

Another solid bank only earnings in 8M24; inline

23 September 2024



BBNI IJ	BUY
Sector	Banks
Price at 20 Sept 2024 (IDR)	5,750
Price target (IDR)	6,530
Upside/Downside (%)	13.6

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)	214,460
Shares outstanding (mn)	37,297
52-week range (IDR)	4,260-6,250
3M average daily vol. ('000)	56,713
3M average daily val. (IDR mn)	291,497

Shareholders (%)

Republic of Indonesia	60.0
Public	45.1

Stock Performance



	1M	3M	12M
Performance	6.4	27.8	19.0

BBNI's 8M24 bank-only earnings grew by 4.3% yoy, reaching IDR14.22tn. This figure came in at 101% of our projected 8M24F bank-only net profit for BBNI of Rp14.07tn. We like the continuing softer funding cost and steady asset quality improvement. With such results, 9M24 should be another in-line performance result, in our view. Total loan and NIM arrive at '24F management guidance, while key risk is slightly beating the '24F aspiration of 1.0% vs. around 0.95% (8M24). Since our last report (August 22nd), the stock has noted a capital gain of 9.0%. As of yesterday's closing, price, the stock still offers attractive upside potential. Maintain BUY with GGM TP of IDR6,530 (1.4x '24F P/B), while it is currently trading at 1.3x '24F P/B and slightly below +1SD historical mean of 1.4x.

8M24 bank-only earnings were broadly in line at 101%.

BBNI achieved another period of positive bank-only net profit growth in 8M24 amid a significant increase in funding costs. PATMI grew by 4.3% yoy, supported by slight top-line growth, stable non-interest income growth, and steady operating expenses. Overall, the higher bank-only net income was primarily driven by continuing asset quality improvement, which resulted in a 26.7% yoy decrease in provisions. It's worth noting that the rising cost of funds has softened ytd, in line with our expectations (as stated in our previous report, which highlighted that CoF peaked in February 2024). Despite experiencing small single-digit growth, 8M24 earnings of IDR14.22tn were in line with our expectations and reached approximately 101% of our projected 8M24F bank-only net profit for BBNI of IDR14.07tn.

We anticipate that 9M24 will deliver another solid performance

We expect the bank to record stable earnings in 3Q24. This positive outlook will be driven by factors such as continued softening of funding costs, a manageable CIR, steady non-interest income growth, and ongoing low provision expenses. Even when assuming a 5% yoy decrease in mom growth for Sept24, projected 3Q24 earnings (Rp5.5tn) remain close to our 3Q24F for BBNI of Rp5.6tn. This more conservative 9M24 net profit scenario reaches Rp16.1tn, or 99.5% of our 9M24F figures for BBNI of IDR16.18tn (with the '24F consensus for BBNI PATMI at the consolidated level standing at Rp16.04tn).

Another significant loan growth; stronger low funding cost portion

Total loans in Aug24 were 9.0% higher yoy, reaching the lower end of the '24F management guidance for loan growth of 9.0-11.0% yoy (industry: 11.40% yoy; KBVS '24F: 10.42% yoy). This growth was primarily driven by the general trading and natural resources sectors. Total third-party funds grew at a low single-digit rate (3.6% yoy), with the highest growth coming from savings accounts, which increased by 7.3% yoy, or 483bps higher than the ytd monthly simple average of 2.49% yoy. We believe that both BBNI's '24F loan growth guidance and our estimations are achievable. On the TPF side, we anticipate that a more robust deposit mix will benefit BBNI's NIM expansion in the coming quarters. This will be driven by BBNI's efforts to increase the proportion of time deposits (TD) in the retail segment.

NIM inline; CoC bearing '24F management aspiration

On profitability ratio, NIM saw a mild expansion on a mom basis and arrives in line with '24F BBNI guidance at ≥4.0%. Key risk metrics slightly surpass management aspiration at 1.0% vs. 0.9% (bank only 8M24) and beat our '24F CoC figure for BBNI (consolidated level) at 1.4%. A non performing loan was also manageable at 2.0% vs. 2.3% in the same period. Other ratios such as current account savings account, cost to income, and loan to deposit, also reported another steady and well-managed figure.

