

# Bank Rakyat Indonesia Tbk (BBRI)

## Increasing Micro Segment Contribution

BBRI booked a decline in net profit to IDR 18.6 Tn (-45.8% yoy) throughout 2020. Net Interest Income (NII) dropped by 3.1% yoy and resulted in the decline of PPOP to IDR 59.6 Tn (-9.9% yoy). Meanwhile, BBRI also booked a significant increase in provision expense by 44.3% yoy. Government support to recover the MSME sector as well as low cost of fund will be the supporting factors of BBRI's performance in 2021.

### Pandemic hurts MSME, PPOP depressed

- Covid-19 pandemic heavily impacted MSME, which affects BBRI's performance in 2020. Micro and Small Segments are the biggest contributors in the credit restructuring program with 43% and 44% respectively.
- Net Interest Income fell by 3.1% yoy, which caused Pre-provision operating profit (PPOP) to drop by 9.9% to IDR 59.6 Trillion (vs IDR 66 Tn in FY19).
- On the bottom line side, increased provision expense of 44.3% yoy has slashed net profit to IDR 18.6 Trillion (-45.8% yoy).

### Micro Credit Contribution Increases, Manageable NPL

- The micro credit segment recorded loan outstanding of IDR 351.3 trillion in FY20; which amounted to 40% contribution of BBRI's total loans. The contribution increased from 35.8% in FY19.
- NPL level is manageable at 2.94% (vs 2.62% in FY19). Corporate Segment booked the highest NPL level at 12.58%, significantly increased from 8.75% in the previous year.

### Cost of Fund Decreases, Supported by the Increase in CASA Portion

- BBRI's third party funds increased 8.6% yoy, supported by 13.5% growth in Savings account, followed by Current Account segment by 9.1%. This resulted in the decline of cost of fund by 36 bps to 3.22%.
- Overall, CASA portion increased to 61% in FY20. On the liquidity side, LDR fell to 83.66% (vs 88.64% in FY19).

### Maintains Overweight rating, increasing TP to IDR 5,100

- We maintain our Overweight recommendation, increasing target price to IDR 5,100. Our TP implies a forward P/B of 2.9x.
- Factors in our TP consideration, among others, are: 1) Indonesian Government's support in the recovery of the MSME sector; 2) Low cost of fund that should result in NIM improvement; 3) Plan to form a holding company for the Ultramicro segment which will involve BBRI, Pegadaian, and Permodalan Nasional Madani; 4) Decline in interest rate and BBRI's ample liquidity are solid foundations for credit expansion in 2021.
- BBRI's management aims for a conservative credit growth at 6%-7% this year, with NPL rate maintained at 3%. In terms of profitability, NIM is targeted to improve to 6.3%.

### Bank Rakyat Indonesia Tbk | Summary (IDR bn)

	2019/12A	2020/12A	2021/12E	2022/12E
Interest Income	121,756	116,933	124,753	139,848
<i>Interest Income growth</i>	9.1%	-4.0%	6.7%	12.1%
Operating Revenue	111,157	109,555	119,754	139,664
Net profit	34,373	18,655	28,565	37,324
EPS (IDR)	279	151	232	303
<i>EPS growth</i>	6.3%	-45.7%	53.1%	30.7%
BVPS (IDR)	1,693	1,621	1,737	1,901
Net Interest Margin	6.6%	5.8%	6.0%	6.5%
Loan/Deposits	88.9%	84.0%	85.3%	85.4%
NPL	2.7%	2.7%	2.6%	2.6%
ROE	17.4%	9.1%	13.8%	16.6%
ROA	2.5%	1.3%	1.8%	2.3%
Non-Int. Inc. /Op. Rev	26.5%	27.7%	26.1%	26.9%
P/E	13.1x	27.6x	22.0x	16.9x
P/BV	2.2x	2.6x	2.9x	2.7x
DPS (IDR)	167	91	139	182
<i>Dividend yield</i>	4.6%	2.2%	2.7%	3.6%

