

Overall inline 1Q24 earnings

6 May 2024



<b>BBNI IJ</b>	<b>BUY</b>
Sector	Banks
Price at 6 May 2024 (IDR)	4,810
Price target (IDR)	6,530
Upside/Downside (%)	35.8

**Stock Information**

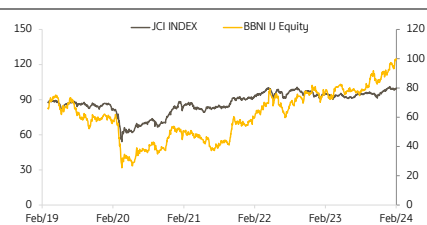
PT Bank Negara Indonesia (Persero) Tbk is a state-owned offering commercial and consumer banking services. The bank is positioned as one of 3 big SoE banks in Indonesia. Through its subsidiaries, the bank is also offering businesses in sharia banking, insurance, consumer financing and securities.

Market cap (IDR bn)	180,146
Shares outstanding (mn)	37,297
52-week range (IDR)	4,310-6,250
3M average daily vol. ('000)	65,092
3M average daily val. (IDR mn)	365,817

**Shareholders (%)**

Republic of Indonesia	60.0
Public	45.1

**Stock Performance**



Source: Bloomberg

	<b>1M</b>	<b>3M</b>	<b>12M</b>
Performance	(8.8)	(16.3)	4.4

**Analyst**

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1Q24 earnings grew soft as a result of mounting interest expenses. Yet, in all, 1Q24 earnings is considerably in line, as it arrives within our and consensus forecast for BBNI '24F PATMI at a run rate of 22.2%/22.2% vs. the 5YR 1Q average of 23.6%. We expect rising cost of fund to continue at a lower rate, on the back of manageable USD TD cost and stronger low-cost deposit mixed. NIM could normalize supported by BBNI plan to reprice its loan yield by around 50bps. On risk metrics we believe NPL will stay at low level, while CoC will overall be supported by the ongoing focus to maintain asset quality and a plan to less aggressive on SME loan disbursement. Maintain BUY with GGM TP of IDR6,530 (1.4x '24F P/B), while its currently trading at 1.1x '24F P/B, or at its +1SD historical mean.

**Soft 1Q24 earnings growth, yet overall inline**

BBNI 1Q24 earnings mild growth of 2.0% yoy (IDR5.32tn) was mainly driven by a sharp increase in interest expenses (47.5% yoy) which resulting to a negative net interest income growth of -9.8% yoy. The net profit positive growth was backed by strong fee income growth (21% yoy) and sharp decline in provisioning charges (18.9% yoy). In all, BBNI's 1Q24 earnings is still considerably in line, as it arrives within our and consensus forecasts at a run rate of 22.2%/22.2% vs. the 5YR 1Q average of 23.6%.

**Robust loan growth with stable CASA growth**

Total loan grew 9.6% yoy, arrives within BBNI's '24F loan growth comfortable level of 9%-11% yoy, thanks to continuing robust corporate loan growth of 16.3% yoy (the highest among all loan segment), accounted for 53.9% of total loan and recorded 410bps higher yoy and 110bps higher vs 4Q23. We also like BBNI's consumer segment loan growth of 13.6% yoy, backed by the solid personal and mortgage segment. On the liability side,, the bank reported a higher total third party fund by 490bps to IDR 780.2tn as a result of 6.0% yoy growth in CASA. Worth noting that high cost of funds grew the slowest at 2.4% yoy, even compared to saving account which grew 50bps higher at 2.9% yoy.

**Softened NIM, yet well managed risk metrics**

The bank recorded lower NIM to 4.0% in 1Q24 vs 4.4% in 4Q23. Following 25bps increasing central bank benchmark rate, continuing pressure on the cost of deposit adjustment will remain intact and thus could jeopardized BBNI's NIM. On the risk metrics side, gross npl significantly getting healthier (-80bps) to 2.0% in 1Q24 and well managed on quarterly basis (4Q23: 2.1%). Likewise, cost of credit also booked an improving number to 1.0% vs 1.4% in 4Q23.

