



Melayani Dengan Setulus Hati

BUY

Target Price : IDR4,800

Stock Data

Curent Price	: IDR4,240
52wk Range H-L	: IDR4,829-3,210
Share Outstanding	: 151.28 bn
Free Float (%)	: 43.10%
Mkt Capitalization (IDR tn)	: 641.41

Major Shareholders

Government	: 56.82%
Public	: 43.18%

PT Bank Rakyat Indonesia Tbk (BBRI IJ)

Banking Sector

To be Champion in Ultra Micro Ecosystem

9M21 Performance Highlights: Earnings Missed Our Expectation

- BBRI's consolidated net profit stood at IDR6.78tn in 3Q21 (+20.1% QoQ/+72.3% YoY). Cumulatively BBRI booked a net profit of IDR19.07tn in 9M21 (+34.7% YoY).
- BBRI's earning figure was below our expectation (68% of our FY21E target) and missed consensus estimate (64% run rate).
- The net loss booked by BBRI's subsidiary of Bank Raya (AGRO IJ) of ~IDR1.8tn dragged down group's profitability.
- However, the jump in net profit was attributable to lower interest expense despite remain high provision.
- Bank only loan yields rose along with the increase in credit disbursement to micro segment which recorded a growth of 15.5% YoY. Meanwhile at the same time, CASA grew 5.3% YoY and accounted 60% from Third Party Fund.
- CoF dropped 130 bps YoY to 2.14% on the back of improving CASA growth and loan yields. BBRI's NIM improved by 110 bps to 6.86% (vs 6.7% management guidance).
- BBRI's consolidated loan grew 9.7% YoY, while bank only loan growth recorded to expand by 6.1% YoY.
- BBRI LaR dropped by 415 bps to 25.62% from 29.77% and restructured loans declined 400 bps to 17.51% from 21.51%.
- However NPL has risen by 27 bps from 3.02% in 9M20 to 3.29% in 9M21. BBRI maintained adequate coverage ratio.
- Overall, BBRI's financial performance in 9M21 was in line with management guidance except for credit cost (+9bps higher than management guidance).

Road to Ultra Micro Ecosystem and Higher Profitability

- The Ultra Micro (UMi) Holding was officially established in Sep-21. BBRI has consolidated Pegadaian and PNM financial statement proportionately in 3Q21.
- BBRI would be benefitted from the consolidation of Pegadaian and PNM and would strengthen the bank position in micro segment.
- Despite having higher NIM (Pegadaian 19%; PNM 17%; BBRI 6.7%), cost efficiency remained a challenge for BBRI as Pegadaian and PNM CIR was significantly higher (Pegadaian 63%; PNM 78.8%; BBRI 42.9%).
- However, the success of recent right issue transaction with the proceeds value of IDR96tn, BBRI has strong capital position. As of Sep-21, BBRI CAR stood at 24.37% (+399 bps YoY).
- We believe with strong capital position, BBRI could boost loan disbursement particularly to micro segment that offer lucrative yield.

Maintain BUY with TP: IDR4,800

We move our coverage on banking sector, especially BBRI from Victoria Venny to Tirta Citradi and maintain **BUY** call with **TP: IDR4,800** (excluding Pegadaian & PNM consolidation), which implied PBV FY21E/FY22F at 2.80x/2.62x. We are reviewing our model to incorporate the impact of Pegadaian and PNM consolidation. **BBRI IJ** key upside potentials include improving loan yield on the back of micro loan disbursement along with economic recovery. While risks remained on asset quality and higher cost of credit. BBRI IJ is currently traded at 2.5x PBV or close to +1STD of 5-year PBV.

Key Financial Highlight

YE Dec (IDR bn)	FY18	FY19	FY20	FY21E	FY22F
Net Interest Income	77,666	81,707	79,210	89,297	102,155
Net Profit	32,351	34,373	18,654	28,033	36,284
EPS (IDR)	262	279	151	227	294
PER (x)	14.68	13.82	25.46	16.94	13.09
BVS (IDR)	1,502	1,693	1,621	1,714	1,832
PBV (x)	2.56	2.27	2.38	2.25	2.10
ROAE (%)	18.35	17.45	9.13	13.63	16.59
ROAA (%)	2.67	2.53	1.27	1.80	2.16

Source: Bloomberg, MNCS as of Aug 10, 2021



Research Analyst

Tirta Widi Gilang Citradi
tirta.citradi@mncgroup.com

Exhibit 01. Financial Projections (Does Not Include Pegadaian & PNM Consolidation)

