

September 26th, 2023
Banking, Equity

Price IDR 5,200
Target Price IDR 7,100
JKSE Index IDR 6,923.80



Stock Code
Bloomberg code BBRI IJ
Market cap (IDR.bn) 788,110
52-Week High (IDR) 5,750
52-Week Low (IDR) 4,260
6-m Avg Daily. Val (IDR) 5,379
Free Float (%) 46.36

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 2.73
Net Interest Margin 7.99

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Investment Consideration Steady Net Interest Margin

In the first half of 2023, BBRI's net profit grew by 18.70% year on year, reaching IDR 29.41 trillion. This figure was lower than the annual growth in the previous quarter due to a sharp increase in interest expenses, which grew by 63.71% YoY in June 2023, resulting in only a small increase in Net Interest Income, which grew by only 1.43%. Despite this, the NIM ratio remained within the guidance range of 7.7% and 7.9%, at 7.85%. Additionally, BBRI's other operating income performed better than in Q1, which had decreased by -4.31%. BBRI's 1H23 other operating income grew by 20.43% YoY, driven by a remarkable 342.25% growth in Unrealized Gains on Changes in the Fair Value of Securities. Given these conditions, we project that BBRI will grow its net profit by 32.37% YoY, reaching IDR 67.73 trillion in FY23.

Strong Loan Growth

As of June 2023, BBRI grew its loan portfolio by 8.81% for consolidated figures and 8.54% for the bank-only. For the bank-only, Medium segment experienced the highest growth, which mostly came from the Trading, Hotel & Restaurant sector, which accounted for 37.7% of the total. Other loans grew too. Consumer, Micro, Small, and Corporate grew by 11.51%, 10.39%, 6.09%, and 1.82% respectively. Ultra Micro Ecosystem loans, also grew significantly by 11.4% YoY, with the highest growth from PNM which grew by 18.6% and followed by Pegadaian and BRI Micro which also grew by 14.0% and 10.39% respectively.

Vigorous CASA Expansion

As of June 2023, BBRI recorded a solid growth in CASA, which increased by 10.13% YoY, leading to a 39 bps YoY increase in the CASA ratio, reaching 65.49%. This growth was primarily driven by Current Accounts, which grew by 24.27% YoY. The digitalization efforts of the bank through merchant EDC and BRImo also contributed significantly to the growth. The number of merchant EDCs grew by 30.43% to 282,000 merchants in 1H23, with sales volume per merchant increasing by 18.31% YoY to IDR 363.2 million. As for BRImo, the penetration rate increased by 2.3% to 34.7%, generating IDR 1,232.5 billion of fee income, which is 70.20% higher than June 2022.

Decline in Loan Quality in the First Semester of 2023

As of 1H23, BBRI's NPL ratio increased by 22 bps YoY to 3.32% for the bank-only figure, while the consolidated increased by 31 bps YoY to 3.26%. For the bank-only segment, an amount of IDR 15.3 trillion has been downgraded from performing loans to Non-Performing Loans. The downgrade is mostly driven by MSME loans. From an economic sector perspective, the downgrade was primarily in the Trading, Restaurant, Hotel sector (48.8%) and the Agribusiness Sector (23.4%). We forecast that in December 2023, BBRI will maintain its NPL ratio within its guidance range (2.6%-2.8%) at 2.73% for the consolidated, while the bank-only will experience a small improvement from the 1H23 figure to reach 2.89%, although it will still be higher than last year.

Valuation: 37%, Upside, Buy

Based on our DDM valuation, we have a target price of IDR 7,100 within one year, implying a valuation of 3.59x PBV and indicating a potential upside of 37%. Therefore, we recommend a Buy rating.

Financial Highlight	2020A	2021A	2022A	2023F
Net Interest Income (IDR bn)	79,210	114,094	124,597	138,881
Net Income (IDR Bn)	18,655	31,067	51,170	67,732
Basic EPS (IDR)	152.20	237.96	338.01	447
ROA (%)	1.46%	2.13%	3.01%	3.34%
NIM (%)	6.90%	6.95%	7.85%	7.99%

