

Bank Rakyat Indonesia (BBRI)

Solid micro segment for sustainable growth

28 April 2022



BBRI IJ	BUY
Sector	Banks
Price at 27 April 2022 (Rp)	4,850
Price target (Rp)	5,400
Upside/Downside (%)	11.3

Stock Information

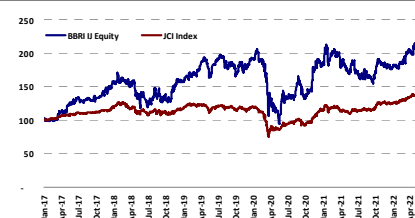
Bank Rakyat Indonesia (BBRI) established in 1895 is the oldest bank in Indonesia. BBRI plays an important role in developing grass root economy of Indonesia, focusing in Micro, Small and Medium Enterprises (MSMEs) segments. Nowadays, BBRI is the largest micro-banking in the world.

Market cap (Rp bn)	735,061
Shares outstanding (mn)	151,559
52-week range (Rp)	4,980-3,500
3M average daily vol. ('000)	174,990
3M average daily val. (Rp mn)	797,372

Shareholders (%)

Republic of Indonesia	53.2
Public	46.8

Stock Performance



Source: Bloomberg

	1M	3M	12M
Performance (%)	3.0	17.1	19.2

Analyst(s)

Budi Rustanto, CFA, FRM
Devi Harjoto

- BBRI's 1Q22 net profit rose 78.2% YoY to Rp12.17tn, representing 33.4% of our FY estimate
- We expect loans to grow 9% YoY in 2022, driven by micro and ultra micro. Furthermore, we anticipate NIM to be at 7.8% as BBRI will focus on high yield assets growth, improving CoF efficiency, and leveraging Pegadaian-PNM synergy. We also estimate credit cost to hover around 3.0% and NPL to stand at 3.0% with LAR coverage exceeding 40%
- Reiterate BUY with 11.3% upside potential on a 12-month view, backed by 1) robust micro loan growth amid economic recovery, higher KUR allocation, ultra micro synergy; 2) NIM improvement; 3) increasing fee based income and CASA following digitalization; 4) solid liquidity and capital; as well as 4) manageable asset quality with high coverage ratio

Exceeding expectations

BBRI's net profit surged 78.2% YoY to Rp12.17tn in 1Q22, accounting for 33.4%/29.3% of our/consensus FY forecasts. Net interest income grew 12.1% YoY to Rp30.41tn in 1Q22 as interest income increased 5.9% YoY to Rp36.73tn, while interest expenses were down 16.4% YoY to Rp6.32tn. NIM improved from 7.33% in 1Q21 to 7.72% in 1Q22, driven by lower CoF by 43bps YoY to 1.97%. Furthermore, fees and commissions went up 12.1% YoY to Rp4.56tn in 1Q22, particularly sourced from e-channel, insurance, and loan admin fees. Recovery income escalated 31.0% YoY to Rp2.36tn in 1Q22. However, gain from sales of securities declined 57.9% YoY to Rp456bn in 1Q22. Moreover, opex rose slightly by 3.8% YoY to Rp18.37tn in 1Q22 with cost to income ratio (CIR) down to 44.6% from 46.6% in 1Q21. In addition, provision shrunk 26.6% YoY to Rp7.47tn in 1Q22 amid economic recovery, while NPL coverage ratio expanding from 231.2% in 1Q21 to 276.0% in 1Q22.

Strong loan growth coupled with higher LAR coverage

BBRI's loans and financing grew 7.4% YoY to Rp1,075.9tn in 1Q22 as micro segment escalated 15.4% YoY to Rp415.4tn, contributing 42.6% of total portfolio from 40.2% in 1Q21. Furthermore, NPL went up slightly from 3.12% in 1Q21 to 3.15% in 1Q22, mainly came from micro, small and consumer segments. Restructured loans to total portfolio declined from 26.3% in 1Q21 to 19.8% in 1Q22. Loan at risk (LAR) was also down from 28.8% in 1Q21 to 22.6% in 1Q22 with coverage increasing from 27.6% in 1Q21 to 38.5% in 1Q22 as the bank built up adequate provision to mitigate pandemic impacts. Meanwhile, liquidity remained ample with stable LDR YoY at 87.0% in 1Q22. Moreover, CASA ratio expanded from 58.9% in 1Q21 to 63.6% in 1Q22, driven by higher demand deposits and lower time deposits. Post right issue, capital was robust with CAR rose from 18.9% in 1Q21 to 24.6% in 1Q22 to support sustainable growth.

