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KEY HIGHLIGHTS

Results

Bank Negara Indonesia (BBNI IJ/BUY/Rp4,820/Target: Rp5,600) Page 2
3Q23: Higher yield, lower credit cost; there is still room for loans repricing in 4Q23.

TRADERS' CORNER Page 5

AKR Corporindo (AKRA IJ): Technical BUY
GoTo Gojek Tokopedia (GOTO IJ): Technical BUY

REGIONAL MARKET

Market	Close	+ / -	Chg (%)
MSCI Indonesia	6,922.1	(97.9)	(1.4)
MSCI Asia-Ex Japan	579.7	(1.2)	(0.2)
KLCI	1,435.3	(6.8)	(0.5)
FSSTI	3,076.8	9.0	0.3
SET	1,380.0	(1.9)	(0.1)
Hang Seng	17,101.8	(10.7)	(0.1)
Nikkei	31,601.7	742.8	2.4
Shanghai Comp	3,023.1	4.3	0.1
Dow Jones	33,274.6	221.7	0.7

Source: Bloomberg

INDONESIA STOCK EXCHANGE

	Level	+ / -	Chg (%)
Index	6,642.4	(109.8)	(1.6)
LQ-45	878.9	(13.5)	(1.5)
Value (US\$m)	739.3	6.1	0.8

FOREIGN TRADE IN IDX

Net (US\$m)	Buy	Sell	Total (%)
(68.6)	211.4	280.0	33.2

TOP TRADING TURNOVER

Company	Price (Rp)	Chg (%)	5-day ADT (Rpb)
Bank Rakyat Indonesia	4,830	(2.6)	859.8
Bank Central Asia	8,600	(1.7)	523.8
Bank Mandiri	5,650	(0.4)	493.1
Telkom Indonesia	3,620	3.7	384.0
Amman Mineral	6,650	2.3	326.4

TOP GAINERS

Company	Price (Rp)	Chg (%)	5-day ADT (Rpb)
Maha Properti	2,370	24.7	0.1
Telkom Indonesia	3,620	3.7	384.0
GoTo Gojek Tokopedia	62	3.3	270.5
Merdeka Copper	2,300	3.1	121.6
Amman Mineral	6,650	2.3	326.4

TOP LOSERS

Company	Price (Rp)	Chg (%)	5-day ADT (Rpb)
Indah Kiat Pulp & Paper	8,225	(14.3)	143.2
MD Pictures	2,120	(12.0)	30.3
Pabrik Kertas Tjiwi Kimia	6,800	(11.1)	46.9
Barito Pacific	1,020	(9.3)	174.2
XL Axiata	2,060	(9.3)	29.9

*ADT: Average daily turnover

COMMODITY TREND

	1 Nov 23 Closing	Chg (%) 1-day	1-mth
Forex (Rp/US\$)	15,936	0.3	2.6
Crude Oil NYMEX (US\$/bbl)	80.44	(0.7)	(9.4)
Coal Fut Newc (US\$/tonne)	119.65	(1.2)	n.a.
Nickel 3M LME	18,014	(0.6)	(3.9)
Tin 3M LME	23,908	(0.7)	1.8
Gold SPOT (US\$/oz)	1,983	(0.8)	8.2
CPO Fut Msia (MYR/tonne)	3,601	1.0	(1.2)

Source: Bloomberg, UOB Kay Hian

COMPANY RESULTS

Bank Negara Indonesia (BBNI IJ)

3Q23: Higher Yield, Lower Credit Cost

Net profit was up 7.3% qoq in 3Q23 on the back of a: a) 30bp increase in NIM, b) 3.2% qoq loan growth, and c) 20bp decline in CoC. Yield improvement was due to: a) one-off income from KUR repayment subsidies, and b) impact from loan repricing while asset quality improvement led to lower CoC. CoF may stay elevated in 4Q23, but the government accelerating spending can be a catalyst for a better liquidity environment. BBNI plans to reprice >30% of its loans in Dec 23. Maintain BUY. Target price: Rp5,600.