**Expecting normalized NIM pressures...**

Despite the bank will continue to optimize its fee-based income, we believe that key for the continuing solid earnings growth will lies on the well managed NIM figure. We expect BBNI's less aggressive plan in USD loan disbursement and the impact on the latest USD bond issuance will overall help its NIM as USD TD rate (1Q24) has brought meaningful impact to rising cost of fund. We like the bank plan to keep its '24F loan growth guidance of 9%-11% unchanged (1Q24: 9.6% yoy) which will overall supporting its top line growth. The bank will reprice its loan yield by around 50bps (amounting IDR30-50tn), following the 25bps increased of domestic central bank benchmark rate. What's more, BBNI's focus on high yield segment should be translated as another additional catalyst for its '24F NIM.

**..and steady low risk metrics**

We believe the bank will continue to report a much better risk metrics and thus will overall cushion any latent drawbacks that might arise in the following quarters and threatened '24F earnings growth. We like BBNI's plan to maintain low cost of credit by continuously maintain its asset quality in the corporate and consumer segment, while at the same time plan to be less aggressive on SME loan disbursement. We expect the 1Q24 appealing risk metrics will continue and thus will overall supports earnings growth to remain arrive within ours and consensus expectation.

**Maintain BUY, GGM TP of IDR6,530**

Our GGM-based TP of IDR6,530 is pegged at 1.4x '24F P/B while its currently trading at 1.3x '24F P/B, or below its +1SD historical mean. Downside risks to our call are: 1) Slower loan growth, 2) worsening NIM and AQ, 3) higher than expected CoC, CoF, NPL 4) lower than expected interest income and mounting cost of funds remain intact, 5) slowing down economic activity, 6) stubborn inflation 6) uninterrupted strengthening DYY, 7) worsening middle tension and 8) prolonged uncertainty which will jeopardize growth expectation.

**Exhibit 1: Key Statistics**

Year end Dec (IDR bn)	2022A	2023A	2024F	2025F	2026F
Net Interest income	41,321	41,276	46,967	50,768	55,334
Non int. Income	20,151	21,472	22,140	22,730	23,336
Total operating income	61,472	62,747	69,108	73,498	78,670
Pre-provision profit	34,413	34,970	40,337	43,665	47,495
Net income (IDR bn)	18,312	20,909	23,984	26,445	29,896
EPS (IDR)	491	561	643	709	802
EPS growth (%)	68.0	14.2	14.7	10.3	13.1
PER (x)	9.8	8.6	7.5	6.8	6.0
PBV (x)	1.3	1.2	1.1	1.0	0.8
Div. Yield (%)	1.5	4.1	3.5	4.0	4.4
RoE (%)	14.1	14.6	15.0	14.8	14.9

