

Soft 1Q24 earnings growth, yet overall in-line

30 April 2024



Melayani Dengan Setulus Hati

| | |
|------------------------------|------------|
| BBRI IJ | BUY |
| Sector | Banks |
| Price at 29 April 2024 (IDR) | 4,770 |
| Price target (IDR) | 6,830 |
| Upside/Downside (%) | 43.2 |

Stock Information

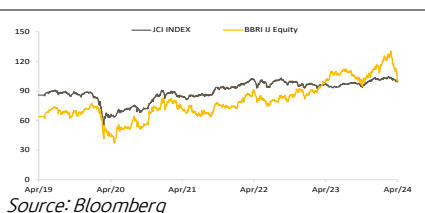
PT Bank Rakyat Indonesia (BBRI) established in 1895 is the oldest bank in Indonesia. BBRI plays an important role in developing grass root economy of Indonesia, focusing in Micro, Small and Medium Enterprises (MSMEs) segments.

| | |
|--------------------------------|-------------|
| Market cap (IDR bn) | 732,030 |
| Shares outstanding (mn) | 151,559 |
| 52-week range (IDR) | 4,680-6,450 |
| 3M average daily vol. ('000) | 203,079 |
| 3M average daily val. (IDR mn) | 1,161,541 |

Shareholders (%)

| | |
|-----------------------|------|
| Republic of Indonesia | 54.9 |
| Public | 45.1 |

Stock Performance



Source: Bloomberg

| | 1M | 3M | 12M |
|-------------|--------|--------|-------|
| Performance | (20.2) | (13.4) | (5.3) |

Analyst

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Albeit grew by low single digit, BBRI's 1Q24 earnings growth (+2.5% yoy) was in line with ours and street's expectations which mainly dragged by higher interest expenses and provisions. Our '24F key metrics for BBRI is still intact with the bank's new 24F forecasts. We expect ex-micro segment loan growth to grow stronger to offset the latent softened micro growth on the back of longer uncertainty. A 25bps hike on benchmark rate should be translated as a potential push for interest expenses. Yet, we expect BBRI's solid CASA growth will mitigate the overall risk on cost of deposits. We also view the higher benchmark rate could provide the bank for more re-pricing room. Maintain BUY with GGM-based TP of IDR6,830 (implying 3.0x '24F P/B), while currently trading at 2.1x '24F P/B or slightly below its historical mean of 2.2x.

Flattish earnings on mounting interest expenses

BBRI 1Q24 earnings grew flat by 2.5% yoy to IDR15.8 tn, amid mounting interest expenses (+45.9% yoy). Yet, we view 1Q24 earnings growth is acceptable since it arrives in-line with ours and street expectation at run-rate of 23.2%/23.0% vs. 5yr hist. avg of 23.8% (excluding Covid). Likewise for seasonality quarter, whereas PATMI inched down 1.4% qoq and much better by around 57bps vs pre-covid historical growth.

Robust loan growth

Total loan grew by 10.9% yoy (3.3% qoq) and arrives within BBRI's '24F management guidance and our '24F total loan for BBRI, thanks to strong corporate segment growth of 15.1% yoy. Off the total loan growth driver, corporate segment saw a better portion at 61bps followed by medium segment (growth: 27.7% yoy) contribution of 38bps higher yoy (micro remain as the backbone with 47.6% of the total loan). On the liabilities side, total TPF grew strong by 12.8% yoy with better CASA growth of 7.8% yoy.

New '24F guidance still within our forecast

On key metrics performance, NIM was standstill at 7.84% amid the continuing uncertainty and came in at '24F management expectation (7.6%-8.0%). On risk metrics, NPL was slightly higher (+30bps) to 3.11%, while CoC around 140bps higher. The management revised down '24F guidance to capture the latest situation despite remain intact with our expectation such as higher NPL target of below 3% vs. previous range of 2.7-2.9% (ours: 2.9%) while NIM target range is between 7.6%-8.0% from 7.9%-8.0% (ours: 8%).

