

Investment Consideration

78.13% profit growth

As of 1Q22, BBRI recorded a Net Profit of IDR 12.2 trillion, up 78.13% yoy from IDR 6.86 trillion in 1Q21. It was driven by efficiency in operating expense and provision that lead BBRI's 1Q22 operating expense and provision decreased 12.6% yoy and 6.7% yoy respectively. These efficiencies include through the success of digital transformation and the increasing proportion of CASA. As of 1Q22, CASA grew 16% yoy to IDR. 716.8 trillion while cost of fund down -0.43% yoy to 1.97%. We estimate BBRI will increase its net profit in 2022, up 56.16% from IDR 30.75 trillion to 48.53 trillion.

Strong Micro loan growth

Loans were up 8.72% YoY in 1Q22. The growth was driven by Micro Loans, which grew 15% YoY and the highest contribution came from BBRI's micro loan product, KUR, which grew 49.6 % YoY. Other loans increased too. Small Commercial, Consumer, and Medium, grew 8.33%, 4.69%, and 2.51% respectively. On the other hand, corporate loans declined -0.34% from 1Q2021. We predict total loans will grow 10.25% in 2022 with Micro loans growing fastest at 14.82% compared to last year.

Slightly higher NPLs

There was a small increase in NPLs in 1Q22, which increased from 3.12% in the first quarter of 2021, to 3.15% in March 2022. The Corporate Segment contributed the most to NPLs, at 5.89%. Small, Medium, Consumer, and Micro, NPLs are at 4.39%, 3.95%, 1.93%, and 1.77% respectively. The NPL growth was caused by higher inflation in March 2022 compared to March 2021. According to BPS, inflation in March 2022 was 0.66%, while in March 2021, it was 0.08%. With the improvement of the Indonesian economy, we estimate the NPL ratio will decline again to 1.80% in 2022.

Valuation: 23%, Upside, Buy

Based on our DDM Valuation, we have a target price within one year of IDR 4,960 or trading at 2.4x PBV which gives 23% potential upside, Buy.

Statement of Comprehensive Income (In IDR bn)	2019A	2020 A	2021 A	2022 F
Interest and Sharia Income	127,130	123,141	150,513	151,407
Interest and Sharia Expense	-44,412	-43,050	-35,376	-33,357
Net Interest Income	82,718	80,092	115,138	118,050
Fee Other Operating Income	28,439	29,464	41,216	40,590
Gross Operating Income	111,157	109,555	156,353	158,640
Other Operating Expenses	-44,966	-49,931	-75,918	-72,292
Pre Provision Operating Profit	66,192	59,624	80,435	86,348
Provision Expense	-22,760	-32,850	-39,291	-23,352
Net Operating Income	43,432	26,774	41,144	62,996
Non-Operating Income – Net	-68	-49	-152	-152
Earning Before Tax	43,364	26,725	40,992	62,844
Tax	-8,950	-8,064	-7,836	-14,308
EAT	34,414	18,660	33,156	48,536
Pro Forma Net Income Arising From Acquisition Transaction With Entities Under Common Control	0	0	-2,401	0
Net Income	34,414	18,660	30,756	48,536
Income for The Year Attributable to - Non-controlling interest	41	6	-311	22
EPS (Rp/Share)	280.97	152.20	237.96	266.68

5th July 2022
Banking, Equity

Price **IDR 4,040**
Target Price **IDR 4,960**
JKSE Index **IDR 6,639.17**



Stock Code **BBRI IJ**
Bloomberg code **BBRI IJ**
Market cap (IDR.bn) **638,063**
52-Week High (IDR) **4,980**
52-Week Low (IDR) **3,500**
6-m Avg Daily. Val (IDR) **4,441**
Free Float (%) **46.81**

Major Shareholders (%)
Government RI **53.19%**
Public **46.81%**

USD/IDR-YE
2021A **14,263**
2022F (6M Avg) **14,453**

Key Indicators
Non-Performing Loan (%) **1.80**
Net Interest Margin (%) **7.09**

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Company Profile

PT Bank Rakyat Indonesia (Persero) Tbk (hereinafter referred to as "BRI") was established and started its commercial operations on December 18, 1968. On April 29, 1992, based on Government of the Republic of Indonesia (the "Government") Regulation No. 21 Year 1992, the legal status of BRI was changed to a limited liability corporation (Persero). BRI's scope of business is in the banking sector and the target is to optimize the utilization of BRI's resources to produce high quality and highly competitive services to gain benefits in order to increase the company value.

