

Bank Rakyat Indonesia (BBRI IJ)

FUNDAMENTAL VIEW ¹

As of 26 Oct 2023

- Bank Rakyat Indonesia (BRI) is rated Baa2 (sta)/ BBB- (sta)/ BBB (sta). As the second largest bank in Indonesia that is majority-owned (53.19%) by the Indonesian government, and key role in servicing the ultra-micro and micro segments, we expect a very high likelihood of government support in times of need.
- BRI's credit strength has been its very high margins (>7%; rose after consolidating Pegadaian and PNM) and consequently, ROE, as well as capital buffers (>20% CET 1 ratio), which are ahead of its country peers and among the highest in APAC.
- The bank has a leading franchise in the country's micro and small commercial segments with a long operating track record. Well managed credit costs have in turn helped to support its high margins.

RISKS & CATALYSTS

As of 26 Oct 2023

- BRI's high exposure to ultra-micro and micro (~47% of loans) and small commercial loans (18%) leads to higher credit costs compared to its peers. Asset quality within the COVID restructured book (mainly small and micro loans) has not trended as well as the bank's earlier guidance, but the higher margins generated continue to provide more than sufficient room for credit costs to be absorbed. We are comfortable with the credit given its very high capital buffers.
- BRI's interest margins have been resilient thanks to its increased focus on the higher yielding micro segment so its returns have continued to be strong. It is on track to exceed its FY23 NIM guidance.
- The Indonesian economy continues to be on good recovery momentum and is set to receive a boost from election related spending in 2H23, which should help to keep general asset quality and credit costs in check, as well as aid loan growth, which has been impacted by tight liquidity conditions in the first half.

CREDIT QUALITY SCORE (CQS) ²

As of 25 Dec 2024

CURRENT CQS

55

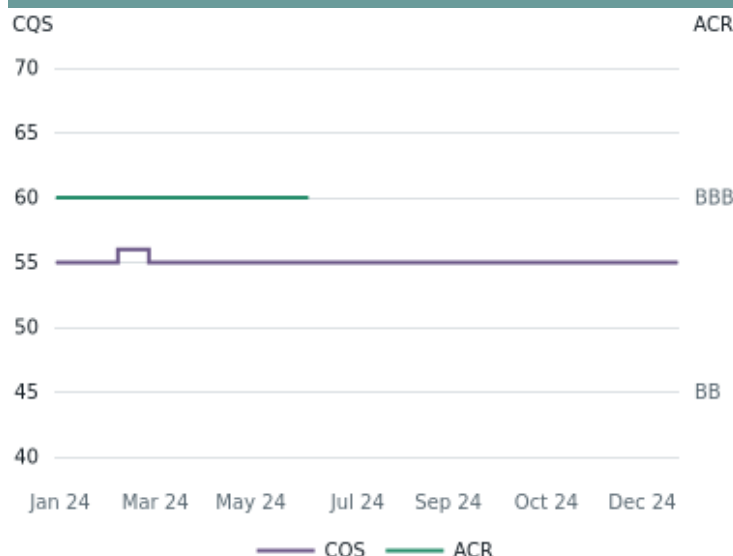
CQS OUTLOOK ³

NEGATIVE

STABLE

POSITIVE

HISTORICAL RATINGS: AVERAGE AGENCY RATING (ACR) ⁴ VS CQS



KEY METRICS

As of 26 Oct 2023

IDR BN	FY19	FY20	FY21	FY22	9M23
PPP ROA	4.8%	4.2%	4.7%	5.2%	5.7%
ROA	2.5%	1.2%	1.9%	2.9%	3.2%
ROE	17.7%	8.6%	12.0%	17.4%	19.4%
Equity/Assets	14.6%	14.1%	17.2%	16.0%	16.6%
CET1 Ratio	21.7%	20.1%	26.2%	24.5%	26.3%
NPL Ratio	2.80%	2.88%	3.00%	2.67%	3.07%
Provisions/Loans	2.47%	3.43%	3.47%	2.51%	2.59%
LDR	88%	91%	92%	87%	97%

BUSINESS DESCRIPTION

As of 26 Oct 2023

- The history of Bank Rakyat Indonesia can be traced back to 1895; it is now the second largest bank in Indonesia by assets.
- BRI was listed on the Jakarta Stock Exchange in 1992, now the Indonesia Stock Exchange in 2003. The Indonesian government held a 53.2% stake in the bank as of end-September 2023. Foreign investors hold 36.6% of the bank's shares and domestic investors 10.1%.
- Its core business focus is on the ultra-micro, micro and small commercial segments, which now account for just over two-thirds of its total loan book.

GLOSSARY

¹ The **Fundamental View** is our current assessment of credit quality and our expectation of how credit quality will trend over the next year or longer.

² The **Credit Quality Score (CQS)** is a number between 5 and 100. It is a medium-term credit score for corporates and financial institutions that utilizes a combination of sector fundamental scores and equity market signals. Values of CQS above 50 generally indicate investment grade credit quality.

³ The **Credit Quality Score (CQS) Outlook** is the near-term (3 month) outlook for the CQS, based on its trend, volatility and distance from the adjacent CQS risk bucket.

⁴ The **Agency Composite Rating (ACR)** is the average senior unsecured rating from one or more major rating agencies.

Quantitative scores provided by CreditSights Analytics, LLC. Scores are shown are for the lesser of (1) 2 years and (2) date of CreditSights inception of quantitative coverage.

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