

Thursday, 23 January 2020

BUY
Maintain

Last price (IDR) 7,625
Target Price (IDR) 9,000
Upside/Downside +18.0%
Previous Target Price (IDR) 9,000

Stock Statistics

Sector Banking
Bloomberg Ticker BBNI IJ
No of Shrs (mn) 18,649
Mkt. Cap (IDRbn/USDmn) 142,196/10,420
Avg. daily T/O (IDRbn/USDmn) 165.6/12.1

Major shareholders (%)

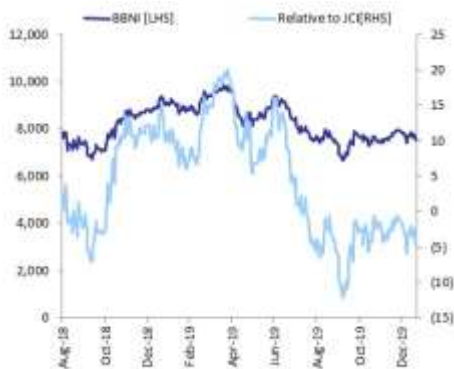
Government of Indonesia 60.0

Estimated free float 40.0

EPS Consensus (IDR)

	2019F	2020F	2021F
Danareksa	852.9	888.7	969.8
Consensus	838.0	941.9	1,072.4
Danareksa/Cons	1.8	(5.7)	(9.6)

BBNI relative to JCI Index



Source : Bloomberg



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Bank Negara Indonesia (BBNI IJ)

Steady Progress

We maintain our BUY call on BBNI with a GGM-derived TP of IDR9,000 following the inline FY19 results with 8.6% yoy loans growth in 2019. Post the 100bps policy rate cuts in 2019, we expect the NIM to remain stable at 4.9% this year mainly supported by BBNI's ability to manage its blended CoF. Our NIM estimate reflects a flat asset yield at 7.9% with a 3.2% blended CoF. In addition, we assume higher credit costs at 189bps this year with an uptick in the gross NPLs ratio to 2.4% as of December 2020F on the back of the first year's implementation of PSAK 71.

FY19 highlights. The FY19 net profits of IDR15.4tn (+2.5% yoy) are inline on the lower side of our forecast due to higher than expected opex. While loans grew by 8.6% yoy with a 4.9% NIM on the back of a sticky blended CoF at 3.2% and a lower loans yield of 9.3% in FY19. Meanwhile, the credit costs continued to decline to 165bps, with a lower LLC ratio of 133.5% and an uptick in the gross NPLs ratio to 2.1% as of December 2019. For FY20F, BBNI's management targets 10-12% yoy loans growth, 4.9% NIM, 42.0-44.0% CIR and a CASA contribution of 63-66% of total customer deposits by December 2020F.

Expect a 4.9% NIM this year. With lower loan yields that should impact its asset yields and a flattish blended CoF, NIM should touch 4.9% this 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. Payroll loans, as another growth engine, are only expected to contribute 6.1% to total loans by December 2020F (December 2019: 4.8% of the total loans book).

More conservative stance on credit costs. We estimate credit costs at 189bps for FY20F given the bank's sizeable exposure to corporate lending. The implementation of PSAK 71 should also imply more volatility in its provisions policy going forward in our view, mostly due to its sizeable exposure to corporate loans. In addition, BBNI's management also provided guidance that it would allocate IDR13-15tn of provisions to comply with PSAK 71. This should lower its CAR by 200bps. As such, we prefer to be conservative on this matter and assume that the gross NPLs ratio hovers at 2.4% by the end of 2020F.

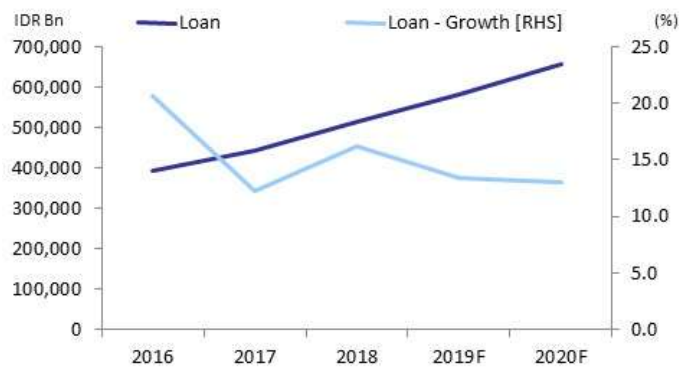
Maintain BUY, TP of IDR9,000. We maintain our BUY call on BBNI with a GGM-derived TP of IDR9,000 (implying 1.2x 2020F P/BV) assuming a 10.7% CoE, 13.6% sustainable ROAE and 3% long-term growth. Our TP is at its 5-year mean at 1.2x PBV. Short-term risks include changes to the management team as well as a higher-than-expected provisioning expenses and gross NPLs ratio due to PSAK 71 implementation.

