

28 April 2023

Financial Services | Banks

Bank Rakyat Indonesia (BBRI IJ)

Buy (Maintained)

1Q23 Earnings Above Expectations; Keep BUY

Target Price (Return): IDR5,800 (12.6%)
 Price (Market Cap): IDR5,150 (USD53,072m)
 ESG score: 3.40 (out of 4)
 Avg Daily Turnover (IDR/USD) 560,041m/37.1m

- **Keep BUY and IDR5,800 TP, 13% upside, c.5% FY23F yield.** Our TP implies 2.4x and 2.5x FY23-24F P/B. 1Q23 earnings exceeded expectations, rising 26.9% YoY (+28.1% QoQ) on higher NIM, as well as lower operational expenses and CoC. Although 1Q23 loan growth was slightly lower than expected at 9.7% YoY, Bank Rakyat Indonesia remains optimistic about meeting its FY23 loan growth target of 10-12% YoY. Despite higher COF, 1Q23 NIM rose to 7.82% (1Q22: 7.72%). BBRI expects time deposit (TD) rates to fall, alleviating COF as liquidity improves cyclically ahead of the elections.
- **1Q23 earnings exceeded expectations.** 1Q23 earnings rose 26.9% YoY (+28.1% QoQ) to IDR15.5trn, meeting 28% and 27% of our and consensus full-year estimates. This was due to a larger NIM, and lower operational expenses as well as CoC. Despite higher COF – as a result of the Bank Indonesia (BI) benchmark rate hike, which is up 225bps since Aug 2022 – 1Q23 NIM increased to 7.82% (4Q22: 7.85%, 1Q22: 7.72%) on improved loan portfolio mix and loan repricing. BBRI was able to reduce 1Q23 operational expenses by 1.5% YoY (-23.4% QoQ) to IDR18.1trn. CIR fell to 41.8% in 1Q23 (4Q22: 47.4%, 1Q22: 44.6%) as a result of improved operational efficiency through digitalisation (BRISLOT and SenyuM Mobile). Despite a slightly higher NPL in 1Q23, the quarter's CoC fell to 2.39% (4Q22: 2.47%, 1Q22: 2.83%).
- **BBRI still optimistic on FY23 loan growth target** of 10-12% YoY despite slightly lower-than-expected 1Q23 loan growth. While 1Q23 loan growth was at 9.7% YoY, it was faster than FY22's 9.2% YoY growth. According to management, loan growth is cyclically slow at the start of the year, but should accelerate from 2Q onwards. The micro, consumer, and medium segments were the main drivers of loan growth in 1Q23. The small credit programme (kupedes), which has higher loan yields than subsidised Kredit Usaha Rakyat (KUR) loans, grew 29.3% YoY and was the main driver of micro loan growth. Due to an unclear KUR reimbursement subsidy policy, BBRI did not disburse any subsidised loans (KUR) in the first two months of 2023. It began disbursing KUR loans in March, and this should serve as an additional engine for loan growth in 2023.
- **Despite higher COF, NIM widened slightly.** 1Q23 NIM rose to 7.82% (1Q22: 7.72%). COF rose to 2.68% in 1Q23, up from 1.97% in 1Q22, owing to the BI rate hike. However, NIM rose on higher loan yields, which increased to 12.76% in 1Q23 from 12.3% in FY22. BBRI expects TD rates to fall – which should alleviate COF – as liquidity cyclically improves ahead of the elections.
- **ESG.** We apply an 8% ESG premium to our intrinsic value. Key risk: Inflation-impacted low-end segment may affect loan growth and NPL.

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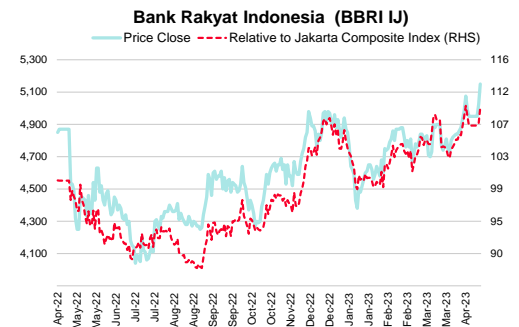


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Share Performance (%)

	YTD	1m	3m	6m	12m
Absolute	4.3	8.6	11.0	12.0	6.2
Relative	2.9	5.1	10.3	14.1	9.7
52-wk Price low/high (IDR)	4,040 – 5,150				



