

March 24th, 2023
Banking, Equity

Price IDR 4,770
Target Price IDR 5,960
JKSE Index IDR 6,762.25



Stock Code BBRI IJ
Bloomberg code BBRI IJ
Market cap (IDR.bn) 715,710
52-Week High (IDR) 5,025
52-Week Low (IDR) 3,960
6-m Avg Daily. Val (IDR) 4,684
Free Float (%) 46.78

Major Shareholders (%)
Government RI 53.19%
Public 46.48%
Treasury 0.32%
BOC and BOD 0.01%

USD/IDR-YE
2022A 14,871
2023F (6M Avg) 15,391.9

Key Indicators (%)
Non-Performing Loan 2.55
Net Interest Margin 7.93

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Investment Consideration

Significant Net Income Growth

In FY22, BBRI achieved significant net income growth of +67.15% YoY, with profit surging from IDR 30.76 trillion in FY21 to IDR 51.41 trillion in FY22. Net interest income increased by +9.21%, contributing to a positive NIM growth of 7.85% in FY22. Meanwhile, net premium income had the fastest growth among the operating income categories. Provisions also played a role in growth, declining by -31.33% YoY. We project that BBRI will conclude this year with a net income growth (including net income attributable to NCI) of +30.03% YoY, with profit rising from IDR 51.41 trillion in FY22 to IDR 66.85 trillion in FY23.

Solid Loan Growth and CASA Improvement

As of December 31st, 2022, BBRI consolidated loans grew 9.23% YoY, and bank-only loans grew +9.12%. The micro segment is the biggest contributor to the bank's portfolio, accounting for 43.66% of loans and grew by 13.25%, helped by KUR which grew by 32.16% YoY. Others, such as Consumer, Small Commercial, Corporate, and Medium loans, also saw growth, expanding by 8.23%, 6.27%, 4.76%, and 0.96%, respectively. Pegadaian and PNM loans also contributed with growth of +12.65% and +23.36% respectively. BBRI also saw an improvement in its CASA ratio, which increased by 363 bps to 66.70%, driven by huge growth in Current Accounts, which grew by +58.55% YoY. We forecast that BBRI will continue to grow its Consolidated and Bank-Only Loans by 9.75% and 9.71% respectively, while the consolidated CASA will also grow to 69.19% by the end of 2023.

Asset Quality Improvement

BRI's consolidated gross NPL (Non-Performing Loan) decreased from 3.00% in 2021 to 2.67% in 2022, while the bank-only NPL decreased to 2.82%, indicating improving asset quality. This progress was accompanied by higher reserves with an NPL coverage ratio of 305.74% in 2022, up from 281.16% in 2021. Micro loans had the lowest NPL ratio of 1.74% among the five loan segments, albeit there was a 25-basis point increase from the previous year. The Consumer, Small, Medium, and Corporate segments had NPL ratios of 1.83%, 4.30%, 2.26%, and 4.76%, respectively. We project that BBRI's asset quality will continue to improve in 2023, with the NPL ratio expected to decrease to 2.55% (consolidated) and 2.66% (bank-only). In addition, the NPL coverage ratio is expected to increase to 308.08%, acting as a preventive measure to offset risks from global economic uncertainty, inflation, and interest rate hikes.

Valuation: 25% Upside, Buy

Based on our DDM valuation, we have a target price of IDR 5,960 within one year, which implies a valuation of 2.5x PBV and a potential upside of 25%. Therefore, we recommend to Buy.

