

Bank Rakyat Indonesia (BBRI)

Value Beyond Profit

9 February 2023



BBRI IJ	BUY
Sector	Banks
Price at 8 Feb 2023 (IDR)	4,790
Price target (IDR)	5,550
Upside/Downside (%)	15.9

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)	732,03
Shares outstanding (mn)	151,559
52-week range (Rp)	3,960-5,025
3M average daily vol. ('000)	155,054
3M average daily val. (Rp mn)	731,460

Shareholders (%)

Republic of Indonesia	53.2
Public	46.8

Stock Performance



Source: Bloomberg

	1M	3M	12M
Performance (%)	5.2	3.9	8.5

Analyst(s)

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Albeit normalized, BBRI robust FY22 result should continue this year. The bank will continue to enjoy the improvement in micro segment outlook this year, on top of its prominent positioning to serve the huge untapped market. A good combination of its robust capital management and synergy with Pegadaian and PNM should be translated as solid foundation for ample room of growth going forward. This also means a persistence of scaled-up earnings and solid ROE which interpret into an attractive dividend yield. Maintain BUY, with target price of IDR5,550, pegged at 2.6x '23F P/B vs. currently 2.2x '23F P/B, or at its 10-year hist. mean.

2023 earnings growth should remain solid

Following its 9M22 earnings growth at 106.1% yoy, BBRI reported another strong quarter and made up FY22 earnings reached IDR51.4 tn, surged by 67.1% yoy. Aside from 9.2% yoy and 13.5% yoy growth in net interest income and PPOP, a sharp 31.3% drop in provisions also boost FY22 earnings to beats ours and street's '22F figures by 10.3/4.4%. In '23F we expect earnings growth to normalized, yet remain solid at 16.1% yoy and above 3 years CAGR growth pre pandemic of 8.9%. Our '23F net profit forecast of IDR54.1 tn were 3.1% below street forecast at IDR55.8 tn.

We might see another double-digit loan growth

FY22 loan book grew at healthy level (9.2% yoy, 9.4% qoq) and arrived within management guidance of 9%-11% and largely in line with our expectation of 9.25% yoy. Micro segment saw a continuing improvement with 13.9% yoy growth and accounted for 48.4% of total loans or around 200bp higher compared to last year. Consumer segment also saw double digit growth at 11.4% yoy, contributing around 14.7% to BBRI's consolidated loan figures and expands by 30 bp. This year, the bank is guiding loan growth within range of 10%-12% yoy, or similar to industry growth projected by Bank Indonesia.

Robust key performance across the boards

FY22 NIM stood at 7.85% or 15bp higher vs last year and arrived within guidance of 7.7%-7.9%. As a result of continuing improvement in asset quality, CoC stood at 2.55% and 123bp better from FY21. NPL also saw a better figures by 32bp at 2.67% with sturdy loan coverage at 305.7%, or a massive increase from 281.16% in FY21. We also like BBRI's well managed CAR which continue to sit at solid level of 25.5% with Tier-1 CAR 24.5%. (vs. Basel 3 regulatory requirement of only 17.5%). With such gap, we believe capital adequacy is surely not an issue for BBRI and thus provide the bank with plenty of room to focus to play the game of growth.

Proven consistent asset quality improvement

On risk metrics, BBRI has successfully walk through and enjoy the LAR recovery momentum which drop almost half to 17.11% compared to pandemic era at 28.26% (FY20) and 19.36% in previous quarter. LAR coverage (inc. Covid-19) mounted to 48.0% or 220bp better vs 25.8% in FY20 and 44.9% in 9M22. Total restructured loan consistently on the downhill track to 14.4% vs 26.2% in FY20 and 16.2% in 9M22. With such improvement we do not see any doubt for the bank to effortlessly phase out the relaxation policy.

Enough confidence on '23F guidance

The bank is guiding NIM to hover within the range of 7.7%-7.9% (FY22: 7.85%) amid transmission policy rate hike to loan repricing and CoF adjustment. BBRI also attempt to compensate growth with manageable CIR (bank only) and thus eyeing the ratio at 40%-41.5%. CoC is expected to further improve ranging between 2.2%-2.4% (FY22 2.55%) and we believe the figure is achievable given its solid asset quality improvement.

