

Net profit surpasses estimates. BBNI recorded a strong 77% YoY growth in 9M21 NPAT, forming 79.2%/79.6% of ours'/consensus' FY21 estimates. However, opex rose by 7.0% QoQ / 13.2% YoY mainly due to personnel remuneration restructuring expenses that rose by 11.2% QoQ / 32.4% YoY, dragging 3Q21 PPOP down by 9.5% QoQ. Loan growth was soft at 0.2% QoQ / 3.7% YoY due to PPKM restrictions but third party fund grew by 3.4% QoQ / 1.4% YoY, mainly from CASA (8.0% YoY) that increased to 69.7%, highest record. Improvement on asset quality helped provisioning expense to decrease by 18% QoQ. Recent successful AT1 bond issuance boosted CET -1 ratio from 16.0% to 17.8%, driving bank-only CAR to 19.9%, still modest among peers. Cost of fund was recorded as 1.5% in 3Q21 (-0.1% QoQ, 1.2% YoY). Corporate SML increased by 2.4% QoQ with its NPL decreased by 4.7% QoQ. Overall SML and NPL ratios were getting better, thus dragging LAR (incl. Covid) down by 3.5% YoY.

Steady guideline and raising digitalization. Management kept its FY21 guidance for loan growth/NIM/CoC at around 6.0%/4.8%/3.5% and set FY22 loan growth/CoC at around 8.5%/2.2%. BBNI sees room for further CoF improvement and NIM expansion as TD rate is cut in Oct-21. Company will stay focused on the three most contributing lending targets, namely the corporate loan, government subsidized loan (KUR), and payroll loan. In accordance with BBNI's strategy to grow digital banking in MSME segment, the company has started expanding the business to overseas market through BNI Xpora program which has disbursed IDR 1.06 tn loan to SME exporters within 3 months. Another successful digital initiative was shown by transaction value of mobile apps that has just surpassed that of ATM in 3Q21. Regarding news about bank acquisition, the management confirmed partnering with a technology company to transform a targeted BUKU 2 bank into a digital bank. Nevertheless, the acquisition will be done at a reasonable valuation and will only impact CAR by <1%. Management also expects to hold rights issue in 2022.

We reiterate our buy call on PT Bank Negara Indonesia Tbk. (BBNI) (and rollover our target price to FY22F of IDR 8,250) based on 1.17x FY22F P/BV (5-yr avg P/BV). We forecast a loan growth of 6.4% YoY/8.3% YoY in FY21E/FY22F, in line with management's target. Overall, we like BBNI, particularly due to its digital performance. We believe BNI Mobile Banking, which currently has the highest Play Store rating among peers' apps, could be the source of low cost fund. We also look forward to the company's effort in opening global e-commerce access to Indonesian MSME through BNI Xpora. Downside risks to our call include: 1) worse NIM and 2) higher CoC.

Highlights (IDR tn)	2019	2020	2021E	2022F	2023F
Total Loans	556.8	586.2	623.7	675.6	740.4
Total Deposits	614.7	679.8	723.8	785.0	856.1
Net Interest Income	36.6	37.2	43.4	46.7	49.9
Pre-provision Op. Profit	28.3	27.8	33.5	37.8	39.5
Net Income	15.4	3.3	9.7	14.7	17.5
Net Interest Margin	4.8%	4.6%	5.1%	5.0%	4.9%
Gross NPL	2.3%	4.2%	3.9%	3.5%	3.3%
Credit Cost	1.2%	0.9%	1.3%	1.2%	1.0%
Return on Equity	13.1%	2.8%	8.2%	11.5%	12.5%
Return on Asset	1.9%	0.4%	1.0%	1.5%	1.6%

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Stock Information

Sector	Bank
Bloomberg Ticker	BBNI IJ
Market Cap. (IDR tn)	130.5
Share Out./Float (mn)	18,649/7,457
Current Price	7,000
FY22F Target Price	8,250
Upside	17.9%

