

Wednesday, 14 August 2019

Not Rated

Last price (IDR)	4,280
Target Price (IDR)	N/A
Upside/Downside	N/A
Previous Target Price (IDR)	N/A

Stock Statistics

Sector	Banking
Bloomberg Ticker	BBRI IJ
No of Shrs (mn)	123,346
Mkt. Cap (IDRbn/USDmn)	527,920/36,853
Avg. daily T/O (IDRbn/USDmn)	460.4/32.1

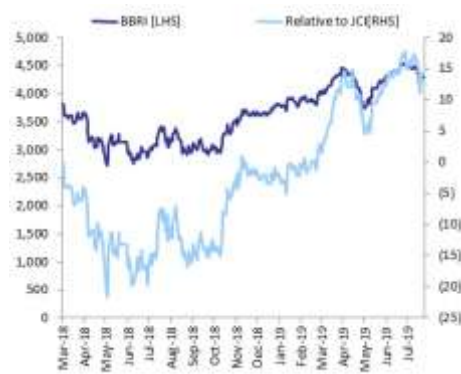
Major shareholders (%)

Government of Indonesia	56.8
Estimated free float	43.2

EPS Consensus (IDR)

	2019F	2020F	2021F
Consensus	298.8	343.7	390.3

BBRI relative to JCI Index



Source : Bloomberg



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Bank Rakyat Indonesia (BBRI IJ)

Still the most profitable bank in Indonesia

BBRI's 1H19 net profits of IDR16.1tn are slightly below the consensus (44%). Loans still grew at a strong pace of 11.8% yoy with higher micro lending exposure of 34.7% of the total loans portfolio as of June 2019. NIM declined to 6.8% owing to pressure on the blended CoF following a total of 175bps of policy rate hikes last year. Assets quality remains manageable with a gross NPLs ratio of 2.5% and 239bps credit costs. Going forward, BBRI's management will continue to focus on its micro lending business with KUR and Kupedes as its core products. BBRI's management therefore targets 40% micro lending exposure to the total loans book by the end of 2022.

1H19/2Q19 highlights. The IDR16.1tn of 1H19 net profits are slightly below the consensus (44% of FY19F), supported by 11.8% yoy loans growth and a credit cost of 239bps. The NIM, meanwhile, dropped to 6.8% from 7.5% in 1H18, owing to higher pressure on the blended CoF. Nonetheless, 2Q19's NIM already expanded by c.40bps to 7.2% from 6.8% in 1Q19. This is a good indication that pressure on the blended CoF is already easing. And going forward, BBRI's management has indicated that it will seek to lower the bank's exposure to TD customers with preferential rates.

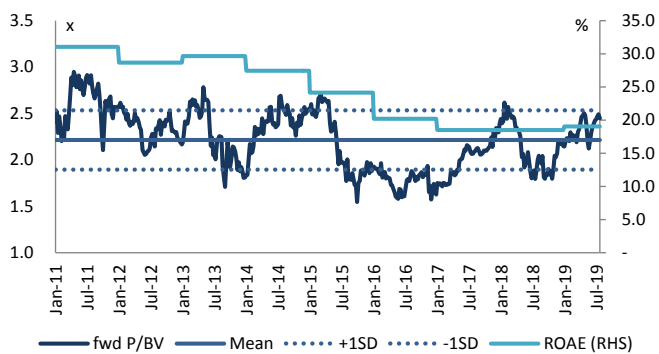
Expect no major bump in assets quality. On a quarterly basis, the credit cost rose to 254bps in 2Q19 (compared to 1Q19's 220bps) as the bank's management sought to maintain an ample loans loss coverage (LLC) ratio. As such, the LLC ratio hovered around 194.6% with a gross NPLs ratio of 2.5% as of June 2019, or above the management's comfortable level of 170%. BBRI already provides 20% coverage on Duniatex's loans of IDR1.8tn as of June 2019 due to a subsequent events procedure by the external auditor. Thus, we do not expect more provisions on Duniatex in 2H19. Additionally, the potential implementation of PSAK 71 should be manageable with a limited downward impact on the bank's CAR by only 150bps at max from its current level of 21.0% as of June 2019.

Normalised margins. The bank's significant exposure to micro lending at 34.7% of its total loans book as of June 2019 should provide an adequate buffer for its asset yields in our view. Going forward, BBRI targets 40% micro lending exposure and a maximum of 20% corporate lending exposure by 2022. BBRI's management highlighted that it had already repriced the micro lending rate with tenors of more than two years and corporate segment loans after last year's policy rate hikes of 175bps. All in all, the 7.2-7.4% NIM target for this year should be achievable at the lower range in our view.

