

9M23 earnings 15.1% yoy, overall inline

2 November 2023



BBNI IJ	BUY
Sector	Banks
Price at 1 Nov 2023 (IDR)	4,820
Price target (IDR)	5,750
Upside/Downside (%)	19.3

**Stock Information**

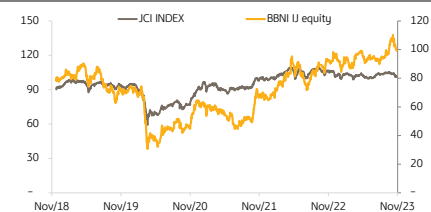
PT Bank Negara Indonesia (Persero) Tbk is a state-owned offering commercial and consumer banking services. The bank is positioned as one of 3 big SoE banks in Indonesia. Through its subsidiaries, the bank is also offering businesses in sharia banking, insurance, consumer financing and securities.

Market cap (IDR bn)	179,773
Shares outstanding (mn)	37,297
52-week range (IDR)	4,210-5,425
3M average daily vol. ('000)	58,697
3M average daily val. (IDR mn)	282,344

**Shareholders (%)**

Republic of Indonesia	54.9
Public	45.1

**Stock Performance**



Source: Bloomberg

	1M	3M	12M
Performance	-4.9	10.4	5.9

**Analyst**

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BBNI 9M23 earnings grew 15.1% yoy, arriving in line with KBVS and street expectation at a run rate of 78%/75% (5yr hist avg 75%). Loan growth at 7.8% yoy is within BBNI's '23F loan forecast range of 7%-9% yoy, while TPF On the liabilities side, TPF recorded 9.1% yoy higher with manageable CASA (+5.6%) at around 69% of the total third-party fund. NIM (4.64%) arrives at BBNI's '23F NIM forecast of >4.6%, while NPL reported healthier by 70bps yoy and 20bps on qoq basis. We revisited our model and rolled-over our valuation for BBNI to '24F. Maintain BUY with a higher TP of IDR5,750 (1.3x '24F P/B), while its currently trading at 1.2x '24F P/B, or below its +1SD historical mean.

**9M23 earnings in line with KBVS and street forecast**

Amid the continuing transmission of rising benchmark rate, BBNI interest expense mounting 66.3% yoy. Yet, strong interest income growth at 17.7% yoy has helped net interest income remain positif grew by 3.1% yoy, 3.3% qoq. Manageable opex and a sharp drop in provisions has made BBNI's 9M23 earnings grew double digit at 15.1% yoy (+7.3% qoq), arrives in line with ours and street expectation at a run-rate of 78%/75% compared to 5yr historical average of 75%.

**Solid loan growth, with strong CASA**

We like BBNI's loan growth at 7.8% yoy which arrives within '23F management guidance range of 7%-9% yoy, driven by solid corporate loan growth at 19.2% yoy. Consumer segment, saw 12.7% yoy growth, accounted around 17.8% of the total loan portfolio. In the following quarters, growth from lower risk segments and high yield segment loan likely to continue benefit the bank, in our view. On the liabilities side, TPF grew by 9.1% yoy, while CASA growth of +5.6% yoy equal to around 69% of the total third-party fund.

**Another solid key ratios achievement**

Key performance remains strong, with NIM reported at 4.64% arrives above the BBNI's '23F NIM forecast. Asset quality improvement has resulting to a healthier NPL by 70bps yoy and 20bps on qoq basis to 2.3%. Cost of credit saw a better figure, improves strong by 60bps yoy (20bps qoq) to 1.4% from 2.0% in 9M22 and within '23F BBNI target of below 1.5%.

**BBNI remain looks attractive**

At this juncture we deemed BBNI to remain attractive. Despite all the headwinds we believe the bank will continue to report solid quality focus growth. Better asset quality and stronger loan growth coupled with restoring TPF growth are become several key growths for BBNI, in our view. We also think, further loan repricing should strengthen top line growth and at the same time support NIM expansion to continue. On its watchlist SoE construction debtors, both Waskita and Wika has been shielded with 61% and 31% provisions. Downside seems to be limited, as effort to optimizing assets return on investment and various continuing government support will overall act as a cushioned, should latent future risk get worse. We also like BBNI as the stock continue to become one of the most held stocks whereas year to date foreign investors held around 27.0% or an increase by around 185.9bps yoy.

