

Bank Negara Indonesia

BUY (unchanged)

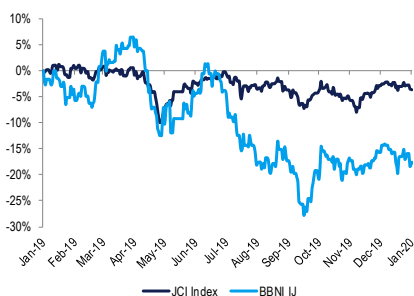
Company Update | Banks | BBNI IJ | 22 January 2020

Stock Data

Target price	Rp9,000
Prior TP	Rp9,000
Current price	Rp7,625
Upside/downside	+18%
Shares outstanding (mn)	18,649
Market cap (Rp bn)	142,196
Free float	40.0%
Avg. 6m daily T/O (Rp bn)	166

Price Performance

	3M	6M	12M
Absolute	4.1%	-11.6%	-17.6%
Relative to JCI	4.0%	-8.9%	-13.9%
52w low/high	Rp6,675 - Rp9,850		



Major Shareholders

Republic of Indonesia	60.0%
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FY19 results was in-line, expect a double digit earnings growth in FY20

- FY19 net profit of Rp15.3tr (+2% yoy) was in-line with estimates as PPOP growth (+5% yoy) was offset by higher provision (+20% yoy).
- Higher 4Q19 provision along with bigger capital adjustment for IFRS 9 (c.210-240bp) is to alleviate investor concerns' towards its loan book.
- Rising in LAR in 4Q was due to KRAS. Lower CoC and better NIM shall secure its earnings growth in FY20 (+16% yoy). Maintain Buy.

FY19 results was in-line despite higher provisions in 4Q19

BBNI booked FY19 net profit of Rp15.3tr (+2% yoy/-21% qoq), forming 100%/98% of our/consensus FY19 estimates. PPOP was decent (+5% yoy in FY19/+13% qoq in 4Q19), though provision rose by 20% yoy/+133% qoq. Credit costs rose to 1.7% in FY19 vs. 1.5% in FY18 (2.5% in 4Q19 vs. 1.1% in 3Q19). It guides for CoC of 1.2-1.4% in 2020 (vs. our estimate of 1.5%). Concurrently, IFRS 9 impact will be c.Rp13-15tr (210-240bp CAR impact), which shall increase balance sheet provision to Rp30-31tr vs. Rp16tr now.

Stable qoq NIM despite lower LDR, pick-up in CASA in 4Q suggest a better NIM outlook in FY20

NIM stood at 4.9% in FY19, stable qoq (5.3% in FY18). The flat NIM on qoq basis was stellar in our view, considering a steep drop on its LDR (92% in 4Q19 vs. 97% in 3Q19). Deposits grew 6% yoy (+6% qoq), driven by CASA (+9% yoy/+10% qoq), while TD was mild (+1% yoy/-1% qoq). Surge in 4Q CASA shall eventually translate to better NIM in 2020.

Tepid loan growth is preferable amidst tight liquidity condition

Loans grew 9% yoy (flat qoq) in 4Q19, driven by non-SOE corporate and small segment. It guides for a loan growth of 10-12% yoy in 2020F.

Downgrades in 4Q and ample coverage post IFRS 9 implementation shall hopefully alleviate the concern of kitchen sinking

NPL stood at 2.3% in 4Q19 vs. 1.8% in 3Q19 (1.9% in 4Q18) due to corporate segment. SML also rose to 4.6% in 4Q19 vs. 4.1% in 3Q19 (3.9% in 4Q18), while loan-at-risk (LAR) rose to 9.4% in 4Q19 vs. 8.6% in 3Q19 (7.9% in 4Q18). Increase in LAR was due to KRAS (as it's just finished the restructuring negotiation) not from any new debtors. Downgrades in 4Q and ample provision (post IFRS 9 – NPL and LAR coverage shall rise to c.250% and c.60%) will alleviate the concern of kitchen sinking.

Maintain Buy on the back of robust FY20-22F EPS growth

Maintain Buy on the back of robust EPS growth in FY20-22F. It trades at 1.3x 2020F P/BV vs. 10-year average of 1.5x. Risk is management change, if any.

