

Bank Rakyat Indonesia Tbk. (BBRI)

Micro Segment Foundations Grow Stronger

BBRI scored a brilliant net profit growth of +17.5% YoY to IDR 60.100 T (FY22: IDR 51.170 T, QoQ +10.5%). This figure was supported by an increasing Net Interest Income (NII) in FY23 to IDR 135.183 T (FY22: IDR 124.597 T, YoY +8.5% & QoQ +4.7%). BBRI's NIM level is still the largest among KBMI IV, at 7.95% in FY23 (+10 Bps YoY). The only problem for BBRI is coming from its high-interest expense (due to the high interest rate era), which rose 60.6% YoY to IDR 43.813 T (FY22: IDR 27.278 T). However, this condition did not prevent BBRI from scoring a solid performance as the result of the strategy to shift the target of micro products, from previously focused on KUR to focused more on Kupedes, has managed to increase BBRI's Loan Yield. Aside from the focus on Kupedes, the Ultra Micro segment (PNM & Pegadaian) and efficiency also played a role in scoring BBRI's optimal performance amid a challenging year.

Micro Segment Continues to be BBRI's Robust Foundation

- The total loans disbursed by BBRI (Consolidation) in FY23 period increased by +11.2% YoY to IDR 1.266.4 T (FY22: IDR 1.139.1 T) and in line with management's guidance for FY23 (Loan Growth: 10-12%). From the lending segment, BBRI's loan growth grew across all segments. The Micro segment (including ultra Micro), which has contributed the largest portion of loan disbursement, grew by +10.9% YoY. Other sectors that grew significantly were Consumer and Corporate (+13.4% & +13.8% YoY).
- Speaking of Micro, BBRI's loan disbursement grew by 10.4% YoY to IDR 496.6 T (FY22: IDR 449.6 T). This growth was largely contributed by the growth of Kupedes, which increased by +64.3% YoY to IDR 212.3 T (FY22: IDR 129.2 T). The KUR product segment experienced a decline in growth -12.6% YoY to IDR 219.9 T (FY22: IDR 251.5 T). Briguna products decreased by -6.7% YoY to IDR 64.3 T (FY22: IDR 68.9 T). BBRI's strategy of shifting its micro portfolio focus from KUR to Kupedes helped BBRI to obtain better loan yield (+0.88% YoY to 13.18% in FY23) and boosted FY23 ROE to 19.9% (+2.3% YoY).
- As for BBRI's loan portfolio quality in FY23, NPL stood at 2.95%, aligning with management's guidance in FY23 (NPL: 2.8-3.0%). On a year-on-year basis, NPL increased by +28 Bps, which was affected by the portfolio quality from Micro and Small Business segments that were quiet affected due to El-Nino condition. Cost of Credit (CoC) level dropped significantly by 38 Bps YoY and 16 Bps QoQ to 2.38%. Moreover, the CoC achievement in FY23 is quite in line with management's guidance (CoC FY23: 2.2%-2.4%).

Liquidity Challenges Causing CASA to Decline and CoF to Relatively Increase

- For FY23, BBRI's CASA only increased by 0.2% to IDR 874.1T (FY22: IDR 872.4T). The year-on-year increase in CASA was relatively flat, with current accounts declining by -1% YoY and savings accounts increasing by +1% YoY. However, on a quarterly basis, current accounts rose +10% QoQ and savings deposits rose 4.2% QoQ. Meanwhile, deposits rose +11.2% YoY (+3.2% QoQ), resulting in the CASA ratio declining to 64.35% YoY (FY22: 66.7%). Overall, Third Party Funds still grew by 3.9% to IDR 1,358T in FY23. The only challenge was the era of high-interest rates, where this era of high interest rates and intense funding competition pushed the Cost of Funds to experience a significant upward trend, where the peak in 4Q23 BBRI's CoF was at 3% and pushed the CASA ratio slightly down to 64.35% in FY23 (FY22: 66.70%, -2.35% YoY).