3Q23 RESULTS

Year to 31 Dec (Rpb)	3Q23	qoq % chg	yoy % chg	9M23	yoy % chg	Comments
Profit & Loss						
Interest Income	15,923	4.2%	15.9%	46,218	17.7%	
Interest Expenses	5,389	6.1%	71.1%	15,082	66.3%	
Net Interest Income	10,534	3.3%	-0.5%	31,136	3.1%	
Non-Interest Income	5,160	8.9%	6.9%	14,650	-2.3%	
Total Income	15,694	5.1%	1.8%	45,786	1.3%	
Operating Expenses	6,752	7.4%	-1.1%	19,544	0.9%	
PPOP	8,942	3.4%	4.1%	26,242	1.6%	
Provision Expenses	2,199	-6.9%	-12.9%	6,710	-24.8%	
Net Profit	5,451	7.3%	11.5%	15,753	15.1%	In line with expectations
Key Metrics (%)						
Loan (Rpt)	671	623	7.8%	671	3.2%	
Deposit (Rpt)	748	685	9.1%	748	-2.3%	
Loan/Deposit Ratio	89.8%	90.9%	-1.1%	89.8%	4.7%	
CASA Ratio	68.6%	70.9%	-2.3%	68.6%	-1.0%	
NIM	4.6%	4.8%	-0.2%	4.8%	0.30%	Qoq NIM expansion due to higher yield
Cost of Fund	2.1%	1.4%	0.7%	2.2%	0.1%	
CIR	41.3%	41.4%	-0.1%	41.5%	0.9%	
NPL Ratio	2.3%	3.0%	-0.7%	2.3%	-0.2%	
NPL Coverage Ratio	324.5%	270.8%	53.7%	324.5%	15.7%	Improving asset quality led to decline in CoC
Credit Cost	1.4%	2.0%	-0.6%	1.3%	-0.20%	
CAR	21.9%	18.9%	3.0%	21.9%	0.3%	
ROAE	15.5%	15.2%	0.3%	15.8%	0.7%	

Source: BBNI

RESULTS

- 3Q23 net profit up 7.3% qoq, in line with expectations.** Bank Negara Indonesia's (BBNI) 3Q22 net profit was up 7.3% qoq (+11.5% yoy) to Rp5.5t. The solid 3Q23 net profit led to 9M23 net profit growth of 15% yoy to Rp15.1t. It was predominantly driven by: a) a 30bp increase in NIM, b) a 3.2% qoq loan growth, and c) a 20bp decline in credit cost (CoC). 9M23 net profit is in line with our and market expectations, accounting for 73% and 75% of our and market full-year 2023 net profit estimates.

KEY FINANCIALS

Year to 31 Dec (Rpb)	2021	2022	2023F	2024F	2025F
Net interest income	38,247	41,321	43,287	47,774	51,488
Non-interest income	17,619	20,151	20,912	21,970	23,104
Net profit (rep./act.)	10,899	18,312	21,569	24,855	27,449
Net profit (adj.)	10,899	18,312	21,569	24,855	27,449
EPS (Rp)	292.2	491.0	578.3	666.4	735.9
PE (x)	16.5	9.8	8.3	7.2	6.5
P/B (x)	1.5	1.3	1.2	1.1	1.0
Dividend yield (%)	1.5	4.1	6.0	6.9	7.6
Net int margin (%)	4.6	4.8	4.7	4.8	4.8
Cost/income (%)	44.4	44.0	44.0	43.0	42.8
Loan loss cover (%)	233.6	277.1	275.8	247.8	211.4
Consensus net profit	-	-	21,039	23,931	26,629
UOBKH/Consensus (x)	-	-	1.03	1.04	1.03

Source: Bank Negara Indonesia, Bloomberg, UOB Kay Hian

BUY

(Maintained)

Share Price	Rp4,820
Target Price	Rp5,600
Upside	+18.3%

COMPANY DESCRIPTION

BBNI is a state-owned bank focusing on corporate and SME loans.