Key Financials

Year to 31 Dec	2017A	2018A	2019F	2020F	2021F
PPOP (IDRbn)	24,349	26,988	28,975	32,700	35,552
Net profit (IDRbn)	13,616	15,015	15,905	16,573	18,085
EPS (IDR)	730.2	805.2	852.9	888.7	969.8
EPS growth (%)	20.1	10.3	5.9	4.2	9.1
BVPS (IDR)	5,286.8	5,795.4	6,477.7	7,188.7	7,964.5
PER (x)	10.4	9.5	8.9	8.6	7.9
PBV (x)	1.4	1.3	1.2	1.1	1.0
Dividend yield (%)	3.4	2.6	2.2	2.3	2.5
ROAE (%)	14.7	14.5	13.9	13.0	12.8

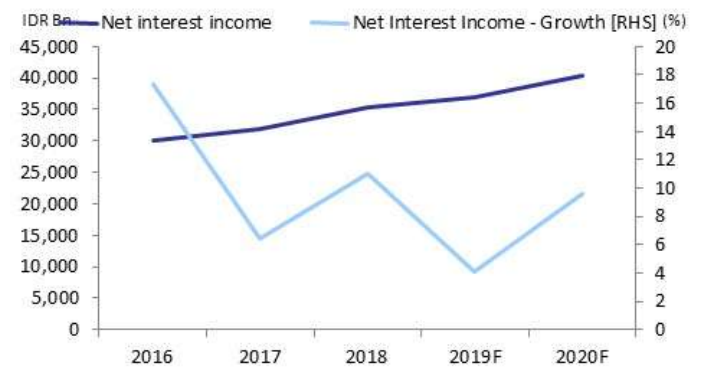
Source : BBNI, Danareksa Estimates

Exhibit 1. Loan and Growth



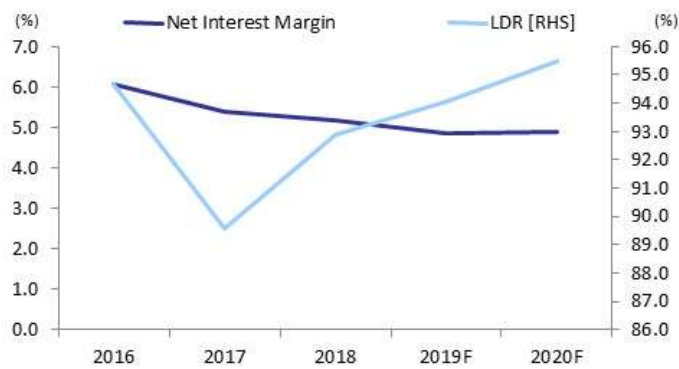
Source: Company, Danareksa Sekuritas estimates

Exhibit 2. Net Interest Income and Growth



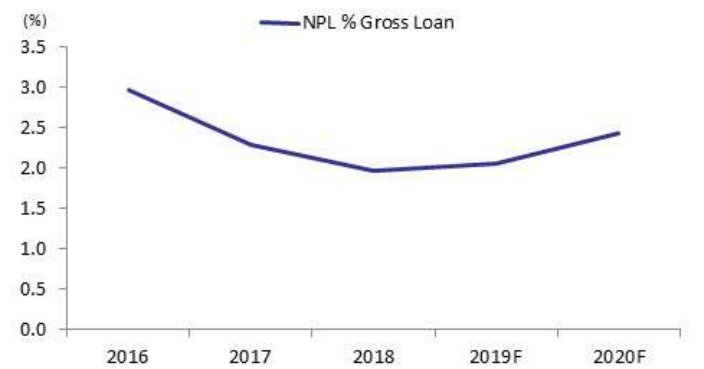
Source: Company, Danareksa Sekuritas estimates

