

Consolidated net profit underperformed. 9M21 positive loan growth of 2% QoQ/6% YoY was driven by micro segment which grew 15.5% YoY and increased MSME composition to 80.5% (vs 79.2% in 9M20). Despite 9M21 bank-only NPATMI rising to IDR 20.4 tn (+64% QoQ, +45% YoY), consolidated NPATMI shrank to IDR 19.3 tn (+54% QoQ, +36% YoY) due to BRI Agro (AGRO), BBRI's subsidiary, which booked net loss of IDR 1.8 tn. This figure formed 68%/67% of ours'/consensus' FY21F estimates, slightly below expectation. The consolidation of UMI holding (effective since 13 Sep-21) lifted 9M21 NIM by 20 bps to 6.9%, the highest level among peers. 9M21 credit cost improved by 0.3% QoQ to 3.8% but was still slightly above management guidance of 3.7%. CASA ratio remained stable at ~60% with increased LDR to ~90% (vs ~85% in 1H21). LAR was down from 29.8% in 9M20 to 25.6% in 9M21 while NPL increased to 3.3% in 9M21 (+0.3% YoY). NPL level was still within management's guideline.

Management's guideline and micro KUR enforcement. The dilution of consolidated net profit due to AGRO's portfolio restart (and preparation to go digital) is expected to keep occurring until FY21. Management will focus on normalizing CIR of PNM and Pegadaian, currently at 79% and 63% respectively, and reducing CoC to the guidance level. BBRI aims to maintain good loan quality, thus it performed a write-off on one plantation company, bringing down SoE's NPL/SML to 0.6%/9.9%. During this pandemic, management boosted KUR loan in exchange for Kupedes loan. KUR loan is prioritized until 2024 to build customer base with a target of 18 million micro and KUR borrowers. Management's strategy to increase loan yield includes more loan disbursement to small segments i.e., micro, ultra-micro, consumer, and small businesses. From risk management point initiative, BBRI has formed a 85% loss coverage reserve fund on Garuda group and is expected to provide another 15% in the remaining quarter. As for digital utilization, BRISPOT's performance level has increased with an average of 474 debtors/officer.

We reiterate our ADD call on PT Bank Rakyat Indonesia Tbk. (BBRI) (and rollover our target price to FY22F of IDR 4,700) based on 2.25x FY22F P/BV (5-yr avg P/BV). Despite lower-than-estimates results due to the loss from its subsidiary, we still see BBRI as a top performing bank with a specialization in micro loan, thus we still look forward to the successful synergy of UMI holding to generate better asset yield with a better cost efficiency. In addition, dividend payout ratio is expected to rise in the next period as BBRI has excess capital from its jumbo rights issue. Downside risks to our call include: 1) higher CoC and 2) higher opex for BRILink agents.

Highlights (IDR tn)	2019	2020	2021E	2022F	2023F
Total Loans	907.4	942.0	1,030.2	1,135.1	1,261.6
Total Deposits	1,021.2	1,121.1	1,197.1	1,271.1	1,346.4
Net Interest Income	81.7	79.2	92.5	98.8	107.5
Pre-provision Op. Profit	65.0	57.4	69.8	74.2	83.5
Net Income	34.4	18.7	28.6	35.9	43.2
Net Interest Margin	6.8%	6.2%	6.6%	6.4%	6.5%
Gross NPL	2.8%	2.9%	3.2%	2.7%	2.4%
Credit Cost	2.5%	3.3%	3.3%	2.5%	2.2%
Return on Equity	17.4%	9.1%	11.3%	11.5%	13.1%
Return on Asset	2.5%	1.3%	1.8%	2.0%	2.3%

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Stock Information

Sector	Bank
Bloomberg Ticker	BBRI IJ
Market Cap. (IDR tn)	642.9
Share Out./Float (mn)	151,277/65,147
Current Price	4,250
FY22F Target Price	4,700
Upside	10.6%