STOCK DATA

GICS sector	Financials
Bloomberg ticker:	BBNI IJ
Shares issued (m):	37,297.3
Market cap (RMm):	179,773.0
Market cap (US\$m):	11,280.9
3-mth avg daily t'over (US\$m):	17.7

Price Performance (%)

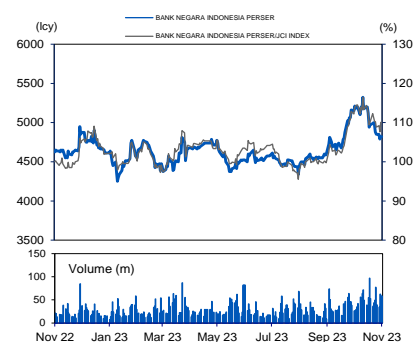
52-week high/low Rp5,3250/Rp4,250

1mth	3mth	6mth	1yr	YTD
(6.6)	11.1	2.3	2.6	4.5

Major Shareholders

	%
Republic of Indonesia	60.0
FY23 NAV/Share (Rp)	4,184
FY23 CAR Tier-1 (%)	19.45

PRICE CHART



Source: Bloomberg

ANALYST(S)

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- Qoq NIM expanded by 30bp to 4.78% due to higher yield.** Despite pressure from a higher CoF, NIM expanded by 30bp qoq to 4.78% in 3Q23 due to higher yield. Loan yield was up by 24bp to 7.9%, driven by: a) one-off interest income from Kredit Usaha Rakyat (KUR) loan repayment subsidies which is equivalent to 8bp NIM, and b) loan repricing where the most effective date was in Jun and Jul 23. The bank manages the impact of cost of funds by maximising its balance sheet by designing deposit growth to follow loan growth. Loan to deposit ratio (LDR) was at 89.8% in Sep 23.
- Loan growth accelerated to 7.8% yoy in Sep 23, supported by the low-risk segment which led to a further improvement in the credit profile.** Loan growth accelerated to 7.8% yoy in Sep 23 compared with 4.9% yoy in Jun 23. The bank continued to grow selectively by focusing on lower risk segments. Corporate, personal loan and enterprise loans posted the highest growth of 19.2%, 16.8% and 10.2% respectively in Sep 23. As of Sep 23, corporate accounted for 52.1% of its total loans, up from 49.6% in Sep 22. Risk weighted assets (RWA) density continued to decline to 74.3% in Sep 23, indicating an improving risk profile. With lower RWA density, CAR Tier 1 increased to 20.1% in Sep 23 from 19.8% in Jun 23.
- Improving asset quality led to 20bp qoq decline in CoC.** NPL ratio declined to 2.3% in Sep 23 from 2.5% in Jun 23 and LaR also dropped to 14.4% in Sep 23 from 16.1% in Jun 23. COVID-19 restructured loans outstanding fell 18% qoq (-44% yoy) to Rp33.2% in Sep 23. Improvement in asset quality led to a 20bp qoq decline in CoC. Write-off stood at Rp10.1t, accounting for 1.5% of total loans outstanding. Despite lower CoC and the write-off, NPL coverage remained ample at 325% in Sep 23. Management sees further normalisation of CoC in the next two years. As of Sep 23, BBNi's exposure to Waskita Karya (WSKT) and Wijaya Karya (WIKA) trended down to Rp7.9t and Rp1.3t with provision coverage of 65% and 31% respectively.
- Declining income from fee and commission income.** BBNi reported a weak core non-interest income (excluding recovery income and premium insurance), down 9.9%, but strong fee income from subsidiaries supported the 3Q23 consolidated non-interest income to decline only 3.2% qoq. 9M23 non-interest income dropped 4.7% to Rp11t, accounting for 24% of total income. Meanwhile, following a higher write-off, nominal recovery income increased 81.2% qoq while recovery rate stood at 30%.
- Opex remained elevated at 41.5% in 3Q23, to relaunch its mobile app in 2024.** Opex rose by 7.4% qoq as personnel expenses jumped 16.7% qoq and G&A expenses increased 1.8% qoq. Given higher opex, cost to income ratio (CIR) remained elevated at 41.5% in 3Q23. In 9M23, opex growth was flat at 0.9%, bringing CIR to 41.3%, relatively stable compared with 9M22. IT and communication expenses surged 25.3% yoy in 9M23 and 10.8% qoq in 3Q23. It accounted for 5.4% of total opex, up from 4.3% in 9M22. The bank plans to relaunch its rebranded mobile banking in 2024.