Financial Summary (Rp bn)	2018A	2019A	2020F	2021F	2022F
Net interest income	35,446	36,602	39,237	44,167	48,961
Total revenue	48,771	52,011	56,787	63,712	70,811
PPOP	26,988	28,324	31,665	36,564	40,728
Provision charges	(7,388)	(8,838)	(9,206)	(10,296)	(10,747)
Net profit	15,015	15,384	17,878	20,914	23,873
Net profit growth	10%	2%	16%	17%	14%
P/BV (x)	1.4	1.3	1.3	1.2	1.0
Dividend yield	3.4%	3.6%	3.8%	4.4%	5.1%
ROAE	14.2%	13.3%	14.9%	16.6%	16.8%
IPS vs. consensus			101%	104%	97%

Sources: Company, IndoPremier

Share price closing as of: 22 January 2020

Fig. 1: BBNI's 4Q19 results summary

BBNI 4Q19 Results (Rp bn)	FY19	FY18	%YoY	4Q19	4Q18	%YoY	3Q19	%QoQ	IPS FY19F	% of IPS	Cons FY19F	% of Cons
Interest Income	58,532	54,139	8%	14,940	14,714	2%	14,994	0%	59,729	98%		
Interest expenses	-21,930	-18,693	17%	-5,211	-5,278	-1%	-5,734	-9%	-23,298	94%		
Net interest income	36,602	35,446	3%	9,729	9,436	3%	9,260	5%	36,431	100%	37,349	98%
Fee based income	11,358	9,615	18%	3,226	2,416	34%	2,757	17%				
Insurance Income	1,697	1,712	-1%	409	603	-32%	394	4%				
Recovery	2,354	1,997	18%	903	461	96%	435	108%				
Non-interest income	15,409	13,324	16%	4,538	3,480	30%	3,586	27%	15,827	97%	14,119	109%
Total Income	52,011	48,770	7%	14,267	12,917	10%	12,846	11%	52,258	100%	51,468	101%
Overhead Expenses	-23,687	-21,783	9%	-6,487	-5,671	14%	-5,932	9%	-23,721	100%	-23,224	102%
Pre-provision profit	28,324	26,987	5%	7,780	7,245	7%	6,914	13%	28,537	99%	28,244	100%
Loan loss provision	-8,838	-7,388	20%	-3,408	-2,048	66%	-1,462	133%	-9,284	95%	-8,230	107%
Other income (exp))	-118	221	-153%	-59	305	-119%	-28	111%				
Pretax Profit	19,368	19,820	-2%	4,312	5,502	-22%	5,425	-21%	19,253	101%	20,070	97%
Tax	-3,984	-4,805	-17%	-901	-1,925	-53%	-1,086	-17%	-3,933	101%		
Net Profit	15,384	15,015	2%	3,411	3,577	-5%	4,339	-21%	15,320	100%	15,632	98%

Sources: Company, IndoPremier

Fig. 2: BBNI's 4Q19 balance sheet summary

Key Balance Sheet Items	4Q19	4Q18	%YoY	3Q19	%QoQ
Placement with other banks and BI	47,777	39,324	21%	23,806	101%
Marketable securities	27,447	32,362	-15%	28,401	-3%
Government bonds	81,029	86,791	-7%	82,099	-1%
Gross Loan	556,771	512,778	9%	558,674	0%
Loan Loss Provision	(15,837)	(14,060)	13%	(15,078)	5%
Total Assets	845,605	808,572	5%	815,265	4%
Demand Deposits	207,035	169,274	22%	178,049	16%
Saving deposits	202,266	206,056	-2%	195,489	3%
CASA	409,301	375,330	9%	373,538	10%
Time Deposits & CD	205,010	203,445	1%	207,438	-1%
Customer deposits	614,311	578,775	6%	580,976	6%
Deposit from other banks	11,926	14,233	-16%	14,932	-20%
Securities issued	3,085	3,087	0%	3,087	0%
Borrowings	57,236	52,025	10%	44,847	28%
Other liabilities&accrued	34,244	50,078	-32%	50,149	-32%
Total Liabilities	720,802	698,198	3%	693,991	4%
Equity	124,803	110,374	13%	121,274	3%