Appealing upside at below +1SD at yesterday's closing

BBNI stock is considerable as the weakest performer within our banking stocks coverage with YTD return of 13.6% (BRIS the best performer ; average bank under our coverage: 28.3%). This lag behind stock rally vs its peers should be translated as positive momentum, especially looking at its valuation which is currently trading below its +1SD. Our GGM valuation for BBNI is around 1.4x (in line with cons) and remain at +1SD, offering 13.6% upside potential. Since our latest report (22 Aug), the stock has noted a capital gain of 9.0%.

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 1.3x '24F P/B or slightly below the +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)	11.7	10.3	8.9	8.1	7.2
PBV (x)	1.6	1.4	1.3	1.1	1.0
Div. Yield (%)	1.3	3.4	2.9	3.4	3.7
RoE (%)	14.1	14.6	15.0	15.3	15.6

Source: Company, KBVS Research

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Exhibit 2: BBNI bank-only selected P&L, BS and key ratios as of 8M24

Profit and Loss (IDRbn)	1M24	2M24	3M24	4M24	5M24	6M24	7M24	8M24	8M23	8M24	YoY (%)
Interest income	5,290	10,201	15,556	20,761	26,091	31,468	37,057	42,466	40,475	42,466	4.9
Interest expense	(2,170)	(4,213)	(6,357)	(8,554)	(10,809)	(12,825)	(14,879)	(16,904)	(13,039)	(16,904)	29.6
Net interest income	3,120	5,988	9,199	12,207	15,282	18,644	22,178	25,562	27,436	25,562	(6.8)
Non Int Inc & others	1,425	2,890	4,963	6,482	8,182	9,958	11,763	13,530	11,690	13,530	
Opex	(2,107)	(4,049)	(6,129)	(8,263)	(10,432)	(12,624)	(15,022)	(17,442)	(16,222)	(17,442)	
PPOP	2,439	4,829	8,032	10,427	13,032	15,978	18,919	21,650	22,903	21,650	(5.5)
Provision	(648)	(1,207)	(1,696)	(2,228)	(2,807)	(3,310)	(3,859)	(4,511)	(6,158)	(4,511)	
Net Profit	1,485	3,041	5,289	6,864	8,569	10,574	12,518	14,221	13,635	14,221	4.3

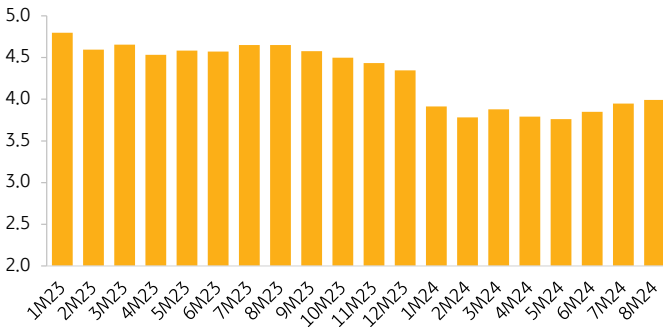
Profit and Loss Monthly (IDRbn)	Jan-24	Feb-24	Mar-24	Apr-24	May-24	Jun-24	Jul-24	Aug-24	Aug-23	Aug-24	YoY (%)
Interest income	5,290	4,911	5,354	5,205	5,330	5,378	5,589	5,409	5,015	5,409	7.9
Interest expense	(2,170)	(2,043)	(2,144)	(2,197)	(2,255)	(2,016)	(2,055)	(2,025)	(1,717)	(2,025)	18.0
Net interest income	3,120	2,868	3,210	3,008	3,075	3,362	3,534	3,384	3,298	3,384	2.6
Non Int Inc & others	1,425	1,465	2,073	1,520	1,700	1,776	1,805	1,767	1,475	1,767	
Opex	(2,107)	(1,943)	(2,080)	(2,133)	(2,169)	(2,192)	(2,398)	(2,420)	(2,075)	(2,420)	
PPOP	2,439	2,391	3,203	2,395	2,606	2,946	2,941	2,731	2,698	2,731	1.2
Provision	(648)	(559)	(489)	(532)	(579)	(503)	(549)	(652)	(840)	(652)	
Net Profit	1,485	1,556	2,248	1,575	1,705	2,004	1,944	1,704	1,511	1,704	12.7