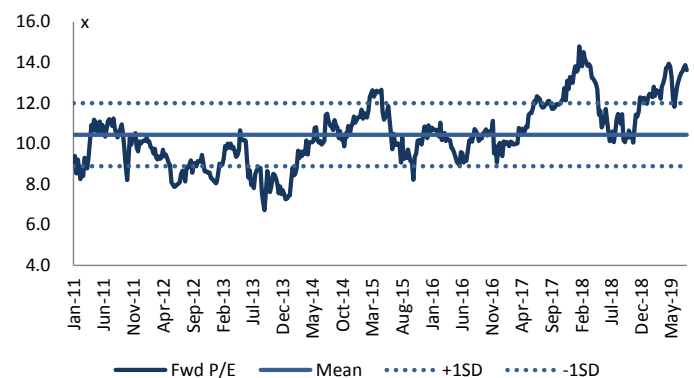
Key Financials

Year to 31 Dec	2014A	2015A	2016A	2017A	2018A
PPOP (IDRbn)	34,081	39,413	47,755	54,040	60,047
Net profit (IDRbn)	24,254	25,411	26,196	28,997	32,351
EPS (IDR)	196.2	206.1	212.4	235.1	262.3
EPS growth (%)	14.1	4.8	3.1	10.7	11.6
BVPS (IDR)	792.4	914.8	1,187.1	1,351.9	1,483.4
PER (x)	21.8	20.8	20.1	18.2	16.3
PBV (x)	5.4	4.7	3.6	3.2	2.9
Dividend yield (%)	1.4	1.4	2.0	2.2	2.1
ROAE (%)	27.4	24.1	20.2	18.5	18.5

Source : BBRI, Danareksa Estimates

Exhibit 1. PBV ROAE Band Chart


Source: Bloomberg, Danareksa Sekuritas estimates

Exhibit 2. PE Band Chart


Source: Bloomberg, Danareksa Sekuritas estimates

Exhibit 3. BBRI's result

FYE Dec (IDRbn)	2Q18	1Q19	2Q19	QoQ (%)	YoY (%)	1H18	1H19	YoY (%)
Net interest income	19,290	19,411	20,514	5.7	6.3	36,936	39,925	8.1
Reported NIM (%)	7.7	6.8	7.2			7.5	6.8	
Non-interest income	5,367	5,429	6,684	23.1	24.5	10,613	12,113	14.1
Non-Int/Total income (%)	21.8	21.9	24.6			22.3	23.3	
Operating income	24,657	24,840	27,198	9.5	10.3	47,550	52,038	9.4
Overhead expenses	(10,409)	(10,109)	(11,827)	17.0	13.6	(19,760)	(21,936)	11.0
Cost-Income Ratio (%)	42.2	40.7	43.5			41.6	42.2	
Pre-Provisions profit	14,248	14,730	15,372	4.4	7.9	27,790	30,102	8.3
Provisions allowance	(5,246)	(4,787)	(5,531)	15.5	5.4	(10,257)	(10,318)	0.6
Credit cost - annualised (bps)	263	220	254			268	239	
Pretax profit	8,992	9,938	9,923	(0.2)	10.4	18,484	19,861	7.5
Tax	(1,813)	(1,957)	(1,740)	(11.1)	(4.1)	(3,549)	(3,696)	4.1
Effective tax rate (%)	(20.2)	(19.7)	(17.5)			(19.2)	(18.6)	
Profit after tax	7,179	7,981	8,183	2.5	14.0	14,934	16,163	8.2
Minority Interest	(27)	(32)	(30)	(5.3)	13.0	(48)	2	(103.6)
Net Profit	7,152	7,949	8,216	3.4	14.9	14,555	16,165	11.1

Other Key Data and Ratios

Gross loans	794,296	851,870	888,322	4.3	11.8	794,296	888,322	11.8
Customer deposits	837,994	936,027	945,054	1.0	12.8	837,994	945,054	12.8
Gross Non-Performing Loan	19,143	20,530	22,297	8.6	16.5	19,143	22,297	16.5
Total assets	1,153,228	1,279,861	1,288,196	0.7	11.7	1,153,228	1,288,196	11.7
Equity	166,680	192,571	190,841	-0.9	14.5	166,680	190,841	14.5
ROAA (%)	2.5	2.5	2.6			2.6	2.5	
ROAE (%)	17.6	16.9	17.1			17.5	17.3	
LDR (%)	94.8	91.0	94.0			94.8	94.0	
Gross NPL ratio (%)	2.4	2.4	2.5			2.4	2.5	
LLC ratio (%)	191.0	191.5	194.6			191.0	194.6	
CAR (%)	20.1	21.7	21.0			20.1	21.0	