Company Structure

STRUKTUR ORGANISASI
PT. BANK RAKYAT INDONESIA (PERSERO) Tbk

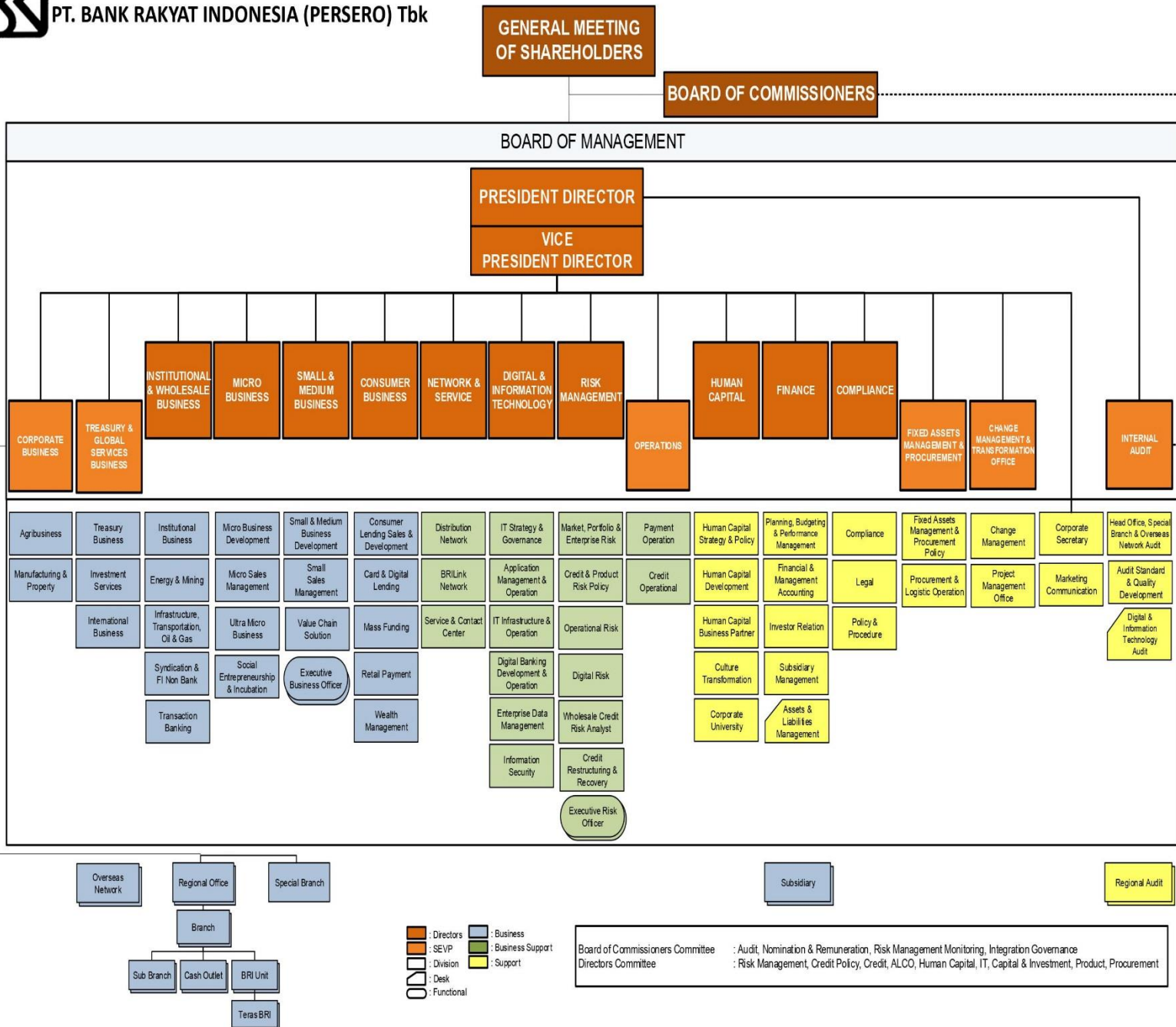


Chart: Gross Loan (IDRTn) YoY

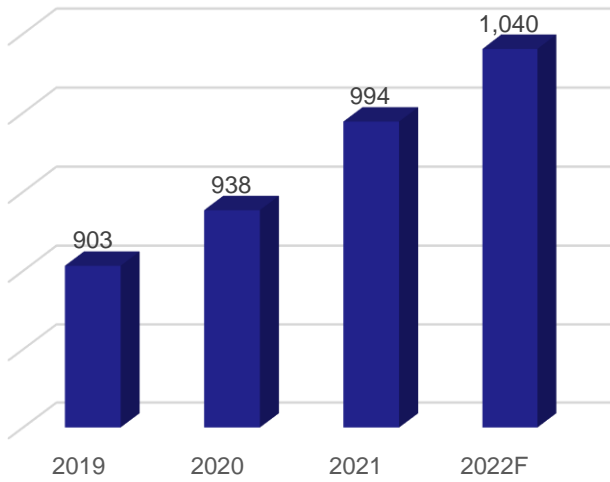


Chart: Customer Deposit (IDRTn) YoY

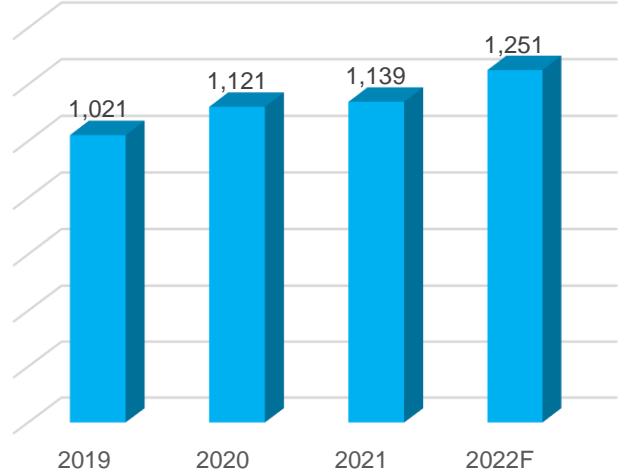


Chart: Profitability Ratio (IDRTn & %) YoY

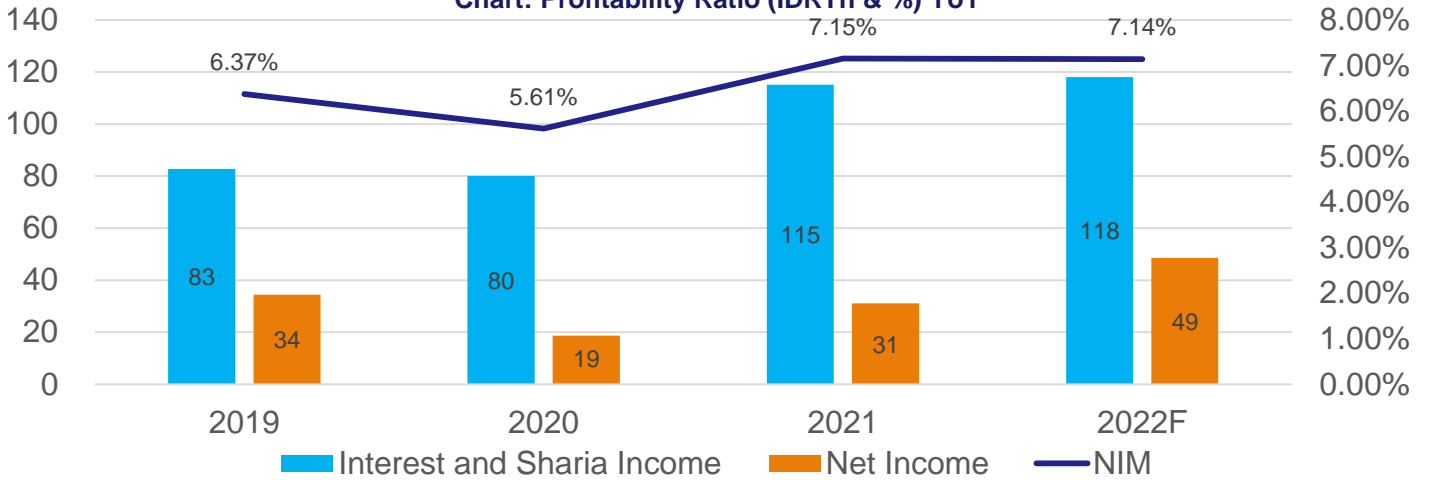


Chart: Net Interest Margin (%) YoY

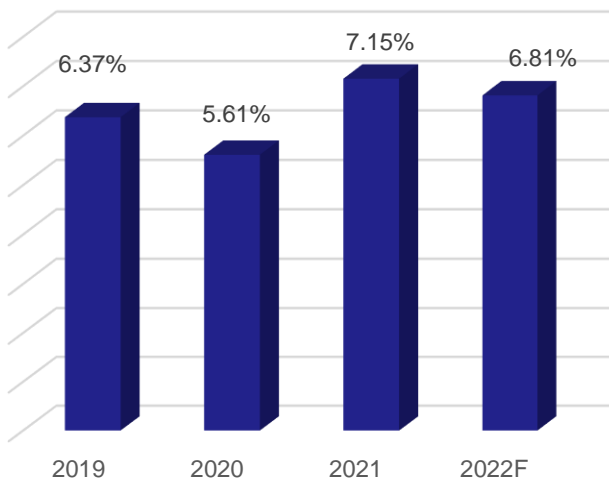


Chart: Loan to Deposit Ratio (%) YoY

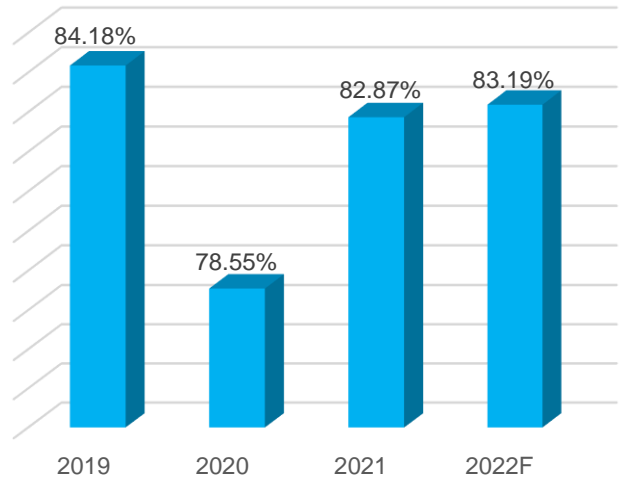


Chart: Gross Loan (IDRTn) QoQ

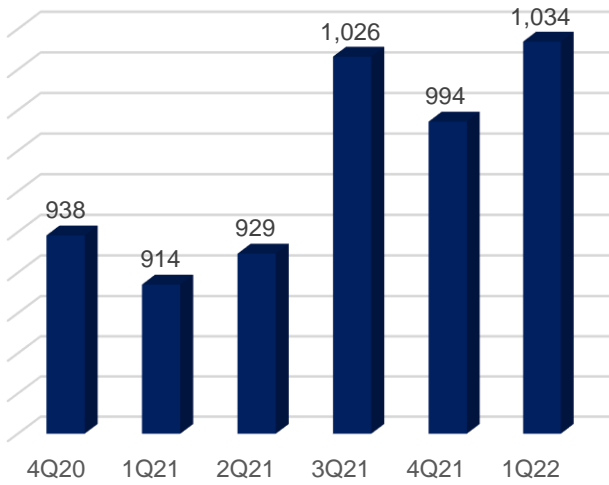


