

BUY | TP : IDR10,200
BBNI Stock Price Data

Last Price	:	IDR8,875
52wk High	:	IDR9,950
52wk Low	:	IDR7,865
Share Out	:	18.6bn
Market Cap	:	IDR164.5tn

BBNI Stock Price Performance

1-Day	:	+0.00%
1-Week	:	-1.66%
1-Month	:	-3.01%
3-Month	:	-5.84%
Year-to-Date	:	-3.79%

Shareholders

Govt of Indo	:	60.00%
Public	:	40.00%

PT Bank Negara Indonesia Tbk (BBNI IJ)
BBNI Earnings Flash: Rising CoF put pressure on NIM
1H23 Result was slightly in line

Net profit stood at IDR10.3tn in 1H23 (+17% YoY) or IDR5.1tn (-2.7% QoQ) in Q2-23, slightly below the consensus target with 48%, but in line with our target. The lower semi-annual net profit was particularly affected by some key factors:

- 1) Flattening interest income (+18.7% YoY, +1.7% QoQ) caused by the weakening loan growth (+4.9% YoY, +2.6% QoQ).
- 2) Soaring interest expense +63.7% YoY, +10% QoQ to IDR9.6tn from the rising cost of funds (+60 bps YoY).
- 3) Negative growth of -8.3% YoY in non-interest income due to the declining earnings from business banking activity (-15.8% YoY).
- 4) Increasing opex by +2.1% YoY to IDR3.1tn in 1H-23, driven by the increase in G&A expenses by +9.1% YoY. The increasing Opex raises the bank cost-to-income ratio by +70 bps YoY to 41.1% in 1H-23.

Due to the slower than expected output, the management revised their FY23 target for net interest margin from 4.7% to 4.6%. Nonetheless, the actual realization of NIM is still slightly under the target with 4.56% figure in 1H23.

Lending Growth Suppressed by The Weakening Economy

Loan grew at +2.6% QoQ, +4.9% YoY to IDR650.8tn, lower than the management target with an expectation of +7-9% YoY and industry growth (May-23) of +9.39% YoY. This slowing growth was presumed due to the low credit demand from the business segment, affected by the weak exports and tepid economic situation. Despite the slowing loan growth, management attempt to cut back their loan distribution in some high-risk default sector, such as corporate SOE (-10.2% YoY) and SME Non-KUR (-11.5% YoY). Hence, BBNI experienced better credit quality with an NPL of 2.5% (-70 bps YoY) and an NPL Coverage of 308.8% in 1H23. Meanwhile, we expected the loan to grow moderately with single digit growth, considering the downward trend in some commodities prices and economic slowdown. Higher LAR contribution coming from sectors, such as construction, business services, trading, and hotel.

The Impact Indonesia Monetary Policy in Funding Performance

On the funding side, the recent upward trend in BI Rate boost BBNI time deposit with a growth rate of +9.3% YoY. Meanwhile, the current account also recorded a remarkable growth of +20.8% YoY and the savings account remains stable with +0.6% YoY growth. Overall, BBNI announced a higher CASA ratio of 69.6% (+0.4% YoY, +0.7% QoQ) and succeeded in maintaining their LDR above 80% (85.2% in Jun-23). We expect CASA ratio remain stable >70% in FY23F.

Maintain BUY with Lower TP: IDR10,200/share

We transfer our banking coverage from Tirta Widi Gilang to Victoria Venny. We maintain our BUY rating with slightly lower GGM-based TP of IDR10,200/share implying 1.3x/1.2x of FY23F/FY24F P/B. Management FY23F guidance: 1) 7%-9% of loan growth; 2) 4.6% of NIM. Downside risks to our call include slower than expected loan growth and asset quality deterioration.

