

27 August 2020
Banking, Equity

Price **IDR. 3740**
Target Price **IDR. 4350**
JKSE Index **5340.33**



Stock Code **BBRI J**
Bloomberg code **BBRI J**
Market cap (IDR.bn) **439,111.1B**
52-Week High (IDR) **4760**
52-Week Low (IDR) **2160**
6-m Avg Daily. Val (IDR) **3128**
Free Float (%) **56.75**

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

USD/IDR-YE
2019A **14390**
2020F (6M Avg) **14475**

Key Indicators
Non-Performing Loan (x) **2.53**
Net Interest Margin (x) **5.37**

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Investment Consideration Focus in the Micro-Loan

In 1H20, credit growth was 3.8% YoY, driven by the micro-segment which grew by 7.1%, such that its share of total loans increased to 36.3% in line with BRI's plan to increase the composition of micro to 40% in 2022. Consumer loans grew 4.3%, Small Commercial 2.8%, Medium 3%, Corporate non-SOE & SOE - 0.3%. BBRI's focus is still on the micro-segment due to the interest subsidy for ultra micro (KUR) with an average loan size of IDR 10 million. We still estimate credit growth will be 5% this year.

NPL up, Special Mention down

Non-Performing Loans increased to 2.98% from 2.35% in 1H19, The increase came from corporate which is at 10.75%, while SoE is 1.11%, and Medium 6.79%. Special Mention Loans decreased to 4.19% from 5.37% in 1H19 helped by micro, while BUMN special mention loans increased due to worsening steel industry credits. BRI's NPL Coverage is sufficient at 200.34% in 1H20, while the Write-off & Recovery Rate decreased to 44.5% from 50.1% in 1H19, due to a decline in asset market prices. BRI will focus on growing recovery income to provide future other income.

Restructuring Process

As of July 31, 2020, BBRI has restructured loans worth IDR 183.7 trillion, 21.3% of total loans, 46% from micro loans, 45% small commercial, and 6% consumer. The restructured loan amount decreased to IDR 11.4tn in June and IDR 11.8tn in July. The pace of debt restructuring has slowed down as the government has relaxed large-scale social restrictions. Cost of Credit is estimated to be around 3.5%. BBRI hopes that the total restructured loan can reach IDR 213tn by the end of the year.

Valuation: 16%, Upside, Hold.

