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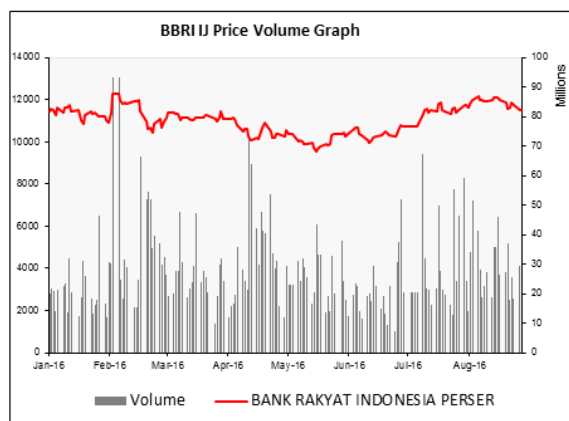


**PT Bank Rakyat Indonesia (Persero) Tbk provides commercial banking activities and its related services. The bank also provides banking activities based on sharia principles.**

**Current Price: IDR 11,525**

**52-Week Target Price: IDR 12,680**

*Previous Target Price: IDR 11,830*



Source: Bloomberg, Sinarmas Investment Research

#### Share Price Performance

Price (IDR)	11,525
52-Week High (02/05/16)	12,300
52-Week Low (09/29/15)	7,975
52-Week Beta	1.29
YTD Change/%	+100/+0.9%

#### Stock Information

Market Cap (IDR)	284,312.1 Bn
Shares Out/Float (M)	24,669.2/10,669.2

#### Company Update

## PT Bank Rakyat Indonesia (Persero) Tbk (BBRI) 1H16 Earnings Review

**NEUTRAL**

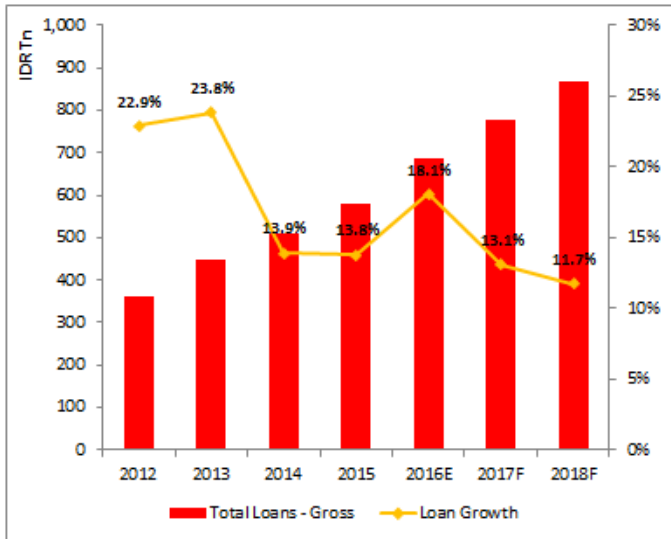
We reiterate our **NEUTRAL** call on **PT Bank Rakyat Indonesia (Persero) Tbk (BBRI)** with **52-week target price of IDR 12,680, deriving via GGM**. We raised our 52-week target price from previously IDR 11,830 due to two factors; 1) higher NIM than what we had expected, and 2) lower risk-free rate. As for asset quality, we view pressure on restructured loans will continue to persist in 2H16. Our revised 52-week target price offers a potential upside of 10.0% until year end from the current market price of IDR 11,525, implying FY16E P/BV of 2.25x (vs current P/BV 2.13x).

**As of 1H16, credit growth of 17.3% YoY was accommodated by robust deposit growth of 14.5% YoY, though LDR tightened to 90.0% (up 210 bps YoY).** The strong credit growth in 1H16 was driven by corporate and micro loans, which grew by 33.5% YoY and 22.4% YoY respectively. Micro loans are still dominating the bank's portfolio with 34.3% contribution to total loan portfolio—thanks to IDR 42.1 Tn disbursement in micro KUR — followed by small commercial and consumer loans (18.7% and 16.0% respectively). As for third party funding, Bank Rakyat managed to lower CoF by 50 bps YoY to 4.0% due to strong CASA collection (up 20.3% YoY vs 7.3% YoY in TD). CASA ratio went up from 54.1% in 1H15 to 56.9% in 1H16. In a nutshell, faster credit growth than deposit's, higher accrued interest from KUR products, and lower CoF from CASA have benefited net interest margin, which as of 1H16 stood at 8.4% (up 50 bps YoY).

