

# Bank Rakyat Indonesia Tbk (BBRI)

## 2023, A Time to Grow with Kupedes

BBRI posted their FY22 net profit of IDR51.2 T, an increase of 65% YoY yet decreased by 16% QoQ due to a rise in Opex. The net profit was underpinned by a 7.85% NIM, loan growth of 9.1% YoY, largely dominated by loan growth in the micro sector of 13.3% and consumer banking of 8.3% YoY. Additionally, the NPL level was successfully reduced to 2.67% this quarter from its previous quarter's level of 3.14%.

### Maintaining a Solid CASA Growth

- BBRI recorded a quite spectacular year-on-year CASA growth of 22%, from IDR 714 T to 871 T, with a double-digit CAGR of 15%, since 2019. Maintaining CASA growth is very possible with BRI's ecosystem, given the large customer base of 144 million micro depositors, 627K BRILink Agents, and working on the remaining unbaked segment through ultra-micro ecosystem services while improving the performance of the retail and micro banking segment.

### Awaiting Kupedes Growth as a New Profitability Engine

- In BRI Group's disclosure, there are indications that the micro loan segment will grow 11% to 13% in 2023, and loan growth by BBRI's customers is predicted to grow up to 10-12%. In 2023, BBRI will also focus on shifting the growth of the Micro segment to Kupedes, in line with the government's aspiration to migrate KUR creditors to Kupedes and the strategy to commercialize KUR. As for the Cost of Credit, it is predicted to perch at 2.2-2.4%.

### New Provisions for People's Business Credit (KUR)

- BBRI was allotted a KUR quota of IDR 270 T in 2023, an increase of 4.9% YoY. However, BRI's national quota decreased from 69% to 60% in 2023. Additionally, one of the interesting new KUR schemes is implementing a tiered interest rate increase for creditor segment switching and new loan applications. For first-time applicants, the interest rate is 6%, then increases to 7%, 7%, and 9% for the first, second, and third extensions. In our opinion, this new provision will have a positive impact on maintaining and increasing BBRI's revenue level despite the government's aspiration to migrate KUR creditors to Kupedes.

### Buy Recommendation with a TP at IDR 5,800

- NHKS Research still maintains a Buy recommendation for BBRI. Our TP reflects FY23 P/BV STD+2 of 2.8 F P/BV at 5,800. This recommendation is supported by indications of 10% loan growth driven by Kupedes and the new KUR scheme. Another catalyst that we find interesting is the company's share buyback of IDR 1.5T, which will be expected to take place on March 14, 2023 - September 14, 2024 (Still waiting for the GMS decision). In addition, we also mitigate the impact of inflation, which is still quite high due to the uncertain economic situation.

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

	2022/12A	2023/12F	2024/12F	2025/12F
Interest Income	151,875	171,761	192,801	216,266
Interest Income growth	5.8%	13.1%	12.2%	12.2%
Operating Revenue	173,477	188,765	213,695	236,048
Net profit	51,171	56,663	63,838	71,768
EPS (IDR)	338	375	422	474
EPS growth	55.8%	10.7%	12.7%	12.4%
BVPS (IDR)	2,006	2,081	2,113	2,248
Net Interest Margin	7.7%	7.7%	7.8%	7.9%
Loan/Deposits	87.1%	89.8%	87.6%	82.2%
NPL	2.7%	2.7%	2.7%	2.7%
ROE	17.2%	18.3%	20.1%	21.8%
ROA	2.9%	2.9%	3.0%	3.0%
Non-Int. Inc. /Op. Rev	28.2%	27.6%	27.9%	27.8%
P/E	14.0x	15.5x	15.4x	14.5x
P/BV	2.4x	2.8x	3.1x	3.1x
DPS (IDR)	264	285	304	343
Dividend yield	5.6%	4.9%	4.7%	5.0%

