

18 September 2019
Banking, Equity

Price **IDR. 4.250**
Target Price **IDR. 4.500**
JKSE Index **6,236.69**



Stock Code
Bloomberg code **BBRI J**
Market cap (IDR.bn) **516,818.9**
52-Week High (IDR) **4,730**
52-Week Low (IDR) **2,870**
6-m Avg Daily. Val (IDR) **4,239**
Free Float (%) **42.35**

Major Shareholders (%)
Government RI **56.75%**
Public **42.35%**

USD/IDR-YE
2018A **14390**
2019F (6M Avg) **14100**

Key Indicators
Non Performing Loan (x) **2.2**
Net Interest Margin (x) **8.3**

Analyst: Lingga Pratiwi
Lingga.pratiwi@binaartha.com

Investment Consideration
Not affected by IFRS 9 implementation

BRI estimates only around a 100bps impact to CAR if the IFRS9 provision adjustment is taken from retained earnings (~Rp8-10tn). BRI also stated that they will still have an ample capital buffer post IFRS 9 implementation. In Provision Coverage, BRI will focus more on the micro, individual (5 billion), and corporate segments by adding ~Rp8-10tn with a 2020 target of providing 230% - 240% coverage. BBRI expects their cost of credit to go down even more. Their 2019 cost of credit target is 1.9% -2.1% and 2020 is expected to be 1.9% - 2%. NPLs in the Corporate Segment Are Quite Large.

NPL's Corporate Segment are high

To generate better profits, BRI has been lending to the medium and corporate credit segments. The medium credit segment has been limited in terms of potential market compared to large corporations which is a much larger potential market.

In 2016-2018 the corporate segment NPL has averaged 5.7% which is quite large. As a result of this, the corporate loans are rarely written off, and instead are restructured.

Focused on generating Micro Loan.

To generate more Micro Loan Growth, BBRI has launched micro initiatives including BRILink and BRISPOT (digital cellular applications). The implementation of BRISpot is expected to increase the number of borrowers per loan officer from currently 340 to 400. Therefore, the growth of total Micro borrowers is targeted to increase from 4%-5% per year to 7%. Cost efficiency will likely improve with this initiatives, however the benefits will start to be reflected only in the medium term. Currently deposits from BRILink are around Rp5.3tn but the bank still sees a lot of room to grow. For the agents, BRI provides EDC to do business transactions (investment for BRI) or the agent can instal the BRI application on their mobile phone (0% cost for BRI). Referral of new borrowers is around 8k from BRILink agents.

Valuation: 6%, Upside, HOLD.

