

15 February 2021  
Banking, Equity

Price **IDR. 4710**  
Target Price **IDR. 6201.81**  
JKSE Index **6270.32**



Stock Code  
Bloomberg code **BBRI J**  
Market cap (IDR.bn) **515,497B**  
52-Week High (IDR) **4,950**  
52-Week Low (IDR) **2,160**  
6-m Avg Daily. Val (IDR) **3,777**  
Free Float (%) **56.75**

Major Shareholders (%)  
Government RI **56.75%**  
Public **43.25%**

USD/IDR-YE  
2020A **14,050**  
2021F (6M Avg) **14,427**

Key Indicators  
Non-Performing Loan (x) **2.97**  
Net Interest Margin (x) **5.8**

## Investment Consideration

### Lower Net Profit

BBRI's net profit fell 46% YoY, Net Interest Income decreased 4.3% YoY due to decreased interest income by 4.9%. PPOP also fell 11% YoY. However, on a quarterly basis, there has been improvement, with net profit positive growth of 12%, interest income growth of 5.35%, and PPOP has increased by 37.4%. This is despite higher provisions, which increased significantly by 42% QoQ and 45.4% YoY. We estimates net profit will grow by 10% YoY in FY21F

### Loan and Third-Party Funds growth

Loans grew by 2.5% in FY20. This growth was largely driven by micro loans, 14.2% and consumer loans, 2.3%. BBRI saw an increase in loan demand at the end of 3Q20, especially in the micro-segment. As a result of this achievement, BBRI set a new target for micro loans to reach a 45% proportion of total loans of by 2025. Thrid-Party Funds increased by 8.6% YoY with demand deposits up 9%, time deposits down -3.3%, and savings up 13.6%. This meant that the Loan to Deposit Ratio is still moderate at 83.66%. Low cost (CASA) funds increased by 61% from 59% in FY19.

### Credit Restructuring and Asset Quality

Restructuring of loans was at IDR 186.6 trillion or 21.2% of total loans. The share of the total restructured loans is Micro 44%, Small Commercial 43%, Consumer 6%, Corporate, and SOE 5%. For Asset quality, gross NPL fell -8bps QoQ to 2.94%. Meanwhile, the NPL coverage ratio rose +24ppt QoQ to 248% with a Loan at Risk coverage of 25.7% (+4ppt QoQ).

