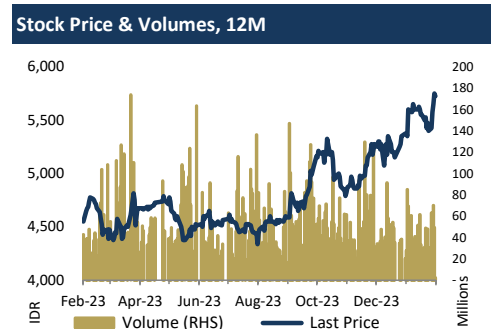


BUY (Maintain)

Target Price (IDR)	6,600
Potential Upside (%)	14.3
Price Comparison	
Cons. Target Price (IDR)	6,282
SSI vs. Cons. (%)	105.07

Stock Information	
Last Price (IDR)	5,775
Shares Issued (Mn)	37,297
Market Cap. (IDR Bn)	215,392
52-Weeks High/Low (IDR)	5,800/4,313
3M Avg. Daily Value (IDR Bn)	258.3
Free Float (%)	39.8
Shareholder Structure:	
Negara Republik Indonesia (%)	60.0
Public (%)	40.0

Stock Performance				
(%)	YTD	1M	3M	12M
Absolute	7.9	7.9	19.1	27.5
JCI Return	(0.7)	(1.3)	7.0	4.9
Relative	8.6	9.3	12.1	22.6



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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Fundamental improvement in risk profile

Healthy growth from lower-risk segments. BBNI booked solid quarterly loan booking in 4Q23, driven by top-tier clients. This enabled the bank to post +7.6% YoY loan growth in FY23, with private corporate loan growth of +14.3% YoY. We expect the bank's loan growth to accelerate in FY24, given positive progress in the cleanup of SOE and commercial segments. BBNI projects to book FY24 loan growth of +9-10% YoY, supported by commercial and consumer segments.

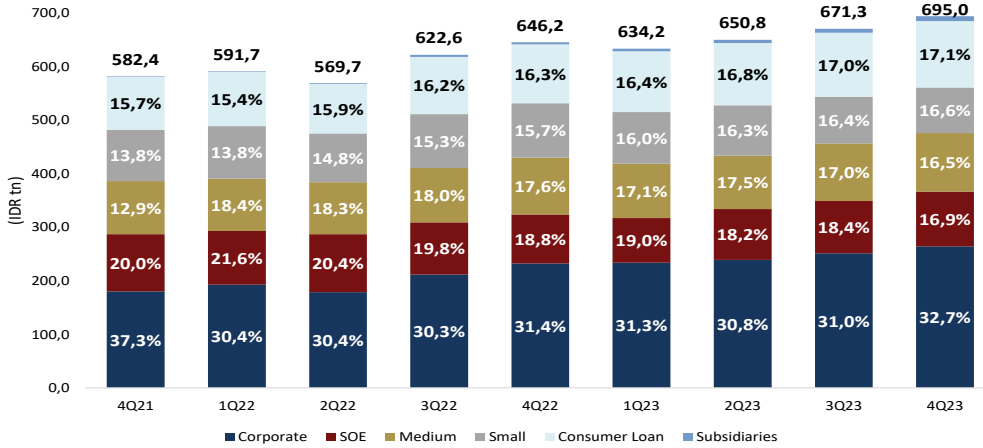
Liquidity tightening hurt NIM in 4Q23. BBNI's bank-only NIM came in at 4.4% in 4Q23 (-40bps QoQ), with an FY23 NIM of 4.6% (-20bps YoY). The drop in the bank's loan portfolio risk and higher TD rates led to a decline in NIM as liquidity tightened in 4Q23. BBNI expects FY24 NIM to range between 4.5%-4.6% (SSI: 4.5%), even though its CoF might remain elevated in 1H24, as we believe that it will be partly offset by the increase in loan yield as the bank will start to disburse more loans to commercial debtors, albeit more cautiously as the risk management system improves. It is worth highlighting that the reformation of BBNI's commercial segment has been going on for three years, and we expect to see noticeable improvements in loan disbursement in the segment in the next 2-3 years.

