

Bank Rakyat Indonesia Tbk (BBRI)

Pentingnya Akselerasi Kredit

Company Report | Nov 13, 2018

Buy

Dec 2019 TP (IDR)	4,370
Consensus Price (IDR)	3,787
TP to Consensus Price	+15.4%
vs. Last Price	+33.2%

Shares data

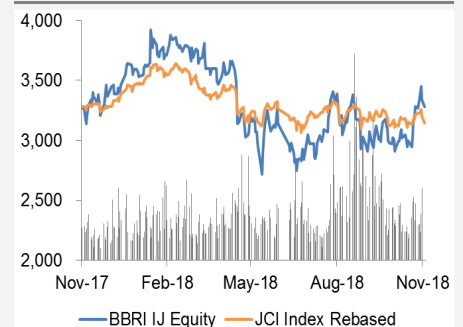
Last Price (IDR)	3,280
Price date as of	Nov 12, 2018
52 wk range (Hi/Lo)	3,920 / 2,720
Free float (%)	43.2
Outstanding sh.(mn)	123,346
Market Cap (IDR bn)	408,275
Market Cap (USD mn)	27,512
Avg. Trd Vol - 3M (mn)	115.09
Avg. Trd Val - 3M (bn)	357.80
Foreign Ownership	23.7%

Finance

Bank

Bloomberg	BBRI IJ
Reuters	BBRI.JK

Share Price Performance



	YTD	1M	3M	12M
Abs. Ret.	-9.9%	11.2%	-3.2%	0.0%
Rel. Ret.	-0.8%	10.8%	1.7%	4.1%

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Kinerja yang Bagus

BBRI membukukan *interest income* sebesar Rp28,8 triliun (+7,9% y-y) pada 3Q18, yang merupakan pertumbuhan tertinggi sejak 3Q17. Akselerasi pertumbuhan *interest income* mengindikasikan efek akselerasi pertumbuhan kredit yang mampu meredam tekanan penurunan suku bunga kredit. Sementara itu laba bersih meroket 21,2% y-y. **Kombinasi dari rendahnya beban provisi dan tingginya non interest income** menjadi penyebab utama lonjakan laba bersih meskipun *net interest income* hanya naik tipis 4,7%.

Pertumbuhan Kredit yang Luar Biasa

Penyaluran kredit tumbuh 16,5% menjadi Rp808,9 triliun, **bersumber dari segmen mikro yang membukukan kenaikan 16,3%**. Bahkan **segmen UKM melonjak 20,3%**. Pertumbuhan kredit yang luar biasa akan menjadi pendorong utama BBRI menikmati pertumbuhan *double-digit* pada *interest income* 2019, menghentikan tren pertumbuhan *single-digit* pada 2017-2018.

Tantangan pada Interest Expenses

BBRI hanya mencetak pertumbuhan *net interest income* sebesar 4,7%, lebih rendah dari pertumbuhan *interest income* sebesar 7,9%. Hal ini disebabkan **lonjakan interest expenses sebesar 15,6% menjadi Rp9,1 triliun, jauh lebih tinggi dibandingkan kuartal-kuartal sebelumnya yang selalu di bawah Rp8 triliun**. Tantangan terutama dari kenaikan *interest expenses* pada *non-deposit* seiring usaha BBRI mencari pendanaan *non-core* untuk mengakomodasi lonjakan kredit. Kami perkirakan tekanan masih berlangsung hingga 2019. Namun ekspektasi peningkatan *interest income* akan meredam tantangan ini. "

Target Harga Rp4.370

Kami menetapkan target harga sebesar Rp4.370 untuk Desember 2019 dengan menggunakan forward P/B sebesar 2,3x (1SD di bawah rata-rata 4 tahun sebesar 2,0x). Target harga ini mengimplikasikan P/B2019E sebesar 2,6x.

