

Bank Rakyat Indonesia

BUY (unchanged)

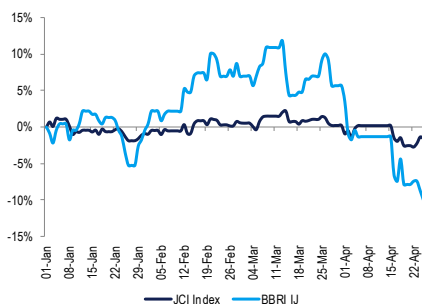
Company Update | Banks | BBRI IJ | 25 April 2024

Stock Data

Target price	Rp5,600
Prior TP	Rp6,500
Current price	Rp5,150
Upside/downside	+8.7%
Shares outstanding (mn)	151,559
Market cap (Rp bn)	780,529
Free float	46%
Avg. 6m daily T/O (Rp bn)	1,068

Price Performance

	3M	6M	12M
Absolute	-8.3%	2.5%	5.6%
Relative to JCI	-7.2%	-3.0%	0.4%
52w low/high (Rp)	4,830 – 6,400		



Major Shareholders

Republic of Indonesia	53.2%
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Jovent Muliadi

PT Indo Premier Sekuritas
jovent.muliadi@ipc.co.id
+62 21 5088 7168 ext. 710

Anthony

PT Indo Premier Sekuritas
anthony@ipc.co.id
+62 21 5088 7168 ext. 715

In-line 1Q24 but inevitable downgrade due to cyclical weakness in Kupedes

- 1Q24 net profit of Rp15.9tr (2% yoy) was relatively in-line at 23/24% of ours/consensus due to higher credit costs. PPOP was above.
- Deteriorating asset quality in micro segment has led to lower guidance especially in CoC (now up to 3%) and NIM at c.20-30bp lower.
- We fine tune our forecasts by -12% to -14% for FY24-26F based on new guidance. Maintain Buy as we think this is cyclical not structural issue.

1Q24 results: relatively in-line amid solid PPOP; CoC was a miss

BBRI posted 1Q24 net profit of Rp15.9tr (+2% yoy), relatively in-line at 23/24% of our/consensus FY24F estimates. However, PPOP growth was robust at 22% yoy and came ahead at 27% of estimates, the strongest among big banks, driven by NII (+10% yoy), non-II (+26% yoy) and benign opex (+2% yoy). Provision rose by 91% due to deteriorating micro asset quality and frontloading strategy; translated to CoC of 3.8% in 1Q24 vs. 2.4% in 1Q23/FY23. It now guides ≤3% CoC in FY24F from 2.2-2.3%.

Lower NIM guidance

NIM came at 7.8% in 1Q24 vs. 7.8/8% in 1Q23/FY23, a tad below of management's FY24F target of 7.9-8% partly due to lower LDR at 83%. Concurrently, BBRI now guides its FY24F NIM to be lower at 7.6-8% given the slowdown in micro segment and higher rate environment. Deposit grew by +13% yoy/+4% qoq mainly supported by TD at +22% yoy/+12% qoq, while CASA was slower at +8% yoy/flat qoq.

Corporate will offset micro but only temporarily

Overall loan growth grew by +11% yoy driven by corporate (+15% yoy), consumer (+12% yoy), micro segment (+11% yoy), and small (+5% yoy). Within the micro segment, Kupedes grew by +31% yoy while KUR was flat yoy. It now targets 10-12% loan growth in FY24F (previously at 11-12%) with micro at 9-10% yoy still driven by Kupedes at 25-30% yoy.

Worsening asset quality particularly in micro

NPL stood at to 3.1% vs. 2.9/3% in 1Q23/4Q23 mainly from micro segment which stood at 2.7% vs. 2.2/2.5% in 1Q23/4Q23 particularly coming from Kupedes customer that graduated from KUR. At the same time, LAR now stood at 12.7% in 1Q24 vs. 16.4/12.5% in 1Q23/4Q23. However, the write-off/downgrades figure was higher than expected and hence, CoC revision.

Maintain Buy with lower TP of Rp5,600

We fine tune our forecasts by -12% to -14% for FY24-26F to incorporate new guidance. We kept our Buy rating with new TP of Rp5,600 as we think that this is a cyclical not structural issue; the root of the problem was the Kupedes premature graduation during the absence of KUR program through 9M23 exacerbated by weak mid-low purchasing power; this is imperative as this can be fixed with stricter Kupedes disbursement and KPI going forward.

