

Bank Negara Indonesia (BBNI)

Solid start to enter the possible headwind

27 January 2023



BBNI IJ	BUY
Sector	Banks
Price at 26 January 2023 (IDR)	9,475
Price target (IDR)	11,160
Upside/Downside (%)	17.8

Stock Information

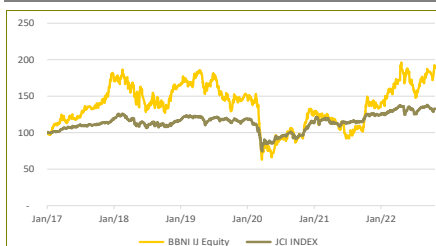
PT Bank Negara Indonesia (Persero) Tbk is a state-owned offering commercial and consumer banking services. The bank is positioned as one of 3 big SoE banks in Indonesia. Through its subsidiaries, the bank is also offering businesses in sharia banking, insurance, consumer financing and securities.

Market cap (Rp bn)	176,462
Shares outstanding (mn)	18,648
52-week range (Rp)	7,050-9,950
3M average daily vol. ('000)	23,419
3M average daily val. (Rp mn)	243,102

Shareholders (%)

Republic of Indonesia	60.0
Public	40.0

Stock Performance



Source: Bloomberg

	1M	3M	12M
Performance (%)	2.7	1.3	33.5

Analyst(s)

Akhmad Nurcahyadi

BBNI's strong 2022 result become as solid fundamental start. Notwithstanding the global uncertainty, 2023 will be another good year for BBNI, in our view. Transmission policy rate to loan pricing and CoF rate is not our concern, as we believe resilient domestic economy will become the key to loan demand. Mild NIM contraction sounds acceptable and likely would not create much disruption to earnings growth, since asset quality should remain manageable and hence will help provisions to continue steady with a potential low-slung CoC. Maintain BUY for BBNI, with higher TP of IDR11,160 (1.4x 2022F P/B). BBNI is currently trading at 1.3x '23F P/B, or slightly above its 10-year historical mean at 1.2x.

2022 earnings beats KBVs and consensus

PT Bank Negara Indonesia (Persero) Tbk (BBNI) FY22 net profit surged 68% yoy to IDR18.3tn and beats KBVs and consensus expectations (6.4%/3.2%). The growth was mainly driven by 8.0% yoy higher in net interest income, 10.8% yoy growth in PPOP and a sharp drop in provisions expenses by 37.1% yoy. On a quarterly basis, net profit grew strongly at 46.6% yoy, thanks to solid 16.5% yoy net interest income growth coupled with strong improvement in provisions by 42.5% yoy. Nonetheless, as the bank adjusting its cost of TPF on the back of policy rate hikes, interest expenses has been mounted (35.5% qoq) and impacting to 4Q22 net profit which declined by 5.5%qoq.

4Q22 loans growth came in at 10.9% yoy, 3.8%qoq.

Loan growth grew at healthy level (10.9% yoy, 3.8% qoq), arrived around 90 bps above management guidance at 7%-10% and slightly closed to industry loan growth at 11.35% yoy. We like BBNI's loan growth which mostly came from lower risk segment (corporate private at 28.9% yoy and consumer at 11.2% yoy). Likewise for its business banking on large commercial and KUR segment which recorded solid growth at 29.9% yoy and 19.8% yoy, respectively. The weakening loan channeled, by design, from corporate SoE (-14.4%yoy, -6.1%qoq) could bring more benefit as the bank likely to be more selective, in our view. Management recapped '23F loan channeled conservative target at 7%-9%, albeit the industry is eyeing for higher amount at 10%-12%.

Vigorous NIM amidst climbing CoF trend

On profitability, NIM improve by 15bps to 4.81% in 2022. Mild NIM contraction by 17bps qoq to 4.85% in 4Q22 should become as a good start to enter the 2023 high interest rate environment. Amid the transmission rate momentum which has lifted CoF to 1.75% from 1.40% in 3Q22, NIM continue to resilient at healthy level and remain above 4Q21 level at 4.40%, thanks to loan repricing which in line with BBNI's strategy (loan yield stood at 7.76% in 4Q22, vs 7.51% in 3Q22 and 7.25% in 4Q21). We expect to witness another round of repricing this year. BBNI guiding NIM at minimum of 4.7%, from 4.5%-4.7% initially.

Revising up 2023F NIM and CoC for BBNI

We revised up our '23F NIM for BBNI from 4.7% to 4.8% (BBNI guidance at minimum of 4.7%, from 4.5%-4.7% initially). Post revisiting our model, we also came with a 20bps higher of loan growth assumption to 9.20% (BBNI's target at 7%-9%). Given the potential continuing uncertainty which could lead as a headwind for loan demand, we prefer to remain conservative. However, we expect asset quality to remain well managed which will potentially made provisions remain at low level and hence helping earnings growth to hover at double digit level. We also expect to witness lower CoC in 2023 at 1.55%, slightly above BBNI figure which aims to record below 1.5%.