Bank Rakyat Indonesia Tbk | Summary (IDR bn)

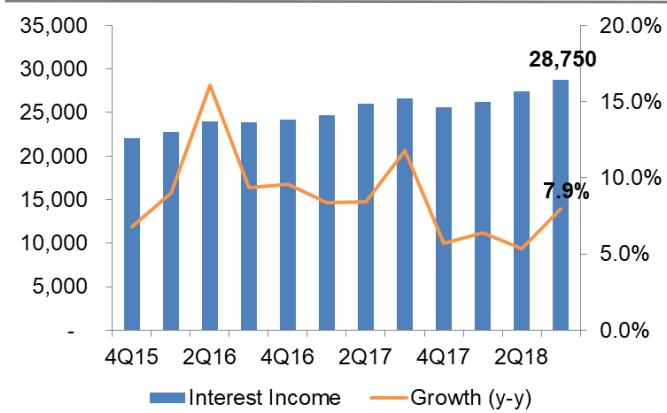
	2017	2018E	2019F	2020F
Interest Income	102,899	111,907	128,752	149,929
<i>Interest Income growth</i>	8.6%	8.8%	15.1%	16.4%
Operating Revenue	92,482	101,400	112,614	131,670
Net profit	28,997	32,519	36,566	43,388
EPS (IDR)	235	264	296	352
<i>EPS growth</i>	10.7%	12.1%	12.4%	18.7%
BVPS (IDR)	1,357	1,495	1,673	1,892
Net Interest Margin	7.6%	7.4%	7.5%	7.6%
Loan/Deposits	87.8%	92.9%	93.8%	94.9%
NPL	2.1%	2.3%	2.2%	2.2%
ROE	18.5%	18.5%	18.7%	19.7%
ROA	2.7%	2.8%	2.8%	2.8%
P/E	15.5x	12.4x	11.1x	9.3x
P/BV	2.7x	2.2x	2.0x	1.7x
P/Op. Revenue	4.9x	4.0x	3.6x	3.1x
DPS (IDR)	106	119	133	158
<i>Dividend yield</i>	2.9%	3.6%	4.1%	4.8%

Source: Company Data, Bloomberg, NHKS Research

Please consider the rating criteria & important disclaimer

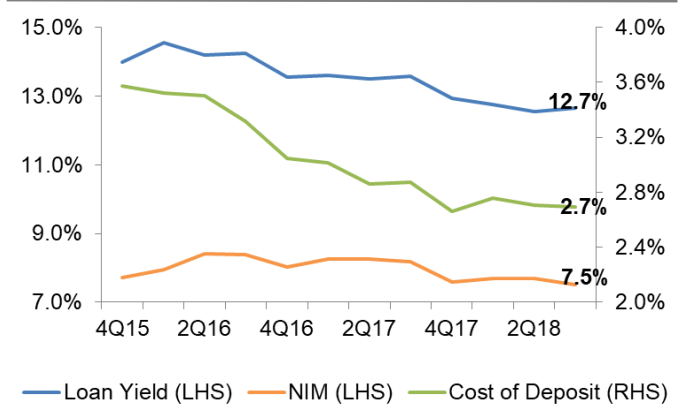
Performance Highlights

Interest Income (IDR bn) | 4Q15 - 3Q18



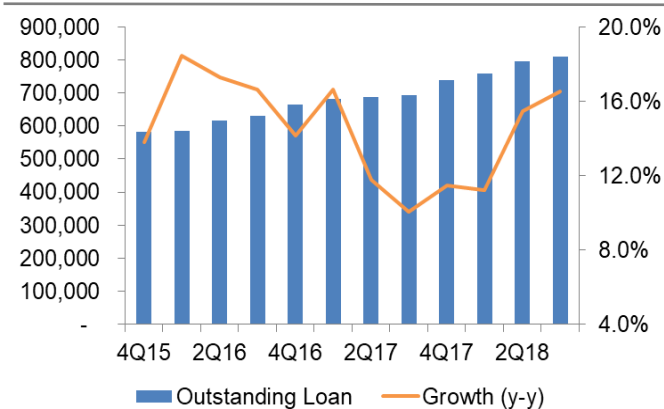
Source: Company, NHKS Research

Loan Yield, Cost of Deposit, Net Interest Margin (NIM)



