

Investment Consideration

Net Income Growth of 17% YoY

During the first half of 2023, Bank Negara Indonesia (BNI) reported a net income of IDR 10.30 trillion, representing a significant 17.02% year-on-year increase from IDR 8.80 trillion in the same period of 2022. This growth was primarily driven by augmented operating income, including income from investments in associates, which saw a substantial 31.66% year-on-year expansion. Additionally, a decrease in provision expenses, down by 29.55% year-on-year, also contributed to this growth. Although BNI experienced a notable 18.66% year-on-year growth in interest income, there was a robust 63.70% increase in interest expenses, resulting in a 12 basis points decline in the Net Interest Margin (NIM) ratio to 4.58%. Our projection anticipates that BNI will maintain its net income growth, with a further increase of 36.30% in 2023, reaching IDR 24.96 trillion.

Moderate Loan Growth Amid Strong Deposit Expansion

As of June 2023, BNI's consolidated loan growth showed moderate year-on-year (YoY) growth, expanding by 4.89%. This growth pattern can be attributed to declines in the Small and Medium segments, which contracted by -6.19% and -0.69%, respectively. In contrast, the Consumer segment experienced substantial YoY growth of 11.71%, while the Corporate segment also demonstrated a healthy growth rate of 7.46%. Working capital loans remained the primary contributor to the portfolio, accounting for a substantial 55.31%. On the other hand, Customer Deposits showed robust growth, surging by an impressive 10.58% YoY. This growth trajectory was chiefly propelled by a remarkable 20.83% YoY increase in Current Account deposits. Additionally, both Time Deposits and Savings Accounts demonstrated noteworthy annual growth rates of 9.31% and 0.58%, respectively. Consequently, this growth has led to a 40-basis point (bps) expansion in the CASA (Current Account and Savings Account) ratio YoY, reaching a level of 69.6%. Looking ahead, we anticipate BNI will sustain its expansion momentum, projecting a further 7.38% increase in consolidated loans and a 7.25% increase in deposits in fiscal year 2023 (FY23).

Improved Asset Quality

As of June 2023, BNI has achieved a significant improvement in its asset quality, evidenced by the reduction of its Non-Performing Loan (NPL) ratio by 70 basis points (bps) year-on-year (YoY) to reach 2.5%. The Corporate segment emerged as the best-performing segment, experiencing a decrease of 1.20% to achieve a remarkable 1.20% NPL ratio, the lowest among the four segments. Conversely, the Small loan segment witnessed an 80 bps YoY increase in its NPL ratio, reaching a level of 3.60%. The NPL ratios for the Medium and Consumer segments were 6.00% and 1.90%, respectively. Looking ahead, we predict that BNI will continue its efforts to maintain its asset quality, projecting a further 37 bps YoY decrease to attain a level of 2.43% in 2023.

Valuation: 35% Upside, Buy.

Based on our Multi-Stage DDM valuation, we have set a one-year target price of IDR 12,800, implying a PBV multiple of 1.51x and a potential upside of 35%. Therefore, we recommend a "Buy."

Financial Highlight	2020A	2021A	2022A	2023F
EPS	176.06	585.31	982.49	1,339.34
NIM	4.50%	4.67%	4.81%	4.74%
ROA	0.50%	1.40%	2.50%	2.25%
ROE	2.60%	9.40%	14.90%	15.69%
CASA	68.50%	69.40%	72.40%	73.39%

September 7th, 2023
 Banking, Equity

Price IDR 9,500
 Target Price IDR 12,800
 JKSE Index 6,954.51



Stock Code
 Bloomberg code BBNI IJ
 Market Cap (IDR bn) 177,3160 B
 52-Week High (IDR) 9,950
 52-Week Low (IDR) 8,350
 6-m Avg Daily. Val (IDR) 9,122
 Free Float (%) 40

