

Investment Consideration

Massive Net Income Growth

In 9M22, BBRI reported huge net income growth of +103.34% YoY from IDR 19.25 trillion in 9M21 to IDR 39.15 trillion in 9M22. Net Interest Income and Premium Income were the drivers of growth, up by +16.33% and +29.94% YoY respectively. Provisions also contributed to growth declining by -13.63% YoY. We project that BBRI will end this year with growth in Net Income of +68.12% YoY, from IDR 31.07 trillion in FY21 to IDR IDR 52.23 trillion in FY22.

Solid Loan Growth and CASA Improvement

BBRI's financial position has become stronger in 9M22 than it was in 9M21. From the asset side, BBRI recorded solid consolidated and bank-only loan growth of +7.82% YoY and +8.17% respectively. Micro loans had the fastest growth at about +13.93% due to digitalization and BBRI's strategy to "Go Smaller, Go Shorter, and Go Faster" by securing and leveraging new sources of growth to focus on growing Micro & Ultra Micro Loans. Small, consumer and corporate loans grew by +6.61%, +6.25% and +0.50% respectively, while medium loans had negative growth of -0.94%. Meanwhile, from liabilities, CASA grew by +10.22% YoY compared to 9M21. The consolidated CASA ratio for 9M22 was 65.43%, up by +583 bps from 9M21. BBRI's current accounts grew the fastest at +19% YoY, while Saving Accounts grew by +6.37% YoY. The growth was also driven by BBRI's strategy of "Re-Inventing Business Models and digitalization of ecosystem platforms". We project that BBRI will continue to grow its gross loans by 11.07% YoY in FY22, while the CASA ratio will continue to increase from 63.08% in FY21 to 67.01% in FY22.

Better Asset Quality

As of 9M22, BBRI's gross NPL ratio (bank-only) was 3.14%, better than in 9M21 with a decrease of -15 bps. Consumer loans have the lowest NPL ratio at 1.98%. The NPL ratios for Micro, Medium, Corporate, and Small are 2.12%, 2.53%, 4.64%, and 4.81% respectively. We forecast that BBRI will continue to improve the quality of its assets by decreasing its bank-only gross NPL by -14 bps YoY to 2.94% in FY22.

Valuation: 22%, Upside, Buy

Based on our DDM Valuation, we project a price of IDR 5,970 within one year, or trading at 2.8x PBV, which gives a 22% potential upside, BUY.

Statement of Profit or Loss (In IDR bn)	2019A	2020 A	2021 A	2022 F
Interest Income	127,130	123,141	150,513	162,784
Interest Expense	(44,412)	(43,050)	(35,376)	(32,192)
Net Interest Income	82,718	80,092	115,138	130,591
Operating Income	28,439	29,464	41,216	45,690
Operating Expense	(44,966)	(49,931)	(75,918)	(76,681)
Pre Provision Operating Profit	66,192	59,624	80,435	99,601
Provision Expense	(22,760)	(32,850)	(39,291)	(30,081)
Net Operating Income	43,432	26,774	41,144	69,520
Non Operating Income	(68)	(49)	(152)	152
Earning Before Tax	43,364	26,725	40,992	69,672
Tax Expense	(8,950)	(8,064)	(7,836)	(17,418)
Earning After Tax	34,414	18,660	33,156	52,254
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	52,254
Income for The Year Attributable to - NCI	41	6	(311)	24
Total Net Income Attributable to Parent	34,373	18,655	31,067	52,230
EPS (Rp/Share)	280.97	152.20	237.96	344.66

December 16th, 2022
Banking, Equity

Price IDR 4,910
Target Price IDR 5,970
JKSE Index IDR 6.751,86



Stock Code BBRI IJ
Bloomberg code BBRI IJ
Market cap (IDR.bn) 638,063
52-Week High (IDR) 5,025
52-Week Low (IDR) 3,960
6-m Avg Daily. Val (IDR) 4,458
Free Float (%) 46.81

