

Bank Rakyat Indonesia Tbk (BBRI)

Improved Results Due to Recovered Performance

Company Report | Oktober 31, 2023

Buy

Target Price (IDR)	6,300
Consensus Price (IDR)	6,287
TP to Consensus Price	+0.21%
Potential Upside	+26.25%

Shares data

Last Price (IDR)	4,990
Price date as of	30 October 2023
52 wk range (Hi/Lo)	5,750 / 4,360
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	26.52%

Finance

Bank

Bloomberg	BBRI IJ
Reuters	BBRI.JK

Share Price Performance



	YTD	1M	3M	12M
Abs. Ret.	6.6%	-4.5%	-11.7%	7.8%
Rel. Ret.	8.3%	-1.8%	-9.6%	12.1%

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In 9M23, BBRI posted a Net Profit of IDR 43.993T, an increase of 12.4% YoY (1H22: IDR 39.156T and QoQ +4.7% 2Q23: IDR 13.920T). The increase in Net Profit was supported by an increase in Net Interest Income (NII) of +4.9% YoY (9M22: IDR 96.507T) and +8.8% QoQ (1Q23: IDR 35.656T) to IDR 101.197T. Despite a 14.4% YoY increase in Interest Income, Interest Expense increased this year due to a significant increase in interest rate to +63.8% YoY due to an increase in High Cost Fund (9M22: IDR 18,744T, 9M23: IDR 30,696T). PPOP also increased +8.6% QoQ (2Q23: IDR 25,905T) and +6.2% YoY (9M22: IDR 71,403T) to IDR 79,180T in 9M23.

Micro Loan Disbursement Remain Strong

- Total loans disbursed by BBRI (Consolidated) as of 9M-2023 grew +12.5% YoY and +4% QoQ to IDR 1,250.7T (9M22: IDR 1,111.5T and 6M23: IDR 1,202.1T). From the lending segment, BBRI's loan growth is still growing across all segments, especially with the Micro segment as the highest contributing segment to the loan disbursement, rising to +11.6% YoY and +2.2% QoQ. Based on management's presentation for FY23, Guidance Loan Growth will still be indicated at a 10-12% growth level (9M23 Growth: +12.5% YoY).
- As for the quality of BBRI's loan portfolio in this period, NPL fell -2 Bps YoY and increased +12 Bps QoQ to 3.07% in 9M23. One of the factors affecting the increase in NPL is the Cost of Credit (CoC) level which fell -58 Bps YoY but increased +18 Bps QoQ to 2.44% (9M22: 3.02%; 1H23: 2.26%). For the latest Guidance from management in FY23, the CoC level is indicated to be still in the range of 2.2-2.4%, and for FY2023 NPL is indicated to be in the range of 2.8-3.0%.
- BBRI's focus on Kupedes lending growth and strong growth in Consumer Credit has helped the Cost of Fund (CoF) which experienced an increase. Kupedes distribution grew +57.5% YoY & +10.2% QoQ. Microcredit product, BRI People's Credit Business (KUR), began to grow relatively stagnant and flat (-9.1% YoY & -3.1% QoQ). Currently, the contribution of Kupedes loans to total microcredit is 42% in 9M23 (9M22: 29.6%, 1H23: 38.9%), while KUR is relatively flat and trending downwards in this period, at 44.38% in 9M23 (1H22: 54.2%, 1H23: 46.8%).

Maintaining a Steady CASA Ratio

- For this 9M23 performance, BBRI's CASA rose by 10.1% YoY and 0.7% QoQ to IDR 821.1T (9M22: IDR 745.7T), where the increase was driven by a significant increase in Current Account and Saving Account deposits by 28.1% and 1.3% YoY and +5.5% and -2.1% QoQ respectively. Meanwhile, deposits rose 19.1% YoY and 9.2% QoQ, resulting in a slightly lower CASA ratio of 63.64% due to a significant increase in the High Cost Fund (9M22: 65.43% & 1H23: 65.49%). Overall, BRI's Third Party Funds still grew 13.2% YoY and 3.6% QoQ to IDR 1,290T (9M22: IDR 1,140T & 1H23: IDR 1,245T).
- Higher interest rate hikes were anticipated, as reflected in BBRI's rising CoF. For this period, the CoF figure has risen considerably with an increase of 88 Bps YoY and 11 Bps QoQ to 2.84%. (9M22: % & 1H23: 2.79%). Despite the increase in CoF during this period, BBRI's CoF level in 9M23 (2.84%) is 16% below its 10-year average (2013-2022) which stands at 3.41%. In addition, the CASA Ratio level is still maintained around the 60% range.

Buy Recommendation with a TP of IDR 6,300 (+26.25% Upside)

- NHKS Research recommends a Buy for BBRI with a TP of IDR 6,300 (+26.25% upside), reflecting F P/BV of 3.0x FY23F. As for the catalyst that can justify BBRI's current price is a better performance execution in 2023 (Loan increased, especially Kupedes & ultra-micro segment contribution as high yield-loan, as well as CoC and CoF that can be further reduced). Meanwhile, the risks in BBRI's potential downside include an unconvincing macro situation, as well as expectations of loan growth and performance that are unable to grow as expected.

