

Wednesday, 29 May 2019

**BUY**  
**Maintain**

Last price (IDR)	8,150
Target Price (IDR)	10,500
Upside/Downside	+28.8%
Previous Target Price (IDR)	10,500

**Stock Statistics**

Sector	Banking
Bloomberg Ticker	BBNI JJ
No of Shrs (mn)	18,649
Mkt. Cap (IDRbn/USDmn)	151,987/10,573
Avg. daily T/O (IDRbn/USDmn)	194.9/13.6

**Major shareholders (%)**

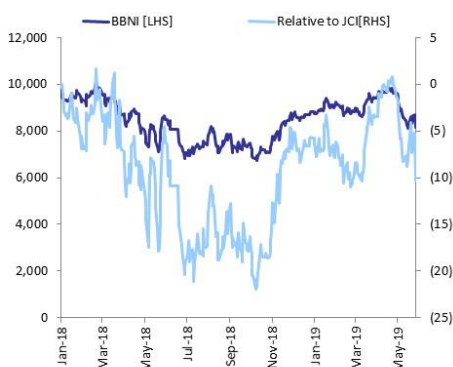
Government of Indonesia	60.0
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Estimated free float	41.2
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**EPS Consensus (IDR)**

	2019F	2020F	2021F
Danareksa	908.2	1,032.6	1,168.2
Consensus	920.5	1,059.5	1,188.6
Danareksa/Cons	(1.3)	(2.5)	(1.7)

**BBNI relative to JCI Index**



Source : Bloomberg



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# Bank Negara Indonesia (BBNI JJ)

## Sufficient provisions

We maintain our BUY call on BBNI with an unchanged TP of IDR10,500 post the release of its weak 4M19 results with IDR4.2tn of net profits. Yesterday, BBNI's share price dropped 6.3% as credit costs rose to 181bps. Concerning KRAS' IDR5.5tn loan, BBNI has already increased the coverage ratio to 15% from 10%. However, we expect no major provisions going forward. We already assume higher provisions of IDR8.8tn this year due to slower GDP growth and a flat policy rate that may impact deterioration in assets quality.

**Weak 4M19 results.** BBNI posted weak 4M19 results with 5% lower net profits of IDR4.2tn on the back of higher provisions. Additional provisions of IDR1.3tn in April 2019 only (181bps credit costs) were mainly contributed by the corporate segment amounting to IDR580bn (including KRAS of ~IDR275bn), the medium segment (IDR510bn) and the small and consumer segments (IDR222bn). NIM declined by ~40bps to 5% owing to a higher blended CoF with stable asset yields based on our calculation.

**Possible downgrade on KRAS and BWPT?** Recent discussions with the bank highlighted that BWPT's status is still under collectibility 1 status with total outstanding loans of IDR2.9tn and coverage on collateral at 165.9% as of March 2019. Additionally, Krakatau Steel (KRAS) is another corporate borrower that many investors believe could be downgraded to NPL status given that the company still posted net losses of IDR261bn in 1Q19. Nonetheless, BBNI views that the restructuring process should be an attainable goal in the near term involving 16 other banks, including BMRI and BBRI with IDR8tn and IDR2.5tn of outstanding loans as of March 2019, respectively.

**Ample provisions of IDR8.8tn this year.** We already expect higher provisions of IDR8.8tn this year due to slower GDP growth and a flat policy rate at 6.0%. With IDR3tn of provisions in 4M19, we view that our provisions already provide an ample buffer for more provisions on KRAS and BWPT. Coverage on KRAS and BWPT currently stands at 15% and 1% as both companies are still under collectibility 1 status. Our sensitivity analysis suggests for every 10bps increase in our base case provisions, the net profits should decline by 2.6%.

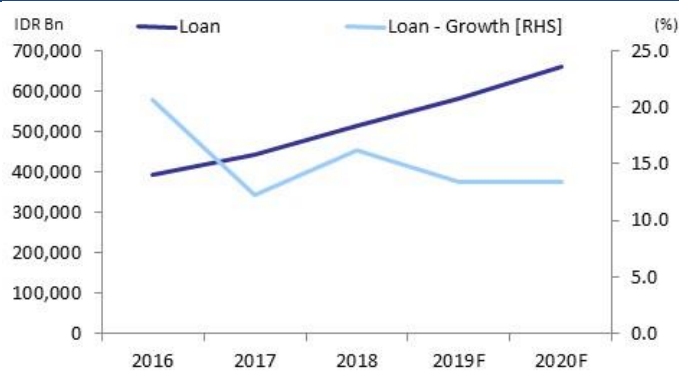
**Maintain BUY; TP of IDR10,500.** We maintain our BUY call on BBNI with an unchanged GGM-derived TP of IDR10,500 (implying 1.6x 2019F P/BV) assuming a 10.2% CoE, 14.6% sustainable ROAE and 3% long-term growth. BBNI is one of our top picks in our banking universe.

