

**Investment Consideration**  
**Above Industry Growth**

Credit growth has been above industry averages both in terms of loans and deposit growth, which at 7.6% was driven by microloans (12% YoY) especially in the Kupedes segment (13% YoY). KUR loans (8% YoY) are still slowing down and growth in salary based loans also continues to slow down to 4% YoY, due to competition from other banks. We estimate total credit growth in 2020 will be in the range of 9-10%.

**NPL increased 46Bps**

2019 NPLs increased to 2.62% from 2.16% in 2018 due especially to debtors from the corporate sector namely DuniaTex and Semen Bosowa Maros, Sangyang Sri, PT Pertan and PT Perkebunan Mitra Ogan. NPLs are supported by adequate provisioning at 167%. With the reserves increase, profits grew by 6.15%. We now estimate NPLs in 2020 to be in the range of 2.4% -2.5% vs our previous estimate of 2.2%.

**CASA at 59.01%**

CASA funding decreased to 59.01% in 2019 from 61.8% in 2018 due to lower Giro especially from BUMNs due to the strategy of SOEs to reduce leverage by the end of 2019. We still estimate CASA in 2019-2020 will be in the range of 60-62%. CAR remained high in 2019. BRI succeeded in increasing CAR to 22.55% from 21.2% in 2018. With their high CAR, BRI is well prepared to enter the era of IFRS 9 implementation and the Dividend Payout Ratio can be the same as last year or higher. We estimate CAR will remain high in the range of 22% in 2020.

**Valuation: 25%, Upside, BUY.**

Based on our DDM Valuation, we have a target price within one year of IDR. 5770 or trading at 2.3x PBV which gives 25% potential upside, BUY.

Income Statement (Idr bn)	2017	2018	2019	2020F	2021F	2022F
Interest Income	102.912	115.761	127.130	135.437	148.700	172.689
Interest Expense	29.894	37.150	44.412	45.528	49.184	57.031
<b>Net Interest Income</b>	<b>73.018</b>	<b>78.611</b>	<b>82.718</b>	<b>89.910</b>	<b>99.517</b>	<b>115.658</b>
Fee Other Operating Income	19.271	23.425	28.439	29.038	32.986	37.089
Operating Expense	38.614	41.990	44.966	51.733	56.546	62.659
<b>PPOP</b>	<b>53.675</b>	<b>60.047</b>	<b>66.192</b>	<b>67.215</b>	<b>75.957</b>	<b>90.088</b>
Provision Expense	17.254	18.321	22.760	17.986	18.331	21.566
Operating Profit	36.421	41.726	43.432	49.229	57.626	68.522
Profit Before Tax	36.638	41.754	43.364	49.161	57.558	68.454
Tax Expense	7.978	9.335	8.950	10.798	13.026	15.715
<b>Net Profit</b>	<b>28.660</b>	<b>32.418</b>	<b>34.414</b>	<b>38.363</b>	<b>44.532</b>	<b>52.739</b>
<b>EPS (Rp/Share)</b>	<b>232</b>	<b>265</b>	<b>281</b>	<b>313</b>	<b>364</b>	<b>431</b>

31 Januari 2020  
Banking, Equity

Price **IDR. 4580**  
Target Price **IDR. 5800**  
JKSE Index **6057.596**



**Stock Code**  
**Bloomberg code** **BBRI IJ**  
**Market cap (IDR.bn)** **569857.6**  
**52-Week High (IDR)** **4760**  
**52-Week Low (IDR)** **3650**  
**6-m Avg Daily. Val (IDR)** **14051**  
**Free Float (%)** **56.75**