### Valuation: 9%, Upside, Hold.

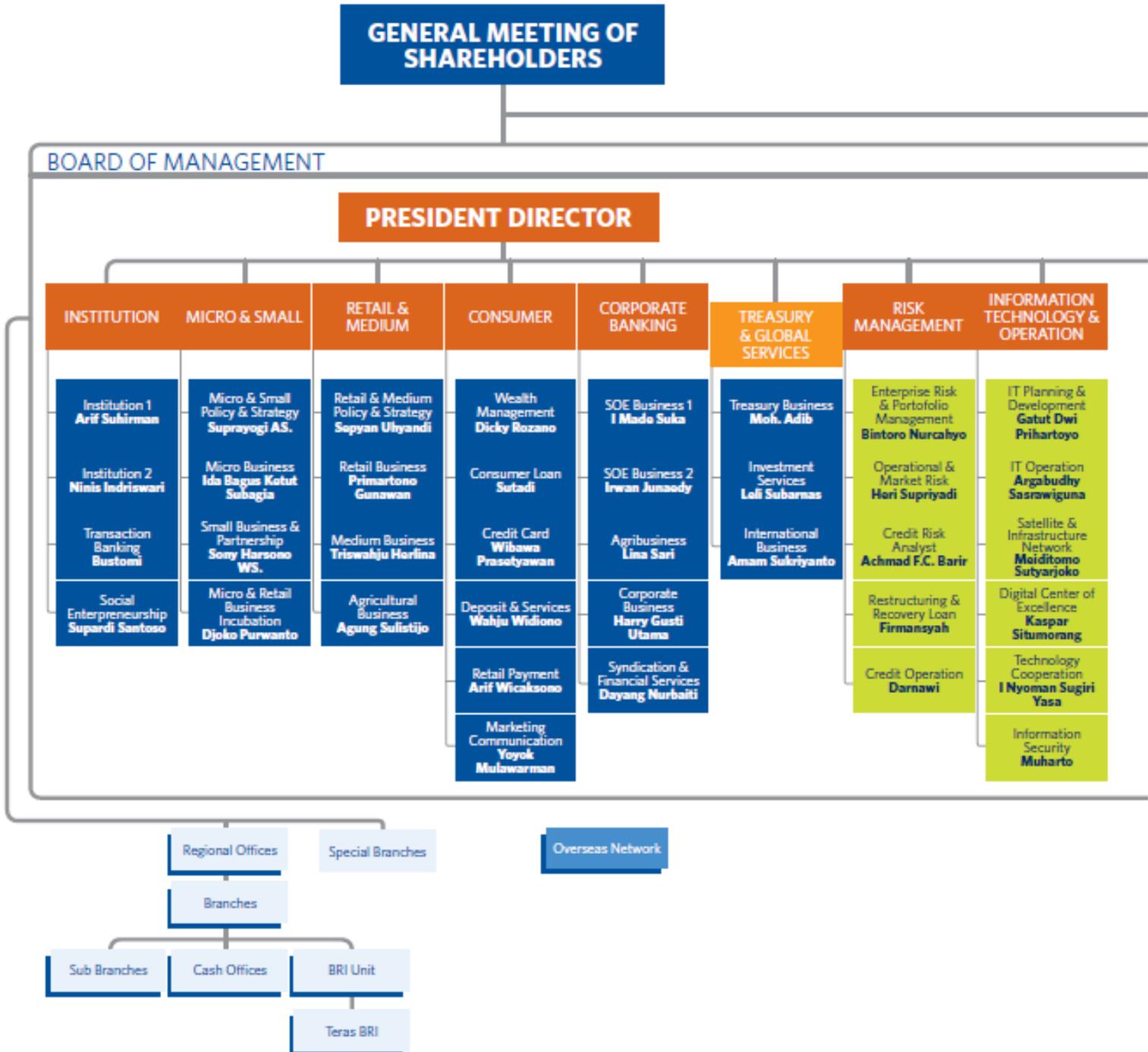
Based on our DDM Valuation, we have a target price within one year of IDR. 5,130 or trading at 3,4x PBV which gives 9% potential upside, Hold.

Income Statement (Idr bn)	2017A	2018A	2019A	2020A	2021F	2022F	2023F
Interest Income	102.912	115.761	127.130	123.141	126.279	134.346	143.603
Interest Expense	-29.894	-37.150	-44.412	-43.050	-42.169	-47.426	-53.361
<b>Net Interest Income</b>	<b>73.018</b>	<b>78.611</b>	<b>82.718</b>	<b>80.092</b>	<b>84.110</b>	<b>86.921</b>	<b>90.242</b>
Net Operating Income	19.271	23.425	28.439	29.464	33.645	37.292	41.968
Operating Expense	-38.614	-41.990	-44.966	-49.931	-56.487	-62.687	-70.548
<b>PPOP</b>	<b>53.675</b>	<b>60.047</b>	<b>66.192</b>	<b>59.624</b>	<b>61.268</b>	<b>61.525</b>	<b>61.662</b>
Provision Expense	-17.254	-18.321	-22.760	-32.850	-36.469	-33.664	-30.070
<b>Operating Profit</b>	<b>36.421</b>	<b>41.726</b>	<b>43.432</b>	<b>26.774</b>	<b>24.799</b>	<b>27.862</b>	<b>31.592</b>
Profit Before Tax	36.638	41.754	43.364	26.725	24.749	27.811	31.541
Tax Expense	7.978	9.335	8.950	8.064	4.207	4.728	5.362
<b>Net Profit</b>	<b>28.660</b>	<b>32.418</b>	<b>34.414</b>	<b>18.660</b>	<b>20.542</b>	<b>23.083</b>	<b>26.179</b>
<b>EPS (Rp/Share)</b>	<b>232,0</b>	<b>264,7</b>	<b>281,0</b>	<b>152,5</b>	<b>167,7</b>	<b>188,6</b>	<b>213,9</b>