Focus on high yield assets and CoF improvement

We maintain our BBRI's loan growth assumption of 9% YoY in 2022, mainly supported by micro and ultra micro ecosystem. Following economic recovery, the bank has implemented strategies to boost Kupedes, namely business process reengineering, product innovation, new business model, and new rules of KUR disbursement. The growth will also be driven by 1) KUR allocation of Rp260tn with subsidized fixed rate; 2) ample liquidity with comfortable LDR level at c.90%; 3) robust capital; and 4) improving LAR with sufficient coverage. Furthermore, we expect NIM to be at 7.8% this year as BBRI will remain focus on high yield assets growth and quality, improving CoF efficiency by expanding CASA ratio, and leveraging synergy with higher margin Pegadaian and PNM. Moreover, we estimate cost of credit to be manageable at 3.0% and opex to increase 7% YoY in 2022. In addition, we anticipate that NPL will hover around 3.0% with LAR coverage exceeding 40% by year-end.

Reiterate BUY on the back of solid micro segment and digitalization

We maintain our BUY call with a higher GGM-based price target of Rp5,400 per share, assuming ROE of 13.2% and cost of equity of 11.1%. Note that at our price target, the stock would trade at a 2022F PER of 18.6x and PBV of 2.7x. We remain sanguine on BBRI's outlook, driven by 1) robust micro loan growth following economic recovery, higher KUR allocation, ultra micro ecosystem synergy, coupled with BRILink and BRIMo development; 2) NIM improvement; 3) increasing fee based income, efficiency, and CASA by focusing on digital and culture transformation, which we believe to be a cushion against economic downturn; 4) solid liquidity and capital to cater loan demands; as well as 5) manageable asset quality with high coverage ratio.

Key Statistics

Year end Dec	2020A	2021A	2022F	2023F	2024F
Net interest income (Rp bn)	93,584	114,094	122,969	132,738	142,714
Inc. from op. before prov. (Rp bn)	65,059	80,435	86,313	92,305	98,030
Income from operations (Rp bn)	29,779	41,144	55,389	59,731	63,758
Net income (Rp bn)	18,655	31,067	43,997	47,387	50,520
EPS (Rp)	152	205	290	313	333
EPS growth (%)	(45.8)	34.7	41.6	7.7	6.6
PER (x)	31.9	23.7	16.7	15.5	14.5
PBV (x)	2.6	2.5	2.4	2.3	2.1
Div. Yield (%)	3.5	1.6	3.6	3.9	4.2
ROE (%)	8.6	12.0	14.8	15.1	15.2
ROA (%)	1.2	1.9	2.6	2.6	2.6

Bank Rakyat Indonesia (BBRI)

BBRI's Financial Overview

Consolidated Income Statement (Rp bn)	1Q21	1Q22	YoY Change	4Q21	1Q22	QoQ Change
Net interest income	27,121	30,407	12.1%	42,404	30,407	(28.3%)
Other operating income	10,852	10,752	(0.9%)	16,366	10,752	(34.3%)
Other operating expenses	(17,697)	(18,365)	3.8%	(34,058)	(18,365)	(46.1%)
Operating income before prov.	20,276	22,794	12.4%	24,712	22,794	(7.8%)
Net provision	(10,181)	(7,474)		(8,921)	(7,474)	
Operating income	10,095	15,320	51.7%	15,791	15,320	(3.0%)
Non-operating income	68	40		(108)	40	
Income before tax	10,163	15,360	51.1%	15,683	15,360	(2.1%)
Tax benefit (expense)	(2,412)	(3,140)		(1,597)	(3,140)	
Income for the year	7,752	12,220	57.6%	14,086	12,220	(13.3%)
Net profit from acquisition	(892)	-		(2,401)	-	
Non-controlling interest	34	52		(125)	52	
Income attributable to parent	6,826	12,167	78.2%	11,810	12,167	3.0%

Source: Company, KB Valbury Sekuritas

Consolidated Balance Sheet (Rp bn)	1Q21	1Q22	YoY Change	2021	1Q22	YTD Change
Total assets	1,411,052	1,650,279	17.0%	1,678,098	1,650,279	(1.7%)
Outstanding loans (gross)	914,189	1,024,346	12.0%	994,417	1,024,346	3.0%
Third Party Funds	1,049,315	1,126,495	7.4%	1,138,743	1,126,495	(1.1%)
Demand deposits	174,330	227,551	30.5%	220,590	227,551	3.2%
Saving deposits	443,867	489,258	10.2%	497,677	489,258	(1.7%)
Time deposits	431,118	409,687	(5.0%)	420,476	409,687	(2.6%)
LDR (calculated)	87.1%	90.9%		87.3%	90.9%	
CASA to total deposits	58.9%	63.6%		63.1%	63.6%	

