

Wednesday, 20 May 2020

BUY
Maintain

Last price (IDR)	3,520
Target Price (IDR)	5,000
Upside/Downside	+42.0%
Previous Target Price (IDR)	6,500

Stock Statistics

Sector	Banking
Bloomberg Ticker	BBNI IJ
No of Shrs (mn)	18,649
Mkt. Cap (IDRbn/USDmn)	65,643/4,444
Avg. daily T/O (IDRbn/USDmn)	197.3/13.4

Major shareholders (%)

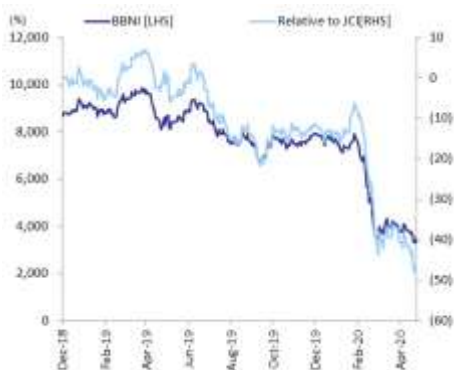
Government of Indonesia	60.0
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Estimated free float	40.0
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EPS Consensus (IDR)

	2020F	2021F	2022F
Danareksa	111.4	639.5	810.8
Consensus	792.4	892.4	990.1
Danareksa/Cons	(85.9)	(28.3)	(18.1)

BBNI relative to JCI Index



Source : Bloomberg



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Bank Negara Indonesia (BBNI IJ)

Managing expectations

Following BBNI's 1Q20 set of results and new guidance from the management, we cut some of our key assumptions. We assume earnings will fall by 86.5% to IDR2.1tn in FY20F driven by a lower NIM and significantly higher credit costs. We assume the NIM will decline to 3.9% due to lower asset yields. Meanwhile, credit costs are expected to rise to 352bps given the deterioration in assets quality coming from this year's soft GDP growth outlook also the impact from COVID-19. BUY maintained with a new GGM-derived TP of IDR5,000 (implying 0.86x 2020F PBV).

1Q20 highlights. The 1Q20 net profits of IDR4.2tn (+2.5% yoy) are inline with our forecast due to lower-than-expected provisioning expenses. Loans grew by 11.2% yoy with a 4.9% NIM on the back of a c.40bps drop in the loans yield to 9.0% in 1Q20. Credit costs ticked up to 160bps with the gross NPLs ratio edging up to 2.4% as of March 2020. Looking forward, BBNI's management shared the new guidance with targets of 2-4% yoy loans growth, 3.7-4% NIM, a 3.7-4.5% gross NPLs ratio and 300-350bps credit costs for this year.

The gross NPLs ratio should reach 4.2%. We expect the gross NPLs ratio to rise to 4.2% by December 2020F given the slowdown in GDP growth due to the COVID-19 outbreak. As of April 2020, BBNI already restructured IDR69.9tn of loans that were mostly dominated by the small segment at IDR27.4tn. For the small segment, almost 80% of the restructured loans are eligible for the government's interest rate subsidy. We therefore expect credit costs to increase to 350bps in FY20F, resulting in a 195.7% Loan Loss Coverage (LLC) ratio by December 2020F.

Expect a 3.9% NIM this year. Given the new guidance from BBNI's management, the NIM should fall significantly to 3.9% this year. This is based on our assumption of a lower asset yield at 6.8% as BBNI's management provided guidance for potentially IDR146.7tn of loans to be restructured due to the impact of COVID-19 (c.27% of its total loans book as of March 2020). In addition, BBNI will only use the cash basis accounting method for those restructured loans. All in all, net profits are forecast to drop by 86.5% to IDR2.1tn based on our model.

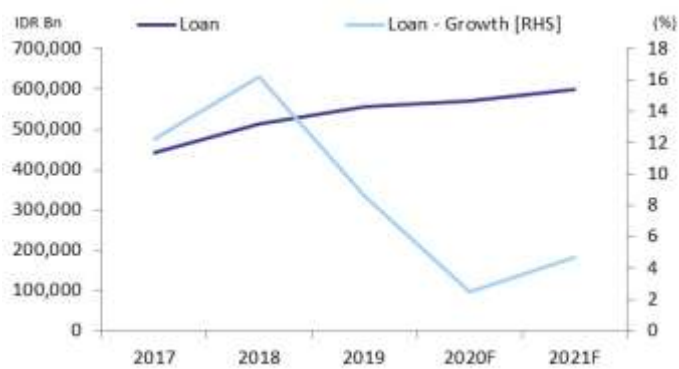
Maintain BUY, new TP of IDR5,000. We maintain our BUY call on BBNI with a new GGM-derived TP of IDR5,000 (implying 0.86x 2020F P/BV) assuming a 10.2% CoE, 9.1% sustainable ROAE and 3% long-term growth. Our TP is at its -1.5 standard deviation of its 10-year mean.

