

### BBNI: Cheap Giant

BBNI posted Rp4.1tr net profit, 4% ahead 2010 consensus estimate. We meet the management and being convinced about the prospect of the stock due to (1) strong funding franchise and ample capital (2) asset quality improvement (3) undemanding valuation, leading to clear out performance potential

### Low CoF, Abundant Capital

In 2010, BBNI CoF stood at 3.6% supported by its CASA ratio 59%, beaten only by BBCA at 2.9% and 75% for the respective ratios. On the asset side, BBNI plans to put more focus on higher yield consumer loans, with 25% growth target. Facing fiercer competition environment ahead, both the liability and the asset side should provide a shield against NIM compression issue. Current CAR stood at ~20% enough to support 20%-22% loans growth for the next 5years period.

### Better Asset Quality, Expect Lower Provisioning Cost

BBNI has form CBRO division, purely focus on asset quality issue and written off loans recovery. The CBRO division able to refute the loan approval if the loan doesn't meet the criteria, a clear cut difference versus the previous scheme, where risk management officer only provide an advice to the business officer. CBRO targeted another Rp2.2tr loans recovery on 2011 and a lot more to come once the new haircut on written off regulation has passed the government approval. The regulation changes will allow BBNI to take corporate approach on their recovery effort of Rp30tr worth written off loans.

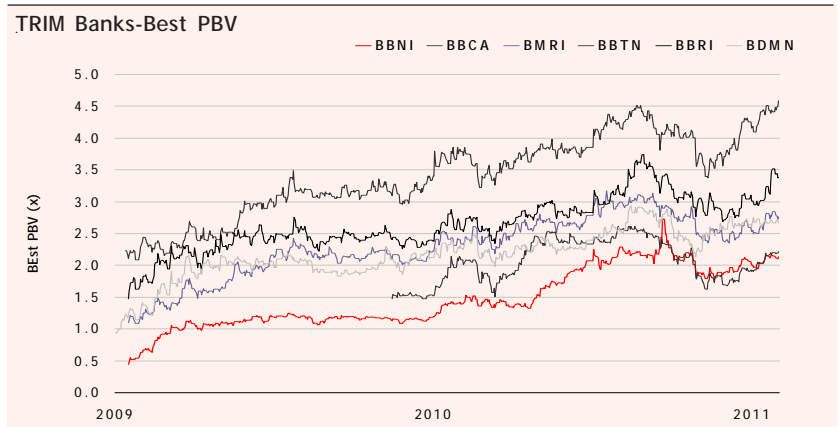
NPL figures at 4.3% could ease to 3.6% by end 2011; bring the provisioning cost down from 2.7% in 4Q10 if the management could maintain its asset quality going forward. Every 10bps easing of credit cost will post -Rp110bn to bottom line. The result is highly likely on new accounting regime, since banks are prohibited to over-provisioning their loans.

### Outperforming Potential

This year the management put a balance priority between asset quality and growth vs. strong focus on asset quality on 2010. Management targeted 18% loans growth vs. 20% of industry and should be reversed; by which BBNI outgrew the market, once the management fully focuses on growth. Moderate LDR, ample capital, strong branch network and customer base, provide a clear outperforming potential for BBNI.

## Valuation

The market seems taking conservative view on BBNI, currently traded at 2.1x 2011 consensus estimate, lowest at our TRIM Banks universe. If the management continues to deliver the performance as expected, the stock should provide considerable upside potential. Based on our PBV ROE model. BBNI potentially can generate 1% return.



Source: Bloomberg, TRIM Research

## ROE/PBV Valuation

Ticker Symbol	Last Price	2011Best ROE	2011Best PBV	ROE/PBV	Upside
BBKA	7,500	26	4.7	5.6	(24)
BMRI	7,100	23	2.9	7.8	7
BBRI	6,500	31	3.6	8.6	18
BBNI	4,100	16	2.1	7.4	1
BDMN	6,400	19	2.6	7.1	(3)
<b>Average</b>				<b>7.3</b>	

Source: Bloomberg, TRIM Research

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