

Robust 4M24 earnings, expect healthy 1H24 result

13 June 2024



Melayani Dengan Setulus Hati

<b>BBRI IJ</b>	<b>BUY</b>
Sector	Banks
Price at 12 June 2024 (IDR)	4,350
Price target (IDR)	6,830
Upside/Downside (%)	57.0

**Stock Information**

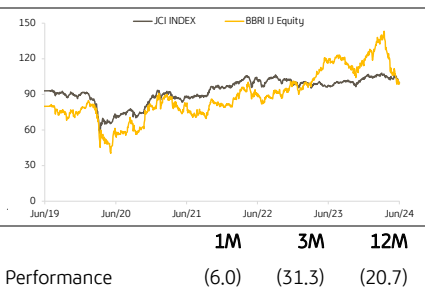
PT Bank Rakyat Indonesia (BBRI) established in 1895 is the oldest bank in Indonesia. BBRI plays an important role in developing grass root economy of Indonesia, focusing in Micro, Small and Medium Enterprises (MSMEs) segments.

Market cap (IDR bn)	659,281
Shares outstanding (mn)	151,559
52-week range (IDR)	4,310-6,450
3M average daily vol. ('000)	315,440
3M average daily val. (IDR mn)	1,581,604

**Shareholders (%)**

Republic of Indonesia	54.9
Public	45.1

**Stock Performance**



BBRI's 4M24 grew very strong, while solid total loan demand figure continues. We expect healthy 1H24 earnings growth, underlined by the in-line 4M24 result and continuing AQ improvement. A better 4M24 CoC could ease market worry, in our view. Our eye is on BBRI's CoC, while the remaining BBRI's '24F management guidance is still within our '24F estimation for BBRI's loan growth, NIM, and NPL. Following increasing market concern, the stock now looks more attractive (YTD/YoY: -21.9%/-18.0%), even assuming '24F flat earnings growth (1Q24: 2.5% yoy), which equals around IDR5,760/share (2.6x '24F P/B), offering 32.4% upside potential. As such, while waiting for the 1H24 result, we maintain our buy call for BBRI with a GGM-TP of IDR6,830 (implying 3.0x '24F P/B), while currently trading at 2.0x '24F P/B, below its average hist. mean.

**Robust April 24 earnings**

BBRI's April 24 earnings of IDR4.0tn grew very strongly by 22.7% yoy, driven by solid topline growth of 10.2% yoy and a sharp drop in provisions of 15.2% yoy. The solid April24 PATMI growth brought 4M24 earnings to IDR17.81tn, or 4.5% yoy, and grew much better than 1Q24 flat growth. Robust interest income growth of 16.5% yoy in the same period was offset by a higher COF, which made interest expenses recorded at 50.2% yoy higher, resulting in Nil growth of 5.6% yoy. What's more, its non-interest and other income (27.3% yoy) have overall underpinned a higher CIR, resulting in solid PPOP growth of 14.6% yoy. In all, BBRI's bank-only 4M24 earnings came in line with our '24F consolidated PATMI for BBRI and street forecast at a run-rate of 27%/28% vs. 28.4% last year.

**Solid loan growth continues.**

Total loan grew by 12.0% yoy, which is above our '24F consolidated loan growth for BBRI and within BBRI's '24F management guidance of 10%-12%. The robust loan growth also surpasses the OJK forecast of 11% and the upper range of Bank Indonesia's industry loan growth estimation of 10%-12% yoy. It is worth noting that banking industry loan growth showed another strong demand, growing by 13.09% yoy and 69 bps stronger than Mar24 of 12.40% yoy. On the liabilities side, we like BBRI's total TPF growth of 10.9% yoy, which is mainly driven by demand deposit strong growth of 20.5% yoy, resulting in 9.0% yoy growth in CASA to 62.3% and 47bps higher vs. 3M24.

