

2 June 2021
Banking, Equity

Price **IDR. 4260**
Target Price **IDR. 4900**
JKSE Index **5947.46**



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) **14,249**

Key Indicators
Non-Performing Loan (x) **2.97**
Net Interest Margin (x) **6.8**

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Investment Consideration Lower Net Profit

BBRI's net profit fell -19.6% YoY, but increased significantly from the previous quarter by +55%. PPOP grew 11.9% YoY / -2% QoQ which was supported by Net Interest income which grew +13.8% YoY, Operating Costs increased by 12% YoY mostly for employee costs related to allowances and PSAK 73 implementation which led to higher depreciation. We predict an increase in NIM based on higher loan contributions from the micro-segment and reduced CoF compared to 1Q21.

Loan Growth

Loans grew by 1,4% in 1Q21. This growth was supported by micro loans, which grew by 12.4% YoY with a composition of 40.2% of total loans. BRI expects this to grow to 45% by 2025.

Credit Restructuring and Asset Quality

Restructured loans are still rising, up by 2% QoQ, mainly from loans of Rp 12 trillion to the SoE corporate segment (construction, transportation, and toll roads). The micro / SME / consumer credit segment reported a decrease in restructured loans to Rp5.7 trillion. Total restructured borrowers fell 300,000 QoQ to 2.6 million borrowers. LAR coverage increased 2% QoQ to 28%. NPL increased to 3.12% due to the SME and Corporate segments. BRI expects a downturn in the coming quarters though and has been careful to add provisions to improve the quality of the assets.

Valuation: 15%, Upside, Hold

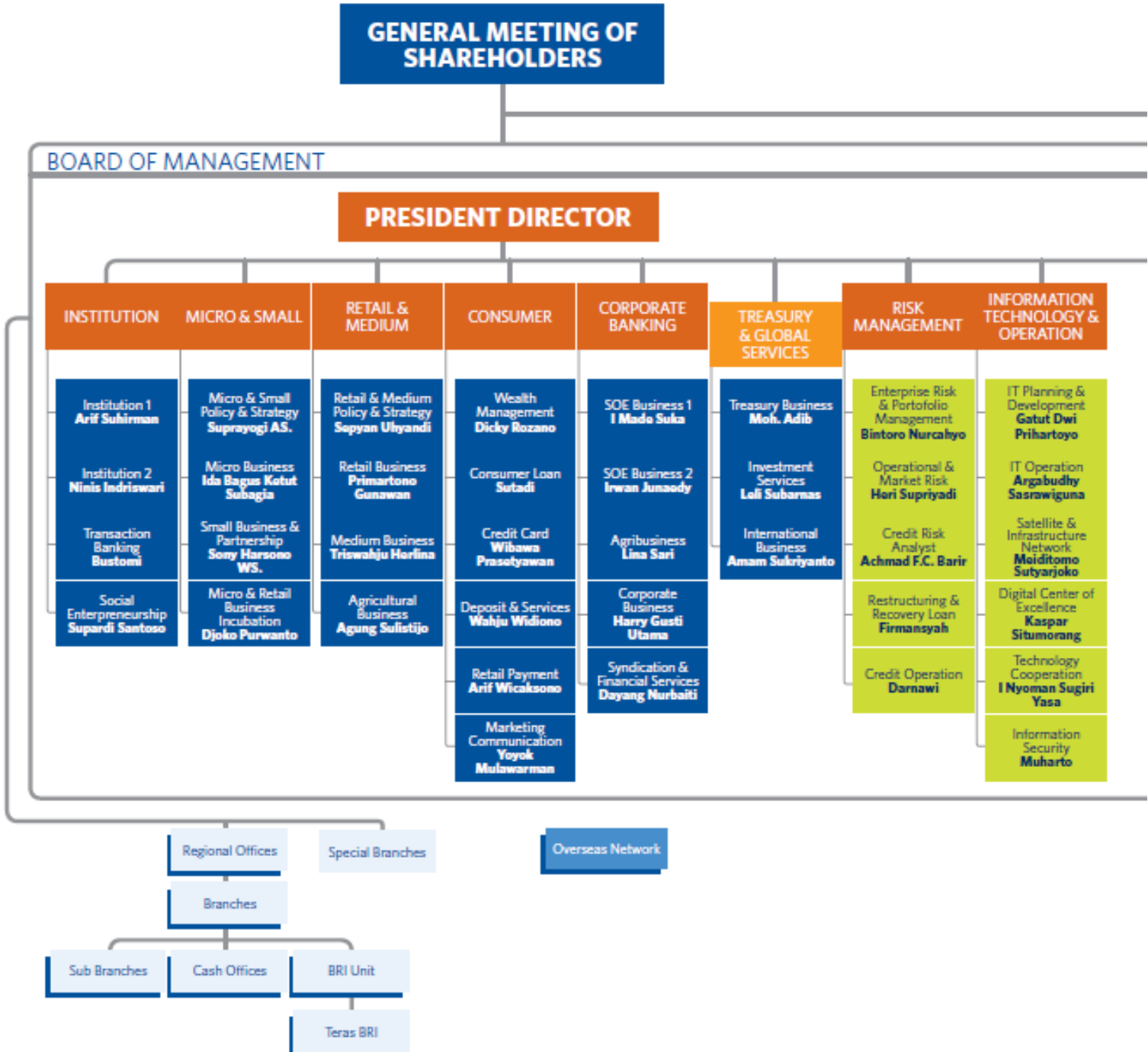
Based on our DDM Valuation, we have a target price within one year of IDR. 4,900 or trading at 3,2x PBV which gives 15% potential upside, Hold.