BBRI Management's Guidance for FY2024

- For 2024, BBRI management indicated that lending growth is at a stable level of 11-12%. NIM is also still at the level of 7.9-8.0%, unchanged from the achievement in FY23. As for NPL, it will be indicated to be at the level of 2.7-2.9%. Speaking of Credit Cost, the Guidance level is indicated at 2.2-2.3% and the Cost to Income Ratio (CIR) is indicated at 41-42% (Consolidated basis).

Overweight Recommendation with a TP at IDR 6,850 Level (+8.73% Upside)

- NHKS Research recommends Overweight for BBRI, with TP at IDR 6,850 (+8.73% Upside), reflecting F P/BV of 2.6x FY24F. Things that support the performance of BBRI are the increase in micro & ultra-micro growth and the increase in CoF that can be minimized. The risks in BBRI's downside potential include the unconducive macro situation that particularly affects the middle to lower segments, political instability, NIM that does not meet expectations, poor loan growth expectations, and high-interest rate pressure that still looms.

Bank Rakyat Indonesia Tbk | Summary (IDR Bn)

	2023/12A	2024/12F	2025/12F	2026/12F
Interest Income	178,996	199,930	219,967	241,218
Interest Income growth	17.9%	11.7%	10.0%	9.7%
Operating Revenue	183,290	219,340	236,265	247,574
Net profit	60,100	67,912	78,719	85,771
EPS (IDR)	397	448	519	566
EPS growth	17.5%	13.0%	15.9%	9.0%
BVPS (IDR)	2,088	2,210	2,407	2,630
Net Interest Margin	8.0%	8.5%	8.2%	7.7%
Loan/Deposits	93.2%	91.4%	89.2%	86.5%
NPL	2.7%	2.7%	2.7%	2.7%
ROE	19.8%	21.3%	22.5%	22.5%
ROA	3.3%	3.4%	3.4%	3.2%
Non-Int. Inc. /Op. Rev	26.2%	27.2%	27.2%	26.9%
P/E	15.6x	15.3x	15.3x	15.3x
P/BV	3.0x	3.1x	3.3x	3.3x
DPS (IDR)	314	358	364	396
Dividend yield	5.06%	5.23%	4.58%	4.58%

Source: Company Data, Bloomberg, NHKSI Research

Please consider the rating criteria & important disclaimer

Company Report | February 22, 2024

Overweight

Target Price (IDR)	6,850
Consensus Price (IDR)	6,660
TP to Consensus Price	+2.85%
Potential Upside	+8.73%

Shares data

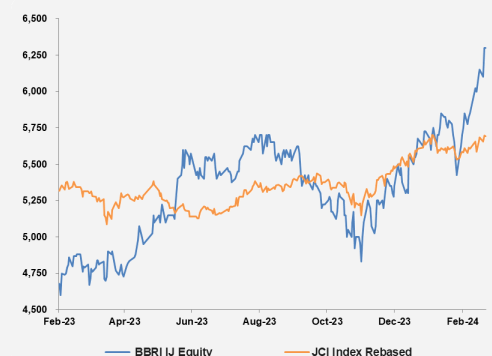
Last Price (IDR)	6,300
Price date as of	21 Februari 2024
52 wk range (Hi/Lo)	6,300 / 4,640
Free float (%)	46.8
Outstanding sh.(mn)	151,559
Market Cap (IDR bn)	954,822
Market Cap (USD mn)	61,042
Avg. Trd Vol - 3M (mn)	135.97
Avg. Trd Val - 3M (bn)	769.66
Foreign Ownership	26.10%

