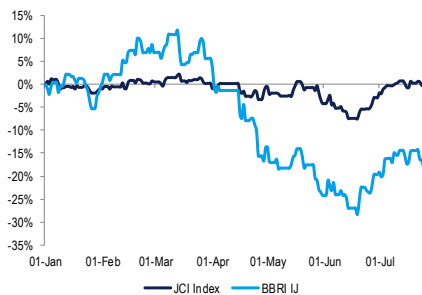


Stock Data

Target price	Rp5,800
Prior TP	Rp5,800
Current price	Rp4,700
Upside/downside	+23.4%
Shares outstanding (mn)	151,559
Market cap (Rp bn)	712,327
Free float	46%
Avg. 6m daily T/O (Rp bn)	1,540

Price Performance

	3M	6M	12M
Absolute	-10.0%	-16.8%	-17.2%
Relative to JCI	-11.0%	-17.0%	-21.4%
52w low/high (Rp)	4,100 – 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

1H24 results: sequential improvement with caveat of cautious 2H outlook

- 1H24 net profit of Rp29.7tr (+1% yoy) was relatively in-line at 48% as decent PPOP (+12% yoy) was offset by higher provision (+34% yoy).
- CoC improved to 3.1% in 2Q24 from 3.8% in 1Q24 and kept its 3% CoC target unchanged. Net downgrades have also improved.
- Management remained cautious on the 2H24 outlook which we view as being more conservative. Maintain Buy and remains as our top pick.

1H24 results: in-line results as robust PPOP was offset by higher CoC

BBRI posted 1H24 net profit of Rp29.7tr (+1% yoy/-13% qoq), relatively in-line at 48% of our/consensus FY24F estimates. PPOP growth was robust at +12% yoy/-14% qoq, mainly driven by non-ll (+21% yoy/+3% qoq) especially recovery (+51% yoy/+30% qoq) at Rp10.1tr in 1H24 vs. FY24F target of Rp22-24tr. Meanwhile, opex growth came at +8% yoy/+16% qoq. Provision rose by 34% yoy but declined -27% qoq and brought 1H24 CoC to 3.5% in 1H24 (3.1% in 2Q24) vs. 2.3/3.8% in 1H23/1Q24, a sequential qoq recovery.

Key positives: qoq CoC/downgrades improvement while additional restructured loan has also been incorporated to CoC guidance

Key positives are: **1)** better qoq CoC (3.1% in 2Q24 vs. 3.8% in 1Q24) and net micro downgrades (5.9tr in 2Q24 vs. 7.3tr in 1Q24 – it targets for total Rp9tr in 2H24 indicating 32% improvement vs. 1H); **2)** it mentioned that it shall have Rp15-20tr of micro restructuring this year (1H24 at Rp5.7tr, hence another Rp10-15tr in 2H24), however it has incorporated 30-35% default rate of this restructured portfolio into the 3% CoC guidance. **3)** We are confident on its corporate expansion as it was driven by quality names i.e. Bulog and private retailer; worth noting that the growth in corporate seems exceptionally strong (+29% yoy/+10% qoq) amid low base effect. **4)** Higher non-ll from recovery income (Rp5.7tr in 2Q vs. Rp4.4tr in 1Q) is also positive.

Key concerns: miss in CoC target, slower micro growth and lower NIM from change in portfolio mix

We note few concerns, namely: **1)** management reiterated that there is a possibility to miss 3% CoC guidance if: a) weaker than expected loan growth (smaller denominator), b) higher default rate to its micro restructured portfolio (currently it uses 30-35% default rate which is suffice in our view). **2)** Slower micro growth (+8% yoy/flat qoq) as the focus is on asset quality, but we view this more positively as Kupedes still grew by +16% yoy vs. KUR -1% yoy and lastly **3)** lower NIM at 7.6% in 1H24 vs. 7.9/7.8% in 1H23/1Q24 from change in loan mix (higher corporate) and higher CoF (as deposit was driven by TD and high cost CA); it kept its NIM guidance unchanged.

