

Another solid monthly results

19 September 2023



<b>BBNI IJ</b>	<b>BUY</b>
Sector	Banks
Price at 18 Sept 2023 (IDR)	9,350
Price target (IDR)	11,160
Upside/Downside (%)	19.4

**Stock Information**

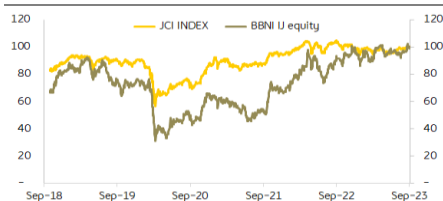
PT Bank Negara Indonesia (Persero) Tbk is a state-owned offering commercial and consumer banking services. The bank is positioned as one of 3 big SoE banks in Indonesia. Through its subsidiaries, the bank is also offering businesses in sharia banking, insurance, consumer financing and securities.

Market cap (Rp bn)	174,365
Shares outstanding (mn)	18,649
52-week range (Rp)	8,350-9,950
3M average daily vol. ('000)	26,769
3M average daily val. (Rp mn)	243,944

**Shareholders (%)**

Republic of Indonesia	60.0
Public	40.0

**Stock Performance**



Source: Bloomberg

	1M	3M	12M
Performance (%)	4.1	4.1	5.0

**Analyst(s)**

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Continuing solid monthly result should become as a solid foundation to enter the remaining quarter of this year. We expect loan demand to remain solid and reached BBNI's '23F guidance with key performance metrics arriving within target. Flat CoF and stable loan yield will support NIM expansion, while lagging stock performance and higher foreign holding should reiterates BBNI's attractiveness. Maintain BUY with TP of IDR11,160 (1.4x '23F P/B), while it's trading at 1.1x '23F P/B, or at its 10-yr historical mean of 1.1x.

**7M23 earnings grew 13.8% yoy, while Jul '23 growth is at 20.5% yoy**

BBNI reported double-digit bank only earnings in 7M23 (+13.8% yoy), mainly driven by dropping provisions by -26.4% yoy to IDR5.31 tn and boosted by higher interest income (+17.9% yoy) and manageable opex at +1.9% yoy. On Jul '23, the bank saw stronger performance with earnings surged 20.5% yoy on the back of solid performance across the board (net interest income: +10.8% yoy, PPOP: +13.2% yoy).

**Inline loan growth with stronger CASA**

Bank only total loan grew 7% yoy to IDR646.71 tn and arrives within management's '23 lower range guidance of 7%-9%. This year, BBNI's loan growth is expected to reach 9.1% yoy, which driven mainly by corporate and consumer segments. Corporate SoE segment likely, by design, to continue weakened (-5% yoy) and thus will help BBNI to continue recording healthier asset quality. On the liability side, TPF grew 5.5% yoy to IDR719.96 tn, thanks to continuing solid CA growth (+16.9% yoy). We also like BBNI's 7M23 TD movement which down 2.9% yoy mainly triggered by corporate segment. We like BBNI's stance not to join the special rate rivalry lately which should translate into stable margin expansion through the year.

**Key metrics continue arrives within '23F guidance**

Aside from its 20.5% yoy bank only earnings growth in Jul '23, we also like BBNI's key performance metrics which continue to arrives within '23F guidance, such as NIM and CoC that stood at 4.6% ('23F NIM guidance: ≥ 4.6%) and 1.4% ('23F NIM guidance: ≥ 1.4%), respectively. We also like BBNI's stronger CASA (+9.3% yoy) to IDR512.8 tn, already equal to 71.2% in 7M23 compared to 68.7% a year ago, with a higher ROE and ROA by 20bps and 50bps, respectively.

**9M23 PATMI run rate could above our expectation by 339bps**

Post 1H23 inline results, we might see BBNI's 9M23 earnings to beats our expectation even under the assumption of flattish earnings performance in Aug – Sep '23. Under this scenario, BBNI's 9M23 PATMI may arrive at IDR15.8 tn (+16.0% yoy), or 78.3% of our '23F which 339bps above its 5yr historical average of 74.9%. On its watchlist SoE construction debtors, total loan in Jul '23 was around IDR17.2 tn yet shielded with 36% provision. Loan to WSKT (IDR8 tn) and WIKA (IDR1.3 tn) which classified in stage 2, have been provisioned at 57% and 30%, while as a total combined provision coverage has surpassing more than 50%.

