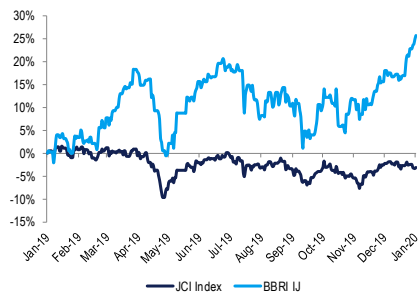


Stock Data

Target price (Rp)	Rp5,200
Prior TP (Rp)	Rp4,600
Current price (Rp)	Rp4,740
Upside/downside	+10%
Shares outstanding (mn)	123,346
Market cap (Rp bn)	584,659
Free float	43%
Avg. 6m daily T/O (Rp bn)	425

Price Performance

	3M	6M	12M
Absolute	13.4%	6.5%	25.7%
Relative to JCI	13.5%	8.6%	28.9%
52w low/high (Rp)	Rp3,690 – Rp4,740		



Major Shareholders

Republic of Indonesia	56.8%
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FY19 results: in-line, strong PPOP was due to robust growth in fee income

- FY19 net profit of Rp34.4tr (+6% yoy) was in-line. Strong PPOP (+10% yoy) due to robust fee income offsetting higher provision (+23% yoy).
- Robust growth in fee largely supported by surge e-channel transaction fee which will be sticky. Upward revision in IFRS 9 provision also positive.
- Double digit earnings growth in FY20F is easily achievable even under our current assumption; best case is 20% earnings growth. Maintain Buy.

Robust PPOP due to surge in fee income offsetting higher provision

FY19 net profit of Rp34.4tr (+6% yoy/+11% qoq) was in-line at 98%/99% of our/consensus estimates. PPOP grew 10% yoy (+17% qoq) supported by robust growth in non-interest income (+20% yoy/+44% qoq), this offset the higher provisioning (+23% yoy/+30% qoq). As a result, credit costs rose to 2.6% in FY19 from 2.3% in FY18 (3.1% in 4Q19 vs. 2.5% in 3Q19). It guides for CoC of c.2% in and EPS growth of 10-12% in FY20F (in-line with ours).

Relatively stable NIM despite a drop in LDR

NIM stood at 6.7% in FY19, a slight drop from 6.8% in 9M19 (7.2% in FY18) despite a drop in the LDR to 89% in FY19 from 94% in 9M19 (88% in FY18). Deposits grew 8% yoy (+6% qoq), driven by TD (+15% yoy/+7% qoq) while CASA was weaker (+4% yoy/+6% qoq). It guides for flat NIM in FY20F.

Loan growth still driven by micro, Kupedes outpacing KUR

Loan grew 11% yoy (+2% qoq), driven by medium (+19% yoy/+3% qoq) and micro (+12% yoy/+2% qoq) – Kupedes (+13% yoy/+5% qoq) still outpaced KUR growth (+9% yoy/-7% mom), at the same time Corporate (-1% yoy/-6% qoq) was the weakest which was positive. It guides for flat growth in FY20F.

Qoq improvement in asset quality, upward revision in IFRS 9 is positive

NPL (consolidated) improved to 2.8% in 4Q19 from 3.1% in 3Q19 (2.3% in 4Q18) driven by lower small commercial and consumer NPL. SML improved to 3.9% in 4Q19 from 4.5% in 3Q19 (3.6% in 4Q18). Loan-at-risk improved to 9.8% in 4Q19 from 10.2% in 3Q19 (9.1% in 4Q18). Post IFRS 9 (IFRS 9 provisioning was adjusted up to Rp13-15tr from Rp10-12tr), NPL/LAR coverage will rise to 230%/60% from 167%/44% in 4Q19.

Maintain Buy with higher TP

We fine tune our FY20-21F EPS amid new guidance, nonetheless we think its FY20 earnings can reach c.20% yoy under best case scenario this underpin our TP upgrade to Rp5,200 based on 2.6x P/BV. Amidst recent rally, it now trades at 2.7x 2020F P/BV (post IFRS 9 book value) vs. 10-year average of 2.3x P/BV. Key risks are worsening asset quality and higher CoF.

