



Melayani Negeri, Kebanggaan Bangsa

**BUY**

Target Price : **IDR8,500**

## Stock Data

Curent Price : IDR7,450  
 52wk Range H-L : IDR 10,250-6,675  
 Share Outstanding : 18.648 bn  
 Free Float (%) : 41.16%  
 Mkt Capitalization : 138,932.5 (IDR bn)

## Major Shareholders

Government : 58.84%  
 Public : 41.16%



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## PT Bank Negara Indonesia (Persero) Tbk (BBNI)

Banking Sector

### Speed Bump Ahead

#### Slightly Lower Bottom Line-In Line with Expectation

BBNI booked net profit of IDR15.38 trillion or grew by 2.46% YoY, reaching 98.42%/96.78% of full year Consensus/MNCS estimate, whereas net interest income remained flat at 3.26% YoY in FY19. Loan growth slightly decrease to 8.60% in FY19 (vs 16.19% in FY18) because of lower corporate loan yield at 9.00% (-90bps YoY) while the SOE and medium growth declined by 3.60%/2.70% YoY. Therefore, NIM was decreased to 4.90% in 4Q19 along with the industry condition, hence the management revised down its full year target of NIM to around 5%-5.10% from 5.3%-5.4%, which our forecast in FY19E at 4.94% due to limited downside of cost of fund. Management estimate loan growth of 10%-12% in FY20E in line with BI and OJK forecasts, while focusing on small and consumer segment with a relatively high yield and manageable risk. Therefore, we forecast loan growth of 11% in FY20E. We cut down our earnings estimate in FY20E/FY21F by 5.5%-6.0% to IDR17.13 trillion/IDR19.37 trillion because of higher provision expense.

#### Asset Quality Worsen on Rising NPL

Gross NPL increased to 2.30% in FY19 (vs 1.90% in FY18) with the net NPL at 1.20% due to the strategy to downgrade some stress loan from a corporate segment in steel manufacturer, a marble miner and a hotel which have been restructured. This has led to the improvement of Loan at Risk (LAR) at 9.4%, while coverage ratio is at 133.5%. Total asset grew by 4.60% YoY to IDR845.60 trillion in FY19, supported by Loan growth of 8.60% YoY to IDR556.77 trillion, which is well above the industry growth average of 6%, as well as Third Party Fund growth of 6.10% YoY to IDR614.31 trillion in FY19. CASA stood at 66.6% which is being improved by several strategies such as: 1) increasing number of accounts; 2) loan and non-loan related business; and 3) optimizing digital banking. Moreover, in order to anticipate their provision level, management guidance in CAR related to IFRS 9 will decrease by ~200bps; hence its CAR will still be healthy at around ~17% in FY20E/FY21F.

#### Recommendation: Maintain BUY at Target Price IDR8,500

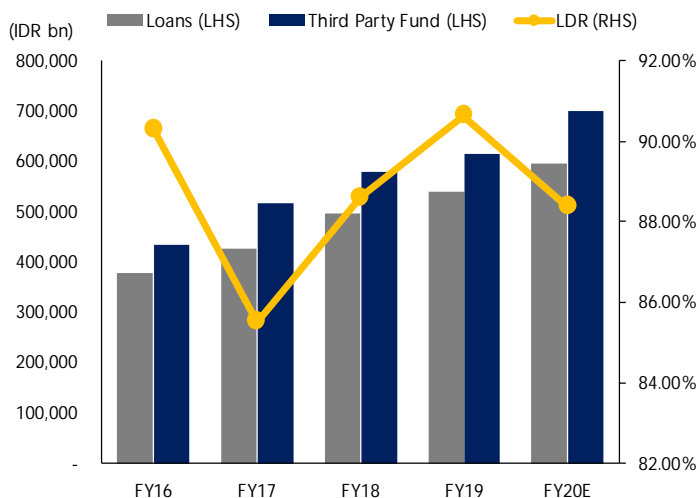
BBNI has increased its CASA market share by 1.6% to 10.7% in 4 years (2015 to 2019) with CAGR 14.7%, above the industry of 8.9%. While the deposit and loan market share increased by 2%/2.4% to 9.1%/9.5% with CAGR 13.9%/15.3%. We maintain our recommend **BUY** for **BBNI** with a lower target price at **IDR8,500 (from IDR9,800)** with implied PBV **FY20E/FY21F at 1.34x/1.21x and is traded at -1 STD of average 3 years PBV band**. We believe the company strategy to focus on asset quality and manageable liquidity will drives BBNI's performance, with several downside risks: IFRS 9 implementation, macro economy and NIM pressure.

