

9M24 below; expect better '25F performance

29 October 2024



BBNI IJ	BUY
Sector	Banks
Price at 28 Oct 2024 (IDR)	5,500
Price target (IDR)	6,560
Upside/Downside (%)	19.3

Stock Information

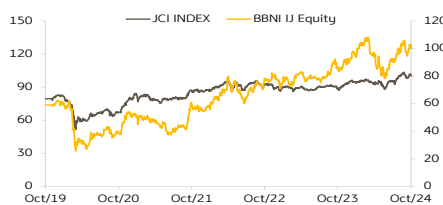
PT Bank Negara Indonesia (Persero) Tbk is a state-owned offering commercial and consumer banking services. The bank is positioned as one of 3 big SoE banks in Indonesia. Through its subsidiaries, the bank is also offering businesses in sharia banking, insurance, consumer financing and securities.

Market cap (IDR bn)	210,730
Shares outstanding (mn)	37,297
52-week range (IDR)	4,260-6,250
3M average daily vol. ('000)	52,280
3M average daily val. (IDR mn)	283,303

Shareholders (%)

Republic of Indonesia	60.0
Public	45.1

Stock Performance



Source: Bloomberg

	1M	3M	12M
Performance	0.9	10.0	13.4

BBNI's 9M24 earnings fell short of both our and consensus expectations, primarily due to the persistent high blended funding costs (35.3% yoy). However, the anticipated low-interest-rate environment and improved deposit mix are expected to positively impact '25F earnings growth. Loan growth (9.5% yoy) arrive slightly below BBNI's '24F range guidance of 10-12.0% yoy. While TPF grew modestly (3.0% yoy), reflecting the tight liquidity environment, BBNI's CASA deposits demonstrated healthy growth of 5.5% yoy. Additionally, the decline in TD is expected to continue, further strengthening the bank's deposit mix. NIM recovery remains, while risk metrics ratio continues to be well-managed. We are refining our '24F for BBNI to better align with 2025 outlook. We have rolled-over our valuation to '25F. Our GGM TP for BBNI of IDR6,560 is pegged at 1.3x '25F P/B, while currently trades at 1.1x '25F P/B or slightly below the average historical mean of 1.2x.

9M24 earnings below expectation

BBNI's 9M24 earnings grew modestly by 3.5% yoy, primarily due to a significant 35.3% yoy increase in blended funding costs. This resulted in a 9M24 PATMI that fell short of both our and consensus expectations. However, a more positive trend emerged on a quarterly basis. BBNI's net income demonstrated a stronger performance, growing by 4.7% qoq. This growth was primarily driven by two key factors: moderating funding costs and sustained low provision expenses.

Loan growth remain within '24F guidance

The bank continued its strong loan growth momentum, expanding by 9.5% yoy, slightly below the industry growth of 10.4% yoy and closer to BBNI's '24F guidance range of 10-12% yoy (KBVS research '24F loan growth for BBNI: 10.42% yoy). The corporate segment, particularly private and institutional loans, continued to drive growth, expanding by 15.1% yoy. The consumer segment also performed well, with a 14.6% yoy increase, driven by strong mortgage (13.0% yoy) and personal loan growth (15.7% yoy).

CASA healthy growth continues, amid mild TPF growth

While total third-party funds (TPF) grew modestly at 3.0% yoy, reflecting the tight liquidity environment, the bank's CASA deposits grew by a healthy 5.5% yoy from IDR512.9tn to IDR541.2tn in 3Q4. Additionally, the decline in time deposits by 2.6% yoy further strengthened the bank's deposit mix and is expected to positively impact its net interest margin going forward.

Expect NIM recovery to sustain

Key financial ratios exhibited significant improvement. NIM expanded to 4.4%, exceeding the previous quarter's 4.0% and aligning with the bank's '24F guidance of ≥ 4.0%. Risk metrics remained well-managed, with gross NPL and cost of credit at 2.0% and 1.0%, respectively, in line with BBNI's '24F guidance of ± 1.0% for CoC. These positive developments underscore the bank's strong financial performance and prudent risk management. We also note the improvement in the LAR, which declined to 11.8%, a decrease of 260 basis points from 14.4% in the same period last year. Additionally, the increase in the CIR is considered manageable, especially given the slight QoQ decline.

