

June 13th, 2023
Banking, Equity

Price IDR 5,550
Target Price IDR 7,500
JKSE Index IDR 6,719.01



Stock Code BBRI IJ
Bloomberg code BBRI IJ
Market cap (IDR.bn) 841,153
52-Week High (IDR) 5,625
52-Week Low (IDR) 3,960
6-m Avg Daily. Val (IDR) 4,898
Free Float (%) 46.78

Major Shareholders (%)
Government RI 53.19%
Public 46.37%
Treasury 0.43%
BOC and BOD 0.01%

USD/IDR-YE
2022A 14,871
2023F 14,865.54

Key Indicators (%)
Non-Performing Loan 2.62
Net Interest Margin 7.81

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Investment Consideration

Significant Net Income Growth

In Q1 2023, BBRI achieved a significant net income growth of +27.41% YoY, from IDR 12.17 trillion in Q1 2022 to IDR 15.50 trillion in Q1 2023. Net interest income increased by +7.80% YoY, leading to a 10 bps YoY growth in the NIM ratio, which reached 7.82%. However, the NIM ratio was 3 bps lower than the previous quarter due to a significant increase in interest expenses, which grew by 53.07% YoY. The major growth driver was unrealized gains on changes in fair value of securities, which grew by 102.07% YoY. We project that BBRI will end this year with net income (PATMI) growth of +23.69% YoY, rising from IDR 51.17 trillion in FY22 to IDR 63.29 trillion in FY23.

Strong Loan and Deposit Growth

As of March 31st, 2023, BBRI exhibited strong performance, with consolidated loans growing by 9.68% YoY and bank-only loans growing by 9.31%. All segments experienced growth, with the Medium segment showing the highest growth at 17.65% YoY. The Corporate, Consumer, Micro, and Small segments grew by 10.64%, 10.27%, 9.89%, and 5.49% respectively. Among the micro loans, PNM had the highest growth at 24.46%, while BRI Micro and Pegadaian grew by 12.29% and 9.89% respectively. However, KUR, the largest contributor to the BRI Micro portfolio, only grew by 4.1%, while Kupedes experienced robust growth at 29.3%. BBRI also witnessed an improvement in its Customer Deposits, with a substantial increase of 11.45%, driven by significant growth in Current Accounts, which grew by 58.55% YoY. The CASA ratio also increased by 93 bps to 64.53%, despite a 2.17% quarterly decrease. We forecast that BBRI will continue to experience growth in its Consolidated and Bank-Only Loans, projected at 8.19% and 9.17% respectively. Additionally, the consolidated CASA is expected to grow to 68.66% by the end of 2023.

Asset Quality Improvement

BRI's consolidated gross NPL (Non-Performing Loan) decreased from 3.09% in Q1-2022 to 2.86% in Q1-2023, indicating better asset quality, while the bank-only NPL decreased by 0.13% YoY to 3.02%. This progress was matched by ample reserves, with an NPL coverage ratio of 282.49% in Q1-2023. Additionally, the corporate credit loans segment became the best performing, with NPLs down by 0.49% YoY, although Consumer loans had the lowest NPLs at 2.06%. Other loan segments experienced increasing NPLs, such as Small and Micro loans, which increased by 0.15% and 0.50% to reach levels of 4.45% and 2.24%, respectively. Medium loan NPLs, decreased by 20 basis points to 2.06%. We project that BBRI's asset quality will continue to improve in 2023, with the NPL ratio expected to decrease to 2.62% (consolidated) and 2.78% (bank-only). The NPL coverage ratio is anticipated to increase to 307.24%, acting as a preventive measure against global economic uncertainty, inflation, interest rate hikes, and weaker economic growth.

Valuation: 35%, Upside, Buy

Based on our DDM valuation, we have a target price of IDR 7,500 within one year, implying a trading price of 3.79x PBV and indicating a potential upside of 35%. Therefore, we recommend a Buy rating.

