

Solid prospects remain, raising our '24F EPS

26 October 2023



BBRI IJ	BUY
Sector	Banks
Price at 19 Oct 2023 (IDR)	5,175
Price target (IDR)	6,390
Upside/Downside (%)	23.5

Stock Information

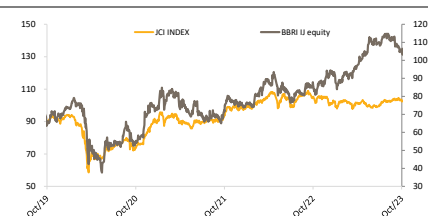
PT Bank Rakyat Indonesia (BBRI) established in 1895 is the oldest bank in Indonesia. BBRI plays an important role in developing grass root economy of Indonesia, focusing in Micro, Small and Medium Enterprises (MSMEs) segments.

Market cap (IDR bn)	784,318
Shares outstanding (mn)	151,559
52-week range (IDR)	4,360-5,750
3M average daily vol. ('000)	109,896
3M average daily val. (IDR mn)	594,969

Shareholders (%)

Republic of Indonesia	54.9
Public	45.1

Stock Performance



Source: Bloomberg

	1M	3M	12M
Performance	-4.4	-12.4	9.7

Analyst

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BBRI's 9M23 earnings of IDR44.2 tn grew 12.5% yoy, slightly surpassing ours and street estimates at 76.1%/75.4% (5yr hist avg: 72.7%). Loan continues to gain traction (+12.5% yoy), while TPF growth pick up (+13.2% yoy) was coupled with higher CASA by 10.1% yoy. Key ratios performance showed another solid figure, with NIM at 8.05%, 15bps higher than '23F management's upper guidance of 7.9%. We revisited our model to accommodate BBRI's solid prospects and raised our '23F and '24F EPS by 0.4%/1.2%. Maintain BUY with a higher rolled-over TP of IDR6,390 (2.9x '24F P/B), while BBRI is currently trading at 2.5x '24F P/B or at its +1SD historical mean.

9M23 earnings beating KBV's and street estimates

BBRI 9M23 earnings growth at 12.5% yoy (IDR44.2 tn), came slightly above ours and consensus expectation at 76.1%/75.4% (vs 5yrs average of 72.7%) driven by solid performance from top to bottom. Net interest income was better qoq as the transmission of higher benchmark rate to Cost of Fund continues, while provisions recorded stable and resulting higher PPOP by 10.9% yoy.

Strong loan and TPF growth

On balance sheet side, loan grew by 12.5% yoy and around 50bps higher than upper '23F management guidance at 12%, thanks to the strong corporate segment (+20.6% yoy) and steady demand appetite from micro segment (+11.6% yoy). TPF growth noted at a strong rate of 13.2% yoy driven mainly by CA growth at 28.1%, while CASA improves by 10.1% yoy to IDR821,135 tn. Customer deposits low-cost composition was at 63.6% and remain higher than 5yr historical average of 61.5% and way above (418bps) pre Covid level of 59.4%. With such achievement, we believe BBRI is in a good shape to restraint any CoF adjustment needed in the higher for longer interest rate environment.

Solid key metrics remains

Key metrics continue to be solid, with NIM reported at 8.05% in 9M23 and arriving around 15bps higher vs '23F management upper guidance at 7.9%. Cost of credit improves by 58bps yoy to 2.4% came in within '23F BBRI's forecast at 2.2%-2.4%, while NPL is successfully managed at around the same figure with 9M22 period (9M23: 3.07%). CIR become more efficient by 1.3% to 41.3% ('23F target 40.0%-41.5%). What's more, Tier-1 at 26.3% which is 119bps higher year-on-year should be translated as a potential RoE expansion as well as provide enough room to manage high dividend yield, in our view.

Earnings upgrades

We revisit our model and made some adjustment, as we believe on BBRI's strong latent prospect growth. Our new '24F loan growth forecast is around 50bps/60bps higher at 10.5%/11.62%, which mainly will be driven by its micro loan coupled with consumer segment. We also expect its corporate segment will play important role to the '24F overall loan growth, whereas as of 9M23 the segment contributes around 16.9% to BBRI's total loan portfolio, or 110bps higher year-on-year. Our new assumption resulting to a higher EPS by +0.4%/1.2% vs our previous '23F/'24F EPS for BBRI.

