

FY24 earnings; slightly below

31 January 2025



<b>BBNI IJ</b>	<b>BUY</b>
Sector	Banks
Price at 30 Jan 2025 (IDR)	4,640
Price target (IDR)	6,300
Upside/Downside (%)	35.8

**Stock Information**

PT Bank Negara Indonesia (Persero) Tbk is a state-owned offering commercial and consumer banking services. The bank is positioned as one of 3 big SoE banks in Indonesia. Through its subsidiaries, the bank is also offering businesses in sharia banking, insurance, consumer financing and securities.

Market cap (IDR bn)	171,941
Shares outstanding (mn)	37,297
52-week range (IDR)	4,110-6,250
3M average daily vol. ('000)	51,328
3M average daily val. (IDR mn)	244,483

**Shareholders (%)**

Republic of Indonesia	60.0
Public	45.1

**Stock Performance**



Source: Bloomberg

	<b>1M</b>	<b>3M</b>	<b>12M</b>
Performance	6.7	(11.2)	(17.9)

**Analyst**

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BBNI's 12M24 earnings fell slightly short of expectations (97.24%/97.17%). The FY24 single-digit earnings growth (2.7% yoy) was primarily hampered by persistent pressure on blended funding costs and substantial provisions allocated in 4Q24. BBNI demonstrated robust loan growth, surpassing both industry and our '24F loan growth for BBNI. Ongoing liquidity constraints resulted in a plateau in total third-party funds (TPF). Nevertheless, there was a quarterly improvement, with savings showing significant yoy growth of 11% and a qoq increase of 7.8%. Looking ahead, an improved deposit mix is expected, driven by the positive impact of transactional banking through BBNI's "wondr" apps. NIM faces a significant headwind from potentially persistent high SRBI yields, while protracted uncertainty presents a downside risk to loan growth. Maintain Buy, GGM TP of IDR6,300 (1.3x '25F P/B). Currently trades at 1.0x '25F P/B, slightly above -1SD of 0.9x.

**24F earnings below expectations due to front-loaded provisions**

BBNI's FY24 earnings growth was a modest 2.7% yoy, primarily dampened by a substantial 29.2% yoy surge in blended funding costs. This headwind was partially offset by robust fee income growth (10.2% YoY, 13.3% QoQ), significantly improved recoveries (19.8% YoY, 45.4% QoQ), and continued asset quality enhancements. However, 4Q24 provisions (up 50.3% qoq) weighed on earnings, contributing to the modest single-digit overall growth. Ultimately, FY24 PATMI slightly missed both ours and street forecasts (97.24%/97.17%).

**Strong loan and savings growth (11% YoY, 7.8% QoQ), mitigating the impact of flattish TPF.**

BBNI achieved gross loan growth of 11.6% yoy, aligning with management's 10-12% target and exceeding both industry and our '24F projections for BBNI (10.4%). Growth was propelled by the corporate segment, which saw a resurgence in demand, expanding 17.6% yoy, primarily driven by a 20.4% yoy increase in private and institutional portfolios. The consumer segment also contributed significantly, with 14.5% yoy growth, fuelled by robust expansion in mortgages (13.8% yoy) and personal loans (14.6% yoy). Persistent liquidity pressures resulted in a plateau in total TPF. Notably, the savings segment demonstrated strong growth of 11.0% yoy, significantly outpacing time deposit growth of just 3.8% yoy. Furthermore, TPF performance improved considerably on a quarterly basis, with overall TPF up 4.6% qoq and savings accounts growing by 7.8% qoq, resulting in 4.1% CASA growth qoq.

**NIM outperformed FY24 guidance, while improvements in key risk metrics persisted.**

Key risk metrics demonstrated significant improvement, and profitability ratios exceeded management expectations. Despite ongoing NIM compression (-34 bps yoy) to 4.2%, the FY24 net interest margin surpassed management's guidance of ≥ 4.0% by approximately 20 bps. On a quarterly basis, NIM consistently improved throughout the year, rising from 4.0% in 2Q24 to 4.5% in 4Q24 (+8 bps qoq). Risk management remained effective, with gross NPLs declining 10bps yoy to 2.0% in FY24. The CoC also improved (-0.3% yoy) to 1.1%, aligning with BBNI's FY24 guidance of ±1.0%. Furthermore, LAR continued its downward trend, with total LAR declining sharply yoy (10.3% vs. 12.9% in FY23).