Maintain BUY with higher 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 1.3x '23F P/B, or slightly above its 10-year historical mean at 1.2x. 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)	16.2	9.6	8.7	7.5	6.9
PBV (x)	1.4	1.3	1.2	1.0	0.9
Div. Yield (%)	1.5	2.6	2.9	3.3	3.6
ROE (%)	9.3	14.1	14.1	14.6	14.1

Source: Company, KB Valbury Sekuritas

Bank Negara Indonesia (BBNI)

BBNI's Financial Overview

Income Statements (IDR bn)	12M22	12M21	YoY (%)	4Q22	4Q21	YoY (%)	3Q22	QoQ (%)	2022F	Achievement
Net interest income	41,321	38,247	8.0	11,122	9,549	16.5	10,590	5.0	40,314	102.5
Non-interest income	20,152	17,619	14.4	5,156	4,812	7.1	4,828	6.8	18,671	107.9
Total operating income	61,473	55,866	10.0	16,278	14,361	13.3	15,418	5.6	58,985	104.2
Operating expenses	-27,059	-24,801	9.1	-7,697	-6,844	12.5	-6,830	12.7	-24,419	110.8
Pre-provision operating profit	34,414	31,065	10.8	8,581	7,517	14.2	8,588	-0.1	34,566	99.6
Provision expenses	-11,514	-18,298	-37.1	-2,586	-4,500	-42.5	-2,525	2.4	-12,719	90.5
Net profit	18,312	10,898	68.0	4,620	3,152	46.6	4,889	-5.5	17,216	106.4

Source : Company

Balance Sheet (IDR bn)	12M22	12M21	YoY (%)	4Q22	4Q21	YoY (%)	3Q22	QoQ (%)
Loan	646,188	582,436	10.9	646,188	582,436	10.9	622,607	3.8
Current accounts	314,625	281,398	11.8	314,625	281,398	11.8	255,256	23.3
Saving deposits	242,695	224,670	8.0	242,695	224,670	8.0	230,420	5.3
Time deposits	211,949	223,101	-5.0	211,949	223,101	-5.0	199,559	6.2
Total equity	140,198	126,520	10.8	140,198	126,520	10.8	134,002	4.6

Source : Company

Financial Ratios	12M22	12M21	YoY (%)	4Q22	4Q21	YoY (%)	3Q22	QoQ (%)
LDR	84.2	79.7	4.5	84.2	79.7	4.5	91.2	-7.0
CASA	72.4	69.4	3.0	72.4	69.4	3.0	70.9	1.5
NPL gross	2.8	3.7	-0.9	2.8	3.7	-0.9	3.0	-0.2
NIM	4.8	4.7	0.1	4.9	4.4	0.4	5.0	-0.2
CIR	42.6	43.3	-0.7	46.1	47.0	-0.9	43.2	2.9
ROE	14.9	9.4	5.5	14.3	10.3	4.0	15.4	-1.1
ROA	2.5	1.4	1.1	2.4	1.2	1.2	2.6	-0.2

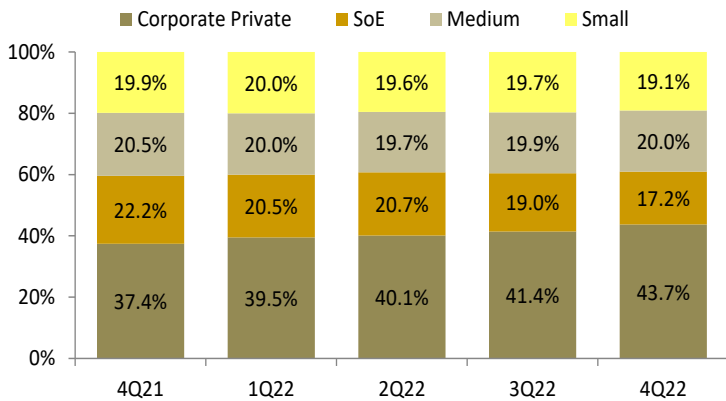
Source : Company

Forecast Changes (IDR bn)	New		Old		Difference	
	2023F	2024F	2023F	2024F	2023F	2024F
Loan	705,341	777,802	689,535	759,797	2.3	2.4
Deposit	839,530	914,161	867,647	946,537	-3.2	-3.4
Interest income	61,112	69,141	60,662	64,985	0.7	6.4
Interest expenses	-16,375	-19,251	-15,333	-16,164	6.8	19.1
Net interest income	44,737	49,890	45,329	48,820	-1.3	2.2
Non-interest income	21,318	22,562	19,794	20,992	7.7	7.5
Total operating income	66,055	72,451	65,123	69,813	1.4	3.8
Operating expenses	-29,951	-31,181	-27,105	-27,376	10.5	13.9
Pre-provision operating profit	36,104	41,270	38,018	42,436	-5.0	-2.7
Loan loss provision	-10,412	-11,279	-12,691	-12,528	-18.0	-10.0
Operating Profit	25,692	29,991	25,326	29,908	1.4	0.3
Net profit	20,295	23,653	19,965	23,541	1.7	0.5