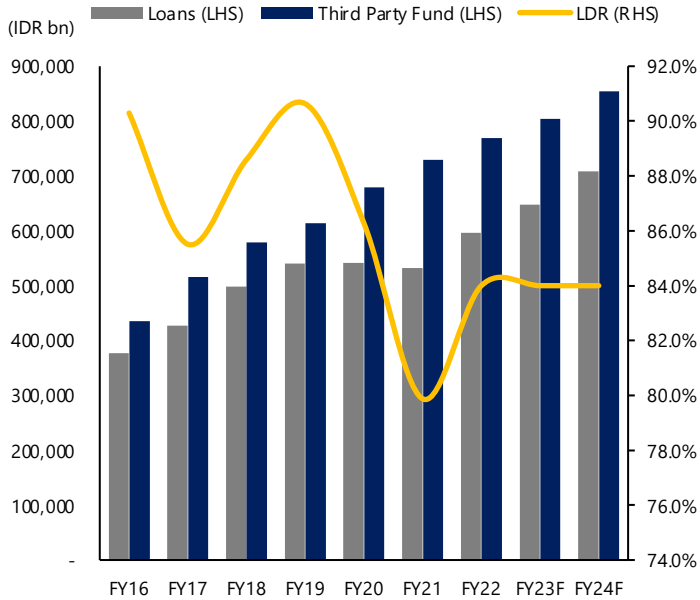
Key Financial Highlight (IDR bn)	FY20	FY21	FY22	FY23E	FY24F
Net Interest Income	37,152	38,247	41,321	43,433	46,291
Net Profit	3,280	10,899	18,312	20,637	22,937
EPS (IDR)	176	584	982	1,107	1,230
BVS (IDR)	5,909	6,635	7,283	8,032	8,764
P/E (x)	50.6	15.2	9.1	8.0	7.2
P/B (x)	1.5	1.3	1.2	1.1	1.0
ROAE (%)	2.8	9.3	14.1	14.5	14.6
ROAA (%)	0.7	2.3	2.0	2.1	2.2

Sources : Bloomberg, MNCS Research



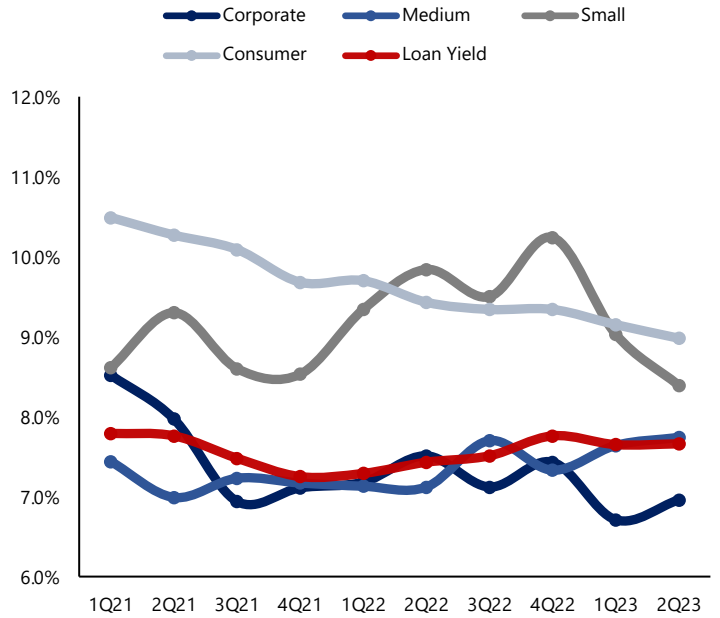
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Exhibit 01. We expect loan to grow 8% YoY in FY23F



