

Bank Rakyat Indonesia (BBRI)

1Q23 solid result likely to continue

10 May 2023



BBRI IJ	BUY
Sector	Banks
Price at 10 May 2023 (IDR)	5,150
Price target (IDR)	5,550
Upside/Downside (%)	7.8

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)	780,529
Shares outstanding (mn)	151,559
52-week range (Rp)	3,960-5,275
3M average daily vol. ('000)	128,960
3M average daily val. (Rp mn)	628,687

Shareholders (%)

Republic of Indonesia	54.9
Public	45.1

Stock Performance



Source: Bloomberg

	1M	3M	12M
Performance (%)	5.4	6.0	12.6

Analyst(s)

Akhmad Nurcahyadi

akhmad.nurcahyadi@kbvalbury.com

BBRI booked solid 1Q23 results with PATMI beating ours and street forecast by 3.4%/3.7%. Strong earnings backed by solid growth from top to bottom, while qoq performance was saved by higher non-interest income and lower opex. We expect solid result to continue in the following quarters with smooth transition on another rate transmission if needed. Loan growth could arrive at double digit in 2023, with key metrics likely to continue within the range of FY22 and 1Q23 figures. Maintain BUY, with target price of IDR5,550, pegged at 2.7x '23F P/B vs. currently at 2.5x '23F P/B, or at its +1SD 10-year historical.

Solid yoy growth from top to bottom, backed by manageable opex on qoq basis

Amid soften earnings growth concern in 2023, BBRI proven its resiliency performance by reporting solid 1Q23 result. Net profit at IDR15.5tn which grew by 29.0% yoy was mainly driven by solid growth from top to bottom and with the help from provisions expenses dropped by 25.1% yoy. On quarterly basis, amid some adjustment on deposits rate which make interest expenses 13.4% qoq higher, net interest income remain grew by 16.7% qoq and stronger compared to year-on-year basis, thanks to solid interest income growth at 15.9% qoq. Worth noting that quarter-on-quarter basis, PATMI growth at 29.0% qoq also backed by higher non-interest income and lower opex.

Expecting '23F earnings growth of 13.5% yoy

BBRI's 1Q23 earnings beat both ours and street estimates by 3.4%/3.7%, while in 1Q stand-alone PATMI at IDR15.5tn was surpassing our 1Q23F for BBRI by 3.4% and by 4.9% for consensus. Following its solid 1Q23 result we expect BBRI's '23F net profit to grow by 13.5% yoy (Cons' 13.3% yoy) will be underpinned by 15.6% yoy growth in net interest income and manageable opex growth at 9.2% yoy (FY22 8.3% yoy), which will bring PPOP to grow by 16.7% yoy.

We might see another double-digit loan growth

Total loans stood at IDR1,180 tn in 1Q23 (9.7% yoy, 3.6% qoq), slightly arrives below BBRI's lower range target (10%-12%) on seasonality impact, in our view. Of the total, micro remain the key driver, accounted 47.7% of total loans and grew by 11.2% yoy, backed by KUR segment (4.1% yoy) and Kupedes strong growth at 29.4%. BBRI maintains its '23F loan growth within the range of 10%-12% or similar to industry growth expectation (Bank Indonesia forecast). Our conservative projection for BBRI '23F loan growth at 10.1% yoy will be underpinned by its micro loan business as the backbone (12.5% yoy), while on consumer segment we expect loan demand will be 9.9% yoy higher (1Q23 13.7% yoy).

Continuing vigorous key performance

BBRI recorded another solid key performance metrics across the boards. Amid the first quarter seasonality effect, NIM continue to expand by 10bps higher to 7.82% and arrives within management range guidance at 7.7%-7.9%. Asset quality measurement also recorded less risky, whereas NPL improves 23bps from 3.09% to 2.86% in 1Q23, with solid coverage at 282.5%. Liquidity was also not a concern and continue to be more ample with better CASA, thanks to a quarter-to-quarter TD sharp drop to IDR309.9tn from IDR349.8tn in 4Q22. Last but not least, CoC also reported dropped sharply to 2.44% from 2.96% in 1Q22. BBRI guiding CoC to hover between 2.2%-2.4% (KBVS: 2.4%).

