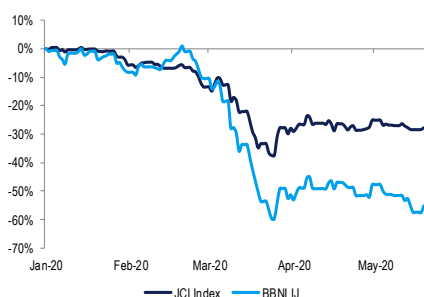


Stock Data

Target price	Rp3,900
Prior TP	Rp4,100
Current price	Rp3,520
Upside/downside	+11%
Shares outstanding (mn)	18,649
Market cap (Rp bn)	65,643
Free float	40%
Avg. 6m daily T/O (Rp bn)	196

Price Performance

	3M	6M	12M
Absolute	-53.8%	-52.6%	-58.2%
Relative to JCI	-31.4%	-26.9%	-35.2%
52w low/high (Rp)	3,160 – 9,375		



Major Shareholders

Republic of Indonesia	60%
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Painful CoC and margin guidance

- BBNI 1Q20 profit of Rp4.2tr (+4% yoy) was in-line with consensus (28%) but above ours (49%) as restructuring impact hasn't been reflected yet.
- It guides for lower loan growth (to 2-4%), NIM (by 100-130bp vs. our estimate of 40bp) and higher credit costs of 3-3.5% vs. ours of 2.8%.
- Due to worse than expected NIM and CoC, we revise down again our FY20-22F estimates by 5-62%. Maintain Hold.

Robust PPOP offset by additional provision for restructured loans

BBNI posted 1Q20 net profit of Rp4.3tr (+4% yoy), forming 49%/28% of our/consensus FY20F net profit estimates. PPOP grew 11% yoy, while provisions rose by 31% yoy, credit costs (CoC) rose to 1.7% in 1Q20 vs. 1.4% in 1Q19 (1.7% in FY19).

Lower NIM guidance

1Q20 NIM of 4.9% was relatively flat both yoy and qoq basis. Nonetheless it guides its NIM to be around 3.7-4% for FY20F, a 100-130bp drop vs. 4.9-5% initial guidance. Lower NIM is inevitable due to: 85% of the new restructuring (10% of loan as of Apr) was being granted interest deferral and/or lower interest rate; also from lower policy rate (BI rate has dropped by 50bp yoy). We adjust our NIM assumption by another 70bp to 3.9% from 4.6% initially.

Slow loan growth in FY20F

Loan still grew by 11% yoy (+4% qoq), however it expects loan growth to slow down to mere 2-4% yoy vs. our estimates of 10%. It remains cautious in disbursing new loan amidst current uncertainty despite decent loan demand.

Asset quality is our biggest concern

NPL ratio rose to 2.4% in 1Q20 from 1.9% in 1Q19 while LAR also rose to 10.9% in 1Q20 from 8.3% in 1Q19. However, it also restructured additional Rp70tr of loan (12% of loan) due to Covid-19 with total pipeline of Rp147tr (27% of loan), not far from our forecast of Rp130tr (22% of loan – [link to our previous report](#)). With rising restructured loan, surge in CoC is inevitable and it expects CoC to increase to 3-3.5% from 1.2-1.4%, higher than our FY20F estimates of 2.8% but we actually expect its FY21F CoC to be 3.7% and thus with the new guidance, we shifted some of FY21F provision to FY20F translating to 3% and 3.3% CoC for FY20F and FY21F, respectively.

Maintain Hold

We cut our EPS by another 5-62% FY20-22F and now 22-78% below consensus estimates. We maintain our Hold call despite attractive valuation (now trading at 0.6x 2020F P/BV vs. -2 s.d. of its 10Y mean of 1.4x). Upside risks to our call are better than expected margin and provision while downside risk is potential national service.

