

# Bank Rakyat Indonesia Tbk (BBRI)

## Lower Interest Expense Boosts Profitability

BBRI booked a FY21 net profit of IDR 32.2 Tn (bank-only), up significantly by 75.5% YoY from 2020. Net Interest Income grew 27.5% YoY to IDR 95.8 Tn, as Interest Expense managed to decline by 31% YoY. Micro segment continued to be the main growth driver, with micro loans went up 13%. For 2022, the bank has set loan growth guidance at 9%-11%.

### Lower Interest Expense Resulted in Strong FY21 Performance

- BBRI recorded a strong performance in FY21, marked by Net Interest Income which grew 27.5% YoY to IDR 95.8 Tn. This was mainly due to significantly lower interest expense at IDR 24 Tn (-31.0% YoY vs IDR 34.8 Tn in FY20).
- PPOP managed to increase by 28.4% YoY to IDR 73.4 Tn, as Operating Expenses (up 18.1%) grew at lower rate compared to revenue. However, BBRI still recorded higher provision expenses of IDR 34 Tn (+9.8% YoY from IDR 31 Tn in 2020).
- As a result, FY21 bank-only net profit soared to IDR 32.2 Tn (+75.5% yoy). However, consolidated net income were booked lower at IDR 30.8 Tn; mainly attributed to losses from its subsidiary, Bank Raya Tbk (AGRO), which currently transforming into a digital bank.

### Micro Segment Leads Loan Growth

- Loan outstanding went up 7.2% to IDR 943.7 Tn; with Micro segment had the highest growth (+13.0% YoY) while other segment managed only single digit growths. In terms of composition, micro loans formed 42.1% of BBRI's FY21 total loans.
- On the other hand, gross NPL was booked slightly higher at 3.08%; compared to FY20 position (2.94%). However, we do note this figure improved from 9M21 at 3.29%.
- From funding side, CASA ratio also improved to 63.3% (vs 61.0% in FY20). This was a result of growths in both Demand Deposits (+6.8%) and Savings (+5.7%), as Time Deposits declined by 7.6%.

### Recommendation

- We continue our Overweight call for BBRI, with target price of IDR 4,800/share. Our TP implies a 22F P/BV of 2.4.x. which is around its 3-year mean average.
- As a group, BBRI's 2022 guideline set loan growth target at 9%-11%. We see a key risk to this is the interest rate hike forecasted this year, which could hamper loan growth.

### Bank Rakyat Indonesia Tbk | Summary (IDR bn)

	2021/12A	2022/12E	2023/12E	2024/12E
Interest Income	143,523	144,526	157,479	162,887
Interest Income growth	22.7%	0.7%	9.0%	3.4%
Operating Revenue	156,353	157,627	174,075	180,819
Net profit	32,846	34,216	40,291	43,219
EPS (IDR)	217	226	266	286
EPS growth	76.1%	4.2%	17.8%	7.3%
BVPS (IDR)	1,929	2,027	2,149	2,266
Net Interest Margin	7.6%	7.0%	7.4%	7.3%
Loan/Deposits	91.6%	91.2%	91.7%	91.2%
NPL	3.1%	3.0%	3.0%	3.0%
ROE	13.4%	11.4%	12.8%	12.9%
ROA	2.1%	2.0%	2.2%	2.3%
Non-Int. Inc. /Op. Rev	27.0%	28.4%	27.7%	28.0%
P/E	18.7x	21.2x	18.0x	16.8x
P/BV	2.1x	2.4x	2.2x	2.1x
DPS (IDR)	80	128	144	168
Dividend yield	2.0%	2.7%	3.0%	3.5%

Source: Company Data, Bloomberg, NHKSI Research

Please consider the rating criteria & important disclaimer

Company Report | Feb. 11, 2022

## Overweight

Target Price (IDR)	4,800
Consensus Price (IDR)	4,919
TP to Consensus Price	-2.4%
Potential Upside	+7.4%