**Expecting healthy 1H24 earnings growth**

With the 4M24 earnings continuing to arrive within our consensus expectation of '24F consolidated net profit for BBRI, we expect the bank to continue managing its earnings performance in the 1H24 period. Assuming the May24 and June24 bank only earnings grew by an average of 2.5% (Jan-April24), then 1H24 earnings will reach IDR26.17tn or flat vs. 1H23 of IDR26.26tn (1Q24 bank only 0.0% yoy). On a consolidated level, the 1H24F earnings growth looks more appealing, whereas assuming a 2Q 5-year historical run-rate of 22.4% yoy and a much lower vs. the pre-Covid historical average of 26.3%, the 1H24F net profit could reach IDR30.85tn or grow by 5.4% yoy, higher than the 1Q24 consolidated PATMI growth of 2.5% yoy. Our simple thesis on 1H24F earnings was underlined by BBRI's 4M24 inline result and its improving asset quality.

**A better 4M24 CoC could ease market worries.**

Following its effort to maintain risk metrics by frontloading provisions, CoC has climbed to 3.83% vs. 2.39% in 1Q23 (2.44% at the bank-only level). As of 4M24, BBRI has seen an improvement in CoC to 3.6%. Yet, despite it remaining above the '24F target, we expect a much softer uncertainty and proven consumer confidence (May24) expectation on the domestic economy resilience will overall support our expectation on BBRI's 1H24F earning growth. We also believe that such risk metrics improvement (improving CoC) could alleviate market concern about BBRI's potential weakening asset quality.

**Guidance is still within our forecast: 32.4% upside potential at '24F flat PATMI growth (1Q24: 2.5% yoy).**

Our eye is on BBRI's CoC, while the remaining of BBRI's revised down '24F guidance is still within our forecast (loan growth, NIM, and NPL). Following the market punishment on BBRI stock (YTD/YoY: -21.9%/-18.0%) ceteris paribus, we think the stock remains attractive, even assuming flat earnings growth on the back of: (1) all +25bps 7DRR increased fully transmitted; (2) '24F CoC reached BBRI guidance, resulting in a GGM value of around IDR5,760/share (2.6x '24F P/B) and offering 32.4% upside potential.

**Maintain BUY GGM-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 2.0x '24F P/B or below its average historical mean. Downside risks to our call are: 1) slower loan growth; 2) worsening AQ; and 3) higher than expected CoC, CoF, and NPL. 4) slowing economic activity amid the domestic political situation; 5) higher for longer remains; and 6) prolonged tight liquidity and a high interest rate environment.

**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)	12.9	11.0	9.9	8.9	8.1
PBV (x)	2.2	2.1	1.9	1.8	1.6
Div. Yield (%)	4.0	5.3	7.3	7.1	8.4
RoE (%)	17.4	17.4	19.7	20.4	20.6

Source: Company, KBVS Research

**Analyst**

Akhmad Nurcahyadi

akhmad.nurcahyadi@kbvalbury.com

**Exhibit 2: BBRI 4M24 result (Profit and Loss, selected Balance)**

Profit & Loss (IDRbn)	1M24	2M24	3M24	4M24	4M23	4M24	YoY (%)	to 23A	to KBVS '24F	to 'Cons '24F
Interest income	13,861	27,178	41,184	54,113	46,440	54,113	16.5			
Interest expense	(4,203)	(8,452)	(12,773)	(17,110)	(11,388)	(17,110)	50.2			
Net interest income	9,657	18,725	28,411	37,003	35,052	37,003	5.6			
Non Int Inc & others	3,375	6,739	11,697	15,369	12,075	15,369	27.3			
Opex	(4,598)	(6,646)	(12,069)	(16,060)	(15,450)	(16,060)	4.0			
PPOP	8,435	18,819	28,039	36,312	31,677	36,312	14.6			
Provision	(1,950)	(8,427)	(10,793)	(14,033)	(10,288)	(14,033)	36.4			
Net Profit	4,822	8,060	13,794	17,819	17,054	17,819	4.5	28.4	29.4	28.1