**Company Profile**

PT Bank Rakyat Indonesia (Persero) Tbk (hereinafter referred to as “BRI”) was established and started its commercial operations on December 18, 1968. On April 29, 1992, based on Government of the Republic of Indonesia (the “Government”) Regulation No. 21 Year 1992, the legal status of BRI was changed to a limited liability corporation (Persero). BRI's scope of business is in the banking sector and the target is to optimize the utilization of BRI's resources to produce high quality and highly competitive services to gain benefits in order to increase the company value.

**Company Structure**



Source: Company

Chart: Gross Loan (x) YoY

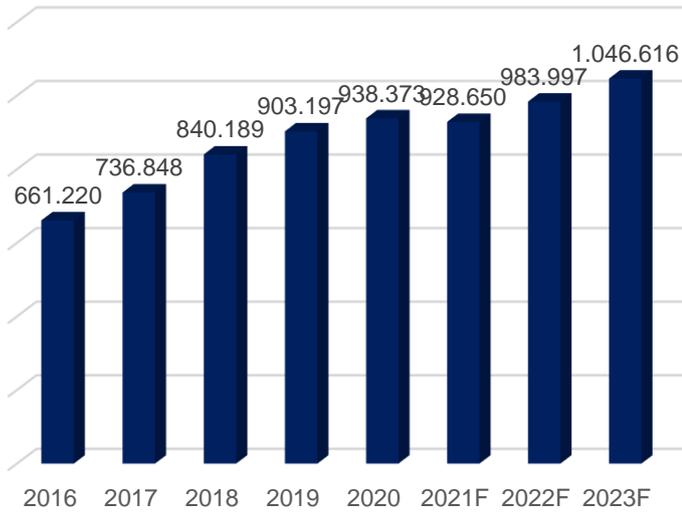


Chart: Customer Deposit (x) YoY

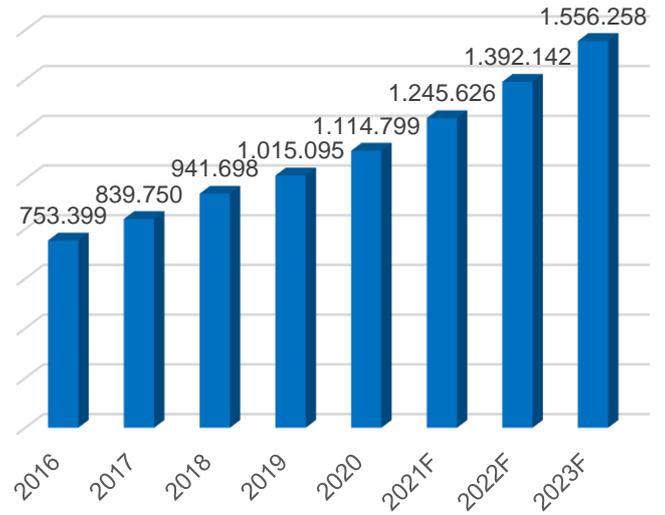


Chart: Profitability Ratio (x) YoY

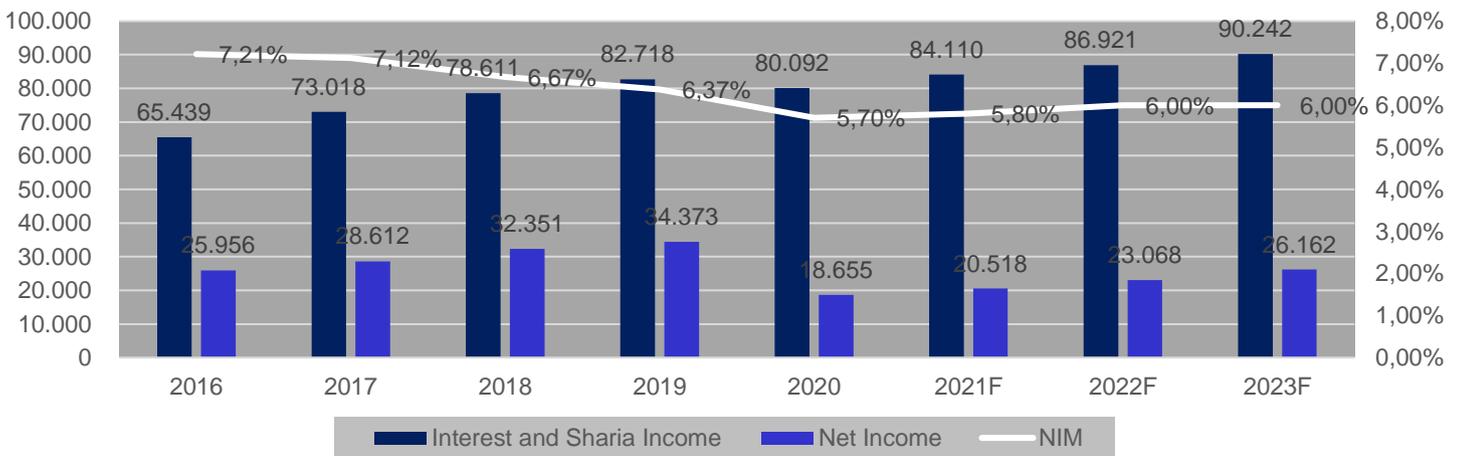


Chart: Net Interest Margin (x) YoY