Finance

Bank

Bloomberg	BBRI IJ
Reuters	BBRI.JK

Share Price Performance



	YTD	1M	3M	12M
Abs. Ret.	11.0%	9.1%	21.2%	7.9%
Rel. Ret.	10.7%	7.7%	15.6%	6.6%

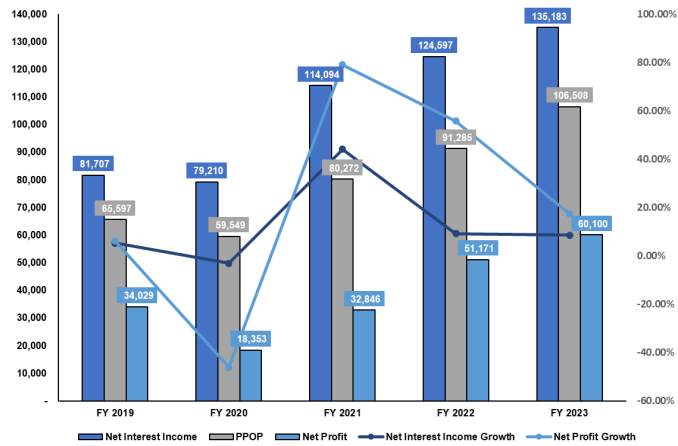
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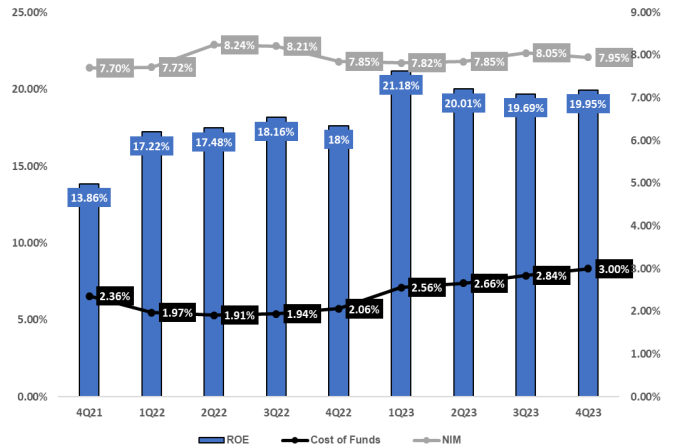
Performance Highlights

Financial Performance (IDR Bn)



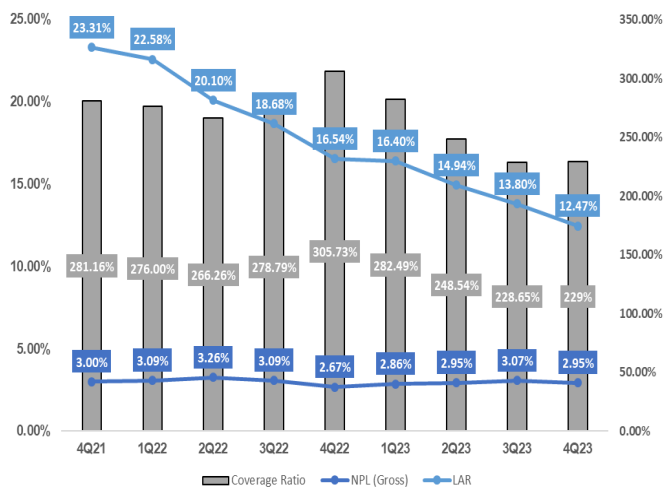
Source: Company, NHKSI Research

Profitability Ratios (In %)



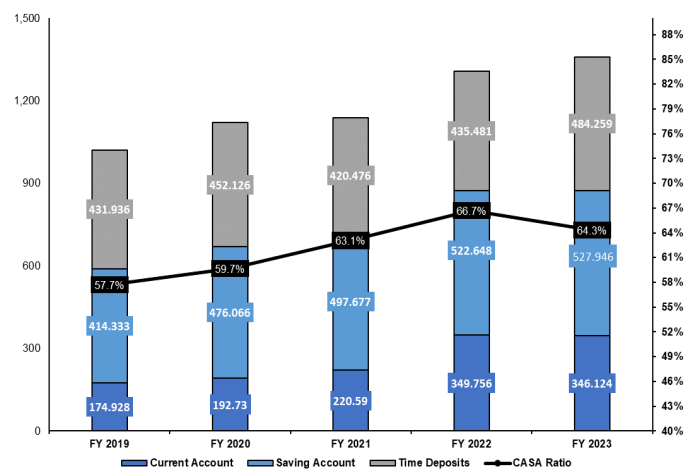
Source: Company, NHKSI Research

Asset Quality (In %)