Selected Balance Sheet (IDRbn)	1M24	2M24	3M24	4M24	5M24	6M24	7M24	8M24	8M23	8M24	YoY (%)
Total Loan (IDRbn)	679,921	673,521	685,956	702,167	708,899	715,466	718,663	710,480	652,012	710,480	9.0
Total Assets (IDRbn)	1,023,754	1,016,514	1,026,152	1,069,552	1,039,548	1,029,874	1,020,252	1,024,613	946,920	1,024,613	8.2
Total Liability (IDRbn)	876,295	867,501	885,304	928,295	895,903	884,616	872,458	874,207	809,366	874,207	8.0
Total Equity (IDRbn)	147,458	149,014	140,847	141,258	143,645	145,257	147,793	150,406	137,554	150,406	9.3
Total deposits	775,359	767,018	770,613	819,324	788,458	761,210	737,509	745,262	719,503	745,262	3.6
Demand deposits	321,458	307,236	307,083	339,540	323,441	301,681	285,126	283,145	281,741	283,145	0.5
Savings deposits	227,877	228,450	232,862	236,101	235,670	239,665	238,803	239,565	223,236	239,565	7.3
Time deposits	226,024	231,333	230,668	243,682	229,347	219,864	213,580	222,552	214,526	222,552	3.7
CASA	549,335	535,685	539,945	575,641	559,111	541,346	523,929	522,710	504,977	522,710	3.5

Selected key ratio	1M24	2M24	3M24	4M24	5M24	6M24	7M24	8M24	8M23	8M24	YoY (%)
NIM	3.9	3.8	3.9	3.8	3.8	3.9	3.9	4.0	4.7	4.0	-0.7
Earnings Asset yield	7.6	7.4	7.5	7.3	7.4	7.5	7.6	7.6	7.9	7.6	-0.3
Cost of fund	2.6	2.7	2.8	2.8	2.8	2.7	2.8	2.8	2.2	2.8	0.6
Cost of credit	1.1	1.1	1.0	1.0	1.0	1.0	0.9	1.0	1.4	1.0	-0.5
Loan to deposits	87.7	87.8	89.0	85.7	89.9	94.0	97.4	95.3	90.6	95.3	4.7
CASA (% to total)	70.8	69.8	70.1	70.3	70.9	71.1	71.0	70.1	70.2	70.1	0.0
Cost to income	46.3	45.6	43.3	44.2	44.5	44.1	44.3	44.6	41.5	44.6	3.2

