

Bank Rakyat Indonesia Tbk (BBRI)

It's Time to Grow with Kupedes

BBRI posted 1H23 Net Profit of IDR 29,422T, an increase of 18.7% YoY (1H22: IDR 24,786T and QoQ -10.2% 1Q23: IDR 15,502T). The growth in Net Profit was supported by an increase in Net Interest Income (NII) of +1.4% YoY (1H22: IDR 64,614T) and relatively flat -0.1% QoQ (1Q23: IDR 32,779T) to IDR 65,540T. NII tended to remain flat despite a year-on-year increase in Interest Income of 11.4% YoY. This was due to higher Interest Expense this year as interest rates rose significantly to +63.7% YoY (1H22: IDR 12,247T, 1H23: IDR 20,050T). In addition, PPOP also increased by +3.0% QoQ (1Q23: IDR 25,153T) and +6.2% YoY (1H22: IDR 48,071T).

Kupedes as New Growth Driver of BRI Loan Disbursement

- Total loans disbursed by BBRI (Consolidated) in the first semester of 2023 rose by 8.8% YoY to IDR 1,202.1T (1H22: IDR 1,104.8). From the lending segment, BBRI's loan growth was still growing across all segments, especially with the Micro segment as the segment that contributed to the largest portion of loan disbursement. It grew up to 11.4% YoY and +2.6% QoQ. Furthermore, the credit growth was followed by the Consumer and Small Segment, which grew 12.3% YoY and 5.1% YoY respectively. Loan growth this semester still did not reflect management's guidance (FY23 Loan Growth Guidance: 10-12%).
- As for the quality of BBRI's loan portfolio in this period, NPL fell -31 Bps YoY and increased +9 Bps QoQ to 2.95%. Cost of Credit (CoC) level dropped significantly by -85 Bps YoY and -13 Bps QoQ to 2.26% (1H22 3.11%; 1Q23: 2.39%). CoC achievement in this quarter is getting better, which is in line with management's guidance (CoC FY23: 2.2%-2.4%).
- Speaking of microcredit, BBRI is currently focusing its lending growth on Kupedes products. This can be seen from the strong growth, where Kupedes distribution grew +42.9% YoY & +10.3% QoQ. BRI's flagship microcredit product, KUR, started to grow relatively stagnant and flat (-2.48% YoY & -1.21% QoQ). Currently, Kupedes' contribution to total microcredit is 38.9% in 1H23 (1H22: 30%, 1Q23: 36.3%), while KUR is relatively flat and declining in 1H23 at 46.82% (1H22: 53%, 1Q23: 48.7%).

Growing CASA and Relatively High CoF Rate

- For this 1H23 performance, BBRI's CASA rose by 10.1% YoY to IDR 815.4T (1H22: IDR 740.4T), where this increase was supported by a significant increase in Current Account and Saving Account deposits by 24.3% and 3.3% YoY respectively and decreased by -3.7% and +3.4% QoQ respectively. Meanwhile, time deposits rose by 8.4% YoY, resulting in the CASA ratio growing +37 Bps YoY to 65.49% (1H22: 65.12%). Overall, BBRI's achievement in terms of CASA was quite strong, with the total deposits still rising 9.5% YoY to IDR 1,245.1T (1H22: IDR 1,137T).
- Currently, BBRI seems to be working on a stable CASA base to mitigate the impact of high Cost of Fund (CoF). For this period, the CoF figure rose quite high, with an increase of 88 Bps YoY and 11 Bps QoQ to 2.79%. (1Q23: 2.68% & 1H22: 1.91%) which is in line with global interest rates that tend to increase (seen from NII growth that stagnated YoY due to the drastic increase in interest expense). Another influential factor was management's strategy to balance growth with CoF so that loan growth was lower than guidance. This resulted in a relatively stable NIM on a quarterly (+3 Bps) and annual basis, which was down -39 Bps to 7.85% in 1H23.

Buy Recommendation with TP at IDR 6,100 Level (+14.6% Upside)

- NHKS Research still recommends Buy for BBRI with a TP at IDR 6,100 (+14.6% Upside), which reflects an F P/BV of 2.9x FY23F. The catalyst that can justify BBRI's price is a better performance execution in 2023 (Loan growth, especially Kupedes and ultra-micro segment contribution as high yield-loan, as well as CoC and CoF that can be further reduced). As for the risks in BBRI's potential downside, among others, the unfavorable macro situation, expectations of loan growth, and performance that fails to grow as expected.

