

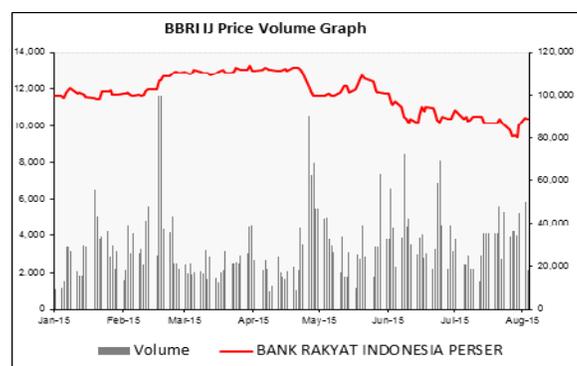
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**PT Bank Rakyat Indonesia (Persero) Tbk provides commercial banking activities and its related services. The bank also provides banking activities based on shariah principles.**

**Current Price: IDR 10,500**

**52-Week Target Price: IDR 12,930**



Source: Bloomberg, Sinarmas Investment Research

#### Share Price Performance

Price (IDR)	10,500
52-Week High (05/30/14)	13,450
52-Week Low (05/11/15)	9,300
52-Week Beta	1.67
YTD Change/%	-1,150.00/-9.0%

#### Stock Information

Market Cap (IDR)	255,942.6B
Shares Out/Float (IDR)	24,669.2M/10,669.2M
IPO	11/10/2003

Source: Bloomberg, Sinarmas Investment Research

#### Company Update

### PT Bank Rakyat Indonesia (Persero) Tbk

#### Overly Punished

**BUY**

**We upgraded BBRI to BUY with 52-Week TP of IDR 12,930.** At current market price of IDR 10,500, we view that the bank has been overly punished by the market over intervention in Micro KUR; lending rate capped at 12%. However, we remain optimistic that Bank Rakyat will be able to get back to 8.0% NIM by year-end. While it is still unclear, lending rate will be capped at 12% starting August 2015, and 9% starting next year. Management stated, with the deduction in insurance premium, the effective rate that the bank gets will still be as high as 19%. Insurance premium rate in the previous KUR was at 3% and currently is under a negotiation and proposed to be 1.4% by the bank.

**As of June 2015, the bank reported Net Profit at IDR 11.9 tn (up 1.6% YoY) and PPOP at IDR 17.9 tn (up 7.1% YoY).** As for FY15E, according to the management's guidance, bottom line may grow approximately 1-3% YoY, as the bank plans to restructure its portfolio. As of 1H15, the bank has restructured IDR 2.2 tn and still plans to add IDR 1.8 tn until the end of 2015. Be that as it may, bottom line will not be far from last year's figure, although, we can expect better asset quality in the future.

