Bank Negara Indonesia (BBNI IJ)

2Q26: Solid PPOP, But Funding Pressure Builds

HOLD (Maintained)

Share Price	Rp3,630
Target Price	Rp4,150
Upside	14.3%

Analyst(s)
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Highlights

- **Solid operating performance, but provisions capped earnings growth.** PPOP increased 14.5% yoy, while net profit rose only 6.6% as provisions jumped 42.1%. Sequentially, 2Q26 PPOP declined 1.6% qoq and net profit fell 10.0% qoq.
- **Front-loaded lending implies a significant 2H26 slowdown.** Loans grew 24.4% yoy (+7.7% ytd), but management maintained its 8-10% full-year target and will align new lending with deposit growth while higher CoF prompted management to cut its NIM guidance to 3.3-3.5%.
- **Maintain HOLD with an unchanged Rp4,150 target price,** implying 0.9x 2026F P/B. Timely Kopdes repayment and lower programme exposure could provide upside, while a 10.6% dividend yield offers downside support.

2Q26 Results

Year to 31 Dec (Rpb)	2Q26	qoq	yoy	1H26	yoy
Profit & Loss					
Interest Income	19,631	3.3%	16.2%	38,630	14.9%
Interest Expenses	8,372	5.0%	16.0%	16,345	15.9%
Net Interest Income	11,259	2.1%	16.3%	22,285	14.2%
Non-Interest Income	5,978	3.5%	15.1%	11,754	10.8%
Total Income	17,237	2.6%	15.9%	34,039	13.0%
Operating Expenses	8,064	7.8%	14.8%	15,543	11.3%
PPOP	9,173	-1.6%	16.9%	18,496	14.5%
Provision Expenses	2,964	22.6%	46.2%	5,382	42.1%
Net Profit	5,095	-10.0%	8.1%	10,756	6.6%

Source: Bank Negara Indonesia, UOB Kay Hian

Analysis

- **Solid PPOP, higher provision overlay.** Bank Negara Indonesia (BBNI) posted record-high pre-provision operating profit (PPOP) of Rp18.5t, growing 14.5% yoy in 1H26 (1H25: Rp16.2t, 1H24: Rp16.4t). The strong PPOP was supported by solid growth in both net interest income (NII) and fee income. However, provisions increased 42.1% yoy, limiting net profit growth to 6.6% yoy to Rp10.8t. Sequentially, 2Q26 PPOP declined 1.6% qoq and net profit fell 10.0% qoq as opex and provisioning rose 7.8% and 22.6% qoq respectively. 1H26 net profit was within our/market expectations, accounting for 49%/51% of our/market full-year estimates.

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	6.7	6.1	5.5	4.9
P/B (x)	0.8	0.8	0.7	0.7	0.6
Dividend yield (%)	10.3	9.6	10.6	11.8	13.2
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: Bank Negara Indonesia, Bloomberg, UOB Kay Hian

Stock Data

GICS Sector	Financials
Bloomberg ticker	BBNI IJ
Shares issued (m)	37,297.3
Market cap (Rpb)	135,016.3
Market cap (US$m)	7,523.9
3-mth avg daily t'over (US$m)	12.5

Price Performance (%)

52-week high/low: Rp4,730.0/Rp2,990

1mth	3mth	6mth	1yr	YTD
11.4	(7.7)	(19.6)	(9.7)	(17.2)

