

Investment Consideration

Higher profit from lower cost of funds

In 9M21, net profit grew to IDR 19,070 billion driven by a significant decrease in interest expense, down by IDR 19.3 trillion or -35.2% YoY and non-interest income which rose 16.8% YoY but was still dragged by higher provision expenses which increased by more than 50% YoY. Provision costs remain high as NPLs rise but at a slower pace which has been decreasing gradually, and is a good sign. BBRI's net profit was dragged down by BRI Agro's net loss of IDR 1,800 billion in 9M21. BRI Agro is currently turning to digital banking and divesting its legacy business, resulting in heavy losses. This means that the net profit contribution from Pegadaian and PNM is IDR 641.6 billion.

Credit Growth from Micro KUR

Consolidated credit growth increased to 13% YoY, driven by the entry of PNM and Pegadaian. Bank credit growth alone also rose quite strongly by 6% YoY, supported by micro loan growth of 15% YoY with a proportion of 41% of the bank-only total. BBRI's micro-loans 12 million borrowers are now combined with Permodalan Nasional's 10m Madani borrowers (PNM) and 8m Pegadaian borrowers. BBRI is optimizing the role of BRILink Agents to become the main channel for the ultra-micro segment under the UMi ecosystem and a facilitator of O2O business in rural areas. This can increase the acquisition of ultra-micro loans along and overall efficiency.

Asset Quality and restructuring

NPL increased slightly to 3.28% from 3.12% driven by the increase in current restructured loans and SML. NPLs in SOEs increased to 0.6% from 1.2% in 2Q21 due the removal of IDR 0.5 trillion from the RNI group. The coverage of loan losses has now reached 250% of the total NPLs. BBRI will provide full loan loss coverage to the Garuda group at the end of the year. BBRI noted that 22% of the total restructured loans have begun to pay interest and principal. As a result, the balance of the Covid-19 restructuring loans fell to IDR 166.2 trillion in Sept., down from IDR 175.2 trillion in the previous quarter and IDR 193.7 trillion in the same period last year.

Valuation: 21%, Upside, Buy

Based on our DDM Valuation, we have a target price within one year of IDR. 5,050 or trading at 3.0x PBV which gives 21% potential upside, Buy.

Income Statement (Idr bn)	2017A	2018A	2019A	2020A	2021F	2022F	2023F
Interest Income	102.912	115.761	127.130	123.141	122.333	127.209	133.211
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	82.799	82.748	83.184
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	59.957	57.352	54.605
Provision Expense	-17.254	-18.321	-22.760	-32.850	-37.038	-33.597	-30.459
Operating Profit	36.421	41.726	43.432	26.774	22.919	23.756	24.146
Profit Before Tax	36.638	41.754	43.364	26.725	22.869	23.705	24.095
Tax Expense	7.978	9.335	8.950	8.064	3.888	4.030	4.096
Net Profit	28.660	32.418	34.414	18.660	18.981	19.675	19.999
EPS (Rp/Share)	232,0	264,7	281,0	152,5	155,0	160,7	163,4

7th January 2022
Banking, Equity

Price **IDR. 4,160**
Target Price **IDR. 5,050**
JKSE Index **6,653.35**



Stock Code **BBRI J**
Bloomberg code **BBRI J**
Market cap (IDR.bn) **639,901.2B**
52-Week High (IDR) **4,829**
52-Week Low (IDR) **3,210**
6-m Avg Daily. Val (IDR) **3,899**
Free Float (%) **56.75**

