

Bank Rakyat Indonesia (BBRI)

Expecting Stronger Impact From The Synergy

23 November 2022



BBRI IJ	BUY
Sector	Banks
Price at 28 Nov 2022 (IDR)	4,820
Price target (IDR)	5,550
Upside/Downside (%)	15.1

Stock Information

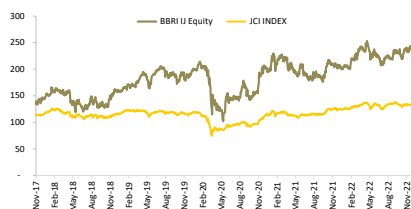
Bank Rakyat Indonesia (BBRI) established in 1895 is the oldest bank in Indonesia. BBRI plays an important role in developing grass root economy of Indonesia, focusing in Micro, Small and Medium Enterprises (MSMEs) segments.

Market cap (IDR bn)	730,514
Shares outstanding (mn)	151,559
52-week range (Rp)	3,960-4,980
3M average daily vol. ('000)	163,779
3M average daily val. (Rp mn)	742,542

Shareholders (%)

Republic of Indonesia	53.2
Public	46.8

Stock Performance



Source: Bloomberg

	1M	3M	12M
Performance (%)	(5.0)	(8.8)	4.2

Analyst(s)

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BBRI solid earnings growth is expected to continue in '23F, despite at a slower pace amid high-base effect in '22F. Loan book growth is expected to be slower as well, yet the impact of rising policy rate transmission to earnings asset yield could underpin '23F NIM to arrive at a similar level with '22F. We continue to like BBRI as the synergy with Pegadaian and PNM will provide ample room for growth going forward. With scaled-up earnings likely to continue, solid ROE should persist and eventually translate into an attractive dividend yield. Maintain BUY, with a higher target price of IDR5,550, pegged at 2.6x '23F P/B vs. currently 2.2x '23F P/B, or at its 10-year historical mean.

2023 earnings growth remains solid

Strong 9M22 earnings is likely to continue in 4Q22 thus in-line to achieve our '22F net profit growth forecast of 50.0% yoy or IDR46.03 tn (consensus' at 55.1% yoy or IDR48.04 tn) underpin by 17.1% yoy and 21.4% yoy growth in net interest income and PPOP. In 2023, earnings growth is expected to normalize post strong y-o-y growth in '22F as a result of '21 low base effect and economic reopening momentum. In '23F, net profit growth is forecasted to moderate at 16.1% yoy (IDR54.1 tn) but still much higher than the 5-yrs pre-pandemic mean of only 8%. We believe increasing earnings asset yield will help '23F interest income to grow by 10.7% yoy (vs. '22F of 10.9% yoy) while 10.5% PPOP growth and slightly lower provision expense amid stable asset quality will further enhanced bottom line growth in '23F.

Acceptable slower loan growth

As the reopening economy post Covid-19 take place, banking sector has continuously showed solid improving performance including BBRI. Nevertheless, we think such strong growth would not be the case for 2023 despite our expectation on macro stability. We also anticipating the potential impact from global uncertainty with spiking inflation and rising policy rates that still intact in short term. Having said that, we forecast BBRI's loan growth could softened to 7.96% yoy or 129bps vs. 2022F figure at 9.25% yoy (9M22 7.92% yoy and bank only at 8.2% yoy). Micro will continue to be the growth driver and taking the largest portion at 46.3% with small commercial and consumers at 20.6% and 15.6%, respectively.

2023F NIM will remain solid with manageable asset quality

BBRI NIM recovery momentum is likely to continue despite the macro headwind and higher interest rate environment. Post reporting higher 9M22 NIM at 8.2% (vs. 9M21: 7.4%), we believe it will remain solid in 2022F at 8.7%. In 2023, we might see another inched improvement to 8.9% (20bp higher vs 2022F) on the back of higher loan yield and well managed CoF which could bring net interest income growth to 7.7% yoy to IDR143.9 tn. On risk metrics, we view asset quality will continue to be manageable. NPL could arrive at 2.89% in 2023F, or slightly improve than 2022F NPL of 2.94%. As of 9M22, BBRI's NPL came in at 3.09% or 18bps better from 3.27% in 9M21.

Stronger RoE means ample room for higher dividend

We continue to like BBRI, especially on its latest synergy with Pegadaian and PNM which will strengthen its position to penetrate deeper to SME huge potential market and creates ample room for growth. Aside from the collaboration, we also think that with strong CAR (improved to 26.14% in 9M22 from 25.97% in 9M21), BBRI could record higher ROE going forward and this also means offering a higher dividend yield.