Exhibit 3. NIM and LDR



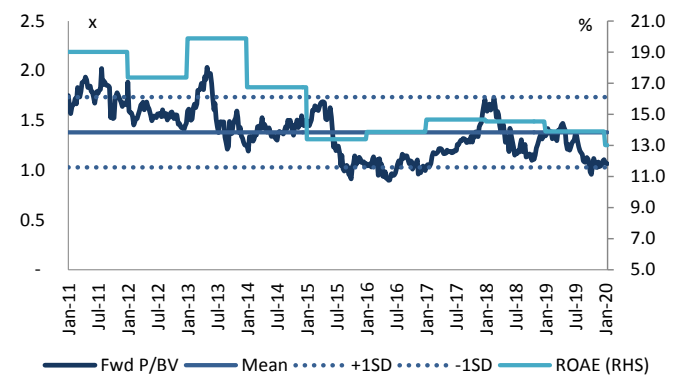
Source: Company, Danareksa Sekuritas estimates

Exhibit 4. NPL



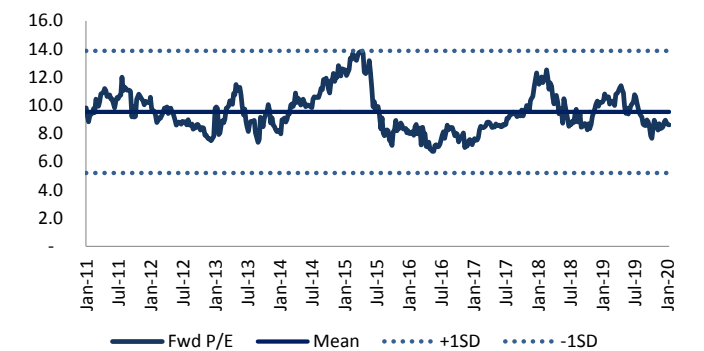
Source: Company, Danareksa Sekuritas estimates

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

FYE Dec (IDR bn)	4Q18	3Q19	4Q19	QoQ (%)	YoY (%)	FY18	FY19	YoY (%)
Net interest income	9,441	9,259	9,729	5.1	3.1	35,446	36,602	3.3
<i>Reported NIM (%)</i>	5.1	4.7	4.9			5.3	4.9	
Non-interest income	3,073	3,587	4,537	26.5	47.6	13,324	15,409	15.6
<i>Non-IT/Total income (%)</i>	24.6	27.9	31.8			27.3	29.6	
Operating income	12,514	12,846	14,267	11.1	14.0	48,771	52,011	6.6
Operating expenses	(5,269)	(5,932)	(6,487)	9.4	23.1	(21,783)	(23,687)	8.7
<i>Cost-Income Ratio (%)</i>	42.1	46.2	45.5			44.7	45.5	
Pre-provisions profit	7,245	6,915	7,780	12.5	7.4	26,988	28,324	5.0
Provisions allowance	(2,049)	(1,461)	(3,408)	133.2	66.4	(7,388)	(8,838)	19.6
<i>Credit cost - annualised (bps)</i>	160	90	244			155	165	
Pretax profit	5,502	5,425	4,313	(20.5)	(21.6)	19,821	19,369	(2.3)
Tax	(1,856)	(1,065)	(1,009)	(5.3)	(45.6)	(4,806)	(3,985)	(17.1)
<i>Effective tax rate (%)</i>	33.7	19.6	23.4			24.2	20.6	
Profit after tax	3,647	4,360	3,304			15,015	15,509	3.3
Minority Interest	(70)	(21)	(231)	994.4	232.2	(154)	(124)	(19.5)
Net Profit	3,577	4,339	3,412	(21.4)	(4.6)	15,015	15,384	2.5
Other Key Data and Ratios								
Gross loans	512,778	558,674	556,771	(0.3)	8.6	512,778	556,771	8.6
Customer deposits	552,172	554,428	614,311	10.8	11.3	552,172	614,311	11.3
Gross NPLs	9,743	10,447	12,806	22.6	31.4	9,743	12,806	31.4
Total assets	808,572	815,265	845,605	3.7	4.6	808,572	845,605	4.6
Shareholders' equity	108,077	118,805	124,803	5.0	15.5	108,077	124,803	15.5
ROAA (%)	1.8	2.1	1.6			2.5	1.9	
ROAE (%)	13.6	14.9	11.2			19.3	13.2	
LDR (%)	92.9	100.8	90.6			92.9	90.6	
Gross NPLs ratio (%)	1.9	1.9	2.3			1.9	2.3	
LLC ratio (%)	152.8	153.2	133.5			152.8	133.5	
CAR (%)	18.5	19.3	19.7			18.5	19.7	

