

1H24 PATMI at IDR10.69tn vs our forecast of IDR10.76tn; inline

23 August 2024



BBNI IJ	BUY
Sector	Banks
Price at 22 August 2024 (IDR)	5,275
Price target (IDR)	6,530
Upside/Downside (%)	23.8

**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)	196,743
Shares outstanding (mn)	37,297
52-week range (IDR)	4,260-6,250
3M average daily vol. ('000)	60,170
3M average daily val. (IDR mn)	290,237

**Shareholders (%)**

Republic of Indonesia	60.0
Public	45.1

**Stock Performance**



Source: Bloomberg

	1M	3M	12M
Performance	7.9	14.5	20.1

BBNI 1H24 earnings of IDR 10.69tn were 99.3% of our 1H24F net income for BBNI of IDR 10.76tn. Robust loan growth remains (11.7% yoy), beating management expectations and our '24F figure. Key risk metrics, CoC, made a meaningful improvement to 1.0%, or 40 basis points better than 1.4% in 1H23 and beating BBNI's '24F expectation of <1.4% (KBVS: 1.39%). NIM was well managed at 4.0% and slightly expanded by 3 bps. NPL stood at 2.0% and 50 bps healthier vs. 1H23 numbers (2.5%). BBNI officially released its '24F new guidance with loan growth upper forecast at 12% yoy vs. 11.0% yoy previously. Key crucial role will be on Jul-Aug24 bank only figures and 9M24 consolidated earnings growth, which we expect will record another inline result. Since our latest report (24 June 2024) vs. yesterday's closing, the stock has recorded a capital gain of 16.2%. Maintain BUY with GGM TP of IDR6,530 (1.4x '24F P/B), while it is currently trading at 1.2x '24F P/B (average historical mean) and slightly below +1SD historical mean of 1.4x.

**Inline 1H24 earnings**

BBNI 1H24 net income at IDR 10.69tn was inline and around 99.3% of our 1H24F forecast for BBNI net profit of IDR 10.76tn. Despite growing by a single-digit 3.8% yoy, it remains recorded higher by 180 bps versus previous growth of 2.0% yoy. In all, 1H24 earnings came in at around 45% of our and '24 consensus expectation for BBNI net profit. On the top line level, the lower net interest income (7.4% yoy) still recorded an improvement on a quarterly basis (3.1% qoq), and we expect it will continue in the remaining 2 quarters of this year, backed by consistent solid deposit mixed with a gradually softened cost of funds. Worth noting that total blended cost of funding has been declining to 41.5% yoy vs. 47.5% yoy in 1Q24 and far below 1H23 growth of 63.7% yoy. Additionally, it grew by only 2% qoq vs. 10.7% qoq in the last quarter.

**Another robust loan growth, beating ours and management expectations.**

Total loan grew 11.7% yoy (4.6% qoq), much higher than last quarter growth of 9.63% yoy and flattish qoq (0.1% yoy). The 1H24 total loan beat management's upper '24F loan growth expectation of 9.0-11.0% yoy and our forecast of 10.4% yoy. The bank continues to enjoy solid corporate segment growth of 18.7% yoy (7.5% qoq) and stronger vs 16.3% yoy and -0.1% qoq in the last quarter. We also like its softer loan growth in the SoE corporate segment (570 bps lower), which considerably has higher risk in our view. The bank also continues to enjoy high-yield segment (consumer) loan growth of 15.1% yoy, or 150 bps higher growth vs. 13.6% yoy in the previous quarter, supported by solid mortgages and personal loans.

**Key risk metrics surpassing BBNI's '24F guidance; NIM well managed**

Cost of credit improves (-0.4% yoy) to 1.0% vs. 1.4% in the previous years, surpassing management guidance of <1.4% (KBVS '24F for BBNI CoC: 1.39%). NIM is well managed and stood at 4.0%, or +3 bps vs. the previous quarter. The bank saw another improvement on NPL, reaching 2.0%, or 50 bps, compared to 2.5% in 1H23 with a sufficient coverage ratio of 298.2%. Loan at risk, which have never been our concerns since our '24F outlook for BBNI was released in November 23, also recorded another massive improvement tanked by 380bps to 12.3% vs 16.1% in 1H23.