Maintain BUY with higher target price of IDR5,550 (IDR5,400 previously)

Our target price is based on Gordon Growth Model with fair P/B of 2.6x (normalized ROE: 17.6%, cost of equity: 10.6%, long-term growth: 6.1%). BBRI is currently trading at 2.2x 2023F P/B, or at 10-year historical mean. Risks to our call: a) lower-than-expected loan growth, NIM, loan yield, b) higher than expected CoC, slowing economic activity, deteriorating AQ.

Key Statistics

Year-end Dec (IDR bn)	2020A	2021A	2022F	2023F	2024F
Net interest income	93,584	114,094	133,569	143,893	154,610
Non-interest income	38,978	42,259	45,541	51,461	58,740
Total operating income	132,563	156,353	179,111	195,353	213,350
Pre-provision operating profit	65,059	80,435	97,646	107,896	116,973
Net profit	18,655	31,067	46,597	54,089	60,944
EPS (IDR)	123	205	307	357	402
EPS growth (%)	(55.8)	66.5	50.0	16.1	12.7
PER (x)	38.0	22.8	15.2	13.1	11.6
PBV (x)	3.1	2.5	2.3	2.2	2.0
Div. Yield (%)	1.7	2.9	4.3	5.0	5.6
ROE (%)	8.6	12.0	15.5	17.0	18.0

Source: Company, KB Valbury Sekuritas

Bank Rakyat Indonesia (BRI)

BRI's Financial Overview

Income Statements (IDR bn)	9M22	9M21	YoY (%)	3Q22	3Q21	YoY (%)	2Q22	QoQ (%)	2022F	% to '22F	Cons'	% of Cons'
Net interest income	96,508	82,958	16.3	31,894	27,997	13.9	34,207	(4.3)	133,569	72.3%		
Non-interest income	33,473	31,379	6.7	11,790	10,144	16.2	10,931	7.9				
Total operating income	129,981	114,337	13.7	43,684	38,141	14.5	45,138	(3.2)				
Total operating expenses	(58,578)	(54,581)	7.3	(20,353)	(19,161)	6.2	(19,860)	2.5	97,646	-60.0%		
PPoP	71,403	59,756	19.5	23,332	18,980	22.9	25,277	(7.7)				
Loan loss provisions	(22,565)	(31,285)	(27.9)	(5,639)	(8,959)	(37.1)	(9,452)	(40.3)				
Net profit	39,311	19,070	106.1	14,435	6,530	121.1	12,656	14.1	46,597	84.4%	48,191	81.6%

Source : Company

Balance Sheet (IDR bn)	9M22	9M21	YoY (%)	3Q22	3Q21	YoY (%)	2Q22	QoQ (%)
Gross loans	1,111,478	1,029,939	7.9	1,111,478	1,029,939	7.9	1,104,785	8.7
Demand Deposits	245,644	206,443	19.0	245,644	206,443	19.0	240,047	25.6
Saving deposits	500,083	470,156	6.4	500,083	470,156	6.4	500,372	8.3
Time deposits	394,038	458,705	(14.1)	394,038	458,705	(14.1)	396,563	(10.6)
Total equity	300,336	280,283	7.2	300,336	280,283	7.2	286,265	24.2

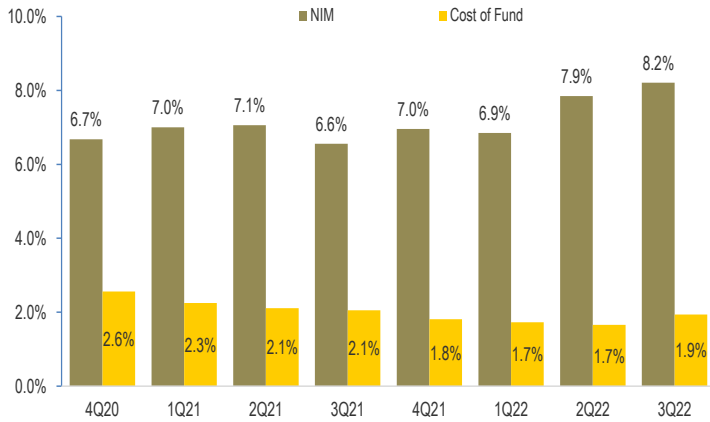
Source : Company

Forecast Changes	New		Original		Diff.		Street		Var	
	2022F	2023F	2022F	2023F	2022F	2023F	2022F	2023F	2022F	2023F
Net interest income (Rp bn)	133,569	143,893	126,469	136,179	5.6	5.7	N/A	N/A	N/A	N/A
PPOP	97,646	107,896	86,617	92,192	12.7	17.0	N/A	N/A	N/A	N/A
Operating Profit	66,461	77,123	56,616	60,624	17.4	27.2	N/A	N/A	N/A	N/A
Net Profit	46,597	54,089	44,890	48,005	3.8	12.7	48,042	55,021	(3.0)	(1.7)

