

Investment Consideration

Focus in the Micro Segment

BBRI which has consistently been focused on growth in the micro-segment, recorded net profit growth of 22% YoY. Growth was driven by an increase in net interest income of 34.2% YoY in addition to a decrease in cost of funds to 2.18% in 2Q21 from 3.54% in 2Q20. We still see limited room for Cost of Funds to decline further this year. Fee and other income growth of +18.9%, came from fees and commissions up 9.9%YoY, plus treasury transaction income, and fee recovery income. Operating expenses increased by 5.3%YoY due to the adjustment of the micro segment's performance appraisal incentives and costs related to insurance. Provision fees increased by 134% YoY helping to achieve NPL coverage of 258% and LAR coverage of 31%. BBRI targets 30% LAR Coverage in 2021F.

Good Credit Growth from Micro KUR

Credit growth rose 5%YoY. This growth was driven by 17% YoY growth in the micro segment, from distribution of Micro KUR of IDR 87 trillion in 2021. Micro increased to 40.2% of total loans in 2Q21 from 36.1% in 2Q20. Consumer loans growth of 3.5% YoY came from KPR subsidized mortgages, and faster growth in digital lending through channels such as Ceria and Traveloka pay later. This year, BBRI has transferred the management of the auto loan/KKP portfolio to BRI Finance. If you don't take into account the transfer, consumer credit is 5.5% yoy higher. Small loans grew 0.9% YoY contributed by retail. Medium loans grew 4.9% YoY especially for household needs. Credit growth is still forecast in the 7-8% range from potential growth in the MSME segment such as agriculture, trade, medical equipment, and an additional IDR 21 trillion micro KUR

CASA Increased Significantly

Third Party Funds grew 6.5%YoY, driven by CASA which rose significantly by 13% YoY especially savings accounts with growth of 14.5% YoY. The composition of low-cost funds reached 60.1% in 2Q21 from 56% in 2Q20. With the growth of Third Party funds, LDR reached 84.52%.

Restructuring Decrease

NPL was 3.27% from 3.12% in 1Q21 this decline in quality was driven by the micro segment originating from the Covid NPL restructuring of 4.4% from 2.5%. A textile debtor was also downgraded to NPL. Special Mention Loans increased to 5.22% from 4.52% in 1Q21 due to debtors in the BUMN segment in transportation, agribusiness and construction. In June 2021, credit restructuring continued to decline to IDR 175.2 trillion from IDR 180.5 trillion in May 2021. This decline was caused by the micro and small business segments through principal payments of IDR 44.3 trillion .

Valuation: 27%, Upside, Buy

Based on our DDM Valuation, we have a target price within one year of IDR. 4,900 or trading at 2,8x PBV which gives 27% potential upside, Buy.

Income Statement (Idr bn)	2017A	2018A	2019A	2020A	2021F	2022F	2023F
Interest Income	102.912	115.761	127.130	123.141	118.387	124.690	131.794
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	80.229	81.767
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	54.833	53.187
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	21.169	23.117
Profit Before Tax	36.638	41.754	43.364	26.725	19.492	21.119	23.067
Tax Expense	7.978	9.335	8.950	8.064	3.314	3.590	3.921
Net Profit	28.660	32.418	34.414	18.660	16.179	17.529	19.145
EPS (Rp/Share)	232,0	264,7	281,0	152,5	132,1	143,2	156,4



Stock Code
Bloomberg code BBRI IJ
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) 14,381

