

Friday, 24 January 2020  
**NOT RATED**

## Bank Rakyat Indonesia (BBRI IJ)

### Stay micro, stay profitable

Last price (IDR)	4,740
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)	584,659/42,867
Avg. daily T/O (IDRbn/USDmn)	429.1/31.5

#### Major shareholders (%)

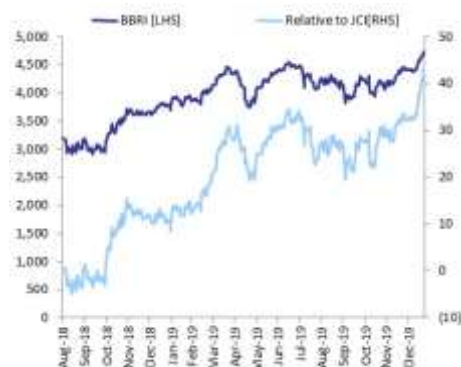
Government of Indonesia	56.8
-------------------------	------

Estimated free float	43.2
----------------------	------

#### EPS Consensus (IDR)

	2019F	2020F	2021F
Consensus	283.0	322.2	363.3

#### BBRI relative to JCI Index



Source : Bloomberg



**Eka Savitri**

(62-21) 5091 4100 ext.3506  
eka.savitri@danareksa.co.id

BBRI's FY19 net profits of IDR34.4tn are inline with the consensus (99.0% of FY19F). Loans growth was on the soft side at 8.4% yoy with higher micro lending exposure of 35.8% of the total loans portfolio as of December 2019. NIM, however, normalised to 6.7% due to an uptick in the blended CoF by c.30bps on a yoy basis. Meanwhile, the gross NPLs ratio could be maintained at 2.6% with 257bps credit costs. Going forward, BBRI's management will continue to focus on its micro lending business with KUR and Kupedes as its core products. As such, BBRI's management targets 40% micro lending exposure to the total loans book by the end of 2022.

**FY19 highlights.** The IDR34.4tn of FY19 net profits are inline with the consensus (99.0% of FY19F), supported by 8.4% yoy loans growth and 257bps credit costs. The NIM, meanwhile, slipped to 6.7% from 7.2% in FY18, owing to an uptick in the blended CoF by c.30bps to 3.6% in FY19. Nonetheless, 4Q19's NIM expanded by c.10bps to 6.8% from 6.7% in 3Q19. This is encouraging and indicates that pressure on the blended CoF is already easing, although more gradually in our view.

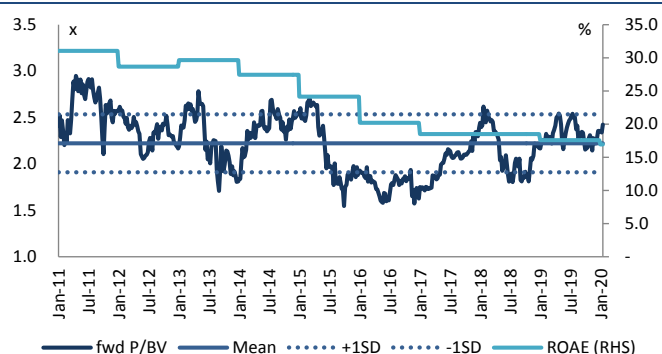
**Limited impact from PSAK 71 implementation.** As of December 2019, the gross NPLs ratio dropped to 2.6% from September 2019's figure of 3.1%, as BBRI's management wrote off two non-SOE corporate borrowers in the transportation and energy sectors. For both names, BBRI already provides 100% coverage. Aside from that, the gross NPLs ratio for non-SOE corporates stood at 8.7% (Sep-19: 10.5%) coming from cement and textile borrowers. Additionally, the potential implementation of PSAK 71 of IDR13-15tn (IDR11tn in loans and the remaining in non-loans items) should be manageable with a limited impact on the bank's CAR of 170bps from its current level of 22.8% as of December 2019. Such an adjustment should only bring down its shareholders' equity by 7.5% from December 2019's figure of IDR208.8tn.

**Normalised margins.** The bank's significant exposure to micro lending at 35.8% of its total loans book as of December 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 has already repriced the micro lending rate with tenors of more than two years and corporate segment loans as well. All in all, we see that a NIM of 6.8% this year should be achievable thanks to the 100bps cut in the KUR micro lending rate to 6% and last year's policy rate cut.