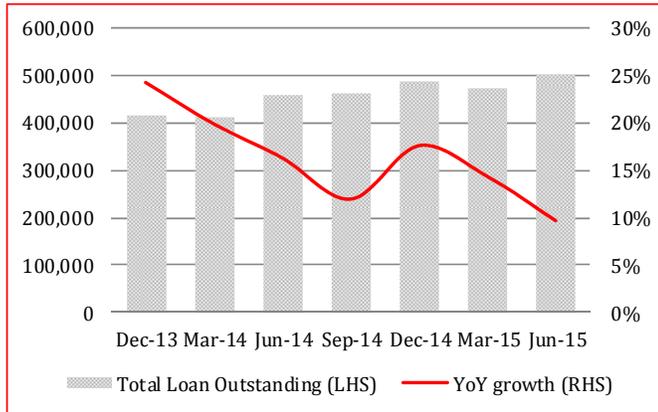
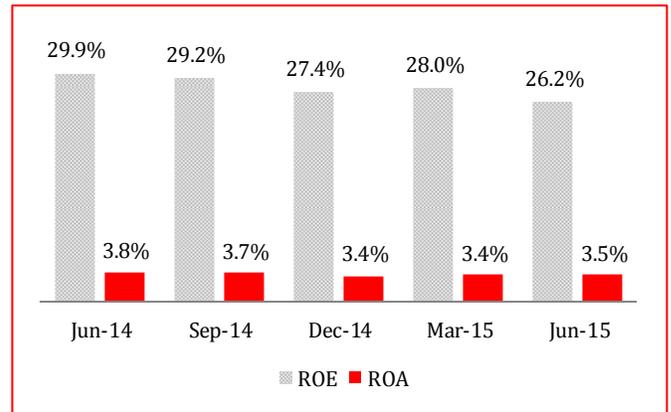
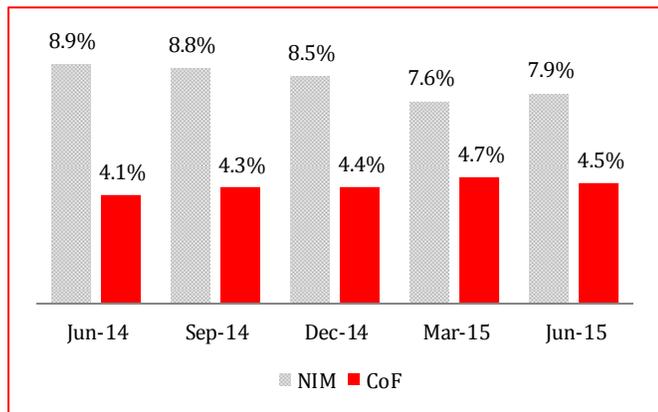
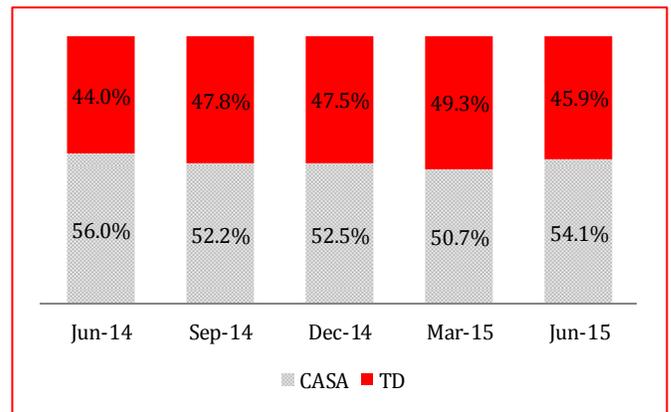
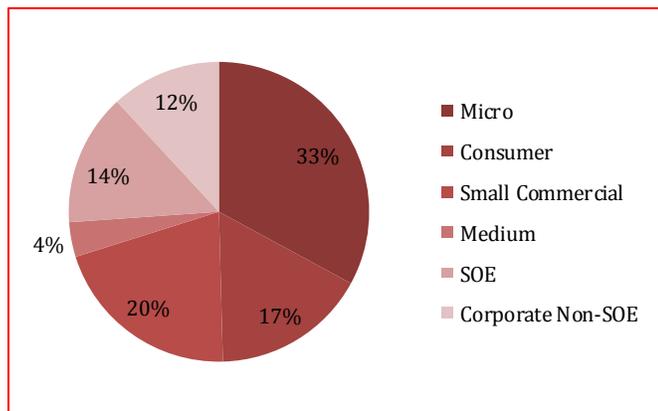
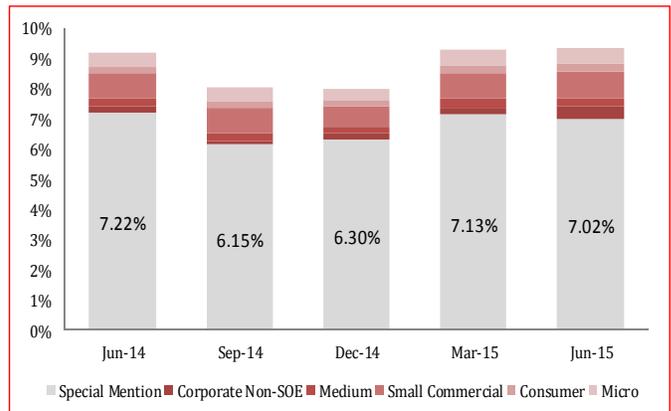
**Net Interest Income stood at IDR 26.9 tn (up 10.2% YoY), driven by better asset allocation and TD reduction.** In 2Q15, BBRI has allocated more of its earning assets to loans to get higher margins, which as a result, NIM has gone from 7.6% in 1Q15 to 7.9% in 2Q15. Moreover, the bank has been rerating the TD and reduced the TD portion to ease the CoF. We view that the bank will have margin expansion in the following quarters due to lower CoF and still relatively high yield coming from Micro sector.

**Bank Rakyat will absorb most of the government's budget allocation in Micro and Retail KUR.** Starting from August 2015, lending rate for Micro and Retail KUR will be capped at 12%. According to the state budget, the government's allocation was amounted to IDR 30 tn, and from which, Bank Rakyat will get IDR 21 tn (IDR 17 tn for Micro KUR and IDR 4 tn for Retail KUR). Thus, we recommend Buy for BBRI with 52-Week TP of IDR 12,930.

#### Financial Highlights

	2Q14	3Q14	4Q14	1Q15	2Q15
NIM	8.9	8.8	8.5	7.6	7.9
Net Profit (IDR Bn)	5,823	6,399	6,073	6,101	5,760
Total Assets (IDR Bn)	621,978	683,212	778,018	781,181	747,478
Total Loans (IDR Bn)	459,121	464,182	490,403	472,915	503,594
Total Deposits (IDR Bn)	488,451	544,272	600,404	587,727	573,117
CASA Ratio	56.0	52.2	52.5	50.7	54.1
Cost of Fund	4.1	4.3	4.4	4.7	4.5
LDR	94.0	85.3	81.7	80.5	87.9
NPL Ratio (gross)	2.0	1.9	1.7	2.2	2.3
NPL Ratio (net)	0.6	0.5	0.4	0.6	0.7

Source: Company Data, Sinarmas Investment Research

**Total Loan VS YoY Growth**

*Source: Company Data, SinarMas Investment Research*
**ROE VS ROA**

*Source: Company Data, SinarMas Investment Research*
**NIM VS CoF**

*Source: Company Data, SinarMas Investment Research*
**CASA Position**

*Source: Company Data, SinarMas Investment Research*
**Loan Portfolio**

*Source: Company Data, SinarMas Investment Research*
**NPL & Special Mention**

*Source: Company Data, SinarMas Investment Research*

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