

Bank Rakyat Indonesia Tbk (BBRI)

Menjaga Likuiditas

Company Report | Nov 15, 2019

Buy

| | |
|--------------------------|--------------|
| Dec 2020 TP (IDR) | 4,950 |
| Consensus Price (IDR) | 4,686 |
| TP to Consensus Price | +5.6% |
| vs. Last Price | +21.0% |

Shares data

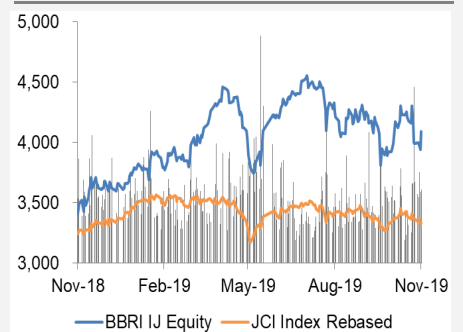
| | |
|------------------------|---------------|
| Last Price (IDR) | 4,090 |
| Price date as of | Nov. 15, 2019 |
| 52 wk range (Hi/Lo) | 4,730 / 3,350 |
| Free float (%) | 43.2 |
| Outstanding sh.(mn) | 123,346 |
| Market Cap (IDR bn) | 504,484 |
| Market Cap (USD mn) | 35,835 |
| Avg. Trd Vol - 3M (mn) | 103.18 |
| Avg. Trd Val - 3M (bn) | 423.46 |
| Foreign Ownership | 23.8% |

Finance

Bank

| | |
|-----------|----------------|
| Bloomberg | BBRI IJ |
| Reuters | BBRI.JK |

Share Price Performance



| | YTD | 1M | 3M | 12M |
|-----------|-------|------|-------|-------|
| Abs. Ret. | 11.7% | 3.8% | -3.8% | 19.9% |
| Rel. Ret. | 12.8% | 4.3% | -1.7% | 17.0% |

Arief Machrus

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NIM Tumbuh Menjadi 6,81%

Net Interest Margin (NIM) BBRI tersebut meningkat 2 bps QoQ, didorong oleh Cost of Fund (CoF) yang menurun 1 bps QoQ. Sementara, NHKS Research memproyeksikan penyesuaian suku bunga kredit akan terbatas, ditengah penurunan suku bunga Dana Pihak Ketiga (DPK), seperti deposito berjangka diatas 12-bulan, yang kembali terjadi pada periode 4Q19. BBRI adalah pihak yang diuntungkan dengan adanya pemangkasan tambahan 25 bps suku bunga acuan BI 7-DRRR pada Oktober 2019, dengan total 100 bps selama periode Juli-Oktober 2019. Sehingga, NHKS Research mengharapkan peningkatan margin BBRI untuk periode 4Q19 dan tahun 2020 mendatang.

Fee Based Income 13,7% QoQ

Biaya administrasi deposito dan e-channel berkontribusi terbesar bagi fee based income, masing-masing mencapai 31%. Kemudian diikuti oleh trade finance dan int'l business, biaya administrasi kredit, dan lainnya. Hingga akhir September 2019, fee based income BBRI mampu tumbuh hingga 13,7% YoY atau senilai IDR 9,74 Triliun, dibanding periode sama tahun sebelumnya senilai Rp 8,57 Triliun. Sementara, NHKS Research melihat, dengan peluncuran MyQR akan mendorong fee based income dari transaksi non tunai. BBRI menargetkan pertumbuhan transaksi dari QRIS mencapai 15%-20%.

Menjaga Likuiditas

Rasio likuiditas (LDR) yang terjaga di level 94,2% periode 3Q19 dibanding periode 1H19 di level 94,0%. BBRI memiliki likuiditas hampir setara dengan industri perbankan di level 94,7%, atau naik dari periode sama tahun sebelumnya di level 93,8%. Adapun likuiditas terjaga BBRI di dukung oleh dana pihak ketiga, baik giro, tabungan maupun deposito berjangka senilai total IDR 913,5 Triliun atau tumbuh 10,1% YoY.