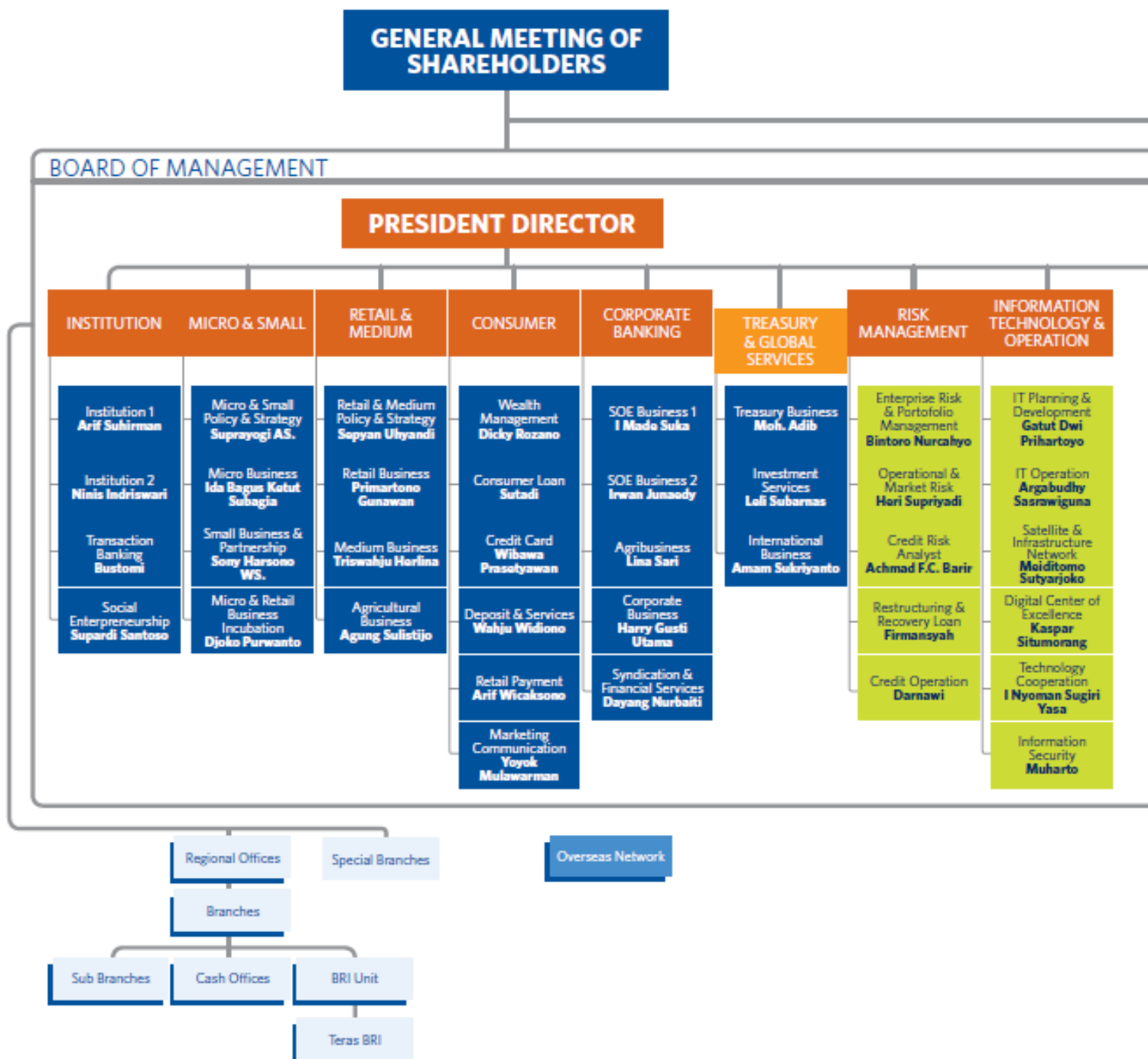
Based on our DDM Valuation, we have a target price within one year of IDR. 4350 or trading at 2.1x PBV which gives 16% potential upside, Hold.

Income Statement (Idr bn)	2017A	2018A	2019A	2020F	2021F	2022F
Interest Income	102.912	115.761	127.130	117.975	133.502	149.757
Interest Expense	-29.894	-37.150	-44.412	-40.358	-43.715	-49.218
Net Interest Income	73.018	78.611	82.718	77.617	89.787	100.539
Net Operating Income	19.271	23.425	28.439	25.215	28.439	32.026
Operating Expense	-38.614	-10.477	-11.131	-41.990	-21.936	-33.052
Pre Provision Operating Profit	53.675	60.047	66.192	57.142	69.977	76.382
Provision Expense	-17.254	-18.321	-22.760	-11.294	-19.383	-20.449
Operating Profit	36.421	41.726	43.432	45.848	50.594	55.933
Profit Before Tax	36.638	41.754	43.364	45.779	50.525	55.863
Tax Expense	7.978	9.335	8.950	7.782	8.589	9.497
Net Profit	28.660	32.418	34.414	37.997	41.936	46.366
EPS (Rp/Share)	232,0	264,7	281,0	310,2	342,4	378,5