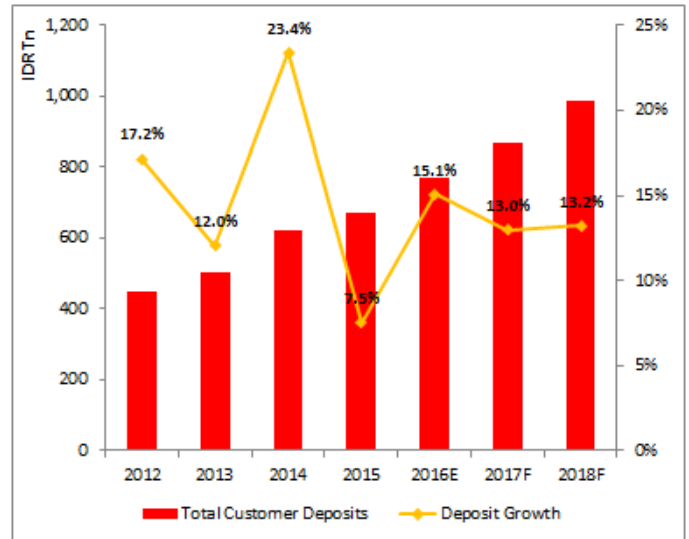
**While some of the numbers have turned positive, we maintain our NEUTRAL recommendation on PT Bank Rakyat Indonesia (Persero) Tbk as there are lack of clarifications on government regulation regarding KUR rate in 2017.** As of June 2016, Bank Rakyat booked NPAT of IDR 12.0 Tn, in line with management guidance and our forecast (46.4% of our FY16E). In terms of asset quality, NPL remained flat-ish on yearly basis, with 35 bps YoY improvement in SM though part of it was due to loans restructuring. In the mean time, management had stated that restructured loans will continue to grow in the coming quarters, which we view will pressure 2H16 margins. In our model, we expect FY16E NIM to be around 8.0%, with margin of error  $\pm 20$  bps.

Highlights (in IDR Bn)	1H15	1H16	% YoY	FY15	FY16E	% YoY
Total Loans	503,606	590,725	17.3%	563,580	665,453	18.1%
Total Deposits	573,117	656,122	14.5%	668,995	769,829	15.1%
Net Interest Income	26,889	32,011	19.0%	58,280	67,862	16.4%
Other Op. Income	5,650	7,598	34.5%	12,409	14,586	17.5%
Op. Expense	18,507	25,085	35.5%	40,176	49,975	24.4%
Net Income	11,861	12,047	1.6%	25,411	25,978	2.2%
LDR (%)	87.9%	90.0%	2.2%	86.9%	89.1%	2.3%
NPL (%)	2.3%	2.3%	0.0%	2.0%	2.3%	0.3%
NIM (%)	7.9%	8.4%	0.6%	7.7%	7.8%	0.1%

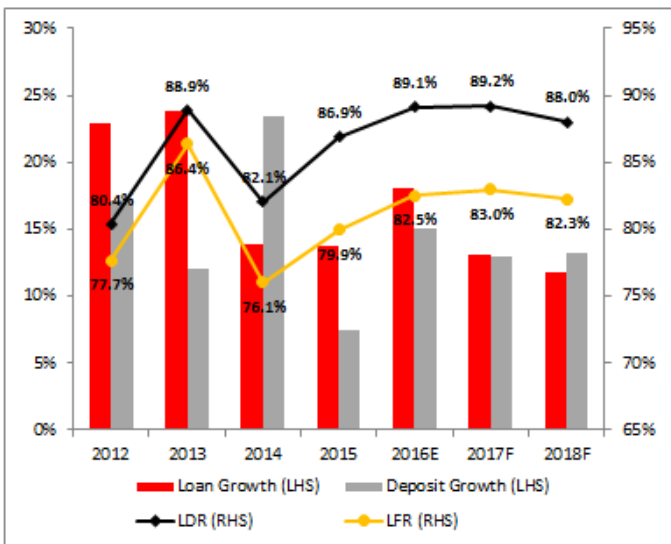
Source: Company Data, Sinarmas Investment Research