Profit & Loss (IDRbn)	Jan-24	Feb-24	Mar-24	Apr-24	Apr-23	Apr-24	YoY (%)
Interest income	13,861	13,317	14,006	12,929	11,737	12,929	10.2
Interest expense	(4,203)	(4,249)	(4,321)	(4,337)	(2,950)	(4,337)	47.0
Net interest income	9,657	9,068	9,685	8,592	8,787	8,592	(2.2)
Non Int Inc & others	3,375	3,364	4,958	3,672	2,912	3,672	26.1
Opex	(4,598)	(2,048)	(5,423)	(3,991)	(3,775)	(3,991)	5.7
PPOP	8,435	10,384	9,220	8,273	7,924	8,273	4.4
Provision	(1,950)	(6,477)	(2,366)	(3,240)	(3,819)	(3,240)	(15.2)
Net Profit	4,822	3,237	5,735	4,025	3,282	4,025	22.7

Source: Company, KBVS Research

Selected Balance Sheet (IDRbn)	1M24	2M24	3M24	4M24	4M23	4M24	YoY (%)
Total Loan (IDRbn)	1,156,216	1,158,510	1,181,606	1,190,477	1,063,289	1,190,477	12.0
Total deposits (IDRbn)	1,381,851	1,389,467	1,410,365	1,393,492	1,237,807	1,393,492	12.6
Demand deposits	336,955	338,989	354,898	346,657	287,661	346,657	20.5
Savings deposits	516,360	512,120	517,500	519,283	506,796	519,283	2.5
Time deposits	528,535	538,358	537,967	527,551	443,351	527,551	19.0
CASA	853,316	851,109	872,398	865,940	794,457	865,940	9.0

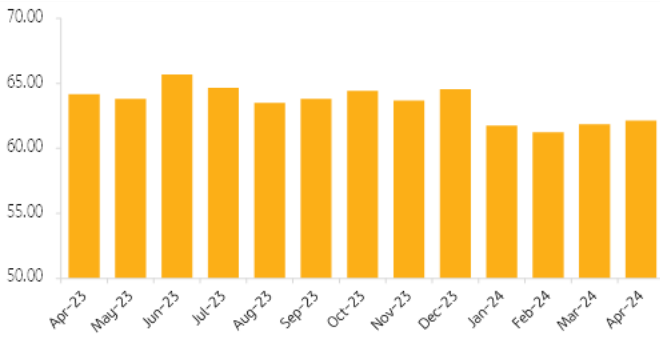
Source: Company, KBVS Research

**Exhibit 3: BBRI 4M24 selected key ratios result**

Selected ratios (%)	1M24	2M24	3M24	4M24	4M23	4M24	YoY (%)
NIM	6.6	6.6	6.6	6.5	6.8	6.5	-0.3
Lending Yield	14.2	13.6	13.6	13.3	13.1	13.3	0.2
Earnings Asset Yield	11.3	11.0	11.1	11.1	10.3	11.1	0.7
Cost of fund	3.7	3.7	3.6	3.7	2.7	3.7	0.9
Cost of Credit	2.0	4.4	3.7	3.5	2.9	3.5	0.6
CASA (IDRbn)	853,316	851,109	872,398	865,940	794,457	865,940	9.0
CASA	61.8	61.3	61.9	62.1	64.2	62.1	-2.0
Loan to Deposits	83.7	83.4	83.8	85.4	85.9	85.4	-0.5
Cost to Income	35.3	26.1	30.1	30.7	32.8	30.7	-2.1

