

'23 earnings greater than ours and consensus

31 January 2024



Melayani Dengan Setulus Hati

BBRI IJ	BUY
Sector	Banks
Price at 30 Jan 2024 (IDR)	5,625
Price target (IDR)	6,390
Upside/Downside (%)	13.6

Stock Information

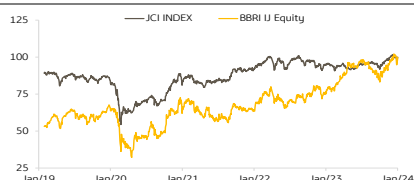
PT Bank Rakyat Indonesia (BRI) established in 1895 is the oldest bank in Indonesia. BRI plays an important role in developing grass root economy of Indonesia, focusing in Micro, Small and Medium Enterprises (MSMEs) segments.

Market cap (IDR bn)	765,373
Shares outstanding (mn)	151,559
52-week range (IDR)	4,360-5,750
3M average daily vol. ('000)	108,483
3M average daily val. (IDR mn)	589,631

Shareholders (%)

Republic of Indonesia	54.9
Public	45.1

Stock Performance



Source: Bloomberg

	1M	3M	12M
Performance	-6.5	-11.1	12.9

Analyst

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BBRI '23 earnings grew strong by 17.5% yoy despite mounting interest expense (+60.6% yoy) and higher provision (+10% yoy). Worth noting, 4Q23 earnings grew even stronger on quarterly basis (+10.5% qoq, +34.1% yoy). In all, '23 PATMI beating ours and street forecasts at run rates of 103.1%/102.5%. Loan growth stood at 11.2% yoy, came in within '23F guidance and our forecast yet surpassing industry growth. Solid key metrics remain intact with NIM surpassing BBRI's '23F target. We believe '24F guidance is achievable while smooth election event will take place and expect the latent benchmark cut rates likely to arrive as soon as in 2H24. Maintain BUY with GGM TP of IDR6,390 (2.9x '24F P/B), while BBRI is currently trading at 2.6x '24F P/B or slightly above its +1SD historical mean.

FY23 earnings beating ours and street expectation

BBRI '23 earnings grew strong by 17.5% yoy, driven by solid growth from top to bottom. NII successfully continue to grow at high single digit (+8.5% yoy) amid mounting interest expense (+60.6% yoy) as a result of rising benchmark rate transmission. We also like BBRI's solid PPOP growth at 16.7% yoy, especially PATMI which grew by 17.5% yoy to IDR60.1 tn, despite provision expenses rose by 10.0% yoy. On quarterly basis, earnings grew stronger by 10.5% qoq and 34.1% yoy amid sharp increase in funding cost and provision by 53.7% yoy and 51.8% yoy, respectively. In all, '23 earnings arrive above ours and street forecast with a run rate of 103.1%/102.5%.

Loan growth surpassing industry and our '23F

Loan grew by 11.2% yoy, came in within BBRI '23F guidance and surpassing industry growth of 10.4% yoy as well as in line with our '23F loan for BBRI of 10.5% yoy. TPF 3.9% yoy (industry growth at 3.8% yoy) and grew stronger on quarterly basis at 5.3% qoq. CASA flattish at 0.2% yoy, yet much better on quarterly basis which grew 6.4% qoq. Of the total loan segment, consumer grew by 13.4% yoy and accounted 15% of the total loan, 50bps higher vs 4Q22, while corporate loan noted 13.8% yoy higher. Micro loan as BBRI's backbone growth was grew 10.9% yoy, forming around 48.3% of the total loan and recorded 30bps higher compared to 3Q23 at 47.2%. In '24F, management expect loan to grow within the range of 11%-12% yoy or in line with our '24F loan for BBRI at 11.6% yoy (see our previous report and outlook '24F).

Key metrics remain solid, NPL better than '23F guidance

Key metrics continue to record another solid number, with NIM reported at 7.95%, surpassing '23F BBRI's forecast at 7.7%-7.9%. On risk metrics, continuing asset quality improvement has overall helped BBRI to record another better CoC 2.38% with improving NPL by around 12bps to 2.95% from 3.07% in the period of 3Q23 and in line with '23F management guidance.