Major Shareholders (%)
 Government RI 60.00
 Public 40.00

USD/IDR-YE
 2022A 14,871.00
 2023F 15,078.58

Key Indicators

Non-Performing Loan (%) 2.43
 Net Interest Margin (%) 4.74

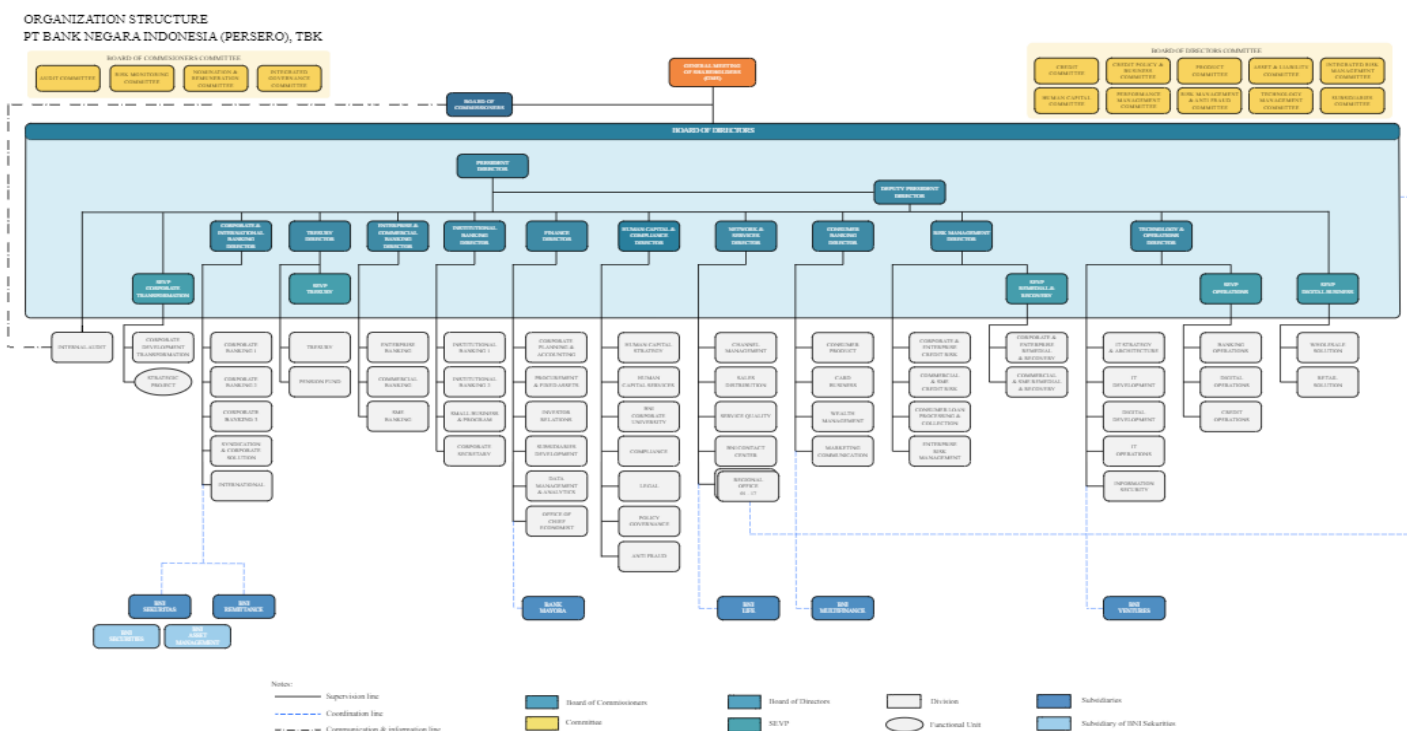
Company Profile

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 No. 2 of 1946 dated July 5, 1946. Later, based on Law No. 17 of 1968, BNI was designated "Bank Negara Indonesia 1946," and its status became that of 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 various corporate actions, including a recapitalization by the government in 1999, 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 several subsidiaries, namely Bank BNI Syariah, BNI Multifinance, BNI Sekuritas, BNI Life Insurance, BNI Ventures, BNI Remittance, and Bank Mayora.