Source: Company Data, Bloomberg, NHKSI Research

Please consider the rating criteria & important disclaimer

## Overweight

<b>Target Price (IDR)</b>	<b>5,100</b>
Consensus Price (IDR)	5,135
TP to Consensus Price	-0.7%
vs. Last Price	+7.1%

### Shares data

Last Price (IDR)	<b>4,760</b>
Price date as of	Mar 4, 2021
52 wk range (Hi/Lo)	4,950/ 2,160
Free float (%)	43.2
Outstanding sh.(mn)	123,324
Market Cap (IDR bn)	587,026
Market Cap (USD mn)	41,128
Avg. Trd Vol - 3M (mn)	153.70
Avg. Trd Val - 3M (bn)	692/60
Foreign Ownership	24.6%

### Financial Services

<b>Banking</b>	<b>BBRI IJ</b>
Bloomberg	
Reuters	<b>BBRI JK</b>

### Share Price Performance



	YTD	1M	3M	12M
Abs. Ret.	14.1%	6.0%	10.7%	12.8%
Rel. Ret.	8.9%	3.0%	2.4%	1.5%

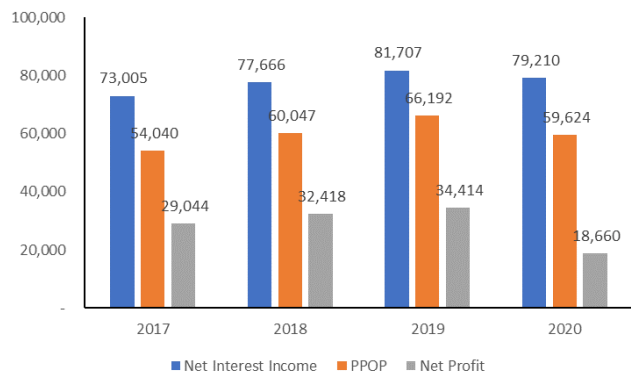
### Anggaraksa Arismunandar

(021) 5088 9134

anggaraksa@nhsec.co.id

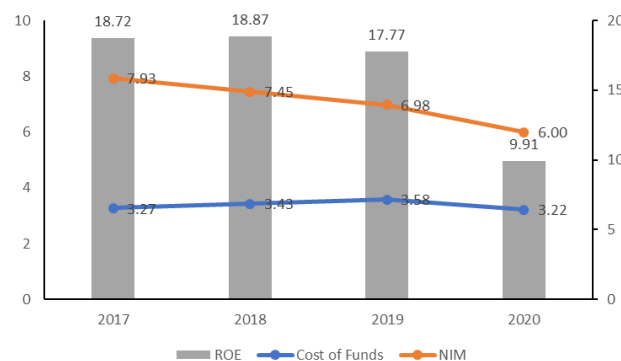
## Performance Highlights

### Financial Performance (IDR Billion)



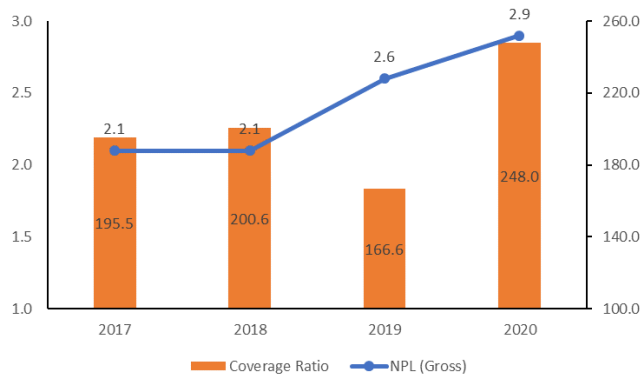
Source: Company, NHKSI Research

### Profitability Ratios (%)



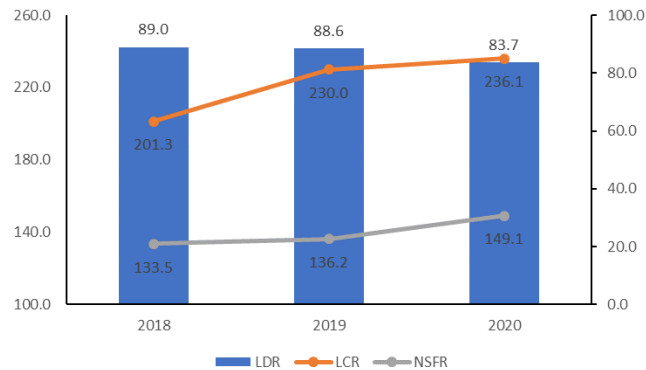
Source: Company, NHKSI Research

### Asset Quality (%)



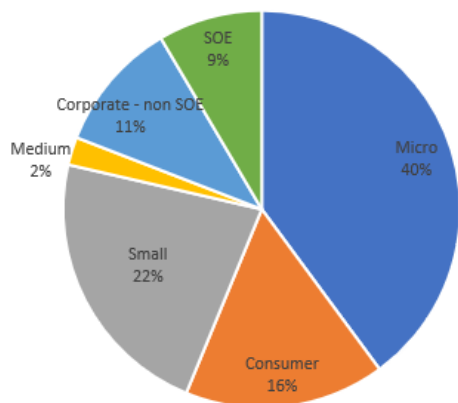