Financial Summary (Rp bn)	2018A	2019A	2020F	2021F	2022F
Net interest income	35,446	36,602	29,815	33,626	36,890
Total revenue	48,771	52,012	47,358	52,877	58,188
PPOP	26,988	28,325	23,245	27,988	30,642
Provision charges	(7,388)	(8,838)	(17,134)	(20,126)	(12,553)
Net profit	15,015	15,384	3,314	4,473	14,758
Net profit growth	10%	2%	-78%	35%	230%
P/BV (x)	0.6	0.5	0.6	0.6	0.5
Dividend yield	7.3%	8.0%	8.2%	1.8%	2.4%
ROAE	14.2%	13.1%	2.8%	4.1%	12.5%
Forecast changes			-62%	-5%	-20%
IPS vs. consensus			22%	26%	78%

Source: Company, Indo Premier

Share price closing as of: 19 May 2020

Fig. 1: BBNI 1Q20 results summary

BBNI 1Q20 results summary (Rp bn)	1Q20	1Q19	%YoY	4Q19	%QoQ	IPS FY20F	% of IPS	Cons FY20F	% of Cons
Interest Income	14,745	14,200	4%	14,940	-1%	58,757	25%		
Interest expenses	(5,206)	(5,341)	-3%	(5,211)	0%	(23,160)	22%		
Net interest income	9,539	8,859	8%	9,729	-2%	35,597	27%	39,373	24%
Fee based income	2,091	2,593	-19%	3,226	-35%				
Insurance Income	1,231	470	162%	409	201%				
Recovery	355	467	-24%	903	-61%				
Non-interest income	3,677	3,530	4%	4,538	-19%	17,712	21%	15,688	23%
Total Income	13,216	12,389	7%	14,267	-7%	53,308	25%	55,061	24%
Overhead Expenses	(5,590)	(5,495)	2%	(6,487)	-14%	(24,703)	23%	(26,039)	21%
Pre-provision profit	7,626	6,894	11%	7,780	-2%	28,605	27%	29,022	26%
Loan loss provision	(2,271)	(1,728)	31%	(3,408)	-33%	(16,064)	14%	(9,318)	24%
Other income (exp))	(20)	(33)	-39%	(59)	-66%				
Pretax Profit	5,335	5,133	4%	4,312	24%	12,541	43%	19,279	28%
Tax	(1,082)	(1,057)	2%	(901)	20%	(3,701)	29%		
Net Profit	4,253	4,076	4%	3,411	25%	8,722	49%	15,061	28%

Source: Company, Indo Premier

Fig. 2: BBNI 1Q20 balance sheet summary

Balance sheet (Rp bn)	1Q20	1Q19	%YoY	4Q19	%QoQ
Placement with banks/BI	44,624	19,201	132%	47,777	-7%
Marketable securities	27,486	35,712	-23%	27,447	0%
Government bonds	78,792	86,720	-9%	81,029	-3%
Gross Loan	579,604	521,349	11%	556,771	4%
Loan Loss Provision	31,529	14,154	123%	(15,837)	-299%
Total Assets	864,448	800,564	8%	845,605	2%
Demand Deposits	214,337	164,963	30%	207,035	4%
Saving deposits	198,527	183,622	8%	202,266	-2%
CASA	412,864	348,585	18%	409,301	1%
Time Deposits & CD	222,887	227,162	-2%	205,010	9%
Customer deposits	635,751	575,747	10%	614,311	3%
Deposit from other banks	14,358	17,367	-17%	11,926	20%
Securities issued	3,085	3,087	0%	3,085	0%
Borrowings	64,982	52,584	24%	57,236	14%
Other liabilities&accrued	36,431	35,937	1%	34,244	6%
Total Liabilities	754,607	684,722	10%	720,802	5%
Equity	109,841	115,842	-5%	124,803	-12%

Source: Company, Indo Premier

Fig. 3: BBNI 1Q20 key ratios summary

Key Ratios (in %)	1Q18	2Q18	3Q18	4Q18	1Q19	2Q19	3Q19	4Q19	1Q20
Loan Yield - reported	9.6	9.9	9.7	9.7	9.4	9.3	9.3	9.3	9.0
Cost of funds - reported	2.8	2.8	2.8	2.8	3.2	3.2	3.2	3.2	2.9
NIM	5.4	5.4	5.3	5.3	5.0	4.9	4.9	4.9	4.9
CAR	17.9	17.5	17.8	18.5	19.2	18.7	19.3	19.7	16.1
LDR	90	87	89	89	91	92	97	92	92
Gross NPL	2.3	2.1	2.0	1.9	1.9	1.8	1.8	2.3	2.4
Net NPL	0.8	0.9	0.8	0.8	0.9	0.8	0.8	1.2	0.5
Special Mention	4.5	4.1	3.8	3.9	4.2	4.2	4.1	4.6	6.5
Credit Costs (Q)	1.8	1.8	1.3	1.7	1.4	1.8	1.1	2.5	1.7
Credit Costs (C)	1.8	1.8	1.6	1.5	1.4	1.6	1.4	1.7	1.7
Coverage Ratio	148	150	152	153	153	157	159	134	243
CASA Ratio	62	64	62	65	61	65	64	67	65
Loan-at-risk	9.8	9.1	8.7	7.9	8.3	8.6	8.6	9.4	10.9