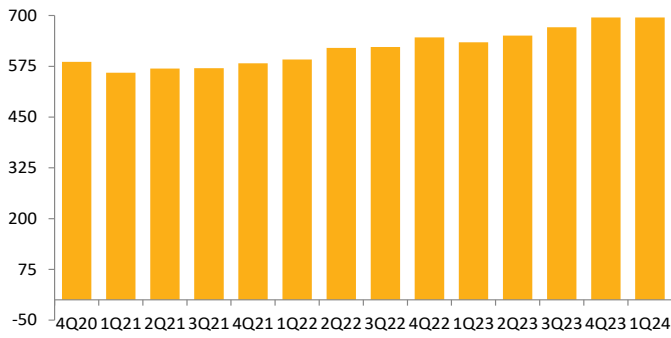
Source: Company, KBVS Research

Exhibit 2: BBNI 1Q24 financial and key performance metrics results

Income Statement (IDRbn)	3M23	3M24	YoY (%)	1Q23	1Q24	YoY (%)	4Q23	QoQ (%)	KBVS '24F	% to '24F	Cons' '24F	% to Cons'
Net interest income	10,408	9,390	-9.8	10,408	9,390	-9.8	10,120	-7.2				
Pre-provision operating profit	8,652	8,181	-5.4	8,652	8,181	-5.4	8,727	-6.3				
Provision expenses	-2,149	-1,744	-18.8	(2,149)	(1,744)	-18.8	(2,486)	-29.8				
Net profit	5,221	5,326	2.0	5,221	5,326	2.0	5,156	3.3	23,984	22.2	23,980	22.2
Balance Sheets (IDRbn)	3M23	3M24	YoY (%)	1Q23	1Q24	YoY (%)	4Q23	QoQ (%)				
Gross loans	634,326	695,162	9.6	634,326	695,162	9.6	695,085	0.0				
Current account	285,076	309,546	8.6	285,076	309,546	8.6	345,496	-10.4				
Saving account	227,466	233,958	2.9	227,466	233,958	2.9	231,981	0.9				
Time deposits	231,187	236,726	2.4	231,187	236,726	2.4	233,253	1.5				
CASA	512,542	543,504	6.0	512,542	543,504	6.0	577,478	-5.9				
Total equity	145,063	149,702	3.2	145,063	149,702	3.2	154,733	-3.3				
Selected Key Performance (%)	3M23	3M24	YoY (%)	1Q23	1Q24	YoY (%)	4Q23	QoQ (%)				
NIM	4.7	4.0	-0.7	4.7	4.0	-0.7	4.4	-0.4				
CASA	68.9	69.7	0.8	68.9	69.7	0.8	71.2	-1.5				
CIR	41.7	43.2	1.5	41.7	43.2	1.5	47.4	-4.2				
CoF	1.9	2.8	0.9	1.9	2.8	0.9	2.5	0.3				
ROE	15.5	14.5	-1.0	15.5	14.5	-1.0	14.3	0.2				
ROA	2.7	2.5	-0.2	2.7	2.5	-0.2	2.5	0.0				
LDR	85.4	89	3.6	85.4	89	3.6	85.8	3.2				
NPL gross	2.8	2	-0.8	2.8	2	-0.8	2.1	-0.1				
NPL coverage	286.8	330.2	43.4	286.8	330.2	43.4	319	11.2				
CoC	1.4	1	-0.4	1.4	1	-0.4	1.4	-0.4				
LAR	16.3	13.3	-3.0	16.3	13.3	-3.0	12.9	0.4				

