

Bank Rakyat Indonesia (BBRI)

Another solid quarter

5 September 2023



BBRI IJ	BUY
Sector	Banks
Price at 4 Sept 2023 (IDR)	5,625
Price target (IDR)	6,140
Upside/Downside (%)	9.2

Stock Information

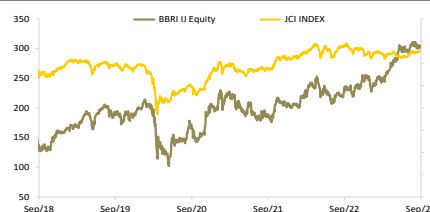
Bank Rakyat Indonesia (BBRI) established in 1895 is the oldest bank in Indonesia. BBRI plays an important role in developing grass root economy of Indonesia, focusing in Micro, Small and Medium Enterprises (MSMEs) segments.

Market cap (IDR bn)	844,941
Shares outstanding (mn)	151,559
52-week range (Rp)	4,260 - 5,750
3M average daily vol. ('000)	107,098
3M average daily val. (Rp mn)	593,739

Shareholders (%)

Republic of Indonesia	53.2
Public	46.8

Stock Performance



Source: Bloomberg

	1M	3M	12M
Performance (%)	0.9	3.7	22.5

Analyst(s)

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BBRI's 1H23 earnings grew 18.7% yoy, came in with a run-rate of 50.7%/50.2% and higher than its 5yr historical of 47%. With such solid 1H23 result, we anticipate FY23 PATMI to reach higher than ours and street expectation. We expect '23F loan to arrive at least at the lower range of BBRI's guidance of 10.0%-12.0% yoy (KBVS: 10.1% yoy). On the key metrics performance, most of the ratio stood within BBRI's '23F forecast such as NIM, NPL and CoC. Furthermore, 2H23 growth will be underpinned by expectations of manageable NIM expansion coupled with steady soft provision and a potential continuing CoC improvement. Maintain BUY, with TP IDR6,140 pegged at 2.9x '23F P/B, while its currently trades 2.7x, slightly above +1SD 5-yr hist. mean of 2.6x.

1H23 beating ours and cons expectation

BBRI's 1H23 earnings came in above ours and street expectation at a run-rate of 50.7%/50.2% compared to 5yr hist average of 47%. 1H23 PATMI of IDR29.42 tn mainly driven by the growth in other non-interest (22.9% yoy) and manageable provisions coupled with sharp drop in provisions (18.3% yoy). On quarterly basis, net profit was 10.3% yoy higher and beating our '23F earnings for BBRI by 2.39%.

Loan growth remains intact boosted by PNM & Pegadaian

Total loan continues to show a well shape growth at 8.8% yoy, despite flattish on quarterly basis (1.9% qoq). Medium segment saw the highest growth at 22.7% yoy, while PNM and Pegadaian solid growth at 18.6% yoy and 14.0% yoy helped micro segment grew by 11.4% yoy. In all, we believe BBRI likely to achieve our '23F loan growth for BBRI at 10.1% (BBRI '23F guidance 10%-12%). On the liquidity side, TPF grew by 9.5% yoy helped by strong growth from CA (24.3% yoy) and hence made CASA portion improves by 40bps to 65%, or 10.1% yoy higher to IDR815.42tn.

Key performance continues stood within management forecast

On key metrics performance, BBRI record another solid figure with 1H23 NIM (7.9%) arriving at higher range of management guidance of 7.7%-7.9%, thanks to continuing asset mix improvement. Credit cost, which strongly improve (around -90bps yoy and -30bps ytd) from 3.11% in 1H22 to 2.26% is aligned with BBRI's '23F target range of 2.2%-2.4%. Asset quality continue to moves within its improvement track and recorded a better figure across the segment board, bringing consolidated gross NPL 30bps yoy stronger to 2.95% (from 3.26% a year earlier) and closer to '23F upper range target of 2.8%. NPL coverage also remain strong at 248.54% in 1H23.

