

January 17th, 2024
Banking, Equity

Price IDR 5,775
Target Price IDR 7,050
JKSE Index IDR 7,200.64



Stock Code BBRI IJ
Bloomberg code 875,253
Market cap (IDR Bn) 5,900
52-Week High (IDR) 4,510
52-Week Low (IDR) 5,426
6-m Avg Daily. Val (IDR) 46.29
Free Float (%)

Major Shareholders (%)
Government RI 53.19%
Public 46.29%
Treasury 0.51%
BOC and BOD 0.01%

USD/IDR (JISDOR)
2023A 15,439
2024F 15,864

Key Indicators (%)
Non-Performing Loan 3.01
Net Interest Margin 8.06

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Investment Consideration

Sustaining Double-Digit Growth Amid Challenges

In 9M-2023, BBRI reported a net profit (including NCI) of IDR 44.21 trillion, demonstrating resilient double-digit growth of 12.47% YoY, albeit at a slower pace. This deceleration is attributed to a substantial 63.76% increase in interest expenses, resulting in a modest 0.2% YoY decline in the NIM ratio, settling at 8.05%. Additionally, a notable surge of 861.77% YoY in provisions for non-financial assets contributed to the overall slowdown. Despite these challenges, our forecast suggests that BBRI is poised to maintain its double-digit growth momentum for FY23, with a forecast increase of 17.21% to reach IDR 59.98 trillion.

BBRI's Robust Loan Portfolio Growth

BBRI's loan portfolio is expanding, with robust growth as of September 2023. The overall credit portfolio showed a significant 12.53% YoY increase, with positive performances across all segments. Medium loans exhibited the fastest growth at almost 46% YoY, while Small Commercial loans experienced a more moderate 5.60% uptick. In a consolidated perspective, the micro loan portfolio witnessed an 11.6% YoY growth, with Pegadaian up 17.3% and BRI Micro at a commendable 10.93% YoY increase. BRI Micro's expansion was fueled primarily by a substantial 57.5% growth in Kupedes, despite declines in KUR and Briguna. Despite a 50 bps YoY decrease, the Sustainable Loan Portfolio maintained a robust proportion at 66.1%, surpassing the growth seen in 9M22 at 11.89% YoY. Looking ahead, our forecast envisions BBRI sustaining its vigorous consolidated loan portfolio growth, projecting a further 12.10% expansion by December 31st, 2023.

Customer Deposit Growth Remain Strong

As of September 2023, BBRI's total customer deposits grew impressively by 13.21%, with Current Accounts showing strong growth at 28.12%, contributing to a 10.11% increase in CASA. The notable CASA expansion can be attributed to the outstanding growth in Merchant EDC numbers, reaching 330.4 thousand merchants, a substantial 42.84% YoY increase. However, despite this growth, the CASA ratio declined by 179 basis points (bps) YoY, mainly due to a significant 19.06% YoY increase in Time Deposits. Looking ahead, our forecast suggests that BBRI will continue to foster deposit growth, albeit at a more modest rate of 0.71% YoY. This slower growth is expected to be influenced by a notable quarter-over-quarter decrease observed in 1H-23.

Slow Asset Quality Improvement

As of September 2023, BBRI's consolidated asset quality has shown a modest improvement compared to 9M-2022, with the NPL ratio decreasing by 20 basis points (bps) YoY to 3.09%. This improvement is attributed to declines in the Small and Medium segments, which decreased by 23 bps and 37 bps, respectively. However, in contrast, the SML ratio increased to 5.74%, up from 5.12% in 9M22. The sluggish improvement in asset quality is linked to the impact of El Nino on farmers and fisheries debtors. Despite this challenge, we anticipate a further improvement in BBRI's Consolidated NPL to reach 3.01% in FY23, while the SML ratio is expected to remain stable at 5.74%.

Valuation: 22%, Upside, Buy

Based on our DDM valuation, we have a target price of IDR 7,050 within one year, implying a valuation of 3.56x PBV and indicating a potential upside of 22%. 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
NIM Ratio	6.90%	6.95%	7.85%	8.06%
EPS (IDR/Share)	152.20	237.96	338.01	396.19

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's value.

