

Buy

(Maintained)

Bank Negara Indonesia (BBNI IJ)

Robust 3Q24 and in line 9M24 net profit, supported by NIM improvement and steady CoC

Last Price (Rp)	5,650
Target Price (Rp)	7,600
Previous Target Price (Rp)	7,600
Upside/Downside	+34.5%

No. of Shares (mn)	37,297
Mkt Cap (Rpbn/US\$m)	210,730/13,474
Avg, Daily T/O (Rpbn/US\$m)	306.4/19.6
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	592.4	677.6	764.1
BRIDS/Cons (%)	(1.9)	(3.7)	(9.2)

- BBNI booked 3Q24 NP of Rp5.6tr in 3Q24 (+5% qoq, +3% yoy) supported by NIM improvement from both higher EA yield and lower CoF.
- Additional GWM incentives allowed the bank to reduce its high-cost deposits and USD loan repricing drove the loan yield higher.
- We maintain our FY24-25 est. and Buy rating with an unchanged TP of Rp7,600 based on 5-yr inverse CoE GGM model (fair value PBV of 1.6x).

Robust 3Q24 NP driven by qoq NIM improvement

BBNI booked a net profit of Rp5.6tr in 3Q24 (+5% qoq, +3% yoy), with yoy growth supported by a lower CoC, while higher NIM drove qoq growth. In 9M24, BBNI's net profit reached Rp16.3tr (+4% yoy), in line with our FY24F (75%) and consensus' (74%). NIM improved to 4.3% in 3Q24 (from 4.0% in 2Q24), with EA yield rising 17bps to 7.7% and CoF dropping 16bps to 3.0%. Although better than initially expected, the bank maintained its FY24 NIM guidance at >4%. CoF improved to 3.0% in 3Q24 as the bank used additional GWM incentives to phase out high-rate TD. The introduction of Wondr helped expand the bank's deposit base among retail customers.

Asset quality still drove 9M24 profitability

Although improving qoq, PPOP still declined by 4% yoy in 9M24 due to a lower NIM, with NP supported by a lower CoC of 1.0% (down from 1.4% in 9M23). Provision expenses rose 6% qoq in 3Q24 due to increased loan balances, keeping CoC stable at around 1.0% in both 2Q24 and 3Q24, still in line with FY24F targets of c. 1%. NPL ratio remained steady qoq at 2.0%, while LaR ratio improved from 12.2% in 2Q24 to 11.7% in 3Q24.

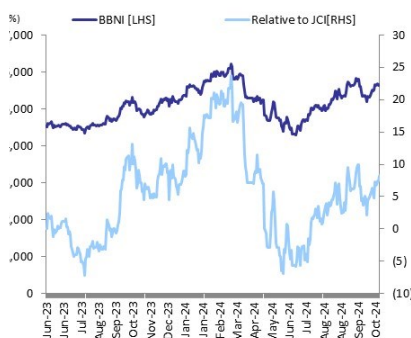
FX loans dragged down the loan growth target but supported NIM in 3Q24

Loans grew 9.5% yoy, ahead of deposit growth, which was 3% yoy. However, this is slightly below the bank's FY24F target of 10-12%. Excluding rupiah appreciation (which resulted in lower USD loan balances), BBNI's loan growth would reach 11% yoy in 3Q24. Corporate loan yield increased qoq to 7.1% (from 6.8%), primarily due to the repricing of USD loans. Blended FX yield rose to 6.5% from 6.0% in the previous quarter.

Maintain Buy with a GGM-based TP of Rp7,600

While in line with our expectations, BBNI's 3Q24 performance was commendable as the NIM trend was positive. We had anticipated BBNI's FY24F NIM at 4.14% in our forecasts. We maintain our GGM-based valuation with a 5-year inverse CoE of 10.1%, FY25F ROE of 14.3%, and LTG of 3.0%, resulting in an FV PBV of 1.6x. Risks to our view are lower LDR and deterioration in asset quality.