Source: Company, KB Valbury Sekuritas

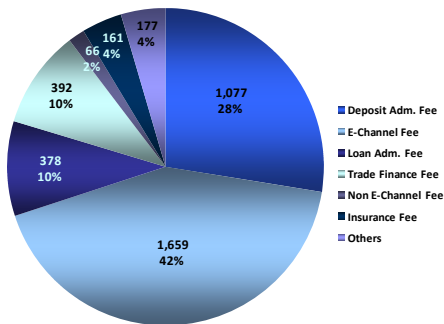
Financial Ratios (Bank Only)	1Q21	1Q22	2021	1Q22
NPL (gross)	3.12%	3.15%	3.08%	3.15%
LDR	86.77%	87.14%	83.67%	87.14%
NIM	7.00%	6.85%	6.89%	6.85%
ROE	13.73%	15.39%	14.09%	15.39%
Cost of funds	2.26%	1.73%	2.05%	1.73%
Op. exp. to op. income (BOPO)	76.83%	64.26%	74.30%	64.26%
Total CAR	19.40%	22.39%	25.28%	22.39%

Source: Company

Bank Rakyat Indonesia (BRI)

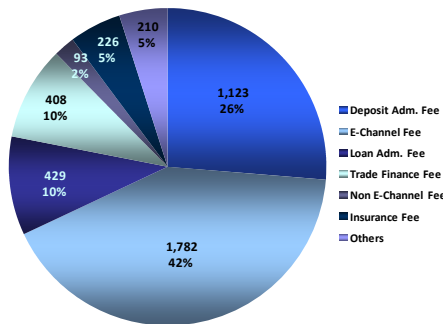
Fees and commissions increased 9.2% YoY in 1Q22

Fee Based Income Composition (Rp bn)
1Q21, (Bank Only)



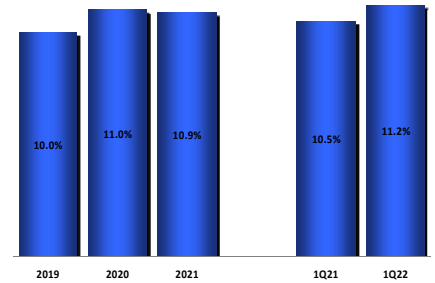
Source: Company

Fee Based Income Composition (Rp bn)
1Q22, (Bank Only)



Source: Company

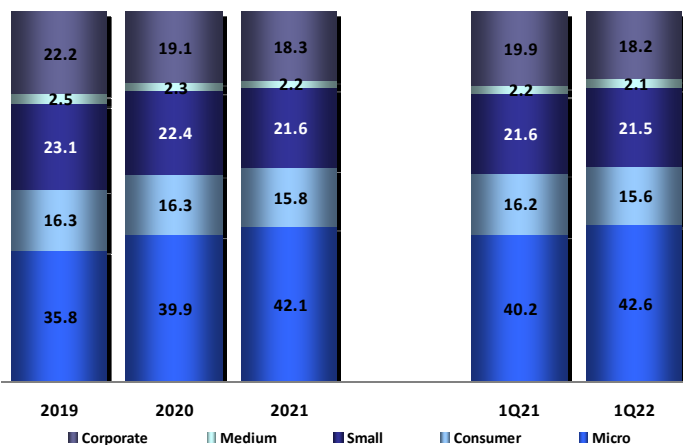
FBI to Total Income
(Bank Only)



Source: Company

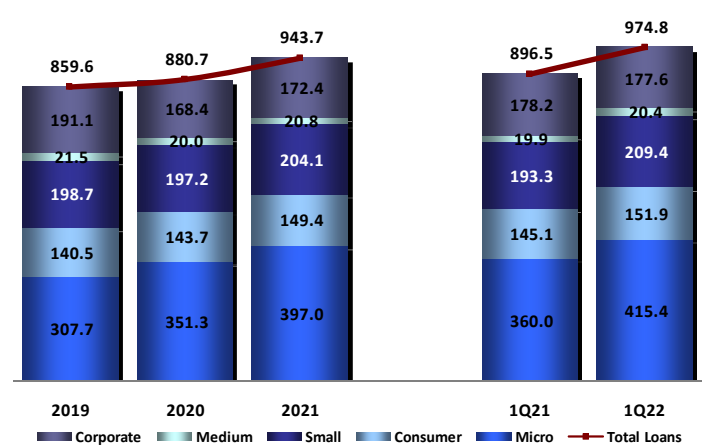
Loan growth was driven by micro, small, and consumer