EARNINGS REVISION/RISKS

- Retain 2023/24 earnings estimates.** Higher rates and liquidity tightening could cause CoF to remain elevated in 4Q23, but the government accelerating budget spending in 4Q23 can be a catalyst for a better liquidity environment. We see upside to earnings from: a) the bank's plan to reprice at least Rp250t loans in Dec 23, and b) further CoC normalisation.
- Risk:** Adverse macro development, liquidity tightening, worsening asset quality, rate hikes, and higher expenses.

VALUATION/RECOMMENDATION

- Maintain BUY with an unchanged target price of Rp5,600.** We arrive at 1.3x 2024 P/B by using GGM and assumptions of ROE: 15%, cost of equity: 12.5%, and long-term growth: 5%. BBNi is facing transformation by restructuring its loan portfolio and focusing on digitalisation on its front-end and back-end. Re-rating on valuation will be driven by ROAE improvement, for which management targets to reach 18% by 2025. BBNi's ROE has been trending up to 15.5% in 9M23 vs 2.6% in 2020, and is higher than 13.4% in 2019. BBNi is trading at 1.1x, close to its five-year mean historical forward P/B.

LOAN YIELD

Segment	2Q22	3Q22	4Q22	1Q23	2Q23	3Q23
Corporate	6.15%	6.25%	6.66%	6.71%	6.96%	7.27%
Medium	6.85%	7.41%	7.06%	7.64%	7.74%	7.86%
Small	9.84%	9.50%	10.23%	9.03%	8.39%	8.94%
Consumer	9.43%	9.34%	9.34%	9.15%	8.39%	8.98%
Rupiah Yield	8.33%	8.19%	8.39%	8.10%	8.03%	8.32%
FX Yield	3.82%	4.69%	5.27%	5.81%	6.07%	6.13%
Blended Loan	7.43%	7.51%	7.76%	7.65%	7.66%	7.90%

Source: BBNi

LOAN GROWTH AND BREAKDOWN

Segment	Sep-22	Sep-23	%yoy	%qoq	% of loan
Corporate private	211.1	251.6	19.2%	5.4%	37.5%
SoE	97.5	97.9	0.4%	2.9%	14.6%
Medium	107.8	107.7	-0.1%	1.7%	16.0%
Enterprise	52.1	57.4	10.2%	3.1%	8.5%
Commercial	55.7	50.3	-9.7%	0.4%	7.5%
Small	96.5	87.3	-9.5%	-2.9%	13.0%
KUR	51.3	46.7	-9.0%	-3.9%	7.0%
SME non-KUR	45.2	40.6	-10.2%	-1.7%	6.0%
Consumer	106.1	119.5	12.6%	3.0%	17.8%
Mortgage	51.9	56.5	8.9%	2.2%	8.4%
Personal Loan	41.4	48.3	16.7%	5.0%	7.2%
Credit Card	12.1	13.5	11.6%	0.0%	2.0%
Others	0.7	1.2	71.4%	0.0%	0.2%
TOTAL	622.6	671.4	7.8%	3.2%	100.0%

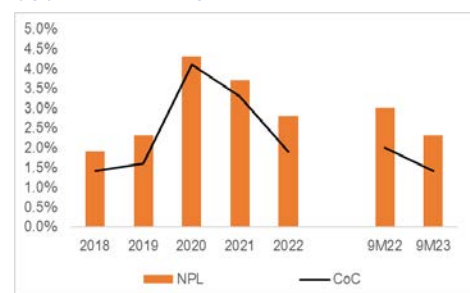
Source: BBNi

ASSET QUALITY BREAKDOWN

(Rpb)	Dec-22	Jun-23	Sep-23	%yoy	%qoq
Current	601.9	601.6	619.9	8.1%	3.0%
Special Mention	22.6	28.1	30.1	13.2%	7.1%
NPL	18	15.8	15.1	-19.7%	-4.4%
Restructured Loan	0				
Current	62.2	59.9	50.6	-31.6%	-15.5%
COVID-19	42.6	33.1	25.8	-47.8%	-22.1%
Non COVID-19	19.6	26.8	24.8	0.8%	-7.5%
Special Mention	19.1	22.8	24.5	8.4%	7.5%
NPL	10.1	7.4	5.8	-44.8%	-21.6%
Total Restructured Loan	91.4	90.1	95.8	-10.6%	6.3%
Total LaR	102.8	103.8	95.8	-19.8%	-7.7%
LaR Ratio	16%	16%	14%	-4.9%	-1.7%
LaR Coverage	49%	47%	51%	8.8%	4.0%
NPL Coverage	278%	309%	325%	53.7%	15.7%