Rekomendasi Buy dengan Target Harga IDR4.950

NHKS merekomendasikan BBRI, diproyeksikan mampu mencapai target harga IDR 4.950 dengan target PBV 2,7x. Di sisi lain, fee based income, efisiensi, dan rasio CASA yang tinggi menjadi pendorong kenaikan NIM. BBRI yang solid dalam kredit mikro, didukung oleh pertumbuhan Kredit Umum Pedesaan (Kupedes), Kupedes Rakyat, dan mikro KUR.

Bank Rakyat Indonesia Tbk | Summary (IDR bn)

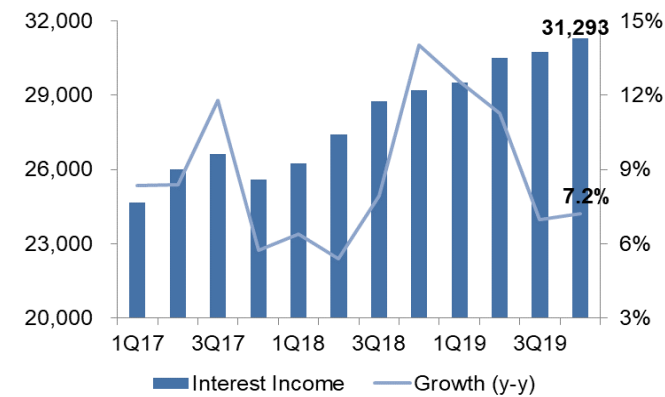
| | 2018/12A | 2019/12E | 2020/12F | 2021/12F |
|-------------------------------|----------|----------|----------|----------|
| Interest Income | 111,582 | 122,073 | 134,327 | 147,579 |
| <i>Interest Income growth</i> | 8.4% | 9.4% | 10.0% | 9.9% |
| Operating Revenue | 102,035 | 108,949 | 123,340 | 135,024 |
| Net profit | 32,349 | 33,512 | 36,792 | 39,071 |
| EPS (IDR) | 262 | 272 | 298 | 317 |
| <i>EPS growth</i> | 11.6% | 3.6% | 9.8% | 6.2% |
| BVPS (IDR) | 1,502 | 1,689 | 1,851 | 2,019 |
| Net Interest Margin | 7.1% | 7.0% | 7.5% | 7.4% |
| Loan/Deposits | 89.3% | 93.5% | 94.4% | 95.4% |
| NPL | 2.2% | 2.6% | 2.3% | 2.4% |
| ROE | 18.3% | 17.8% | 16.9% | 16.4% |
| ROA | 2.7% | 2.7% | 2.6% | 2.5% |
| Non-Int. Inc. /Op. Rev | 23.9% | 24.1% | 24.0% | 24.0% |
| P/E | 14.0x | 18.2x | 16.6x | 15.6x |
| P/BV | 2.4x | 2.9x | 2.7x | 2.4x |
| DPS (IDR) | 131 | 136 | 149 | 158 |
| Dividend yield | 3.6% | 2.7% | 3.0% | 3.2% |