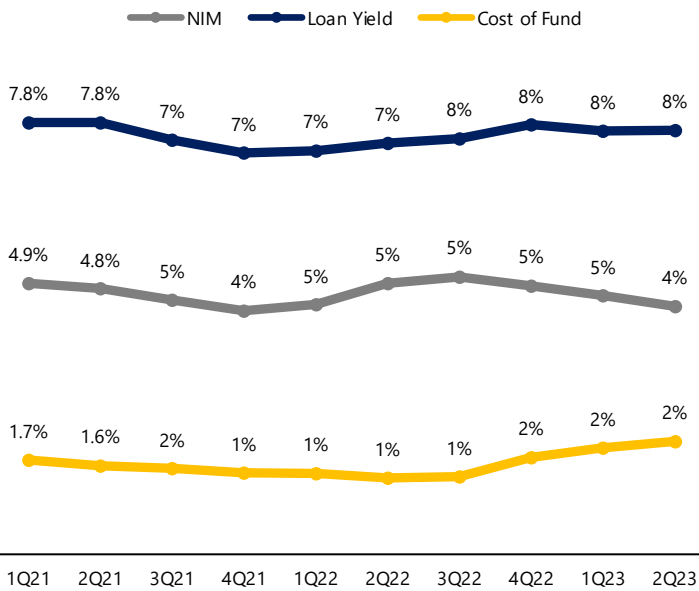
Sources : BBNI Data, MNCS Research

Exhibit 02. NPL remains stable below 3% going forward



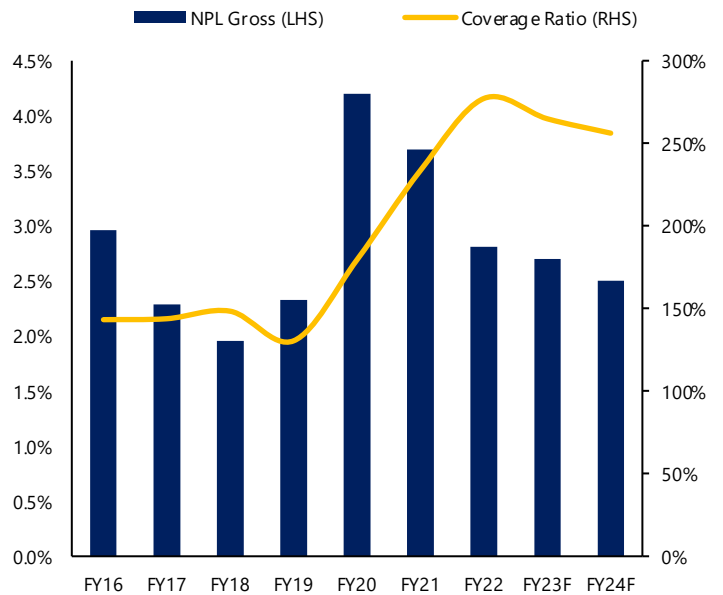
Sources : BBNI Data, MNCS Research

Exhibit 03. Rising CoF put pressure on NIM



Sources : BBNI Data, MNCS Research

Exhibit 04. NPL remains stable below 3% going forward

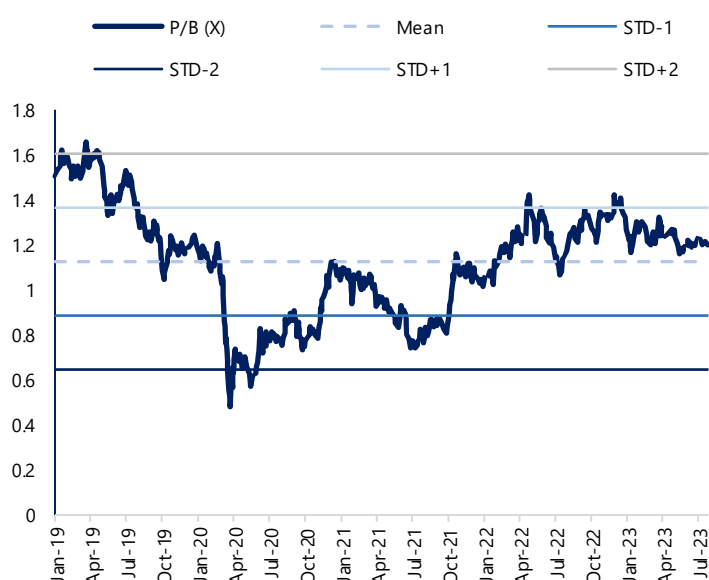


Sources : BBNI Data, MNCS Research

Exhibit 05. Net profit increased +17% YoY/ -2.7% QoQ in 1H23

Income Statement (IDR bn)	2Q22	1Q23	2Q23	QoQ (%)	YoY (%)	1H22	2H23	YoY (%)	MNCS Est FY23	Cons Est FY23
Net interest income	10,379	10,404	10,198	-2.0%	-1.7%	19,610	20,602	5.1%		
Non-interest income	3,520	3,235	3,690	14.1%	4.8%	7,552	6,925	-8.3%		
Operating income	15,095	15,155	14,937	-1.4%	-1.0%	29,776	30,092	1.1%		
Provision expenses	2,803	2,149	2,362	9.9%	-15.7%	6,403	4,511	-29.5%		
Personnel expenses	2,902	3,122	2,653	-15.0%	-8.6%	5,841	5,775	-1.1%		
GA expenses	1,631	1,782	1,874	5.2%	14.9%	3,352	3,656	9.1%		
Other expenses	1,747	1,495	1,638	9.6%	-6.2%	3,145	3,133	-0.4%		
PPOP	8,708	8,652	8,648	0.0%	-0.7%	17,243	17,300	0.3%		
Pretax profit	5,948	6,457	6,247	-3.3%	5.0%	10,819	12,704	17.4%		
Net profit	4,841	5,221	5,081	-2.7%	5.0%	8,803	10,302	17.0%	49.9%	48.1%
Gross loans	620,423	634,326	650,770	2.6%	4.9%	620,423	650,770	4.9%		
Third party funds	691,837	743,729	765,009	2.9%	10.6%	691,837	765,009	10.6%		
Key ratio (%)	2Q22	1Q23	2Q23	QoQ (%)	YoY (%)	1H22	2H23	YoY (%)		
NIM	4.9	4.7	4.5	-0.2	-0.4	4.7	4.6	-0.1		
ROA	2.6	2.7	2.4	-0.3	-0.2	2.4	2.5	0.1		
ROE	15.8	15.5	15.1	-0.4	-0.7	15.1	15.3	0.2		
LDR	90.1	85.4	85.1	-0.3	-5.0	90.1	85.1	-5.0		
NPL-gross	3.2	2.8	2.5	-0.3	-0.7	3.2	2.5	-0.7		

Sources : BBNI Data, MNCS Research

Exhibit 06. BBNI currently trade at 1.2x PBV 5-years mean


Sources : BBNI Data, MNCS Research

Exhibit 07. BBNI's Financial Projection & Key Ratio