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

USD/IDR-YE
2021A 14,263
2022F (6M Avg) 15,172.6

Key Indicators (%)
Non-Performing Loan 2.94
Net Interest Margin 8.03

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

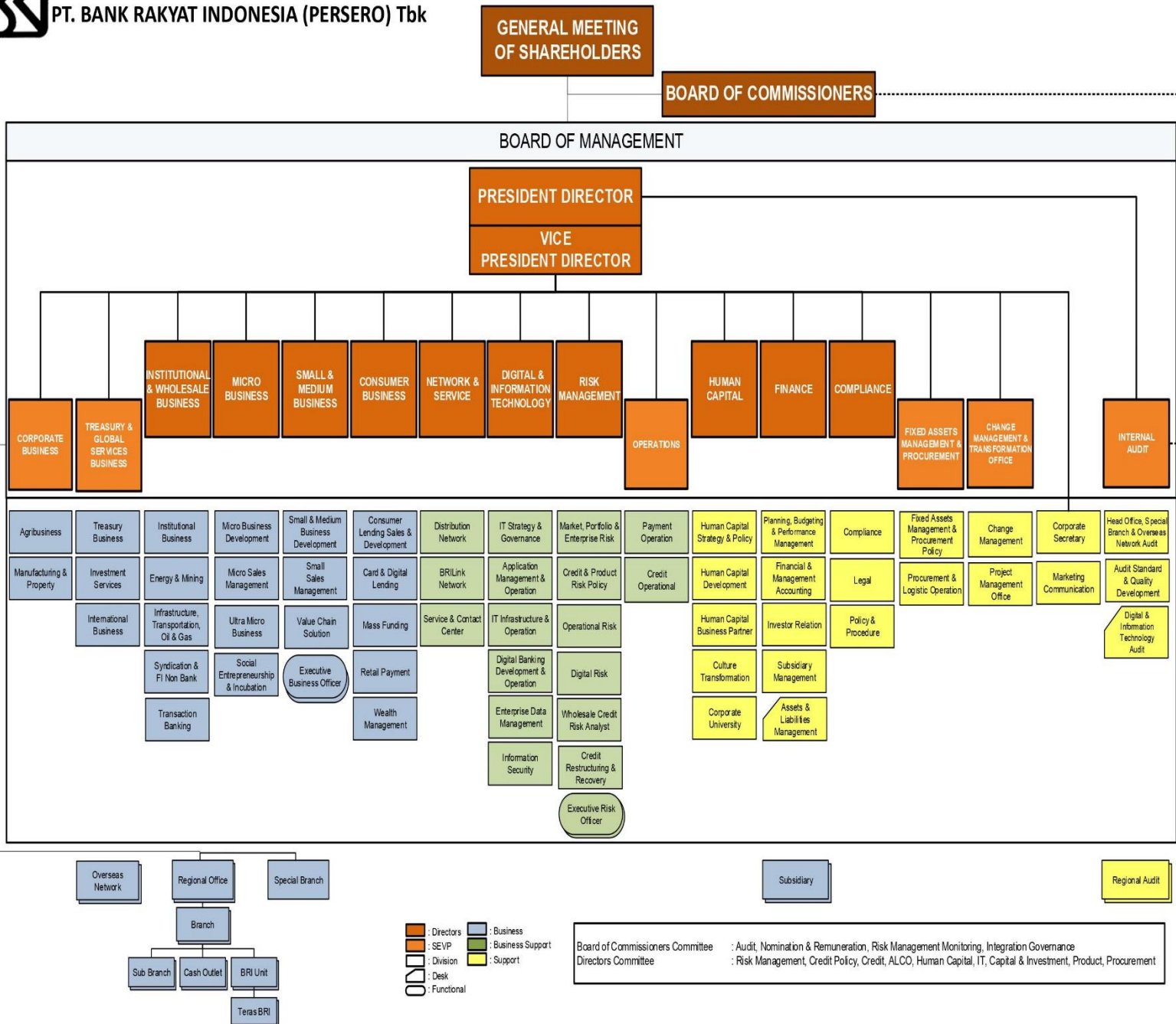


Chart: Gross Loan (In IDR Bn) YoY

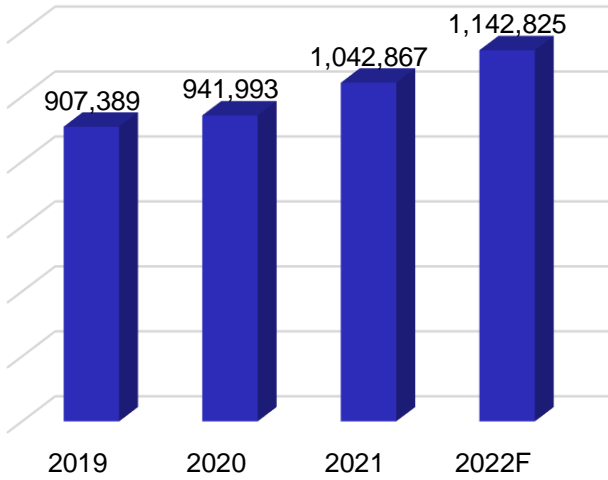


Chart: Customer Deposit (In IDR Bn) YoY

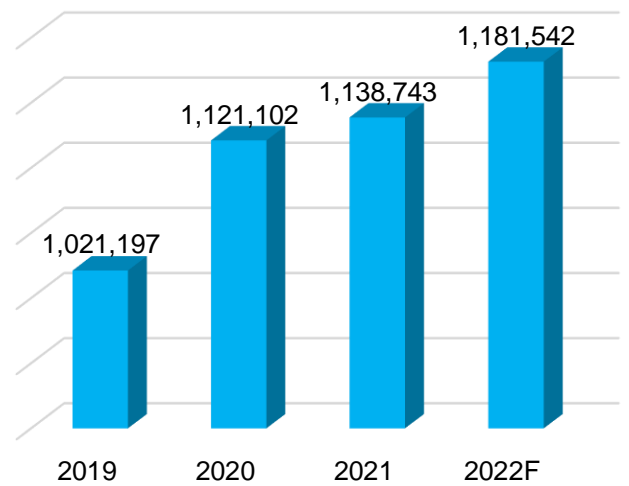


Chart: Profitability Ratio (IDRTn & %) YoY

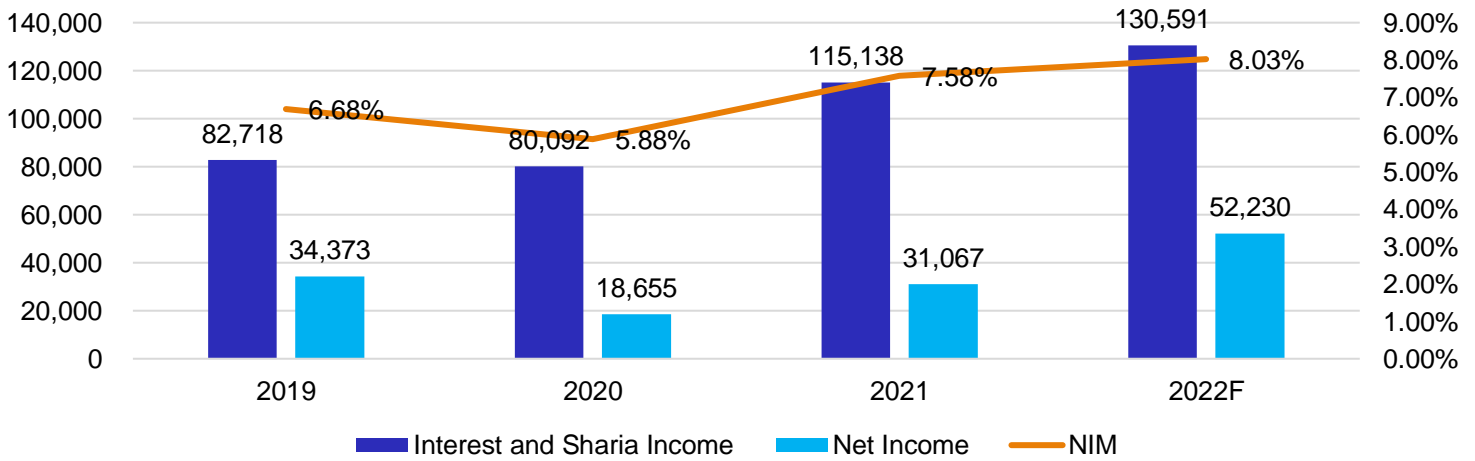


Chart: Non-Performing Loan Ratio (%) YoY

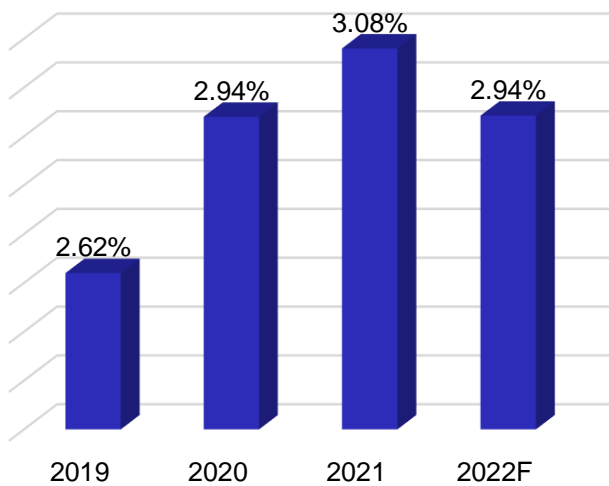


Chart: Loan to Deposit Ratio (%) YoY