Financial Highlight	2020A	2021A	2022A	2023F
Net Interest Income (IDR bn)	79,210	114,094	124,597	137,954
Net Income (IDR Bn)	18,655	31,067	51,170	63,291
Basic EPS (IDR)	152.20	237.96	338.01	418.08
ROA (%)	1.46%	2.13%	3.01%	3.05%
NIM (%)	6.90%	6.95%	7.85%	7.81%

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

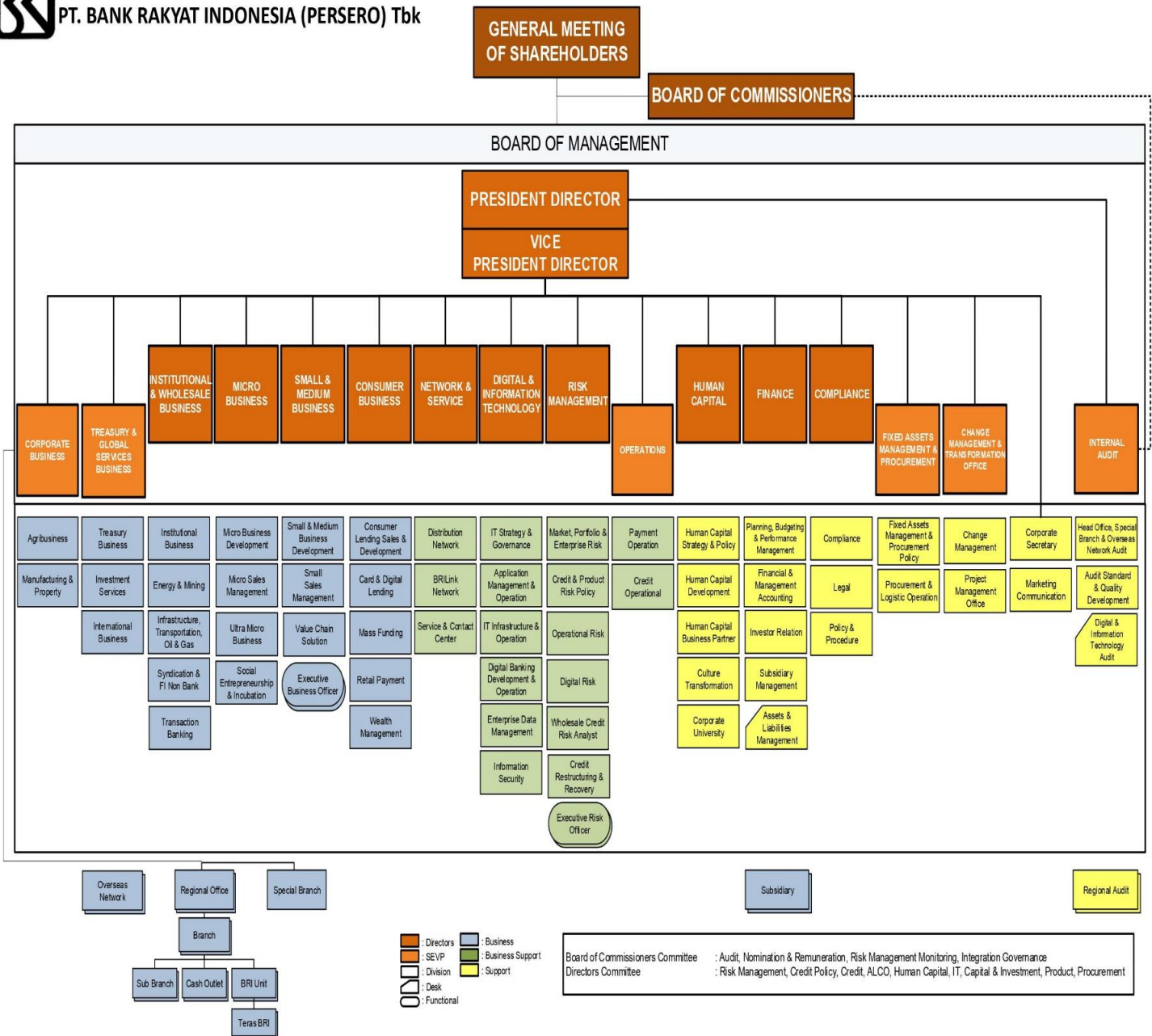


Chart: Gross Loan (In IDR Bn) YoY

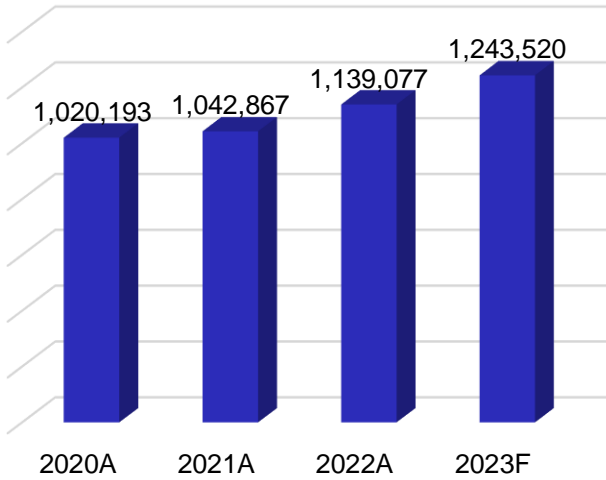


Chart: Customer Deposit (In IDR Bn) YoY

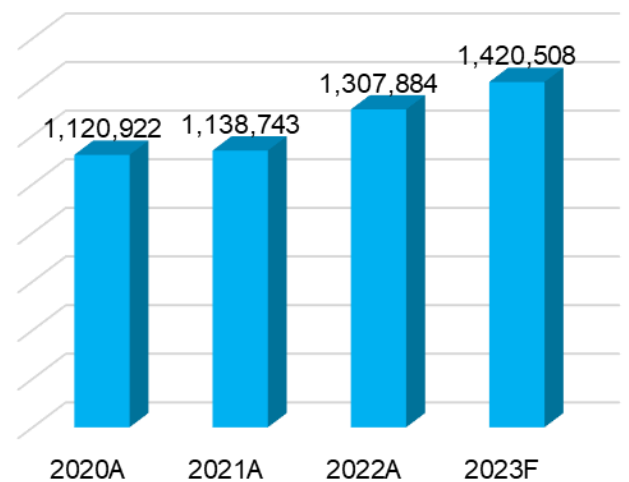


