

BUY (Maintain)

Target Price (IDR) **12,700**

Potential Upside (%) **40.7**

Price Comparison

Cons. Target Price (IDR)	11,364
SSI vs. Cons. (%)	111.8

Stock Information

Last Price (IDR)	9,025
Shares Issued (Mn)	18,649
Market Cap. (IDR Bn)	168,304
52-Weeks High/Low (IDR)	9,950/7,600
3M Avg. Daily Value (IDR Bn)	243.4
Free Float (%)	40.0

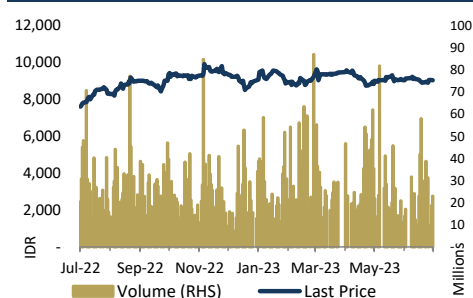
Shareholder Structure:

Negara Republik Indonesia (%)	60.0
Public (%)	40.0

Stock Performance

(%)	YTD	1M	3M	12M
Absolute	(2.2)	-	(4.7)	18.8
JCI Return	1.0	4.2	1.4	0.9
Relative	(3.1)	(4.2)	(6.2)	17.9

Stock Price & Volumes, 12M



Company Background

PT Bank Negara Indonesia Tbk is the fourth largest bank among BUKU 4 banks in terms of asset value (third among state-owned banks). BBNI's loan composition is mostly dominated by corporate loans (private and SOEs), followed by SME loans.

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Focusing on quality-focused growth

In line with expectations and cons. BBNI reported a net profit of IDR 5.1tn in 2Q23 (-2.7% QoQ and +5.0% YoY), which brought its 6M23 net profit to IDR 10.3tn (+17% YoY), in line with our expectations (47.1% of our full-year forecast) and consensus (47.9%). The low provision expense in 2Q23 (IDR 2.4tn; +8.9% QoQ, -15.0% YoY) and 1H23 annualized CoC of 1.4% (1H22: 2.2%) were some of the primary contributors to BBNI's impressive performance. The bank's NII decreased slightly to IDR 10.2tn in 2Q23 (-2.0% QoQ and -1.7% YoY), as the bank continued to focus on asset quality improvement and disburse loans only to low-risk segments, resulting in soft loan growth of 4.9% in Jun-23, which was driven by the private corporate segment (+16.6% YoY) and payroll loan (+20.0% YoY). Regarding asset quality, BBNI's LAR ratio dropped to 16.1% in Jun-23, from 19.6% in Jun-22, while its LAR coverage ratio improved to 47.1% vs. 42.3% in the same period last year.

Guidance for 2023F. During its analyst meeting, BBNI stated that it would keep its loan growth projection for 2023F at 7.0%-9.0%, slightly lower than 2022 (10.9%), with the tier 1 private corporate segment as the main driver. Regarding its NIM, BBNI revised its 2023F projection to > 4.6%, down from the initial target of >4.7%, while its CoC is projected to drop further (<1.5%, vs. 1.9% in 2022), thanks to the improvement in asset quality. The company indicated that it will be able to maintain a dividend payout ratio of 40-50% in the coming years.

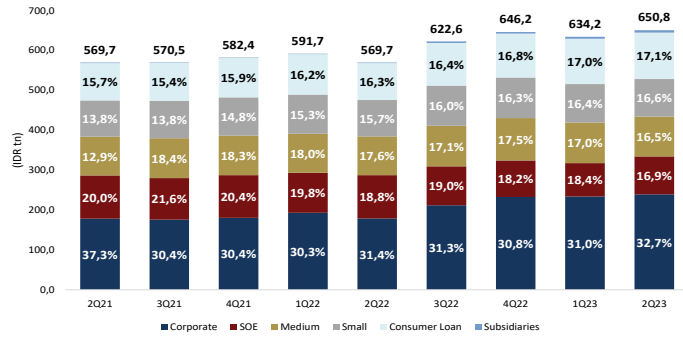
Sufficient coverage for construction debtors. BBNI has increased its provision buffers for construction SOE debtors in 2Q23, with total provision coverage of 53.5% as of Jun-23 (60% for WSKT and 30% for WIKA) compared to 46.6% in Dec-22, which we believe is adequate. BBNI anticipates that LAR will continue to decrease to less than 13% by the end of the year, with LAR coverage ratios exceeding 50%.

