

Bank Rakyat Indonesia Tbk (BBRI)

Soft Landing Strategy Maintains Asset Quality

BBRI's strategy is to increase the allocation of provision, anticipating the discontinuance of the OJK Restructuring Relaxation which will end in March 2023. The Company increased its NPL Coverage 1H22 to 265.15% (Vs. 1H21 258.41%); and LAR Coverage 1H22 42.39% (Vs. 1H21 30.96%). Meanwhile, 1H22 Gross NPL 3.32% (Vs. 1H21 3.27%) or NHKSI Research projects that BBRI will be able to maintain a maximum Gross NPL level of 3% FY22, amid the Company's focus on High Yield Loan in the MSME segment which has a relatively high risk.

High Yield Growth Assets with Manageable NPL

- BBRI is focused on the MSME segment as it is facing the challenge of increasing NPL, amid the recovery of the domestic economy. The Medium segment recorded the highest 1H22 Gross NPL increase of +84 bps to 3.83%; Micro and Small rose +68 bps to 2.21% and +57 bps to 4.71%.
- NHKSI Research sees a total NPL Gross of 3.32%, relatively manageable, or close to the BBRI Guidance of 2.8%-3.0% FY22, as the Company is still extending the restructuring of debtors affected by Covid-19. Meanwhile, the Gross NPL of the Corporate segment improved to 5.25%; or down 181 bps on an annual basis.

LAR Coverage Anticipates OJK Relaxation

- Although LAR was in a downward trend to 20.78% in 1H22 (Vs. 1H21 27.29%), BBRI still increased its LAR Coverage by more than 2x LAR or to 42.39% 1H22. The Company anticipates that the OJK's MSME loan restructuring relaxation policy will not continue.
- The LAR decreased, in line with declining number of loans and debtor restructuring. It was noted that as of June 2022, the value of credit restructuring affected by the Covid-19 BBRI was worth IDR 129.6 trillion or down by more than 26% YoY. Similarly, restructuring debtors fell 36% to 1.6 million debtors in the same period, in line with the continued trend of domestic economic recovery.

Recommend Buy with TP at IDR 5,500

- NHKSI Research raised its recommendation to Buy for BBRI, with a target price of IDR 5,500. Our TP reflects a 22F P/BV of 2.7x, or above the 3-year average of 2.4x.
- Our recommendation is supported by Loan Growth in the MSME sector, but with a low CoF and good asset quality. Meanwhile, we see that rising inflation has a short-term impact on the recovery of the domestic economy.

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	24.3x	24.3x	24.3x
P/BV	2.1x	2.7x	3.0x	3.1x
DPS (IDR)	80	128	144	168
Dividend yield	2.0%	2.3%	2.2%	2.4%

Source: Company Data, Bloomberg, NHKSI Research

Please consider the rating criteria & important disclaimer

Buy

Target Price (IDR)	5,500
Consensus Price (IDR)	5,379
TP to Consensus Price	+2.2%
Potential Upside	+25.0%

Shares data

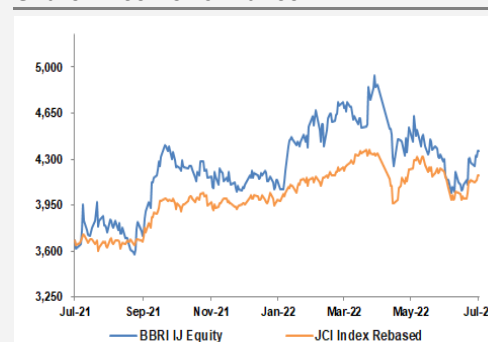
Last Price (IDR)	4,400
Price date as of	Aug. 2, 2022
52 wk range (Hi/Lo)	4,980 / 3,500
Free float (%)	46.8
Outstanding sh.(mn)	151,559
Market Cap (IDR bn)	660,797
Market Cap (USD mn)	44,465
Avg. Trd Vol - 3M (mn)	173.18
Avg. Trd Val - 3M (bn)	752.93
Foreign Ownership	25.5%

Finance

Bank

Bloomberg	BBRI IJ
Reuters	BBRI.JK

Share Price Performance



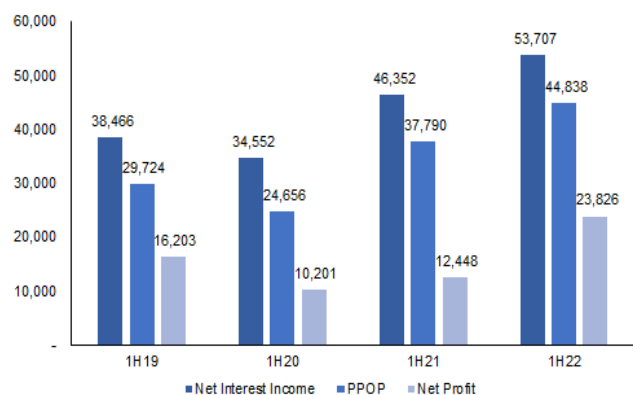
	YTD	1M	3M	12M
Abs. Ret.	6.1%	4.3%	-10.5%	18.5%
Rel. Ret.	0.5%	4.2%	-6.6%	5.0%

