

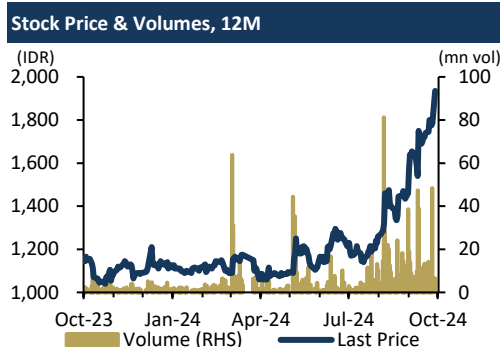
BUY (Initiation)

Target Price (IDR)	2,200
Potential Upside (%)	15.5

Price Comparison	
Cons. Target Price (IDR)	1,325
SSI vs. Cons. (%)	66.0

Stock Information	
Last Price (IDR)	1,905
Shares Issued (Mn)	24,088
Market Cap. (IDR Tn/USD Bn)	45.8/3.0
52-Weeks High/Low (IDR)	1,975/1,035
3M Avg. Daily TO (IDR Bn/USD Mn)	17.1/1.1
Free Float (%)	15.2
Shareholder Structure:	
PT Panin Financial Tbk. (%)	46.0
ANZ Group (%)	38.8
Public (%)	15.2

Stock Performance					
(%)	YTD	1M	3M	12M	
Absolute	49.2	24.5	41.6	45.0	
JCI Return	3.9	(3.3)	3.1	9.1	
Relative	45.3	27.8	38.5	35.9	



Company Background

Established in 1971 through the merger of three banks, PNBNI was the first Indonesian bank to list its shares on the stock exchange (1982). Owned by Mum'in Ali Gunawan (40.6%), PNBNI offers a broad range of banking services, including retail, corporate, consumer, and treasury.

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Fifth Time Lucky

Fueled by a fifth market speculation of ANZ's potential divestment plan, we initiate coverage on Bank Pan Indonesia (PNBNI), Indonesia's 3rd largest private bank by market cap, with BUY rating and TP of IDR 2,200, implying 2025 PBV of 1.0x and 15.5% potential upside. Our BUY rating is premised on 1) ANZ's 38.8% planned stake sale, 2) Corporate segment assets quality improvement and 3) improved NIM on higher yielding assets disbursement. PNBNI's strategy to shift toward the commercial sector and lower CoC should help support growth, allowing for earnings CAGR of 11.3% in 2024F-26F. Risks: uncompleted divestment plan, residual NPLs from commercial segment and higher-than-expected CoF.

ANZ's fifth divestment talk to potentially result in dividends and higher ROEs. Realization on the Australia New Zealand Banking Group's (ANZ) plan to divest its 38.8% stake in PNBNI should serve as positive catalyst. Earlier this year, ANZ Chief Executive Officer Shayne Elliott stated that he aimed to grow his firm's presence in India, China, and Vietnam, while at the same time seeking to leave PNBNI and Bank of Tianjin Co. While ANZ has not set out any specific timeline, we believe materialization of this divestment, a fifth time since 2015, could positively impact PNBNI's financial performance, given future potential dividend disbursement, which could raise ROE from 5.3% in 2024F to 8.2% in 2025F, assuming payout ratio of 50%.

Higher yielding loans disbursement with improved assets quality. PNBNI will continue to maintain its strategy of switching from corporate to commercial sector, targeting enterprises with ticket sizes between IDR 5bn-IDR 7bn, primarily due to the sector's higher loan yields compared to corporate segment. In addition, the bank will concentrate on improving assets quality in the corporate segment and increasing its mortgage loan disbursements in the consumer segment. However, our projection for PNBNI's future loan growth is quite modest, at 7.7% p.a. in 2024F-2026F (peers avg: 11.2% p.a.), as the increased exposure to commercial (35.5% in 2026F, from 32.4% in 2023) and consumer segments (18.7% in 2026F, from 17.4% in 2023) will not be sufficient in offsetting the corporate segment's softer growth. Additionally, NPL ratio declined from 2.97% in FY23 to 2.79% in 1H24, thanks to improved assets quality in the commercial segment. Consequently, we project PNBNI's cost of credit to decrease from 2.1% in FY23 to 1.7% in FY24.

Initiate with BUY based on 1.0x 2025F PBV with 15.5% potential upside. Our positive view on PNBNI is based on normalized ROE. We incorporated 8.8% COE with risk-free rate of 6.5%, ROE of 8.5% in 2025F, before gradually improving to 8.9% in 2026F, and 5% long-term growth. Our TP of IDR 2,200 implies PBV of 1.0x, reflecting 15.5% potential upside despite 45.3% YTD outperformance of the JCI. Risks to our call include uncompleted divestment plan, residual NPLs from commercial segment and higher-than-expected CoF. BUY.

Forecast and Valuations (at closing price IDR 1,905 per share)

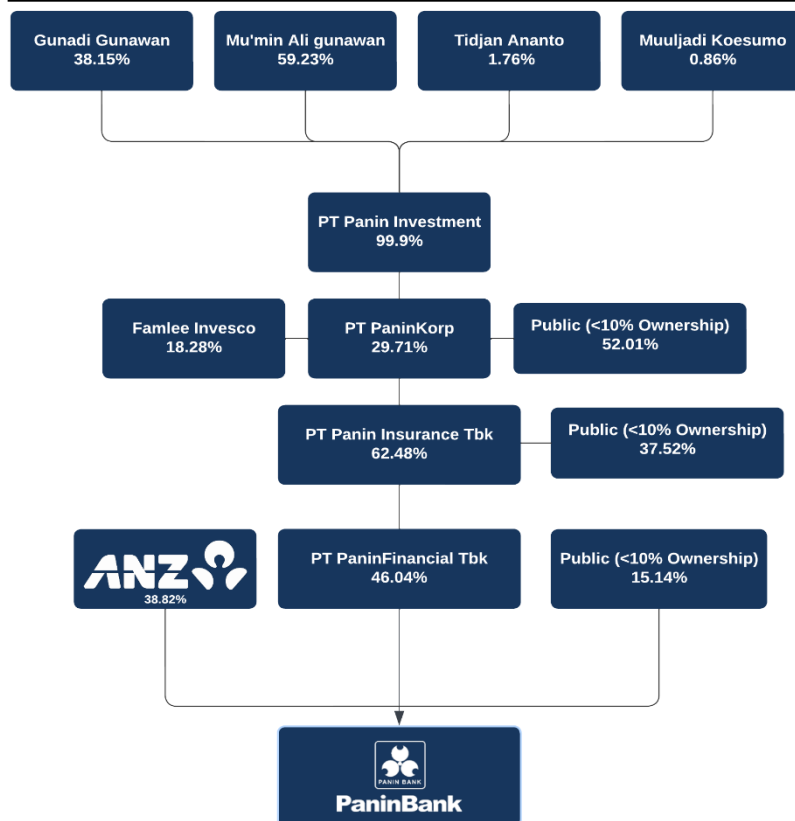
Y/E Dec	22A	23A	24F	25F	26F
Net interest income	9,949	9,206	9,613	10,224	11,086
Pre-prov. op. profit	6,863	6,437	6,227	6,683	7,383
Net profit	3,042	2,532	2,700	2,991	3,344
EPS (IDR)	126	105	112	124	139
EPS growth (%)	47.4	-16.8	6.6	10.8	11.8
P/E (x)	15.3	18.4	17.3	15.6	13.9
BVPS (IDR)	1,968	2,063	2,132	2,210	2,297
P/B (x)	1.0	0.9	0.9	0.9	0.8
DPS (IDR)	0	0	0	56	62
Dividend Yield (%)	0.0	0.0	0	2.9	3.2
ROAE (%)	6.6	5.2	5.3	8.5	8.9

BUSINESS OVERVIEW

Established in 1971, Bank Pan Indonesia (PNBN) made its debut on the Jakarta Stock Exchange in 1982, becoming the first publicly traded bank in Indonesia. With over 50 years of experience serving retail and commercial customers, PNBN has built and developed a strong reputation for providing high-quality financial services to retail and commercial customers, operating more than 500 branches across Indonesia and employing over 10,000 professionals. In 2019, PNBN was classified as BUKU IV bank, indicating that its core capital exceeds IDR 30tn. In 1999, Australia and New Zealand Banking Group Limited (ANZ) made a significant milestone by acquiring 11% stake in the Jakarta-listed PNBN, marking ANZ's initial entry into the Indonesian banking sector.

