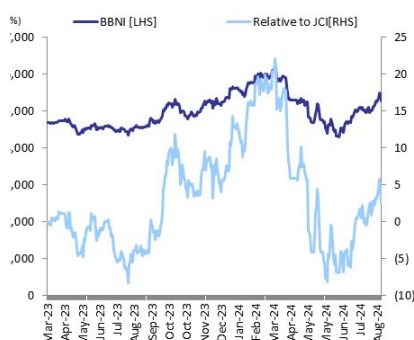


# BUY

(Maintained)

Last Price (Rp)	5,275
Target Price (Rp)	6,700
Previous Target Price (Rp)	6,800
Upside/Downside	+27.0%
No. of Shares (mn)	37,297
Mkt Cap (Rpbn/US\$mn)	196,743/12,612
Avg, Daily T/O (Rpbn/US\$mn)	325.5/20.9
Free Float (%)	39.8
Major Shareholder (%)	
Government of Indonesia	60.0
EPS Consensus (Rp)	
	2024F 2025F 2026F
BRIDS	581.2 652.6 693.9
Consensus	590.9 675.8 762.7
BRIDS/Cons (%)	(1.6) (3.4) (9.0)

## BBNI relative to JCI Index



Source: Bloomberg

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# Bank Negara Indonesia (BBNI IJ)

## Inline 2Q24 results: improving NIM supported by strong loan growth, higher LDR, and contained CoC

- Supported by a 12% yoy loan growth, BBNI reported 2Q24 NP of Rp5.4tr, bringing its 1H24 NP to Rp10.7tr (+4% yoy), inline.
- The management revised up its loan growth target to 10-12% and lowered CoC target to c. 1%, but expects a lower NIM of >4.0% in FY24.
- Maintain Buy rating with a lower TP of Rp6,700 based on inverse GGM with a CoE of 10.1% (5-year mean) and FY24F ROE of 13.8%.

### Inline 1H24 NP amid lower yoy NIM

BBNI booked 1H24 net profit of Rp10.7tr (+4% yoy), with lower provisions (-22% yoy) offsetting the lower pre-provision operating profit (PPOP, -5% yoy). 1H24 net profit forms 49% and 48% of our and consensus' FY24 forecasts, and thus is inline. Consolidated NIM stood at 4.0% in 1H24 (down from 4.5% in 1H23), caused by an increase in CoF to 3.1% (+73bps yoy) and a flattish EA yield. Although 2H24 indicates better NIM, BBNI lowered its FY24 NIM guidance from >4.5% to >4.0%. The improvement in NIM will be supported by lower CoF and a flattish loan yield as competition in lending markets remains tight.

### Sequential improvement in NIM partly due to the high LDR

Loans grew 5% to Rp727tr (+12% yoy) in 2Q24, faster than 1Q24's growth of 10% yoy, while deposits declined by 1% qoq to Rp772tr (+1% yoy). This resulted in a higher LDR of 94% in 2Q24, up from 89% in 1Q24, partly contributing to its higher NIM. Management raised its loan growth target to 10-12% yoy in FY24, up from 9-11% previously.

### Solid overall asset quality amid the potential downgrade in SME loan

CoC remained robust at 1.0% in 1H24 (-39bps yoy), and the bank expects no further negative surprises, as wholesale and consumer loan quality remained safe, as the new credit scoring system has yielded better quality. However, the bank highlighted that around Rp9.6tr (12% of SME loans) in the SME segment could be downgraded to NPLs. The Majority (73%) of the high-risk loans were originated pre-FY22, and 45% of them are KUR loans, which are fully insured.

### Maintain BUY rating with a slightly lower TP of Rp6,700

We slightly adjusted our TP from Rp6,800 to Rp6,700 on the back of a lower ROE to 13.8% from 14.0% previously, while retaining our implied CoE at 10.1% (5-year mean) and LTG of 3%. We retain our BUY rating as the bank is still trading below its fair valuation and is one of the beneficiaries of a lower interest rate environment. Risks to our view are delayed rate cut and deteriorating asset quality.

