

Bank Negara Indonesia - BBNI IJ -Buy- Rolling forward valuation to 2025F

20 Sep 2024

Banks

Rolling forward valuation to 2025F

Rating Table

Reiterate Buy with a revised TP of IDR6,600 (from IDR6,100)

BBNI's YTD Jul-24 [results](#) suggest minor operating improvement for the bank. We believe that BBNI is on track to meet our FY24F earnings projections (taking into account 2025F book value, and subsequently raise our TP to IDR6,600 (from IDR6,100). In addition, in view of our [expectations](#) for BBNI cutting interest rate and issuing fewer Bank Indonesia bonds (and hence potentially better NIM trends or at least minimize NIM risk). On the back of the aforementioned attributes, we retain our Buy rating on the stock with a high

Valuation and risks

We derive our new TP of IDR6,600 based on a DuPont analysis, assuming a risk-free rate of 6.5%, an equity risk premium of 7.8%, growth of 8.5%, beta 1.0x and a CAR-a reference, rolling forward from 2024F currently. The implied multiples at our TP are 1.4x 2025F book and 10.7x 2025F earnings (compared to current multiples of 1.2x and 10.7x respectively). Risks include tighter liquidity competition (which would increase funding cost), and worsening credit quality (which would raise credit costs),

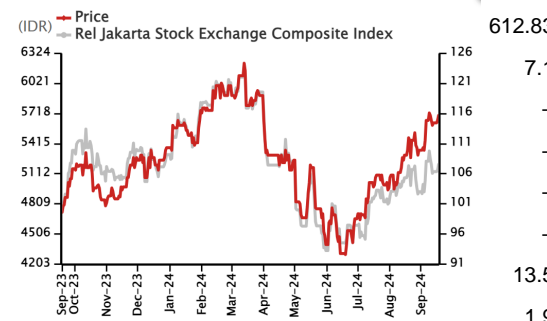
Rating Remains

Buy

Target price: IDR 6,100
 Closing price 2024: IDR 5,700
 Implied upside: +15.8%
 Market Cap (USD mn): 13,729.2
 ADT (USD mn): 18.1

IDR 6,600
IDR 5,700
+15.8%

Relative performance chart



Source: LSEG, Verdhana

	FY23	Actual	Old	New	Old
Year-end 31 Dec					
Currency (IDR)					
PPOP (bn)		34,970	35,023	35,023	38,083
Reported net profit (bn)		20,909	21,348	21,348	22,857
Normalised net profit (bn)		20,909	21,348	21,348	22,857
FD normalised EPS		560.62			612.83
FD norm. EPS growth (%)		15.3			7.1
FD normalised P/E (x)		10.2			13.3
Price/adj. book (x)		1.4			1.9
Price/book (x)		1.4			
Dividend yield (%)		3.4			
ROE (%)		14.6			
ROA (%)		2.0			

Source: Company data, Verdhana estimates

M cap (USDmn)

Free float (%)

3-mth ADT (USDmn)

(%)

Absolute (IDR)

Absolute (USD)

Rel to Jakarta Stock Exchange Composite Index

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Key data on Bank Negara Indonesia

Profit and loss (IDRbn)

Year-end 31 Dec	FY22	FY23	FY24F	FY25F
Interest income	60,880	68,325	71,388	76,934
Interest expense	-18,008	-25,390	-26,574	-28,612
Net interest income	42,872	42,935	44,814	48,322
Net fees and commissions	9,738	10,120	10,169	11,137
Trading related profits	2,929	2,199	1,930	1,930
Other operating revenue	5,933	7,494	7,494	7,494
Non-interest income	18,600	19,812	19,592	20,561
Operating income	61,472	62,747	64,407	68,882
Depreciation	-2,250	-2,305	-2,436	-2,543
Amortisation	0	0	0	0
Operating expenses	-12,353	-12,639	-12,343	-12,557
Employee share expense	-12,456	-12,834	-14,605	-15,700
Pre-provision op profit	34,413	34,970	35,023	38,083
Provisions for bad debt	-11,514	-9,196	-8,716	-9,944
Other provision charges	0	0	0	0
Operating profit	22,899	25,773	26,307	28,139
Other non-op income	-384	-134	-134	-134
Associates & JCEs	0	0	0	0
Pre-tax profit	22,515	25,640	26,173	28,006
Income tax	-4,205	-4,534	-4,628	-4,952
Net profit after tax	18,310	21,106	21,545	23,054
Minority interests	-170	-197	-197	-197
Other items	0	0	0	0
Preferred dividends	0	0	0	0
Normalised NPAT	18,140	20,909	21,348	22,857
Extraordinary items	0	0	0	0
Reported NPAT	18,140	20,909	21,348	22,857
Dividends	-2,725	-7,325	-9,409	-9,607
Transfer to reserves	15,415	13,585	11,939	13,250