Financial Highlight	2020A	2021A	2022A	2023F
Net Interest Income (IDR bn)	79,210	114,094	124,597	135,300
Net Income (IDR Bn)	18,660	30,756	51,408	66,845
EPS (IDR)	152.2	237.96	338.01	439.96
P/E (x)	26.73	17.27	14.61	13.55
NIM (%)	6.90%	6.95%	7.85%	7.93%
ROA (%)	1.46%	2.13%	3.01%	3.30%
ROE (%)	10.52%	12.85%	17.63%	17.93%

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

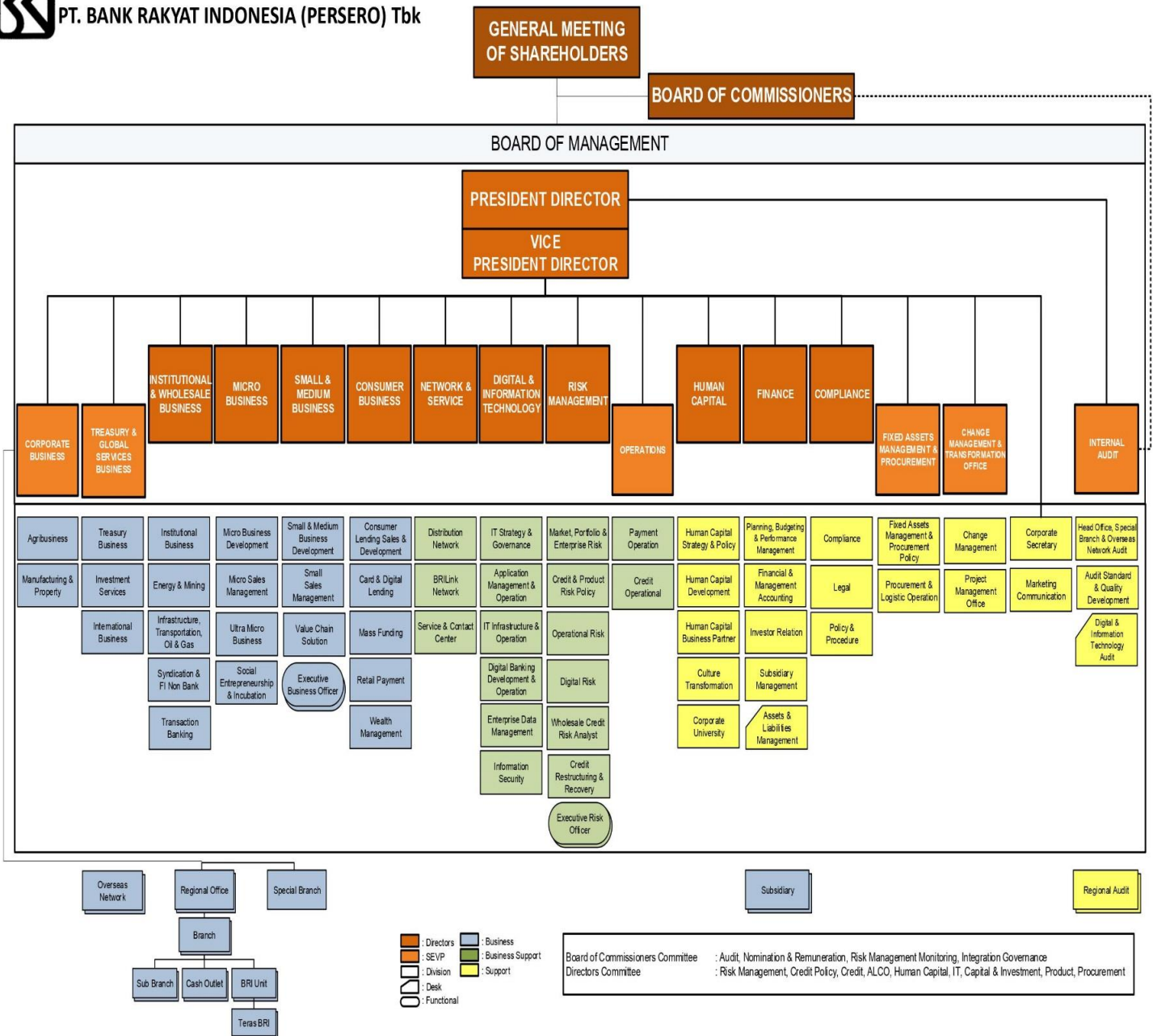


Chart: Gross Loan (In IDR Bn) YoY

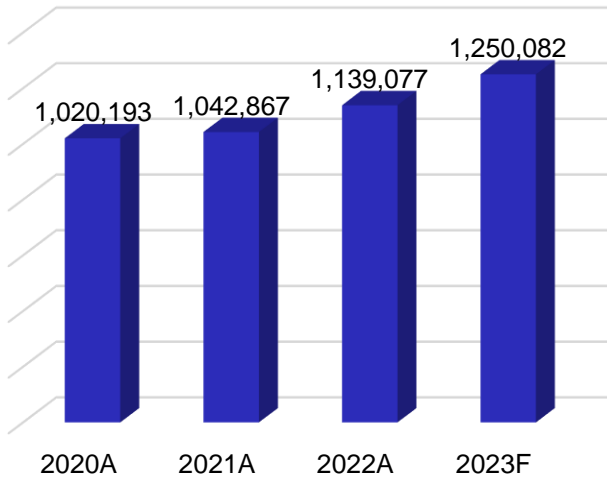


Chart: Customer Deposit (In IDR Bn) YoY

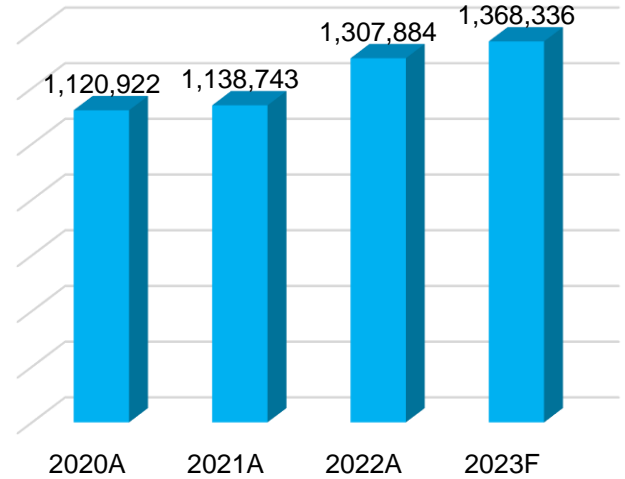