NIM could flat, yet likely within BBRI's expectation

In all, we like BBRI's earnings asset position and portfolio rebalancing. We expect loan yield to continue arrives within FY23 and 1Q24 figures. Worth noting that the bank is planning to re-price its yield, especially in SME, Corporate and Consumer segments and hence could partially offset the impact of higher interest expenses on softer '24F NIM expansion expectation.

Loan growth likely to steady with manageable risk metrics.

On the loan side, we believe micro will continue as the backbone. Yet, we also expect corporate segment, small and consumer to play more role to support the overall total loan growth on the scenario micro segment loan demand will getting soft due to the longer uncertainty. Our '24F loan growth for BBRI is still within management forecast range and government expectation. On risk metrics, we expect downgrades in several segments such as small and micro will continue to come at a manageable level. Thus, we kept our NPL '24F forecast (BBRI) for now. We expect there will be a better room for loan re-pricing (unlike without the increasing benchmark rate) and at the same time we expect its continuing CASA growth to overall managed cost of deposits to increase softer.

Maintain BUY with TP of IDR6,830

Our GGM-based TP for BBRI of IDR6,830 is pegged at 3.0x '24F P/B, while it's currently trading at 2.1x '24F P/B or slightly below its historical mean of 2.2x. Downside risks to our call are: 1) slower loan growth; 2) worsening NIM and AQ; 3) higher than expected CoC, CoF, and NPL. 4) slowing economic activity amid domestic political situation, and 5) longer than expected wait-and-see stance.

Exhibit 1: Key Statistics

| Year end Dec (IDR bn) | 2022A | 2023A | 2024F | 2025F | 2026F |
|------------------------|---------|---------|---------|---------|---------|
| Net Interest income | 124,597 | 135,183 | 143,947 | 157,291 | 174,671 |
| Non int. income | 48,880 | 48,107 | 49,364 | 54,300 | 58,682 |
| Total operating income | 173,477 | 183,290 | 193,310 | 211,591 | 233,353 |
| Pre-provision profit | 91,285 | 106,508 | 114,885 | 129,534 | 146,205 |
| Net income (IDR bn) | 51,170 | 60,100 | 66,678 | 73,903 | 81,691 |
| EPS (IDR) | 338 | 397 | 440 | 488 | 539 |
| EPS growth (%) | 64.7 | 17.5 | 10.9 | 10.8 | 10.5 |
| PER (x) | 14.1 | 12.0 | 10.8 | 9.8 | 8.8 |
| PBV (x) | 2.4 | 2.3 | 2.1 | 1.9 | 1.8 |
| Div. Yield (%) | 3.7 | 4.8 | 6.7 | 6.5 | 7.7 |
| RoE (%) | 17.4 | 19.7 | 20.4 | 20.6 | 20.9 |

Source: Company, KBVS Research

Exhibit 1: BBRI 1Q24 result and key performance metrics results

| Income Statements (IDR bn) | 3M23 | 3M24 | YoY (%) | 1Q23 | 1Q24 | YoY (%) | 4Q23 | QoQ (%) | KBVS '23F | % to '23F | Cons' '23F | % to Cons' |
|----------------------------|---------|---------|---------|---------|---------|---------|---------|---------|-----------|-----------|------------|------------|
| Net interest income | 32,779 | 35,962 | 9.7 | 32,779 | 35,962 | 9.7 | 33,987 | 5.8 | | | | |
| Non-interest income | 10,464 | 13,184 | 26.0 | 10,464 | 13,184 | 26.0 | 14,451 | -8.8 | | | | |
| Total operating income | 43,243 | 49,146 | 13.7 | 43,243 | 49,146 | 13.7 | 48,438 | 1.5 | | | | |
| Total operating expenses | -18,091 | -18,389 | 1.6 | -18,091 | -18,389 | 1.6 | -21,110 | -12.9 | | | | |
| PPoP | 25,153 | 30,747 | 22.2 | 25,153 | 30,747 | 22.2 | 27,328 | 12.5 | | | | |
| Loan loss provisions | -6,936 | -12,336 | 77.9 | -6,936 | -12,336 | 77.9 | -6,955 | 77.4 | | | | |
| Net profit | 15,502 | 15,886 | 2.5 | 15,502 | 15,886 | 2.5 | 16,107 | -1.4 | 66,678 | 23.2% | 67,439 | 23.0% |

