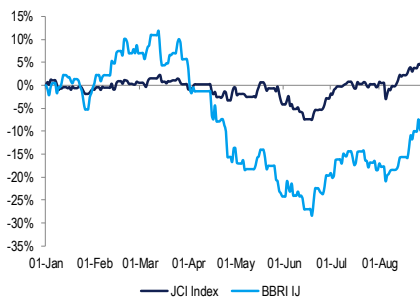


Stock Data

Target price	Rp5,800
Prior TP	Rp5,800
Current price	Rp5,150
Upside/downside	+12.6%
Shares outstanding (mn)	151,559
Market cap (Rp bn)	780,529
Free float	46%
Avg. 6m daily T/O (Rp bn)	1,230

Price Performance

	3M	6M	12M
Absolute	13.7%	-15.9%	-8.0%
Relative to JCI	8.1%	-21.0%	-18.1%
52w low/high (Rp)	4,100 – 6,400		



Major Shareholders

Republic of Indonesia	53.2%
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A conservative stance on CoC instead of worsening asset quality

- We recently hosted a meeting with BRI management to discuss its 7M results and overall asset quality outlook.
- We found that the spike in Jul24 CoC was attributed to management' conservative stance and expect its CoC to normalize from Aug onwards.
- We continue to like BBRI alongside BMRI especially that it has the highest multiple's sensitivity during rate cut cycle.

7M24 results: a bad month but shall not be extrapolated further

BBRI bank-only profit of Rp31.4tr in 7M24 (+2% yoy/-50% mom) came as a negative surprise. This was attributed to spike in opex (+45% mom) from higher personnel expenses for additional micro loan officers, one-off leave allowance (c.Rp250-300bn), and one-off provision for non-cash loan (NCL) amounting Rp1.6tr which will be reversed in the coming months. At the same time, provision for loan rose by +174% mom which translate to CoC of 3.9% in Jul24 (vs. 1.4% in Jun24) - 7M24 CoC to 3.4% (+6bp vs. 1H24). Loan grew by +9% yoy (flat mom) slower than deposits of +13% (flat mom).

Overall asset quality was relatively stable mom; higher provision was a ramp-up for restructured micro portfolio

During our discussion, it was highlighted that overall micro NPL stood at 3.04% in Jul24 vs. 2.95% in Jun24 while SML stood at 6.79% in Jul24 vs. 6.87% in Jun24; both are relatively stable which begs the question why sudden jump in the provision on mom basis. There were two main reasons for this: 1) a seasonal pattern post reporting month (in the past 3 quarters CoC always spiked one month after quarterly result i.e. Apr/Jan24 CoC at 3.5/2.2% vs. Mar24/Dec23 CoC at 2.5/0.5%) and 2) ramp-up on provision for restructured portfolio to 27% in Jul24 from 19% in Jun24 – note that it plans to restructure Rp15-20tr of micro portfolio in FY24 (Jul24 at Rp13tr) which has been incorporated into 3% CoC guidance with assumption of 25-30% default rate, hence the ramp-up in coverage to 27% in Jul24.

We expect provision is expected to trend down in the coming months; management conservatives was underappreciated

With additional Rp2-7tr of restructured portfolio and 30% coverage, overall provision of Rp600bn-2.1tr provision for the remainder of the year is manageable in our view. At the same time, it was highlighted that CoC without management overlay was at 3.1% in 7M24 (vs. 3.4% with overlay to ramp-up the coverage on restructured portfolio); this was a reflection of management conservatives which was mistakenly perceived by the market as the sign of worsening asset quality. Management corroborated our view and reiterated that both restructured portfolio and CoC guidance of 3% remains unchanged even after taking into account the QTD data.

Maintaining BBRI as our top pick alongside BMRI

While it is easier for market to digest our call on BMRI, we think the weakness in BBRI is a good entry point especially with it has the highest multiple's sensitivity during rate cut cycle and better CoC outlook. Back last year, when we were bullish on BMRI's multiple re-rating, investors were also very sceptical on its ability to deliver sustainable growth in both loan and savings ([link to our last year's BMRI note](#)); on the other hand, consensus were so bullish on BBRI/BBNI. As such, given the worse scepticism for BBRI, we think the upside is bigger if our thesis is proven to be correct.

Fig. 1: Financial Summary

In Rp bn	2020A	2021A	2022F	2023F	2024F
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)	2.6	2.5	2.4	2.3	2.2
Dividend yield	3.4%	6.1%	6.5%	6.8%	7.6%
ROAE	17.5%	19.8%	19.8%	21.2%	22.5%
IPS vs. consensus			103%	104%	101%

Source: Company, Indo Premier

Share price closing as of: 28 August 2024

Fig. 2: BBRI 7M24 results summary

Income Statement (Rp bn)	7M24	7M23	YoY%	Jul-24	Jul-23	YoY%	Jun-24	MoM%	IPS FY24F	% of IPS	Cons FY24F	% of Cons
Interest Income	94,608	82,657	14%	13,582	12,212	11%	13,648	0%	186,727	51%		
Interest Expense	(30,237)	(20,506)	47%	(4,301)	(3,102)	39%	(4,407)	-2%	(47,158)	64%		
Net Interest Income	64,370	62,151	4%	9,282	9,110	2%	9,240	0%	139,569	46%		
Non Interest Income	29,273	21,871	34%	4,349	3,109	40%	4,354	0%	64,427	45%		
Gains (Loss) on Fin Inst.	1,678	1,389	21%	238	134	77%	253	-6%				
Total Income	95,321	85,411	12%	13,869	12,353	12%	13,847	0%	203,996	47%		
Operating Expense	(32,817)	(32,242)	2%	(6,221)	(4,862)	28%	(4,297)	45%	(86,722)	38%		
PPOP	62,503	53,169	18%	7,648	7,491	2%	9,550	-20%	117,274	53%		
Provisions	(23,023)	(14,521)	59%	(3,762)	(1,735)	117%	(1,371)	174%	(38,146)	60%		
Operating Income	39,480	38,648	2%	3,886	5,756	-32%	8,179	-52%	79,129	50%	76,573	52%
Non Operating Inc. (Exp.)	(109)	(382)	-72%	5	(325)	-101%	(3)	-238%	(435)	25%		
Tax Expense	(7,953)	(7,399)	7%	(719)	(829)	-13%	(1,831)	-61%	(16,173)	49%		
Net Income	31,419	30,867	2%	3,171	4,601	-31%	6,344	-50%	62,520	50%	60,698	52%

