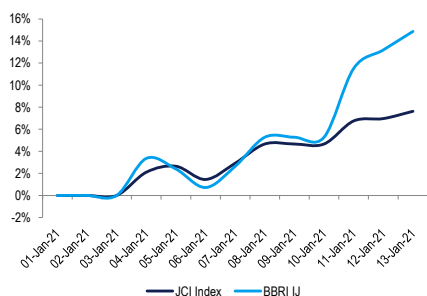


Stock Data

Target price	Rp5,600
Prior TP	Rp4,800
Current price	Rp4,790
Upside/downside	+17%
Shares outstanding (mn)	123,346
Market cap (Rp bn)	590,826
Free float	43%
Avg. 6m daily T/O (Rp bn)	635

Price Performance

	3M	6M	12M
Absolute	46.0%	51.1%	4.8%
Relative to JCI	20.7%	24.4%	3.1%
52w low/high (Rp)	2.170 – 4,790		



Major Shareholders

Republic of Indonesia	60%
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Stellar asset quality; upgrade our TP

- Restructured loans have been on the declining trend in the last 3 months, the only bank that managed such feat.
- Covid restructuring quality has been stellar amid minimal re-restructuring after 6 months grace period. This in-line with NIM improvement.
- With upcoming integration of Pegadaian and PNM, we think BBRI is poised to re-rate further. Upgrade our EPS and TP to Rp5,600.

Covid restructuring loan was on the declining trend for 3 straight months

BBRI was the only bank that able to post 3 straight months of decline in its overall Covid restructuring balance; overall balance now stood at Rp187tr in Dec20 (20% of loan) vs. peak of Rp194tr in Sep20 (21% of loan). Our conversation with the bank suggested that the decline was attributed to gradual improvement on its MSME portfolio and is expected to continue in 2021. This was consistent with our thesis that tight PSBB in Jakarta (especially for malls and restaurants) will not impact BRI's portfolio.

Asset quality for Covid restructuring has been surprisingly robust; this may lead to better CoC in FY21-22

To our surprise, the quality of Covid restructuring portfolio has been robust; with the proportion of re-restructuring (2x Covid restructuring) has been only at c.Rp11tr in Nov20/6% of total loan. Note that the re-restructuring started in Sep onwards which was after the end of grace period (majority of MSME loan got 6 months grace period), as such the Nov data has captured the Mar-May restructuring (85% of total Covid restructuring). BBRI has also implemented a very rigid re-restructuring criterion i.e. maximum of 2x restruc, there will be no full payment holiday (maximum in principal holiday). The stellar restructuring is also in-line with its NIM improvement with Nov20 NIM reaching 6.4% vs. bottom of 3.2% in Apr20 and pre-Covid level of 6.8-7.2% in Jan-Mar20.

Upcoming integration with Pegadaian and PNM is also a boon

Upcoming MnA with Pegadaian and PNM shall add c.10% to its FY21 earnings and +8bp/-38bp to ROA/ROE. Note that this hasn't taken into account the potential synergy ([please refer to our previous note](#)).

Upgrade our EPS and TP; maintain Buy

We upgrade our FY21-22 EPS by 12-19% on the back of lower CoC assumption and also our TP to Rp5,600 now implying 2.7x FY21 P/BV (at +0.5 over its LT average). BRI was the major outperformer (+17% against SOE bank peers in the past one year) and will continue in FY21, we believe.

Financial Summary (Rp bn)	2018A	2019A	2020F	2021F	2022F
Net interest income	77,437	80,642	75,187	84,580	94,373
Non-interest income	24,600	30,515	29,437	32,225	35,432
Total revenue	102,037	111,157	104,624	116,805	129,805
PPOP	60,044	66,191	55,121	62,568	70,431
Provision charges	(18,321)	(22,760)	(29,914)	(24,238)	(23,227)
Net profit	32,348	34,372	18,896	30,379	38,908
Net profit growth	12%	6%	-45%	61%	28%
FD EPS (Rp)	262	279	153	246	315
P/BV (x)	3.2	2.5	3.0	2.7	2.4
Dividend yield	2.2%	2.5%	2.3%	1.3%	2.1%
ROAE	18.3%	17.5%	9.3%	14.5%	16.6%
Forecast changes			0%	19%	12%
IPS vs. consensus			97%	99%	98%

Source: Company, Indo Premier

Share price closing as of 13 January 2021

Fig. 1: SOE banks' Covid restructuring summary – BBRI is the only bank to see lower restructuring loan in the last 3 months consecutively

