

Bank Negara Indonesia (BBNI)

Improving Asset Quality

31 October 2022



BBNI IJ	BUY
Sector	Banks
Price at 28 October 2022 (IDR)	9,325
Price target (IDR)	10,600
Upside/Downside (%)	13.7

Stock Information

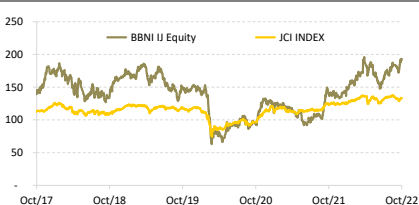
PT Bank Negara Indonesia (Persero) Tbk is a state-owned offering commercial and consumer banking services. The bank is positioned as one of 3 big SoE banks in Indonesia. Through its subsidiaries, the bank is also offering businesses in sharia banking, insurance, consumer financing and securities.

Market cap (IDR bn)	173,899
Shares outstanding (mn)	18,648
52-week range (Rp)	6,550-9,900
3M average daily vol. ('000)	27,050
3M average daily val. (Rp mn)	234,615

Shareholders (%)

Republic of Indonesia	60.0
Norges Bank	1.39

Stock Performance



Source: Bloomberg

	1M	3M	12M
Performance (%)	5.3	20.4	35.0

Analyst(s)

Akhmad Nurcahyadi

BBNI's 3Q22 earnings grew +1.0% qoq and jumped 79.8% yoy to IDR4.89 tn, while 9M22 figure surged 76.8% yoy, exceeding our and market expectations (82.3%/84.4%). NIM and asset quality saw a consistent improvement in fourth straight quarters. We adjust CoF and loan growth assumptions to accommodate the potential impact of 7DRRR hikes on banks' NIM next year. On the flip side, we expect asset quality should remain manageable and hence BBNI could see further CoC improvement in 2023. Maintain BUY, with target price of Rp10,600 (1.4x 2022F P/B) while it is currently trading at 1.3x 2022F P/B, or below its +1SD10-year historical mean at 1.5x.

BBNI's 3Q22 and 9M22 NPAT beat KBVS' and market forecasts.

Bank Negara Indonesia's (BBNI) 3Q22 net profit grew 1.0% qoq and 79.8% yoy to IDR4.89 tn, mainly driven by a sharp drop in provisions (-9.9% qoq/-37.1% yoy). 3Q22 NPAT contribution to FY figures exceeded KBVS and consensus expectations of 29.4% and 30.2%. On a cumulative basis, 9M22 earnings surged by 76.8% yoy to IDR13.69 tn, which is above KBVS and consensus forecasts at 82.3% and 84.4%, respectively.

3Q22 loan growth arrives within KBVS and BBNI's FY22F

BBNI 3Q22 loan growth was rather flattish qoq but grew 6.9% ytd to IDR622.6 tn. On annualized basis, loan grew 9.1% yoy and arrives within our 2022F forecast (9.0% yoy) and management's guidance of 7%-10%. The flattish 3Q22 loan growth of 0.4% qoq (vs. 2Q22: 4.9% qoq) was triggered by corporate SOE loan which declined by -7.9% qoq. However, we are still sanguine as overall loan growth achievement on yoy basis is still showing an improvement (3Q22 loan growth 20bp higher at 9.1% yoy vs. 8.9% yoy in 2Q22) while the decline in corporate SOE loan was largely being offset by stronger growth from lower risk segments (3Q22 corporate private loan at 20.4%yoy vs 14.7%yoy in 2Q22).

Consistent performance across major asset quality metrics

BBNI reported another better asset quality progress, with CoC improving 130bp to 2.0% in 9M22 and to 1.6% in 3Q22 (vs 1.9% in 2Q22). These figures arrive within management guidance of 1.9%-2.1% and better compared to our 2022F CoC for BBNI at 2.1%. COVID-19 restructured loans recorded another improving figure which declined to 9.6% of total loans compared to 10.2% and 11.8% in 2Q22 and 1Q22. Gross NPL ratio also showed an improvement to 3.0% in 3Q22 vs 3.2% in 2Q22 and 3.5% in 1Q22, with stronger NPL coverage by 760bp qoq to 270.8% vs 263.3% in 2Q22.

Revising down 2023F NIM for BBNI but also lowering provision

We revised down our 2023F NIM for BBNI by 20bp from 4.9% to 4.7%, as we expect CoF could be elevated as a result of the end of low interest rate environment. We also adjust our 2023F loan growth assumption for BBNI by 4.1% to IDR689.5 tn from IDR718.7 tn previously, as we view the potential continuing uncertainty could lead as a headwind for loan demand in the banking industry. However, we expect asset quality to remain well managed and hence will potentially lower provisions. With this assumption, we expect BBNI could witness lower CoC in 2023 in line with the bank's expectation that CoC to drop 40bps to 1.5% vs 1.9% in 2022F.

