

Bank Negara Indonesia Tbk (BBNI)

Striving for Healthy Growth Quality

As of Semester I 2023, BBNI managed to score a pretty good performance. BBNI posted an increase in last 1H23 net profit to IDR 10.302T (1H23: IDR 8.803T; + 17.0% YoY and -2.7% QoQ). The increase in Net Profit was supported by a 5.1% increase in Net Interest Income (NII) to IDR 20.602T YoY, then PPOP by 0.3% to IDR 17.300T YoY. One of the factors driving the increase in BBNI's profit is still the same as the previous quarter in 1Q23, where the increase in 1H23 profit results is still driven by the downward trend in provision costs which has decreased quite significantly.

Lending Growth in 1H23 Still Not in Line with Expectations

- For 1H23 achievements from the Loan side, BBNI recorded total loan growth of +4.9% YoY and +2.6% QoQ to IDR 650.8T (1H22: IDR 620.4T; 1Q23: IDR 634.3T). This semester, the growth in loan disbursement on a year-on-year basis was supported by an increase in growth from the Business Banking segment (QoQ -2.4%, YoY +3.2%) and the Consumer segment which experienced rapid growth (QoQ +2.6%, YoY +11.7%). From Business Banking, loan growth was less aggressive due to a significant decline in disbursements from SOE Corporate (-10.2% YoY, +13.9% QoQ) and Small Business Segment (KUR-SME) which disbursements were -2.6% QoQ and -6.3% YoY. However, this was fortunately offset and mitigated by the increase in disbursements from Private Corporates (QoQ 2.3%, +16.6% YoY). The realization of loan disbursement growth performance is unfortunately still not in line with management's Guidance which indicated for loan disbursement in FY23 (7.0-9.0%, 1H23 Result: 4.9%).
- Credit Cost (CoC) level decreased drastically compared to last year, down 0.8% to 1.4% in 1H23 on YoY basis. NIM in this period fell 12 Bps to 4.58% YoY (1H22: 4.70%). As of 1H23, there was a revision of guidance from management, in which the new guidance for FY2023 targeted NIM to be in the range of greater than or equal to 4.6%. Credit Cost achievement has been quite inline with management's guidance, which managed to be at <1.5% level in 2Q23 at 1.4% (1H22: 2.2%. -70 Bps YoY).
- As of 1H23, BBNI managed to record Gross Non-Performing Loan (NPL) level at 2.5%, down 70 Bps YoY and 30 Bps QoQ (1H22: 3.2%; 1Q23: 2.8%). The Loan at Risk (LAR) level dropped significantly by 350 Bps YoY and 20 Bps QoQ to 16.1% (1H23), where the LAR figure also includes the results of restructuring loans during the covid period. The NPL Coverage (LLR) increased by 45.5% YoY and 22% QoQ to 308.8%. This improvement in asset quality still triggered a decrease in provisioning costs which was still enough to boost BBNI's Net Profit this quarter.

CASA Level Remains Steady

- Regarding CASA & Third Party Funds (DPK) level in 1H23, BBNI scored CASA growth of 11.1% YoY and 3.9% QoQ. CASA growth in 1H23 was supported by an increase in current account deposits by 20.8% YoY and 3.9% QoQ to IDR 301.8T, as well as an increase of 0.6% YoY and 1.4% QoQ (1H23: IDR 230.6T) in the Saving Account. The growth level of time deposits rose by 9.3% YoY and 0.6% QoQ to IDR 232.7T, thus BBNI's total deposits in 1H23 rose by 10.6% YoY and 2.9% QoQ to IDR 765T.

Buy Recommendation with a TP at IDR 12,000 (+34.09% Upside)

- NHKS Research maintains Buy recommendation for BBNI, with a TP of IDR 12,000, reflecting Forward P/BV of 1.38x FY23F. This recommendation is supported by stable-improving NIM, cost efficiency, declining LAR on annualized basis as well as execution from "hibank", BBNI's digital bank. The risks are uncertain economic conditions, NIM pressure and competition from other competitors, especially banks in the KBMI IV category as well as growth loan expectations that are not in line with expectations.