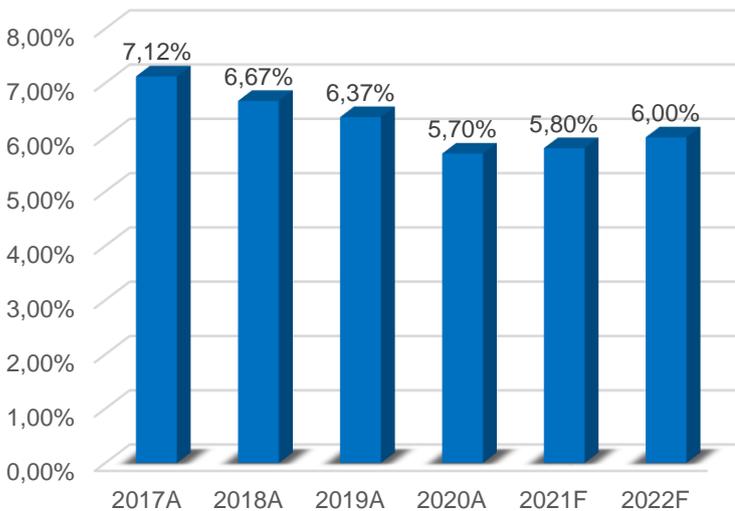


Chart: Loan to Deposit Ratio (x) YoY

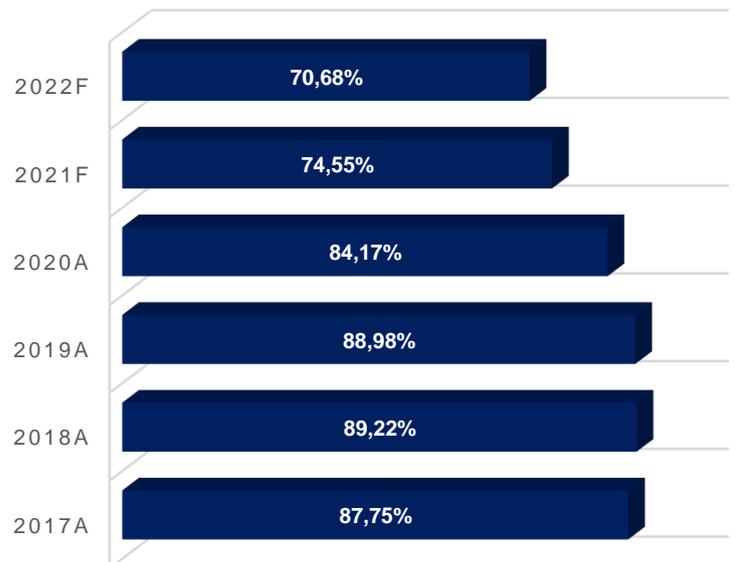


Chart: Gross Loan (x) QoQ

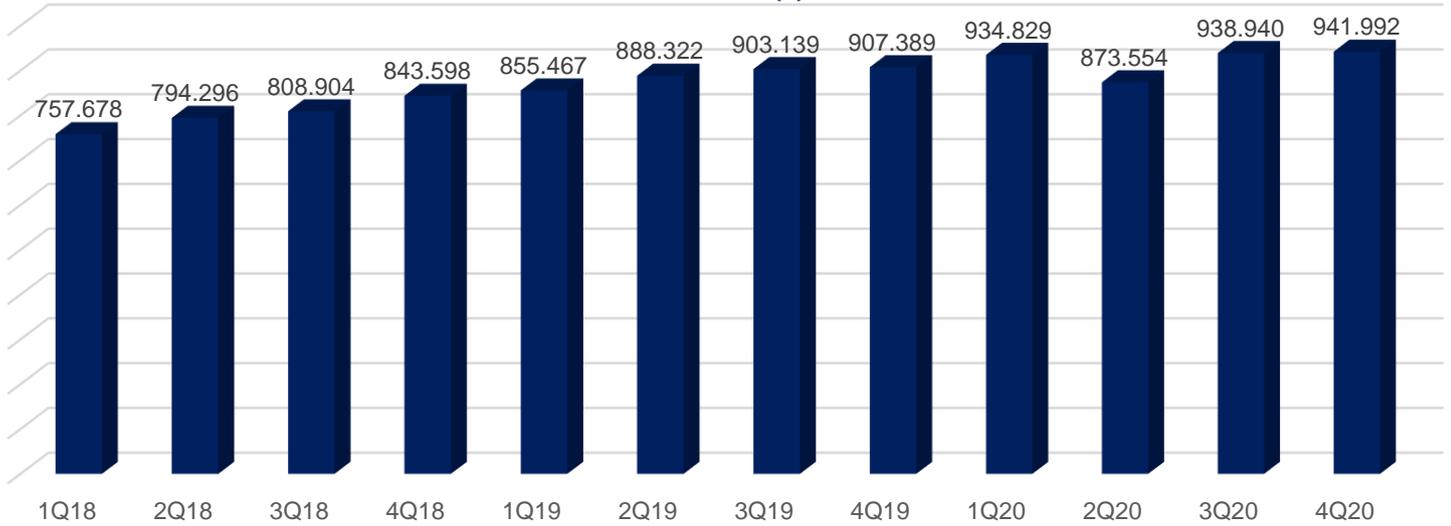


Chart: Net Income (x) QoQ

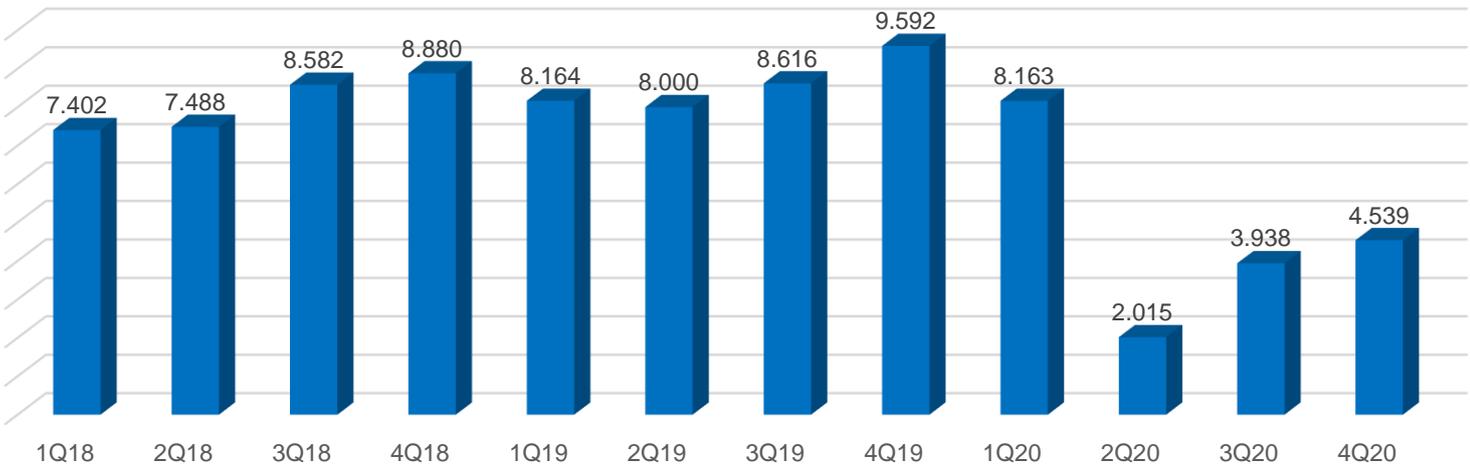
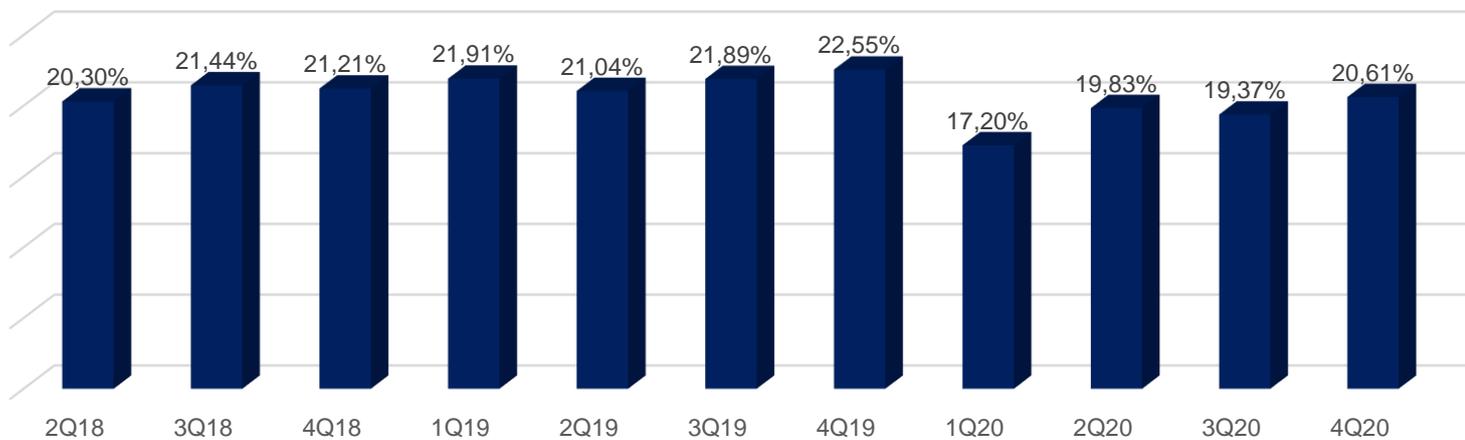