Source: Company, NHKSI Research

### Liquidity (%)



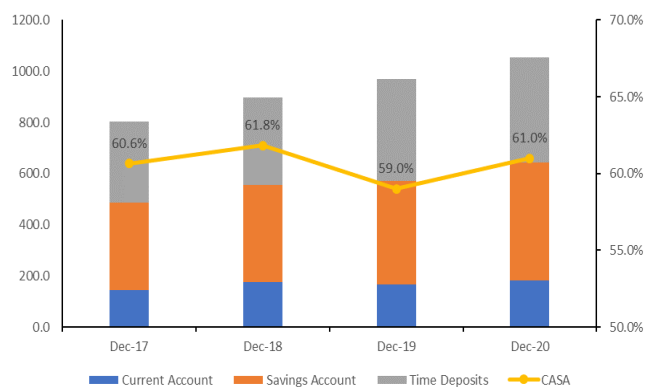
Source: Company, NHKSI Research

### Loan Composition by Segment



Source: Company, NHKSI Research

### Third Party Funds Composition (IDR Trillion)



Source: Company, NHKSI Research

## Company Overview

PT Bank Rakyat Indonesia (Persero) Tbk (BBRI) is the oldest commercial bank in Indonesia, established on December 16, 1895 in Purwokerto, Central Java. The main focus of the company is banking service for the Micro, Small, and Medium Enterprises (MSME), as the company is a pioneer in the micro credit segment. Currently, BBRI also has representative offices abroad, including Hong Kong and New York.



In 2003, the company officially became a public company after carrying out initial public offering (IPO) by releasing 30% of its shares to the public. BBRI is a SOE bank with the highest market capitalization, with Indonesian government ownership of 57%. The company also owns some subsidiaries in the financial services sector, such as: BRI Agro (Banking); BRI Life (Insurance); BRI Finance (Multifinance); BRI Remittance (Money Transfer Service); and BRI –Danareksa Sekuritas (Capital Market).