Maintain BUY with target price of IDR5,550

Our target price is derived from GGM with fair P/B '23F of 2.6x, while its currently attractively trading at its 10-year hist. mean of 2.2x '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)	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)	38.9	23.4	15.6	13.4	11.9
PBV (x)	3.2	2.5	2.3	2.2	2.1
Div. Yield (%)	1.7	2.8	4.2	4.8	5.5
ROE (%)	8.6	12.0	15.5	17.0	18.0

Source: Company, KB Valbury Sekuritas

Bank Rakyat Indonesia (BRI)

Figure 1: BRI's Financial Overview

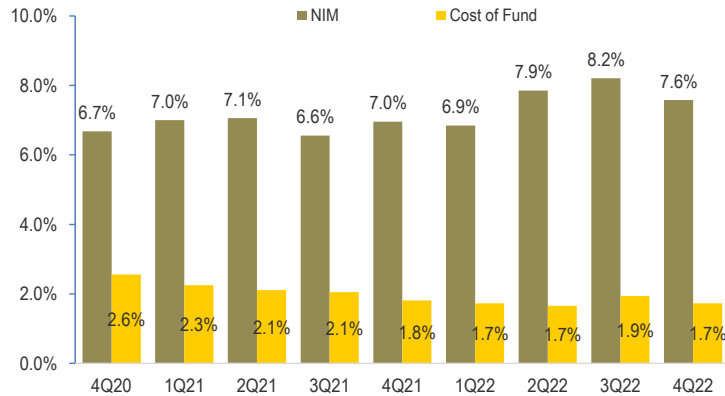
Income Statements (IDR bn)	12M22	12M21	YoY (%)	4Q22	4Q21	YoY (%)	3Q22	QoQ (%)	2022F	% to '22F	Cons'	% of Cons'
Net interest income	124,597	114,094	9.2	28,089	31,136	(9.8)	31,894	(11.93)				
Non-interest income	48,880	42,259	15.7	15,407	10,880	41.6	11,790	30.68				
Total operating income	173,477	156,353	11.0	43,496	42,016	3.5	43,684	(0.43)				
Total operating expenses	(82,192)	(75,918)	8.3	(23,614)	(21,337)	10.7	(20,353)	16.02				
PPoP	91,285	80,435	13.5	19,882	20,679	(3.9)	23,332	(14.79)				
Loan loss provisions	(26,979)	(39,291)	(31.3)	(4,414)	(8,006)	(44.9)	(5,639)	(21.72)				
Net profit	51,408	30,756	67.1	12,097	11,686	3.5	14,435	(16.20)	46,597	110.3%	49,264	104.4%

Source : Company

Balance Sheet (IDR bn)	12M22	12M21	YoY (%)	4Q22	4Q21	YoY (%)	3Q22	QoQ (%)
Gross loans	1,139,077	1,042,867	9.2	1,139,077	1,042,867	9.2	1,111,478	9.4
Demand Deposits	349,756	220,590	58.6	349,756	220,590	58.6	245,644	28.6
Saving deposits	522,648	497,677	5.0	522,648	497,677	5.0	500,083	8.3
Time deposits	435,481	420,476	3.6	435,481	420,476	3.6	394,038	(11.1)
Total equity	303,395	291,787	4.0	303,395	291,787	4.0	300,336	30.3