BBNI relative to JCI Index



Source: Bloomberg

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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)	11.5	10.1	9.7	8.7	8.1
PBV (x)	1.6	1.4	1.3	1.2	1.1
Dividend yield (%)	3.5	4.0	4.1	4.6	4.9
ROAE (%)	14.1	14.6	13.8	14.3	13.9

Source: BBNI, BRIDS Estimates

Exhibit 1. BBNI's 3Q24 earnings summary

BBNI - Financials (Rpbn)	3Q23	2Q24	3Q24	qoq, %	yoy, %	9M23	9M24	yoy, %	FY24F	FY24C	A/F	A/C
Interest income	15,924	16,298	16,663	2%	5%	46,218	48,836	6%	63,788	66,805	77%	73%
Interest expense	5,389	6,617	6,296	-5%	17%	15,082	19,398	29%	22,368		87%	n/a
Net interest income	10,535	9,681	10,367	7%	-2%	31,136	29,439	-5%	41,420		71%	n/a
Other operating income	4,742	5,071	5,484	8%	16%	13,450	15,622	16%	24,390	23,122	64%	68%
Operating expenses	6,752	6,905	7,434	8%	10%	19,544	20,989	7%	29,536		71%	n/a
PPOP	8,941	8,261	8,845	7%	-1%	26,242	25,287	-4%	36,274	35,994	70%	70%
Provision	2,199	1,767	1,878	6%	-15%	6,710	5,389	-20%	9,252	7,715	58%	70%
Operating Profit	6,742	6,494	6,967	7%	3%	19,532	19,898	2%	27,022	28,280	74%	70%
Net profit	5,452	5,365	5,617	5%	3%	15,753	16,308	4%	21,678	22,104	75%	74%
Loans	671,371	726,977	735,018	1%	9%	671,371	735,018	9%	777,661		95%	n/a
Customer deposits	747,595	772,319	769,739	0%	3%	747,595	769,739	3%	871,281	860,401	88%	89%
Key Ratio				qoq, bps	yoy, bps			yoy, bps				
Loan yield (%) - ann	7.9	7.6	7.7	↑ 17	↓ (17)	7.7	7.6	↓ (9)				
Cost of fund (%) - ann	2.7	3.2	3.0	↑ (16)	↓ 34	2.5	3.1	↓ 59				
NIM (%) - ann	4.6	4.0	4.3	↑ 26	↓ (32)	4.6	4.1	↓ (49)				
CIR (%) - ann	43.0	45.5	45.7	↓ 14	↓ 264	42.7	45.4	↓ 267				
Cost of credit (%) - ann	1.3	1.0	1.0	→ 4	↑ (28)	1.3	1.0	↑ (35)				
ROE (%) - ann	15.5	14.6	14.6	→ 7	↓ (83)	15.0	14.4	↓ (60)				
CASA ratio (%)	68.6	70.7	70.3	↓ (35)	↑ 170							
LDR (%)	89.8	94.1	95.5	↓ 136	↓ 569							
NPL ratio (%)	2.3	2.0	2.0	→ 0	↑ (30)							
LaR ratio (%)	14.3	12.2	11.7	↑ (52)	↑ (266)							

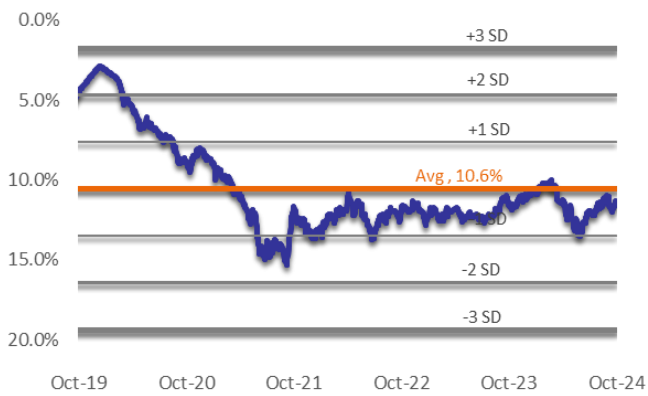
Source: Company, BRIDS Estimates

Exhibit 2. Peers Comparison

Ticker	Rec.	Target Price (Rp)	Market Cap (Rpbn)	P/E (x)		P/BV (x)		ROE FY25F
				FY24F	FY25F	FY24F	FY25F	
BBCA IJ	BUY	12,800	1,325,207	24.3	22.2	5.0	4.7	21.8%
BBRI IJ	NR	n/a	722,936	n/a	n/a	n/a	n/a	n/a
BMRI IJ	BUY	8,200	658,000	11.6	10.5	2.3	2.1	21.2%
BBNI IJ	BUY	7,600	210,730	9.7	8.7	1.3	1.2	14.3%
BRIS IJ	HOLD	2,800	138,849	21.1	18.5	3.1	2.8	15.9%
BTPS IJ	HOLD	1,200	8,667	8.2	7.9	0.9	0.9	11.1%