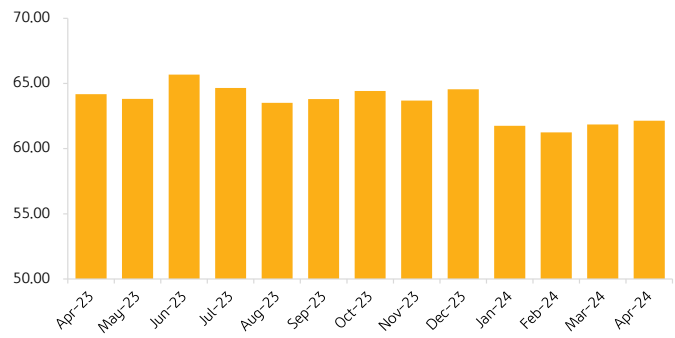
Source: Company, KBVS Research

Exhibit 4: Solid CASA to continue underpinned COF



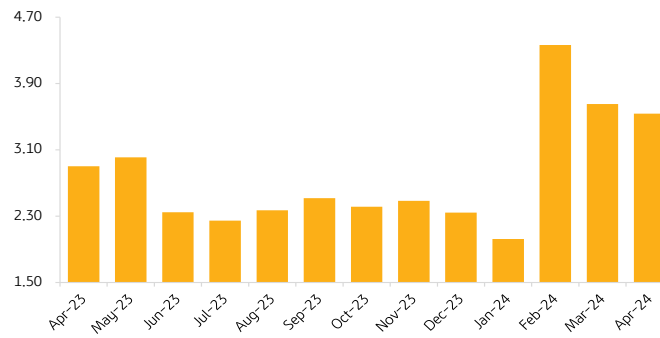
Source: Company, KBVS Research

Exhibit 5: Expecting SD and DD portion to remain high



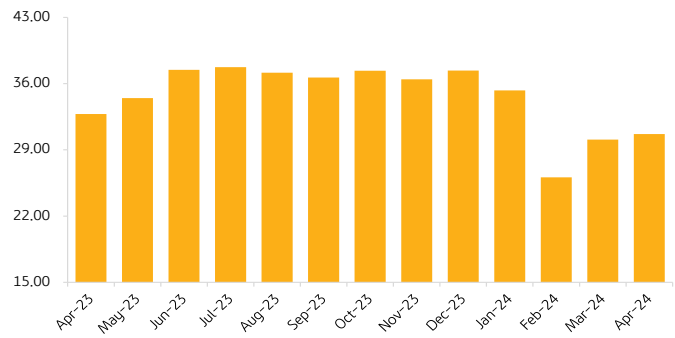
Source: Company, KBVS Research

Exhibit 6: Expect softening CoC to sustain



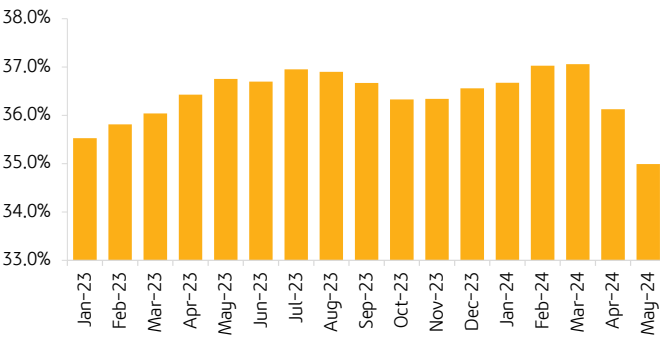
Source: Company, KBVS Research

Exhibit 7: Cost to income as another PPOP growth catalyst



Source: Company, KBVS Research

Exhibit 8: Foreign ownership drop significantly, post sell off



Source: Company, KBVS Research

Exhibit 9: Banks under our coverage indo banking stock foreign ownership

Ticker	Jan-24	Feb-24	Mar-24	Apr-24	May-24	YTD 2024	YTD 2023	May-23	May-24	YoY (chg)
BBCA IJ	36.1%	36.3%	36.3%	36.1%	35.9%	-0.2%	0.4%	36.1%	35.9%	-0.2%
BBRI IJ	36.7%	37.0%	37.1%	36.1%	35.0%	-1.7%	1.2%	36.8%	35.0%	-1.8%
BMRI IJ	33.9%	34.4%	34.5%	34.2%	33.7%	-0.2%	0.2%	33.2%	33.7%	0.4%
BBNI IJ	27.2%	27.8%	27.4%	27.0%	26.6%	-0.6%	1.1%	26.2%	26.6%	0.4%
BBTN IJ	10.2%	10.8%	11.4%	11.1%	10.5%	0.3%	-1.1%	10.0%	10.5%	0.6%
BRIS IJ	3.4%	3.8%	4.1%	4.2%	4.0%	0.5%	0.4%	2.6%	4.0%	1.4%
Average	24.6%	25.0%	25.1%	24.8%	24.3%	-0.3%	0.4%	24.1%	24.3%	0.1%

Source: Company, KBVS Research

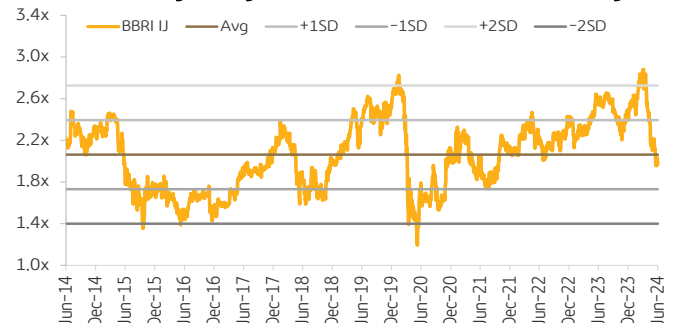
Exhibit 10: Selected 4M24 key ratios

Selected ratios (%)	1M24	2M24	3M24	4M24	4M23	4M24	YoY (%)
NIM	6.6	6.6	6.6	6.5	6.8	6.5	-0.3
Lending Yield	14.2	13.6	13.6	13.3	13.1	13.3	0.2
Earnings Asset Yield	11.3	11.0	11.1	11.1	10.3	11.1	0.7
Cost of fund	3.7	3.7	3.6	3.7	2.7	3.7	0.9
Cost of Credit	2.0	4.4	3.7	3.5	2.9	3.5	0.6