Restructuring summary (Rp tr) - approved numbers	Apr-20	As % of loans	May-20	As % of loans	Jun-20	As % of loans	Jul-20	As % of loans	Aug-20	As % of loans	Sep-20	As % of loans	Oct-20	As % of loans	Nov-20	As % of loans	Dec-20	As % of loans
BMRI	58	7%	99	11%	114	13%	119	14%	120	14%	116	13%	119	14%	124	14%	123	14%
BBRI	101	11%	161	17%	172	19%	184	20%	189	20%	194	21%	192	21%	191	21%	187	20%
BBNI	70	12%	99	17%	119	21%	123	21%	121	21%	122	21%	123	21%	123	21%	123	21%
BBTN	10	4%	22	9%	33	13%	41	16%	48	19%	52	21%	54	22%	57	22%	58	23%
SOE banks summary	239	9%	381	15%	437	17%	467	18%	478	18%	484	18%	489	19%	494	19%	491	19%

Source: Company, Indo Premier

Fig. 2: Monthly Covid restructuring movement

Monthly restructuring (Rp tr)	Apr-20	May-20	Jun-20	Jul-20	Aug-20	Sep-20	Oct-20	Nov-20	Dec-20
BMRI	58.0	41.0	15.0	5.0	1.0	(4.0)	3.0	4.7	(0.3)
<i>mom%</i>		<i>-29%</i>	<i>-63%</i>	<i>-67%</i>	<i>-80%</i>	<i>-500%</i>	<i>-175%</i>	<i>57%</i>	<i>-106%</i>
BBRI	101.2	59.3	11.4	11.8	5.4	4.6	(1.4)	(1.7)	(4.0)
<i>mom%</i>		<i>-41%</i>	<i>-81%</i>	<i>4%</i>	<i>-54%</i>	<i>-15%</i>	<i>-130%</i>	<i>21%</i>	<i>135%</i>
BBNI	70.0	29.0	20.0	4.0	(2.0)	1.0	1.0	0.0	0.0
<i>mom%</i>		<i>-59%</i>	<i>-31%</i>	<i>-80%</i>	<i>-150%</i>	<i>-150%</i>	<i>0%</i>	<i>-100%</i>	<i>N/A</i>
BBTN	10.1	12.3	10.1	8.5	7.1	4.1	2.0	2.4	1.8
<i>mom%</i>		<i>22%</i>	<i>-18%</i>	<i>-16%</i>	<i>-16%</i>	<i>-43%</i>	<i>-52%</i>	<i>23%</i>	<i>N/A</i>
SOE banks summary	239.3	141.6	56.5	29.3	11.5	5.7	4.6	5.4	(2.5)
<i>mom%</i>		<i>-41%</i>	<i>-60%</i>	<i>-48%</i>	<i>-61%</i>	<i>-51%</i>	<i>-20%</i>	<i>19%</i>	<i>-147%</i>

Source: Company, Indo Premier

Fig. 3: BBRI's Covid restructuring summary by segment

BBRI Covid restructuring by segment (Rp tr)	Apr-20	% of total	May-20	% of total	Jun-20	% of total	Jul-20	% of total	Aug-20	% of total	Sep-20	% of total	Oct-20	% of total	Nov-20	% of total
Micro	51	50%	77	48%	82	47%	84	46%	85	45%	85	44%	85	44%	84	44%
Consumer	4	4%	8	5%	10	6%	11	6%	11	6%	11	6%	11	6%	11	6%
Small commercial	45	45%	73	45%	77	45%	82	45%	83	44%	83	43%	83	43%	82	43%
Medium	1	1%	2	1%	3	2%	4	2%	5	2%	5	3%	5	3%	5	3%
Corporate and SOE	0	0%	0	0%	0	0%	3	1%	6	3%	9	5%	8	4%	8	4%
Total	101	100%	161	100%	172	100%	184	100%	189	100%	194	100%	192	100%	191	100%
MSME total	101	100%	161	100%	172	100%	181	99%	183	97%	185	95%	184	96%	182	96%

