

Expecting another solid performance in '24F

7 February 2024



<b>BBNI IJ</b>	<b>BUY</b>
Sector	Banks
Price at 6 Feb 2024 (IDR)	5,775
Price target (IDR)	6,530
Upside/Downside (%)	13.1

**Stock Information**

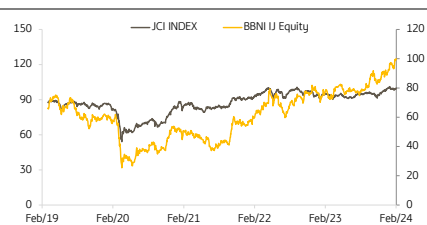
PT Bank Negara Indonesia (Persero) Tbk is a state-owned offering commercial and consumer banking services. The bank is positioned as one of 3 big SoE banks in Indonesia. Through its subsidiaries, the bank is also offering businesses in sharia banking, insurance, consumer financing and securities.

Market cap (IDR bn)	215,395
Shares outstanding (mn)	37,297
52-week range (IDR)	4,310-5,825
3M average daily vol. ('000)	48,579
3M average daily val. (IDR mn)	258,317

**Shareholders (%)**

Republic of Indonesia	60.0
Public	45.1

**Stock Performance**



Source: Bloomberg

	<b>1M</b>	<b>3M</b>	<b>12M</b>
Performance	4.0	17.4	23.7

Following our previous report on 29 Jan 24, we believe BBNI's '24F earning growth to continue, underpin by stable NIM, better CIR and continuing low provision. Our '24F loan growth, cost of credit and NIM for the bank were within BBNI's '24F guidance. Loan growth likely to persist amid the continuing challenge from weak commodity price. We will not surprise should 1Q24 performance will be softer than 4Q23, before it starts to pick up in the remaining quarter of the year. We might witness TPF growth to remain mild despite likely higher than '23 as a result of previous accelerated consumption on the recovery momentum. BBNI's '24F key metrics is achievable, in our view. Maintain BUY with higher DDM TP of IDR6,530 (1.4x '24F P/B), while its currently trading at 1.3x '24F P/B, or below its +1SD historical mean.

**Earnings growth likely to continue**

Overall, we like BBNI's FY23 result which came in-line with consensus and beating our '23F earnings for BBNI at a run rate of 99% and 103%. Other things being equal, 2024 should become another year for BBNI. We forecast '24F earnings could reach IDR23.9tn (14.7% yoy) supported by our expectation on stable NIM and better cost to income as well as provision expenses which likely to remain low.

**Despite challenging, '24F loan growth could arrive within '23 range**

Post recorded loan growth at 7.6% yoy, we believe BBNI loan growth this year could arrive higher year-on-year, amid the challenging situation given the continuing weak commodity price. The bank expecting loan growth to hover within the range of 9.0-11.0% yoy. Our '24F loan growth for BBNI is 10.42% yoy which we believe will continue to be supported by private corporate. On SoE part, despite by designed grew lower than private, we think continuing loan demand on this segment will made the loan portion to total loan should remain the same with '23F ('24F: 15% vs FY23: 15%). On private, we expect accounted around 39.3% to total loan and bringing total corporate accounted around 54.2% to total loan, approximately 140bps higher than '23 figure at 52.8%. On high yield segment, small segment portion to total loan likely to record the same figure with '23A, while consumer could arrive at higher amount and become as additional growth driver.

**Expecting mild TPF growth to continue on previous accelerated spending**

Total third-party fund possibly to grew better year-on-year, despite latest concern on tighter liquidity remain intact. Higher growth will be driven mainly by '23 low base figure at IDR810.7tn (5.4% yoy). We also view that the 4Q23 growth recovery should translated as a sign of potential pick up trend. Worth noting that we also think that 2H24 growth possibly better than 1H24. In all we expect TPF to record around 17bps higher with CA continue as the main driver. On high funding cost, we forecast growth will decline by 20bps and offset by CASA portion. That said we could witness CASA to grow by 23bps better yoy to IDR599.7tn.