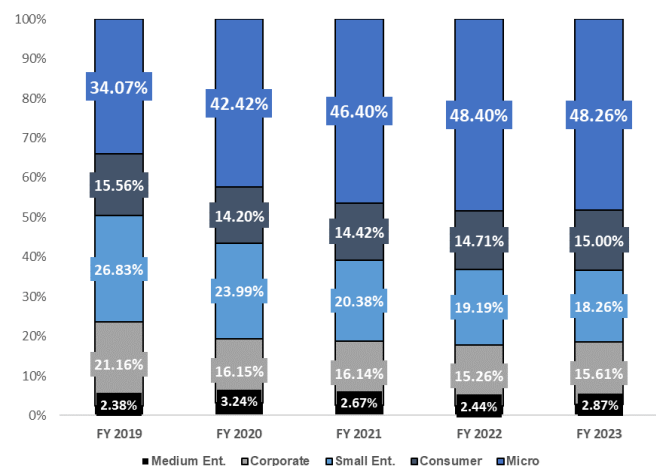
Source: Company, NHKSI Research

Third Party Funds Composition (IDR Tn)



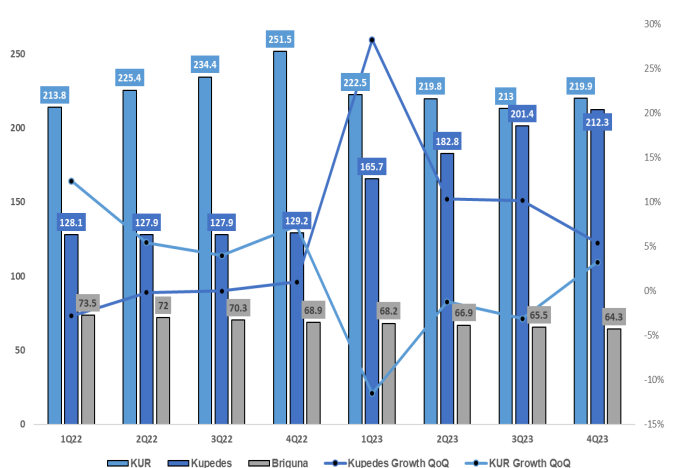
Source: Company, NHKSI Research

Loan Composition Breakdown By Segment (In %)



Source: Company, NHKSI Research

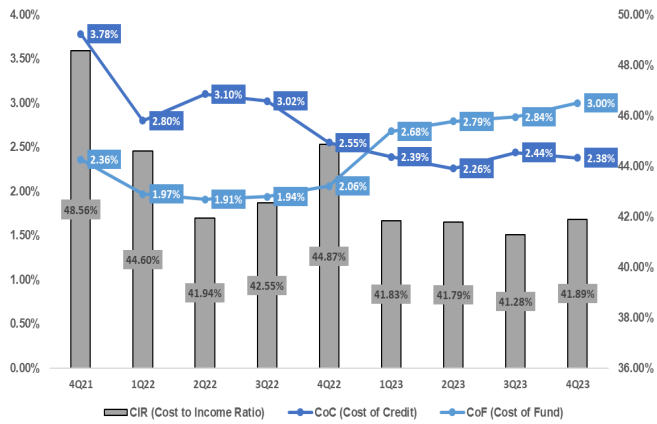
Micro Loan Breakdown (IDR Tn)