**Lagging stock performance, undemanding valuation and higher foreign holding**

At this juncture we deemed BBNI to remain attractive. Despite the continuing wait and see stance as election approaching, we believe 2023 growth will continue to be supported by (1) stable loan demand appetite (2) Flattish CoF which enable NIM expansion to remain intact (3) continuing asset quality improvement (4) Soft provisions as front load has been made and (5) manageable cost to income ratio. Among banks under coverage, BBNI is lag behind its peers with 1yr return of only 4.2%, or vs. average of 7.3% and far below BBRI and BMRI of 17.9% and 23.3%, respectively. Likewise, in terms of '23F P/B of only 1.1x, it looks appealing versus average of 2.2x and compared to BBRI (2.6x), BMRI (2.2x) as well as BBCA (4.6x). We also like BBNI as the stock continue to become one of the most held stocks where KSEI data in Aug23 revealed that foreign investors held around 25.7% or an increase by around 165.5bps yoy.

**Maintain BUY with target price of IDR11,160**

Our target price is based on Gordon Growth Model-derived fair P/B of 1.4x. BBNI is currently trading at 1.1x '23F P/B, or at its 10-yr historical mean of 1.1x. Risks to our call are: a) lower-than-expected loan growth, NIM and loan yield, b) higher than expected credit cost and c) higher inflation, slowing economic activity and d) deteriorating asset quality.

**Key Statistics**

Year-end Dec	2021A	2022A	2023F	2024F	2025F
Net interest income	38,247	41,321	44,737	49,890	54,785
Non-interest income	17,619	20,151	21,318	22,562	23,340
Total operating income	55,865	61,472	66,055	72,451	78,125
Pre-provision operating profit	31,064	34,413	36,104	41,270	43,994
Net income	10,899	18,312	20,295	23,653	25,607
EPS (IDR)	584	982	1,088	1,268	1,373
EPS growth (%)	232.2	68.0	10.8	16.6	8.3
PER (x)	16.0	9.5	8.6	7.4	6.8
PBV (x)	1.4	1.3	1.1	1.0	0.9
Div. Yield (%)	1.6	2.6	2.9	3.4	3.7
ROE (%)	9.3	14.1	14.1	14.6	14.1

Source: Company, KB Valbury Sekuritas

Figure 1: BBNI 7M23 bank only result and key performance highlights

Income Statement (IDRbn)	5M23	6M23	7M23	6M23 YoY (%)	7M23 YoY (%)	2023F	% to '23F con.
Interest income	24,891	29,879	35,459	16.7	17.9	61,112	58.0%
Interest expense	(7,903)	(9,555)	(11,322)	0.0	0.0	(16,375)	69.1%
Net interest income	16,988	20,324	24,137	2.6	3.8	44,737	54.0%
Non Int Inc & others	7,175	8,654	10,216	(7.3)	(5.3)	21,318	47.9%
Total Income	24,163	28,978	34,353	(0.6)	0.9	66,055	52.0%
Opex	(10,307)	(11,897)	(14,147)	0.0	0.0	(29,951)	47.2%
PPOP	13,856	17,081	20,206	(1.8)	0.3	36,104	56.0%
Provision	(3,514)	(4,513)	(5,318)	(29.5)	(26.4)	(10,412)	51.1%
Operating income	10,342	12,568	14,888	0.0	0.0	25,692	57.9%
Others income (exp)	(27)	(35)	(41)	0.0	0.0		
PBT	10,315	12,533	14,847	13.9	15.0	25,603	58.0%
Tax	(1,874)	(2,291)	(2,723)	0.0	0.0	(5,121)	53.2%
Minority interest	0	0	0	0.0	0.0	(188)	0.0%
Net Profit	8,441	10,242	12,124	12.7	13.9	20,295	59.7%