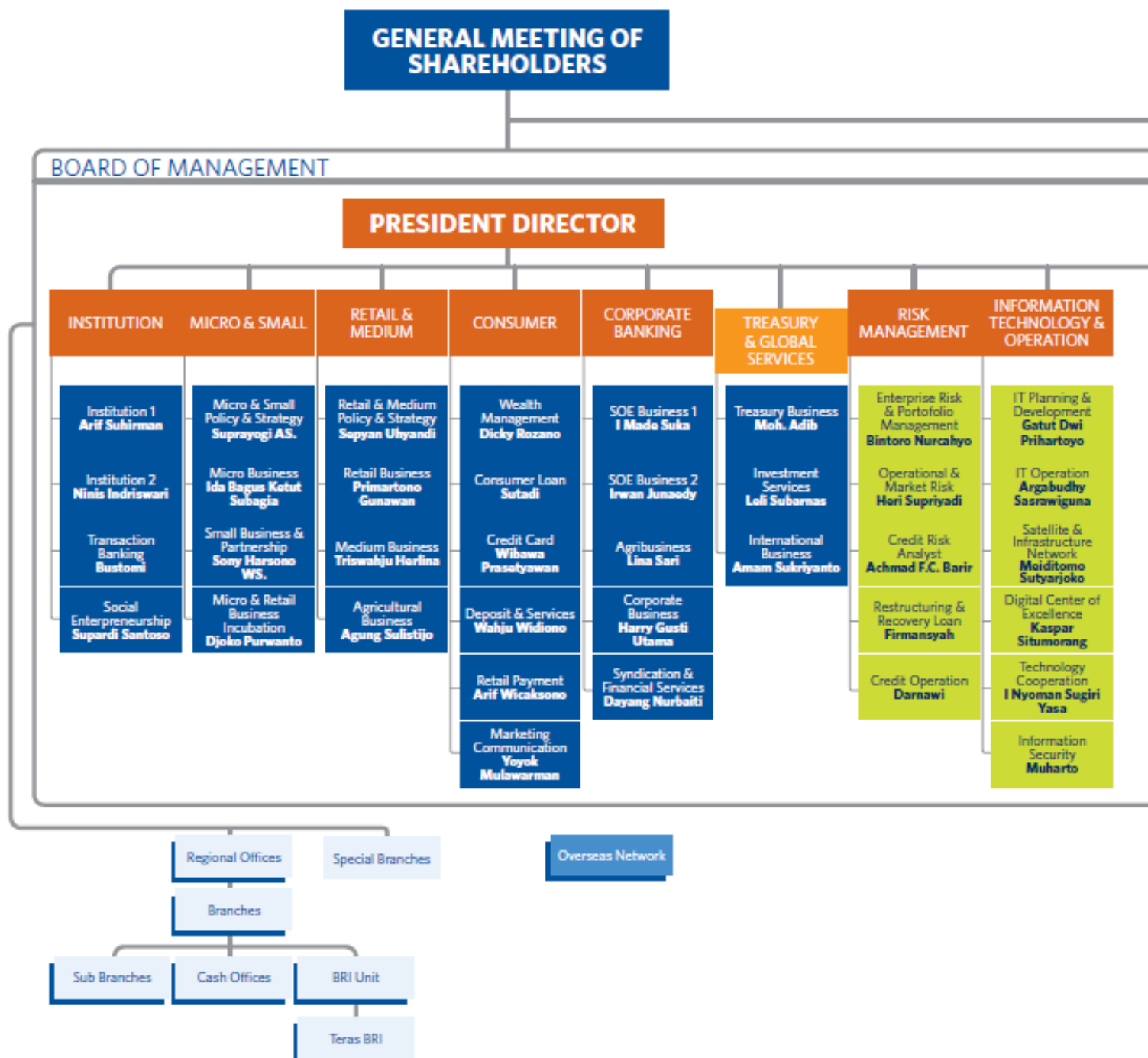
Based on our DDM Valuation, we have a target price within one year of IDR. 4500 or trading at 2x PBV which gives 6% potential upside, HOLD.

Income Statement (Idr bn)	2017	2018	2019F	2020F	2021F
Interest Income	102,912	30,288	37,036	41,623	49,065
Interest Expense	-29,894	-10,205	-11,366	-12,810	-15,103
Net Interest Income	73,018	20,084	25,669	28,812	33,961
Net Operating Income	19,271	7,217	6,721	7,508	8,895
Operating Expense	-38,614	-11,018	-12,024	-13,483	-15,976
Pre Provision Operating Profit	53,675	16,283	20,366	22,838	23,659
Provision Expense	-17,254	-4,452	-6,452	-8,777	-11,942
Operating Profit	36,421	11,831	13,914	14,060	11,718
Profit Before Tax	36,638	11,821	13,949	14,095	14,973
Tax Expense	-7,978	-2,950	-2,595	-2,622	-2,786
Net Profit	28,660	8,871	11,354	11,473	12,188
EPS (Rp/Share)	232	262	315	370	386