#### Key Financial Highlight

YE Dec (IDR bn)	FY17	FY18	FY19	FY20E	FY21F
Net Interest Income	33,706	37,158	38,299	41,653	47,578
Net Profit	13,617	15,015	15,384	17,127	19,372
EPS (IDR)	730	805	825	918	1,039
PER (x)	10.20	9.25	9.03	8.11	7.17
BVS (IDR)	5,287	5,795	6,570	6,323	7,040
PBV (x)	1.41	1.29	1.13	1.18	1.06
ROAE (%)	14.50	14.53	13.34	14.25	15.55
ROAA (%)	2.08	1.98	1.86	1.90	1.86
Dividend Yield (%)	2.86	3.43	2.70	3.81	4.31

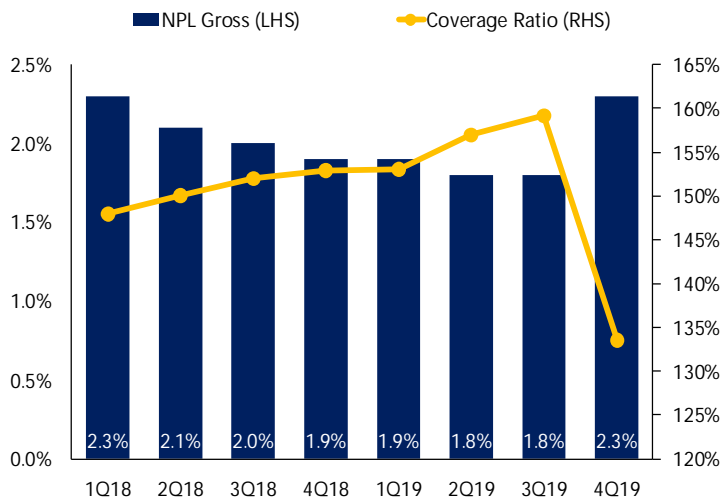
Source: Bloomberg, MNCS as of January 27th, 2020

