

Bank Negara Indonesia (BBNI)

Inline earnings, healthier NPL and much lower CoC

31 July 2023



BBNI IJ	BUY
Sector	Banks
Price at 28 July 2023 (IDR)	8,875
Price target (IDR)	11,160
Upside/Downside (%)	25.7

Stock Information

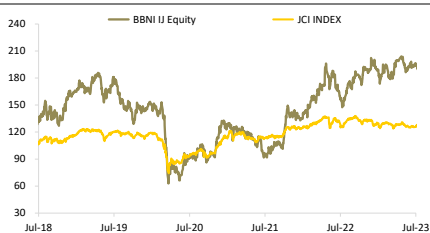
PT Bank Negara Indonesia (Persero) Tbk is a state-owned offering commercial and consumer banking services. The bank is positioned as one of 3 big SoE banks in Indonesia. Through its subsidiaries, the bank is also offering businesses in sharia banking, insurance, consumer financing and securities.

Market cap (Rp bn)	165,507
Shares outstanding (mn)	18,648
52-week range (Rp)	7,875-9,950
3M average daily vol. ('000)	27,648
3M average daily val. (Rp mn)	249,260

Shareholders (%)

Republic of Indonesia	60.0
Public	40.0

Stock Performance



Source: Bloomberg

	1M	3M	12M
Performance (%)	-3.0	-5.8	13.1

Analyst(s)

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Inline 1H23 results as well as improving NPL and stronger coverage should become as a solid base to enter the 2H23. Solid loan growth driven by lower risk segments and supported with stable improvement in CASA to loan will become as additional catalyst. Likewise, the sustainable CoC improvement amid sturdier LLR built up for its construction-related debtors has boost BBNI's defensive asset quality. 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 5-yr hist mean

In-line 1H23 earnings

BBNI recorded another solid earnings result in 1H23, with earnings grew by 17.0% yoy to IDR10,302bn underpinned by 18.7% yoy growth in interest income and lower provisioning charges by -29.5% yoy as better asset quality remain intact. In all, 1H23 PATMI was in line with street forecast and beating our forecast at 48%/51%. On a quarterly standalone, net profit -2.7% qoq lower on higher provisions by 9.9% qoq and flattish interest income growth. Yet, it arrives above our '2Q23F at IDR4,970bn (BBNI 2Q23 earnings at IDR5,081bn), while on cumulative basis 1H23 PATMI came in considerably inline with our 1H23F for BBNI at IDR10,191bn.

Growth driver remain from lower risk segments

Loan growth at 4.9% yoy was mainly driven by corporate private (16.6% yoy) and we like its SoE segment which by design noted a stable declining growth (-10.2% yoy). Consumer loan saw 11.7% yoy growth and we expect will continue to helped the overall growth in FY '23, aside from medium segment (enterprise and commercial) which we think will act as additional growth driver.

Higher TPF growth with solid CASA to loan

We like the overall 1H23 TPF growth at 10.6% yoy (1Q23: 7.4% yoy), surpassing our '23F for BBNI's TPF at 9.1% yoy. Likewise for TD growth, which noted less than a half of CA growth (9.3% yoy vs 20.8%). On low-cost funding, CASA funds also remain solid, grew by 11.1% yoy to IDR532,339bn, with CASA ratio saw 40bps yoy higher and grew stronger on quarterly basis by 70bps qoq to 70%. CASA to loan also continue on its sweet spot and much stronger compared to pre Covid level which stood at 82.2% from 77.3% in 1H22 and continue plays increasing role in financing for loan expansion. That said, a stronger CASA to loan should be translated as a better cushioned on funding cost pressure.

Key metrics meet with guidance

1H23 NIM at 4.6% arrives closed to '23F management guidance at $\geq 4.6\%$, while npl saw continuous improvement to 2.5% (70bps yoy, 30bps qoq), prompted by meaningful drop in corporate segment to 26.4%, from 38.8% in 1H22. A well build NPL coverage at 308.8%, or 455bps yoy higher vs 263.3% in 1H22 (higher by 220bps qoq in 2Q23) should interpreted as a better and healthier position for BBNI going forward. Likewise, BBNI's CoC which 70bps yoy and 10bps qoq lower at 1.4% (1H23) is within BBNI's '23F expectation at $< 1.5\%$ (KBVS '23F CoC for BBNI: 1.55%).

