

# Bank Negara Indonesia (BBNI)

## Solid start to facing any uncertainty surprise

5 May 2023



<b>BBNI IJ</b>	<b>BUY</b>
Sector	Banks
Price at 5 May 2023 (IDR)	9,250
Price target (IDR)	11,160
Upside/Downside (%)	20.6

### 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)	172,500
Shares outstanding (mn)	18,648
52-week range (Rp)	7,150-9,950
3M average daily vol. ('000)	28,952
3M average daily val. (Rp mn)	265,917

### Shareholders (%)

Republic of Indonesia	60.0
Public	40.0

### Stock Performance



Source: Bloomberg

	<b>1M</b>	<b>3M</b>	<b>12M</b>
Performance (%)	-0.8	-0.5	0.3

BBNI's 1Q23 results came in above ours and consensus forecasts (2.1%/1.2%) and this should become a solid fundamental start. Ceteris paribus, we expect the transmission policy rate to CoF and loan yield could normalize and thus could help the bank to reach its '23F NIM guidance (>4.7%), while consistent asset quality improvement will overall underpin BBNI to book lower CoC ('23F guidance at below 1.5%). Maintain BUY on BBNI with TP of IDR11,160 (1.4x '23F P/B), while it's trading at 1.1x '23F P/B, or slightly below its 10-yr historical mean at 1.2x.

### 1Q23 earnings beats KBVs and street expectations

PT Bank Negara Indonesia (Persero) Tbk (BBNI) 1Q23 net profit grew by 31.8% yoy to IDR5.22 tn and surpassed KBVs and street estimates by 2.1%/1.2%, whereas historically first quarter result was contributed an average of 23.6% in the past 5 year. Compared to our banking stocks universe, BBNI as one of our top picks stood at the second strongest earnings growth following BBKA. On quarterly basis, PATMI grew by 13.0% qoq from IDR4.62 tn in 4Q22 and around 2.4% above our 1Q '23F earnings for BBNI of IDR5.09 tn.

### Expecting similar growth driver for 2023

We expect 1Q23 solid earnings growth to continue in the remaining quarter and BBNI's FY23 PATMI could reach ours and consensus expectations of IDR20.29 tn and IDR21.62 tn, respectively. Our assumption on '23F net profit will be driven by 8.0% yoy higher in net interest income, 4.9% yoy growth in PPOP (1Q '23 1.4%YoY) and coupled with the help from the drop in provisions expenses by 9.6% yoy (1Q '23 declined sharply by 40.3% yoy). Worth noting that KBVs FY23F earnings growth for BBNI was considerably more conservative at 10.8% yoy vs consensus at 18.1% yoy.

### Loan growth managed to arrives within guidance

Loan channeled arrived within BBNI's '23F loan target, grew at a healthy level of 7.2% yoy to IDR634.3 tn. The growth was mainly driven by the corporate segment which saw 21.1% yoy higher and coupled with the help from medium enterprises, KUR and personal loan which altogether grew by 12.9% yoy and contributes around 23.1% to total loans. The weakening loan growth by 16.8% yoy reported from the corporate SOE segment which likely by design is in line with our expectation and thus could benefit the overall loan quality as the bank will be more selective in channeling loans. Management maintains '23F loan growth conservative target at 7%-9% (KBVs at 9.2% yoy), albeit the industry is eyeing for a higher amount at 10%-12%.

### Expecting 2023 NIM to arrive around 2022 level.

On profitability key metrics, despite BBNI's NIM only inched up by around 20bps higher to 4.7%, we think with the stable outlook expectation on loan yield in the remaining quarter and loan growth remain stays on BBNI's loan growth guidance, NIM could arrived above 1Q23 figures. The bank eyeing its 2023 NIM to arrive above 4.7%. CoF stood at 1.9% or 50bps higher yoy and considerably flattish on quarterly basis from 1.8%. We think that the potential of CoF that likely to peaked in 2Q23 and start to move calmer in the 2H23 could overall support NIM to remain arrives within management expectation.

### Asset quality likely remain manageable

We like BBNI asset quality related metrics which continue to record solid evolution. Cost of credit in 1Q23 reported dropped 110bps to 1.4% from 2.5% in 1Q22 and improved by 20bps qoq from 1.6% in 4Q22. NPL also representing robust asset quality which stood 70bps better from 3.5% to 2.8% in 1Q23, with sturdier NPL coverage by 367bps to 286.8%. Likewise, improving risk profiles was consistently reported, whereas in 1Q23 LAR including Covid record a stunning recovery by 580bps from 22.1% in 1Q22. BBNI is guiding CoC to arrive below 1.5%, while on NPL side we expect BBNI's continuing better asset quality could beat our '23F NPL for BBNI at 2.78% (1Q23 at 2.8%).