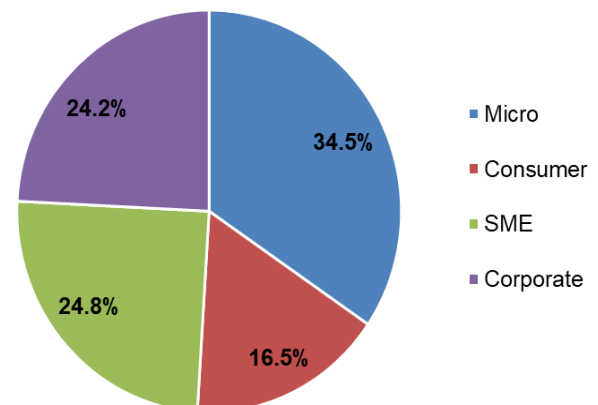
Source: Company, NHKS Research

Outstanding Loan (IDR bn) | 4Q15 - 3Q18



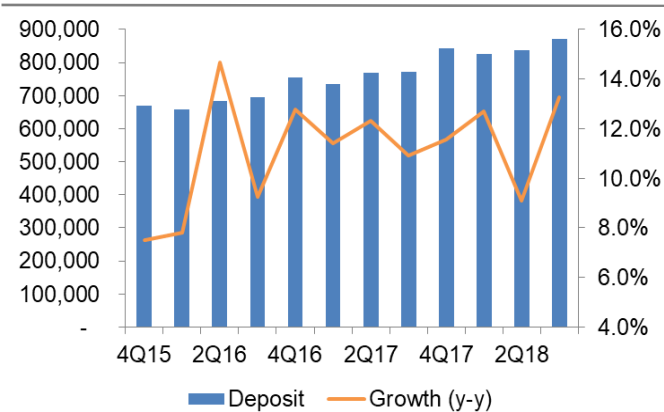
Source: Company, NHKS Research

Loan Composition



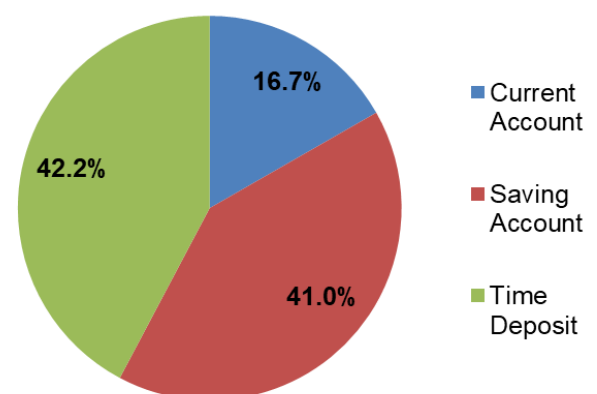
Source: Company, NHKS Research

Deposit (IDR bn) | 4Q15 - 3Q18



Source: Company, NHKS Research

Deposit Composition



Source: Company, NHKS Research

3Q18 review (IDR bn)

	3Q17	4Q17	1Q18	2Q18	3Q18					4Q18E
					Actual	Estimate	y-y	q-q	surprise	
Interest Income	26,633	25,599	26,231	27,413	28,750	28,189	7.9%	4.9%	2.0%	29,513
Interest Expense	(7,862)	(7,722)	(7,609)	(7,790)	(9,091)	(8,104)	15.6%	16.7%	12.2%	(8,873)
Net Interest Income	18,771	17,876	18,621	19,623	19,660	20,085	4.7%	0.2%	-2.1%	20,640
Operating Rev.	22,991	23,690	23,840	25,017	25,822	25,319	12.3%	3.2%	2.0%	26,720
PPOP	13,241	13,631	14,512	14,327	14,570	14,496	10.0%	1.7%	0.5%	15,062
Loan Loss Provision	(4,773)	(1,467)	(5,382)	(4,991)	(3,142)	(4,812)	-34.2%	-37.0%	-34.7%	(3,022)
Net Profit	7,085	8,488	7,401	7,485	8,585	7,765	21.2%	14.7%	10.6%	9,048

Source: Bloomberg, NHKS research

Earnings revision (IDR bn)