Source: Bloomberg

Overall ESG Score: 3.40 (out of 4)

E: EXCELLENT

Calculation of BBRI's greenhouse gas (GHG) emissions and the emission baseline determination. Its Peduli - Indonesia Lestari aims to support marine sustainability (such as planting mangrove seeds, etc). Re-engineering the credit card application process to make it paperless by moving it entirely online. To accelerate river revitalisation in a number of areas. Its Corporate Social Responsibility (CSR) programme "Clean the River" carried out in 19 rivers, at 19 regional offices throughout Indonesia.

S: EXCELLENT

BBRI implements labour rights in accordance with local labour laws and continuously monitors labour issues such as child and forced labor, as well as freedom of association, discrimination and gender equality etc. It carries out community empowerment activities such as education and training activities on green businesses.

G: EXCELLENT

As the first mover in the implementation of sustainable finance, BBRI continues to strengthen a. its sustainability governance structure under the Director of Risk Management, who is responsible for the implementation of sustainable finance.

Forecasts and Valuation	Dec-21	Dec-22	Dec-23F	Dec-24F	Dec-25F
Reported net profit (IDRb)	30,756	51,170	55,954	63,484	73,973
Net profit growth (%)	64.8	66.4	9.3	13.5	16.5
Recurring net profit (IDRb)	30,879	51,027	55,807	63,329	73,811
Recurring EPS (IDR)	239.02	356.60	371.94	422.07	491.93
BVPS (IDR)	2,124.55	1,994.72	2,356.99	2,457.18	2,588.37
DPS (IDR)	89.07	163.98	272.83	298.34	338.48
Recurring P/E (x)	21.55	14.44	13.85	12.20	10.47
P/B (x)	2.42	2.58	2.18	2.10	1.99
Dividend Yield (%)	1.7	3.2	5.3	5.8	6.6
Return on average equity (%)	11.9	17.4	17.1	17.6	19.5