Reiterate BUY with TP of IDR 12,700/share. At this juncture, we believe BBNI's management will continue improving its risk management system, particularly for wholesale and SMEs. In contrast to its nearest competitor (BMRI), BBNI will continue to focus on asset quality improvement in 2023F. We maintain our BUY rating for BBNI with a TP of IDR 12,700/share, implying a 2023F PBV of 1.3x. Key downside risks to our call including a higher-than-expected CoC and higher CoF, which will push down its NIM even further.

Forecast and Valuation (at closing price IDR 9,025 per share)

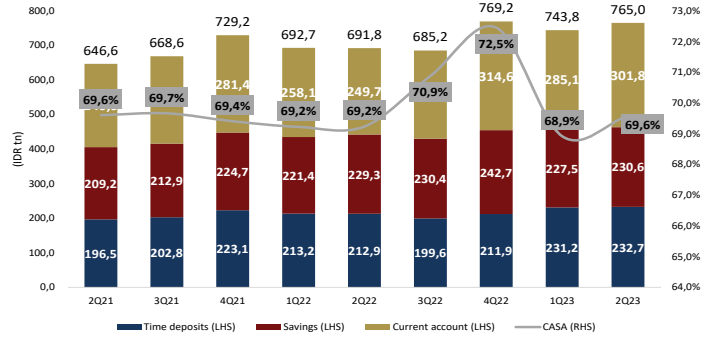
Y/E Dec (IDR Bn)	19A	20A	21A	22A	23F
Net Interest Income (IDR Bn)	36.602	37.152	38.247	41.321	44.758
Pre Provision Profit (IDR Bn)	28.325	27.822	31.064	34.413	36.828
Operating Profit (IDR Bn)	19.487	5.231	12.767	22.899	27.310
Net Profit (IDR Bn)	15.384	3.280	10.899	18.312	21.868
EPS (IDR)	825	176	584	982	1.173
EPS Growth (%)	2,5	-78,7	232,2	68,0	19,4
P/E Ratio (x)	11,0	51,4	15,5	9,2	7,7
BVPS (IDR)	6.570	5.909	6.635	7.518	8.352
P/BV Ratio (x)	1,4	1,5	1,4	1,2	1,1
DPS (IDR)	201	206	44	44	74
Dividend Yield (%)	2,2	2,3	0,5	0,5	0,8