Defensive enough AQ with PATMI potentially arrived higher

We keep our '23F CoC assumption for BBNI at 1.55%. Other things being equal, our what-if analysis revealed that for every 10bps increase in CoC, PATMI will be squeezed by around 2.2%, vice versa. Assuming BBNI will reach its '23F guidance, then 2023 PATMI will be 220bps above our '23F base case number at IDR20,295bn (10.8% yoy). On the latest asset quality position update, we think BBNI has an adequate coverage for its watchlist construction debtors. As a total for both WIKA and WSKT which accounted for only 1.43% of total loan in 1H23, LLR ratio has become sturdier with total coverage increased by 690bps to 53.5% from 46.6% in Dec22.

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)	15.2	9.0	8.2	7.0	6.5
PBV (x)	1.3	1.2	1.1	1.0	0.9
Div. Yield (%)	1.6	2.8	3.1	3.6	3.9
ROE (%)	9.3	14.1	14.1	14.6	14.1

Source: Company, KB Valbury Sekuritas

Bank Negara Indonesia (BBNI)

Figure 1: BBNI's 1H23 results

BBNI 1H23 Results (IDRbn)	1H22	1H23	YoY (%)	2Q22	2Q23	YoY (%)	1Q23	QoQ (%)	KBVS '23F	% to '23F	Cons' '23F	% to Cons'	Avg 5yr
Income Statement													
Net interest income	19,610	20,602	5.1	10,378	10,198	-1.7	10,404	-2.0					
Non-interest income	10,166	9,490	-6.6	4,717	4,739	0.5	4,751	-0.3					
Total operating income	29,776	30,092	1.1	15,095	14,937	-1.0	15,155	-1.4					
Operating expenses	-12,532	-12,792	2.1	-6,387	-6,289	-1.5	-6,503	-3.3					
Pre-provision operating profit	17,244	17,300	0.3	8,708	8,648	-0.7	8,652	0.0					
Provision expenses	-6,403	-4,511	-29.5	-2,803	-2,362	-15.7	-2,149	9.9					
Net profit	8,803	10,302	17.0	4,841	5,081	5.0	5,221	-2.7	20,295	51	21,489	48	48
Balance Sheets													
Loan	620,423	650,770	4.9	620,423	650,770	4.9	634,326	2.6					
Third Party Funds	691,837	765,009	10.6	691,837	765,009	10.6	743,729	2.9					
CASA	478,983	532,339	11.1	478,983	532,339	11.1	512,542	3.9					
Time deposits	212,854	232,670	9.3	212,854	232,670	9.3	231,187	0.6					
Total equity	130,491	143,474	9.9	130,491	143,474	9.9	145,063	-1.1					
Key Ratio (%)													
LDR	90	85.1	-5.0	90.1	85.1	-5.0	85.4	-0.3					
CASA	69	69.6	0.4	69.2	69.6	0.4	68.9	0.7					
NIM	5	4.6	-0.1	4.9	4.5	-0.4	4.7	-0.2					
NPL gross	3	2.5	-0.7	3.2	2.5	-0.7	2.8	-0.3					
ROE	15	15.3	0.2	15.8	15.1	-0.7	15.5	-0.3					
ROA	2	2.5	0.1	2.6	2.4	-0.2	2.7	-0.3					

Source : Company, KB Valbury Sekuritas

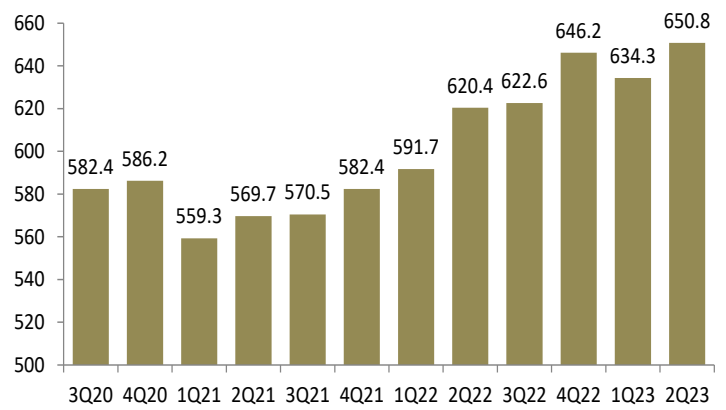
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Figure 2: Healthy growth from lower risk segments...