Source: Company Data, Bloomberg, NHKS Research

Please consider the rating criteria & important disclaimer

Company Report | Mar. 03, 2023

# Buy

**Target Price (IDR) 5,800**

Consensus Price (IDR) 5,638

TP to Consensus Price +2.9%

Potential Upside +21.3%

### Shares data

Last Price (IDR) 4,780

Price date as of 2-Mar-23

52 wk range (Hi/Lo) 5,025 / 3,960

Free float (%) 46.8

Outstanding sh.(mn) 151,559

Market Cap (IDR bn) 724,552

Market Cap (USD mn) 47,402

Avg. Trd Vol - 3M (mn) 143.99

Avg. Trd Val - 3M (bn) 682.92

Foreign Ownership 26.00%

### Finance

#### Bank

Bloomberg BBRI IJ

Reuters BBRI.JK

### Share Price Performance



	YTD	1M	3M	12M
Abs. Ret.	2.10%	3.00%	-0.80%	5.10%
Rel. Ret.	2.20%	3.60%	1.40%	5.50%
	-0.10%	-0.60%	-2.30%	-0.40%

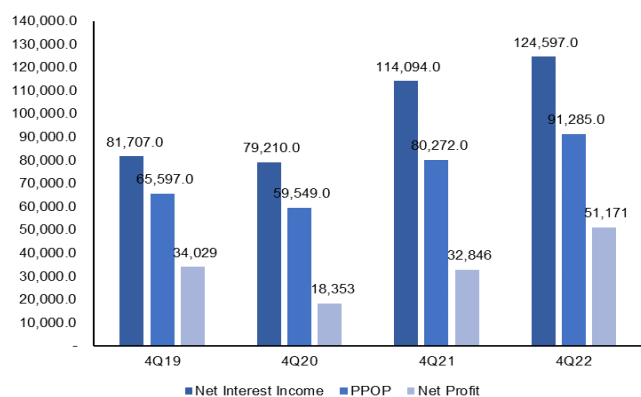
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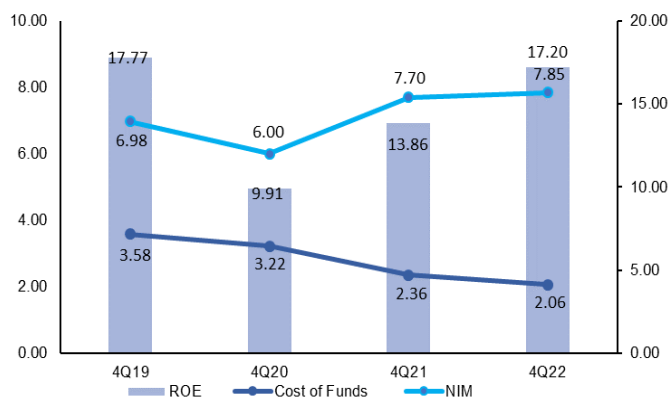
## Performance Highlights