Chart: Customer Deposit (IDRTn) QoQ

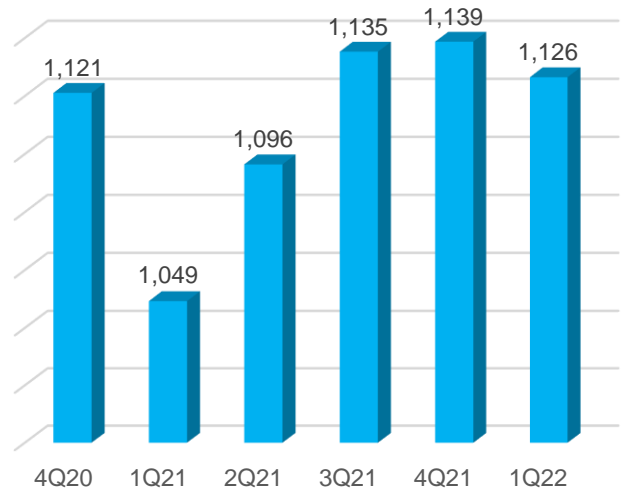


Chart: Non Performing Loan (&) QoQ

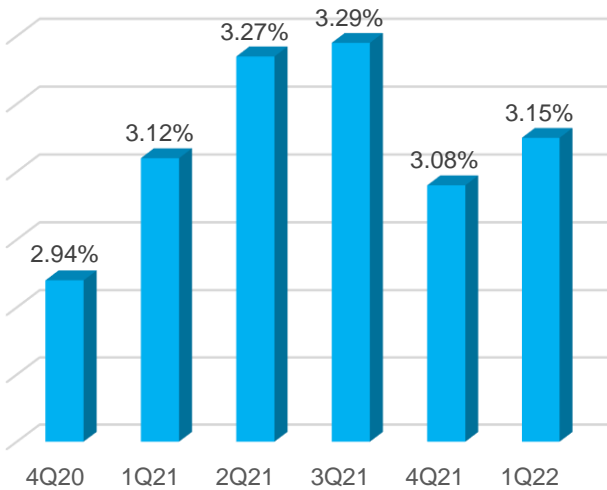
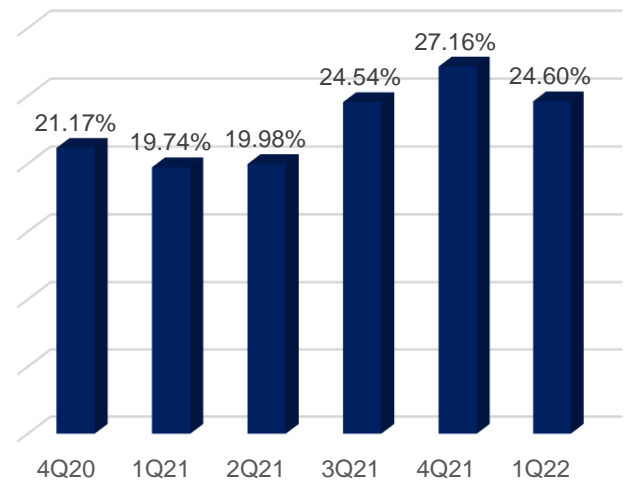


Chart: CAR (x) QoQ



Balance Sheet (IDR.bn)

Balance Sheet	2019 A	2020 A	2021 A	2022 F
Cash and CA with BI	101,636	83,693	82,727	106,123
Interbank Placement	116,855	66,540	58,983	128,913
Marketable Securities	195,840	327,267	371,738	391,537
Gross Loans	903,197	938,374	994,417	1,040,416
Provision	-39,109	-66,614	-84,834	-49,167
Net Loan	864,089	871,759	909,583	991,249
Other Earning Asset	394,796	488,658	615,192	655,500
