Bank Negara Indonesia

Bloomberg: BBNI.IJ | Reuters: BBNI.JK

Banking Sector

01 November 2023

SAMUEL SEKURITAS INDONESIA

Your Lifelong Investment Partner

JCI Index: 6,752

BUY (Maintain)

Target Price (IDR)	**5,750**
Potential Upside (%)	**20.0**

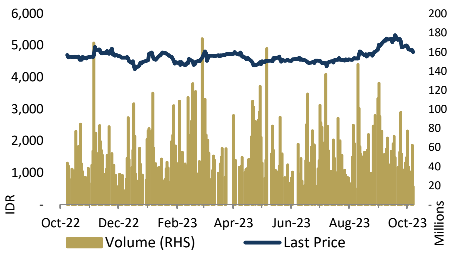
Price Comparison	
Cons. Target Price (IDR)	5,754
SSI vs. Cons. (%)	111.8

Stock Information	
Last Price (IDR)	4,790
Shares Issued (Mn)	37,729
Market Cap. (IDR Bn)	180,519
52-Weeks High/Low (IDR)	5,425/4,213
3M Avg. Daily Value (IDR Bn)	282.5
Free Float (%)	40.0
Shareholder Structure:	
Negara Republik Indonesia (%)	60.0
Public (%)	40.0

Stock Performance

(%)	YTD	1M	3M	12M
Absolute	4.9	(6.2)	11.6	3.0
JCI Return	(2.6)	(3.9)	(3.1)	(5.4)
Relative	7.5	(2.4)	14.7	8.4

Stock Price & Volumes, 12M



Focusing on quality-based growth

In line with ours and cons. BBNI posted a net profit of IDR 5.6tn in 3Q23 (+10.0% QoQ and +14.3% YoY), which brought its 9M23 net profit to IDR 15.9tn (+16% YoY), in line with our expectations (76.7% of our full-year forecast) and consensus (75.6%). The low provision expense in 3Q23 (IDR 2.2tn; -6.8% QoQ, -12.8% YoY) and 9M23 annualized CoC of 1.4% (lower than the bank's guidance of 1.5%-1.6%) were some of the primary contributors to BBNI's solid performance. Its NII experienced QoQ growth, driven mainly by the increase in loan yield (+10bps QoQ) and loan growth, which rose to 7.8% in Sep-23, supported by the private corporate segment (+19.2% YoY). Despite booking higher CoF in the quarter, BBNI managed to post higher NIM of 4.78% in 3Q23 vs. 4.48% in the previous quarter. Regarding asset quality, BBNI's LAR ratio dropped to 14.4% in Sep-23, from 19.3% in Sep-22 and 16.1% in Jun-23, while its LAR coverage ratio improved to 51.1% vs. 42.3% in the same period last year and 47.1% in Jun-23. LAR ratio improvement was primarily attributable to the corporate sector, particularly the toll road, trading, and hospitality industries.

Guidance for 2023F. During its analyst meeting, BBNI stated that it would keep its loan growth projection for 2023F at 7.0%-9.0%, with the tier 1 private corporate segment as the main driver, as maintaining asset quality will remain BBNI's main focus for the foreseeable future. Regarding its NIM, BBNI expressed its confidence to maintain its NIM at the current level, even though pressure on CoF might persist in 4Q23 as BI has recently raised the 7-day repo rate by 25bps, thanks to the fact that the bank still has lots of room to increase loan yield. BBNI's CoC is projected to drop further (<1.5%, vs. 1.9% in 2022), thanks to the improvement in asset quality.

Reiterate BUY with TP of IDR 5,750/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 5,750/share, implying a 2024F PBV of 1.2x. Key downside risks: higher-than-expected CoC and higher CoF, which will push down its NIM even further.