Company Structure

**STRUKTUR ORGANISASI
PT. BANK RAKYAT INDONESIA (PERSERO) Tbk**

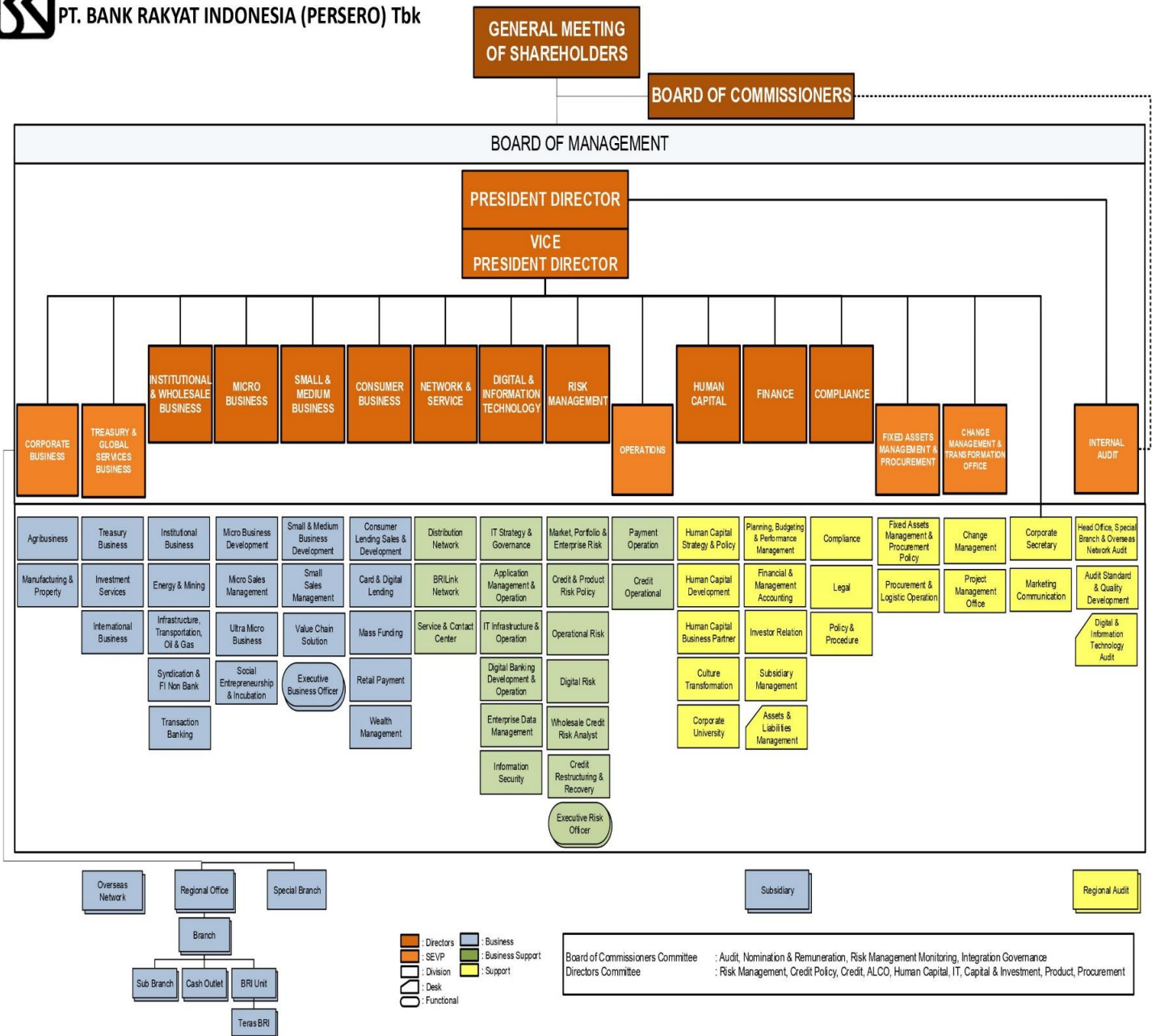


Chart: Gross Loan (In IDR Bn) YoY

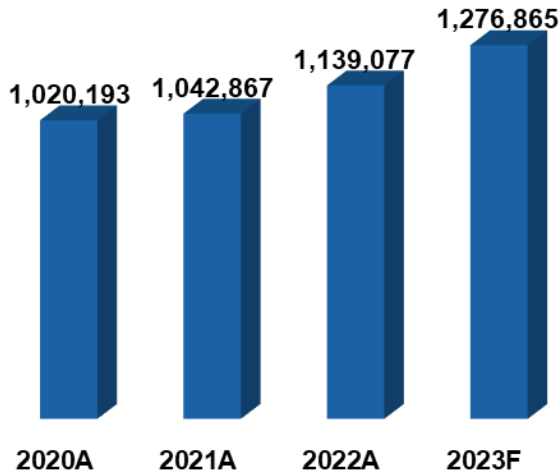


Chart: Customer Deposit (In IDR Bn) YoY

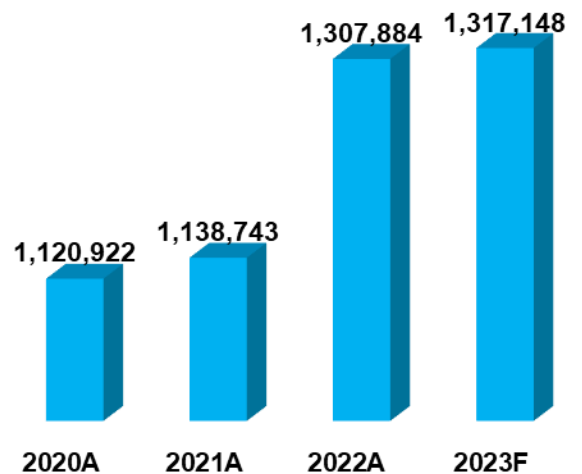


Chart: Profitability Ratio (IDRTn & %) YoY

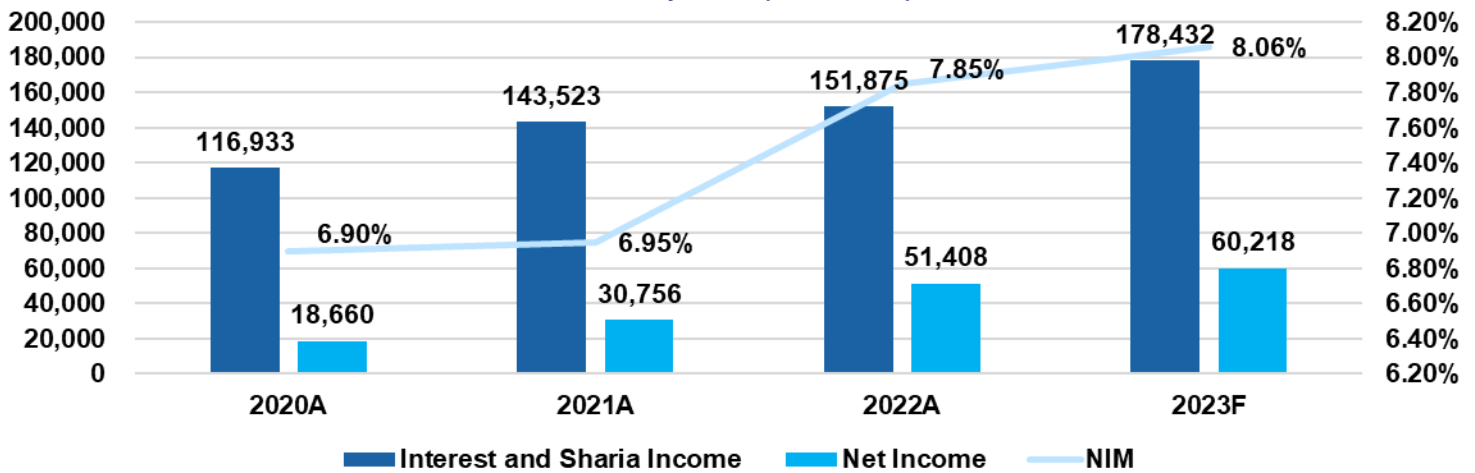


Chart: Non-Performing Loan Ratio (%) YoY

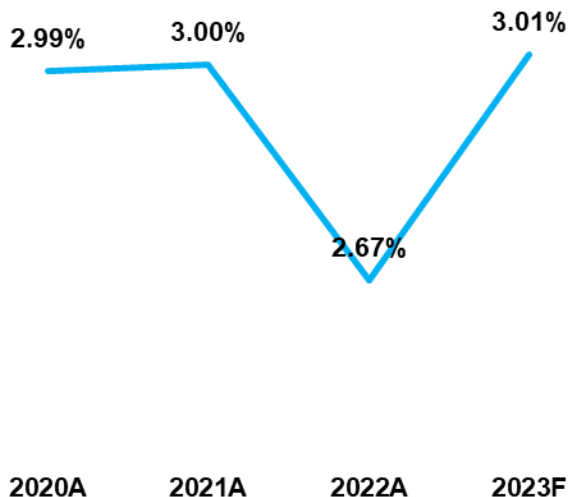


Chart: Capital Adequacy Ratio (%) YoY

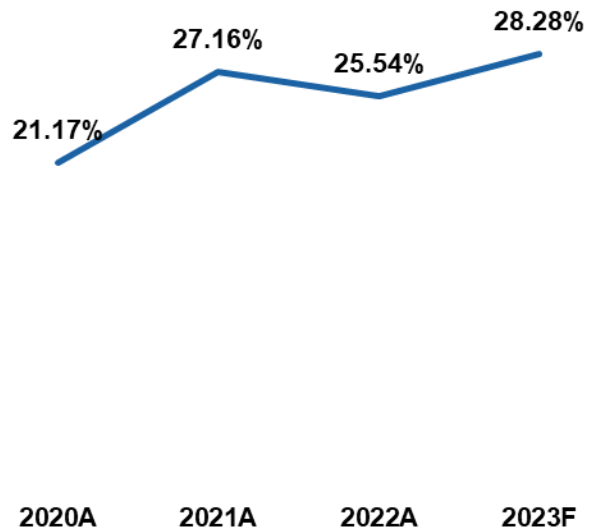


Chart: Gross Loan (In IDR Bn) QoQ

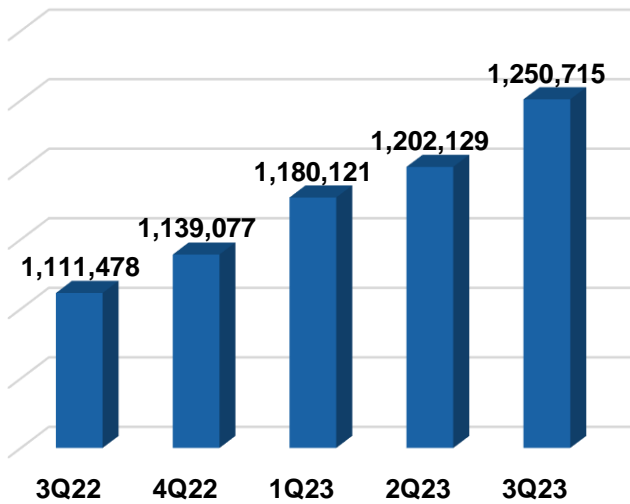


Chart: Customer Deposit (In IDR Bn) QoQ

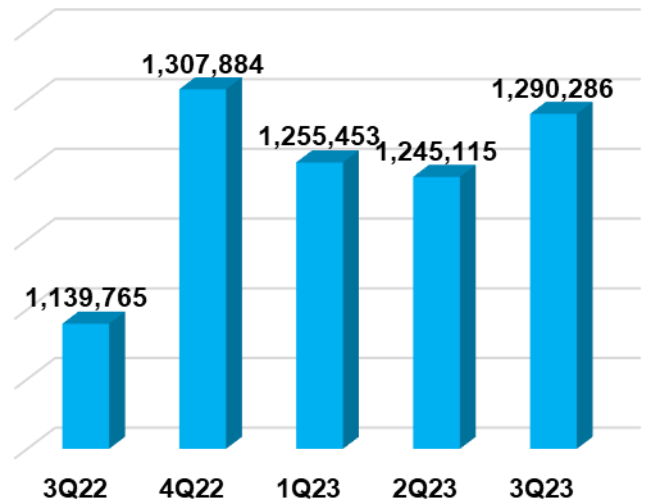


Chart: Non-Performing Loan (%) QoQ

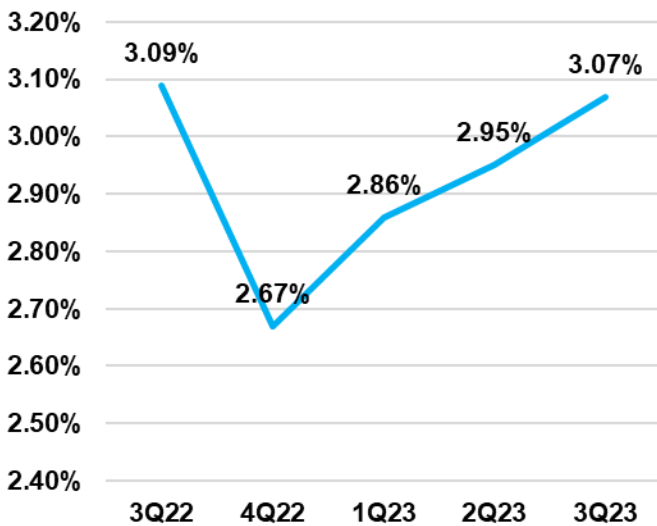
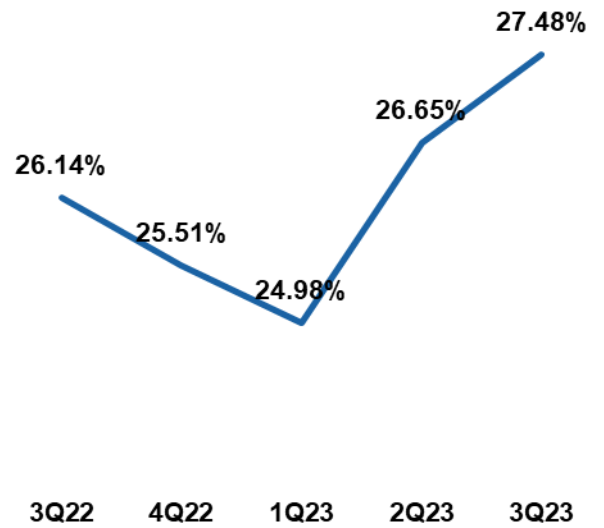


Chart: CAR (%) QoQ



Balance Sheet (IDR.bn)