Income Statement						Balance Sheet					
IDR Billion	FY18	FY19	FY20	FY21E	FY22F	IDR Billion	FY18	FY19	FY20	FY21E	FY22F
Interest Income	111,583	121,756	116,932	129,462	143,760	Cash	27,422	30,219	32,162	32,149	34,990
Interest Expense	(33,917)	(40,049)	(37,723)	(40,166)	(41,605)	CA with BI	71,159	71,416	51,531	71,144	73,349
Net Interest Income	77,666	81,707	79,210	89,297	102,155	CA with Other Banks	12,677	10,238	9,061	9,748	9,557
Non-Interest Income	24,371	29,450	30,345	31,731	33,434	Placement with BI and Banks	87,018	116,855	66,522	69,848	73,340
Operating Income	102,037	111,157	109,555	121,028	135,589	Marketable Securities	184,284	195,840	327,267	343,630	360,812
Operating Expense	(41,990)	(44,966)	(49,931)	(54,873)	(60,320)	Loans	785,084	839,067	834,293	882,251	953,633
Pre-Provision Income	60,047	66,192	59,624	66,155	75,268	Fixed Assets	26,915	31,433	32,185	33,794	35,484
Provision Expense	(18,322)	(22,151)	(30,693)	(30,736)	(29,439)	Other Assets	102,339	121,691	158,785	164,892	208,329
Pre-tax Profit	41,754	43,364	26,725	35,366	45,775	Total Assets	1,296,898	1,416,759	1,511,805	1,607,457	1,749,493
Tax	(9,335)	(8,950)	(8,064)	(7,300)	(9,448)	Current Account	180,669	170,847	191,454	210,068	224,668
Minority Interest	(67)	(41)	(6)	(34)	(44)	Saving Account	387,180	412,307	469,701	518,566	570,422
Net Profit	32,351	34,373	18,654	28,033	36,284	Time Deposit	376,420	413,224	426,400	439,996	451,825
						Third Party Funds	944,269	996,378	1,087,555	1,168,629	1,246,915
EPS (full amount)	262	279	151	227	294	Deposit Other Banks	9,131	17,970	23,786	35,374	53,771
BVS (full amount)	1,502	1,693	1,621	1,714	1,832	Securities Issued	31,190	38,621	34,489	43,111	53,889
						Borrowings	40,457	30,922	35,969	39,566	43,522
						Other Liabilities	49,195	49,362	56,068	66,883	80,765
						Total Liabilities	1,111,623	1,207,975	1,311,893	1,396,066	1,523,490
						Shareholder's Equity	185,275	208,784	199,911	211,390	226,003
						Total Liabilities and Equity	1,296,898	1,416,759	1,511,805	1,607,457	1,749,493

Key Ratios	Ratios					Percentage (%)	Growth				
	FY18	FY19	FY20	FY21E	FY22F		FY18	FY19	FY20	FY21E	FY22F
NIM	7.31	6.85	6.09	6.39	6.82	Loan Growth	14.05	7.00	2.51	6.35	8.48
ROAE	18.35	17.45	9.13	13.63	16.59	Deposit Growth	12.19	5.52	9.15	7.45	6.70
ROAA	2.67	2.53	1.27	1.80	2.16	Net Interest Income Growth	6.36	5.20	-3.06	12.73	14.40
CASA	60.14	58.53	60.79	62.35	63.76	Net Profit Growth	11.57	6.25	-45.73	50.28	29.43
NPL Gross	2.16	2.62	2.94	2.90	2.80						
BOPO	69.79	71.35	80.84	78.47	74.53						
CAR	20.34	20.21	20.65	20.40	20.65						

Source: BBRI, MNCS

MNC Research Industry Ratings Guidance

OVERWEIGHT: Stock's total return is estimated to be above the average total return of our industry coverage universe over next 6-12 months

NEUTRAL: Stock's total return is estimated to be in line with the average total return of our industry coverage universe over next 6-12 months

UNDERWEIGHT: Stock's total return is estimated to be below the average total return of our industry coverage universe over next 6-12 months

MNC Research Investment Ratings Guidance

BUY : Share price may exceed 10% over the next 12 months

HOLD : Share price may fall within the range of +/- 10% of the next 12 months

SELL : Share price may fall by more than 10% over the next 12 months

Not Rated : Stock is not within regular research coverage

PT MNC SEKURITAS

MNC Financial Center Lt. 14 – 16
Jl. Kebon Sirih No. 21 - 27, Jakarta Pusat 10340
Telp : (021) 2980 3111
Fax : (021) 3983 6899
Call Center : 1500 899

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