### Shares data

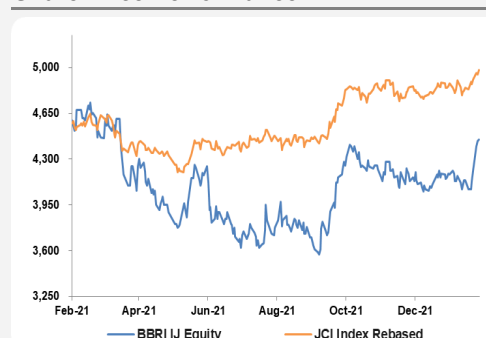
Last Price (IDR)	4,470
Price date as of	Feb. 10, 2022
52 wk range (Hi/Lo)	4,761 / 3,500
Free float (%)	46.8
Outstanding sh.(mn)	151,559
Market Cap (IDR bn)	677,469
Market Cap (USD mn)	47,227
Avg. Trd Vol - 3M (mn)	126.93
Avg. Trd Val - 3M (bn)	531.64
Foreign Ownership	25.5%

### Finance

#### Bank

Bloomberg	BBRI IJ
Reuters	BBRI.JK

### Share Price Performance



	YTD	1M	3M	12M
Abs. Ret.	8.3%	6.5%	4.7%	-1.3%
Rel. Ret.	4.4%	4.3%	2.2%	-11.8%

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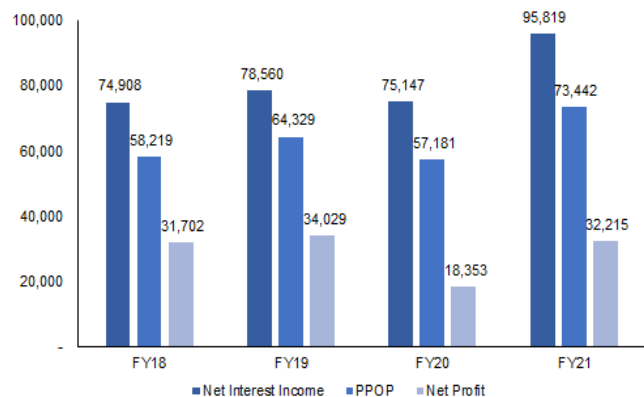
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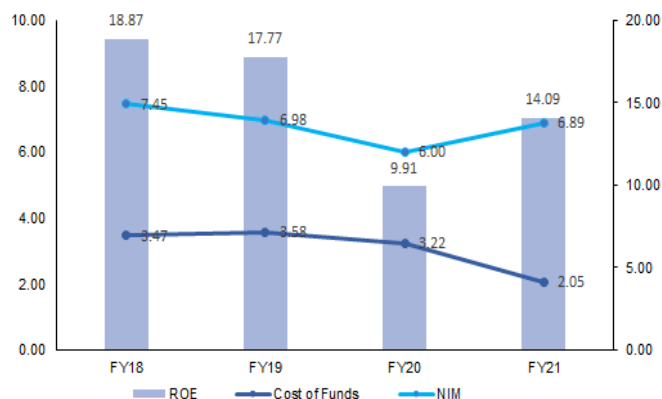
## Performance Highlights