**Total Loans & Loan Growth**


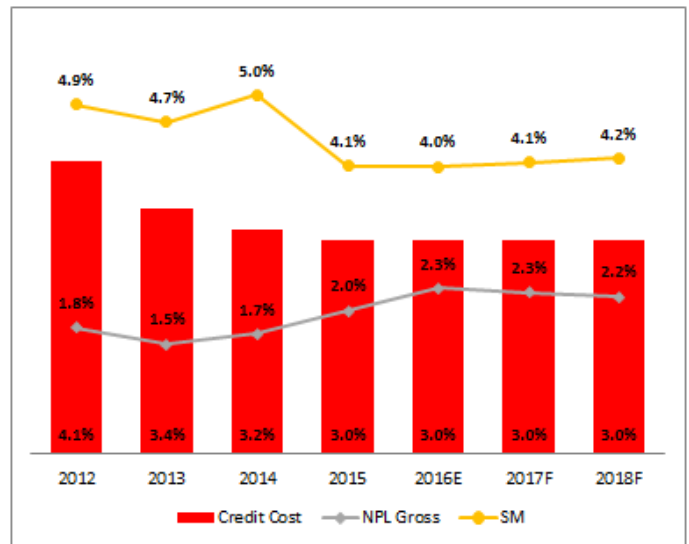
Source: Company Data, Sinarmas Investment Research

**Total Deposits & Deposit Growth**


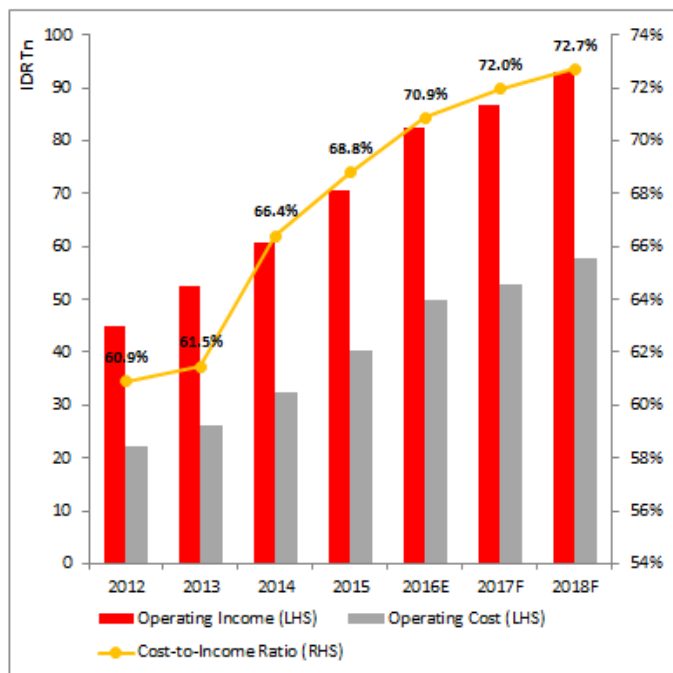
Source: Company Data, Sinarmas Investment Research

**LDR & LFR**


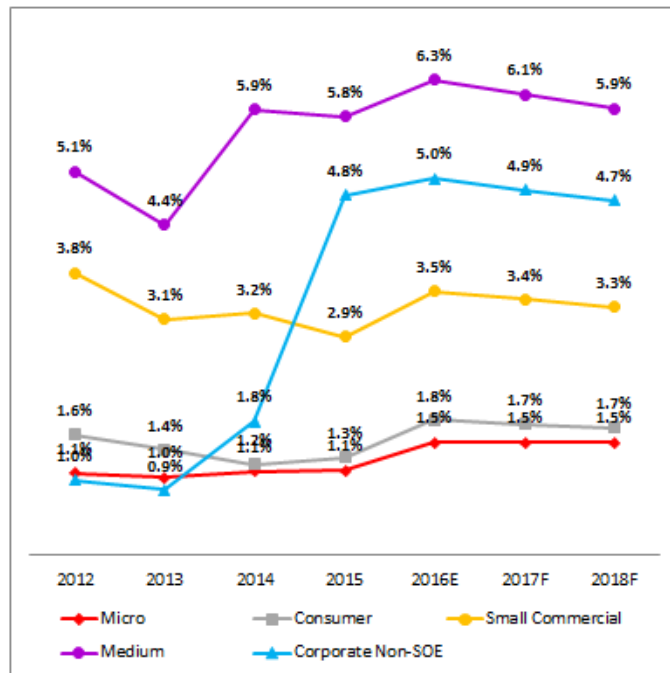
Source: Company Data, Sinarmas Investment Research