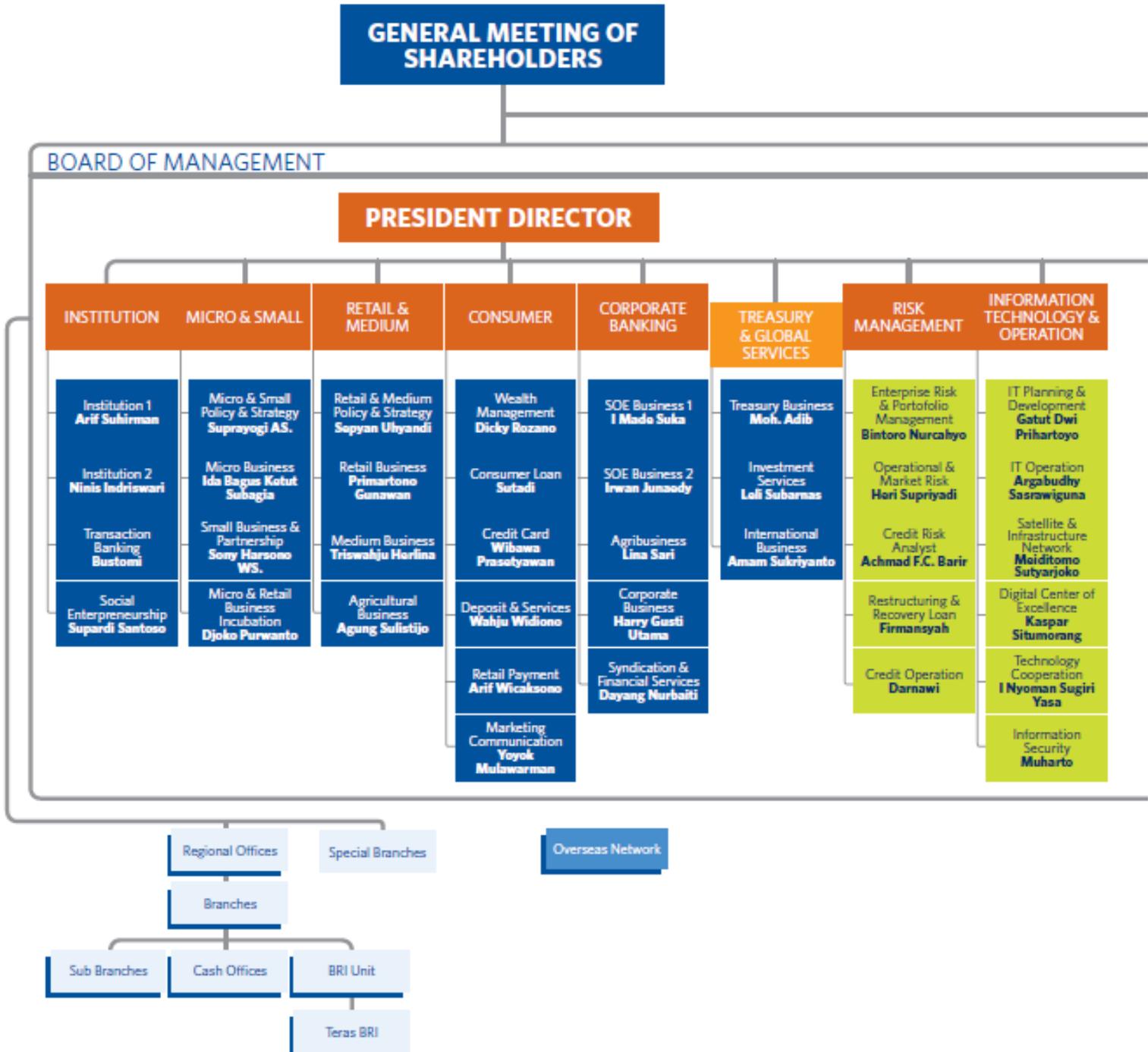
Key Indicators
Non-Performing Loan (x) 2.97
Net Interest Margin (x) 6.8

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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