Maintain BUY with target price of Rp10,600

Our target price is based on Gordon Growth Model-derived fair P/B of 1.4x (normalised ROE: 13.7%, cost of equity: 10.8%, long-term growth: 4.1%). BBNI is currently trading at 1.3x 2022F P/B, or below its +1SD of 10-year historical mean at 1.5x. 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	2020A	2021A	2022F	2023F	2024F
Net interest income	37,152	38,247	40,314	45,329	48,820
Non-interest income	14,884	17,619	18,671	19,794	20,992
Total operating income	52,036	55,865	58,985	65,123	69,813
Pre-provision operating profit	27,822	31,064	34,566	38,018	42,436
Net profit	3,280	10,899	17,216	19,965	23,541
EPS (IDR)	176	584	923	1,071	1,262
EPS growth (%)	(78.7)	232.2	58.0	16.0	17.9
PER (x)	53.0	16.0	10.1	8.7	7.4
PBV (x)	1.6	1.4	1.3	1.1	1.0
Div. Yield (%)	0.2	1.6	2.5	2.9	3.4
ROE (%)	2.8	9.3	13.1	13.6	14.3

Source: Company, KB Valbury Sekuritas

Bank Negara Indonesia (BBNI)

BBNI's Financial Overview

Income Statements (IDR bn)	9M22	9M21	YoY (%)	3Q22	3Q21	YoY (%)	2Q22	QoQ (%)	2022F	Achievement
Net interest income	30,199	28,698	5.2	10,589	9,376	12.9	10,379	2.0	40,314	74.9
Non-interest income	14,993	12,806	17.1	4,827	4,328	11.5	4,717	2.3	18,671	80.3
Total operating income	45,192	41,504	8.9	15,416	13,704	12.5	15,096	2.1	58,985	76.6
Operating expenses	19,361	17,957	7.8	6,829	6,297	8.4	6,387	6.9	-24,419	-79.3
Pre-provision operating profit	25,831	23,547	9.7	8,588	7,408	15.9	8,708	-1.4	38,018	67.9
Loan loss provision	8,928	13,798	-35.3	2,525	4,012	-37.1	2,803	-9.9	-12,719	-70.2
Net profit	13,692	7,746	76.8	4,890	2,719	79.8	4,841	1.0	17,216	79.5

Source : Company

Balance Sheet (IDR bn)	9M22	9M21	YoY (%)	3Q22	3Q21	YoY (%)	2Q22	QoQ (%)
Loan	622,607	570,643	9.1	622,607	570,643	9.1	620,423	0.4
Current accounts	255,256	252,834	1.0	255,256	252,834	1.0	249,734	2.2
Saving deposits	230,420	212,899	8.2	230,420	212,899	8.2	229,250	0.5
Time deposits	199,559	202,821	-1.6	199,559	202,821	-1.6	229,250	-13.0
Total equity	134,002	122,269	9.6	134,002	122,269	9.6	130,491	2.7

Source : Company

Financial Ratios	9M22	9M21	YoY (%)	3Q22	3Q21	YoY (%)	2Q22	QoQ (%)
LDR	91.2	85.1	6.1	91.2	85.1	6.1	90.1	1.1
CASA	70.9	69.7	1.2	70.9	69.7	1.2	69.2	1.7
NPL gross	3.0	3.8	-0.8	3.0	3.8	-0.8	3.2	-0.2
NIM	4.8	4.8	0.0	5.0	4.6	0.4	4.9	0.1
CIR	41.4	42.1	-0.7	43.2	44.7	-1.5	41.1	2.1
ROE	15.2	9.2	6.0	15.4	9.7	5.7	15.8	-0.4
ROA	2.5	1.5	1.0	2.6	1.6	1.0	2.6	0.0