**We anticipate continued positive contributions from the "wondr" app.**

We are encouraged by BBNI's impressive progress in expanding its digital user base (as anticipated in our previous report), which should significantly bolster transactional banking activities in the coming quarters. Since its launch in Jul24, BBNI's "wondr" app has witnessed a remarkable 35x increase in transaction compared to its predecessor's 19x increase. Furthermore, registered users have surged by 430% within just six months, growing from approximately 1 million in Jul24 to 5.3 million by Dec24.

**Another challenging year**

We anticipate a prolonged period of "higher for longer", with potentially persistent high SRBI yields exacerbating already tight liquidity conditions, creating significant headwinds. Given the uncertainties and profitability challenges, particularly in the first half of 2025, BBNI's ability to maintain its first-quarter 2024 NIM in the first-quarter of 2025 would be a commendable achievement. The bank projects loan growth of 8-10% yoy (KBVS: 7.98%), a NIM range of 4.0-4.2% (KBVS: 4.03%), and CoC of ±1.0% (KBVS: 1.02%).

**Maintain BUY, GGM TP of IDR6,300**

BBNI's '25F 12M TP of IDR 6,300, derived from our GG Model (1.3x '25F P/B). The stock is currently trading at 1.0x '25F P/B, slightly above -1SD of 0.9x. Key downside risks to our target price include: 1) decelerating loan growth; 2) deteriorating net interest margin (NIM) and asset quality; 3) cost of credit (CoC) and non-performing loan (NPL) levels exceeding projections; 4) lower-than-anticipated interest income coupled with rising funding costs; 5) a slowdown in economic activity; 6) persistently attractive SRBI yields; 7) a prolonged "higher for longer"; 8) a strengthening US dollar (DXY); and 9) sustained market uncertainty.

**Exhibit 1: Key Statistics**

Year end Dec (IDR bn)	2023A	2024A	2025F	2026F	2027F
Net Interest income	41,276	40,480	42,477	44,792	47,408
Non int. Income	21,472	24,035	26,042	28,353	30,817
Operating income	62,747	64,515	68,519	73,145	78,224
Pre-provision operating profit	34,970	34,826	36,907	39,421	42,225
Net income	20,909	21,464	22,988	24,847	27,049
EPS (IDR)	561	575	616	666	725
EPS growth (%)	14.2	2.7	7.1	8.1	8.9
PER (x)	8.3	8.1	7.5	7.0	6.4
PBV (x)	1.2	1.1	1.0	0.9	0.8
Div. Yield (%)	4.2	6.0	6.2	6.6	7.2
RoE (%)	14.6	13.7	14.1	14.4	14.5

Source: Company, KBVS Research

Exhibit 2: BBNI FY24 results – selected P&L, BS and key ratios

Income Statement (IDRbn)	12M23	12M24	YoY (%)	4Q23	4Q24	YoY (%)	3Q24	QoQ (%)	KBVS '24F	% to '24F	Cons' '24F	% to Cons'
Interest income	61,472	66,583	8.3	15,977	17,747	11.1	16,663	6.5				
Interest expenses	(20,196)	(26,103)	29.2	(5,856)	(6,705)	14.5	(6,296)	6.5				
Net interest income	41,276	40,480	(1.9)	10,121	11,042	9.1	10,367	6.5				
Non-interest income	21,472	24,035	11.9	6,841	7,198	5.2	5,913	21.7				
Total operating income	62,747	64,515	2.8	16,961	18,240	7.5	16,280	12.0				
Operating expenses	(27,778)	(29,688)	6.9	(8,234)	(8,699)	5.7	(7,435)	17.0				
Pre-provision operating profit	34,970	34,827	(0.4)	8,728	9,541	9.3	8,845	7.9				
Provision expenses	(9,196)	(8,211)	(10.7)	(2,486)	(2,822)	13.5	(1,878)	50.3				
Net profit	20,909	21,464	2.7	5,156	5,156	(0.0)	5,616	(8.2)	22,073	97.2	22,089	97.2