Chart: Profitability Ratio (IDRTn & %) YoY

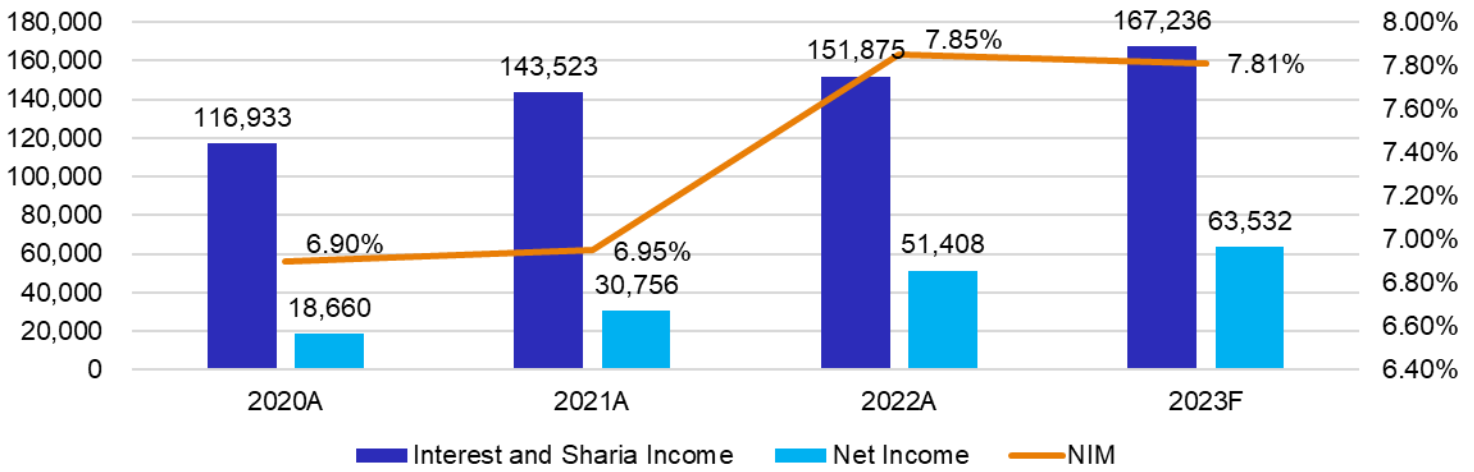


Chart: Non-Performing Loan Ratio (%) YoY

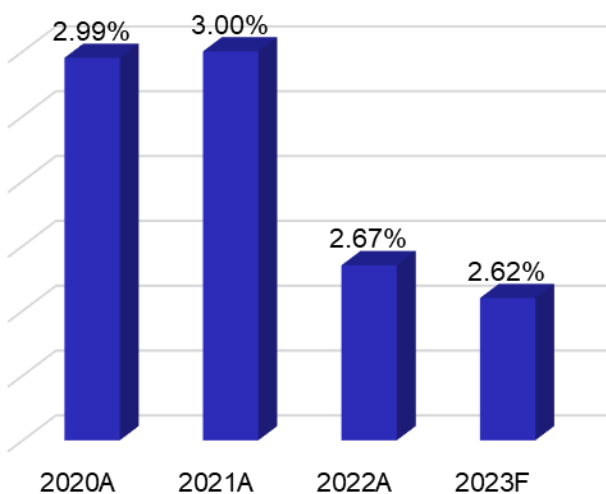


Chart: Capital Adequacy Ratio (%) YoY

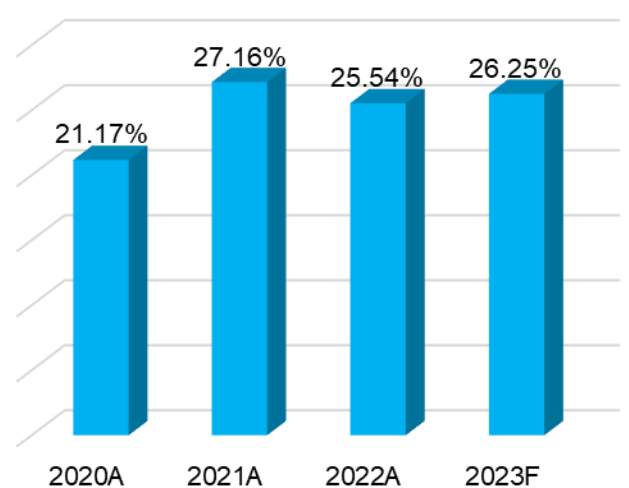


Chart: Gross Loan (In IDR Bn) QoQ

