

# Bank Rakyat Indonesia Tbk (BBRI)

## Flat 1Q20 Performance

Company Report | June 19, 2020

## Hold

<b>Target Price (IDR)</b>	<b>3,010</b>
Consensus Price (IDR)	3,180
TP to Consensus Price	-5.3%
vs. Last Price	-2.9%

### Shares data

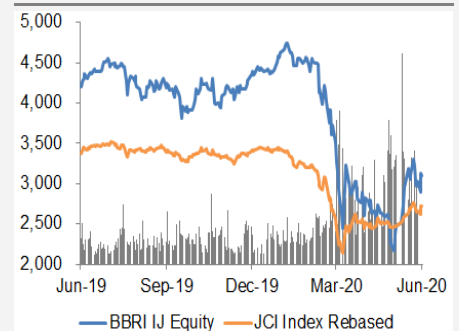
Last Price (IDR)	<b>3,100</b>
Price date as of	Jun. 17, 2020
52 wk range (Hi/Lo)	4,760 / 2,160
Free float (%)	43.2
Outstanding sh.(mn)	123,346
Market Cap (IDR bn)	376,205
Market Cap (USD mn)	26,469
Avg. Trd Vol - 3M (mn)	331.46
Avg. Trd Val - 3M (bn)	928.65
Foreign Ownership	24.4%

### Finance

#### Bank

Bloomberg	<b>BBRI IJ</b>
Reuters	<b>BBRI.IK</b>

### Share Price Performance



	YTD	1M	3M	12M
Abs. Ret.	-29.5%	38.4%	-4.9%	-26.2%
Rel. Ret.	-8.7%	27.7%	-16.8%	-6.8%

### Arief Machrus

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BBRI recorded a net income of IDR 8.17 Trillion in 1Q20, or relatively flat compared to 1Q19 net profit of IDR 8.19 Trillion. This consolidated profit was driven by market condition, namely its investments in subsidiaries such as BRILife and BRI Agro. As for Bank-Only, BBRI booked a net profit of IDR 8.30 Trillion or up 3.25% YoY. This achievement was supported by higher net interest income which grew 7.11% YoY to IDR 20.02 Trillion.

#### Pressures from NIM

Individually, BBRI recorded NIM at 6.66% in 1Q20 compared to 6.89% in 1Q19. This pressure in NIM occurred in the midst of BBRI's effort to maintain Cost of Fund which stood at 3.65% in 1Q20 from 3.68% in 1Q19. We view that BBRI's NIM in 2Q20 will be influenced by downward trend of benchmark rate BI 7-DRRR. This lower rate opens up possibilities to hold BBRI's CASA ratio which stood at 56.86% in 1Q20. Furthermore, loan restructuring for debtors affected by Corona Virus will also play key roles in BBRI's NIM this year.

#### Loan Growth in All Segments

BBRI booked a total consolidated credit of IDR 930.73 Trillion or up 10.05% YoY. The growth was supported by micro & SME segments which made up to 78.31% from total portfolio. Loan in Micro segment stood at IDR 320.24 Trillion or an 12.72% increase YoY, SME Loans at IDR 197.7 Trillion (up 9.45% YoY), consumer loans at 142.7 Trillion (up 6.97%), and Corporate & SOEs loan at IDR 203.3 Trillion (up 6.21%).

#### Micro NPL on the Rise

Social distancing policy has significantly reduce economic activities which in turn affect the repayment capacity from micro loan segment. BBRI recorded a micro loan NPL of 3.00% or up from the same period last year of 2.42%. This figure has forced the bank to allow a NPL coverage ratio up to 223.6%.

#### Recommend Hold with Target Price of IDR 3,010

NHKS project BBRI's share price target at IDR 3,010 with PBV of 1.8x. Some of the main considerations are: BBRI's ability to maintain CASA ratio and the current condition of low BI-7DRR trend. Micro and SME segments will continue to be the main focus of BBRI.