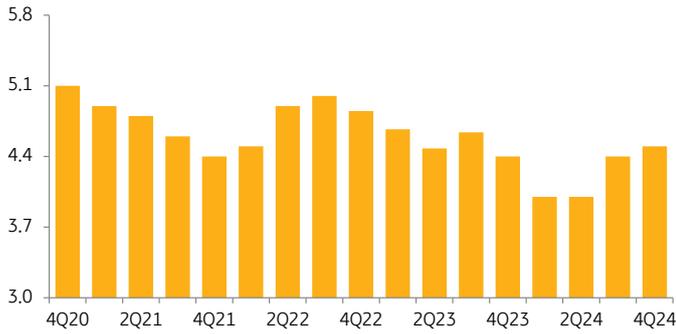
Balance Sheets (IDRbn)	12M23	12M24	YoY (%)	4Q23	4Q24	YoY (%)	3Q24	QoQ (%)
Gross loans	695,085	775,872	11.6	695,085	775,872	11.6	735,018	5.6
Current account	345,496	305,734	(11.5)	345,496	305,734	(11.5)	302,260	1.1
Saving account	231,981	257,544	11.0	231,981	257,544	11.0	238,934	7.8
Time deposits	233,253	242,233	3.8	233,253	242,233	3.8	228,545	6.0
Total Deposits	810,730	805,511	(0.6)	810,730	805,511	(0.6)	769,739	4.6
CASA	577,477	563,278	(2.5)	577,477	563,278	(2.5)	541,194	4.1
Total equity	154,733	167,187	8.0	154,733	167,187	8.0	162,170	3.1

Selected Key Performance (%)	12M23	12M24	YoY (%)	4Q23	4Q24	YoY (%)	3Q24	QoQ (%)
NIM	4.6	4.2	(0.4)	4.4	4.5	0.1	4.4	0.1
CASA	71.2	69.9	(1.3)	71.2	69.9	(1.3)	70.3	(0.4)
CIR	42.9	44.6	1.7	47.4	46.6	(0.8)	44.0	2.6
CoF	2.2	2.7	0.5	2.5	2.7	0.2	2.6	0.1
ROAE	15.2	14.2	(1.0)	14.3	12.9	(1.4)	14.9	(2.0)
ROA (Pre-tax)	2.6	2.5	(0.1)	2.5	2.4	(0.1)	2.7	(0.3)
LDR	85.8	96.1	10.3	85.8	96.1	10.3	95.3	0.8
Loan yield	7.8	7.7	(0.1)	7.8	7.9	0.1	7.7	0.2
NPL gross	2.1	2	(0.1)	2.1	2.0	(0.1)	2.0	0.0
NPL coverage	319	255.8	(63.2)	319.0	255.8	(63.2)	284.2	(28.4)
CoC	1.4	1.1	(0.3)	1.4	1.5	0.1	1.0	0.5
LAR	13	10	(2.6)	12.9	10.3	(2.6)	11.8	(1.5)