Loan segment (IDRtn)	Jun-22	Sep-22	Dec-22	Mar-23	Jun-23	qoq (%)	yoy (%)
Corporate Private	205.3	211.9	232.7	234.0	239.3	2.3	16.6
SoE	105.9	97.5	91.6	83.4	95.1	14.0	-10.2
Medium	100.8	101.7	106.3	101.9	100.1	-1.8	-0.7
Small	100.2	100.8	101.6	96.5	94.0	-2.6	-6.2
Consumer	104.2	106.9	110.1	113.4	116.4	2.6	11.7
Subsidiaries	4.0	3.8	3.9	5.0	5.9	18.0	47.5
Total Loan	620.4	622.6	646.2	634.3	650.8	2.6	4.9

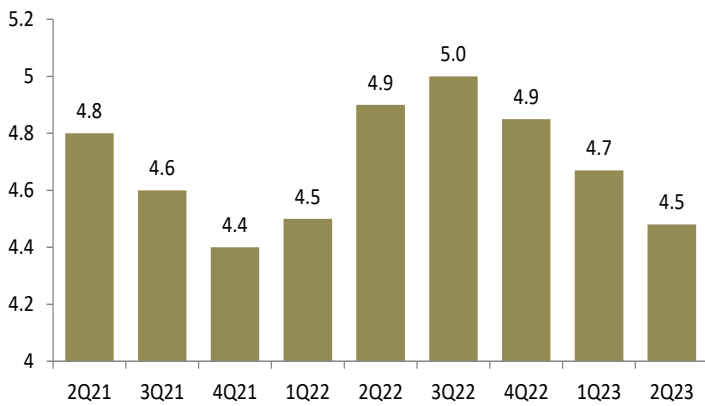
Source: Company, KB Valbury Sekuritas

Figure 3: ..with much better loan growth (IDRtn)...



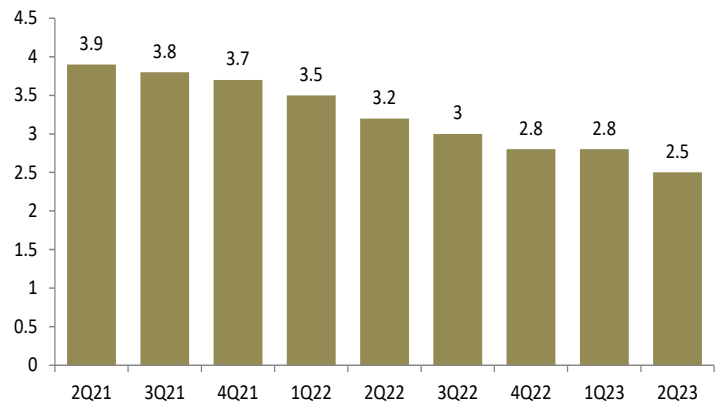
Source: Company, KB Valbury Sekuritas

Figure 4: 1H23 NIM at 4.6% came in within '23F guidance of ≥4.6% (%)...



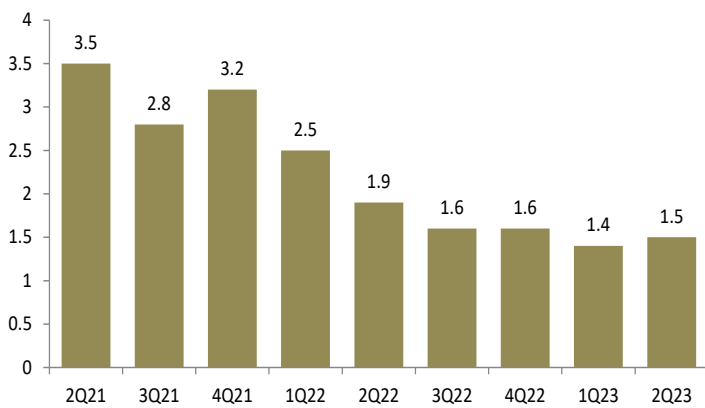
Source: Company, KB Valbury Sekuritas

Figure 5: ..with continuing improvement on non performing loan (%)...



Source: Company, KB Valbury Sekuritas

Figure 6: ..and trending up AQ which brought CoC continue lower (%)



Source: Company, KB Valbury Sekuritas

Figure 7: Currently trading at 1.1x '23F P/B, at its 5-yr hist. mean of 1.1x



Source: KB Valbury Sekuritas

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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)	15.2	9.0	8.2	7.0	6.5
PBV (x)	1.3	1.2	1.1	1.0	0.9
Div. Yield (%)	1.6	2.8	3.1	3.6	3.9

Source: Company, KB Valbury Sekuritas

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