Balance Sheet	2020A	2021A	2022A	2023F
Cash and CA with BI	83,806	82,727	178,343	143,772
Interbank Placement	67,833	58,977	70,400	21,632
Marketable Securities	326,957	371,738	330,242	290,356
Gross Loans	1,020,193	1,042,867	1,139,077	1,276,865
Provision	(70,395)	(87,829)	(93,088)	(93,937)
Net Loan	949,798	955,038	1,045,989	1,182,928
Other Earning Asset	489,376	544,055	525,004	482,841
Non-Earning Asset	87,085	96,278	116,303	134,506
Total Assets	1,610,065	1,678,098	1,865,639	1,944,048
Deposit:				
Current Account	192,730	220,590	349,756	327,306
Saving Account	476,066	497,677	522,648	519,930
Time Deposit	452,126	420,476	435,481	469,911
Other-Interest-Bearing Liabilities	117,307	103,034	94,697	185,098
Non-Interest-Bearing Liabilities	142,370	144,534	159,663	80,866
Total Liabilities	1,380,598	1,386,311	1,562,244	1,583,111
Total Shareholder's Equity	229,467	291,787	303,395	360,937

Income Statement (IDR.bn)

Statement of Profit or Loss (In IDR bn)	2020A	2021A	2022A	2023F
Interest Income	116,933	143,523	151,875	178,432
Interest Expense	(37,723)	(29,429)	(27,278)	(40,351)
Net Interest Income	79,210	114,094	124,597	138,081
Premium Income - Net	882	1,043	1,577	2,818
Fee&Other Operating Income - Net	29,464	41,216	47,303	38,979
Gross Operating Income	109,555	156,353	173,477	179,878
Other Operating Expense	(49,931)	(75,918)	(82,192)	(72,614)
Pre-Provision Operating Profit	59,624	80,435	91,285	107,264
Provision Expense	(32,850)	(39,291)	(26,979)	(29,069)
Operating Income	26,774	41,144	64,306	78,195
Non-Operating Income	(49)	(152)	291	(495)
Earning Before Tax	26,725	40,992	64,597	77,701
Tax Expense	(8,064)	(7,836)	(13,188)	(17,483)
Earning After Tax	18,660	33,156	51,408	60,218
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	60,218