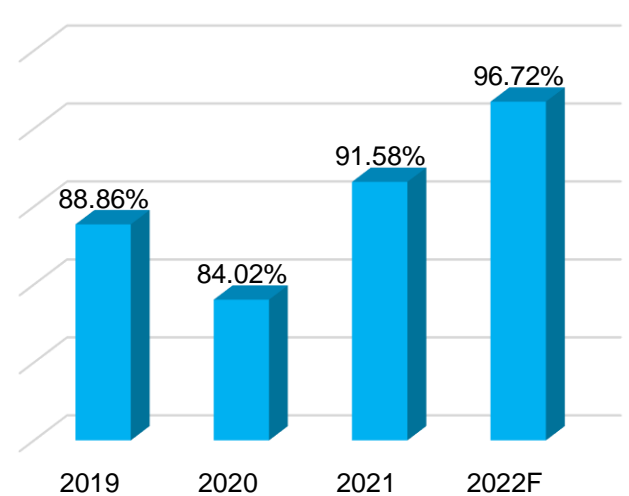


Chart: Gross Loan (In IDR Bn) QoQ

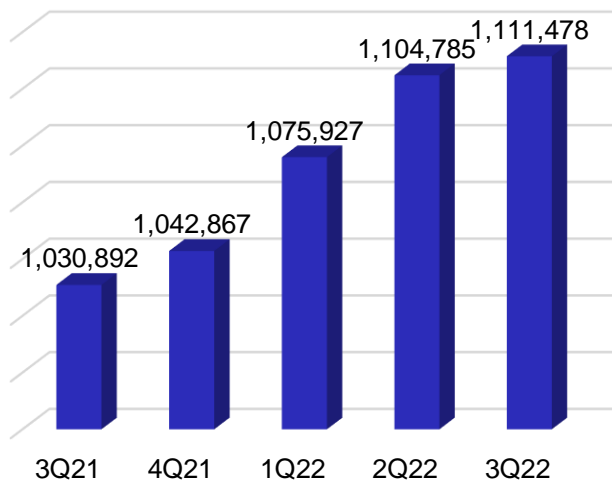


Chart: Customer Deposit (In IDR Bn) QoQ

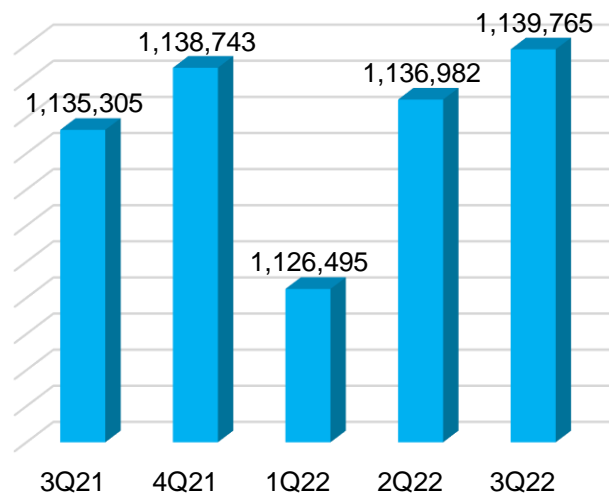


Chart: Non Performing Loan (%) QoQ

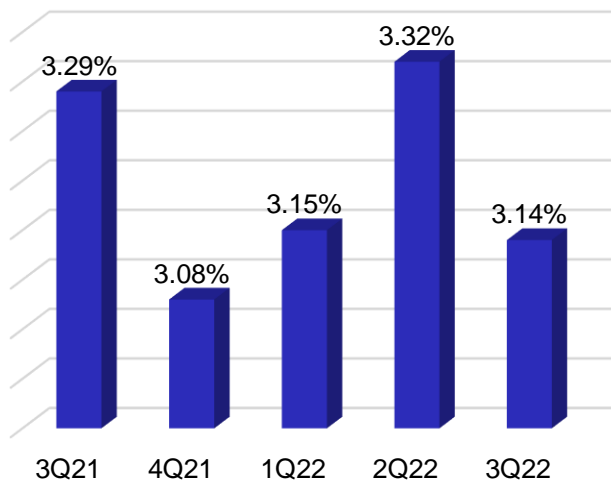
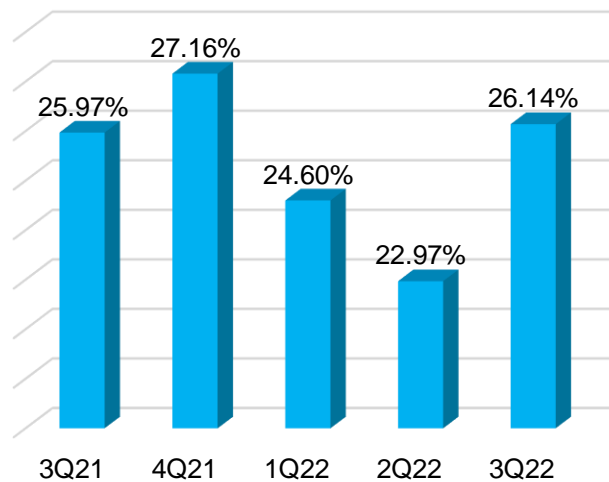


Chart: CAR (%) QoQ



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	110,376
Interbank Placement	116,855	66,540	58,983	100,385
Marketable Securities	195,840	327,267	371,738	307,158
Gross Loans	907,389	941,993	1,042,867	1,142,825
Provision	(39,109)	(66,614)	(84,834)	(92,688)
Net Loan	868,280	875,379	958,034	1,050,138