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: Gross Loan (x) YoY

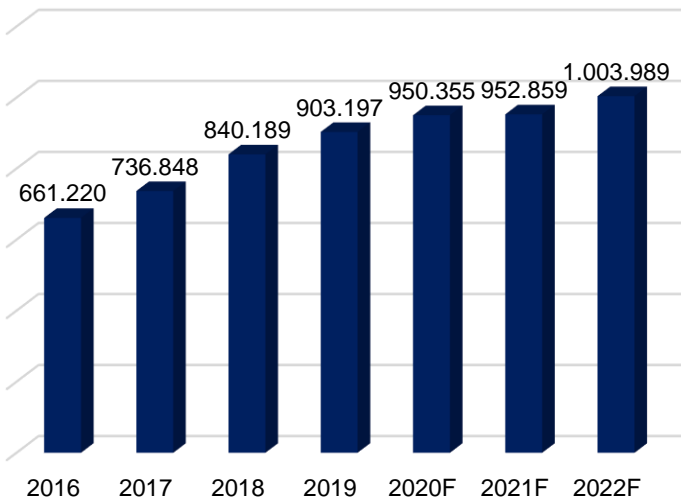


Chart: Customer Deposit (x) YoY

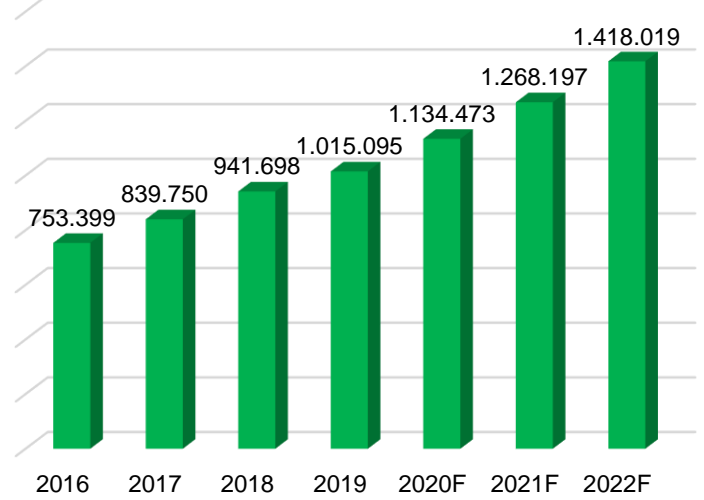


Chart: Profitability Ratio (x) YoY

