

Investment Consideration

98.72% Net Income Growth

In 1H2022, BBRI reported very strong net income growth, up by +98.72% yoy from IDR 12,473 trillion in 1H21 to IDR 24,786 trillion in 1H22. This makes BBRI the fastest growing among the big banks in terms of net income growth. The growth was driven by the high interest income and premium income which grew by 28.37% and 49.03% yoy respectively. We forecast BBRI will continue to improve net income with growth of +55.94% yoy from IDR 31.07 trillion in FY21 to IDR 48.45 in FY22.

Solid Loan Growth

In the first semester of 2022, BBRI recorded solid gross loan growth of +10.04% yoy (Bank Only). Micro loans had the fastest loan growth at +16.01% due to digitalization and BBRI's strategy to "Go Smaller, Go Shorter, and Go Faster". Small, Corporate, and Consumer loans grew 7.29%, 6.13 and 5.41%, respectively, while medium loans had negative growth of -2.38%. We project BBRI will continue to grow its gross loans by 11.07% yoy in FY22.

Slightly higher NPLs

In 1H2022, BBRI's NPL ratio was higher than 1H2021 up by +5 bps to 3.32%. Consumer loans are the best performing with a 2.00% NPL ratio, although this was higher than 1H202, an increase of +21 bps. Micro, Medium, Small, and Corporate loans had NPL ratios of 2.21%, 3.83%, 4.71%, and 5.25% respectively. We forecast that BBRI will improve its NPL ratio by -18bps to 2.90% in FY2022.

Valuation: 28%, Upside, Buy

Based on our DDM Valuation, we have a target price within one year of IDR 4,960 or trading at 2.6x PBV which gives 28% 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	164,888
Interest Expense	(44,412)	(43,050)	(35,376)	(32,705)
Net Interest Income	82,718	80,092	115,138	132,183
Operating Income	28,439	29,464	41,216	42,776
Operating Expense	(44,966)	(49,931)	(75,918)	(76,507)
Pre Provision Operating Profit	66,192	59,624	80,435	98,452
Provision Expense	(22,760)	(32,850)	(39,291)	(33,977)
Net Operating Income	43,432	26,774	41,144	64,475
Non Operating Income	(68)	(49)	(152)	152
Earning Before Tax	43,364	26,725	40,992	64,627
Tax Expense	(8,950)	(8,064)	(7,836)	(16,157)
Earning After Tax	34,414	18,660	33,156	48,470
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	48,470
Income for The Year Attributable to - NCI	41	6	(311)	24
Total Net Income Attributable to Parent	34,373	18,655	31,067	48,446
EPS (Rp/Share)	280.97	152.20	237.96	319.69

October 14th, 2022
Banking, Equity

Price **IDR 4,270**
Target Price **IDR 5,480**
JKSE Index **IDR 6,814.53**



Stock Code **BBRI IJ**
Bloomberg code **BBRI IJ**
Market cap (IDR.bn) **638,063**
52-Week High (IDR) **4,980**
52-Week Low (IDR) **3,960**
6-m Avg Daily. Val (IDR) **4,408**
Free Float (%) **46.81**

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

USD/IDR-YE
2021A **14,263**
2022F (6M Avg) **14,804**

Key Indicators (%)
Non-Performing Loan **2.90**
Net Interest Margin **8.00**

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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