Source: Company Data, Bloomberg, NHKS Research

Please consider the rating criteria & important disclaimer

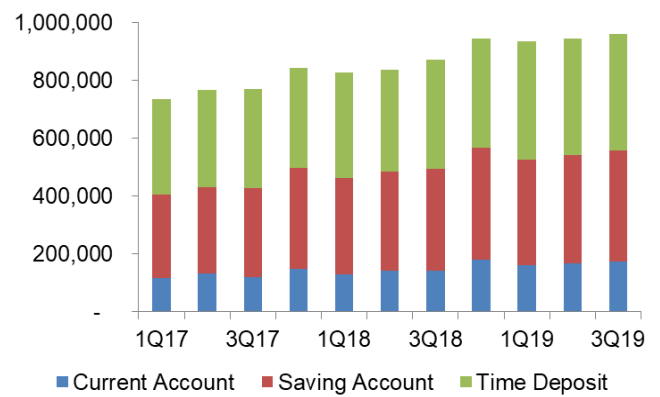
Performance Highlights

Interest Income (IDR bn) | 1Q17 - 3Q19



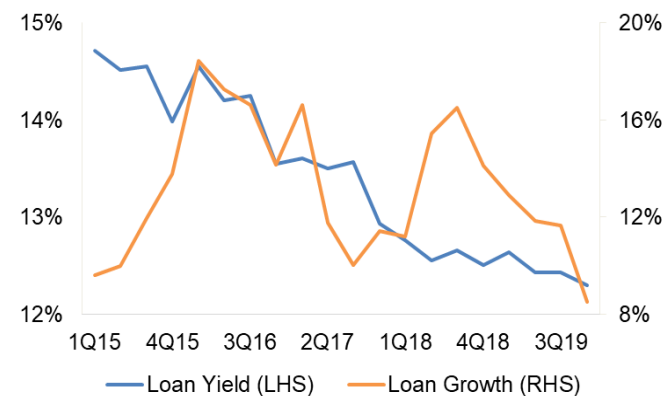
Source: Company, NHKS Research

Third Party Funds (IDR bn) | 1Q17 - 3Q19



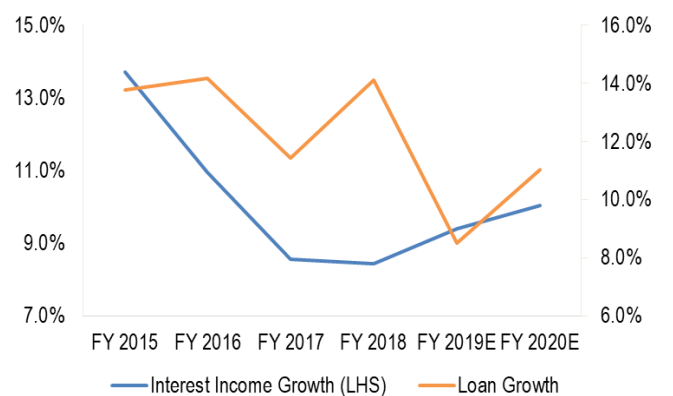
Source: Company, NHKS Research

Loan Yield, Loan Growth



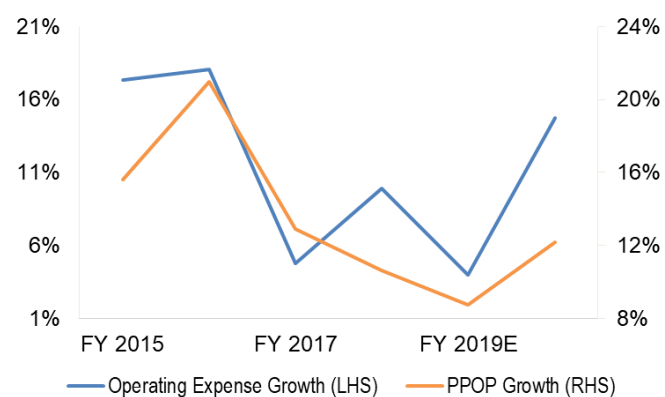
Source: Company, NHKS Research

Interest Income Growth, Loan Growth



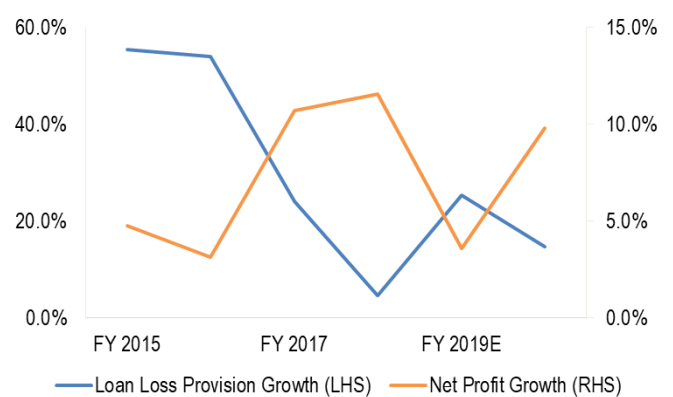
Source: Company, NHKS Research

Operating Expense Growth



Source: Company, NHKS Research

Loan Loss Provision Growth, Net Profit Growth



Source: Company, NHKS Research

3Q19 Review (IDR Bn)