Source: Company, Indo Premier

Fig. 4: Monthly NIM summary

Monthly NIM (bank-only)	Jan-20	Feb-20	Mar-20	Apr-20	May-20	Jun-20	Jul-20	Aug-20	Sep-20	Oct-20	Nov-20
BMRI	5.3%	4.9%	5.4%	4.9%	4.3%	3.8%	3.9%	4.2%	4.3%	4.2%	4.4%
BBRI	7.2%	6.8%	7.1%	3.2%	4.6%	5.6%	5.3%	5.9%	6.4%	6.4%	6.4%
BBNI	5.1%	5.1%	4.7%	4.2%	4.0%	4.2%	4.1%	4.1%	4.5%	5.0%	4.9%
BBCA	6.4%	6.0%	6.4%	6.2%	6.4%	5.8%	6.0%	5.8%	5.8%	5.8%	5.5%
BBTN	2.7%	3.4%	2.8%	3.0%	2.7%	3.3%	2.9%	2.8%	2.9%	2.3%	2.7%
Big 4 + BBTN	6.0%	5.7%	5.6%	4.5%	4.7%	4.8%	4.8%	5.3%	5.2%	5.2%	5.4%
Cumulative NIM (bank-only)	Jan-20	Feb-20	Mar-20	Apr-20	May-20	Jun-20	Jul-20	Aug-20	Sep-20	Oct-20	Nov-20
BMRI	5.3%	5.1%	5.2%	5.1%	4.9%	4.6%	4.5%	4.5%	4.3%	4.4%	4.4%
BBRI	7.2%	7.0%	7.0%	6.1%	5.8%	5.7%	5.7%	5.7%	5.8%	5.8%	5.8%
BBNI	5.1%	5.0%	4.8%	4.7%	4.6%	4.3%	4.3%	4.2%	4.3%	4.4%	4.4%
BBCA	6.4%	6.1%	6.2%	6.1%	6.1%	6.0%	5.9%	5.9%	5.8%	5.7%	5.7%
BBTN	2.7%	3.0%	2.9%	3.0%	2.9%	2.9%	2.9%	2.8%	2.7%	2.6%	2.7%
Big 4 + BBTN	6.0%	5.8%	5.6%	5.4%	5.2%	5.0%	5.0%	5.0%	4.9%	5.0%	5.0%

Source: Company, Indo Premier

Fig. 5: Pro-forma BBRI financial statement post Pegadaian/PNM – we believe that the M&A with Pegadaian and PNM shall increase FY21F earnings by 10% and ROA/ROE by +8bp/-38bp, respectively

Proforma financial statement (Rp bn)	Pre-acquisition					Proforma post acquisition		
	BBRI FY20F	BBRI FY21F	BBRI FY22F	Pegadaian FY20F (based on 9M20 annualized)	PNM FY20F (based on 9M20 annualized)	BBRI FY20F	BBRI FY21F	BBRI FY22F
NII	74,252	81,252	90,507	11,242	3,343	88,837	95,836	105,092
Non-interest income	29,441	32,229	35,426	7,159	199	36,799	39,587	42,784
Total income	103,694	113,481	125,933	18,401	3,542	125,636	135,424	147,876
Opex	(49,521)	(54,254)	(59,348)	(13,494)	(3,346)	(66,361)	(71,094)	(76,188)
PPOP	54,172	59,227	66,585	4,907	196	59,275	64,330	71,688
Provisions	(28,979)	(25,248)	(24,334)	(1,843)	(80)	(30,902)	(27,171)	(26,257)
Profit before tax	25,193	33,980	42,252	3,064	115	28,372	37,159	45,431
Others	130	141	154	83	180	393	404	417
Tax	(6,399)	(8,631)	(7,521)	(775)	(62)	(7,236)	(9,468)	(8,358)
Minority interests	(38)	(42)	(47)	(0)	(3)	(41)	(45)	(49)
Net income	18,886	25,448	34,839	2,371	231	21,488	28,050	37,441
Total assets	1,519,786	1,655,363	1,809,855	70,882	26,447	1,590,668	1,752,693	1,907,184
Total equity	198,322	216,215	240,874	24,468	3,991	226,780	244,673	269,333
ROA	1.3%	1.6%	2.0%	3.7%	0.9%	1.4%	1.7%	2.0%
ROE	9.3%	12.3%	15.2%	10.4%	6.9%	9.9%	11.9%	14.6%