**Stable NIM and low CoC to continue backed by healthier NPL**

Aside from loan growth guidance, the bank also expects to post NIM and CoC at more than 4.5% and below 1.4% and in-line with our forecast on the ratio for BBNI at 4.62% (NIM) and 1.39% (CoC), respectively. The bank believes that CoF pressure to continue in 1H24 and room for loan repricing seems minimal. Continuing asset quality improvement will play significant role and targeted NPL below 2% will underpinned BBNI's '24F CoC guidance (KBVS '24F NPL for BBNI at 1.92%). In all, 2H24 will become as crucial event due to clearer signal from the president and vice president election process. Geopolitical tension and an inline key economic metrics report in 1H24 as well as confirmation on latest cut rate bets and its impact to 7DRR will also add banks, corporate and market confidence, in our view. As such, we believe BBNI's '24F guidance are achievable.

**Maintain BUY with higher DDM TP of IDR6,530**

The stock has provided gain of 23.2% in 1YR period and rose by 6.5% since our latest report published on 29 Jan '24. Our new assumptions on higher sustainable growth rate, risk free rate and higher normalized growth as well as higher-than-expected FY23 result has resulting to a higher DDM TP of IDR6,530 (pegged at 1.4x '24F P/B) while its currently trading at 1.3x '24F P/B, or below its +1SD historical mean. Downside risks to our call are: 1) Slower loan growth, 2) worsening NIM and AQ, 3) higher than expected CoC, CoF, NPL 4) slowing down economic activity, worsening domestic political situation and 5) longer than expected wait and see stance which will postponed '24F better key performance metrics expectation.

**Exhibit 1: Key Statistics**

Year end Dec (IDR bn)	2022A	2023A	2024F	2025F	2026F
Net Interest income	41,321	41,276	46,967	50,768	55,334
Non int. Income	20,151	21,472	22,140	22,730	23,336
Total operating income	61,472	62,747	69,108	73,498	78,670
Pre-provision profit	34,413	34,970	40,337	43,665	47,495
Net income (IDR bn)	18,312	20,909	23,984	26,445	29,896
EPS (IDR)	491	561	643	709	802
EPS growth (%)	68.0	14.2	14.7	10.3	13.1
PER (x)	11.8	10.3	9.0	8.1	7.2
PBV (x)	1.6	1.4	1.3	1.1	1.0
Div. Yield (%)	1.3	3.4	2.9	3.3	3.7
RoE (%)	14.1	14.6	15.0	14.8	14.9

Source: Company, KBVS Research

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**Exhibit 2: BBNI FY23 financial and key performance metrics results**

Income Statement (IDRbn)	12M22	12M23	YoY (%)	4Q22	4Q23	YoY (%)	3Q23	QoQ	KBVS '23F	% to '23F	Cons' '23F	% to Cons'
Net interest income	41,321	41,276	-0.1	11,122	10,139	-8.8	10,535	-3.8	44,737			
Non-interest income	20,152	21,472	6.6	3,806	6,822	79.2	5,160	32.2				
Total operating income	61,473	62,748	2.1	14,928	16,961	13.6	15,695	8.1				
Operating expenses	(27,059)	(27,778)	2.7	(7,698)	(8,234)	7.0	-6,752	21.9				
Pre-provision operating profit	34,414	34,970	1.6	8,581	8,727	1.7	8,943	-2.4	36,104			
Provision expenses	(11,514)	(9,196)	-20.1	(2,586)	(2,486)	-3.9	-2,199	13.1				
Net profit	18,312	20,909	14.2	4,620	5,156	11.6	5,452	-5.4	20,295	103	21,029	99