Financial Summary (Rp bn)	2018A	2019A	2020F	2021F	2022F
Net interest income	77,437	81,707	89,732	98,903	108,495
Total revenue	102,037	110,960	117,934	129,846	142,529
Provision charges	60,044	65,926	68,650	75,407	82,824
PPOP	(18,321)	(22,497)	(19,761)	(20,650)	(22,118)
Net profit	32,348	34,412	38,674	43,314	48,019
Net profit growth	12%	6%	12%	12%	11%
P/BV (x)	3.4	2.7	2.7	2.4	2.2
Dividend yield	2.2%	2.5%	2.3%	2.6%	3.0%
ROAE	18.3%	17.5%	18.2%	18.7%	18.4%
Forecast changes			-1%	-0.1%	N/A
IPS vs. consensus			98%	99%	N/A

Sources: Company, IndoPremier

Share Price Closing as of : 23 January 2020

Fig. 1: BBRI's 4Q19 results summary

BBRI FY19 Result (Rp bn)	FY19	FY18	%YoY	4Q19	4Q18	%YoY	3Q19	%QoQ	IPS FY19F	% of IPS	Cons FY19F	% of Cons
Interest Income	121,756	111,583	9%	30,976	29,181	6%	30,754	1%	124,731	98%		
Interest expenses	(40,049)	(33,917)	18%	(9,848)	(9,426)	4%	(10,100)	-2%	(41,695)	96%		
Net interest income	81,707	77,666	5%	21,128	19,755	7%	20,654	2%	83,036	98%	83,521	98%
Non-interest Income	29,253	24,371	20%	10,041	7,395	36%	6,980	44%	23,383	125%	23,779	123%
Total Income	110,960	102,037	9%	31,169	27,150	15%	27,634	13%	107,486	103%	107,300	103%
Overhead Expenses	(45,034)	(41,990)	7%	(11,943)	(10,859)	10%	(11,155)	7%	(45,028)	100%	(45,542)	99%
Pre-provision profit	65,926	60,047	10%	19,226	16,291	18%	16,479	17%	62,458	106%	61,758	107%
Loan loss provision	(22,497)	(18,321)	23%	(6,877)	(4,452)	54%	(5,302)	30%	(17,367)	130%	(17,661)	127%
Non Operating	(68)	28	-343%	(45)	(10)	350%	17	-365%	118	-57%	460	-15%
Pretax Profit	43,361	41,754	4%	12,304	11,829	4%	11,194	10%	45,210	96%	44,557	97%
Tax	(8,949)	(9,336)	-4%	(2,695)	(2,952)	-9%	(2,553)	6%	(10,216)	88%	(9,828)	91%
Net Profit	34,412	32,418	6%	9,609	8,877	8%	8,641	11%	34,993	98%	34,729	99%

Sources: Company, IndoPremier

Fig. 2: BBRI's 4Q19 balance sheet summary

Balance Sheet (Rp bn)	4Q19	4Q18	%YoY	3Q19	%QoQ
Gross Loan	908,881	838,141	8%	903,139	1%
Provision	(39,329)	(35,604)	10%	(41,637)	-6%
Other Interest Earning Assets	391,391	340,371	15%	302,251	29%
Other assets	158,005	153,990	3%	141,913	11%
Total Assets	1,418,948	1,296,898	9%	1,305,667	9%
Demand Deposits	175,126	180,669	-3%	171,853	2%
Saving deposits	414,333	387,180	7%	384,016	8%
CASA	589,459	567,849	4%	555,869	6%
Time Deposits & CD	431,936	376,420	15%	403,369	7%
Deposit from Customer	1,021,395	944,269	8%	959,238	6%
Other interest bearing liabilities	140,876	119,632	18%	101,910	38%
Other liabilities	47,894	47,723	0%	44,979	6%
Total Liabilities	1,210,165	1,111,623	9%	1,106,127	9%
Equity	208,783	185,275	13%	199,540	5%

Sources: Company, IndoPremier

Fig. 3: BBRI's 4Q19 key ratios

Key Ratios (%)	4Q17	1Q18	2Q18	3Q18	4Q18	1Q19	2Q19	3Q19	4Q19
Asset Yield (C)	10.5	10.3	10.5	10.4	9.9	10.0	10.2	10.2	9.7
Cost of funds (C)	3.3	3.3	3.3	3.4	3.5	3.7	3.6	3.6	3.6
NIM (C) - Bank only	7.9	7.5	7.6	7.6	7.5	6.9	7.0	7.0	7.0
CAR	22.8	20.8	20.3	21.4	21.4	21.9	21.0	21.9	22.8
LDR	88	92	95	93	88	91	94	94	89
Gross NPL	2.2	2.5	2.4	2.5	2.3	2.4	2.5	3.1	2.8
Gross NPL - Bank only	2.1	2.4	2.3	2.5	2.2	2.3	2.3	2.9	2.6
Special Mention	4.1	5.0	5.0	4.9	3.6	4.5	5.3	4.5	3.9
Loan at Risk	9.2	10.0	9.9	10.0	9.1	9.9	10.7	10.2	9.8
CASA Ratio	61	58	60	58	62	58	59	59	59
Coverage Ratio	196	182	192	182	201	195	195	160	167
Credit Costs (Q)	0.9	3.0	2.8	1.7	2.3	2.4	2.6	2.5	3.1
Credit Costs (C)	2.5	3.0	2.9	2.5	2.3	2.4	2.5	2.4	2.6