We think the positives outweigh the negatives; maintain BRI as our pick

We understand most will be bearish on the stock following the call but we are more pragmatic and see that there is tangible improvement in asset quality: **1)** lower qoq CoC, **2)** drop in LAR (12% in 2Q24 vs. 12.7% in 1Q24) and most importantly **3)** flat write-off in absolute amount (Rp10.8tr in 2Q24 vs. Rp10.4tr in 1Q24), this also confirmed our thesis that this wasn't a structural event ([link](#)). We also have expected that the 2H24 outlook to be more cautious following what happened in 1Q as management will adopt more conservative stance going forward. That being said, we think that after -27% drop from peak and valuation of 11.4x P/E and 2.2x P/B vs. its 5Y average of 16.4x and 2.4x, the risks have mostly been priced-in. We maintain BBRI as our pick along with BMRI.

Fig. 1: Financial summary

In Rp bn	2022A	2023A	2024F	2025F	2026F
Net interest income	124,370	134,390	139,569	150,609	164,466
PPOP	91,285	106,508	117,274	127,238	139,923
Provision charges	(26,979)	(29,679)	(38,146)	(39,152)	(41,533)
Net profit	51,170	60,100	62,520	69,620	77,787
Net profit growth	65%	17%	4%	11%	12%
P/BV (x)	2.4	2.3	2.2	2.1	2.0
Dividend yield	3.7%	6.7%	7.2%	7.5%	8.3%
ROAE	17.5%	19.8%	19.8%	21.2%	22.5%
IPS vs. consensus			101%	101%	100%

Source: Company, Indo Premier

Share price closing as of: 25 July 2024

Fig. 2: BBRI 2Q24 results summary

BBRI 2Q24 results (Rp bn)	1H24	1H23	yoy%	2Q24	2Q23	yoy%	1Q24	qoq%	IPS FY24F	% of IPS	Cons FY24F	% of Cons
Interest income	98,647	85,591	15%	48,572	43,131	13%	50,075	-3%	186,727	53%		
Interest expenses	(28,718)	(20,050)	43%	(14,595)	(10,369)	41%	(14,123)	3%	(47,158)	61%		
NII	69,929	65,541	7%	33,977	32,762	4%	35,952	-5%	139,569	50%		
Non-interest income	26,748	22,175	21%	13,564	11,710	16%	13,184	3%	64,427	42%		
Total income	96,677	87,716	10%	47,541	44,472	7%	49,136	-3%	203,996	47%		
Opex	(39,635)	(36,657)	8%	(21,246)	(18,566)	14%	(18,389)	16%	(86,722)	46%		
PPOP	57,042	51,059	12%	26,295	25,906	2%	30,747	-14%	117,274	49%		
Provisions	(18,497)	(13,821)	34%	(7,784)	(8,222)	-5%	(10,713)	-27%	(38,146)	48%		
Operating profit	38,545	37,238	4%	18,511	17,684	5%	20,034	-8%	79,129	49%		
Non-operating	(96)	(37)	159%	13	(79)	-116%	(109)	-112%	(435)	22%		
Pre-tax profit	38,449	37,201	3%	18,524	17,605	5%	19,925	-7%	78,694	49%	77,946	49%
Tax	(8,553)	(7,640)	12%	(4,611)	(3,608)	28%	(3,942)	17%	(15,826)	54%		
Minority interest	(194)	(139)	40%	(97)	(77)	26%	(97)	0%	(347)	56%		
Net profit	29,702	29,422	1%	13,816	13,920	-1%	15,886	-13%	62,520	48%	62,093	48%