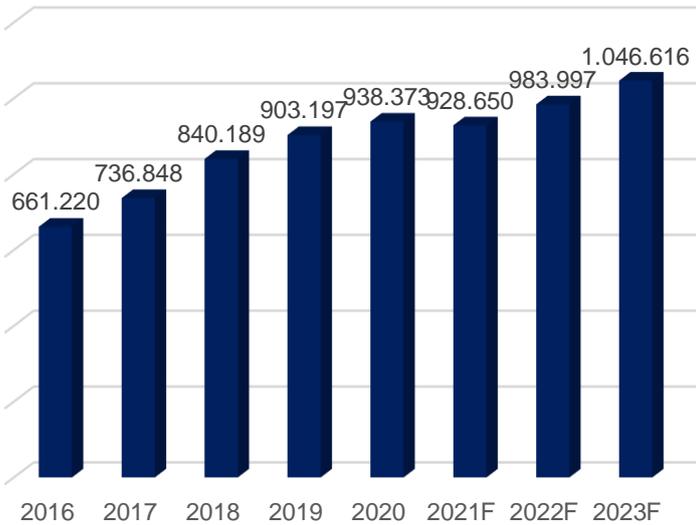


Chart: Customer Deposit (x) YoY

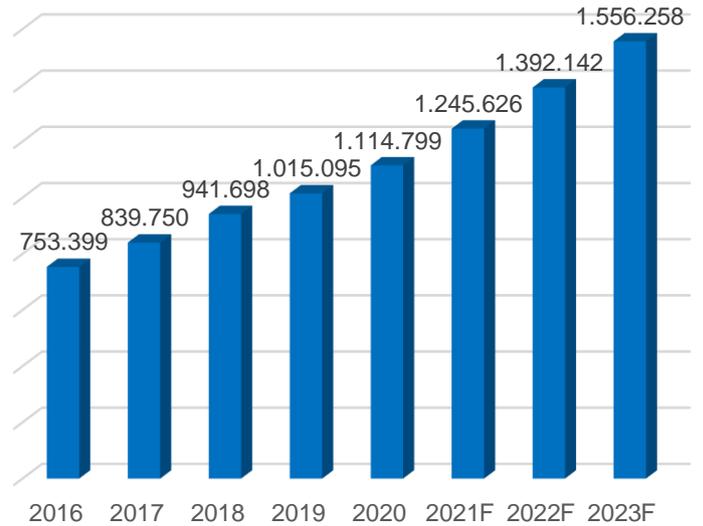


Chart: Profitability Ratio (x) YoY

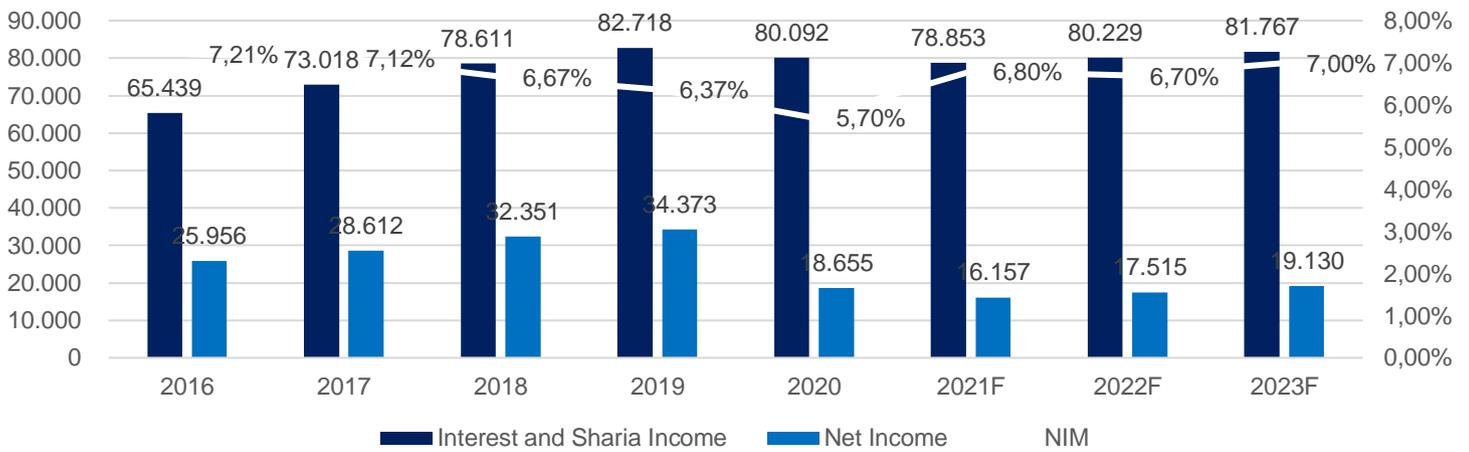