Other Earning Asset	390,604	485,039	566,741	501,869
Non Earning Asset	56,239	67,695	70,597	94,314
Total Assets	1,416,759	1,511,805	1,678,098	1,756,697
Deposit:				
Current Account	174,928	193,078	220,590	246,425
Saving Account	414,333	475,848	497,677	545,294
Time Deposit	431,936	452,176	420,476	389,823
Other Interest Bearing Liabilities	77,682	81,665	69,175	103,469
Non Interest Bearing Liabilities	109,096	109,126	178,393	147,504
Total Liabilities	1,207,975	1,311,893	1,386,311	1,432,515
Total Shareholder's Equity	208,784	199,911	291,787	324,182

Income Statement (IDR.bn)

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Ratio Highlights

Ratio Analysis (Consolidated)	2019A	2020A	2021A	2022F
Profitability & Efficiency				
NIM	6.68%	5.88%	7.58%	8.03%
Cost-to-Income Ratio	40.45%	45.58%	48.56%	43.50%
ROE	16.46%	9.33%	10.65%	16.11%
ROA	2.43%	1.23%	1.85%	2.97%
ROAE	16.96%	12.90%	9.99%	13.38%
BOPO	72.08%	82.46%	78.54%	66.65%
Cost of Credit	2.51%	3.49%	3.77%	2.63%
Liquidity				
LDR	88.86%	84.02%	91.58%	96.72%
CASA	57.70%	59.67%	63.08%	67.01%
Asset Quality				
Gross NPL	2.62%	2.94%	3.08%	2.94%
Provision Coverage	119.71%	201.06%	214.35%	201.28%
Capital				
CAR	22.77%	21.17%	27.16%	28.10%
Growth				
Loan Growth	7.56%	3.81%	10.71%	9.58%
Deposit Growth	8.15%	9.78%	1.57%	3.76%
Net Income Growth	6.25%	-45.73%	66.53%	68.12%