Non Earning Asset	56,239	67,695	70,597	97,252
Total Assets	1,416,759	1,511,805	1,678,098	1,850,124
Deposit:				
Current Account	174,928	193,078	220,590	249,700
Saving Account	414,333	475,848	497,677	553,288
Time Deposit	431,936	452,176	420,476	447,724
Other Interest Bearing Liabilities	77,682	81,665	69,175	74,319
Non Interest Bearing Liabilities	109,096	109,126	178,393	203,104
Total Liabilities	1,207,975	1,311,893	1,386,311	1,528,135
Total Shareholder's Equity	208,784	199,911	291,787	321,989

Income Statement (IDR.bn)

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Ratio Highlights

Ratio Analysis	2019A	2020A	2021A	2022F
Profitability & Efficiency				
NIM	6.37%	5.61%	7.15%	7.14%
Cost-to-Income Ratio	40.45%	45.58%	48.56%	45.57%
ROE	16.66%	9.45%	10.76%	15.21%
ROA	2.43%	1.23%	1.85%	2.62%
ROAE	17.17%	13.06%	10.11%	12.99%
BOPO	42.82%	39.40%	37.55%	42.86%
Liquidity				
LDR	84.18%	78.55%	82.87%	83.19%
CASA	57.70%	59.67%	63.08%	64.20%
Asset Quality				
Gross NPL	2.62%	2.94%	3.08%	1.80%
Provision Coverage	119.71%	201.06%	214.35%	178.37%
Capital				
CAR	22.77%	21.17%	27.16%	27.33%
Growth				
Loan Growth	6.86%	2.44%	7.17%	10.25%
Deposit Growth	8.15%	9.78%	1.57%	9.83%
Net Income Growth	6.25%	-45.73%	66.53%	56.16%