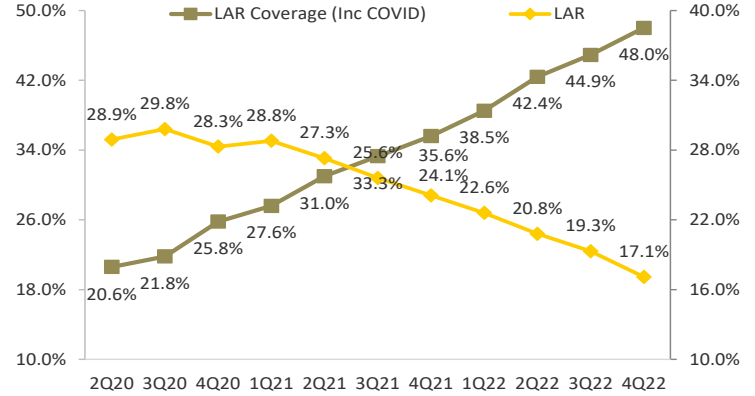
Source : Company

Figure 2: Improving NIM with manageable Cost of Fund



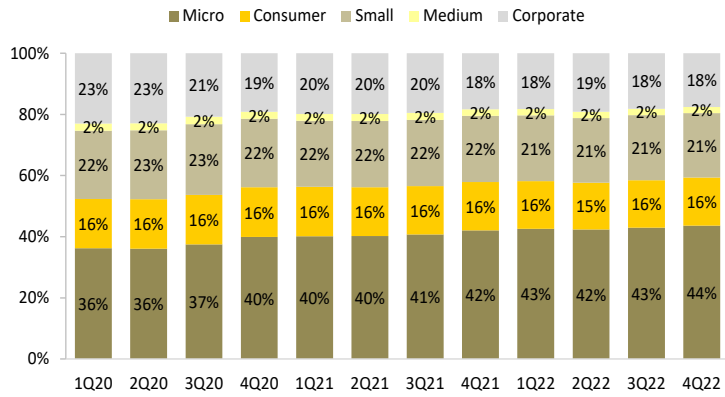
Source: Company

Figure 3: Stronger LAR coverage with LAR improvement



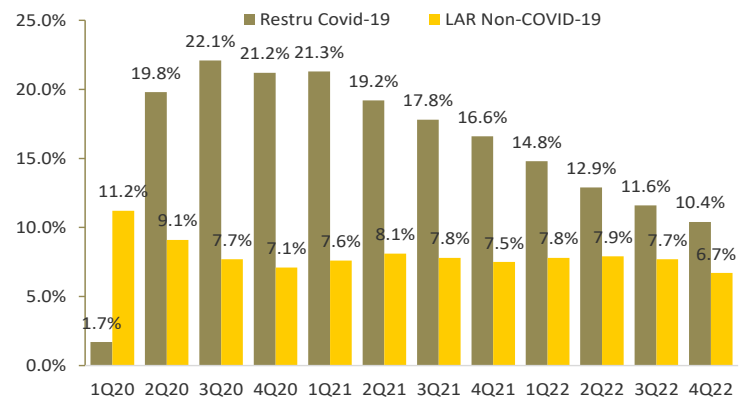
Source: Company

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



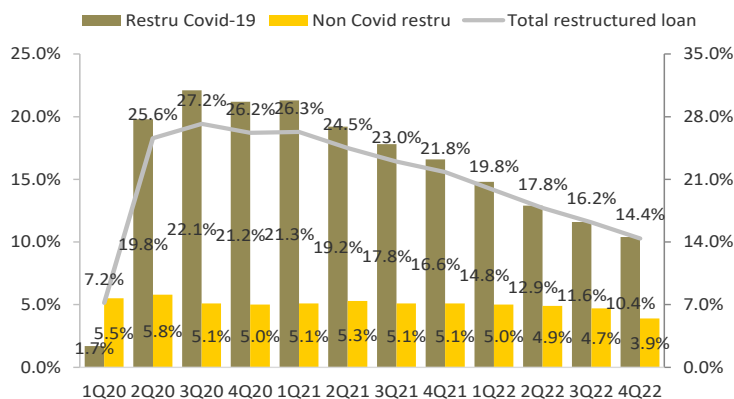
Source: Company

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



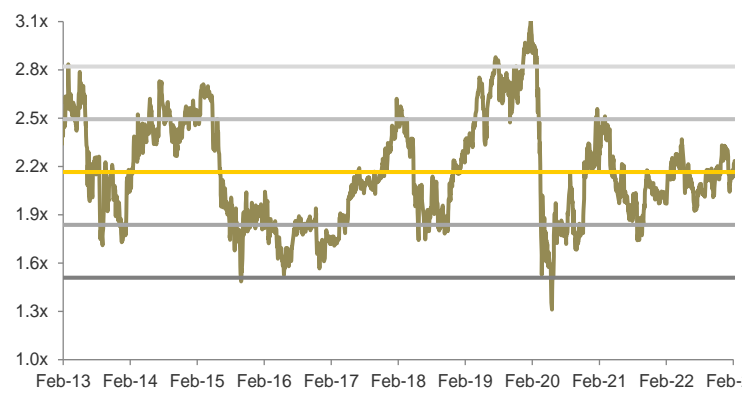
Source: Company

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



Source: Company

Figure 7: Currently trading at 2.2x '23F P/B, at 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	7.8	7.9	8.0
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)	38.9	23.4	15.6	13.4	11.9
PBV (x)	3.2	2.5	2.3	2.2	2.1
Div. Yield	1.7	2.8	4.2	4.8	5.5

Source: Company, KB Valbury Sekuritas

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