FY23 might arrives above ours and street '23F forecasts

We expect earnings to continue record double digit growth in the remaining quarters of the year. Ours and street 2H23F earnings for BBRI is around IDR30.1tn and IDR32.3tn (cons.) respectively. With its solid 1H23 result, FY23 earnings looks more conservatives as BBRI only need to post flattish PATMI growth in 2H23 to reach ours (13.5% yoy) and market (14.6% yoy) '23F net profit expectation for BBRI, ceteris paribus. What's more, assuming the bank will reach KBVs and street 2H23F net profit, than BBRI FY23 earnings will grow even stronger to around 14.6% yoy and 22.3% yoy (cons.).

BBRI remain looks attractive

At this juncture the stock remains attractive. Despite the potential wait and see stance as election approaching, we think overall growth in 2023 will continue to be backed by (1) stable loan demand growth (2) steady CoF which could maintain NIM expansion to remain on track (3) continuing asset quality improvement (4) soft and normalized provisions as front load has been made as well as manageable cost to income ratio. We also continue to like BBRI as the stock continue to become one of the most held stocks. KSEI data in Jul '23 revealed that foreign investors held around 37% or an increase by around 143bps higher versus Jan '23.

Maintain BUY with target price of IDR6,140

Our BBRI's intrinsic value is derived from GGM with fair P/B '23F of 2.9x, while its currently trading at 2.7x or slightly above its +1SD 5-year historical of 2.6x '23F P/B. Risks to our call are: a) lower-than-expected loan growth, NIM and loan yield, b) higher than expected CoC and c) higher inflation, slowing economic activity and d) deteriorating asset quality.

Key Statistics

Year-end Dec (IDR bn)	2021A	2022A	2023F	2024F	2025F
Net interest income	114,094	124,597	144,016	155,062	176,998
Non-interest income	42,259	48,880	52,276	57,678	63,903
Total operating income	156,353	173,477	196,293	212,740	240,901
Pre-provision operating profit	80,435	91,285	106,546	113,561	131,214
Net profit	31,066	51,170	58,077	62,681	71,745
EPS (IDR)	205	338	383	413	473
EPS growth (%)	66.5	64.7%	13.5	7.9	14.5
PER (x)	27.2	16.5	14.5	13.5	11.8
PBV (x)	2.9	2.8	2.7	2.6	2.4
Div. Yield (%)	3.1	5.1	5.2	6.3	7.2
ROE (%)	12.0	17.4	18.9	19.4	21.0

Source: Company, KB Valbury Sekuritas

Bank Rakyat Indonesia (BRI)

Figure 1: BRI 1H23 financial results

Income Statements (IDR bn)	1H22	1H23	YoY (%)	2Q22	2Q23	YoY (%)	1Q23	QoQ (%)	KBVS '23F	% to '23F	Cons' '23F	% to Cons'
Net interest income	64,614	65,540	1.4	34,207	32,761	(4.2)	32,779	(0.1)				
Non-interest income	18,186	22,175	21.9	9,134	11,710	28.2	10,465	11.9				
Total operating income	82,800	87,715	5.9	43,341	44,471	2.6	43,244	2.8				
Total operating expenses	(34,728)	(36,657)	5.6	(18,064)	(18,566)	2.8	(18,091)	2.6				
PPoP	48,072	51,058	6.2	25,277	25,905	2.5	25,153	3.0				
Loan loss provisions	(16,926)	(13,821)	(18.3)	(9,451)	(8,222)	(13.0)	(5,599)	46.8				
Net profit	24,786	29,422	18.7	12,619	13,920	10.3	15,502	(10.2)	58,077	50.7	58,632	50.2