#### Bank Rakyat Indonesia Tbk | Summary (IDR bn)

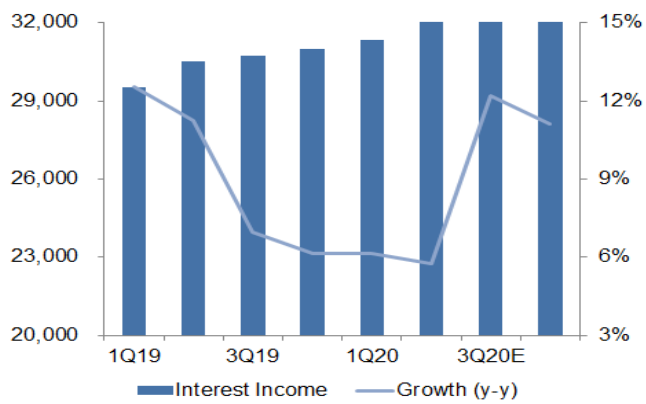
	2019/12A	2020/12E	2021/12E	2022/12E
Interest Income	121,756	119,329	125,385	140,460
<i>Interest Income growth</i>	9.1%	-2.0%	5.1%	12.0%
Operating Revenue	111,157	109,399	111,998	128,645
Net profit	34,373	22,998	25,262	27,206
EPS (IDR)	279	186	205	221
<i>EPS growth</i>	6.3%	-28.9%	9.8%	7.7%
BVPS (IDR)	1,693	1,575	1,678	1,776
Net Interest Margin	6.5%	6.2%	6.0%	6.2%
Loan/Deposits	88.9%	92.0%	91.2%	89.2%
NPL	2.6%	2.9%	2.5%	2.5%
ROE	17.4%	11.4%	12.6%	12.8%
ROA	2.5%	1.6%	1.7%	1.7%
Non-Int. Inc. /Op. Rev	26.5%	29.3%	26.6%	28.0%
P/E	13.1x	16.1x	14.7x	13.6x
P/BV	2.2x	1.9x	1.8x	1.7x
DPS (IDR)	167	111	123	132
<i>Dividend yield</i>	4.6%	3.7%	4.1%	4.4%