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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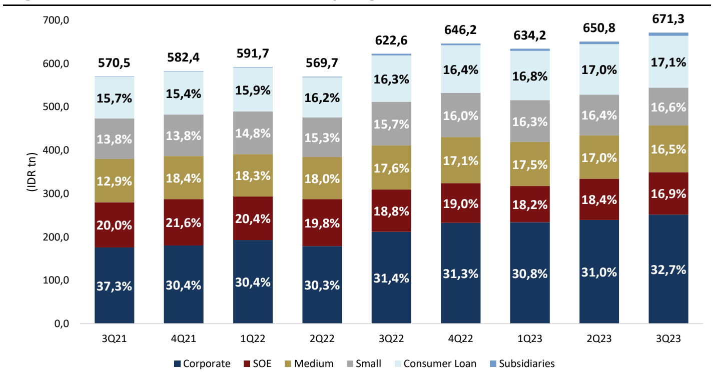
Forecast and Valuation (at closing price IDR 4,790 per share)

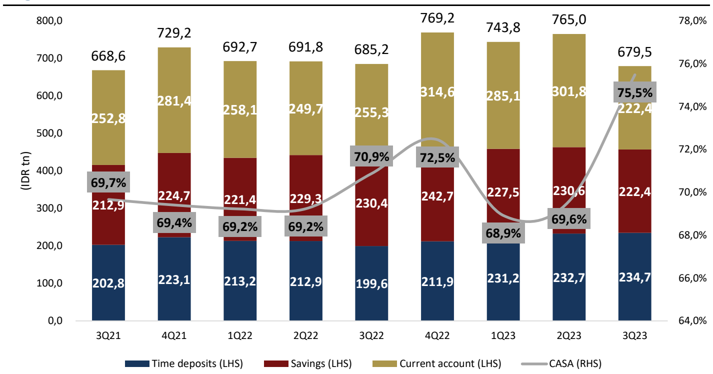
Y/E Dec (IDR Bn)	21A	22A	23F	24F	25F
Net Interest Income (IDR Bn)	38,247	41,321	43,343	48,058	52,737
Pre Provision Profit (IDR Bn)	31,064	34,413	35,412	39,093	42,641
Operating Profit (IDR Bn)	12,767	22,899	25,894	29,480	32,491
Net Profit (IDR Bn)	10,899	18,312	20,715	23,593	26,000
EPS (IDR)	584	982	1,111	1,265	1,394
EPS Growth (%)	232.2	68.0	13.1	0.0	0.0
P/E Ratio (x)	15.5	4.9	8.1	7.2	6.5
BVPS (IDR)	6,635	7,518	7,971	8,648	9,372
P/BV Ratio (x)	1.4	0.6	1.1	1.0	1.0
DPS (IDR)	44	146	393	555	633
Dividend Yield (%)	0.5	1.6	4.3	6.1	7.0