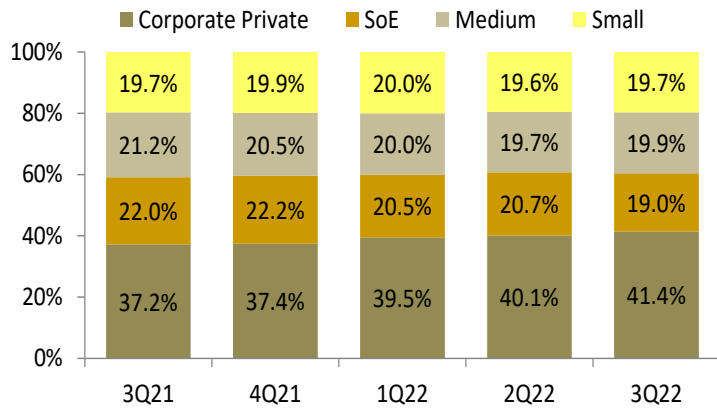
Source : Company

Forecast Changes (IDR bn)	New		Old		Difference	
	2022F	2023F	2022F	2023F	2022F	2023F
Loan	632,395	689,535	656,110	718,716	-3.6	-4.1
Deposit	795,377	867,647	785,026	879,578	1.3	-1.4
Interest income	52,673	60,662	51,475	55,954	2.3	8.4
Interest expenses	-12,360	-15,333	-12,288	-13,529	0.6	13.3
Net interest income	40,314	45,329	39,187	42,425	2.9	6.8
Non-interest income	18,671	19,794	14,605	15,487	27.8	27.8
Total operating income	58,985	65,123	53,791	57,912	9.7	12.5
Operating expenses	-24,419	-27,105	-19,060	-18,559	28.1	46.0
Pre-provision operating profit	34,566	38,018	37,715	41,467	-8.3	-8.3
Loan loss provision	-12,719	-12,691	-16,076	-16,445	-20.9	-22.8
Operating Profit	21,847	25,326	18,655	22,909	17.1	10.6
Net profit	17,216	19,965	16,636	20,295	3.5	-1.6

Source : Company, KB Valbury Sekuritas

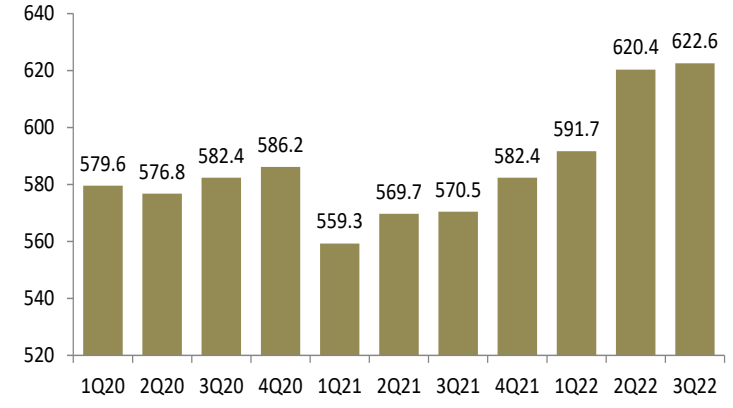
Bank Negara Indonesia (BBNI)

Higher loan contributions from lower risk segments (%)



Source: Company

Loan growth trajectory remains solid (IDRtn)



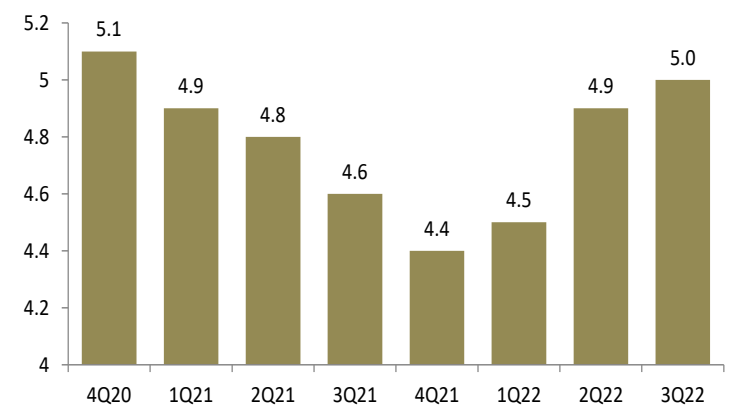
Source: Company

Business banking and Consumer Loan segment (IDRtn)

Segment	3Q21	4Q21	1Q22	2Q22	3Q22	qoq	yoy
Corporate Private	175.9	180.4	193.2	205.3	211.9	3.2	20.5
SoE	104	107	100.2	105.9	97.5	(7.9)	(6.3)
Medium	100.1	99.1	97.9	100.8	101.7	0.9	1.6
Small	93.2	95.8	98	100.2	100.8	0.6	8.2
Consumer	96.1	99.0	101.4	104.2	106.9	2.6	11.2
Subsidiaries	1.2	1.1	1.0	4.0	3.8	(5.0)	216.7
Total Loan	570.5	582.4	591.7	620.4	622.6	0.4	9.1