Chart: Net Interest Margin (x) YoY

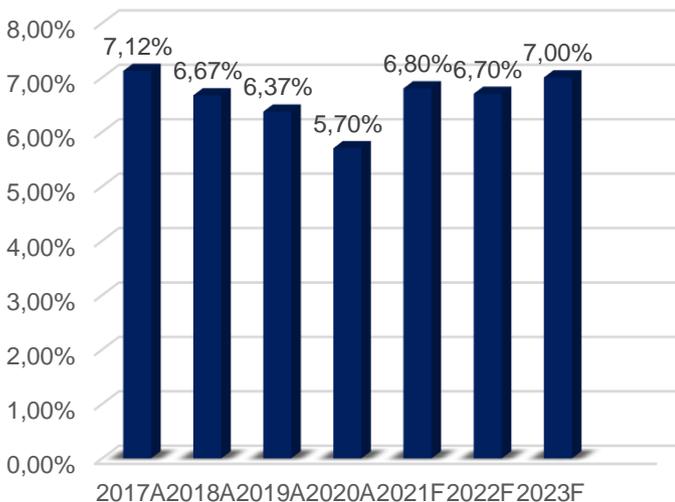


Chart: Loan to Deposit Ratio (x) YoY

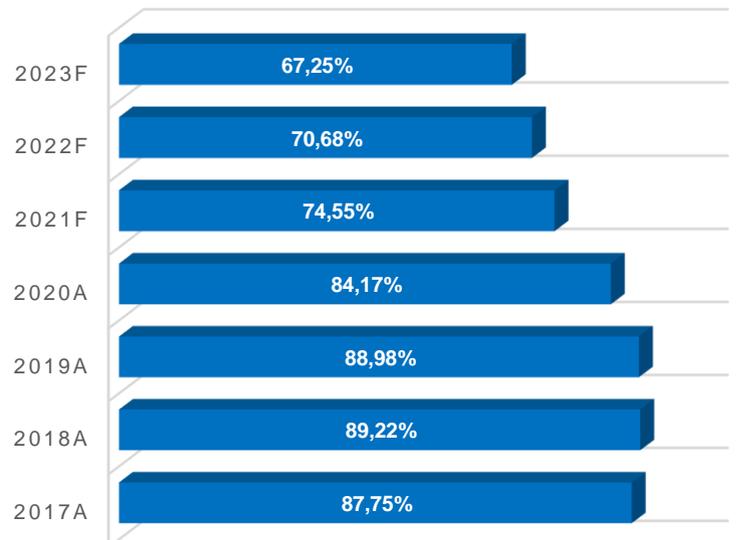