Reachable '24F guidance, expect chill election and cut rates turned into reality

BBRI's FY23 result should be translated as a solid base to sail the 2024 performance. '24F loan target is achievable amid the continuing optimism on continuing stable key economic metrics this year. NIM guidance in '24F also likely reachable as think high yield segment and potential softened CoF as well as manageable loan yield will overall underpin the targeted rage figure (7.9%-8.0%), ceteris paribus. In all, we expect a smoother '24 election event with peaceful presidential and cabinet transition process. On this backdrop, we cautiously optimistic on the 1H24 result, especially as we expect a latent benchmark cut rate seems will arrive as soon as in the second semester of 2024.

Maintain BUY TP of IDR6,390

Our GGM intrinsic value for BBRI is pegged at 2.9x '24F P/B while its currently trading at 2.6x '24F P/B, or slightly above its +1SD historical mean. At this juncture, BBRI valuation looks remain attractive. Downside risks to our call are: 1) Slower loan growth, 2) worsening NIM and AQ, 3) higher than expected CoC, CoF, NPL 4) slowing down economic activity, worsening domestic political situation and 5) longer than expected wait and see stance.

Exhibit 1: Key Statistics

Year end Dec (IDR bn)	2021A	2022A	2023F	2024F	2025F
Net Interest income	114,094	124,597	144,385	156,269	178,828
Non int. income	42,259	48,880	52,276	57,678	63,903
Income from operations	156,353	173,477	196,661	213,947	242,732
Pre-provision profit	80,435	91,285	106,914	114,769	133,044
Net income (IDR bn)	31,066	51,170	58,301	63,427	72,864
EPS (IDR)	205	338	385	418	481
EPS growth (%)	66.5	64.7	13.9	8.8	14.9
PER (x)	27.4	16.7	14.6	13.4	11.7
PBV (x)	3.0	2.8	2.7	2.6	2.4
Div. Yield (%)	3.1	5.1	5.1	6.3	7.3
RoE (%)	12.0	17.4	18.9	19.6	21.2

Source: Company, KBVS Research

Exhibit 1: BBRI 12M23 financial and key performance metrics results

Income Statements (IDR bn)	12M22	12M23	YoY (%)	4Q22	4Q23	YoY (%)	3Q23	QoQ (%)	KBVS '23F	% to '23F	Cons' '23F	% to Cons'
Net interest income	124,597	135,183	8.5	28,090	33,987	21.0	35,656	-4.7				
Non-interest income	41,004	48,107	17.3	13,233	14,451	9.2	11,481	25.9				
Total operating income	165,601	183,290	10.7	41,323	48,438	17.2	47,137	2.8				
Total operating expenses	-74,316	-76,782	3.3	-21,440	-21,110	-1.5	(19,016)	11.0				
PPoP	91,285	106,508	16.7	18,843	27,328	45.0	28,121	-2.8				
Loan loss provisions	-26,979	-29,679	10.0	-4,415	-6,700	51.8	(9,157)	-26.8				
Net profit	51,170	60,100	17.5	12,014	16,107	34.1	14,571	10.5	58,301	1.03	58,632	1.03

Source : Company, KB Valbury Sekuritas

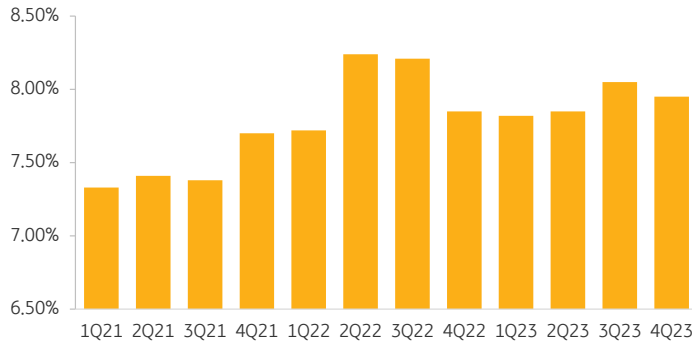
Balance Sheet (IDR bn)	12M22	12M23	YoY (%)	4Q22	4Q23	YoY (%)	3Q23	QoQ (%)
Gross loans	1,139,077	1,266,429	11.2	1,139,077	1,266,429	11.2	1,250,715	1.3
Current account	349,756	346,124	-1.0	349,756	346,124	-1.0	314,710	10.0
Saving account	522,648	527,946	1.0	522,648	527,946	1.0	506,426	4.2
Time deposits	435,481	484,259	11.2	435,481	484,259	11.2	469,151	3.2
Total Deposits	1,307,885	1,358,329	3.9	1,307,885	1,358,329	3.9	1,290,287	5.3
CASA	872,404	874,070	0.2	872,404	874,070	0.2	821,136	6.4
Total equity	303,395	316,472	4.3	303,395	316,472	4.3	311,534	1.6