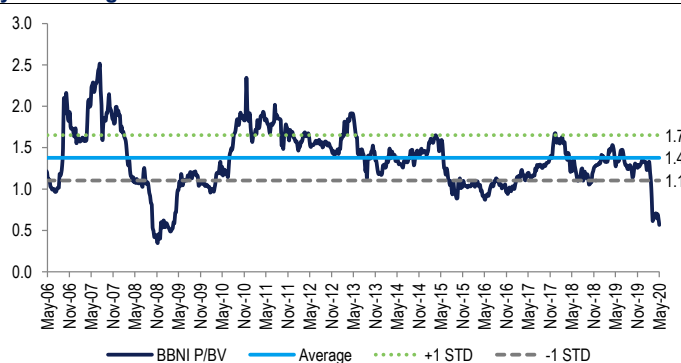
Source: Company, Indo Premier

Fig. 4: Changes in forecasts – we cut our FY20-22F EPS by another 5-62%

Changes to forecast (Rp bn)	Previous			New			Changes		
	2020F	2021F	2022F	2020F	2021F	2022F	2020F	2021F	2022F
Interest income	58,757	64,870	72,071	52,522	57,794	62,730	-11%	-11%	-13%
Interest expense	(23,160)	(25,498)	(28,093)	(22,706)	(24,168)	(25,840)	-2%	-5%	-8%
Net interest income	35,597	39,372	43,977	29,815	33,626	36,890	-16%	-15%	-16%
Non-interest income	17,712	19,713	22,056	17,543	19,252	21,298	-1%	-2%	-3%
Total operating income	53,308	59,085	66,034	47,358	52,877	58,188	-11%	-11%	-12%
Opex	(24,703)	(26,374)	(29,961)	(24,113)	(24,890)	(27,546)	-2%	-6%	-8%
PPOP	28,605	32,711	36,072	23,245	27,988	30,642	-19%	-14%	-15%
Provisions	(16,064)	(23,660)	(13,577)	(17,134)	(20,126)	(12,553)	7%	-15%	-8%
Operating profit	12,541	9,050	22,495	6,111	7,861	18,089	-51%	-13%	-20%
Non-operating profit	(118)	(118)	(118)	(118)	(118)	(118)	N/A	N/A	N/A
Pre-tax profit	12,423	8,933	22,378	5,993	7,744	17,972	-52%	-13%	-20%
Income tax	(3,574)	(4,073)	(3,824)	(2,566)	(3,145)	(3,075)	-28%	-23%	-20%
Minority interests	(127)	(141)	(158)	(113)	(126)	(139)	-11%	-11%	-12%
Net profit	8,722	4,719	18,396	3,314	4,473	14,758	-62%	-5%	-20%

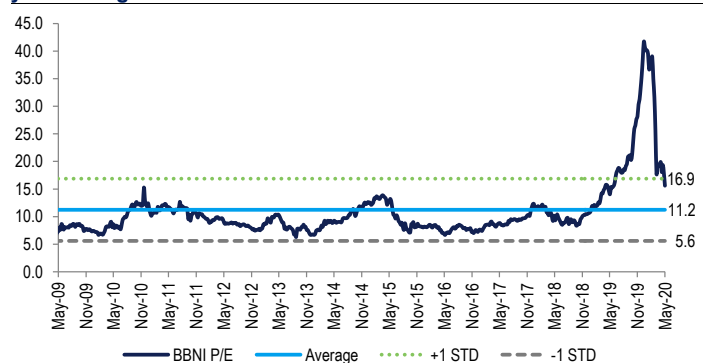
Source: Company, Indo Premier

Fig. 5: BBNI's forward P/BV – now trading at 0.6x 2020F P/BV vs. 10-year average of 1.4x P/BV



Source: Bloomberg, Company, Indo Premier

Fig. 6: BBNI's forward P/E – now trading at 19.8x 2020F P/E vs. 10-year average 11.2x P/E