QoQ Results

Balance Sheet	4Q20	1Q21	2Q21	3Q21	4Q21	1Q22	%QoQ	%YoY
Loan	938,374	914,189	929,402	1,026,424	994,417	1,033,812	3.96%	13.09%
Loan Loss Reserves	(66,614)	(72,324)	(78,132)	(85,203)	(84,834)	(89,892)	5.96%	24.29%
NPL	880,600	896,500	912,000	931,000	943,700	974,700	3.28%	8.72%
Deposit								
Demand	193,078	174,330	191,392	206,443	220,590	227,551	3.16%	30.53%
Savings	475,848	443,867	461,702	470,156	497,677	489,258	-1.69%	10.23%
Time Deposit	452,176	431,118	443,351	458,705	420,476	409,687	-2.57%	-4.97%
Total Asset	1,511,805	1,411,052	1,450,907	1,619,772	1,678,098	1,650,279	-1.66%	16.95%
Shareholder Equity	197,378	191,624	196,985	277,285	288,735	272,275	-5.70%	42.09%

Income Statement	4Q20	1Q21	2Q21	3Q21	4Q21	1Q22	%QoQ	%YoY
Interest Income	32,734	31,331	31,649	32,987	54,546	39,493	-27.60%	26.05%
Interest Expense	(9,731)	(7,680)	(7,572)	(8,283)	(11,841)	(8,808)	-25.62%	14.68%
Net Interest Income	23,003	23,651	24,078	24,704	42,706	30,685	-28.15%	29.74%
Net Operating Income	7,965	8,257	8,394	8,455	15,957	10,474	-34.36%	26.85%
Operating Expense	(11,200)	(13,119)	(13,089)	(15,652)	(34,058)	(18,365)	-46.08%	39.99%
PPOP	19,768	18,789	19,383	17,507	24,604	22,794	-7.36%	21.32%
Provision Expense	(13,454)	(9,819)	(11,973)	(8,578)	(8,921)	(7,474)	-16.21%	-23.87%
Operating Profit	6,314	8,970	7,409	8,929	15,683	15,320	-2.32%	70.78%
Non-Operating Income – Net	(26)	(0)	10	(54)	(108)	40	-137.22%	23686.39%
Profit Before Tax	6,314	8,970	7,409	8,929	15,683	15,360	-2.06%	71.23%
Tax Expense	(1,808)	(2,110)	(1,729)	(2,399)	(1,597)	(3,140)	96.68%	48.81%
Net Profit	4,507	6,860	5,680	6,530	*11,686	12,220	4.57%	78.13%

Ratio	4Q20	1Q21	2Q21	3Q21	4Q21	1Q22	%QoQ	%YoY
Profitability & Efficiency								
NIM	1.61%	1.74%	1.72%	1.60%	2.70%	1.97%	(0.73)	0.23
ROE	2.30%	3.56%	2.87%	2.45%	4.09%	4.47%	0.38	0.91
ROA	0.30%	0.48%	0.39%	0.42%	0.70%	0.74%	0.03	0.25
CER	46.60%	42.14%	41.43%	43.42%	44.39%	44.60%	0.21	2.46
Cost of Fund	3.22%	2.26%	2.18%	2.14%	2.05%	1.97%	(0.08)	(0.29)
Liquidity								
LDR	78.55%	85.44%	83.18%	82.00%	82.87%	86.52%	3.65	1.09
CASA	59.67%	58.91%	59.56%	59.60%	63.08%	63.63%	0.56	4.72
Asset Quality								
Gross NPL (Bank only)	2.94%	3.12%	3.27%	3.29%	3.08%	3.15%	0.07	0.03
NPL Coverage Ratio	248.00%	254.80%	254.80%	259.70%	278.10%	276.00%	(2.10)	21.20
Capital								
CAR	21.17%	19.74%	19.98%	24.54%	27.16%	24.60%	(2.56)	4.86

*Include Pro Forma Net Income Arising From Acquisition Transaction With Entities Under Common Control for 4Q21

Stock Ratings:

Buy: a recommendation to purchase the security with upside potential of 20% or greater

Hold: a recommendation to neither buy nor sell a security with upside potential of 0-19%.

Sell: a recommendation to close out a long position in a security with upside potential below 0% or negative.

**RESEARCH TEAM
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