Chart: Profitability Ratio (IDRTn & %) YoY

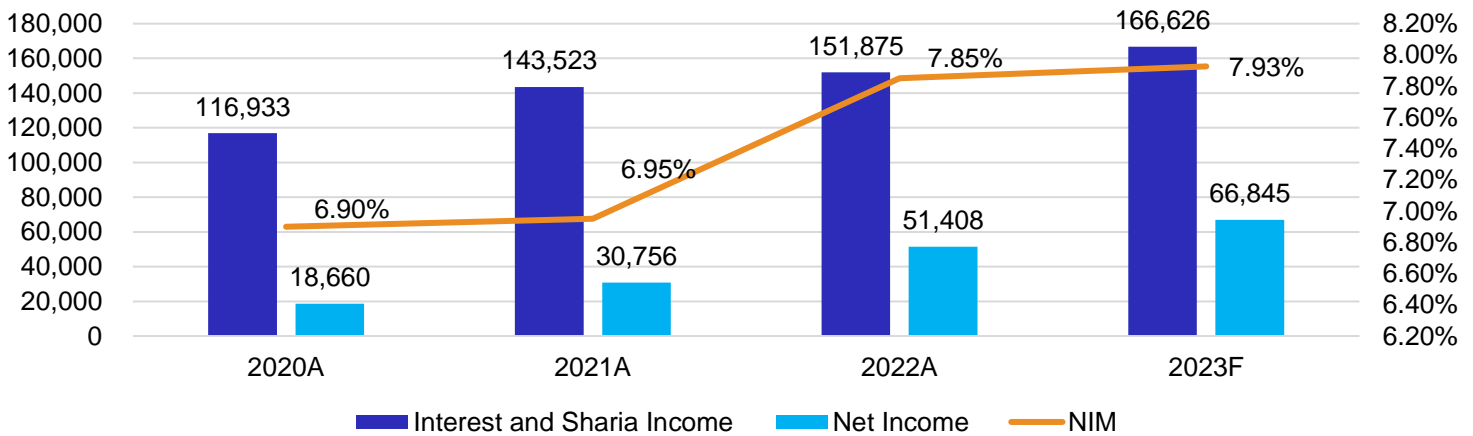


Chart: Non-Performing Loan Ratio (%) YoY

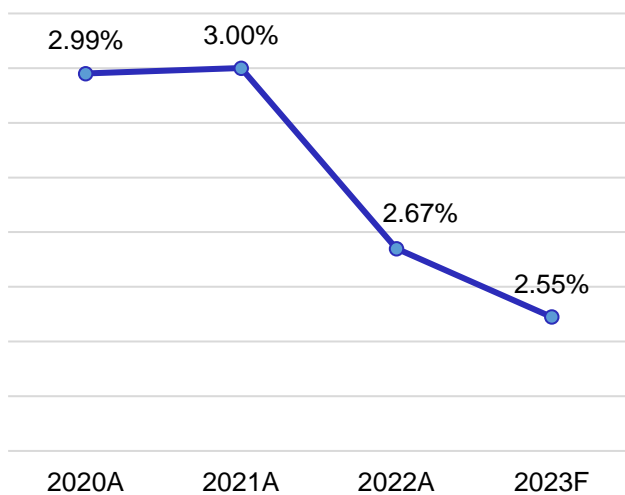


Chart: Capital Adequacy Ratio (%) YoY

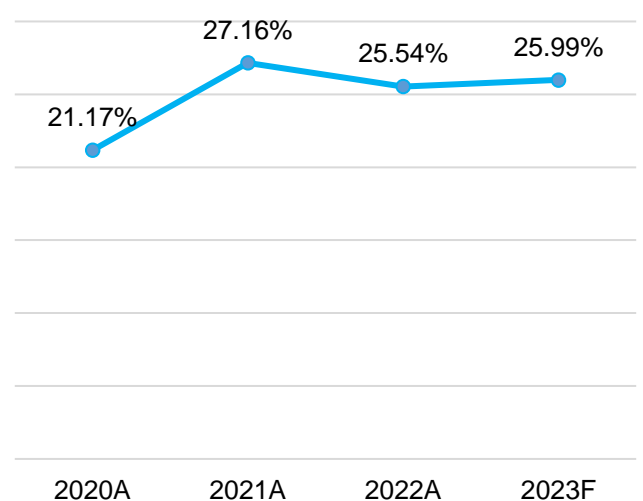


Chart: Gross Loan (In IDR Bn) QoQ