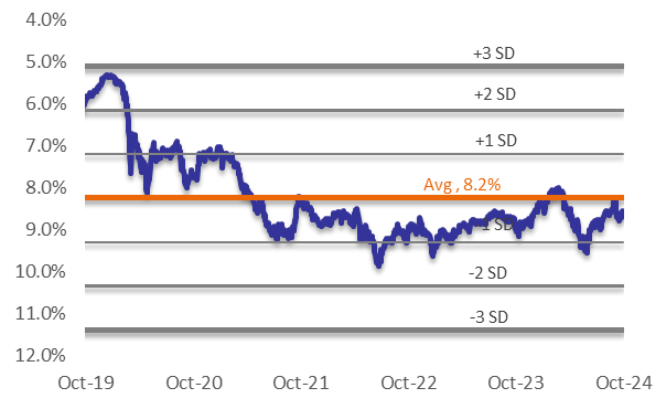
Source: Company, BRIDS Estimates

Exhibit 3. BBNI’s cost of equity band chart (5-year)



Source: Company, Bloomberg, BRIDS Estimates

Exhibit 4. Sector’s cost of equity band chart (5-year)



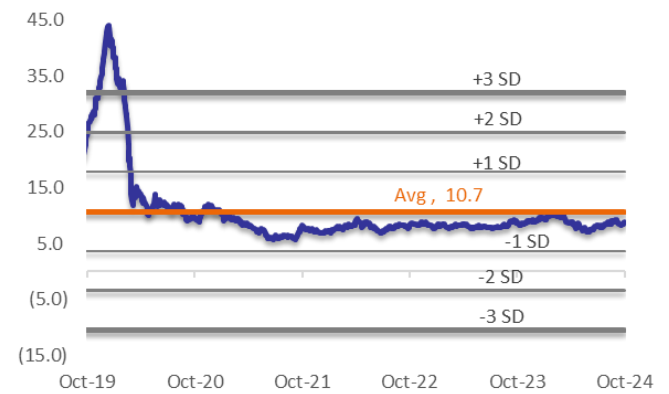
Source: Company, Bloomberg, BRIDS Estimates

Exhibit 5. BBNI’s PBV band chart (5-year)



Source: Company, Bloomberg, BRIDS Estimates

Exhibit 6. BBNI’s PE band chart (5-year)



Source: Company, Bloomberg, BRIDS Estimates

Exhibit 7. 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)
Net Interest Income	41,321	41,276	41,422	46,168	49,832
Non-Interest Income (NII)	18,804	20,218	24,391	28,055	31,433
Oper. Income	60,125	61,494	65,812	74,222	81,266
Oper. Expenses	(27,059)	(27,778)	(29,537)	(33,264)	(36,758)
Pre-provisions profit	34,413	34,970	36,275	40,959	44,508
Provisions & Allowances	(11,514)	(9,196)	(9,252)	(10,660)	(12,280)
Operating Profits	22,899	25,773	27,024	30,299	32,228
Non-Operating Income	(212)	(134)	(182)	(165)	(182)
Exceptionals	0	0	0	0	0
Pre-tax Profit	22,687	25,640	26,842	30,134	32,046
Income Tax	(4,205)	(4,534)	(4,966)	(5,575)	(5,928)
Minorities	(170)	(197)	(197)	(220)	(238)
Net Profit	18,312	20,909	21,679	24,339	25,880

Exhibit 8. 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)
Net Loans	595,854	647,927	726,451	791,556	872,361
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
Total Earnings Assets	920,484	989,203	1,043,424	1,090,291	1,158,726
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
Total Assets	1,029,837	1,086,664	1,158,103	1,234,695	1,294,537
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
Total Liabilities	889,639	931,931	990,267	1,051,380	1,095,249
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
Shareholders' Funds	135,816	150,131	163,037	178,296	194,031
Minority interests	4,382	4,602	4,799	5,019	5,257
Total Equity & Liabilities	1,029,837	1,086,664	1,158,103	1,234,695	1,294,537

Exhibit 9. 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	18.6	18.2

Exhibit 10. Dupont and Growth

Year to 31 Dec	2022A	2023A	2024F	2025F	2026F
Dupont					
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
Growth (%)					
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

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

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