Source: BBNi

COC AND NPL RATIO TREND



Source: BBNi

FIVE-YEAR FORWARD P/B



Source: Bloomberg, UOB Kay Hian

PROFIT & LOSS

Year to 31 Dec (Rpb)	2022	2023F	2024F	2025F
Interest income	54,659	60,646	66,007	72,174
Interest expense	(13,338)	(17,359)	(18,233)	(20,686)
Net interest income	41,321	43,287	47,774	51,488
Fees & commissions	9,738	10,225	11,043	11,927
Other income	10,413	10,686	10,927	11,178
Non-interest income	20,151	20,912	21,970	23,104
Total income	61,472	64,198	69,744	74,592
Staff costs	(12,456)	(13,203)	(14,220)	(15,358)
Other operating expense	(14,603)	(15,041)	(15,793)	(16,583)
Pre-provision profit	34,413	35,954	39,730	42,651
Loan loss provision	(11,514)	(8,653)	(8,223)	(7,865)
Other provisions	0	0	0	0
Associated companies	(0)	n.a.	n.a.	n.a.
Other non-operating income	(212)	(89)	(151)	(157)
Pre-tax profit	22,686	27,211	31,357	34,629
Tax	(4,205)	(5,442)	(6,271)	(6,926)
Minorities	(170)	(200)	(230)	(254)
Net profit	18,312	21,569	24,855	27,449
Net profit (adj.)	18,312	21,569	24,855	27,449

BALANCE SHEET

Year to 31 Dec (Rpb)	2022	2023F	2024F	2025F
Cash with central bank	82,922	83,115	98,600	97,239
Govt treasury bills & securities	121,292	124,514	131,501	146,137
Interbank loans	67,491	76,261	83,470	91,365
Customer loans	595,854	652,533	709,028	781,920
Investment securities	28,556	33,204	36,235	39,545
Derivative receivables	19,597	19,597	19,597	19,597
Associates & JVs	609	639	671	705
Fixed assets (incl. prop.)	26,549	26,447	26,490	26,358
Other assets	86,966	94,473	100,608	107,163
Total assets	1,029,837	1,110,782	1,206,199	1,310,029
Interbank deposits	15,245	16,450	17,952	19,592
Customer deposits	769,269	830,091	905,877	988,637
Derivative payables	775	3,843	4,036	4,237
Debt equivalents	57,764	60,583	64,096	67,932
Other liabilities	46,586	45,372	45,726	46,098
Total liabilities	889,639	956,340	1,037,686	1,126,495
Shareholders' funds	135,816	150,060	164,131	179,152
Minority interest - accumulated	4,382	4,382	4,382	4,382
Total equity & liabilities	1,029,837	1,110,782	1,206,199	1,310,029

