

MoM Turnaround in May '24; Expecting In-line 1H24

24 June 2024



BBNI IJ	BUY
Sector	Banks
Price at 24 June 2024 (IDR)	4,540
Price target (IDR)	6,530
Upside/Downside (%)	43.8

Stock Information

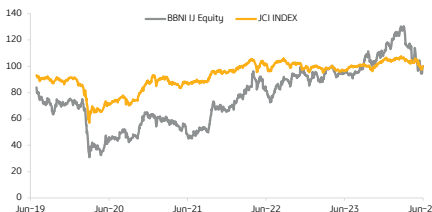
PT Bank Negara Indonesia (Persero) Tbk is a state-owned offering commercial and consumer banking services. The bank is positioned as one of 3 big SoE banks in Indonesia. Through its subsidiaries, the bank is also offering businesses in sharia banking, insurance, consumer financing and securities.

Market cap (IDR bn)	169,330
Shares outstanding (mn)	37,297
52-week range (IDR)	4,260-6,250
3M average daily vol. ('000)	73,931
3M average daily val. (IDR mn)	367,384

Shareholders (%)

Republic of Indonesia	60.0
Public	45.1

Stock Performance



Source: Bloomberg

	1M	3M	12M
Performance	(4.2)	(22.1)	1.1

BBNI 5M24 earnings remain soft at 1.5% yoy, yet recorded a robust turnaround on a monthly basis (8.3% mom). Assuming a 1H24F run rate of 45% and lower vs. the 5-year historical average of 49%, we might witness 6M24F earnings on a consolidated basis grow by 4.5% yoy, or more than double yoy vs. 3M24 growth of 2.0% yoy. The NIM contraction remains. However, proven year-to-date softer interest expense growth to 36.8% yoy in May24 from its highest in Feb24 (41.8% yoy) coupled with selective loan repricing should be translated as a promising room for a better NIM (the bank has repriced its loan yield by around IDR25-30tn). What's more, we like its steady asset quality improvement, which will underpin '24F earnings growth. Maintain our buy call with a GGM TP of IDR6,530 (1.4x '24F P/B), while it is currently trading at 1.0x '24F P/B, or slightly above its -1SD historical mean of 0.9x.

Steady 5M24 earnings growth with a stronger monthly basis

Following its 1.5% yoy earnings growth in 1Q24 (consolidated at 2.0% yoy), BBNI reported another flattish earnings growth at 1.5% yoy as transmission of the high interest rate environment to the cost of borrowing continues. The flat net profit growth was mainly driven by stable asset quality improvement and positively impacting a lower provision (20.1% yoy). In all, 5M24 bank-only earnings arrive at around 36% of ours, and street estimates for BBNI's 24F earnings are around 4% lower than last year's run-rate. On a monthly basis, we like BBNI's turnaround earnings growth to 8.3% as a result of strong non-interest income growth coupled with a steady soft provision figure.

Expecting an in-line 1H24

Assuming zero growth in BBNI's June 24 bank only PATMI, 1H24F net profit will equal around IDR10,274bn, or +0.3% yoy vs. 1H23 of IDR10,241bn. Yet, on a consolidated level, we might see better growth at 4.5% yoy to IDR10,763bn, or more than doubled compared to 1Q24 growth of 2.0% yoy. Our 1H24F estimation for BBNI is equal to a run-rate of 45%, or 365 bps, lower than the 5-year historical average (Covid outbreak excluded) of 49%. It is worth noting also that historically (5 years and 10 years), earnings run-rates were always higher in the 3Q and 4Q periods. As such, a small, single-digit earnings growth in 1H24F seems acceptable, in our view.

Robust loan growth with steady, solid CASA

Post We like BBNI's continuing robust loan growth, which continues to arrive above '24F management guidance's upper range guidance of 11% yoy, thanks to solid, stable growth from the corporate and consumer segments. The May 24 loan growth of 12.6% year over year was also 218 basis points higher than our '24F loan growth for BBNI. On the customer deposit side, total TPF grew by 7.2% yoy in May 24, backed by solid demand deposit growth at 13.8% yoy, resulting in another high single-digit CASA growth of 9.0% yoy.