Source : Company, KB Valbury Sekuritas

Key Metrics (%)	12M22	12M23	YoY (%)	4Q22	4Q23	YoY (%)	3Q23	QoQ (%)
NIM	7.9	8.0	0.1	7.9	8.0	0.1	8.1	-0.1
Total CAR	25.5	27.3	1.8	25.5	27.3	1.8	27.5	-0.2
CASA Ratio	66.7	64.4	-2.4	66.7	64.4	-2.4	63.6	0.7
CIR	44.9	41.9	-3.0	44.9	41.9	-3.0	41.3	0.6
NPL gross	2.7	3.0	0.3	2.7	3.0	0.3	3.1	-0.1
Cost of Credit	2.6	2.4	-0.2	2.6	2.4	-0.2	2.4	-0.1
Cost of Fund	2.1	3.0	0.9	2.1	3.0	0.9	2.8	0.2
ROA	3.0	3.2	0.2	3.0	3.2	0.2	3.2	0.0
ROE	17.6	20.0	2.3	17.6	20.0	2.3	19.7	0.3
LDR	78.8	84.2	5.4	78.8	84.2	5.4	87.8	-3.5
Loan yield	12.3	13.2	0.9	12.3	13.2	0.9	13.1	0.1
NPL Coverage Ratio	305.7	229.1	-76.6	305.7	229.1	-76.6	228.7	0.4
LAR	16.5	12.5	-4.1	16.5	12.5	-4.1	13.8	-1.3