Source : Company, KB Valbury Sekuritas

Income Statement (IDRbn)	May-23	Jun-23	Jul-23	MoM (%)	YoY (%)
Interest income	5,205	4,988	5,580	11.9	24.8
Interest expense	(1,721)	(1,651)	(1,768)	0.0	0.0
Net interest income	3,484	3,337	3,813	14.3	10.8
Non Int Inc & others	1,430	1,479	1,562	5.6	7.6
Total Income	4,914	4,815	5,375	11.6	9.8
Opex	(2,103)	(1,591)	(2,250)	0.0	0.0
PPOP	2,811	3,225	3,125	(3.1)	13.2
Provision	(764)	(999)	(805)	(19.4)	(2.3)
Operating income	2,047	2,226	2,320	0.0	0.0
Others income (exp)	(4)	(9)	(6)	0.0	0.0
PBT	2,043	2,217	2,314	4.4	21.8
Tax	(359)	(417)	(432)	0.0	0.0
Minority interest	0	0	0	0.0	0.0
Net Profit	1,684	1,800	1,882	4.6	20.5

Source : Company, KB Valbury Sekuritas

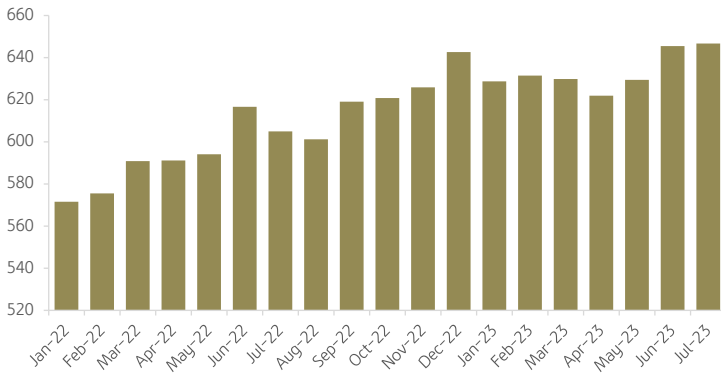
Balance Sheet (IDRbn)	5M23	6M23	7M23	6M23 YoY (%)	7M23 YoY (%)
Total Loan	629,444	645,511	646,719	4.7	6.9
Total deposits	735,303	757,516	719,964	10.6	5.5
Demand deposits	284,193	300,515	285,872	21.2	16.9
Savings deposits	228,571	229,790	226,946	0.6	1.0
Time deposits	222,539	227,211	207,146	9.1	(2.9)
CASA	512,763	530,305	512,818	11.3	9.3
Total Equity	134,717	134,717	136,471	10.2	10.1

Source : Company, KB Valbury Sekuritas

Key Metrics (%)	5M23	6M23	7M23	6M23 YoY (%)	7M23 YoY (%)
NIM	4.6	4.6	4.6	(0.2)	(0.1)
Asset yield (Int Earnings Assets)	6.8	6.7	6.9	0.6	0.8
Cost of fund	1.9	2.0	2.1	0.7	0.7
Cost of credit	1.3	1.4	1.4	(0.7)	(0.6)
CASA (IDRbn)	512,763.4	530,304.7	512,817.8	11.3	9.3
CASA	69.7	70.0	71.2	0.4	2.5
Loan to Deposits	85.6	85.2	89.8	(4.8)	1.2
CIR	42.7	41.1	41.2	0.7	0.4
RoA	2.5	2.5	2.6	0.1	0.2
RoE	15.2	15.2	15.3	0.2	0.5

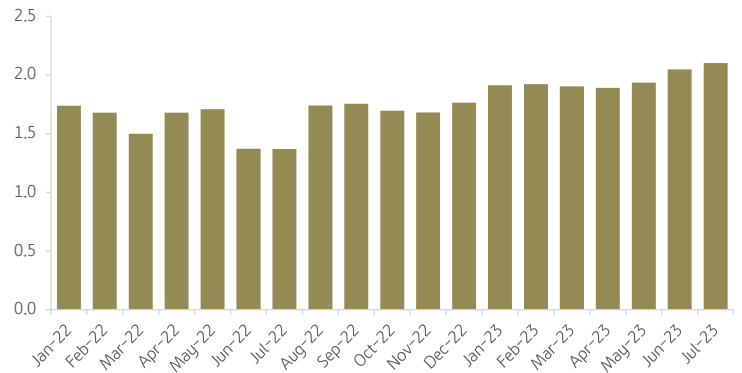
Source : Company, KB Valbury Sekuritas

Figure 3: Solid loan growth trajectory likely to continue (IDRtn)..