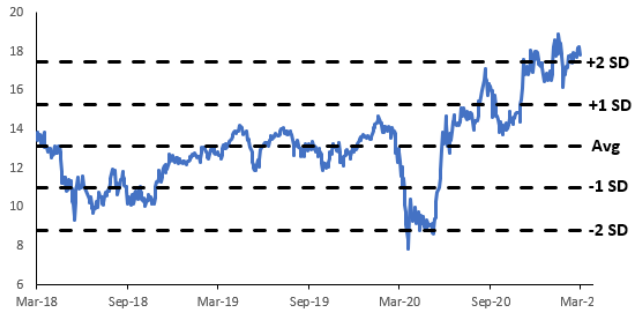
### ASEAN Banking Peers (as of 4 March 2021)

Company	Ticker	Market Cap (USD Mn)	Total Assets (USD Mn)	Net Income LTM (USD Mn)	ROE (%)	P/E (x)	P/B (x)	Dividend Yield LTM (%)
<b>INDONESIA</b>								
BANK RAKYAT INDONESIA PERSER	BBRI IJ	41,013	108,568	1,280	9.2	31.2	3.0	3.5
BANK CENTRAL ASIA TBK PT	BBCA IJ	59,122	77,240	1,865	15.1	31.1	4.6	1.6
BANK MANDIRI PERSERO TBK PT	BMRI IJ	21,482	102,645	1,176	8.7	17.9	1.6	5.4
BANK NEGARA INDONESIA PERSER	BBNI IJ	7,867	64,010	225	2.8	33.8	1.0	3.4
<b>SINGAPORE</b>								
DBS GROUP HOLDINGS LTD	DBS SP	53,434	491,893	3,448	9.0	15.0	1.3	3.7
UNITED OVERSEAS BANK LTD	UOB SP	31,954	326,810	1,682	6.7	14.6	1.4	4.5
OVERSEA-CHINESE BANKING CORP	OCBC SP	38,068	394,608	2,412	6.9	14.6	1.0	3.9
<b>MALAYSIA</b>								
CIMB GROUP HOLDINGS BHD	CIMB MK	10,569	149,821	281	2.1	35.9	0.8	2.8
<b>THAILAND</b>								
BANGKOK BANK PUBLIC CO LTD	BBL TB	7,795	127,453	543	3.9	13.8	0.5	4.0
SIAM COMMERCIAL BANK PUB CO	SCB TB	12,133	109,298	877	6.8	13.6	0.9	3.7

Source: Bloomberg

## Multiple Valuation

Blended Forward P/E | Last 3 years



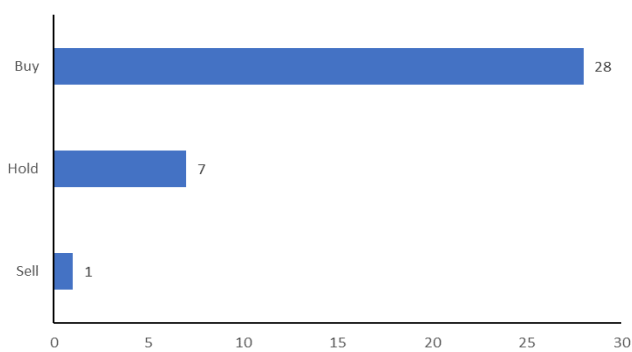
Source: NHKSI Research, Bloomberg

Blended Forward P/B | Last 3 years



Source: NHKSI Research, Bloomberg

## Analyst Coverage Rating



Source: Bloomberg

## Closing and Target Price



Source: NHKSI Research, Bloomberg

## Rating and Target Price Update

### Target Price Revision

Date	Rating	Target Price	Last Price	Consensus	vs Last Price	vs Consensus
19/06/2020	Hold	3,010	3,100	3,180	-2.9%	-5.3%
11/09/2020	Buy	4,000	3,250	3,838	+23.0%	+4.2%
27/11/2020	Overweight	4,500	4,270	4,394	+5.4%	+2.4%
05/03/2021	Overweight	5,100	4,760	5,135	+7.1%	-0.7%