**Major Shareholders (%)**  
**Government RI** **56.75%**  
**Public** **43.25%**

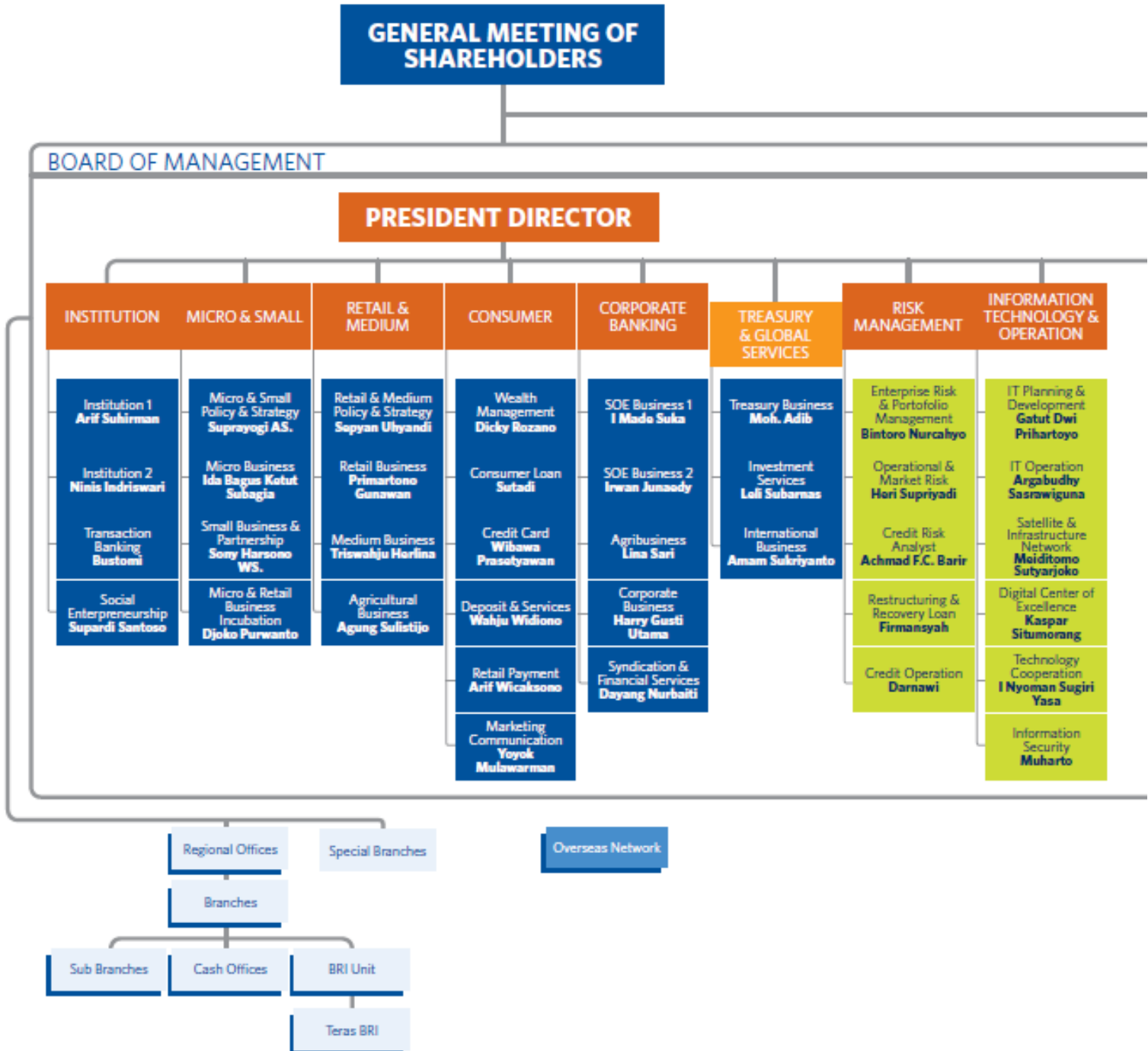
**USD/IDR-YE**  
**2019A** **13866**  
**2020F (6M Avg)** **13644**