Key Financials

Year to 31 Dec	2018A	2019A	2020F	2021F	2022F
PPOP (IDRbn)	26,988	28,325	22,438	26,828	29,491
Net profit (IDRbn)	15,015	15,384	2,077	11,925	15,121
EPS (IDR)	805.2	825.0	111.4	639.5	810.8
EPS growth (%)	10.3	2.5	(86.5)	474.0	26.8
BVPS (IDR)	5,795.4	6,569.7	5,848.9	6,328.5	6,936.6
PER (x)	4.4	4.3	31.6	5.5	4.3
PBV (x)	0.6	0.5	0.6	0.6	0.5
Dividend yield (%)	5.7	5.9	0.8	4.5	5.8
ROAE (%)	14.5	13.3	1.8	10.5	12.2

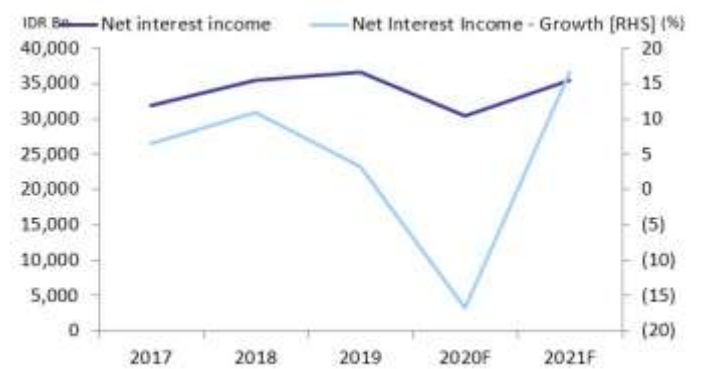
Source : BBNI, Danareksa Estimates

Exhibit 1. Loan and Growth



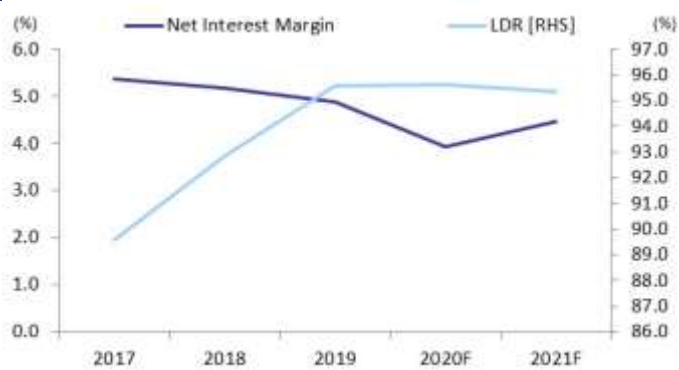
Source: Company, Danareksa Sekuritas estimates

Exhibit 2. Net Interest Income and Growth



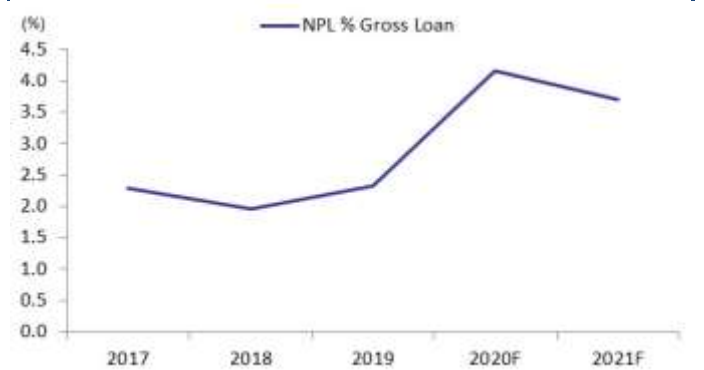
Source: Company, Danareksa Sekuritas estimates

Exhibit 3. NIM and LDR



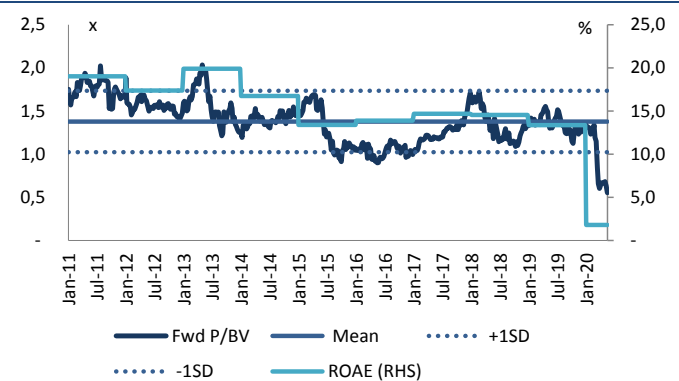
Source: Company, Danareksa Sekuritas estimates