Chart: CAR (x) QoQ



**Balance Sheet (IDR.bn)**

Balance sheet (ldr bn)	2017A	2018A	2019A	2020F	2021F	2022F	2023F
Cash and CA with BI	82.954	98.581	101.636	83.693	67.835	13.218	-45.219
Interbank Placement	55.157	87.018	116.855	66.522	143.572	174.853	210.163
Marketable Securities	186.939	184.284	195.840	327.267	384.653	468.462	563.063
Gross Loan	736.848	840.189	903.197	938.373	928.650	983.997	1.046.616
Allowance for Loans	-30.001	-35.515	-39.109	-66.614	-75.845	-78.242	-80.530
Loans-net	706.847	804.673	864.089	871.759	852.805	905.755	966.085
Other Earning Asset	288.536	338.235	394.796	487.639	651.979	794.035	954.381
Non Earning Asset	49.111	55.409	56.239	68.715	72.325	83.517	92.775
<b>Total Asset</b>	<b>1.127.447</b>	<b>1.296.898</b>	<b>1.416.759</b>	<b>1.511.805</b>	<b>1.644.944</b>	<b>1.796.525</b>	<b>1.968.023</b>
Deposit:							
Current Account	145.529	178.098	168.826	186.775	201.717	217.854	235.282
Saving Account	349.441	387.180	414.333	475.848	532.950	596.904	668.532
Time Deposits	344.780	376.420	431.936	452.176	510.959	577.383	652.443
Other Interest Bearing Liabilities	104.340	152.958	171.869	174.176	203.666	238.150	278.472
Non Interest Bearing Liabilities	15.350	16.967	21.010	22.918	23.393	23.877	24.371
<b>Total Liabilities</b>	<b>959.440</b>	<b>1.111.623</b>	<b>1.207.975</b>	<b>1.311.893</b>	<b>1.472.685</b>	<b>1.654.168</b>	<b>1.859.101</b>
<b>Total Shareholder's Equity</b>	<b>168.008</b>	<b>185.275</b>	<b>208.784</b>	<b>199.911</b>	<b>172.260</b>	<b>142.357</b>	<b>108.922</b>

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Pre Provision Operating Profit	53.675	60.047	66.192	59.624	61.268	61.525	61.662
Provision Expense	-17.254	-18.321	-22.760	-32.850	-36.469	-33.664	-30.070
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**Ratio Highlights**

Ratio Analysis	2017A	2018A	2019A	2020A	2021F	2022F	2023F
<b>Profitability &amp; Efficiency</b>							
NIM	7,12%	6,67%	6,37%	5,70%	5,80%	6,00%	6,00%
Cost-to-Income Ratio	41,84%	41,15%	40,45%	45,58%	47,97%	50,47%	53,36%
ROE	17,11%	17,68%	16,66%	9,45%	12,09%	16,50%	24,59%
ROA	2,54%	2,49%	2,43%	1,23%	1,25%	1,28%	1,33%
ROAE		17,40%	17,17%	13,06%	10,77%	14,29%	20,54%
BOPO	41,95%	43,70%	42,82%	39,40%	38,89%	44,54%	50,57%
Cost of Credit	2,34%	2,18%	2,52%	3,20%	3,20%	3,20%	3,20%
<b>Liquidity</b>							
LDR	87,75%	89,22%	88,98%	84,17%	74,55%	70,68%	67,25%
CASA	58,94%	60,03%	57,45%	59,44%	58,98%	58,53%	58,08%
<b>Asset Quality</b>							
Gross NPL	2,10%	2,15%	2,62%	2,94%	2,97%	2,87%	2,78%
Provision Coverage	127,46%	137,12%	119,73%	201,06%	201,06%	201,06%	201,06%
<b>Capital</b>							
CAR	22,96%	21,21%	22,55%	20,61%	21,46%	21,76%	21,76%
<b>Growth</b>							
Loan Growth	11,44%	12,82%	7,61%	2,44%	5,46%	5,96%	6,36%
Deposit Growth	11,46%	12,14%	7,79%	9,82%	11,74%	11,76%	11,79%
Net Income Growth	10,23%	13,07%	6,25%	-45,73%	9,99%	12,42%	13,42%