**Key Indicators**  
**Non Performing Loan (x)** **2.47**  
**Net Interest Margin (x)** **9.9**

**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: Net Interest Margin (x) YoY

Net Interest Margin

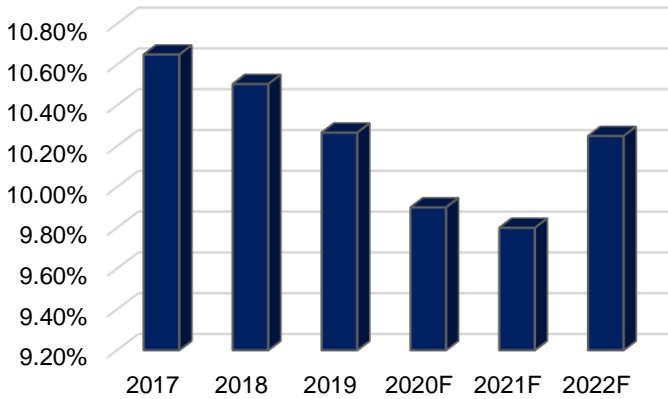


Chart: Loan to Deposit Ratio (x) YoY

Loan to Deposit Ratio

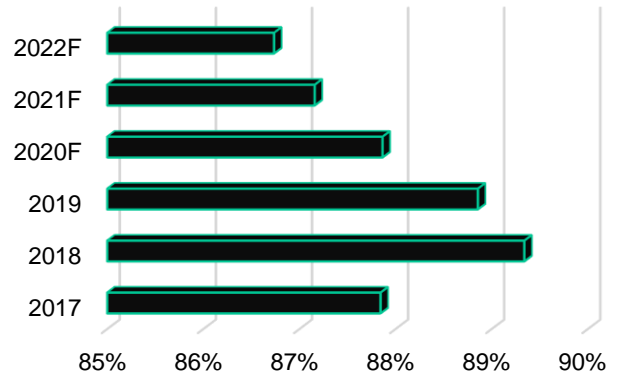


Chart: Profitability Ratio (x) YoY

Profitability

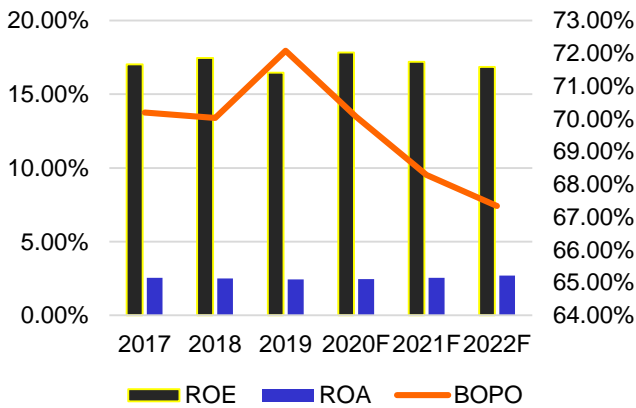
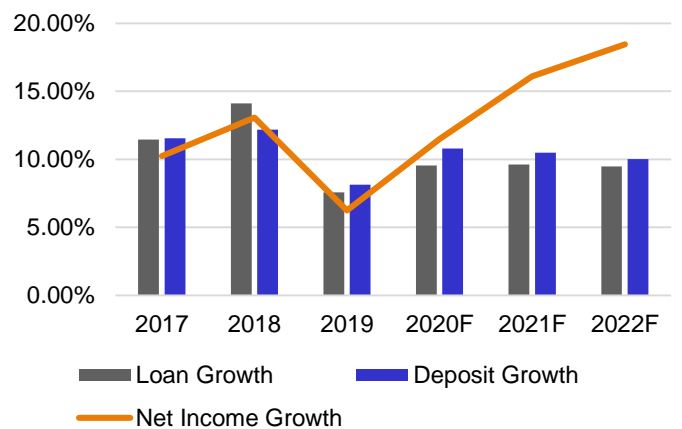


Chart: Growth (x) YoY

Growth



**Balance Sheet (IDR.bn)**

Balance sheet (ldr bn)	2017	2018	2019	2020F	2021F	2022F
Cash and CA with BI	82.954	98.581	101.636	97.826	126.114	158.575
Interbank Placement	55.157	87.018	116.855	98.114	125.556	148.433
Marketable Securities	186.939	184.284	195.840	252.283	273.782	311.182
Gross Loan	739.337	843.598	907.389	994.075	1.089.603	1.192.829
Allowance for Loans	-30.104	-35.603	-39.196	-44.063	-46.458	-50.618
Loans-net	709.232	807.995	868.193	950.012	1.043.145	1.142.211
Other Earning Asset	286.151	334.913	390.691	443.952	507.073	580.037
Non Earning Asset	49.111	55.409	56.239	66.260	72.605	79.705
<b>Total Asset</b>	<b>1.127.447</b>	<b>1.296.898</b>	<b>1.416.759</b>	<b>1.558.050</b>	<b>1.748.938</b>	<b>1.960.528</b>
Deposit:						
Demand Deposits	147.436	180.669	174.928	188.218	205.133	214.300
Saving Deposits	349.441	387.180	414.333	459.960	504.155	550.594
Time Deposits	344.780	376.420	431.936	483.207	540.862	610.363
Other Interest Bearing Liabilities	91.225	140.071	156.570	180.576	207.962	239.731
Non Interest Bearing Liabilities	26.558	27.283	30.208	31.114	32.032	32.983
<b>Total Liabilities</b>	<b>959.440</b>	<b>1.111.623</b>	<b>1.207.975</b>	<b>1.343.075</b>	<b>1.490.143</b>	<b>1.647.971</b>
<b>Total Shareholder's Equity</b>	<b>168.008</b>	<b>185.275</b>	<b>208.784</b>	<b>214.975</b>	<b>258.794</b>	<b>312.557</b>