Source : Company, KB Valbury Sekuritas

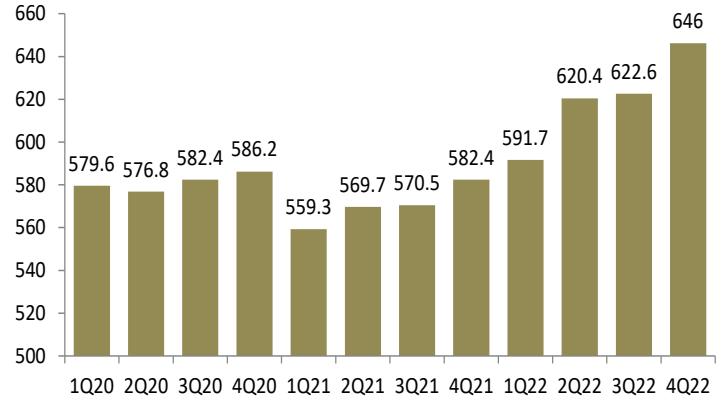
Bank Negara Indonesia (BBNI)

Higher loan contributions from lower risk segments (%)



Source: Company

Loan growth trajectory remain solid (IDRtn)



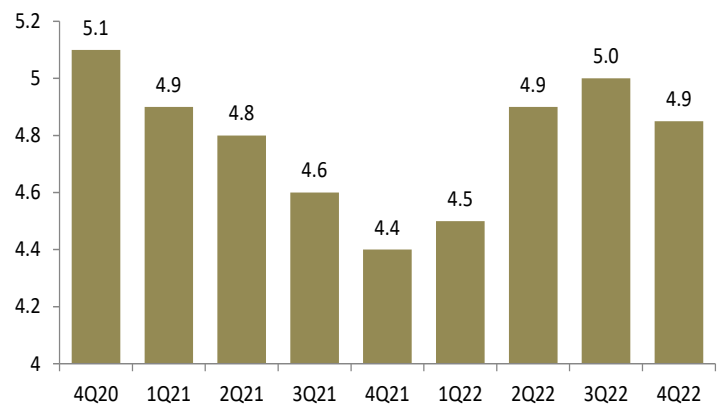
Source: Company

Business banking and Consumer Loan segment (IDRtn)

Segment	4Q21	1Q22	2Q22	3Q22	4Q22	qoq (%)	yoy (%)
Corporate Private	180.4	193.2	205.3	211.9	232.7	9.8	29.0
SoE	107.0	100.2	105.9	97.5	91.6	-6.1	-14.4
Medium	99.1	97.9	100.8	101.7	106.3	4.5	7.3
Small	95.8	98.0	100.2	100.8	101.6	0.8	6.1
Consumer	99.0	101.4	104.2	106.9	110.1	3.0	11.2
Subsidiaries	1.1	1.0	4.0	3.8	3.9	2.6	255.3
Total Loan	582.4	591.7	620.4	622.6	646.2	3.8	10.9

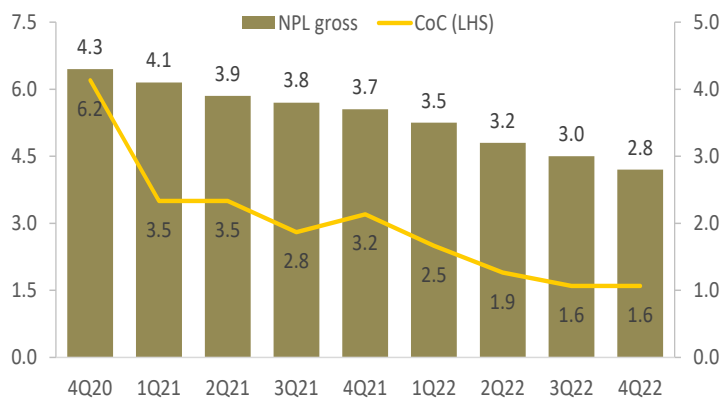
Source: Company

NIM consistently improving in four straight quarters



Source: Company

Asset quality continuously trending up



Source: Company

Currently trading at 1.3x '22F P/B, slightly above 10-year hist. mean of 1.2x



Source: Company, KB Valbury Sekuritas

Bank Negara Indonesia (BBNI)

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
Assets					
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
Liabilities					
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
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	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)	16.2	9.6	8.7	7.5	6.9
PBV (x)	1.4	1.3	1.2	1.0	0.9
Div. Yield (%)	1.5	2.6	2.9	3.3	3.6

Source: Company, KB Valbury Sekuritas

Bank Negara Indonesia (BBNI)

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