**BBRI QoQ Result**

Balance Sheet	4Q19	3Q20	4Q20	%QoQ	%YoY
Loan	907.389	938.940	941.992	0,33%	3,81%
Loan Loss Reserves	-38.973	-59.426	-66.537	11,97%	70,72%
NPL	859.600	880.700	880.600	-0,01%	2,44%
Deposit					
Demand	168.826	229.184	186.775	-18,50%	10,63%
Savings	414.333	438.914	475.848	8,41%	14,85%
Time Deposit	431.936	463.830	452.176	-2,51%	4,69%
<b>Total Asset</b>	<b>1.416.759</b>	<b>1.447.848</b>	<b>1.511.805</b>	<b>4,42%</b>	<b>6,71%</b>
<b>Shareholder Equity</b>	<b>206.323</b>	<b>192.216</b>	<b>197.378</b>	<b>2,69%</b>	<b>-4,34%</b>

Income Statement	4Q19	3Q20	4Q20	%QoQ	%YoY
Interest Income	32.855	31.054	32.734	5,41%	-0,37%
Interest Expense	11.006	11.051	9.731	-11,95%	-11,58%
<b>Net Interest Income</b>	<b>21.849</b>	<b>20.002</b>	<b>23.003</b>	<b>15,00%</b>	<b>5,29%</b>
Net Operating Income	9.557	7.737	7.990	3,28%	-16,39%
Operating Expense	11.913	13.314	11.200	-15,88%	-5,99%
<b>PPOP</b>	<b>19.492</b>	<b>14.425</b>	<b>19.794</b>	<b>37,22%</b>	<b>1,55%</b>
Provision Expense	-7.140	-9.504	-13.454	41,55%	88,43%
<b>Operating Profit</b>	<b>12.352</b>	<b>4.921</b>	<b>6.340</b>	<b>28,84%</b>	<b>-48,67%</b>
Profit Before Tax	12.308	4.871	6.314	29,64%	-48,69%
Tax Expense	2.697	918	1.808	96,86%	-32,97%
<b>Net Profit</b>	<b>9.610</b>	<b>3.953</b>	<b>4.507</b>	<b>14,02%</b>	<b>-53,11%</b>

Ratio	4Q19	3Q20	4Q20	%QoQ	%YoY
<b>Profitability &amp; Efficiency</b>					
NIM	6,37%	7,02%	5,70%	(1,32)	(0,67)
ROE	16,66%	19,16%	945,00%	925,84	928,34
ROA	2,43%	21,62%	1,43%	(20,19)	(1,00)
CER	40,26%	41,10%	46,60%	5,50	6,34
Cost of Fund	2,52%	3,63%	3,20%	(0,43)	0,68
<b>Liquidity</b>					
LDR	88,98%	93,07%	84,17%	(8,90)	(4,81)
CASA	57,45%	59,49%	59,44%	(0,05)	1,99
RIM	85,31%	92,73%	80,03%	(12,70)	(5,28)
<b>Asset Quality</b>					
Gross NPL (Bank only)	2,62%	2,96%	2,94%	(0,02)	0,32
NPL Coverage Ratio	119,73%	159,90%	201,06%	41,16	81,33
<b>Capital</b>					
CAR	22,55%	20,59%	20,61%	0,02	(1,94)

**Stock Ratings:**

Buy: a recommendation to purchase the security with upside potential of 20% or greater

Hold: a recommendation to neither buy nor sell a security with upside potential of 0-19%.

Sell: a recommendation to close out a long position in a security with upside potential below 0% or negative.

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