Fine tuning '24F, to better align with our '25F expectation

We have adjusted our '24F to account for BBNI's lower-than-expected 9M24 earnings and rolled-over our valuation to '25F. Our previous higher '24F earnings estimates were primarily driven by our optimistic scenario on BBNI's funding costs. While it remains elevated at 35.3% yoy, they have been steadily declining from a peak of 47.5% in the 1Q24. We expect that the combination of a low-interest-rate environment and improved deposit mix will drive stronger earnings growth for BBNI. Additionally, BBNI's continued improvement in asset quality is expected to further bolster its 2025 net income performance. While the bank has maintained its '24F guidance, it has yet to provide specific guidance for 2025. For the time being, we maintain a conservative estimate of 11.2% yoy loan growth in '25F and 10.4% yoy in '24F.

Maintain BUY, GGM TP of IDR6,560

Our new GGM-based TP of IDR6,560 is pegged at 1.3x '25F P/B, while currently trading at 1.1x '25F P/B or slightly below the average historical mean of 1.2x. 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	45,676	49,897	55,375
Non int. Income	20,151	21,472	22,140	22,730	23,336
Total operating income	61,472	62,747	67,816	72,627	78,711
Pre-provision operating profit	34,413	34,970	39,046	42,794	47,536
Net income	18,312	20,909	22,960	25,754	29,281
EPS (IDR)	491	561	616	691	785
EPS growth (%)	68.0	14.2	9.8	12.2	13.7
PER (x)	11.2	9.8	8.9	8.0	7.0
PBV (x)	1.5	1.4	1.2	1.1	1.0
Div. Yield (%)	1.3	3.6	3.1	3.4	3.8
RoE (%)	14.1	14.1	14.6	14.4	15.0

Source: Company, KBVS Research

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Exhibit 2: BBNI 9M24 results – selected P&L, BS and key ratios

Income Statement (IDRbn)	9M23	9M24	YoY (%)	3Q23	3Q24	YoY (%)	2Q24	QoQ (%)	KBVS '24F	% to '24F	Cons' '24F	% to Cons'
Interest income	45,495	48,836	7.3	15,643	16,663	6.5	16,298	2.2				
Interest expenses	(14,340)	(19,398)	35.3	(5,083)	(6,296)	23.9	(6,617)	(4.9)				
Net interest income	31,155	29,438	(5.5)	10,560	10,367	(1.8)	9,681	7.1				
Non-interest income	14,631	16,837	15.1	5,134	5,913	15.2	5,484	7.8				
Total operating income	45,786	46,275	1.1	15,694	16,280	3.7	15,165	7.4				
Operating expenses	(19,544)	(20,989)	7.4	(6,752)	(7,435)	10.1	(6,905)	7.7				
Pre-provision operating profit	26,242	25,286	(3.6)	8,942	8,845	(1.1)	8,260	7.1				
Provision expenses	(6,710)	(5,389)	(19.7)	(2,199)	(1,878)	(14.6)	(1,767)	6.3				
Net profit	15,753	16,308	3.5	5,451	5,616	3.0	5,365	4.7	23,984	68.0	23,980	68.0

Source : Company, KBVS Research

Balance Sheets (IDRbn)	9M23	9M24	YoY (%)	3Q23	3Q24	YoY (%)	2Q24	QoQ (%)
Gross loans	671,371	735,018	9.5	671,371	735,018	9.5	726,977	1.1
Current account	290,501	302,260	4.0	290,501	302,260	4.0	305,133	(0.9)
Saving account	222,389	238,934	7.4	222,389	238,934	7.4	240,558	(0.7)
Time deposits	234,705	228,545	(2.6)	234,705	228,545	(2.6)	226,628	0.8
Total Deposits	747,595	769,739	3.0	747,595	769,739	3.0	747,595	3.0
CASA	512,890	541,194	5.5	512,890	541,194	5.5	545,691	(0.8)
Total equity	147,218	162,170	10.2	147,218	162,170	10.2	154,072	5.3