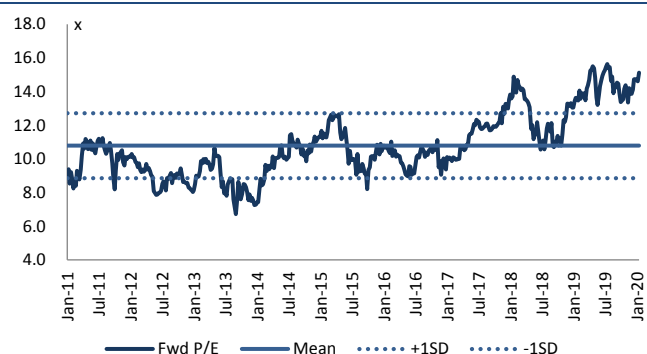
#### Key Financials

Year to 31 Dec	2016A	2017A	2018A	2019A
PPOP (IDRbn)	47,755	54,040	60,047	65,926
Net profit (IDRbn)	26,196	28,997	32,351	34,412
EPS (IDR)	219	235	262	279
EPS growth (%)	3.1	10.7	11.6	5.3
BVPS (IDR)	1,187	1,352	1,483	1,693
PER (x)	20.1	20.0	18.0	17.0
PBV (x)	3.7	3.5	3.2	2.8
Dividend yield (%)	1.8	2.0	2.5	2.9
ROAE (%)	20.2	18.5	18.5	17.6

Source : BBRI, Danareksa Estimates

**Exhibit 5. PBV ROAE BAND CHART**


Source: Bloomberg, Danareksa Sekuritas estimates

**Exhibit 6. PE BAND CHART**


Source: Bloomberg, Danareksa Sekuritas estimates

**Exhibit 3. BBRI's result**

FYE Dec (IDRbn)	4Q18	3Q19	4Q19	QoQ (%)	YoY (%)	FY18	FY19	YoY (%)
Net interest income	19,761	20,654	21,128	2.3	6.9	77,666	81,707	5.2
Reported NIM (%)	7.3	6.7	6.8			7.2	6.7	
Non-interest income	7,540	6,980	10,042	43.9	33.2	24,371	29,253	20.0
Non-III/Total income (%)	27.6	25.3	32.2			23.9	26.4	
<b>Operating income</b>	<b>27,301</b>	<b>27,634</b>	<b>31,170</b>	<b>12.8</b>	<b>14.2</b>	<b>102,037</b>	<b>110,960</b>	<b>8.7</b>
Overhead expenses	(11,018)	(11,155)	(11,943)	7.1	8.4	(41,990)	(45,034)	7.2
Cost-Income Ratio (%)	40.4	40.4	38.3			41.2	40.6	
<b>Pre-Provisions profit</b>	<b>16,283</b>	<b>16,480</b>	<b>19,227</b>	<b>16.7</b>	<b>18.1</b>	<b>60,047</b>	<b>65,926</b>	<b>9.8</b>
Provisions allowance	(4,452)	(5,301)	(6,877)	29.7	54.5	(18,321)	(22,497)	22.8
Credit cost - annualised (bps)	211	236	304			233	257	
<b>Pretax profit</b>	<b>11,821</b>	<b>11,196</b>	<b>12,308</b>	<b>9.9</b>	<b>4.1</b>	<b>41,754</b>	<b>43,364</b>	<b>3.9</b>
Tax	(2,950)	(2,555)	(2,697)	5.6	(8.6)	(9,335)	(8,950)	(4.1)
Effective tax rate (%)	(25.0)	(22.8)	(21.9)			(22.4)	(20.6)	
<b>Net Profit</b>	<b>8,880</b>	<b>8,616</b>	<b>9,592</b>	<b>11.3</b>	<b>8.0</b>	<b>32,351</b>	<b>34,373</b>	<b>6.2</b>