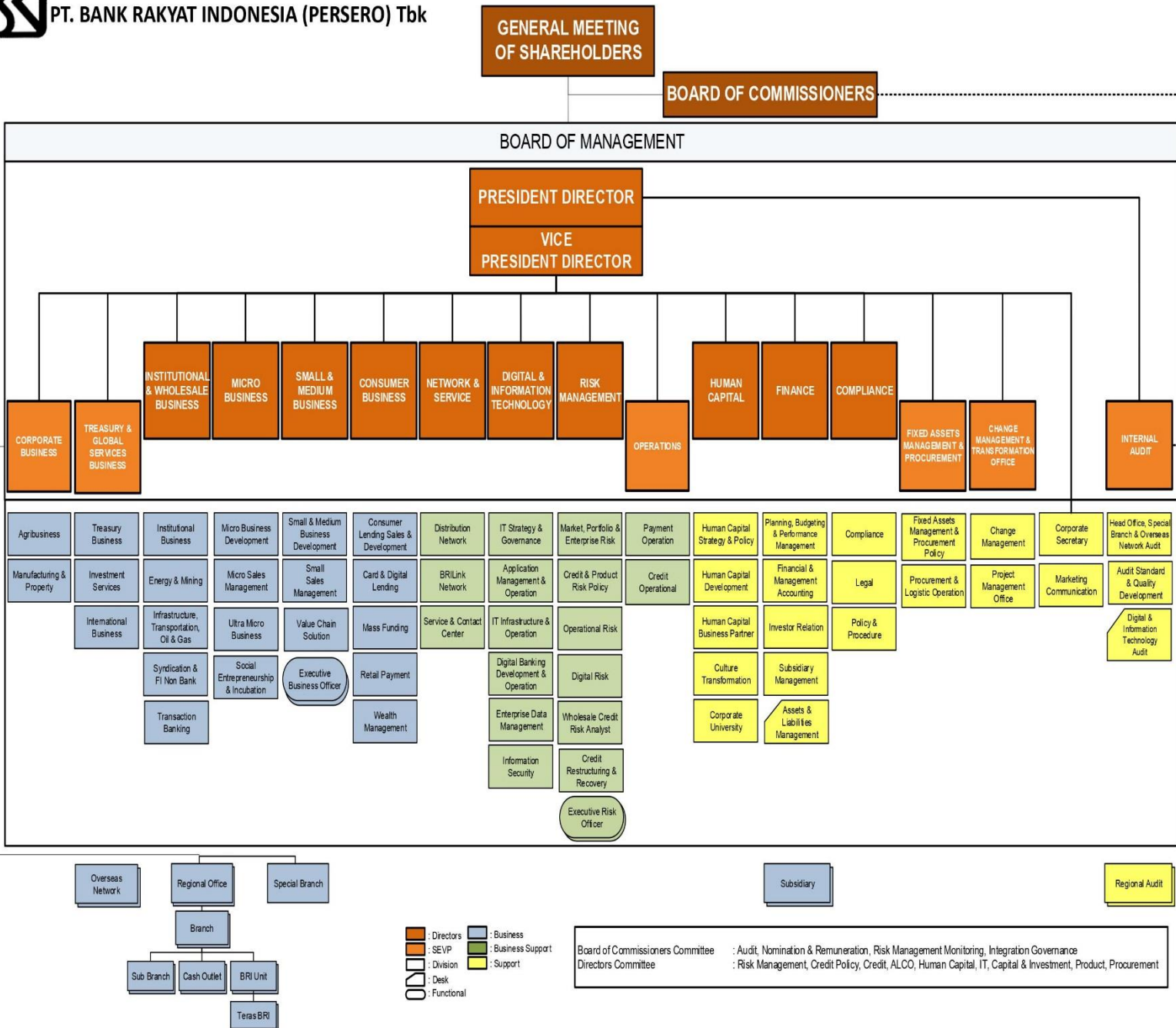


Chart: Gross Loan (Bank Only) (IDRTn) YoY

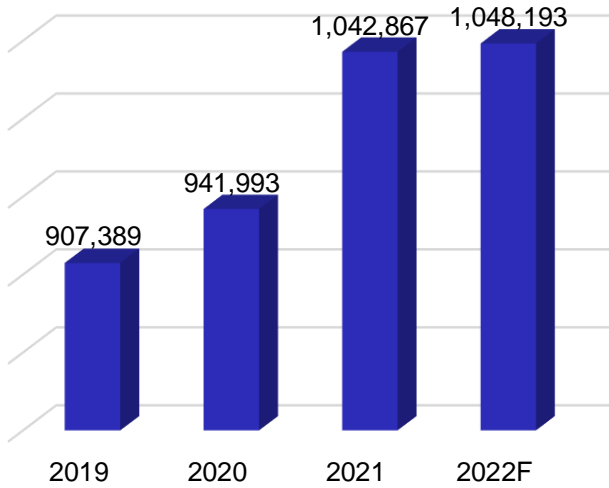


Chart: Customer Deposit (IDRTn) YoY

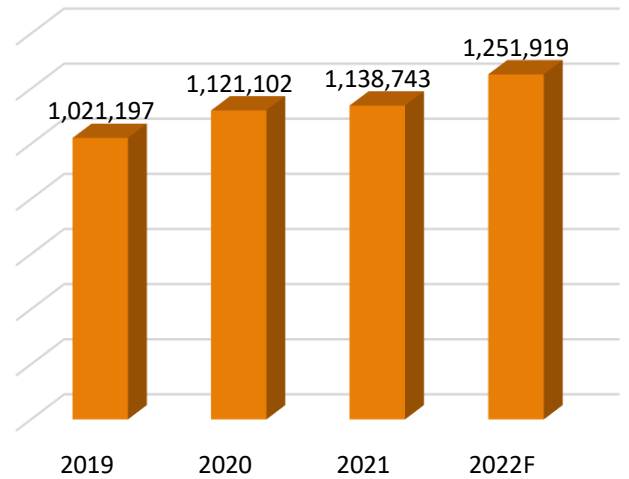


Chart: Profitability Ratio (IDRTn & %) YoY

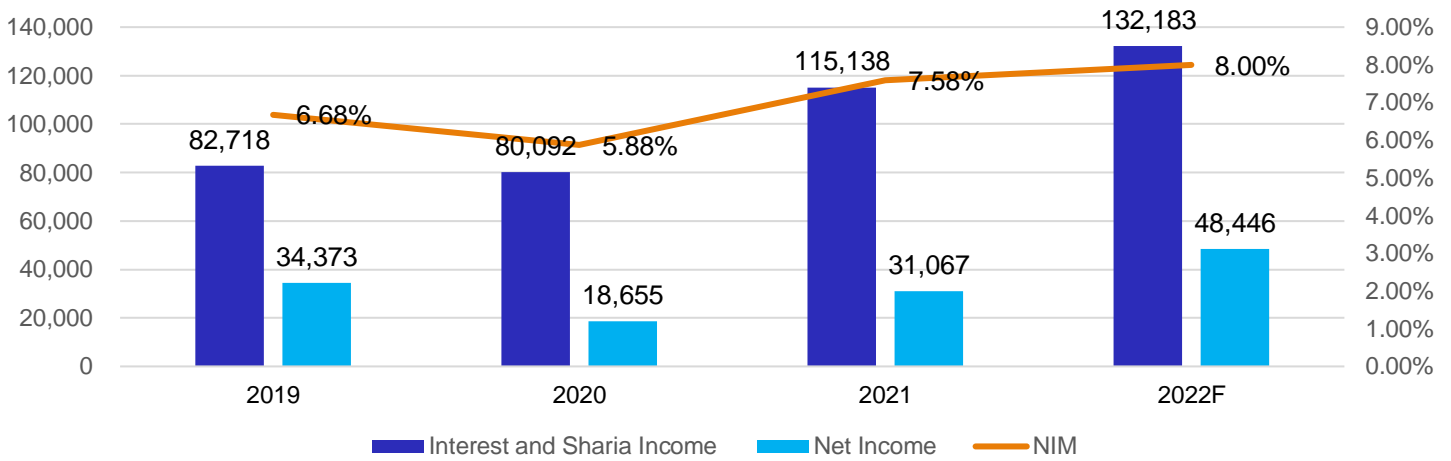


Chart: Net Interest Margin (%) YoY

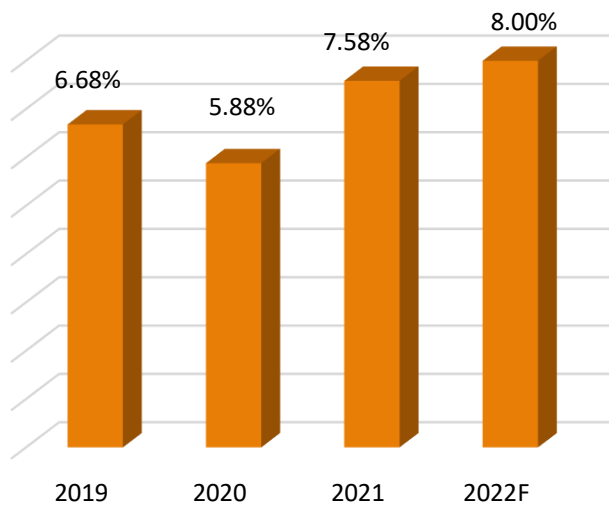


Chart: Loan to Deposit Ratio (%) YoY

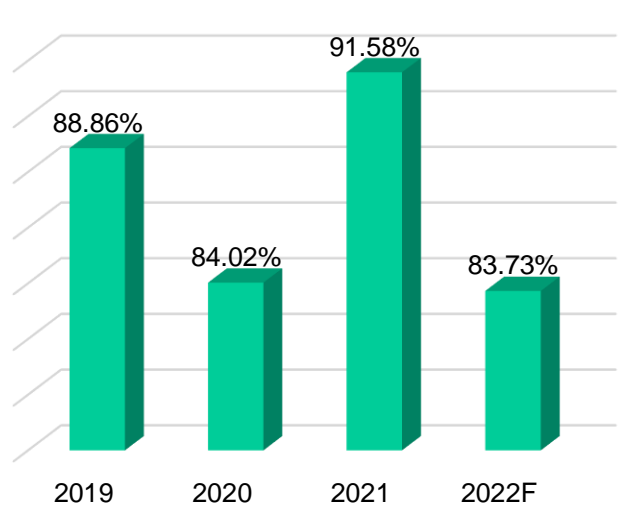


Chart: Gross Loan (IDRTn) QoQ

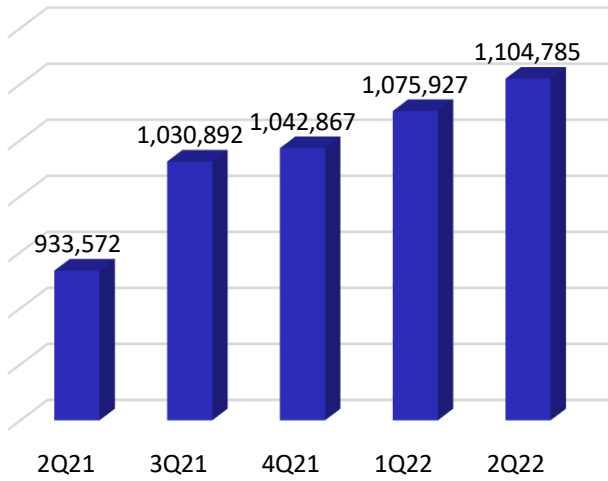


Chart: Customer Deposit (IDRTn) QoQ

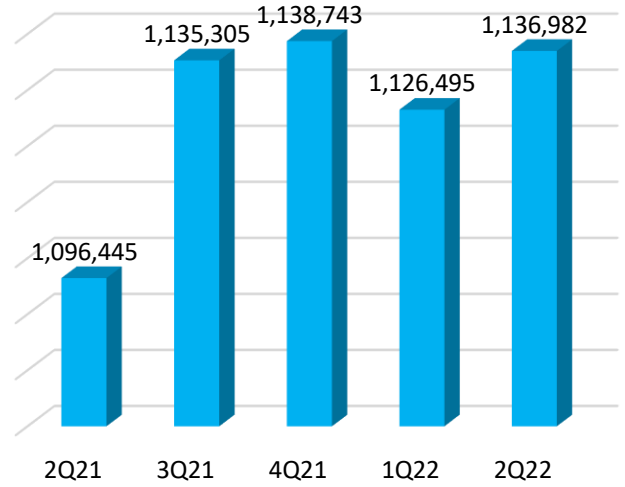


