

Investment Consideration

Net Income grew almost 32%

In the first quarter of 2023, Bank Negara Indonesia (BNI) reported a net income of IDR 5.22 trillion, which represents a significant increase of 31.76% YoY from IDR 3.96 trillion in Q1-22. The growth was driven by operating income, such as income from investment in associates, which grew by 35.79% YoY. The growth was also driven by the decrease in provision expenses, which deflated by 40.31% YoY. BNI's interest income also grew significantly by 23.4% YoY, leading to an NIM of 4.67%, an increase by 17 bps YoY, although quarterly it decreased by 18 bps. The largest contributor to interest income was income from loans and government bonds, accounting for 81.01% and 10.19% respectively, while the highest annual growth was seen in income from placement from other banks and Bank Indonesia and Bills and Other Receivables, which grew by 172.66% and 75.43% respectively. We forecast that BNI will continue to improve its performance, growing net income by 44% to reach IDR 26.37 trillion in FY23.

Moderate growth in loans and third-party funds

As of March 2023, BNI recorded a moderate consolidated loan growth of 7.21% YoY. Most segments grew positively except for the small loans, which decreased by 1.53%. The highest growth was seen in the Consumer segment, which grew by 11.83% YoY. Other segments, such as Corporate and Medium loans, also grew by 8.18% and 4.09%, respectively. On the other hand, Third Party Fund also increased modestly by 7.21%. The highest growth came from Current Accounts, which grew by 10.44%, followed by time deposits, which grew by 8.44%. However, saving accounts only grew by 2.74%, which led to a decrease of the CASA ratio by 30 bps YoY to 68.90%. We forecast that at the end of 2023, consolidated loans will grow by 10.73%, while the CASA ratio will also grow by 145 bps to a level of 73.85%.

Improved Asset Quality

As of March 2023, BNI improved its asset quality, with the bank-only NPL ratio declining by 69 basis points to 2.77% compared to March 2022, while the NPL coverage ratio increased by 367 bps to 286.80%. Consumer loans had the lowest NPL ratio at 1.80%, down 30 bps annually, but it increased by 10 bps quarterly. Medium loans showed the best performance, decreasing NPLs by 240 bps annually to a level of 6.00%, even though it was lowest in terms of quality. Corporate loans also improved with a decrease of 50 bps to 2.10%. Small loans was the only segment that deteriorated, with the NPL ratio increasing by 10 bps to 2.60%. We predict that BNI will continue to improve its asset quality, lowering its bank-only NPL by 15 bps to a level of 2.65% in FY23.

Valuation: 20% Upside, Buy.

Based on our Multi-Stage DDM valuation, we have a one-year target price of IDR 10,600, which implies a PBV multiple of 1.22x and a potential upside of 20%. Therefore, we recommend "Buy".

Financial Highlight	2020A	2021A	2022A	2023F
Loan	586,207	582,436	646,188	716,956
Customer Deposits	679,801	729,169	769,269	843,981
Net Income	3,280	10,899	18,312	26,370
EPS	176.06	585.31	982.49	1,415.07
NIM	4.50%	4.67%	4.81%	5.02%
ROA	0.50%	1.40%	2.50%	2.32%
ROE	2.60%	9.40%	14.90%	16.25%
CASA	68.50%	69.40%	72.40%	73.85%

May 22nd, 2023
 Banking, Equity

Price **IDR 8,850**
 Target Price **IDR 10,600**
 JKSE Index **6,729.65**



Stock Code
 Bloomberg code **BNI IJ**
 Market Cap (IDR bn) **163,390 B**
 52-Week High (IDR) **9,950**
 52-Week Low (IDR) **7,150**
 6-m Avg Daily. Val (IDR) **9,148**
 Free Float (%) **40**