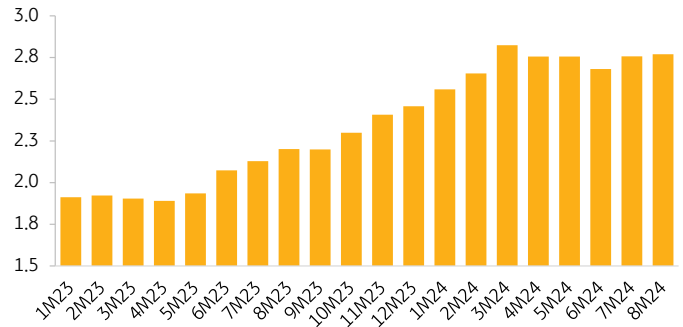
Source: Company, KBVS Research

Exhibit 3: Expect NIM expansion to get stronger



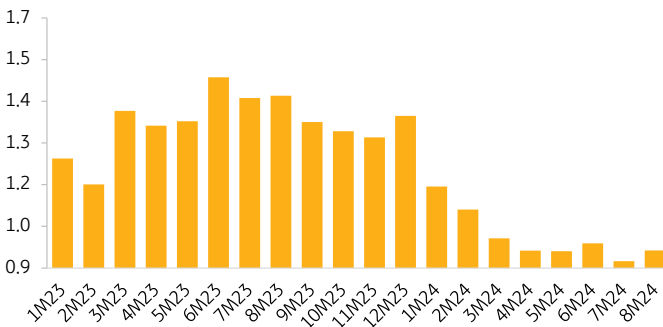
Source: Company, KBVS Research

Exhibit 4: Expect softened funding cost to continue



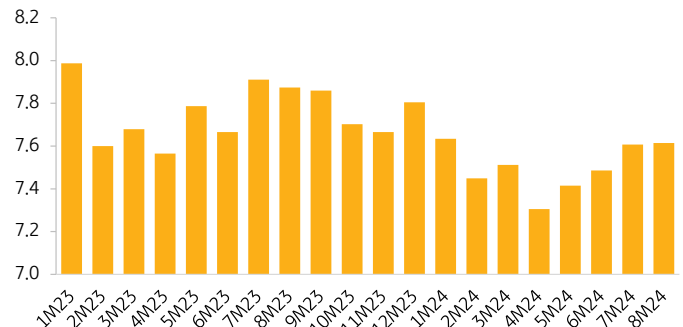
Source: Company, KBVS Research

Exhibit 5: CoC has surpassing '24F management guidance



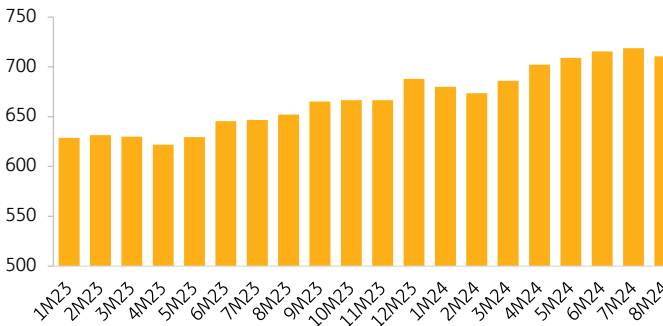
Source: Company, KBVS Research

Exhibit 6: Expect the remaining loan repricing to take effect in 2H24



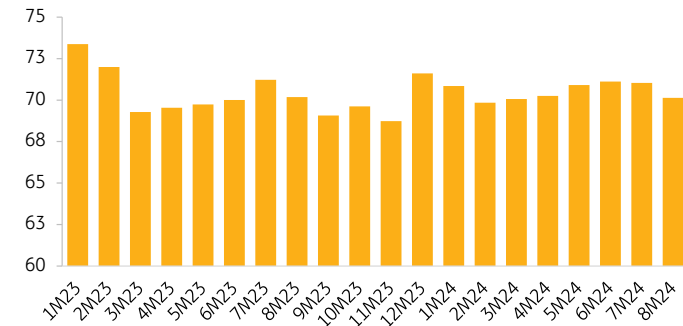
Source: Company, KBVS Research

Exhibit 7: Robust loan growth remains intact (%)



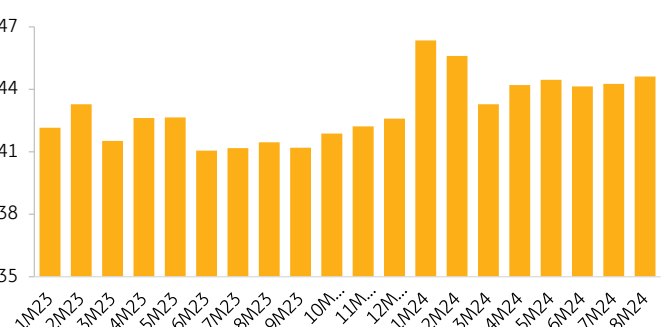
Source: Company, KBVS Research

Exhibit 8: Stronger customer deposit mix likely to continue (%)



Source: Company, KBVS Research

Exhibit 9: Acceptable mild increase in CIR



Source: Company, KBVS Research

Exhibit 10: Trading at 1.3x '24F P/B, or slightly below +1SD hist mean of 1.4x



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)
Net interest income	41,321	41,276	46,967	50,768	55,334
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)
Pre-provision operating profit	34,413	34,970	40,337	43,665	47,495
Loan loss provision	(11,514)	(9,196)	(9,916)	(10,130)	(9,596)
Pretax Profit	22,687	25,640	30,262	33,367	37,722
Income Tax Expenses	(4,205)	(4,534)	(6,052)	(6,673)	(7,544)
Net profit	18,312	20,909	23,984	26,445	29,896

Exhibit 12: Balance sheet

Year End Dec (IDR bn)	2022A	2023A	2024F	2025F	2026F
Assets					
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
Total Asset	1,029,837	1,086,665	1,171,578	1,289,233	1,428,391
Liabilities					
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
Total liabilities	889,639	931,931	997,653	1,094,933	1,210,722
Equity					
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
Total Equity	140,198	154,735	173,926	194,301	217,669

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)	11.7	10.3	8.9	8.1	7.2
PBV (x)	1.6	1.4	1.3	1.1	1.0
Div. Yield (%)	1.3	3.4	2.9	3.4	3.7

Source: Company, KBVS Research

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