Share Price Performance

52W High (01/21/21)	4,829
52W Low (11/04/20)	3,210
52W Beta	1.5
YTD Change	4.0%

Relative Valuations

Trailing P/E	22.6x
Forward P/E	19.8x
Trailing P/BV	2.1x
Forward P/BV	2.0x

BBRI 3Q21 Earnings Summary

(IDR bn)	3Q20	2Q21	3Q21	QoQ	YoY	9M20	9M21	YoY	%DH	%Cons
Interest income	29,280	30,239	31,134	3.0%	6.3%	85,858	91,008	6.0%		
Interest expense	9,733	6,281	6,586	4.9%	-32.3%	29,809	19,317	-35.2%		
Net interest income	19,547	23,958	24,547	2.5%	25.6%	56,049	71,690	27.9%		
Non interest income	7,696	8,456	8,445	-0.1%	9.7%	21,473	25,087	16.8%		
Total Operating Income	27,699	32,533	33,149	1.9%	19.7%	78,562	97,519	24.1%		
Opex (excl. provision)	13,730	14,748	15,407	4.5%	12.2%	39,542	44,555	12.7%		
PPOP	13,969	17,785	17,743	-0.2%	27.0%	39,020	52,964	35.7%		
Provisions	9,050	10,379	8,757	-15.6%	-3.2%	18,584	27,599	48.5%		
Net Profit	3,938	5,646	6,784	20.1%	72.3%	14,116	19,256	36.4%	67.3%	66.9%
NIM						5.8%	6.9%	110		
LDR						82.5%	90.3%	775		
CASA						59.0%	59.6%	57		
NPL (gross)						3.0%	3.3%	27		
Cost of credit						2.7%	3.8%	105		
Coverage ratio						219.5%	273.3%	5,380		
CAR						20.9%	24.5%	362		
Loan & Financing	937,582	933,366	1,029,203	10.3%	9.8%					
Deposits	1,132,250	1,096,741	1,135,602	3.5%	0.3%					
Total Assets	1,447,848	1,450,907	1,619,772	11.6%	11.9%					

Source: Company data, Sinarmas Investment Research

Forecast Changes

(IDR bn)	Old			New		
	2021E	2022F	2023F	2021E	2022F	2023F
Interest Income	127,052	139,780	156,487	129,744	141,809	155,050
% growth	8.7%	10.0%	12.0%	11.0%	9.3%	9.3%
Interest Expense	36,965	42,314	46,796	37,261	42,998	47,553
% growth	-2.0%	14.5%	10.6%	-1.2%	15.4%	10.6%
Net Interest Income	90,087	97,467	109,691	92,483	98,811	107,497
% growth	13.7%	8.2%	12.5%	16.8%	6.8%	8.8%
Other Operating Income	31,331	33,816	40,521	31,720	35,368	42,041
% growth	3.2%	7.9%	19.8%	4.5%	11.5%	18.9%
Other Operating Expense	86,971	84,952	88,813	86,756	87,143	92,595
% growth	5.1%	-2.3%	4.5%	4.8%	0.4%	6.3%
Pre-provision Operating Profit	67,288	72,595	86,581	69,754	74,217	83,480
% growth	17.2%	7.9%	19.3%	21.5%	6.4%	12.5%
Net Operating Income	34,448	46,331	61,399	37,448	47,036	56,943
% growth	28.7%	34.5%	32.5%	39.9%	25.6%	21.1%
Income Before Tax Expense	34,448	46,331	61,399	37,448	47,036	56,943
% growth	28.9%	34.5%	32.5%	40.1%	25.6%	21.1%
Net Income	26,320	35,333	46,568	28,612	35,871	43,188
% growth	41.1%	34.2%	31.8%	53.4%	25.4%	20.4%