**Key Financials**

Year to 31 Dec	2017A	2018A	2019F	2020F	2021F
PPOP (IDRbn)	24,349	26,988	30,016	34,394	38,250
Net profit (IDRbn)	13,616	15,015	16,937	19,256	21,785
EPS (IDR)	730.2	805.2	908.2	1,032.6	1,168.2
EPS growth (%)	20.1	10.3	12.8	13.7	13.1
BVPS (IDR)	5,286.8	5,795.4	6,522.0	7,348.1	8,282.6
PER (x)	11.2	10.1	9.0	7.9	7.0
PBV (x)	1.5	1.4	1.2	1.1	1.0
Dividend yield (%)	3.1	2.0	2.2	2.5	2.9
ROAE (%)	14.7	14.5	14.7	14.9	14.9

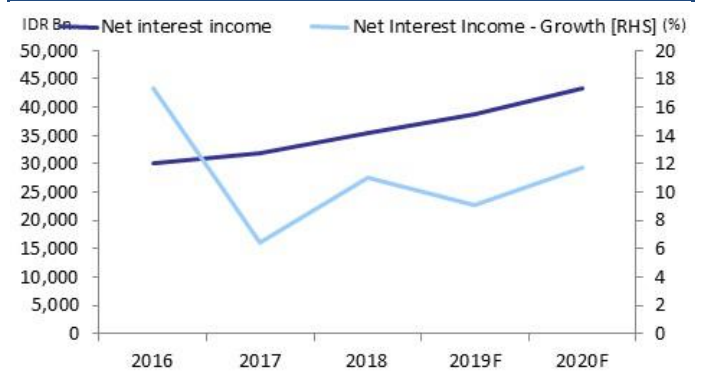
Source : BBNI, Danareksa Estimates

**Exhibit 1. Loans and Growth**



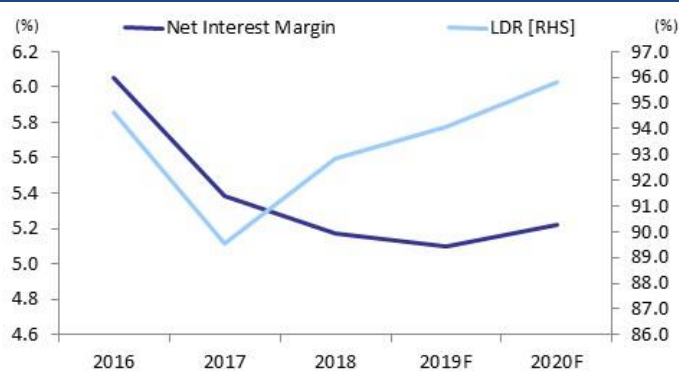
Source: Company, Danareksa Sekuritas estimates

**Exhibit 2. Net Interest Income and Growth**



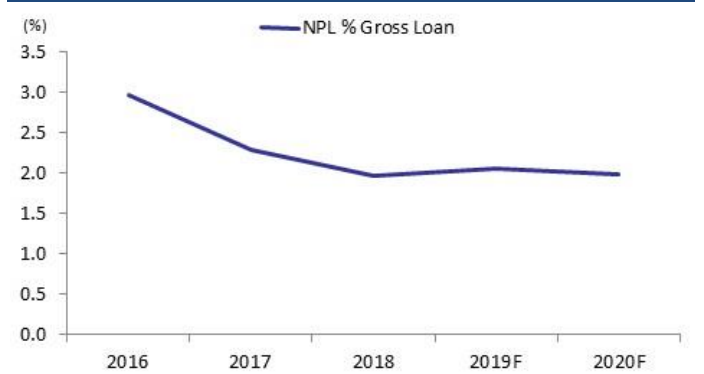
Source: Company, Danareksa Sekuritas estimates

**Exhibit 3. NIM and LDR**



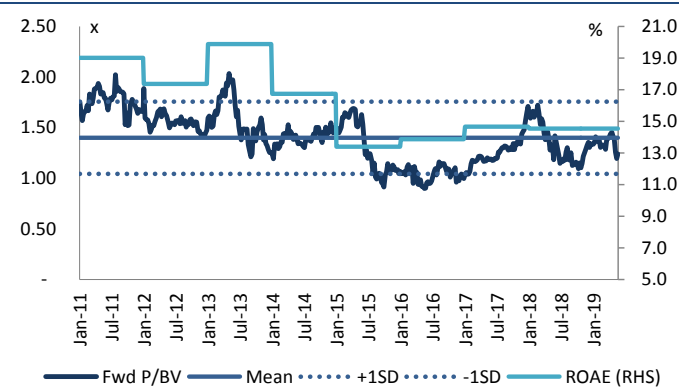
Source: Company, Danareksa Sekuritas estimates