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

Company Profile



Source: Company

Chart: Gross Loan YoY

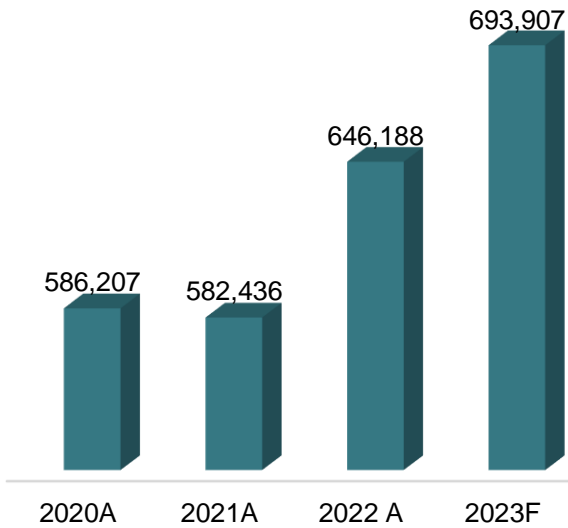


Chart: NPL Ratio (%) YoY

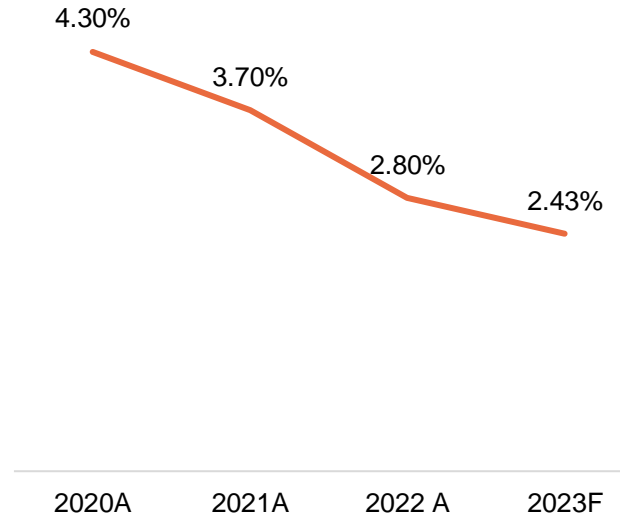


Chart: Profitability YoY

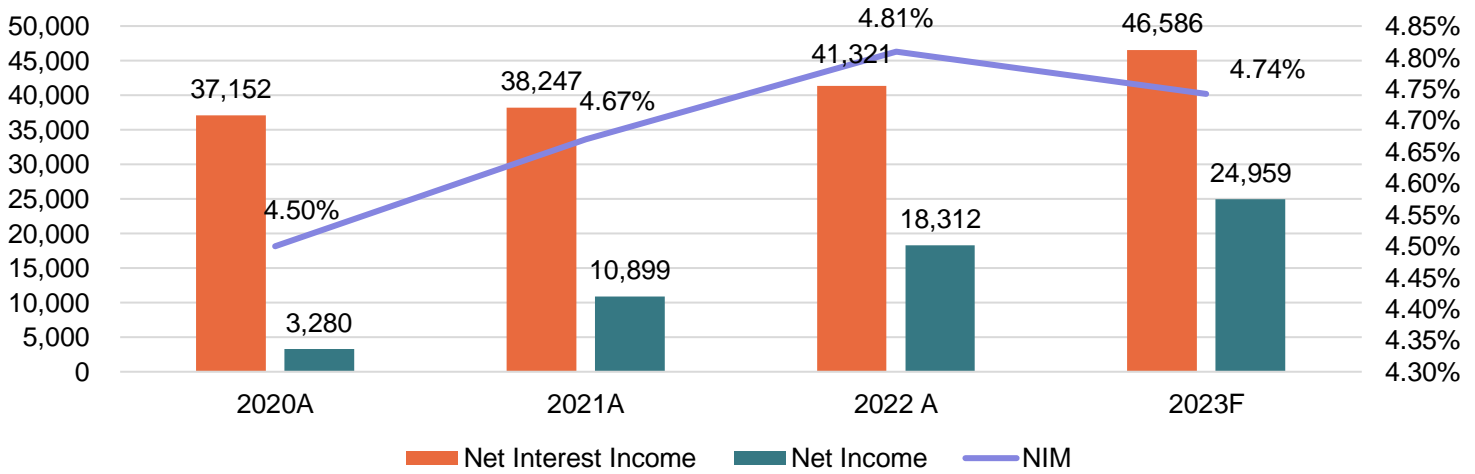


Chart: CASA Ratio (%) YoY

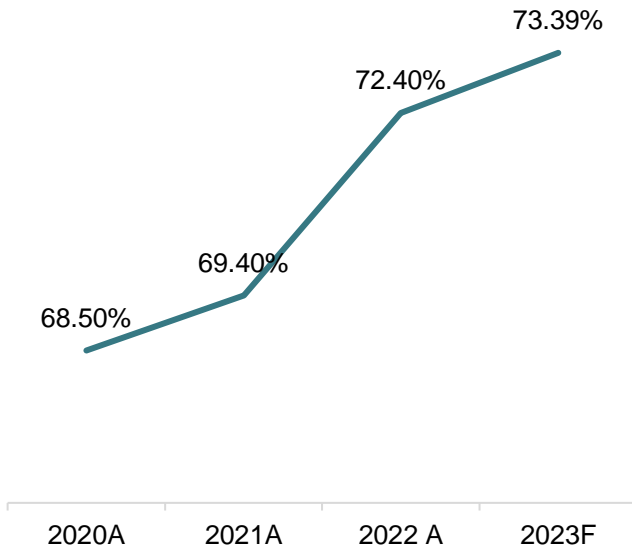


Chart: CAR (%) YoY

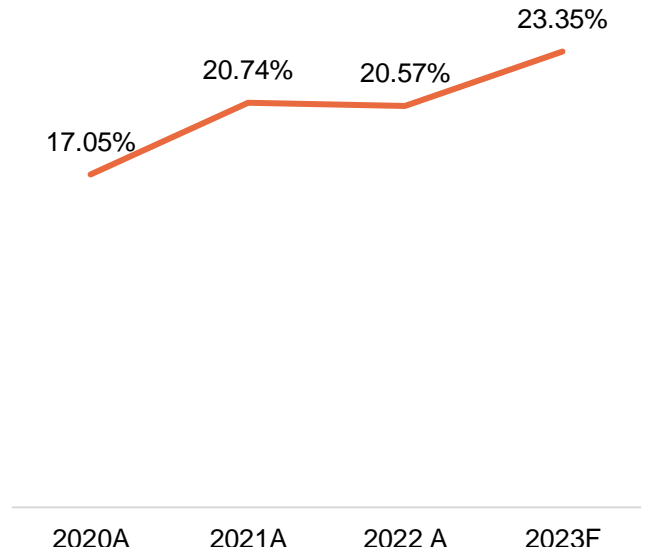


Chart: Net Income (IDR Bn) QoQ

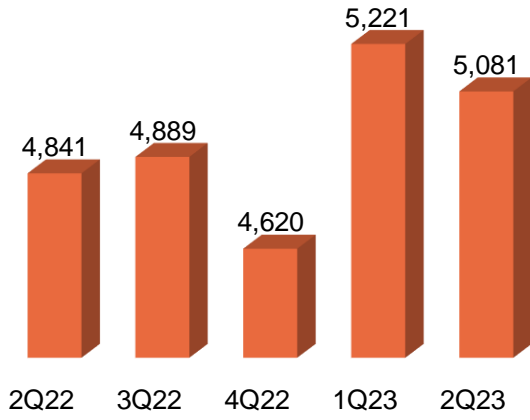


Chart: Gross Loan (IDR Bn) QoQ

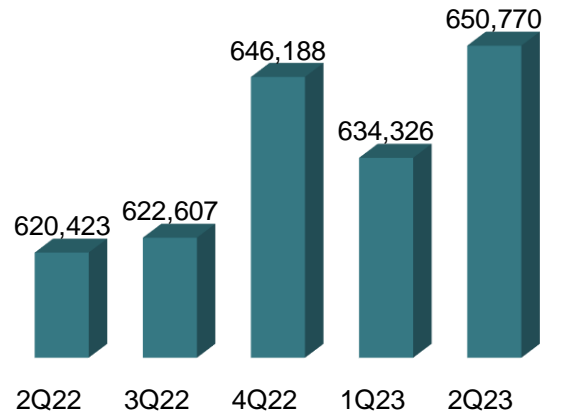


Chart: NPL Ratio (%) QoQ

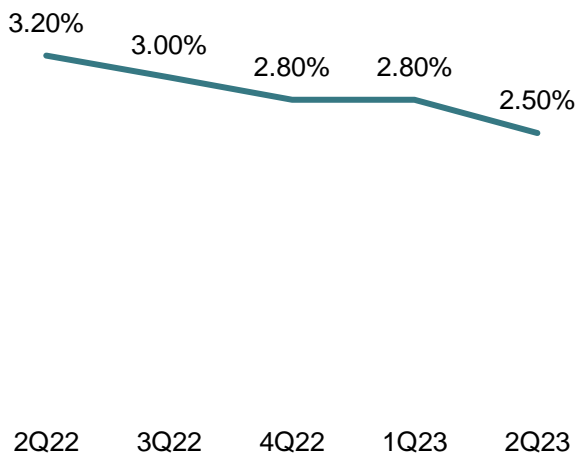
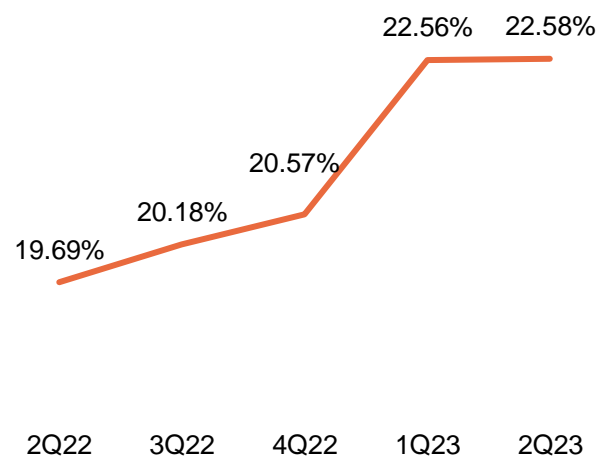


Chart: CAR (%) QoQ



Balance Sheet (IDR.bn)

Balance sheet (IDR Bn)	2020A	2021A	2022A	2023F
Cash and CA with BI	52,390	62,366	96,370	67,012