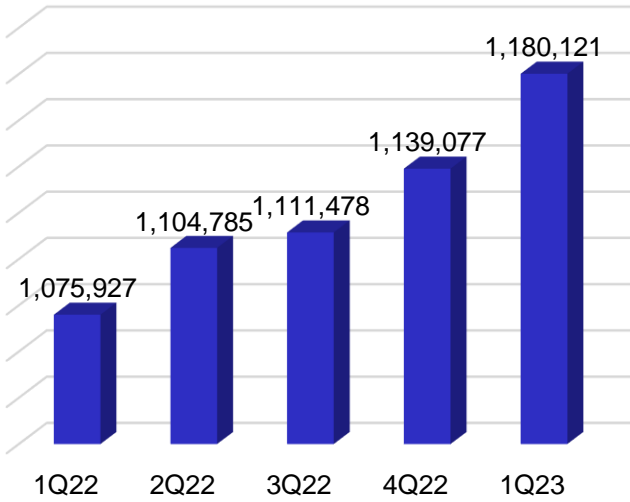


Chart: Customer Deposit (In IDR Bn) QoQ

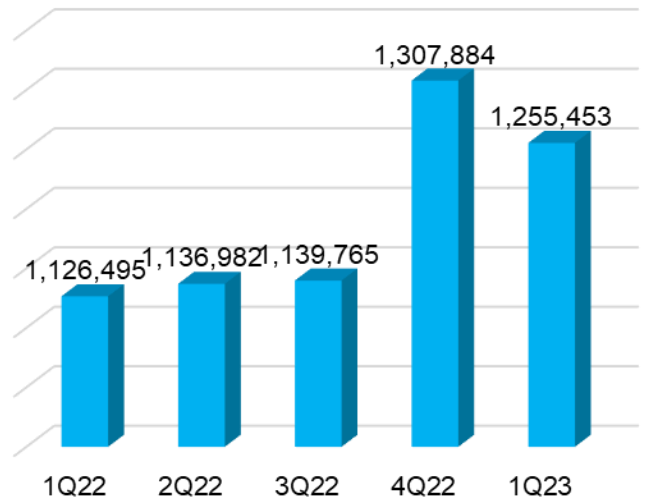


Chart: Non-Performing Loan (%) QoQ

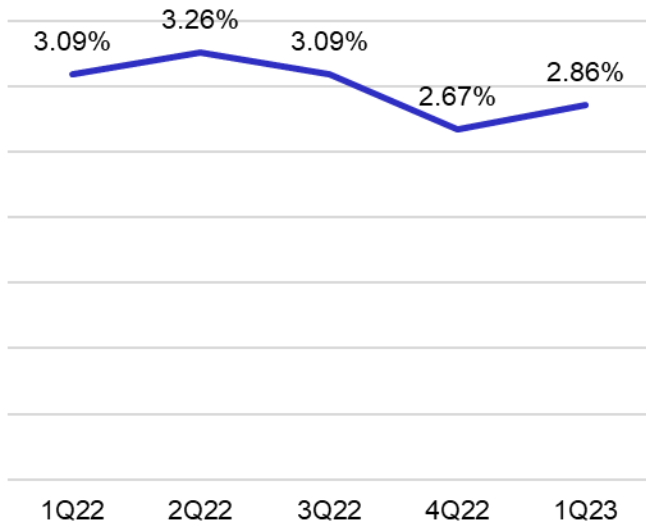
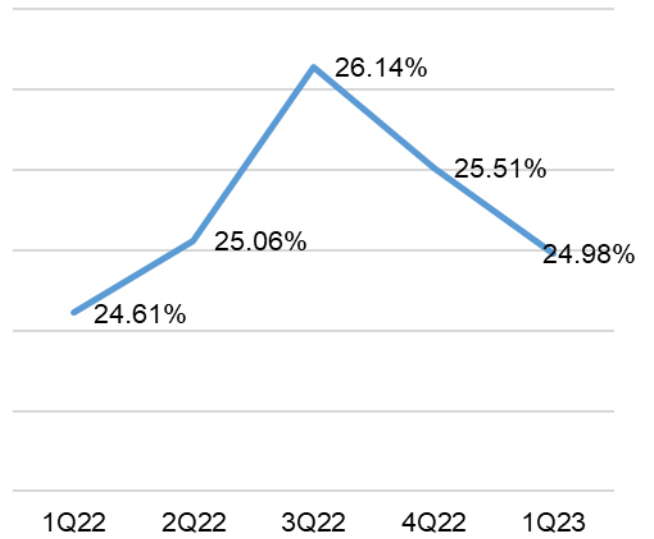