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	65,250	70,636
Interest Expense	(16,240)	(18,692)	(22,710)	(24,788)	(26,190)
Net Interest Income	31,938	35,446	36,911	40,462	44,446
Non-Interest Income (NII)	12,592	12,804	14,891	16,783	18,200
Oper. Income	44,530	48,250	51,802	57,245	62,645
Oper. Expenses	(20,863)	(21,783)	(22,827)	(24,545)	(27,094)
Pre-provisions profit	24,349	26,988	28,975	32,700	35,552
Provisions & Allowances	(7,126)	(7,388)	(9,078)	(11,698)	(12,962)
Operating Profits	17,223	19,599	19,897	21,002	22,589
Non-Operating Income	(57)	221	83	87	137
Exceptionals	0	0	0	0	0
Pre-tax Profit	17,165	19,821	19,981	21,089	22,726
Income Tax	(3,395)	(4,729)	(3,996)	(4,429)	(4,545)
Minorities	(154)	(77)	(80)	(87)	(96)
Net Profit	13,616	15,015	15,905	16,573	18,085

Exhibit 9. Balance Sheet

Year to 31 Dec (IDRbn)	2017A	2018A	2019F	2020F	2021F
Gross Loans	441,314	512,778	581,160	656,421	731,643
Provisions	(14,524)	(14,892)	(18,691)	(22,947)	(27,088)
Net Loans	426,790	497,887	562,469	633,474	704,555
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	866,251	933,330
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	889,661	975,110	1,058,530
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	766,483	838,587	907,443
Share capital & Reserves	38,279	37,030	37,030	37,030	37,030
Retained Earnings	60,314	71,047	83,771	97,029	111,496
Shareholders' Funds	98,592	108,077	120,801	134,059	148,526
Minority interests	2,311	2,297	2,377	2,464	2,560
Total Equity & Liabilities	709,330	808,572	889,661	975,110	1,058,530

Exhibit 10. 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	3.1
Interest Spread	5.1	4.9	4.7	4.7	4.8
Net Interest Margin	5.4	5.2	4.9	4.9	4.9
Cost/Income Ratio	46.1	44.7	44.1	42.9	43.2
Oper. Exp./Oper. Gross Inc.	72.0	70.9	73.3	74.4	74.6
Gross NPL Ratio	2.3	2.0	2.1	2.4	2.5
LLP/Gross NPL	143.8	148.3	156.2	144.0	150.4
Cost of Credit	1.7	1.5	1.7	1.9	1.9
Loan to Deposit Ratio	89.6	92.9	94.1	95.5	95.9
Loan to Funding Ratio	89.0	92.4	93.6	95.1	95.6
CASA Mix	62.7	64.4	65.8	65.6	64.9
ROAE	14.7	14.5	13.9	13.0	12.8
ROAA	2.1	2.0	1.9	1.8	1.8
CAR	19.0	18.5	17.9	17.9	18.0

Exhibit 11. Dupont and growth

Year to 31 Dec	2017A	2018A	2019F	2020F	2021F
Dupont					
Pre-Tax ROAA	2.6	2.6	2.4	2.3	2.2
Tax Retention rate	80.2	76.1	80.0	79.0	80.0
Post-Tax ROAA	2.1	2.0	1.9	1.8	1.8
Goodwil, Assoc& Min	0.0	0.0	0.0	0.0	0.0
Leverage	7.1	7.3	7.4	7.3	7.2
ROAE	14.7	14.5	13.9	13.0	12.8
Growth (%)					
Interest income	10.1	12.4	10.1	9.4	8.3
Net Interest Income	6.5	11.0	4.1	9.6	9.8
Other Oper. Expenses	8.6	4.4	4.8	7.5	10.4
Fee Based Income	13.0	6.7	9.4	9.5	11.2
Pre-Provision Oper. Profit	10.3	10.8	7.4	12.9	8.7
Net Profit	20.1	10.3	5.9	4.2	9.1
Shareholders' Equity	13.1	9.6	11.8	11.0	10.8
Loan	12.2	16.2	13.3	13.0	11.5
Earnings Asset	17.7	13.7	7.9	10.1	7.7
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	10.0	9.6	8.6

Source : BBNi, Danareksa Estimates

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