Chart: Non Performing Loan (&) QoQ

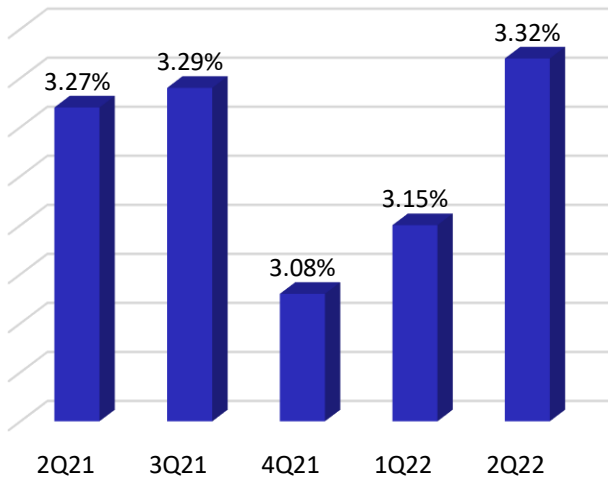
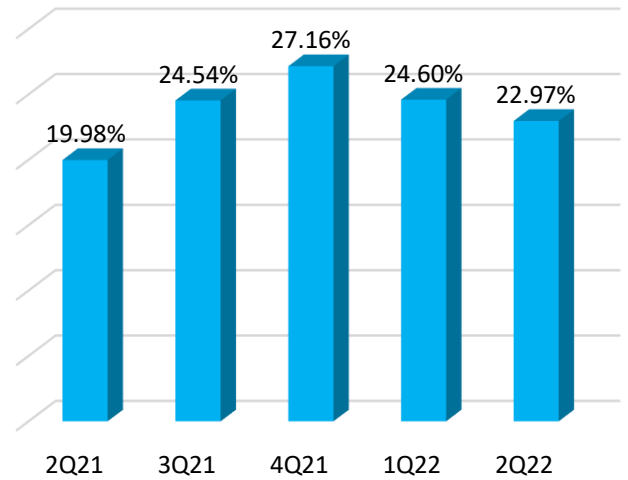


Chart: CAR (x) QoQ



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	149,335
Interbank Placement	116,855	66,540	58,983	129,649
Marketable Securities	195,840	327,267	371,738	396,699
Gross Loans	907,389	941,993	1,042,867	1,048,193
Provision	(39,109)	(66,614)	(84,834)	(96,661)
Net Loan	868,280	875,379	958,034	951,532
Other Earning Asset	390,604	485,039	566,741	648,171
Non Earning Asset	56,239	67,695	70,597	97,277
Total Assets	1,416,759	1,511,805	1,678,098	1,846,315
Deposit:				
Current Account	174,928	193,078	220,590	275,643