Share Price Performance

52W High (10/25/21)	7,575
52W Low (06/29/21)	4,560
52W Beta	1.8
YTD Change	10.9%

Relative Valuations

Trailing P/E	19.4x
Forward P/E	13.5x
Trailing P/BV	1.2x
Forward P/BV	1.0x

BBNI 3Q21 Earnings Summary

(IDR bn)	3Q20	2Q21	3Q21	QoQ	YoY	9M20	9M21	YoY	%DH	%Cons
Interest income	13,869	12,932	12,227	-5.5%	-11.8%	42,031	37,523	-10.7%		
Interest expense	5,018	3,013	2,851	-5.4%	-43.2%	15,384	8,825	-42.6%		
Net interest Income	8,850	9,919	9,376	-5.5%	5.9%	26,647	28,698	7.7%		
Net premium income	349	324	307	-5.1%	-11.8%	996	929	-6.8%		
Non interest income	2,425	4,115	4,021	-2.3%	65.8%	9,712	11,877	22.3%		
Total Operating Income	11,624	14,358	13,705	-4.5%	17.9%	37,356	41,504	11.1%		
Opex (excl. provision)	6,388	6,058	6,297	3.9%	-1.4%	17,370	17,957	3.4%		
PPOP	5,236	8,300	7,408	-10.7%	41.5%	19,986	23,547	17.8%		
Provisions	5,426	4,974	4,011	-19.4%	-26.1%	13,977	13,797	-1.3%		
Net Profit	(137)	2,642	2,620	-0.8%	NA	4,320	7,646	77.0%	79.2%	79.6%
NIM						4.3%	4.8%	44		
LDR						82.4%	85.3%	297		
CASA						65.4%	69.7%	428		
NPL (gross)						3.6%	3.8%	25		
Cost of credit						3.3%	3.2%	(8)		
Coverage ratio						207.2%	227.4%	2,021		
CAR						17.0%	20.9%	383		
Loan & Financing	581,163	569,735	570,643	0.2%	-1.8%					
Deposits	705,406	646,574	668,554	3.4%	-5.2%					
Total Assets	916,954	875,138	919,448	5.1%	0.3%					

Source: Company data, Sinarmas Investment Research

Forecast Changes

(IDR bn)	Old			New		
	2021E	2022F	2023F	2021E	2022F	2023F
Interest Income	57,775	63,573	70,197	57,790	65,383	72,051
% growth	2.9%	10.0%	10.4%	2.9%	13.1%	10.2%
Interest Expense	14,485	18,510	21,589	14,373	18,643	22,114
% growth	-23.8%	27.8%	16.6%	-24.4%	29.7%	18.6%
Net Interest Income	43,289	45,064	48,608	43,417	46,740	49,937
% growth	16.5%	4.1%	7.9%	16.9%	7.7%	6.8%
Other Operating Income	19,697	22,329	22,612	14,194	16,638	16,724
% growth	5.1%	13.4%	1.3%	5.8%	17.2%	0.5%
Other Operating Expense	50,978	50,594	50,602	51,086	50,859	51,076
% growth	0.6%	-0.8%	0.0%	0.8%	-0.4%	0.4%
Pre-provision Operating Profit	33,342	36,053	38,024	33,508	37,819	39,520
% growth	19.8%	8.1%	5.5%	20.4%	12.9%	4.5%
Net Operating Income	12,008	16,799	20,618	12,175	18,565	22,114
% growth	129.5%	39.9%	22.7%	132.7%	52.5%	19.1%
Income Before Tax Expense	12,008	16,799	20,618	12,175	18,565	22,114
% growth	134.9%	39.9%	22.7%	138.2%	52.5%	19.1%
Net Income	9,072	12,692	15,577	9,652	14,718	17,532
% growth	176.6%	39.9%	22.7%	194.2%	52.5%	19.1%

