

Thursday, 09 February 2023

NOT RATED

Last price (IDR)	4,790
Target Price (IDR)	N/A
Upside/Downside	N/A
Previous Target Price (IDR)	N/A

Stock Statistics

Sector	Banking
Bloomberg Ticker	BBRI IJ
No of Shrs (mn)	151,559
Mkt. Cap (IDRbn/USDmn)	725,968/48,077
Avg. daily T/O (IDRbn/USDmn)	725.7/48.1

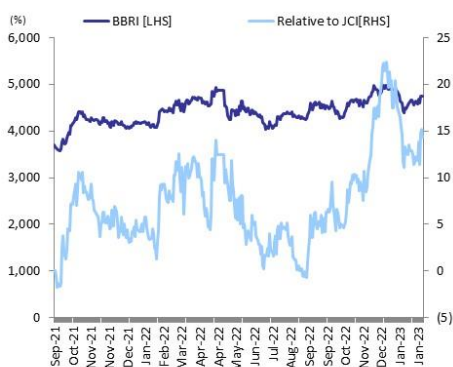
Major shareholders (%)

Government of Indonesia	53.2
Estimated free float	46.8

EPS Consensus (IDR)

	2022F	2023F	2024F
Consensus	325.4	367.4	410.5

BBRI relative to JCI Index



Source : Bloomberg



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Bank Rakyat Indonesia (BBRI IJ)

Jump higher

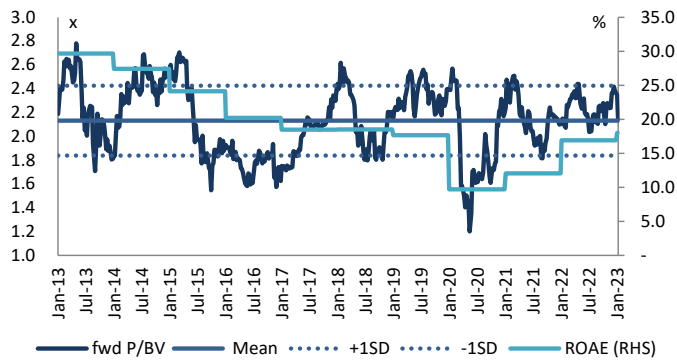
BBRI's FY22 net profits of IDR51.2tn are inline at the higher bound of the consensus (104% of FY22F) backed by 9.2% yoy loans growth and lower credit costs of 252bps. BBRI's management focus is to grow its CASA deposits both in the retail and wholesale markets by offering more features. Meanwhile, the maximum IDR270tn KUR disbursement per year set by BBRI's management should provide more room for non-KUR micro products such as Kupedes to grow. As such, ROAE is expected to reach 20% by 2025F assuming gradual normalization of the payout ratio beyond 2023F.

FY22/4Q22 highlights. BBRI booked strong FY22 net profits of IDR51.2tn backed by: 1) a 7.9% NIM driven by fully consolidated PNM and Pegadaian despite one-off impact from lower loan yields on corporate borrowers with a 30bps drop in the blended CoF to 2.1%, 2) 9.2% yoy loans growth and financing growth coming from 13.9% yoy growth in micro loans, 3) 252bps credit costs (FY21: 394bps). The lower blended CoF reflects BBRI's strategy to grow its CASA deposits. On a qoq basis, 4Q22's earnings of IDR12.0tn are down by 16.4% qoq and 16.6% yoy mostly due to the restructuring of corporate borrowers done in 4Q22 (48bps lower NIM) with seasonally high qoq opex growth.

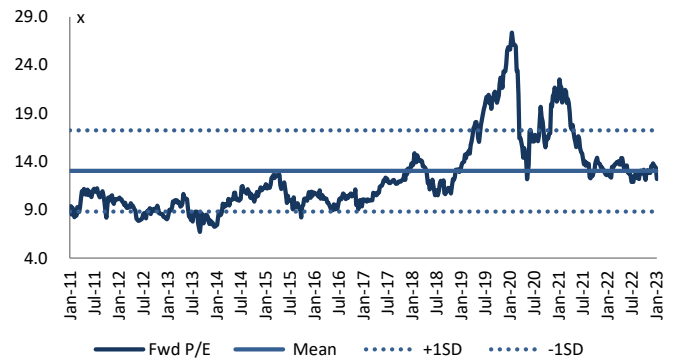
Looking to build sustainable CASA deposits. With a more challenging macro-economic outlook, BBRI is looking to build more sticky CASA deposits. Indeed, CASA deposits already improved to 66.7% of total customer deposits as of December 2022. Aside from the conventional approach, BBRI also looked for another growth engine coming from its 627k BRILink agents as BBRI's extended marketing channel with a sharing income scheme. Additionally, BBRI also aims to further grow the wholesale market, particularly current accounts by offering more transactional products and services to its customers. By doing so, BBRI targets higher CASA velocity as well as fee-income generation in the future.

