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Company – Update | Indonesia

Friday, 28 August 2026

Bank Negara Indonesia (BBNI IJ)

7M26 Liquidity Improves, But At Higher Cost

Highlights

- **Strong loan growth, but earnings conversion remained modest.** Loan growth accelerated to 28.4% yoy in Jul 26, supported by both private wholesale and faster-growing SOE lending, while NII growth lagged at 14.1% yoy.
- **Liquidity improved, at higher cost**. Reported LDR declined to 85.5% in Jul 26, interest expense rose 17.8% mom (30.4% yoy), with estimated ex-SAL LDR at 91-92%, suggesting that the improvement in liquidity came with higher funding costs and continued reliance on government liquidity.
- **Maintain HOLD with an unchanged target price of Rp4,150.** BBNI's increasing exposure to SOEs and government programmes warrants closer attention to future returns, although undemanding valuation and improving macro/policy sentiment could provide near-term upside.

Analysis

- **7M26: Operating earnings remained resilient, while funding pressure persisted into July.** Bank Negara Indonesia's (BBNI) 7M26 bank-only pre-provision operating profit (PPOP) grew 13.6% yoy, supported by 14.1% and 10.9% yoy growth in net interest income (NII) and non-interest income, while net profit rose a more modest 5.5% yoy as provisions remained elevated. Funding pressure continued into July, with interest expense rising 17.8% mom compared with a 6.5% of interest income growth, resulting in NII declining 2.3% mom. Encouragingly, asset quality continued to improve, with management reporting loan at risk (LaR) of 7.85% (Jul 25: 10.94%). Hence, the earnings picture remains relatively resilient, but the key focus is on the ability to defend margins amid higher funding costs.
- **Loan growth remained exceptionally strong, but earnings conversion continued to lag.** Loans grew 28.4% yoy (9.8% ytd) in July, accelerating from 24.4% yoy in June. Management highlighted private large corporate and enterprise loan growth of 26% yoy/13% ytd respectively, suggesting broader support for loan growth beyond policy-related lending. Nevertheless, SOE lending continued to expand at a significantly faster pace, rising 63.2% yoy in 1H26 and increasing its share of total loans to 20.4%. More importantly, NII growth of 14.1% yoy remains well below the loan growth, consistent with the yield dilution highlighted in 2Q26 as the loan mix shifted towards wholesale and SOE exposures.
- **Slower loan growth should ease funding needs, but NIM recovery may take time.** With management maintaining its 8-10% 2026 loan growth guidance, we expect volume growth to moderate substantially in 2H26, reducing incremental funding requirements. However, elevated funding costs have prompted management to cut its 2026 NIM guidance to 3.3-3.5% from 3.5-3.8%. Asset repricing should gradually provide support, but the pace of margin recovery will depend on whether asset yields can catch up with funding costs.

Key Financials

Year to 31 Dec (Rpb)	2024	2025	2026F	2027F	2028F
Net interest income	40,480	40,333	43,754	47,891	52,587
Non-Interest Income	24,035	24,645	26,508	28,300	30,291
Net profit (rep./act.)	21,464	20,039	22,080	24,503	27,375
Net profit (adj.)	21,464	20,039	22,080	24,503	27,375
EPS (Rp)	575	537	592	657	734
PE (x)	6.3	6.8	6.1	5.5	5.0
P/B (x)	0.8	0.8	0.8	0.7	0.6
Dividend yield (%)	10.3	9.6	10.6	11.7	13.1
Net int margin (%)	4.2	3.7	3.6	3.6	3.7
Cost/income Ratio (%)	46.0	47.5	46.1	45.1	43.9
Loan loss cover (%)	253.6	206.4	200.1	203.5	209.0
Consensus net profit	-	-	21,187	22,823	25,406
UOBKH/Consensus (x)	-	-	1.04	1.07	1.08

Source: BBNI, Bloomberg, UOB Kay Hian

Analyst(s)

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HOLD (Maintained)

Share Price	Rp3,710
Target Price	Rp4,150
Upside	+11.9%

Stock Data

Sector	Financials
Bloomberg ticker	BBNI IJ
Shares issued (m)	37,297.3
Market cap (Rpb)	135,762.2
Market cap (US$m)	7,642.9
3-mth avg daily t'over (US$m)	11.8