Major Shareholders (%)
 Government RI **60.00**
 Public **40.00**

USD/IDR-YE
 2022A **14,871.00**
 2023F **14,865.54**

Key Indicators

Non-Performing Loan (%) **2.65**
 Net Interest Margin (%) **5.02**

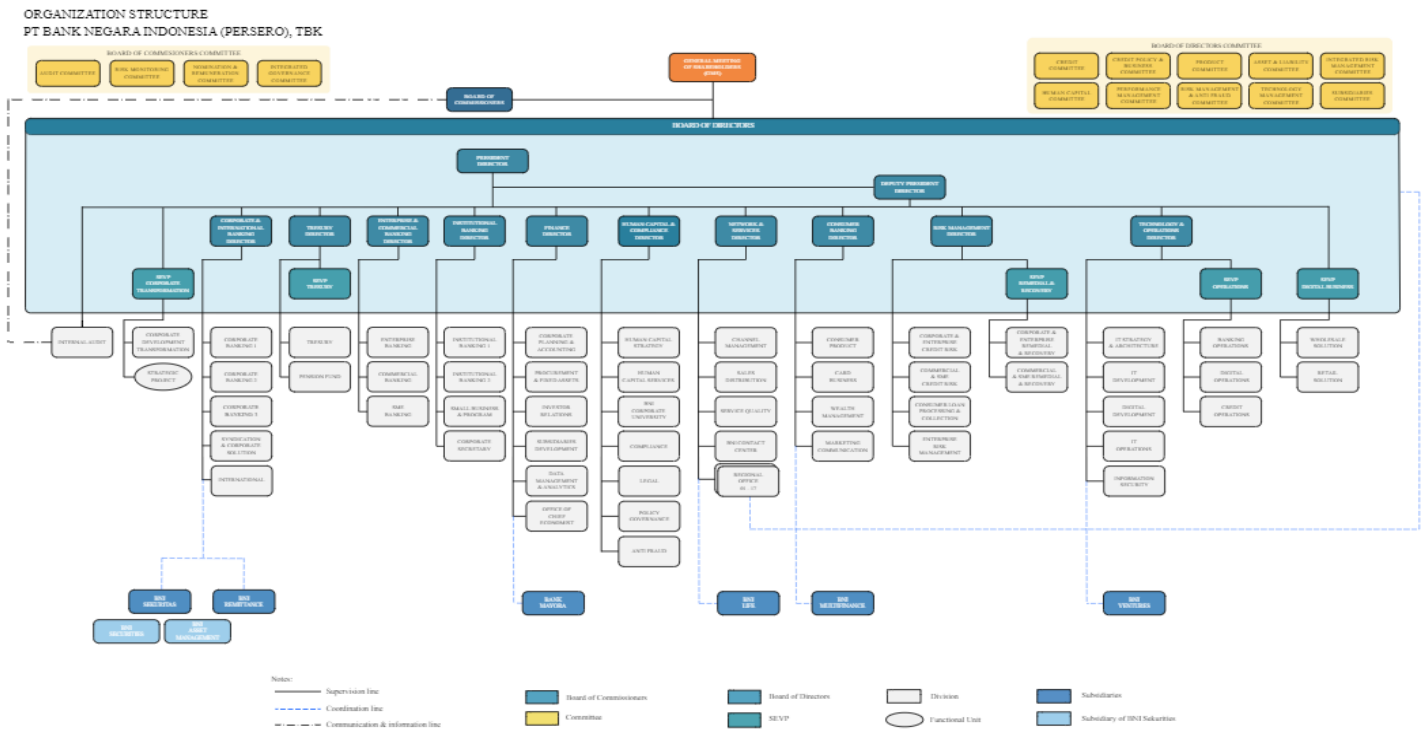
Company Profile

PT Bank Negara Indonesia (Persero), Tbk (hereinafter referred to as "BNI" or "Bank") was originally established in Indonesia as a central bank under the name "Bank Negara Indonesia" based on Government Regulation instead of Law No. 2 of 1946 July 5, 1946. Later, based on Law No. 17 of 1968, BNI was designated "Bank Negara Indonesia 1946", and its status became a State-Owned Commercial Bank. BNI's role as a Bank, mandated to improve the people's economy and participate in national development was confirmed by Law No. 17 of 1968 concerning Bank Negara Indonesia 1946. BNI is the first state-owned bank to become a public company after listing its shares on the Jakarta Stock Exchange and the Surabaya Stock Exchange in 1996. To strengthen its financial structure and competitiveness in the national banking industry, BNI conducted some corporate actions, including a recapitalization by the government in 1999, and later a divestment of the Government shares in 2007, and a limited public offering in 2010.

Currently, the Government of the Republic of Indonesia owns 60% of BNI shares, while public individuals and institutions, both domestic and foreign, own the remaining 40%. BNI is now the 4th largest national Bank in Indonesia, based on total assets, total loans and total third-party funds. To provide financial services in an integrated manner, BNI is supported by a number of subsidiaries, namely Bank BNI Syariah, BNI Multifinance, BNI Sekuritas, BNI Life Insurance, BNI Ventures, BNI Remittance and Bank Mayaora.