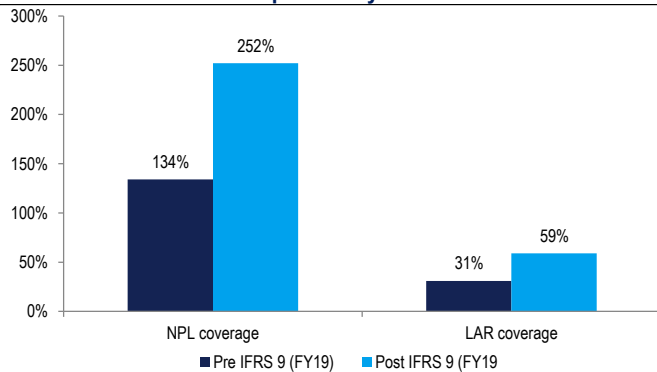
Sources: Company, IndoPremier

Fig. 3: BBNI's 4Q19 key ratios summary

Key Ratios	4Q17	1Q18	2Q18	3Q18	4Q18	1Q19	2Q19	3Q19	4Q19
Loan Yield - reported	10.0	9.6	9.9	9.7	9.7	9.4	9.3	9.3	9.3
Cost of funds - reported	3.0	2.8	2.8	2.8	2.8	3.2	3.2	3.2	3.2
NIM	5.5	5.4	5.4	5.3	5.3	5.0	4.9	4.9	4.9
CAR	18.5	17.9	17.5	17.8	18.5	19.2	18.7	19.3	19.7
LDR	86	90	87	89	89	91	92	97	92
Gross NPL	2.3	2.3	2.1	2.0	1.9	1.9	1.8	1.8	2.3
Net NPL	0.7	0.8	0.9	0.8	0.8	0.9	0.8	0.8	1.2
Special Mention	3.8	4.5	4.1	3.8	3.9	4.2	4.2	4.1	4.6
Credit Costs (Q)	1.6	1.8	1.8	1.3	1.7	1.4	1.8	1.1	2.5
Credit Costs (C)	1.7	1.8	1.8	1.6	1.5	1.4	1.6	1.4	1.7
Coverage Ratio	148	148	150	152	153	153	157	159	134
CASA Ratio	63	62	64	62	65	61	65	64	67
Loan-at-risk	9.9	9.8	9.1	8.7	7.9	8.3	8.6	8.6	9.4

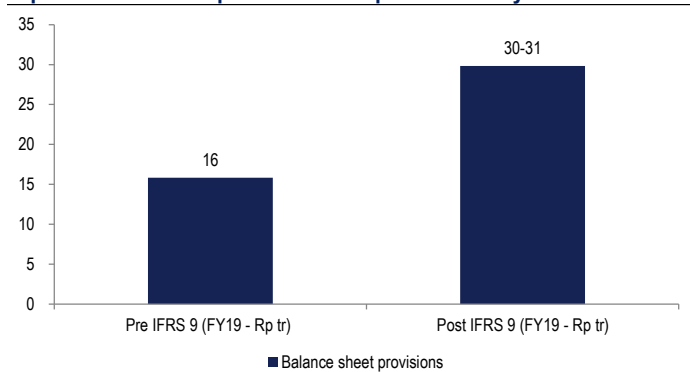
Sources: Company, IndoPremier

Fig. 4: Post IFRS 9, NPL and LAR coverage is expected to rise to 250%/60% from 134%/31% previously



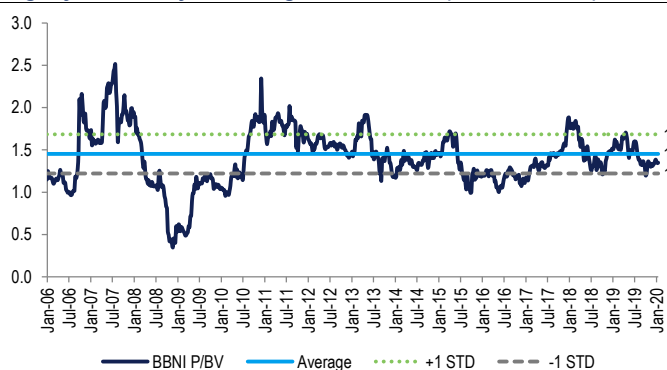
Sources: Company, IndoPremier

Fig. 5: Post IFRS 9 (Rp13-15tr impact), balance sheet provision is expected to rise to Rp30-31tr from Rp16tr currently



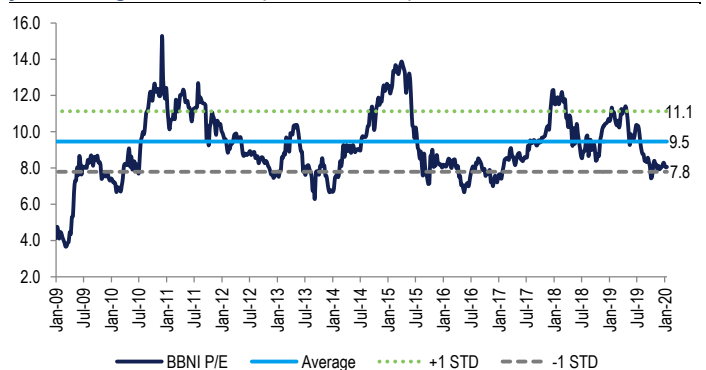
Sources: Company, IndoPremier

Fig. 6: BBNI's forward P/BV – now trading at 1.3x 2020 P/BV, slightly below 10-year average of 1.5x P/BV (ex-asset reval)



Sources: Bloomberg, Company, IndoPremier

Fig. 7: BBNI's forward P/E – now trading at 8x 2020 P/E, below 10-year average of 9.5x P/E (ex-asset reval)