Source : Company, KB Valbury Sekuritas

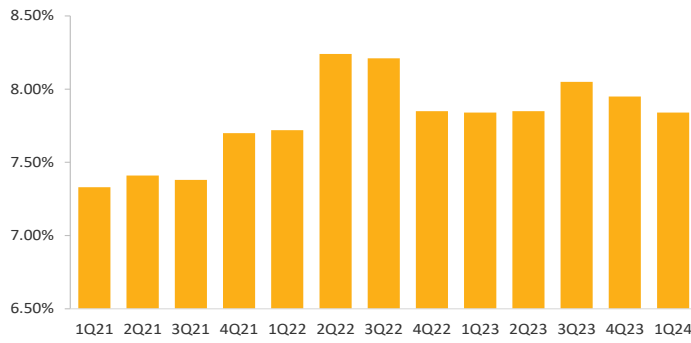
| Balance Sheet (IDR bn) | 3M23 | 3M24 | YoY (%) | 1Q23 | 1Q24 | YoY (%) | 4Q23 | QoQ (%) |
|------------------------|-----------|-----------|---------|-----------|-----------|---------|-----------|---------|
| Gross loans | 1,180,121 | 1,308,651 | 10.9 | 1,180,121 | 1,308,651 | 10.9 | 1,266,429 | 3.3 |
| Current account | 309,890 | 354,386 | 14.4 | 309,890 | 354,386 | 14.4 | 346,124 | 2.4 |
| Saving account | 500,201 | 518,912 | 3.7 | 500,201 | 518,912 | 3.7 | 527,946 | -1.7 |
| Time deposits | 445,362 | 542,916 | 21.9 | 445,362 | 542,916 | 21.9 | 484,259 | 12.1 |
| Total Deposits | 1,255,453 | 1,416,214 | 12.8 | 1,255,453 | 1,416,214 | 12.8 | 1,358,329 | 4.3 |
| CASA | 810,091 | 873,298 | 7.8 | 810,091 | 873,298 | 7.8 | 874,070 | -0.1 |
| Total equity | 284,451 | 298,898 | 5.1 | 284,451 | 298,898 | 5.1 | 316,472 | -5.6 |

Source : Company, KB Valbury Sekuritas

| Key Metrics (%) | 3M23 | 3M24 | YoY (%) | 1Q23 | 1Q24 | YoY (%) | 4Q23 | QoQ (%) |
|--------------------|-------|-------|---------|-------|-------|---------|-------|---------|
| NIM | 7.8 | 7.8 | 0.0 | 7.8 | 7.8 | 0.0 | 8.0 | -0.1 |
| Total CAR | 25.0 | 24.0 | -1.0 | 25.0 | 24.0 | -1.0 | 27.3 | -3.3 |
| CASA Ratio | 64.5 | 61.7 | -2.9 | 64.5 | 61.7 | -2.9 | 64.4 | -2.7 |
| CIR | 48.0 | 37.4 | -10.6 | 48.0 | 37.4 | -10.6 | 41.9 | -4.5 |
| NPL gross | 2.9 | 3.1 | 0.3 | 2.9 | 3.1 | 0.3 | 3.0 | 0.2 |
| Cost of Credit | 2.4 | 3.8 | 1.5 | 2.4 | 3.8 | 1.5 | 2.4 | 1.5 |
| Cost of Fund | 2.7 | 3.6 | 0.9 | 2.7 | 3.6 | 0.9 | 3.0 | 0.6 |
| ROA | 3.5 | 3.2 | -0.2 | 3.5 | 3.2 | -0.2 | 3.2 | 0.0 |
| ROE | 21.0 | 20.6 | -0.4 | 21.0 | 20.6 | -0.4 | 20.0 | 0.6 |
| LDR | 84.9 | 83.3 | -1.6 | 84.9 | 83.3 | -1.6 | 84.2 | -0.9 |
| Loan yield | 12.8 | 13.6 | 0.8 | 12.8 | 13.6 | 0.8 | 13.2 | 0.4 |
| NPL Coverage Ratio | 282.5 | 214.3 | -68.2 | 282.5 | 214.3 | -68.2 | 229.1 | -14.8 |
| LAR | 16.4 | 12.7 | -3.7 | 16.4 | 12.7 | -3.7 | 12.5 | 0.2 |