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	374	421	474
EPS growth	55.8%	10.7%	12.7%	12.4%
BVPS (IDR)	2,002	2,063	2,121	2,313
Net Interest Margin	7.8%	7.9%	7.9%	8.0%
Loan/Deposits	87.1%	89.8%	87.6%	82.2%
NPL	2.7%	2.7%	2.7%	2.7%
ROE	17.2%	18.4%	20.1%	21.4%
ROA	2.9%	2.9%	3.0%	3.0%
Non-Int. Inc. /Op. Rev	28.2%	27.6%	27.9%	27.8%
P/E	15.8x	16.4x	16.4x	16.4x
P/BV	2.7x	3.0x	3.3x	3.4x
DPS (IDR)	288	316	322	332
Dividend yield	5.41%	5.14%	4.65%	4.26%

Source: Company Data, Bloomberg, NHKSI Research

Please consider the rating criteria & important disclaimer

NH Korindo Sekuritas Indonesia

Overweight

Target Price (IDR)	6,100
Consensus Price (IDR)	6,173
TP to Consensus Price	-1.2%
Potential Upside	+14.6%

Shares data

Last Price (IDR)	5,325
Price date as of	18-September-23
52 wk range (Hi/Lo)	5,750 / 4,260
Free float (%)	46.8
Outstanding sh. (mn)	151,559
Market Cap (IDR bn)	822,208
Market Cap (USD mn)	53,512
Avg. Trd Vol - 3M (mn)	106.70
Avg. Trd Val - 3M (bn)	591.35
Foreign Ownership	24.20%

Finance

Bank

Bloomberg	BBRI IJ
Reuters	BBRI.JK

Share Price Performance



	YTD	1M	3M	12M
Abs. Ret.	13.8%	-4.5%	-3.6%	16.5%
Rel. Ret.	12.7%	-5.6%	-7.4%	20.1%

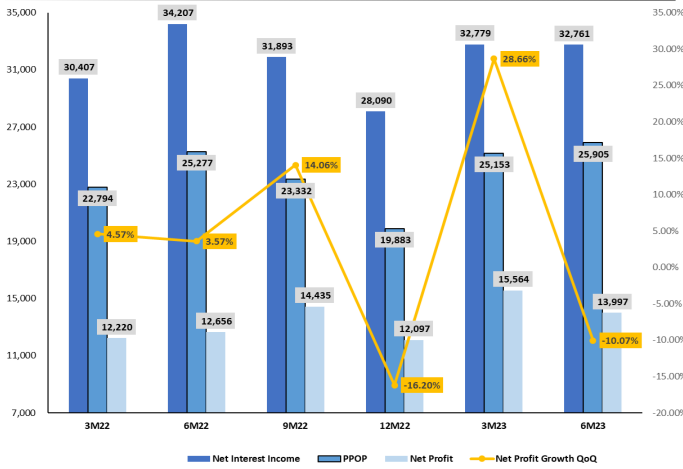
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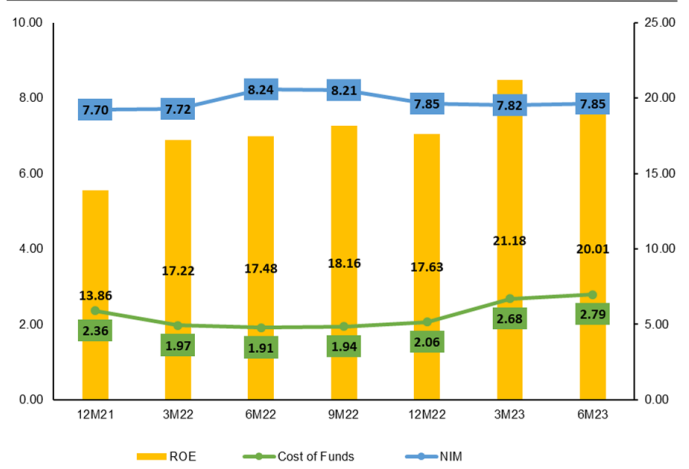
Performance Highlights

Financial Performance (IDR Bn)



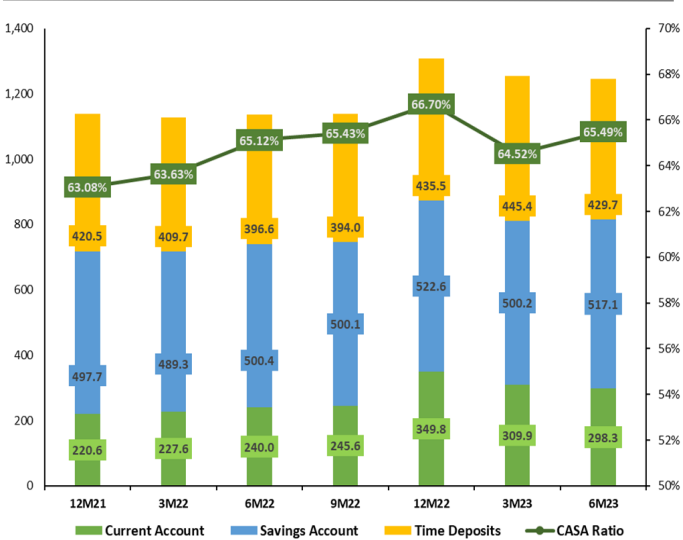
Source: Company, NHKSI Research

Profitability Ratios (In %)