## Key Financials

Year to 31 Dec	2022A	2023A	2024F	2025F	2026F
PPOP (Rpbn)	34,413	34,970	36,275	40,959	44,508
Net profit (Rpbn)	18,312	20,909	21,679	24,339	25,880
EPS (Rp)	491.0	560.6	581.2	652.6	693.9
EPS growth (%)	(16.0)	14.2	3.7	12.3	6.3
BVPS (Rp)	3,641.4	4,025.3	4,371.3	4,780.4	5,202.3
PER (x)	10.7	9.4	9.1	8.1	7.6
PBV (x)	1.4	1.3	1.2	1.1	1.0
Dividend yield (%)	3.7	4.3	4.4	4.9	5.3
ROAE (%)	14.1	14.6	13.8	14.3	13.9

Source: BBNI, BRIDS Estimates

**Exhibit 1. BBNI 1H24 earnings summary**

BBNI - Financials (Rpbn)	2Q23	1Q24	2Q24	qoq, %	yoy, %	1H23	1H24	yoy, %	FY24F	FY24C	A/F	A/C
Interest income	15,491	15,875	16,298	3%	5%	30,295	32,173	6%	66,516	67,097	48%	48%
Interest expense	5,297	6,485	6,617	2%	25%	9,693	13,102	35%	22,259		59%	n/a
Net interest income	10,194	9,390	9,681	3%	-5%	20,602	19,072	-7%	44,257		43%	n/a
Other operating income	4,338	5,067	5,071	0%	17%	8,708	10,138	16%	24,227	21,904	42%	46%
Operating expenses	6,289	6,649	6,905	4%	10%	12,792	13,554	6%	30,564		44%	n/a
PPOP	8,648	8,181	8,261	1%	-4%	17,300	16,442	-5%	37,920	34,341	43%	48%
Provision	2,362	1,744	1,767	1%	-25%	4,511	3,511	-22%	10,626	6,610	33%	53%
Operating Profit	6,286	6,437	6,494	1%	3%	12,789	12,931	1%	27,294	27,732	47%	47%
Net profit	5,081	5,326	5,365	1%	6%	10,302	10,692	4%	21,886	22,049	49%	48%
Loans	650,770	695,162	726,977	5%	12%	650,770	726,977	12%	758,333		96%	n/a
Customer deposits	765,009	780,230	772,319	-1%	1%	765,009	772,319	1%	871,281	866,599	89%	89%
<b>Key Ratio</b>												
				qoq, bps	yoy, bps			yoy, bps				
Loan yield (%) - ann	7.6	7.5	7.6	9	(6)	7.6	7.5	(9)				
Cost of fund (%) - ann	2.6	3.0	3.2	12	56	2.4	3.1	73				
NIM (%) - ann	4.4	3.9	4.0	14	(38)	4.5	4.0	(54)				
CIR (%) - ann	42.1	44.8	45.5	69	342	42.5	45.2	268				
Cost of credit (%) - ann	1.4	1.0	1.0	(1)	(45)	1.4	1.0	(39)				
ROE (%) - ann	14.5	14.4	14.6	14	4	14.9	14.4	(45)				
CASA ratio (%)	69.6	69.7	70.7	100	107							
LDR (%)	85.1	89.1	94.1	503	906							
NPL ratio (%)	2.5	2.0	2.0	(6)	(48)							
LaR ratio (%)	16.0	13.2	12.2	(96)	(379)							

Source: Company, BRIDS Estimates

**Exhibit 2. BBNI Changes in Forecast**

BBNI - Forecast Changes	2024F (Prev)	2024F (Curr)	Δ%	2025F (Prev)	2025F (Curr)	Δ%
Net Interest Income (Rpbn)	44,257	41,422	(6.41)	48,845	46,168	(5.48)
PPOP (Rpbn)	37,920	36,275	(4.34)	42,740	40,959	(4.17)
Net profit (Rpbn)	21,886	21,679	(0.95)	24,768	24,339	(1.73)
BVPS (Rp)	4,377	4,371	(0.13)	4,795	4,780	(0.31)
Gross Loans (Rpbn)	758,333	777,661	2.55	827,801	847,480	2.38
Customer Deposits (Rpbn)	871,281	871,281	-	938,769	938,769	-
Ratios (%)	2024F (Prev)	2024F (Curr)	Δ bps	2025F (Prev)	2025F (Curr)	Δ bps
Net Interest Margin	4.4	4.1	(32)	4.7	4.3	(34)
Gross NPL Ratio	2.3	2.2	(17)	2.5	2.3	(14)
Cost/Income Ratio	44.6	44.9	25	44.2	44.8	66
Cost of Credit	1.5	1.3	(21)	1.5	1.3	(19)
ROAE	14.0	13.8	(12)	14.5	14.3	(22)