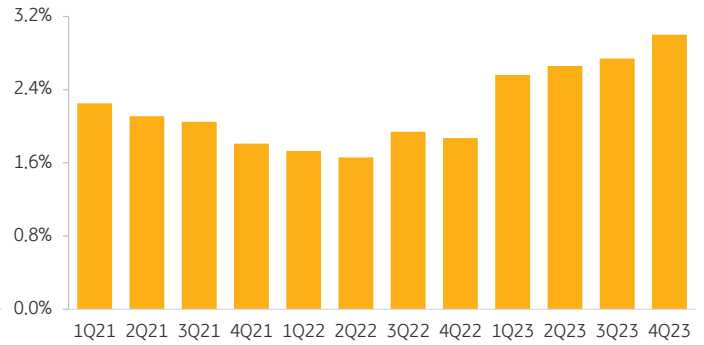
Source : Company, KB Valbury Sekuritas

Exhibit 2: Well managed NIM amid all the challenges



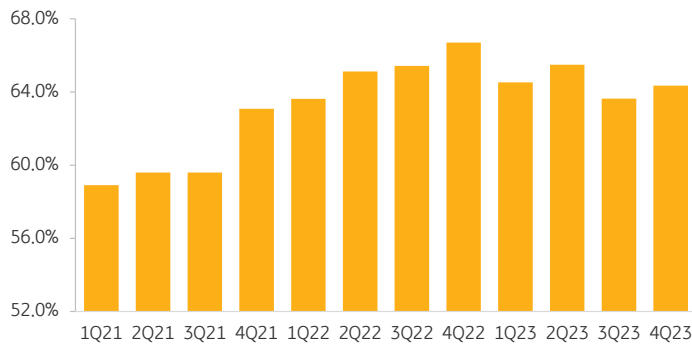
Source: Company, KBVS Research

Exhibit 3: Expect CoF to softened on ended rising benchmark rate trend



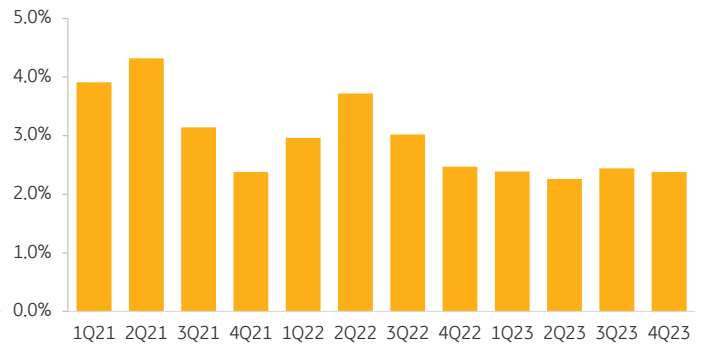
Source: Company, KBVS Research

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



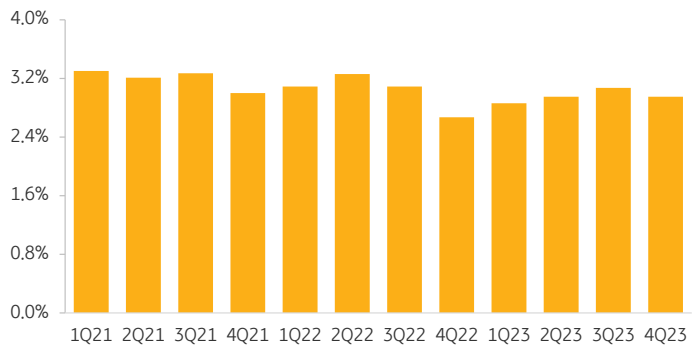
Source: Company, KBVS Research

Exhibit 5: Cost of credit consistently soft



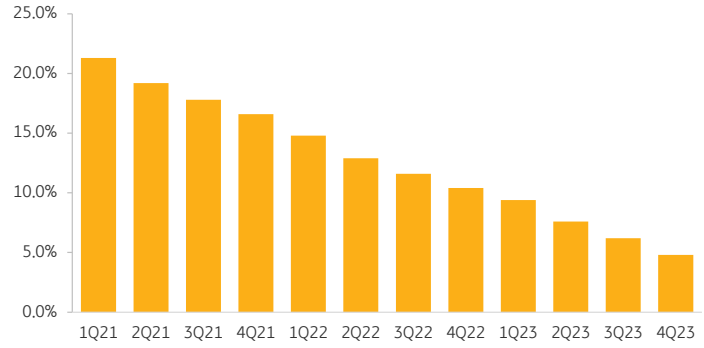
Source: Company, KBVS Research

Exhibit 6: Well behaved NPL



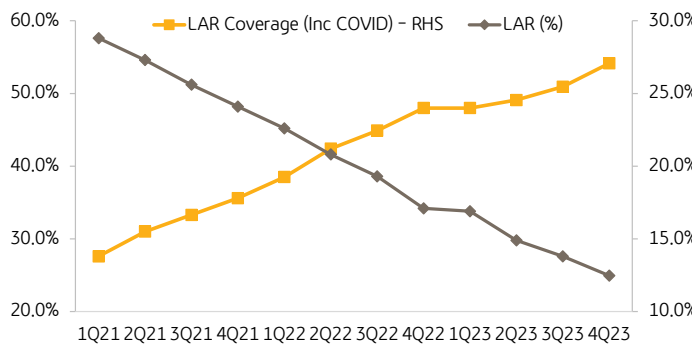
Source: Company, KBVS Research

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



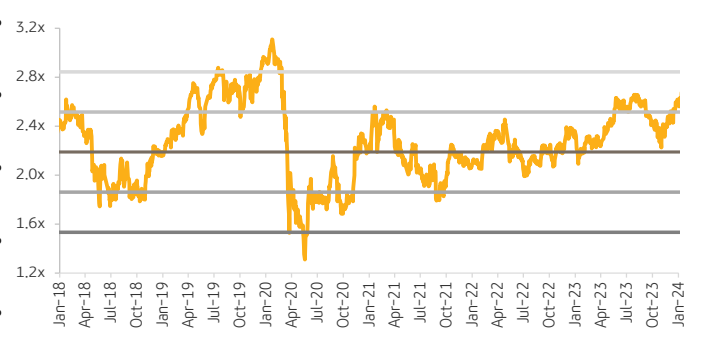
Source: Company, KBVS Research

Exhibit 8: LAR and LAR coverage getting better and stronger



Source: Company, KBVS Research

Exhibit 9: Currently trading at 2.6x '24F P/B, slightly above +1SD of 2.5x



Source: Company, Bloomberg, KBVS Research

FINANCIAL TABLES
Exhibit 10: Profit & Loss

Year End Dec (IDR bn)	2021A	2022A	2023F	2024F	2025F
Interest income	143,523	151,875	178,954	195,932	225,634
Interest expenses	(29,429)	(27,278)	(34,569)	(39,663)	(46,806)
Net interest income	114,094	124,597	144,385	156,269	178,828
Non-interest income	42,259	48,880	52,276	57,678	63,903
Operating expenses	(75,918)	(82,192)	(89,747)	(99,179)	(109,687)
Pre-provision operating profit	80,435	91,285	106,914	114,769	133,044
Loan loss provision	(39,291)	(26,979)	(29,951)	(31,035)	(36,845)
Pretax Profit	40,992	64,597	77,013	83,784	96,250
Income Tax Expenses	(7,836)	(13,188)	(19,253)	(20,946)	(24,062)
Net profit	31,066	51,170	58,301	63,427	72,864

Exhibit 11: Balance sheet