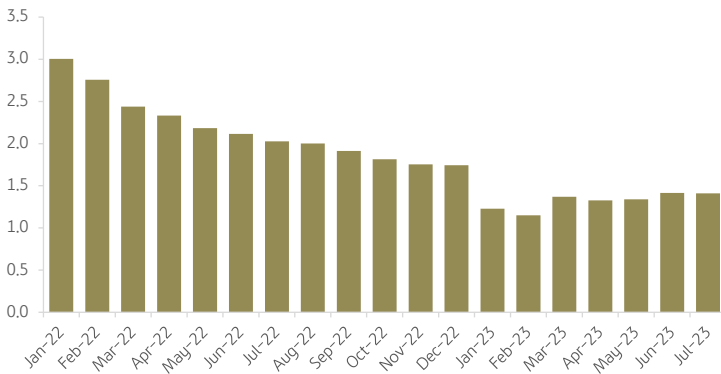
Source: Company, KB Valbury Sekuritas

Figure 4: ..with manageable CoF and liquidity to remain ample (%)



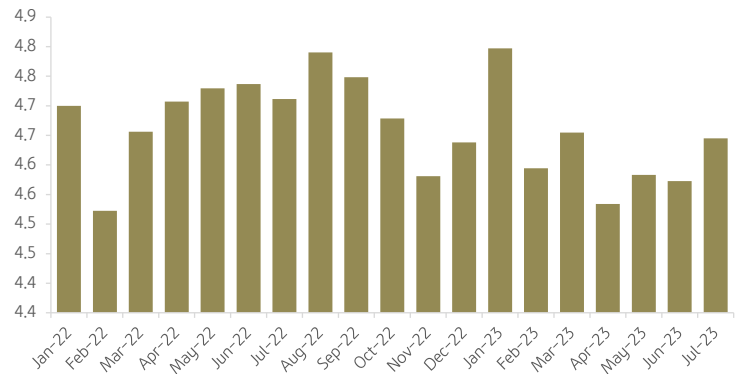
Source: Company, KB Valbury Sekuritas

Figure 5: Expecting on track AQ improvement with CoC below < 1.5% (%)



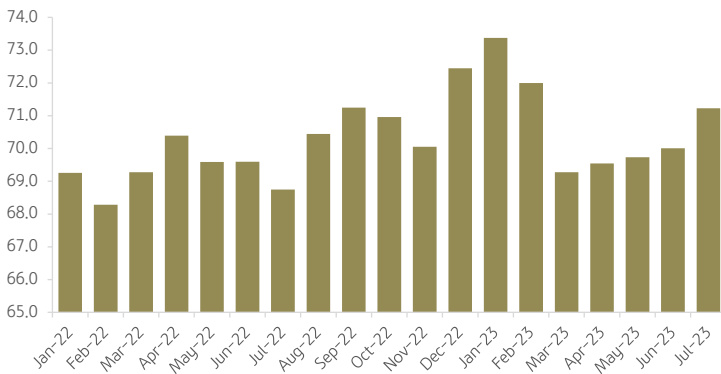
Source: Company, KB Valbury Sekuritas

Figure 6: NIM Eexpansion likely to continue (%)



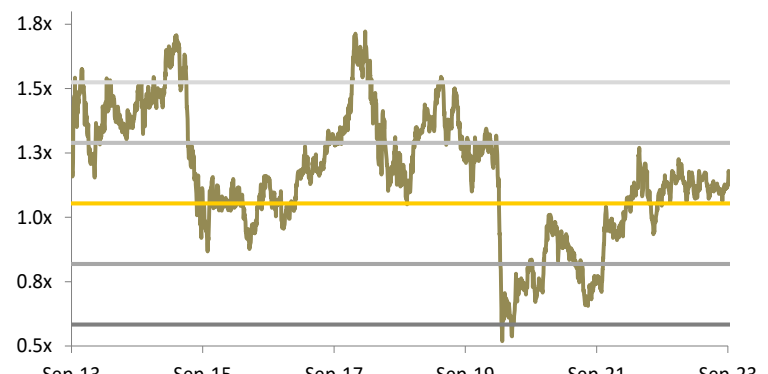
Source: Company, KB Valbury Sekuritas

Figure 7: CASA should remain taking the largest chunk of TPF (%)