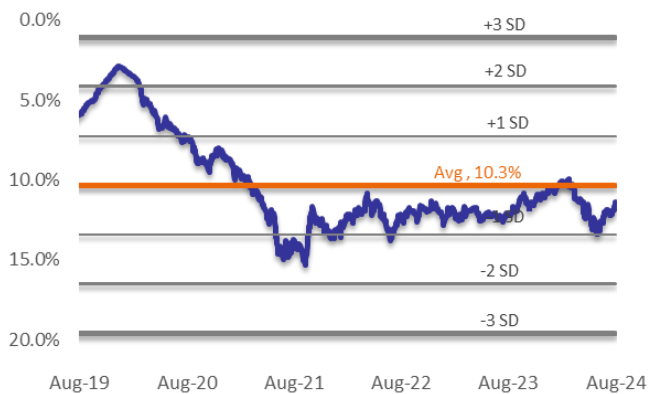
Source: Company, BRIDS Estimates

**Exhibit 3. BBNI's Valuation**

Gordon Growth Valuation with Inverse Cost of Equity		
Current		
<b>Parameters:</b>		
Cost of equity (%) - Mean	10.10	5-Year average
Cost of equity (%) - SD	3.30	5-Year average
SD used	-	
Cost of equity (%) used	10.10	
Long-term growth (%)	3.00	Long-term nominal GDP growth
Forward ROE (%)	13.8	FY24F ROAE
Fair value P/BV (x)	1.53	(ROAE - g) / (COC - g)
BV/share (IDR)	4,371	FY24F Book value per share
Fair value (IDR)	6,700	Fair value P/BV multiple x BVPS

Source: Company, BRIDS Estimates

**Exhibit 4. BBNI's cost of equity band chart (5-year)**



Source: Company, Bloomberg, BRIDS Estimates

**Exhibit 5. Sector's cost of equity band chart (5-year)**



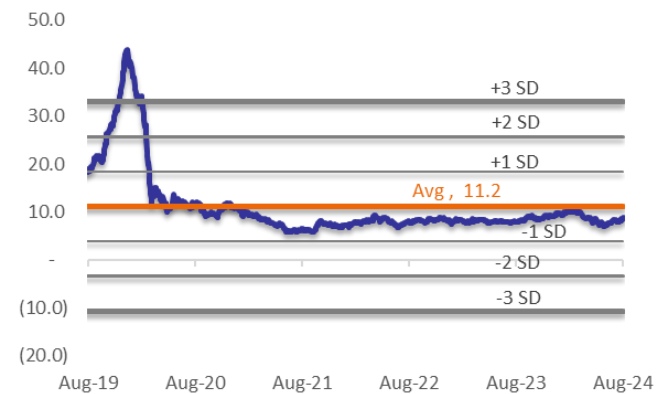
Source: Company, Bloomberg, BRIDS Estimates

**Exhibit 6. BBNI's PBV band chart (5-year)**



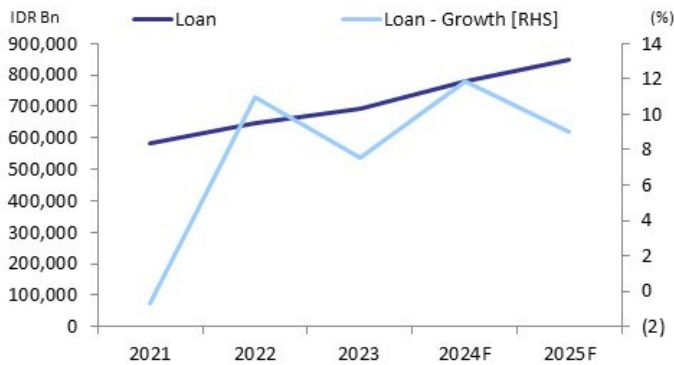
Source: Company, Bloomberg, BRIDS Estimates

**Exhibit 7. BBNI's PE band chart (5-year)**



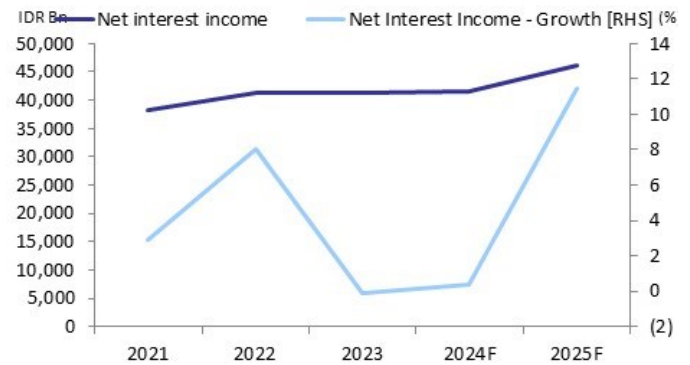
Source: Company, Bloomberg, BRIDS Estimates

