

Bank Negara Indonesia Tbk (BBNI)

Getting Ready to Run in 2024 After Improving Asset Quality

In FY23, BBNI posted an increase in Net Profit of IDR 20.909 T (FY22L IDR 18.312 T; +15.1% YoY). As for BBNI's Net Interest Income (NII) remain stable on a year-on-year basis at IDR 41.136 T (FY22: IDR 41.321 T, -0.11% YoY). The NII was quite stuck, as although Interest Income increased +12.5% YoY to IDR 61.472T (FY22: IDR 54.659T), Interest Expense increased considerably by 51.4% YoY to IDR 20.196T (FY22: IDR 13.338T) due to the era of high interest rates and also evident from the rising trend of BBNI's CoF on a quarterly basis. Operating Expenses were relatively stable (+2.7% YoY), as well as PPOP which remained at IDR 34.970T (FY22: IDR 34.414T; +1.6%). What boosted BBNI's Net Profit was the decrease in provisioning costs due to BBNI's improved asset quality where provisions decreased by -20.1% YoY to IDR 9.196T (FY22: IDR 11.514T).

Lending Growth Supported by Increase in Corporate & Consumer Segment

- Loan growth for FY23 was +7.6% YoY to IDR 695.1T (FY22: IDR 646.2T). This loan growth was driven by the largest contributor and lower-risk segments, namely the Corporate Segment, both private and state-owned. The Private Corporate segment grew 5.2% QoQ and 14.3% YoY to IDR 264.6T. SOE Corporate segment grew 4.6% QoQ and 11.8 YoY to IDR 102.4T. Other Business Banking segments, including the Medium, declined -2.5% YoY and QoQ +1.8%. Meanwhile, the Small Enterprise segment experienced a decline of -12.6% YoY and -2.8% QoQ. The Consumer segment recorded quite rapid growth, with QoQ +4.1% and YoY +13.6% where all Consumer Banking segments experienced growth, both mortgages, personal loans, and credit card segments scored significant growth.
- Cost of Credit (Bank Only) achievement was in line with management guidance, which managed to be at 1.4% for FY23 (FY22: 1.9%, -0.5% YoY). Cost of Credit (CoC) level since 1Q23-4Q23 has been stable at 1.3-1.5% range.
- As of this FY23 period, BBNI managed to record a Gross Non-Performing Loan (NPL) level at 2.1%, down 70 Bps YoY and 20 Bps QoQ (3Q22: 2.3%; 4Q22: 2.8%). The Loan at Risk (LAR) level dropped significantly by -310 Bps YoY and -150 Bps QoQ to 12.9% in FY23, where the LAR figure also includes the results of restructuring of covid loans. NPL Coverage (LLR) increased by +40.7% YoY and -5.5% QoQ to 319%. This improvement in asset quality still triggered a downward trend in provisioning costs which was still enough to boost BBNI's Net Profit in this FY23 period.

BBNI's CASA Remains Stable and Healthy Despite Significant Increase in CoF

- BBNI's total deposits on an annualized basis still grew by 5.4% YoY to IDR 810.7T (FY22: IDR 769.3T). Meanwhile CASA on a year-on-year basis still grew by 3.6% YoY. CASA growth was driven by a significant increase in current account deposits (+9.8% YoY and +12.6% QoQ) to IDR 345.5T. Meanwhile, savings deposits decreased -4.4% YoY but QoQ grew to IDR 232T, thus keeping BBNI's CASA level at 71.3% in FY23. High-cost funds (Time Deposits) increased 10.1% YoY, although QoQ was flat -0.6% to IDR 233.2T for FY23.
- To maintain liquidity as well the situation of a high-interest rate era and tight funding competition is quite influential in the increase of CoF from BBNI. In the last year, from 1Q23-4Q23, BBNI's CoF has increased from 1.9% to 2.5%. In fact, in 4Q23 BBNI's CoF increased by 30 Bps QoQ. The dominant increase in CoF components was seen from the CoF of time deposits and current accounts, where for time deposits from 1Q23-4Q23 was at the level of 3.41-4.65% and for current accounts at the level of 1.80-2.37%. Although the increase in CoF is quite significant, as a result of improved asset quality and lower provisioning costs, this helps mitigate the impact of higher interest expense amidst relatively stable interest income.

