

Thursday, 05 December 2019

BUY
Maintain

Last price (IDR) 7,550
Target Price (IDR) 10,000
Upside/Downside +32.5%
Previous Target Price (IDR) 10,000

Stock Statistics

Sector Banking
Bloomberg Ticker BBNI JJ
No of Shrs (mn) 18,649
Mkt. Cap (IDRbn/USDmn) 140,797/9,975
Avg. daily T/O (IDRbn/USDmn) 173.3/12.3

Major shareholders (%)

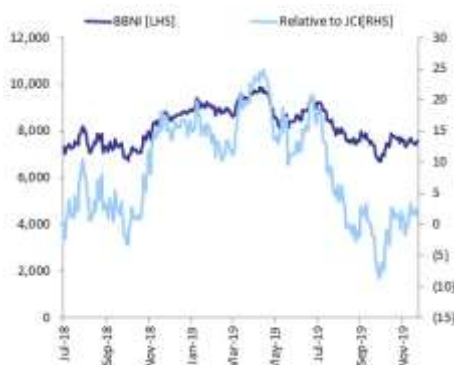
Government of Indonesia 60.0

Estimated free float 40.0

EPS Consensus (IDR)

	2019F	2020F	2021F
Danareksa	852.9	931.1	1,043.5
Consensus	839.2	945.2	1,076.6
Danareksa/Cons	1.6	(1.5)	(3.1)

BBNI relative to JCI Index



Source : Bloomberg



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Bank Negara Indonesia (BBNI JJ)

Focusing on its funding cost

We maintain our BUY call on BBNI with a GGM-derived TP of IDR10,000. Following the 100bps policy rate cuts to 5.0%, we believe the main priority for BBNI's management is to reduce the special rate on TD customers going forward. Hence, NIM will mainly be supported by BBNI's ability to manage its blended CoF in our view. As such, we expect a flat NIM at 4.9% next year. In addition, we expect a 2.1% gross NPLs ratio by December 2020F with a 178bps credit cost next year.

Focusing on managing its blended CoF. On the funding side, we expect BBNI to further leverage its relationship with government institutions and SOEs to manage its operating accounts, particularly its current account products. For savings accounts, BBNI will continue to tap the employees of its government institutions and SOE clients. For TD instruments, BBNI's management highlighted that the bank would reduce the contribution from special rate customers following the 100bps cuts in the policy rate YtD to 5.0%. As such, we expect a 3.2% blended CoF next year on the back of a 65.6% CASA deposits contribution to total customer deposits by December 2020F.

Expect a 4.9% NIM next year. With lower loan yields that should impact its asset yields and a flattish blended CoF, NIM should touch 4.9% next year. We forecast flattish asset yields at 7.9% given the 52.5% corporate segment exposure to total loans by December 2020F in our model (September 2019: 52.2% of total loans). In addition, its lending rate, particularly for the corporate segment, is mostly tied to the TD rate. This will cap its NIM expansion going forward, in our view.

More conservative stance on credit costs. We maintain our credit costs forecast at 178bps for FY20F given the bank's sizeable exposure to corporate lending. Given BBNI's exposure to CPO is only c.10% of total loans, we believe the impact should be manageable, unless the soft CPO price is prolonged until next year. As such, we prefer to be conservative on this matter and assume the gross NPLs ratio hover at 2.1% by the end of 2020F.

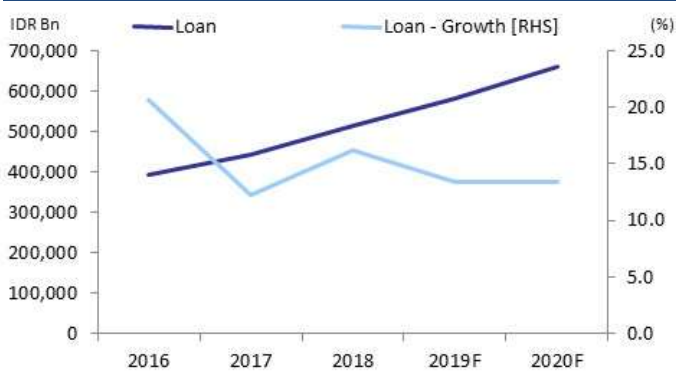
Maintain BUY, TP of IDR10,000. We maintain our BUY call on BBNI with an unchanged GGM-derived TP of IDR10,000 (implying 1.38x 2020F P/BV) assuming a 10.7% CoE, 13.6% sustainable ROAE and 3% long-term growth. Our TP is near its 10-years mean at 1.4x PBV.