		2018E	2019F	2020F
Interest Income	Revised	111,907	128,752	149,929
	Previous	113,843	130,114	149,929
	Change	-1.7%	-1.0%	0.0%
Interest Expenses	Revised	(33,363)	(38,994)	(44,764)
	Previous	(31,589)	(35,795)	(44,764)
	Change	5.6%	8.9%	0.0%
Net Interest Income	Revised	78,545	89,758	105,165
	Previous	82,254	94,319	44,857
	Change	-4.5%	-4.8%	134.4%
Operating Revenue	Revised	101,400	112,614	131,670
	Previous	105,447	121,282	131,670
	Change	-3.8%	-7.1%	0.0%
Pre-Provisioning OP	Revised	58,472	65,225	76,095
	Previous	61,221	70,485	76,095
	Change	-4.5%	-7.5%	0.0%
Loan Loss Provision	Revised	(16,537)	(18,161)	(20,194)
	Previous	(17,592)	(19,043)	(20,194)
	Change	-6.0%	-4.6%	0.0%
Net Profit	Revised	32,519	36,566	43,388
	Previous	32,976	39,022	43,388
	Change	-1.4%	-6.3%	0.0%

Source: NHKS research

BBRI at A Glance

BBRI is a state-owned bank with the biggest assets among other banks. It is supported with the broadest networks ranging from urban areas to remote areas. It distributes around 15% of the total credit distribution in Indonesia. Meanwhile, in the micro and small to medium-sized enterprises (SMEs) segments, it distributes virtually 32% of the total distributed credit.

Indonesian's Bank Competitiveness in ASEAN

The banking industry in Indonesia is the investment priority in ASEAN as it offers higher credit rate than do its peers in ASEAN. It is the takeaway factor to the excellent characteristic the banking industry in Indonesia has.

Although facing the challenge of decline in reference rate, most of Indonesia's banks are still capable of maintaining NIM topping 5% higher than the NIM achieved by its peers in ASEAN. The higher NIM is capable of being translated into a higher ROE.

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
BBRI	27,512	82,886	7,056	2,298	15.2%	7.5%	19.3%	12.7x	2.3x
BBCA	39,707	55,219	3,486	1,796	11.9%	6.0%	18.4%	23.6x	4.1x
BMRI	21,777	82,772	5,229	1,701	40.3%	5.3%	14.2%	13.7x	1.9x
BBNI	9,833	52,203	3,385	1,071	8.1%	5.3%	15.1%	9.8x	1.4x
BBTN	1,563	19,235	1,483	234	8.5%	4.2%	14.9%	7.1x	1.0x
Singapore									
DBS	42,871	387,334	6,811	4,058	33.3%	1.9%	11.6%	10.9x	1.2x
UOB	29,106	268,287	7,275	2,938	20.6%	1.9%	11.7%	10.2x	1.2x
OCBC	34,511	340,370	7,366	3,423	21.1%	1.7%	11.7%	10.3x	1.1x
Malaysia									
CIMB	12,504	124,711	4,330	1,346	31.7%	2.5%	11.4%	9.2x	1.1x
Malayan Banking	24,220	188,433	4,326	1,962	6.3%	1.8%	11.2%	12.3x	1.4x
Hong Leong	5,153	56,880	1,204	468	26.6%	1.6%	11.1%	11.3x	1.2x
Thailand									
Bangkok Bank	12,392	94,446	3,100	1,105	9.0%	2.4%	9.0%	11.4x	1.0x
Siam Commercial	14,215	92,841	1,305	1,305	-9.6%	3.3%	11.6%	11.1x	1.3x
Bank of Ayudhya	8,870	64,128	754	754	7.5%	3.8%	10.7%	12.0x	1.2x
Philippine									
BDO Unibank (Philippine)	9,384	53,371	2,083	561	7.2%	4.1%	9.7%	17.4x	1.6x
Metropolitan Bank	4,858	41,612	1,398	384	6.5%	3.8%	8.3%	11.0x	1.0x
Philippine Island Bank	6,768	38,084	1,242	423	3.2%	3.6%	10.5%	15.2x	1.5x