BBNI Management's Guidance for 2024

- Talking about BBNI's guidance for 2024, NIM and CoC (Bank Only) are still stable and the same as FY 2023, where NIM will be at >4.5% and CoC will be below <1.4%. NPL will be targeted at <1.8% and LAR at 10% for 2024. However, loan growth will be pursued and more expansive at the level of 9-11% for 2024. As for 2024, it is targeted that loans will return to growth for the SME segment after 2023 contraction.

Buy Recommendation with TP at IDR 6,475 (+13.1% Upside)

- NHKS Research maintains a Buy recommendation for BBNI, with TP at IDR 6,475, which reflects a Forward P/BV of 1.4x FY24F. This recommendation is supported by stable-improving NIM, more aggressive loan growth, cost efficiency, and declining LAR on an annualized basis. The risks of this call are uncertain economic conditions, political instability, declining NIM pressure, and competitive intensity from other competitors, especially banks in the KBMI IV category as well as loan growth expectations that are not in line with expectations.

Bank Negara Indonesia Tbk | Summary (IDR bn)

	2023/12A	2024/12F	2025/1F	2026/12F
Interest Income	61,472	65,466	68,531	74,277
Interest Income growth	12.5%	6.5%	4.7%	8.4%
Operating Revenue	62,747	69,043	73,073	79,167
Net profit	20,909	24,079	26,419	28,981
EPS (IDR)	561	646	708	777
EPS growth	14.2%	15.2%	9.7%	9.7%
BVPS (IDR)	4,149	4,582	5,025	5,516
Net Interest Margin	4.6%	4.7%	4.7%	4.7%
Loan/Deposits	82.4%	84.6%	84.6%	85.2%
NPL	2.8%	1.9%	1.7%	1.6%
ROE	15.7%	15.5%	14.7%	14.7%
ROA	2.1%	2.2%	2.1%	2.1%
P/E	10.2x	10.0x	10.0x	10.0x
P/BV	1.38x	1.41x	1.41x	1.41x
P/Op. Revenue	3.4x	3.5x	3.6x	3.7x
DPS (IDR)	196	274	301	350
Dividend yield	3.43%	4.24%	4.24%	4.49%

Source: Company Data, Bloomberg, NHKSI Research



Company Report | February 2, 2024

Overweight

Target Price (IDR)	6,475
Consensus Price (IDR)	6,282
TP to Consensus Price	+3.07%
Potential Upside	+13.1%

Shares data

Last Price (IDR)	5,725
Price date as of	February 1, 2024
52 wk range (Hi/Lo)	5,800 / 4,312
Free float (%)	39.85
Outstanding sh.(mn)	37,297
Market Cap (IDR bn)	213,527
Market Cap (USD mn)	13,558
Avg. Trd Vol - 3M (mn)	49.15
Avg. Trd Val - 3M (bn)	258.50
Foreign Ownership	16.73%