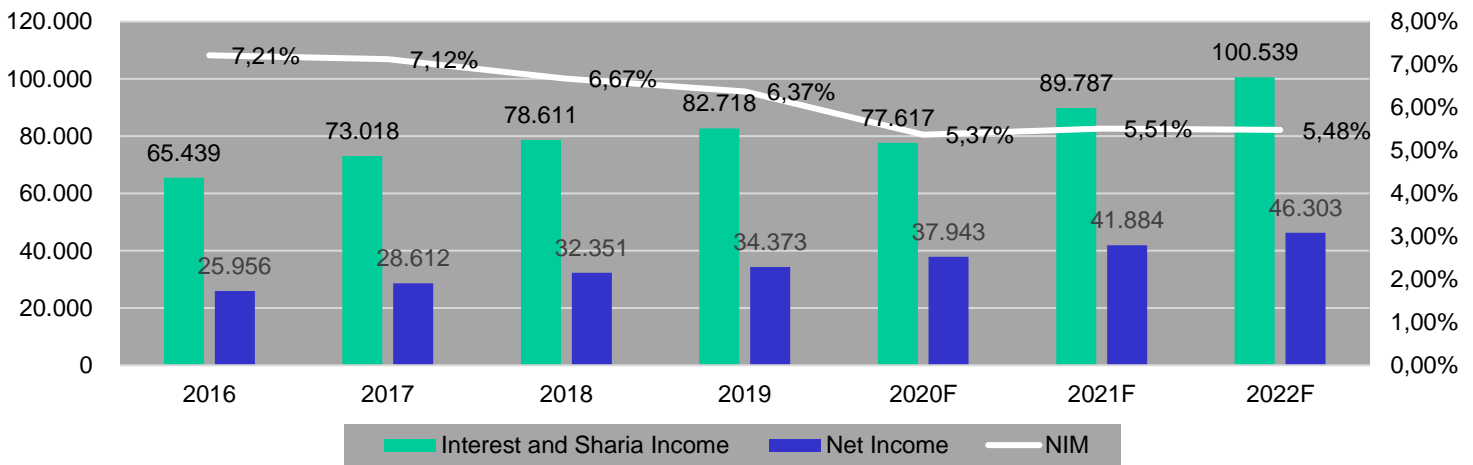


Chart: Net Interest Margin (x) YoY

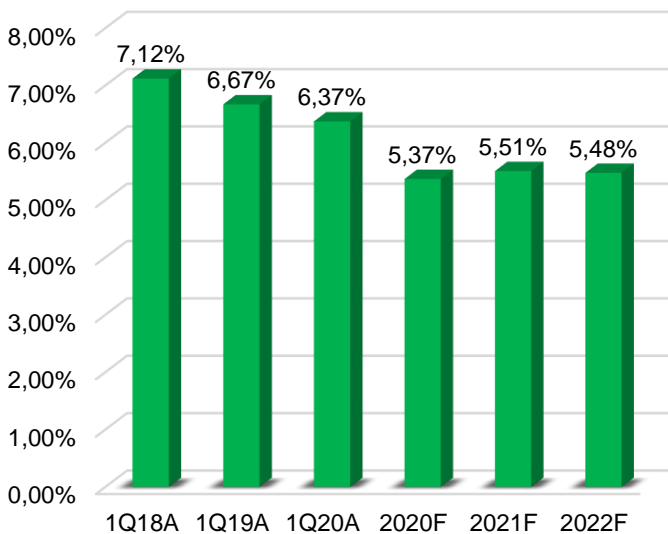


Chart: Loan to Deposit Ratio (x) YoY

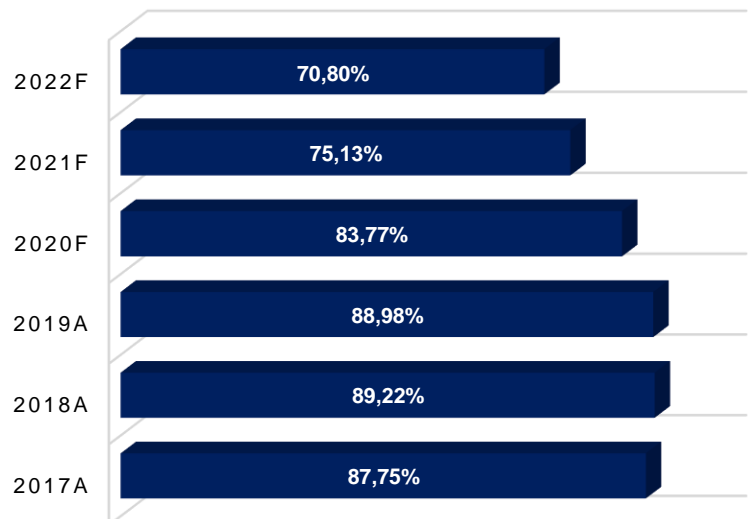


Chart: Gross Loan (x) QoQ