| | 3Q18 | 4Q18 | 1Q19 | 2Q19 | 3Q19 | | | | | 4Q19E |
|---------------------|---------|---------|----------|---------|----------|----------|-------|-------|----------|---------|
| | | | | | Actual | Estimate | y-y | q-q | Surprise | |
| Interest Income | 28,750 | 29,188 | 29,524 | 30,501 | 30,754 | - | 7.0% | 0.8% | - | 31,293 |
| Interest Expense | (9,091) | (9,427) | (10,114) | (9,987) | (10,100) | - | 11.1% | 1.1% | - | (9,179) |
| Net Interest Income | 19,660 | 19,761 | 19,411 | 20,514 | 20,654 | - | 5.1% | 0.7% | - | 22,115 |
| Operating Rev. | 25,822 | 27,355 | 24,970 | 27,186 | 27,579 | - | 6.8% | 1.4% | - | 29,214 |
| PPOP | 14,570 | 16,106 | 14,707 | 15,201 | 16,560 | - | 13.7% | 8.9% | - | 18,259 |
| Loan Loss Provision | (3,142) | (4,277) | (4,549) | (5,458) | (5,382) | - | 71.3% | -1.4% | - | (6,914) |
| Net Profit | 8,585 | 8,878 | 8,164 | 8,000 | 8,616 | - | 0.4% | 7.7% | - | 8,731 |

Source: Bloomberg, NHKS Research

Earnings Revision (IDR Bn)

| | | 2019E | 2020F | 2021F |
|---------------------|----------|----------|----------|----------|
| Interest Income | Revised | 122,073 | 134,327 | 147,579 |
| | Previous | N.A | N.A | N.A |
| | Change | N.A | N.A | N.A |
| Interest Expenses | Revised | (39,379) | (40,578) | (45,022) |
| | Previous | N.A | N.A | N.A |
| | Change | N.A | N.A | N.A |
| Net Interest Income | Revised | 82,694 | 93,749 | 102,557 |
| | Previous | N.A | N.A | N.A |
| | Change | N.A | N.A | N.A |
| Operating Revenue | Revised | 108,949 | 123,340 | 135,024 |
| | Previous | N.A | N.A | N.A |
| | Change | N.A | N.A | N.A |
| Pre-Provisioning OP | Revised | 64,727 | 72,610 | 79,853 |
| | Previous | N.A | N.A | N.A |
| | Change | N.A | N.A | N.A |
| Loan Loss Provision | Revised | (22,303) | (25,599) | (30,161) |
| | Previous | N.A | N.A | N.A |
| | Change | N.A | N.A | N.A |
| Net Profit | Revised | 33,512 | 36,792 | 39,071 |
| | Previous | N.A | N.A | N.A |
| | Change | N.A | N.A | N.A |

Source: NHKS Research

A Glance at BBRI

Perbankan Indonesia dengan karakteristik tawaran tingkat bunga kredit yang lebih tinggi dibanding kompetitornya menjadikan industri tersebut investasi memikat di negara kawasan ASEAN. Meski dihadang tantangan suku bunga acuan 5% sebagian besar bank di Indonesia cukup tangguh mempertahankan NIM dibandingkan kompetitornya.

Kapitalisasi Pasar Besar di ASEAN

BBRI sebagai bank komersial milik pemerintah dengan aset terbesar di Indonesia berfokus pada kredit UMKM dan mendistribusikan sekitar 15% dari total kredit di Indonesia. Sementara itu, BBRI melalui segmen UMKM mendistribusikan hampir 32% dari total kredit nasional. Besarnya jumlah total kredit yang didistribusikan oleh BBRI menjadikannya bank dengan kapitalisasi pasar domestik dan ASEAN yang relatif besar. Pada Jumat (15/11/2019) BBRI ditutup di level IDR 4.090 setelah sebelumnya sempat menyentuh level tertinggi IDR 4.730 pada pertengahan Juli 2019. Pencapaian ini mendorong kapitalisasi pasar BBRI, di skala nasional, lampau BMRI sedangkan di skala ASEAN sukses lampau OCBC Singapura. Sebagai catatan, BBRI telah mencatatkan kenaikan lebih dari 11,7% sejak awal 2019.