Figure 1. BBNI's loan breakdown by segment



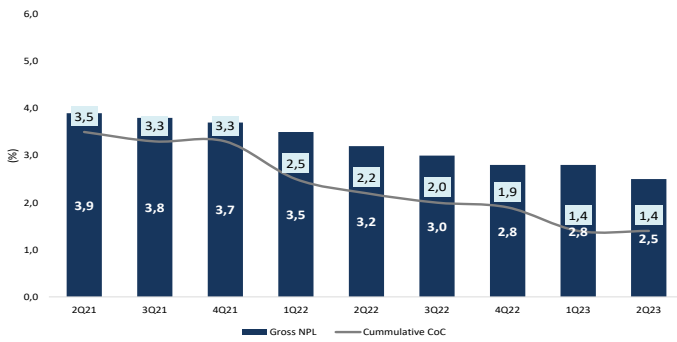
Source: Company, SSI research

Figure 2. BBNI's TPF breakdown



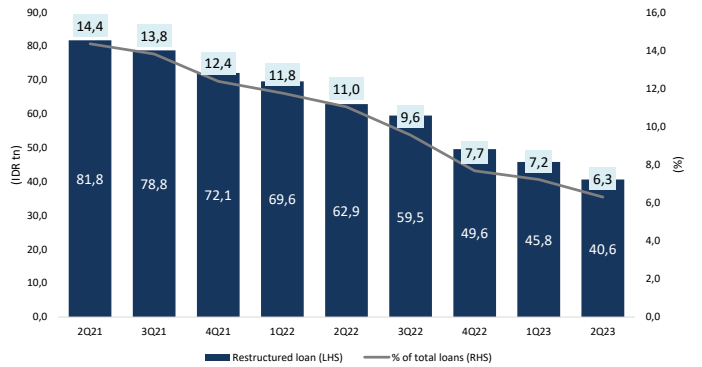
Source: Company, SSI research

Figure 3. BBNI's asset quality & COC



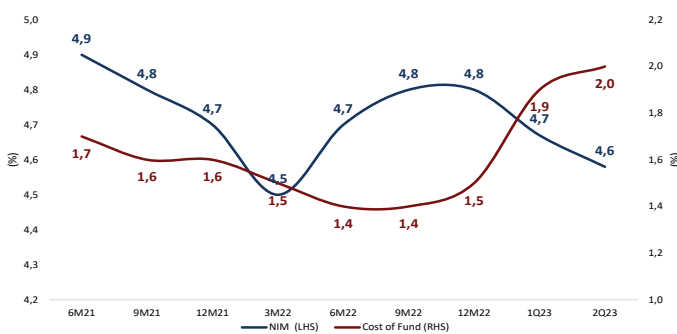
Source: Company, SSI research

Figure 4. BBNI's restructured loans & total loans



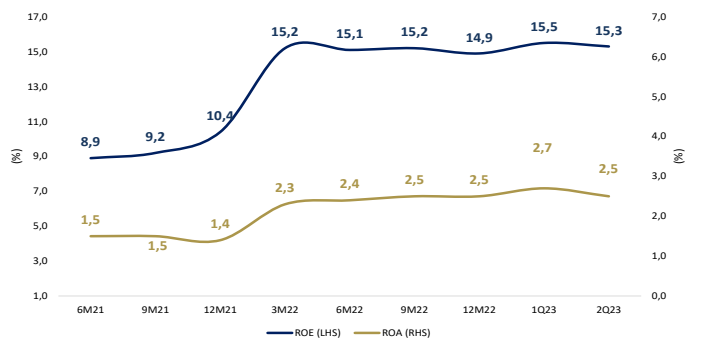
Source: Company, SSI research

Figure 5. BBNI's NIM and COF



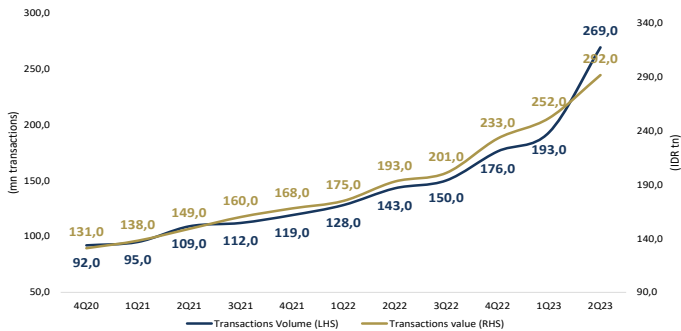
Source: Company, SSI research

Figure 6. BBNI's ROE and ROA



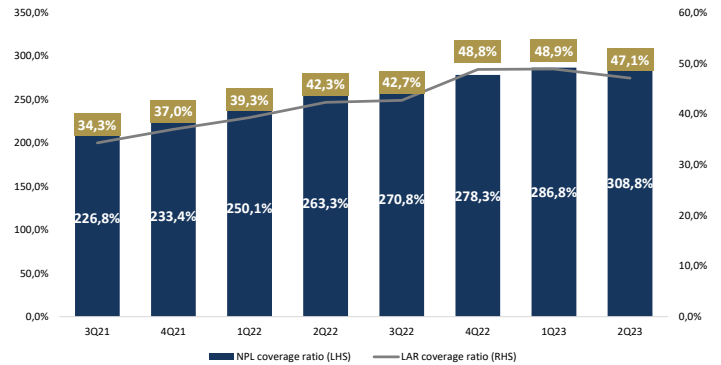
Source: Company, SSI research

Figure 7. BBNI's digital transaction



Source: Company, SSI research

Figure 8. BBNI's LAR and NPL coverage ratio



Source: Company, SSI research

Figure 9. BBNI 2Q23 results

BBNI 2Q23 Result (IDR bn)	2Q22	1Q23	2Q23	q-q (%)	y-y (%)	6M 22	6M 23	y-y (%)	6M 23/2023F	6M 23/cons
Interest Income	13,356	15,019	15,275	1.7	14.4	25,531	30,295	18.7		
Interest expense	2,978	4,615	5,078	10.0	70.5	5,921	9,693	63.7		
Net interest income	10,378	10,404	10,197	(2.0)	(1.7)	19,610	20,602	5.1		
Non-interest income	4,717	4,751	4,739	(0.3)	0.5	10,166	9,490	(6.6)		
Total operating income	15,095	15,155	14,936	(1.4)	(1.1)	29,776	30,092	1.1	45.5	45.8
Operating expense	6,387	6,484	6,291	(3.0)	(15)	12,532	12,775	19		
Impairment of fin. assets	2,803	2,167	2,360	8.9	(15.8)	6,403	4,528	(29.3)		
Operating profit	5,905	6,504	6,285	(3.4)	6.4	10,841	12,789	18.0		