In 2019, PNBN was classified as BUKU IV bank, indicating its core capital of more than IDR 30tn

Figure 1. PNBN's shareholder structure (Ownership)



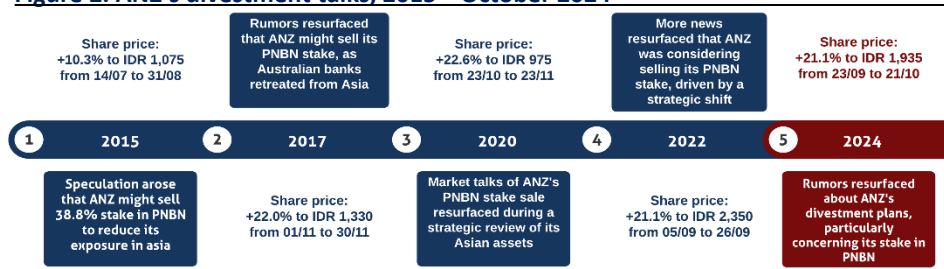
The Gunawan family, which founded the bank in 1971, currently holds ~46% stake in PNBN through PaninFinancial Tbk (PNLF)

Sources: Company, SSI Research

ANZ – PNBN Journey. ANZ first entered PNBN in 1999, acquiring 11% stake after the Asian financial crisis. In 2004, ANZ increased its stake to 29.2% as part of its strategy to expand in Southeast Asia, particularly into the growing Indonesian market. In 2011, ANZ further raised its ownership to 38.82%, driven by its intention to strengthen its presence in Indonesia, though it stopped short of gaining full control of PNBN due to local regulations capping foreign ownership at 40%. However, post-2015, ANZ's strategy shifted under new leadership, and the bank began to move away from its Asian operations. Earlier this year, ANZ Chief Executive Officer Shayne Elliott stated that he aimed to grow his firm's presence in India, China, and Vietnam, while at the same time seeking to leave PNBN and Bank of Tianjin Co.

ANZ reportedly seeking to leave PNBN and Bank of Tianjin Co.

Figure 2. ANZ's divestment talks, 2015 – October 2024



Sources: Company, SSI Research

Table 1. PNBNI's stake in other companies

Companies	Nature of Relationship	Stake (%)
PT Bank Panin Dubai Syariah Tbk	Subsidiary	69.9
PT Clipan Finance Indonesia Tbk	Subsidiary	51.5
PT Panin Sekuritas Tbk	Associate Company	29.0
PT Verena Multifinance Tbk	Associate Company	25.1
PT Asuransi Multi Artha Guna Tbk	Financial Instrument	7.7
PT First Asia Capital	Financial Instrument	2.5
PT Bank ANZ Indonesia	Financial Instrument	1.0
PT Sarana Kalsel Ventura	Financial Instrument	1.0

Sources: Company, SSI Research

Subsidiary, Association, and Financial Instruments. PNBNI holds investments across various companies within the financial services sector, including banking, consumer financing, and finance leases. PNBNI owns two subsidiaries and two associate entities, and it has financial stakes in four other companies. At the end of 2023, PNBNI held majority ownership in two subsidiaries: PT Clipan Finance Indonesia Tbk (51.49%) and PT Bank Panin Dubai Syariah Tbk (67.30%). Additionally, the bank held significant stakes in two associate entities: PT Panin Sekuritas Tbk (29.00%) and PT Mizuho Leasing Indonesia Tbk (formerly PT Verena Multi Finance Tbk) (25.06%). Beyond its subsidiaries and associates, PNBNI also held minority interests in four companies: PT Asuransi Multi Artha Guna Tbk (7.76%), PT FAC Sekuritas Indonesia (2.50%), PT Sarana KalSel Ventura (1.04%), and PT Bank ANZ Indonesia (1.00%).

Comprehensive Banking Services Across Conventional and Sharia Segments. PNBNI's banking services are comprised of both conventional and Sharia ones. PNBNI's conventional commercial banking operations encompass broad spectrum of services, including consumer banking, commercial banking, corporate banking, institutional banking (including state-owned enterprises), and treasury management. In addition to its conventional offerings, PNBNI also provides Sharia-compliant banking services through PT Bank Panin Dubai Syariah Tbk, which operates in accordance with Islamic principles. These services include profit-sharing financing (Murabahah, Musyarakah, Mudharabah), Sharia-compliant deposit products such as Wadiah-based current and savings accounts, investment deposits, and ATM services.

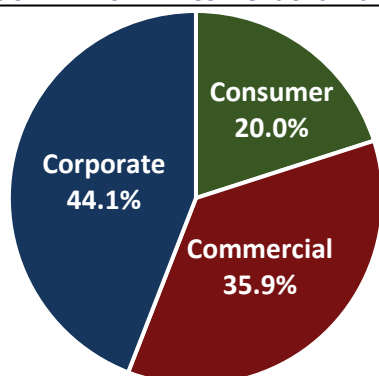
Market rumors for a fifth time have resurfaced about the full divestment of ANZ's stake in PNBNI in 2024

PNBNI currently owns two subsidiaries: Clipan Finance Indonesia Tbk (CFIN) and Bank Panin Dubai Syariah Tbk (PNBS)

PNBNI has a diverse investment portfolio across the financial services sector, holding significant stakes in subsidiaries, associate entities, and minority interests in other companies

Murabahah involves cost-plus financing, Musyarakah is profit-and-loss sharing partnership, and Mudharabah is an investment partnership where one party provides capital and the other offers expertise to manage the investment

Figure 3. PNBNI's 1H24 Conventional Banking Loan Breakdown



Sources: Company, SSI Research

Corporate Banking Overview

PNBNI's corporate lending business focuses on supporting debtors in the processing industry and providing green financing. The bank is currently prioritizing asset quality improvement by targeting tier-1 debtors who meet stringent criteria. In 2023, the bank's credit disbursement saw a decline (-4.9% YoY), while asset quality showed significant improvement, with the NPL ratio dropping to 3.72% from 5.06% in 2022. Additionally, PNBNI's corporate loan restructuring decreased to IDR 9.1 trillion by the end of 2023, down from IDR 11 trillion in 2022.

2025 Plans for Corporate Banking. Asset quality improvement remains the primary focus for this segment going forward. PNBNI will focus on acquiring tier 1 customers, targeting businesses with resilience, strong growth potential, and the ability to recover quickly. Additionally, the bank aims to focus on companies adhering to Environmental, Social, and Governance (ESG) principles.

Table 2. PNBNI's Corporate Banking Credit Disbursement Breakdown (IDRbn)

Sector	2023	2022	YoY (%)
Real estate, leasing and service companies	10,028	12,213	(17.9)
Manufacturing Industry	8,438	8,627	(2.2)
Accommodation and drinking food services	2,124	2,537	(16.3)
Wholesale and Retail Trade	175	166	5.4
Others	5,451	4,011	35.9
Total	26,216	27,554	(4.9)

Sources: Company, SSI Research

Commercial Banking Overview

PNBNI's commercial banking business focuses on providing working capital and investment loans, with ticket sizes ranging between IDR 5 billion and IDR 7 billion. The bank primarily serves three key segments: Small and Medium Business (SMB), Commercial Business, and Micro Business. In FY23, SMBs constituted the largest share of PNBNI's commercial loan portfolio, accounting for 50.5% (IDR 22.89 trillion) of total commercial loans, followed by commercial business loans at 47.8% (IDR 21.65 trillion), and micro business loans at 1.7% (IDR 0.8 trillion).

Corporate loans have consistently dominated PNBNI's lending portfolio since 2019

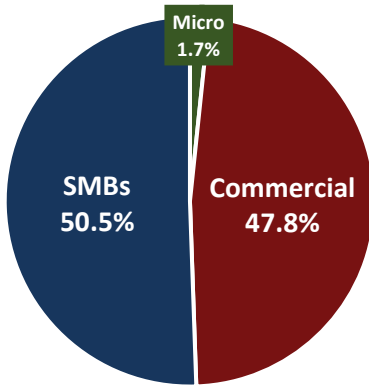
Asset quality improved, while total corporate loans declined 5.3% YTD

Companies with strong ESG practices are often associated with better long-term financial performance and lower credit risk

PNBNI is concentrating on asset quality improvement in the corporate segment, leading to the drop in corporate loan disbursement

In 1H24, PNBNI's commercial loans disbursements rose +1.4% YTD, increasing its portion in the bank's loan portfolio by 80bps

Figure 4. PNBNI's 2023 Commercial Banking Loans Outstanding Composition



Sources: Company, SSI Research

2025F Expansion Plan. PNBNI's 2025 commercial banking strategy focuses on strengthening customer relationships, expanding loan portfolios, and leveraging digital solutions to enhance efficiency. Key initiatives include offering one-stop service for SMEs and commercial clients, launching marketing programs and promotions to attract new customers through referrals and takeovers, and targeting new debtor prospects within its existing customer base (with ticket sizes of IDR 5bn-IDR 7bn). The bank plans to advance digital transformation by establishing mobile sales management system to optimize sales processes for SMBs and commercial enterprises.