Source: Company Data, Bloomberg, NHKSI Research

Please consider the rating criteria & important disclaimer

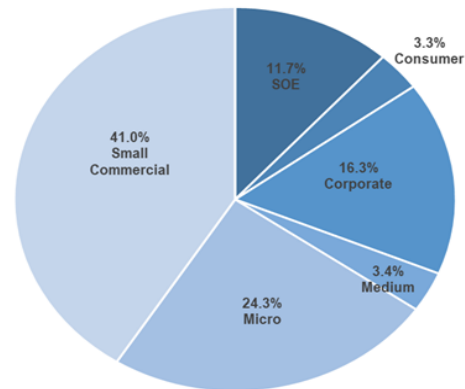
## Performance Highlights

Interest Income (IDR bn) | 1Q19 - 4Q20



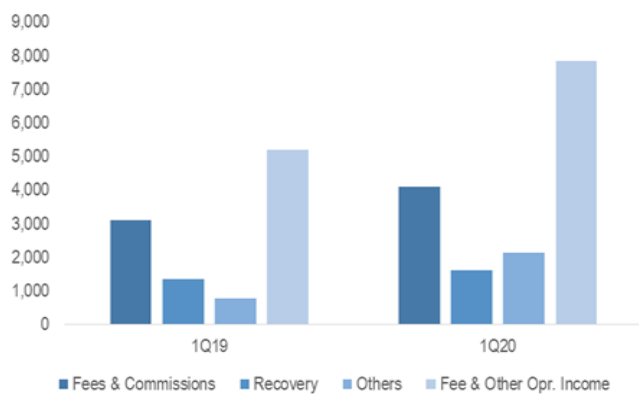
Source: Company, NHKSI Research

BBRI's Loan by Segment



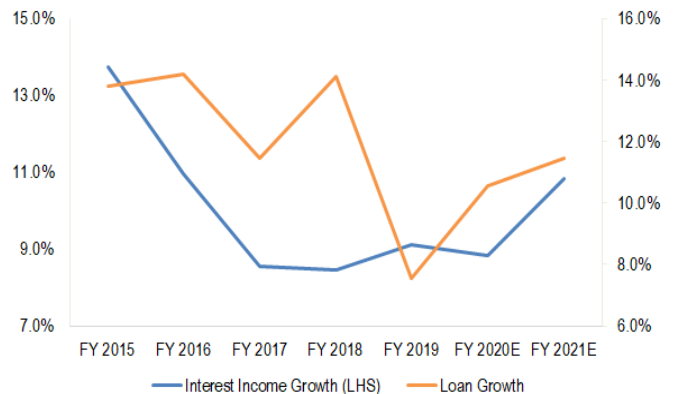
Source: Company, NHKSI Research

BBRI's Other Operating Income



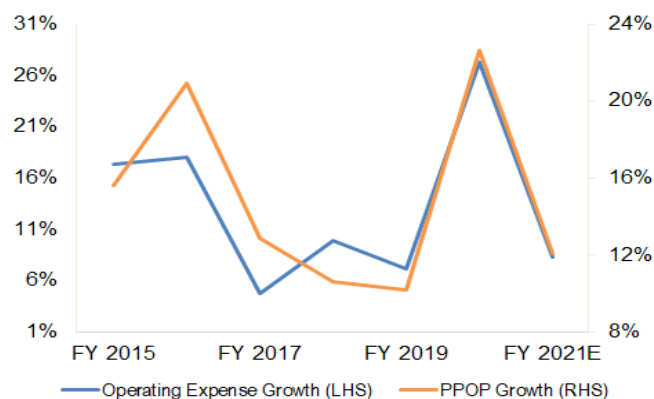
Source: Company, NHKSI Research

Interest Income Growth, Loan Growth



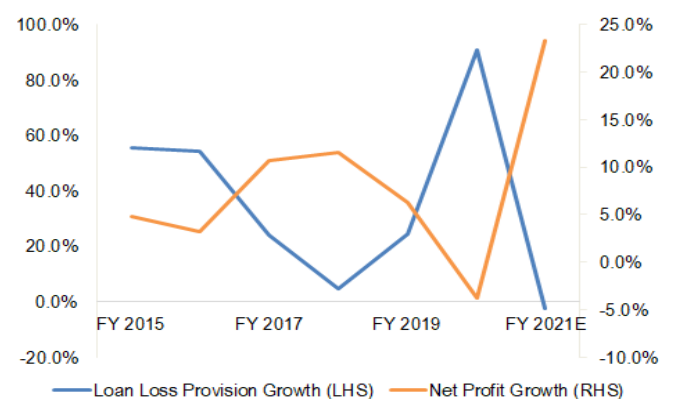
Source: Company, NHKSI Research

Operating Expense Growth



Source: Company, NHKSI Research

Loan Loss Provision Growth, Net Profit Growth



Source: Company, NHKSI Research

## 1Q20 Review (IDR Bn)

	1Q19	2Q19	3Q19	4Q19	1Q20					4Q20E
					Actual	Estimate	y-y	q-q	Surprise	
Interest Income	29,524	30,501	30,754	30,977	31,343	-	6.2%	1.2%	-	33,621
Interest Expense	(10,114)	(9,987)	(10,100)	(9,848)	(10,376)	-	2.6%	5.4%	-	(10,604)
Net Interest Income	19,411	20,514	20,654	21,128	20,967	-	8.0%	-0.8%	-	23,017
Operating Revenue	24,970	27,186	27,579	31,422	29,516	-	18.2%	-6.1%	-	33,491
Pre-Provisioning Operating Profit (PPOP)	14,707	15,201	16,560	19,128	16,908	-	15.0%	-11.6%	-	19,846
Loan loss provisions	(4,549)	(5,458)	(5,382)	(6,776)	(6,588)	-	44.8%	-2.8%	-	(11,375)
Net Profit	8,164	8,000	8,616	9,592	8,356	-	2.3%	-12.9%	-	6,625

Source: Bloomberg, NHKSI Research

## Earnings Revision (IDR Bn)

		2020E	2020F	2021F
Interest Income	Revised	132,523	146,861	159,618
	Previous	-	-	-
	Change	-	-	-
Interest Expenses	Revised	(42,402)	(43,706)	(48,438)
	Previous	-	-	-
	Change	-	-	-
Net Interest Income	Revised	90,121	103,154	111,180
	Previous	-	-	-
	Change	-	-	-
Operating Revenue	Revised	127,146	140,464	154,125
	Previous	-	-	-
	Change	-	-	-
Pre-Provisioning OP	Revised	73,000	81,823	89,135
	Previous	-	-	-
	Change	-	-	-
Loan Loss Provision	Revised	(33,981)	(33,164)	(40,203)
	Previous	-	-	-
	Change	-	-	-
Net Profit	Revised	31,108	38,339	38,782
	Previous	-	-	-
	Change	-	-	-