Bank Negara Indonesia Tbk | Summary (IDR bn)

in IDR Bn	2022A	2023F	2024F	2025F
Interest Income	54,659	64,589	69,607	74,664
Interest Income growth	9.3%	18.2%	7.8%	7.3%
Operating Revenue	61,472	71,053	77,339	82,505
Net profit	18,312	22,511	25,526	28,684
EPS (IDR)	982	1,207	1,369	1,538
EPS growth	68.0%	22.9%	13.4%	12.4%
BVPS (IDR)	7,518	8,146	8,729	11,004
Net Interest Margin	4.8%	5.0%	5.1%	5.0%
Loan/Deposits	82.4%	81.1%	79.4%	78.5%
NPL	2.8%	2.7%	2.6%	2.4%
ROE	13.7%	15.4%	16.2%	15.6%
ROA	1.8%	2.1%	2.2%	2.2%
P/E	9.2x	9.8x	9.8x	9.8x
P/BV	1.20x	1.45x	1.53x	1.37x
P/Op. Revenue	2.7x	3.1x	3.2x	3.4x
DPS (IDR)	393	483	582	692
Dividend yield	4.34%	4.09%	4.35%	4.60%

Source: Company Data, Bloomberg, NHKS Research

Please consider the rating criteria & important disclaimer



Company Report | July. 28, 2023

Buy

Target Price (IDR)	12,000
Consensus Price (IDR)	11,463
TP to Consensus Price	+4.68%
Potential Upside	+34.83%

Shares data

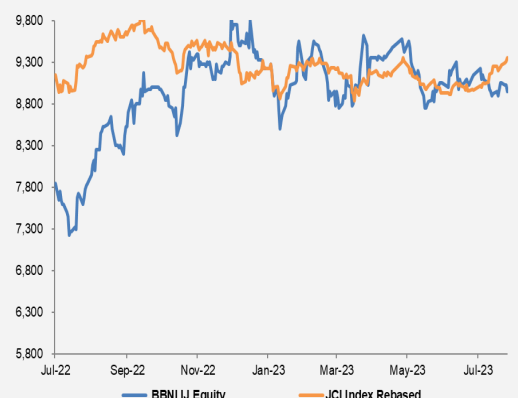
Last Price (IDR)	8,900
Price date as of	July. 27, 2023
52 wk range (Hi/Lo)	9,950 / 7,625
Free float (%)	39.96
Outstanding sh.(mn)	18,649
Market Cap (IDR bn)	166,439
Market Cap (USD mn)	11,085
Avg. Trd Vol - 3M (mn)	27.29
Avg. Trd Val - 3M (bn)	246.63
Foreign Ownership	16.73%

Financial Services

Banking

Bloomberg	BBNI IJ
Reuters	BBNI.JK

Share Price Performance



	YTD	1M	3M	12M
Abs. Ret.	-3.5%	-2.5%	-7.0%	16.0%
Rel. Ret.	-4.2%	-5.9%	-6.9%	15.6%

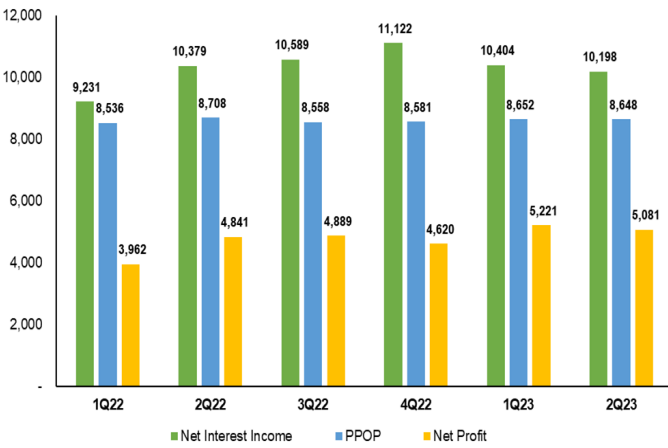
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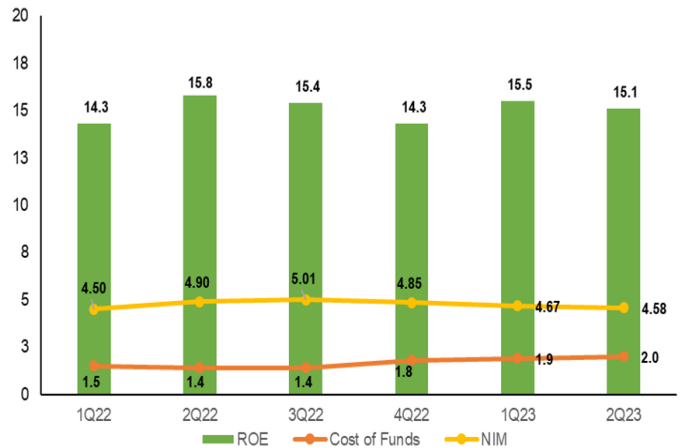
Performance Highlights

Financial Performance (IDR Billion)