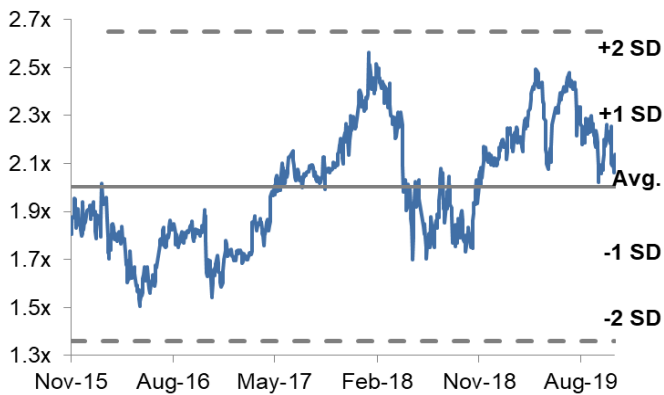
ASEAN Banking Sector

| Company | Market Cap (USD mn) | Asset (USD mn) | Int. Income LTM (USD mn) | Net Profit LTM (USD mn) | Net Profit Growth LTM | Net Margin | ROE LTM | P/E LTM | P/BV |
|--------------------------|---------------------|----------------|--------------------------|-------------------------|-----------------------|------------|---------|---------|------|
| Indonesia | | | | | | | | | |
| BBRI | 36,739 | 89,894 | 7,604 | 2,350 | 5.3% | 7.5% | 18.2% | 15.3x | 2.6x |
| BBCA | 55,120 | 57,170 | 3,892 | 1,974 | 13.2% | 6.0% | 18.1% | 27.5x | 4.6x |
| BMRI | 23,663 | 83,333 | 5,611 | 1,897 | 14.8% | 5.3% | 14.7% | 12.3x | 1.7x |
| BBNI | 10,150 | 56,046 | 3,713 | 1,086 | 4.4% | 5.3% | 14.1% | 9.2x | 1.2x |
| BBTN | 1,607 | 21,240 | 1,793 | 96 | -43.2% | 4.2% | 5.8% | 16.5x | 0.9x |
| Singapore | | | | | | | | | |
| DBS | 48,098 | 404,073 | 8,136 | 4,537 | 13.8% | 1.9% | 12.6% | 10.6x | 1.3x |
| UOB | 31,986 | 284,734 | 8,548 | 3,112 | 7.8% | 1.9% | 11.9% | 10.3x | 1.2x |
| OCBC | 35,380 | 343,025 | 8,633 | 3,330 | -1.0% | 1.8% | 10.4% | 10.4x | 1.0x |
| Malaysia | | | | | | | | | |
| CIMB | 12,703 | 129,194 | 4,637 | 1,211 | -8.8% | 2.4% | 9.7% | 10.2x | 0.9x |
| Malayan Banking | 23,311 | 195,208 | 4,500 | 1,947 | 0.6% | 2.2% | 10.6% | 11.9x | 1.2x |
| Hong Leong | 4,585 | 57,497 | 1,224 | 465 | 0.6% | 1.6% | 10.4% | 10.0x | 1.0x |
| Thailand | | | | | | | | | |
| Bangkok Bank | 11,157 | 96,410 | 3,263 | 1,134 | 0.5% | 2.4% | 8.6% | 9.4x | 0.8x |
| Siam Commercial | 13,100 | 98,594 | 3,950 | 1,327 | -0.4% | 3.5% | 10.9% | 9.4x | 1.0x |
| Bank of Ayudhya | 7,916 | 67,237 | 3,422 | 1,024 | 33.0% | 3.7% | 13.0% | 7.4x | 0.9x |
| Philippine | | | | | | | | | |
| BDO Unibank (Philippine) | 13,296 | 57,704 | 2,702 | 828 | 48.1% | 4.6% | 13.1% | 15.7x | 1.9x |
| Metropolitan Bank | 5,923 | 42,839 | 1,840 | 513 | 23.2% | 4.9% | 9.2% | 11.5x | 1.0x |
| Philippine Island Bank | 8,058 | 39,813 | 1,636 | 537 | 25.6% | 3.3% | 10.9% | 14.9x | 1.5x |