**Exhibit 4. NPLs**



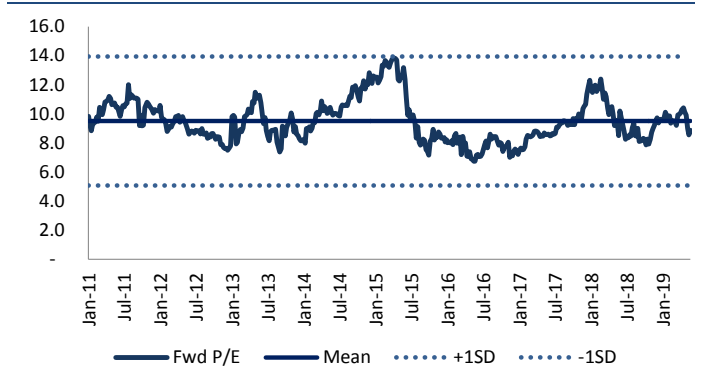
Source: Company, Danareksa Sekuritas estimates

**Exhibit 5. PBV ROAE Band Chart**



Source: Bloomberg, Danareksa Sekuritas estimates

**Exhibit 6. PE Band Chart**



Source: Bloomberg, Danareksa Sekuritas estimates

**Exhibit 7. BBNI's result (in IDR bn unless stated)**

	4M19	4M18	yoy %	FY19F	A/F
Interest income	17,455	15,704	11.2	59,622	29.3
Interest expenses	6,828	5,366	27.2	20,943	32.6
Net Interest Income	10,627	10,338	2.8	38,679	27.5
Other op. Income	4,304	3,657	17.7	15,045	28.6
Opex	6,603	6,447	2.4	23,707	27.9
PPOP	8,329	7,548	10.4	30,016	27.7
Provisions	3,040	2,155	41.1	8,823	34.5
PBT	5,278	5,579	(5.4)	21,276	24.8
Net Profit	4,230	4,455	(5.0)	16,937	25.0
NIM (%)	5.0	5.4		5.1	
CoF (%)	3.3	2.9		2.9	
CIR (%)	44.2	46.1		44.1	
CoC (bps)	181.2	151.4		161.3	
ROAE (%)	11.6	14.0		14.7	

Source : Company, Danareksa Sekuritas estimates

### Exhibit 8. Income Statement

Year to 31 Dec (IDRbn)	2017A	2018A	2019F	2020F	2021F
Interest Income	48,178	54,139	59,622	65,870	72,106
Interest Expense	(16,240)	(18,692)	(20,943)	(22,657)	(23,387)
<b>Net Interest Income</b>	<b>31,938</b>	<b>35,446</b>	<b>38,679</b>	<b>43,213</b>	<b>48,719</b>
Non-Interest Income (NII)	12,592	12,804	15,045	17,080	18,803
<b>Oper. Income</b>	<b>44,530</b>	<b>48,250</b>	<b>53,723</b>	<b>60,293</b>	<b>67,522</b>
Oper. Expenses	(20,863)	(21,783)	(23,707)	(25,899)	(29,272)
<b>Pre-provisions profit</b>	<b>24,349</b>	<b>26,988</b>	<b>30,016</b>	<b>34,394</b>	<b>38,250</b>
Provisions & Allowances	(7,126)	(7,388)	(8,823)	(9,988)	(11,023)
<b>Operating Profits</b>	<b>17,223</b>	<b>19,599</b>	<b>21,193</b>	<b>24,406</b>	<b>27,226</b>
Non-Operating Income	(57)	221	83	87	137
Exceptionals	0	0	0	0	0
<b>Pre-tax Profit</b>	<b>17,165</b>	<b>19,821</b>	<b>21,276</b>	<b>24,493</b>	<b>27,363</b>
Income Tax	(3,395)	(4,729)	(4,255)	(5,143)	(5,473)
Minorities	(154)	(77)	(84)	(93)	(105)
<b>Net Profit</b>	<b>13,616</b>	<b>15,015</b>	<b>16,937</b>	<b>19,256</b>	<b>21,785</b>

