



PT Bank Negara Indonesia Tbk (BBNI IJ) Banking Sector

BUY

Target Price : IDR10,800

Stock Data

Current Price	: 9,500
52Wk Range (H-L)	: 7,225-9,900
Share Outstanding	: 18.65 bn
Free Float	: 31.83%
Mkt Capitalization (IDR Tn)	: 178.56

Stock price in IDR/share

Major Shareholders

Govt of Indonesia	: 60.00%
Public (Below 5%)	: 40.00%

Adjusting our Target Price to reflect sensitivity to Cost of Equity

1Q23 earnings in-line with our estimate

BBNI posted net income of IDR5.2tn in 1Q23, the bottom line grew +13.0% QoQ/+31.8% YoY forming 24.6%/24.1% MNCS/street estimate of 2023 full-year profit. Provisioning expense fell steeply -16.9% QoQ/-40.3% YoY despite stabilizing NPL. However the NPL coverage ratio surged to 286.6% in the last quarter. We also have seen that NIM recorded a QoQ contraction by -20 bps to 4.7% as loan yield re-pricing could be offset by higher CoF in the midst of monetary policy transmission in the banking system. Loan expanded +7.2% YoY, marking the lower range of management guidance which partly also reflect bank's de-risking strategy as well as seasonality factor. Low cost funding balance posted a moderate growth of +6.9% YoY forming 68.9% CASA ratio, this was lower than in 4Q22 which hit 72.4% yet driven by government fund placement that was basically a one off item. In regards to all financial figures, we believe that management target this year to remain achievable.

BBNI asset and liabilities management

BBNI CAR increased +230 bps QoQ largely driven by regulatory change regarded in RWA calculation of credit and operational risk. LDR was well maintained within regulatory framework, yet a more moderate increase in loan growth attributable management strategy to keep liquidity sufficient in regards to Eid Fitr momentum. Furthermore, liquidity ratio was also above stipulated regulation. Both LCR and NSFR despite falling than in 4Q22 but showed aplenty stood at 203.4% and 154.1%. Proportion of earning assets to total assets particularly loan plus government bond and marketable securities accounted for 72.9% in 1Q23. Loan still dominated the earnings asset nearly 4x securities holding on the bank's balance sheet. Despite falling in customer deposit, CASA remaining dominant and funding sources were also diversified. The decline in customer deposit was also attributable to early year increase for customer liquidity demand and ahead of Eid Fitr momentum. We think BBNI's ALM was considerably prudent.

Room for further asset quality improvement

NPL stabilized at 2.8% whereas SML rose +90 bps QoQ to 4.4% in 1Q23. The SML increased driven by medium and small segment. LaR maintained at 16.3% at the same time. LaR from Covid continued to improve as the outstanding dropped -7.6% QoQ. Sufficient coverage both for NPL and LaR combined with 39.4% of Covid restructured loan portfolio eligible for stimulus extension. As of the last quarter BBNI posted IDR2.7tn of written off and successfully recovered IDR1.2tn implying 43.1% recovery rate. Furthermore recovery rate has gradually increased compared to Covid which only accounted 20.1%. We expect further improvement in asset quality on the back of management aspiration to have a high quality growth.

Reiterate BUY but with lower TP due to Ke sensitivity

BBNI stock price appreciated ~+3% year-to-date outperforming JCI of +1.4% implying 1.2x FY23F P/B or edging towards +2std of its 3-year historic P/B band. It trades at 11.9% FY23F earnings yield or equal to +470 bps higher than JCI earnings yield and implying +537 bps premium than risk free rate (10-yr government bond yield). We reiterate BUY call on BBNI with lower TP at IDR10,800/share (vs IDR11,400/share previously) due to adjustment of higher Cost of Equity (Ke). We maintained our projection of +15.9% YoY EPS growth, yet due to increasing Ke we revised down our target. We have observed that higher Ke would be responded by lower trading P/B. Higher risk premium for holding equity assets largely driven by rising stock volatility (Beta) as well as more attractive short-duration fixed income asset yield. Key downsides : 1) lower than expected loan growth and deteriorating NIM, 2) longer than expected high policy rates. The key upsides if : 1) rate cut signal intensify and or materialized and 2) substantial improvement in asset quality.