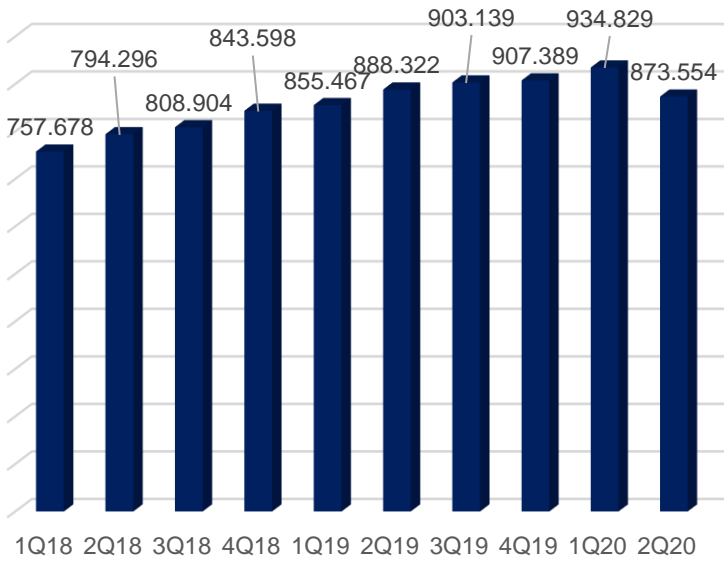


Chart: Customer Deposit (x) QoQ

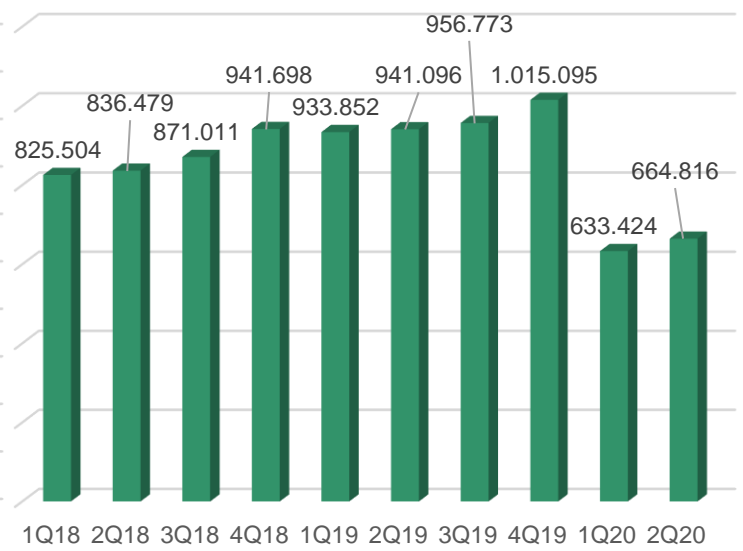


Chart: Net Income (x) QoQ

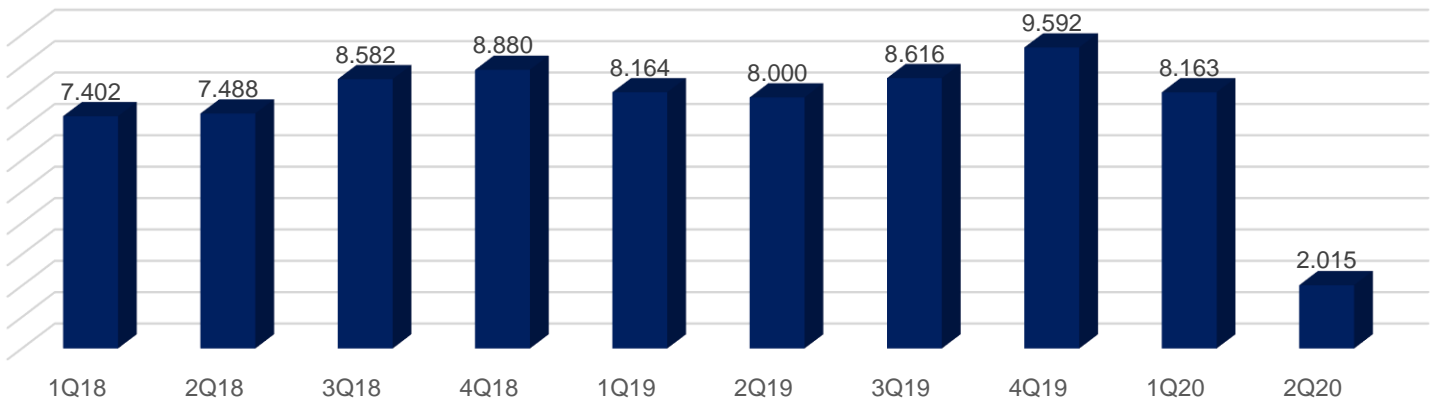
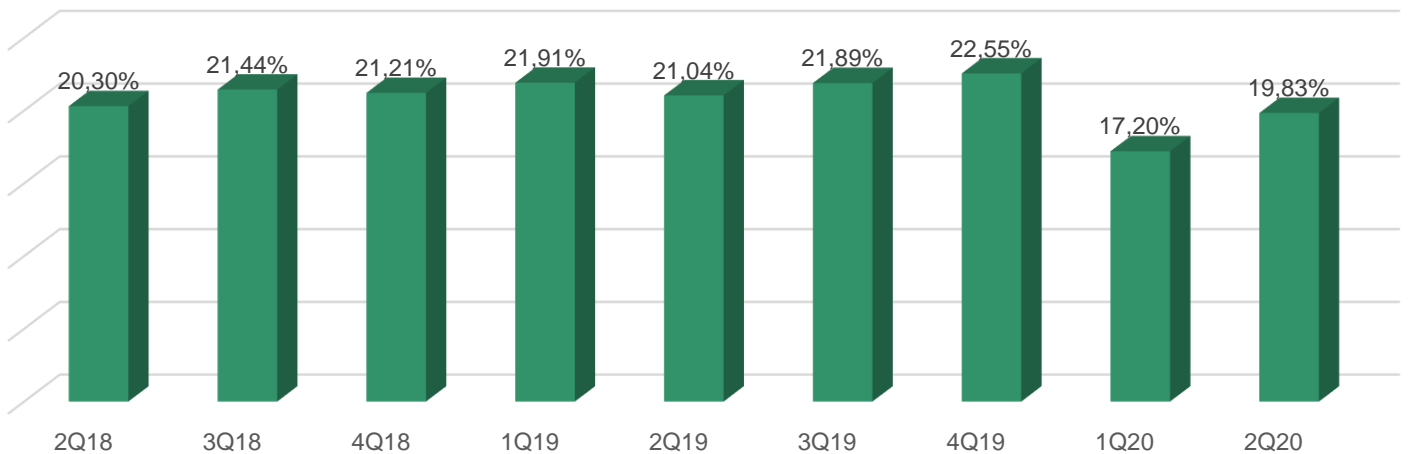