Source: Company, NHKSI Research

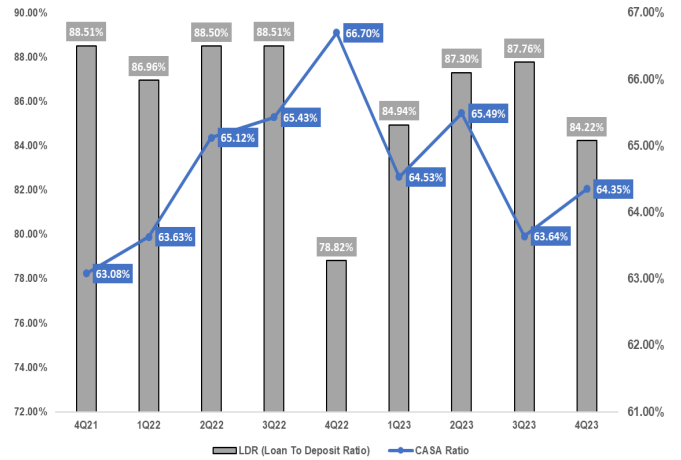
Performance Highlights

BMRI CoF, CIR and CoC (In %)



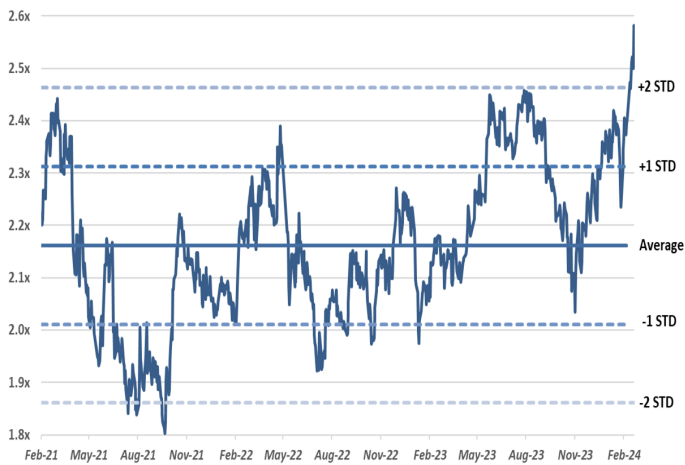
Source: Company, NHKSI Research

BBRI LDR vs CASA Ratio (In %)



Source: Company, NHKSI Research

BBRI Forward PBV | Last 3 Years



Source: Company, NHKSI Research

Summary of Financials

INCOME STATEMENT				
(IDR bn)	2023/12A	2024/12F	2025/12F	2026/12F
Interest Income	178,996	199,930	219,967	241,218
Growth (% y/y)	17.9%	11.7%	10.0%	9.7%
Interest Expenses	(43,813)	(40,161)	(47,972)	(60,172)
Net Interest Income	135,183	159,770	171,995	181,046
Net Interest Margin	8.01%	8.49%	8.22%	7.75%
Net Fee Income	20,738	24,168	26,116	27,550
Trading Income	2,516	4,654	4,023	4,292
Other Operating Income	24,853	30,749	34,131	34,686
Operating Revenue	183,290	219,340	236,265	247,574
Operating Expenses	(77,280)	(101,102)	(106,882)	(110,166)
Pre-provisioning OP	106,010	118,238	129,383	137,408
Provision for Impairment	(29,181)	(32,655)	(29,782)	(28,689)
EBT	76,430	85,485	99,540	108,488
Income Tax	(16,005)	(17,232)	(20,411)	(22,277)
Non-controlling Interest	(325)	(342)	(411)	(440)
Net Profit	60,100	67,912	78,719	85,771
Growth (% y/y)	17.5%	13.0%	15.9%	9.0%