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Ratio Analysis	2017	2018	2019	2020F	2021F	2022F
NIM	10,65%	10,50%	10,27%	9,90%	9,80%	10,25%
LDR	87,84%	89,34%	88,86%	87,86%	87,16%	86,73%
Gross NPL (Bank only)	2,10%	2,15%	2,62%	2,47%	2,35%	2,40%
Cost of Credit	2,33%	2,17%	2,51%	1,81%	1,68%	1,81%
Provision Coverage	127,90%	137,46%	120,00%	128,45%	128,64%	125,69%
CAR	22,96%	21,21%	22,55%	22,24%	22,00%	22,26%
CASA	59,04%	60,14%	57,70%	57,29%	56,74%	55,62%
Cost-to-Income Ratio	41,84%	41,15%	40,45%	43,49%	42,68%	41,02%
ROE	17,03%	17,46%	16,46%	17,83%	17,19%	16,86%
ROA	2,54%	2,49%	2,43%	2,46%	2,54%	2,69%
ROAE		17,25%	16,96%	17,14%	17,51%	17,03%
BOPO	70,19%	70,02%	72,08%	70,07%	68,28%	67,34%
Loan Growth	11,44%	14,10%	7,56%	9,55%	9,61%	9,47%
Deposit Growth	11,55%	12,19%	8,15%	10,79%	10,50%	10,01%
Net Income Growth	10,23%	13,07%	6,25%	11,49%	16,10%	18,46%

**BBRI QoQ Result**

Balance Sheet	4Q18	3Q19	4Q19	%QoQ	%YoY
Loan	843.598	903.139	907.389	0,47%	7,56%
Loan Loss Reserves	-35.603	-41.636	-39.196	-5,86%	10,09%
NPL	17.234	25.178	22.523	-10,55%	30,69%
Deposit					
Demand	180.669	171.853	174.928	1,79%	-3,18%
Savings	387.180	384.016	414.333	7,89%	7,01%
Time Deposit	376.420	403.369	431.936	7,08%	14,75%
Total Asset	1.296.898	1.305.667	1.416.759	8,51%	9,24%
Shareholder Equity	182.968	197.107	206.323	4,68%	12,76%

Income Statement	4Q18	3Q19	4Q19	%QoQ	%YoY
Interest Income	30.288	32.041	32.855	2,54%	8,47%
Interest Expense	-10.205	-11.214	-11.006	-1,85%	7,85%
<b>Net Interest Income</b>	<b>20.084</b>	<b>20.827</b>	<b>21.849</b>	<b>4,91%</b>	<b>8,79%</b>
Net Operating Income	7.217	6.807	9.518	39,82%	31,88%
Operating Expense	-11.018	-11.155	-11.875	6,46%	7,77%
<b>PPOP</b>	<b>16.283</b>	<b>16.480</b>	<b>19.492</b>	<b>18,28%</b>	<b>19,71%</b>
Provision Expense	-4.452	-5.301	-7.140	34,68%	60,38%
<b>Operating Profit</b>	<b>11.831</b>	<b>11.178</b>	<b>12.352</b>	<b>10,50%</b>	<b>4,40%</b>
Profit Before Tax	11.821	11.196	12.308	9,93%	4,12%
Tax Expense	-2.950	-2.555	-2.697	5,55%	-8,58%
<b>Net Profit</b>	<b>8.880</b>	<b>8.616</b>	<b>9.592</b>	<b>11,33%</b>	<b>8,02%</b>

Ratio	4Q18	3Q19	4Q19	QoQ	YoY
NIM	2,69%	2,69%	2,62%	(0,06)	(0,07)
LDR	89,34%	94,15%	88,86%	(5,30)	(0,48)
Gross NPL (Bank only)	2,14%	2,94%	2,62%	(0,32)	0,48
Cost of Credit	0,94%	1,04%	0,93%	(0,11)	(0,01)
Provision Coverage	137%	113%	120%	7,04	(17,04)
CAR	21,35%	21,89%	22,80%	0,91	1,45
CASA	60,14%	57,95%	57,70%	(0,25)	(2,43)
Cost-to-Income Ratio	40,36%	40,36%	37,86%	(2,51)	(2,50)
ROE	4,85%	4,37%	4,65%	0,28	(0,20)
ROA	0,68%	0,66%	0,68%	0,02	(0,01)
BOPO	94,04%	100,13%	95,71%	(4,42)	1,67

**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.

**RESEARCH TEAM  
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