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

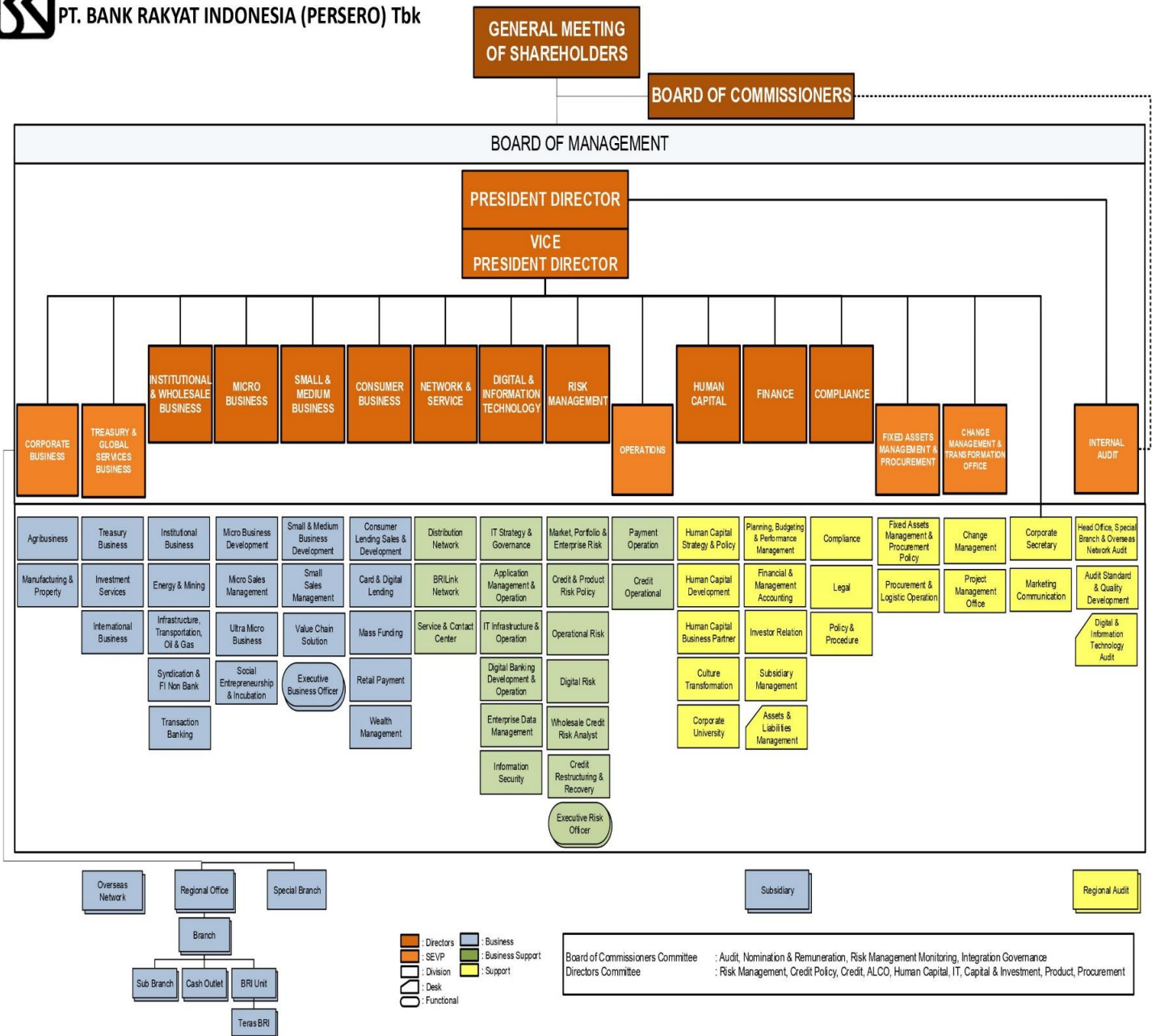


Chart: Gross Loan (In IDR Bn) YoY

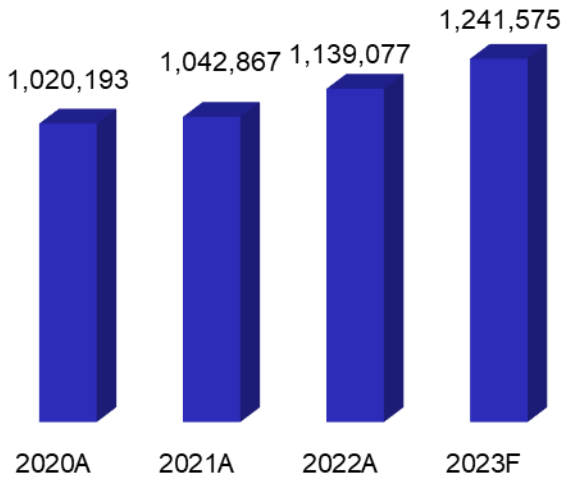


Chart: Customer Deposit (In IDR Bn) YoY

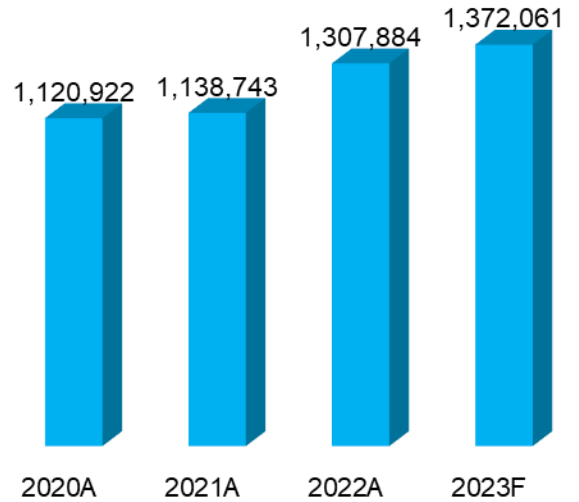


Chart: Profitability Ratio (IDRTn & %) YoY

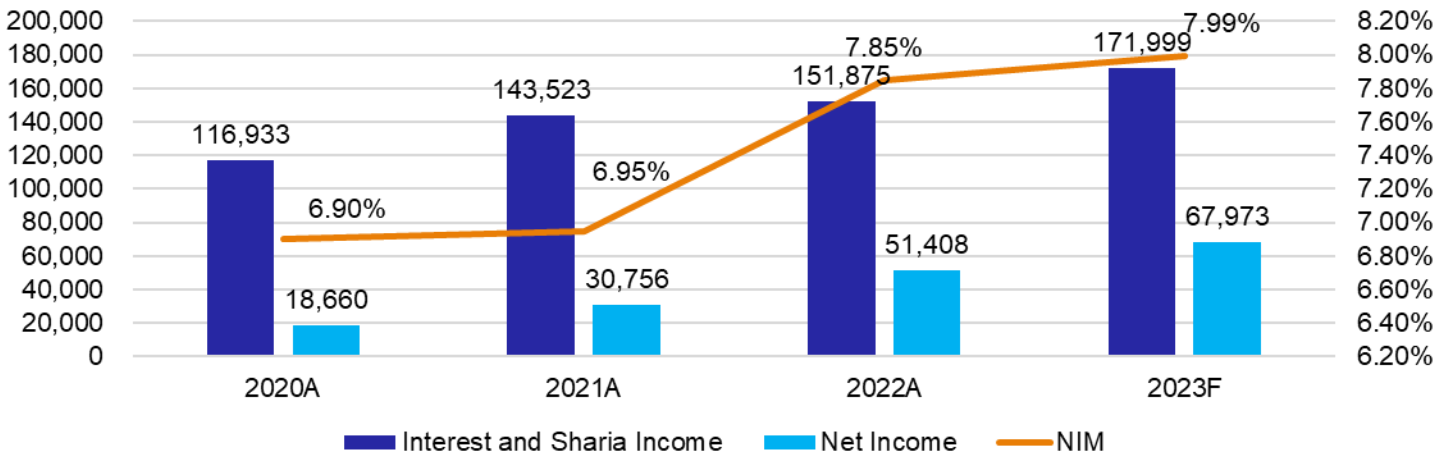


Chart: Non-Performing Loan Ratio (%) YoY

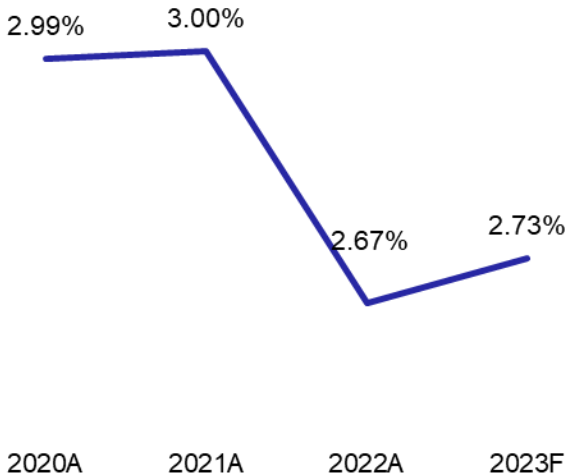


Chart: Capital Adequacy Ratio (%) YoY

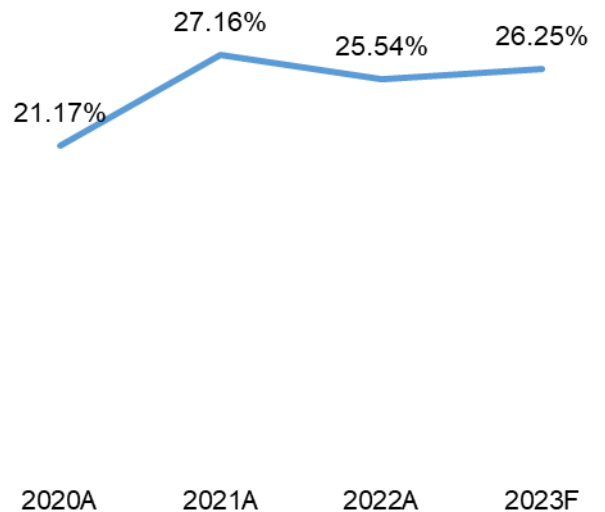


Chart: Gross Loan (In IDR Bn) QoQ

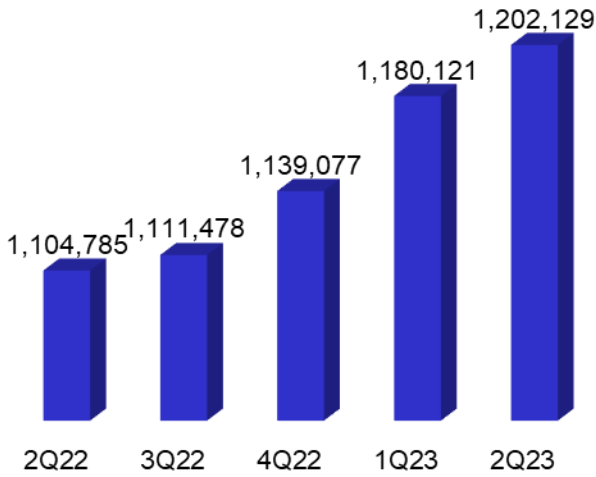


Chart: Customer Deposit (In IDR Bn) QoQ

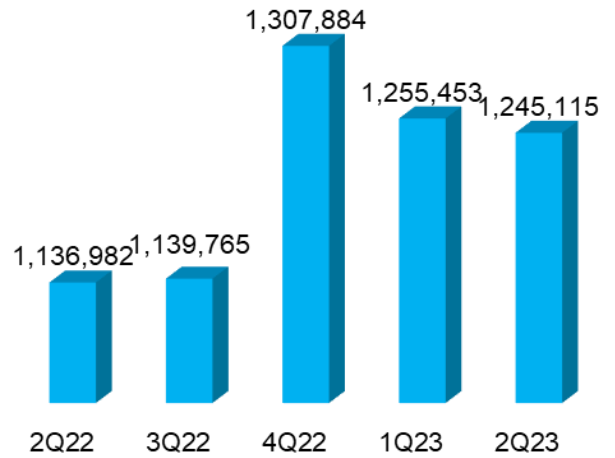


Chart: Non-Performing Loan (%) QoQ

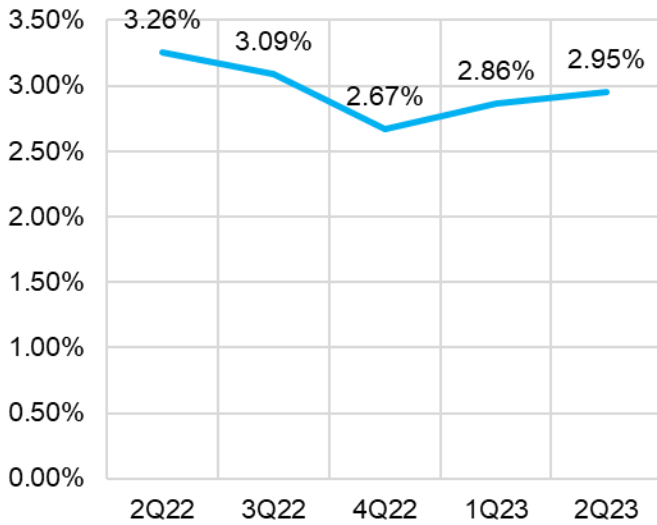
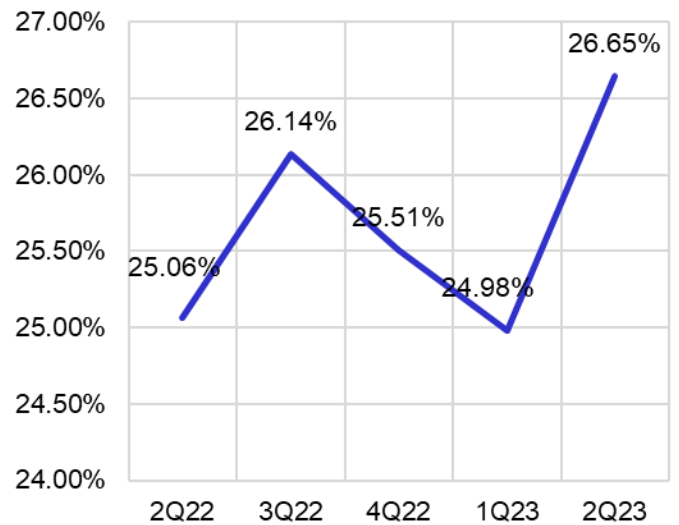


Chart: CAR (%) QoQ



Balance Sheet (IDR.bn)