### Financial Performance (IDR Bn)



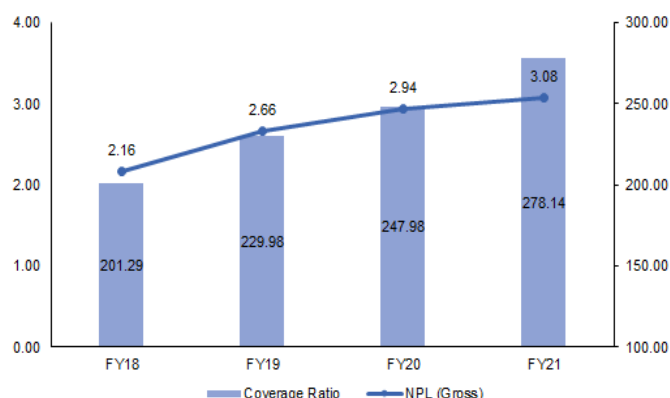
Source: Company, NHKSI Research

### Profitability Ratios (%)



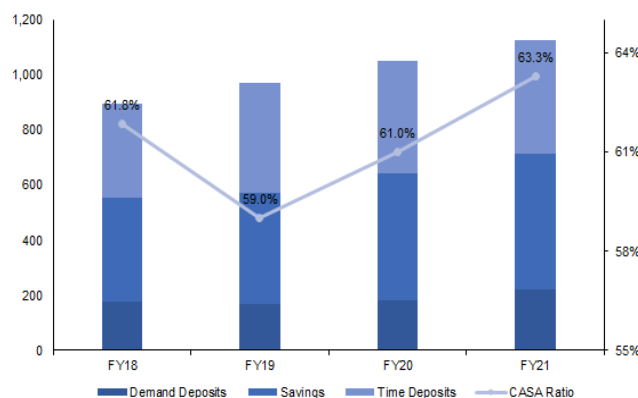
Source: Company, NHKSI Research

### Asset Quality (%)



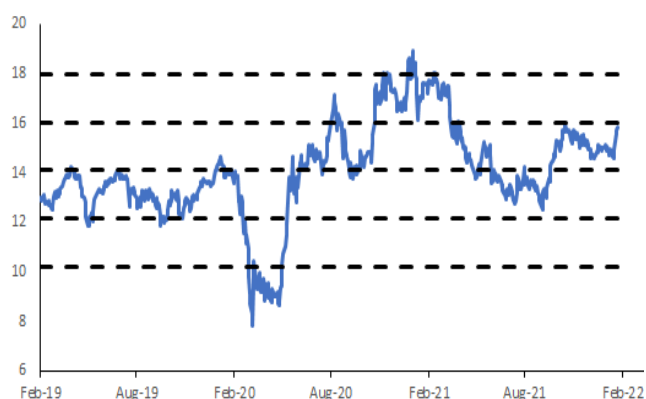
Source: Company, NHKSI Research

### Third Party Funds Composition (IDR Trn)



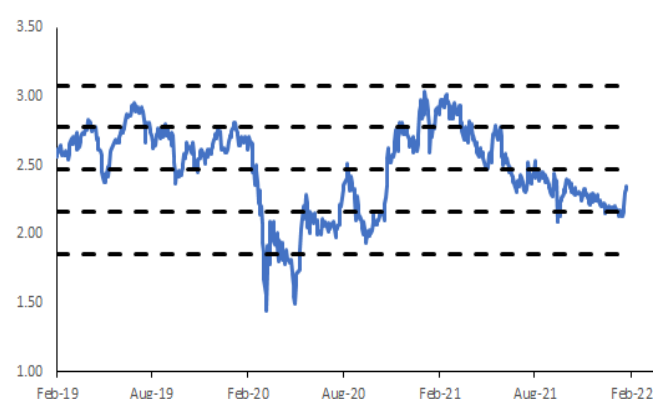
Source: Company, NHKSI Research

### PER



Source: Company, NHKSI Research

### PBV



Source: Company, NHKSI Research

## Summary of Financials

INCOME STATEMENT				
(IDR bn)	2021/12A	2022/12F	2023/12F	2024/12F
Interest Income	143,523	144,526	157,479	162,887
Growth (% y/y)	22.7%	0.7%	9.0%	3.4%
Interest Expenses	(29,429)	(31,618)	(31,632)	(32,768)
<b>Net Interest Income</b>	<b>114,094</b>	<b>112,908</b>	<b>125,847</b>	<b>130,119</b>
Net Interest Margin	7.6%	7.0%	7.4%	7.3%
Net Fee Income	17,062	19,221	20,121	21,477
Trading Income	5,286	5,795	6,145	6,516
Other Operating Income	19,910	19,703	21,961	22,707
<b>Operating Revenue</b>	<b>156,353</b>	<b>157,627</b>	<b>174,075</b>	<b>180,819</b>
Operating Expenses	(76,081)	(74,325)	(83,393)	(85,942)
<b>Pre-provisioning OP</b>	<b>80,272</b>	<b>83,302</b>	<b>90,682</b>	<b>94,877</b>
Provision for Impairment	(39,128)	(39,467)	(39,657)	(39,837)
<b>EBT</b>	<b>40,992</b>	<b>43,722</b>	<b>50,877</b>	<b>54,898</b>
Income Tax	(7,836)	(9,182)	(10,205)	(11,270)
Non-controlling Interest	(311)	(324)	(381)	(409)
<b>Net Profit</b>	<b>32,846</b>	<b>34,216</b>	<b>40,291</b>	<b>43,219</b>
Growth (% y/y)	76.1%	4.2%	17.8%	7.3%