Price Performance (%)

52-week high/low: Rp4,730/Rp2,990

1mth	3mth	6mth	1yr	YTD
3.4	(5.2)	(18.2)	(19.8)	(16.7)

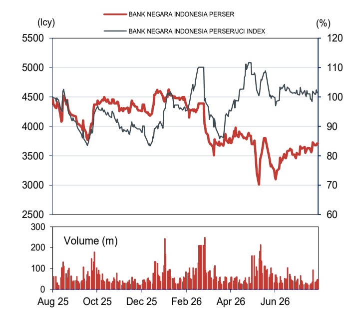
Major Shareholders (%)

Danantara	60.0

Balance Sheet Metrics

FY26 NAV/Share (Rp)	4,847
FY26 Net Debt/Share (Rp)	19.0

Price Chart



Source: Bloomberg

Company Description

Bank Negara Indonesia is a state-owned bank focusing on corporate and SME loans.

- **Headline liquidity has improved, but government liquidity placement remains an important part of the buffer.** Deposits grew strongly in July, bringing reported loan-to-deposit ratio (LDR) down to 85.5% from 94.5% in Jul 25 (Jun 26: 87.7%). Management said that the strong time deposit growth was largely attributable to the government liquidity placement (SAL). We estimate LDR at 91-92% excluding SAL, indicating that organic liquidity remains relatively tight. This is relevant given our 2Q26 concern that the eventual SAL withdrawal, together with progressive utilisation of Agrinas' deposits, could create replacement funding needs. Therefore, SAL provides a useful liquidity buffer, while stronger organic deposit generation or slower loan growth remains necessary for a more sustainable improvement in the funding profile.
- **September's first annual KopDes repayment provides an important, albeit initial test.** The Rp55t Agrinas (KopDes) exposure remains particularly relevant for BBNI given its size relative to the bank's loan book. The first annual repayment scheduled for September should provide the first observable test of the government-backed repayment mechanism highlighted in our 2Q26 report. An on-time repayment could reduce near-term policy-lending concerns and support sentiment, but we would be cautious about interpreting a single payment as resolving the broader issue. More importantly, the longer-term implications will depend on the scale and returns of BBNI's growing exposure to SOEs and government programmes, and how this evolving role affects the bank's risk-adjusted returns.

Valuation/Recommendation

- **Maintain HOLD with a target price of Rp4,150.** We derive our target from a fair P/B of 0.9x based on GGM assumptions of 12.5% ROE, 13.5% CoE and 4% long-term growth. Tactically, the risk-reward is becoming more interesting at the current price, BBNI trades at only 0.8x 2026F P/B and 6-7x PE, with a prospective dividend yield of 10%, suggesting that the valuation is already undemanding. Successful KopDes repayment, stabilising funding costs or an improvement in domestic liquidity sentiment could drive a share price rerating before a fundamental earnings inflection becomes visible. A somewhat less restrictive global macro backdrop could also provide some breathing room for domestic liquidity, although with the rupiah still fragile, we believe it is too early to incorporate this into our base case.
- Fundamentally, however, we believe the key uncertainty hinges on BBNI's evolving role as an SOE bank. Greater participation in SOE, priority-sector and government-related financing could sustain above-system balance-sheet growth, but the implications for sustainable asset yields, funding requirements and ROE warrant close monitoring. We therefore believe the current valuation discount is partly justified until there is greater visibility of the returns generated from this growth. Hence, we distinguish between an increasingly attractive tactical setup and our unchanged fundamental HOLD recommendation.

Earnings Revision/Risk

- No change in our earnings estimates.
- **Risks** include: a) faster-than-expected SAL and Agrinas deposit outflows, b) NIM falling towards the bottom of the revised 3.3-3.5% range, c) consumer and small-business deterioration, d) further capital adequacy ratio erosion if risk weighted asset growth outpaces internal capital generation, and e) changes in government lending policies.