Sources: Company, IndoPremier

Fig. 4: BBRI's 4Q19 loan breakdown

Loan breakdown (Rp tr)	4Q19	4Q18	%YoY	3Q19	%QoQ	% of FY19 loans
Micro	308	274	12%	302	2%	36%
Kupedes	232	205	13%	221	5%	27%
KUR	76	69	9%	81	-7%	9%
Consumer	141	131	7%	137	2%	16%
Small commercial	199	183	9%	194	2%	23%
Medium	22	18	19%	21	3%	3%
Corporate	191	192	-1%	203	-6%	22%
SOE	97	101	-4%	108	-10%	11%
Non-SOE corporate	94	91	3%	95	-1%	11%
Total loans (bank only)	860	799	8%	857	0%	100%

Sources: Company, IndoPremier

Fig. 5: Summary of forecast changes – we fine tune our FY20-21F EPS

Changes to forecasts	New			Previous			Changes		
	2020F	2021F	2022F	2020F	2021F	2022F	2020F	2021F	2022F
Interest income	135,631	149,016	162,609	137,735	154,001		-2%	-3%	
Interest expense	(45,898)	(50,113)	(54,114)	(45,064)	(49,361)		2%	2%	
Net interest income	89,732	98,903	108,495	92,671	104,640		-3%	-5%	
Non-interest income	28,202	30,943	34,034	26,758	29,540		5%	5%	
Total operating income	117,934	129,846	142,529	119,429	134,180		-1%	-3%	
Opex	(49,285)	(54,439)	(59,705)	(49,115)	(55,942)		0%	-3%	
PPOP	68,650	75,407	82,824	70,314	78,239		-2%	-4%	
Provisions	(19,761)	(20,650)	(22,118)	(19,949)	(22,343)		-1%	-8%	
Operating profit	48,888	54,757	60,707	50,365	55,896		-3%	-2%	
Non-operating profit	130	141	155	129	143		0%	-1%	
Pre-tax profit	49,018	54,898	60,862	50,494	56,039		-3%	-2%	
Income tax	(10,267)	(11,499)	(12,748)	(11,332)	(12,576)		-9%	-9%	
Minority interests	(78)	(86)	(94)	(79)	(89)		-1%	-3%	
Net profit	38,674	43,314	48,019	39,083	43,374		-1%	0%	

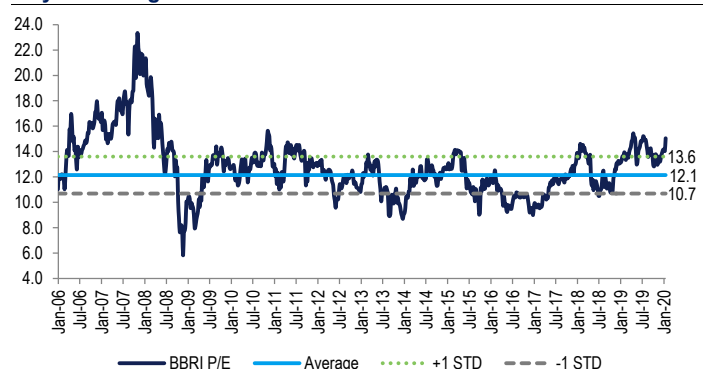
Sources: Company, IndoPremier

Fig. 6: BBRI's forward P/BV – now trading at 2.7x 2020 P/BV (post IFRS 9), above 10-year average of 2.3x P/BV



Sources: Bloomberg, Company, IndoPremier

Fig. 7: BBRI's forward P/E – now trading at 15.1x 2020 P/E, above 10-year average of 12.1x P/E



Sources: Bloomberg, Company, IndoPremier

Fig. 8: Peer comparison table

Ticker	Closing Price	Target Price	P/BV multiple target (x)	Upside	Recommendation	P/E (x)		P/BV (x)	
						2020F	2021F	2020F	2021F
BMRI *	7,775	8,000	1.9	3%	Buy	12.1	10.6	1.6	1.5
BBRI **	4,740	5,200	2.6	10%	Buy	15.1	13.5	2.7	2.4
BBCA *	34,200	31,000	4.0	-9%	Hold	26.1	22.9	4.2	3.7
BBNI **	7,650	9,000	1.4	18%	Buy	8.0	6.9	1.1	1.0
BBTN **	2,030	2,750	1.3	35%	Buy	6.0	5.3	0.9	0.8