CASA (IDRbn)	853,316	851,109	872,398	865,940	794,457	865,940	9.0
CASA	61.8	61.3	61.9	62.1	64.2	62.1	-2.0
Loan to Deposits	83.7	83.4	83.8	85.4	85.9	85.4	-0.5
Cost to Income	35.3	26.1	30.1	30.7	32.8	30.7	-2.1

Source: Company, KBVS Research

Source: Company, KBVS Research

Exhibit 11: Currently trading at 2.0x '24F P/B, below its historical avg. mean



Source: Company, Bloomberg, KBVS Research

**FINANCIAL TABLES**
**Exhibit 12: 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)
<b>Net interest income</b>	<b>124,597</b>	<b>135,183</b>	<b>143,947</b>	<b>157,291</b>	<b>174,671</b>
Non-interest income	48,880	48,107	49,364	54,300	58,682
<b>Total operating income</b>	<b>173,477</b>	<b>183,290</b>	<b>193,310</b>	<b>211,591</b>	<b>233,353</b>
Operating expenses	(82,192)	(76,782)	(78,425)	(82,057)	(87,148)
<b>Pre-provision operating profit</b>	<b>91,285</b>	<b>106,508</b>	<b>114,885</b>	<b>129,534</b>	<b>146,205</b>
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
<b>Net profit</b>	<b>51,170</b>	<b>60,100</b>	<b>66,678</b>	<b>73,903</b>	<b>81,691</b>

**Exhibit 13: Balance sheet**

Year End Dec (IDR bn)	2022A	2023A	2024F	2025F	2026F
<b>Assets</b>					
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
<b>Total Asset</b>	<b>1,865,639</b>	<b>1,965,007</b>	<b>2,115,474</b>	<b>2,306,903</b>	<b>2,512,562</b>
<b>Liabilities</b>					
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
<b>Total liabilities</b>	<b>1,562,244</b>	<b>1,648,535</b>	<b>1,767,738</b>	<b>1,926,938</b>	<b>2,101,333</b>
<b>Equity</b>					
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
<b>Total Equity</b>	<b>303,395</b>	<b>316,472</b>	<b>347,736</b>	<b>379,965</b>	<b>411,228</b>