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

USD/IDR-YE
2021A **14,278**
2022F (6M Avg) **14,309**

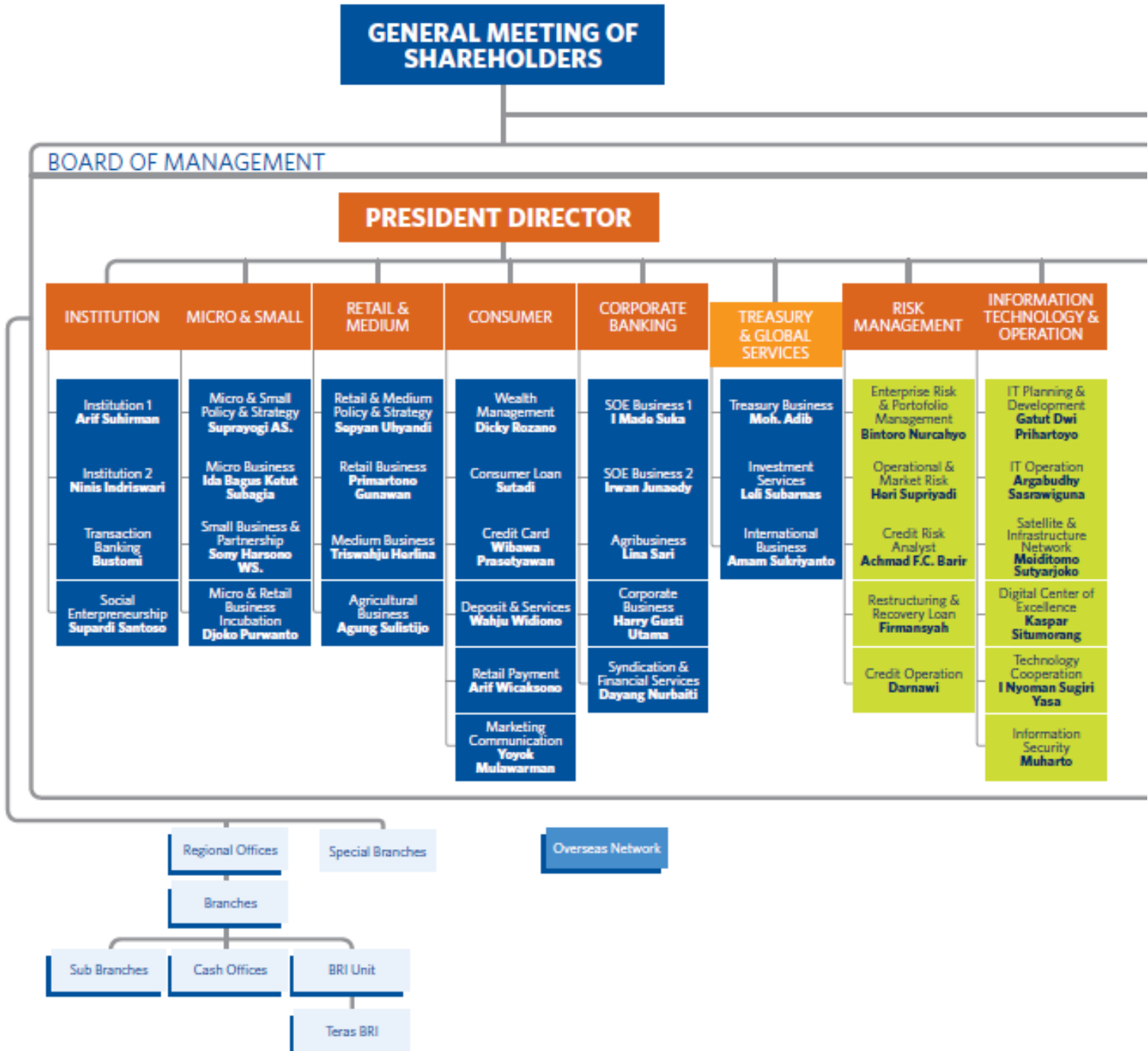
Key Indicators
Non-Performing Loan (x) **2.9**
Net Interest Margin (x) **6.8**

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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