Source : Company, KBVS Research

Selected Key Performance (%)	9M23	9M24	YoY (%)	3Q23	3Q24	YoY (%)	2Q24	QoQ (%)
NIM	4.6	4.2	(0.4)	4.8	4.4	(0.4)	4.0	0.4
CASA	68.6	70.3	1.7	68.6	70.3	1.7	70.7	(0.4)
CIR	41.3	43.8	2.5	41.5	44.0	2.5	44.3	(0.3)
CoF	2.1	2.7	0.6	2.3	2.6	0.4	2.7	(0.1)
ROE	15.5	14.7	(0.8)	15.8	14.9	(0.9)	14.7	0.2
LDR	90.1	95.3	5.2	90.1	95.3	5.2	94.0	1.3
Loan yield	7.9	7.7	(0.2)	7.9	7.7	(0.2)	7.4	0.3
NPL gross	2.3	2.0	(0.3)	2.3	2.0	(0.3)	2.0	0.0
NPL coverage	324.5	284.2	(40.3)	324.5	284.2	(40.3)	298.2	(14.0)
CoC	1.4	1.0	(0.4)	1.3	1.0	(0.3)	1.0	0.0
LAR	14.4	11.8	(2.6)	14.4	11.8	(2.6)	12.3	(0.5)

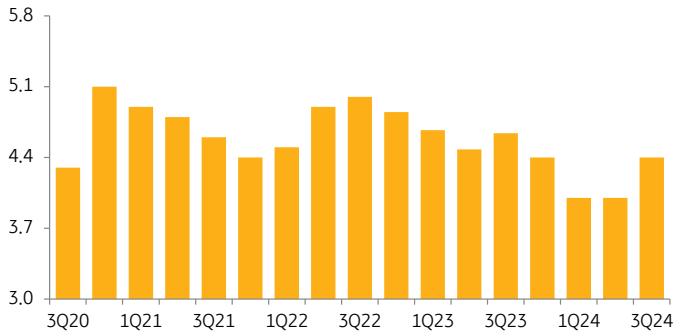
Source : Company, KBVS Research

Exhibit 3: Forecast adjustment

	New		Original		Difference (%)		Street		Variance (%)	
	2024F	2025F	2024F	2025F	2024F	2025F	2024F	2025F	2023A	2024F
Loan	767,552	853,805	767,552	853,805	0.0%	0.0%				
Deposit	847,345	916,623	855,808	938,696	-1.0%	-2.4%				
Interest income	67,637	72,320	67,684	72,484	-0.1%	-0.2%				
Interest expenses	(21,873)	(22,234)	(20,717)	(21,716)	5.6%	2.4%				
Net interest income	45,764	50,085	46,967	50,768	-2.6%	-1.3%				
Non-interest income	22,140	22,730	22,140	22,730	0.0%	0.0%				
Total operating income	67,904	72,815	69,108	73,498	-1.7%	-0.9%				
Operating expenses	(28,770)	(29,834)	(28,770)	(29,834)	0.0%	0.0%				
PPoP	39,134	42,981	40,337	43,665	-3.0%	-1.6%				
Loan loss provision	(9,916)	(10,130)	(9,916)	(10,130)	0.0%	0.0%				
Net profit	23,030	25,903	23,984	26,445	-4.0%	-2.0%	22,092	25,246	95.9%	97.5%