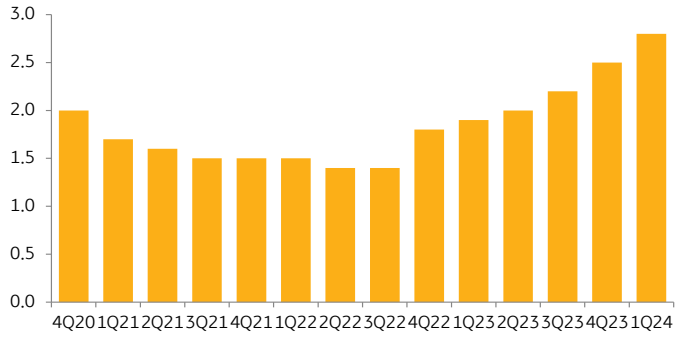
Source : Company, KB Valbury Sekuritas

Exhibit 3: Solid loan growth trajectory likely to continue



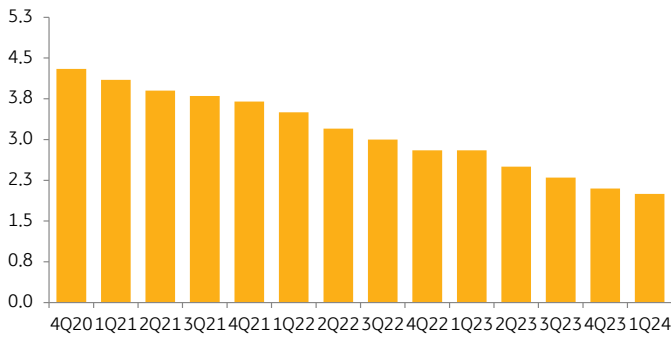
Source: Company, KBVS Research

Exhibit 4: Expect slower rising cost of fund on manageable USD deposit rate



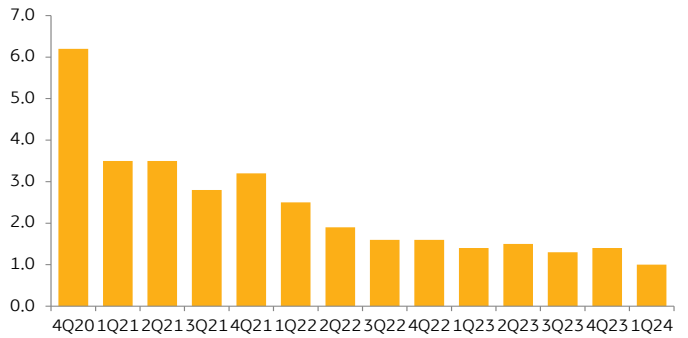
Source: Company, KBVS Research

Exhibit 5: Healthier NPL likely to remain intact (%)...



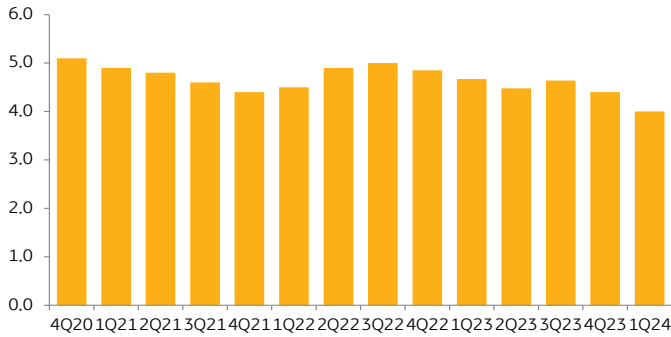
Source: Company, KBVS Research

Exhibit 6: ...with CoC to remain at low level (%)



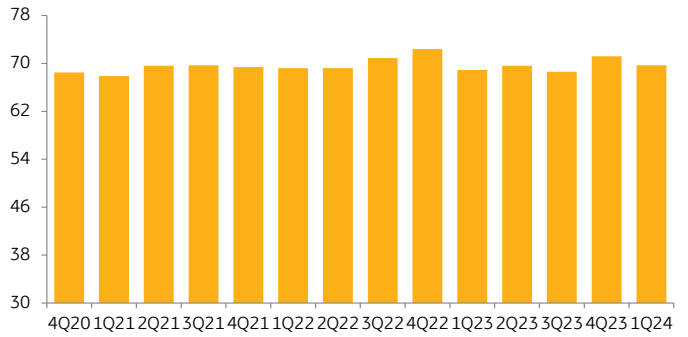
Source: Company, KBVS Research

Exhibit 7: Expect better NIM on loan repricing yield (%)



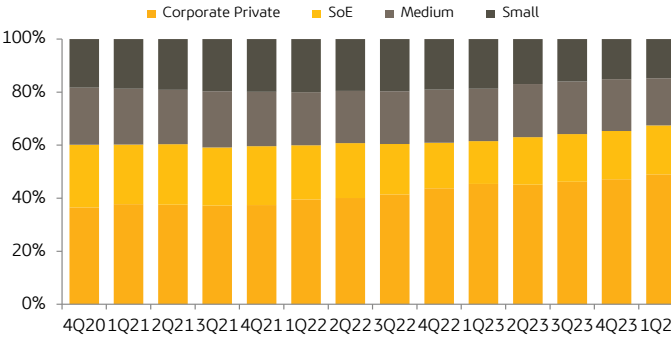
Source: Company, KBVS Research

Exhibit 8: Solid and better CASA growth to maintain continuing better NIM (%)