Chart: CAR (%) QoQ



Balance Sheet (IDR.bn)

Balance Sheet	2020A	2021A	2022A	2023F
Cash and CA with BI	83,806	82,727	178,343	188,643
Interbank Placement	67,833	58,977	70,400	80,506
Marketable Securities	326,957	371,738	330,242	423,725
Gross Loans	1,020,193	1,042,867	1,139,077	1,243,520
Provision	(70,395)	(87,829)	(93,088)	(100,078)
Net Loan	949,798	955,038	1,045,989	1,143,442
Other Earning Asset	489,376	544,055	525,004	623,320
Non-Earning Asset	87,085	96,278	116,303	116,885
Total Assets	1,610,065	1,678,098	1,865,639	2,072,289
Deposit:				
Current Account	192,730	220,590	349,756	409,038
Saving Account	476,066	497,677	522,648	566,298
Time Deposit	452,126	420,476	435,481	445,173
Other-Interest-Bearing Liabilities	117,307	103,034	94,697	125,628
Non-Interest-Bearing Liabilities	142,370	144,534	159,663	158,065
Total Liabilities	1,380,598	1,386,311	1,562,244	1,704,201
Total Shareholder's Equity	229,467	291,787	303,395	368,089

Income Statement (IDR.bn)

Statement of Profit or Loss (In IDR bn)	2020A	2021A	2022A	2023F
Interest Income	116,933	143,523	151,875	167,236
Interest Expense	(37,723)	(29,429)	(27,278)	(29,282)
Net Interest Income	79,210	114,094	124,597	137,954
Premium Income - Net	882	1,043	1,577	1,980
Fee&Other Operating Income - Net	29,464	41,216	47,303	53,101
Gross Operating Income	109,555	156,353	173,477	193,035
Other Operating Expense	(49,931)	(75,918)	(82,192)	(79,603)
Pre-Provision Operating Profit	59,624	80,435	91,285	113,432
Provision Expense	(32,850)	(39,291)	(26,979)	(31,750)
Operating Income	26,774	41,144	64,306	81,682
Non-Operating Income	(49)	(152)	291	295
Earning Before Tax	26,725	40,992	64,597	81,976
Tax Expense	(8,064)	(7,836)	(13,188)	(18,445)
Earning After Tax	18,660	33,156	51,408	63,532
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	63,532
Income for The Year Attributable to - NCI	6	(311)	238	241
Total Net Income Attributable to Parent	18,655	31,067	51,170	63,291
EPS (Rp/Share)	152	238	338	418

Ratio Highlights

Ratio Analysis (Consolidated)	2020A	2021A	2022A	2023F
Profitability & Efficiency				
NIM	6.90%	6.95%	7.85%	7.81%
Cost-to-Income Ratio	45.58%	48.56%	47.38%	41.24%
ROE	10.52%	12.85%	17.63%	17.19%
ROA	1.46%	2.13%	3.01%	3.05%
BOPO	83.46%	78.54%	69.10%	63.26%
Cost of Fund	3.22%	2.36%	2.06%	1.99%
Liquidity				
LDR	91.01%	91.58%	87.09%	87.54%
CASA	59.66%	63.08%	66.70%	68.66%
Asset Quality				
Gross NPL	2.99%	3.00%	2.67%	2.62%
Gross NPL (Bank Only)	2.94%	3.08%	2.82%	2.78%
Provision Coverage	237.73%	281.16%	305.73%	307.24%
Capital				
CAR	21.17%	27.16%	25.54%	26.25%
Growth				
Loan Growth	12.43%	2.22%	9.23%	9.17%
Deposit Growth	9.77%	1.59%	14.85%	8.61%
Net Income Growth	-45.73%	66.53%	64.71%	23.69%