Bank Rakyat Indonesia Tbk | Summary (IDR Bn)

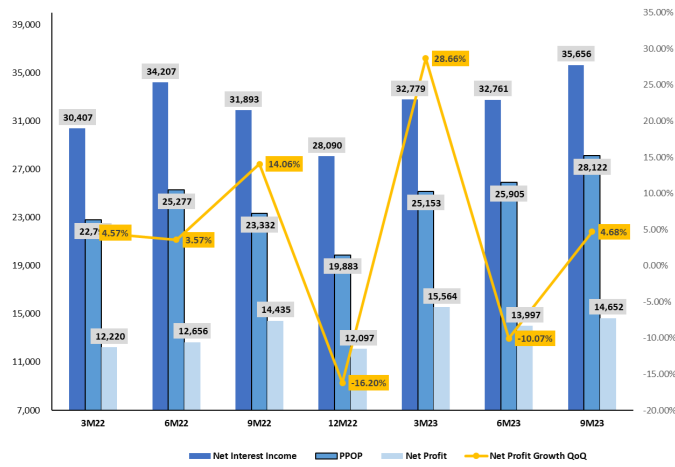
	2022/12A	2023/12F	2024/12F	2025/12F
Interest Income	151,875	171,761	192,801	216,266
Interest Income growth	5.8%	13.1%	12.2%	12.2%
Operating Revenue	173,477	188,765	213,695	236,048
Net profit	51,171	56,663	63,838	71,768
EPS (IDR)	338	374	421	474
EPS growth	55.8%	10.7%	12.7%	12.4%
BVPS (IDR)	2,002	2,063	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	14.8x	16.9x	16.9x	16.9x
P/BV	2.5x	3.1x	3.3x	3.5x
DPS (IDR)	288	316	322	332
Dividend yield	5.77%	5.01%	4.54%	4.16%

Source: Company Data, Bloomberg, NHKS Research

Please consider the rating criteria & important disclaimer

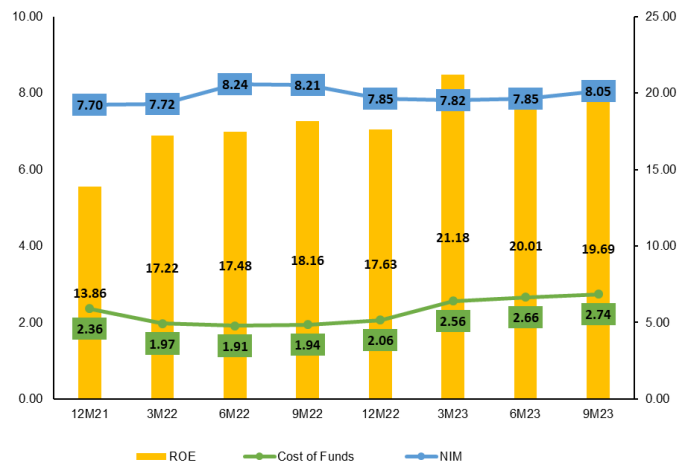
Performance Highlights

Quarterly Financial Performance (IDR Bn)



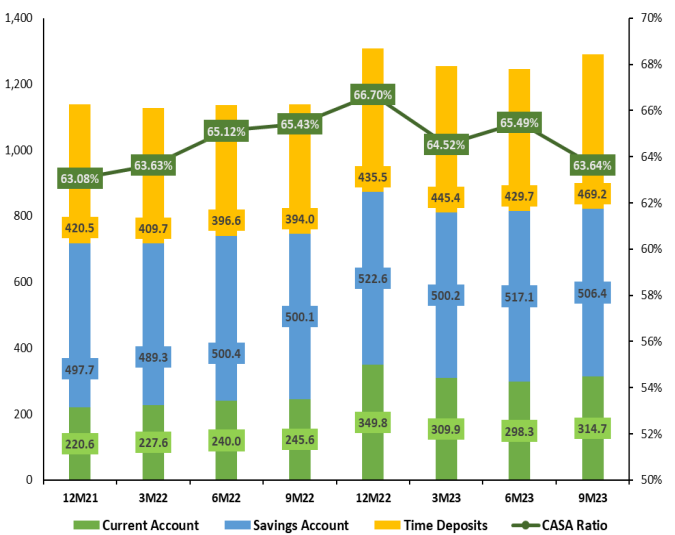
Source: Company, NHKSI Research

Profitability Ratios (In %)