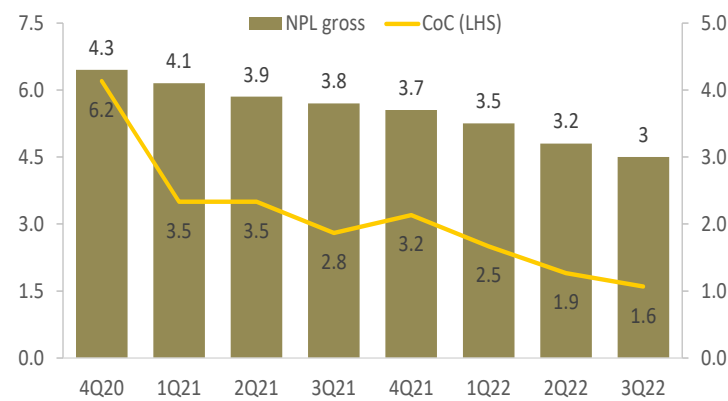
Source: Company

NIM consistently improved in four straight quarters



Source: Company

Asset quality continuously trending up



Source: Company

Currently trading at 1.3x 2022F P/B, below its 10-year hist. +1SD of 1.5x



Source: Company, KB Valbury Sekuritas

Bank Negara Indonesia (BBNI)

FINANCIAL TABLES

CONSOLIDATED STATEMENTS OF PROFIT OR LOSS

Year End Dec (IDR bn)	2020A	2021A	2022F	2023F	2024F
Interest income	56,173	50,026	52,673	60,662	64,985
Interest expenses	-19,021	-11,779	-12,360	-15,333	-16,164
Net interest income	37,152	38,247	40,314	45,329	48,820
Non-interest income	14,884	17,619	18,671	19,794	20,992
Total operating income	52,036	55,865	58,985	65,123	69,813
Operating expenses	-24,214	-24,801	-24,419	-27,105	-27,376
Pre-provision operating profit	27,822	31,064	34,566	38,018	42,436
Loan loss provision	-22,590	-18,297	-12,719	-12,691	-12,528
Pretax profit	5,112	12,551	21,789	25,269	29,794
Tax Expenses	-1,791	-1,574	-4,358	-5,054	-5,959
Minorities interest	-41	-79	-215	-250	-295
Net profit	3,280	10,899	17,216	19,965	23,541

Source: Company, KB Valbury Sekuritas

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

Year End Dec (IDR bn)	2020A	2021A	2022F	2023F	2024F
Assets					
Cash	17,324	13,684	41,845	44,052	56,631
Current Account BI	35,066	48,682	53,274	58,104	63,375
Interbank	77,437	111,860	122,214	133,540	145,922
Marketable Securities	29,687	25,803	28,134	42,949	46,854
Gov Bond	90,659	111,428	123,283	130,147	132,515
Loan	541,979	532,141	579,000	633,213	701,178
Fixed assets	27,362	26,883	26,013	25,035	24,259
Other assets	71,824	94,356	76,362	80,230	84,225
Total Asset	891,337	964,838	1,050,126	1,147,270	1,254,959
Liabilities					
Interbank Deposit	9,372	14,377	10,971	11,968	13,056
Deposit from customer	679,452	729,169	795,377	867,647	946,537
Debts Sec and Subordinates	47,199	51,209	55,252	60,273	65,753
Other Liabilities	42,442	43,563	47,102	49,131	51,588
Total liabilities	778,465	838,318	908,702	989,018	1,076,934
Equity					
Capital Stock	9,055	9,055	9,055	9,055	9,055
Additional Paid-in Capital	14,568	17,010	17,010	17,010	17,010
Retained Earnings	66,981	78,250	92,045	107,706	126,255
Other Equity	19,589	19,423	20,394	21,414	22,485
Shareholder's Equity	110,193	123,738	138,504	155,185	174,805
Non-controlling Interest	2,680	2,782	2,921	3,067	3,220
Total Equity	112,872	126,520	141,425	158,251	178,025

Source: Company, KB Valbury Sekuritas

RATIO ANALYSIS

Year End Dec	2020A	2021A	2022F	2023F	2024F
NIM (%)	4.8	4.6	4.5	4.7	4.6
LDR (%)	86.3	79.9	79.5	79.5	80.3
CASA (%)	68.3	69.4	69.7	70.0	70.3
NPL (%)	4.2	3.7	2.8	2.8	2.8
ROAE (%)	2.8	9.3	13.1	13.6	14.3
ROAA (%)	0.4	1.2	1.7	1.8	2.0
CAR (%)	16.8	17.4	17.9	18.4	18.9
BVPS (IDR)	5,909	6,635	7,427	8,321	9,374
PER (x)	53.0	16.0	10.1	8.7	7.4
PBV (x)	1.6	1.4	1.3	1.1	1.0
Div. Yield (%)	0.2	1.6	2.5	2.9	3.4

Source: Company, KB Valbury Sekuritas

Bank Negara Indonesia (BBNI)

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