Exhibit 4. NPL



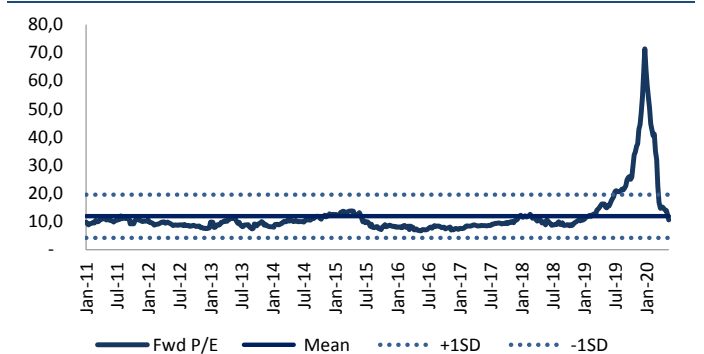
Source: Company, Danareksa Sekuritas estimates

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 results

FYE Dec (IDR bn)	1Q19	4Q19	1Q20	QoQ (%)	YoY (%)
Net interest income	8,859	9,730	9,539	(2.0)	7.7
<i>Net interest margin (%)</i>	5.0	4.9	4.9		
Non-interest income	3,530	4,538	3,677	(19.0)	4.2
Operating income	12,389	14,267	13,216		
Overhead expenses	(5,495)	(6,487)	(5,590)	(13.8)	1.7
<i>Cost-Income Ratio (%)</i>	44.4	45.5	42.3		
Pre-Provisions profit	6,893	7,780	7,626	(2.0)	10.6
Provisions allowance	(1,728)	(3,408)	(2,271)	(33.4)	31.4
<i>Credit cost - annualised (bps)</i>	127	169	160		
Pretax profit	5,132	4,313	5,335	23.7	4.0
Tax	(1,014)	(885)	(1,082)	22.3	6.7
<i>Effective tax rate (%)</i>	(19.8)	(20.5)	(20.3)		
Net Profit	4,075	3,412	4,253	24.7	4.4

Other Key Data and Ratios

Gross loans	521,349	556,771	579,604	4.1	11.2
Customer deposits	575,748	614,311	635,752	3.5	10.4
Gross non-performing loans	10,114	12,806	13,910	8.6	37.5
Total assets	800,564	845,605	868,448	2.7	8.5
Shareholders' funds	115,842	124,803	109,841	(12.0)	(5.2)
ROAA (%)	2.4	1.6	2.0		
ROAE (%)	17.4	11.3	14.5		
LDR (%)	90.6	90.6	91.2		
Gross NPLs ratio (%)	1.9	2.3	2.4		
LLC ratio (%)	147.9	132.0	243.2		
CAR (%)	19.2	19.7	16.1		

Source : Company, Danareksa Sekuritas estimates

Exhibit 8. Changes in forecast

Key assumptions	2019	Old			New			Changes (ppt)		
		2020F	2021F	2022F	2020F	2021F	2022F	2020F	2021F	2022F
Loans growth (%)	8.6	4.3	5.9	6.9	2.5	4.7	5.4	(1.8)	(1.2)	(1.5)
Deposits growth (%)	5.0	3.8	4.9	5.8	2.4	4.9	5.4	(1.4)	-	(0.4)
NIMs (%)	4.9	4.7	4.8	4.8	3.9	4.5	4.8	(0.8)	(0.3)	-
Gross NPLs ratio (%)	2.3	3.0	2.8	2.5	4.2	3.7	3.3	1.2	0.9	0.8
Credit costs (bps)	171	209	172	154	352	204	171	143	31	17
Net int. inc. growth (%)	3.3	0.6	4.3	6.0	(16.7)	16.6	12.0	(17.3)	12.3	6.0
Net profit growth (%)	1.3	(5.8)	12.0	8.3	(86.5)	474.0	26.8	(80.7)	462.0	18.5
ROAE (%)	13.3	12.0	13.0	12.8	1.8	10.5	12.2	(10.2)	(2.5)	(0.6)

Source : Company, Danareksa Sekuritas estimates

Exhibit 9. Income Statement

Year to 31 Dec (IDRbn)	2018A	2019A	2020F	2021F	2022F
Interest Income	54,139	58,532	52,867	57,998	62,512
Interest Expense	(18,692)	(21,930)	(22,374)	(22,439)	(22,684)
Net Interest Income	35,446	36,602	30,493	35,559	39,829
Non-Interest Income (NII)	12,804	14,438	15,099	17,038	17,938
Oper. Income	48,250	51,040	45,592	52,597	57,766
Oper. Expenses	(21,783)	(23,687)	(23,154)	(25,769)	(28,275)
Pre-provisions profit	26,988	28,325	22,438	26,828	29,491
Provisions & Allowances	(7,388)	(8,838)	(19,745)	(11,906)	(10,400)
Operating Profits	19,599	19,487	2,693	14,922	19,090
Non-Operating Income	221	(118)	16	42	(21)
Exceptionals	0	0	0	0	0
Pre-tax Profit	19,821	19,369	2,709	14,964	19,070
Income Tax	(4,729)	(3,861)	(528)	(2,918)	(3,814)
Minorities	(77)	(124)	(103)	(121)	(135)
Net Profit	15,015	15,384	2,077	11,925	15,121