Expect better room for NIM improvement.

Amid the ongoing cost of borrowing pressure, 5M24 bank-only (annualized) NIM was unchanged at 3.8% vs. 4M24. However, we expect that the continued various strategies from BBNI to reduce COF pressure will result in a better NIM. It is worth noting that, year-to-date, we believe BBNI has made enough progress on the rising benchmark rate to cover its cost of borrowing. It is proven that interest expense growth has been softer to 36.8% yoy in May 24 from its high of 41.8% yoy in February 24. BBNI has made loan repayments amounting to around IDR25-IDR30 in May-June, which should be translated as another catalyst, in our view. On risk metrics, we like its CoC achievement in 5M24 of 1.0%, which improves by around 39 bps yoy and is far below '24F management guidance of <1.4%. We also like the bank cost-to-income ratio, which continues to record better efficiency at 44.5% compared to 46.3% at the beginning of 2024.

Maintain BUY, GGM TP of IDR6,530

Our GGM-based TP of IDR6,530 is pegged at 1.4x '24F P/B while currently trading at 1.0x '24F P/B, or slightly above its -1SD historical mean of 0.9x. Downside risks to our call are: 1) slower loan growth; 2) worsening NIM and AQ; 3) higher than expected CoC, CoF, and NPL. 4) The lower-than-expected interest income and mounting cost of funds remain intact. 5) slowing down economic activity; 6) stubborn inflation 6) uninterrupted strengthening of DYY; 7) worsening middle tension; and 8) prolonged uncertainty, which will jeopardize growth expectations.

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)	9.2	8.1	7.1	6.4	5.7
PBV (x)	1.2	1.1	1.0	0.9	0.8
Div. Yield (%)	1.6	4.3	3.7	4.2	4.7
RoE (%)	14.1	14.6	15.0	15.3	15.6

Source: Company, KBVS Research

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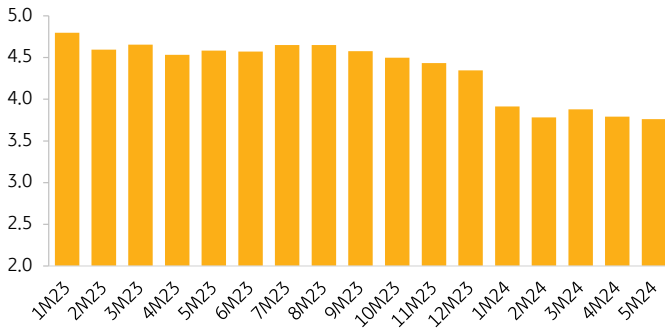
**Exhibit 2: BBNI 5M24 results**

Profit and Loss (IDRbn)	1M24	2M24	3M24	4M24	5M24	5M23	5M24	YoY (%)	to 23A	vs KBVS	vs 'cons.
Interest income	5,290	10,201	15,556	20,761	26,091	24,891	26,091	4.8	40.5	38.5	
Interest expense	(2,170)	(4,213)	(6,357)	(8,554)	(10,809)	(7,903)	(10,809)	36.8	39.1	52.2	
Net interest income	3,120	5,988	9,199	12,207	15,282	16,988	15,282	(10.0)	41.2	32.5	
Opex	(2,107)	(4,049)	(6,129)	(8,263)	(10,432)	(10,307)	(10,432)				
PPOP	2,439	4,829	8,032	10,427	13,032	13,856	13,032	(5.9)	39.6	32.3	
Provision	(648)	(1,207)	(1,696)	(2,228)	(2,807)	(3,514)	(2,807)				
Net Profit	1,485	3,041	5,289	6,864	8,569	8,441	8,569	1.5	40.4	35.7	35.7