Growth (%)

Net interest income	8.1	0.1	4.4	7.8
Non-interest income	14.7	6.5	-1.1	4.9
Non-interest expenses	6.5	2.3	-2.3	1.7
Pre-provision earnings	10.8	1.6	0.2	8.7
Net profit	66.4	15.3	2.1	7.1
Normalised EPS	66.4	15.3	2.1	7.1
Normalised FDEPS	66.4	15.3	2.1	7.1
Loan growth	12.0	8.7	9.5	10.4
Interest earning assets	7.0	6.0	8.4	10.0
Interest bearing liabilities	6.1	4.4	8.1	10.0
Asset growth	6.7	5.5	8.1	9.7
Deposit growth	5.5	5.4	10.0	10.0

Source: Company data, Verdhana estimates

Balance sheet (IDRbn)

As at 31 Dec	FY22	FY23	FY24F	FY25F
Cash and equivalents	13,448	11,207	10,420	11,462
Inter-bank lending	0	0	0	0
Deposits with central bank	82,922	65,256	60,671	66,738
Total securities	166,478	178,215	230,807	252,140
Other int earning assets	67,491	78,817	52,301	56,373
Gross loans	646,188	695,085	757,642	833,407
Less provisions	-50,334	-47,158	-47,874	-49,819
Net loans	595,854	647,927	709,768	783,588
Long-term investments	609	564	724	724
Fixed assets	26,549	27,765	27,329	26,786
Goodwill	0	0	0	0
Other intangible assets	0	0	0	0
Other non IEAs	76,485	76,913	83,185	91,492
Total assets	1,029,837	1,086,664	1,175,205	1,289,303
Customer deposits	769,269	810,730	891,803	980,984
Bank deposits, CDs, debentures	23,027	23,679	26,046	28,651
Other int bearing liabilities	52,867	47,878	35,470	38,874
Total int bearing liabilities	845,163	882,287	953,319	1,048,509
Non-int bearing liabilities	44,476	49,644	54,609	60,070
Total liabilities	889,639	931,931	1,007,928	1,108,578
Minority interest	4,382	4,602	4,798	4,995
Common stock	9,055	9,055	9,055	9,055
Preferred stock	0	0	0	0
Retained earnings	94,060	107,236	119,584	132,834
Reserves for credit losses	0	0	0	0
Proposed dividends	0	0	0	0
Other equity	32,701	33,841	33,841	33,841
Shareholders' equity	135,816	150,131	162,479	175,729
Total liabilities and equity	1,029,837	1,086,664	1,175,205	1,289,303
Non-perf assets	18,161	14,836	13,259	14,585

Balance sheet ratios (%)

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A rating of 'Buy', indicates that the analyst expects the stock to outperform the Benchmark over the next 12 months. A rating of 'Neutral', indicates that the analyst expects the stock to perform in line with the Benchmark over the next 12 months. A rating of 'Reduce', indicates that the analyst expects the stock to underperform the Benchmark over the next 12 months. A rating of 'Suspended', indicates that the rating, target price, and estimates have been suspended temporarily due to changes in applicable regulations and/or firm policies. Securities and/or companies that are labelled as 'Not Rated' or 'No Rating' are not in regular research coverage. The Benchmark is Indonesia Composite Index ('IDX Composite'). A 'Target Price', if discussed, indicates the analyst's forecast for the share price with a 12-month horizon, reflecting in part of the analyst's estimates for the company's earnings, and may be impeded by general market and macroeconomic trends, and other risks related to the company or the market in general.

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