**New upper loan growth guidance and lower credit cost expectation**

Management revised up the upper loan growth guidance for this year from 9.0%-11.0% to 10.0%-12.0% on the back of higher confidence in corporate and consumer loans (KBVS '24F loan growth for BBNI of 10.4% yoy is still in line and within BBNI's new '24F guidance). On the profitability side, we like BBNI's '24F NIM conservative guidance of ≥4.0%, which sounds more achievable amid the latest uncertainty that remains intact. BBNI could record much better NIM in the 2H24 assuming the benefit of a lower benchmark rate will take place this year coupled with stable earnings asset yield and sustain solid loan growth as well as a better liquidity environment in the sector, ceteris paribus. Lastly, the bank also revised down the credit cost forecast from < 1/4% to ± 1.0%. Worth noting that BBNI's 1H24 and new '24F CoC expectation have beat our '24F forecast of 1.39%.

**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 1.2x '24F P/B (avg. hist. mean) and slightly below +1SD historical mean of 1.4x. Downside risks to our call are: 1) slower loan growth; 2) worsening NIM and AQ; 3) higher than expected CoC, and NPL. 4) The lower-than-expected interest income and mounting cost of funds. 5) slowing down economic activity; 6) stubborn inflation 7) uninterrupted strengthening of DXY; 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)	10.7	9.4	8.2	7.4	6.6
PBV (x)	1.4	1.3	1.2	1.0	0.9
Div. Yield (%)	1.4	3.7	3.2	3.7	4.0
RoE (%)	14.1	14.6	15.0	15.3	15.6

Source: Company, KBVS Research

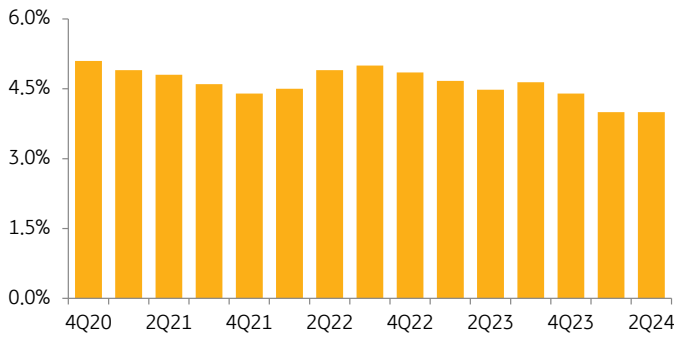
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Exhibit 2: BBNI selected P&L and BS 1H24 results

Income Statement (IDRbn)	6M23	6M24	YoY (%)	1Q23	1Q24	YoY (%)	2Q24	QoQ (%)	KBVS '24F	% to '24F	Cons' '24F	% to Cons'
Interest income	29,852	32,173	7.8	14,804	15,875	7.2	16,298	2.7				
Interest expenses	(9,257)	(13,102)	<b>41.5</b>	(4,396)	(6,485)	47.5	(6,617)	2.0				
Net interest income	20,595	19,071	-7.4	10,408	9,390	-9.8	9,681	3.1				
Non-interest income	9,497	10,924	15.0	4,748	5,440	14.6	5,484	0.8				
Total operating income	30,092	29,995	-0.3	15,156	14,830	-2.2	15,165	2.3				
Operating expenses	(12,792)	(13,554)	6.0	(6,503)	(6,649)	2.2	(6,905)	3.9				
Pre-provision operating profit	17,300	16,441	-5.0	8,652	8,181	-5.4	8,260	1.0				
Provision expenses	(4,511)	(3,511)	-22.2	(2,149)	(1,744)	-18.8	(1,767)	1.3				
Net profit	10,302	10,692	3.8	5,221	5,326	2.0	5,365	0.7	23,984	44.6	23,980	44.6
Balance Sheets (IDRbn)	6M23	6M24	YoY (%)	1Q23	1Q24	YoY (%)	2Q24	QoQ (%)				
Gross loans	650,770	726,977	11.7	634,326	695,162	9.6	726,977	4.6				
Current account	301,766	305,133	1.1	285,076	309,546	8.6	305,133	-1.4				
Saving account	230,574	240,558	4.3	227,466	233,958	2.9	240,558	2.8				
Time deposits	232,670	226,628	-2.6	231,187	236,726	2.4	226,628	-4.3				
Total Deposits	765,010	772,319	1.0	743,729	780,230	4.9	772,319	-1.0				
CASA	532,340	545,691	2.5	512,542	543,504	6.0	545,691	0.4				
Total equity	143,474	154,072	7.4	145,063	149,702	3.2	154,072	2.9				
Selected Key Performance (%)	6M23	6M24	YoY (%)	1Q23	1Q24	YoY (%)	2Q24	QoQ (%)				
NIM	4.6	4.0	-0.6	4.7	4.0	-0.7	4.0	0.0				
CASA	69.6	70.7	1.1	68.9	69.7	0.8	70.7	1.0				
CIR	41.1	43.7	2.6	41.7	43.2	1.5	44.3	1.1				
CoF	2.0	2.8	0.8	1.9	2.8	0.9	2.7	-0.1				
ROE	15.3	14.6	-0.7	15.5	14.5	-1.0	14.7	0.2				
LDR	85.2	94.0	8.8	85.4	89.0	3.6	94	5.0				
Loan yield	7.7	7.4	-0.3	7.7	7.5	-0.2	7.4	<b>-0.1</b>				
NPL gross	2.5	2.0	-0.5	2.8	2.0	-0.8	2	-0.1				
NPL coverage	308.8	298.2	-10.6	286.8	330.2	43.4	298.2	-32.0				
CoC	1.4	1.0	-0.4	1.4	1.0	-0.4	1	0.0				
LAR	16.1	12.3	-3.8	16.3	13.3	-3.0	12.3	-1.0				