Income Statement (IDR bn)	FY20	FY21	FY22	FY23F	FY24F
Interest Income	56,173	50,026	54,659	58,019	61,587
Interest Expense	19,021	11,779	13,338	14,587	15,296
Net Interest Income	37,152	38,247	41,321	43,433	46,291
Opex	24,214	24,801	27,059	28,618	30,343
PPOP	27,822	31,064	34,413	35,475	37,335
Provision	(22,590)	(18,297)	(11,514)	(9,787)	(8,808)
Income Before Tax	5,112	12,551	22,687	25,688	28,527
Tax	(1,791)	(1,574)	(4,205)	(4,881)	(5,420)
Net Profit	3,280	10,899	18,312	20,637	22,937
Balance Sheet (IDR bn)	FY20	FY21	FY22	FY23F	FY24F
Securities - net	29,947	26,053	28,803	28,803	28,803
Placement with BI & other Banks	112,509	160,543	150,413	131,784	135,810
Other Earnings Assets	40,743	41,430	40,935	40,446	39,963
Loans	586,207	582,436	646,188	697,883	757,203
Total Earnings Assets	780,505	822,663	854,128	916,745	988,686
Non Earnings Assets	31,080	52,926	53,790	94,070	92,808
Total Assets	891,337	964,838	1,029,837	1,088,263	1,163,881
CA	227,475	281,398	314,625	327,210	346,843
SA	236,696	224,670	242,695	247,548	259,926
TD	215,281	223,101	211,949	228,905	247,218
Customer Deposits	679,452	729,169	769,269	803,664	853,986
Total Liabilities	778,465	838,318	889,639	934,065	996,011
Paid in Capital & Reserves	43,212	45,488	41,756	41,507	41,507
Retained Earnings	64,202	75,472	91,281	105,509	119,160
Minority Interests	2,680	2,782	4,382	4,404	4,426
Total Equity	112,872	126,520	140,198	154,198	167,871
Total Liabilities & Equity	891,337	964,838	1,029,837	1,088,263	1,163,881
Key Ratio	FY20	FY21	FY22	FY23F	FY24F
IEA Yields	7.3%	6.2%	6.5%	6.6%	6.5%
CoF	2.8%	1.6%	1.6%	1.6%	1.6%
NIM	4.9%	4.7%	4.8%	4.8%	4.8%
CIR	45.3%	43.3%	42.9%	43.5%	43.5%
ROAA	0.7%	2.3%	2.0%	2.1%	2.2%
ROAE	2.8%	9.3%	14.1%	14.5%	14.6%
LDR	85.9%	79.6%	83.5%	83.5%	83.5%
NPL-gross	4.2%	3.7%	2.8%	2.7%	2.5%
CoC	3.9%	3.1%	1.8%	1.4%	1.2%

Sources : 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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