Continuous LAR improvement. On the asset quality side, LAR came in at 12.9% in Dec-23 vs. 14.4% in 3Q23 and 16.0% in Dec-22, and the bank expects its LAR to continue to improve to less than 10% (SSI: 9%) and NPL ratio to go down below 1.8% (SSI: 1.8%) in FY24. In line with the improvement in LAR ratio, BBNI managed to lower their cost of credit (CoC) to 1.4% in FY23 vs. 1.9% in FY22, and it projects CoC to fall below 1.4% in FY24 (SSI: 1.3%). The bank's LAR coverage came in at 52.7% in 4Q23 vs. 48.8% in 4Q22, while its NPL coverage ratio went up to 319% in 4Q23 vs. 278% in 4Q22.

Maintain BUY rating and TP of IDR 6,600 (1.5x PBV). At this juncture, we continue to believe that the management will continue to strengthen BBNI's risk management system, particularly for wholesale and SMEs; thus, the bank might see improvements in its NIM in the next 2-3 years as it will start to disburse more loans to SMEs. We maintain our BUY rating with a TP of IDR 6,600/share for BBNI, implying 2024F PBV of 1.5x (Sector: 2.9x). Key downside risks: higher-than-expected CoC, higher CoF (which might hurt the bank's NIM even further).

Forecast and Valuation (at closing price IDR 5,775 per share)					
Y/E Dec (IDR Bn)	21A	22A	23A	24F	25F
Net Interest Income (IDR Bn)	38,247	41,321	41,276	45,828	50,571
Pre Provision Profit (IDR Bn)	31,064	34,413	34,970	38,786	42,628
Operating Profit (IDR Bn)	12,767	22,899	25,773	29,233	32,536
Net Profit (IDR Bn)	10,899	18,312	20,909	23,725	26,407
EPS (IDR)	293	492	561	637	709
EPS Growth (%)	66.3	68.0	14.2	13.5	11.3
P/E Ratio (x)	19.6	11.6	10.2	9.0	8.1
BVPS (IDR)	3,321	3,645	4,034	4,374	4,745
P/BV Ratio (x)	1.7	1.6	1.4	1.3	1.2
DPS (IDR)	22	73	197	281	318
Dividend Yield (%)	0.4	1.3	3.4	4.9	5.6

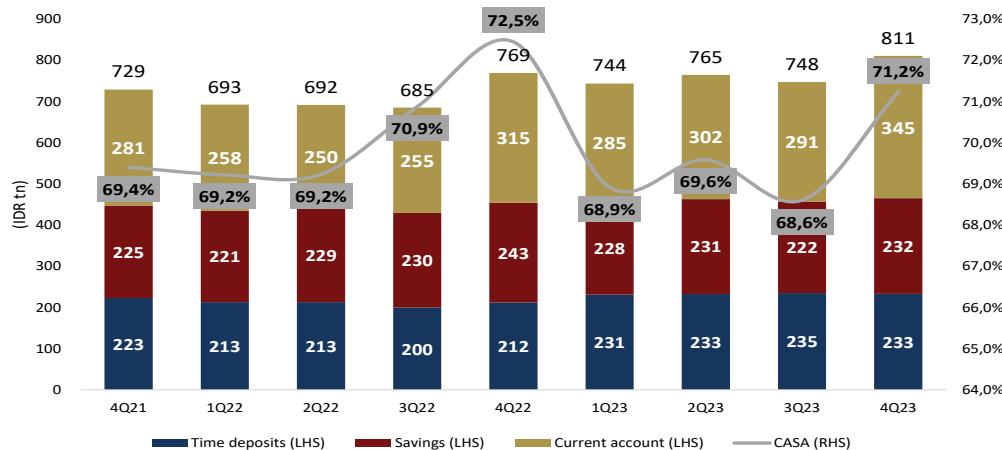
Figure 1. BBNI's loan breakdown by segment