In 2023, SMB loans accounted for 50.5% of PNBNI's total commercial loans

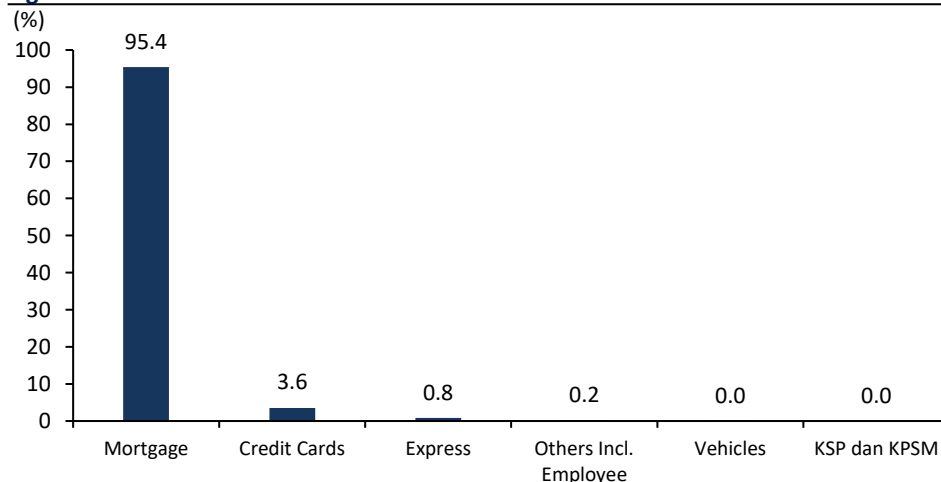
SMS digitizes the sales activities of SMB and commercial teams, streamlining processes such as lead management and performance tracking

Consumer & Retail Banking Overview

PNBNI's consumer and retail banking business provides a broad array of credit and savings products, focusing on six core offerings: mortgage loans, credit cards and personal loans, savings and current accounts, wealth management, transaction banking, and digital banking. Mortgage loans are the primary driver of the bank's consumer loan portfolio, representing 95.4% of total consumer loans in FY23.

Mortgage loans experienced 14.8% YoY increase in 2023

Figure 5. PNBNI's Consumer Loan Breakdown



Sources: Company, SSI Research

KSP comprises of multipurpose loans for larger needs like purchases or refinancing, while KPSM caters to micro-scale borrowers with smaller, flexible financing options

Mortgage Loan Growth Target and Strategic Approach for 2025. PNBNI targets double-digit growth in mortgage loans in 2024F and beyond (1H24: +12.9% YoY). To reach this goal, the bank will continue offering competitive mortgage interest rates for its KPR X-TRA product, which has demonstrated consistent productivity since its initial introduction. This mortgage product is specifically tailored to meet market demand for 3-in-1 Multipurpose Warehouse Mortgage financing, which was first integrated into KPR X-TRA in 2023.

Mortgage loans make up approximately 95% of the bank's total consumer loans

Table 3. PNBNI's KPR (Mortgage) Products

Types of Mortgages	Description
KPR	Individual home loan facility to finance the purchase of houses, shophouses, office houses, multipurpose warehouse/3-in-1, or apartments.
KPR X-TRA	Refinancing facilities secured by house, shophouse, office house, multipurpose warehouse/2-in-1, or apartment for purposes such as house renovation, construction, or purchasing another property like a house, shophouse, office house, multipurpose warehouse/3-in-1, apartment, or lot in a developer residential area that cannot be used as collateral.

The 3-in-1 Multipurpose Warehouse combines storage, office, and either retail or residential functions, while the 2-in-1 Multipurpose Warehouse integrates only two functions, offering slightly less versatility

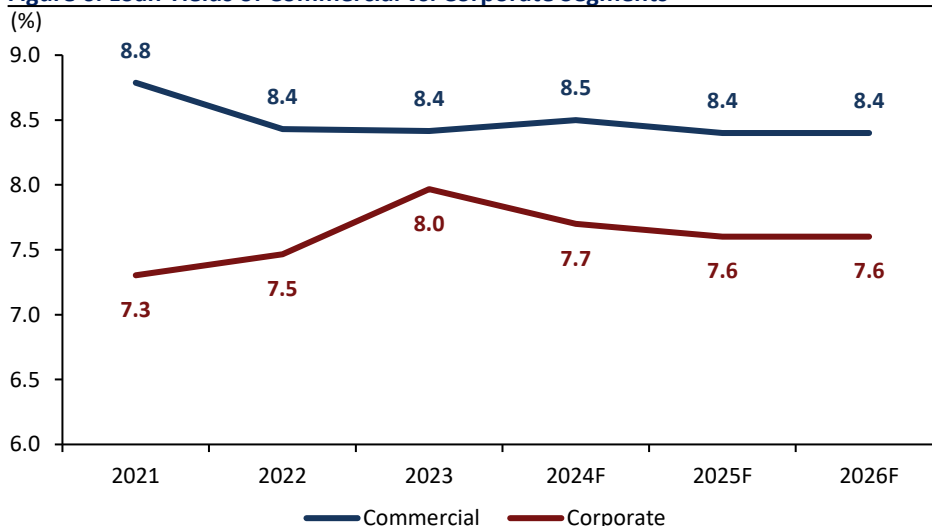
Sources: Company, SSI Research

FINANCIAL OVERVIEW

Commercial loans to dominate in 2025F. PNBNI is estimated to post loan growth of 6.8% in 2024F and 7.4% in 2025F, lower than other banks (proj: 11.2% in 2024F and 11.5% in 2025F). PNBNI's strategy to catch up is by disbursing more loans to SMEs (commercial loans) with ticket sizes between IDR 5bn-IDR 7bn, increasing its proportion to total loans to above 40% in 2026F, from around 36% in June 2024. The primary motivation to focus on the commercial segment is higher loan yields; in June 2024, commercial segment offered loan yield of 8.2%, vs. 7.6% from corporate. For corporate segment, the bank aims to improve asset quality, targeting tier 1 debtors who meet the necessary criteria. However, we expect corporate loan growth to be the lowest (2% YoY in 2025F) compared to other segments. For consumer segment, we anticipate mortgage loans to remain the primary driver, though the competition is expected to intensify as banks increasingly offer lower rates to attract customers.

We expect mortgage loans to grow 12.9% YoY in 2025F

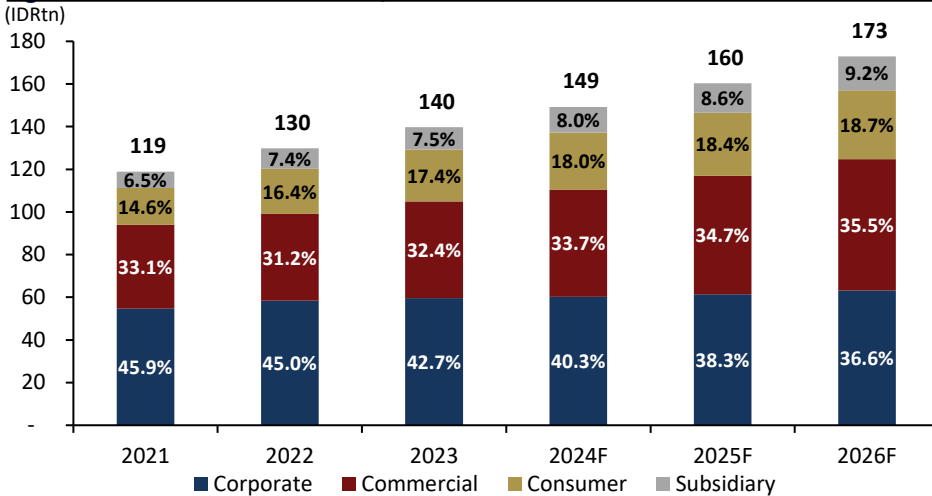
Figure 6. Loan Yields of Commercial vs. Corporate Segments