Source: NHKSI Research, Bloomberg

## Summary of Financials

INCOME STATEMENT					PROFITABILITY & STABILITY				
(IDR bn)	2019/12A	2020/12A	2021/12F	2022/12F		2019/12A	2020/12A	2021/12F	2022/12F
<b>Interest Income</b>	<b>121,756</b>	<b>116,933</b>	<b>124,753</b>	<b>139,848</b>	ROE	17.4%	9.1%	13.8%	16.6%
<i>Growth (% y/y)</i>	9.1%	-4.0%	6.7%	12.1%	ROA	2.5%	1.3%	1.8%	2.3%
Interest Expenses	(40,049)	(37,723)	(36,206)	(37,737)	Non-Int. Inc. /Op. Rev	26.5%	27.7%	26.1%	26.9%
<b>Net Interest Income</b>	<b>81,707</b>	<b>79,210</b>	<b>88,547</b>	<b>102,111</b>	Cost/Income	41.0%	45.6%	42.8%	44.2%
<i>Net Interest Margin</i>	6.6%	5.8%	6.0%	6.5%	Cash Dividend (IDR bn)	20,624	11,193	17,139	22,395
Net Fee Income	14,506	15,123	15,443	18,652	Dividend Yield (%)	4.6%	2.2%	2.7%	3.6%
Trading Income	2,074	4,461	3,105	4,666	Payout Ratio (%)	60.0%	60.0%	60.0%	60.0%
Other Operating Income	12,870	10,762	12,660	14,236	Loan/Deposits	88.9%	84.0%	85.3%	85.4%
<b>Operating Revenue</b>	<b>111,157</b>	<b>109,555</b>	<b>119,754</b>	<b>139,664</b>	Loan/Assets	64.0%	62.3%	63.2%	63.0%
Operating Expenses	(45,561)	(50,007)	(51,216)	(61,741)	NPL	2.7%	2.7%	2.6%	2.6%
<b>Pre-provisioning OP</b>	<b>65,597</b>	<b>59,549</b>	<b>68,538</b>	<b>77,924</b>	Loan Loss Res./Loan	4.3%	7.1%	6.7%	6.2%
Provision for Impairment	(22,165)	(32,775)	(30,626)	(26,468)	CASA/Deposits	57.7%	59.7%	58.8%	57.9%
<b>EBT</b>	<b>43,364</b>	<b>26,725</b>	<b>37,880</b>	<b>51,406</b>	Time Deposits/Deposits	42.3%	40.3%	41.2%	42.1%
Income Tax	(8,950)	(8,064)	(9,281)	(14,053)	Par Value (IDR)	250	250	250	250
Non-controlling Interest	(41)	(6)	(34)	(28)	Total Shares (mn)	123,346	123,346	123,346	123,346
<b>Net Profit</b>	<b>34,373</b>	<b>18,655</b>	<b>28,565</b>	<b>37,324</b>	Share Price (IDR)	3,660	4,170	5,100	5,100
<i>Growth (% y/y)</i>	6.3%	-45.7%	53.1%	30.7%	Market Cap (IDR tn)	451.4	514.4	629.1	629.1