Loan growth reached +7.6%, driven by growth in both corporate and consumer loans

Source: Company, SSI Research

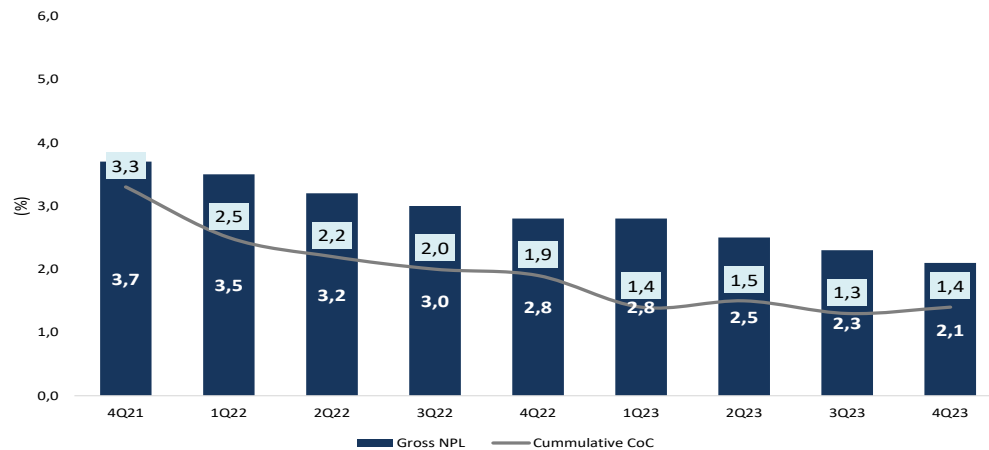
Figure 2. BBNI's TPF breakdown



BBNI's CASA improved in 4Q23, thanks to significant contributions from Mobile Banking and Cash Management

Source: Company, SSI Research

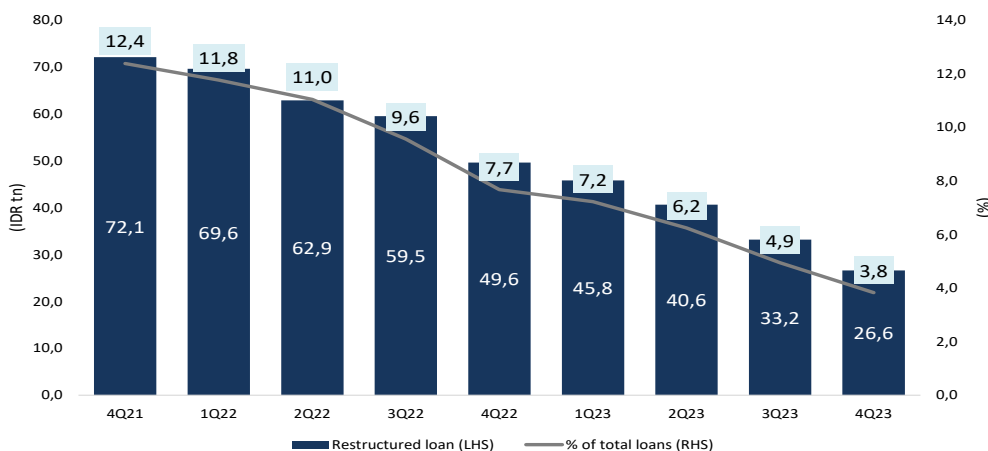
Figure 3. BBNI's asset quality & CoC



Better asset quality led to a -50bps YoY drop in CoC (FY23: 1.9, FY22: 1.4)

Source: Company, SSI Research

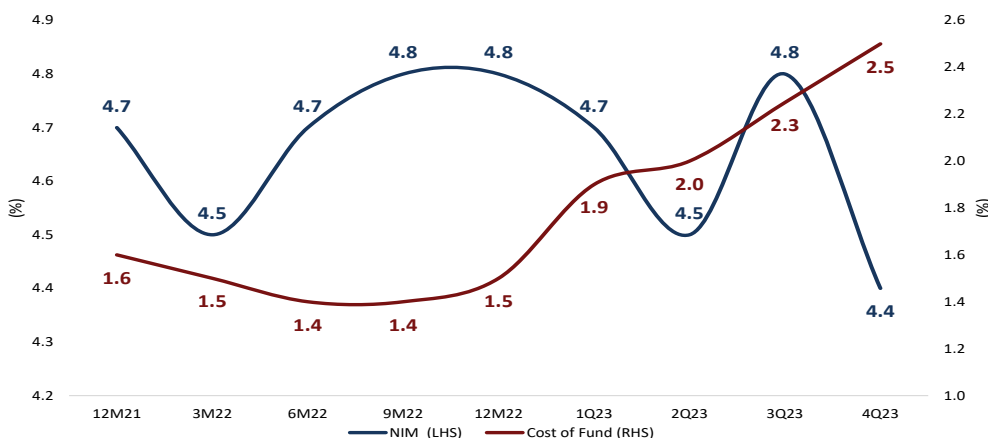
Figure 4. BBNI's restructured loans & total loans



Loans saw moderate growth (+7.6% YoY), as the bank chose to prioritize loan portfolio restructuring