Source: Bloomberg

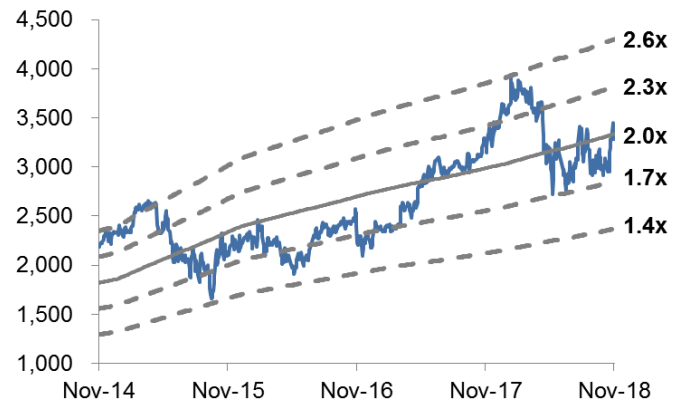
Multiple Valuation

Forward P/B band | Last 4 years



Source: NHKS research

Dynamic Forward P/B band | Last 4 years



Source: NHKS research

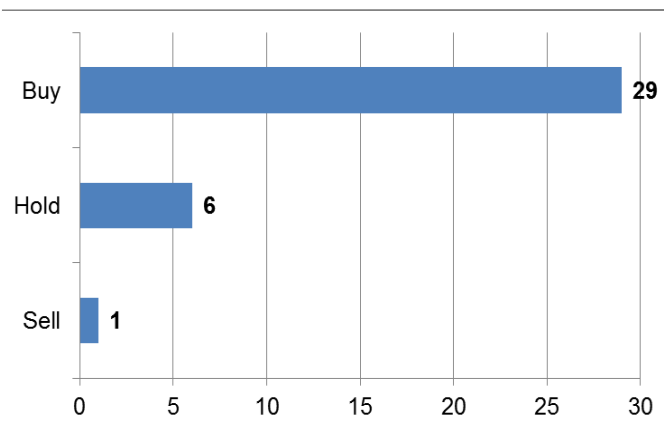
Rating and Target Price Update

Target Price Revision

Date	Rating	Target Price	Last Price	Consensus	vs Last Price	vs Consensus
01/03/2018	Buy	4,580 (Dec 2018)	3,640	3,494	+25.8%	+31.1%
02/08/2018	Buy	4,700 (Dec 2018)	3,680	3,899	+27.7%	+20.6%
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%