Maintain BUY with higher TP of IDR6,390

We raised our TP for BBRI as we revised up our EPS forecasts and rolled over BBRI's valuation to '24F. Our new TP of IDR6,390 (CoE:12%, RoE:21%) is 4.1% higher (previous TP: IDR6,140). Our GGM intrinsic value for BBRI is pegged at 2.9x '24F P/B while its currently trading at 2.5x '24F P/B, or at +1SD historical mean. At this juncture, BBRI looks attractive following its 8.4% share price drop over the past 3 months. 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)	25.2	15.3	13.5	12.4	10.8
PBV (x)	2.7	2.6	2.5	2.4	2.2
Div. Yield (%)	3.4	5.5	5.6	6.9	7.9
RoE (%)	12.0	17.4	18.9	19.6	21.2

Source: Company, KBVS Research

Exhibit 1: BBRI 9M23 financial and key performance metrics results

Income Statements (IDR bn)	9M22	9M23	YoY (%)	3Q22	3Q23	YoY (%)	2Q23	QoQ (%)	KBVS '23F % to '23F Cons' '23F	% to Cons'
Net interest income	96,507	101,197	4.9	31,893	35,657	11.8	32,761	8.8		
Non-interest income	27,771	33,657	21.2	9,585	11,482	19.8	11,710	-1.9		
Total operating income	124,278	134,854	8.5	41,478	47,139	13.6	44,471	6.0		
Total operating expenses	-52,876	-55,673	5.3	-18,148	-19,016	4.8	-18,566	2.4		
PPoP	71,402	79,181	10.9	23,330	28,123	20.5	25,905	8.6		
Loan loss provisions	-22,565	-22,979	1.8	-5,639	-9,158	62.4	-8,222	11.4		
Net profit	39,311	44,214	12.5	14,435	14,653	1.5	13,997	4.7	58,301	75.8
									58,632	75.4

Source : Company, KB Valbury Sekuritas

Balance Sheet (IDR bn)	9M22	9M23	YoY (%)	3Q22	3Q23	YoY (%)	2Q23	QoQ (%)
Gross loans	1,111,478	1,250,715	12.5	1,111,478	1,250,715	12.5	1,202,129	4.0
Demand Deposits	245,644	314,710	28.1	245,644	314,710	28.1	298,310	5.5
Saving deposits	500,083	506,426	1.3	500,083	506,426	1.3	517,115	-2.1
Time deposits	394,038	469,151	19.1	394,038	469,151	19.1	429,691	9.2
Total deposits	1,139,765	1,290,287	13.2	1,139,765	1,290,287	13.2	1,245,116	3.6
CASA	745,727	821,136	10.1	745,727	821,136	10.1	815,425	0.7
Total equity	300,336	311,534	3.7	300,336	311,534	3.7	298,492	4.4

Source : Company, KB Valbury Sekuritas

Key Metrics (%)	9M22	9M23	YoY (%)	3Q22	3Q23	YoY (%)	2Q23	QoQ (%)
Loan (IDRbn)	1,111,478	1,250,715	12.5	1,111,478	1,250,715	12.5	1,202,129	4.0
Deposit (IDRbn)	1,139,765	1,290,287	13.2	1,139,765	1,290,287	13.2	1,245,116	3.6
LDR	88.5	87.8	-0.8	88.5	87.8	-0.8	87.3	0.5
CASA Ratio	65.4	63.6	-1.8	65.4	63.6	-1.8	65.5	-1.8
NIM	8.2	8.1	-0.2	8.2	8.1	-0.2	7.9	0.2
Cost of Fund	1.9	2.7	0.8	1.9	2.7	0.8	2.8	0.0
NPL gross	3.1	3.1	0.0	3.1	3.1	0.0	3.0	0.1
NPL Coverage Ratio	275.9	228.7	-47.3	275.9	228.7	-47.3	248.5	-19.9
Cost of Credit	3.0	2.4	-0.6	3.0	2.4	-0.6	2.3	0.2
Tier-1 CAR	25.1	26.3	1.19	25.1	26.3	1.2	25.6	0.8
ROE	18.2	19.7	1.5	18.2	19.7	1.5	20.0	-0.3
ROA	3.2	3.2	0.1	3.2	3.2	0.1	3.2	0.0