### Exhibit 9. Balance Sheet

Year to 31 Dec (IDRbn)	2017A	2018A	2019F	2020F	2021F
Gross Loans	441,314	512,778	581,160	658,896	748,359
Provisions	(14,524)	(14,892)	(18,451)	(20,154)	(22,640)
<b>Net Loans</b>	<b>426,790</b>	<b>497,887</b>	<b>562,709</b>	<b>638,742</b>	<b>725,719</b>
Govt. Bonds	79,849	86,791	69,732	56,040	45,049
Securities	36,050	32,044	33,646	43,740	46,242
Other Earnings Assets	0	0	0	0	0
<b>Total Earnings Assets</b>	<b>641,844</b>	<b>729,560</b>	<b>787,104</b>	<b>868,900</b>	<b>951,127</b>
Fixed Assets	30,205	34,009	34,829	35,634	36,381
Non-Earnings Assets	13,322	15,862	13,862	14,119	13,291
<b>Total Assets</b>	<b>709,330</b>	<b>808,572</b>	<b>871,124</b>	<b>958,543</b>	<b>1,044,779</b>
Customer Deposits	492,748	552,172	617,752	687,514	762,583
Banks Deposits	11,683	13,874	13,933	13,993	14,052
Int. Bearing Liab. - Others	24,340	26,961	27,635	28,326	29,034
<b>Total Liabilities</b>	<b>608,427</b>	<b>698,198</b>	<b>747,117</b>	<b>819,038</b>	<b>887,740</b>
Share capital & Reserves	38,279	37,030	37,030	37,030	37,030
Retained Earnings	60,314	71,047	84,597	100,001	117,430
<b>Shareholders' Funds</b>	<b>98,592</b>	<b>108,077</b>	<b>121,627</b>	<b>137,031</b>	<b>154,460</b>
Minority interests	2,311	2,297	2,381	2,474	2,579
<b>Total Equity &amp; Liabilities</b>	<b>709,330</b>	<b>808,572</b>	<b>871,124</b>	<b>958,543</b>	<b>1,044,779</b>

### Exhibit 10. Ratios

Year to 31 Dec (IDRbn)	2017A	2018A	2019F	2020F	2021F
Yield on Earning Assets	8.1	7.9	7.9	8.0	7.9
Cost of funds	3.0	3.0	2.9	2.9	2.7
Interest Spread	5.1	4.9	4.9	5.1	5.2
Net Interest Margin	5.4	5.2	5.1	5.2	5.4
Cost/Income Ratio	46.1	44.7	44.1	43.0	43.4
Oper. Exp./Oper. Gross Inc.	72.0	70.9	71.6	70.6	70.1
Gross NPL Ratio	2.3	2.0	2.1	2.0	1.9
LLP/Gross NPL	143.8	148.3	154.2	154.7	158.1
Cost of Credit	1.7	1.5	1.6	1.6	1.6
Loan to Deposit Ratio	89.6	92.9	94.1	95.8	98.1
Loan to Funding Ratio	89.0	92.4	93.6	95.4	97.8
CASA Mix	62.7	64.4	65.8	65.6	64.9
ROAE	14.7	14.5	14.7	14.9	14.9
ROAA	2.1	2.0	2.0	2.1	2.2
CAR	19.0	18.5	18.0	18.0	18.0

### Exhibit 11. Dupont and growth

Year to 31 Dec	2017A	2018A	2019F	2020F	2021F
<b>Dupont</b>					
Pre-Tax ROAA	2.6	2.6	2.5	2.7	2.7
Tax Retention rate	80.2	76.1	80.0	79.0	80.0
Post-Tax ROAA	2.1	2.0	2.0	2.1	2.2
Goodwil, Assoc& Min	0.0	0.0	0.0	0.0	0.0
Leverage	7.1	7.3	7.3	7.1	6.9
ROAE	14.7	14.5	14.7	14.9	14.9
<b>Growth (%)</b>					
Interest income	10.1	12.4	10.1	10.5	9.5
Net Interest Income	6.5	11.0	9.1	11.7	12.7
Other Oper. Expenses	8.6	4.4	8.8	9.2	13.0
Fee Based Income	13.0	6.7	9.4	10.0	13.2
Pre-Provision Oper. Profit	10.3	10.8	11.2	14.6	11.2
Net Profit	20.1	10.3	12.8	13.7	13.1
Shareholders' Equity	13.1	9.6	12.5	12.7	12.7
Loan	12.2	16.2	13.3	13.4	13.6
Earnings Asset	17.7	13.7	7.9	10.4	9.5
Deposit	18.6	12.2	11.6	11.1	10.7
Int. Bearing Liab.	18.2	15.3	10.1	9.6	8.4
CASA	15.5	15.2	14.0	10.8	9.4
Total Asset	17.6	14.0	7.7	10.0	9.0

Source : BBNi, Danareksa Estimates

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