Financial Services

Banking

Bloomberg	BBNI IJ
Reuters	BBNI.JK

Share Price Performance



Leonardo Lijuwardi

(021) 5088 9100 ext. 9127

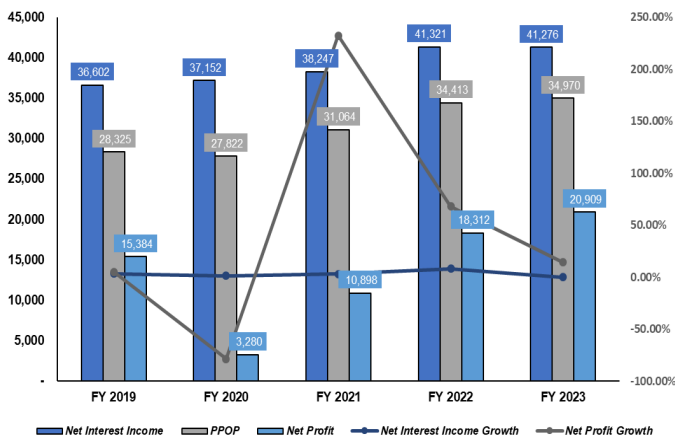
Leonardo.lijuwardi@nhsec.co.id

Please consider the rating criteria & important disclaimer

NH Korindo Sekuritas Indonesia

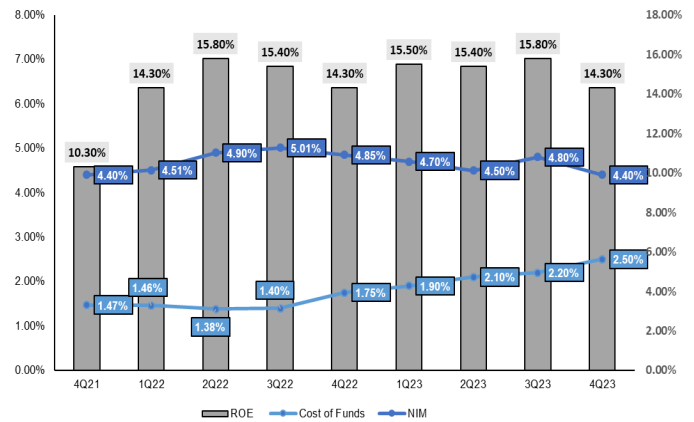
Performance Highlights

Financial Performance (IDR Billion)



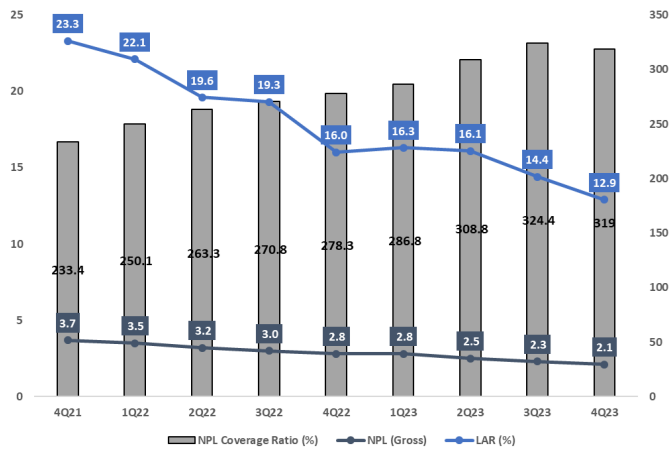
Source: Company, NHKSI Research

Profitability Ratios (In %)



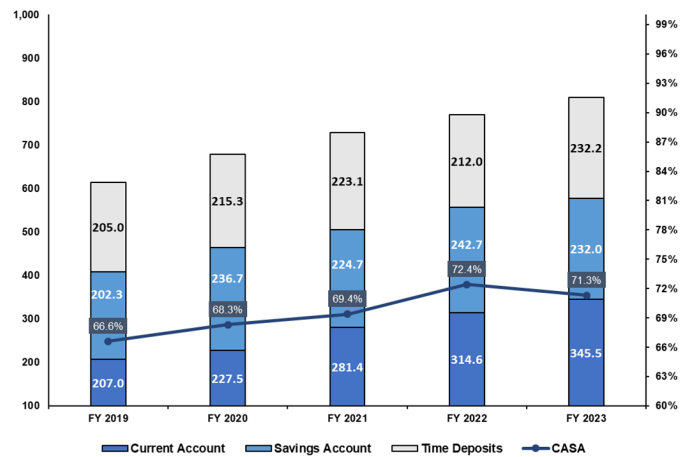
Source: Company, NHKSI Research

Asset Quality Getting Better (In %)