Chart: CAR (x) QoQ



Balance Sheet (IDR.bn)

Balance sheet (Idr bn)	2017A	2018A	2019A	2020F	2021F	2022F
Cash and CA with BI	82.954	98.581	101.636	96.491	83.701	69.945
Interbank Placement	55.157	87.018	116.855	131.562	171.106	210.128
Marketable Securities	186.939	184.284	195.840	275.590	380.347	467.088
Gross Loan	736.848	840.189	903.197	950.355	952.859	1.003.989
Allowance for Loans	-30.001	-35.515	-39.109	-33.500	-35.152	-36.911
Loans-net	706.847	804.673	864.089	916.855	917.707	967.078
Other Earning Asset	288.536	338.235	394.796	495.259	677.606	832.140
Non Earning Asset	49.111	55.409	56.239	65.304	72.149	82.097
Total Asset	1.127.447	1.296.898	1.416.759	1.573.909	1.751.163	1.951.260
Deposit:						
Current Account	145.529	178.098	168.826	182.332	196.919	212.672
Saving Account	349.441	387.180	414.333	464.052	519.739	582.107
Time Deposits	344.780	376.420	431.936	488.088	551.539	623.240
Other Interest Bearing Liabilities	104.340	152.958	171.869	200.969	234.996	274.783
Non Interest Bearing Liabilities	15.350	16.967	21.010	21.445	21.889	22.342
Total Liabilities	959.440	1.111.623	1.207.975	1.356.887	1.525.082	1.715.145
Total Shareholder's Equity	168.008	185.275	208.784	217.022	226.081	236.115