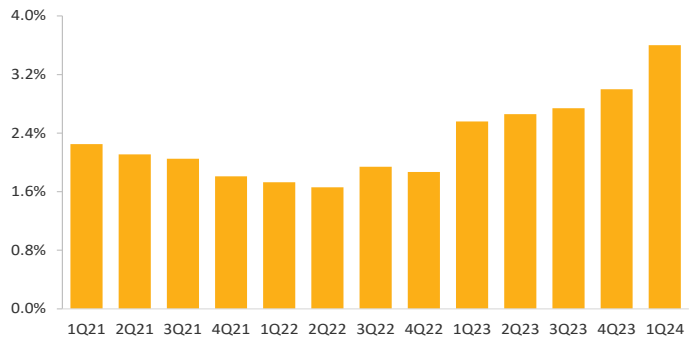
Source : Company, KB Valbury Sekuritas

Exhibit 2: Expecting NIM to be well managed amid the enduring uncertainty



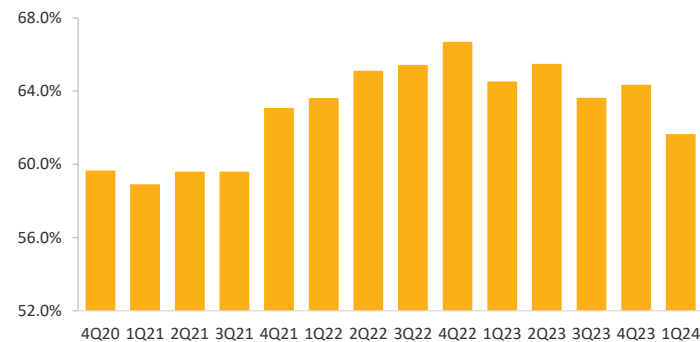
Source: Company, KBVS Research

Exhibit 3: Increasing CoF likely to offset by stable CASA growth



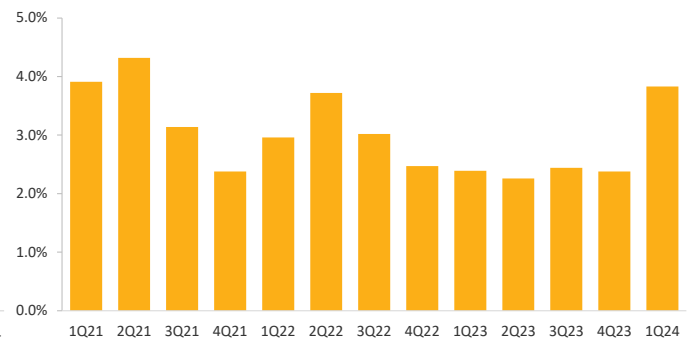
Source: Company, KBVS Research

Exhibit 4: Solid CASA remains and better than Pre Covid historical average



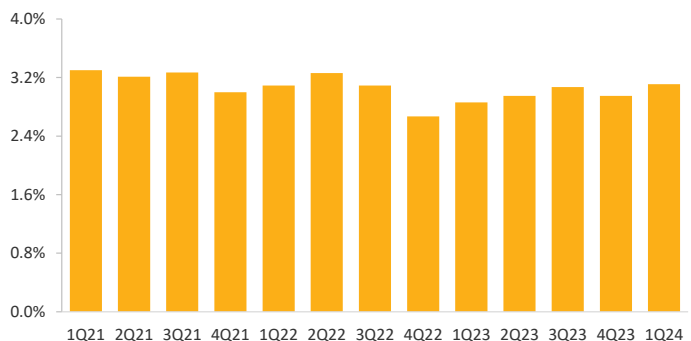
Source: Company, KBVS Research

Exhibit 5: Rising CoC on several downgrade



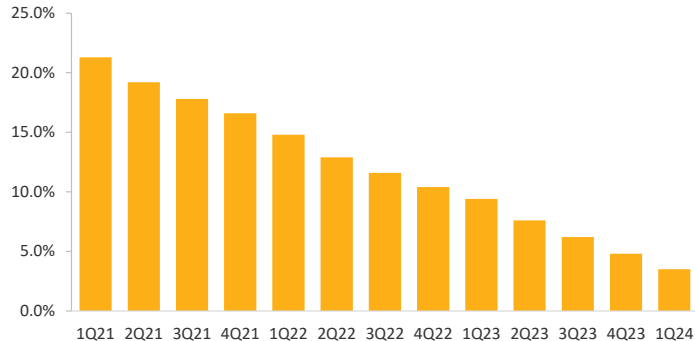
Source: Company, KBVS Research

Exhibit 6: Well behaved NPL



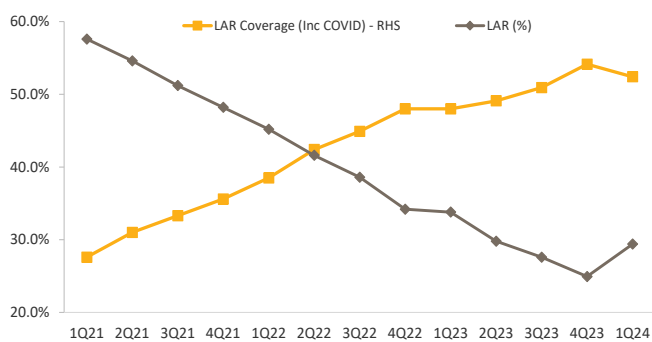
Source: Company, KBVS Research

Exhibit 7: Restru Covid continue to walk in the downhill track



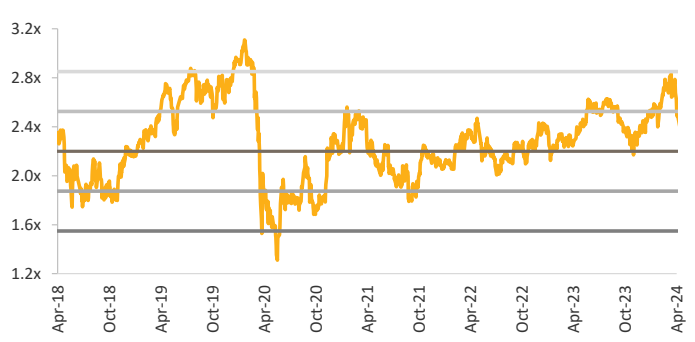
Source: Company, KBVS Research

Exhibit 8: LAR and LAR coverage getting better and stronger



Source: Company, KBVS Research

Exhibit 9: Currently trading at 2.1x '24F P/B, below its 5YR hist avg of 2.2x



Source: Company, Bloomberg, KBVS Research

FINANCIAL TABLES
Exhibit 10: Profit & Loss

| Year End Dec (IDR bn) | 2022A | 2023A | 2024F | 2025F | 2026F |
|---------------------------------------|----------------|----------------|----------------|----------------|----------------|
| Interest income | 151,875 | 178,996 | 195,125 | 215,595 | 240,583 |
| Interest expenses | (27,278) | (43,813) | (51,178) | (58,305) | (65,911) |
| Net interest income | 124,597 | 135,183 | 143,947 | 157,291 | 174,671 |
| Non-interest income | 48,880 | 48,107 | 49,364 | 54,300 | 58,682 |
| Total operating income | 173,477 | 183,290 | 193,310 | 211,591 | 233,353 |
| Operating expenses | (82,192) | (76,782) | (78,425) | (82,057) | (87,148) |
| Pre-provision operating profit | 91,285 | 106,508 | 114,885 | 129,534 | 146,205 |
| Loan loss provision | (26,979) | (29,679) | (29,691) | (35,151) | (41,919) |
| Pretax profit | 64,597 | 76,430 | 84,795 | 93,984 | 103,887 |
| Net profit | 51,170 | 60,100 | 66,678 | 73,903 | 81,691 |