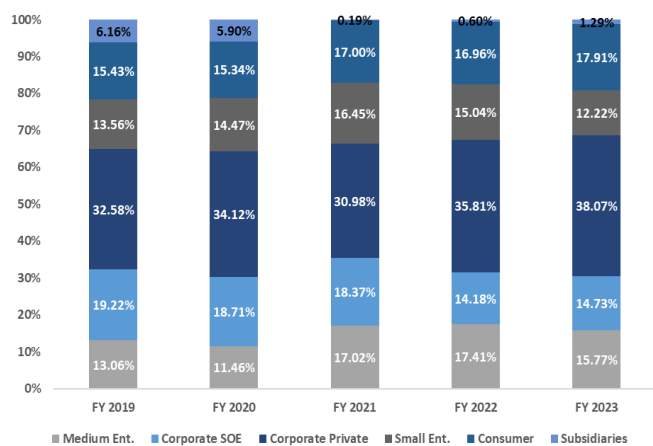
Source: Company, NHKSI Research

Third Party Fund (IDR Trn) & CASA Ratio (In %)



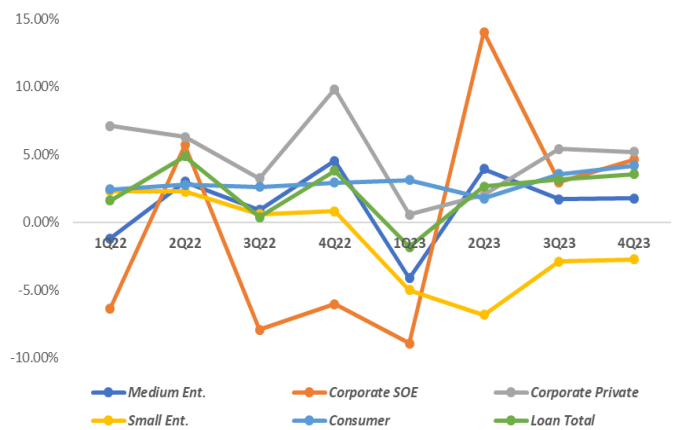
Source: Company, NHKSI Research

Loan Composition Breakdown (In %)



Source: Company, NHKSI Research

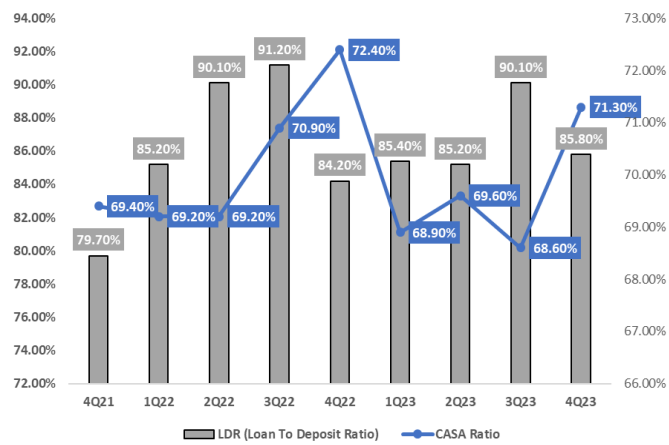
Loan Growth Movement (QoQ and In %)



Source: Company, NHKSI Research

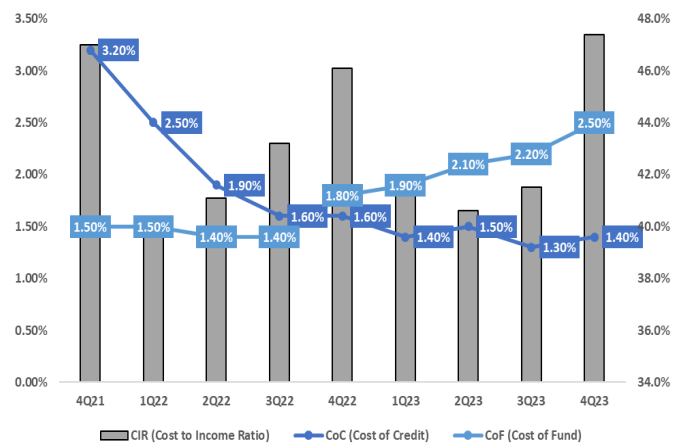
Performance Highlights

BBNI LDR vs CASA Ratio (In %)