Source: Company, KBVS Research

Exhibit 9: Expect stable corporate segment with better high yield portion



Source: Company, KBVS Research

Exhibit 10: Trading at 1.3x '24F P/B, or below its +1SD hist mean



Source: Company, Bloomberg, KBVS Research

**FINANCIAL TABLES**
**Exhibit 11: Profit & Loss**

Year End Dec (IDR bn)	2022A	2023A	2024F	2025F	2026F
Interest income	54,659	61,472	67,684	72,484	79,153
Interest expenses	(13,338)	(20,196)	(20,717)	(21,716)	(23,819)
<b>Net interest income</b>	<b>41,321</b>	<b>41,276</b>	<b>46,967</b>	<b>50,768</b>	<b>55,334</b>
Non-interest income	20,151	21,472	22,140	22,730	23,336
Operating expenses	(27,059)	(27,778)	(28,770)	(29,834)	(31,175)
<b>Pre-provision operating profit</b>	<b>34,413</b>	<b>34,970</b>	<b>40,337</b>	<b>43,665</b>	<b>47,495</b>
Loan loss provision	(11,514)	(9,196)	(9,916)	(10,130)	(9,596)
<b>Pretax Profit</b>	<b>22,687</b>	<b>25,640</b>	<b>30,262</b>	<b>33,367</b>	<b>37,722</b>
Income Tax Expenses	(4,205)	(4,534)	(6,052)	(6,673)	(7,544)
<b>Net profit</b>	<b>18,312</b>	<b>20,909</b>	<b>23,984</b>	<b>26,445</b>	<b>29,896</b>

**Exhibit 12: Balance sheet**

Year End Dec (IDR bn)	2022A	2023A	2024F	2025F	2026F
<b>Assets</b>					
Cash	13,448	11,207	11,969	12,694	13,405
Current Account at BI	82,922	65,256	69,908	76,384	83,932
Interbank Loans	67,491	78,817	89,585	101,238	114,767
Govt Treas Bills & Sec	121,292	127,100	119,813	122,030	134,614
Investment Securities	28,556	37,165	42,363	46,465	51,257
Loans	595,854	647,927	724,864	816,332	919,262
Fixed Assets	26,549	27,765	28,922	29,938	28,722
Other assets	93,724	91,428	84,155	84,151	82,430
<b>Total Asset</b>	<b>1,029,837</b>	<b>1,086,665</b>	<b>1,171,578</b>	<b>1,289,233</b>	<b>1,428,391</b>
<b>Liabilities</b>					
Interbank Deposit	15,245	11,894	12,555	12,833	14,311
Customer Deposit	769,269	810,730	855,808	938,696	1,035,493
Debts Sec and Subordinates	57,764	52,772	55,706	61,101	67,402
Other Liabilities	47,361	56,535	73,583	82,303	93,515
<b>Total liabilities</b>	<b>889,639</b>	<b>931,931</b>	<b>997,653</b>	<b>1,094,933</b>	<b>1,210,722</b>
<b>Equity</b>					
Capital Stock	9,055	9,055	9,055	9,055	9,055
Additional Paid-in Capital	17,010	17,010	17,010	17,010	17,010
Retained Earnings	94,060	107,236	125,356	144,605	166,792
Other Equity	15,691	16,832	17,674	18,558	19,486
Shareholder's Equity	135,816	150,133	169,095	189,228	212,343
Non-controlling Interest	4,382	4,602	4,832	5,073	5,327
<b>Total Equity</b>	<b>140,198</b>	<b>154,735</b>	<b>173,926</b>	<b>194,301</b>	<b>217,669</b>

**Exhibit 13: Key performance metrics**

Year End Dec (%)	2022A	2023A	2024F	2025F	2026F
NIM (%)	4.8	4.5	4.7	4.7	4.6
LDR (%)	84.0	85.7	89.7	91.0	91.8
CASA (%)	72.4	71.2	70.1	69.8	69.6
NPL (%)	2.8	2.1	1.9	1.8	1.6
ROAE (%)	14.1	14.6	15.0	14.8	14.9
ROAA (%)	1.8	2.0	2.1	2.1	2.2
CAR (%)	17.9	18.8	19.6	19.9	18.2
BVPS (IDR)	3,641	4,025	4,534	5,073	5,693
DPER (x)	9.8	8.6	7.5	6.8	6.0
PBV (x)	1.3	1.2	1.1	1.0	0.8
Div. Yield (%)	1.5	4.1	3.5	4.0	4.4

Source: Company, KBVS Research

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