Source : Company, Danareksa Sekuritas estimates

Exhibit 4. Income Statement

Year to 31 Dec (IDRbn)	2016A	2017A	2018A
Interest Income	93,995	102,899	111,583
Interest Expense	(28,577)	(29,894)	(33,917)
Net Interest Income	65,418	73,005	77,666
Non-Interest Income (NII)	16,799	18,641	23,498
Oper. Income	82,217	91,646	101,164
Oper. Expenses	(34,941)	(38,442)	(41,990)
Pre-provisions profit	47,755	54,040	60,047
Provisions & Allowances	(13,791)	(17,234)	(18,321)
Operating Profits	33,965	36,806	41,726
Non-Operating Income	9	216	28
Exceptionals	0	0	0
Pre-tax Profit	33,974	37,022	41,754
Income Tax	(7,746)	(7,978)	(9,335)
Minorities	(32)	(48)	(67)
Net Profit	26,196	28,997	32,351

Exhibit 5. Balance Sheet

Year to 31 Dec (IDRbn)	2016A	2017A	2018A
Gross Loans	643,471	718,983	820,010
Provisions	(22,184)	(29,423)	(35,018)
Net Loans	621,287	689,559	784,992
Govt. Bonds	3,318	3,318	1,505
Securities	131,483	186,919	184,284
Other Earnings Assets	125,180	19,673	23,003
Total Earnings Assets	903,452	1,024,428	1,177,466
Fixed Assets	32,262	33,972	37,925
Non-Earnings Assets	67,930	20,200	23,380
Total Assets	1,003,644	1,126,248	1,296,898
Customer Deposits	732,559	815,368	915,430
Banks Deposits	2,230	5,593	9,131
Int. Bearing Liab. - Others	122,043	26,289	28,839
Total Liabilities	856,832	958,901	1,111,623
Share capital & Reserves	20,446	22,215	18,245
Retained Earnings	125,975	144,534	164,722
Shareholders' Funds	146,421	166,749	182,968
Minority interests	391	599	2,308
Total Equity & Liabilities	1,003,644	1,126,248	1,296,898

Exhibit 6. Ratios

Year to 31 Dec (IDRbn)	2016A	2017A	2018A
Yield on Earning Assets	11.2	10.7	10.1
Cost of funds	3.6	3.4	3.4
Interest Spread	7.6	7.3	6.8
Net Interest Margin	7.8	7.6	7.1
Cost/Income Ratio	42.3	41.6	41.2
Oper. Exp./Oper. Gross Inc.	69.5	69.9	69.3
Gross NPL Ratio	2.0	2.2	2.3
LLP/Gross NPL	169.0	183.5	188.1
Cost of Credit	2.3	2.5	2.4
Loan to Deposit Ratio	87.8	88.2	89.6
Loan to Funding Ratio	85.0	85.0	86.6
CASA Mix	59.8	59.6	60.4
ROAE	20.2	18.5	18.5
ROAA	2.8	2.7	2.7
CAR	21.6	21.7	21.1

Exhibit 7. Dupont and growth

Year to 31 Dec	2016A	2017A	2018A
Dupont			
Pre-Tax ROAA	3.6	3.5	3.4
Tax Retention rate	77.2	78.5	77.6
Post-Tax ROAA	2.8	2.7	2.7
Goodwil, Assoc& Min	0.0	0.0	0.0
Leverage	7.3	6.8	6.9
ROAE	20.2	18.5	18.5
Growth (%)			
Interest income	10.0	9.5	8.4
Net Interest Income	12.2	11.6	6.4
Other Oper. Expenses	11.8	10.0	9.2
Fee Based Income	25.4	13.2	15.1
Pre-Provision Oper. Profit	21.2	13.2	11.1
Net Profit	3.1	10.7	11.6
Shareholders' Equity	29.8	13.9	9.7
Loan	14.0	11.7	14.1
Earnings Asset	15.6	13.4	14.9
Deposit	11.2	11.7	12.6
Int. Bearing Liab.	11.8	11.5	16.2
CASA	15.2	11.2	14.1
Total Asset	14.3	12.2	15.2

Source : BBRI, Danareksa Estimates

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