Financial Summary (Rp bn)	2022A	2023A	2024F	2025F	2026F
Net interest income	124,370	135,183	139,569	150,609	164,466
PPOP	91,285	106,508	110,812	120,105	132,206
Provision charges	(26,979)	(29,679)	(35,603)	(37,754)	(38,457)
Net profit	51,170	60,100	59,396	65,044	74,087
Net profit growth	65%	17%	-1%	10%	14%
P/BV (x)	2.6	2.5	2.4	2.3	2.2
Dividend yield	3.4%	6.1%	6.5%	6.5%	7.1%
ROAE	17.5%	19.8%	19.0%	20.0%	21.7%
IPS vs. consensus			88%	86%	88%

Source: Company, Indo Premier

Share price closing as of: 25 April 2024

Fig. 1: BBRI 1Q24 results summary

BBRI 1Q24 results (Rp bn)	1Q24	1Q23	yoy%	4Q23	qoq%	IPS FY24F	% of IPS	Cons FY24F	% of Cons
Interest income	50,075	42,460	18%	47,103	6%	191,672	26%		
Interest expenses	(14,123)	(9,681)	46%	(13,117)	8%	(45,190)	31%		
NII	35,952	32,779	10%	33,986	6%	146,482	25%		
Non-interest income	13,184	10,465	26%	14,450	-9%	58,096	23%		
Total income	49,136	43,244	14%	48,436	1%	204,578	24%		
Opex	(18,389)	(18,091)	2%	(21,109)	-13%	(89,743)	20%		
PPOP	30,747	25,153	22%	27,327	13%	114,835	27%		
Provisions	(10,713)	(5,599)	91%	(6,700)	60%	(29,258)	37%		
Operating profit	20,034	19,554	2%	20,627	-3%	85,577	23%		
Non-operating	(109)	42	-360%	84	-230%	(435)	25%		
Pre-tax profit	19,925	19,596	2%	20,711	-4%	85,142	23%	85,387	23%
Tax	(3,942)	(4,032)	-2%	(4,500)	-12%	(17,115)	23%		
Minority interest	(97)	(62)	56%	(104)	-7%	(348)	28%		
Net profit	15,886	15,502	2%	16,107	-1%	67,678	23%	67,142	24%

Source: Company, Indo Premier

Fig. 2: BBRI 1Q24 balance sheet summary

Balance Sheet (Rp bn)	1Q24	1Q23	yoy%	4Q23	qoq%
Gross loan	1,308,651	1,180,121	11%	1,266,429	3%
Provision	(87,076)	(95,187)	-9%	(85,502)	2%
Other IEA	523,555	505,690	4%	524,576	0%
Other assets	243,943	232,350	5%	259,503	-6%
Total assets	1,989,074	1,822,973	9%	1,965,007	1%
Demand deposits	354,386	309,890	14%	346,124	2%
Saving deposits	518,912	500,201	4%	527,946	-2%
CASA	873,298	810,091	8%	874,070	0%
Time deposits	542,916	445,362	22%	484,259	12%
Deposit from customer	1,416,214	1,255,453	13%	1,358,329	4%
Other IBL	178,360	161,946	10%	180,023	-1%
Other liabilities	95,602	121,124	-21%	110,184	-13%
Total liabilities	1,690,175	1,538,523	10%	1,648,535	3%
Equity	298,898	284,450	5%	316,472	-6%

Source: Company, Indo Premier

Fig. 3: BBRI 1Q24 key ratios

Key Ratios (%)	1Q22	2Q22	3Q22	4Q22	1Q23	2Q23	3Q23	4Q23	1Q24
Asset yield (C)*	9.4	9.9	9.9	9.6	10.1	10.3	10.5	10.5	11.1
CoF (C) - Consol	2.0	1.9	1.9	2.1	2.7	2.8	2.8	3.0	3.6
NIM (C) - Bank only	6.9	7.4	7.2	6.8	6.7	6.8	7.0	6.8	6.6
NIM (C) - Consol	7.7	8.2	8.2	7.9	7.8	7.9	8.1	8.0	7.8
CAR	24.6	25.1	26.1	25.5	25.0	26.7	27.5	27.3	24.0
LDR**	87	89	89	79	85	87	88	84	83
Gross NPL - Bank only	3.2	3.3	3.1	2.8	3.0	3.1	3.2	3.1	3.3
Gross NPL - Consol	3.1	3.3	3.1	2.7	2.9	3.0	3.1	3.0	3.1
Special mention	5.0	5.4	5.1	3.9	5.2	5.8	5.7	4.9	5.7
Loan at risk (incl Covid)	22.6	20.8	19.3	16.5	16.4	14.9	13.8	12.5	12.7
LAR coverage	38.5	42.4	44.9	49.4	49.2	49.1	50.9	54.1	52.4
CASA ratio	64	65	65	67	65	65	64	64	62
Coverage ratio	286	266	279	306	282	249	229	229	214
Credit costs (C) - Consol	2.8	3.1	3.0	2.6	2.4	2.3	2.4	2.4	3.8
CIR	42	44	45	47	42	42	41	42	37