Profit and Loss Monthly (IDRbn)	Jan-24	Feb-24	Mar-24	Apr-24	May-24	May-23	May-24	YoY (%)	MoM (5)
Interest income	5,290	4,911	5,354	5,205	5,330	5,205	5,330	2.4	2.4
Interest expense	(2,170)	(2,043)	(2,144)	(2,197)	(2,255)	(1,721)	(2,255)	31.1	2.6
Net interest income	3,120	2,868	3,210	3,008	3,075	3,484	3,075	(11.7)	2.2
Opex	(2,107)	(1,943)	(2,080)	(2,133)	(2,169)	(2,103)	(2,169)		
PPOP	2,439	2,391	3,203	2,395	2,606	2,811	2,606	(7.3)	8.8
Provision	(648)	(559)	(489)	(532)	(579)	(764)	(579)		
Net Profit	1,485	1,556	2,248	1,575	1,705	1,684	1,705	1.2	8.3

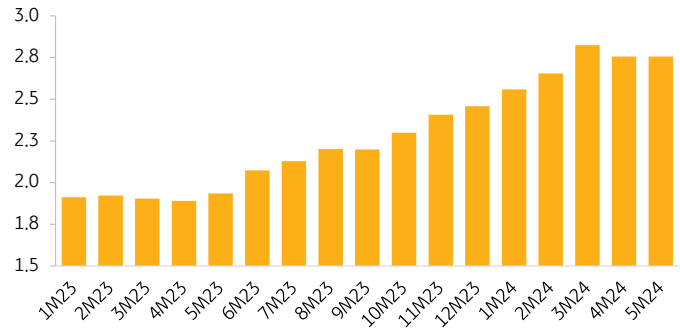
Selected Balance Sheet (IDRbn)	1M24	2M24	3M24	4M24	5M24	5M23	5M24	YoY (%)
Total Loan (IDRbn)	679,921	673,521	685,956	702,167	708,899	629,444	708,899	12.6
Demand deposits (IDRbn)	321,458	307,236	307,083	339,540	323,441	284,193	323,441	13.8
Savings deposits (IDRbn)	227,877	228,450	232,862	236,101	235,670	228,571	235,670	3.1
Time deposits (IDRbn)	226,024	231,333	230,668	243,682	229,347	222,540	229,347	3.1
CASA (IDRbn)	549,335	535,685	539,945	575,641	559,111	512,763	559,111	9.0