BNI offers deposit and loan facilities for the corporate, medium, and small business segments.

Company Profile



Source: Company

Chart: Gross Loan YoY

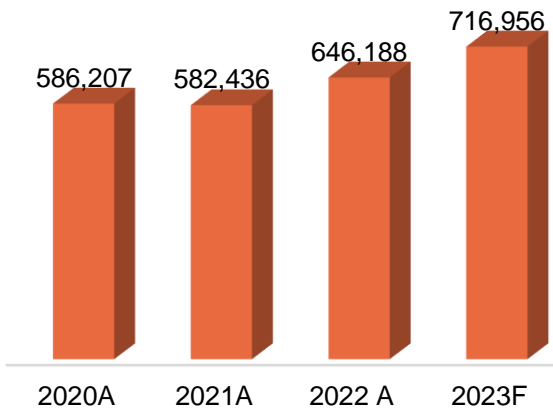


Chart: NPL Ratio (%) YoY

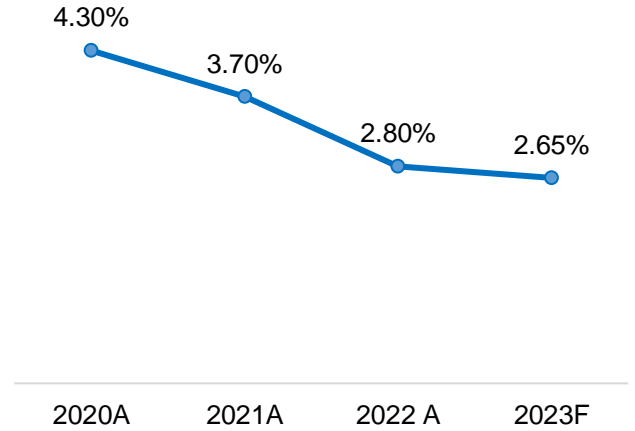


Chart: Profitability YoY

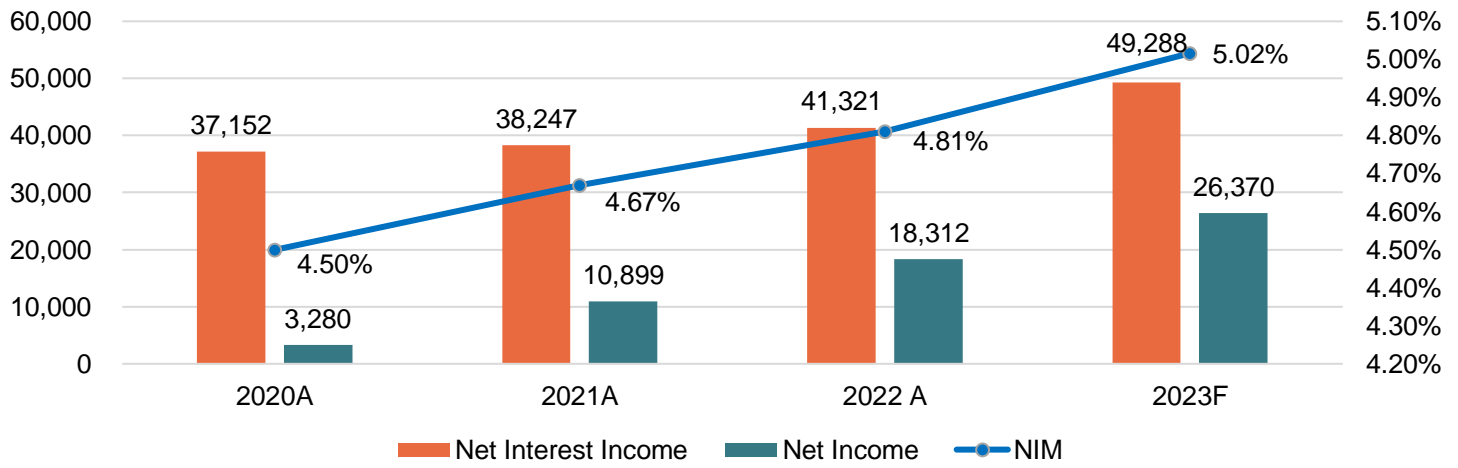


Chart: CASA Ratio (%) YoY