Source: NHKSI Research

## A Glance at BBRI

Indonesian banks with characteristics offering higher loan interest rates compared to their competitors make the industry an attractive investment in ASEAN countries. Despite the challenges faced by the benchmark interest rate of 4.25%, most banks in Indonesia are quite resilient in maintaining NIM compared to their competitors.

### Large Market Capitalization in ASEAN

BBRI as a state-owned commercial bank with the largest assets in Indonesia focuses on MSME loans and distributes around 15% of total loans in Indonesia. Meanwhile, BBRI through the MSME segment distributes nearly 32% of the total national credit. The large amount of total credit distributed by BBRI makes it a bank with a relatively large domestic and ASEAN market capitalization. On Thursday (06/17/2020) BBRI closed at IDR 3,100 level after previously touching the highest level of IDR 4,760 at the end of January 2020. This achievement encouraged BBRI market capitalization, on a national scale, beyond BMRI while on the ASEAN scale it was successful past OCBC Singapore. For the record, BBRI recorded a decline of 29.5% since the beginning of 2020.

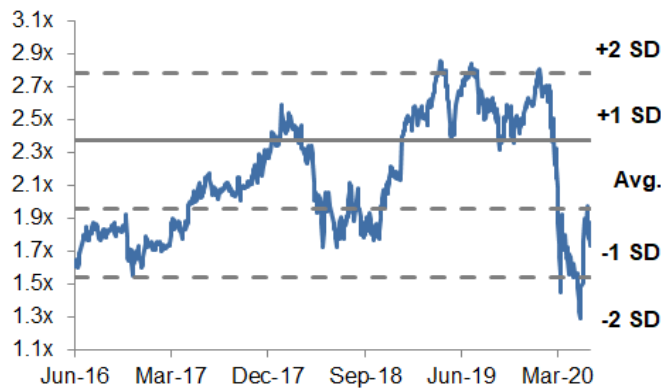
### ASEAN Banking Sector

Company	Market Cap (USD mn)	Asset (USD mn)	Int. Income LTM (USD mn)	Net Profit LTM (USD mn)	Net Profit Growth LTM	ROE LTM	P/E LTM	P/BV
<b>Indonesia</b>								
BBRI	27,111	102,315	8,049	2,428	3.8%	18.6%	11.0	2.1
BBCA	49,197	66,367	4,074	2,054	10.1%	17.6%	24.2	4.1
BMRI	16,240	95,201	6,063	1,989	6.7%	15.5%	8.1	1.3
BBNI	5,991	61,068	3,839	1,099	0.8%	14.1%	5.5	0.8
<b>Singapore</b>								
OCBC	29,142	365,678	6,625	3,162	-6.0%	9.5%	6.3	0.8
<b>Malaysia</b>								
CIMB	8,634	140,141	4,826	931	-29.1%	7.2%	9.4	0.7
Malayan Banking (Malaysia)	20,298	203,988	4,360	2,027	4.8%	10.8%	10.3	1.1
Hong Leong	3,814	57,497	1,275	433	-5.5%	9.2%	9.0	0.8
<b>Thailand</b>								
Bangkok Bank	7,120		3,307	1,114	-2.5%	8.2%	6.4	0.5
Bank of Ayudhya	5,795	79,298	3,573	874	-13.7%	10.3%	6.7	0.7
<b>Philippine</b>								
BDO Unibank (Philippine)	8,748	62,894	2,840	840	18.0%	12.3%	10.2	1.2
Metropolitan Bank	3,429	48,338	1,893	534	19.7%	9.2%	6.7	0.6
Philippine Island Bank	6,661	43,490	1,732	554	20.9%	10.7%	11.7	1.2

