

## Investment Consideration

### Net Income grew +77%

In 9M22, Bank Negara Indonesia (BBNI) reported net income of IDR 13.69 trillion, up significantly +76.76% YoY from IDR 7.75 trillion in 9M21. The growth was driven by Non-Interest Income such as income from insurance premiums and investment income, which grew +19.64% yoy. Net interest income grew too, but not significantly. It only grew 5.23% YoY. We forecast BBNI will continue to improve performance and grow its Net Income by +72.93% YoY from IDR 10.90 trillion in FY21 to IDR 18.85 in FY22.

### Strong Loan Growth

As of September 2022, BBNI recorded strong consolidated loan growth of +9.11% YoY. All of the four segments served by BBNI had positive loan growth. The fastest growth was from consumer lending, which grew +11.24% boosted by Payroll Loans. Others, like Corporate, Small and Medium loans, grew +10.54%, 8.15%, and 1.60% respectively. The growth was also driven by BBNI's strategy which is to increase its lending to top tier clients. We project BBNI will grow its gross loans by +7.74% YoY in FY22.

### Improved Asset Quality

In 9M22, BBNI improved its asset quality with the Bank Only NPL ratio declining by -80 bps to 3.00%. Consumer loans have the lowest NPL ratio at 1.90%, down -72 bps from 9M21. The NPL ratios for Corporate, Small, and Medium loans were 2.30%, 2.60%, and 6.90% respectively. We forecast BBNI will improve its NPL ratio by another -79 bps to 2.91% in FY22.

### Valuation: 21% Upside, Buy.

Based on our DDM Valuation, we have a target price within one year of IDR 11,240 or trading at 1.7x PBV which gives 21% potential upside, Buy.

Income Statement (IDR Bn)	2019A	2020A	2021A	2022F
Interest Income	58,532	56,173	50,026	53,752
Interest Expense	(21,930)	(19,021)	(11,779)	(12,304)
<b>Net Interest Income</b>	<b>36,602</b>	<b>37,152</b>	<b>38,247</b>	<b>41,448</b>
Other Operating Income	19,871	18,743	22,106	24,905
Operating Expense	(28,148)	(28,073)	(29,289)	(31,024)
<b>PPOP</b>	<b>28,325</b>	<b>27,822</b>	<b>31,064</b>	<b>35,329</b>
Provision Expense	(8,838)	(22,590)	(18,297)	(9,994)
<b>Operating Profit</b>	<b>19,487</b>	<b>5,231</b>	<b>12,767</b>	<b>25,336</b>
Non Operating Income	(118)	(119)	(216)	217
<b>Profit Before Tax</b>	<b>19,369</b>	<b>5,112</b>	<b>12,551</b>	<b>25,553</b>
Tax Expense	(3,861)	(1,791)	(1,574)	(6,388)
<b>Earning After Tax</b>	<b>15,509</b>	<b>3,321</b>	<b>10,977</b>	<b>19,165</b>
Income for The Year Attributable to - NCI	124	41	79	78
<b>Net Income</b>	<b>15,384</b>	<b>3,280</b>	<b>10,899</b>	<b>19,086</b>
<b>EPS (Rp/Share)</b>	<b>825</b>	<b>176</b>	<b>585</b>	<b>1,024</b>

November 4<sup>th</sup>, 2022  
 Banking, Equity

Price IDR 9,275  
 Target Price IDR 11,240  
 JKSE Index IDR 7,045.53



Stock Code  
 Bloomberg code BBNI IJ  
 Market Cap (IDR bn) 165,973 B  
 52-Week High (IDR) 9,900  
 52-Week Low (IDR) 6,550  
 6-m Avg Daily. Val (IDR) 8,495  
 Free Float (%) 40

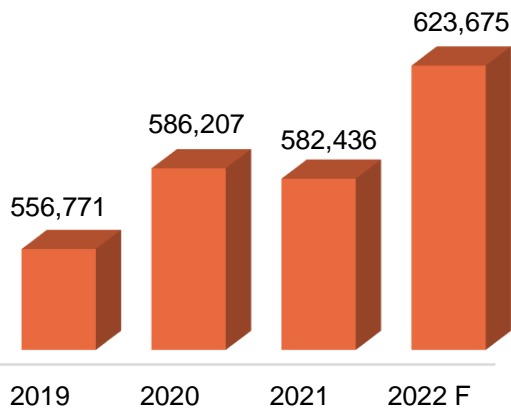
Major Shareholders (%)  
 Government RI 60.00  
 Public 40.00