Source: Company, SSI Research

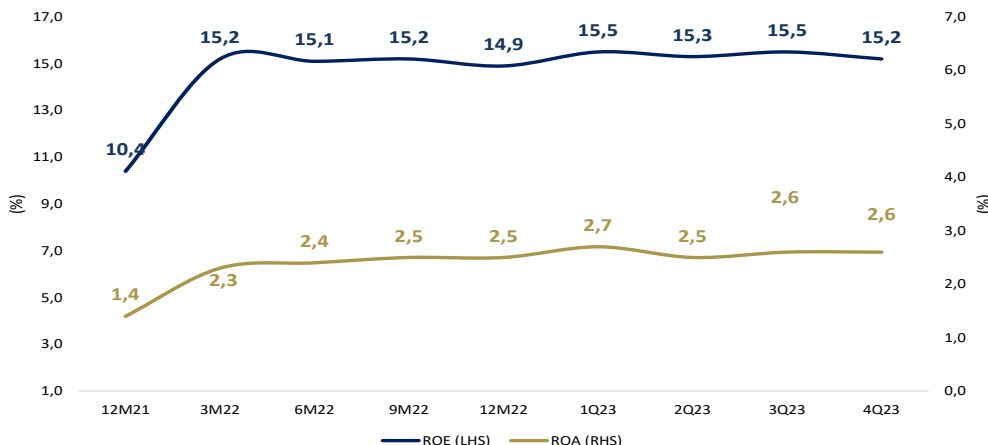
Figure 5. BBNI's NIM and COF



Due to constrained liquidity, CoF rose by +100bps YoY to 2.5%, leading to a -40bps drop in NIM to 4.4% in 2023

Source: Company, SSI Research

Figure 6. BBNI's ROE and ROA



ROAE remains relatively stable, supported by structural enhancements in fee-based income, efficiency ratio, and asset quality

Source: Company, SSI Research

Figure 7. BBNI's 4Q23 results

(IDRbn)	4Q22	3Q23	4Q23	Q-Q [%]	Y-Y [%]	12M22	12M23	Y-Y [%]	12M23/ 2023F	12M23/ cons
Interest Income	15,389	15,924	15,253	(4.2)	(0.9)	54,659	61,472	12.5		
Interest expense	4,267	5,389	5,114	(5.1)	19.8	13,338	20,196	51.4		
Net interest income	11,122	10,535	10,139	(3.8)	(8.8)	41,321	41,276	(0.1)		
Non-interest income	5,159	5,161	6,821	32.2	32.2	20,152	21,472	6.6		
Total operating income	16,281	15,696	16,960	8.1	4.2	61,473	62,748	2.1	97.0	98.4
Operating expense	7,698	6,750	8,085	19.8	5.0	27,059	27,611	2.0		
Impairment of fin. assets	2,586	2,201	2,635	19.7	1.9	11,514	9,363	(18.7)		
Operating profit	5,997	6,745	6,240	(7.5)	4.1	22,900	25,774	12.6		
Pretax profit	5,903	6,672	6,263	(6.1)	6.1	22,687	25,640	13.0		
Net profit	4,620	5,452	5,156	(5.4)	11.6	18,312	20,909	14.2	100.9	98.9
BS & ratio analysis	4Q22	3Q23	4Q23			12M22	12M23			
Gross loans (IDRbn)	646,188	671,371	695,085	3.5	7.6	646,188	695,085			
Third party funding (IDRbn)	769,269	747,595	810,730	8.4	5.4	769,269	810,730			
Key ratios										
Net interest margin (%)	4.8	4.6	4.6			4.8	4.6			
Cost efficiency (%)	47.3	43.0	47.7			44.0	44.0			
Cost to income (%)	70.8	68.0	71.7			69.4	68.9			
Loan/deposit (%)	84.0	89.8	85.7			84.0	85.7			
Loan/funding (%)	78.1	84.4	80.5			78.1	80.5			
Capital adequacy (%)	19.3	21.9	22.0			19.3	22.0			
Gross NPL (%)	2.8	2.3	2.1			2.8	2.1			
LLP/NPL (%)	286.6	324.5	359.7			286.6	359.7			
ROAE (%)	14.5	15.9	14.9			14.4	14.9			

NII fell slightly to IDR 10.1tn (-3.8% QoQ, -8.8% YoY) in 4Q23, due to an increase in CoF to 2.54% in 4Q23 vs. 2.25% in the previous quarter which resulted in 4Q23 NIM drop to 4.4% vs. 4.8% in the previous quarter