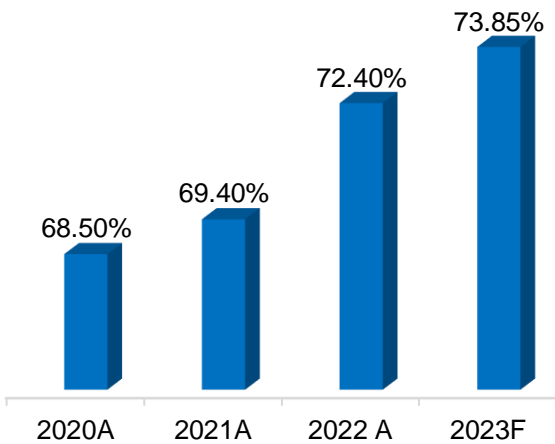


Chart: CAR (%) YoY

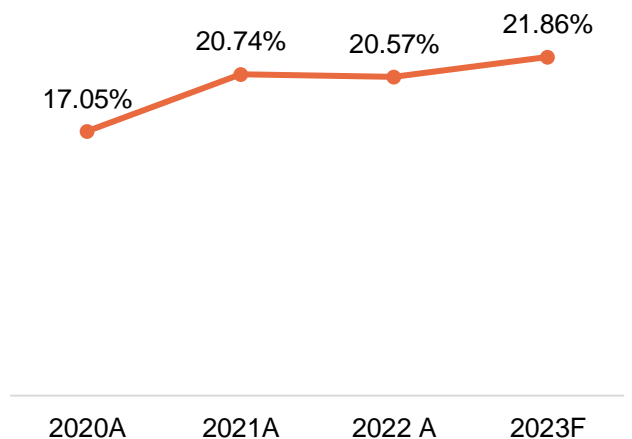


Chart: Net Income (IDR Bn) QoQ

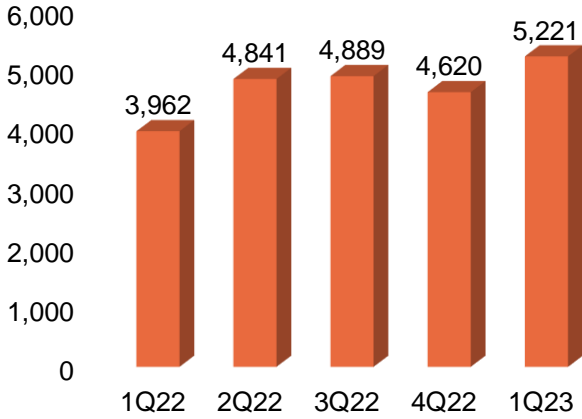


Chart: Gross Loan (IDR Bn) QoQ

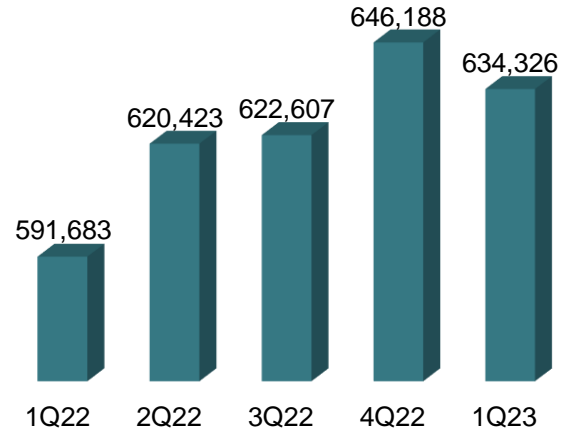


Chart: NPL Ratio (%) QoQ

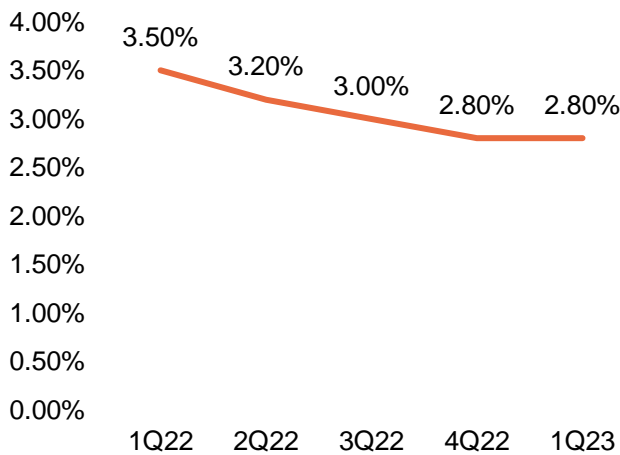
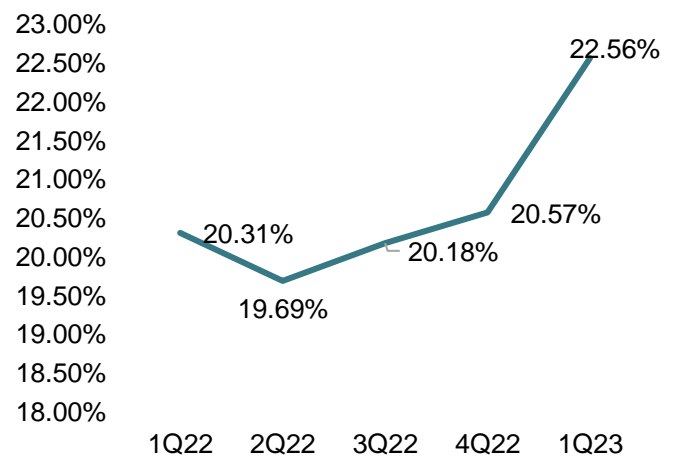