De-leveraging its equity to boost ROAE. Post the rights issue in 2H21, BBRI has excessive capital with 25.5% CAR as of December 2022, above the regulatory requirement of 17.5% at a minimum assuming full Basel 3 implementation. To keep the ROAE attractive, BBRI's management is also looking to maintain a similar dividend payout ratio at 85% for FY22. This is reasonable in our view given ROAA also rose to 2.9% in FY22, mainly driven by higher exposure to the micro and ultra-micro businesses. Control of operating expenses is another key factor to support decent bottom-line growth, particularly for PNM as the existing business process still involves several labour-intensive methods, such as regular meetings of groups of borrowers with field staff.

Year to 31 Dec	2019A	2020A	2021A	2022A
PPOP (IDRbn)	66,192	65,059	80,435	91,285
Net profit (IDRbn)	34,373	21,036	33,467	51,170
EPS (IDR)	279	171	271	418
EPS growth (%)	6.2	(38.8)	59.1	64.7
BVPS (IDR)	1,673	1,840	1,905	1,975
PER (x)	17.2	28.0	17.7	11.4
PBV (x)	2.9	2.7	2.5	2.4
Dividend yield (%)	3.5	2.3	3.6	5.8
ROAE (%)	17.7	9.7	13.0	17.4

Exhibit 1. PBV ROAE Band Chart


Source: Company, Danareksa Sekuritas estimates

Exhibit 2. PE Band Chart


Source: Company, Danareksa Sekuritas estimates

Exhibit 3. BBRI's FY22 result

FYE Dec (IDRbn)	4Q21	3Q22	4Q22	QoQ (%)	YoY (%)	FY21	FY22	YoY (%)
Net interest income	42,404	31,894	28,090	(11.9)	(33.8)	114,094	124,597	9.2
Reported NIM (%)	11.3	8.8	7.4			7.7	7.9	
Non-interest income	16,366	11,790	15,407	30.7	(5.9)	42,259	48,880	15.7
Non-III/Total income (%)	27.8	27.0	35.4			27.0	28.2	
Operating income	58,770	43,684	43,497	(0.4)	(26.0)	156,353	173,477	11.0
Overhead expenses	(34,058)	(20,352)	(23,614)	16.0	(30.7)	(75,918)	(82,192)	8.3
Cost-Income Ratio (%)	58.0	46.6	54.3			48.6	47.4	
Pre-Provisions profit	24,712	23,331	19,883	(14.8)	(19.5)	80,435	91,285	13.5
Provisions allowance	(8,921)	(5,639)	(4,414)	(21.7)	(50.5)	(39,291)	(26,979)	(31.3)
Credit cost - annualised (bps)	303	226	157			386	252	
Pretax profit	15,683	18,014	15,358	(14.7)	(2.1)	40,992	64,597	57.6
Net Profit	14,397	14,370	12,014	(16.4)	(16.6)	31,067	51,170	64.7
Other Key Data and Ratios								
Gross loans	1,042,867	1,111,478	1,139,077	2.5	9.2	1,042,867	1,139,077	9.2
Customer deposits	1,138,743	1,139,765	1,307,884	14.8	14.9	1,138,743	1,307,884	14.9
Gross Non-Performing Loan	30,910	34,900	30,413	(12.9)	(1.6)	30,910	30,413	(1.6)
Total assets	1,678,098	1,684,604	1,865,639	10.7	11.2	1,678,098	1,865,639	11.2
Equity	288,735	296,578	299,294	0.9	3.7	288,735	299,294	3.7
ROAA (%)	3.5	3.4	2.7			1.9	2.9	
ROAE (%)	20.3	19.8	16.1			12.0	17.4	
LDR (%)	88.1	97.5	87.1			88.1	87.1	
Gross NPL ratio (%)	3.1	3.1	2.7			3.1	2.7	
NPL coverage ratio (%)	281.2	278.8	305.7			281.2	305.7	
CAR (%)	27.2	26.1	25.5			27.2	25.5	

Source : Company

Exhibit 4. Income Statement

Year to 31 Dec (IDRbn)	2017A	2018A	2019A	2020A	2021A
Interest Income	102,899	111,583	121,756	135,765	143,523
Interest Expense	(29,894)	(33,917)	(40,049)	(42,180)	(29,429)
Net Interest Income	73,005	77,666	81,707	93,584	114,094
Non-Interest Income (NII)	18,641	23,498	27,530	35,765	38,686
Oper. Income	91,646	101,164	109,237	129,349	152,780
Oper. Expenses	(38,442)	(41,990)	(44,966)	(67,504)	(75,918)
Pre-provisions profit	54,040	60,047	66,192	65,059	80,435
Provisions & Allowances	(17,234)	(18,321)	(22,760)	(35,280)	(39,291)
Operating Profits	36,806	41,726	43,432	29,779	41,144
Non-Operating Income	216	28	(68)	215	(152)
Exceptionals	0	0	0	0	0
Pre-tax Profit	37,022	41,754	43,364	29,993	40,992
Income Tax	(7,978)	(9,335)	(8,950)	(8,952)	(7,836)
Minorities	(48)	(67)	(41)	(6)	311
Net Profit	28,997	32,351	34,373	21,036	33,467