Source: Bloomberg

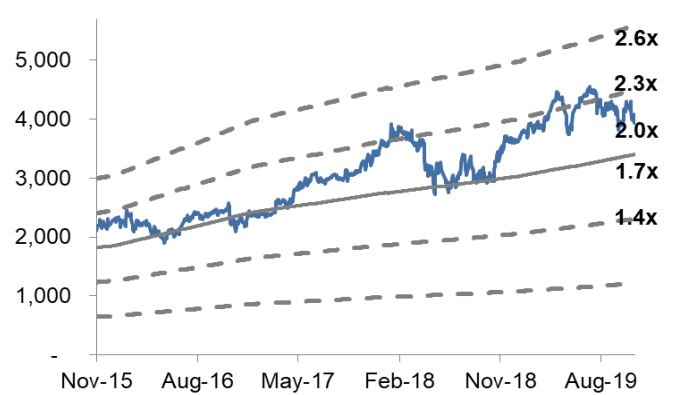
Multiple Valuation

Forward P/B Band | Last 4 years



Source: NHKS Research

Dynamic Forward P/B Band | Last 4 years



Source: NHKS Research

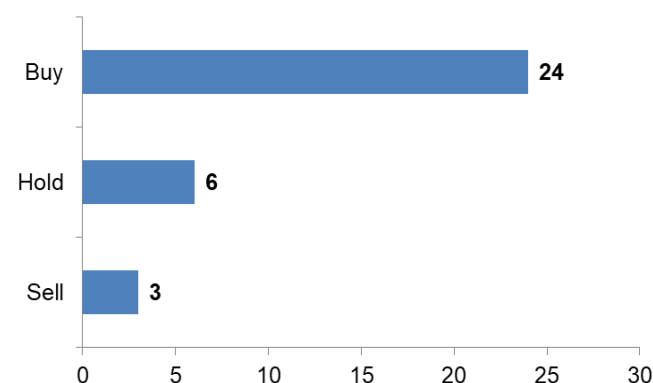
Rating and Target Price Update

Target Price Revision

| Date | Rating | Target Price | Last Price | Consensus | vs Last Price | vs Consensus |
|------------|--------|------------------|------------|-----------|---------------|--------------|
| 05/22/2018 | Buy | 3,510 (Dec 2018) | 2,760 | 3,820 | +27.2% | -8.1% |
| 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% |

Source: NHKS Research, Bloomberg

Analyst Coverage Rating



Source: Bloomberg

Closing and Target Price



Source: NHKS Research

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) | 2018/12A | 2019/12E | 2020/12F | 2021/12F | | 2018/12A | 2019/12E | 2020/12F | 2021/12F |
| Interest Income | 111,582 | 122,073 | 134,327 | 147,579 | ROE | 18.3% | 17.0% | 16.9% | 16.4% |
| <i>Growth (% y/y)</i> | 8.4% | 9.4% | 10.0% | 9.9% | ROA | 2.7% | 2.5% | 2.6% | 2.5% |
| Interest Expenses | (33,917) | (39,379) | (40,578) | (45,022) | Non-Int. Inc. /Op. Rev | 23.9% | 24.1% | 24.0% | 24.0% |
| Net Interest Income | 77,665 | 82,694 | 93,749 | 102,557 | Cost/Income | 41.7% | 40.6% | 41.1% | 40.9% |
| <i>Net Interest Margin</i> | 7.1% | 7.0% | 7.5% | 7.4% | Cash Dividend (IDR bn) | 16,176 | 16,756 | 18,396 | 19,536 |
| Net Fee Income | 12,019 | 13,672 | 15,004 | 16,685 | Dividend Yield (%) | 3.6% | 2.7% | 3.0% | 3.2% |
| Trading Income | 1,824 | 1,416 | 1,903 | 1,919 | Payout Ratio (%) | 50.0% | 50.0% | 50.0% | 50.0% |
| Other Operating Income | 10,527 | 11,167 | 12,684 | 13,863 | Loan/Deposits | 89.3% | 93.5% | 94.4% | 95.4% |
| Operating Revenue | 102,035 | 108,949 | 123,340 | 135,024 | Loan/Assets | 65.0% | 68.2% | 68.8% | 69.7% |
| Operating Expenses | (42,519) | (44,222) | (50,730) | (55,170) | NPL | 2.2% | 2.6% | 2.3% | 2.4% |
| Pre-provisioning OP | 59,516 | 64,727 | 72,610 | 79,853 | Loan Loss Res./Loan | 4.2% | 4.7% | 4.9% | 5.2% |
| Provision for Impairment | (17,792) | (22,303) | (25,599) | (30,161) | CASA/Deposits | 60.1% | 59.7% | 59.7% | 59.7% |
| EBT | 41,752 | 42,382 | 47,004 | 49,663 | Time Deposits/Deposits | 39.9% | 40.3% | 40.3% | 40.3% |
| Income Tax | (9,335) | (8,860) | (10,168) | (10,563) | Par Value (IDR) | 250 | 250 | 250 | 250 |
| Non-controlling Interest | (67) | (10) | (44) | (29) | Total Shares (mn) | 123,346 | 123,346 | 123,346 | 123,346 |
| Net Profit | 32,349 | 33,512 | 36,792 | 39,071 | Share Price (IDR) | 3,660 | 4,950 | 4,950 | 4,950 |
| <i>Growth (% y/y)</i> | 11.6% | 3.6% | 9.8% | 6.2% | Market Cap (IDR tn) | 451.4 | 610.6 | 610.6 | 610.6 |