Chart: CAR (%) QoQ



Balance Sheet (IDR.bn)

Balance sheet (IDR Bn)	2020A	2021A	2022A	2023F
Cash and CA with BI	52,390	62,366	96,370	81,378
Interbank Placement	61,329	92,290	51,569	62,552
Marketable Securities	29,687	25,803	28,556	32,192
Gross Loan	586,207	582,436	646,188	716,956
Allowance for Loans	(44,228)	(50,295)	(50,334)	(53,541)
Loans-net	541,979	532,141	595,854	663,415
Other Earning Asset	247,192	321,221	284,953	332,983
Non Earning Asset	49,777	49,110	52,659	60,362
Total Asset	891,337	964,838	1,029,837	1,138,138
Deposit:				
Current Account	227,487	281,398	314,625	355,654
Saving Account	236,881	224,670	242,695	267,647
Time Deposits	215,433	223,101	211,949	220,681
Other Interest Bearing Liabilities	43,495	64,556	70,254	79,296
Non Interest Bearing Liabilities	55,169	44,593	50,116	52,618
Total Liabilities	778,465	838,318	889,639	975,895
Total Shareholder's Equity	112,872	126,520	140,198	162,243

Income Statement (IDR.bn)

Income Statement (IDR Bn)	2020A	2021A	2022A	2023F
Interest Income	56,173	50,026	54,659	61,885
Interest Expense	(19,021)	(11,779)	(13,338)	(12,596)
Net Interest Income	37,152	38,247	41,321	49,288
Other Operating Income	14,884	17,619	20,151	23,655
Operating Income	52,036	55,865	61,472	72,943
Operating Expense	(24,214)	(24,801)	(27,059)	(25,120)
PPOP	27,822	31,064	34,413	47,823
Provision Expense	(22,590)	(18,297)	(11,514)	(14,537)
Operating Profit	5,231	12,767	22,899	33,285
Non Operating Income	(119)	(216)	(212)	(210)
Profit Before Tax	5,112	12,551	22,687	33,075
Tax Expense	(1,791)	(1,574)	(4,205)	(6,615)
Earning After Tax	3,321	10,977	18,482	26,460
Income for The Year Attributable to - NCI	41	79	170	90
Net Income	3,280	10,899	18,312	26,370
EPS (Rp/Share)	176.06	585.31	982.49	1,415.07

Ratio Highlights

Ratio Analysis	2020A	2021A	2022A	2023F
Profitability & Efficiency				
NIM	4.50%	4.67%	4.81%	5.02%
Cost-to-Income Ratio	44.20%	43.30%	42.60%	34.44%
ROE	2.60%	9.40%	14.90%	16.25%
ROA	0.50%	1.40%	2.50%	2.32%
BOPO	93.30%	81.20%	68.60%	61.09%
Cost of Credit	4.10%	3.30%	1.90%	2.03%
Liquidity				
LDR	87.30%	79.70%	84.20%	84.95%
CASA (Consolidated)	68.50%	69.40%	72.40%	73.85%
Asset Quality				
Gross NPL	4.30%	3.70%	2.80%	2.65%
Provision Coverage	182.40%	233.40%	278.30%	281.49%
Capital				
CAR (Consolidated)	17.05%	20.74%	20.57%	21.86%
Growth				
Consolidated Loan Growth	5.29%	-0.64%	10.95%	10.95%
Deposit Growth	10.60%	7.26%	5.50%	9.71%
Net Income Growth	-78.68%	232.23%	68.02%	44.00%