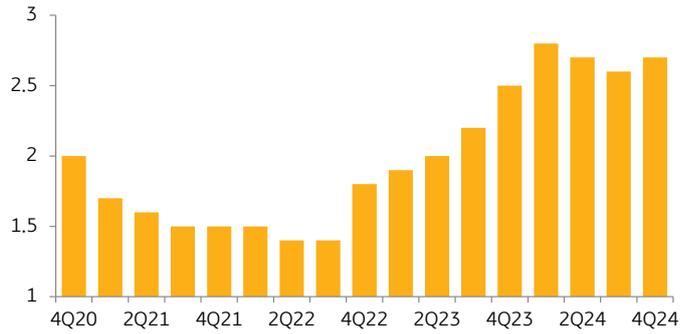
Source : Company, KB Valbury Sekuritas

Exhibit 3: Expect manageable NIM to continue



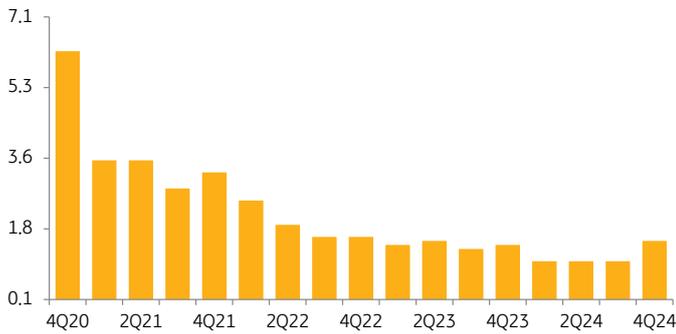
Source: Company, KBVS Research

Exhibit 4: Expect better deposit mix and stronger impact from wondr



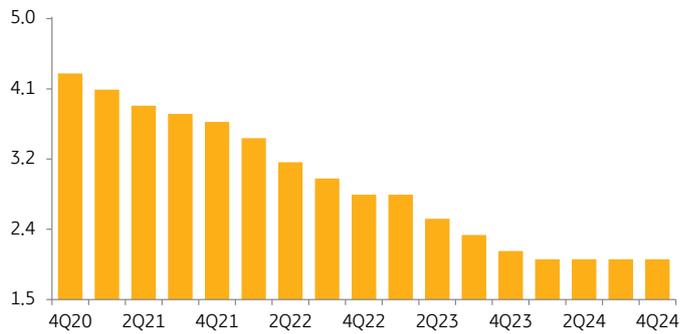
Source: Company, KBVS Research

Exhibit 5: A tick up CoC (still improves by 30bps yoy) likely to normalize



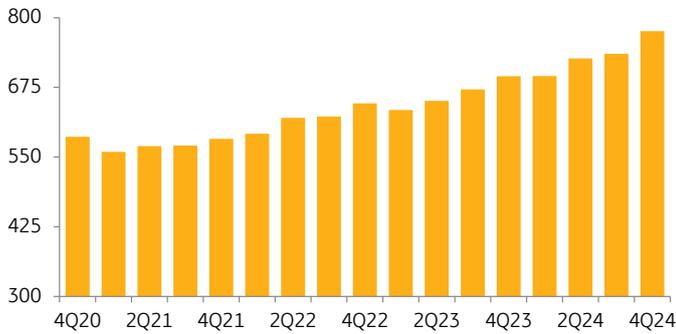
Source: Company, KBVS Research

Exhibit 6: Healthier risk metrics (gross NPL) remain intact



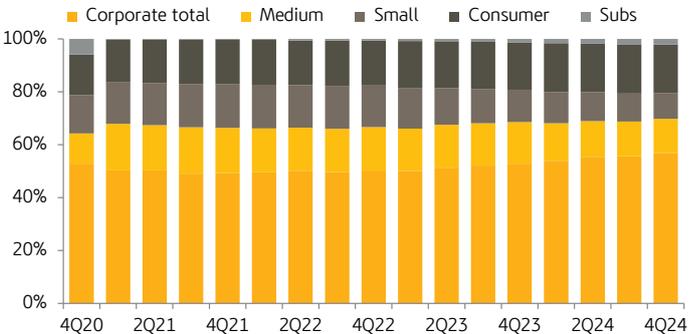
Source: Company, KBVS Research

Exhibit 7: Robust loan growth remains intact (%)



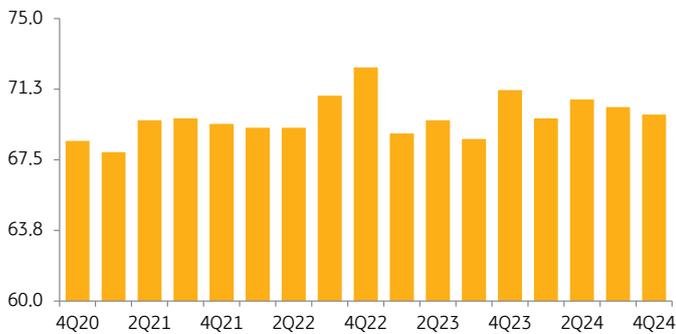
Source: Company, KBVS Research

Exhibit 8: Corporate and consumer segment to continue play crucial role (%)