Exhibit 3: Expect NIM to get better



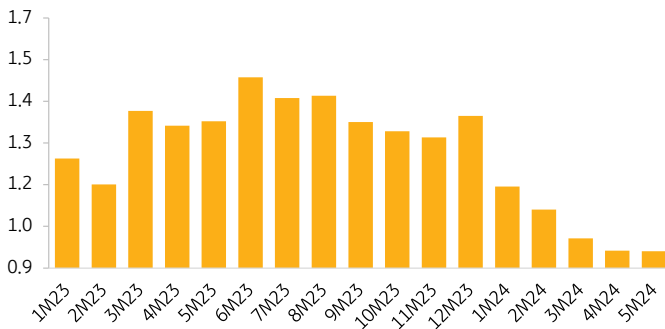
Source: Company, KBVS Research

Exhibit 4: Expect cost of fund transmission to softer



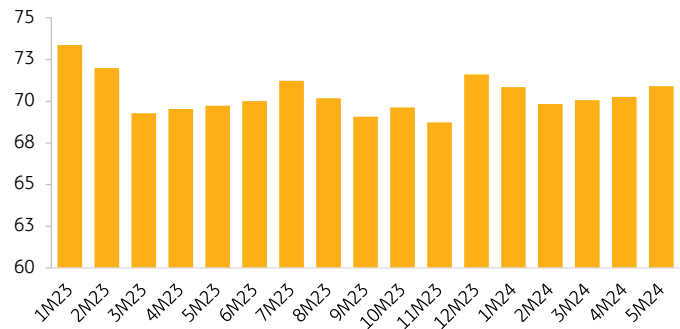
Source: Company, KBVS Research

Exhibit 5: Cost of credit to continue as one of the earnings growth catalyst



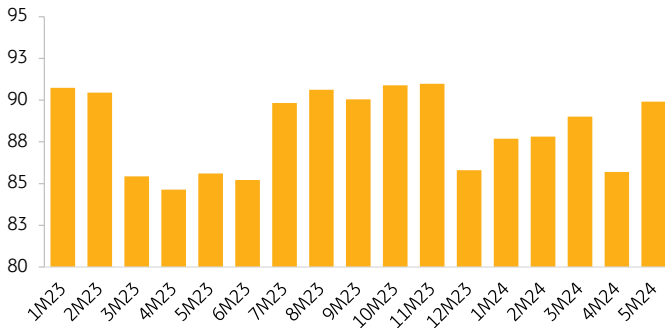
Source: Company, KBVS Research

Exhibit 6: We might witness continuing CASA improvement



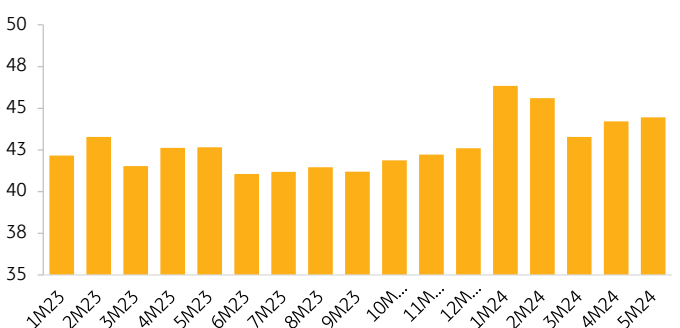
Source: Company, KBVS Research

Exhibit 7: More than enough LDR to capture the ongoing loan demand (%)



Source: Company, KBVS Research

Exhibit 8: Cost to income improvement continues (%)



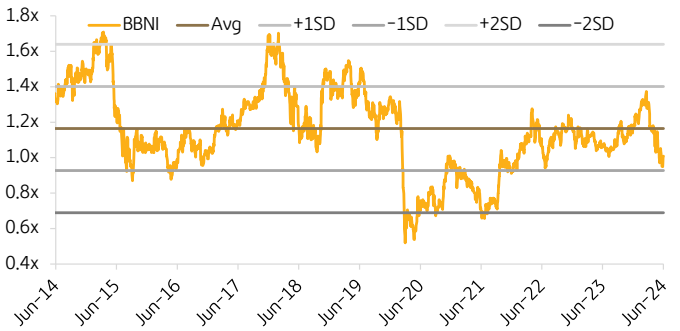
Source: Company, KBVS Research

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

BBNI Selected key ratios (%)	3M24	4M24	5M24	5M23	5M24	YoY (%)
NIM	3.9	3.8	3.8	4.6	3.8	-0.8
Earnings Asset yield	7.5	7.3	7.4	7.8	7.4	-0.4
Cost of fund	2.8	2.8	2.8	1.9	2.8	0.8
Cost of credit	1.0	1.0	1.0	1.3	1.0	-0.4
CASA (IDRbn)	539,945	575,641	559,111	512,763	559,111	9
CASA	70.1	70.3	70.9	69.7	70.9	1.2
Loan to Deposits	89.0	85.7	89.9	85.6	89.9	4.3
CIR	43.3	44.2	44.5	42.7	44.5	1.8

Source: Company, KBVS Research

Exhibit 10: Trading at 1.0x '24F P/B, slightly above its -1SD hist mean of 0.9x



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)	9.2	8.1	7.1	6.4	5.7
PBV (x)	1.2	1.1	1.0	0.9	0.8
Div. Yield (%)	1.6	4.3	3.7	4.2	4.7

Source: Company, KBVS Research

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