

Monday, 18 January 2021

NOT RATED

Maintain

Last price (IDR)	4,580
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)	564,924/40,294
Avg. daily T/O (IDRbn/USDmn)	643.5/45.9

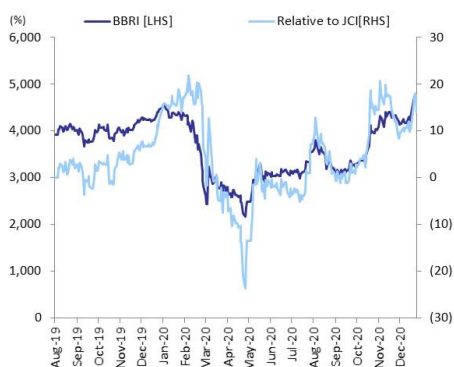
Major shareholders (%)

Government of Indonesia	56.8
Estimated free float	43.2

EPS Consensus (IDR)

	2020F	2021F	2022F
Consensus	159.8	250.4	325.5

BBRI relative to JCI Index



Source : Bloomberg



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

Bank Rakyat Indonesia (BBRI IJ)

Growth Opportunities Abound

The micro segment will remain as the growth engine for BBRI going forward supported by the bank's participation in channelling the Government's micro grant program and KUR super micro (max IDR10mn ticket size). We also believe that BBRI will continue its partnership with P2P lending to explore the digital ecosystem further. Furthermore, the extension of OJK's policy on loans restructuring relaxation until March 2022 should also help BBRI to oversee its loans portfolio in a more manageable way.

The micro segment remains its core. In Friday's small group call, BBRI emphasised that the micro segment would remain its main growth engine given the potentially untapped segment of nearly 60mn borrowers. To penetrate this lucrative market, BBRI should benefit from its participation in the Government's micro grant program with loans extended to 7.7mn business owners and the Government's KUR Super Micro loans program (max ticket size of IDR10mn). The 8.7mn potential borrowers from both schemes should be the low hanging fruit for BBRI to grow its micro business. As such, BBRI targets double digits yoy growth for the micro segment in 2021, pushing its micro exposure above the management's target of 40% to total loans by 2022.

Expanding further into digital areas. Given its strong position in micro lending, BBRI will continue to improve its digital business processes, particularly in regard to the loan underwriting process through BRISPOT. BBRI plans to roll out more features in BRISPOT, such as a cash pick-up feature, KUR Super Micro, a micro customer profiling pipeline and cross-selling marketing and micro insurance. Aside from that, BBRI will also provide loans for P2P lending with short term loans (max 12 months), including names such as Investree, Amarnya, Gojek, and Grab, whilst offering several digital loan products via e-commerce channels. Nonetheless, we believe that BBRI is still in the learning phase for these digital initiatives as it needs to familiarize itself with this business and be careful in assessing the risk profile in all aspects.

Less pressure on the restructured loans bucket. With IDR200tn of total projected restructured loans as of December 2020 (bank only) and mainly dominated by the MSME segment, we believe the formation of new restructured loans in 2021 should be minimal. BBRI, however, emphasised that it conservatively assumes 15% of the restructured loans (~IDR30tn) would be downgraded to lower stages, i.e. stage 2 and 3. To ensure an ample buffer, BBRI has given guidance for credit costs of 2.5-3.0% for FY21F, still above its normal level yet lower than last year's figure of 3.2%.

Key Financials

Year to 31 Dec	2016A	2017A	2018A	2019A
PPOP (IDRbn)	47,755	54,040	60,047	66,192
Net profit (IDRbn)	26,196	28,997	32,351	34,373
EPS (IDR)	218.9	235.2	262.3	278.7
EPS growth (%)	3.1	10.7	11.6	6.2
BVPS (IDR)	1,187.1	1,352.2	1,483.4	1,672.7
PER (x)	20.9	19.5	17.5	16.4
PBV (x)	3.9	3.4	3.1	2.7
Dividend yield (%)	2.0	2.2	2.6	3.7
ROAE (%)	20.2	18.5	18.5	17.7