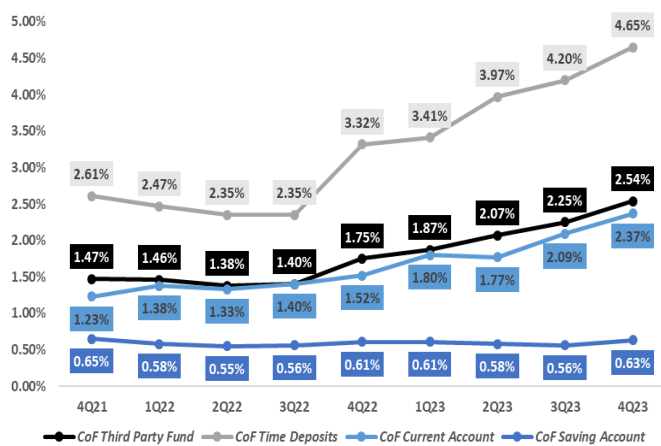
Source: Company, NHKSI Research

BBNI CoF & CIR in Q4 Getting Higher (In %)



Source: Company, NHKSI Research

Bank Only Third Party Fund CoF (In %)



Source: Company, NHKSI Research

BBNI F-PBV | 3 Years



Source: Company, NHKSI Research

Summary of Financials

INCOME STATEMENT				
(IDR bn)	2023/12A	2024/12F	2025/1F	2026/12F
Interest Income	61,472	65,466	68,531	74,277
Growth (% y/y)	12.5%	6.5%	4.7%	8.4%
Interest Expenses	(20,196)	(18,539)	(19,138)	(20,855)
Net Interest Income	41,276	46,927	49,393	53,422
Net Interest Margin	4.6%	4.7%	4.7%	4.7%
Net Fee Income	10,120	10,324	10,866	11,753
Trading Income	2,272	3,220	3,209	3,359
Other Operating Income	9,079	8,571	9,605	10,632
Operating Revenue	62,747	69,043	73,073	79,167
Operating Expenses	(27,778)	(28,998)	(29,229)	(31,667)
Pre-provisioning OP	34,970	40,045	43,844	47,500
Provision for Impairment	(9,196)	(9,334)	(10,149)	(10,540)
EBT	25,640	30,464	33,425	36,667
Income Tax	(4,534)	(6,093)	(6,685)	(7,333)
Non-controlling Interest	(197)	(292)	(321)	(352)
Net Profit	20,909	24,079	26,419	28,981
Growth (% y/y)	14.2%	15.2%	9.7%	9.7%

PROFITABILITY & STABILITY				
	2023/12A	2024/12F	2025/1F	2026/12F
ROE	15.7%	15.5%	14.7%	14.7%
ROA	2.1%	2.2%	2.1%	2.1%
Non-Int. Inc. /Op. Rev	34.2%	32.0%	32.4%	32.5%
Cost/Income	44.3%	42.0%	40.0%	40.0%
Cash Dividend (IDR bn)	7,325	10,233	11,228	13,042
Dividend Yield (%)	3.4%	4.2%	4.4%	4.7%
Payout Ratio (%)	35.0%	42.5%	42.5%	45.0%
Loan/Deposits	82.4%	84.6%	84.6%	85.2%
Loan/Assets	62.7%	63.7%	63.6%	63.9%
NPL	2.8%	1.9%	1.7%	1.6%
Loan Loss Res./Loan	7.8%	6.3%	5.7%	5.3%
CASA/Deposits	72.4%	72.6%	74.1%	75.2%
Time Deposits/Deposits	27.6%	27.4%	25.9%	24.8%
Par Value (IDR)	375	375	375	375
Total Shares (mn)	37,297	37,297	37,297	37,297
Share Price (IDR)	5,725	6,475	6,800	7,500
Market Cap (IDR tn)	213.5	241.5	253.6	279.7