| BALANCE SHEET | | | | | VALUATION INDEX | | | | |
|-----------------------------|------------------|------------------|------------------|------------------|----------------------|----------|----------|----------|----------|
| (IDR bn) | 2018/12A | 2019/12E | 2020/12F | 2021/12F | | 2018/12A | 2019/12E | 2020/12F | 2021/12F |
| Cash | 27,421 | 74,981 | 83,828 | 70,149 | Price /Earnings | 14.0x | 18.2x | 16.6x | 15.6x |
| Placement in Banks | 170,855 | 121,730 | 135,177 | 150,328 | Price /Book Value | 2.4x | 2.9x | 2.7x | 2.5x |
| Net Loans | 807,995 | 872,329 | 966,130 | 1,071,666 | Price/Op. Revenue | 4.4x | 5.6x | 5.0x | 4.5x |
| Investment | 195,646 | 185,727 | 192,403 | 218,104 | PE/EPS Growth | 1.2x | 5.1x | 1.7x | 2.5x |
| Fixed Asset | 26,915 | 31,921 | 37,332 | 43,208 | EV/Operating Revenue | 5.4x | 6.0x | 5.3x | 5.0x |
| Other Assets | 68,066 | 55,687 | 61,838 | 68,769 | EV/PPOP | 9.2x | 10.1x | 9.0x | 8.5x |
| Total Assets | 1,296,898 | 1,342,375 | 1,476,708 | 1,622,223 | EV (IDR bn) | 545,965 | 650,878 | 654,204 | 680,387 |
| Deposits | 944,269 | 979,177 | 1,077,094 | 1,184,804 | Op. Rev. CAGR (3-Yr) | 18.9% | 15.5% | 13.4% | 13.4% |
| Debt | 119,632 | 112,863 | 125,037 | 137,540 | EPS CAGR (3-Yr) | 10.1% | 9.7% | 12.0% | 10.5% |
| Other liabilities | 47,723 | 42,061 | 46,267 | 50,894 | Basic EPS (IDR) | 262 | 272 | 298 | 317 |
| Total Liabilities | 1,111,623 | 1,134,101 | 1,248,398 | 1,373,238 | Diluted EPS (IDR) | 262 | 272 | 298 | 317 |
| Capital Stock & APIC | 8,860 | 9,068 | 9,068 | 9,068 | BVPS (IDR) | 1,502 | 1,689 | 1,851 | 2,019 |
| Retained Earnings | 163,130 | 180,467 | 200,503 | 221,178 | Op. Revenue PS (IDR) | 827 | 883 | 1,000 | 1,095 |
| Shareholders' Equity | 185,275 | 208,271 | 228,307 | 248,982 | DPS (IDR) | 131 | 136 | 149 | 158 |

| CASH FLOW STATEMENT | | | | | OWNERSHIP | | | |
|----------------------------|---------------|---------------|--------------|-----------------|----------------|----------------|-----------------------|------|
| (IDR bn) | 2018/12A | 2019/12E | 2020/12F | 2021/12F | By Geography | % Shareholders | % | |
| Operating Cash Flow | 84,890 | 41,112 | 31,055 | 32,762 | Indonesia | 76.2 | Republic of Indonesia | 56.8 |
| Investing Cash Flow | (160,776) | (57,231) | (115,543) | (148,258) | United States | 11.6 | Vanguard | 1.5 |
| Financing Cash Flow | 105,079 | 30,183 | 93,335 | 101,817 | Luxembourg | 4.3 | Blackrock | 1.5 |
| Net Changes in Cash | 29,192 | 14,064 | 8,847 | (13,679) | United Kingdom | 2.3 | FMR LLC | 1.4 |

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