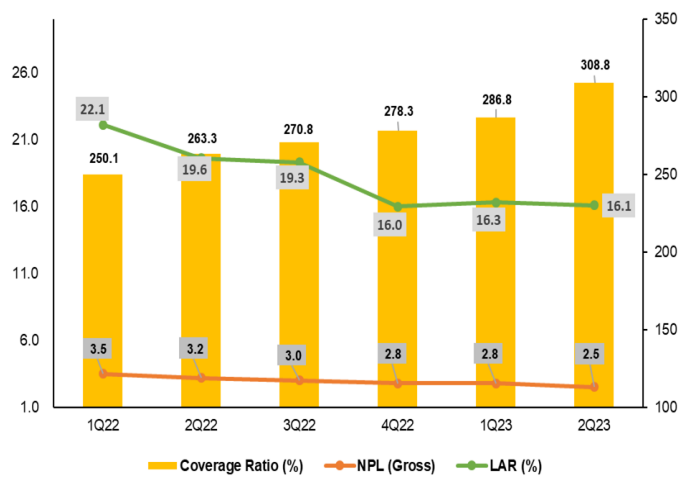
Source: Company, NHKSI Research

Profitability Ratios (%)



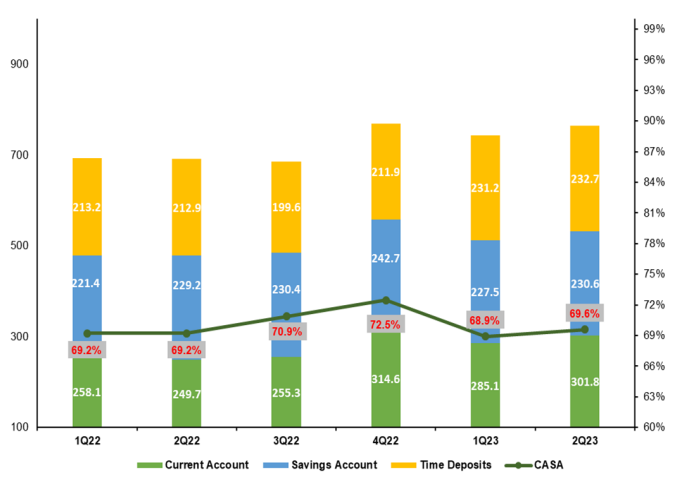
Source: Company, NHKSI Research

Asset Quality



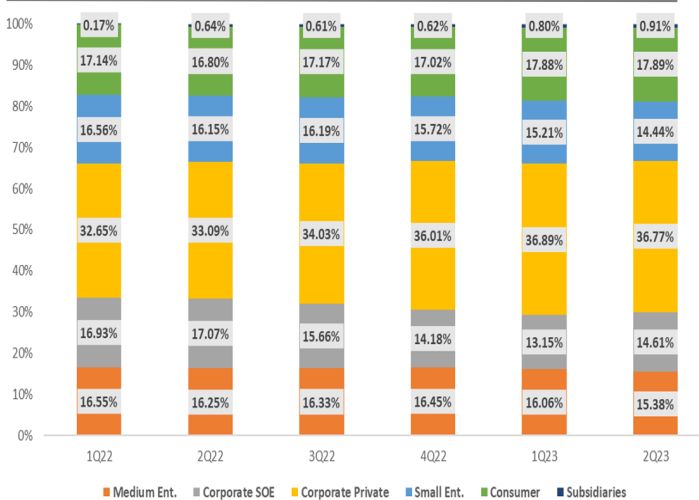
Source: Company, NHKSI Research

Third Party Fund (IDR Trn) & CASA Ratio



Source: Company, NHKSI Research

Loan Composition Breakdown



Source: Company, NHKSI Research

F-PBV | Last 3 Years



Source: Company, NHKSI Research

Summary of Financials

INCOME STATEMENT					PROFITABILITY & STABILITY				
(IDR bn)	2022/12A	2023/12F	2024/12F	2025/12F		2022/12A	2023/12F	2024/12F	2025/12F
Interest Income	54,659	64,589	69,607	74,664	ROE	13.7%	15.4%	16.2%	15.6%
<i>Growth (% y/y)</i>	9.3%	18.2%	7.8%	7.3%	ROA	1.8%	2.1%	2.2%	2.2%
Interest Expenses	(13,338)	(14,612)	(15,829)	(17,272)	Non-Int. Inc. /Op. Rev	32.8%	29.7%	30.5%	30.4%
Net Interest Income	41,321	49,977	53,778	57,392	Cost/Income	44.0%	45.0%	45.1%	45.0%
<i>Net Interest Margin</i>	4.5%	5.1%	5.1%	5.0%	Cash Dividend (IDR bn)	7,325	9,004	10,848	12,908
Net Fee Income	9,738	11,159	12,570	13,149	Dividend Yield (%)	4.4%	4.0%	4.3%	4.5%
Trading Income	2,944	2,916	3,458	3,925	Payout Ratio (%)	40.0%	40.0%	42.5%	45.0%
Other Operating Income	7,469	7,000	7,532	8,039	Loan/Deposits	82.4%	81.1%	79.4%	78.5%
Operating Revenue	61,472	71,053	77,339	82,505	Loan/Assets	62.7%	61.9%	60.8%	58.9%
Operating Expenses	(27,059)	(31,961)	(34,875)	(37,131)	NPL	2.8%	2.7%	2.6%	2.4%
Pre-provisioning OP	34,413	39,092	42,464	45,374	Loan Loss Res./Loan	7.8%	7.7%	7.1%	6.6%
Provision for Impairment	(11,514)	(10,371)	(9,907)	(8,805)	CASA/Deposits	72.4%	74.2%	76.1%	77.8%
EBT	22,687	28,480	32,295	36,290	Time Deposits/Deposits	27.6%	25.8%	23.9%	22.2%
Income Tax	(4,205)	(5,696)	(6,459)	(7,258)	Par Value (IDR)	375	375	375	375
Non-controlling Interest	(170)	(273)	(310)	(348)	Total Shares (mn)	18,649	18,649	18,649	18,649
Net Profit	18,312	22,511	25,526	28,684	Share Price (IDR)	8,900	12,000	13,607	15,291
<i>Growth (% y/y)</i>	68.0%	22.9%	13.4%	12.4%	Market Cap (IDR tn)	166.0	223.8	253.8	285.1

BALANCE SHEET					VALUATION INDEX				