Source: Company, Indo Premier

Fig. 3: BBRI 2Q24 balance sheet summary

Balance Sheet (Rp bn)	2Q24	2Q23	yoy%	1Q24	qoq%
Gross loan	1,336,780	1,202,129	11%	1,308,651	2%
Provision	(86,415)	(88,238)	-2%	(87,076)	-1%
Other IEA	491,426	452,562	9%	523,555	-6%
Other assets	235,581	238,694	-1%	243,943	-3%
Total assets	1,977,371	1,805,146	10%	1,989,074	-1%
Demand deposits	356,855	298,310	20%	354,386	1%
Saving deposits	521,041	517,115	1%	518,912	0%
CASA	877,896	815,425	8%	873,298	1%
Time deposits	511,767	429,691	19%	542,916	-6%
Deposit from customer	1,389,663	1,245,116	12%	1,416,214	-2%
Other IBL	186,567	175,343	6%	178,360	5%
Other liabilities	89,412	86,196	4%	95,602	-6%
Total liabilities	1,665,641	1,506,655	11%	1,690,175	-1%
Equity	311,731	298,492	4%	298,898	4%

Source: Company, Indo Premier

Fig. 4: BBRI 2Q24 key ratios

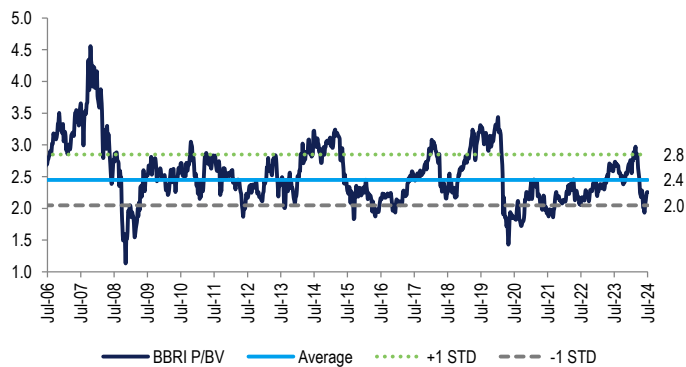
Key Ratios (%)	1Q22	2Q22	3Q22	4Q22	1Q23	2Q23	3Q23	4Q23	1Q24	2Q24
Asset yield (C)*	9.4	9.9	9.9	9.6	10.1	10.3	10.5	10.5	11.1	10.8
CoF (C) - Consol	2.0	1.9	1.9	2.1	2.7	2.8	2.8	3.0	3.6	3.6
NIM (C) - Bank only	6.9	7.4	7.2	6.8	6.7	6.8	7.0	6.8	6.6	6.4
NIM (C) - Consol	7.7	8.2	8.2	7.9	7.8	7.9	8.1	8.0	7.8	7.6
CAR	24.6	25.1	26.1	25.5	25.0	26.7	27.5	27.3	24.0	25.1
LDR**	87	89	89	79	85	87	88	84	83	87
Gross NPL - Bank only	3.2	3.3	3.1	2.8	3.0	3.1	3.2	3.1	3.3	3.2
Gross NPL - Consol	3.1	3.3	3.1	2.7	2.9	3.0	3.1	3.0	3.1	3.1
Special mention	5.0	5.4	5.1	3.9	5.2	5.8	5.7	4.9	5.7	5.4
Loan at risk (incl Covid)	22.6	20.8	19.3	16.5	16.4	14.9	13.8	12.5	12.7	12.0
LAR coverage	38.5	42.4	44.9	49.4	49.2	49.1	50.9	54.1	52.5	53.9
CASA ratio	64	65	65	67	65	65	64	64	62	63
Coverage ratio	286	266	279	306	282	249	229	229	214	212
Credit costs (C) - Consol	2.8	3.1	3.0	2.6	2.4	2.3	2.4	2.4	3.8	3.5
CIR	42	44	45	47	42	42	41	42	37	41