QoQ Result

Balance Sheet	1Q22	2Q22	3Q22	4Q22	1Q23	%QoQ	%YoY
Loan	591,683	620,423	622,607	646,188	634,326	-1.84%	7.21%
Loan Loss Reserves	(51,248)	(51,427)	(51,172)	(50,334)	(50,212)	-0.24%	-2.02%
NPL	20,431	19,519	18,785	18,025	17,330	-3.86%	-15.18%
Deposit							
Demand	258,135	249,734	255,256	314,625	285,076	-9.39%	10.44%
Savings	221,404	229,250	230,420	242,695	227,466	-6.27%	2.74%
Time Deposit	213,202	212,854	199,559	211,949	231,187	9.08%	8.44%
Total Asset	931,983	946,495	943,608	1,029,837	1,012,363	-1.70%	8.62%
Shareholder Equity	125,835	126,243	129,739	135,816	140,710	3.60%	11.82%
Income Statement	1Q22	2Q22	3Q22	4Q22	1Q23	%QoQ	%YoY
Interest Income	12,174	13,356	13,740	15,388	15,019	-2.40%	23.37%
Interest Expense	(2,943)	(2,978)	(3,150)	(4,267)	(4,615)	8.17%	56.81%
Net Interest Income	9,231	10,378	10,589	11,122	10,404	-6.45%	12.71%
Other Operating Income	5,450	4,716	4,827	5,159	4,751	-7.91%	-12.83%
Operating Expense	(6,145)	(6,387)	(6,829)	(7,698)	(6,503)	-15.53%	5.82%
PPOP	8,536	8,707	8,587	8,582	8,652	0.82%	1.36%
Provision Expense	(3,600)	(2,803)	(2,525)	(2,586)	(2,149)	-16.90%	-40.31%
Operating Profit	4,937	5,904	6,062	5,996	6,504	8.46%	31.74%
Non Operating Income	(65)	43	(96)	(94)	(46)	-50.85%	-29.16%
Profit Before Tax	4,871	5,947	5,966	5,902	6,457	9.40%	32.56%
Tax Expense	(896)	(1,051)	(1,036)	(1,222)	(1,194)	-2.36%	33.23%
Earning After Tax	3,975	4,897	4,930	4,680	5,264	12.48%	32.41%
Income for The Year Attributable to - NCI	13	56	41	60	43	-28.10%	230.89%
Net Income	3,962	4,841	4,889	4,620	5,221	13.00%	31.76%
EPS (Rp/Share)	213	260	262	248	280	13.00%	31.52%
Ratio	1Q22	2Q22	3Q22	4Q22	1Q23	%QoQ	%YoY
Profitability & Efficiency							
NIM	4.50%	4.90%	5.01%	4.85%	4.67%	(0.18)	0.04
Cost of Funds	1.50%	1.40%	1.40%	1.80%	1.90%	0.10	0.27
ROA	2.29%	2.44%	2.48%	2.46%	2.67%	0.21	0.17
ROE	15.23%	16.31%	16.56%	16.39%	17.11%	0.72	0.12
Liquidity							
LDR	85.20%	90.10%	91.20%	84.20%	85.40%	1.20	0.00
CASA (Consolidated)	69.20%	69.20%	70.90%	72.40%	68.90%	(3.50)	(0.00)
Asset Quality							
Gross NPL	3.50%	3.20%	3.00%	2.80%	2.80%	-	(0.20)
Coverage Ratio	250.10%	263.30%	270.80%	278.30%	286.80%	8.50	0.15
Capital							
CAR	19.30%	18.40%	18.90%	19.30%	21.60%	2.30	0.12

Stock Ratings:

Buy: a recommendation to purchase the security with upside potential of 20% or greater

Hold: a recommendation to neither buy nor sell a security with upside potential of 0-19%.

Sell: a recommendation to close out a long position in a security with upside potential below 0% or negative.

**RESEARCH TEAM
(62-21) 520-6678 ext.612**

Disclaimer: PT Binaartha Sekuritas has compiled this report in good faith, using information believed to be reliable. PT Binaartha and its analyst take no responsibility for the accuracy of the information contained in this report. This report has been produced for distribution to clients of PT Binaartha Sekuritas only. This report is not an invitation to buy or sell any security. PT Binaartha Sekuritas may have used the information in this report prior to publication. The company or its clients may have positions in or may from time to time buy or sell the securities mentioned in this report or other related securities.