**Maintain BUY with higher rolled-over TP of IDR5,750**

We revisit our model and rolled-over BBNI's valuation to '24F. Our new TP of IDR5,750 is around 3.0% higher vs our previous TP of IDR5,580. Our GGM intrinsic value for BBNI is pegged at 1.3x '24F P/B while its currently trading at 1.2x '24F P/B, or below its +1SD historical mean. At this juncture, BBNI looks attractive following its 5.0% share price drop over the past 1 months. Downside risks to our call are: 1) Slower loan growth, 2) worsening NIM and AQ, 3) higher than expected CoC, CoF, NPL 4) slowing down economic activity, worsening domestic political situation and 5) longer than expected wait and see stance.

**Exhibit 1: Key Statistics**

Year end Dec (IDR bn)	2021A	2022A	2023F	2024F	2025F
Net Interest income	38,247	41,321	44,737	49,890	54,785
Non int. income	17,619	20,151	21,318	22,562	23,340
Income from operations	55,865	61,472	66,055	72,451	78,125
Pre-provision profit	31,064	34,413	36,104	41,270	43,994
Net income (IDR bn)	10,899	18,312	20,295	23,653	25,607
EPS (IDR)	292	491	544	634	687
EPS growth (%)	232.2	68.0	10.8	16.6	8.3
PER (x)	16.5	9.8	8.9	7.6	7.0
PBV (x)	1.5	1.3	1.2	1.1	0.9
Div. Yield (%)	1.5	2.5	2.8	3.3	3.6
RoE (%)	9.3	14.1	14.1	14.6	14.1

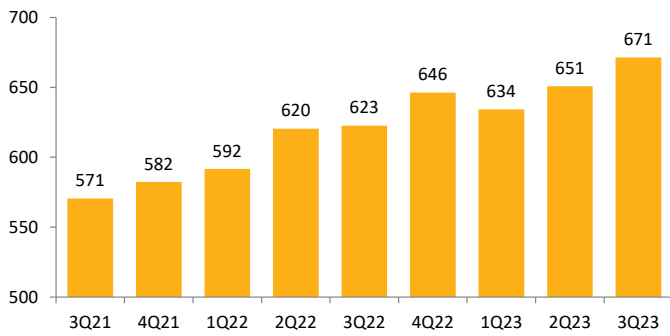
Source: Company, KBVS Research

**Exhibit 2: BBNI 9M23 financial and key performance metrics results**

BBNI 9M23 Results (IDRbn)	9M22	9M23	YoY (%)	3Q22	3Q23	YoY (%)	2Q23	QoQ (%)	KBVS '23F	% to '23F	Cons' '23F	% to Cons'
<b>Income Statement</b>												
Net interest income	30,199	31,136	3.1	10,590	10,534	-0.5	10,198	3.3				
Non-interest income	14,993	14,651	-2.3	4,828	5,161	6.9	4,739	8.9				
Total operating income	45,192	45,787	1.3	15,418	15,695	1.8	14,937	5.1				
Operating expenses	-19,361	-19,544	0.9	-6,830	-6,752	-1.1	-6,289	7.4				
Pre-provision operating profit	25,831	26,243	1.6	8,588	8,943	4.1	8,648	3.4				
Provision expenses	-8,928	-6,710	-24.8	-2,525	-2,199	-12.9	-2,362	-6.9				
Net profit	13,692	15,753	15.1	4,889	5,451	11.5	5,081	7.3	20,295	78	21,029	75
<b>Balance Sheets</b>												
Loan	622,607	671,371	7.8	622,607	671,371	7.8	650,770	3.2				
Third Party Funds	685,235	747,595	9.1	685,235	747,595	9.1	765,009	-2.3				
CASA	485,676	512,890	5.6	485,676	512,890	5.6	532,340	-3.7				
Time deposits	199,559	234,705	17.6	199,559	234,705	17.6	232,670	0.9				
Total equity	134,002	147,218	9.9	134,002	147,218	9.9	143,474	2.6				
<b>Key Ratio (%)</b>												
LDR	91.2	90.1	-1.1	91.2	90.1	-1.1	85.1	5.0				
CASA	70.9	68.6	-2.3	70.9	68.6	-2.3	69.6	-1.0				
NIM	4.8	4.6	-0.2	5.0	4.8	-0.2	4.5	0.3				
NPL gross	3.0	2.3	-0.7	3.0	2.3	-0.7	2.5	-0.2				
ROE	15.2	15.5	0.3	15.4	15.8	0.4	15.1	0.7				
ROA	2.5	2.6	0.1	2.6	2.8	0.2	2.4	0.4				