USD/IDR-YE  
 2021A 14,300.2  
 2022F (6M Avg) 14,903.0

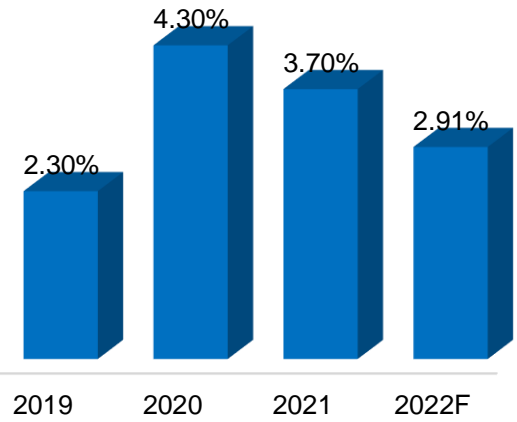
Key Indicators  
 Non-Performing Loan (%) 2.91  
 Net Interest Margin (%) 4.28



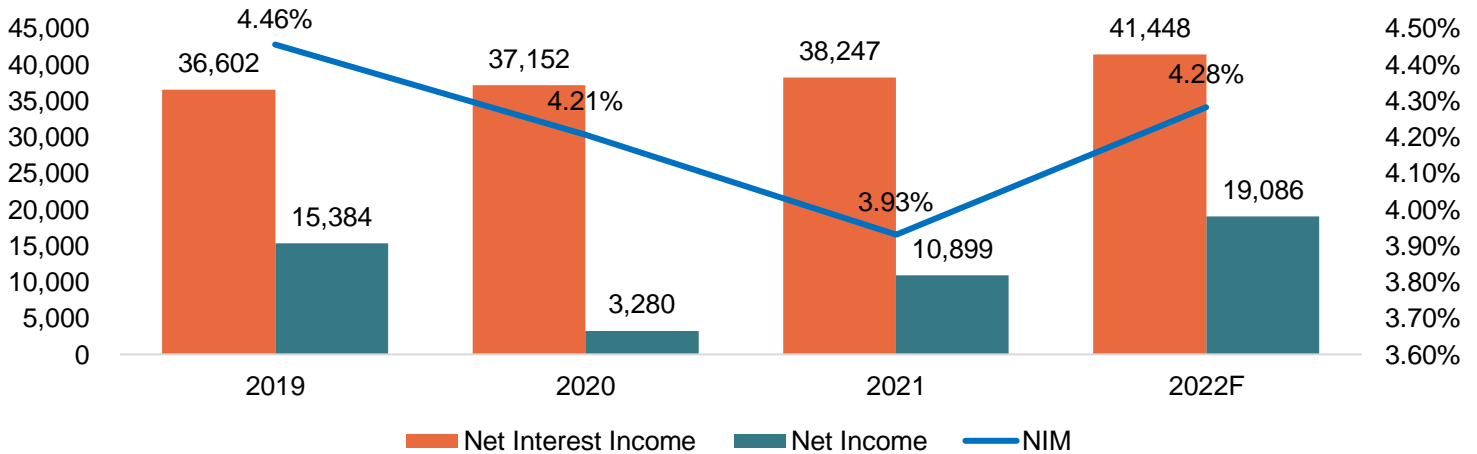
**Chart: Gross Loan YoY**



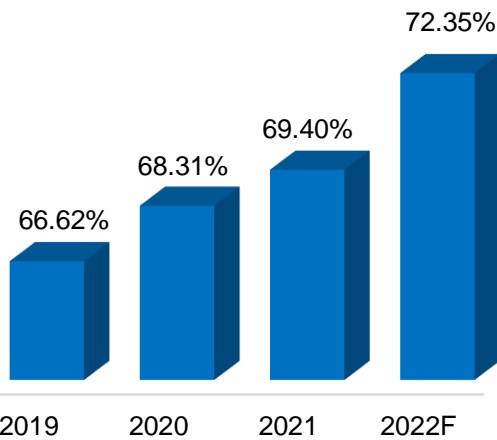
**Chart: NPL Ratio (%) YoY**



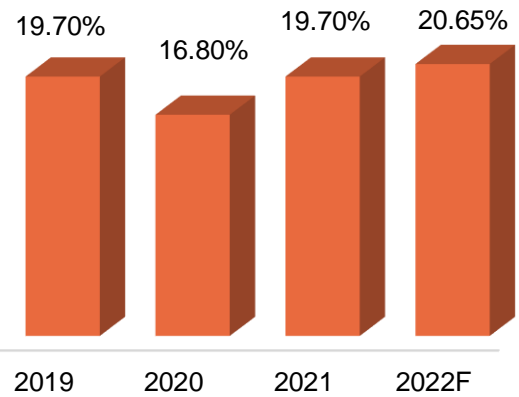
**Chart: Profitability YoY**



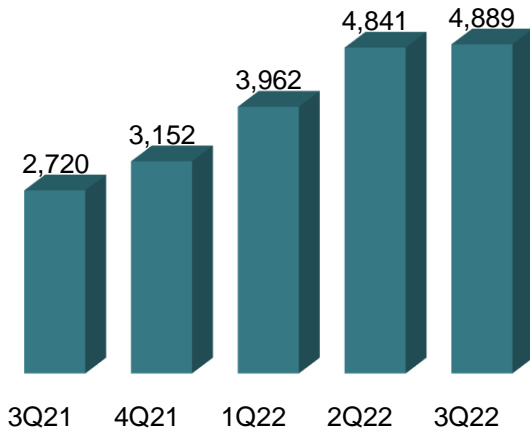
**Chart: CASA Ratio (%) YoY**



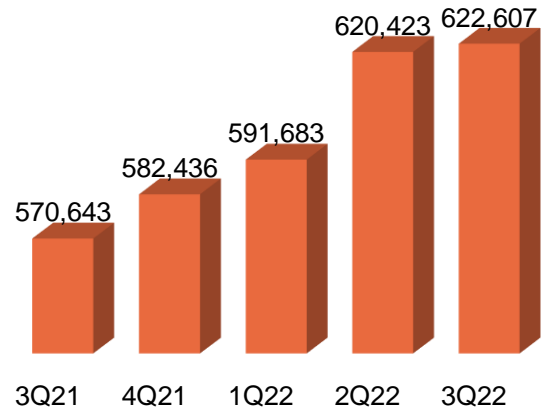
**Chart: CAR (%) YoY**



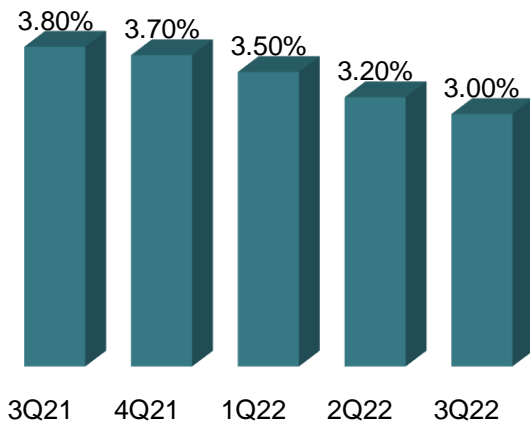
**Chart: Net Income (IDR Bn) QoQ**



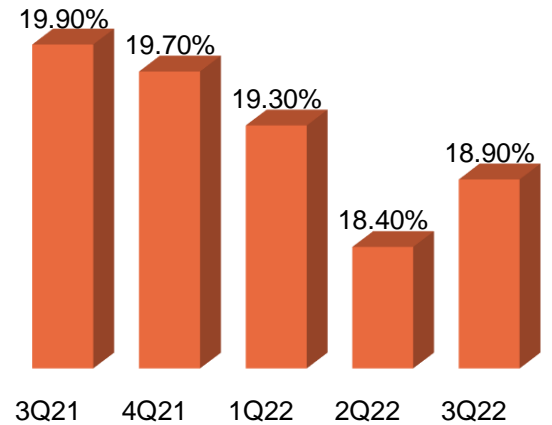
**Chart: Gross Loan (IDR Bn) QoQ**



**Chart: NPL Ratio (%) QoQ**



**Chart: CAR (%) QoQ**



**Balance Sheet (IDR.bn)**

Balance sheet (IDR Bn)	2019A	2020A	2021A	2022F
Cash and CA with BI	52,466	52,390	62,366	68,975
Interbank Placement	47,777	61,329	92,290	29,525
Marketable Securities	27,162	29,687	25,803	31,905
