

# Bank Rakyat Indonesia

**BUY** (unchanged)

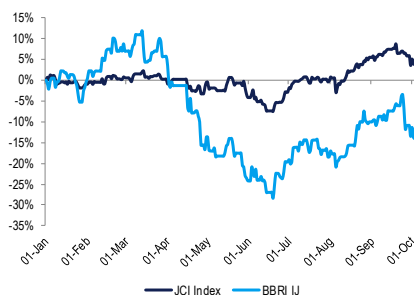
Company Update | Banks | BBRI IJ | 04 October 2024

## Stock Data

Target price	Rp5,800
Prior TP	Rp5,800
Current price	Rp4,920
Upside/downside	+17.9%
Shares outstanding (mn)	151,559
Market cap (Rp bn)	745,670
Free float	46%
Avg. 6m daily T/O (Rp bn)	1,183

## Price Performance

	3M	6M	12M
Absolute	7.0%	-12.5%	-6.3%
Relative to JCI	2.1%	-17.8%	-15.8%
52w low/high (Rp)	4,100 – 6,400		



## Major Shareholders

Republic of Indonesia	53.2%
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## A flow not fundamental driven sell-off

- BBRI has dropped by -11% in the past week vs. -3% for the other big 3 banks. We think this caused by flow instead of change in fundamentals.
- This also wiped c.Rp2.4tr of inflow that drove the stock from low (Rp4.1k) to Rp5.5k. Past week outflow amounted -Rp7.3tr.
- Our discussion with the bank also suggests that asset quality for 2024's disbursement is already better vs. 2023; suggesting a cyclical issue.

### Steep sell-off in the past week

BBRI dropped by -11% in the past week vs. -3% for the other banks which we think is largely attributed to flow (shift to China) and recent downgrade by the street. However, our discussion with the bank suggests that overall asset quality has not been worsening-off. Indeed 8M24 results corroborated our previous thesis ([link](#)) that pick-up in Jul24 asset quality was due to: 1) seasonal factor (post reporting month) and 2) front loading of provision for its restructured portfolio.

### 8M24 results: tangible improvement in asset quality but loan growth was a concern although we think it will only be a short-term issue

Its 8M24 results came relatively decent at 4% yoy earnings growth and 16% yoy PPOP growth. NIM dropped 36bp yoy to 7% but largely because CoF (+92bp yoy) offsetting the increase in asset yield (+49bp yoy). Nonetheless, Overall CoC improved to 3.3% in 8M24 vs. 3.4% in 7M24; this implies Aug24 CoC of 2.7% yoy vs. 3.9% yoy in Jul24 and we expect its overall CoC to further improve in Sep24-4Q24. One key area of concern was on loan growth (+7% yoy) but we think it's unfair given that the focus this year to fix the asset quality as it's impossible to set KPI for micro loan officer to simultaneously fixing the asset quality and growing loan book aggressively.

### We think foreign outflow may have peaked or close to peak

YTD BBRI recorded foreign outflow of -Rp20.6tr vs. BBKA/BMRI/BBNI inflow at Rp6.4/3.0/0.1tr. This represents 2.7% of BRI market cap vs. -Rp8.3tr/2.1% of market cap during Covid period which we think is overblown given the severity of magnitude during Covid (no income for MSME during lockdown). At the same time, past 7 days of outflow amounted to -Rp7.3tr which has wiped all the inflow (Rp2.4tr) which drove the stock price rally from Rp4,100 to Rp5,525.

### Maintain OW and BBRI remains our top pick

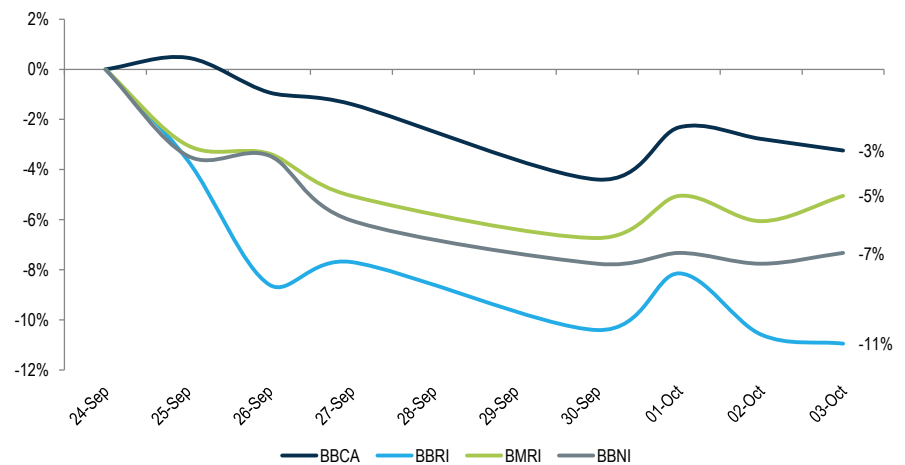
We continue to like BBRI amid its attractive top-down story: 1) main beneficiary of rate cut cycle ([link to our note](#)) – for every 25bp drop in BI rate shall translate to 1.4% FY25F earnings accretion vs. 0.2-0.5% for other banks and 2) Government's focus on MSME i.e. free lunches and 3 million housing programs. At the same time, our conversation with the bank suggests that the asset quality for 2024's disbursement has so far better than 2023 which suggests this is a cyclical and not structural factor. Risks are worsening asset quality and persistent slow micro loan growth (beyond 2024).