**Exhibit 8. Loans and Growth**



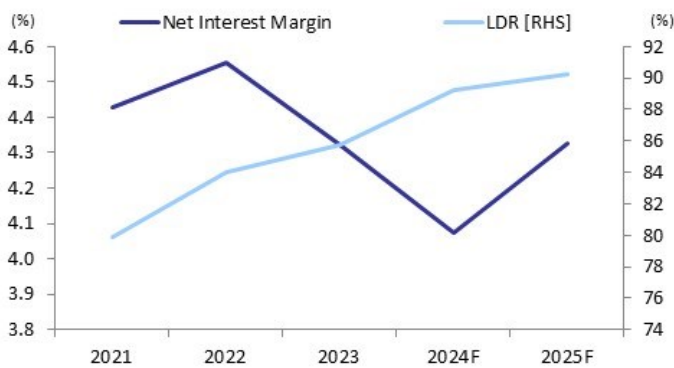
Source: Company, BRIDS Estimates

**Exhibit 9. Net Interest Income and Growth**



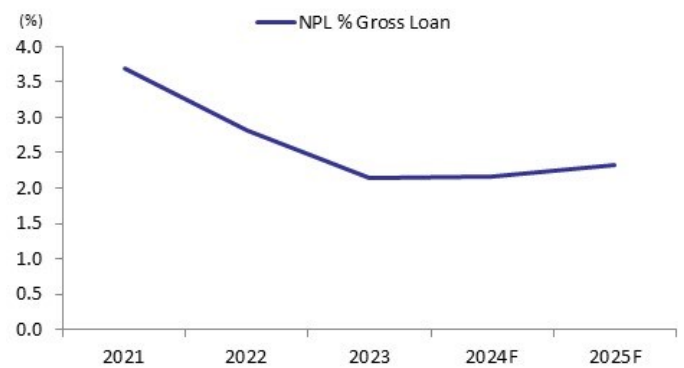
Source: Company, BRIDS Estimates

**Exhibit 10. NIM and LDR**



Source: Company, BRIDS Estimates

**Exhibit 11. NPLs**



Source: Company, BRIDS Estimates

**Exhibit 12. Income Statement**

Year to 31 Dec (Rpbn)	2022A	2023A	2024F	2025F	2026F
Interest Income	54,659	61,472	63,788	66,167	70,279
Interest Expense	(13,338)	(20,196)	(22,367)	(19,999)	(20,447)
<b>Net Interest Income</b>	<b>41,321</b>	<b>41,276</b>	<b>41,422</b>	<b>46,168</b>	<b>49,832</b>
Non-Interest Income (NII)	18,804	20,218	24,391	28,055	31,433
<b>Oper. Income</b>	<b>60,125</b>	<b>61,494</b>	<b>65,812</b>	<b>74,222</b>	<b>81,266</b>
Oper. Expenses	(27,059)	(27,778)	(29,537)	(33,264)	(36,758)
<b>Pre-provisions profit</b>	<b>34,413</b>	<b>34,970</b>	<b>36,275</b>	<b>40,959</b>	<b>44,508</b>
Provisions & Allowances	(11,514)	(9,196)	(9,252)	(10,660)	(12,280)
<b>Operating Profits</b>	<b>22,899</b>	<b>25,773</b>	<b>27,024</b>	<b>30,299</b>	<b>32,228</b>
Non-Operating Income	(212)	(134)	(182)	(165)	(182)
Exceptionals	0	0	0	0	0
<b>Pre-tax Profit</b>	<b>22,687</b>	<b>25,640</b>	<b>26,842</b>	<b>30,134</b>	<b>32,046</b>
Income Tax	(4,205)	(4,534)	(4,966)	(5,575)	(5,928)
Minorities	(170)	(197)	(197)	(220)	(238)
<b>Net Profit</b>	<b>18,312</b>	<b>20,909</b>	<b>21,679</b>	<b>24,339</b>	<b>25,880</b>