Income Statement (Idr bn)	2017A	2018A	2019A	2020A	2021F	2022F	2023F
Interest Income	102.912	115.761	127.130	123.141	118.387	133.507	141.714
Interest Expense	-29.894	-37.150	-44.412	-43.050	-39.534	-44.461	-50.026
Net Interest Income	73.018	78.611	82.718	80.092	78.853	89.045	91.687
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
PPOP	53.675	60.047	66.192	59.624	56.011	63.650	63.107
Provision Expense	-17.254	-18.321	-22.760	-32.850	-36.469	-33.664	-30.070
Operating Profit	36.421	41.726	43.432	26.774	19.542	29.986	33.037
Profit Before Tax	36.638	41.754	43.364	26.725	19.492	29.936	32.987
Tax Expense	7.978	9.335	8.950	8.064	3.314	5.089	5.608
Net Profit	28.660	32.418	34.414	18.660	16.179	24.847	27.379
EPS (Rp/Share)	232.0	264.7	281.0	152.5	132.1	203.0	223.7

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

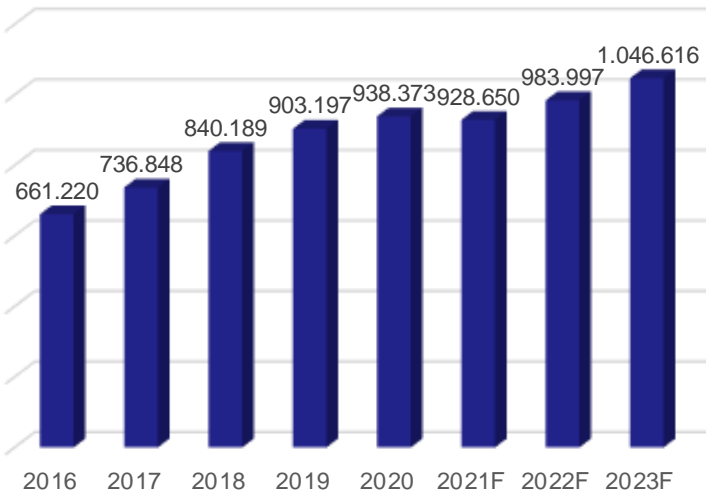


Chart: Customer Deposit (x) YoY

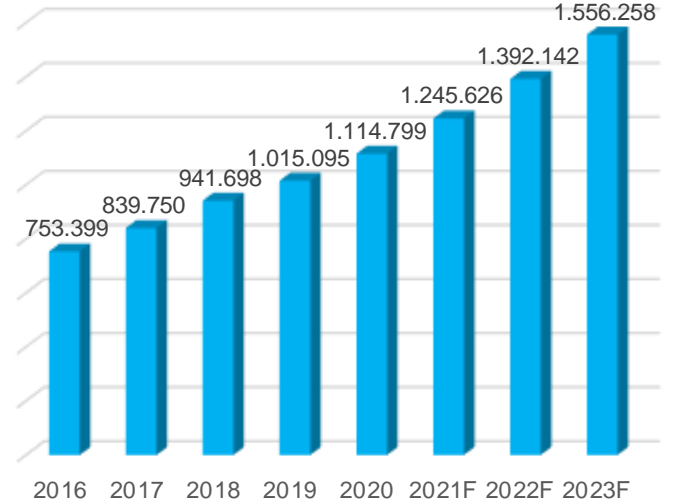


Chart: Profitability Ratio (x) YoY

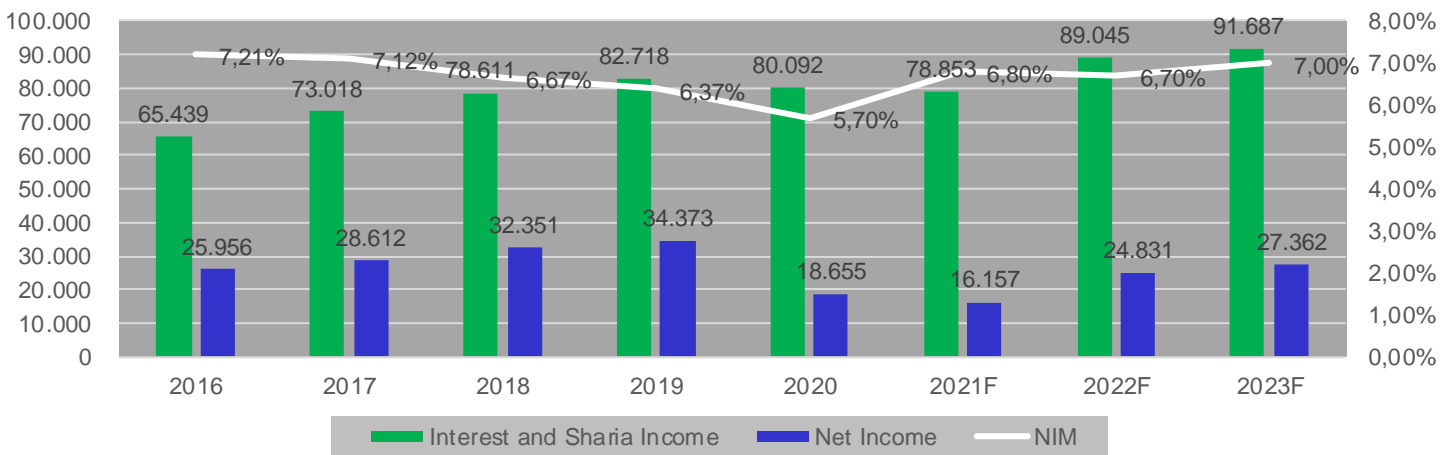


Chart: Net Interest Margin (x) YoY