### Financial Performance (IDR Bn)



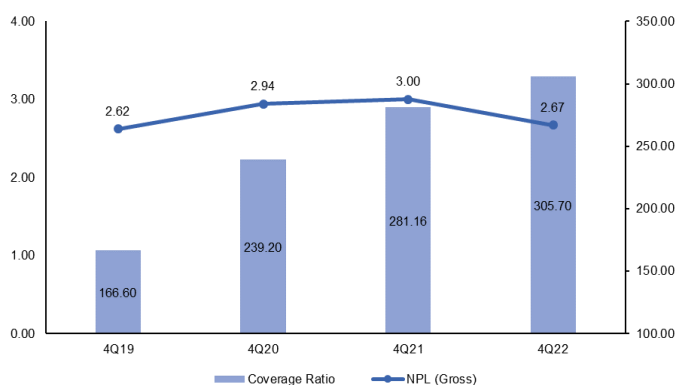
Source: Company, NHKSI Research

### Profitability Ratios (%)



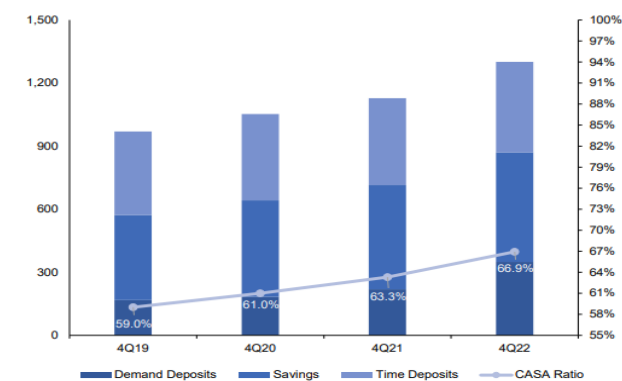
Source: Company, NHKSI Research

### Asset Quality (%)



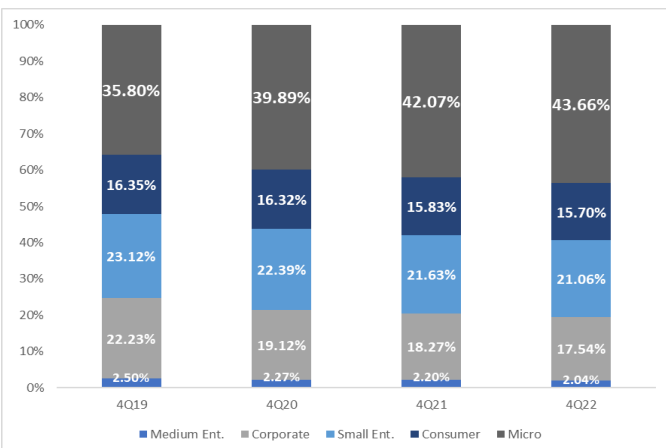
Source: Company, NHKSI Research

### Third Party Funds Composition (IDR Trn)



Source: Company, NHKSI Research

### Loan Breakdown By Segment



Source: Company, NHKSI Research

### PBV | Last 3 Years



Source: Company, NHKSI Research

## Summary of Financials

INCOME STATEMENT				
(IDR bn)	2022/12A	2023/12F	2024/12F	2025/12F
Interest Income	151,875	171,761	192,801	216,266
Growth (% v/v)	5.8%	13.1%	12.2%	12.2%
Interest Expenses	(27,278)	(35,108)	(38,712)	(45,721)
<b>Net Interest Income</b>	<b>124,597</b>	<b>136,653</b>	<b>154,089</b>	<b>170,545</b>
Net Interest Margin	7.85%	7.90%	7.95%	7.98%
Net Fee Income	18,795	20,525	23,194	25,643
Trading Income	2,796	4,699	4,378	5,355
Other Operating Income	27,289	26,888	32,034	34,506
<b>Operating Revenue</b>	<b>173,477</b>	<b>188,765</b>	<b>213,695</b>	<b>236,048</b>
Operating Expenses	(82,192)	(90,719)	(102,058)	(113,088)
<b>Pre-provisioning OP</b>	<b>91,285</b>	<b>98,046</b>	<b>111,637</b>	<b>122,960</b>
Provision for Impairment	(26,979)	(27,320)	(31,872)	(33,331)
<b>EBT</b>	<b>64,597</b>	<b>70,789</b>	<b>79,979</b>	<b>89,787</b>
Income Tax	(13,188)	(13,992)	(16,069)	(17,893)
Non-controlling Interest	238	(135)	(72)	(126)
<b>Net Profit</b>	<b>51,171</b>	<b>56,663</b>	<b>63,838</b>	<b>71,768</b>
Growth (% y/y)	55.8%	10.7%	12.7%	12.4%