Chart: Gross Loan (x) QoQ

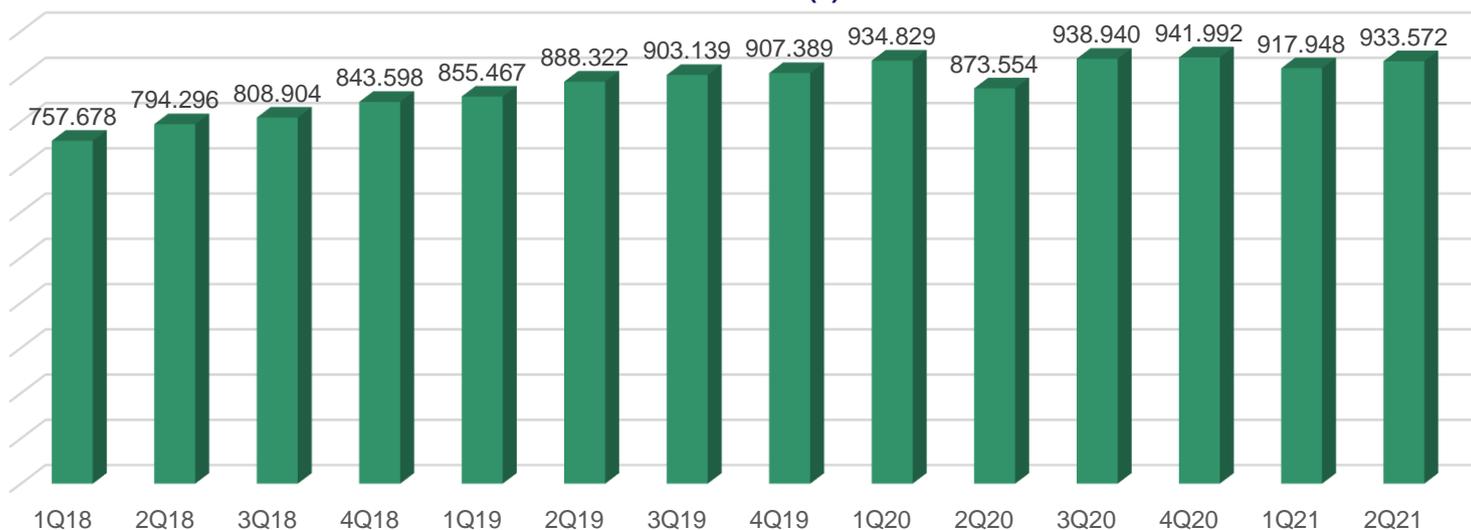


Chart: Net Income (x) QoQ

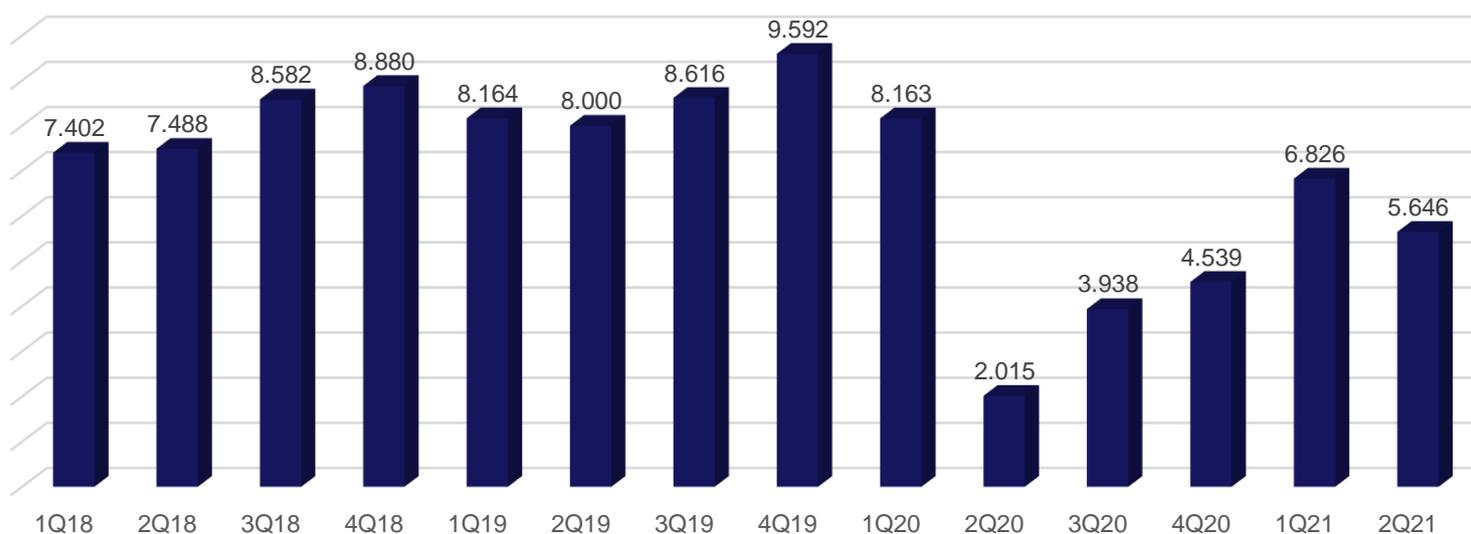
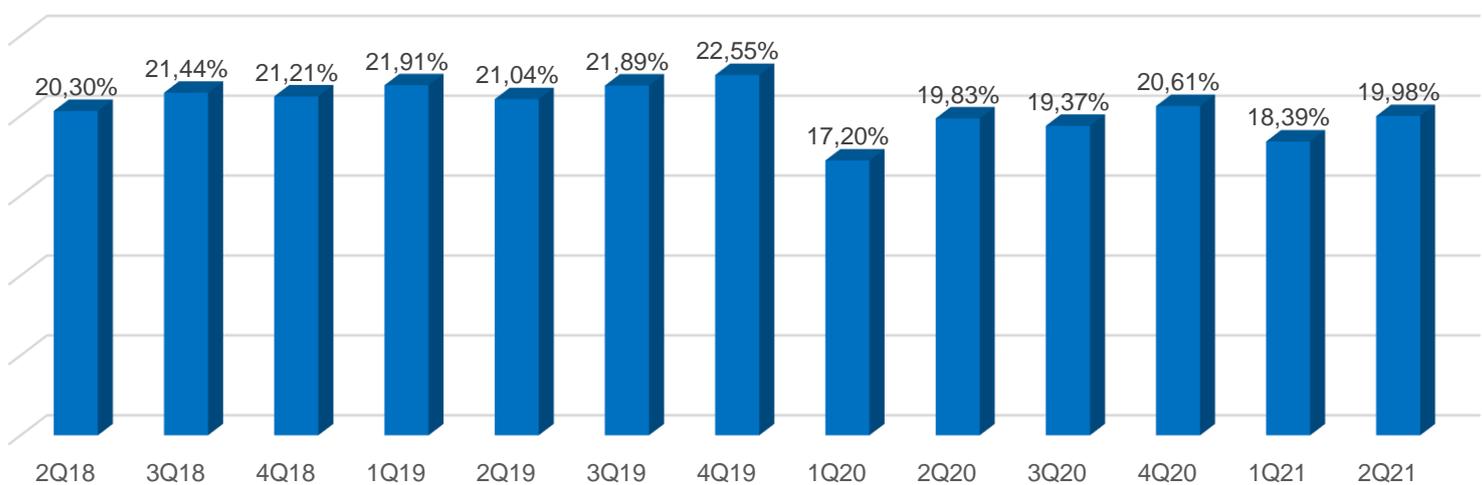