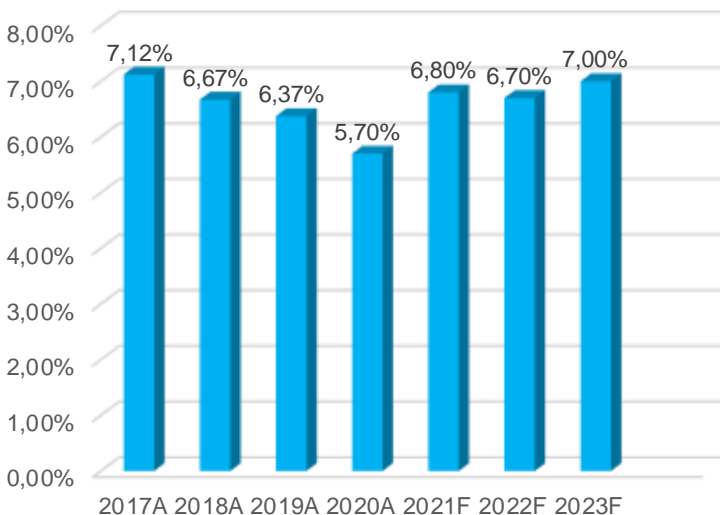


Chart: Loan to Deposit Ratio (x) YoY

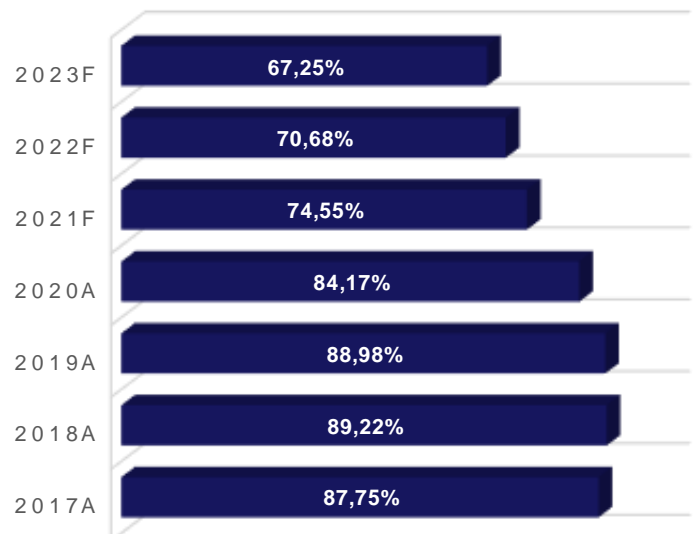


Chart: Gross Loan (x) QoQ

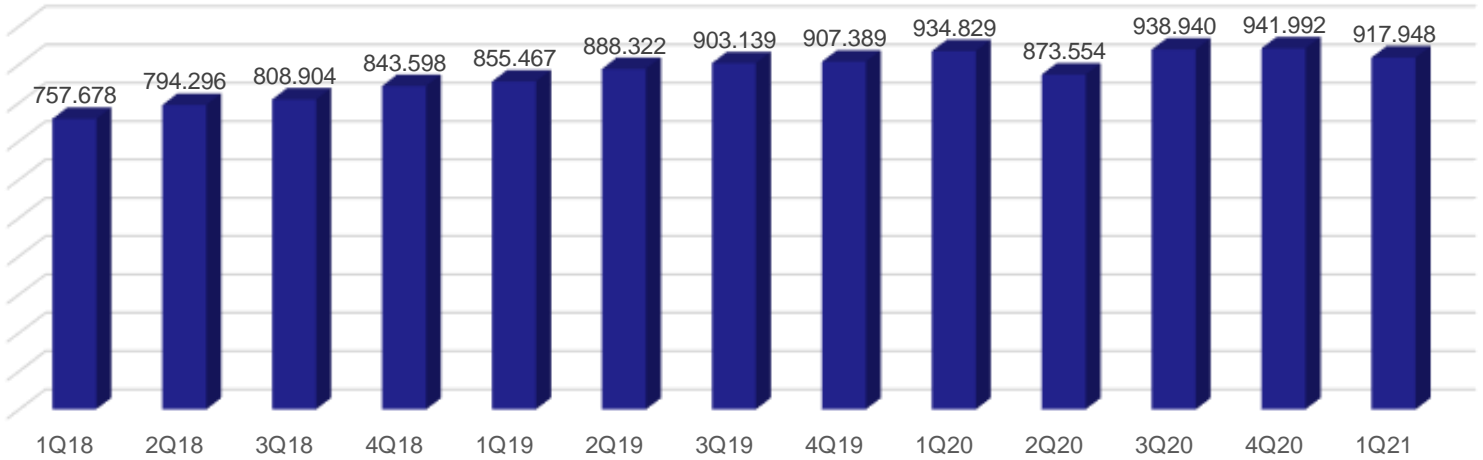


Chart: Net Income (x) QoQ

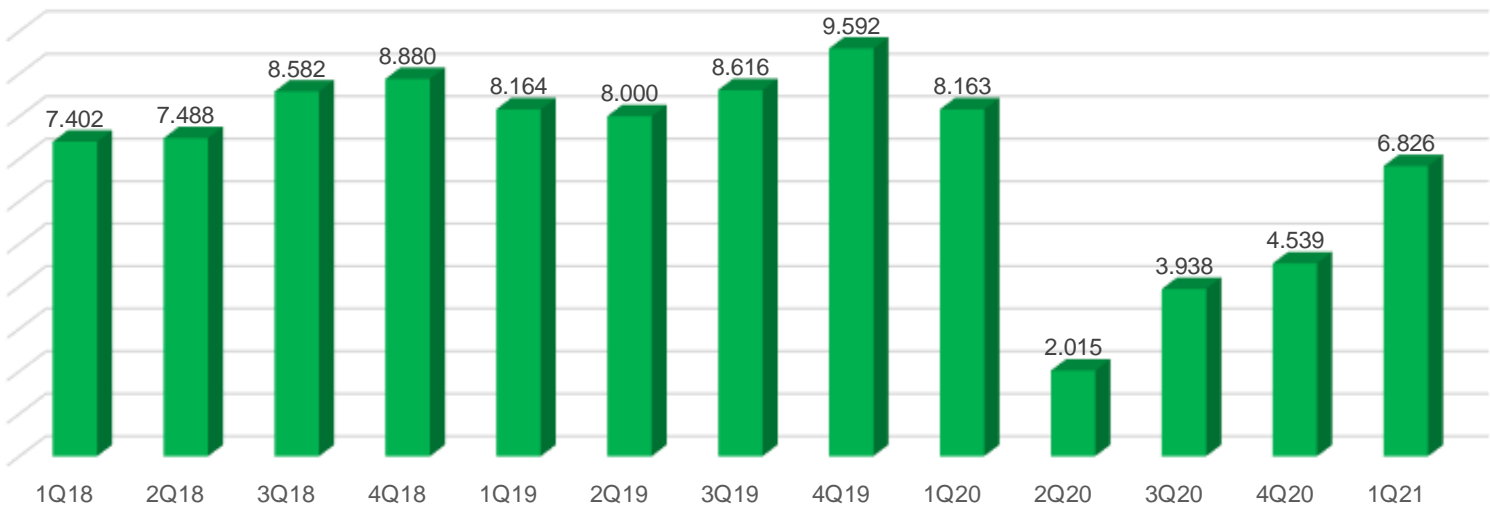
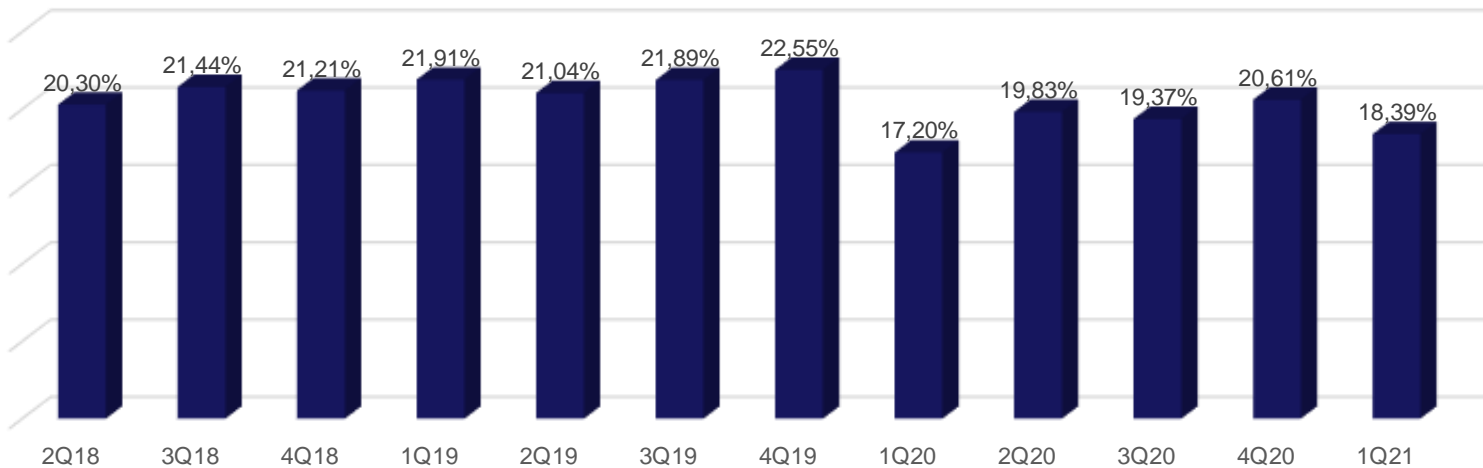


Chart: CAR (x) QoQ



Balance Sheet (IDR.bn)