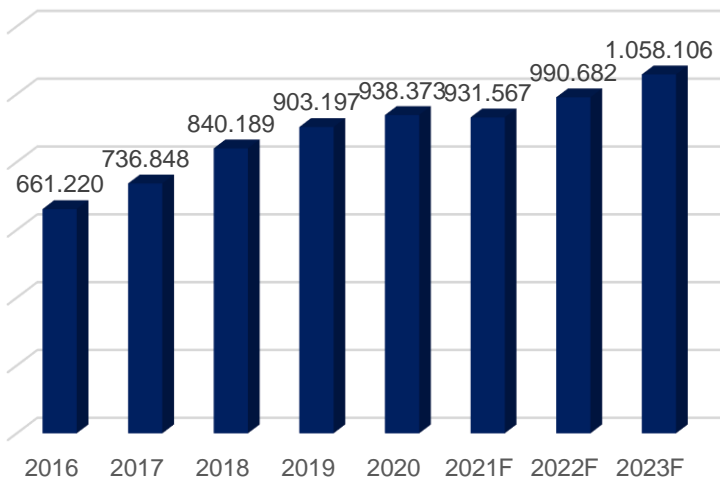


Chart: Customer Deposit (x) YoY

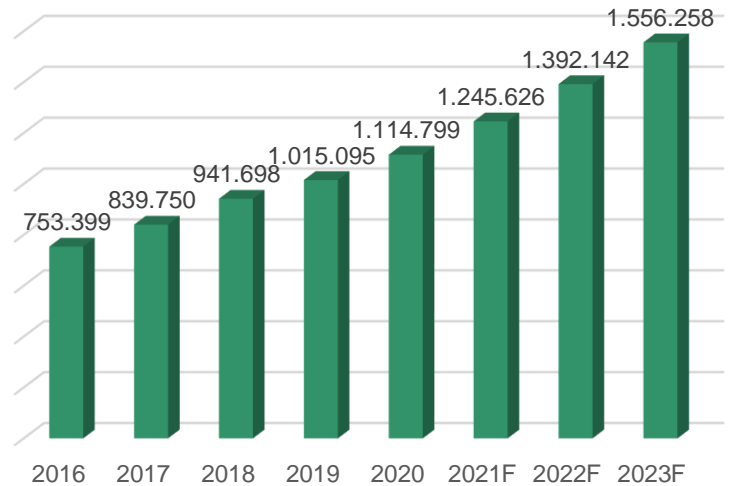


Chart: Profitability Ratio (x) YoY

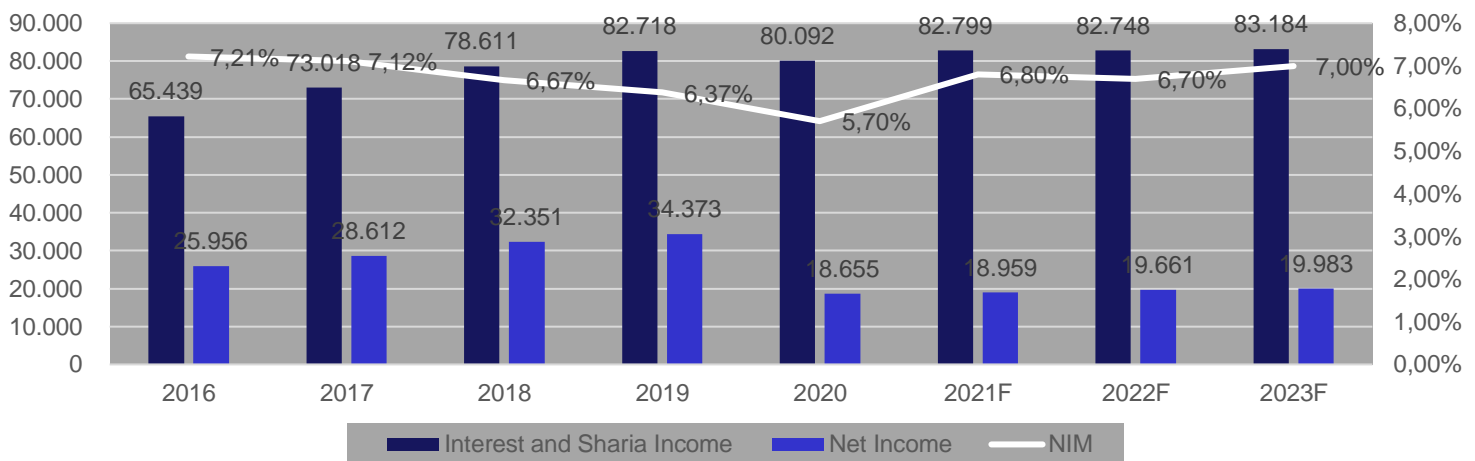