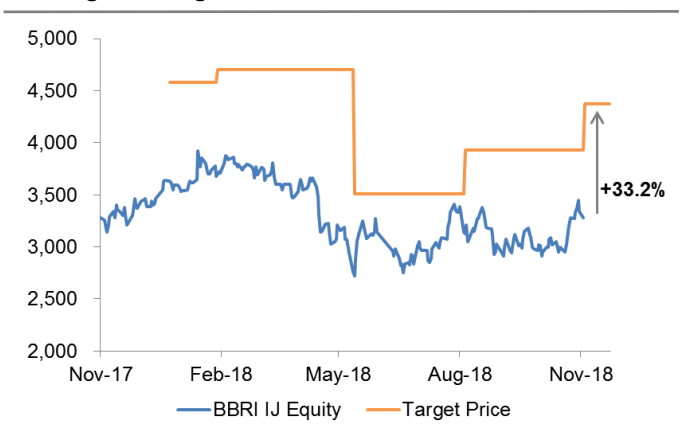
Source: NHKS research, Bloomberg

Analyst Coverage Rating



Source: Bloomberg

Closing and Target Price



Source: NHKS research

NH Korindo Sekuritas Indonesia (NHKS) stock ratings

- Period: End of year target price
- 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)	2017/12A	2018/12E	2019/12F	2020/12E		2017/12A	2018/12E	2019/12F	2020/12E
Interest Income	102,899	111,907	128,752	149,929	ROE	18.5%	18.5%	18.7%	19.7%
<i>Growth (% y/y)</i>	8.6%	8.8%	15.1%	16.4%	ROA	2.7%	2.8%	2.8%	2.8%
Interest Expenses	(29,894)	(33,363)	(38,994)	(44,764)	Non-Int. Inc. /Op. Rev	21.1%	22.5%	20.3%	20.1%
Net Interest Income	73,005	78,545	89,758	105,165	Cost/Income	41.8%	42.3%	42.1%	42.2%
<i>Net Interest Margin</i>	7.6%	7.4%	7.5%	7.6%	Cash Dividend (IDR bn)	13,048	14,634	16,455	19,525
Net Fee Income	10,442	11,733	12,084	14,159	Dividend Yield (%)	2.9%	3.6%	4.1%	4.8%
Trading Income	1,020	2,535	1,795	1,653	Payout Ratio (%)	45.0%	45.0%	45.0%	45.0%
Other Operating Income	8,015	8,587	8,976	10,694	Loan/Deposits	87.8%	92.9%	93.8%	94.9%
Operating Revenue	92,482	101,400	112,614	131,670	Loan/Assets	65.6%	69.1%	70.8%	71.9%
Operating Expenses	(38,681)	(42,928)	(47,388)	(55,575)	NPL	2.1%	2.3%	2.2%	2.2%
Pre-provisioning OP	53,801	58,472	65,225	76,095	Loan Loss Res./Loan	4.1%	4.0%	3.7%	3.5%
Provision for Impairment	(16,995)	(16,537)	(18,161)	(20,194)	CASA/Deposits	59.0%	58.4%	59.0%	59.3%
EBT	37,022	42,010	47,238	56,051	Time Deposits/Deposits	41.0%	41.6%	41.0%	40.7%
Income Tax	(7,978)	(9,376)	(10,543)	(12,510)	Par Value (IDR)	250	250	250	250
Non-controlling Interest	(48)	(115)	(129)	(153)	Total Shares (mn)	123,346	123,346	123,346	123,346
Net Profit	28,997	32,519	36,566	43,388	Share Price (IDR)	3,640	3,280	3,280	3,280
<i>Growth (% y/y)</i>	10.7%	12.1%	12.4%	18.7%	Market Cap (IDR tn)	449.0	404.6	404.6	404.6

BALANCE SHEET					VALUATION INDEX				
(IDR bn)	2017/12A	2018/12E	2019/12F	2020/12E		2017/12A	2018/12E	2019/12F	2020/12E
Cash	24,798	23,866	26,005	25,824	Price /Earnings	15.5x	12.4x	11.1x	9.3x
Placement in Banks	119,187	115,840	136,588	160,054	Price /Book Value	2.7x	2.2x	2.0x	1.7x
Net Loans	709,232	819,678	969,261	1,138,029	Price/Op. Revenue	4.9x	4.0x	3.6x	3.1x
Investment	208,321	187,584	200,208	211,617	PE/EPS Growth	1.4x	1.0x	0.9x	0.5x
Fixed Asset	24,746	26,184	28,021	30,302	EV/Operating Revenue	5.4x	4.6x	4.2x	3.8x
Other Assets	39,964	62,548	62,080	75,389	EV/PPOP	9.4x	8.0x	7.3x	6.5x
Total Assets	1,126,248	1,235,699	1,422,163	1,641,215	EV (IDR bn)	503,520	469,304	475,210	494,894
Deposits	841,656	919,583	1,072,832	1,242,752	Op. Rev. CAGR (3-Yr)	15.0%	12.8%	10.0%	12.5%
Debt	78,739	86,497	94,543	114,046	EPS CAGR (3-Yr)	6.2%	8.6%	11.8%	14.4%
Other liabilities	38,505	45,172	48,409	51,105	Basic EPS (IDR)	235	264	296	352
Total Liabilities	958,901	1,051,252	1,215,784	1,407,902	Diluted EPS (IDR)	235	264	296	352
Capital Stock & APIC	8,941	8,941	8,941	8,941	BVPS (IDR)	1,357	1,495	1,673	1,892
Retained Earnings	143,828	163,299	185,231	212,164	Op. Revenue PS (IDR)	750	822	913	1,067
Shareholders' Equity	167,347	184,447	206,380	233,313	DPS (IDR)	106	119	133	158

CASH FLOW STATEMENT					OWNERSHIP			
(IDR bn)	2017/12A	2018/12E	2019/12F	2020/12E	By Geography	% Shareholders	%	
Operating Cash Flow	30,708	42,190	24,563	15,359	Indonesia	76.3	Republic of Indonesia	56.8
Investing Cash Flow	(112,899)	(148,197)	(169,086)	(188,508)	United States	11.9	Vanguard	1.5
Financing Cash Flow	79,647	62,075	146,661	172,968	Luxembourg	4.4	Blackrock	1.5
Net Changes in Cash	(2,544)	(43,931)	2,139	(181)	United Kingdom	2.0	FMR LLC	1.4

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