Saving Account	414,333	475,848	497,677	568,608
Time Deposit	431,936	452,176	420,476	407,668
Other Interest Bearing Liabilities	77,682	81,665	69,175	73,461
Non Interest Bearing Liabilities	109,096	109,126	178,393	198,986
Total Liabilities	1,207,975	1,311,893	1,386,311	1,524,366
Total Shareholder's Equity	208,784	199,911	291,787	321,949

Income Statement (IDR.bn)

Statement of Profit or Loss (In IDR bn)	2019A	2020 A	2021 A	2022 F
Interest Income	127,130	123,141	150,513	164,888
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Ratio Highlights

Ratio Analysis (Consolidated)	2019A	2020A	2021A	2022F
Profitability & Efficiency				
NIM	6.68%	5.88%	7.58%	8.00%
Cost-to-Income Ratio	40.45%	45.58%	48.56%	43.73%
ROE	16.46%	9.33%	10.65%	15.05%
ROA	2.43%	1.23%	1.85%	2.62%
ROAE	16.96%	12.90%	9.99%	12.85%
BOPO	72.08%	82.46%	78.54%	68.95%
Cost of Credit	2.51%	3.49%	3.77%	3.24%
Liquidity				
LDR	88.86%	84.02%	91.58%	83.73%
CASA	57.70%	59.67%	63.08%	67.44%
Asset Quality				
Gross NPL	2.62%	2.94%	3.08%	2.90%
Provision Coverage	119.71%	201.06%	214.35%	207.45%
Capital				
CAR	22.77%	21.17%	27.16%	27.95%
Growth				
Loan Growth	7.56%	3.81%	10.71%	0.51%
Deposit Growth	8.15%	9.78%	1.57%	9.94%
Net Income Growth	6.25%	-45.73%	66.53%	55.94%