Interbank Placement	61,329	92,290	51,569	62,010
Marketable Securities	29,687	25,803	28,556	33,173
Gross Loan	586,207	582,436	646,188	693,907
Allowance for Loans	(44,228)	(50,295)	(50,334)	(50,063)
Loans-net	541,979	532,141	595,854	643,844
Other Earning Asset	247,192	321,221	284,953	338,087
Non-Earning Asset	49,777	49,110	52,659	58,585
Total Asset	891,337	964,838	1,029,837	1,107,528
Deposit:				
Current Account	227,487	281,398	314,625	343,363
Saving Account	236,881	224,670	242,695	262,132
Time Deposits	215,433	223,101	211,949	219,581
Other Interest-Bearing Liabilities	43,495	64,556	70,254	80,265
Non-Interest-Bearing Liabilities	55,169	44,593	50,116	43,132
Total Liabilities	778,465	838,318	889,639	948,473
Total Shareholder's Equity	112,872	126,520	140,198	159,055

Income Statement (IDR.bn)

Income Statement (IDR Bn)	2020A	2021A	2022A	2023F
Interest Income	56,173	50,026	54,659	61,754
Interest Expense	(19,021)	(11,779)	(13,338)	(15,168)
Net Interest Income	37,152	38,247	41,321	46,586
Other Operating Income	14,884	17,619	20,151	21,289
Operating Income	52,036	55,865	61,472	67,875
Operating Expense	(24,214)	(24,801)	(27,059)	(26,602)
PPOP	27,822	31,064	34,413	41,273
Provision Expense	(22,590)	(18,297)	(11,514)	(9,751)
Operating Profit	5,231	12,767	22,899	31,521
Non-Operating Income	(119)	(216)	(212)	(210)
Profit Before Tax	5,112	12,551	22,687	31,311
Tax Expense	(1,791)	(1,574)	(4,205)	(6,262)
Earning After Tax	3,321	10,977	18,482	25,049
Income for The Year Attributable to - NCI	41	79	170	90
Net Income	3,280	10,899	18,312	24,959
EPS (Rp/Share)	176.06	585.31	982.49	1,339.34