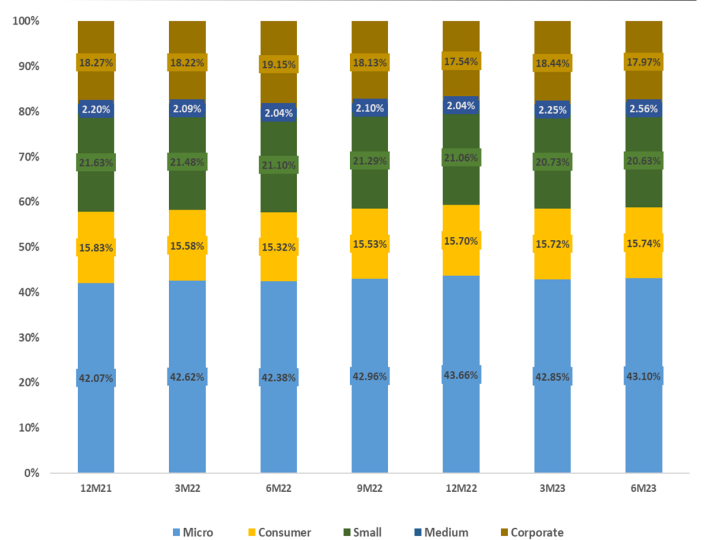
Source: Company, NHKSI Research

Third Party Funds Composition (IDR Trillion)



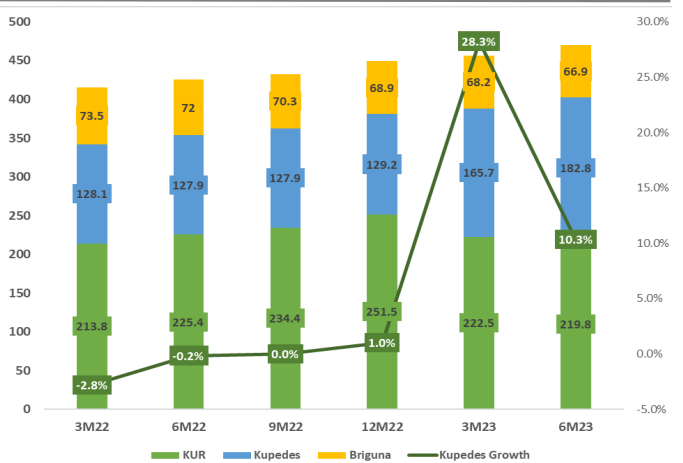
Source: Company, NHKSI Research

Loan Composition Breakdown (In %)



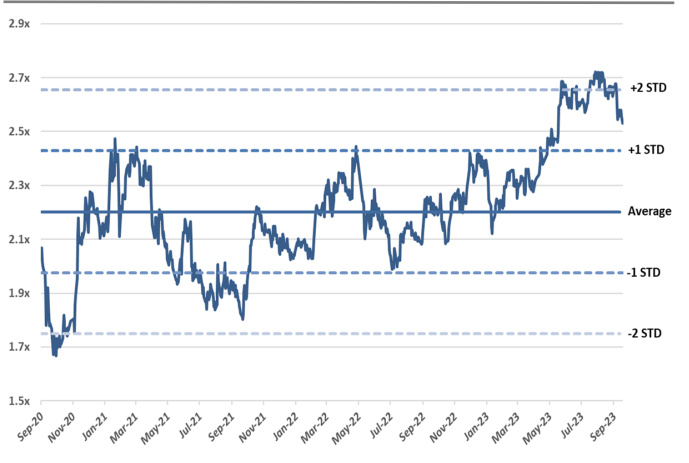
Source: Company, NHKSI Research

Micro Loan Segment Breakdown (IDR Trillion)