Source : Company, KB Valbury Sekuritas

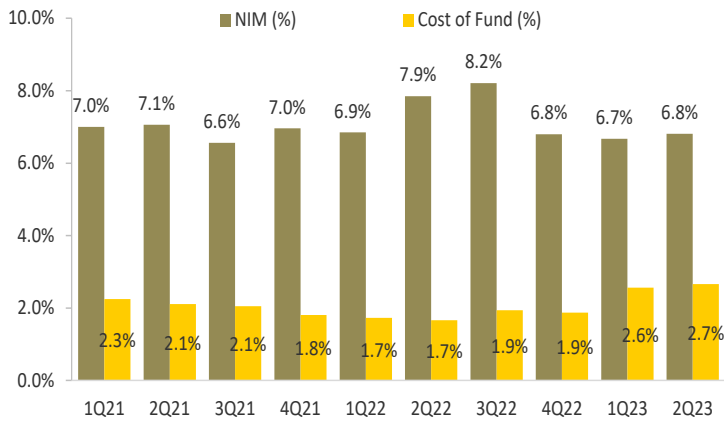
Balance Sheet (IDR bn)	1H22	1H23	YoY (%)	2Q22	2Q23	YoY (%)	1Q23	QoQ (%)
Gross loans	1,104,785	1,202,129	8.8	1,104,785	1,202,129	8.8	1,180,121	1.9
Demand Deposits	240,047	298,310	24.3	240,047	298,310	24.3	309,890	(3.7)
Saving deposits	500,372	517,115	3.3	500,372	517,115	3.3	500,201	3.4
Time deposits	396,563	429,691	8.4	396,563	429,691	8.4	445,362	(3.5)
CASA	740,419	815,425	10.1	740,419	815,425	10.1	810,091	0.7
Total equity	286,265	298,492	4.3	286,265	298,492	4.3	284,451	4.9

Source : Company, KB Valbury Sekuritas

Key Metrics (%)	1H22	1H23	YoY (%)	2Q22	2Q23	YoY (%)	1Q23	QoQ (%)
Loan (Rpbn)	1,104,785	1,202,129	8.8	1,104,785	1,202,129	8.8	1,180,121	1.9
Deposit (Rpbn)	1,136,982	1,245,116	9.5	1,136,982	1,245,116	9.5	1,255,453	(0.8)
LDR	88.5	87.3	(1.2)	88.5	87.3	(1.2)	84.9	2.3
CASA Ratio	65.1	65.5	0.4	65.1	65.5	0.4	64.5	1.0
NIM	8.2	7.9	(0.4)	8.2	7.9	(0.4)	7.8	0.0
Cost of Fund	1.9	2.8	0.9	1.9	2.8	0.9	2.7	0.1
NPL gross	3.3	3.0	(0.3)	3.3	3.0	(0.3)	2.9	0.1
NPL Coverage Ratio	266.3	248.5	(17.7)	266.3	248.5	(17.7)	282.5	(34.0)
Cost of Credit	3.11	2.26	(0.85)	3.1	2.3	(0.9)	2.4	(0.13)
Tier-1 CAR	24.1	25.6	1.5	24.1	25.6	1.5	23.9	1.6
ROE	17.5	20.0	2.5	17.5	20.0	2.5	21.2	(1.2)
ROA	3.0	3.2	0.2	3.0	3.2	0.2	3.4	(0.2)

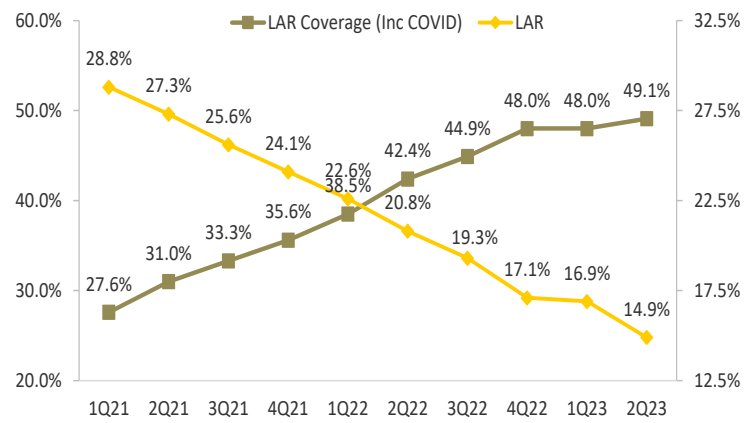
Source : Company, KB Valbury Sekuritas

Figure 2: Improving NIM with manageable Cost of Fund (%)