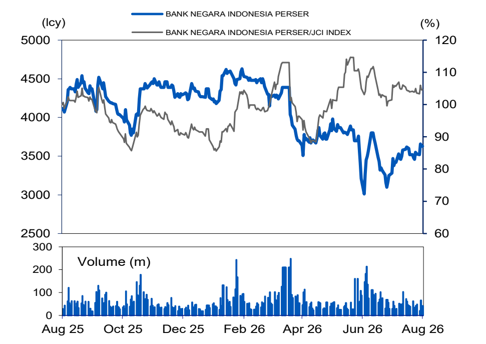
Major Shareholders

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

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

- **Loans grew 24.4% yoy in 1H26; loan growth target maintained at 8-10%.** Loans increased 24.4% yoy and 7.7% ytd, driven by wholesale lending. Excluding Agrinas (Rp55t), loans still rose 17% yoy, led by utilities, poultry, telecommunications and FMCG. Management maintained its 8-10% 2026 target, implying only limited net expansion in 2H26. Management said that its loan growth disbursement in 2H26 will follow deposit growth due to recent liquidity tightness. Loans to corporate SOE increased 63.2% yoy (6.7% qoq), accounting for 20.4% of total loans (1H25: 15.6%).
- **Loan yield stabilised, but funding pressure will dominate, leading to lower NIM guidance.** Blended loan yield held at 6.9% in 2Q26, but remained below 7.3% in 2Q25 as the mix shifted towards wholesale and SOE. Corporate yield improved slightly to 6.2% from 6.1% qoq, while management said corporate yield excluding Agrinas was stable. BBNI will set required yields on new loans around 100bp above the current portfolio yield. Nevertheless, cost of funds (CoF) rose to 2.63% in 2Q26 from 2.49% in 1Q26, and deposit costs will reprice faster than loans. Management consequently cut its 2026 NIM guidance to 3.3-3.5%.
- **Asset quality improved, but retail remained under pressure.** Loan at risk (LAR) declined to 8.1% from 11.0%, while gross NPL remained at 1.9%. Write-offs fell 44% yoy as new NPL formation dropped. The higher credit cost of 1.1% reflected continued weakness across consumer and small-business loans, together with a precautionary overlay for rapid wholesale growth despite no visible wholesale stress. Consumer NPL rose to 3.0% in 1H26 from 2.1% in 1H25. Its NPL coverage normalised to 198% in 1H26 (1H25: 204.7%).
- **Agrinas and SAL create a prospective funding requirement.** BBNI disbursed Rp55t to Agrinas at a 6% interest rate with a six-year tenor, with 0% expected credit loss (ECL), a government-backed repayment mechanism (according to the bank), and 50% RWA. Only Rp9t had been utilised, while Rp46t remained in Agrinas' BBNI current account and will progressively leave as construction advances. Separately, around Rp76t of time-deposit growth came from the Ministry of Finance's excess budget balance (SAL) placements. Their maturity, alongside Agrinas utilisation, will require BBNI to compete for replacement funding in 2H26. However, If the first scheduled Kopdes repayment is made on time in September and a programme scale-back reduces BBNI's future loan exposure, these developments could provide upside catalysts.

Valuation/Recommendation

- **Maintain to HOLD with a target price of Rp4,150.** We arrived at a fair P/B of 0.9x, derived from GGM assumptions (ROE 12.5%, CoE 13.5%, growth 4%). We maintain HOLD as BBNI's solid operating momentum is increasingly offset by funding, margin and asset-quality risks. NIM should remain under pressure from rising deposit costs, despite the bank targeting required yields on new loans around 100bp above its current portfolio yield. The deposit-on-call nature of SAL placements creates potential funding volatility, while the progressive utilisation of Agrinas deposits may require more expensive replacement funding. Loan growth should also slow in 2H26, while retail asset-quality pressure could keep provisions elevated. If the first scheduled Kopdes repayment is made on time in September and a programme scale-back reduces BBNI's future loan exposure, these developments could provide upside catalysts. Meanwhile, an 8-9% dividend yield, based on a 65% payout ratio, offers downside support.

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 (CAR) erosion if RWA growth outpaces internal capital generation, and e) changes in government lending policies.