Key Financial Highlight

Financial Projections	FY20	FY21	FY22	FY23E	FY24F
Net Interest Income (IDR bn)	37,152	38,247	41,321	44,837	47,737
Net Income (IDR bn)	3,280	10,899	18,312	21,229	24,070
EPS (IDR)	176	584	982	1,138	1,291
BVS (IDR)	6,052	6,784	7,517	8,214	8,827
P/E (x)	54.4	16.4	9.8	8.4	7.4
P/B (x)	1.6	1.4	1.3	1.2	1.1
ROAE (%)	2.8%	9.3%	14.1%	15.0%	15.7%
ROAA (%)	0.4%	1.2%	1.8%	2.0%	2.1%

Sources : Bloomberg, MNCS Research



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Exhibit 1. BMRI's 1Q23 net income jumped +19.4% QoQ/+25.2% YoY forming 27.6% of MNCS FY23E driven by a more efficient OpEx and lower CoC

IDR bn	1Q22	4Q22	1Q23	FY23F	YoY	QoQ	Run Rate
Interest Income	12,174	15,389	15,019	62,077	23.4%	-2.4%	24.2%
Interest Expense	(2,943)	(4,267)	(4,615)	(17,240)	56.8%	8.2%	26.8%
Net Interest Income	9,231	11,122	10,404	44,837	12.7%	-6.5%	23.2%
Non Interest Income	5,450	5,158	4,751	22,201	-12.8%	-7.9%	21.4%
Total Operating Income	14,681	16,280	15,155	67,038	3.2%	-6.9%	22.6%
Opex	(6,145)	(7,697)	(6,503)	(29,122)	5.8%	-15.5%	22.3%
PPOP	8,536	8,583	8,652	37,916	1.4%	0.8%	22.8%
Provision	(3,600)	(2,586)	(2,149)	(10,468)	-40.3%	-16.9%	20.5%
Income Before Tax	4,871	5,902	6,457	27,448	32.6%	9.4%	23.5%
Net Income	3,962	4,620	5,221	21,229	31.8%	13.0%	24.6%

Sources : BBNI Data, MNCS Research

Exhibit 2. All ALM, funding and liquidity indicators of BMRI are solid

ALM, Liquidity & Capital Indicators	FY20	FY21	FY22	1Q23
CASA	67.6%	69.4%	72.4%	68.9%
LDR	88.4%	79.9%	84.0%	85.4%
Customer Deposit/IBL	91.1%	90.9%	90.4%	90.5%
IEA/Total Assets	91.9%	92.6%	92.6%	89.7%
Loan/Total Assets	60.8%	55.2%	57.9%	57.7%
Securities & Government Bond/Total Assets	13.5%	14.2%	14.6%	15.2%
LFR	224.0%	230.2%	219.0%	203.4%
NSFR	144.0%	151.8%	164.1%	154.1%
Tier-1	15.7%	17.7%	17.5%	19.7%
CAR	16.8%	19.7%	19.3%	21.6%

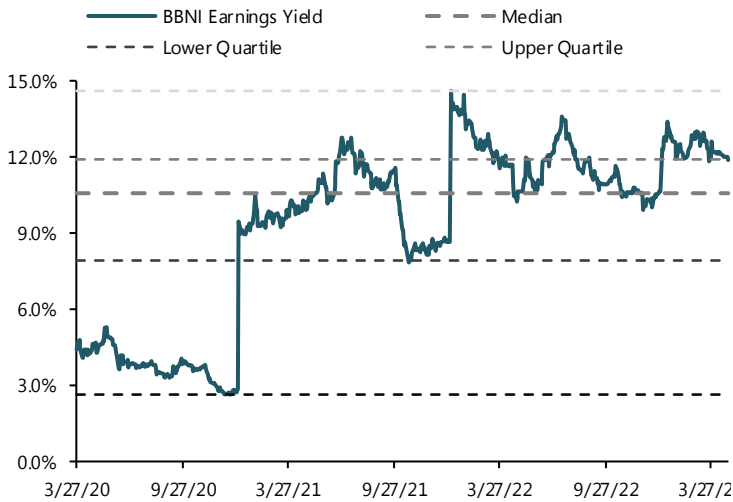
Sources : BBNI Data, MNCS Research

Exhibit 3. Asset quality keep improving and coverage was adequate : possible of more manageable CoC to drive earnings

Asset Quality & Coverage	FY20	FY21	FY22	1Q23
Current	90.6%	91.6%	93.7%	92.8%
NPL	4.3%	3.7%	2.8%	2.8%
SML	5.1%	4.7%	3.5%	4.4%
Coll. 1 Restructured Loan	19.4%	14.9%	9.7%	9.1%
LaR	28.7%	23.3%	16.0%	16.3%
NPL Coverage	182.4%	233.4%	278.3%	286.8%
LaR Coverage	27.0%	37.0%	48.8%	48.9%
Written Off (IDR tn)	9.77	9.51	10.88	2.70
Recovery (IDR tn)	1.97	3.11	3.90	1.17
Recovery Rate	20.1%	32.8%	35.8%	43.1%