Ratio Highlights

Ratio Analysis	2020A	2021A	2022A	2023F
Profitability & Efficiency				
NIM	4.50%	4.67%	4.81%	4.74%
Cost-to-Income Ratio	44.20%	43.30%	42.60%	39.19%
ROE	2.60%	9.40%	14.90%	15.69%
ROA	0.50%	1.40%	2.50%	2.25%
BOPO	93.30%	81.20%	68.60%	62.04%
Cost of Credit	4.10%	3.30%	1.90%	1.41%
Liquidity				
LDR	87.30%	79.70%	84.20%	84.10%
CASA (Consolidated)	68.50%	69.40%	72.40%	73.39%
Asset Quality				
Gross NPL	4.30%	3.70%	2.80%	2.43%
Provision Coverage	182.40%	233.40%	278.30%	297.26%
Capital				
CAR (Consolidated)	17.05%	20.74%	20.57%	23.35%
Growth				
Consolidated Loan Growth	5.29%	-0.64%	10.95%	7.38%
Deposit Growth	10.60%	7.26%	5.50%	7.25%
Net Income Growth	-78.68%	232.23%	68.02%	36.30%

QoQ Result

Balance Sheet	2Q22	3Q22	4Q22	1Q23	2Q23	%QoQ	%YoY
Loan	620,423	622,607	646,188	634,326	650,770	2.59%	4.89%
Loan Loss Reserves	(51,427)	(51,172)	(50,334)	(50,212)	(49,024)	-2.37%	-4.67%
NPL	19,519	18,785	18,025	17,330	15,614	-9.90%	-20.00%
Deposit							
Demand	249,734	255,256	314,625	285,076	301,766	5.85%	20.83%
Savings	229,250	230,420	242,695	227,466	230,574	1.37%	0.58%
Time Deposit	212,854	199,559	211,949	231,187	232,670	0.64%	9.31%
Total Asset	946,495	943,608	1,029,837	1,012,363	1,025,091	1.26%	8.30%
Shareholder Equity	126,243	129,739	135,816	140,710	139,002	-1.21%	10.11%
Income Statement	2Q22	3Q22	4Q22	1Q23	2Q23	%QoQ	%YoY
Interest Income	13,356	13,740	15,388	15,019	15,275	1.70%	14.36%
Interest Expense	(2,978)	(3,150)	(4,267)	(4,615)	(5,078)	10.02%	70.50%
Net Interest Income	10,378	10,589	11,122	10,404	10,197	-1.99%	-1.74%
Other Operating Income	4,716	4,827	5,159	4,751	4,740	-0.22%	0.51%
Operating Expense	(6,387)	(6,829)	(7,698)	(6,503)	(6,289)	-3.28%	-1.53%
PPOP	8,707	8,587	8,582	8,652	8,648	-0.05%	-0.68%
Provision Expense	(2,803)	(2,525)	(2,586)	(2,149)	(2,362)	9.93%	-15.73%
Operating Profit	5,904	6,062	5,996	6,504	6,286	-3.35%	6.47%
Non-Operating Income	43	(96)	(94)	(46)	(39)	-15.88%	-189.89%
Profit Before Tax	5,947	5,966	5,902	6,457	6,247	-3.26%	5.04%
Tax Expense	(1,051)	(1,036)	(1,222)	(1,194)	(1,111)	-6.89%	5.78%
Earning After Tax	4,897	4,930	4,680	5,264	5,136	-2.43%	4.88%
Income for The Year Attributable to - NCI	56	41	60	43	54	26.33%	-2.54%
Net Income	4,841	4,889	4,620	5,221	5,081	-2.67%	4.96%
EPS (Rp/Share)	260	262	248	280	273	-2.67%	4.91%
Ratio	2Q22	3Q22	4Q22	1Q23	2Q23	%QoQ	%YoY
Profitability & Efficiency							
NIM	4.90%	5.01%	4.85%	4.67%	4.58%	(0.09)	(0.32)
Cost of Funds	1.40%	1.40%	1.80%	1.90%	2.00%	0.10	0.60
ROA	2.44%	2.48%	2.46%	2.67%	2.59%	(0.08)	0.15
ROE	16.31%	16.56%	16.39%	17.11%	16.97%	(0.14)	0.66
Liquidity							
LDR	90.10%	91.20%	84.20%	85.40%	85.21%	(0.19)	(4.89)
CASA (Consolidated)	69.20%	70.90%	72.40%	68.90%	69.60%	0.70	0.40
Asset Quality							
Gross NPL	3.20%	3.00%	2.80%	2.80%	2.50%	(0.30)	(0.70)
Coverage Ratio	263.30%	270.80%	278.30%	286.80%	308.80%	22.00	45.50
Capital							
CAR	18.40%	18.90%	19.30%	21.60%	22.58%	0.02	2.89

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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