**Credit Cost, NPL, and Special Mentions**


Source: Company Data, Sinarmas Investment Research

**Operating Income, Operating Cost, and CIR (BOPO)**


Source: Company Data, Sinarmas Investment Research

**NPL per Segment**


Source: Company Data, Sinarmas Investment Research

Key Ratios (%)	2014	2015	2016E	2017F	2018F
LDR	82.1%	86.9%	89.1%	89.2%	88.0%
LFR	76.1%	79.9%	82.5%	83.0%	82.3%
CASA	52.5%	57.8%	56.0%	55.4%	54.8%
NIM	8.1%	7.7%	7.8%	7.2%	6.7%
Avg. Loan Yield	14.7%	14.5%	14.1%	13.3%	12.3%
Avg. Deposit CoF	3.8%	3.7%	3.6%	3.8%	3.5%
NPL Gross	1.7%	2.0%	2.3%	2.3%	2.2%
NPL Net	0.4%	0.5%	0.5%	0.5%	0.5%
Credit Cost	3.2%	3.0%	3.0%	3.0%	3.0%
Coverage Ratio	187.5%	149.5%	129.4%	132.6%	136.0%
CIR	66.4%	68.8%	70.9%	72.0%	72.7%
CER	53.3%	56.8%	60.6%	61.0%	62.3%
ROA	3.4%	3.0%	2.8%	2.5%	2.3%
ROE	27.4%	24.1%	20.6%	18.3%	16.7%

Source: Company Data, Sinarmas Investment Research

<b>B/S (IDR Bn)</b>	<b>2014</b>	<b>2015</b>	<b>2016E</b>	<b>2017F</b>	<b>2018F</b>
Cash and Equivalents	22,469	28,772	31,255	51,193	74,941
CA w/ Central Banks	51,184	61,718	72,153	82,349	98,202
CA w/ Other Banks	10,580	8,736	9,793	11,678	12,318
Interbank Placement	62,035	49,835	45,206	41,088	42,379
Total Loans - Net	494,534	563,580	665,453	752,399	840,800
Marketable Securities	84,168	124,874	131,117	137,673	144,557
Government Bonds	4,304	3,816	4,198	4,617	5,079
Fixed Assets	5,917	8,039	19,603	20,583	21,612
Total Assets	801,955	878,426	1,009,503	1,133,406	1,272,323
Demand Deposits	90,052	114,367	131,522	147,156	169,275
Saving Deposits	236,395	272,471	299,718	334,561	370,544
Time Deposits	295,875	282,157	338,589	387,950	444,916
Total Customer Deposits	622,322	668,995	769,829	869,666	984,734
Deposits From Other Banks	8,655	11,165	11,723	12,309	12,925
Marketable Securities	15,457	11,378	12,516	13,767	15,144
Fund Borrowings	24,987	35,480	37,254	39,117	41,073
Sub Debts	78	56	65	75	86
Total Liabilities	704,218	765,299	870,446	975,486	1,095,042
Total Equity	97,737	113,127	139,057	157,919	177,281

Source: Company Data, Sinarmas Investment Research

<b>I/S (IDR Bn)</b>	<b>2014</b>	<b>2015</b>	<b>2016E</b>	<b>2017F</b>	<b>2018F</b>
Interest Income	75,122	85,434	96,888	104,437	108,628
<i>% growth</i>		13.7%	13.4%	7.8%	4.0%
Interest Expense	23,680	27,154	29,026	34,143	35,579
<i>% growth</i>		14.7%	6.9%	17.6%	4.2%
Net Interest Income	51,442	58,280	67,862	70,294	73,049
<i>% growth</i>		13.3%	16.4%	3.6%	3.9%
Other Operating Income	9,299	12,409	14,586	16,519	19,804
<i>% growth</i>		33.4%	17.5%	13.3%	19.9%
Provision Expense	5,722	8,891	13,582	12,347	13,446
<i>% growth</i>		55.4%	52.8%	-9.1%	8.9%
Other Operating Expense	26,658	31,285	36,392	40,570	44,367
<i>% growth</i>		17.4%	16.3%	11.5%	9.4%
Net Operating Income	28,362	30,513	32,473	33,897	35,039
<i>% growth</i>		7.6%	6.4%	4.4%	3.4%
Income Before Tax Expense	30,859	32,494	32,473	33,897	35,039
<i>% growth</i>		5.3%	-0.1%	4.4%	3.4%
Tax Expense (%)	21%	22%	20%	20%	20%
Net Income	24,254	25,411	25,978	27,117	28,031
<i>% growth</i>		4.8%	2.2%	4.4%	3.4%

Source: Company Data, Sinarmas Investment Research

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