Balance sheet (Idr bn)	2017A	2018A	2019A	2020F	2021F	2022F	2023F
Cash and CA with BI	82.954	98.581	101.636	83.693	63.473	22.396	-39.601
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
Allow ance 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
Total Asset	1.127.447	1.296.898	1.416.759	1.511.805	1.640.582	1.805.703	1.973.640
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
Total Liabilities	959.440	1.111.623	1.207.975	1.311.893	1.472.685	1.654.168	1.859.101
Total Shareholder's Equity	168.008	185.275	208.784	199.911	167.898	151.535	114.539

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Ratio Highlights

Ratio Analysis	2017A	2018A	2019A	2020A	2021F	2022F	2023F
Profitability & Efficiency							
NIM	7,12%	6,67%	6,37%	5,70%	6,80%	6,70%	7,00%
Cost-to-Income Ratio	41,84%	41,15%	40,45%	45,58%	50,21%	49,62%	52,78%
ROE	17,11%	17,68%	16,66%	9,45%	9,77%	16,67%	24,43%
ROA	2,54%	2,49%	2,43%	1,23%	0,98%	1,38%	1,39%
ROAE		17,40%	17,17%	13,06%	9,61%	13,22%	20,55%
BOPO	41,95%	43,70%	42,82%	39,40%	39,17%	43,02%	49,27%
Cost of Credit	2,34%	2,18%	2,52%	3,20%	3,20%	3,20%	3,20%
Liquidity							
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%
Asset Quality							
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%
Capital							
CAR	22,96%	21,21%	22,55%	20,61%	21,46%	21,76%	21,76%
Growth							
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%	-13,39%	53,69%	10,19%

BBRI QoQ Result

Balance Sheet	1Q20	4Q20	1Q21	%QoQ	%YoY
Loan	934.829	941.992	917.948	-2,55%	-1,81%
Loan Loss Reserves	-57.695	-66.537	-73.987	11,20%	28,24%
NPL	884.300	880.600	896.500	1,81%	1,38%
Deposit					
Demand	169.928	186.775	174.330	-6,66%	2,59%
Savings	9.683	475.848	443.867	-6,72%	4484,20%
Time Deposit	453.814	452.176	431.118	-4,66%	-5,00%
Total Asset	1.358.979	1.511.805	1.411.052	-6,66%	3,83%
Shareholder Equity	177.263	197.378	191.624	-2,92%	8,10%

Income Statement	1Q20	4Q20	1Q21	%QoQ	%YoY
Interest Income	33.495	32.734	31.331	-4,29%	-6,46%
Interest Expense	11.333	9.731	7.680	-21,08%	-32,23%
Net Interest Income	22.162	23.003	23.651	2,82%	6,72%
Net Operating Income	7.366	7.990	8.257	3,34%	12,09%
Operating Expense	12.808	11.200	13.119	17,14%	2,43%
PPOP	16.720	19.794	18.789	-5,08%	12,37%
Provision Expense	-6.593	-13.454	-9.819	-27,02%	48,92%
Operating Profit	10.127	6.340	8.970	41,49%	-11,42%
Profit Before Tax	10.156	6.314	8.970	42,06%	-11,67%
Tax Expense	1.986	1.808	2.110	16,73%	6,26%
Net Profit	8.170	4.507	6.860	52,22%	-16,03%

Ratio	1Q20	4Q20	1Q21	%QoQ	%YoY
Profitability & Efficiency					
NIM	6,66%	6,00%	7,00%	1,00	0,34
ROE	20,39%	11,05%	15,47%	4,42	(4,92)
ROA	3,19%	1,98%	2,68%	0,70	(0,51)
CER	41,19%	46,60%	42,14%	(4,46)	0,95
Cost of Fund	3,65%	3,20%	2,26%	(0,94)	(1,39)
Liquidity					
LDR	90,39%	84,17%	86,77%	2,60	(3,62)
CASA	56,86%	59,44%	59,48%	0,04	2,62
RIM	86,09%	80,03%	83,11%	3,08	(2,98)
Asset Quality					
Gross NPL (Bank only)	2,81%	2,94%	3,12%	0,18	0,31
NPL Coverage Ratio	223,56%	247,98%	254,79%	6,81	31,23
Capital					
CAR	18,23%	20,61%	19,40%	(1,21)	1,17

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.

**RESEARCH TEAM
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