Gross Loan	556,771	586,207	582,436	623,675
Allowance for Loans	(16,909)	(44,228)	(50,295)	(51,239)
Loans-net	539,862	541,979	532,141	572,436
Other Earning Asset	209,943	247,192	321,221	290,225
Non Earning Asset	43,334	49,777	49,110	46,730
<b>Total Asset</b>	<b>845,605</b>	<b>891,337</b>	<b>964,838</b>	<b>978,365</b>

## Deposit:

Current Account	207,047	227,487	281,398	274,954
Saving Account	202,417	236,881	224,670	242,059
Time Deposits	205,189	215,433	223,101	197,601
Other Interest Bearing Liabilities	39,634	43,495	64,556	69,702
Non Interest Bearing Liabilities	66,315	55,169	44,593	48,539
<b>Total Liabilities</b>	<b>720,601</b>	<b>778,465</b>	<b>838,318</b>	<b>832,854</b>
<b>Total Shareholder's Equity</b>	<b>125,004</b>	<b>112,872</b>	<b>126,520</b>	<b>145,511</b>

**Income Statement (IDR.bn)**

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Interest Income	58,532	56,173	50,026	53,752
Interest Expense	(21,930)	(19,021)	(11,779)	(12,304)
<b>Net Interest Income</b>	<b>36,602</b>	<b>37,152</b>	<b>38,247</b>	<b>41,448</b>
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<b>Net Income</b>	<b>15,384</b>	<b>3,280</b>	<b>10,899</b>	<b>19,086</b>
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**Ratio Highlights**

Ratio Analysis	2019A	2020A	2021A	2022F
<b>Profitability &amp; Efficiency</b>				
NIM	4.46%	4.21%	3.93%	4.28%
Cost-to-Income Ratio	49.84%	50.22%	48.53%	46.76%
ROE	12.31%	2.91%	8.61%	13.12%
ROA	1.82%	0.37%	1.13%	1.95%
ROAE	12.96%	7.61%	5.76%	10.87%
BOPO	75.15%	93.02%	82.30%	67.79%
Cost of Credit	1.59%	3.85%	3.14%	1.60%
<b>Liquidity</b>				
LDR	90.58%	86.23%	79.88%	87.27%
CASA	66.62%	68.31%	69.40%	72.35%
<b>Asset Quality</b>				
Gross NPL (Bank Only)	2.30%	4.30%	3.70%	2.91%
Provision Coverage	88.47%	138.52%	169.27%	198.17%
<b>Capital</b>				
CAR	19.70%	16.80%	19.70%	20.65%
<b>Growth</b>				
Loan Growth	8.12%	5.58%	5.38%	7.29%
Deposit Growth	6.13%	10.60%	7.26%	-2.00%
Net Income Growth	2.46%	-78.68%	232.23%	75.13%