**Exhibit 01. BBNI's Loan, Third Party Fund, and LDR**



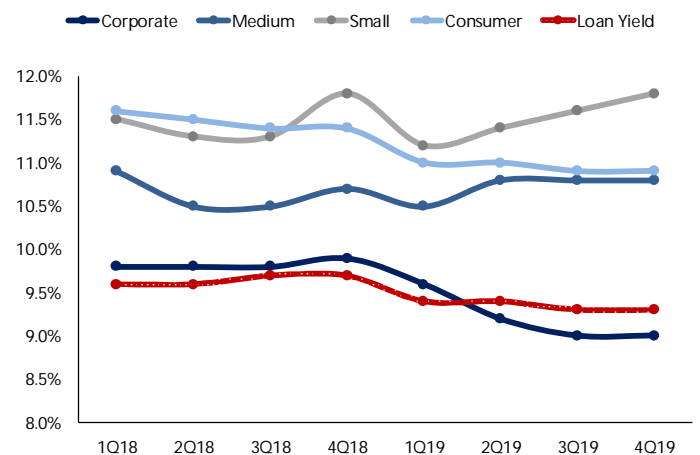
Source : BBNI, MNCS

**Exhibit 02. BBNI's NPL Gross and Coverage Ratio**



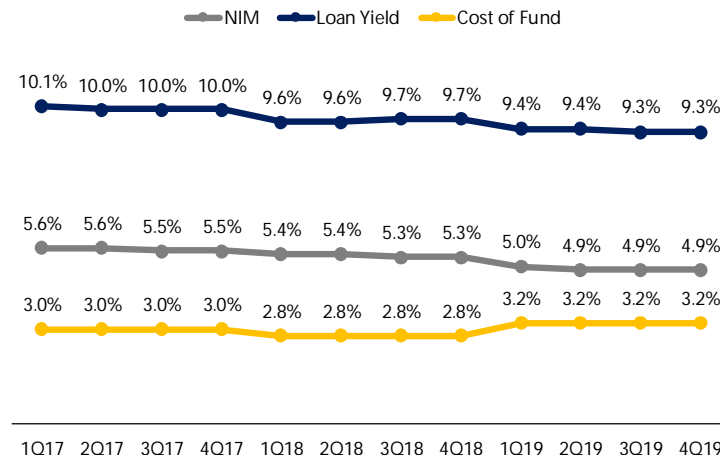
Source : BBNI

**Exhibit 03. Loan Yield by Segment – Bank Only**



Source : BBNI

**Exhibit 04. BBNI's NIM, Loan Yield and Cost of Fund**



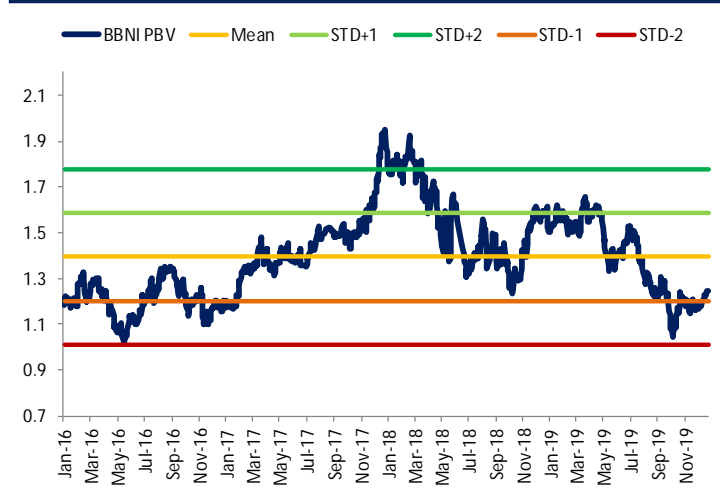
Source : BBNI

**Exhibit 05. BBNI's FY19 Results**

IDR Billion	12M18	12M19	YoY	MNCS FY19E	% of FY19E
<b>Net Interest Income</b>	<b>35,446</b>	<b>36,602</b>	<b>3.26%</b>	<b>38,720</b>	<b>94.53%</b>
Non-interest Income	13,324	15,409	15.65%		
PPOP	26,988	28,324	4.95%		
Provision Expenses	7,388	8,839	19.64%		
<b>Net Profit</b>	<b>15,015</b>	<b>15,383</b>	<b>2.45%</b>	<b>15,894</b>	<b>96.78%</b>
<b>Ratios (%)</b>					
CAR	18.5	19.7			
LDR	88.6	90.6			
NIM	5.4	5.1			
NPL gross	2.0	2.3			