Exhibit 5. Balance Sheet

Year to 31 Dec (IDRbn)	2017A	2018A	2019A	2020A	2021A
Gross Loans	718,983	820,010	877,431	943,788	994,417
Provisions	(29,423)	(35,018)	(38,364)	(66,810)	(84,834)
Net Loans	689,559	784,992	839,067	876,977	909,583
Govt. Bonds	3,318	1,505	1,130	0	0
Securities	186,919	184,284	195,840	326,957	371,738
Other Earnings Assets	115,208	23,003	29,125	72,821	45,455
Total Earnings Assets	1,024,428	1,177,466	1,296,503	1,504,484	1,577,855
Fixed Assets	33,972	37,925	44,076	60,885	65,038
Non-Earnings Assets	67,848	23,380	20,265	33,492	32,023
Total Assets	1,126,248	1,296,898	1,416,759	1,610,065	1,678,098
Customer Deposits	815,368	915,430	987,405	1,071,919	1,138,743
Banks Deposits	5,593	9,131	17,970	23,786	13,329
Int. Bearing Liab. - Others	137,940	28,839	33,791	49,003	0
Total Liabilities	958,901	1,111,623	1,207,975	1,380,598	1,386,311
Share capital & Reserves	22,215	18,245	24,762	58,642	101,967
Retained Earnings	144,534	164,722	181,561	168,274	186,768
Shareholders' Funds	166,749	182,968	206,323	226,916	288,735
Minority interests	599	2,308	2,461	2,551	3,052
Total Equity & Liabilities	1,126,248	1,296,898	1,416,759	1,610,065	1,678,098

Exhibit 6. Ratios

Year to 31 Dec (IDRbn)	2017A	2018A	2019A	2020A	2021A
Yield on Earning Assets	10.7	10.1	9.8	9.7	9.3
Cost of funds	3.4	3.4	3.5	3.4	2.2
Interest Spread	7.3	6.8	6.3	6.3	7.1
Net Interest Margin	7.6	7.1	6.6	6.7	7.4
Cost/Income Ratio	41.6	41.2	40.5	50.9	48.6
Oper. Exp./Oper. Gross Inc.	69.9	69.3	71.3	83.0	77.9
Gross NPL Ratio	2.2	2.3	2.8	3.0	3.1
LLP/Gross NPL	183.5	188.1	156.2	236.8	277.0
Cost of Credit	2.5	2.4	2.7	3.9	4.1
Loan to Deposit Ratio	88.2	89.6	88.9	88.0	87.3
Loan to Funding Ratio	85.0	86.6	85.5	83.5	83.3
CASA Mix	59.6	60.4	57.1	58.9	62.3
ROAE	18.5	18.5	17.7	9.7	13.0
ROAA	2.7	2.7	2.5	1.4	2.0
CAR	21.7	21.1	21.1	19.3	25.2

Exhibit 7. Dupont and growth

Year to 31 Dec	2017A	2018A	2019A	2020A	2021A
Dupont					
Pre-Tax ROAA	3.5	3.4	3.2	2.0	2.5
Tax Retention rate	78.5	77.6	79.4	70.2	80.9
Post-Tax ROAA	2.7	2.7	2.5	1.4	2.0
Goodwil, Assoc& Min	0.0	0.0	0.0	0.0	0.0
Leverage	6.8	6.9	7.0	7.0	6.4
ROAE	18.5	18.5	17.7	9.7	13.0
Growth (%)					
Interest income	9.5	8.4	9.1	11.5	5.7
Net Interest Income	11.6	6.4	5.2	14.5	21.9
Other Oper. Expenses	10.0	9.2	7.1	50.1	12.5
Fee Based Income	13.2	15.1	20.7	11.5	5.4
Pre-Provision Oper. Profit	13.2	11.1	10.2	(1.7)	23.6
Net Profit	10.7	11.6	6.2	(38.8)	59.1
Shareholders' Equity	13.9	9.7	12.8	10.0	27.2
Loan	11.7	14.1	7.0	7.6	5.4
Earnings Asset	13.4	14.9	10.1	16.0	4.9
Deposit	11.7	12.6	8.7	9.0	5.1
Int. Bearing Liab.	11.5	16.2	8.6	13.8	(0.4)
CASA	11.2	14.1	2.9	12.4	11.3
Total Asset	12.2	15.2	9.2	13.6	4.2

Source : BBRI, Danareksa Estimates

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