Source: Company, KB Valbury Sekuritas

Figure 8: Currently trading at 1.1x '23F P/B, at its 10-yr hist. mean of 1.1x



Source: KB Valbury Sekuritas

FINANCIAL TABLES

CONSOLIDATED STATEMENTS OF PROFIT OR LOSS

Year End Dec (IDR bn)	2021A	2022A	2023F	2024F	2025F
Interest income	50,026	54,659	61,112	69,141	76,371
Interest expenses	-11,779	-13,338	-16,375	-19,251	-21,586
Net interest income	38,247	41,321	44,737	49,890	54,785
Non-interest income	17,619	20,151	21,318	22,562	23,340
Total operating income	55,865	61,472	66,055	72,451	78,125
Operating expenses	-24,801	-27,059	-29,951	-31,181	-34,131
Pre-provision operating profit	31,064	34,413	36,104	41,270	43,994
Loan loss provision	-18,297	-11,514	-10,412	-11,279	-11,531
Pretax profit	12,551	22,687	25,603	29,841	32,306
Tax Expenses	-1,574	-4,205	-5,121	-5,968	-6,461
Minorities interest	-79	-170	-188	-219	-237
Net income	10,899	18,312	20,295	23,653	25,607

Source: Company, KB Valbury Sekuritas

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

Year End Dec (IDR bn)	2021A	2022A	2023F	2024F	2025F
<b>Assets</b>					
Cash	13,684	13,448	14,015	15,089	16,697
Current Account BI	48,682	82,922	90,418	98,409	107,352
Interbank	111,860	67,491	73,888	80,711	88,495
Marketable Securities	25,803	28,556	41,557	45,251	49,396
Gov Bond	111,428	121,292	125,929	127,982	129,726
Loan	532,141	595,854	653,381	725,696	812,329
Fixed assets	26,883	26,549	26,447	26,490	26,358
Other assets	94,356	93,724	99,998	108,338	110,713
Total Asset	964,838	1,029,837	1,125,633	1,227,966	1,341,066
<b>Liabilities</b>					
Interbank Deposit	14,377	15,245	16,637	18,116	18,777
Deposit from customer	729,169	769,269	839,530	914,161	997,895
Debts Sec and Subordinates	51,209	57,764	63,040	68,644	72,437
Other Liabilities	43,563	47,361	49,730	50,716	54,827
Total liabilities	838,318	889,639	968,936	1,051,637	1,143,936
<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	78,250	94,060	109,554	128,134	147,828
Other Equity	19,423	15,691	16,475	17,299	18,164
Shareholder's Equity	123,738	135,816	152,095	171,498	192,057
Non-controlling Interest	2,782	4,382	4,601	4,831	5,073
Total Equity	126,520	140,198	156,696	176,329	197,129

Source: Company, KB Valbury Sekuritas

RATIO ANALYSIS

Year End Dec	2021A	2022A	2023F	2024F	2025F
NIM (%)	4.6	4.8	4.8	4.9	5.0
LDR (%)	79.9	84.0	84.0	85.1	86.6
CASA (%)	69.4	72.4	72.7	73.0	73.2
NPL (%)	3.7	2.8	2.8	2.7	2.7
ROAE (%)	9.3	14.1	14.1	14.6	14.1
ROAA (%)	1.2	1.8	1.9	2.0	2.0
CAR (%)	17.4	17.9	18.3	19.0	19.4
BVPS (IDR)	6,635	7,283	8,156	9,196	10,299
PER (x)	16.0	9.5	8.6	7.4	6.8
PBV (x)	1.4	1.3	1.1	1.0	0.9
Div. Yield (%)	1.6	2.6	2.9	3.4	3.7

Source: Company, KB Valbury Sekuritas

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