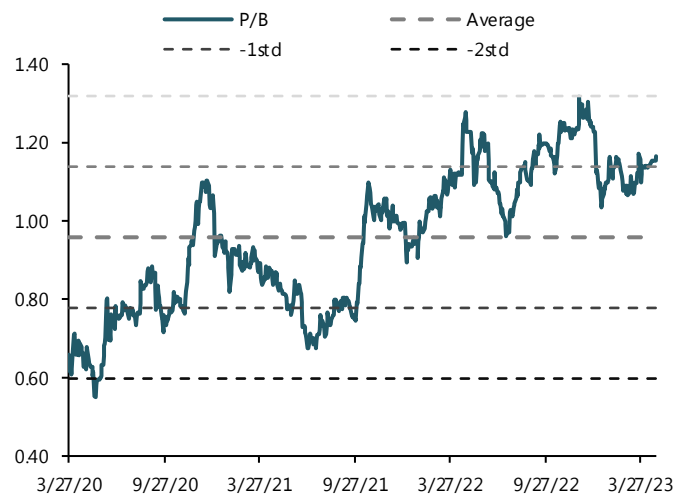
Sources : BBNI Data, MNCS Research

Exhibit 4. BBNI is traded at a nearly upper quartile of its earnings yield



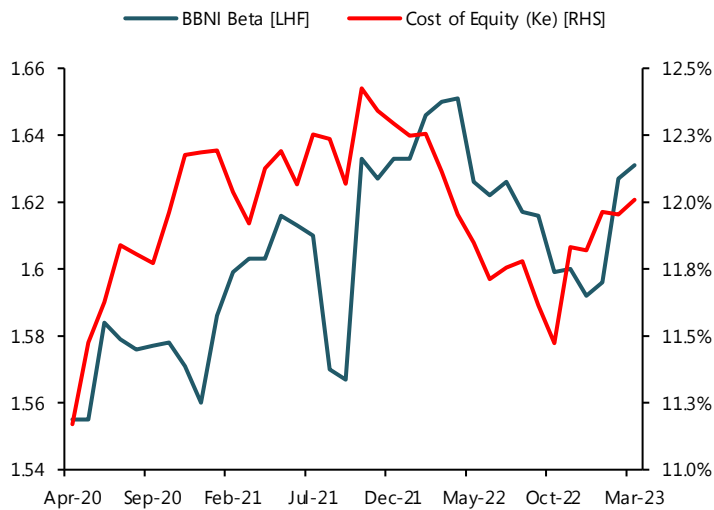
Sources : Bloomberg, BMRI Data, MNCS Research

Exhibit 5. BBNI has been traded at a nearly +2std of P/B band recently



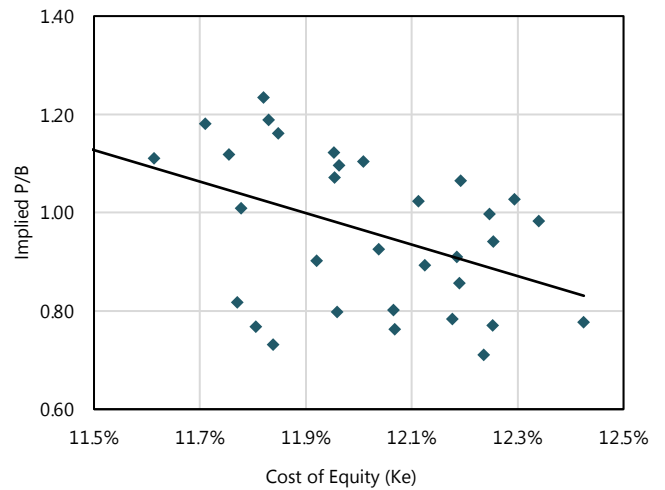
Sources : Bloomberg, BMRI Data, MNCS Research

Exhibit 6. Cost of Equity (Ke) has risen driven by higher stock volatility reflected by Beta



Sources : Bloomberg, BBNI Data, MNCS Research

Exhibit 7. We already observed that higher Cost of Equity (Ke) has triggered valuation de-rating (linear fit)



Sources : Bloomberg, BBNI Data, MNCS Research

Exhibit 8. BBNI balance sheet and income growth

Growth	FY20	FY21	FY22	1Q23
Loan	5.3%	-0.6%	10.9%	7.2%
Asset	5.4%	8.2%	6.7%	8.6%
Customer Deposits	10.6%	7.3%	5.5%	7.4%
Equity	-9.7%	12.1%	10.8%	12.9%
Net Interest Income	1.5%	2.9%	8.0%	12.7%
Operating Income	0.0%	7.4%	10.0%	3.2%
PPOP	-1.8%	11.7%	10.8%	1.4%
Net Income	-78.7%	232.3%	68.0%	31.8%