Source: Bloomberg

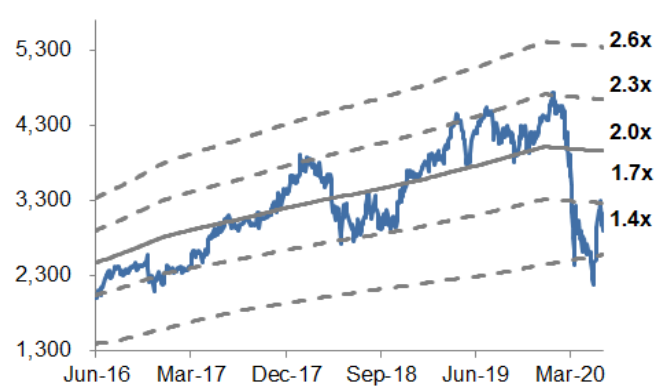
## Multiple Valuation

Forward P/B Band | Last 4 years



Source: NHKSI Research, Bloomberg

Dynamic Forward P/B Band | Last 4 years



Source: NHKSI Research, Bloomberg

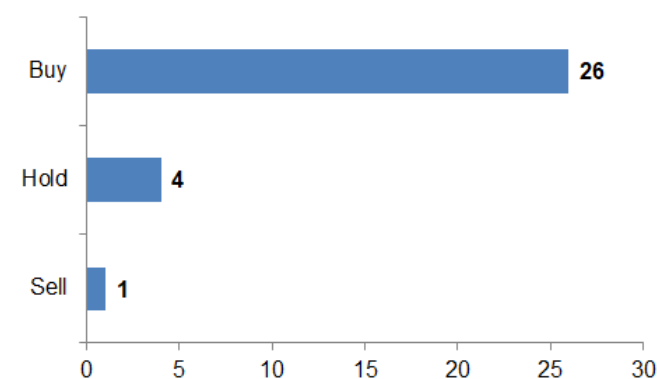
## Rating and Target Price Update

Target Price Revision

Date	Rating	Target Price	Last Price	Consensus	vs Last Price	vs Consensus
08/15/2018	Buy	3,930 (Dec 2018)	3,140	3,728	+25.2%	+5.4%
11/13/2018	Buy	4,370 (Dec 2019)	3,280	3,787	+33.2%	+15.4%
06/28/2019	Buy	4,950 (Dec 2019)	4,360	4,566	+13.5%	+8.4%
11/15/2019	Buy	4,950 (Dec 2020)	4,090	4,686	+21.0%	+5.6%
06/19/2020	Hold	3,010 (Dec 2020)	3,100	3,180	-2.0%	-5.3%

Source: NHKSI Research, Bloomberg

Analyst Coverage Rating



Source: Bloomberg

Closing and Target Price



Source: NHKSI Research, Bloomberg

### NH Korindo Sekuritas Indonesia (NHKS) stock ratings

1. Period: End of year target price
2. Rating system based on a stock's absolute return from the date of publication
  - Buy : Greater than +15%
  - Hold : -15% to +15%
  - Sell : Less than -15%