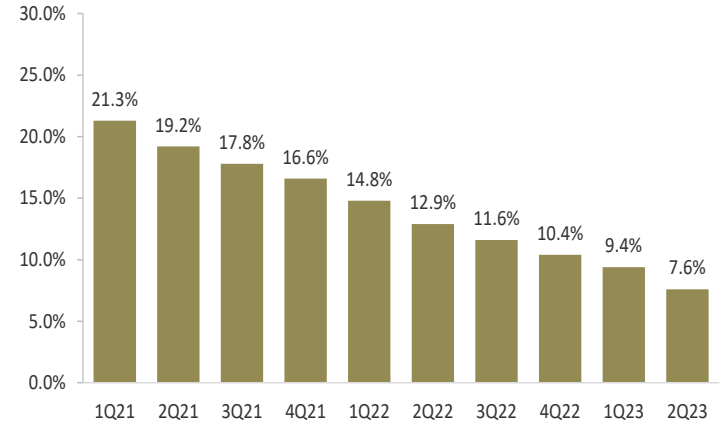
Source: Company, KB Valbury Sekuritas

Figure 3: Stronger LAR coverage with LAR improvement (%)



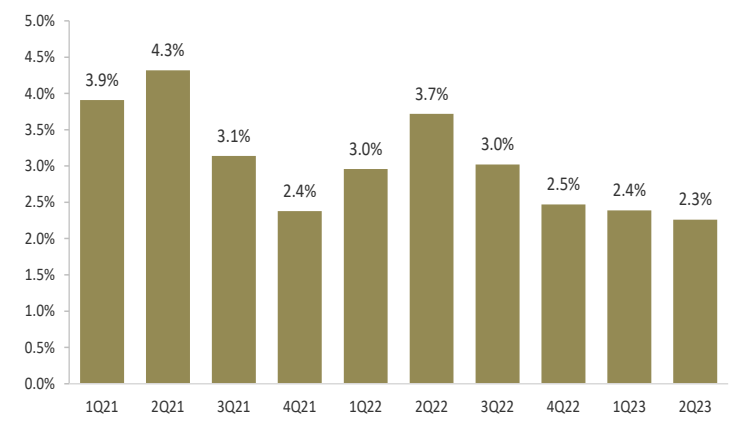
Source: Company, KB Valbury Sekuritas

Figure 4: Restru Covid-19 consistently improving (%)



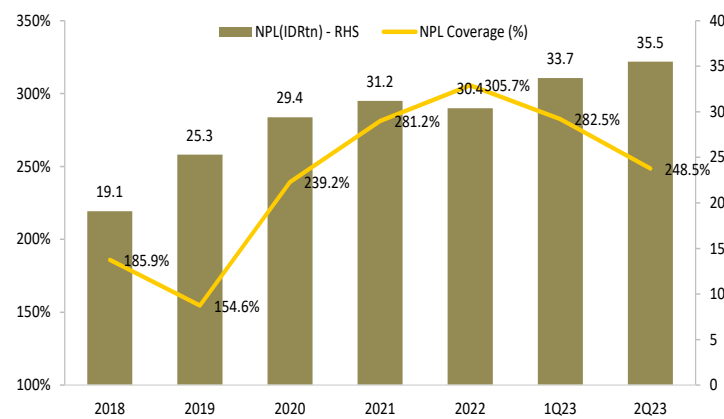
Source: Company, KB Valbury Sekuritas

Figure 5: Softened credit cost (%)