Figure 1. BBNI's loan breakdown by segment



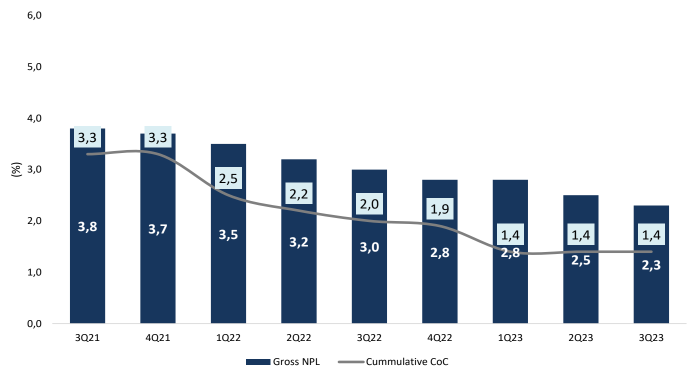
Source: Company, SSI research

Figure 2. BBNI's TPF breakdown



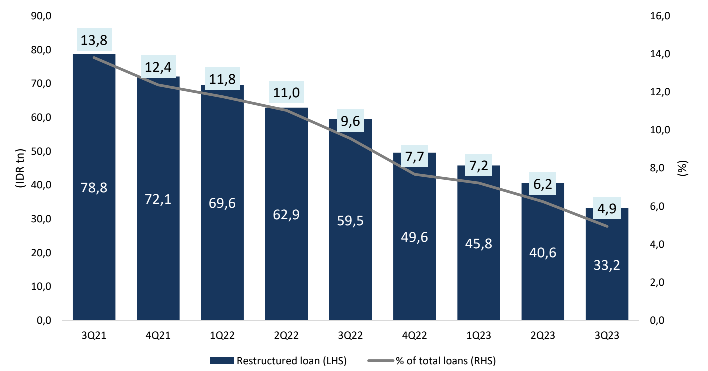
Source: Company, SSI research

Figure 3. BBNI's asset quality & COC



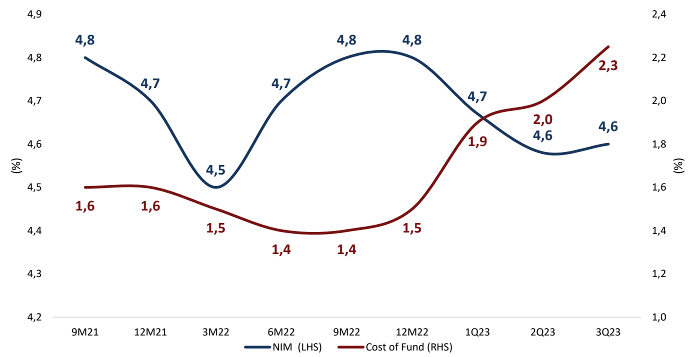
Source: Company, SSI research

Figure 4. BBNI's restructured loans & total loans



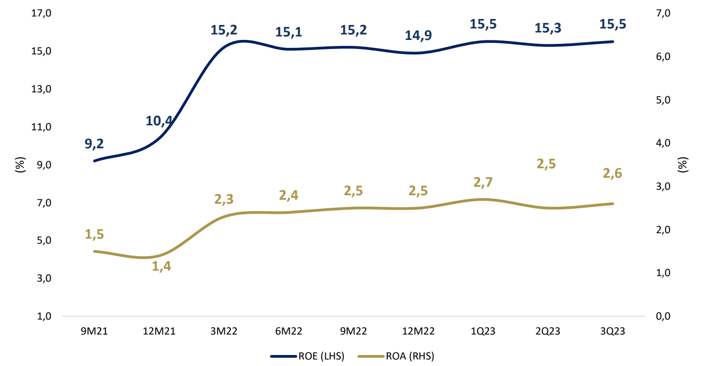
Source: Company, SSI research

Figure 5. BBNI's NIM and COF



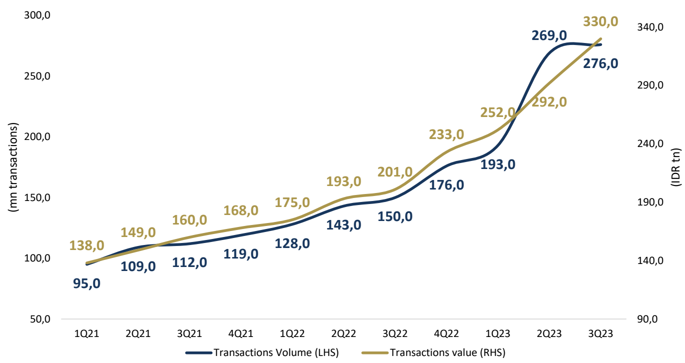
Source: Company, SSI research

Figure 6. BBNI's ROE and ROA



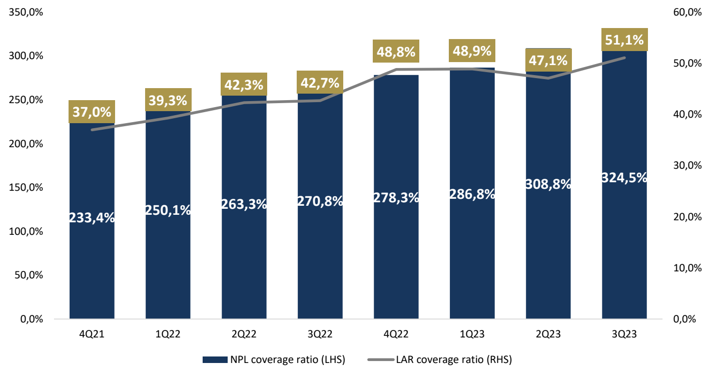
Source: Company, SSI research

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 3Q23 results

BBNI 3Q23 Result (IDRbn)	**3Q22**	**2Q23**	**3Q23**	**q-q (%)**	**y-y (%)**	**9M22**	**9M23**	**y-y (%)**	**9M23/ 2023F**	**9M23/ cons**
Interest Income	13.739	15.275	15.924	4,2	15,9	39.270	46.218	17,7		
Interest expense	3.150	5.078	5.389	6,1	71,1	9.071	15.082	66,3		
Net interest income	**10.589**	**10.197**	**10.535**	**3,3**	**(0,5)**	**30.199**	**31.136**	**3,1**		
Non-interest income	4.827	4.739	5.161	8,9	6,9	14.993	14.651	(2,3)		
Total operating income	**15.416**	**14.936**	**15.696**	**5,1**	**1,8**	**45.192**	**45.787**	**1,3**	**70,7**	**71,2**
Operating expense	6.829	6.291	6.769	7,6	(0,9)	19.361	19.544	0,9		
Impairment of fin. assets	2.525	2.360	2.201	(6,8)	(12,8)	8.928	6.728	(24,6)		
Operating profit	**6.062**	**6.285**	**6.726**	**7,0**	**11,0**	**16.903**	**19.515**	**15,5**		