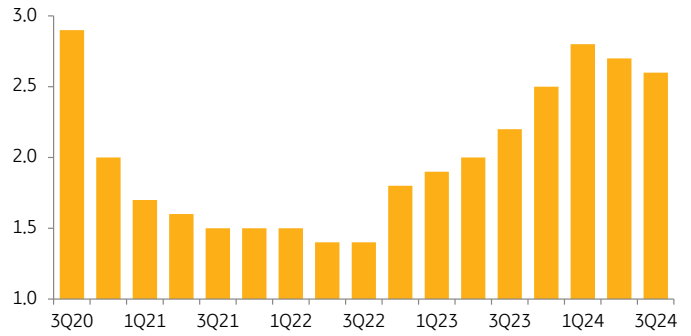
Source : Company, KBVS Research

Exhibit 4: Expect NIM expansion to get stronger



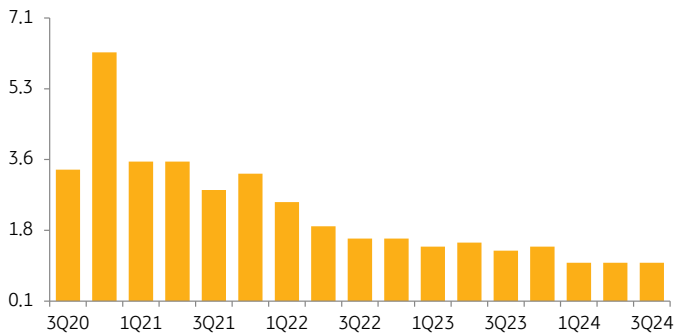
Source: Company, KBVS Research

Exhibit 5: Expect softened funding cost to continue



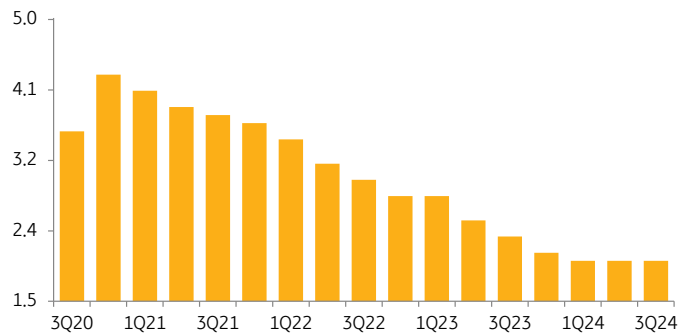
Source: Company, KBVS Research

Exhibit 6: CoC has surpassing '24F management guidance



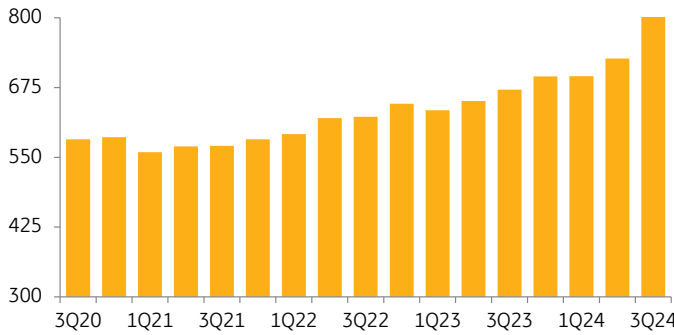
Source: Company, KBVS Research

Exhibit 7: Healthier risk metrics (gross NPL) remain intact



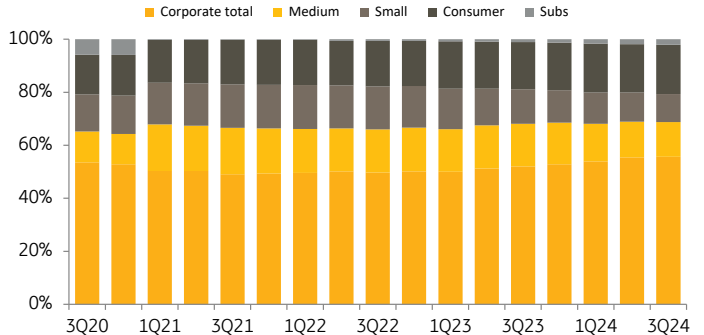
Source: Company, KBVS Research

Exhibit 8: Robust loan growth remains intact (%)



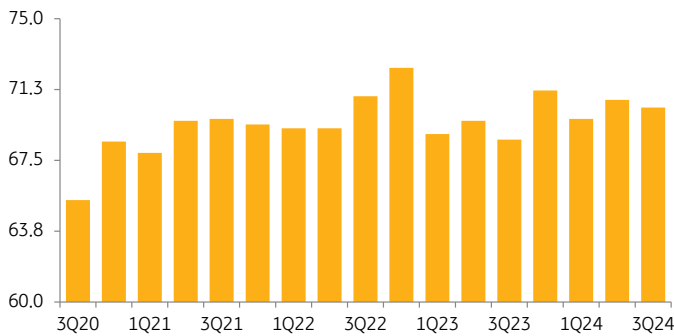
Source: Company, KBVS Research

Exhibit 9: Corporate and consumer segment to continue play crucial role (%)