Source: Company data, Sinarmas Investment Research

Income Statement (IDR bn)	2019	2020	2021E	2022F	2023F
Interest Income	121,756	116,933	129,744	141,809	155,050
% growth	9.1%	-4.0%	11.0%	9.3%	9.3%
Interest Expense	40,049	37,723	37,261	42,998	47,553
% growth	18.1%	-5.8%	-1.2%	15.4%	10.6%
Net Interest Income	81,707	79,210	92,483	98,811	107,497
% growth	5.2%	-3.1%	16.8%	6.8%	8.8%
Other Operating Income	29,450	30,345	31,720	35,368	42,041
% growth	20.8%	3.0%	4.5%	11.5%	18.9%
Other Operating Expense	67,725	82,781	86,756	87,143	92,595
% growth	12.3%	22.2%	4.8%	0.4%	6.3%
Pre-provision Operating Profit	64,988	57,392	69,754	74,217	83,480
% growth	9.2%	-11.7%	21.5%	6.4%	12.5%
Net Operating Income	43,432	26,774	37,448	47,036	56,943
% growth	4.1%	-38.4%	39.9%	25.6%	21.1%
Income Before Tax Expense	43,364	26,725	37,448	47,036	56,943
% growth	3.9%	-38.4%	40.1%	25.6%	21.1%
Net Income	34,373	18,655	28,612	35,871	43,188
% growth	6.2%	-45.7%	53.4%	25.4%	20.4%

Balance Sheet (IDR bn)	2019	2020	2021E	2022F	2023F
Cash and Equivalents	30,219	32,162	36,402	35,389	31,607
CA w/ Central Bank	71,416	51,531	77,296	81,161	80,350
CA w/ Other Banks	10,238	9,061	9,514	9,989	10,489
Interbank Placement	116,855	66,522	96,456	86,811	82,470
Total Loans - Net	868,193	875,166	947,777	1,047,631	1,168,606
Marketable Securities	195,840	327,267	376,357	383,884	375,438
Government Bonds	1,130	-	-	-	-
Fixed Assets	31,433	32,185	33,169	34,182	35,223
Total Assets	1,416,759	1,511,805	1,705,462	1,810,648	1,920,686
Demand Deposits	168,826	185,151	188,854	194,520	201,328
Saving Deposits	405,355	460,454	506,499	551,071	589,646
Time Deposits	413,224	426,400	447,720	465,628	488,910
Total Customer Deposits	1,021,197	1,121,102	1,197,076	1,271,141	1,346,393
Deposits From Other Banks	17,970	23,786	27,354	31,457	36,176
Marketable Securities	38,621	34,489	37,593	42,480	45,241
Fund Borrowings	30,922	35,969	35,969	35,969	35,969
Subordinated Debts	1,465	1,465	1,465	1,465	1,465
Total Liabilities	1,207,975	1,311,893	1,399,937	1,492,063	1,582,148
Total Equity	208,784	199,912	305,525	318,585	338,538

Source: Company data, Sinarmas Investment Research

Financial Ratio (%)	2019	2020	2021E	2022F	2023F
Loan to Deposit Ratio	88.9%	84.0%	86.1%	89.3%	93.7%
Loan to Funding Ratio	75.6%	71.5%	73.4%	76.2%	79.6%
CASA Ratio	58.5%	60.8%	61.4%	62.2%	62.4%
Net Interest Margin	6.8%	6.2%	6.6%	6.4%	6.5%
Average Loan Yield	12.9%	11.6%	12.0%	12.0%	12.0%
Average Deposit CoF	3.2%	2.9%	2.6%	2.9%	3.0%
Gross NPL	2.8%	2.9%	3.2%	2.7%	2.4%
Net NPL	1.2%	0.9%	1.2%	1.0%	0.9%
Credit Cost	2.5%	3.3%	3.3%	2.5%	2.2%
Coverage Ratio	151.0%	235.3%	243.6%	276.9%	301.1%
Cost to Income Ratio	71.3%	81.0%	77.6%	74.5%	72.4%
Cost Efficiency Ratio	60.9%	75.6%	69.8%	64.9%	61.9%
Capital Adequacy Ratio	22.6%	20.6%	27.8%	27.2%	27.4%
Return on Equity	17.4%	9.1%	11.3%	11.5%	13.1%
Return on Asset	2.5%	1.3%	1.8%	2.0%	2.3%
EPS	281.0	151.3	189.1	237.1	285.5
BVPS	1,686.5	1,600.6	2,002.4	2,088.2	2,219.6

Source: Company data, Sinarmas Investment Research

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