PROFITABILITY & STABILITY				
	2023/12A	2024/12F	2025/12F	2026/12F
ROE	19.9%	21.3%	22.5%	22.5%
ROA	3.3%	3.4%	3.4%	3.2%
Non-Int. Inc. /Op. Rev	26.2%	27.2%	27.2%	26.9%
Cost/Income	42.2%	46.1%	45.2%	44.5%
Cash Dividend (IDR bn)	47,558	54,330	55,103	60,040
Dividend Yield (%)	5.0%	5.2%	4.6%	4.6%
Payout Ratio (%)	79.1%	80.0%	70.0%	70.0%
Loan/Deposits	93.2%	91.4%	89.2%	86.5%
Loan/Assets	64.4%	64.2%	63.0%	61.7%
NPL	2.70%	2.70%	2.68%	2.70%
Loan Loss Res./Loan	6.8%	6.0%	5.1%	4.5%
CASA/Deposits	64.3%	66.0%	67.6%	69.8%
Time Deposits/Deposits	35.7%	34.0%	32.4%	30.2%
Par Value (IDR)	250	250	250	250
Total Shares (mn)	151,559	151,559	151,559	151,559
Share Price (IDR)	6,300	6,850	7,925	8,625
Market Cap (IDR tn)	954.8	1,038.2	1,201.1	1,307.2

BALANCE SHEET				
(IDR bn)	2023/12A	2024/12F	2025/12F	2026/12F
Cash	31,604	36,561	39,098	39,544
Placement in Banks	189,454	231,928	336,081	418,365
Net Loans	1,180,927	1,314,755	1,484,257	1,681,662
Investment	371,911	428,836	458,015	518,189
Fixed Asset	59,678	66,576	73,197	81,317
Other Assets	131,433	99,897	94,495	116,076
Total Assets	1,965,007	2,178,552	2,485,143	2,855,153
Deposits	1,358,329	1,531,154	1,753,979	2,036,111
Debt	180,023	196,770	228,932	263,709
Other liabilities	110,183	115,686	137,399	156,669
Total Liabilities	1,648,535	1,843,610	2,120,311	2,456,489
Capital Stock & APIC	83,431	83,431	83,431	83,431
Retained Earnings	213,711	227,294	250,910	276,641
Shareholders' Equity	316,472	334,942	364,832	398,664

VALUATION INDEX				
	2023/12A	2024/12F	2025/12F	2026/12F
Price /Earnings	15.89x	15.29x	15.26x	15.24x
Price /Book Value	3.02x	3.10x	3.29x	3.28x
Price/Op. Revenue	5.21x	4.73x	5.08x	5.28x
PE/EPS Growth	0.91x	1.18x	0.96x	1.70x
EV/Operating Revenue	6.05x	5.50x	5.93x	6.24x
EV/PPOP	10.46x	10.20x	10.83x	11.25x
EV (IDR bn)	1,108,349	1,205,540	1,400,952	1,545,380
Op. Rev. CAGR (3-Yr)	18.1%	26.0%	14.8%	12.6%
EPS CAGR (3-Yr)	20.4%	53.8%	33.0%	18.8%
Basic EPS (IDR)	396.5	448.1	519.4	565.9
Diluted EPS (IDR)	397	448	519	566
BVPS (IDR)	2,088	2,210	2,407	2,630
Op. Revenue PS (IDR)	1,209	1,447	1,559	1,634
DPS (IDR)	314	358	364	396

CASH FLOW STATEMENT				
(IDR bn)	2023/12A	2024/12F	2025/12F	2026/12F
Operating Cash Flow	118,048	111,908	161,477	103,953
Investing Cash Flow	(181,077)	(310,470)	(305,098)	(268,477)
Financing Cash Flow	67,225	203,519	146,158	164,970
Net Changes in Cash	4,196	4,957	2,537	446

Source: NHKSI Research, Company, Bloomberg

OWNERSHIP		
By Geography	% Shareholders	%
Indonesia	73.95	Republic of Indonesia 53.19
United States	12.96	Vanguard Group 1.96
United Kingdom	3.51	JP Morgan Chase & Co 1.76
Others	9.58	Others 43.09

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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