Source: Company, KBVS Research

Exhibit 9: Expect stronger CASA improvement



Source: Company, KBVS Research

Exhibit 10: Traded at 1.0x '24F P/B, or slightly above -1SD of 0.9x



Source: Company, Bloomberg, KBVS Research

**FINANCIAL TABLES**
**Exhibit 11: Profit & Loss**

Year End Dec (IDR bn)	2023A	2024A	2025F	2026F	2027F
Interest income	61,472	66,583	70,713	75,251	80,263
Interest expenses	(20,196)	(26,103)	(28,236)	(30,459)	(32,856)
Net interest income	41,276	40,480	42,477	44,792	47,408
Non-interest income	21,472	24,035	26,042	28,353	30,817
Total operating income	62,747	64,515	68,519	73,145	78,224
Operating expenses	(27,778)	(29,688)	(31,612)	(33,723)	(35,999)
Pre-provision operating profit	34,970	34,826	36,907	39,421	42,225
Loan loss provision	(9,196)	(8,211)	(7,631)	(7,799)	(8,062)
Pretax profit	25,640	26,580	29,026	31,373	34,093
Net profit	20,909	21,464	22,988	24,847	27,049

**Exhibit 12: Balance sheet**

Year End Dec (IDR bn)	2023A	2024A	2025F	2026F	2027F
<b>Assets</b>					
Cash	11,207	13,710	14,379	15,499	16,683
Current Account at BI	65,256	51,669	68,455	68,510	82,312
Interbank Loans	78,817	39,150	80,961	84,947	90,876
Govt Treas Bills & Sec	127,100	132,069	86,122	92,527	100,908
Investment Securities	37,165	48,534	41,084	47,363	53,428
Loans	647,927	737,187	801,378	871,131	949,556
Fixed Assets	27,765	30,408	33,613	37,095	40,206
Other assets	91,426	77,079	83,269	90,312	96,554
<b>Total Asset</b>	<b>1,086,663</b>	<b>1,129,806</b>	<b>1,209,261</b>	<b>1,307,385</b>	<b>1,430,523</b>
<b>Liabilities</b>					
Interbank Deposit	11,894	18,548	15,095	17,605	20,713
Customer Deposit	810,730	805,511	861,222	925,270	1,009,083
Debts Sec and Subordinates	52,772	73,605	79,385	83,669	90,744
Other Liabilities	56,535	64,955	73,413	85,937	100,264
<b>Total liabilities</b>	<b>931,931</b>	<b>962,619</b>	<b>1,029,115</b>	<b>1,112,482</b>	<b>1,220,804</b>
<b>Equity</b>					
Capital Stock	9,055	9,055	9,055	9,055	9,055
Additional Paid-in Capital	17,010	17,010	17,010	17,010	17,010
Retained Earnings	107,236	118,664	130,501	144,078	155,701
Other Equity	16,830	17,729	18,615	19,546	22,478
Shareholder's Equity	150,131	162,458	175,181	189,689	204,244
Non-controlling Interest	4,602	4,729	4,965	5,214	5,474
<b>Total Equity</b>	<b>154,733</b>	<b>167,187</b>	<b>180,147</b>	<b>194,903</b>	<b>209,719</b>

**Exhibit 13: Key performance metrics**

Year End Dec (%)	2023A	2024A	2025F	2026F	2027F
NIM	4.6	4.2	4.0	4.1	4.2
LDR	85.7	96.3	97.3	98.0	97.7
CASA	71.2	69.9	69.8	69.6	69.8
NPL	2.1	2.0	1.9	1.8	1.7
ROAE	14.6	13.7	14.1	14.4	14.5
ROAA	2.0	1.9	2.0	2.0	2.0
CAR	18.8	19.5	19.7	18.2	18.2
BVPS (IDR)	4,025	4,356	4,697	5,086	5,476
PER (x)	8.3	8.1	7.5	7.0	6.4
PBV (x)	1.2	1.1	1.0	0.9	0.8
Div. Yield	4.2	6.0	6.2	6.6	7.2

Source: Company, KBVS Research

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