Sources: Bloomberg, Company, IndoPremier

Fig. 8: Peer comparison table

Ticker	Closing Price	Target Price	P/BV multiple target (x)	Upside	Recommendation	P/E (x)		P/BV (x)	
						2020F	2021F	2020F	2021F
BMRI	7,800	8,000	1.9	3%	Buy	12.2	10.7	1.9	1.7
BBRI	4,710	4,600	2.5	-2%	Buy	14.9	13.4	2.6	2.3
BBCA	34,200	31,000	4.0	-9%	Hold	26.1	22.9	4.4	3.8
BBNI	7,625	9,000	1.4	18%	Buy	8.0	6.8	1.3	1.2
BBTN	2,050	2,750	1.3	34%	Buy	6.1	5.4	1.1	0.9

Sources: Bloomberg, Company, IndoPremier

Share price closing as of: 22 January 2020

Income Statement (Rp bn)	2018A	2019F	2020F	2021F	2022F
Interest income	54,139	58,532	65,072	72,605	80,289
Interest expense	(18,692)	(21,930)	(25,835)	(28,438)	(31,328)
Net interest income	35,446	36,602	39,237	44,167	48,961
Non-interest income	13,324	15,409	17,550	19,545	21,849
Total operating income	48,771	52,011	56,787	63,712	70,811
Total operating expense	(21,783)	(23,687)	(25,123)	(27,149)	(30,083)
PPOP	26,988	28,324	31,665	36,564	40,728
Provisions	(7,388)	(8,838)	(9,206)	(10,296)	(10,747)
Operating profit	19,600	19,486	22,459	26,268	29,981
Non-operating profit	221	(118)	-	-	-
Pre-tax profit	19,821	19,368	22,459	26,268	29,981
Income tax	(4,729)	(3,902)	(4,492)	(5,254)	(5,996)
Minority interests	(77)	(82)	(89)	(100)	(111)
Net profit	15,015	15,384	17,878	20,914	23,873

Balance Sheet (Rp bn)	2018A	2019F	2020F	2021F	2022F
Cash + CA with BI	49,635	50,078	57,420	61,558	66,102
Secondary reserves	171,294	149,261	159,709	170,888	182,851
Gross loans	512,779	556,771	648,023	724,732	810,530
Loan provisions	(14,892)	(17,154)	(29,984)	(29,984)	(29,217)
Other assets	89,756	93,577	98,447	103,803	109,695
Total Assets	808,572	832,532	933,614	1,030,997	1,139,962
Customer deposits	593,007	626,236	709,569	792,295	884,706
Securities and borrowings	76,536	57,236	76,536	76,536	76,536
Other liabilities	28,655	28,555	28,555	28,555	28,555
Total Liabilities	698,198	712,027	814,660	897,386	989,797
Shareholders' equity	110,374	120,506	118,954	133,611	150,165
Total Liabilities & Equity	808,572	832,532	933,614	1,030,997	1,139,962

Sources: Company, IndoPremier

Growth YoY	2018A	2019F	2020F	2021F	2022F
Gross loans	16.2%	8.6%	16.4%	11.8%	11.8%
Total assets	14.0%	3.0%	12.1%	10.4%	10.6%
Customer deposits	12.3%	5.6%	13.3%	11.7%	11.7%
Net interest income	11.0%	3.3%	11.2%	12.6%	10.9%
Non-interest income	0.4%	15.6%	13.9%	11.4%	11.8%
Total operating income	7.9%	6.6%	9.2%	12.2%	11.1%
Operating expense	4.4%	8.7%	6.1%	8.1%	10.8%
PPOP	10.8%	4.9%	11.8%	15.5%	11.4%
Net profit	10.3%	2.5%	16.2%	17.0%	14.1%

Key Ratios	2018A	2019F	2020F	2021F	2022F
ROAA	2.0%	1.9%	2.0%	2.1%	2.2%
ROAE	14.2%	13.3%	14.9%	16.6%	16.8%
NIM	5.3%	4.9%	5.0%	5.1%	5.1%
Credit cost	1.5%	1.7%	1.5%	1.5%	1.4%
Cost/income	44.7%	45.5%	44.2%	42.6%	42.5%
LDR	86.5%	91.5%	91.3%	91.5%	91.6%
CAR	18.6%	19.7%	17.2%	17.4%	17.7%
NPL ratio	2.0%	2.3%	1.8%	1.6%	1.5%
Provisions/NPL	148.3%	133.8%	258.6%	266.0%	248.3%

Sources: Company, IndoPremier

INVESTMENT RATINGS

BUY	: Expected total return of 10% or more within a 12-month period
HOLD	: Expected total return between -10% and 10% within a 12-month period
SELL	: Expected total return of -10% or worse within a 12-month period

ANALYSTS CERTIFICATION

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