	2.0%	1.9%	2.0%	2.1%	2.2%
ROAE	14.2%	13.3%	14.9%	16.6%	16.8%
NIM	5.3%	4.9%	5.0%	5.1%	5.1%
Credit cost	1.5%	1.7%	1.5%	1.5%	1.4%
Cost/income	44.7%	45.5%	44.2%	42.6%	42.5%
LDR	86.5%	91.5%	91.3%	91.5%	91.6%
CAR	18.6%	19.7%	17.2%	17.4%	17.7%
NPL ratio	2.0%	2.3%	1.8%	1.6%	1.5%
Provisions/NPL	148.3%	133.8%	258.6%	266.0%	248.3%

Sources: Company, IndoPremier

INVESTMENT RATINGS

BUY	: Expected total return of 10% or more within a 12-month period
HOLD	: Expected total return between -10% and 10% within a 12-month period
SELL	: Expected total return of -10% or worse within a 12-month period

ANALYSTS CERTIFICATION

The views expressed in this research report accurately reflect the analyst's personal views about any and all of the subject securities or issuers; and no part of the research analyst's compensation was, is, or will be, directly or indirectly, related to the specific recommendations or views expressed in the report.

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