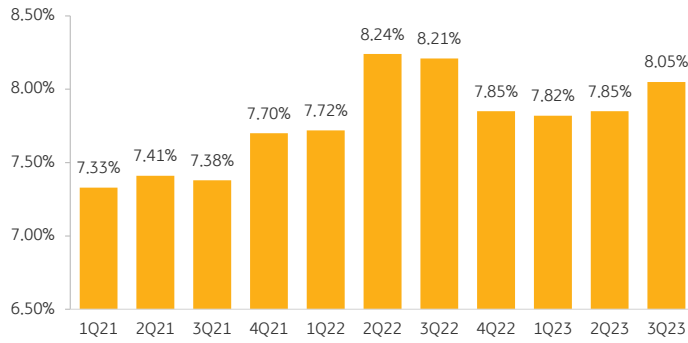
Source : Company, KB Valbury Sekuritas

Exhibit 2: BBRI forecast revisions

	New		Original		Diff.		Street		Diff to cons	
	2023F	2024F	2023F	2024F	2023F	2024F	2023F	2024F	2023F	2024F
Loan	1,259,028	1,405,374	1,253,085	1,391,588	0.5%	1.0%				
Deposit	1,411,672	1,524,280	1,411,672	1,524,280	0.0%	0.0%				
Interest Income	178,954	195,932	178,586	194,724	0.2%	0.6%				
Interest Expenses	(34,569)	(39,663)	(34,569)	(39,663)						
Net Interest Income	144,385	156,269	144,016	155,062	0.3%	0.8%				
Non Interest Income	52,276	57,678	52,276	57,678						
Operating Expenses	(89,747)	(99,179)	(89,747)	(99,179)						
PPOP	106,914	114,769	106,546	113,561	0.3%	1.1%				
Provision Expenses	(29,951)	(31,035)	(29,879)	(30,813)						
Pretax profit	77,013	83,784	76,716	82,798						
Net profit	58,301	63,427	58,077	62,681	0.4%	1.2%	59,067	65,971	101.3%	104.0%