Source: Company, SSI Research, Bloomberg

Key Financial Figures

Income Statement					
Y/E (IDRbn)	21A	22A	23A	24F	25F
Interest income	50,026	54,659	61,472	68,908	74,506
Interest expense	-11,779	-13,338	-20,196	-23,080	-23,935
Net interest income	38,247	41,321	41,276	45,828	50,571
Non-interest income	17,619	20,151	21,472	22,782	24,193
Total operating income	55,865	61,472	62,747	68,610	74,764
Operating expenses	-24,801	-27,059	-27,778	-29,824	-32,136
Pre-prov. op. profit	31,064	34,413	34,970	38,786	42,628
Provisions expense	-18,297	-11,514	-9,196	-9,553	-10,092
Operating profit	12,767	22,899	25,773	29,233	32,536
Non-op. inc./(exp.)	-216	-212	-134	-150	-168
Pre-tax profit	12,551	22,687	25,640	29,084	32,368
Corporate tax	-1,574	-4,205	-4,534	-5,142	-5,723
Minorities	-79	-170	-197	-216	-238
Net profit	10,899	18,312	20,909	23,725	26,407
EPS (IDR)	293	492	561	637	709

We expect BBNI to book EPS growth of 13.5% YoY in FY24, supported by its plans to boost loan growth target ranging 9-11% YoY

Balance Sheet					
Y/E (IDRbn)	21A	22A	23A	24F	25F
Placement with other banks	92,290	51,569	43,794	45,108	46,461
Loans	582,436	646,188	695,085	764,229	841,001
Government bonds	111,428	121,291	127,099	127,749	128,796
Other int-earning assets	109,651	102,957	124,224	127,383	131,111
Financial assets impairment	-51,962	-51,856	-48,157	-43,430	-40,039
Net earning assets	843,844	870,150	942,044	1,021,039	1,107,330
Cash	12,933	11,165	9,062	33,964	38,429
Fixed assets	27,633	28,832	30,090	31,412	32,801
Other assets	80,427	119,690	105,648	106,390	112,423
Total assets	964,838	1,029,837	1,086,844	1,192,805	1,290,984
Customer deposits	729,169	769,269	810,730	883,792	963,227
Deposits from other banks	14,377	15,245	11,894	19,358	20,326
Borrowing and sub-debts	34,287	38,539	37,841	44,299	46,169
Other liabilities	60,486	66,586	71,466	78,017	80,328
Total liabilities	838,318	889,639	931,931	1,025,466	1,110,050
Minorities	2,782	4,382	4,602	4,385	4,147
Equity	123,738	135,816	150,311	162,954	176,787
Total liabilities and equity	964,838	1,029,837	1,086,844	1,192,805	1,290,984
BVPS (IDR)	6,635	7,283	8,060	8,738	9,480

Asset quality was BBNI's main priority in FY23, leading to a rather moderate loan growth in FY23 of +7.6% YoY

Ratios & assumptions					
Y/E (%)	21A	22A	23A	24F	25F
NIM	4.7	4.8	4.6	4.5	4.6
Loan-to-deposit ratio	78.3	82.4	84.5	84.6	85.5
Cost-to-income ratio	44.4	44.0	44.3	43.5	43.0
Credit cost	3.4	1.9	1.4	1.3	1.3
Gross NPL	3.7	2.8	2.1	2.4	2.3
NPL coverage	246.3	280.4	304.3	227.0	198.5
Tier-1 CAR	16.0	16.0	21.4	21.4	21.5
ROA	1.2	1.8	2.0	2.1	2.1
ROE	9.3	14.1	14.6	15.1	15.5
Average asset yield	5.8	6.0	6.4	6.7	6.7
Average funding cost	1.5	1.6	2.4	2.5	2.4
Average loan yield	7.4	7.5	7.6	8.1	8.1
Average deposit cost	1.5	1.4	2.1	2.1	2.1
Loan growth	(0.6)	11.0	7.6	10.0	10.0
Deposit growth	7.3	5.5	6.5	7.8	9.0
EPS growth	232.2	68.0	14.2	13.5	11.3

The bank booked a slight increase in CoC in 4Q23 (1.4%), bringing its LAR coverage ratio higher to 52.7% vs. 51.1% in the previous quarter

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