*Reported numbers starting 4Q22

**Only calculated BRI and Raya financial numbers starting 3Q21

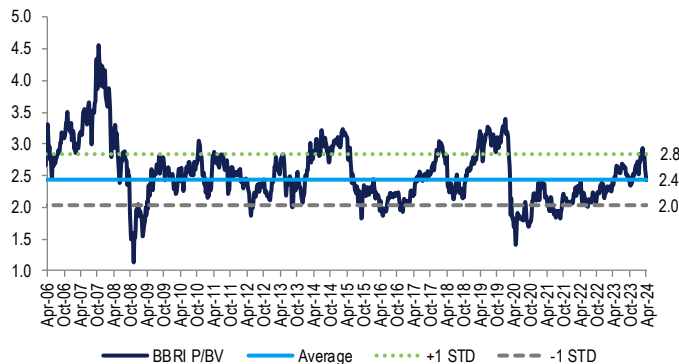
Source: Company, Indo Premier

Fig. 4: Forecast changes summary

Income statement (Rp bn)	New			Previous			Changes		
	2024F	2025F	2026F	2024F	2025F	2026F	2024F	2025F	2026F
Interest income	186,727	198,846	214,024	191,672	207,131	225,248	-3%	-4%	-5%
Interest expense	(47,158)	(48,237)	(49,557)	(45,190)	(46,624)	(49,561)	4%	3%	0%
Net interest income	139,569	150,609	164,466	146,482	160,507	175,687	-5%	-6%	-6%
Non-interest income	58,030	61,927	66,352	58,096	62,083	66,620	0%	0%	0%
Total operating income	197,599	212,536	230,818	204,578	222,591	242,307	-3%	-5%	-5%
Opex	(86,788)	(92,431)	(98,613)	(89,744)	(95,735)	(102,351)	-3%	-3%	-4%
PPOP	110,812	120,105	132,206	114,835	126,855	139,956	-4%	-5%	-6%
Provisions	(35,603)	(37,754)	(38,457)	(29,258)	(30,787)	(32,330)	22%	23%	19%
Operating profit	75,209	82,352	93,749	85,577	96,068	107,626	-12%	-14%	-13%
Non-operating profit	(435)	(475)	(519)	(435)	(475)	(519)	0%	0%	0%
Pre-tax profit	74,774	81,876	93,230	85,142	95,593	107,108	-12%	-14%	-13%
Income tax	(15,042)	(16,470)	(18,750)	(17,115)	(19,214)	(21,525)	-12%	-14%	-13%
Minority interests	(337)	(362)	(393)	(349)	(380)	(413)	-4%	-5%	-5%
Net profit	59,396	65,044	74,087	67,677	75,999	85,169	-12%	-14%	-13%

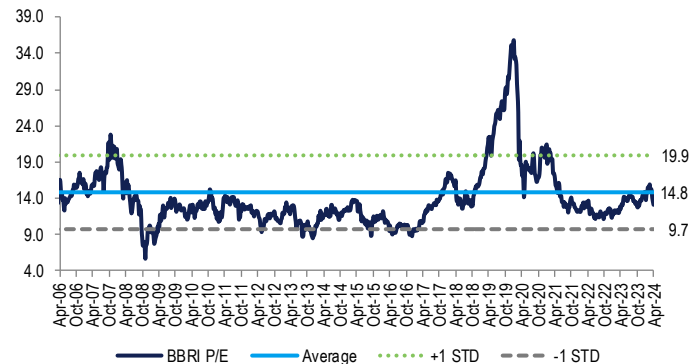
Source: Indo Premier

Fig. 5: BBRI's P/BV – now trading at 2.4x FY24F P/BV vs. 10-year average of 2.4x P/BV



Source: Bloomberg, Company, Indo Premier

Fig. 6: BBRI's P/E – now trading at 13.1x FY24F P/E vs. 10-year average of 14.6x P/E