Source : BBNI, MNCS

**Exhibit 06. 5 Years Average of BBNI's PBV Band**



Source : Bloomberg as of January 24th, 2020

**Exhibit 07. Financial Projections**

Income Statement						Balance Sheet					
IDR Billion	FY17	FY18	FY19	FY20E	FY21F	IDR Billion	FY17	FY18	FY19	FY20E	FY21F
Interest Income	55,050	60,136	64,691	68,209	77,046	Cash	11,578	14,044	15,362	18,261	21,365
Interest Expense	(21,344)	(22,978)	(26,391)	(26,556)	(29,468)	CA with BI	32,701	35,591	37,104	45,457	51,879
<b>Net Interest Income</b>	<b>33,706</b>	<b>37,158</b>	<b>38,299</b>	<b>41,653</b>	<b>47,578</b>	CA with Other Banks	21,335	13,134	14,963	16,613	18,325
Non-Interest Income	11,040	11,613	13,712	16,364	17,292	Placement with BI and Banks	28,593	39,324	47,777	55,490	64,450
<b>Operating Income</b>	<b>44,746</b>	<b>48,771</b>	<b>52,012</b>	<b>58,017</b>	<b>64,870</b>	Marketable Securities	36,050	32,044	27,162	38,019	53,153
Operating Expense	(20,396)	(21,783)	(23,687)	(25,267)	(27,094)	Loans	426,790	497,887	539,862	595,896	664,419
<b>Pre-Provision Income</b>	<b>24,350</b>	<b>26,988</b>	<b>28,325</b>	<b>32,749</b>	<b>37,776</b>	Fixed Assets	22,805	26,127	26,525	29,348	32,472
Provision Expense	(7,126)	(7,388)	(8,838)	(11,106)	(13,327)	Other Assets	129,479	150,421	136,851	162,025	218,411
<b>Pre-tax Profit</b>	<b>17,166</b>	<b>19,821</b>	<b>19,369</b>	<b>21,604</b>	<b>24,436</b>	<b>Total Assets</b>	<b>709,330</b>	<b>808,572</b>	<b>845,605</b>	<b>961,109</b>	<b>1,124,474</b>
Tax	(3,395)	(4,729)	(3,861)	(4,321)	(4,887)	Current Account	143,162	169,274	207,035	253,220	309,707
Minority Interest	(154)	(77)	(124)	(156)	(176)	Saving Account	182,295	206,056	202,266	219,857	235,630
<b>Net Profit</b>	<b>13,617</b>	<b>15,015</b>	<b>15,384</b>	<b>17,127</b>	<b>19,372</b>	Time Deposit	190,641	203,445	205,010	226,259	252,800
						Third Party Funds	<b>516,098</b>	<b>578,775</b>	<b>614,311</b>	<b>699,335</b>	<b>798,137</b>
<b>EPS (full amount)</b>	<b>730</b>	<b>805</b>	<b>825</b>	<b>918</b>	<b>1,039</b>	Deposit Other Banks	11,683	13,874	11,584	14,996	19,411
<b>BVS (full amount)</b>	<b>5,287</b>	<b>5,795</b>	<b>6,570</b>	<b>6,323</b>	<b>7,040</b>	Securities Issued	2,986	2,987	2,985	4,985	6,985
						Borrowings	<b>44,722</b>	<b>52,025</b>	<b>57,236</b>	<b>85,160</b>	<b>127,881</b>
						Other Liabilities	30,547	29,012	32,302	35,883	37,999
						<b>Total Liabilities</b>	<b>608,427</b>	<b>698,198</b>	<b>720,601</b>	<b>840,581</b>	<b>990,437</b>
						<b>Shareholder's Equity</b>	<b>100,903</b>	<b>110,373</b>	<b>125,004</b>	<b>120,528</b>	<b>134,037</b>
						<b>Total Liabilities and Equity</b>	<b>709,330</b>	<b>808,572</b>	<b>845,605</b>	<b>961,109</b>	<b>1,124,474</b>

Ratios					
Percentage (%)	FY17	FY18	FY19	FY20E	FY21F
NIM	5.59	5.38	5.12	5.09	5.09
ROAE	14.50	14.53	13.34	14.25	15.55
ROAA	2.08	1.98	1.86	1.90	1.86
LFR	85.02	88.14	90.20	87.75	85.97
CASA	63.06	64.85	66.63	67.65	68.33
NPL Gross	2.29	1.96	2.33	2.06	2.04
Coverage Ratio	143.81	148.35	130.45	173.74	196.58
Cost Efficiency	45.58	44.66	45.54	43.55	41.77
Cost to Income	73.90	72.80	75.38	74.74	74.53
CAR	18.53	18.50	19.73	17.53	17.58

Growth					
Percentage (%)	FY17	FY18	FY19	FY20E	FY21F
Loan Growth	12.21	16.19	8.60	11.00	12.00
Deposit Growth	18.50	12.14	6.14	13.84	14.13
Net Interest Income Growth	7.56	10.24	3.07	8.76	14.23
Net Profit Growth	20.08	10.27	2.46	11.33	13.11

Source: BBNI, MNCS

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### MNC Research Investment Ratings Guidance

**BUY** : Share price may exceed 10% over the next 12 months  
**HOLD** : Share price may fall within the range of +/- 10% of the next 12 months  
**SELL** : Share price may fall by more than 10% over the next 12 months  
**Not Rated** : Stock is not within regular research coverage

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