Source : Company, KB Valbury Sekuritas

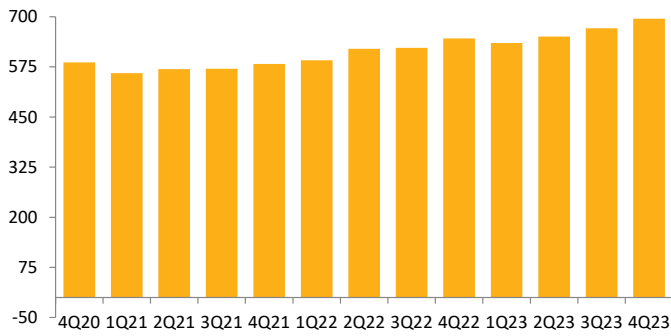
Balance Sheets (IDRbn)	12M22	12M23	YoY (%)	4Q22	4Q23	YoY (%)	3Q23	QoQ
Gross loans	646,188	695,085	7.6	646,188	695,085	7.6	671,371	3.5
Current account	314,625	345,496	9.8	314,625	345,496	9.8	290,501	18.9
Saving account	242,695	231,981	-4.4	242,695	231,981	-4.4	222,589	4.3
Time deposits	211,949	233,253	10.1	211,949	233,253	10.1	234,705	-0.6
CASA	557,320	577,478	3.6	557,320	577,478	3.6	512,890	12.6
Total Deposits	769,269	810,730	5.4	769,269	810,730	5.4	747,595	8.4
Total equity	140,198	154,733	10.4	140,198	154,733	10.4	147,218	5.1

Source : Company, KB Valbury Sekuritas

Selected Key Performance (%)	12M22	12M23	YoY (%)	4Q22	4Q23	YoY (%)	3Q23	QoQ
NIM	4.8	4.6	-0.2	4.85	4.4	-0.4	4.8	-0.4
CASA	72.4	71.2	-1.2	72.4	71.2	-1.2	68.6	2.6
CIR	42.6	42.9	0.3	46.1	47.4	1.3	41.5	5.9
CoF	1.5	2.2	0.7	1.8	2.5	0.7	2.2	0.3
ROE	14.9	15.2	0.3	14.3	14.3	0.0	15.8	-1.5
ROA	2.5	2.6	0.1	2.4	2.5	0.1	2.8	-0.3
LDR	84.2	85.8	1.6	84.2	85.8	1.6	90.1	-4.3
NPL gross	2.8	2.1	-0.7	2.8	2.1	-0.7	2.3	-0.2
NPL coverage	278.3	319	40.7	278.3	319	40.7	324.5	-5.5
CoC	1.9	1.4	-0.5	1.6	1.4	-0.2	1.3	0.1
LAR	16	12.9	-3.1	48.8	52.7	3.9	51.1	1.6

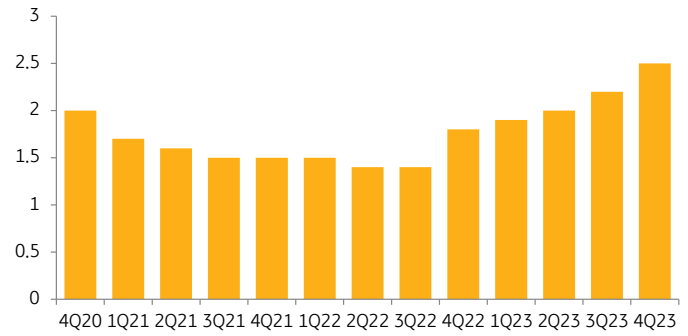
Source : Company, KB Valbury Sekuritas

Exhibit 3: Solid loan growth trajectory likely to continue



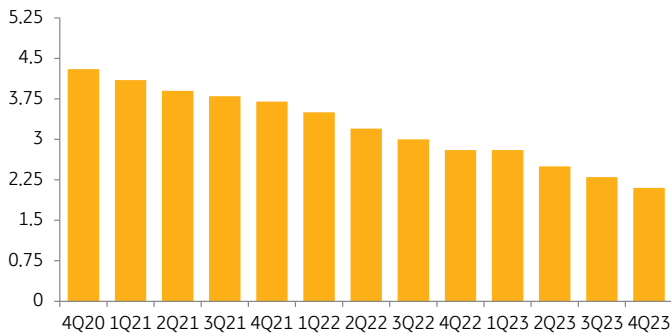
Source: Company, KBVS Research

Exhibit 4: Expecting CoF to start softened



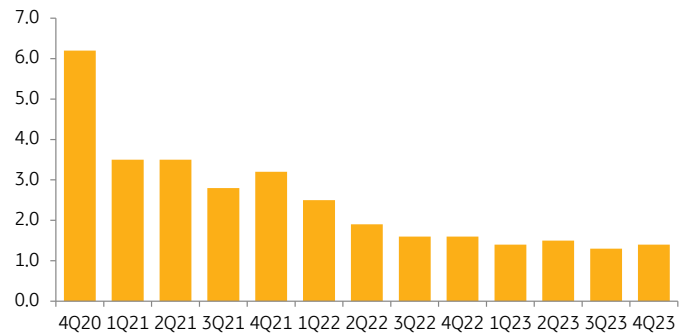
Source: Company, KBVS Research

Exhibit 5: Continuing better asset quality underpinned healthier NPL (%)...