Commercial loans have consistently delivered higher yields than corporate loans

Sources: Company, SSI Research

Figure 7. PNBNI's Loan Breakdown, 2021-2026F



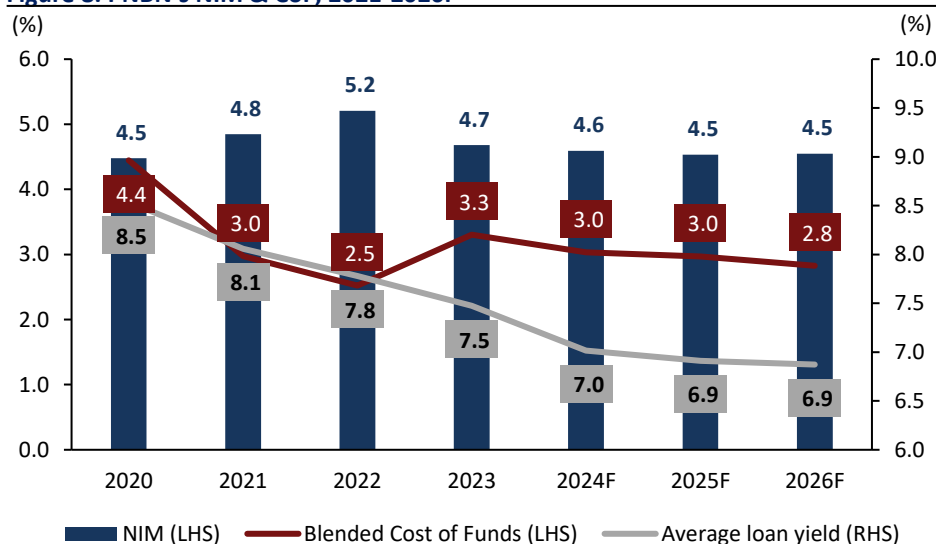
Sources: Company, SSI Research

Lower loan yields = lower NIM. We expect PNBNI's net interest margin (NIM) to remain under pressure in the short term (2024F and 2025F), primarily due to lower average loan yields amid heightened competition in the banking sector. However, PNBNI is likely to benefit from a rate-cut environment, as the reduction in rates should help lower the bank's cost of funds and provide some support for its NIM. We forecast NIM to drop to 4.6% in 2024F and 4.5% in 2025F, with average loan yield to reach 7.0% in 2024F and 6.9% in 2025F, and corporate lending yield of 7.6% in 2025F. Average funding cost is expected to reach 3.3% in 2024F and 3.2% in 2025F, aligned with an improvement in the current account savings account (CASA) ratio, which is projected to reach 52.2% in 2024F and 55.3% in 2025F. Lastly, the loan-to-deposit ratio (LDR) is forecasted to reach 99.8% in 2025F.

Total loan growth outlook remains modest at 7.4% over 2024F-2026F, as increased exposure to commercial and consumer segments will not be sufficient to offset the softer corporate segment

We expect average loan yield to hover around 7.0% over 2024F-2026F (2023: 7.5%)

Figure 8. PNBNI's NIM & CoF, 2021-2026F



Sources: Company, SSI Research

Retail Banking's Key Strategy. PNBNI's retail banking business unit will focus on expanding its client base while strengthening its Third Party Funds (TPF), particularly in CASA products (CASA 1H24: IDR 62tn, 46.8% of total deposits), by attracting new clients and opening additional accounts. In addition to targeting the retail market, PNBNI is also working to boost CASA value by reaching out to corporate clients through payroll services offered by its transaction banking business unit.

Alongside modest loan growth, we project a decline in the average loan yield to 7.0% in 2024F from 7.5% in 2023, driven by heightened competition across all segments

The transaction business unit focuses on fast, easy, and cost-efficient banking solutions through various online service channels

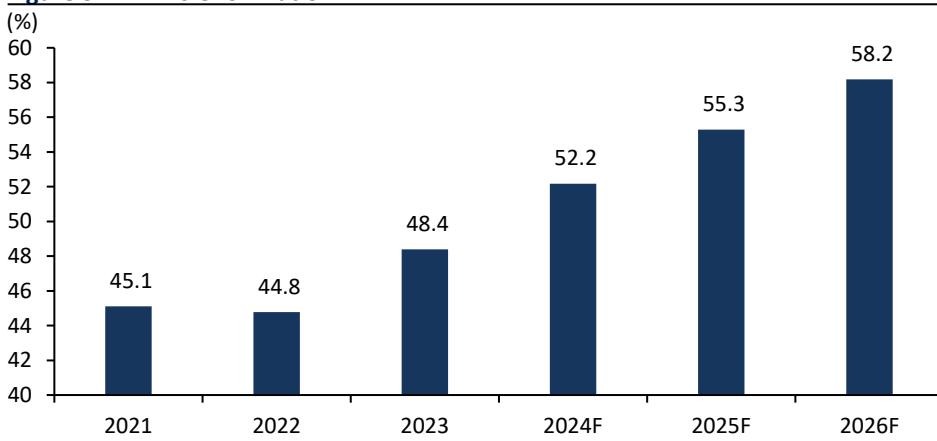
Table 4. PNBNI's CASA Products

Name of Products	Description
Panin Super Bonanza Savings	Offers prizes, competitive rates, easy transactions for broad customer base
Tabungan Panin	Savings account with reward points, prize drawings, full banking access
Tabungan Junior	Savings for children 0-18, no monthly fees, ATM/debit card included
TabunganKu	Simple savings with no fees, low initial deposit
Tabungan Rencana	For future planning like education or retirement, offers free life insurance
Pan Dollar Account	Multi-currency account for forex transactions, competitive rates, no fees

Sources: Company, SSI Research

Strengthening CASA products is a key strategy for PNBNI to boost third-party funds and enhance liquidity

Figure 9. PNBNI's CASA Ratio



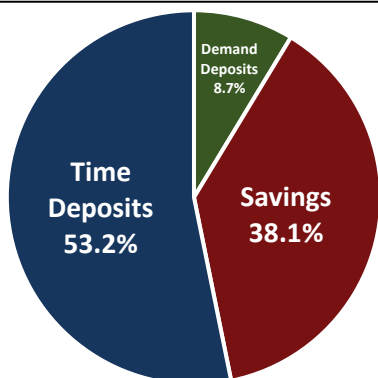
Sources: Company, SSI Research

CASA grew 360bps in 2023 on the back of successful promotional programs, competitive pricing, and enhanced digital banking services

Digital Banking as Key Pillar for CASA Growth. PNBNI aims to boost its CASA in 2025 through a multi-faceted approach, which includes continuing its Panin Super Bonanza Program, which has been running for over two decades, and offers attractive rewards to boost deposits. The bank will also accelerate its digital banking expansion by improving mobile banking services such as QRIS and introducing cross-border QRIS, enhancing customer convenience. Additionally, PNBNI will focus on customer acquisition, targeting the second generation of loyal customers and corporate payroll clients to grow its client base and increase CASA deposit.

PNBNI started implementing QRIS in its e-Money app in 2023 to enhance digital customer experience and boost mobile transaction value

Figure 10. PNBNI's 1H24 TPFs Breakdown



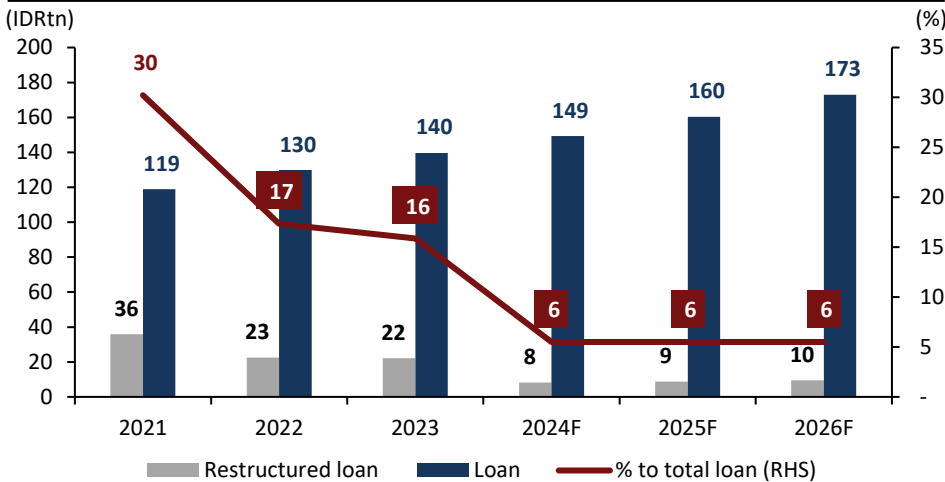
Sources: Company, SSI Research

Competitive interest rates and ongoing enhancements to Panin's Super Bonanza Program have made time deposits increasingly appealing to customers

Net Profit Growth on the Back of Lower Cost of Credit. We expect PNBNI to book net profit growth of 6.6% in 2024F and 10.8% in 2025F, driven by improvement in cost of credit of 1.7% in 2024F and 1.6% in 2025F vs. 2.1% in FY23. Asset quality improvement will be reflected in gradual decline in NPL ratio going forward, coupled with higher NPL coverage ratio of 234% in 2024F vs. 198% in FY23. Total NPL ratio is expected to reach 2.9% in 2024F, as the banks plans to revise its portfolio mix, disbursing more loans to SMEs – which have an average NPL ratio of 1.5%, lower than the 4.3% NPL ratio for corporate loans.