Loans Composition – by Business Segment (%)
(Bank Only)



Source: Company

Loans Outstanding – by Business Segment (Rp tn)
(Bank Only)



Source: Company

NPL inched up from 3.12% in 1Q21 to 3.15% in 1Q22

Non Performing Loan – Gross (%), Bank Only

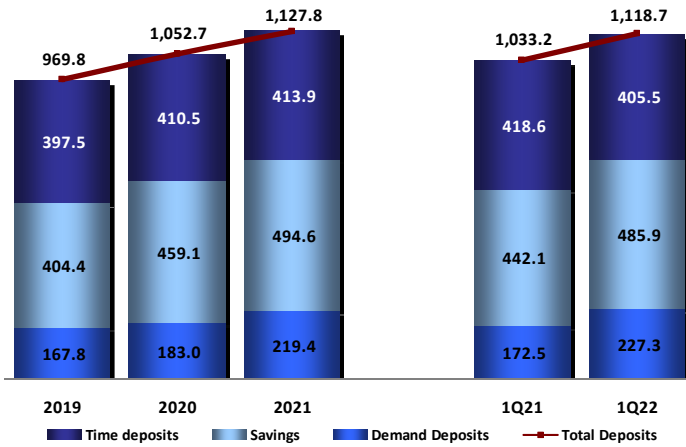
NPL by Segment (%)	2019	2020	2021	1Q21	1Q22
Micro	1.18	0.83	1.49	1.23	1.77
Consumer	1.10	1.49	1.78	1.65	1.93
Small	3.17	3.61	4.05	4.10	4.39
Medium	5.38	4.61	3.57	4.46	3.95
Corporate	5.18	7.57	6.68	6.93	5.89
Total NPL	2.62	2.94	3.08	3.12	3.15

Source: Company

Bank Rakyat Indonesia (BRI)

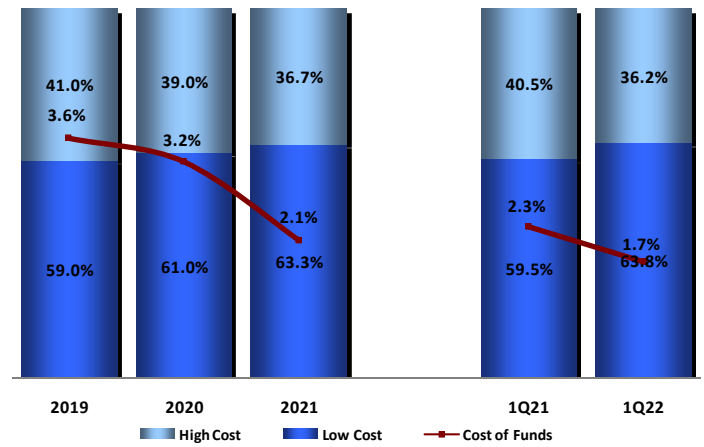
CASA ratio rose from 59.5% in 1Q21 to 63.8% in 1Q22

Deposits Trend (Rp tn)
(Bank Only)



Source: Company

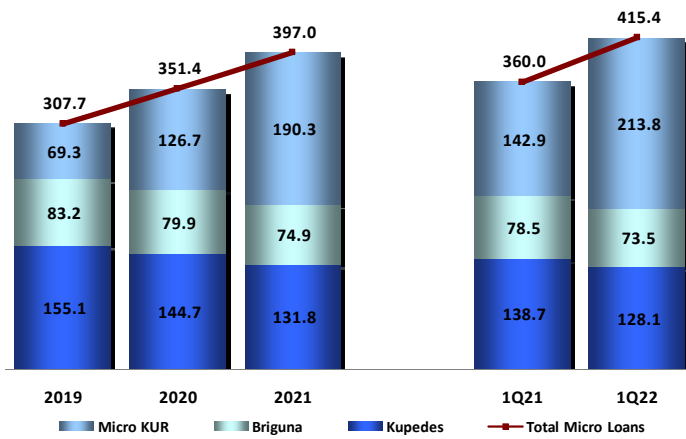
Deposits Composition and Cost of Funds
(Bank Only)