Income for The Year Attributable to - NCI	6	(311)	238	241
Total Net Income Attributable to Parent	18,655	31,067	51,170	59,977
EPS (Rp/Share)	152.20	237.96	338.01	396.19

Ratio Highlights

Ratio Analysis (Consolidated)	2020A	2021A	2022A	2023F
Profitability & Efficiency				
NIM	6.90%	6.95%	7.85%	8.06%
Cost-to-Income Ratio	45.58%	48.56%	47.38%	40.37%
ROE	10.52%	12.85%	17.63%	16.62%
ROA	1.46%	2.13%	3.01%	3.09%
BOPO	83.46%	78.54%	69.10%	64.49%
Cost of Fund	3.22%	2.36%	2.06%	2.70%
Liquidity				
LDR	91.01%	91.58%	87.09%	96.94%
CASA	59.66%	63.08%	66.70%	64.32%
Asset Quality				
Gross NPL	2.99%	3.00%	2.67%	3.01%
Gross NPL (Bank Only)	2.94%	3.08%	2.82%	3.19%
Provision Coverage	237.73%	281.16%	305.73%	243.79%
Capital				
CAR	21.17%	27.16%	25.54%	28.28%
Growth				
Loan Growth	12.43%	2.22%	9.23%	12.10%
Deposit Growth	9.77%	1.59%	14.85%	0.71%
Net Income Growth	-45.73%	66.53%	64.71%	17.21%