7M26 Results

Profit & Loss (Rpt)	7M26	7M25	yoy	Jul-26	Jun-26	mom	yoy
Interest income	44.5	38.4	15.9%	6.9	6.5	6.5%	18.9%
Interest expense	19.2	16.2	18.4%	3.3	2.8	17.8%	30.4%
Net Interest Income	25.3	22.2	14.1%	3.6	3.6	-2.3%	9.8%
Other Opr Income	13.4	12.1	10.9%	2.3	2.1	9.4%	10.2%
Other Opr Expenses	17.9	15.9	12.2%	2.8	2.4	19.6%	8.0%
PPoP	20.9	18.4	13.6%	3.0	3.3	-10.8%	12.0%
Provision Expenses	5.4	4.1	33.3%	0.6	1.1	-44.0%	13.0%
Pretax Income	15.5	14.3	8.1%	2.3	2.2	5.4%	11.7%
Income After Tax	12.5	11.9	5.5%	1.6	1.9	-12.7%	-6.3%
Balance Sheet (Rpt)	Jul-26	Jun-26	Jul-25	Dec-25	mom	yoy	ytd

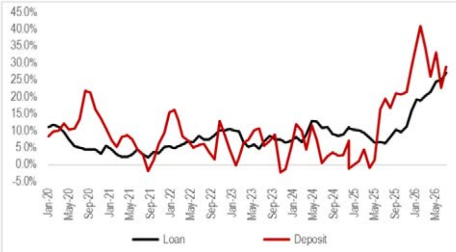
Source: BBNI, UOB Kay Hian

7M26: Balance Sheet

Balance Sheet (Rpt)	Jul-26	mom	yoy	ytd
Loan	970	1.8%	28.4%	9.8%
Deposit	1,135	4.5%	42.0%	11.1%
Current Account	463	8.9%	44.8%	6.7%
Sav ing	291	0.1%	14.7%	1.8%
Time Deposit	381	2.9%	68.7%	26.0%
CASA	754	5.3%	31.5%	4.8%
Ratios	**Jul 26**	**mom**	**yoy**	**ytd**
LDR	85.5%	-2.3%	-9.1%	-0.9%
CASA	66.4%	0.5%	-5.3%	-4.0%
Loan/CASA	128.7%	-4.5%	-3.1%	6.0%

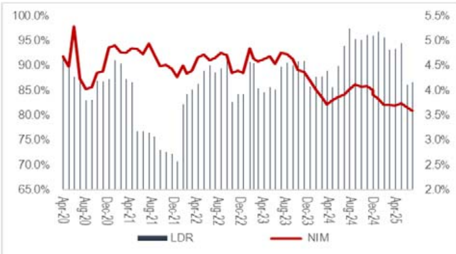
Source: BBNI, UOB Kay Hian

Yoy Deposit And Loan Growth



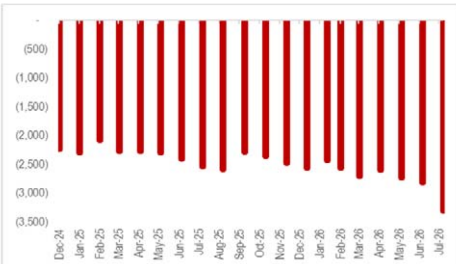
Source: BBNI, UOB Kay Hian

LDR And NIM Trend Of Bank-Only



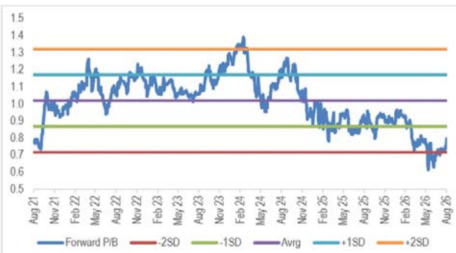
Source: BBNI, UOB Kay Hian

Monthly Interest Expenses Trend (Rpb)