Source: Company, NHKSI Research

F-PBV | Last 3 Years



Source: Company, NHKSI Research

Summary of Financials

INCOME STATEMENT					PROFITABILITY & STABILITY				
(IDR bn)	2022/12A	2023/12F	2024/12F	2025/12F		2022/12A	2023/12F	2024/12F	2025/12F
Interest Income	151,875	171,761	192,801	216,266	ROE	17.2%	18.4%	20.1%	21.4%
Growth (% y/y)	5.8%	13.1%	12.2%	12.2%	ROA	2.9%	2.9%	3.0%	3.0%
Interest Expenses	(27,278)	(35,108)	(38,712)	(45,721)	Non-Int. Inc. /Op. Rev	28.2%	27.6%	27.9%	27.8%
Net Interest Income	124,597	136,653	154,089	170,545	Cost/Income	47.4%	48.1%	47.8%	47.9%
Net Interest Margin	7.85%	7.90%	7.95%	7.98%	Cash Dividend (IDR bn)	43,654	47,871	48,831	50,303
Net Fee Income	18,795	20,525	23,194	25,643	Dividend Yield (%)	5.41%	5.18%	4.69%	4.30%
Trading Income	2,796	4,699	4,378	5,355	Payout Ratio (%)	85.3%	84.5%	76.5%	70.1%
Other Operating Income	27,289	26,888	32,034	34,506	Loan/Deposits	87.1%	89.8%	87.6%	82.2%
Operating Revenue	173,477	188,765	213,695	236,048	Loan/Assets	61.1%	63.0%	62.6%	59.1%
Operating Expenses	(82,192)	(90,719)	(102,058)	(113,088)	NPL	2.67%	2.71%	2.68%	2.65%
Pre-provisioning OP	91,285	98,046	111,637	122,960	Loan Loss Res./Loan	8.2%	8.6%	9.0%	9.7%
Provision for Impairment	(26,979)	(27,320)	(31,872)	(33,331)	CASA/Deposits	66.7%	69.9%	73.3%	76.9%
EBT	64,597	70,789	79,979	89,787	Time Deposits/Deposits	33.3%	30.1%	26.7%	23.1%
Income Tax	(13,188)	(13,992)	(16,069)	(17,893)	Par Value (IDR)	250	250	250	250
Non-controlling Interest	238	(135)	(72)	(126)	Total Shares (mn)	151,559	151,559	151,559	151,559
Net Profit	51,171	56,663	63,838	71,768	Share Price (IDR)	5,325	6,100	6,872	7,726
Growth (% y/y)	55.8%	10.7%	12.7%	12.4%	Market Cap (IDR tn)	807.1	924.5	1,041.6	1,171.0

BALANCE SHEET					VALUATION INDEX				
(IDR bn)	2022/12A	2023/12F	2024/12F	2025/12F		2022/12A	2023/12F	2024/12F	2025/12F
Cash	27,407	5,983	28,075	185,504	Price /Earnings	15.77x	16.32x	16.32x	16.32x
Placement in Banks	242,807	215,397	270,383	275,364	Price /Book Value	2.66x	2.96x	3.24x	3.34x
Net Loans	1,045,989	1,161,704	1,282,592	1,377,343	Price/Op. Revenue	4.65x	4.90x	4.87x	4.96x
Investment	387,764	454,965	476,518	529,587	PE/EPS Growth	0.28x	1.52x	1.29x	1.31x
Fixed Asset	55,216	60,953	72,041	85,226	EV/Operating Revenue	5.46x	5.92x	5.76x	5.27x
Other Assets	106,458	112,734	128,692	137,187	EV/PPOP	10.37x	11.39x	11.03x	10.12x
Total Assets	1,865,639	2,027,177	2,261,740	2,593,650	EV (IDR bn)	946,563	1,117,017	1,231,748	1,244,327
Deposits	1,307,884	1,421,733	1,616,555	1,864,506	Op. Rev. CAGR (3-Yr)	16.0%	19.9%	11.0%	10.8%
Debt	162,817	192,748	210,202	247,610	EPS CAGR (3-Yr)	14.2%	44.8%	24.8%	11.9%
Other liabilities	91,543	100,048	113,452	131,030	Basic EPS (IDR)	337.6	373.9	421.2	473.5
Total Liabilities	1,562,244	1,714,529	1,940,210	2,243,146	Diluted EPS (IDR)	338	374	421	474
Capital Stock & APIC	83,215	83,215	83,215	83,215	BVPS (IDR)	2,002	2,063	2,121	2,313
Retained Earnings	201,170	205,801	208,808	230,273	Op. Revenue PS (IDR)	1,145	1,245	1,410	1,557
Shareholders' Equity	303,395	312,648	321,530	350,505	DPS (IDR)	288	316	322	332

CASH FLOW STATEMENT					OWNERSHIP				
(IDR bn)	2022/12A	2023/12F	2024/12F	2025/12F	By Geography	% Shareholders		%	
Operating Cash Flow	60,177	107,708	27,912	100,847	Indonesia	75.83	Republic of Indonesia	53.19	
Investing Cash Flow	(100,589)	(221,529)	(175,141)	(185,982)	United States	10.43	JP Morgan Chase	2.04	
Financing Cash Flow	154,710	92,398	169,320	242,565	United Kingdom	3.55	Vanguard Group	1.89	
Net Changes in Cash	114,298	(21,423)	22,091	157,430	Others	10.19	Others	42.88	

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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