Balance Sheet	2020A	2021A	2022A	2023F
Cash and CA with BI	83,806	82,727	178,343	200,557
Interbank Placement	67,833	58,977	70,400	73,202
Marketable Securities	326,957	371,738	330,242	385,283
Gross Loans	1,020,193	1,042,867	1,139,077	1,241,575
Provision	(70,395)	(87,829)	(93,088)	(93,839)
Net Loan	949,798	955,038	1,045,989	1,147,736
Other Earning Asset	489,376	544,055	525,004	566,770
Non-Earning Asset	87,085	96,278	116,303	113,222
Total Assets	1,610,065	1,678,098	1,865,639	2,028,284
Deposit:				
Current Account	192,730	220,590	349,756	373,499
Saving Account	476,066	497,677	522,648	569,100
Time Deposit	452,126	420,476	435,481	429,462
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	1,655,754
Total Shareholder's Equity	229,467	291,787	303,395	372,530

Income Statement (IDR.bn)

Statement of Profit or Loss (In IDR bn)	2020A	2021A	2022A	2023F
Interest Income	116,933	143,523	151,875	171,999
Interest Expense	(37,723)	(29,429)	(27,278)	(33,118)
Net Interest Income	79,210	114,094	124,597	138,881
Premium Income - Net	882	1,043	1,577	1,983
Fee&Other Operating Income - Net	29,464	41,216	47,303	59,501
Gross Operating Income	109,555	156,353	173,477	200,366
Other Operating Expense	(49,931)	(75,918)	(82,192)	(86,781)
Pre-Provision Operating Profit	59,624	80,435	91,285	113,585
Provision Expense	(32,850)	(39,291)	(26,979)	(26,172)
Operating Income	26,774	41,144	64,306	87,412
Non-Operating Income	(49)	(152)	291	295
Earning Before Tax	26,725	40,992	64,597	87,707
Tax Expense	(8,064)	(7,836)	(13,188)	(19,734)
Earning After Tax	18,660	33,156	51,408	67,973
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	67,973
Income for The Year Attributable to - NCI	6	(311)	238	241