Exhibit 10. Balance Sheet

Year to 31 Dec (IDRbn)	2018A	2019A	2020F	2021F	2022F
Gross Loans	512,778	556,771	570,817	597,486	629,566
Provisions	(14,892)	(16,909)	(46,412)	(47,644)	(45,842)
Net Loans	497,887	539,862	524,405	549,842	583,724
Govt. Bonds	86,791	81,029	65,026	52,194	41,902
Securities	32,044	27,162	36,978	43,650	49,691
Other Earnings Assets	0	0	0	0	0
Total Earnings Assets	729,560	766,191	781,619	812,594	849,655
Fixed Assets	34,009	35,662	36,448	37,010	37,711
Non-Earnings Assets	15,862	15,460	14,878	14,411	13,912
Total Assets	808,572	845,605	843,582	883,000	926,380
Customer Deposits	552,172	582,541	596,965	626,665	660,834
Banks Deposits	13,874	11,584	11,634	11,683	11,733
Int. Bearing Liab. - Others	26,961	32,112	32,915	33,737	34,581
Total Liabilities	698,198	720,601	731,916	762,270	794,174
Share capital & Reserves	37,030	40,052	40,052	40,052	40,052
Retained Earnings	71,047	82,464	69,022	77,966	89,306
Shareholders' Funds	108,077	122,516	109,074	118,018	129,358
Minority interests	2,297	2,488	2,592	2,712	2,847
Total Equity & Liabilities	808,572	845,605	843,582	883,000	926,380

Exhibit 11. Ratios

Year to 31 Dec (IDRbn)	2018A	2019A	2020F	2021F	2022F
Yield on Earning Assets	7.9	7.8	6.8	7.3	7.5
Cost of funds	3.0	3.2	3.2	3.1	3.0
Interest Spread	4.9	4.6	3.7	4.2	4.5
Net Interest Margin	5.2	4.9	3.9	4.5	4.8
Cost/Income Ratio	44.7	45.5	50.8	49.0	48.9
Oper. Exp./Oper. Gross Inc.	70.9	73.6	96.0	80.1	76.3
Gross NPL Ratio	2.0	2.3	4.2	3.7	3.3
LLP/Gross NPL	148.3	130.5	195.7	215.2	217.4
Cost of Credit	1.5	1.7	3.5	2.0	1.7
Loan to Deposit Ratio	92.9	95.6	95.6	95.3	95.3
Loan to Funding Ratio	92.4	95.1	95.1	94.9	94.8
CASA Mix	64.4	66.3	66.4	65.4	63.3
ROAE	14.5	13.3	1.8	10.5	12.2
ROAA	2.0	1.9	0.2	1.4	1.7
CAR	18.5	19.7	17.2	17.4	17.8

Exhibit 12. Dupont and growth

Year to 31 Dec	2018A	2019A	2020F	2021F	2022F
Dupont					
Pre-Tax ROAA	2.6	2.3	0.3	1.7	2.1
Tax Retention rate	76.1	80.1	80.5	80.5	80.0
Post-Tax ROAA	2.0	1.9	0.3	1.4	1.7
Goodwil, Assoc& Min	0.0	0.0	0.0	0.0	0.0
Leverage	7.3	7.2	7.3	7.6	7.3
ROAE	14.5	13.3	1.8	10.5	12.2
Growth (%)					
Interest income	12.4	8.1	(9.7)	9.7	7.8
Net Interest Income	11.0	3.3	(16.7)	16.6	12.0
Other Oper. Expenses	4.4	8.7	(2.2)	11.3	9.7
Fee Based Income	6.7	13.4	7.6	14.5	9.8
Pre-Provision Oper. Profit	10.8	5.0	(20.8)	19.6	9.9
Net Profit	10.3	2.5	(86.5)	474.0	26.8
Shareholders' Equity	9.6	13.4	(11.0)	8.2	9.6
Loan	16.2	8.6	2.5	4.7	5.4
Earnings Asset	13.7	5.0	2.0	4.0	4.6
Deposit	12.2	5.0	2.4	4.9	5.4
Int. Bearing Liab.	15.3	3.1	1.7	4.2	4.3
CASA	15.2	8.0	2.7	3.3	2.0
Total Asset	14.0	4.6	(0.2)	4.7	4.9

Source : BBNi, Danareksa Estimates

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