Key Financials

Year to 31 Dec	2017A	2018A	2019F	2020F	2021F
PPOP (IDRbn)	24,349	26,988	28,975	33,041	36,794
Net profit (IDRbn)	13,616	15,015	15,905	17,363	19,460
EPS (IDR)	730.2	805.2	852.9	931.1	1,043.5
EPS growth (%)	20.1	10.3	5.9	9.2	12.1
BVPS (IDR)	5,286.8	5,795.4	6,477.7	7,222.6	8,057.4
PER (x)	10.3	9.4	8.9	8.1	7.2
PBV (x)	1.4	1.3	1.2	1.0	0.9
Dividend yield (%)	3.4	2.7	2.3	2.5	2.8
ROAE (%)	14.7	14.5	13.9	13.6	13.7

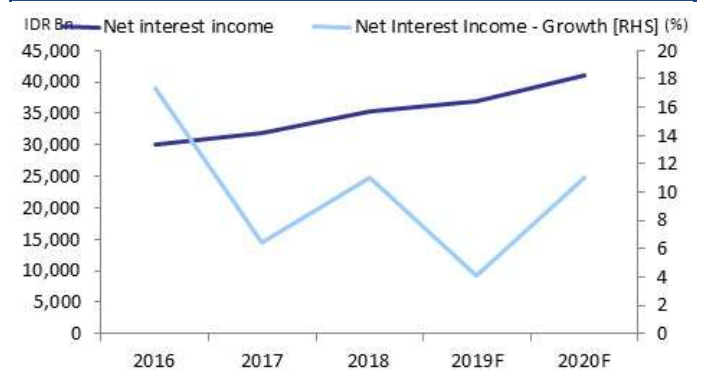
Source : BBNI, Danareksa Estimates

Exhibit 1. Loans and Growth



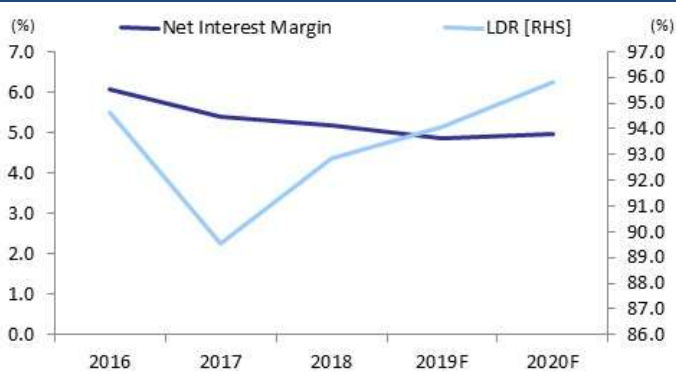
Source: Company, Danareksa Sekuritas estimates

Exhibit 2. Net Interest Income and Growth



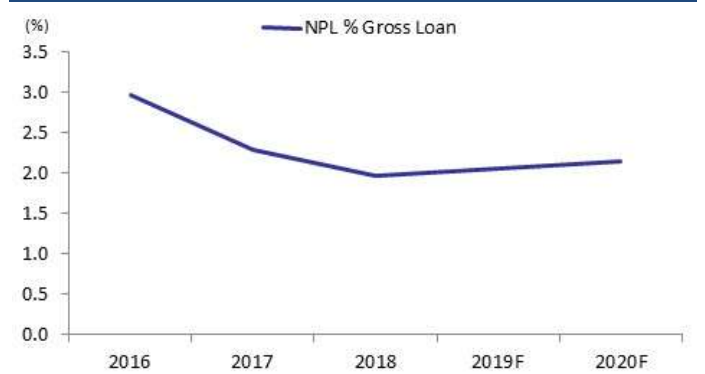
Source: Company, Danareksa Sekuritas estimates

Exhibit 3. NIM and LDR



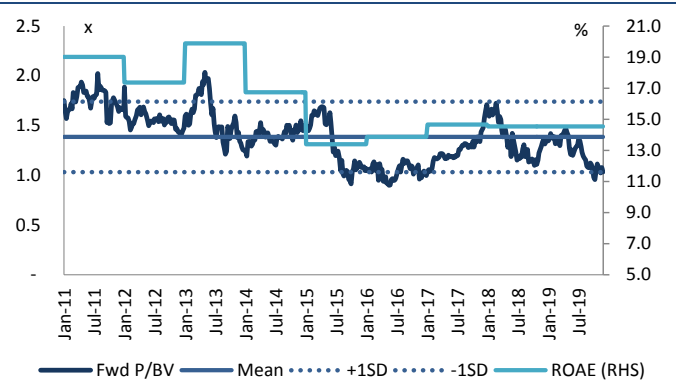
Source: Company, Danareksa Sekuritas estimates