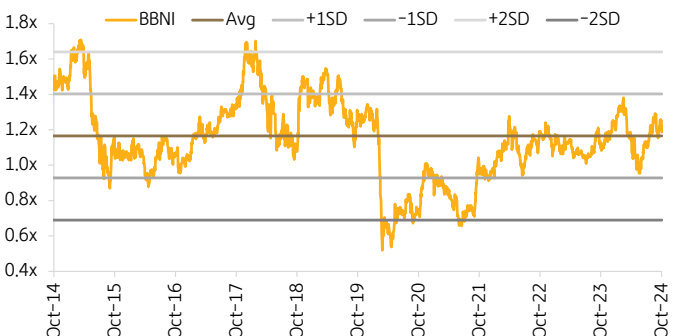
Source: Company, KBVS Research

Exhibit 10: Expect steady CASA improvement to support earnings growth



Source: Company, KBVS Research

Exhibit 11: Trading at 1.1x '24F P/B, or slightly below avg hist mean of 1.2x



Source: Company, Bloomberg, KBVS Research

FINANCIAL TABLES
Exhibit 12: Profit & Loss

Year End Dec (IDR bn)	2022A	2023A	2024F	2025F	2026F
Interest income	54,659	61,472	67,637	72,320	78,835
Interest expenses	(13,338)	(20,196)	(21,962)	(22,422)	(23,460)
Net interest income	41,321	41,276	45,676	49,897	55,375
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	39,046	42,794	47,536
Loan loss provision	(11,514)	(9,196)	(9,916)	(10,130)	(10,412)
Pretax Profit	22,687	25,640	28,971	32,496	36,946
Income Tax Expenses	(4,205)	(4,534)	(5,794)	(6,499)	(7,389)
Net profit	18,312	20,909	22,960	25,754	29,281

Exhibit 13: Balance sheet

Year End Dec (IDR bn)	2022A	2023A	2024F	2025F	2026F
Assets					
Cash	13,448	11,207	11,526	11,943	12,305
Current Account at BI	82,922	65,256	68,364	71,670	72,301
Interbank Loans	67,491	78,817	88,897	98,713	109,940
Govt Treas Bills & Sec	121,292	127,100	118,628	119,161	129,461
Investment Securities	28,556	37,165	41,944	45,373	49,295
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	80,275	76,063
Total Asset	1,029,837	1,086,665	1,167,300	1,273,406	1,397,350
Liabilities					
Interbank Deposit	15,245	11,894	12,431	14,822	17,597
Customer Deposit	769,269	810,730	847,345	916,623	995,857
Debts Sec and Subordinates	57,764	52,772	61,039	66,763	74,526
Other Liabilities	47,361	56,535	73,583	82,303	93,515
Total liabilities	889,639	931,931	994,398	1,080,512	1,181,495
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	124,332	143,198	164,977
Other Equity	15,691	16,832	17,674	18,558	19,486
Shareholder's Equity	135,816	150,133	168,071	187,821	210,528
Non-controlling Interest	4,382	4,602	4,832	5,073	5,327
Total Equity	140,198	154,735	172,903	192,894	215,855

Exhibit 14: Key performance metrics

Year End Dec (%)	2022A	2023A	2024F	2025F	2026F
NIM (%)	4.8	4.6	4.3	4.5	4.6
LDR (%)	84.0	85.7	90.6	93.1	95.5
CASA (%)	72.4	71.2	71.1	72.1	73.0
NPL (%)	2.8	2.1	1.9	1.8	1.6
ROAE (%)	14.1	14.6	14.4	15.0	15.5
ROAA (%)	1.8	2.0	2.0	2.1	2.2
CAR (%)	17.9	18.8	19.5	20.0	18.2
BVPS (IDR)	3,641	4,025	4,506	5,036	5,645
PER (x)	11.2	9.8	8.9	8.0	7.0
PBV (x)	1.5	1.4	1.2	1.1	1.0
Div. Yield (%)	1.3	3.6	3.1	3.4	3.8

Source: Company, KBVS Research

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