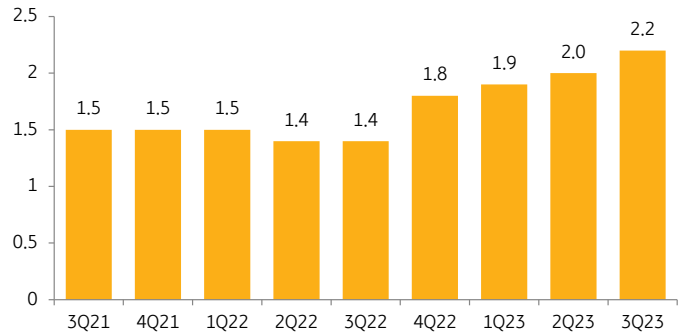
Source : Company, KB Valbury Sekuritas

Exhibit 3: Solid loan growth trajectory likely to continue



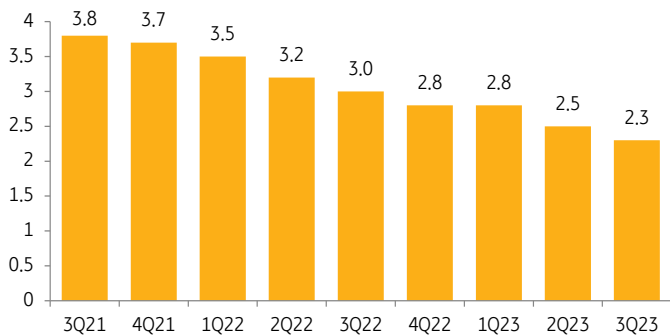
Source: Company, KBVS Research

Exhibit 4: ..with manageable CoF and liquidity to remain ample



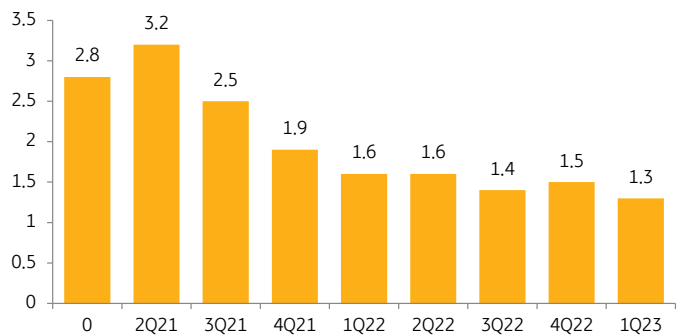
Source: Company, KBVS Research

Exhibit 5: Continuing better asset quality lead to a healthier NPL (%)