Source : BBRI, BRI Danareksa Estimates

Exhibit 1. Income Statement

Year to 31 Dec (IDRbn)	2016A	2017AA	2018A	2019A
Interest Income	93,995	102,899	111,583	121,756
Interest Expense	(28,577)	(29,894)	(33,917)	(40,049)
Net Interest Income	65,418	73,005	77,666	81,707
Non-Interest Income (NII)	17,277	18,641	23,498	27,530
Oper. Income	82,696	91,646	101,164	109,237
Oper. Expenses	(34,941)	(38,442)	(41,990)	(44,966)
Pre-provisions profit	47,755	54,040	60,047	66,192
Provisions & Allowances	(13,791)	(17,234)	(18,321)	(22,760)
Operating Profits	33,965	36,806	41,726	43,432
Non-Operating Income	9	216	28	(68)
Exceptionals	0	0	0	0
Pre-tax Profit	33,974	37,022	41,754	43,364
Income Tax	(7,746)	(7,978)	(9,335)	(8,950)
Minorities	(32)	(48)	(67)	(41)
Net Profit	26,196	28,997	32,351	34,373

Exhibit 2. Balance Sheet

Year to 31 Dec (IDRbn)	2016A	2017A	2018A	2019A
Gross Loans	643,471	718,983	820,010	877,431
Provisions	(22,184)	(29,423)	(35,018)	(38,364)
Net Loans	621,287	689,559	784,992	839,067
Govt. Bonds	3,318	3,318	1,505	1,130
Securities	131,483	186,919	184,284	195,840
Other Earnings Assets	108,472	115,208	23,003	29,125
Total Earnings Assets	886,744	1,024,428	1,177,466	1,296,503
Fixed Assets	32,262	33,972	37,925	44,076
Non-Earnings Assets	84,638	67,848	23,380	20,265
Total Assets	1,003,644	1,126,248	1,296,898	1,416,759
Customer Deposits	732,559	815,368	915,430	987,405
Banks Deposits	2,230	5,593	9,131	17,970
Int. Bearing Liab. - Others	122,043	137,940	28,839	33,791
Total Liabilities	856,832	958,901	1,111,623	1,207,975
Share capital & Reserves	20,446	22,215	18,245	24,762
Retained Earnings	125,975	144,534	164,722	181,561
Shareholders' Funds	146,421	166,749	182,968	206,323
Minority interests	391	599	2,308	2,461
Total Equity & Liabilities	1,003,645	1,126,248	1,296,898	1,416,759

Exhibit 3. Ratios

Year to 31 Dec (IDRbn)	2016A	2017A	2018A	2019A
Yield on Earning Assets	11.2	10.7	10.1	9.8
Cost of funds	3.6	3.4	3.4	3.5
Interest Spread	7.6	7.3	6.8	6.3
Net Interest Margin	7.8	7.6	7.1	6.6
Cost/Income Ratio	42.3	41.6	41.2	40.5
Oper. Exp./Oper. Gross Inc.	69.5	69.9	69.3	71.3
Gross NPL Ratio	2.0	2.2	2.3	2.8
LLP/Gross NPL	169.0	183.5	188.1	156.2
Cost of Credit	2.3	2.5	2.4	2.7
Loan to Deposit Ratio	87.8	88.2	89.6	88.9
Loan to Funding Ratio	85.0	85.0	86.6	85.5
CASA Mix	59.8	59.6	60.4	57.1
ROAE	20.2	18.5	18.5	17.7
ROAA	2.8	2.7	2.7	2.5
CAR	21.6	21.7	21.1	21.1

Exhibit 4. Dupont and growth

Year to 31 Dec	2016A	2017A	2018A	2019A
Dupont				
Pre-Tax ROAA	3.6	3.5	3.4	3.2
Tax Retention rate	77.0	78.5	77.6	79.4
Post-Tax ROAA	2.8	2.7	2.7	2.5
Goodwil, Assoc& Min	0.0	0.0	0.0	0.0
Leverage	7.3	6.8	6.9	7.0
ROAE	20.2	18.5	18.5	17.7
Growth (%)				
Interest income	10.0	9.5	8.4	9.1
Net Interest Income	12.2	11.6	6.4	5.2
Other Oper. Expenses	11.8	10.0	9.2	7.1
Fee Based Income	25.4	13.2	15.1	20.7
Pre-Provision Oper. Profit	21.2	13.2	11.1	10.2
Net Profit	3.1	10.7	11.6	6.2
Shareholders' Equity	29.8	13.9	9.7	12.8
Loan	14.0	11.7	14.1	7.0
Earnings Asset	15.6	13.4	14.9	10.1
Deposit	11.2	11.7	12.6	8.7
Int. Bearing Liab.	11.8	11.5	16.2	8.6
CASA	15.2	11.2	14.1	2.9
Total Asset	14.3	12.2	15.2	9.2

Source : BBRI, BRI Danareksa Estimates

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