

Bank Negara Indonesia (BBNI IJ)

FUNDAMENTAL VIEW ¹

As of 12 Dec 2023

- Bank Negara Indonesia (BNI) is the fourth largest commercial bank in Indonesia by assets, and is rated Baa2(stable)/BBB-(stable)/BBB-(stable).
- The bank is majority-owned by the Indonesian government (60%) and receives strong state support in the form of well-established relationships with SOEs, an area that the bank heavily loans to.
- BNI's asset quality is showing a steady improvement after COVID headwinds in Indonesia, mainly driven by its corporate loan book. It is de-risking its loan portfolio by focusing growth on top tier private corporates.

RISKS & CATALYSTS

As of 12 Dec 2023

- BNI's NIM is much lower compared to Mandiri and BRI, and it is likely to remain so as the bank is shifting its loan mix towards safer but lower yielding top tier private corporates, focusing on the risk-adjusted NIM (net of credit costs) instead. Credit costs remain higher than Mandiri so profitability is slightly weaker, but is still generally quite strong with ROE at >15%.
- Growth momentum is expected to hold up well in 2023 which would support asset quality and loan growth; management targets 7-9% FY23 loan growth and credit costs of <150 bp.
- The COVID-19 impact is still being played out with regulatory forbearance measures being selectively extended to March 2024. However, similar to Mandiri, BNI is looking into pare down its LAR and NPL coverage ratios back to pre-pandemic levels starting next year so lower credit costs of ~100 bp are expected by 2025, along with an ~18% ROE. Capital is solid with a >19% CET1 ratio.

CREDIT QUALITY SCORE (CQS) ²

As of 22 Jan 2024

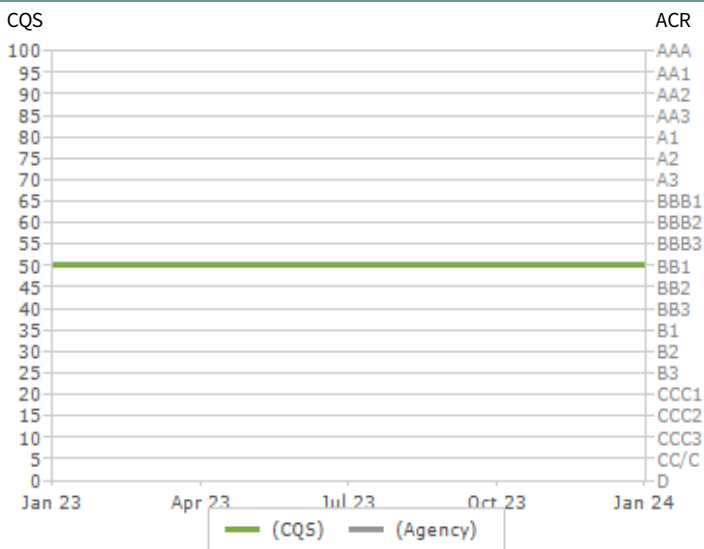
CURRENT CQS

50

CQS OUTLOOK ³



HISTORICAL RATINGS: AVERAGE AGENCY RATING (ACR) ⁴ VS CQS



KEY METRICS

As of 12 Dec 2023

IDR BN	FY19	FY20	FY21	FY22	9M23
PPP ROA	3.33%	3.20%	3.35%	3.42%	3.43%
ROA	1.9%	0.4%	1.2%	1.8%	2.1%
ROE	13.5%	2.9%	9.9%	15.0%	15.7%
Equity/Assets	14.49%	11.56%	12.07%	12.32%	13.92%
CET1 Ratio	18.7%	16.0%	17.4%	17.5%	19.6%
NPL Ratio	2.27%	4.26%	3.70%	2.81%	2.27%
Provisions/Average Loans	1.60%	4.21%	3.23%	1.83%	1.37%
LDR	90.6%	81.4%	79.9%	84.0%	88.8%

BUSINESS DESCRIPTION

As of 12 Dec 2023

- Bank Negara Indonesia was founded in 1946, initially as a central bank, before becoming a commercial bank in 1968. It is now the 4th largest commercial bank in Indonesia by assets.
- The bank is majority-owned by the state (60%) and focuses its lending toward SOEs and domestic corporates. The loan book is split 52% corporates, 29% small and medium enterprises and 18% retail, with the remaining coming from its subsidiaries at end-September 2023.
- BNI employs ~27,000 staff across its ~1,800 outlets. It also has over 170,000 E-channels and over 13,000 ATMs across Indonesia as of end-September 2023.

GLOSSARY

¹ The **Fundamental View** is our current assessment of credit quality and our expectation of how credit quality will trend over the next year or longer.

² The **Credit Quality Score (CQS)** is a number between 5 and 100. It is a medium-term credit score for corporates and financial institutions that utilizes a combination of sector fundamental scores and equity market signals. Values of CQS above 50 generally indicate investment grade credit quality.

³ The **Credit Quality Score (CQS) Outlook** is the near-term (3 month) outlook for the CQS, based on its trend, volatility and distance from the adjacent CQS risk bucket.

⁴ The **Agency Composite Rating (ACR)** is the average senior unsecured rating from one or more major rating agencies.

Quantitative scores provided by CreditSights Analytics, LLC. Scores are shown are for the lesser of (1) 2 years and (2) date of CreditSights inception of quantitative coverage.

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