QoQ Results

Balance Sheet	3Q22	4Q22	1Q23	2Q23	3Q23	%QoQ	%YoY
Loan	1,111,478	1,139,077	1,180,121	1,202,129	1,250,715	4.04%	12.53%
Loan Loss Reserves	(95,902)	(93,088)	(95,187)	(88,238)	(87,871)	0.42%	8.37%
NPL	1,007,100	1,029,800	1,065,400	1,089,300	1,136,000	4.29%	12.80%
Deposit							
Demand	245,644	349,756	309,890	298,310	314,710	5.50%	28.12%
Savings	500,083	522,648	500,201	517,115	506,426	-2.07%	1.27%
Time Deposit	394,038	435,481	445,362	429,691	469,151	9.18%	19.06%
Total Asset	1,684,604	1,865,639	1,822,973	1,805,146	1,851,965	2.59%	9.93%
Shareholder Equity	296,578	299,294	279,584	293,519	306,601	4.46%	3.38%
Income Statement	3Q22	4Q22	1Q23	2Q23	3Q23	%QoQ	%YoY
Interest Income	38,391	36,623	42,460	43,130	46,302	7.35%	20.61%
Interest Expense	(6,497)	(8,534)	(9,681)	(10,369)	(10,646)	-2.67%	-63.86%
Net Interest Income	31,894	28,090	32,779	32,761	35,656	8.84%	11.80%
Premium Income - Net	(24)	747	442	445	931	109.32%	3922.72%
Fee&Other Operating Income - Net	11,814	14,660	10,022	15,061	6,754	-55.15%	-42.83%
Gross Operating Income	43,684	43,497	43,244	48,267	43,342	-10.20%	-0.78%
Other Operating Expense	(20,352)	(23,614)	(18,091)	(22,362)	(15,220)	31.94%	25.22%
Pre-Provision Operating Profit	23,331	19,883	25,153	25,905	28,122	8.56%	20.53%
Provision Expense	(5,639)	(4,415)	(5,599)	(8,223)	(9,157)	-11.37%	-62.39%
Net Operating Income	17,692	15,468	19,555	17,682	18,964	7.25%	7.19%
Non-Operating Income	322	(110)	42	(79)	(446)	-463.37%	-238.56%
Earning Before Tax	18,014	15,358	19,597	17,603	18,518	5.20%	2.80%
Tax Expense	(3,579)	(3,261)	(4,033)	(3,606)	(3,866)	-7.23%	-8.02%
Net Income	14,435	12,097	15,564	13,997	14,652	4.68%	1.50%
Income for The Year Attributable to - NCI	65	83	62	78	81	4.26%	24.50%
Total Net Income Attributable to Parent	14,370	12,014	15,502	13,920	14,571	4.68%	1.40%
EPS (Rp/Share)	94.88	79.36	102.70	92.24	96.56	4.68%	1.77%
Ratio (Consolidated)	3Q22	4Q22	1Q23	2Q23	3Q23	%QoQ	%YoY
Profitability & Efficiency							
NIM	8.21%	7.85%	7.82%	7.85%	8.05%	0.20	(0.16)
ROE	18.16%	17.63%	21.18%	20.01%	19.69%	(0.32)	1.53
ROA	3.15%	3.01%	3.38%	3.23%	3.21%	(0.02)	0.06
Cost of Fund	1.94%	2.06%	2.68%	2.79%	2.84%	0.05	0.90
Liquidity							
LDR	88.51%	87.09%	94.00%	97.17%	96.93%	(0.24)	(0.59)
CASA	65.43%	66.70%	64.53%	65.49%	63.64%	(1.85)	(1.79)
Asset Quality							
Gross NPL	3.09%	2.67%	2.86%	2.95%	3.07%	0.12	(0.02)
Gross NPL (Bank only)	3.14%	2.82%	3.02%	3.10%	3.23%	0.13	0.09
NPL Coverage Ratio	278.79%	305.73%	282.49%	248.54%	228.65%	(19.89)	(50.14)
Capital							
CAR	26.14%	25.51%	24.98%	26.65%	27.48%	0.83	1.34

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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