Source: Company data, RHB

Financial Exhibits

Asia	Financial summary (IDR)	Dec-21	Dec-22	Dec-23F	Dec-24F	Dec-25F
Indonesia	EPS	238.07	357.61	372.92	423.10	493.01
Financial Services	Recurring EPS	239.02	356.60	371.94	422.07	491.93
Bank Rakyat Indonesia	DPS	89.07	163.98	272.83	298.34	338.48
BBRI IJ	BVPS	2,124.55	1,994.72	2,356.99	2,457.18	2,588.37
Buy						
	Valuation metrics	Dec-21	Dec-22	Dec-23F	Dec-24F	Dec-25F
	Recurring P/E (x)	21.55	14.44	13.85	12.20	10.47
	P/B (x)	2.4	2.6	2.2	2.1	2.0
	Dividend Yield (%)	1.7	3.2	5.3	5.8	6.6
	Income statement (IDRb)	Dec-21	Dec-22	Dec-23F	Dec-24F	Dec-25F
	Interest income	143,523	160,812	162,006	176,638	192,912
	Interest expense	(29,429)	(34,637)	(35,664)	(37,379)	(39,219)
	Net interest income	114,094	126,174	126,342	139,260	153,693
	Non interest income	42,259	47,324	53,761	58,695	64,123
	Total operating income	156,353	173,499	180,103	197,955	217,816
	Overheads	(75,918)	(81,698)	(85,783)	(90,105)	(94,677)
	Pre-provision operating profit	80,435	91,801	94,320	107,850	123,139
	Loan impairment allowances	(35,970)	(27,385)	(22,106)	(25,914)	(27,665)
	Other impairment allowances	(3,321)	-	-	-	-
	Other exceptional items	(152)	180	189	199	209
	Pre-tax profit	40,992	64,597	72,403	82,135	95,683
	Taxation	(7,836)	(13,188)	(16,188)	(18,364)	(21,393)
	Minority interests	(2,401)	(238)	(262)	(288)	(317)
	Reported net profit	30,756	51,170	55,954	63,484	73,973
	Recurring net profit	30,879	51,027	55,807	63,329	73,811
	Profitability ratios	Dec-21	Dec-22	Dec-23F	Dec-24F	Dec-25F
	Return on average assets (%)	1.9	2.9	3.0	3.3	3.6
	Return on average equity (%)	11.9	17.4	17.1	17.6	19.5
	Return on IEAs (%)	12.4	12.1	10.8	10.4	10.5
	Cost of funds (%)	2.6	2.8	2.8	2.9	2.9
	Net interest spread (%)	9.8	9.3	8.0	7.5	7.6
	Net interest margin (%)	9.8	9.5	8.4	8.2	8.3
	Non-interest income / total income (%)	27.0	27.3	29.8	29.7	29.4
	Cost to income ratio (%)	48.6	47.1	47.6	45.5	43.5
	Credit cost (bps)	360	262	198	220	220
	Balance sheet (IDRb)	Dec-21	Dec-22	Dec-23F	Dec-24F	Dec-25F
	Total gross loans	1,003,576	1,089,789	1,139,917	1,215,868	1,299,135
	Other interest earning assets	267,643	295,871	480,539	546,355	621,185
	Total gross IEAs	1,271,219	1,385,660	1,620,456	1,762,223	1,920,321
	Total provisions	(86,245)	(94,968)	(75,912)	(75,296)	(76,647)
	Net loans to customers	917,331	994,821	1,064,005	1,140,572	1,222,488
	Total net IEAs	1,184,974	1,290,692	1,544,544	1,686,927	1,843,673
	Total non-IEAs	493,123	574,947	342,203	290,890	234,946
	Total assets	1,678,098	1,865,639	1,886,747	1,977,817	2,078,620
	Customer deposits	1,138,743	1,307,884	1,255,464	1,318,238	1,384,149
	Other interest-bearing liabilities	13,329	9,335	4,186	2,346	1,315
	Total IBLs	1,152,073	1,317,219	1,259,650	1,320,583	1,385,464
	Total non-IBLs	234,238	245,025	268,936	283,588	299,330
	Total liabilities	1,386,311	1,562,244	1,528,586	1,604,172	1,684,794
	Share capital	7,578	7,578	7,578	7,578	7,578
	Shareholders' equity	289,236	299,294	353,650	368,683	388,367
	Minority interests	2,551	4,101	4,511	4,963	5,459
	Asset quality and capital	Dec-21	Dec-22	Dec-23F	Dec-24F	Dec-25F
	Reported NPLs / gross cust loans (%)	2.8	2.6	2.6	2.6	2.6
	Total provisions / reported NPLs (%)	264.4	0.0	0.0	0.0	0.0
	CET-1 ratio (%)	22.9	27.3	27.5	28.3	29.5
	Tier-1 ratio (%)	24.0	28.2	28.4	29.2	30.4
	Total capital ratio (%)	25.1	29.3	29.5	30.3	31.5

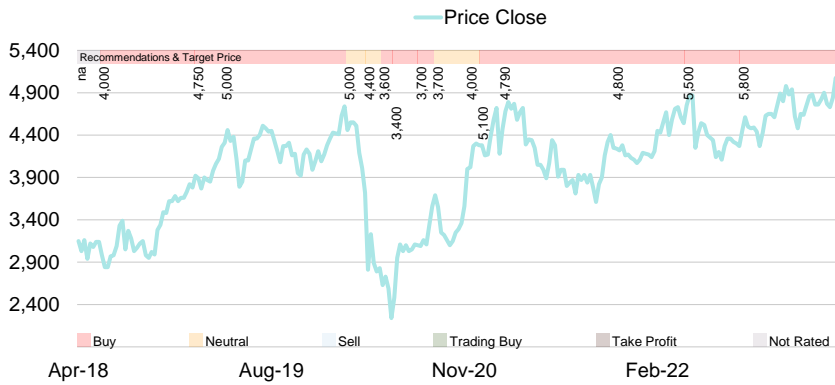
Source: Company data, RHB

Figure 1: 1Q23 earnings exceeded expectations on a larger NIM, lower operational expenses and CoC