**Exhibit 14: 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)	12.9	11.0	9.9	8.9	8.1
PBV (x)	2.2	2.1	1.9	1.8	1.6
Div. Yield	4.0	5.3	7.3	7.1	8.4

Source: Company, KBVS Research

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## KB Valbury Sekuritas Head Office

Sahid Sudirman Center 41<sup>st</sup> Floor Unit A-C  
Jalan Jenderal Sudirman No. 86 Kelurahan Karet Tengsin,  
Kecamatan Tanah Abang, Jakarta Pusat 10220, Indonesia  
T. +62 21 – 250 98 300  
F. +62 21 – 255 33 778

## Branch Office

### Jakarta – Sudirman

Sahid Sudirman Center 41st Floor Unit A-C  
Jalan Jenderal Sudirman No. 86 Karet Tengsin,  
Tanah Abang, Jakarta Pusat 10220  
T. (021) 25098300/301

### Jakarta – Kelapa Gading

Rukan Plaza Pasifik  
Jl. Raya Boulevard Barat Blok A1 No. 10  
Jakarta Utara 11620  
T. (021) 29451577

### Jakarta – Puri Indah

Rukan Grand Aries Niaga Blok E1 No. IV  
Jl. Taman Aries, Kembangan  
Jakarta Barat 11620  
T. (021) 22542390

### Jakarta – Pluit

Jl. Pluit Putra Raya No. 2  
Jakarta Utara 14450  
T. (021) 6692119

### Bandung

Jl. HOS Cokroaminoto No. 82  
Bandung 40171  
T. (022) 87255800

### Malang

Jl. Pahlawan Trip No. 7  
Malang 65112  
T. (0341) 585888

### Banjarmasin

Jl. Gatot Subroto No. 33  
Banjarmasin 70235  
T. (0511) – 3265918

### Pekanbaru

Jl. Tuanku Tambusai, Komplek CNN  
Blok A No. 3 Pekanbaru 28291  
T. (0761) 839393

### Palembang

Komplek PTC Mall Blok I No. 7  
Jl. R. Sukanto  
Palembang 30114  
T. (0711) 5700281

### Surabaya

Pakuwon Center Lt 21  
Jl. Embong Malang No.1  
Surabaya 60261  
T. (031) 2955788

### Padang

Jl. Kampung Nias II No. 10,  
Padang 25211  
T. (0751) 8955747

### Yogyakarta

Jl. Magelang KM 5.5 No. 75  
Yogyakarta 55000  
T. (0274) 623111

### Semarang

Candi Plaza Building Lt. Dasar  
Jl. Sultan Agung No. 90-90A  
Semarang 50252  
T. (024) 8501122

### Makassar

Komplek RUKO Citraland City Losari  
Business Park, Blok B2 No. 09  
Jl. Citraland Boulevard Makassar 90111  
T. (0241) 16000818

### Medan

Komplek Jati Junction No. P5-5A  
Jl. Perintis Kemerdekaan  
Medan 20218  
T. (061) 88816222

### Denpasar

Jl. Teuku Umar No. 177  
Komplek Ibis Styles Hotel  
Denpasar Bali 80114  
T. (0361) 225229

## Investment Gallery

### Jakarta

Citra Garden 6 Ruko Sixth Avenue  
Blok J.1 A/18, Cengkareng  
Jakarta Barat 11820  
T. (021) 522392181

### Semarang

Jl. MT Haryono 637  
Semarang 50242  
T. (024) 8415195

### Salatiga

Jl. Diponegoro No. 68  
Salatiga 50711  
T. (0298) 313007

### Solo

Jl. Ronggowarsito No. 34  
Surakarta 57118  
T. (0271) 6726306