*Reported numbers starting 4Q22

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

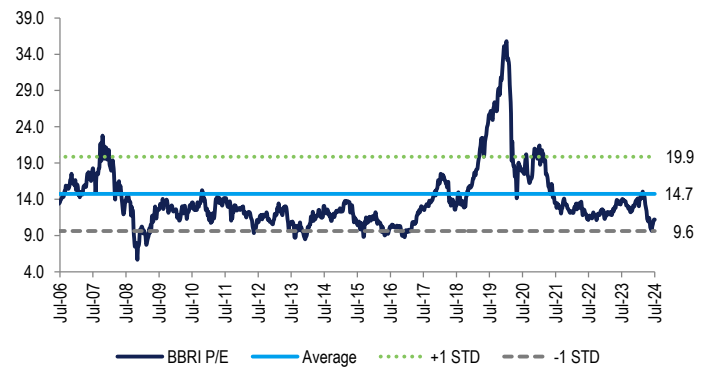
Source: Company, Indo Premier

Fig. 5: BBRI's P/BV – now trading at 2.2x 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 11.4x FY24F P/E vs. 10-year average of 14.7x P/E



Source: Bloomberg, Company, Indo Premier

Fig. 7: Peers comparison

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	10,300	10,400	4.7	1%	Buy	23.2	21.1	21.0	4.8	4.5	3.7
BBRI	4,700	5,800	2.6	23%	Buy	11.4	10.2	14.7	2.2	2.1	2.4
BMFI	6,575	7,800	2.4	19%	Buy	10.9	9.7	11.9	2.2	2.0	1.7
BBNI	5,025	5,600	1.1	11%	Hold	8.9	8.1	10.7	1.2	1.1	1.1
BBTN	1,325	1,750	0.7	32%	Buy	4.8	4.4	6.9	0.6	0.5	0.8
BRIS*	2,420	2,600	2.4	7%	Buy	16.7	15.0	16.1	2.5	2.2	2.2

Source: Bloomberg, Company, Indo Premier

*3Y avg.

Share price closing as of: 25 July 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	64,427	68,892	73,785
Total operating income	173,477	190,954	203,996	219,501	238,251
Opex	(82,192)	(84,446)	(86,722)	(92,263)	(98,328)
PPOP	91,285	106,508	117,274	127,238	139,923
Provisions	(26,979)	(29,679)	(38,146)	(39,152)	(41,533)
Operating profit	64,306	76,829	79,129	88,086	98,390
Non-operating profit	291	(399)	(435)	(475)	(519)
Pre-tax profit	64,597	76,430	78,694	87,611	97,871
Income tax	(13,188)	(16,005)	(15,826)	(17,617)	(19,678)
Minority interest	(238)	(325)	(347)	(374)	(406)
Net profit	51,170	60,100	62,520	69,620	77,787

Balance Sheet (Rp bn)	2022A	2023A	2024F	2025F	2026F
Cash + CA with BI	178,343	133,513	140,849	152,603	171,757
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)	(80,456)	(87,915)	(97,586)
Other assets	213,991	248,941	265,799	292,379	321,617
Total Assets	1,865,639	1,965,007	2,082,923	2,230,107	2,391,003
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	328,255	345,107	364,123
Total liabilities & equity	1,865,639	1,965,007	2,082,923	2,230,107	2,391,003

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%	6.0%	7.1%	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%	13.9%	6.9%	7.1%
Total operating income	11.0%	10.1%	6.8%	7.6%	8.5%
Operating expense	8.3%	2.7%	2.7%	6.4%	6.6%
PPOP	13.5%	16.7%	10.1%	8.5%	10.0%
Net profit	64.7%	17.5%	4.0%	11.4%	11.7%

Key Ratios	2022A	2023A	2024F	2025F	2026F
ROAA	2.9%	3.1%	3.1%	3.2%	3.4%
ROAE	17.1%	19.5%	19.5%	20.8%	22.1%
NIM	8.1%	8.2%	8.0%	8.1%	8.3%
Credit cost	2.6%	2.6%	3.0%	2.8%	2.7%
Cost/income	47.4%	44.2%	42.5%	42.0%	41.3%
LDR	83.0%	88.6%	90.4%	91.3%	92.3%
CAR	25.5%	27.3%	26.3%	25.8%	25.5%
NPL ratio	2.8%	2.8%	2.8%	2.5%	2.5%
Provisions/NPL	289.2%	241.7%	215.2%	236.6%	244.1%

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

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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