Chart: CAR (x) QoQ



Balance Sheet (IDR.bn)

Balance sheet (Idr bn)	2017A	2018A	2019A	2020F	2021F	2022F	2023F
Cash and CA with BI	82.954	98.581	101.636	83.693	63.473	15.080	-35.395
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
Total Asset	1.127.447	1.296.898	1.416.759	1.511.805	1.640.582	1.798.387	1.977.846
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	144.218	118.745

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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	56.011	54.833	53.187
Provision Expense	-17.254	-18.321	-22.760	-32.850	-36.469	-33.664	-30.070
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Net Profit	28.660	32.418	34.414	18.660	16.179	17.529	19.145
EPS (Rp/Share)	232,0	264,7	281,0	152,5	132,1	143,2	156,4

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%	50,21%	53,34%	57,02%
ROE	17,11%	17,68%	16,66%	9,45%	9,77%	12,36%	16,46%
ROA	2,54%	2,49%	2,43%	1,23%	0,98%	0,97%	0,97%
ROAE		17,40%	17,17%	13,06%	9,61%	11,07%	14,41%
BOPO	41,95%	43,70%	42,82%	39,40%	39,17%	45,37%	52,09%
Cost of Credit	2,34%	2,18%	2,52%	3,20%	3,12%	3,15%	3,21%
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%	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%	-13,39%	8,40%	9,22%

QoQ Results

Balance Sheet	2Q20	1Q21	2Q21	%QoQ	%YoY
Loan	873.554	917.948	933.572	1,70%	6,87%
Loan Loss Reserves	-1.043	-73.987	-78.358	5,91%	7415,51%
NPL	869.000	896.500	912.000	1,73%	4,95%
Deposit					
Demand	178.528	174.330	191.392	9,79%	7,21%
Savings	12.347	443.867	461.702	4,02%	3639,54%
Time Deposit	473.941	431.118	443.351	2,84%	-6,45%
Total Asset	1.387.759	1.411.052	1.450.907	2,82%	4,55%
Shareholder Equity	185.419	191.624	196.985	2,80%	6,24%

Income Statement	2Q20	1Q21	2Q21	%QoQ	%YoY
Interest Income	25.859	31.331	31.649	1,02%	22,39%
Interest Expense	10.934	7.680	7.572	-1,40%	-30,75%
Net Interest Income	14.924	23.651	24.077	1,80%	61,33%
Net Operating Income	6.370	8.257	8.384	1,54%	31,62%
Operating Expense	12.610	13.119	13.089	-0,23%	3,80%
PPOP	8.685	18.789	19.373	3,11%	123,07%
Provision Expense	-3.299	-9.819	-11.973	21,95%	262,98%
Operating Profit	5.386	8.970	7.399	-17,52%	37,38%
Profit Before Tax	5.384	8.970	7.409	-17,40%	37,62%
Tax Expense	3.353	2.110	1.729	-18,04%	-48,41%
Net Profit	2.031	6.860	5.680	-17,21%	179,63%

Ratio	2Q20	1Q21	2Q21	%QoQ	%YoY
Profitability & Efficiency					
NIM	5,63%	7,00%	6,75%	(0,25)	1,12
ROE	12,02%	15,47%	13,87%	(1,60)	1,85
ROA	2,26%	2,68%	2,25%	(0,43)	(0,01)
CER	51,29%	42,14%	42,60%	0,46	(8,69)
Cost of Fund	3,54%	2,26%	2,18%	(0,08)	(1,36)
Liquidity					
LDR	86,06%	86,77%	84,77%	(2,00)	(1,29)
CASA	55,81%	59,48%	59,56%	0,08	3,75
Asset Quality					
Gross NPL (Bank only)	3,13%	3,12%	3,30%	0,18	0,17
NPL Coverage Ratio	187,73%	254,79%	254,84%	0,05	67,11
Capital					
CAR	18,23%	19,40%	19,40%	-	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.

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