Consistent Asset Quality improvement

On risk metrics side, BBRI continue to enjoy LAR recovery momentum. Total LAR stood at 16.4% far below 22.6% in 1Q22 and with coverage mounted to 49.2% and 107bps stronger compared to 1Q22. In terms of total amount, total restructured loan continuously moves on the downhill track recorded at IDR99.8tn or 6.9% qoq better, while on year-on-year basis it dropped sharply from IDR144.3tn in 1Q22 or dropped 30.8% yoy lower. We do not see any doubt for the bank to effortlessly walk through the business-as-usual activity by the time relaxation policy for all sector will be fully lifted.

Maintain BUY with target price of IDR5,550

Our target price is derived from GGM with fair P/B '23F of 2.7x, while its currently attractively trading at its +1SD 10-year historical of 2.5x '23F P/B. Risks to our call: a) lower-than-expected loan growth, NIM, loan yield, b) higher than expected CoC, deteriorating AQ.

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)	25.1	15.3	13.4	12.5	10.9
PBV (x)	2.7	2.6	2.5	2.4	2.2
Div. Yield (%)	3.4	5.6	5.6	6.8	7.8
ROE (%)	12.0	17.4	18.9	19.4	21.0

Source: Company, KB Valbury Sekuritas

Bank Rakyat Indonesia (BBRI)

Figure 1: BBRI's Financial Overview

Income Statements (IDR bn)	3M22	3M23	YoY (%)	1Q22	1Q23	YoY (%)	4Q22	QoQ (%)	KBVS '23F	% to '23F	Cons' '23F	% to Cons'
Net interest income	30,407	32,779	7.8	30,407	32,779	7.8	28,089	16.7				
Non-interest income	350	522	49.1	350	522	49.1	816	(36.0)				
Total operating income	30,757	33,301	8.3	30,757	33,301	8.3	28,905	15.2				
Total operating expenses	(16,664)	(18,091)	8.6	(16,664)	(18,091)	8.6	(21,418)	(15.5)				
PPoP	22,794	25,153	10.3	22,794	25,153	10.3	19,883	26.5				
Loan loss provisions	(7,474)	(5,599)	(25.1)	(7,474)	(5,599)	(25.1)	(4,415)	26.8				
Net profit	12,167	15,502	27.4	12,167	15,502	27.4	12,014	29.0	58,077	26.7	57,389	27.0

Source : Company, KB Valbury Sekuritas

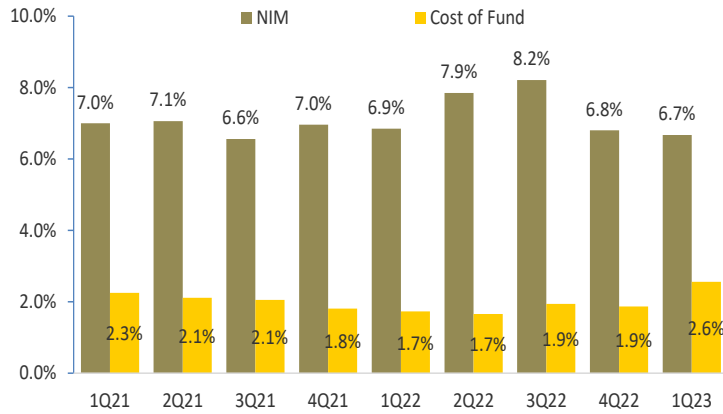
Balance Sheet (IDR bn)	3M22	3M23	YoY (%)	1Q22	1Q23	YoY (%)	4Q22	QoQ (%)
Gross loans	1,075,927	1,180,121	9.7	1,075,927	1,180,121	9.7	1,139,077	3.6
Demand Deposits	227,551	309,890	36.2	227,551	309,890	36.2	349,756	(11.4)
Saving deposits	489,258	500,201	2.2	489,258	500,201	2.2	522,648	(4.3)
Time deposits	409,687	445,362	8.7	409,687	445,362	8.7	435,481	2.3
Total equity	275,986	284,451	3.1	275,986	284,451	3.1	303,395	(6.2)