Year End Dec (IDR bn)	2021A	2022A	2023F	2024F	2025F
Assets					
Cash	26,300	27,407	29,129	32,595	35,322
Current Account at BI	56,427	150,935	60,702	61,733	65,860
Interbank Loans	73,013	91,888	87,280	88,408	87,264
Govt Treas Bills & Sec	305,059	264,945	285,970	301,160	325,307
Investment Securities	121,594	116,311	141,167	143,282	146,538
Loans	955,038	1,045,989	1,162,380	1,305,413	1,446,077
Fixed Assets	47,970	55,216	63,498	67,943	68,962
Other assets	92,697	112,946	113,658	97,066	100,746
Total Asset	1,678,098	1,865,639	1,943,784	2,097,602	2,276,075
Liabilities					
Interbank Deposit	13,329	9,335	28,233	33,077	35,729
Customer Deposit	1,138,743	1,307,884	1,411,672	1,524,280	1,646,492
Debts Sec and Subordinates	55,307	63,612	42,350	48,320	52,194
Other Liabilities	178,932	181,413	140,321	155,933	182,301
Total liabilities	1,386,311	1,562,244	1,622,577	1,761,609	1,916,715
Equity					
Capital Stock	7,578	7,578	7,578	7,578	7,578
Additional Paid-in Capital	76,243	76,243	76,243	76,243	76,243
Retained Earnings	185,009	201,170	215,976	235,677	254,628
Other Equity	19,905	14,303	17,104	11,973	16,163
Shareholder's Equity	288,735	299,294	316,901	331,471	354,612
Non-controlling Interest	3,052	4,101	4,306	4,522	4,748
Total Equity	291,787	303,395	321,207	335,993	359,360

Exhibit 12: Key performance metrics

Year End Dec (%)	2021A	2022A	2023F	2024F	2025F
NIM	7.7	7.9	8.5	8.4	8.2
LDR	92	87	89	92	94
CASA	63.1	66.7	67.6	68.5	69.4
NPL	3.0	2.7	2.6	2.6	2.5
ROAE	12.0	17.4	18.9	19.6	21.2
ROAA	1.9	2.9	3.1	3.1	3.3
CAR	25.3	23.6	25.8	25.0	24.6
BVPS (IDR)	1,905	1,975	2,091	2,187	2,340
PER (x)	27.4	16.7	14.6	13.4	11.7
PBV (x)	3.0	2.8	2.7	2.6	2.4
Div. Yield	3.1	5.1	5.1	6.3	7.3

Source: Company, KBVS Research

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