Pretax profit	5,947	6,457	6,247	(3.3)	5.0	10,819	12,704	17.4		
Net profit	4,841	5,221	5,081	(2.7)	5.0	8,803	10,302	17.0	47.1	47.9
BS & ratio analysis	2Q22	1Q23	2Q23			6M 22	6M 23			
Gross loans (IDRbn)	620,423	634,326	650,770	2.6	4.9	620,423	650,770			
Third party funding (IDRbn)	691,837	743,729	765,010	2.9	10.6	691,837	765,010			
Key ratios										
Net interest margin (%)	4.7	4.7	4.6			4.7	4.6			
Cost efficiency (%)	42.3	42.8	42.1			42.1	42.5			
Cost to income (%)	67.3	67.1	68.6			69.6	67.9			
Loan/deposit (%)	89.7	85.3	85.1			89.7	85.1			
Loan/funding (%)	80.8	79.3	80.1			80.8	80.1			
Capital adequacy (%)	18.4	21.6	21.6			18.4	21.6			
Gross NPL (%)	3.2	2.8	2.5			3.2	2.5			
LLP/NPL (%)	263.3	289.2	308.8			263.3	308.8			
ROAE (%)	15.5	15.6	15.4			14.1	15.4			

Source: Company, Bloomberg, SSI Research

Table 1. Valuation highlights

Ticker	Recommendation	CP IDR	TP IDR	Upside (%)	P/B 23F	Net Profit		EPS Growth		ROE (%)		ROA (%)	
						23F	24F	23F	24F	23F	24F	23F	24F
BBCA	BUY	9,150	10,300	12.6	4.5	45.7	50.0	12.3	9.3	19.4	18.8	3.3	3.3
BBRI	BUY	5,650	6,200	9.7	2.6	56.5	62.9	10.5	11.3	18.2	18.7	3.0	3.2
BMRI	BUY	5,550	6,600	18.9	1.0	46.6	51.6	13.3	10.6	19.4	19.6	2.2	2.2
BBNI	BUY	9,025	12,700	40.7	1.1	21.9	24.1	19.4	10.1	15.0	14.5	2.1	2.1
BBTN	BUY	1,310	1,500	14.5	0.5	3.4	3.8	10.8	11.4	12.4	12.4	0.8	0.9
Sector						174.2	192.3	12.4	10.2	18.7	18.6	2.9	3.0

Source: Companies, SSI Research

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