Exhibit 4. NPLs



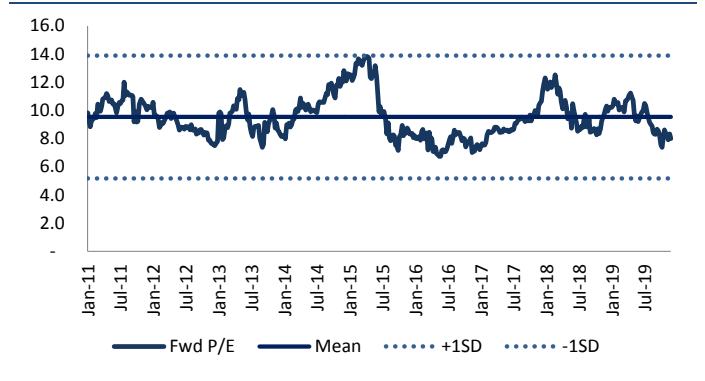
Source: Company, Danareksa Sekuritas estimates

Exhibit 5. PBV ROAE Band Chart



Source: Company, Danareksa Sekuritas estimates

Exhibit 6. PE Band Chart



Source: Company, Danareksa Sekuritas estimates

Exhibit 7. Income Statement

Year to 31 Dec (IDRbn)	2017A	2018A	2019F	2020F	2021F
Interest Income	48,178	54,139	59,622	65,773	71,921
Interest Expense	(16,240)	(18,692)	(22,710)	(24,788)	(25,630)
Net Interest Income	31,938	35,446	36,911	40,985	46,291
Non-Interest Income (NII)	12,592	12,804	14,891	16,867	18,577
Oper. Income	44,530	48,250	51,802	57,853	64,868
Oper. Expenses	(20,863)	(21,783)	(22,827)	(24,812)	(28,074)
Pre-provisions profit	24,349	26,988	28,975	33,041	36,794
Provisions & Allowances	(7,126)	(7,388)	(9,078)	(11,036)	(12,481)
Operating Profits	17,223	19,599	19,897	22,004	24,313
Non-Operating Income	(57)	221	83	87	137
Exceptionals	0	0	0	0	0
Pre-tax Profit	17,165	19,821	19,981	22,091	24,450
Income Tax	(3,395)	(4,729)	(3,996)	(4,639)	(4,890)
Minorities	(154)	(77)	(80)	(89)	(100)
Net Profit	13,616	15,015	15,905	17,363	19,460

Exhibit 8. 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)	(18,691)	(22,423)	(26,288)
Net Loans	426,790	497,887	562,469	636,473	722,071
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
Total Earnings Assets	641,844	729,560	787,104	868,900	951,127
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
Total Assets	709,330	808,572	870,294	956,194	1,040,564
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
Total Liabilities	608,427	698,198	747,117	819,038	887,740
Share capital & Reserves	38,279	37,030	37,030	37,030	37,030
Retained Earnings	60,314	71,047	83,771	97,661	113,229
Shareholders' Funds	98,592	108,077	120,801	134,691	150,259
Minority interests	2,311	2,297	2,377	2,465	2,565
Total Equity & Liabilities	709,330	808,572	870,294	956,194	1,040,564

Exhibit 9. Ratios

Year to 31 Dec (IDRbn)	2017A	2018A	2019F	2020F	2021F
Yield on Earning Assets	8.1	7.9	7.9	7.9	7.9
Cost of funds	3.0	3.0	3.2	3.2	3.0
Interest Spread	5.1	4.9	4.7	4.8	4.9
Net Interest Margin	5.4	5.2	4.9	4.9	5.1
Cost/Income Ratio	46.1	44.7	44.1	42.9	43.3
Oper. Exp./Oper. Gross Inc.	72.0	70.9	73.3	73.4	73.1
Gross NPL Ratio	2.3	2.0	2.1	2.1	2.2
LLP/Gross NPL	143.8	148.3	156.2	158.7	159.6
Cost of Credit	1.7	1.5	1.7	1.8	1.8
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	13.9	13.6	13.7
ROAA	2.1	2.0	1.9	1.9	1.9
CAR	19.0	18.5	17.9	17.9	17.8

Exhibit 10. Dupont and growth

Year to 31 Dec	2017A	2018A	2019F	2020F	2021F
Dupont					
Pre-Tax ROAA	2.6	2.6	2.4	2.4	2.4
Tax Retention rate	80.2	76.1	80.0	79.0	80.0
Post-Tax ROAA	2.1	2.0	1.9	1.9	2.0
Goodwil, Assoc& Min	0.0	0.0	0.0	0.0	0.0
Leverage	7.1	7.3	7.3	7.1	7.0
ROAE	14.7	14.5	13.9	13.6	13.7
Growth (%)					
Interest income	10.1	12.4	10.1	10.3	9.3
Net Interest Income	6.5	11.0	4.1	11.0	12.9
Other Oper. Expenses	8.6	4.4	4.8	8.7	13.1
Fee Based Income	13.0	6.7	9.4	10.0	13.2
Pre-Provision Oper. Profit	10.3	10.8	7.4	14.0	11.4
Net Profit	20.1	10.3	5.9	9.2	12.1
Shareholders' Equity	13.1	9.6	11.8	11.5	11.6
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	7.6	9.9	8.8

Source : BBNI, Danareksa Estimates

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