**Other Key Data and Ratios**

Gross loans	838,141	899,002	908,881	1.1	8.4	838,141	908,881	8.4
Customer deposits	944,269	959,238	1,021,395	6.5	8.2	944,269	1,021,395	8.2
Gross Non-Performing Loan	19,026	27,689	23,631	(14.7)	24.2	19,026	23,631	24.2
Total assets	1,296,898	1,305,667	1,418,948	8.7	9.4	1,296,898	1,418,948	9.4
Equity	182,968	197,107	208,783	5.9	14.1	182,968	208,783	14.1
ROAA (%)	2.9	2.7	2.8			2.7	2.5	
ROAE (%)	19.9	17.9	18.9			18.5	17.5	
LDR (%)	88.8	93.7	89.0			88.8	89.0	
Gross NPL ratio (%)	2.3	3.1	2.6			2.3	2.6	
LLC ratio (%)	194.6	159.1	162.3			194.6	162.3	
CAR (%)	21.2	21.6	22.8			21.2	22.8	

Source : Company, Danareksa Sekuritas estimates

#### Exhibit 4. Income Statement

Year to 31 Dec (IDRbn)	2016A	2017A	9M18	2018A	9M19
Interest Income	93,995	102,899	82,394	111,583	90,780
Interest Expense	(28,577)	(29,894)	(24,490)	(33,917)	(30,201)
<b>Net Interest Income</b>	<b>65,418</b>	<b>73,005</b>	<b>57,904</b>	<b>77,666</b>	<b>60,579</b>
Non-Interest Income (NII)	17,277	18,641	16,831	23,498	19,211
<b>Oper. Income</b>	<b>82,696</b>	<b>91,646</b>	<b>74,736</b>	<b>101,164</b>	<b>79,790</b>
Oper. Expenses	(34,941)	(38,442)	(30,972)	(41,990)	(33,901)
<b>Pre-provisions profit</b>	<b>47,755</b>	<b>54,040</b>	<b>43,764</b>	<b>60,047</b>	<b>46,699</b>
Provisions & Allowances	(13,791)	(17,234)	(13,869)	(18,321)	(15,620)
<b>Operating Profits</b>	<b>33,965</b>	<b>36,806</b>	<b>29,895</b>	<b>41,726</b>	<b>31,080</b>
Non-Operating Income	9	216	38	28	(23)
Exceptionals	0	0	0	0	0
<b>Pre-tax Profit</b>	<b>33,974</b>	<b>37,022</b>	<b>29,933</b>	<b>41,754</b>	<b>31,057</b>
Income Tax	(7,746)	(7,978)	(6,385)	(9,335)	(6,253)
Minorities	(32)	(48)	(76)	(67)	(23)
<b>Net Profit</b>	<b>26,196</b>	<b>28,997</b>	<b>23,472</b>	<b>32,351</b>	<b>24,781</b>

#### Exhibit 5. Balance Sheet

Year to 31 Dec (IDRbn)	2016A	2017A	9M18	2018A	9M19
Gross Loans	643,471	718,983	786,387	820,010	875,128
Provisions	(22,184)	(29,423)	(34,946)	(35,018)	(41,027)
<b>Net Loans</b>	<b>621,287</b>	<b>689,559</b>	<b>751,441</b>	<b>784,992</b>	<b>824,101</b>
Govt. Bonds	3,318	3,318	1,505	1,505	1,130
Securities	131,483	186,919	184,285	184,284	178,140
Other Earnings Assets	108,472	115,208	70,479	171,667	112,972
<b>Total Earnings Assets</b>	<b>886,744</b>	<b>1,024,428</b>	<b>1,042,656</b>	<b>1,177,466</b>	<b>1,167,370</b>
Fixed Assets	32,262	33,972	36,314	37,925	42,977
Non-Earnings Assets	84,638	67,848	104,394	81,507	95,320
<b>Total Assets</b>	<b>1,003,644</b>	<b>1,126,248</b>	<b>1,183,364</b>	<b>1,296,898</b>	<b>1,305,667</b>
Customer Deposits	732,559	815,368	845,011	915,430	931,136
Banks Deposits	2,230	5,593	6,923	9,131	17,296
Int. Bearing Liab. - Others	122,043	137,940	156,031	187,062	157,695
<b>Total Liabilities</b>	<b>856,832</b>	<b>958,901</b>	<b>1,007,965</b>	<b>1,111,623</b>	<b>1,106,127</b>
Share capital & Reserves	20,446	22,215	17,852	18,245	24,381
Retained Earnings	125,975	144,534	155,450	164,722	172,726
<b>Shareholders' Funds</b>	<b>146,421</b>	<b>166,749</b>	<b>173,302</b>	<b>182,968</b>	<b>197,107</b>
Minority interests	391	599	2,098	2,308	2,433
<b>Total Equity &amp; Liabilities</b>	<b>1,003,645</b>	<b>1,126,248</b>	<b>1,183,364</b>	<b>1,296,898</b>	<b>1,305,667</b>