BALANCE SHEET				
(IDR bn)	2023/12A	2024/12F	2025/1F	2026/12F
Cash	11,207	17,613	19,458	18,030
Placement in Banks	144,073	155,088	168,949	177,392
Net Loans	647,927	710,911	778,281	851,099
Investment	178,779	188,186	204,399	224,950
Fixed Asset	27,765	28,993	29,702	30,538
Other Assets	76,913	89,804	96,504	103,937
Total Assets	1,086,664	1,190,597	1,297,293	1,405,947
Deposits	822,624	896,366	975,624	1,055,023
Debt	52,772	61,745	67,209	72,677
Other liabilities	56,535	61,603	67,050	72,507
Total Liabilities	931,931	1,019,715	1,109,883	1,200,207
Capital Stock & APIC	26,064	26,064	26,064	26,064
Retained Earnings	107,236	121,081	136,272	152,212
Shareholders' Equity	154,733	170,882	187,410	205,740

VALUATION INDEX				
	2023/12A	2024/12F	2025/1F	2026/12F
Price /Earnings	10.2x	10.0x	9.6x	9.7x
Price /Book Value	1.4x	1.4x	1.4x	1.4x
Price/Op. Revenue	3.4x	3.5x	3.5x	3.5x
PE/EPS Growth	0.7x	0.7x	1.0x	1.0x
EV/Operating Revenue	4.2x	4.2x	4.2x	4.4x
EV/PPOP	7.5x	7.3x	7.1x	7.3x
EV (IDR bn)	262,225	292,054	309,833	344,876
Op. Rev. CAGR (3-Yr)	8.7%	9.9%	12.0%	12.3%
EPS CAGR (3-Yr)	7.7%	16.1%	100.4%	38.5%
Basic EPS (IDR)	561	646	708	777
Diluted EPS (IDR)	561	646	708	777
BVPS (IDR)	4,149	4,582	5,024.75	5,516
Op. Revenue PS (IDR)	1,682	1,851	1,959	2,123
DPS (IDR)	196	274	301	350

CASH FLOW STATEMENT				
(IDR bn)	2023/12A	2024/12F	2025/1F	2026/12F
Operating Cash Flow	17,859	30,261	21,887	26,090
Investing Cash Flow	(23,341)	(113,119)	(84,871)	(96,734)
Financing Cash Flow	89,024	89,264	64,830	69,216
Net Changes in Cash	83,541	6,406	1,846	(1,428)

OWNERSHIP			
By Geography		% Shareholders	%
Indonesia	80.79	Republic of Indonesia	60.00
United States	7.50	Norges Bank	1.91
Luxembourg	3.30	Vanguard Group	1.74
Others	8.41	Others	36.35

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%

DISCLAIMER

This document is strictly confidential and is being supplied to you solely for your information. The recipients of this report must make their own independent decisions regarding any securities or financial instruments mentioned herein. This document may not be quoted, reproduced, exhibited, redistributed, transmitted, edited, translated, or published, in whole or in part, for any purpose without notice. Any failure to comply with this restriction may constitute a violation of civil or criminal laws.

This report and any electronic access hereto are restricted and intended only for the clients and related entities of PT NH Korindo Sekuritas Indonesia. This report is only for information and recipient use. It is not reproduced, copied, or made available for others. Under no circumstances is it considered as a selling offer or solicitation of securities buying. Any recommendation contained herein may not be suitable for all investors. Although the information hereof is obtained from reliable sources, its accuracy and completeness cannot be guaranteed. PT NH Korindo Sekuritas Indonesia, its affiliated companies, employees, and agents are held harmless from any responsibility and liability for claims, proceedings, action, losses, expenses, damages, or costs filed against or suffered by any person as a result of acting pursuant to the contents hereof. Neither is PT NH Korindo Sekuritas Indonesia, its affiliated companies, employees, nor agents are liable for errors, omissions, misstatements, negligence, inaccuracy contained herein.

All rights reserved by PT NH Korindo Sekuritas Indonesia