### 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 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)	15.8	9.4	8.5	7.3	6.7
PBV (x)	1.4	1.3	1.1	1.0	0.9
Div. Yield (%)	1.6	2.7	2.9	3.4	3.7
ROE (%)	9.3	14.1	14.1	14.6	14.1

Source: Company, KB Valbury Sekuritas

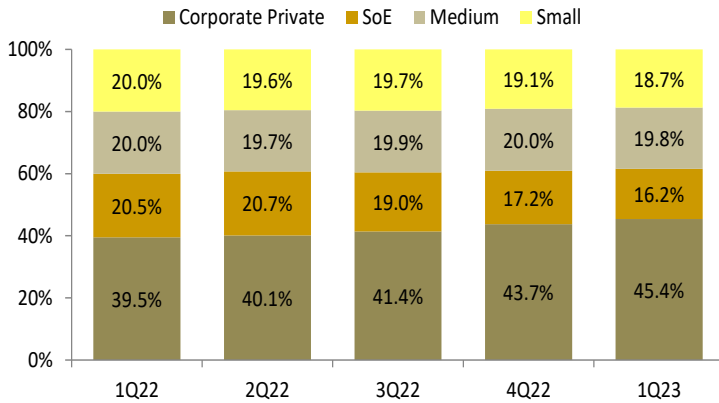
## Bank Negara Indonesia (BBNI)

Figure 1: BBNI's Financial Overview

BBNI 3M23 Results (IDRbn)	3M22	3M23	YoY (%)	1Q22	1Q23	YoY (%)	4Q22	QoQ (%)	KBVS '23F	% to '23F	Cons' '23F	% to Cons'
<b>Income Statement</b>												
Net interest income	9,231	10,404	12.7	9,231	10,404	12.7	11,122	(6.5)	44,737		23.3	
Non-interest income	5,450	4,751	(12.8)	5,450	4,751	(12.8)	5,156	(7.9)	21,318		22.3	
Total operating income	14,681	15,155	3.2	14,681	15,155	3.2	16,278	(6.9)	66,055		22.9	
Operating expenses	(6,145)	(6,503)	5.8	(6,145)	(6,503)	5.8	(7,697)	(15.5)	(29,951)		21.7	
Pre-provision operating profit	8,536	8,652	1.4	8,536	8,652	1.4	8,581	0.8	36,104		24.0	
Provision expenses	(3,600)	(2,149)	(40.3)	(3,600)	(2,149)	(40.3)	(2,586)	(16.9)	(10,412)		20.6	
Net profit	3,962	5,221	31.8	3,962	5,221	31.8	4,620	13.0	20,295		25.7	21,622 24.1
<b>Balance Sheets</b>												
Loan	591,683	634,326	7.2	591,683	634,326	7.2	646,188	(1.8)				
Third Party Funds	692,741	743,729	7.4	692,741	743,729	7.4	769,269	(3.3)				
CASA	479,539	512,542	6.9	479,539	512,542	6.9	557,320	(8.0)				
Time deposits	213,202	231,187	8.4	213,202	231,187	8.4	211,949	9.1				
Total equity	128,540	145,063	12.9	128,540	145,063	12.9	140,198	3.5				
<b>Key Ratio (%)</b>												
LDR	85.2	85.4	0.2	85.2	85.4	0.2	84.2	1.2				
CASA	69.2	68.9	(0.3)	69.2	68.9	(0.3)	72.4	(3.5)				
NPL gross	3.5	2.8	(0.7)	3.5	2.8	(0.7)	2.8	0.0				
NIM	4.5	4.7	0.2	4.5	4.7	0.2	4.9	(0.2)				
CIR	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0				
ROE	14.3	15.5	1.2	14.3	15.5	1.2	14.3	1.2				
ROA	2.3	2.7	0.4	2.3	2.7	0.4	2.4	0.3				