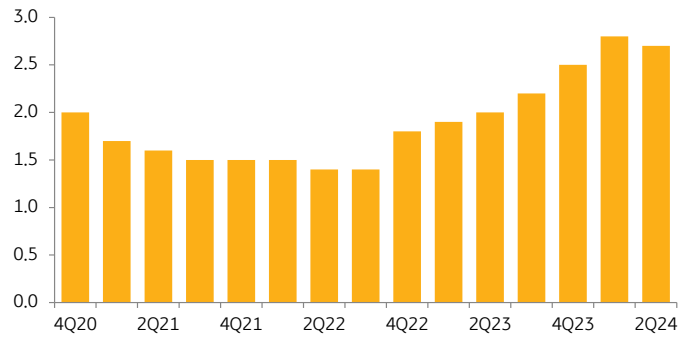
Source : Company, KB Valbury Sekuritas

Exhibit 3: Expect NIM to get better



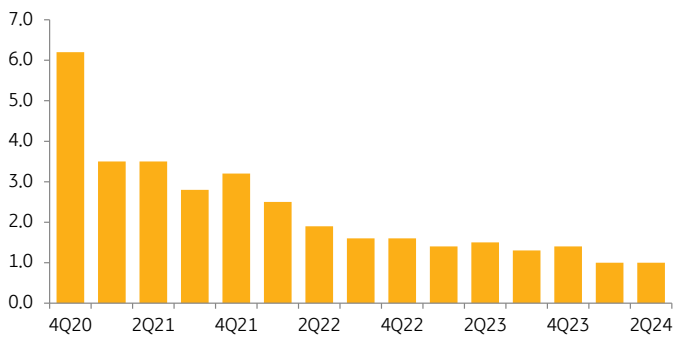
Source: Company, KBVS Research

Exhibit 4: Expect cost of fund transmission to softer



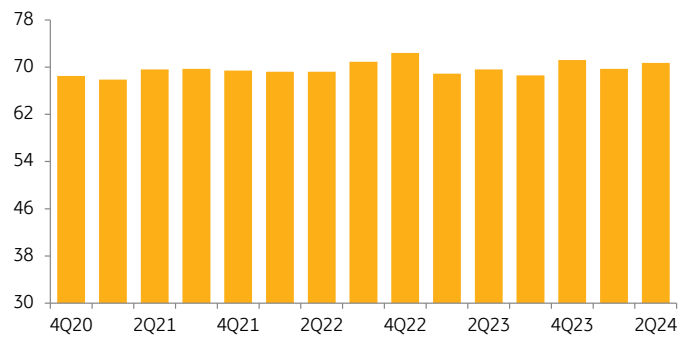
Source: Company, KBVS Research

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



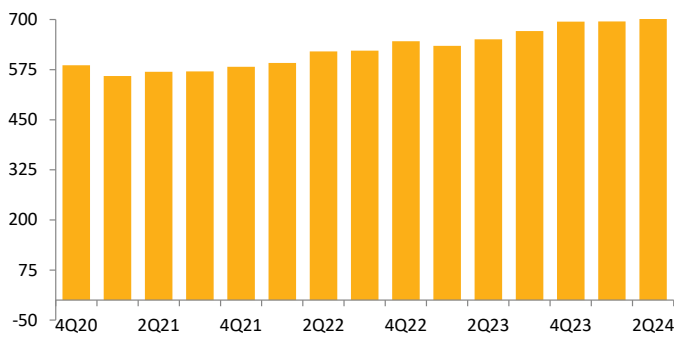
Source: Company, KBVS Research

Exhibit 6: We might witness continuing CASA improvement



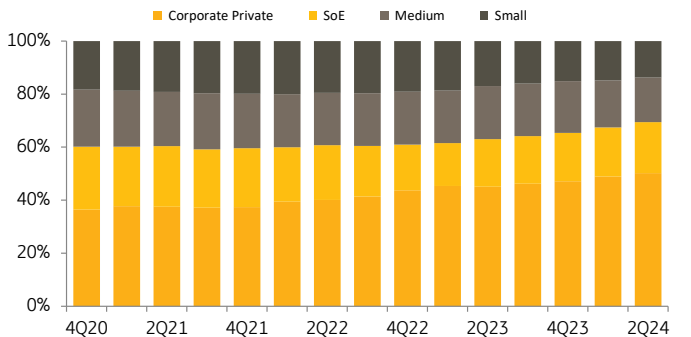
Source: Company, KBVS Research

Exhibit 7: Robust loan growth remains intact (%)



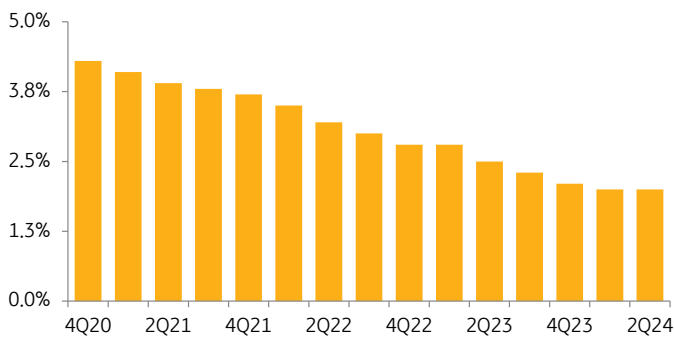