We expect NPL ratios to remain flat at 2.9% in 2025-26F

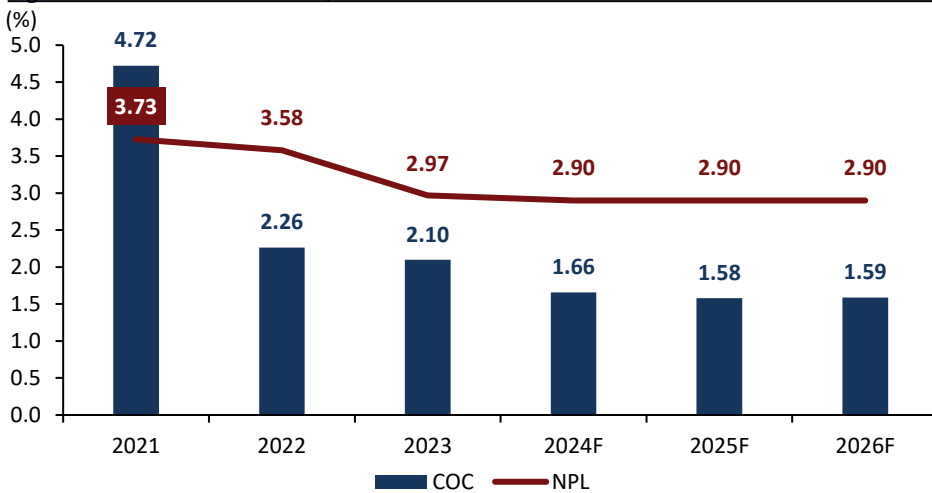
Figure 11. PNBNI's Restructured Loans, 2021-2026F



Sources: Company, SSI Research

PNBNI's efforts to improve asset quality over the years are evident in the reduction of total restructured loans from 2021 to 2023, with further drops projected for the future

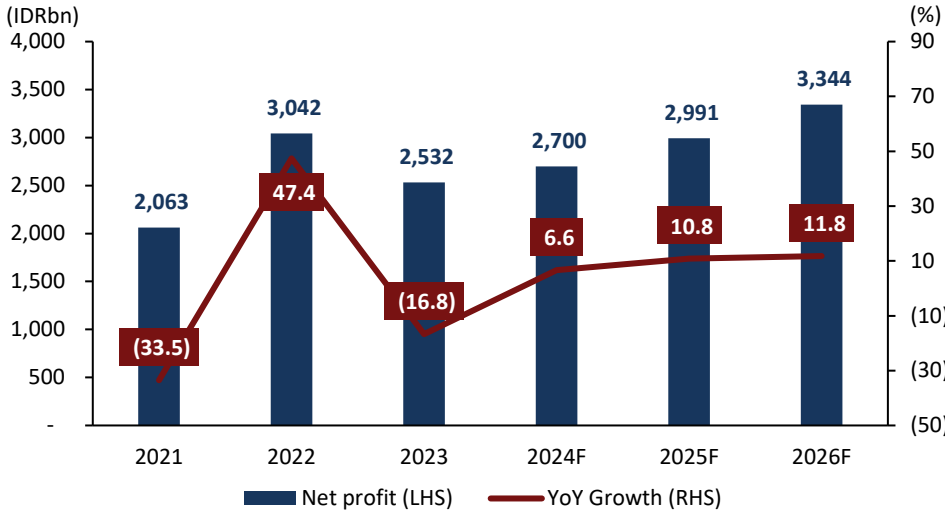
Figure 12. PNBNI's CoC & NPL, 2021-2026F



Sources: Company, SSI Research

NPLs decreased from 2.97% in 2023 to 2.79% in 1H24 (2024F: 2.90%) thanks to improved assets quality in commercial and corporate segments, leading to projected decline in CoC to 1.66%

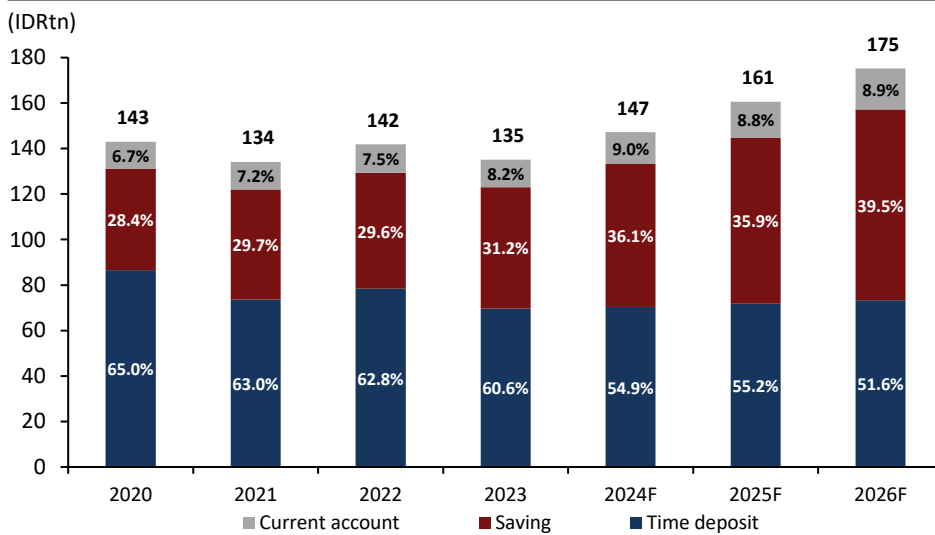
Figure 13. PNBNI's Net Profit, 2021-2026F



Sources: Company, SSI Research

Modest loan growth outlook, lower NIM, and lower CoC will pave the way for earnings CAGR of 7.6% in 2024-26F

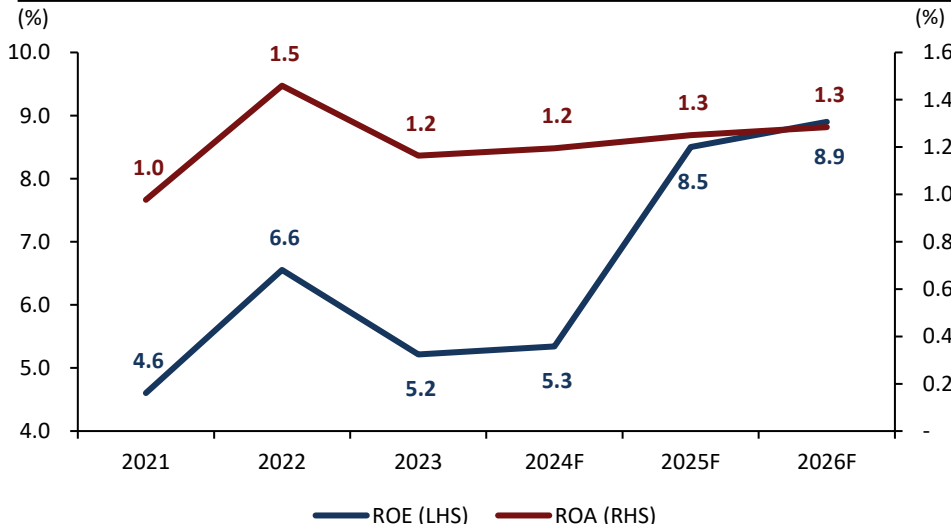
Figure 14. PNBNI's Deposit Breakdown, 2021-2026F



Sources: Company, SSI Research

Alongside projected flat CoF of 2.9% for 2024-26F, we anticipate decreased 2024F proportion of time deposits to 54.9%, down from 60.6% in 2023 on tightening liquidity conditions

Figure 15. PNBNI's ROE and ROA, 2021-2026F



Sources: Company, SSI Research

Growth in 2026F ROE to 8.9% and ROA to 1.3% are expected to expand in line with earnings growth

Valuation

Our positive view on PNBNI is based on normalized ROE. We incorporated 8.8% COE with risk-free rate of 6.5%, ROE of 8.5% in 2025F, before gradually improving to 8.9% in 2026F, and 5% long-term growth. Our TP of IDR 2,200 implies PBV of 1.0x, reflecting 15.5% potential upside despite 45.3% YTD outperformance of the JCI. Risks to our call include uncompleted divestment plan, residual NPLs from commercial segment and higher-than-expected CoF.