### Exhibit 6. Ratios

Year to 31 Dec (IDRbn)	2016A	2017A	9M18	2018A	9M19
Yield on Earning Assets	11.2	10.7	10.9	10.1	10.5
Cost of funds	3.6	3.4	3.5	3.4	3.7
Interest Spread	7.6	7.3	7.4	6.8	6.9
Net Interest Margin	7.8	7.6	7.4	7.1	6.8
Cost/Income Ratio	42.3	41.6	41.4	41.2	41.5
Oper. Exp./Oper. Gross Inc.	69.5	69.9	70.6	69.3	72.5
Gross NPL Ratio	2.0	2.2	2.5	2.3	3.1
LLP/Gross NPL	169.0	183.5	181.4	188.1	146.5
Cost of Credit	2.3	2.5	2.4	2.4	2.4
Loan to Deposit Ratio	87.8	88.2	92.4	89.6	94.2
Loan to Funding Ratio	85.0	85.0	89.7	86.6	90.6
CASA Mix	59.8	59.6	56.5	60.4	57.9
ROAE	20.2	18.5	18.4	18.5	17.3
ROAA	2.8	2.7	2.7	2.7	2.6
CAR	21.6	21.7	21.0	21.1	21.6

### Exhibit 7. Dupont and growth

Year to 31 Dec	2016A	2017A	9M18	2018A	9M19
<b>Dupont</b>					
Pre-Tax ROAA	3.6	3.5	3.4	3.4	3.2
Tax Retention rate	77.0	78.5	78.7	77.6	79.9
Post-Tax ROAA	2.8	2.7	2.7	2.7	2.6
Goodwil, Assoc& Min	0.0	0.0	0.0	0.0	0.0
Leverage	7.3	6.8	6.8	6.9	6.7
ROAE	20.2	18.5	18.4	18.5	17.3
<b>Growth (%)</b>					
Interest income	10.0	9.5	6.6	8.4	10.2
Net Interest Income	12.2	11.6	5.0	6.4	4.6
Other Oper. Expenses	11.8	10.0	8.5	9.2	6.8
Fee Based Income	25.4	13.2	16.9	15.1	12.0
Pre-Provision Oper. Profit	21.2	13.2	8.4	11.1	6.7
Net Profit	3.1	10.7	14.4	11.6	5.6
Shareholders' Equity	29.8	13.9	9.7	9.7	13.7
Loan	14.0	11.7	16.6	14.1	11.3
Earnings Asset	15.6	13.4	12.4	14.9	12.0
Deposit	11.2	11.7	13.4	12.6	10.2
Int. Bearing Liab.	11.8	11.5	14.3	16.2	10.0
CASA	15.2	11.2	15.3	14.1	12.6
Total Asset	14.3	12.2	13.9	15.2	10.3

Source : BBRI, Danareksa Estimates

#### DISCLAIMER

The information contained in this report has been taken from sources which we deem reliable. However, none of P.T. Danareksa Sekuritas and/or its affiliated companies and/or their respective employees and/or agents makes any representation or warranty (express or implied) or accepts any responsibility or liability as to, or in relation to, the accuracy or completeness of the information and opinions contained in this report or as to any information contained in this report or any other such information or opinions remaining unchanged after the issue thereof.

We expressly disclaim any responsibility or liability (express or implied) of P.T. Danareksa Sekuritas, its affiliated companies and their respective employees and agents whatsoever and howsoever arising (including, without limitation for any claims, proceedings, action, suits, losses, expenses, damages or costs) which may be brought against or suffered by any person as a result of acting in reliance upon the whole or any part of the contents of this report and neither P.T. Danareksa Sekuritas, its affiliated companies or their respective employees or agents accepts liability for any errors, omissions or mis-statements, negligent or otherwise, in the report and any liability in respect of the report or any inaccuracy therein or omission therefrom which might otherwise arise is hereby expressly disclaimed.

The information contained in this report is not to be taken as any recommendation made by P.T. Danareksa Sekuritas or any other person to enter into any agreement with regard to any investment mentioned in this document. This report is prepared for general circulation. It does not have regard to the specific person who may receive this report. In considering any investments you should make your own independent assessment and seek your own professional financial and legal advice.