Income statement (IDRbn)	1Q22	4Q22	1Q23	QoQ	YoY	3M23/ RHB	3M23/ Cons.
Interest Income	36,732	36,623	42,460	15.9%	15.6%	26%	23%
Interest Expense	6,325	8,534	9,681	13.4%	53.1%		
Net Interest Income	30,407	30,407	32,779	7.8%	7.8%		
Non-Interest Income	10,752	15,407	10,465	-32.1%	-2.7%		
Total Operating Income	41,159	43,496	43,244	-0.6%	5.1%		
Operating Expense	18,365	23,614	18,091	-23.4%	-1.5%		
PPOP	22,794	19,882	25,153	26.5%	10.3%		
Provision Expense	7,474	4,414	5,599	26.8%	-25.1%		
Operating Profit	15,320	15,468	19,554	26.4%	27.6%	27%	27%
Net Profit	12,220	12,097	15,502	28.1%	26.9%	28%	27%
Balance sheet (IDRbn)	3M22	FY22	3M23	QoQ	YoY		
Loan	1,075,927	1,139,077	1,180,121	3.6%	9.7%		
Deposit	1,126,496	1,307,885	1,255,453	-4.0%	11.4%		
CASA	716,809	872,404	810,091	-7.1%	13.0%		
Time Deposits	409,687	435,481	445,362	2.3%	8.7%		
RATIOS	3M22	FY22	3M23				
ROAA - Pre Tax	3.69%	3.79%	4.25%				
ROAE (%)	19.00%	19.53%	23.55%				
NIM (%)	7.72%	7.85%	7.82%				
CoC (%)	2.83%	2.47%	2.39%				
CASA (%)	65.12%	66.70%	64.53%				
LDR (%)	87.14%	87.09%	85.26%				
CIR (%)	44.62%	47.38%	41.83%				
NPL (%)	3.09%	2.67%	2.86%				
CAR (%)	24.60%	25.51%	24.98%				
Coverage (%)	276.00%	305.73%	282.49%				

Source: Company data, RHB

Recommendation Chart

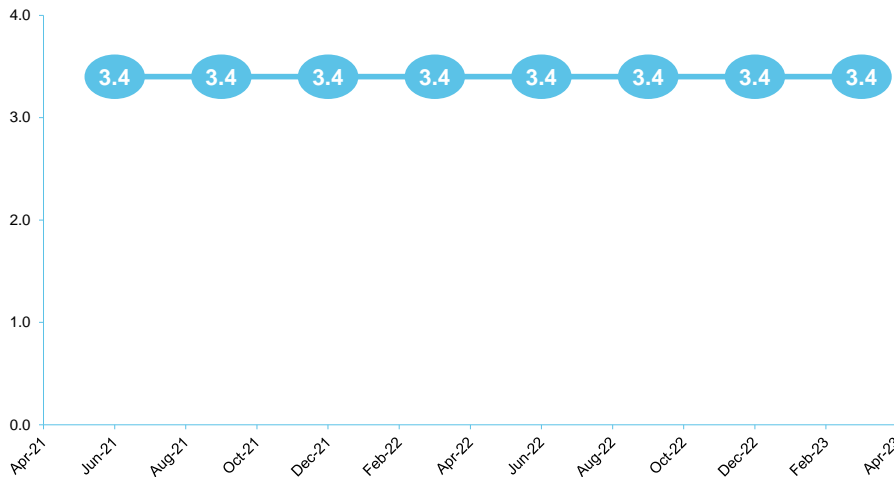


Source: RHB, Bloomberg

Date	Recommendation	Target Price	Price
2023-02-09	Buy	5,800	4,810
2022-11-17	Buy	5,800	4,670
2022-10-10	Buy	5,800	4,370
2022-08-24	Buy	5,800	4,290
2022-07-28	Buy	5,500	4,360
2022-04-14	Buy	5,500	4,540
2022-01-09	Buy	4,800	4,190
2021-10-28	Buy	4,800	4,240
2021-02-01	Buy	4,790	4,400
2020-12-10	Buy	5,100	4,330
2020-11-12	Neutral	4,000	3,950
2020-08-23	Neutral	3,700	3,560
2020-07-15	Buy	3,700	3,130
2020-05-15	Buy	3,400	2,240
2020-04-16	Buy	3,600	2,610

Source: RHB, Bloomberg

ESG Rating History



Source: RHB

RHB Guide to Investment Ratings

Buy:	Share price may exceed 10% over the next 12 months
Trading Buy:	Share price may exceed 15% over the next 3 months, however longer-term outlook remains uncertain
Neutral:	Share price may fall within the range of +/- 10% over the next 12 months
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Not Rated:	Stock is not within regular research coverage

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