Source : Company, KB Valbury Sekuritas

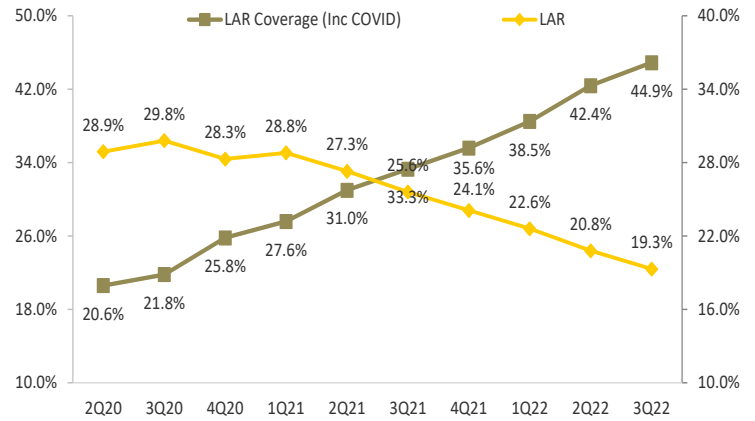
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Improving NIM with manageable Cost of Fund



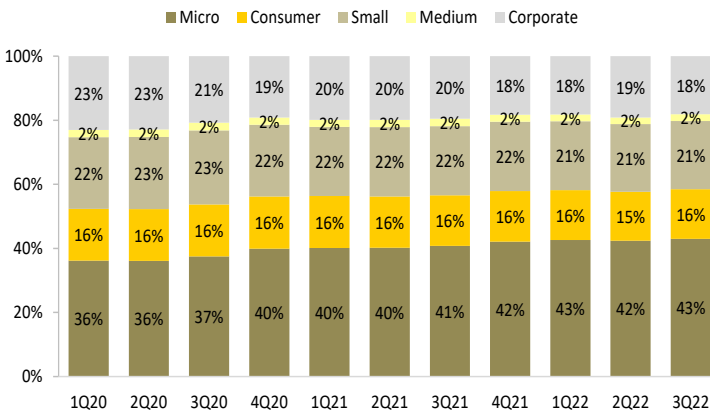
Source: Company

Stronger LAR coverage with LAR improvement



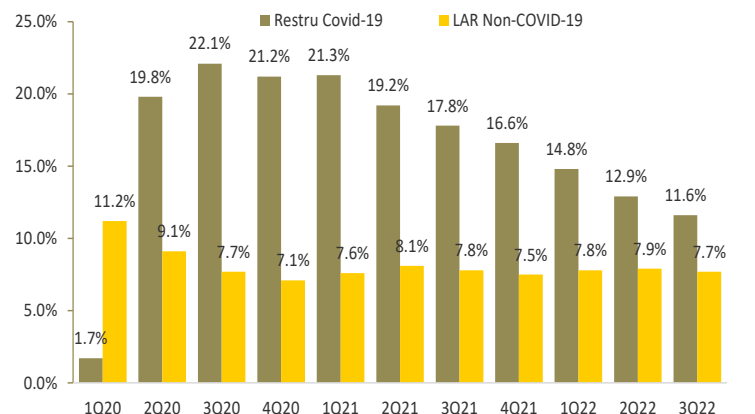
Source: Company

Solid micro segment should continue as main earnings driver



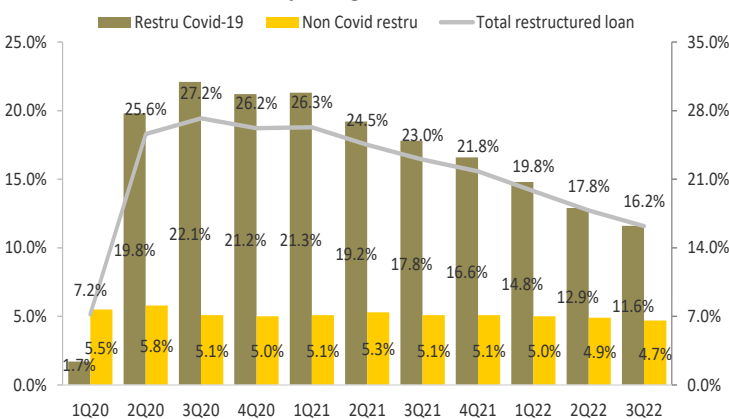
Source: Company

Restru Covid-19 consistently improved in six straight quarters



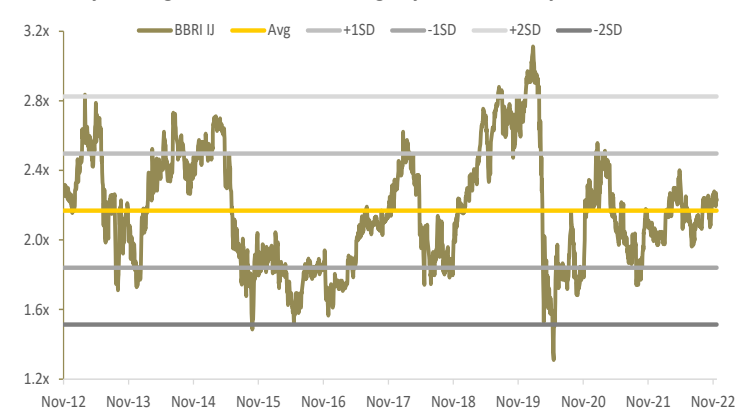
Source: Company

Better restru Covid-19 with improving restructured loan



Source: Company

Currently trading at 2.3x 2022F P/B, slightly above its 10-year historical mean



Source: Company, KB Valbury Sekuritas

Bank Rakyat Indonesia (BRI)

FINANCIAL TABLES

CONSOLIDATED STATEMENTS OF PROFIT OR LOSS

Year End Dec (IDR bn)	2020A	2021A	2022F	2023F	2024F
Interest income	135,765	143,523	159,202	176,292	193,672
Interest expenses	(42,180)	(29,429)	(25,633)	(32,399)	(39,062)
Net interest income	93,584	114,094	133,569	143,893	154,610
Non-interest income	38,978	42,259	45,541	51,461	58,740
Total operating income	132,563	156,353	179,111	195,353	213,350
Operating expenses	(67,504)	(75,918)	(81,464)	(87,457)	(96,376)
Pre-provision operating profit	65,059	80,435	97,646	107,896	116,973
Loan loss provision	(35,280)	(39,291)	(31,185)	(30,773)	(30,096)
Pretax profit	29,993	40,992	66,309	76,971	86,725
Tax Expenses	(8,952)	(7,836)	(16,577)	(19,243)	(21,681)
Minorities interest	(2,387)	(2,090)	(3,135)	(3,639)	(4,100)
Net profit	18,655	31,067	46,597	54,089	60,944

Source: Company, KB Valbury Sekuritas

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

Year End Dec (IDR bn)	2020A	2021A	2022F	2023F	2024F