QoQ Results

Balance Sheet	1Q22	2Q22	3Q22	4Q22	1Q23	%QoQ	%YoY
Loan	1,075,927	1,104,785	1,111,478	1,139,077	1,180,121	3.60%	9.68%
Loan Loss Reserves	(91,832)	(95,846)	(95,902)	(93,088)	(95,187)	2.25%	3.65%
NPL	974,700	1,003,600	1,007,100	1,029,800	1,065,400	3.46%	9.31%
Deposit							
Demand	227,551	240,047	245,644	349,756	309,890	-11.40%	36.19%
Savings	489,258	500,372	500,083	522,648	500,201	-4.29%	2.24%
Time Deposit	409,687	396,563	394,038	435,481	445,362	2.27%	8.71%
Total Asset	1,650,279	1,652,839	1,684,604	1,865,639	1,822,973	-2.29%	10.46%
Shareholder Equity	272,275	282,581	296,578	299,294	279,584	-6.59%	2.68%
Income Statement	1Q22	2Q22	3Q22	4Q22	1Q23	%QoQ	%YoY
Interest Income	36,732	40,129	38,391	36,623	42,460	15.94%	15.60%
Interest Expense	(6,325)	(5,923)	(6,497)	(8,534)	(9,681)	13.45%	53.07%
Net Interest Income	30,407	34,207	31,894	28,090	32,779	16.69%	7.80%
Premium Income - Net	278	576	(24)	747	442	-40.78%	58.85%
Fee&Other Operating Income - Net	10,474	10,355	11,814	14,660	10,022	-31.63%	-4.31%
Gross Operating Income	41,159	45,137	43,684	43,497	43,244	-0.58%	5.07%
Other Operating Expense	(18,365)	(19,860)	(20,352)	(23,614)	(18,091)	-23.39%	-1.49%
Pre-Provision Operating Profit	22,794	25,277	23,331	19,883	25,153	26.51%	10.35%
Provision Expense	(7,474)	(9,451)	(5,639)	(4,415)	(5,599)	26.82%	-25.10%
Net Operating Income	15,320	15,826	17,692	15,468	19,555	26.42%	27.64%
Non-Operating Income	40	38	322	(110)	42	-138.65%	5.61%
Earning Before Tax	15,360	15,864	18,014	15,358	19,597	27.60%	27.59%
Tax Expense	(3,140)	(3,208)	(3,579)	(3,261)	(4,033)	23.66%	28.43%
Net Income	12,220	12,657	14,435	12,097	15,564	28.66%	27.37%
Income for The Year Attributable to - NCI	52	38	65	83	62	-24.94%	18.44%
Total Net Income Attributable to Parent	12,167	12,619	14,370	12,014	15,502	29.03%	27.41%
EPS (Rp/Share)	80.29	83.29	94.88	79.36	102.70	29.41%	27.91%
Ratio (Consolidated)	1Q22	2Q22	3Q22	4Q22	1Q23	%QoQ	%YoY
Profitability & Efficiency							
NIM	7.72%	8.24%	8.21%	7.85%	7.82%	(0.03)	0.10
ROE	17.22%	17.48%	18.16%	17.63%	21.18%	3.55	3.96
ROA	2.94%	3.00%	3.15%	3.01%	3.38%	0.37	0.44
Cost of Fund	2.00%	1.91%	1.94%	2.06%	2.68%	0.62	0.68
Liquidity							
LDR	95.51%	97.20%	88.51%	87.09%	94.00%	6.91	(1.51)
CASA	63.60%	65.10%	65.43%	66.70%	64.53%	(2.17)	0.93
Asset Quality							
Gross NPL	3.09%	3.26%	3.09%	2.67%	2.86%	0.19	(0.23)
Gross NPL (Bank only)	3.15%	3.32%	3.14%	2.82%	3.02%	0.20	(0.13)
NPL Coverage Ratio	276.00%	266.30%	278.79%	305.73%	282.49%	(23.24)	6.49
Capital							
CAR	24.61%	25.06%	26.14%	25.51%	24.98%	(0.53)	0.37

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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