Total Net Income Attributable to Parent	18,655	31,067	51,170	67,732
EPS (Rp/Share)	152	238	338	447

Ratio Highlights

Ratio Analysis (Consolidated)	2020A	2021A	2022A	2023F
Profitability & Efficiency				
NIM	6.90%	6.95%	7.85%	7.99%
Cost-to-Income Ratio	45.58%	48.56%	47.38%	43.31%
ROE	10.52%	12.85%	17.63%	18.18%
ROA	1.46%	2.13%	3.01%	3.34%
BOPO	83.46%	78.54%	69.10%	62.56%
Cost of Fund	3.22%	2.36%	2.06%	2.28%
Liquidity				
LDR	91.01%	91.58%	87.09%	90.49%
CASA	59.66%	63.08%	66.70%	68.70%
Asset Quality				
Gross NPL	2.99%	3.00%	2.67%	2.73%
Gross NPL (Bank Only)	2.94%	3.08%	2.82%	2.89%
Provision Coverage	237.73%	281.16%	305.73%	276.97%
Capital				
CAR	21.17%	27.16%	25.54%	27.06%
Growth				
Loan Growth	12.43%	2.22%	9.23%	9.00%
Deposit Growth	9.77%	1.59%	14.85%	4.91%
Net Income Growth	-45.73%	66.53%	64.71%	32.37%