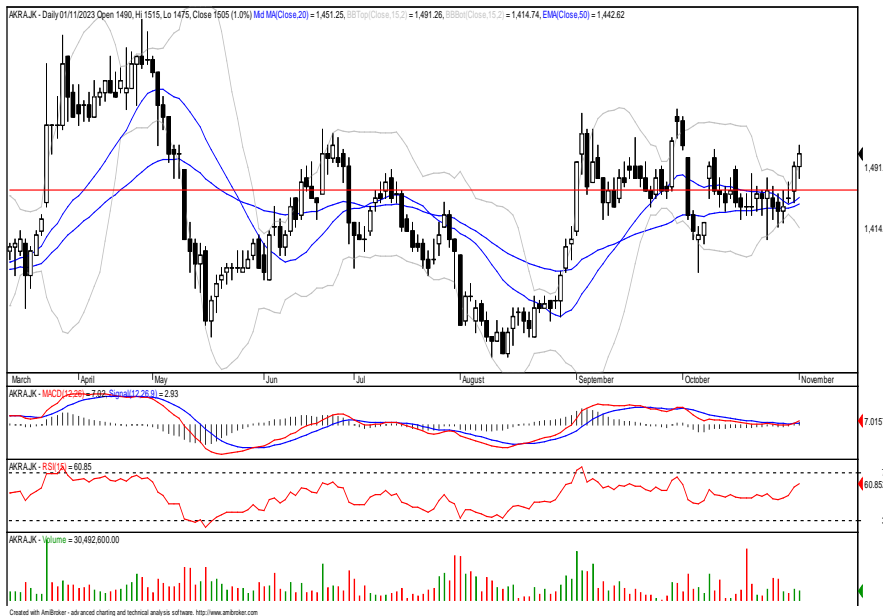
OPERATING RATIOS

Year to 31 Dec (%)	2022	2023F	2024F	2025F
Capital Adequacy				
Tier-1 CAR	18.8	19.5	19.6	19.7
Total CAR	20.6	21.1	21.2	21.3
Total assets/equity (x)	7.6	7.4	7.3	7.3
Tangible assets/tangible common equity (x)	7.6	7.4	7.3	7.3
Asset Quality				
NPL ratio	2.8	2.5	2.5	2.5
Loan loss coverage	277.1	275.8	247.8	211.4
Loan loss reserve/gross loans	7.8	7.0	6.2	5.3
Increase in NPLs	(15.6)	(2.4)	6.6	9.2
Credit cost (bp)	195.0	140.0	125.0	115.0
Liquidity				
Loan/deposit ratio *	84.0	84.5	83.4	83.5
Liquid assets/short-term liabilities	34.3	33.3	33.7	32.9
Liquid assets/total assets	26.4	25.6	26.0	25.6

KEY METRICS

Year to 31 Dec (%)	2022	2023F	2024F	2025F
Growth				
Net interest income, yoy chg	8.0	4.8	10.4	7.8
Fees & commissions, yoy chg	8.9	5.0	8.0	8.0
Pre-provision profit, yoy chg	10.8	4.5	10.5	7.4
Net profit, yoy chg	68.0	17.8	15.2	10.4
Net profit (adj.), yoy chg	68.0	17.8	15.2	10.4
Customer loans, yoy chg *	12.0	9.5	8.7	10.3
Customer deposits, yoy chg	5.5	7.9	9.1	9.1
Profitability				
Net interest margin	4.8	4.7	4.8	4.8
Cost/income ratio	44.0	44.0	43.0	42.8
Adjusted ROA	1.8	2.0	2.1	2.2
Reported ROE	14.1	15.1	15.8	16.0
Adjusted ROE	14.1	15.1	15.8	16.0
Valuation				
P/BV (x)	1.3	1.2	1.1	1.0
P/NTA (x)	1.3	1.2	1.1	1.0
Adjusted P/E (x)	9.8	8.3	7.2	6.5
Dividend Yield	4.1	6.0	6.9	7.6
Payout ratio	40.0	50.0	50.0	50.0

TRADERS' CORNER



Source: Amibroker

AKR Corporindo (AKRA IJ)

Technical BUY with 6.6% potential return

Resistance: Rp1,560, Rp1,600

Support: Rp1,475, Rp1,460

Stop-loss: Rp1,470

AKRA's price movement in the last two days strengthened and closed above the resistance level of Rp1,490, signalling that AKRA's price has the potential to strengthen further. This positive signal is supported by the increasing transaction volume indicators for the last two days. MACD is forming a bullish crossover in the uptrend area and RSI is moving up to bullish territory. Buy at Rp1,500 and take profit at Rp1,600.

Approximate timeframe: 2-4 weeks.

Our institutional research has a fundamental BUY and target price of Rp1,840.



Source: Amibroker

GoTo Gojek Tokopedia (GOTO IJ)

Technical BUY with 11% potential return

Resistance: Rp68, Rp71

Support: Rp60, Rp56

Stop-loss: Rp58

GOTO's price movements in the last two trading days strengthened, forming a Bullish Doji Star candlestick pattern, which is a bullish reversal pattern. The strengthening of GOTO's prices was followed by increasing trading volume, which could trigger further strengthening in today's trading. This positive signal is supported by the MACD indicator which has the potential to form a bullish crossover and the Stochastic Oscillator which forms a golden cross pattern. Buy at Rp61 and take profit at Rp68.

Approximate timeframe: 2-4 weeks.

Our institutional research has a fundamental BUY and target price of Rp121.

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