Chart: Net Interest Margin (x) YoY

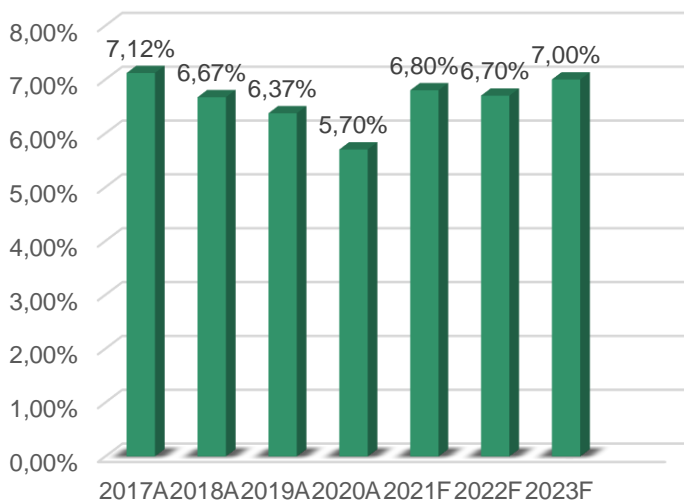


Chart: Loan to Deposit Ratio (x) YoY

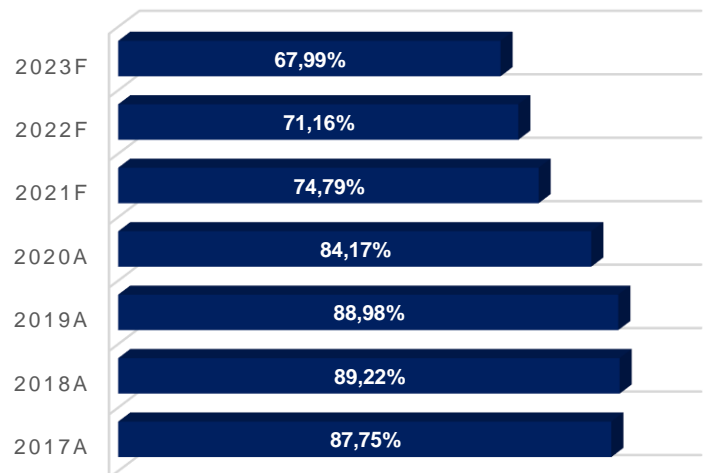