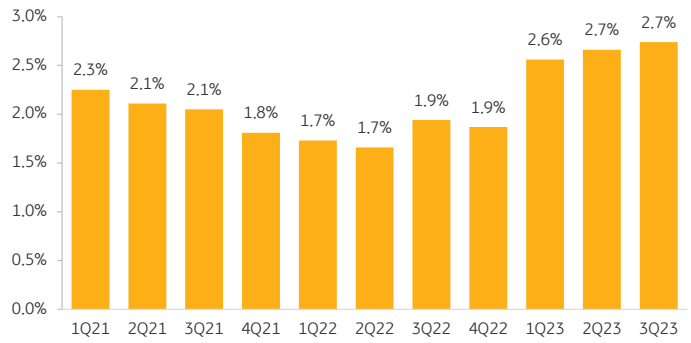
Source : Company, KB Valbury Sekuritas

Exhibit 3: Well managed NIM amid all the challenges



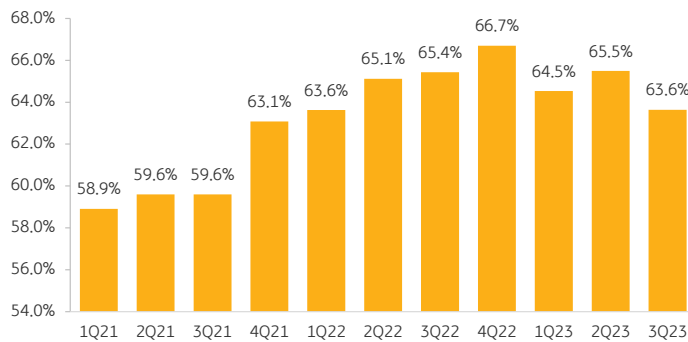
Source: Company, KBVS Research

Exhibit 4: Flattish cost of fund amid continuing benchmark rate transmission



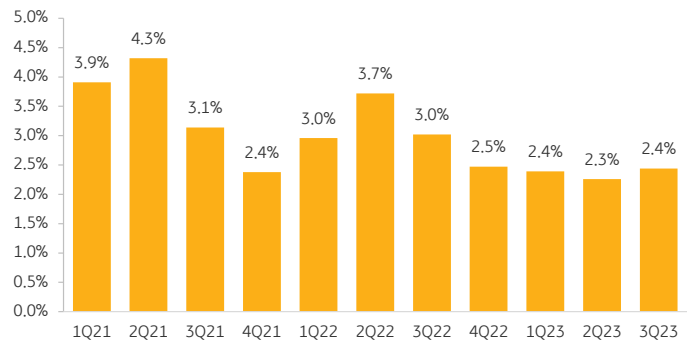
Source: Company, KBVS Research

Exhibit 5: Solid CASA remains and better than Pre Covid historical average



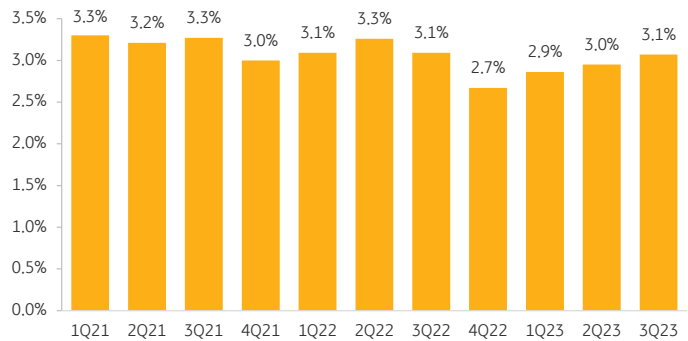
Source: Company, KBVS Research

Exhibit 6: Cost of credit consistently soft



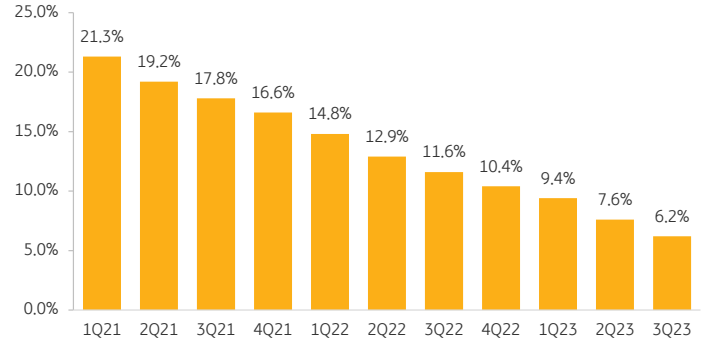
Source: Company, KBVS Research

Exhibit 7: Well behaved NPL



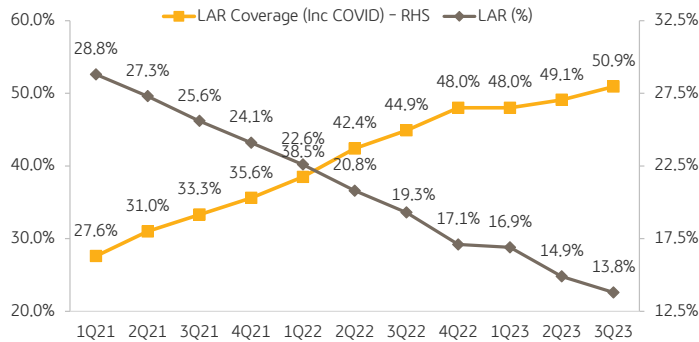
Source: Company, KBVS Research

Exhibit 8: Restru Covid continue to walk in the downhill track



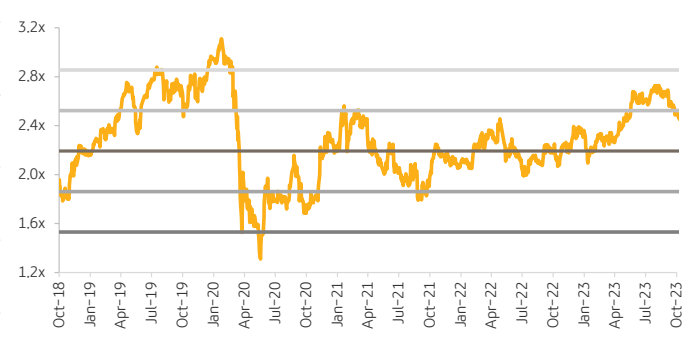
Source: Company, KBVS Research

Exhibit 9: LAR and LAR coverage getting better and stronger



Source: Company, KBVS Research

Exhibit 10: Currently trading at 2.5x '24F P/B, at its +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)	25.2	15.3	13.5	12.4	10.8
PBV (x)	2.7	2.6	2.5	2.4	2.2
Div. Yield (%)	3.4	5.5	5.6	6.9	7.9

Source: Company, KBVS Research

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