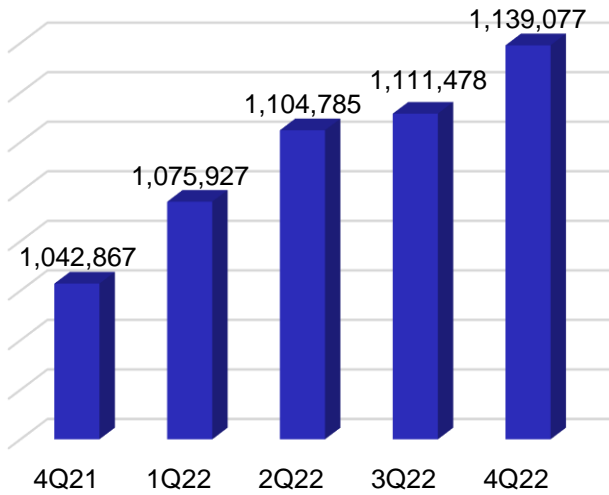


Chart: Customer Deposit (In IDR Bn) QoQ

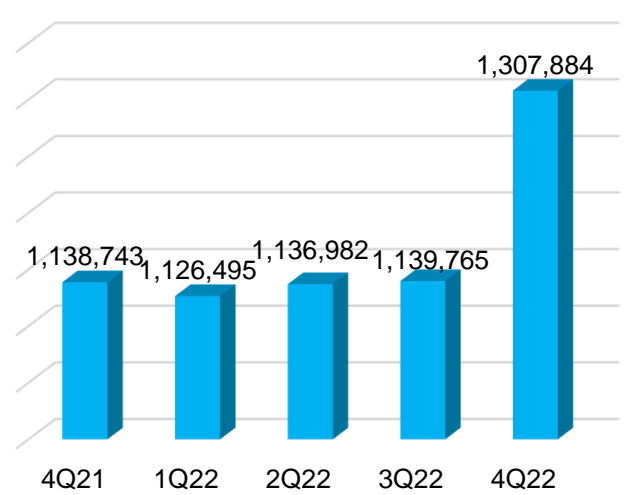


Chart: Non Performing Loan (%) QoQ

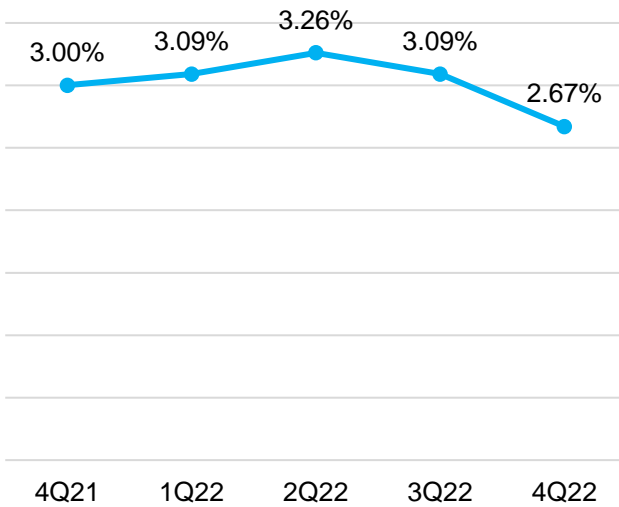
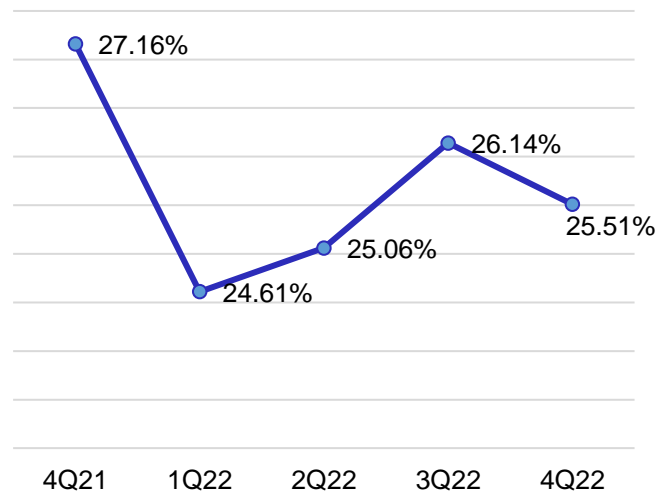


Chart: CAR (%) QoQ



Balance Sheet (IDR.bn)