## Summary of Financials

INCOME STATEMENT					PROFITABILITY & STABILITY				
(IDR bn)	2019/12A	2020/12E	2021/12F	2022/12F		2019/12A	2020/12E	2021/12F	2022/12F
<b>Interest Income</b>	<b>121,756</b>	<b>119,329</b>	<b>125,385</b>	<b>140,460</b>	ROE	17.4%	11.4%	12.6%	12.8%
<i>Growth (% y/y)</i>	9.1%	-2.0%	5.1%	12.0%	ROA	2.5%	1.6%	1.7%	1.7%
Interest Expenses	(40,049)	(41,975)	(43,204)	(47,812)	Non-Int. Inc. /Op. Rev	26.5%	29.3%	26.6%	28.0%
<b>Net Interest Income</b>	<b>81,707</b>	<b>77,355</b>	<b>82,181</b>	<b>92,648</b>	Cost/Income	41.0%	42.3%	41.6%	41.9%
<i>Net Interest Margin</i>	6.5%	6.2%	6.0%	6.2%	Cash Dividend (IDR bn)	20,624	13,683	15,157	16,323
Net Fee Income	14,506	16,900	15,087	18,625	Dividend Yield (%)	4.6%	3.7%	4.1%	4.4%
Trading Income	2,074	3,293	2,505	3,384	Payout Ratio (%)	60.0%	59.5%	60.0%	60.0%
Other Operating Income	12,870	11,851	12,225	13,988	Loan/Deposits	88.9%	92.0%	91.2%	89.2%
<b>Operating Revenue</b>	<b>111,157</b>	<b>109,399</b>	<b>111,998</b>	<b>128,645</b>	Loan/Assets	64.0%	69.5%	69.3%	68.1%
Operating Expenses	(45,561)	(46,231)	(46,635)	(53,965)	NPL	2.6%	2.9%	2.5%	2.5%
<b>Pre-provisioning OP</b>	<b>65,597</b>	<b>63,168</b>	<b>65,363</b>	<b>74,680</b>	Loan Loss Res./Loan	4.3%	7.0%	7.1%	7.6%
Provision for Impairment	(22,165)	(34,115)	(33,223)	(40,190)	CASA/Deposits	57.7%	57.6%	57.6%	56.9%
<b>EBT</b>	<b>43,364</b>	<b>29,127</b>	<b>32,153</b>	<b>34,542</b>	Time Deposits/Deposits	42.3%	42.4%	42.4%	43.1%
Income Tax	(8,950)	(6,137)	(6,867)	(7,327)	Par Value (IDR)	250	250	250	250
Non-controlling Interest	(41)	8	(25)	(9)	Total Shares (mn)	123,346	123,346	123,346	123,346
<b>Net Profit</b>	<b>34,373</b>	<b>22,998</b>	<b>25,262</b>	<b>27,206</b>	Share Price (IDR)	3,660	3,010	3,010	3,010
<i>Growth (% y/y)</i>	6.3%	-28.9%	9.8%	7.7%	Market Cap (IDR tn)	451.4	371.3	371.3	371.3

BALANCE SHEET					VALUATION INDEX				
(IDR bn)	2019/12A	2020/12E	2021/12F	2022/12F		2019/12A	2020/12E	2021/12F	2022/12F
Cash	30,219	21,739	22,093	26,602	Price /Earnings	13.1x	16.1x	14.7x	13.6x
Placement in Banks	198,509	130,052	168,373	202,355	Price /Book Value	2.2x	1.9x	1.8x	1.7x
Net Loans	868,192	906,089	987,264	1,048,337	Price/Op. Revenue	4.1x	3.4x	3.3x	2.9x
Investment	218,029	225,936	224,986	246,953	PE/EPS Growth	2.1x	-0.6x	1.5x	1.8x
Fixed Asset	31,433	35,170	39,157	43,268	EV/Operating Revenue	5.1x	4.1x	4.1x	3.6x
Other Assets	70,377	84,119	91,720	97,875	EV/PPOP	8.6x	7.1x	7.0x	6.2x
<b>Total Assets</b>	<b>1,416,759</b>	<b>1,403,105</b>	<b>1,533,593</b>	<b>1,665,390</b>	EV (IDR bn)	562,569	450,952	457,437	462,487
Deposits	1,021,197	1,059,911	1,165,903	1,271,142	Op. Rev. CAGR (3-Yr)	18.9%	15.7%	9.8%	11.6%
Debt	138,881	99,044	105,884	115,441	EPS CAGR (3-Yr)	10.1%	-3.3%	-1.2%	-2.1%
Other liabilities	47,897	49,868	54,855	59,806	Basic EPS (IDR)	279	186	205	221
<b>Total Liabilities</b>	<b>1,207,975</b>	<b>1,208,823</b>	<b>1,326,641</b>	<b>1,446,389</b>	Diluted EPS (IDR)	279	186	205	221
Capital Stock & APIC	9,068	9,580	10,672	10,672	BVPS (IDR)	1,693	1,575	1,678	1,776
Retained Earnings	181,327	169,095	180,674	192,723	Op. Revenue PS (IDR)	901	887	908	1,043
<b>Shareholders' Equity</b>	<b>208,784</b>	<b>194,282</b>	<b>206,952</b>	<b>219,001</b>	DPS (IDR)	167	111	123	132

Source: NHKSI Research, Bloomberg

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