Exhibit 11: Balance sheet

| Year End Dec (IDR bn) | 2022A | 2023A | 2024F | 2025F | 2026F |
|----------------------------|------------------|------------------|------------------|------------------|------------------|
| Assets | | | | | |
| Cash | 27,407 | 31,604 | 36,594 | 40,665 | 45,343 |
| Current Account at BI | 150,935 | 101,909 | 79,995 | 90,845 | 99,619 |
| Interbank Loans | 91,888 | 87,557 | 85,339 | 66,671 | 63,590 |
| Govt Treas Bills & Sec | 264,945 | 238,102 | 228,558 | 230,962 | 214,182 |
| Investment Securities | 116,311 | 126,503 | 128,564 | 132,418 | 132,660 |
| Loans | 1,045,989 | 1,180,927 | 1,338,999 | 1,518,521 | 1,727,623 |
| Fixed Assets | 55,216 | 59,678 | 66,231 | 69,543 | 70,933 |
| Other assets | 112,946 | 138,726 | 151,194 | 157,280 | 158,610 |
| Total Asset | 1,865,639 | 1,965,007 | 2,115,474 | 2,306,903 | 2,512,562 |
| Liabilities | | | | | |
| Interbank Deposit | 9,335 | 11,958 | 15,004 | 16,173 | 17,440 |
| Customer Deposit | 1,307,884 | 1,358,329 | 1,428,486 | 1,539,744 | 1,660,325 |
| Debts Sec and Subordinates | 63,612 | 49,638 | 54,630 | 58,885 | 63,496 |
| Other Liabilities | 181,413 | 228,611 | 269,618 | 312,137 | 360,073 |
| Total liabilities | 1,562,244 | 1,648,535 | 1,767,738 | 1,926,938 | 2,101,333 |
| Equity | | | | | |
| Capital Stock | 7,578 | 7,578 | 7,578 | 7,578 | 7,578 |
| Additional Paid-in Capital | 76,243 | 75,853 | 75,853 | 75,853 | 75,853 |
| Retained Earnings | 201,170 | 213,711 | 244,976 | 272,205 | 298,468 |
| Other Equity | 14,303 | 14,220 | 14,220 | 19,220 | 24,220 |
| Shareholder's Equity | 299,294 | 311,363 | 342,628 | 374,856 | 406,120 |
| Non-controlling Interest | 4,101 | 5,109 | 5,109 | 5,109 | 5,109 |
| Total Equity | 303,395 | 316,472 | 347,736 | 379,965 | 411,228 |

Exhibit 12: Key performance metrics

| Year End Dec (%) | 2022A | 2023A | 2024F | 2025F | 2026F |
|------------------|-------|-------|-------|-------|-------|
| NIM | 7.9 | 8.0 | 8.0 | 8.1 | 8.2 |
| LDR | 87 | 93 | 99 | 103 | 108 |
| CASA | 66.7 | 64.3 | 63.6 | 64.5 | 65.4 |
| NPL | 2.7 | 3.0 | 2.9 | 2.9 | 2.8 |
| ROAE | 17.4 | 19.7 | 20.4 | 20.6 | 20.9 |
| ROAA | 2.9 | 3.1 | 3.3 | 3.3 | 3.4 |
| CAR | 23.3 | 25.2 | 25.8 | 25.9 | 25.7 |
| BVPS (IDR) | 1,975 | 2,054 | 2,261 | 2,473 | 2,680 |
| PER (x) | 14.1 | 12.0 | 10.8 | 9.8 | 8.8 |
| PBV (x) | 2.4 | 2.3 | 2.1 | 1.9 | 1.8 |
| Div. Yield | 3.7 | 4.8 | 6.7 | 6.5 | 7.7 |

Source: Company, KBVS Research

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