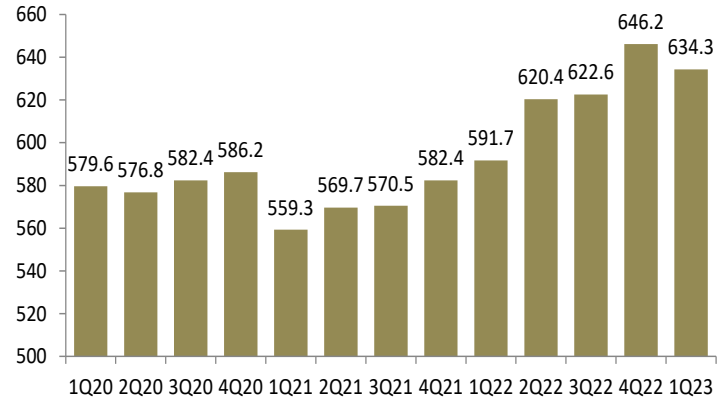
Source : Company, KB Valbury Sekuritas

**Figure 2: Higher loan contributions from lower risk segments (%)**



Source: Company, KB Valbury Sekuritas

**Figure 3: Loan growth trajectory remain solid (IDRtn)**



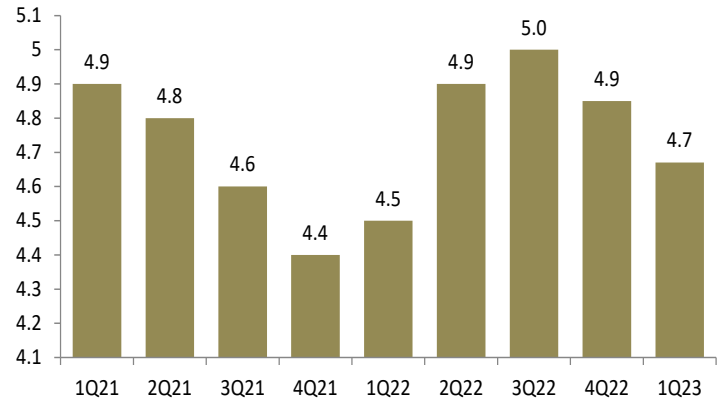
Source: Company, KB Valbury Sekuritas

**Figure 4: Business banking and Consumer Loan segment (IDRtn)**

Segment	1Q22	2Q22	3Q22	4Q22	1Q23	qoq (%)	yoy (%)
Corporate Private	193.2	205.3	211.9	232.7	234.0	0.6	21.1
SoE	100.2	105.9	97.5	91.6	83.4	-9.0	-16.8
Medium	97.9	100.8	101.7	106.3	101.9	-4.1	4.1
Small	98.0	100.2	100.8	101.6	96.5	-5.0	-1.5
Consumer	101.4	104.2	106.9	110.1	113.4	3.0	11.8
Subsidiaries	1.0	4.0	3.8	3.9	5.0	28.2	400.0
<b>Total Loan</b>	<b>591.7</b>	<b>620.4</b>	<b>622.6</b>	<b>646.2</b>	<b>634.3</b>	<b>-1.8</b>	<b>7.2</b>

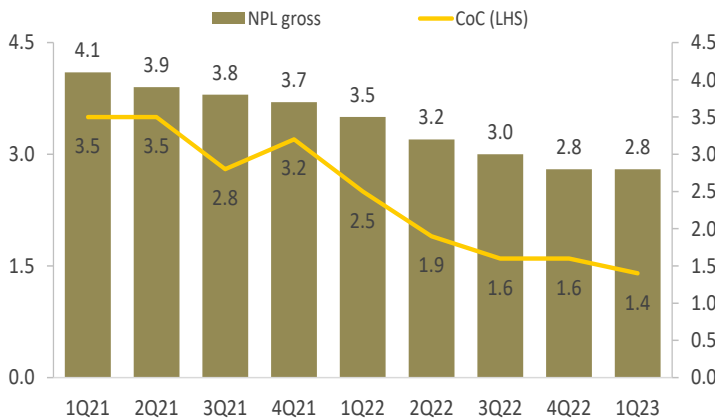
Source: Company, KB Valbury Sekuritas

**Figure 5: NIM consistently improving in four straight quarters**



Source: Company, KB Valbury Sekuritas

**Figure 6: Asset quality continuously trending up**



Source: Company, KB Valbury Sekuritas

**Figure 7: Currently trading at 1.1x '23F P/B, below 10-yr hist. mean of 1.2x**



Source: 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
<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)	15.8	9.4	8.5	7.3	6.7
PBV (x)	1.4	1.3	1.1	1.0	0.9
Div. Yield (%)	1.6	2.7	2.9	3.4	3.7

Source: Company, KB Valbury Sekuritas

## Bank Negara Indonesia (BBNI)

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