Chart: Gross Loan (x) QoQ

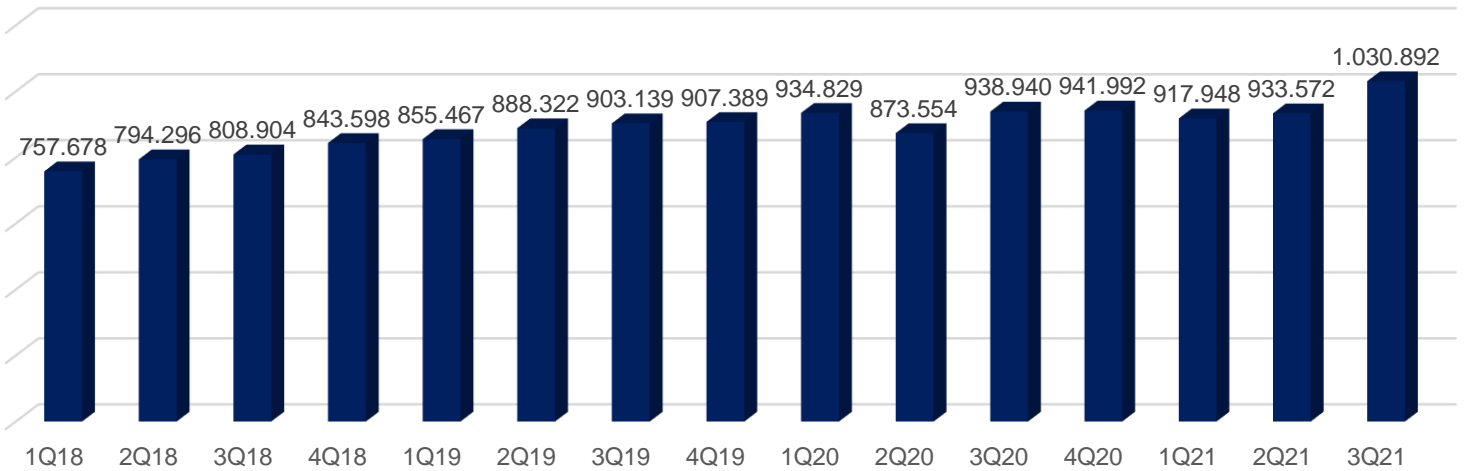


Chart: Net Income (x) QoQ

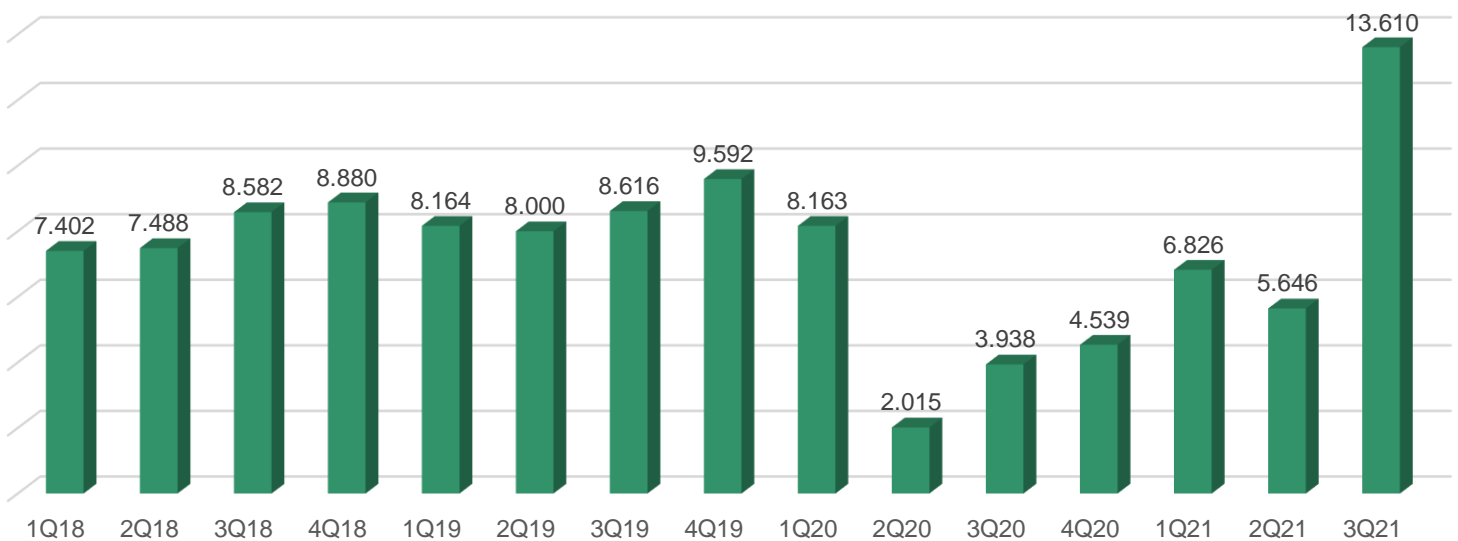
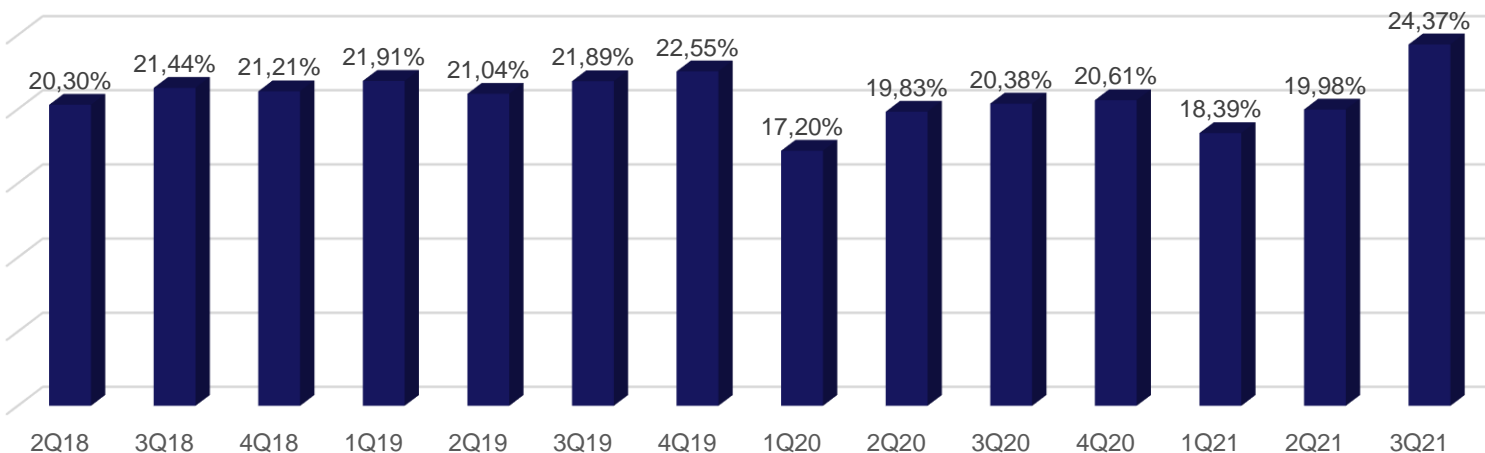