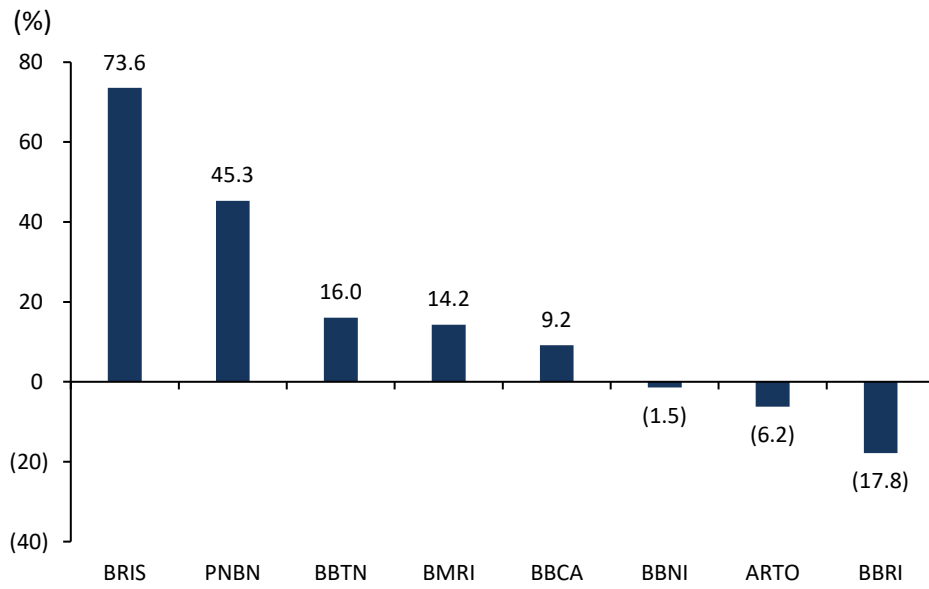
Noteworthy downside risks include higher-than-expected cost of funding and residual NPLs from commercial segment

Figure 16. Peer Comparables

Company Ticker	Rating	Market Cap. (IDR tn)	Last Price (IDR)	TP (IDR)	YTD Net Buy/(Sell) (IDR bn)	Upside Potential (%)	2024F			
							NIM (%)	EPS Growth (%)	PBV (x)	ROE (%)
BBCA	BUY	1,328	10,500	12,500	5,870	19.0	5.7	9.2	4.9	20.9
BBRI	HOLD	756	4,900	5,500	(22,506)	12.2	7.7	3.6	2.3	19.6
BMRI	BUY	672	7,075	8,500	2,588	20.1	5.2	0.1	2.3	21.2
BBNI	BUY	212	5,650	6,500	169	15.0	4.3	6.6	1.3	14.3
BRIS	HOLD	143	3,000	2,900	1,986	(3.3)	5.5	15.6	3.1	16.9
PNBNI	BUY	46	1,905	2,200	131	15.5	4.6	6.6	0.9	5.3
ARTO	HOLD	39	2,930	3,000	798	2.4	7.9	53.7	4.8	1.3
BBTN	HOLD	21	1,470	1,400	373	(4.8)	3.6	7.4	0.5	11.7
Sector	Overweight	3,217			-2,213	16.0	6.0	6.6	3.3	19.5

Sources: Company, SSI Research

Figure 17. SSI Banking Coverage Share Price Performance Relative to JCI



Sources: Company, SSI Research

PNBNI is considered one of the most undervalued banks under our coverage, with 2024F PBV of 0.9x, significantly lower than the industry's weighted average of 3.4x

Up 45.3% YTD relative to the JCI, PNBNI is ranked 2nd among its peers

Figure 18. Management Profile

Board of Commissioners	Position	Years of Experience
 <p>Nelson Tampubolon holds Bachelor's degree in Economics from Parahyangan University and attended the Arthur D. Little Management Institute in Boston. He has held prominent roles including President Commissioner of PT MNC Kapital Indonesia, Director of the International Directorate at Bank Indonesia, and a member of OJK's Commissioner Board.</p>	<p>President Commissioner (Independent)</p>	<p>27</p>
 <p>Lintang Nugroho has a background in International Trade & Business from UCLA and has held leadership roles such as President Commissioner of PT PNM Ventura Syariah and Business Director of PT PNM Persero. He currently serves as Chairman of the Risk Monitoring Committee and is a Member of the Audit Committee, with extensive experience in banking and corporate governance.</p>	<p>Vice-President Commissioner (Independent)</p>	<p>25</p>
 <p>Chandra R. Gunawan, Mu'min Ali Gunawan's son, holds Bachelor's degree in Business Administration from the University of San Francisco and has extensive experience in banking, including serving as Vice President Director of PNBNI from 1994 to 2018. Prior to that, he held roles at Chase Manhattan Bank in Jakarta and Crocker National Bank in San Francisco, building a strong foundation in finance and leadership.</p>	<p>Commissioner</p>	<p>44</p>
 <p>Johnny holds degrees in Banking Finance and Economics, and has extensive experience in banking sector, having served as President Commissioner of PNBNI from 2007 to 2018 and currently holding the role of President Commissioner of PT Central Omega Resources Tbk.</p>	<p>Commissioner</p>	<p>43</p>
 <p>Gregory James Terry holds degrees from the University of Melbourne and Tufts University, and has an extensive career spanning roles such as General Counsel for Morgan Stanley Asia, Country Manager for Credit Suisse in Austria, and Diplomat for Australia's Department of Foreign Affairs.</p>	<p>Commissioner</p>	<p>58</p>
 <p>Drs. H. Riyanto holds a Bachelor's degree in Economics from Gadjah Mada University, has held roles such as Commissioner of PT Bank Mitra Niaga and Executive Bank Inspector at Bank Indonesia. He now serves as Chairman of the Audit Committee and Member of the Remuneration and Nomination Committee.</p>	<p>Commissioner</p>	<p>51</p>

Board of Directors	Position	Years of Experience
 <p>Herwidayatmo, with degrees in Accounting from Gadjah Mada University and an MBA from Saint Mary's University in Canada, has held significant roles including Vice President Director of PT Bank Permata Tbk, Chairman of Bapepam, and Executive Director of the World Bank for Southeast Asia.</p>	<p>President Director</p>	<p>42</p>
 <p>Hendrawan Danusaputra, with a degree in Computer Science from the University of Technology, Sydney, has held key roles such as Director of Institutional Banking at PNBNI and Director of Correspondent Banking at American Express Bank Jakarta.</p>	<p>Deputy President Director</p>	<p>30</p>
 <p>Edy Heryanto, with a background in Finance from the Academy of Finance and Development Banking, has served as Vice President and Branch Office Manager at Jakarta Palmerah and previously worked as credit analyst at Bank Universal.</p>	<p>Director</p>	<p>36</p>
 <p>Gunawan Santoso, with an engineering degree from Gadjah Mada University, is currently Commissioner of PT Verena Multi Finance Tbk and formerly held key roles at PT Clipan Finance and PNBNI.</p>	<p>Director</p>	<p>29</p>
 <p>Linto Gunawan, Mu'min Ali Gunawan's son, with Bachelor's degree in Finance from San Francisco State University, has held roles as Director at ANZ PNBNI and Manager at Westpac PNBNI.</p>	<p>Director</p>	<p>33</p>
 <p>Januar Hardi, with a background in Husbandry and Economics from Bogor Agricultural University, served as Vice President and Head of Corporate Banking Group at PNBNI from 2003 to 2016.</p>	<p>Director</p>	<p>21</p>
 <p>Haryono Wongsonegoro, with Master's degree in Management from Udayana University, Bali, has held key leadership roles at Bank Central Asia, including Head of the Jakarta Regional Office and Head of SME and Commercial Business.</p>	<p>Director</p>	<p>29</p>
 <p>Suwito Tjokrorahardjo, with degrees in Marketing Economics from the University of Surabaya and Pelita Harapan University, has held various leadership roles at Lippobank, including Branch Network Group Head, and previously worked in the Trade Department at Citibank.</p>	<p>Director</p>	<p>34</p>