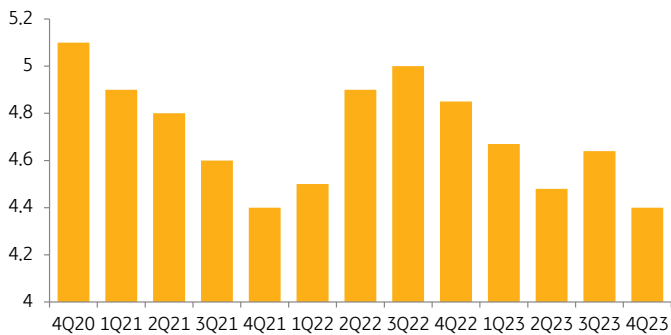
Source: Company, KBVS Research

Exhibit 6: ..while CoC improvement remain intact



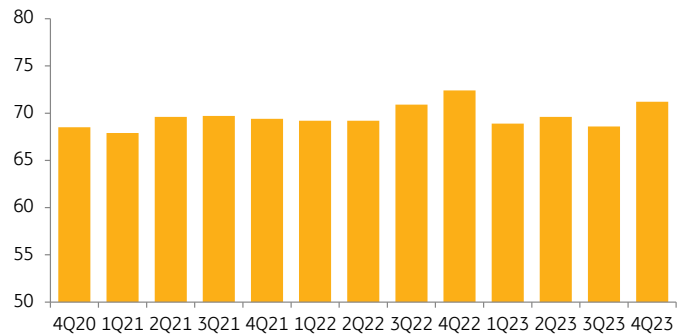
Source: Company, KBVS Research

Exhibit 7: Stronger NII and softened CoF to support better NIM (%)



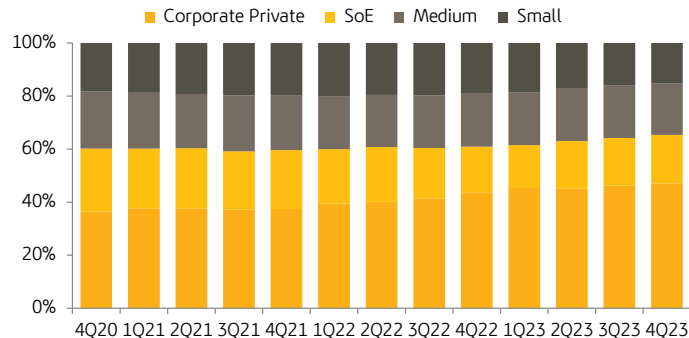
Source: Company, KBVS Research

Exhibit 8: Solid and better CASA growth to help NIM expansion (%)