Sources : Bloomberg, BBNI Data, MNCS Research

Exhibit 9. BBNi's financial projection & key ratio

Income Statement (IDR bn)	FY20	FY21	FY22	FY23E	FY24F
Interest Income	56,173	50,026	54,659	62,077	65,914
Interest Expense	(19,021)	(11,779)	(13,338)	(17,240)	(18,176)
Net Interest Income	37,152	38,247	41,321	44,837	47,738
Non Interest Income	14,884	17,619	20,152	22,201	23,711
Operating Income	52,036	55,866	61,473	67,038	71,449
Opex	(24,214)	(24,801)	(27,059)	(29,122)	(31,233)
PPOP	27,822	31,065	34,414	37,916	40,216
Provision	(22,590)	(18,297)	(11,514)	(10,468)	(8,291)
Income Before Tax	5,112	12,551	22,687	27,281	31,746
Tax	(1,791)	(1,574)	(4,205)	(5,706)	(6,984)
Net Income	3,280	10,899	18,312	21,229	24,070

Balance Sheet (IDR bn)	FY20	FY21	FY22	FY23E	FY24F
CA with BI	35,066	48,682	82,922	82,531	92,744
CA & Placement	72,250	111,860	67,491	65,116	68,366
Securities & Government Bonds	120,346	137,231	149,847	155,683	161,838
Loans	541,979	532,141	595,854	646,617	711,988
Other IEA	49,409	63,441	57,566	50,974	55,393
IEA	819,050	893,355	953,680	1,000,921	1,090,329
Fixed Assets & Others	72,288	71,482	76,156	99,722	78,739
Total Assets	891,337	964,838	1,029,837	1,100,642	1,169,068

Current Account	223,862	281,398	314,625	350,807	389,396
Saving Account	224,288	224,670	242,695	257,256	270,119
CASA	448,150	506,068	557,320	608,063	659,515
Time Deposit	215,281	223,101	211,949	217,248	223,765
Customer Deposit	663,432	729,169	769,269	825,311	883,280
Deposit from other Banks	9,372	14,377	15,245	14,811	15,028
Securities & Borrowings	47,199	51,209	57,764	57,027	58,515
Other IBL	8,505	7,527	8,962	8,838	8,995
IBL	728,508	802,281	851,239	905,987	965,818
Non IBL	49,958	36,036	38,400	41,465	38,634
Total Liabilities	778,466	838,318	889,639	947,452	1,004,451

Paid & Add Capital	23,623	26,065	26,065	26,065	26,065
Retained Earnings	66,980	78,250	94,060	105,626	114,772
Reserves & Others	22,268	22,205	20,073	21,499	23,780
Total Equity	112,871	126,520	140,198	153,190	164,617

Total Liabilities & Equity	891,337	964,838	1,029,837	1,100,642	1,169,068
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Key Ratio	FY20	FY21	FY22	FY23E	FY24F
IEA Yields	8.6%	7.4%	7.5%	7.9%	7.9%
CoF	2.5%	1.5%	1.4%	1.8%	1.8%
NIM	4.6%	4.7%	4.8%	4.7%	4.8%
CIR	46.5%	44.4%	44.0%	43.4%	43.7%
ROAA	0.4%	1.2%	1.8%	2.0%	2.1%
ROA	0.4%	1.1%	1.8%	1.9%	2.1%
ROAE	2.8%	9.3%	14.1%	15.0%	15.7%
ROE	3.0%	8.8%	13.5%	14.3%	15.1%
LDR	88.4%	79.9%	84.0%	84.6%	85.3%
Gross NPL	4.2%	3.7%	2.8%	2.2%	1.9%
CoC	3.9%	3.1%	1.8%	1.5%	1.1%
CAR	16.8%	19.7%	19.3%	19.3%	19.3%

Source : BBNi Data, MNCS Research

MNC Research Industry Ratings Guidance

OVERWEIGHT: Stock's total return is estimated to be above the average total return of our industry coverage universe over next 6-12 months

NEUTRAL: Stock's total return is estimated to be in line with the average total return of our industry coverage universe over next 6-12 months

UNDERWEIGHT: Stock's total return is estimated to be below the average total return of our industry coverage universe over next 6-12 months

MNC Research Investment Ratings Guidance

BUY : Share price may exceed 10% over the next 12 months

HOLD : Share price may fall within the range of +/- 10% of the next 12 months

SELL : Share price may fall by more than 10% over the next 12 months

Not Rated : Stock is not within regular research coverage

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