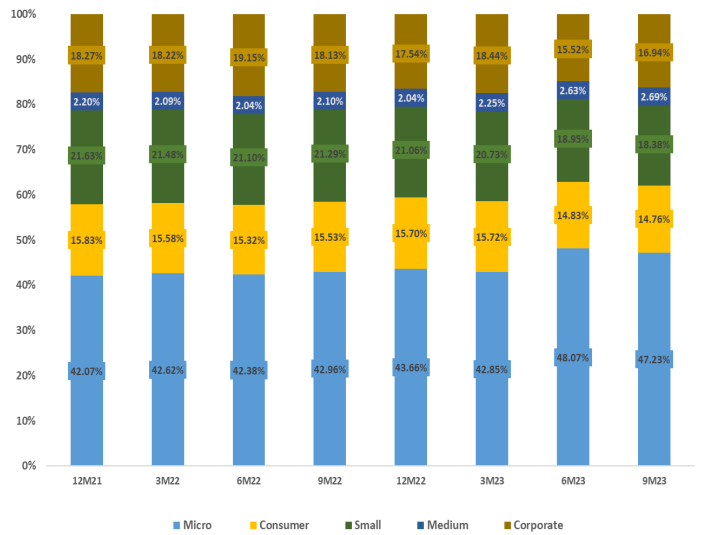
Source: Company, NHKSI Research

Third Party Funds Composition (IDR Trillion)



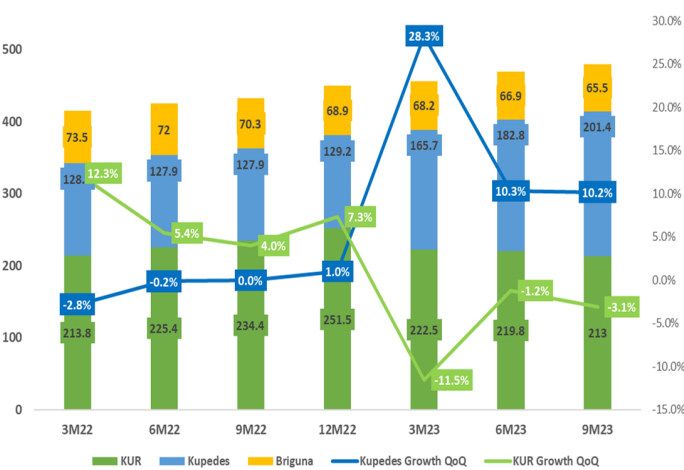
Source: Company, NHKSI Research

Loan Composition Breakdown (In %)



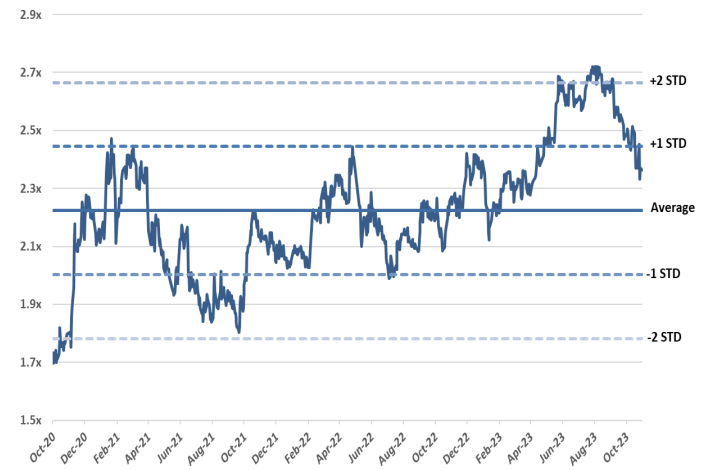
Source: Company, NHKSI Research

Kupedes and KUR Comparison (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 (%)	5.77%	5.01%	4.54%	4.16%
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)	4,990	6,300	7,098	7,979
Growth (% y/y)	55.8%	10.7%	12.7%	12.4%	Market Cap (IDR tn)	756.3	954.8	1,075.7	1,209.4

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	14.78x	16.85x	16.85x	16.85x
Placement in Banks	242,807	215,397	270,383	275,364	Price /Book Value	2.49x	3.05x	3.35x	3.45x
Net Loans	1,045,989	1,161,704	1,282,592	1,377,343	Price/Op. Revenue	4.36x	5.06x	5.03x	5.12x
Investment	387,764	454,965	476,518	529,587	PE/EPS Growth	0.26x	1.57x	1.33x	1.36x
Fixed Asset	55,216	60,953	72,041	85,226	EV/Operating Revenue	5.16x	6.08x	5.92x	5.43x
Other Assets	106,458	112,734	128,692	137,187	EV/PPPOP	9.81x	11.70x	11.34x	10.43x
Total Assets	1,865,639	2,027,177	2,261,740	2,593,650	EV (IDR bn)	895,790	1,147,329	1,265,898	1,282,720
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	73.48	Republic of Indonesia	53.19
Investing Cash Flow	(100,589)	(221,529)	(175,141)	(185,982)	United States	12.38	JP Morgan Chase	2.02
Financing Cash Flow	154,710	92,398	169,320	242,565	United Kingdom	3.64	Vanguard Group	1.95
Net Changes in Cash	114,298	(21,423)	22,091	157,430	Others	10.50	Others	42.84

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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