PROFITABILITY & STABILITY				
	2022/12A	2023/12F	2024/12F	2025/12F
ROE	17.2%	18.3%	20.1%	21.8%
ROA	2.9%	2.9%	3.0%	3.0%
Non-Int. Inc. /Op. Rev	28.2%	27.6%	27.9%	27.8%
Cost/Income	47.4%	48.1%	47.8%	47.9%
Cash Dividend (IDR bn)	40,009	43,088	45,998	51,899
Dividend Yield (%)	5.5%	4.9%	4.7%	5.0%
Payout Ratio (%)	78.2%	76.0%	72.1%	72.3%
Loan/Deposits	87.1%	89.8%	87.6%	82.2%
Loan/Assets	61.1%	63.4%	62.8%	59.4%
NPL	2.67%	2.71%	2.68%	2.65%
Loan Loss Res./Loan	8.2%	8.6%	9.0%	9.7%
CASA/Deposits	66.7%	69.9%	73.3%	76.9%
Time Deposits/Deposits	33.3%	30.1%	26.7%	23.1%
Par Value (IDR)	250	250	250	250
Total Shares (mn)	151,559	151,559	151,559	151,559
Share Price (IDR)	4,780	5,800	6,500	6,900
Market Cap (IDR tn)	724.5	879.0	985.1	1,045.8

BALANCE SHEET				
(IDR bn)	2022/12A	2023/12F	2024/12F	2025/12F
Cash	27,407	8,117	26,179	174,996
Placement in Banks	242,807	215,397	270,383	275,364
Net Loans	1,045,989	1,161,704	1,282,592	1,377,343
Investment	387,764	454,965	476,518	529,587
Fixed Asset	55,216	60,953	72,041	85,226
Other Assets	106,458	112,734	128,692	137,187
<b>Total Assets</b>	<b>1,865,641</b>	<b>2,013,870</b>	<b>2,256,405</b>	<b>2,579,703</b>
Deposits	1,307,884	1,421,733	1,616,555	1,864,506
Debt	162,817	192,748	210,202	247,610
Other liabilities	91,543	100,048	113,452	131,030
<b>Total Liabilities</b>	<b>1,562,244</b>	<b>1,714,529</b>	<b>1,940,210</b>	<b>2,243,146</b>
Capital Stock & APIC	83,215	83,215	83,215	83,215
Retained Earnings	201,170	210,583	216,424	236,293
<b>Shareholders' Equity</b>	<b>303,395</b>	<b>314,782</b>	<b>319,636</b>	<b>339,998</b>

VALUATION INDEX				
	2022/12A	2023/12F	2024/12F	2025/12F
Price /Earnings	14.2x	15.5x	15.4x	14.6x
Price /Book Value	2.4x	2.8x	3.1x	3.1x
Price/Op. Revenue	4.2x	4.7x	4.6x	4.4x
PE/EPS Growth	0.3x	1.4x	1.2x	1.2x
EV/Operating Revenue	5.0x	5.7x	5.5x	4.8x
EV/PPOP	9.5x	10.9x	10.5x	9.1x
EV (IDR bn)	863,963	1,067,250	1,172,996	1,122,078
Op. Rev. CAGR (3-Yr)	16.0%	19.9%	11.0%	10.8%
EPS CAGR (3-Yr)	14.2%	44.8%	24.8%	11.9%
Basic EPS (IDR)	337.6	373.9	421.2	473.5
Diluted EPS (IDR)	338	374	421	474
BVPS (IDR)	2,002	2,077	2,109	2,243
Op. Revenue PS (IDR)	1,145	1,245	1,410	1,557
DPS (IDR)	264	284	303	342

CASH FLOW STATEMENT				
(IDR bn)	2022/12A	2023/12F	2024/12F	2025/12F
Operating Cash Flow	60,177	107,708	27,912	100,847
Investing Cash Flow	(100,589)	(221,529)	(175,141)	(185,982)
Financing Cash Flow	154,710	94,532	165,292	233,953
<b>Net Changes in Cash</b>	<b>114,298</b>	<b>(19,290)</b>	<b>18,063</b>	<b>148,818</b>

OWNERSHIP			
By Geography	%	Shareholders	%
Indonesia	73.98	Republic of Indonesia	53.19
United States	11.89	JP Morgan Chase	2.08
Luxembourg	4.09	Vanguard Group	1.59
Others	10.04	Others	43.14

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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