Source : Company, KB Valbury Sekuritas

Key Metrics	3M22	3M23	YoY (%)	1Q22	1Q23	YoY (%)	4Q22	QoQ (%)
Loan (Rpb)	1,075,927	1,180,121	9.7	1,075,927	1,180,121	9.7	1,139,077	3.6
Deposit (Rpb)	1,126,496	1,255,453	11.4	1,126,496	1,255,453	11.4	1,307,885	(4.0)
LDR	95.5	94.0	(1.5)	95.5	94.0	(1.5)	87.1	6.9
CASA Ratio	63.6	64.5	0.9	63.6	64.5	0.9	66.7	(2.2)
NIM	7.7	7.8	0.1	7.7	7.8	0.1	7.9	(0.0)
Cost of Fund	2.0	2.7	0.7	2.0	2.7	0.7	2.1	0.6
NPL Ratio	3.1	2.9	(0.2)	3.1	2.9	(0.2)	2.7	0.2
NPL Coverage Ratio	286.2	282.5	(3.7)	286.2	282.5	(3.7)	305.7	(23.2)
Cost of Credit	3.0	2.4	(0.5)	3.0	2.4	(0.5)	2.5	(0.0)
Tier-1 CAR	23.6	23.9	0.3	23.6	23.9	0.3	24.5	(0.6)
ROE	17.2	21.2	4.0	17.2	21.2	4.0	17.6	3.6
ROA	2.9	3.4	0.4	2.9	3.4	0.4	3.0	0.4