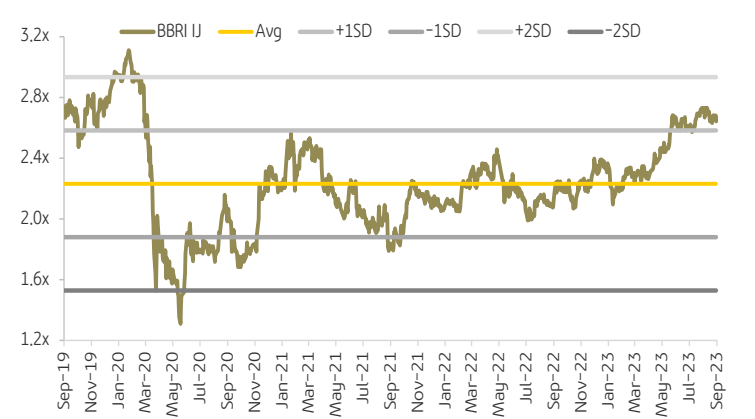
Source: Company, KB Valbury Sekuritas

Figure 6: NPL (IDRtn) and coverage (%)



Source: Company, KB Valbury Sekuritas

Figure 7: At 2.7x '23F P/B, slightly above +1SD 5-year hist. mean of 2.6x



Source: Company, Bloomberg, KB Valbury Sekuritas

Bank Rakyat Indonesia (BRI)

FINANCIAL TABLES

CONSOLIDATED STATEMENTS OF PROFIT OR LOSS

Year End Dec (IDR bn)	2021A	2022A	2023F	2024F	2025F
Interest income	143,523	151,875	178,586	194,724	223,803
Interest expenses	(29,429)	(27,278)	(34,569)	(39,663)	(46,806)
Net interest income	114,094	124,597	144,016	155,062	176,998
Non-interest income	42,259	48,880	52,276	57,678	63,903
Total operating income	156,353	173,477	196,293	212,740	240,901
Operating expenses	(75,918)	(82,192)	(89,747)	(99,179)	(109,687)
Pre-provision operating profit	80,435	91,285	106,546	113,561	131,214
Loan loss provision	(39,291)	(26,979)	(29,879)	(30,813)	(36,493)
Pretax profit	40,992	64,597	76,716	82,798	94,771
Tax Expenses	(7,836)	(13,188)	(19,179)	(20,699)	(23,693)
Net profit	31,066	51,170	58,077	62,681	71,745

Source: Company, KB Valbury Sekuritas

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

Year End Dec (IDR bn)	2021A	2022A	2023F	2024F	2025F
Assets					
Cash	26,300	27,407	29,035	31,274	34,578
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 Treasury Bills & Securities	305,059	264,945	285,970	301,160	325,307
Investment Securities	121,594	116,311	141,167	143,282	146,538
Loan (Consolidated)	955,038	1,045,989	1,156,508	1,291,920	1,431,774
Fixed Assets	47,970	55,216	63,498	67,943	68,962
Other assets	92,697	112,946	119,398	111,077	114,505
Total Asset	1,678,098	1,865,639	1,943,559	2,096,799	2,274,788
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 Securities Issued	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	215,751	234,875	253,341
Other Equity	19,905	14,303	17,104	11,973	16,163
Shareholder's Equity	288,735	299,294	316,676	330,668	353,325
Non-controlling Interest	3,052	4,101	4,306	4,522	4,748
Total Equity	291,787	303,395	320,982	335,190	358,073

Source: Company, KB Valbury Sekuritas

RATIO ANALYSIS

Year End Dec (%)	2021A	2022A	2023F	2024F	2025F
NIM	7.7	7.9	8.5	8.4	8.2
LDR	92	87	89	91	93
CASA	63.1	66.7	67.6	68.5	69.4
NPL	3.0	2.7	2.6	2.6	2.5
RAE	12.0	17.4	18.9	19.4	21.0
ROA	1.9	2.9	3.0	3.1	3.3
CAR	25.3	23.6	25.8	24.9	24.5
BVPS (IDR)	1,905	1,974	2,089	2,181	2,331
PER (x)	27.2	16.5	14.5	13.5	11.8
PBV (x)	2.9	2.8	2.7	2.6	2.4
Div. Yield	3.1	5.1	5.2	6.3	7.2

Source: Company, KB Valbury Sekuritas

Bank Rakyat Indonesia (BRI)

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