QoQ Results

Balance Sheet	2Q22	3Q22	4Q22	1Q23	2Q23	%QoQ	%YoY
Loan	1,104,785	1,111,478	1,139,077	1,180,121	1,202,129	1.86%	8.81%
Loan Loss Reserves	(95,846)	(95,902)	(93,088)	(95,187)	(88,238)	-7.30%	-7.94%
NPL	1,003,600	1,007,100	1,029,800	1,065,400	1,089,300	2.24%	8.54%
Deposit							
Demand	240,047	245,644	349,756	309,890	298,310	-3.74%	24.27%
Savings	500,372	500,083	522,648	500,201	517,115	3.38%	3.35%
Time Deposit	396,563	394,038	435,481	445,362	429,691	-3.52%	8.35%
Total Asset	1,652,839	1,684,604	1,865,639	1,822,973	1,805,146	-0.98%	9.21%
Shareholder Equity	282,581	296,578	299,294	279,584	293,519	4.98%	3.87%
Income Statement	2Q22	3Q22	4Q22	1Q23	2Q23	%QoQ	%YoY
Interest Income	40,129	38,391	36,623	42,460	43,130	15.94%	7.48%
Interest Expense	(5,923)	(6,497)	(8,534)	(9,681)	(10,369)	13.45%	75.07%
Net Interest Income	34,207	31,894	28,090	32,779	32,761	16.69%	-4.23%
Premium Income - Net	576	(24)	747	442	445	-40.78%	-22.79%
Fee&Other Operating Income - Net	10,355	11,814	14,660	10,022	15,061	-31.63%	45.45%
Gross Operating Income	45,137	43,684	43,497	43,244	48,267	-0.58%	6.93%
Other Operating Expense	(19,860)	(20,352)	(23,614)	(18,091)	(22,362)	-23.39%	12.60%
Pre-Provision Operating Profit	25,277	23,331	19,883	25,153	25,905	26.51%	2.48%
Provision Expense	(9,451)	(5,639)	(4,415)	(5,599)	(8,223)	26.82%	-13.00%
Net Operating Income	15,826	17,692	15,468	19,555	17,682	26.42%	11.73%
Non-Operating Income	38	322	(110)	42	(79)	-138.65%	-305.82%
Earning Before Tax	15,864	18,014	15,358	19,597	17,603	27.60%	10.96%
Tax Expense	(3,208)	(3,579)	(3,261)	(4,033)	(3,606)	23.66%	12.41%
Net Income	12,657	14,435	12,097	15,564	13,997	28.66%	10.59%
Income for The Year Attributable to - NCI	38	65	83	62	78	-24.94%	106.52%
Total Net Income Attributable to Parent	12,619	14,370	12,014	15,502	13,920	29.03%	10.31%
EPS (Rp/Share)	83.29	94.88	79.36	102.70	92.24	29.41%	10.75%
Ratio (Consolidated)	2Q22	3Q22	4Q22	1Q23	2Q23	%QoQ	%YoY
Profitability & Efficiency							
NIM	8.24%	8.21%	7.85%	7.82%	7.85%	0.03	(0.39)
ROE	17.48%	18.16%	17.63%	21.18%	20.01%	(1.17)	2.53
ROA	3.00%	3.15%	3.01%	3.38%	3.23%	(0.15)	0.23
Cost of Fund	1.91%	1.94%	2.06%	2.68%	2.79%	0.11	0.88
Liquidity							
LDR	97.20%	88.51%	87.09%	94.00%	97.17%	3.17	(0.03)
CASA	65.10%	65.43%	66.70%	64.53%	65.49%	0.96	0.39
Asset Quality							
Gross NPL	3.26%	3.09%	2.67%	2.86%	2.95%	0.09	(0.31)
Gross NPL (Bank only)	3.32%	3.14%	2.82%	3.02%	3.10%	0.08	(0.22)
NPL Coverage Ratio	266.30%	278.79%	305.73%	282.49%	248.54%	(33.95)	(17.76)
Capital							
CAR	25.06%	26.14%	25.51%	24.98%	26.65%	1.67	1.59

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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