Source: Company data, Sinarmas Investment Research

Income Statement (IDR bn)	2019	2020	2021E	2022F	2023F
Interest Income	58,532	56,173	57,790	65,383	72,051
% growth	8.1%	-4.0%	2.9%	13.1%	10.2%
Interest Expense	21,930	19,021	14,373	18,643	22,114
% growth	17.3%	-13.3%	-24.4%	29.7%	18.6%
Net Interest Income	36,602	37,152	43,417	46,740	49,937
% growth	3.3%	1.5%	16.9%	7.7%	6.8%
Other Operating Income	13,712	13,413	14,194	16,638	16,724
% growth	18.1%	-2.2%	5.8%	17.2%	0.5%
Other Operating Expense	36,986	50,664	51,086	50,859	51,076
% growth	10.5%	37.0%	0.8%	-0.4%	0.4%
Pre-provision Operating Profit	28,325	27,822	33,508	37,819	39,520
% growth	5.0%	-1.8%	20.4%	12.9%	4.5%
Net Operating Income	19,487	5,231	12,175	18,565	22,114
% growth	-0.6%	-73.2%	132.7%	52.5%	19.1%
Income Before Tax Expense	19,369	5,112	12,175	18,565	22,114
% growth	-2.3%	-73.6%	138.2%	52.5%	19.1%
Net Income	15,384	3,280	9,652	14,718	17,532
% growth	2.5%	-78.7%	194.2%	52.5%	19.1%

Balance Sheet (IDR bn)	2019	2020	2021E	2022F	2023F
Cash and Equivalents	15,362	17,324	16,864	14,335	18,883
CA w/ Central Bank	37,104	35,066	37,170	39,400	41,764
CA w/ Other Banks	14,963	16,108	17,719	19,490	21,439
Interbank Placement	47,777	61,329	70,529	81,108	85,163
Total Loans - Net	539,862	541,979	575,538	622,276	683,890
Marketable Securities	27,162	29,687	30,280	31,189	32,124
Government Bonds	81,029	90,659	106,525	119,521	129,680
Fixed Assets	26,525	27,362	27,193	27,070	26,869
Total Assets	845,605	891,337	956,104	1,035,310	1,127,468
Demand Deposits	202,227	224,663	247,129	274,313	305,859
Saving Deposits	191,390	223,686	246,054	275,581	308,650
Time Deposits	188,924	199,223	195,239	196,215	198,177
Total Customer Deposits	614,652	679,801	723,814	785,040	856,095
Deposits From Other Banks	11,584	9,023	9,068	9,250	10,174
Marketable Securities	2,985	2,985	2,985	2,994	3,006
Fund Borrowings	57,236	44,114	48,688	51,123	54,701
Subordinated Debts	100	100	8,700	8,700	8,700
Total Liabilities	720,601	778,465	834,248	901,475	980,352
Total Equity	125,004	112,872	121,856	133,835	147,116

Source: Company data, Sinarmas Investment Research

Financial Ratio (%)	2019	2020	2021E	2022F	2023F
Loan to Deposit Ratio	90.6%	86.2%	86.2%	86.1%	86.5%
Loan to Funding Ratio	82.5%	80.6%	80.4%	80.5%	81.0%
CASA Ratio	67.6%	69.2%	71.6%	73.7%	75.6%
Net Interest Margin	4.8%	4.6%	5.1%	5.0%	4.9%
Average Loan Yield	10.0%	9.1%	9.0%	9.5%	9.5%
Average Deposit CoF	3.1%	2.6%	1.8%	2.2%	2.4%
Gross NPL	3.1%	2.5%	1.8%	2.1%	2.4%
Net NPL	2.3%	4.2%	3.9%	3.5%	3.3%
Credit Cost	1.2%	0.9%	1.3%	1.2%	1.0%
Coverage Ratio	1.4%	3.7%	3.3%	2.8%	2.3%
Cost to Income Ratio	130.5%	179.6%	198.0%	225.7%	231.3%
Cost Efficiency Ratio	65.5%	90.6%	80.8%	73.3%	69.8%
Capital Adequacy Ratio	19.7%	16.8%	18.3%	17.2%	17.4%
Return on Equity	13.1%	2.8%	8.2%	11.5%	12.5%
Return on Asset	1.9%	0.4%	1.0%	1.5%	1.6%
EPS	825.0	176.1	518.0	789.9	940.9
BVPS	6,569.7	5,914.0	6,388.9	7,024.3	7,729.1

Source: Company data, Sinarmas Investment Research

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