Source: Company, Indo Premier

Fig. 6: Summary of forecast changes

Forecast changes (Rp bn)	Previous forecast			New forecast			Changes		
	2020F	2021F	2022F	2020F	2021F	2022F	2020F	2021F	2022F
Interest income	117,108	127,068	139,370	117,108	128,049	141,523	0%	1%	2%
Interest expense	(42,855)	(45,816)	(48,863)	(41,921)	(43,469)	(47,150)	-2%	-5%	-4%
Net interest income	74,252	81,252	90,507	75,187	84,580	94,373	1%	4%	4%
Non-interest income	29,441	32,229	35,426	29,437	32,225	35,432	0%	0%	0%
Total operating income	103,694	113,481	125,933	104,624	116,805	129,805	1%	3%	3%
Opex	(49,521)	(54,254)	(59,348)	(49,503)	(54,237)	(59,373)	0%	0%	0%
PPOP	54,172	59,227	66,585	55,121	62,568	70,431	2%	6%	6%
Provisions	(28,979)	(25,248)	(24,334)	(29,914)	(24,238)	(23,227)	3%	-4%	-5%
Operating profit	25,193	33,980	42,252	25,207	38,330	47,204	0%	13%	12%
Non-operating profit	130	141	154	130	141	154	0%	0%	0%
Pre-tax profit	25,324	34,120	42,406	25,337	38,471	47,358	0%	13%	12%
Income tax	(6,399)	(8,631)	(7,521)	(6,403)	(8,049)	(8,402)	0%	-7%	12%
Minority interests	(38)	(42)	(47)	(39)	(43)	(48)	1%	3%	3%
Net profit	18,886	25,448	34,838	18,896	30,379	38,908	0%	19%	12%

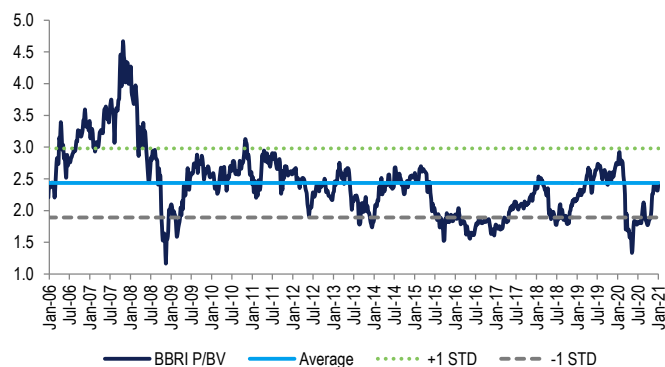
Source: Company, Indo Premier

Fig. 7: New GGM-based valuation – we upgrade our TP to Rp5,600/sh

GGM-based valuation	
Risk free rate	6.5%
Beta	1.0
Market risk premium	7.0%
Cost of equity	13.5%
Long term growth assumption	10.0%
Sustainable ROE	19.5%
Target P/BV multiple	2.7
Target price	5,600

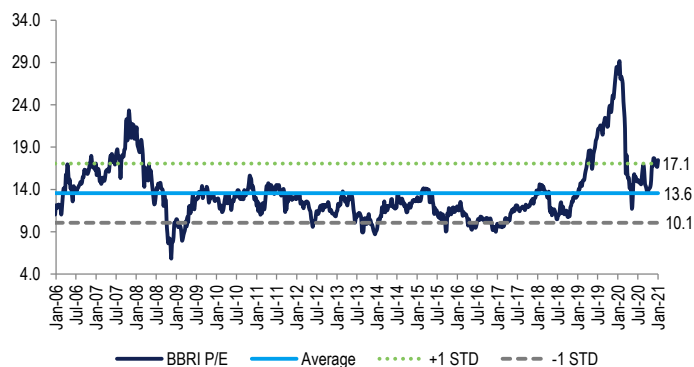
Sources: Indo Premier

Fig. 8: BBRI's forward P/BV – now trading at 2.7x 2021F P/BV vs. long-term average of 2.4x P/BV



Source: Bloomberg, Indo Premier

Fig. 9: BBRI's forward P/E – now trading at 19.4x 2021F P/E vs. long-term average of 13.6x P/E



Source: Bloomberg, Indo Premier

Fig. 10: Peer comparison table

Ticker	Closing Price	Target Price	P/BV		Recommendation	P/E (x)		P/BV (x)	
			multiple	Upside target (x)		2020F	2021F	2020F	2021F
BMRI	6,925	7,300	1.5	5%	Buy	18.6	13.5	1.7	1.5
BBRI	4,790	5,600	2.7	17%	Buy	31.3	19.4	3.0	2.7
BBCA	35,600	33,000	3.7	-7%	Buy	34.8	29.5	5.0	4.4
BBNI	6,525	7,000	1.0	7%	Buy	35.6	13.4	1.1	1.0
BBTN	1,870	2,000	1.0	7%	Buy	14.7	10.1	1.2	1.1