QoQ Results

Balance Sheet	2Q21	3Q21	4Q21	1Q22	2Q22	%QoQ	%YoY
Loan	933,572	1,030,892	1,042,867	1,075,927	1,104,785	2.68%	18.34%
Loan Loss Reserves	(78,132)	(85,203)	(84,834)	(89,892)	(93,495)	4.01%	19.66%
NPL	912,000	931,000	943,700	974,700	1,003,600	2.97%	10.04%
Deposit							
Demand	191,392	206,443	220,590	227,551	240,047	5.49%	25.42%
Savings	461,702	470,156	497,677	489,258	500,372	2.27%	8.38%
Time Deposit	443,351	458,705	420,476	409,687	396,563	-3.20%	-10.55%
Total Asset	1,450,907	1,619,772	1,678,098	1,650,279	1,652,839	0.16%	13.92%
Shareholder Equity	196,985	277,285	288,735	272,275	282,581	3.79%	43.45%
Income Statement	2Q21	3Q21	4Q21	1Q22	2Q22	%QoQ	%YoY
Interest Income	31,649	32,987	54,546	39,493	41,997	6.34%	32.70%
Interest Expense	(7,572)	(8,283)	(11,841)	(8,808)	(7,214)	-18.09%	-4.72%
Net Interest Income	24,078	24,704	42,706	30,685	34,783	13.35%	44.46%
Operating Income	8,384	8,510	16,065	10,474	10,355	-1.14%	23.50%
Operating Expense	(13,089)	(15,652)	(34,058)	(18,365)	(19,860)	8.14%	51.73%
Pre Provision Operating Profit	19,373	17,562	24,712	22,794	25,277	10.89%	30.48%
Provision Expense	(11,973)	(8,578)	(8,921)	(7,474)	(9,451)	26.45%	-21.07%
Net Operating Income	7,399	8,984	15,791	15,320	15,826	3.30%	113.89%
Non Operating Income	10	(54)	(108)	40	38	-4.33%	284.48%
Earning Before Tax	7,409	8,929	15,683	15,360	15,864	3.28%	114.12%
Tax Expense	(1,729)	(2,399)	(1,597)	(3,140)	(3,208)	2.15%	85.47%
Earning After Tax	5,680	6,530	14,086	12,220	12,657	3.58%	122.84%
Pro Forma Net Income Arising From Acquisition Transaction With Entities Under Common Control	0	0	(2,401)	0	0	-	-
Net Income	5,680	6,530	11,686	12,220	12,657	3.58%	122.84%
Income for The Year Attributable to - NCI	33	(253)	(125)	52	38	-28.11%	13.13%
Total Net Income Attributable to Parent	5,646	6,784	11,810	12,167	12,619	3.71%	123.48%
EPS (Rp/Share)	46.06	54.41	90.46	80.29	83.29	3.74%	80.84%
	0	0	0	0	0		
Ratio	2Q21	3Q21	4Q21	1Q22	2Q22	%QoQ	%YoY
Profitability & Efficiency							
NIM	7.02%	6.00%	6.89%	6.85%	7.35%	0.50	0.33
ROE	12.90%	13.24%	14.09%	15.39%	17.08%	1.69	4.18
ROA	1.82%	1.94%	2.23%	2.84%	3.11%	0.27	1.29
Cost of Fund	2.18%	2.14%	2.05%	1.73%	1.70%	(0.03)	(0.48)
Liquidity							
LDR	84.52%	8305.00%	83.67%	87.14%	88.95%	1.81	4.43
CASA	60.10%	60.05%	63.30%	63.75%	65.36%	1.61	5.26
Asset Quality							
Gross NPL (Bank only)	3.27%	3.29%	3.08%	3.15%	3.32%	0.17	0.05
NPL Coverage Ratio	258.41%	259.70%	278.14%	275.66%	265.15%	(10.51)	6.74
Capital							
CAR	19.63%	24.37%	25.28%	22.39%	22.97%	0.58	3.34

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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