(IDR bn)	2022/12A	2023/12F	2024/12F	2025/12F		2022/12A	2023/12F	2024/12F	2025/12F
Cash	13,448	24,352	64,469	76,031	Price /Earnings	9.1x	9.9x	9.9x	9.9x
Placement in Banks	150,413	166,541	188,523	233,699	Price /Book Value	1.2x	1.5x	1.6x	1.4x
Net Loans	595,854	640,585	668,906	691,131	Price/Op. Revenue	2.7x	3.1x	3.3x	3.5x
Investment	167,087	179,572	187,379	236,710	PE/EPS Growth	0.1x	0.4x	0.7x	0.8x
Fixed Asset	26,549	28,027	28,539	29,093	EV/Operating Revenue	3.5x	3.9x	4.0x	4.2x
Other Assets	76,485	81,103	87,859	94,299	EV/PPOP	6.2x	7.0x	7.3x	7.7x
Total Assets	1,029,837	1,120,180	1,225,675	1,360,962	EV (IDR bn)	214,671	273,585	311,202	348,321
Deposits	784,514	855,643	938,269	1,020,787	Op. Rev. CAGR (3-Yr)	8.7%	11.0%	14.1%	13.9%
Debt	57,764	60,965	67,969	73,339	EPS CAGR (3-Yr)	7.7%	13.5%	98.2%	38.1%
Other liabilities	47,361	51,656	56,644	61,625	Basic EPS (IDR)	982	1,207	1,369	1,538
Total Liabilities	889,639	968,263	1,062,882	1,155,752	Diluted EPS (IDR)	982	1,207	1,369	1,538
Capital Stock & APIC	26,064	26,064	26,064	26,064	BVPS (IDR)	7,518	8,146	8,729	11,004
Retained Earnings	94,060	102,313	112,521	152,872	Op. Revenue PS (IDR)	3,296	3,810	4,147	4,424
Shareholders' Equity	140,198	151,917	162,793	205,210	DPS (IDR)	393	483	582	692

CASH FLOW STATEMENT					OWNERSHIP			
(IDR bn)	2022/12A	2023/12F	2024/12F	2025/12F	By Geography	% Shareholders	%	
Operating Cash Flow	17,859	10,589	25,451	9,315	Indonesia	83.68	Republic of Indonesia	60.00
Investing Cash Flow	(23,341)	(68,477)	(64,783)	(74,801)	United States	5.88	Norges Bank	1.91
Financing Cash Flow	89,024	68,792	79,450	77,047	Norway	2.59	Vanguard Group	1.44
Net Changes in Cash	83,541	10,904	40,117	11,561	Others	7.85	Others	36.65

Source: Company Data, Bloomberg, NHKSI Research

NH Korindo Sekuritas Indonesia (NHKSI) Stock Ratings

1. Based on a stock's forecasted absolute return over a period of 12 months from the date of publication.
2. Rating system based on a stock's potential upside from the date of publication
 - Buy : Greater than +15%
 - Overweight : +5% to 15%
 - Hold : -5% to +5%
 - Underweight : -5% to -15%
 - Sell : Less than -15%

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