Source: Company, KBVS Research

Exhibit 8: Corporate and consumer segment to continue play important role (%)



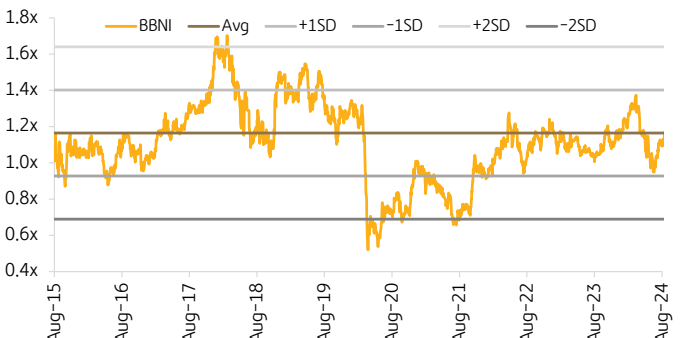
Source: Company, KBVS Research

Exhibit 9: NPL gross continue to sit at a lesser risk level



Source: Company, KBVS Research

Exhibit 10: Trading at 1.0x '24F P/B, at its historical 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	4.6	4.5	4.6	4.7
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	15.3	15.6
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)	10.7	9.4	8.2	7.4	6.6
PBV (x)	1.4	1.3	1.2	1.0	0.9
Div. Yield (%)	1.4	3.7	3.2	3.7	4.0

Source: Company, KBVS Research

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