Balance Sheet	2020A	2021A	2022A	2023F
Cash and CA with BI	83,806	82,727	178,343	261,305
Interbank Placement	67,833	58,977	70,400	59,151
Marketable Securities	326,957	371,738	330,242	321,385
Gross Loans	1,020,193	1,042,867	1,139,077	1,250,082
Provision	(70,395)	(87,829)	(93,088)	(98,016)
Net Loan	949,798	955,038	1,045,989	1,152,066
Other Earning Asset	489,376	544,055	525,004	498,096
Non Earning Asset	87,085	96,278	116,303	109,455
Total Assets	1,610,065	1,678,098	1,865,639	2,020,922
Deposit:				
Current Account	192,730	220,590	349,756	395,938
Saving Account	476,066	497,677	522,648	550,770
Time Deposit	452,126	420,476	435,481	421,629
Other Interest Bearing Liabilities	117,307	103,034	94,697	104,992
Non Interest Bearing Liabilities	142,370	144,534	159,663	176,192
Total Liabilities	1,380,598	1,386,311	1,562,244	1,649,520
Total Shareholder's Equity	229,467	291,787	303,395	371,402

Income Statement (IDR.bn)

Statement of Profit or Loss (In IDR bn)	2020A	2021A	2022A	2023F
Interest Income	116,933	143,523	151,875	166,626
Interest Expense	(37,723)	(29,429)	(27,278)	(31,326)
Net Interest Income	79,210	114,094	124,597	135,300
Premium Income - Net	882	1,043	1,577	2,324
Fee&Other Operating Income - Net	29,464	41,216	47,303	57,754
Gross Operating Income	109,555	156,353	173,477	195,378
Other Operating Expense	(49,931)	(75,918)	(82,192)	(81,441)
Pre Provision Operating Profit	59,624	80,435	91,285	113,937
Provision Expense	(32,850)	(39,291)	(26,979)	(28,146)
Operating Income	26,774	41,144	64,306	85,791
Non Operating Income	(49)	(152)	291	322
Earning Before Tax	26,725	40,992	64,597	86,113
Tax Expense	(8,064)	(7,836)	(13,188)	(19,268)
Earning After Tax	18,660	33,156	51,408	66,845
Pro Forma Net Income Arising From Acquisition Transaction With Entities Under Common Control	0	(2,401)	0	0
Net Income	18,660	30,756	51,408	66,845
Income for The Year Attributable to - NCI	6	(311)	238	241
Total Net Income Attributable to Parent	18,655	31,067	51,170	66,604
EPS (Rp/Share)	152	238	338	440

Ratio Highlights

Ratio Analysis (Consolidated)	2020A	2021A	2022A	2023F
Profitability & Efficiency				
NIM	6.90%	6.95%	7.85%	7.93%
Cost-to-Income Ratio	45.58%	48.56%	47.38%	41.68%
ROE	10.52%	12.85%	17.63%	17.93%
ROA	1.46%	2.13%	3.01%	3.30%
BOPO	83.46%	78.54%	69.10%	62.16%
Cost of Fund	3.22%	2.36%	2.06%	2.18%
Liquidity				
LDR	91.01%	91.58%	87.09%	91.36%
CASA	59.66%	63.08%	66.70%	69.19%
Asset Quality				
Gross NPL	2.99%	3.00%	2.67%	2.55%
Gross NPL (Bank Only)	2.94%	3.08%	2.82%	2.66%
Provision Coverage	237.73%	281.16%	305.73%	308.08%
Capital				
CAR	21.17%	27.16%	25.54%	25.99%
Growth				
Loan Growth	12.43%	2.22%	9.23%	9.75%
Deposit Growth	9.77%	1.59%	14.85%	4.62%
Net Income Growth	-45.73%	66.53%	64.71%	30.16%