Pretax profit	**5.965**	**6.247**	**6.672**	**6,8**	**11,8**	**16.784**	**19.376**	**15,4**		
Net profit	**4.889**	**5.081**	**5.587**	**10,0**	**14,3**	**13.692**	**15.889**	**16,0**	**76,7**	**75,6**
BS & ratio analysis	**3Q22**	**2Q23**	**3Q23**			**9M22**	**9M23**			
Gross loans (IDRbn)	622.607	650.770	671371	3,2	7,8	622.607	671371			
Third party funding (IDRbn)	685.235	765.010	747.595	(2,3)	9,1	685.235	747.595			
Key ratios										
Net interest margin (%)	4,8	4,6	4,6			4,8	4,6			
Cost efficiency (%)	44,3	42,1	43,1			42,8	42,7			
Cost to income (%)	67,3	68,6	68,1			68,8	67,9			
Loan/deposit (%)	90,9	85,1	89,8			90,9	89,8			
Loan/funding (%)	81,9	80,1	84,4			81,9	84,4			
Capital adequacy (%)	18,9	21,6	21,9			18,9	21,9			
Gross NPL (%)	3,0	2,5	2,3			3,0	2,3			
LLP/NPL (%)	270,8	308,8	324,5			270,8	324,5			
ROAE (%)	15,3	15,2	15,4			14,2	15,4			

Source: Company, Bloomberg, SSI Research

Table 1. Valuation highlights

Ticker	Recommendation	CP IDR	TP IDR	Upside (%)	P/B 23F	Net Profit 23F	Net Profit 24F	EPS Growth 23F	EPS Growth 24F	ROE (%) 23F	ROE (%) 24F	ROA (%) 23F	ROA (%) 24F
BBCA	BUY	8,625	10,500	21.7	3.9	51.7	56.5	9.1	9.2	20.3	20.1	3.4	3.4
BBRI	BUY	4,870	6,400	31.4	2.3	62.9	70.3	11.3	11.7	19.3	20.3	3.2	3.2
BMRI	BUY	5,625	7,000	24.4	2.0	55.1	59.6	12.8	8.2	20.6	20.3	2.4	2.3
BBNI	BUY	4,890	5,750	17.6	0.5	23.6	26.0	13.9	10.2	15.2	15.5	2.1	2.1
BBTN	HOLD	1,200	1,350	12.5	0.4	3.5	3.9	12.5	12.9	11.6	11.9	0.8	0.8
Sector						**196,8**	**216,2**	**10,8**	**9,8**	**19,7**	**19,8**	**3,0**	**3,0**

Source: Companies, SSI Research

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