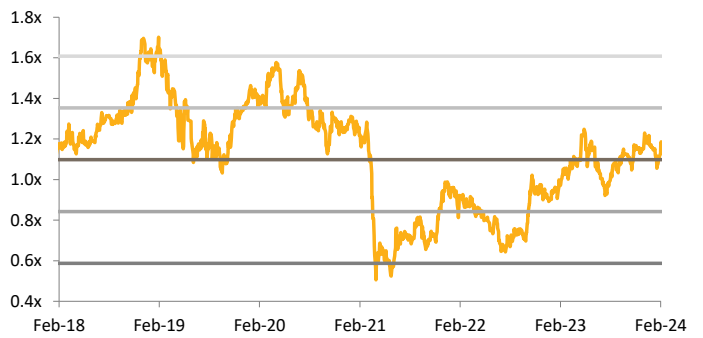
Source: Company, KBVS Research

Exhibit 9: Expecting high yield segment contribution to sustained



Source: Company, KBVS Research

Exhibit 10: Trading at 1.3x '24F P/B, or below its +1SD hist mean



Source: Company, Bloomberg, KBVS Research

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

Year End Dec (IDR bn)	2022A	2023A	2024F	2025F	2026F
Interest income	54,659	61,472	67,684	72,484	79,153
Interest expenses	(13,338)	(20,196)	(20,717)	(21,716)	(23,819)
<b>Net interest income</b>	<b>41,321</b>	<b>41,276</b>	<b>46,967</b>	<b>50,768</b>	<b>55,334</b>
Non-interest income	20,151	21,472	22,140	22,730	23,336
Operating expenses	(27,059)	(27,778)	(28,770)	(29,834)	(31,175)
<b>Pre-provision operating profit</b>	<b>34,413</b>	<b>34,970</b>	<b>40,337</b>	<b>43,665</b>	<b>47,495</b>
Loan loss provision	(11,514)	(9,196)	(9,916)	(10,130)	(9,596)
<b>Pretax Profit</b>	<b>22,687</b>	<b>25,640</b>	<b>30,262</b>	<b>33,367</b>	<b>37,722</b>
Income Tax Expenses	(4,205)	(4,534)	(6,052)	(6,673)	(7,544)
<b>Net profit</b>	<b>18,312</b>	<b>20,909</b>	<b>23,984</b>	<b>26,445</b>	<b>29,896</b>

**Exhibit 12: Balance sheet**

Year End Dec (IDR bn)	2022A	2023A	2024F	2025F	2026F
<b>Assets</b>					
Cash	13,448	11,207	11,969	12,694	13,405
Current Account at BI	82,922	65,256	69,908	76,384	83,932
Interbank Loans	67,491	78,817	89,585	101,238	114,767
Govt Treas Bills & Sec	121,292	127,100	119,813	122,030	134,614
Investment Securities	28,556	37,165	42,363	46,465	51,257
Loans	595,854	647,927	724,864	816,332	919,262
Fixed Assets	26,549	27,765	28,922	29,938	28,722
Other assets	93,724	91,428	84,155	84,151	82,430
<b>Total Asset</b>	<b>1,029,837</b>	<b>1,086,665</b>	<b>1,171,578</b>	<b>1,289,233</b>	<b>1,428,391</b>
<b>Liabilities</b>					
Interbank Deposit	15,245	11,894	12,555	12,833	14,311
Customer Deposit	769,269	810,730	855,808	938,696	1,035,493
Debts Sec and Subordinates	57,764	52,772	55,706	61,101	67,402
Other Liabilities	47,361	56,535	73,583	82,303	93,515
<b>Total liabilities</b>	<b>889,639</b>	<b>931,931</b>	<b>997,653</b>	<b>1,094,933</b>	<b>1,210,722</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	94,060	107,236	125,356	144,605	166,792
Other Equity	15,691	16,832	17,674	18,558	19,486
Shareholder's Equity	135,816	150,133	169,095	189,228	212,343
Non-controlling Interest	4,382	4,602	4,832	5,073	5,327
<b>Total Equity</b>	<b>140,198</b>	<b>154,735</b>	<b>173,926</b>	<b>194,301</b>	<b>217,669</b>

**Exhibit 13: Key performance metrics**

Year End Dec (%)	2022A	2023A	2024F	2025F	2026F
NIM (%)	4.8	4.5	4.7	4.7	4.6
LDR (%)	84.0	85.7	89.7	91.0	91.8
CASA (%)	72.4	71.2	70.1	69.8	69.6
NPL (%)	2.8	2.1	1.9	1.8	1.6
ROAE (%)	14.1	14.6	15.0	14.8	14.9
ROAA (%)	1.8	2.0	2.1	2.1	2.2
CAR (%)	17.9	18.8	19.6	19.9	18.2
BVPS (IDR)	3,641	4,025	4,534	5,073	5,693
PER (x)	11.8	10.3	9.0	8.1	7.2
PBV (x)	1.6	1.4	1.3	1.1	1.0
Div. Yield (%)	1.3	3.4	2.9	3.3	3.7

Source: Company, KBVS Research

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