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

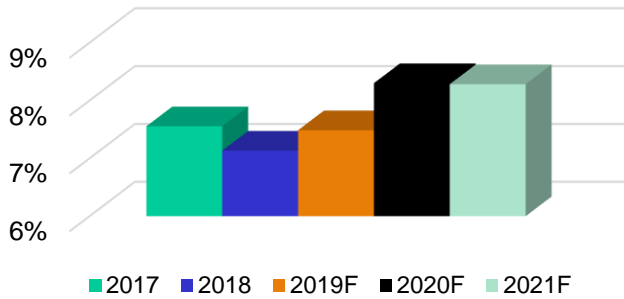


Chart: Loan to Deposit Ratio (x) yoy

Loan to Deposit Ratio

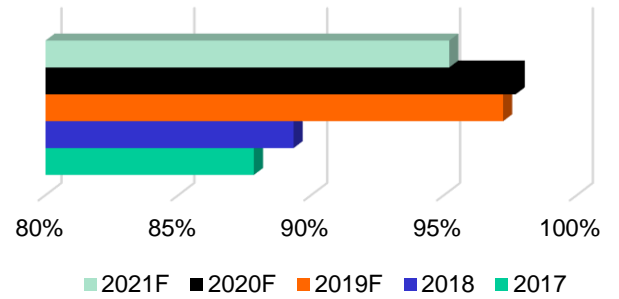


Chart: Profitability Ratio (x) yoy

Profitability

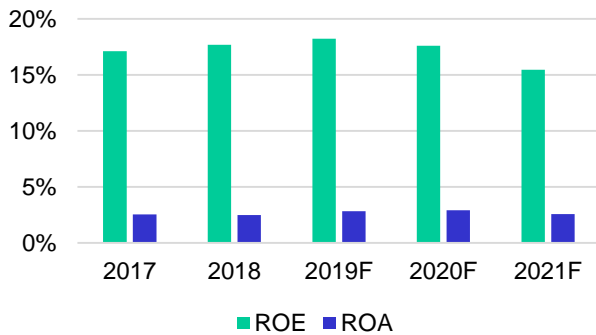
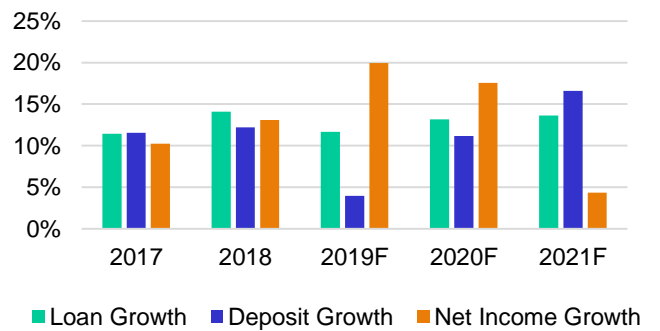


Chart: Loan Growth (x) QoQ

Growth



Balance Sheet (IDR.bn)

Balance sheet (Idr bn)	2017A	2018A	2019F	2020F	2021F
Cash and CA with BI	82,954	98,581	104,517	140,893	160,497
Interbank Placement	55,157	87,018	44,814	51,284	68,717
Marketable Securities	186,940	184,285	179,643	205,576	275,461
Gross Loan	739,337	843,598	942,069	1,065,898	1,211,038
Allowance for Loans	-30,104	-35,603	-37,269	-49,019	-53,515
Loans-net	709,232	807,995	904,800	1,016,879	1,157,524
Other Earning Asset	44,054	63,610	75,387	86,269	115,596
Non Earning Asset	49,111	55,409	60,414	67,945	80,524
Total Asset	1,127,447	1,296,898	1,369,575	1,568,846	1,858,319
Deposit:					
Demand Deposits	147,436	180,669	184,573	233,019	305,440
Saving Deposits	349,441	387,180	389,940	434,434	508,226
Time Deposits	344,780	376,420	407,049	423,577	458,493
Other Interest Bearing Liabilities	51,490	83,909	89,196	121,477	165,448
Non Interest Bearing Liabilities	66,293	83,446	83,566	94,544	110,361
Total Liabilities	959,440	1,111,623	1,154,323	1,307,050	1,547,968
Total Shareholder's Equity	168,008	185,275	215,253	261,796	310,351