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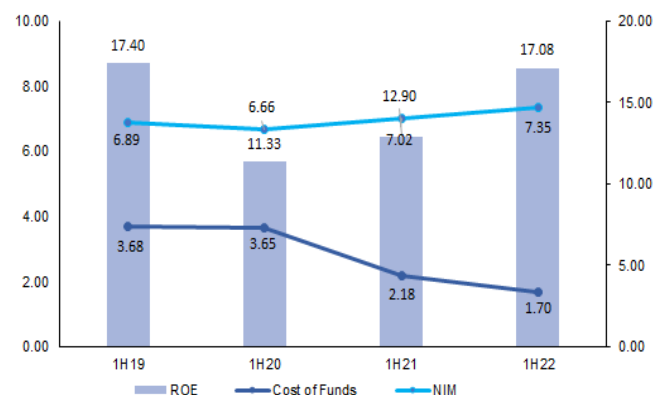
Performance Highlights

Financial Performance (IDR Bn)



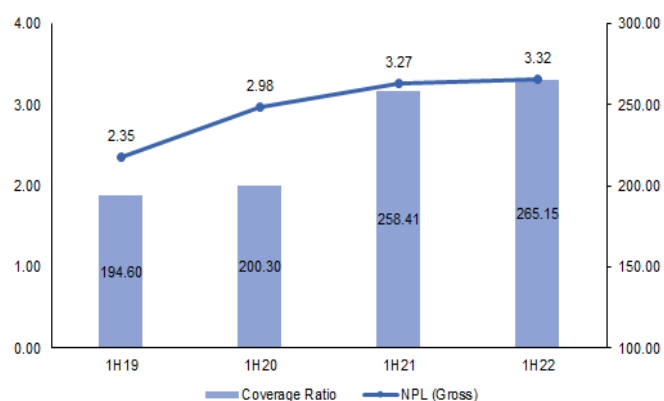
Source: Company, NHKSI Research

Profitability Ratios (%)



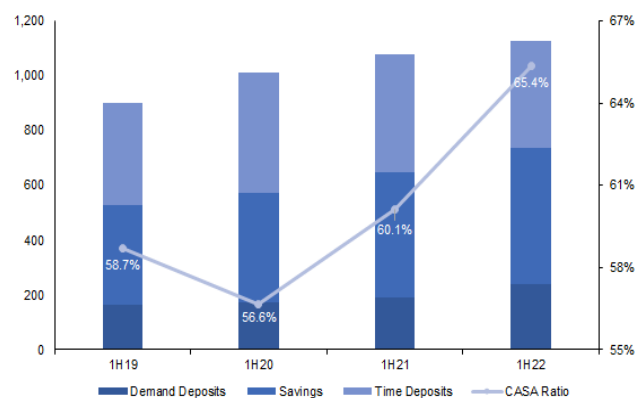
Source: Company, NHKSI Research

Asset Quality (%)



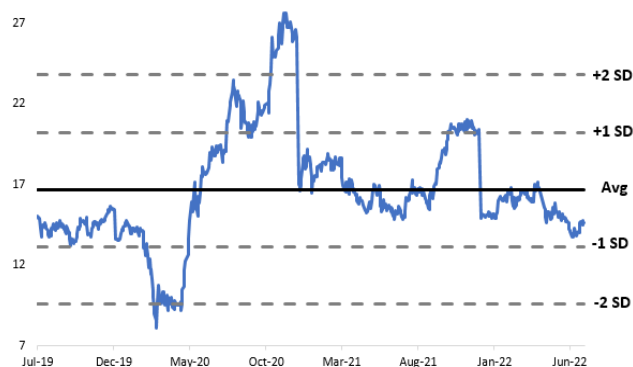
Source: Company, NHKSI Research

Third Party Funds Composition (IDR Trn)



Source: Company, NHKSI Research

PER | Last 3 Years



Source: Company, NHKSI Research

PBV | Last 3 Years



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)
Net Interest Income	114,094	112,908	125,847	130,119
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
Operating Revenue	156,353	157,627	174,075	180,819
Operating Expenses	(76,081)	(74,325)	(83,393)	(85,942)
Pre-provisioning OP	80,272	83,302	90,682	94,877
Provision for Impairment	(39,128)	(39,467)	(39,657)	(39,837)
EBT	40,992	43,722	50,877	54,898
Income Tax	(7,836)	(9,182)	(10,205)	(11,270)
Non-controlling Interest	(311)	(324)	(381)	(409)
Net Profit	32,846	34,216	40,291	43,219
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%	2.3%	2.2%	2.4%
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	5,500	6,476	6,947
Market Cap (IDR tn)	615.4	832.0	979.7	1,050.9

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
Total Assets	1,678,098	1,750,331	1,849,364	1,949,428
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
Total Liabilities	1,386,311	1,443,745	1,524,299	1,606,578
Capital Stock & APIC	83,821	83,821	83,821	83,821
Retained Earnings	185,009	199,809	218,287	236,072
Shareholders' Equity	291,787	306,587	325,065	342,850

VALUATION INDEX				
	2021/12A	2022/12F	2023/12F	2024/12F
Price /Earnings	18.7x	24.3x	24.3x	24.3x
Price /Book Value	2.1x	2.7x	3.0x	3.1x
Price/Op. Revenue	3.9x	5.3x	5.6x	5.8x
PE/EPS Growth	0.2x	5.8x	1.4x	3.3x
EV/Operating Revenue	4.9x	6.1x	6.4x	6.5x
EV/PPOP	9.5x	11.6x	12.3x	12.5x
EV (IDR bn)	759,151	962,257	1,114,801	1,181,391
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
Net Changes in Cash	(17,863)	8,657	10,500	10,891

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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