* including asset reval

** including asset reval, post IFRS 9 book value

Sources: Bloomberg, Company, IndoPremier

Share price closing as of: 23 January 2020

Income Statement (Rp bn)	2018A	2019A	2020F	2021F	2022F
Interest income	111,354	121,756	135,631	149,016	162,609
Interest expense	(33,917)	(40,049)	(45,898)	(50,113)	(54,114)
Net interest income	77,437	81,707	89,732	98,903	108,495
Non-interest income	24,600	29,253	28,202	30,943	34,034
Total operating income	102,037	110,960	117,934	129,846	142,529
Total operating expense	(41,993)	(45,034)	(49,285)	(54,439)	(59,705)
PPOP	60,044	65,926	68,650	75,407	82,824
Provisions	(18,321)	(22,497)	(19,761)	(20,650)	(22,118)
Operating profit	41,723	43,429	48,888	54,757	60,707
Non-operating profit	28	(68)	130	141	155
Pre-tax profit	41,751	43,361	49,018	54,898	60,862
Income tax	(9,335)	(8,876)	(10,267)	(11,499)	(12,748)
Minority interests	(67)	(73)	(78)	(86)	(94)
Net profit	32,348	34,412	38,674	43,314	48,019

Balance Sheet (Rp bn)	2018A	2019A	2020F	2021F	2022F
Cash + CA with BI	98,581	87,663	114,846	122,136	133,811
Secondary reserves	294,881	303,728	328,026	357,549	386,153
Gross loans	840,189	910,764	1,035,112	1,138,624	1,252,486
Loan provisions	(35,515)	(39,329)	(66,944)	(73,362)	(79,795)
Other assets	98,763	158,005	118,944	130,838	143,922
Total Assets	1,296,898	1,418,948	1,529,984	1,675,785	1,836,576
Total deposits	949,914	1,027,807	1,150,696	1,268,652	1,398,750
Securities and borrowings	75,134	140,876	75,134	75,134	75,134
Other liabilities	86,575	41,482	86,575	86,575	86,575
Total Liabilities	1,111,623	1,210,165	1,312,405	1,430,361	1,560,459
Shareholders' equity	185,276	208,783	217,579	245,424	276,117
Total Liabilities & Equity	1,296,898	1,418,948	1,529,984	1,675,785	1,836,576

Sources: Company, IndoPremier

Growth YoY	2018A	2019A	2020F	2021F	2022F
Gross loans	14.0%	8.4%	10.0%	10.0%	10.0%
Total assets	15.2%	7.7%	8.3%	9.5%	9.6%
Customer deposits	12.3%	8.2%	10.1%	10.3%	10.3%
Net interest income	6.7%	5.5%	10.0%	10.2%	9.7%
Non-interest income	23.7%	18.9%	-3.5%	9.7%	10.0%
Total operating income	10.3%	8.8%	6.5%	10.1%	9.8%
Operating expense	9.2%	7.2%	8.6%	10.5%	9.7%
PPOP	11.1%	9.8%	5.0%	9.8%	9.8%
Net profit	11.6%	6.2%	12.8%	12.0%	10.9%

Key Ratios	2018A	2019A	2020F	2021F	2022F
ROAA	2.7%	2.6%	2.6%	2.7%	2.7%
ROAE	18.3%	17.6%	18.2%	18.6%	18.4%
NIM	7.3%	6.9%	6.9%	7.0%	7.0%
Credit cost (bps)	2.3%	2.6%	2.0%	1.9%	1.9%
Cost/income	41.2%	40.6%	41.8%	41.9%	41.9%
LDR	88.4%	88.6%	90.0%	89.8%	89.5%
CAR	21.4%	22.8%	21.6%	22.2%	22.7%
NPL ratio	2.2%	2.8%	2.3%	2.2%	2.2%
Provisions/NPL	191.8%	167.0%	281.6%	292.0%	287.6%

Sources: Company, IndoPremier

INVESTMENT RATINGS

BUY	: Expected total return of 10% or more within a 12-month period
HOLD	: Expected total return between -10% and 10% within a 12-month period
SELL	: Expected total return of -10% or worse within a 12-month period

ANALYSTS CERTIFICATION

The views expressed in this research report accurately reflect the analyst's personal views about any and all of the subject securities or issuers; and no part of the research analyst's compensation was, is, or will be, directly or indirectly, related to the specific recommendations or views expressed in the report.

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