**QoQ Result**

Balance Sheet	3Q21	4Q21	1Q22	2Q22	3Q22	%QoQ	%YoY
Loan	570,643	582,436	591,683	620,423	622,607	0.35%	9.11%
Loan Loss Reserves	(49,365)	(50,295)	(51,248)	(51,427)	(51,172)	-0.50%	3.66%
NPL	21,700	21,539	20,431	19,519	18,785	-3.76%	-13.43%
Deposit							
Demand	252,834	281,398	258,135	249,734	255,256	2.21%	0.96%
Savings	212,899	224,670	221,404	229,250	230,420	0.51%	8.23%
Time Deposit	202,821	223,101	213,202	212,854	199,559	-6.25%	-1.61%
Total Asset	919,448	964,838	931,983	946,495	943,608	-0.31%	2.63%
Shareholder Equity	119,579	123,738	125,835	126,243	129,739	2.77%	8.50%
Income Statement	3Q21	4Q21	1Q22	2Q22	3Q22	%QoQ	%YoY
Interest Income	12,227	12,503	12,174	13,356	13,740	2.87%	12.37%
Interest Expense	(2,851)	(2,954)	(2,943)	(2,978)	(3,150)	5.77%	10.51%
<b>Net Interest Income</b>	<b>9,376</b>	<b>9,549</b>	<b>9,231</b>	<b>10,378</b>	<b>10,589</b>	<b>2.03%</b>	<b>12.94%</b>
Other Operating Income	5,391	6,332	6,788	5,677	6,080	7.09%	12.78%
Operating Expense	(7,359)	(8,364)	(7,483)	(7,349)	(8,082)	9.99%	9.83%
<b>PPOP</b>	<b>7,408</b>	<b>7,517</b>	<b>8,536</b>	<b>8,707</b>	<b>8,587</b>	<b>-1.38%</b>	<b>15.91%</b>
Provision Expense	(4,011)	(4,500)	(3,600)	(2,803)	(2,525)	-9.90%	-37.04%
<b>Operating Profit</b>	<b>3,397</b>	<b>3,018</b>	<b>4,937</b>	<b>5,904</b>	<b>6,062</b>	<b>2.67%</b>	<b>78.43%</b>
Non Operating Income	(45)	(103)	(65)	43	(96)	-321.50%	110.93%
<b>Profit Before Tax</b>	<b>3,352</b>	<b>2,914</b>	<b>4,871</b>	<b>5,947</b>	<b>5,966</b>	<b>0.31%</b>	<b>77.99%</b>
Tax Expense	(618)	290	(896)	(1,051)	(1,036)	-1.39%	67.66%
<b>Earning After Tax</b>	<b>2,734</b>	<b>3,205</b>	<b>3,975</b>	<b>4,897</b>	<b>4,930</b>	<b>0.67%</b>	<b>80.33%</b>
Income for The Year Attributable to - NCI	14	52	13	56	41	-26.94%	189.74%
<b>Net Income</b>	<b>2,720</b>	<b>3,152</b>	<b>3,962</b>	<b>4,841</b>	<b>4,889</b>	<b>0.99%</b>	<b>79.76%</b>
<b>EPS (Rp/Share)</b>	<b>146</b>	<b>169</b>	<b>213</b>	<b>260</b>	<b>262</b>	<b>0.96%</b>	<b>79.67%</b>
Ratio	3Q21	4Q21	1Q22	2Q22	3Q22	%QoQ	%YoY
<b>Profitability &amp; Efficiency (Bank Only)</b>							
<b>NIM</b>	<b>4.60%</b>	<b>4.40%</b>	<b>4.50%</b>	<b>4.90%</b>	<b>5.00%</b>	<b>0.10</b>	<b>0.40</b>
<b>Cost of Funds</b>	<b>1.54%</b>	<b>1.54%</b>	<b>1.50%</b>	<b>1.40%</b>	<b>1.40%</b>	<b>-</b>	<b>(0.14)</b>
<b>ROA</b>	<b>1.60%</b>	<b>1.20%</b>	<b>2.30%</b>	<b>2.44%</b>	<b>2.48%</b>	<b>0.04</b>	<b>0.88</b>
<b>ROE</b>	<b>10.70%</b>	<b>10.80%</b>	<b>15.20%</b>	<b>16.31%</b>	<b>16.56%</b>	<b>0.25</b>	<b>5.86</b>
<b>Liquidity</b>							
<b>LDR</b>	<b>85.10%</b>	<b>79.70%</b>	<b>85.20%</b>	<b>90.10%</b>	<b>91.20%</b>	<b>1.10</b>	<b>6.10</b>
<b>CASA</b>	<b>69.70%</b>	<b>69.40%</b>	<b>69.20%</b>	<b>69.20%</b>	<b>70.90%</b>	<b>1.70</b>	<b>1.20</b>
<b>Asset Quality</b>							
<b>Gross NPL (Bank Only)</b>	<b>3.80%</b>	<b>3.70%</b>	<b>3.50%</b>	<b>3.20%</b>	<b>3.00%</b>	<b>(0.20)</b>	<b>(0.80)</b>
<b>Coverage Ratio</b>	<b>226.80%</b>	<b>233.40%</b>	<b>250.10%</b>	<b>253.30%</b>	<b>270.80%</b>	<b>17.50</b>	<b>44.00</b>
<b>Capital</b>							
<b>CAR</b>	<b>19.90%</b>	<b>19.70%</b>	<b>19.30%</b>	<b>18.40%</b>	<b>18.90%</b>	<b>0.50</b>	<b>(1.00)</b>

**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.

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