Source: Bloomberg, Company, Indo Premier

Fig. 7: Peer comparison table

Ticker	Closing Price	Target Price	P/BV multiple target (x)	Upside	Recommendation	P/E (x)			P/BV (x)		
						FY24F	FY25F	10Y Avg	FY24F	FY25F	10Y Avg
BBCA	9,775	10,400	4.7	6%	Buy	22.0	20.0	20.9	4.7	4.3	3.8
BBRI	5,150	5,600	2.5	9%	Buy	13.1	12.0	14.8	2.4	2.3	2.4
BMRI	6,950	8,000	2.4	15%	Buy	10.3	9.2	11.8	2.0	1.9	1.6
BBNI	5,300	6,000	1.2	13%	Buy	8.5	7.8	10.7	1.2	1.1	1.1
BBTN	1,350	1,750	0.7	30%	Buy	4.9	4.5	7.0	0.6	0.5	0.8
BRIS*	2,580	2,600	2.4	1%	Buy	17.8	16.0	16.0	2.7	2.4	2.2

Source: Bloomberg, Company, Indo Premier
*3Y avg

Share price closing as of: 25 April 2024

Income Statement (Rp bn)	2022A	2023A	2024F	2025F	2026F
Interest income	151,648	178,202	186,727	198,846	214,024
Interest expense	(27,278)	(43,813)	(47,158)	(48,237)	(49,557)
Net interest income	124,370	134,390	139,569	150,609	164,466
Non-interest income	49,107	56,564	58,030	61,927	66,352
Total operating income	173,477	190,954	197,599	212,536	230,818
Opex	(82,192)	(84,446)	(86,788)	(92,431)	(98,613)
PPOP	91,285	106,508	110,812	120,105	132,206
Provisions	(26,979)	(29,679)	(35,603)	(37,754)	(38,457)
Operating profit	64,306	76,829	75,209	82,352	93,749
Non-operating profit	291	(399)	(435)	(475)	(519)
Pre-tax profit	64,597	76,430	74,774	81,876	93,230
Income tax	(13,188)	(16,005)	(15,042)	(16,470)	(18,750)
Minority interest	(238)	(325)	(337)	(362)	(393)
Net profit	51,170	60,100	59,396	65,044	74,087

Balance Sheet (Rp bn)	2022A	2023A	2024F	2025F	2026F
Cash + CA with BI	178,343	133,513	135,050	143,407	159,516
Secondary reserves	473,126	452,150	425,109	408,105	383,618
Gross loans	1,089,789	1,211,421	1,331,621	1,464,936	1,611,597
Loan provisions	(89,610)	(81,018)	(77,792)	(83,787)	(90,235)
Other assets	213,991	248,941	265,799	292,379	321,617
Total Assets	1,865,639	1,965,007	2,079,787	2,225,040	2,386,112
Total deposits	1,313,208	1,367,444	1,473,577	1,603,909	1,745,789
Securities and borrowings	146,994	151,332	151,332	151,332	151,332
Other liabilities	102,042	129,759	129,759	129,759	129,759
Total liabilities	1,562,244	1,648,535	1,754,668	1,885,001	2,026,880
Shareholders' equity	303,395	316,472	325,119	340,039	359,232
Total liabilities & equity	1,865,639	1,965,007	2,079,787	2,225,040	2,386,112

Growth YoY	2022A	2023A	2024F	2025F	2026F
Gross loans	8.6%	11.2%	9.9%	10.0%	10.0%
Total assets	11.2%	5.3%	5.8%	7.0%	7.2%
Total deposits	14.4%	4.1%	7.8%	8.8%	8.8%
Net interest income	9.0%	8.1%	3.9%	7.9%	9.2%
Non-interest income	16.2%	15.2%	2.6%	6.7%	7.1%
Total operating income	11.0%	10.1%	3.5%	7.6%	8.6%
Operating expense	8.3%	2.7%	2.8%	6.5%	6.7%
PPOP	13.5%	16.7%	4.0%	8.4%	10.1%
Net profit	64.7%	17.5%	-1.2%	9.5%	13.9%

Key Ratios	2022A	2023A	2024F	2025F	2026F
ROAA	2.9%	3.1%	2.9%	3.0%	3.2%
ROAE	17.1%	19.5%	18.7%	19.7%	21.3%
NIM	8.1%	8.2%	8.0%	8.1%	8.3%
Credit cost	2.6%	2.6%	2.8%	2.7%	2.5%
Cost/income	47.4%	44.2%	43.9%	43.5%	42.7%
LDR	83.0%	88.6%	90.4%	91.3%	92.3%
CAR	25.5%	27.3%	26.0%	25.4%	25.0%
NPL ratio	2.8%	2.8%	2.8%	2.5%	2.5%
Provisions/NPL	289.2%	241.7%	208.1%	225.5%	225.7%

Source: Company, Indo Premier

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

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