BALANCE SHEET					VALUATION INDEX				
(IDR bn)	2019/12A	2020/12A	2021/12F	2022/12F		2019/12A	2020/12A	2021/12F	2022/12F
Cash	30,219	32,162	26,550	28,965	Price /Earnings	13.1x	27.6x	22.0x	16.9x
Placement in Banks	198,509	127,113	136,433	144,458	Price /Book Value	2.2x	2.6x	2.9x	2.7x
Net Loans	868,192	875,166	943,000	1,004,358	Price/Op. Revenue	4.1x	4.7x	5.3x	4.5x
Investment	218,029	375,575	387,141	409,825	PE/EPS Growth	2.1x	-0.6x	0.4x	0.5x
Fixed Asset	31,433	32,185	33,014	33,883	EV/Operating Revenue	5.1x	5.7x	6.3x	5.4x
Other Assets	70,377	69,604	74,707	79,102	EV/PPOP	8.6x	10.4x	10.9x	9.7x
<b>Total Assets</b>	<b>1,416,759</b>	<b>1,511,805</b>	<b>1,600,845</b>	<b>1,700,590</b>	EV (IDR bn)	562,569	620,913	748,990	754,835
Deposits	1,021,197	1,121,102	1,184,930	1,252,919	Op. Rev. CAGR (3-Yr)	18.9%	15.7%	12.3%	14.7%
Debt	138,881	136,188	143,942	152,201	EPS CAGR (3-Yr)	10.1%	-9.8%	2.9%	8.8%
Other liabilities	47,897	54,603	57,712	61,023	Basic EPS (IDR)	279	151	232	303
<b>Total Liabilities</b>	<b>1,207,975</b>	<b>1,311,893</b>	<b>1,386,584</b>	<b>1,466,143</b>	Diluted EPS (IDR)	279	151	232	303
Capital Stock & APIC	9,068	9,579	10,672	10,672	BVPS (IDR)	1,693	1,621	1,737	1,901
Retained Earnings	181,327	166,972	180,229	200,414	Op. Revenue PS (IDR)	901	888	971	1,132
<b>Shareholders' Equity</b>	<b>208,784</b>	<b>199,911</b>	<b>214,261</b>	<b>234,446</b>	DPS (IDR)	167	91	139	182

CASH FLOW STATEMENT					OWNERSHIP			
(IDR bn)	2019/12A	2020/12A	2021/12F	2022/12F	<b>By Geography</b>	<b>% Shareholders</b>	<b>%</b>	
Operating Cash Flow	46,381	2,492	17,601	28,599	Indonesia	75.4	Republic of Indonesia	56.8
Investing Cash Flow	(92,753)	(157,533)	(83,596)	(85,292)	United States	12.3	JP Morgan Chase	1.9
Financing Cash Flow	67,681	85,740	60,389	59,109	Luxembourg	4.0	Vanguard Group	1.5
<b>Net Changes in Cash</b>	<b>21,310</b>	<b>(69,300)</b>	<b>(5,606)</b>	<b>2,415</b>	Others	8.3	FMR LLC	1.4

Source: NHKSI Research, Bloomberg

## NH Korindo Sekuritas Indonesia (NHKSI) Stock Ratings

1. Based on a stock's forecasted absolute return over a period of 12 months from the date of publication.
2. Rating system based on a stock's potential upside from the date of publication
  - Buy : Greater than +15%
  - Overweight : +5% to 15%
  - Hold : -5% to +5%
  - Underweight : -5% to -15%
  - Sell : Less than -15%

### DISCLAIMER

This document is strictly confidential and is being supplied to you solely for your information. The recipients of this report must make their own independent decisions regarding any securities or financial instruments mentioned herein. This document may not be quoted, reproduced, exhibited, redistributed, transmitted, edited, translated, or published, in whole or in part, for any purpose without notice. Any failure to comply with this restriction may constitute a violation of civil or criminal laws.

This report and any electronic access hereto are restricted and intended only for the clients and related entities of PT NH Korindo Sekuritas Indonesia. This report is only for information and recipient use. It is not reproduced, copied, or made available for others. Under no circumstances is it considered as a selling offer or solicitation of securities buying. Any recommendation contained herein may not be suitable for all investors. Although the information hereof is obtained from reliable sources, its accuracy and completeness cannot be guaranteed. PT NH Korindo Sekuritas Indonesia, its affiliated companies, employees, and agents are held harmless from any responsibility and liability for claims, proceedings, action, losses, expenses, damages, or costs filed against or suffered by any person as a result of acting pursuant to the contents hereof. Neither is PT NH Korindo Sekuritas Indonesia, its affiliated companies, employees, nor agents are liable for errors, omissions, misstatements, negligence, inaccuracy contained herein. All rights reserved by PT NH Korindo Sekuritas Indonesia.