Balance Sheet (Rp bn)	Jul-24	Jul-23	YoY%	Jun-24	MoM%
Loan	1,203,851	1,108,596	9%	1,207,047	0%
Deposit	1,383,592	1,229,838	13%	1,384,962	0%
CASA	876,950	795,424	10%	878,700	0%
CA	358,301	286,158	25%	359,231	0%
SA	518,648	509,266	2%	519,469	0%
TD	506,642	434,414	17%	506,262	0%

Key Ratios	7M24	7M23	YoY (bp)	1H24	Chg (bp)	Jul-24	Jul-23	YoY (bp)	Jun-24	MoM (bp)
LDR	87.0%	90.1%	(313)	87.2%	(14)	87.0%	90.1%	(313)	87.2%	(14)
Credit Costs	3.4%	2.4%	105	3.4%	6	3.9%	2.0%	193	1.4%	247
Asset Yield	10.3%	9.7%	51	10.2%	4	10.3%	10.1%	23	10.3%	(1)
CoF	3.7%	2.8%	93	3.6%	3	3.7%	2.9%	75	3.7%	(5)
Net Interest Margin	7.0%	7.3%	(35)	6.9%	3	7.0%	7.5%	(47)	7.0%	5
CASA Ratio	63.4%	64.7%	(129)	63.4%	(6)	63.4%	64.7%	(129)	63.4%	(6)

Source: Company, Indo Premier

Fig. 3: Both SML and NPL in micro was relatively stable mom in Jul24

BBRI asset quality	Jun-24	Jul-24	MoM (bp)
Blended - bank-only			
SML	5.35%	5.36%	1
NPL	3.21%	3.26%	5
Micro			
SML	6.87%	6.79%	(8)
NPL	2.95%	3.04%	9

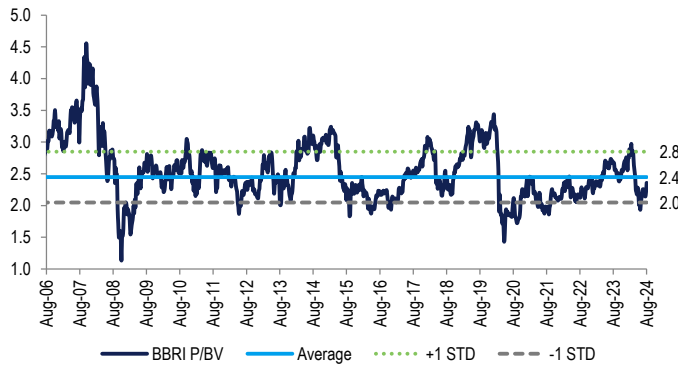
Source: Company, Indo Premier

Fig. 4: BBRI bank-only monthly CoC always spiked one month after quarterly result in the past three quarters

BBRI bank-only	Dec-23	Jan-24	Mar-24	Apr-24	Jun-24	Jul-24
Monthly CoC - calculated	0.46%	2.16%	2.53%	3.45%	1.43%	3.90%

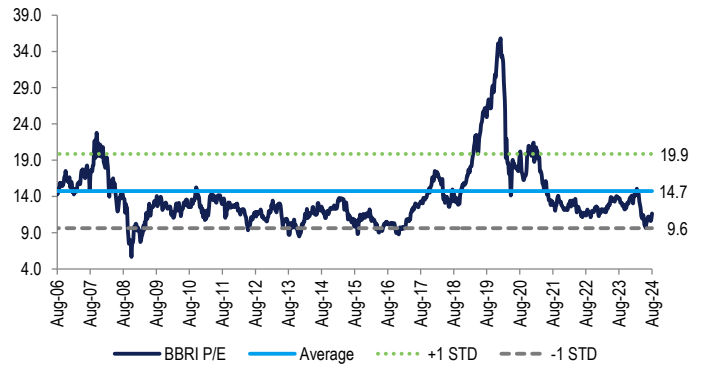
Source: Company, Indo Premier

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 12.5x FY24F P/E vs. 10-year average of 14.7x 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	10,350	10,400	4.7	0%	Buy	23.3	21.2	21.0	4.9	4.5	3.7
BBRI	5,150	5,800	2.6	13%	Buy	12.5	11.2	14.7	2.4	2.3	2.4
BMRI	7,225	7,800	2.4	8%	Buy	12.0	10.7	11.9	2.4	2.1	1.7
BBNI	5,375	5,600	1.1	4%	Hold	9.5	8.7	10.7	1.2	1.1	1.1
BBTN	1,420	1,580	0.7	11%	Buy	6.4	5.4	6.9	0.6	0.6	0.8
BRIS*	2,730	2,600	2.4	-5%	Buy	18.8	16.9	16.1	2.9	2.5	2.2

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

Share price closing as of: 28 August 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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