Sources: Company, SSI Research

Sources: Company, SSI Research

INDUSTRY OVERVIEW

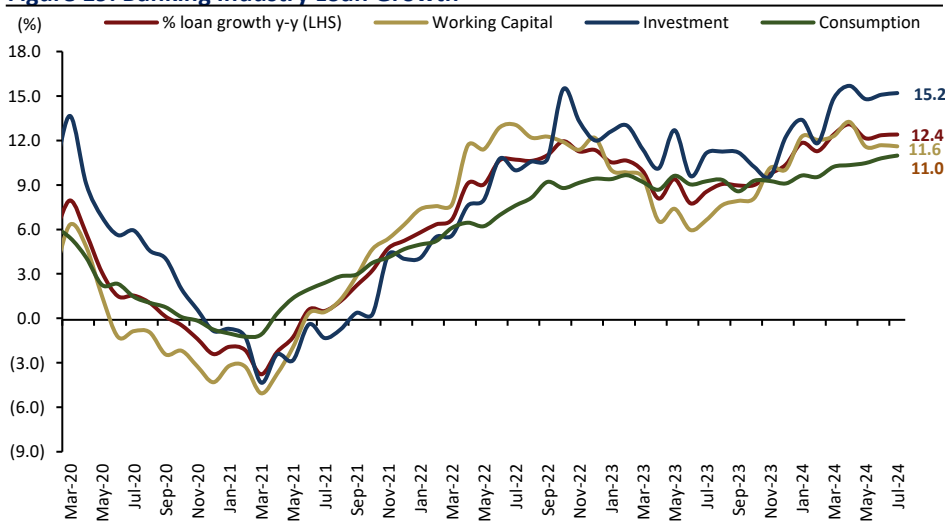
Investment loans as main loan growth driver in 7M24. The main driver for loan growth in 7M24 was investment loans, which grew 15.2% YoY and 0.7% MoM, followed by working capital loans (+11.6% YoY and +0.1% MoM), and consumption loans (+0.1% MoM and +11.0% YoY). Regarding the drivers, investment loans were driven by the manufacturing and transport & communication sectors, whose loan expanded 18.2% and 16.8% in Jul-24. Consumption loans were supported by mortgages (+14.3% YoY in Jul-24) and vehicle loans (+8.1% YoY in Jul-24). Lastly, the strongest contributors were the finance, real estate & services sector, which saw 24.4% YoY growth in Jul-24, and the mining & quarrying sector (+50.7% YoY in Jul-2024).

Deposit growth decelerated in 7M24. Total deposit growth decelerated to 7.7% YoY in July-24, slower than in May and June 2024. Demand deposits remained the main driver for deposit growth in 7M24 as it grew 10.7% YoY, though it declined 2.1% MoM. TD rose 0.4% MoM and 6.6% YoY, while saving account went up 6.2% YoY and 0.3% MoM. It is worth highlighting that liquidity remains tight, as LDR increased to 86.5% in 7M24 vs. 85.7% in 6M24 and 82.9% in 7M23. Nevertheless, we anticipate that the system will have improved liquidity and the LDR to decrease during the rate cut cycle. BI also anticipated a drop in the RRR, which is presently set at 9% or 7.5% for Sharia banks (with a maximum RRR incentive of 4%), and if BI maintains the RRR incentives going forward, we expect it will boost liquidity, especially for the big banks.

In 7M24, the banking sector booked investment loan growth of 15.2% YoY

Industry improvements are expected during the rate cut cycle, supported by potential RRR adjustments from BI

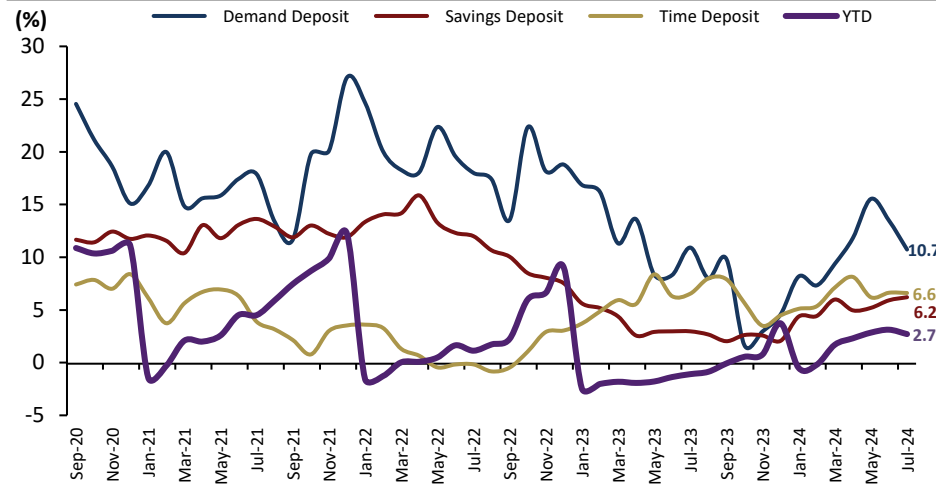
Figure 19. Banking Industry Loan Growth



Sources: OJK, SSI Research

Throughout 2022-2024, investment-type loans showed the fastest growth

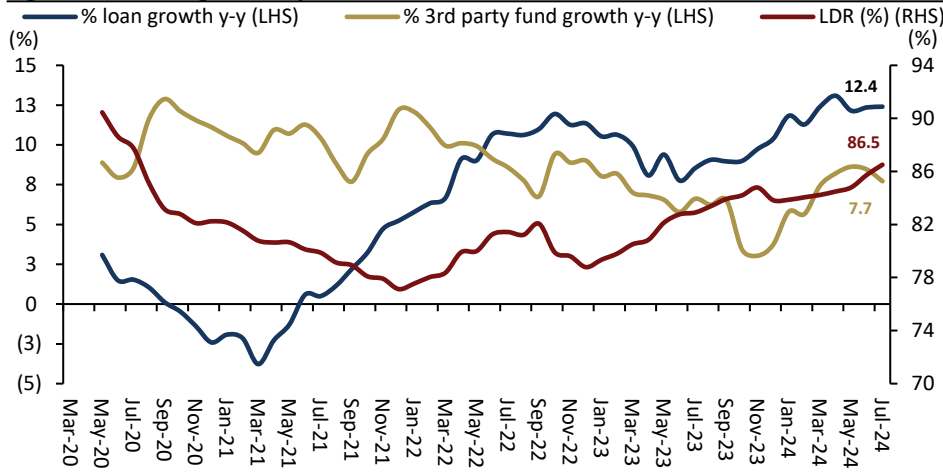
Figure 20. Banking Industry Deposits



Sources: OJK, SSI Research

Industry deposits maintained positive growth of 2.7% YTD, driven mainly by demand and time deposits

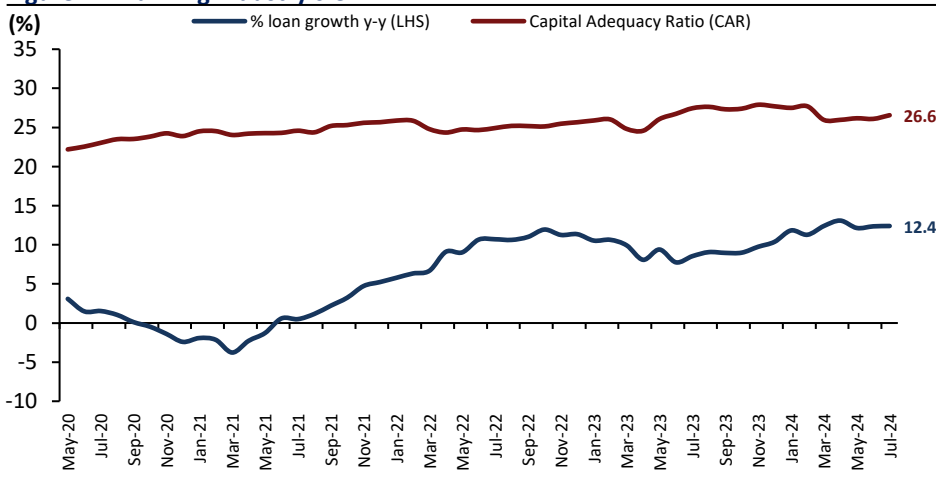
Figure 21. Banking Industry's LDR



Sources: OJK, SSI Research

Third-party funds declined while loan growth remained flat throughout 1H, causing the LDR to rise to 86.5% in Jul-24