Source: Company

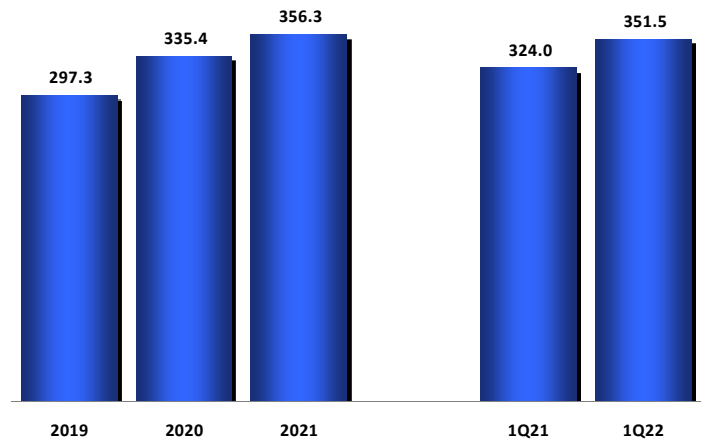
Micro loans escalated 15.4% YoY in 1Q22 on the back of solid growth in KUR

Micro Loans (Rp tn)
(Bank Only)



Source: Company

Micro Deposits (Rp tn)
(Bank Only)



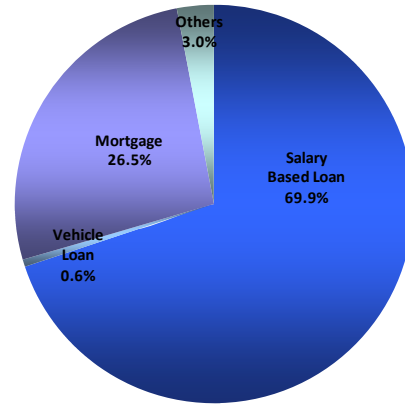
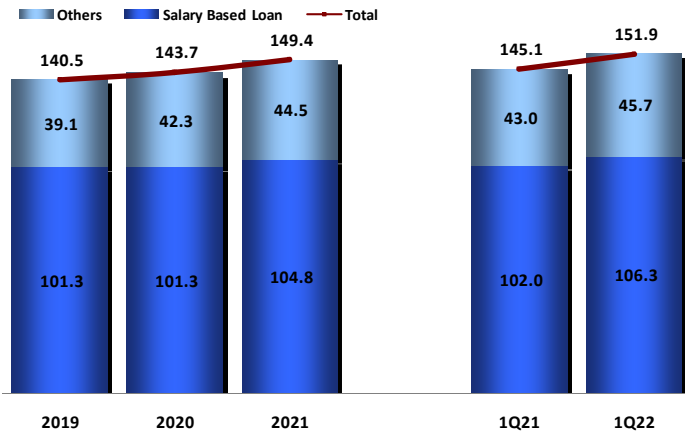
Source: Company

Bank Rakyat Indonesia (BRI)

Consumer loans increased 4.7% YoY with salary based loan contribution at 69.9% in 1Q22

Consumer Loans Growth Trend (Rp tn)
(Bank Only)

Consumer Loans Composition
(Bank Only)



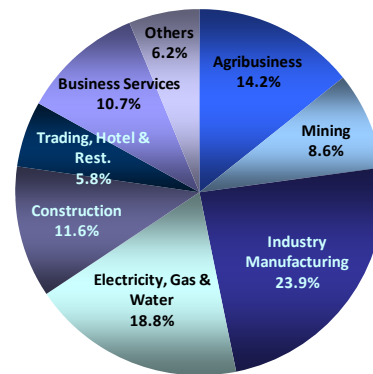
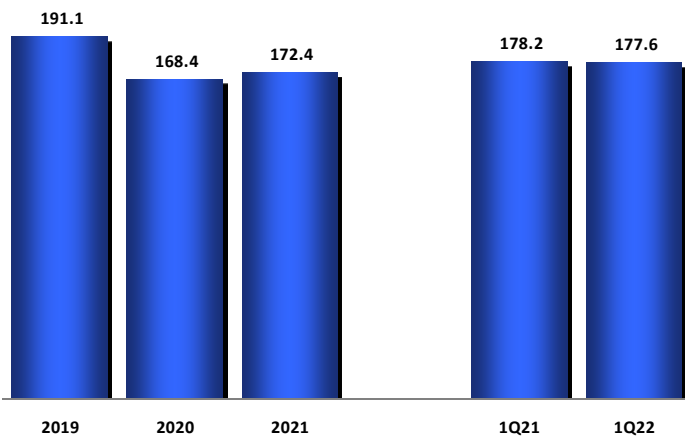
Source: Company

Source: Company

Corporate loans inched down 0.3% YoY in 1Q22

Corporate Loans Growth Trend (Rp tn)
(Bank Only)

Corporate Loans by Business Sectors
(Bank Only)



Source: Company

Source: Company

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