Income Statement (IDR.bn)

Income Statement (Idr bn)	2017A	2018A	2019F	2020F	2021F
Interest Income	102,912	115,761	135,339	158,974	184,284
Interest Expense	-29,894	-37,150	-44,728	-48,947	-56,729
Net Interest Income	73,018	78,611	90,611	110,026	127,555
Net Operating Income	19,271	23,425	25,150	28,619	33,394
Operating Expense	-38,614	-41,990	-45,398	-51,419	-59,983
Pre Provision Operating Profit	53,675	60,047	20,366	22,838	23,659
Provision Expense	-17,254	-18,321	-22,744	-31,397	-42,716
Operating Profit	36,421	41,726	-2,378	-8,560	-19,056
Profit Before Tax	36,638	41,754	47,508	55,688	58,111
Tax Expense	-7,978	-9,335	-8,868	-10,412	-10,863
Net Profit	28,660	32,418	38,640	45,275	47,248
EPS (Rp/Share)	232	262	315	370	386

Ratio Analysis	2017A	2018A	2019F	2020F	2021F
NIM	7.56%	7.13%	7.49%	8.30%	8.28%
LDR	87.84%	89.34%	97.22%	97.70%	95.20%
Gross NPL (Bank only)	2.10%	2.14%	2.27%	2.22%	2.19%
Cost of Credit	2.33%	2.17%	2.41%	2.95%	3.53%
Provision Coverage	127.90%	137.04%	120.00%	120.00%	120.00%
CAR	22.96%	20.12%	22.65%	25.35%	27.74%
CASA	59.04%	60.14%	58.53%	61.18%	63.96%
Cost-to-Income Ratio	41.84%	41.15%	39.22%	37.09%	37.27%
ROE	17.11%	17.68%	18.23%	17.58%	15.45%
ROA	2.54%	2.49%	2.83%	2.91%	2.56%
ROAE		17.40%	17.95%	17.90%	16.52%
BOPO	70.19%	68.46%	68.20%	71.38%	74.23%
Loan Growth	11.44%	14.10%	11.67%	13.14%	13.62%
Deposit Growth	11.55%	12.19%	3.95%	11.15%	16.60%
Net Income Growth	10.23%	13.07%	19.95%	17.55%	4.34%

BBRI QoQ Result

Balance sheet (Idr bn)	1Q19	2Q19	3Q19	4Q19	1Q20	2Q20	3Q20	4Q20	1Q21	2Q21	3Q21	4Q21
Cash and CA with BI	89,053	91,096	92,568	104,517	118,732	126,957	133,869	140,893	146,078	151,114	155,951	160,497
Interbank Placement	64,669	43,218	47,100	44,814	47,054	47,992	49,765	51,284	55,240	59,401	63,907	68,717
Marketable Securities	185,133	173,242	188,804	179,643	188,622	192,383	199,488	205,576	221,437	238,117	256,177	275,461
Gross Loan	855,467	888,322	911,991	942,069	970,459	1,001,439	1,032,852	1,065,898	1,100,034	1,135,629	1,172,582	1,211,038
Allowance for Loans	-37,651	-39,263	-36,007	-37,269	-45,838	-47,138	-48,100	-49,019	-50,111	-51,185	-52,363	-53,515
Loans-net	817,816	849,059	875,984	904,800	924,622	954,301	984,752	1,016,879	1,049,923	1,084,444	1,120,219	1,157,524
Other Earning Asset	70,777	72,700	79,231	75,387	79,155	80,733	83,714	86,269	92,925	99,925	107,504	115,596
Non Earning Asset	52,414	58,880	58,026	60,414	61,650	63,887	65,745	67,945	70,805	73,894	77,111	80,524
Total Asset	1,279,861	1,288,196	1,341,713	1,369,575	1,419,835	1,466,253	1,517,334	1,568,846	1,636,409	1,706,895	1,780,868	1,858,319
Deposit:												
Demand Deposits	160,139	167,413	175,784	184,573	195,647	207,386	219,829	233,019	249,330	266,783	285,458	305,440
Saving Deposits	366,700	374,543	382,034	389,940	401,638	411,818	423,214	434,434	451,811	469,884	488,679	508,226
Time Deposits	409,187	403,098	411,160	407,049	411,119	415,230	419,383	423,577	432,048	440,689	449,503	458,493
Other Interest Bearing Liabilities	59,551	76,440	82,555	89,196	96,351	104,091	112,447	121,477	131,231	141,768	153,151	165,448
Non Interest Bearing Liabilities	89,371	75,861	87,208	83,566	88,304	89,325	92,388	94,544	98,370	102,114	106,175	110,361
Total Liabilities	1,084,949	1,097,355	1,138,741	1,154,323	1,193,059	1,227,851	1,267,262	1,307,050	1,362,789	1,421,238	1,482,966	1,547,968
Total Shareholder's Equity	194,911	190,841	202,972	215,253	226,777	238,403	250,072	261,796	273,619	285,657	297,903	310,351