Source: Bloomberg, Company, Indo Premier

Fig. 7: Peers valuation

Ticker	Closing Price	Target Price	P/BV multiple target (x)	Upside	Recommendation	P/E (x)		P/BV (x)	
						2020F	2021F	2020F	2021F
BMRI	3,860	4,700	1.1	22%	Hold	10.4	16.4	0.9	0.9
BBRI	2,370	2,700	1.7	14%	Hold	18.4	28.9	1.5	1.5
BBCA	23,400	34,550	4.0	48%	Hold	18.1	16.3	3.0	2.6
BBNI	3,520	3,900	0.7	11%	Hold	19.8	14.7	0.6	0.6
BBTN	760	1,000	0.7	32%	Buy	9.5	21.0	0.5	0.5

Source: Company, Indo Premier

Share price closing as of: 19 May 2020

Income Statement (Rp bn)	2018A	2019A	2020F	2021F	2022F
Interest income	54,139	58,532	52,522	57,794	62,730
Interest expense	(18,692)	(21,930)	(22,706)	(24,168)	(25,840)
Net interest income	35,446	36,602	29,815	33,626	36,890
Non-interest income	13,324	15,409	17,543	19,252	21,298
Total operating income	48,771	52,012	47,358	52,877	58,188
Opex	(21,783)	(23,687)	(24,113)	(24,890)	(27,546)
PPOP	26,988	28,325	23,245	27,988	30,642
Provisions	(7,388)	(8,838)	(17,134)	(20,126)	(12,553)
Operating profit	19,600	19,487	6,111	7,861	18,089
Non-operating profit	221	(118)	(118)	(118)	(118)
Pre-tax profit	19,821	19,369	5,993	7,744	17,972
Income tax	(4,729)	(3,861)	(2,566)	(3,145)	(3,075)
Minority interest	(77)	(124)	(113)	(126)	(139)
Net profit	15,015	15,384	3,314	4,473	14,758

Balance Sheet (Rp bn)	2018A	2019A	2020F	2021F	2022F
Cash + CA with BI	49,635	52,466	55,610	56,214	59,000
Secondary reserves	171,294	171,342	186,762	201,703	215,822
Gross loans	512,779	556,771	585,509	634,257	687,095
Loan provisions	(14,892)	(16,909)	(41,119)	(53,317)	(57,281)
Other assets	89,756	81,936	86,009	90,833	96,140
Total Assets	808,572	845,605	872,771	929,690	1,000,776
Total deposits	593,007	626,237	670,073	723,679	781,573
Securities and borrowings	76,536	62,404	62,404	62,404	62,404
Other liabilities	28,655	31,961	31,861	31,861	31,861
Total liabilities	698,198	720,601	764,338	817,944	875,838
Shareholders' equity	110,374	125,004	108,433	111,746	124,938
Total liabilities & equity	808,572	845,605	872,771	929,690	1,000,776

Growth YoY	2018A	2019A	2020F	2021F	2022F
Gross loans	16.2%	8.6%	5.2%	8.3%	8.3%
Total assets	14.0%	4.6%	3.2%	6.5%	7.6%
Total deposits	12.3%	5.6%	7.0%	8.0%	8.0%
Net interest income	11.0%	3.3%	-18.5%	12.8%	9.7%
Non-interest income	0.4%	15.6%	13.8%	9.7%	10.6%
Total operating income	7.9%	6.6%	-8.9%	11.7%	10.0%
Operating expense	4.4%	8.7%	1.8%	3.2%	10.7%
PPOP	10.8%	5.0%	-17.9%	20.4%	9.5%
Net profit	10.3%	2.5%	-78.5%	35.0%	229.9%

Key Ratios	2018A	2019A	2020F	2021F	2022F
ROAA	2.0%	1.9%	0.4%	0.5%	1.5%
ROAE	14.2%	13.1%	2.8%	4.1%	12.5%
NIM	5.3%	5.0%	3.9%	4.2%	4.3%
Credit cost	1.5%	1.7%	3.0%	3.3%	1.9%
Cost/income	44.7%	45.5%	50.9%	47.1%	47.3%
LDR	86.5%	88.9%	87.4%	87.6%	87.9%
CAR	18.6%	19.0%	16.6%	16.0%	16.6%
NPL ratio	2.0%	2.3%	3.4%	3.0%	2.8%
Provisions/NPL	148.3%	130.5%	206.6%	283.6%	298.4%

Source: Company, Indo Premier

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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