QoQ Results

Balance Sheet	3Q21	4Q21	1Q22	2Q22	3Q22	%QoQ	%YoY
Loan	1,030,892	1,042,867	1,075,927	1,104,785	1,111,478	0.61%	7.82%
Loan Loss Reserves	(85,203)	(84,834)	(89,892)	(93,495)	(95,902)	2.57%	12.56%
NPL	931,000	943,700	974,700	1,003,600	1,007,100	0.35%	8.17%
Deposit							
Demand	206,443	220,590	227,551	240,047	245,644	2.33%	18.99%
Savings	470,156	497,677	489,258	500,372	500,083	-0.06%	6.37%
Time Deposit	458,705	420,476	409,687	396,563	394,038	-0.64%	-14.10%
Total Asset	1,619,772	1,678,098	1,650,279	1,652,839	1,684,604	1.92%	4.00%
Shareholder Equity	277,285	288,735	272,275	282,581	296,578	4.95%	6.96%
Income Statement	3Q21	4Q21	1Q22	2Q22	3Q22	%QoQ	%YoY
Interest Income	32,987	54,546	39,493	41,997	40,205	-4.27%	-15.40%
Interest Expense	(8,283)	(11,841)	(8,808)	(7,214)	(8,336)	15.54%	-27.83%
Net Interest Income	24,704	42,706	30,685	34,783	31,869	-8.38%	-11.40%
Operating Income	8,510	16,065	10,474	10,355	11,814	14.10%	-15.59%
Operating Expense	(15,652)	(34,058)	(18,365)	(19,860)	(20,352)	2.48%	-28.27%
Pre Provision Operating Profit	17,562	24,712	22,794	25,277	23,331	-7.70%	8.04%
Provision Expense	(8,578)	(8,921)	(7,474)	(9,451)	(5,639)	-40.33%	-40.60%
Net Operating Income	8,984	15,791	15,320	15,826	17,692	11.79%	46.20%
Non Operating Income	(54)	(108)	40	38	322	736.86%	-113.67%
Earning Before Tax	8,929	15,683	15,360	15,864	18,014	13.55%	84.82%
Tax Expense	(2,399)	(1,597)	(3,140)	(3,208)	(3,579)	11.57%	11.26%
Earning After Tax	6,530	14,086	12,220	12,657	14,435	14.05%	121.05%
Pro Forma Net Income Arising From Acquisition Transaction With Entities Under Common Control	0	(2,401)	0	0	0	-	-
Net Income	6,530	11,686	12,220	12,657	14,435	14.05%	121.05%
Income for The Year Attributable to - NCI	(253)	(125)	52	38	65	72.94%	-125.71%
Total Net Income Attributable to Parent	6,784	11,810	12,167	12,619	14,370	13.88%	111.83%
EPS (Rp/Share)	54.41	90.46	80.29	83.29	94.88	13.92%	74.39%
Ratio	3Q21	4Q21	1Q22	2Q22	3Q22	%QoQ	%YoY
Profitability & Efficiency							
NIM	7.38%	6.89%	6.85%	7.35%	8.21%	0.86	0.83
ROE	10.53%	14.09%	15.39%	17.08%	18.16%	1.08	7.63
ROA	1.61%	2.23%	2.84%	3.11%	3.15%	0.04	1.54
Cost of Fund	2.39%	2.05%	1.73%	1.70%	1.94%	0.24	(0.45)
Liquidity							
LDR	90.72%	83.67%	87.14%	88.95%	97.52%	8.57	6.80
CASA	59.62%	63.30%	63.75%	65.36%	65.43%	0.07	5.81
Asset Quality							
Gross NPL (Bank only)	3.29%	3.08%	3.15%	3.32%	3.14%	(0.18)	(0.15)
NPL Coverage Ratio	249.70%	278.14%	275.66%	265.15%	278.79%	13.64	29.09
Capital							
CAR	25.97%	25.28%	22.39%	22.97%	26.14%	3.17	0.17

*9M21 Income Statement figures was restated

** 9M21 ratios were adjusted with restatement figures

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.

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