Chart: CAR (x) QoQ



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	68.710	16.635	-36.604
Interbank Placement	55.157	87.018	116.855	66.522	142.929	173.381	207.633
Marketable Securities	186.939	184.284	195.840	327.267	382.932	464.518	556.284
Gross Loan	736.848	840.189	903.197	938.373	931.567	990.682	1.058.106
Allowance for Loans	-30.001	-35.515	-39.109	-66.614	-76.415	-78.652	-81.153
Loans-net	706.847	804.673	864.089	871.759	855.153	912.029	976.952
Other Earning Asset	288.536	338.235	394.796	487.639	649.062	787.350	942.891
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	1.645.250	1.799.531	1.976.015
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	172.565	145.363	116.914

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Operating Expense	-38.614	-41.990	-44.966	-49.931	-56.487	-62.687	-70.548
Pre Provision Operating Profit	53.675	60.047	66.192	59.624	59.957	57.352	54.605
Provision Expense	-17.254	-18.321	-22.760	-32.850	-37.038	-33.597	-30.459
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Net Profit	28.660	32.418	34.414	18.660	18.981	19.675	19.999
EPS (Rp/Share)	232,0	264,7	281,0	152,5	155,0	160,7	163,4

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%	48,51%	52,22%	56,37%
ROE	17,11%	17,68%	16,66%	9,45%	11,15%	13,77%	17,47%
ROA	2,54%	2,49%	2,43%	1,23%	1,15%	1,09%	1,01%
ROAE		17,40%	17,17%	13,06%	10,30%	12,46%	15,62%
BOPO	41,95%	43,70%	42,82%	39,40%	37,81%	44,71%	51,44%
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%	74,79%	71,16%	67,99%
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%	2,99%	2,87%	2,77%
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%	7,50%	7,80%	8,00%
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%	1,63%	3,70%	1,64%

QoQ Results

Balance Sheet	3Q20	2Q21	3Q21	%QoQ	%YoY
Loan	938.940	933.572	1.030.892	10,42%	9,79%
Loan Loss Reserves	-59.426	-78.358	-83.933	7,11%	41,24%
NPL	880.700	912.000	931.000	2,08%	5,71%
Deposit					
Demand	229.184	191.392	206.443	7,86%	-9,92%
Savings	438.914	461.702	470.156	1,83%	7,12%
Time Deposit	463.830	443.351	458.705	3,46%	-1,11%
Total Asset	1.447.848	1.450.907	1.619.772	11,64%	11,87%
Shareholder Equity	192.216	196.985	277.285	40,76%	44,26%

Income Statement	3Q20	2Q21	3Q21	%QoQ	%YoY
Interest Income	31.054	31.649	64.318	103,22%	107,12%
Interest Expense	11.051	7.572	15.963	110,81%	44,44%
Net Interest Income	20.002	24.077	48.355	100,83%	141,75%
Net Operating Income	7.737	8.384	16.767	99,98%	116,71%
Operating Expense	13.314	13.089	28.771	119,81%	116,09%
PPOP	14.425	19.373	36.351	87,64%	151,99%
Provision Expense	-9.504	-11.973	-18.397	53,65%	93,56%
Operating Profit	4.921	7.399	17.954	142,65%	264,85%
Profit Before Tax	4.871	7.409	17.900	141,59%	267,48%
Tax Expense	918	1.729	4.510	160,74%	391,07%
Net Profit	3.953	5.680	13.390	135,75%	238,77%

Ratio	3Q20	2Q21	3Q21	%QoQ	%YoY
Profitability & Efficiency					
NIM	5,76%	6,75%	6,86%	0,11	1,10
ROE	10,26%	13,87%	13,24%	(0,63)	2,98
ROA	2,07%	2,25%	2,52%	0,27	0,45
CER	50,04%	42,60%	43,42%	0,82	(6,62)
Cost of Fund	3,45%	2,18%	2,14%	(0,04)	(1,31)
Liquidity					
LDR	85,58%	84,77%	83,05%	(1,72)	(2,53)
CASA	60,15%	59,56%	60,05%	0,49	(0,10)
Asset Quality					
Gross NPL (Bank only)	3,02%	3,30%	3,29%	(0,01)	0,27
NPL Coverage Ratio	215,00%	254,84%	259,70%	4,86	44,70
Capital					
CAR	20,38%	19,40%	24,37%	4,97	3,99

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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