PROFITABILITY & STABILITY				
	2021/12A	2022/12F	2023/12F	2024/12F
ROE	13.4%	11.4%	12.8%	12.9%
ROA	2.1%	2.0%	2.2%	2.3%
Non-Int. Inc. /Op. Rev	27.0%	28.4%	27.7%	28.0%
Cost/Income	48.7%	47.2%	47.9%	47.5%
Cash Dividend (IDR bn)	12,126	19,417	21,813	25,434
Dividend Yield (%)	2.0%	2.7%	3.0%	3.5%
Payout Ratio (%)	36.9%	56.7%	54.1%	58.8%
Loan/Deposits	91.6%	91.2%	91.7%	91.2%
Loan/Assets	62.1%	63.0%	62.7%	62.7%
NPL	3.1%	3.0%	3.0%	3.0%
Loan Loss Res./Loan	8.4%	9.3%	10.7%	11.9%
CASA/Deposits	63.1%	65.6%	68.5%	71.0%
Time Deposits/Deposits	36.9%	34.4%	31.5%	29.0%
Par Value (IDR)	250	250	250	250
Total Shares (mn)	151,277	151,277	151,277	151,277
Share Price (IDR)	4,068	4,800	4,800	4,800
Market Cap (IDR tn)	615.4	726.1	726.1	726.1

BALANCE SHEET				
(IDR bn)	2021/12A	2022/12F	2023/12F	2024/12F
Cash	26,300	34,956	45,455	56,344
Placement in Banks	129,439	142,806	147,069	156,569
Net Loans	955,038	993,174	1,029,809	1,070,374
Investment	432,725	432,735	458,068	480,491
Fixed Asset	47,970	60,140	75,299	88,388
Other Assets	86,626	86,521	93,665	97,262
<b>Total Assets</b>	<b>1,678,098</b>	<b>1,750,331</b>	<b>1,849,364</b>	<b>1,949,428</b>
Deposits	1,138,743	1,209,376	1,264,350	1,339,154
Debt	167,005	162,137	177,467	183,751
Other liabilities	80,563	72,231	82,482	83,672
<b>Total Liabilities</b>	<b>1,386,311</b>	<b>1,443,745</b>	<b>1,524,299</b>	<b>1,606,578</b>
Capital Stock & APIC	83,821	83,821	83,821	83,821
Retained Earnings	185,009	199,809	218,287	236,072
<b>Shareholders' Equity</b>	<b>291,787</b>	<b>306,587</b>	<b>325,065</b>	<b>342,850</b>

VALUATION INDEX				
	2021/12A	2022/12F	2023/12F	2024/12F
Price /Earnings	18.7x	21.2x	18.0x	16.8x
Price /Book Value	2.1x	2.4x	2.2x	2.1x
Price/Op. Revenue	3.9x	4.6x	4.2x	4.0x
PE/EPS Growth	0.2x	5.1x	1.0x	2.3x
EV/Operating Revenue	4.9x	5.4x	4.9x	4.7x
EV/PPOP	9.5x	10.3x	9.5x	9.0x
EV (IDR bn)	759,151	856,363	861,193	856,588
Op. Rev. CAGR (3-Yr)	19.1%	15.6%	16.1%	18.2%
EPS CAGR (3-Yr)	4.2%	1.9%	5.4%	32.3%
Basic EPS (IDR)	217	226	266	286
Diluted EPS (IDR)	217	226	266	286
BVPS (IDR)	1,929	2,027	2,149	2,266
Op. Revenue PS (IDR)	1,034	1,042	1,151	1,195
DPS (IDR)	80	128	144	168

CASH FLOW STATEMENT				
(IDR bn)	2021/12A	2022/12F	2023/12F	2024/12F
Operating Cash Flow	67,742	33,184	60,503	54,209
Investing Cash Flow	(115,614)	(70,876)	(98,493)	(98,973)
Financing Cash Flow	30,009	46,349	48,491	55,655
<b>Net Changes in Cash</b>	<b>(17,863)</b>	<b>8,657</b>	<b>10,500</b>	<b>10,891</b>

OWNERSHIP			
By Geography		% Shareholders	%
Indonesia	74.5	Republic of Indonesia	53.2
United States	11.8	JP Morgan Chase	2.2
Luxembourg	4.6	Vanguard Group	1.7
Others	9.1	Others	43.0

Source: NHKSI Research, Bloomberg

**NH Korindo Sekuritas Indonesia (NHKSI) Stock Ratings**

1. Based on a stock's forecasted absolute return over a period of 12 months from the date of publication.
2. Rating system based on a stock's potential upside from the date of publication
  - Buy : Greater than +15%
  - Overweight : +5% to 15%
  - Hold : -5% to +5%
  - Underweight : -5% to -15%
  - Sell : Less than -15%

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