Assets					
Cash	32,275	26,300	22,373	25,438	27,058
Current Account at BI	51,531	56,427	53,603	56,836	57,707
Interbank Loans	80,006	73,013	71,144	76,663	82,642
Govt Treasury Bills & Securities	284,211	305,059	257,590	277,574	299,222
Investment Securities	89,565	121,594	130,978	132,178	135,362
Loan	949,798	955,038	1,041,662	1,123,930	1,221,542
Fixed Assets	43,707	47,970	55,166	60,682	64,930
Other assets	78,973	92,697	106,492	106,418	110,279
Total Asset	1,610,065	1,678,098	1,739,007	1,859,720	1,998,742
Liabilities					
Interbank Deposit	23,786	13,329	24,532	26,436	28,497
Customer Deposit	1,120,922	1,138,743	1,226,617	1,321,779	1,424,865
Debts Securities Issued	57,757	55,307	36,799	39,653	42,746
Other Liabilities	178,134	178,932	135,793	143,548	148,126
Total liabilities	1,380,598	1,386,311	1,423,741	1,531,416	1,644,235
Equity					
Capital Stock	6,167	7,578	7,578	7,578	7,578
Additional Paid-in Capital	3,412	76,243	76,243	76,243	76,243
Retained Earnings	166,972	185,009	212,317	236,118	261,904
Other Equity	50,365	19,905	15,924	5,000	5,250
Shareholder's Equity	226,916	288,735	312,062	324,939	350,975
Non-controlling Interest	2,551	3,052	3,204	3,365	3,533
Total Equity	229,467	291,787	315,266	328,304	354,508

Source: Company, KB Valbury Sekuritas

RATIO ANALYSIS

Year End Dec (%)	2020A	2021A	2022F	2023F	2024F
NIM	6.9	7.7	8.7	8.9	8.9
LDR	91	92	93	93	94
CASA	59.7	63.1	64.0	64.9	65.8
NPL	2.6	2.9	2.9	2.9	2.8
ROAE	8.6	12.0	15.5	17.0	18.0
ROAA	1.2	1.9	2.7	3.0	3.2
CAR	20.6	25.3	26.4	27.6	27.8
BVPS (IDR)	1,497	1,905	2,058	2,143	2,315
PER (x)	38.0	22.8	15.2	13.1	11.6
PBV (x)	3.1	2.5	2.3	2.2	2.0
Div. Yield	1.7	2.9	4.3	5.0	5.6

Source: Company, KB Valbury Sekuritas

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