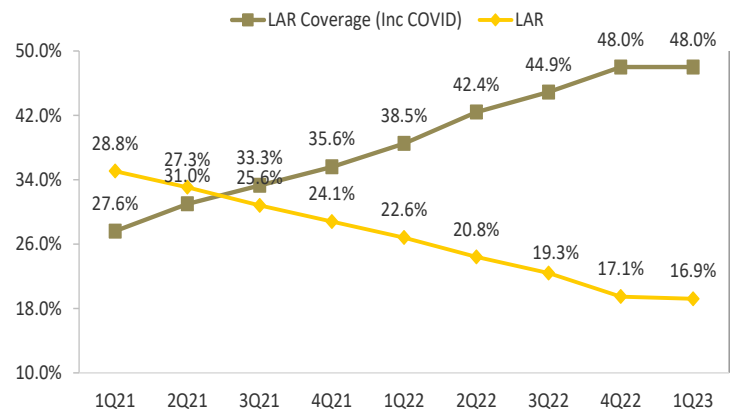
Source : Company, KB Valbury Sekuritas

Figure 2: Improving NIM with manageable Cost of Fund



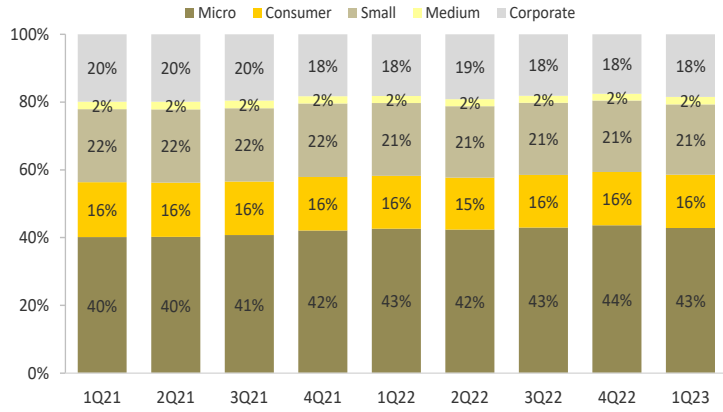
Source: Company, KB Valbury Sekuritas

Figure 3: Stronger LAR coverage with LAR improvement



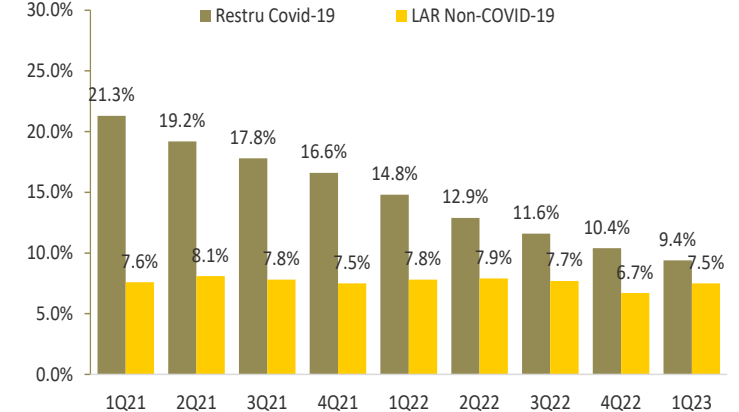
Source: Company, KB Valbury Sekuritas

Figure 4: Solid micro segment should continue as main earnings driver



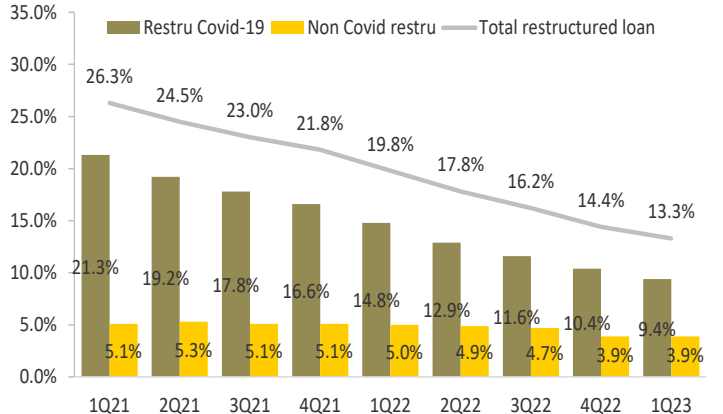
Source: Company, KB Valbury Sekuritas

Figure 5: Restru Covid-19 consistently improved in six straight quarters



Source: Company, KB Valbury Sekuritas

Figure 6: Better restru Covid-19 with improving restructured loan



Source: Company, KB Valbury Sekuritas

Figure 7: Currently trading at 2.5x '23F P/B, at its +1SD 10-year historical



Source: 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)
Minorities interest	311	(238)	539	582	666
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
ROE	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)	25.1	15.3	13.4	12.5	10.9
PBV (x)	2.7	2.6	2.5	2.4	2.2
Div. Yield	3.4	5.6	5.6	6.8	7.8

Source: Company, KB Valbury Sekuritas

Bank Rakyat Indonesia (BRI)

Disclaimer

This report is prepared by PT KB Valbury Sekuritas, a member of the Indonesia Stock Exchange, or its subsidiaries or its affiliates ("KBVS"). All the material presented in this report is under copyright to KBVS. None of the parts of this material, nor its contents, may be copied, photocopied, or duplicated in any form or by any means or altered in any way, or transmitted to, or distributed to any other party without the prior written consent of KBVS.

The research presented in this report is based on the information obtained by KBVS from sources believed to be reliable, however KBVS do not make representations as to their accuracy, completeness or correctness. KBVS accepts no liability for any direct, indirect and/or consequential loss (including any claims for loss of profit) arising from the use of the material presented in this report and further communication given or relied in relation to this document. The material in this report is not to be construed as an offer or a solicitation of an offer to buy or sell any securities or financial products. This report is not to be relied upon in substitution for the exercise of independent judgement. Past performance and no representation or warranty, express or implied, is made regarding future performance. Information, valuations, opinions, forecasts and estimates contained in this report reflects a judgement at its original date of publication by KBVS and are subject to change without notice, its accuracy is not guaranteed or it may be incomplete.

The Research Analyst(s) primarily responsible for the content of this research report, in part or as a whole, certifies that the views about the companies and their securities expressed in this report accurately reflect his/her personal views. The Analyst also certifies that no part of his/her compensation was, is or will related to specific recommendation views expressed in this report. It also certifies that the views and recommendations expressed in this report do not and will not take into account client circumstances, objectives, needs and no intentions involved as a use for recommendations for sale or buy any securities or financial instruments.