Source: BBNI, UOB Kay Hian

Five-Year Forward P/B Band Chart



Source: Bloomberg

Profit & loss

Year to 31 Dec (Rpb)	2025	2026F	2027F	2028F
Interest income	69,394	76,357	82,703	89,756
Interest expense	(29,061)	(32,603)	(34,812)	(37,168)
Net interest income/(expense)	40,333	43,754	47,891	52,587
Fees & Commissions	11,168	12,061	12,966	13,938
Net Trading Income	13,477	14,447	15,334	16,352
Non-Interest Income	24,645	26,508	28,300	30,291
Total Income	64,978	70,262	76,191	82,878
Staff Costs	(14,529)	(15,401)	(16,479)	(17,633)
Other Operating Expense	(16,327)	(17,000)	(17,850)	(18,743)
Pre-Provision Profit	34,122	37,861	41,861	46,503
Loan Loss Provision	(9,724)	(10,386)	(11,404)	(12,509)
Pre-tax profit	24,395	27,355	30,357	33,915
Tax	(4,286)	(5,197)	(5,768)	(6,444)
Minorities	(70)	(78)	(86)	(96)
Net profit	20,039	22,080	24,503	27,375
Net profit (adj.)	20,039	22,080	24,503	27,375

Balance Sheet

Year to 31 Dec (Rpb)	2025	2026F	2027F	2028F
Cash With Central Bank	79,989	65,195	70,756	77,299
Govt Treasury Bills & Securities	163,510	141,218	147,171	154,126
Interbank Loans	59,718	123,941	121,099	157,031
Customer Loans	863,670	953,261	1,044,821	1,145,107
Investment Securities	63,017	45,190	49,057	53,609
Derivative Receivables	12,333	12,703	13,084	13,477
Properties & Other Fixed Assets	31,113	31,461	31,801	32,086
Other Assets	74,350	79,565	82,741	86,260
Total assets	1,362,055	1,467,606	1,576,355	1,735,612
Interbank Deposits	11,563	12,550	13,624	14,889
Customer Deposits	1,040,834	1,129,742	1,226,422	1,340,225
Debts Securities Issued	73,958	79,966	80,188	80,421
Other Liabilities	52,109	52,109	52,109	52,109
Total liabilities	1,185,715	1,281,981	1,380,337	1,496,038
Shareholders' funds	171,730	180,785	190,936	234,238
Minority interest	4,609	4,840	5,082	5,336
Total Equity & Liabilities	1,362,055	1,467,606	1,576,355	1,735,612

Operating Ratios

Year to 31 Dec (%)	2025	2026F	2027F	2028F
Capital Adequacy				
Tier-1 CAR	19.6	19.0	18.7	18.7
Total CAR	20.8	20.4	20.0	20.0
Total Assets/Equity	7.9	8.1	8.3	7.4
Tangible Assets/Tangible Common Equity	7.9	8.1	8.3	7.4
Asset Quality				
NPL Ratio	1.9	1.8	1.8	1.8
Loan Loss Coverage	206.4	200.1	203.5	209.0
Loan Loss Reserve/Gross Loans	4.0	3.6	3.7	3.8
Increase in NPLs	13.9	2.5	9.7	9.7
Credit Cost (bp)	116	110	110	110
Liquidity				
Loan/Deposit Ratio	86.4	87.5	88.4	88.8
Liquid Assets/Short-Term Liabilities	28.7	28.8	27.2	28.6
Liquid Assets/Total Assets	22.3	22.5	21.5	22.4

Key Metric

Year to 31 Dec (%)	2025	2026F	2027F	2028F
Growth				
Net Interest Income, yoy Chg	(0.4)	8.5	9.5	9.8
Fees & Commissions, yoy Chg	9.0	8.0	7.5	7.5
Pre-Provision Profit, yoy Chg	(2.0)	11.0	10.6	11.1
Net Profit, yoy Chg	(6.6)	10.2	11.0	11.7
Customer Loans, yoy Chg	(6.6)	10.2	11.0	11.7
Customer Deposits, yoy Chg	17.2	10.4	9.6	9.6
Profitability				
Net Interest Margin	3.7	3.6	3.6	3.7
Cost/Income Ratio	47.5	46.1	45.1	43.9
Adjusted ROA	1.6	1.6	1.6	1.7
Reported ROE	12.0	12.5	13.2	13.2
Adjusted ROE	12.0	12.5	13.2	13.2
Valuation				
P/BV	0.8	0.8	0.7	0.6
P/NTA	0.8	0.8	0.7	0.6
Adjusted P/E	6.8	6.1	5.5	5.0
Dividend Yield	9.6	10.6	11.7	13.1
Payout Ratio	65.0	65.0	65.0	65.0