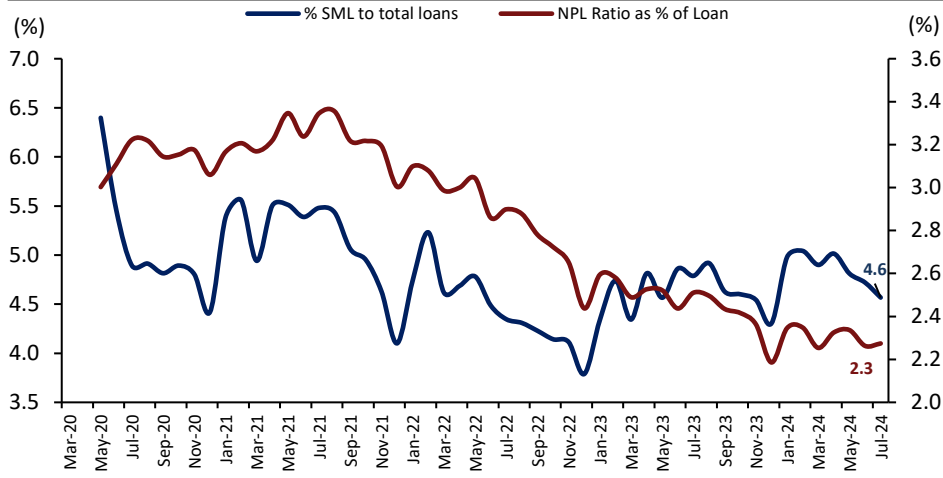
Figure 22. Banking Industry's CAR



Sources: OJK, SSI Research

Steady increase in loan growth post-2021 indicates signs of recovery, while banks have consistently maintained high capital adequacy (Jul-24: 26.6%)

Figure 23. Banking Industry's NPL Ratio



Sources: OJK, SSI Research

Both SML and NPL ratios are trending down from their peaks in 2020-2021; the decline in NPL ratio to 2.3% indicated that banks' NPLs had improved

Financial Highlights

Income Statement						
Y/E Dec (IDR Bn)	21A	22A	23A	24F	25F	26F
Interest income	14,347	13,906	14,588	14,725	15,556	16,669
Interest expense	(4,792)	(3,957)	(5,382)	(5,112)	(5,332)	(5,584)
Net interest income	9,555	9,949	9,206	9,613	10,224	11,086
Non-interest income	3,110	1,996	2,576	2,229	2,361	2,502
Total operating income	12,666	11,944	11,783	11,842	12,584	13,588
Operating expenses	(4,866)	(5,081)	(5,346)	(5,615)	(5,901)	(6,205)
Pre-prov. op. profit	7,799	6,863	6,437	6,227	6,683	7,383
Provisions expense	(5,350)	(2,791)	(2,758)	(2,307)	(2,339)	(2,524)
Operating profit	2,450	4,073	3,679	3,920	4,344	4,859
Non-op. inc./(exp.)	65	16	96	106	117	128
Pre-tax profit	2,514	4,089	3,776	4,026	4,461	4,987
Corporate tax	(697)	(816)	(770)	(821)	(910)	(1,017)
Minorities	246	(231)	(474)	(505)	(560)	(626)
Net profit	2,063	3,042	2,532	2,700	2,991	3,344
EPS (IDR)	86	126	105	112	124	139

PNBN is expected to achieve net profit growth of 6.6% in 2024F and 10.8% in 2025F, driven by an improvement in the cost of credit, which is forecasted to decrease to 1.7% in 2024F and 1.6% in 2025F, compared to 2.1% in FY23

Balance Sheet						
Y/E Dec (IDR Bn)	21A	22A	23A	24F	25F	26F
Placement with other banks	7,275	7,192	6,038	6,401	6,785	7,192
Loans	118,962	129,878	139,701	149,266	160,262	172,941
Government bonds	0	0	0	2	3	4
Other int-earning assets	63,944	54,744	56,005	61,270	67,053	73,413
Impairments	(5,819)	(6,787)	(8,420)	(10,383)	(12,330)	(14,431)
Net earning assets	184,362	185,028	193,324	206,557	221,774	239,119
Cash	1,740	1,704	1,298	(7,938)	(3,902)	(267)
Fixed assets	10,381	10,422	10,461	10,502	10,543	10,585
Other assets	7,719	15,470	17,407	20,124	20,810	21,995
Total assets	204,202	212,624	222,489	229,245	249,225	271,432
Customer deposits	134,068	141,844	145,638	147,194	160,611	175,208
Deposits from other banks	1,767	3,259	2,421	2,590	2,771	2,965
Borrowing and sub-debts	5,078	5,940	6,503	7,893	9,582	11,691
Other liabilities	15,002	10,673	14,136	16,094	18,354	20,948
Total liabilities	155,915	161,716	168,698	173,770	191,318	210,813
Minorities	3,102	3,315	3,608	4,113	4,672	5,298
Equity	45,446	47,401	49,705	51,362	53,234	55,321
Total liabilities and equity	204,463	212,432	222,010	229,245	249,225	271,432
BVPS (IDR)	1,887	1,968	2,063	2,132	2,210	2,297

Savings emerged as the fastest-growing component of TPFs in 2023, achieving +5.5% YoY growth, while deposits saw more modest increase of +1.43% YoY

Key Ratios & Assumptions						
Year-end 31 Dec (%)	21A	22A	23A	24F	25F	26F
NIM	4.8	5.2	4.7	4.6	4.5	4.5
Loan-to-deposit ratio	88.7	91.6	95.9	101.4	99.8	98.7
Cost-to-income ratio	80.7	65.9	68.8	66.9	65.5	64.2
Credit cost	4.7	2.3	2.1	1.7	1.6	1.6
Gross NPL	3.7	3.6	3.0	2.9	2.9	2.9
NPL coverage	127.8	142.2	197.9	234.3	259.6	282.0
CAR	29.6	29.9	30.1	32.4	32.5	31.5
ROA	1.0	1.5	1.2	1.2	1.3	1.3
ROE	4.6	6.6	5.2	5.3	8.5	8.9
Average asset yield	7.3	7.3	7.4	7.0	6.9	6.8
Average funding cost	3.0	2.5	3.3	3.0	3.0	2.8
Average loan yield	8.1	7.8	7.5	7.0	6.9	6.9
Average deposit cost	2.5	2.7	3.3	3.3	3.2	3.0
Loan growth	(2.2)	9.2	7.6	6.8	7.4	7.9
Deposit growth	(8.0)	3.0	2.8	9.0	9.1	9.1
EPS growth	(33.5)	47.4	(16.8)	6.6	10.8	11.8

NIM pressure will persist in 2024F and 2025F due to lower average loan yields from intense competition among banks

Key Breakdowns						
Year-end 31 Dec (%)	21A	22A	23A	24F	25F	26F
As % of earning assets						
Gross loan	61.4	66.5	67.9	67.2	66.7	66.3
Government bonds	0.0	0.0	0.0	0.0	0.0	0.0
Other earnings assets	38.6	33.5	32.1	32.8	33.3	33.7
As % of loan book						
Corporate	45.9	45.0	42.7	40.3	38.3	36.6
Commercial & SME	33.1	31.2	32.4	33.7	34.7	35.5
Consumer	14.6	16.4	17.4	18.0	18.4	18.7
Subsidiaries	6.5	7.4	7.5	8.0	8.6	9.2
As % of deposit						
CASA deposit	45.1	44.8	48.4	52.2	55.3	58.2
Time deposit	54.9	55.2	51.6	47.8	44.7	41.8

PNBN's primary motivation to focus on commercial segment is its higher loan yields compared to the corporate sector (1H24; corporate: 7.6%, commercial: 8.2%)

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