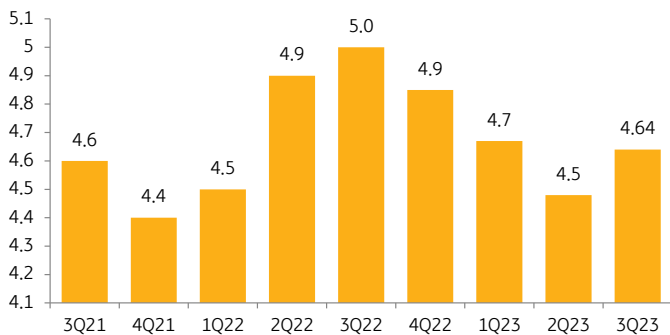
Source: Company, KBVS Research

Exhibit 6: ..with continuing CoC improvement



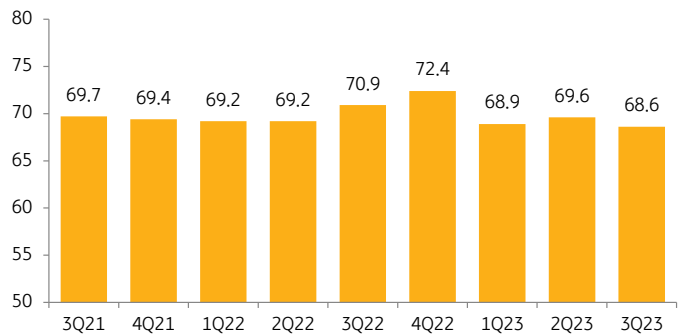
Source: Company, KBVS Research

Exhibit 7: NIM expansion likely to continue...(%)



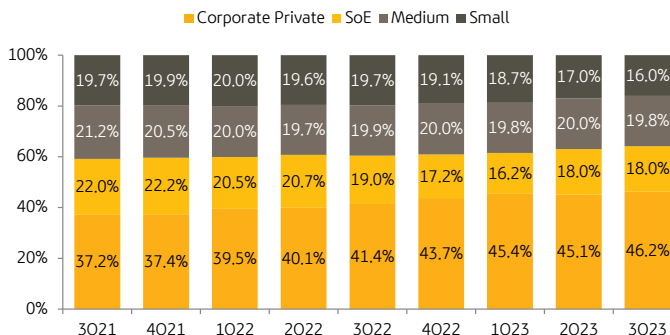
Source: Company, KBVS Research

Exhibit 8:..supported with manageable CASA (%)



Source: Company, KBVS Research

Exhibit 9: Expecting high yield segment contribution to sustained



Source: Company, KBVS Research

Exhibit 10: Trading at 1.2x '24F P/B, or below its +1SD hist mean



Source: Company, Bloomberg, KBVS Research

**FINANCIAL TABLES**
**Exhibit 11: Profit & 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
<b>Net interest income</b>	<b>38,247</b>	<b>41,321</b>	<b>44,737</b>	<b>49,890</b>	<b>54,785</b>
Non-interest income	17,619	20,151	21,318	22,562	23,340
Operating expenses	-24,801	-27,059	-29,951	-31,181	-34,131
<b>Pre-provision operating profit</b>	<b>31,064</b>	<b>34,413</b>	<b>36,104</b>	<b>41,270</b>	<b>43,994</b>
Loan loss provision	-18,297	-11,514	-10,412	-11,279	-11,531
<b>Pretax Profit</b>	<b>12,551</b>	<b>22,687</b>	<b>25,603</b>	<b>29,841</b>	<b>32,306</b>
Income Tax Expenses	-1,574	-4,205	-5,121	-5,968	-6,461
<b>Net profit</b>	<b>10,899</b>	<b>18,312</b>	<b>20,295</b>	<b>23,653</b>	<b>25,607</b>

**Exhibit 12: Balance sheet**

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 at BI	48,682	82,922	90,418	98,409	107,352
Interbank Loans	111,860	67,491	73,888	80,711	88,495
Govt Treas Bills & Sec	111,428	121,292	125,929	127,982	129,726
Investment Securities	25,803	28,556	41,557	45,251	49,396
Loans	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
<b>Total Asset</b>	<b>964,838</b>	<b>1,029,837</b>	<b>1,125,633</b>	<b>1,227,966</b>	<b>1,341,066</b>
<b>Liabilities</b>					
Interbank Deposit	14,377	15,245	16,637	18,116	18,777
Customer Deposit	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
<b>Total liabilities</b>	<b>838,318</b>	<b>889,639</b>	<b>968,936</b>	<b>1,051,637</b>	<b>1,143,936</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	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
<b>Total Equity</b>	<b>126,520</b>	<b>140,198</b>	<b>156,696</b>	<b>176,329</b>	<b>197,129</b>

**Exhibit 13: Key performance metrics**

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)	3,318	3,641	4,078	4,598	5,149
PER (x)	16.5	9.8	8.9	7.6	7.0
PBV (x)	1.5	1.3	1.2	1.1	0.9
Div. Yield (%)	1.5	2.5	2.8	3.3	3.6

Source: Company, KBVS Research

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