Income Statement (Idr bn)	1Q19	2Q19	3Q19	4Q19	1Q20	2Q20	3Q20	4Q20	1Q21	2Q21	3Q21	4Q21
Interest Income	30,662	31,573	36,069	37,036	37,908	39,118	40,325	41,623	43,180	45,041	46,999	49,065
Interest Expense	-11,036	-11,156	-11,170	-11,366	-11,687	-12,033	-12,418	-12,810	-13,293	-13,864	-14,468	-15,103
Net Interest Income	19,626	20,417	24,899	25,669	26,221	27,085	27,907	28,812	29,887	31,176	32,531	33,961
Net Operating Income	5,429	6,684	6,316	6,721	6,785	7,069	7,256	7,508	7,819	8,163	8,517	8,895
Operating Expense	-10,109	-11,827	-11,437	-12,024	-12,212	-12,685	-13,039	-13,483	-14,046	-14,661	-15,299	-15,976
Pre Provision Operating Profit	14,946	15,274	19,778	20,366	20,795	21,469	22,124	22,838	23,659	24,678	25,749	26,880
Provision Expense	-4,787	-5,531	-5,974	-6,452	-6,968	-7,525	-8,127	-8,777	-9,480	-10,238	-11,057	-11,942
Operating Profit	10,159	9,743	13,804	13,914	13,827	13,944	13,997	14,060	14,180	14,440	14,692	14,938
Profit Before Tax	10,153	9,707	13,839	13,949	13,862	13,979	14,032	14,095	14,215	14,475	14,727	14,973
Tax Expense	-1,957	-1,741	-2,575	-2,595	-2,579	-2,601	-2,611	-2,622	-2,645	-2,693	-2,740	-2,786
Net Profit	8,196	7,966	11,265	11,354	11,283	11,378	11,422	11,473	11,570	11,782	11,987	12,188
EPS (Rp/Share)	67	65	92	93	92	93	94	94	95	97	98	100

Ratio Analysis	2Q18	1Q19	2Q19
NIM	7.53%	6.68%	6.81%
ROE	19.37%	17.86%	17.79%
ROA	3.25%	3.17%	3.09%
Loan Growth	15.50%	12.9%	11.80%
Deposit Growth	9.10%	13.2%	12.80%
Gross NPL (Bank only)	2.41%	2.41%	2.51%
LDR	94.79%	91.39%	94.00%

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
(62-21) 520-6678 ext.612**

Disclaimer; PT Binaartha Sekuritas has compiled this report in good faith, using information believed to be reliable. PT Binaartha and its analyst take no responsibility for the accuracy of the information contained in this report. This report has been produced for distribution to clients of PT Binaartha Sekuritas only. This report is not an invitation to buy or sell any security. PT Binaartha Sekuritas may have used the information in this report prior to publication. The company or its clients may have positions in or may from time to time buy or sell the securities mentioned in this report or other related securities.