QoQ Results

Balance Sheet	4Q21	1Q22	2Q22	3Q22	4Q22	%QoQ	%YoY
Loan	1,042,867	1,075,927	1,104,785	1,111,478	1,139,077	2.48%	9.23%
Loan Loss Reserves	(87,829)	(91,832)	(95,846)	(95,902)	(93,088)	-2.93%	5.99%
NPL	943,700	974,700	1,003,600	1,007,100	1,029,800	2.25%	9.12%
Deposit							
Demand	220,590	227,551	240,047	245,644	349,756	42.38%	58.55%
Savings	497,677	489,258	500,372	500,083	522,648	4.51%	5.02%
Time Deposit	420,476	409,687	396,563	394,038	435,481	10.52%	3.57%
Total Asset	1,678,098	1,650,279	1,652,839	1,684,604	1,865,639	10.75%	11.18%
Shareholder Equity	288,735	272,275	282,581	296,578	299,294	0.92%	3.66%
Income Statement	4Q21	1Q22	2Q22	3Q22	4Q22	%QoQ	%YoY
Interest Income	37,980	36,732	40,129	38,391	36,623	-4.60%	-3.57%
Interest Expense	(6,844)	(6,325)	(5,923)	(6,497)	(8,534)	31.35%	24.69%
Net Interest Income	31,136	30,407	34,207	31,894	28,090	-11.93%	-9.78%
Premium Income - Net	302	278	576	(24)	747	121461.73%	147.68%
Fee&Other Operating Income - Net	10,578	10,474	10,355	11,814	14,660	24.09%	38.59%
Gross Operating Income	42,016	41,159	45,137	43,684	43,497	-0.43%	3.52%
Other Operating Expense	(21,337)	(18,365)	(19,860)	(20,352)	(23,614)	16.03%	10.67%
Pre Provision Operating Profit	20,679	22,794	25,277	23,331	19,883	-14.78%	-3.85%
Provision Expense	(8,005)	(7,474)	(9,451)	(5,639)	(4,415)	-21.71%	-44.85%
Net Operating Income	12,674	15,320	15,826	17,692	15,468	-12.57%	22.05%
Non Operating Income	2,192	40	38	322	(110)	-134.13%	-105.01%
Earning Before Tax	14,866	15,360	15,864	18,014	15,358	-14.74%	3.31%
Tax Expense	(779)	(3,140)	(3,208)	(3,579)	(3,261)	-8.87%	318.63%
Earning After Tax	14,086	12,220	12,657	14,435	12,097	-16.20%	-14.12%
Pro Forma Net Income Arising From Acquisition Transaction With Entities Under Common Control	(2,401)	0	0	0	0	-	-
Net Income	11,686	12,220	12,657	14,435	12,097	-16.20%	3.52%
Income for The Year Attributable to - NCI	(125)	52	38	65	83	26.92%	-166.36%
Total Net Income Attributable to Parent	11,810	12,167	12,619	14,370	12,014	-16.39%	1.73%
EPS (Rp/Share)	90.46	80.29	83.29	94.88	79.36	-16.36%	-12.27%
Ratio (Consolidated)	4Q21	1Q22	2Q22	3Q22	4Q22	%QoQ	%YoY
Profitability & Efficiency							
NIM	7.70%	7.72%	8.24%	8.21%	7.85%	(0.36)	0.15
ROE	13.86%	17.22%	17.48%	18.16%	17.63%	(0.53)	3.77
ROA	2.13%	2.94%	3.00%	3.15%	3.01%	(0.14)	0.88
Cost of Fund	2.36%	2.00%	1.91%	1.94%	2.06%	0.12	(0.30)
Liquidity							
LDR	91.58%	95.51%	97.20%	88.51%	87.09%	(1.42)	(4.49)
CASA	63.08%	63.60%	65.10%	65.43%	66.70%	1.27	3.62
Asset Quality							
Gross NPL	3.00%	3.09%	3.26%	3.09%	2.67%	(0.42)	(0.33)
Gross NPL (Bank only)	3.08%	3.15%	3.32%	3.14%	2.82%	(0.32)	(0.26)
NPL Coverage Ratio	281.16%	276.00%	266.30%	278.79%	305.73%	26.94	24.57
Capital							
CAR	27.16%	24.61%	25.06%	26.14%	25.51%	(0.63)	(1.65)

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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