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Ratio Highlights

Ratio Analysis	2017A	2018A	2019A	2020F	2021F	2022F
Profitability & Efficiency						
NIM	7,12%	6,67%	6,37%	5,37%	5,51%	5,48%
Cost-to-Income Ratio	41,84%	41,15%	40,45%	44,43%	40,81%	42,38%
ROE	17,11%	17,68%	16,66%	17,68%	18,73%	19,82%
ROA	2,54%	2,49%	2,43%	2,41%	2,39%	2,37%
ROAE		17,40%	17,17%	17,17%	18,21%	19,27%
BOPO	41,95%	43,70%	42,82%	52,21%	44,82%	46,73%
Cost of Credit	2,34%	2,18%	2,52%	3,00%	2,57%	2,70%
Liquidity						
LDR	87,75%	89,22%	88,98%	83,77%	75,13%	70,80%
CASA	58,94%	60,03%	57,45%	56,98%	56,51%	56,05%
Asset Quality						
Gross NPL	2,10%	2,15%	2,62%	2,53%	2,51%	2,50%
Provision Coverage	127,46%	137,12%	119,73%	100,00%	100,00%	100,00%
Capital						
CAR	22,96%	21,21%	22,55%	22,24%	22,00%	22,19%
Growth						
Loan Growth	11,44%	12,82%	7,61%	5,26%	5,31%	5,37%
Deposit Growth	11,46%	12,14%	7,79%	11,76%	11,79%	11,81%
Net Income Growth	10,23%	13,07%	6,25%	10,39%	10,39%	10,55%

BBRI QoQ Result

Balance Sheet	2Q19	1Q20	2Q20	%QoQ	%YoY
Loan	888.322	934.829	873.554	-6,55%	-1,66%
Loan Loss Reserves	-39.423	-57.695	-1.043	-98,19%	-97,36%
NPL	844.500	884.300	869.000	-1,73%	2,90%
Deposit					
Demand	163.455	169.928	178.528	5,06%	9,22%
Savings	374.543	9.683	12.347	27,51%	-96,70%
Time Deposit	403.098	453.814	473.941	4,44%	17,57%
Total Asset	1.288.196	1.358.979	1.387.759	2,12%	7,73%
Shareholder Equity	188.504	177.263	185.419	4,60%	-1,64%

Income Statement	2Q19	1Q20	2Q20	%QoQ	%YoY
Interest Income	31.573	33.495	25.859	-22,80%	-18,10%
Interest Expense	11.156	11.333	10.934	-3,52%	-1,99%
Net Interest Income	20.417	22.162	14.924	-32,66%	-26,90%
Net Operating Income	6.684	7.366	6.370	-13,52%	-4,70%
Operating Expense	11.827	12.808	12.610	-1,55%	6,62%
PPOP	15.274	16.720	8.685	-48,06%	-43,14%
Provision Expense	-5.531	-6.593	-3.299	-49,97%	-40,36%
Operating Profit	9.743	10.127	5.386	-46,81%	-44,72%
Profit Before Tax	9.707	10.156	5.384	-46,99%	-44,54%
Tax Expense	1.741	1.986	3.353	68,83%	92,57%
Net Profit	7.966	8.170	2.031	-75,14%	-74,50%

Ratio	2Q19	1Q20	2Q20	%QoQ	%YoY
Profitability & Efficiency					
NIM	7,02%	6,66%	5,72%	(0,94)	(1,30)
ROE	17,40%	18,33%	11,33%	(7,00)	(6,07)
ROA	3,31%	3,19%	2,41%	(0,78)	(0,90)
CER	41,35%	41,19%	50,23%	9,04	8,88
Cost of Credit	3,64%	3,65%	3,54%	(0,11)	(0,10)
Liquidity					
LDR	93,09%	90,39%	85,78%	(4,61)	(7,31)
CASA	58,72%	56,86%	56,64%	(0,22)	(2,08)
RIM	92,17%	86,09%	82,30%	(3,79)	(9,87)
Asset Quality					
Gross NPL (Bank only)	2,35%	2,81%	2,98%	0,17	0,63
NPL Coverage Ratio	194,60%	223,60%	200,30%	(23,30)	5,70
Capital					
CAR	20,77%	18,23%	19,83%	1,60	(0,94)

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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