**Exhibit 13. Balance Sheet**

Year to 31 Dec (Rpbn)	2022A	2023A	2024F	2025F	2026F
Gross Loans	646,188	695,085	777,661	847,480	933,589
Provisions	(50,334)	(47,158)	(51,210)	(55,924)	(61,227)
<b>Net Loans</b>	<b>595,854</b>	<b>647,927</b>	<b>726,451</b>	<b>791,556</b>	<b>872,361</b>
Govt. Bonds	121,291	127,099	101,685	81,352	65,086
Securities	28,556	37,165	35,474	33,876	32,367
Other Earnings Assets	0	0	0	0	0
<b>Total Earnings Assets</b>	<b>920,484</b>	<b>989,203</b>	<b>1,043,424</b>	<b>1,090,291</b>	<b>1,158,726</b>
Fixed Assets	41,755	44,688	47,519	50,854	54,383
Non-Earnings Assets	18,496	21,667	19,077	19,354	18,255
<b>Total Assets</b>	<b>1,029,837</b>	<b>1,086,664</b>	<b>1,158,103</b>	<b>1,234,695</b>	<b>1,294,537</b>
Customer Deposits	769,269	810,730	871,281	938,769	988,793
Banks Deposits	15,245	11,894	11,945	11,995	12,046
Int. Bearing Liab. - Others	0	0	0	0	0
<b>Total Liabilities</b>	<b>889,639</b>	<b>931,931</b>	<b>990,267</b>	<b>1,051,380</b>	<b>1,095,249</b>
Share capital & Reserves	41,756	42,896	42,896	42,896	42,896
Retained Earnings	94,060	107,236	120,142	135,400	151,136
<b>Shareholders' Funds</b>	<b>135,816</b>	<b>150,131</b>	<b>163,037</b>	<b>178,296</b>	<b>194,031</b>
Minority interests	4,382	4,602	4,799	5,019	5,257
<b>Total Equity &amp; Liabilities</b>	<b>1,029,837</b>	<b>1,086,664</b>	<b>1,158,103</b>	<b>1,234,695</b>	<b>1,294,537</b>

**Exhibit 14. Key Ratios**

Year to 31 Dec	2022A	2023A	2024F	2025F	2026F
Yield on Earning Assets	6.0	6.4	6.3	6.2	6.2
Cost of funds	1.6	2.3	2.4	2.0	2.0
Interest Spread	4.4	4.1	3.9	4.2	4.3
Net Interest Margin	4.6	4.3	4.1	4.3	4.4
Cost/Income Ratio	44.0	44.3	44.9	44.8	45.2
Oper. Exp./Oper. Gross Inc.	69.4	68.9	69.4	67.8	68.3
Gross NPL Ratio	2.8	2.1	2.2	2.3	2.4
LLP/Gross NPL	277.1	317.9	303.1	283.3	272.4
Cost of Credit	1.9	1.4	1.3	1.3	1.4
Loan to Deposit Ratio	84.0	85.7	89.3	90.3	94.4
Loan to Funding Ratio	83.5	85.2	87.8	88.9	93.0
CASA Mix	71.0	70.2	68.3	69.0	71.8
ROAE	14.1	14.6	13.8	14.3	13.9
ROAA	1.8	2.0	1.9	2.0	2.0
CAR	19.4	19.3	18.9	19.2	19.1

**Exhibit 15. Dupont and Growth**

Year to 31 Dec	2022A	2023A	2024F	2025F	2026F
<b>Dupont</b>					
Pre-Tax ROAA	2.3	2.4	2.4	2.5	2.5
Tax Retention rate	81.5	82.3	81.5	81.5	81.5
Post-Tax ROAA	1.9	2.0	1.9	2.1	2.1
Goodwil, Assoc& Min	0.0	0.0	0.0	0.0	0.0
Leverage	7.7	7.4	7.2	7.0	6.8
ROAE	14.1	14.6	13.8	14.3	13.9
<b>Growth (%)</b>					
Interest income	9.3	12.5	3.8	3.7	6.2
Net Interest Income	8.0	(0.1)	0.4	11.5	7.9
Other Oper. Expenses	9.1	2.7	6.3	12.6	10.5
Fee Based Income	8.9	3.9	30.5	11.5	7.9
Pre-Provision Oper. Profit	10.8	1.6	3.7	12.9	8.7
Net Profit	68.0	14.2	3.7	12.3	6.3
Shareholders' Equity	9.8	10.5	8.6	9.4	8.8
Loan	10.9	7.6	11.9	9.0	10.2
Earnings Asset	2.9	7.5	5.5	4.5	6.3
Deposit	5.5	4.9	7.4	7.6	5.3
Int. Bearing Liab.	6.1	4.5	6.5	6.4	4.3
CASA	10.1	3.6	4.4	8.8	9.6
Total Asset	6.7	5.5	6.6	6.6	4.8

Source: BBNi, BRIDS Estimates



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**INVESTMENT RATING**

<b>BUY</b>	Expected total return of 10% or more within a 12-month period
<b>HOLD</b>	Expected total return between -10% and 10% within a 12-month period
<b>SELL</b>	Expected total return of -10% or worse within a 12-month period

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