Source: Bloomberg, Indo Premier

Share price closing as of 13 January 2021

Income Statement (Rp bn)	2018A	2019A	2020F	2021F	2022F
Interest income	111,354	120,691	117,108	128,049	141,523
Interest expense	(33,917)	(40,049)	(41,921)	(43,469)	(47,150)
Net interest income	77,437	80,642	75,187	84,580	94,373
Non-interest income	24,600	30,515	29,437	32,225	35,432
Total operating income	102,037	111,157	104,624	116,805	129,805
Opex	(41,993)	(44,966)	(49,503)	(54,237)	(59,373)
PPOP	60,044	66,191	55,121	62,568	70,431
Provisions	(18,321)	(22,760)	(29,914)	(24,238)	(23,227)
Operating profit	41,723	43,432	25,207	38,330	47,204
Non-operating profit	28	(68)	130	141	154
Pre-tax profit	41,751	43,364	25,337	38,471	47,358
Income tax	(9,335)	(8,950)	(6,403)	(8,049)	(8,402)
Minority interest	(67)	(41)	(39)	(43)	(48)
Net profit	32,348	34,372	18,896	30,379	38,908

Balance Sheet (Rp bn)	2018A	2019A	2020F	2021F	2022F
Cash + CA with BI	98,581	44,746	110,656	122,040	127,918
Secondary reserves	294,881	346,645	398,643	438,507	477,973
Gross loans	840,189	910,764	966,421	1,053,399	1,158,739
Loan provisions	(35,515)	(39,329)	(69,932)	(79,055)	(85,692)
Other assets	98,763	158,005	114,009	125,409	137,950
Total Assets	1,296,898	1,418,948	1,519,796	1,660,300	1,816,888
Total deposits	949,914	1,027,807	1,145,218	1,262,902	1,392,734
Securities and borrowings	75,134	140,876	76,981	76,981	76,981
Other liabilities	86,575	41,482	99,265	99,265	99,265
Total liabilities	1,111,623	1,210,165	1,321,465	1,439,149	1,568,980
Shareholders' equity	185,276	208,783	198,331	221,151	247,908
Total liabilities & equity	1,296,898	1,418,948	1,519,796	1,660,300	1,816,888

Growth YoY	2018A	2019A	2020F	2021F	2022F
Gross loans	14.0%	8.4%	7.0%	9.0%	10.0%
Total assets	15.2%	7.7%	7.3%	9.2%	9.4%
Total deposits	12.3%	8.2%	11.0%	10.3%	10.3%
Net interest income	6.7%	5.5%	-6.8%	12.5%	11.6%
Non-interest income	23.7%	18.9%	-3.5%	9.5%	9.9%
Total operating income	10.3%	8.8%	-5.9%	11.6%	11.1%
Operating expense	9.2%	7.2%	10.1%	9.6%	9.5%
PPOP	11.1%	9.8%	-16.7%	13.5%	12.6%
Net profit	11.6%	6.2%	-45.0%	60.8%	28.1%

Key Ratios	2018A	2019A	2020F	2021F	2022F
ROAA	2.7%	2.6%	1.3%	1.9%	2.2%
ROAE	18.3%	17.6%	9.2%	14.4%	16.5%
NIM	7.3%	6.9%	5.8%	6.0%	6.1%
Credit cost	2.3%	2.6%	3.2%	2.4%	2.1%
Cost/income	41.2%	40.6%	47.3%	46.4%	45.7%
LDR	88.4%	88.6%	84.4%	83.4%	83.2%
CAR	21.4%	22.8%	19.4%	19.9%	20.3%
NPL ratio	2.2%	2.8%	3.0%	2.7%	2.7%
Provisions/NPL	191.8%	167.0%	241.3%	277.6%	278.3%

Source: Company, Indo Premier

INVESTMENT RATINGS

BUY : Expected total return of 10% or more within a 12-month period
HOLD : Expected total return between -10% and 10% within a 12-month period
SELL : Expected total return of -10% or worse within a 12-month period

ANALYSTS CERTIFICATION

The views expressed in this research report accurately reflect the analyst's personal views about any and all of the subject securities or issuers; and no part of the research analyst's compensation was, is, or will be, directly or indirectly, related to the specific recommendations or views expressed in the report.

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