2Q26/1H26 Key Ratios

Key Metrics (%)	1H26	yoy	1Q26	chg	ytd
Loan (Rpt)	969	24.4%	919	5.4%	7.7%
Deposit (Rpt)	1,100	22.3%	1,101	0.0%	5.7%
Loan/Deposit Ratio	87.7%	1.2%	83.5%	4.2%	1.3%
CASA Ratio	65.4%	-6.6%	66.5%	-1.1%	-4.3%
NIM	3.6%	-0.2%	3.6%	0.0%	-0.2%
Cost of Fund	3.0%	-0.4%	2.9%	0.1%	0.3%
CIR	44.6%	-0.9%	43.5%	1.1%	-1.9%
NPL Ratio	1.9%	0.0%	1.9%	0.0%	0.0%
NPL Coverage Ratio	198.3%	-45.1%	204.7%	-6.4%	-7.2%
Credit Cost	1.1%	0.1%	1.1%	0.0%	-0.1%
CAR	18.1%	-3.0%	18.5%	-0.4%	-2.6%
ROAE	13.4%	0.6%	13.6%	-0.2%	0.7%

Source: Bank Negara Indonesia

Loan Growth And Breakdown

Segment	Jun-26	%yoy	%qoq	% of loan
Corporate private	344.9	9.6%	1.3%	35.6%
SoE	197.8	63.2%	6.7%	20.4%
Medium	170	62.0%	19.4%	17.6%
Enterprise	111.4	101.4%	33.9%	11.5%
Commercial	58.6	18.1%	-1.0%	6.1%
Small	77.4	4.9%	2.7%	8.0%
KUR	25.4	-11.8%	0.3%	2.6%
SME non-KUR	52	15.6%	4.0%	5.4%
Consumer	160.8	9.4%	1.8%	16.6%
Mortgage	75.2	9.9%	1.7%	7.8%
Personal Loan	65.6	9.2%	1.9%	6.8%
Credit Card	16.9	9.4%	1.6%	1.7%
Others	3.1	0.7%	0.1%	0.3%
Subsidiaries	17.6	2.7%	-0.2%	1.8%
TOTAL	968.5	24.4%	5.4%	100.0%
Working	516.8	29.8%	4.1%	53.4%
Investment	287.1	25.3%	10.1%	29.6%

Source: Bank Negara Indonesia

Loan Yield (%)

Segment	2Q25	1Q26	2Q26	qoq	yoy
Corporate	6.7%	6.1%	6.2%	0.1%	-0.5%
Medium	7.4%	7.2%	7.3%	0.1%	-0.1%
Small	9.6%	9.2%	9.0%	-0.2%	-0.6%
Consumer	8.0%	7.9%	7.7%	-0.2%	-0.3%
Rupiah Yield	7.7%	7.2%	7.1%	-0.1%	-0.6%
FX Yield	5.8%	5.5%	5.5%	0.0%	-0.3%
Blended Loan	7.3%	6.9%	6.9%	0.0%	-0.4%

Source: Bank Negara Indonesia

NPL Ratio By Segment

Segment	Jun-25	Sep-25	Dec-25	Mar-26	Jun-26
Corporate	1.1%	1.2%	0.8%	0.8%	0.7%
Middle	3.8%	3.2%	4.7%	4.4%	4.0%
Small	3.8%	3.6%	3.4%	3.5%	3.8%
Consumer	2.1%	2.6%	2.7%	2.9%	3.0%
Total NPL- %	1.9%	2.0%	1.9%	1.9%	1.9%
Total NPL (IDR Bn)	14,859	15,586	17,079	17,500	18,394

Source: Bank Negara Indonesia

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

Cash Flow

Year to 31 Dec (Rpb)	2025	2026F	2027F	2028F
Capital Adequacy				
Tier-1 CAR	19.6	19.0	18.7	20.8
Total CAR	20.8	20.4	20.0	22.3
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 Metrics

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	0.7	0.7	0.6
P/NTA	0.8	0.7	0.7	0.6
Adjusted P/E	6.7	6.1	5.5	4.9
Dividend Yield	9.6	10.6	11.8	13.2
Payout Ratio	65.0	65.0	65.0	65.0