KB Valbury Sekuritas

Headquarters

Menara Karya, 9th Floor
Jl. H.R. Rasuna Seldi Blok X-5 Kav 1-2
Jakarta 12950, Indonesia
T +62 21 255 33 600
F +62 21 255 33 778

Branch Office

Jakarta - Kelapa Gading
Nukan Plaza Pacific
Jl. Raya Boulevard Barat Blok A1 No. 10
Jakarta 13670
T +62 21 - 29451577

Jakarta - Puri Indah
Rukan Grand Ales Wisya
Blok E.2 No. 2 V JI. Taman Aries, Kembangan,
Jakarta 14450
T +62 21 - 22542890
F +62 21 - 29264310

Jakarta - Pluit
Jl. Pluit Putra Raya No. 7
Jakarta 14240
T +62 21 - 29364300
F +62 21 - 22542391

Bandung
Jl. HOS Cokroaminoto No. 82
Bandung 40173
T +62 22 - 87258888
T +62 22 - 87255800
F +62 22 - 87259831

Semarang
Cardi Plaza Building Lt. Dasar
Jl. Sultan Agung No. 90-90A
Semarang 50252
T +62 24 - 8521888
T +62 24 - 8501122
F +62 24 - 8507450

Yogyakarta
Jl. Magelang KM 5.5 no. 75
Yogyakarta 55204
T +62 274 - 4469500
T +62 274 - 623111
F +62 274 - 623222

Galeri Investasi

Padang
Jl. Kampung Nias II no. 10,
Kel. Belakang Pondok,
Kec. Padang Selatan
T +62 751 8955747

Manado
Kawasan Megamas, Ruko Megaprofit
Blok IF2 No. 38 Manado. 95254
T +62 431 7917 836
F +62 431 889 2129

Surabaya
Paksawan Center Turgungan Plaza Lantai 23
Jl. Embong Malang No.1
Surabaya 60161
T +62 31 - 2955777
T +62 31 - 2955288
F +62 31 - 2955736

Depasar
Komplek Bili Styles Hotel
Jl. Teuku Umar No. 177
Depasar Bili 80154
T +62 361 - 254888
T +62 361 - 225229
F +62 361 - 225339

Banjarmasin
Jl. Gatot Subroto No.33 Kel. Kebun Bunga
Kec. Banjarmasin Timur
Kaltimantan Selatan 70235
T +62 511 - 8269418
F +62 511 - 8253432

Solo
Jl. Renggo Waristo no. 34
Solo 57118
T +62 271 832888
F +62 271 656888

Makassar
Rantulang Points 11. 3
Jl. Dr Sam Ratulangi No. 2 Korjungman, Mariso
Makassar, Sulawesi Selatan 90125
T +62 411 8955999

Malang
Jl. Pahlawan Trip no. 7
Malang 65112
T +62 341 - 585888
F +62 341 - 560056

Solo
Jl. Hinggawaristo No. 34
Surakarta 57118
T +62 271 - 642888

Palembang
Komp. PTC Mall Blok I No. 7 & R. Sukanto Kel. 8 IIR
Kec. Br Timar II Palembang 30114
T 07135700281

Medan
Komplek Jati Junction No. PS-5A
Jl. Pemuda Kemerdakaan
Medan 20218
T +62 61 - 88816222
F 62 61 - 88816333

Pekanbaru
Jl. Tazanu Tambusai
Komplek CNV Blok A No.5 Pekanbaru 28291
T +62 763 - 839993
Galeri Investasi

Padang
Jl. Kampung Nias II no. 10,
Kel. Belakang Pondok,
Kec. Padang Selatan
T +62 751 8955747

Manado
Kawasan Megamas, Ruko Megaprofit
Blok IF2 No. 38 Manado. 95254
T +62 431 7917 836
F +62 431 889 2129

Solo
Jl. Hinggawaristo No. 34
Surakarta 57118
T +62 271 - 642888

Palembang
Komp. PTC Mall Blok I No. 7 & R. Sukanto Kel. 8 IIR
Kec. Br Timar II Palembang 30114
T 07135700281

Galeri Investasi BRI - KBVS

Yogyakarta
Universitas Kristen Duta Wacana
T +62 274 - 544052

Manado
Universitas Prima Manado
T 0431 8800850

Jakarta
Universitas Gadjadarmas
T +62 21 - 8727541