Financial Summary (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)	2.5	2.4	2.3	2.2	2.1
Dividend yield	3.5%	6.4%	6.8%	7.1%	7.9%
ROAE	17.5%	19.8%	19.8%	21.2%	22.5%
IPS vs. consensus			103%	104%	102%

Source: Company, Indo Premier

Share price closing as of: 03 October 2024

Fig. 1: BBRI has dropped by -11% in the past week vs. -3% for the other big 3 banks



Source: Bloomberg, Indo Premier

Fig. 2: BBRI 8M24 results summary

Income Statement (Rp bn)	8M24	8M23	YoY%	Aug-24	Aug-23	YoY%	Jul-24	MoM%	IPS FY24F	% of IPS	Cons FY24F	% of Cons
Interest Income	108,213	95,249	14%	13,606	12,592	8%	13,582	0%	186,727	58%		
Interest Expense	(34,577)	(23,685)	46%	(4,340)	(3,179)	37%	(4,301)	1%	(47,158)	73%		
<b>Net Interest Income</b>	<b>73,636</b>	<b>71,564</b>	<b>3%</b>	<b>9,265</b>	<b>9,413</b>	<b>-2%</b>	<b>9,282</b>	<b>0%</b>	<b>139,569</b>	<b>53%</b>		
Non Interest Income	34,205	24,958	37%	4,932	3,086	60%	4,349	13%	64,427	53%		
Gains (Loss) on Fin Inst.	2,149	1,585	36%	471	196	141%	238	98%				
<b>Total Income</b>	<b>109,989</b>	<b>98,106</b>	<b>12%</b>	<b>14,669</b>	<b>12,695</b>	<b>16%</b>	<b>13,869</b>	<b>6%</b>	<b>203,996</b>	<b>54%</b>		
Operating Expense	(38,618)	(36,461)	6%	(5,801)	(4,219)	37%	(6,221)	-7%	(86,722)	45%		
<b>PPOP</b>	<b>71,371</b>	<b>61,645</b>	<b>16%</b>	<b>8,868</b>	<b>8,476</b>	<b>5%</b>	<b>7,648</b>	<b>16%</b>	<b>117,274</b>	<b>61%</b>		
Provisions	(25,600)	(17,766)	44%	(2,577)	(3,244)	-21%	(3,762)	-32%	(38,146)	67%		
<b>Operating Income</b>	<b>45,771</b>	<b>43,879</b>	<b>4%</b>	<b>6,291</b>	<b>5,232</b>	<b>20%</b>	<b>3,886</b>	<b>62%</b>	<b>79,129</b>	<b>58%</b>	<b>76,692</b>	<b>60%</b>
Non Operating Inc. (Exp.)	(111)	(393)	-72%	(3)	(11)	-77%	5	-156%	(435)	26%		
Tax Expense	(9,453)	(8,659)	9%	(1,500)	(1,260)	19%	(719)	109%	(16,173)	58%		
<b>Net Income</b>	<b>36,207</b>	<b>34,827</b>	<b>4%</b>	<b>4,788</b>	<b>3,960</b>	<b>21%</b>	<b>3,171</b>	<b>51%</b>	<b>62,520</b>	<b>58%</b>	<b>60,755</b>	<b>60%</b>
Balance Sheet (Rp bn)	Aug-24	Aug-23	YoY%	Jul-24	MoM%							
Loan	1,203,683	1,123,641	7%	1,203,851	0%							
Deposit	1,349,606	1,265,826	7%	1,383,592	-2%							
CASA	874,915	804,114	9%	876,950	0%							
CA	356,868	297,516	20%	358,301	0%							
SA	518,047	506,598	2%	518,648	0%							
TD	474,691	461,712	3%	506,642	-6%							
Key Ratios	8M24	8M23	YoY (bp)	7M24	Chg (bp)	Aug-24	Aug-23	YoY (bp)	Jul-24	MoM (bp)		
LDR	89.2%	88.8%	42	87.0%	218	89.2%	88.8%	42	87.0%	218		
Credit Costs	3.3%	2.5%	80	3.4%	(11)	2.7%	3.7%	(100)	3.9%	(125)		
Asset Yield	10.2%	9.7%	49	10.3%	(2)	10.3%	10.3%	(1)	10.3%	(1)		
CoF	3.7%	2.8%	92	3.7%	(0)	3.7%	3.0%	73	3.7%	3		
Net Interest Margin	7.0%	7.3%	(36)	7.0%	(2)	7.0%	7.7%	(69)	7.0%	(3)		
CASA Ratio	64.8%	63.5%	130	63.4%	145	64.8%	63.5%	130	63.4%	145		

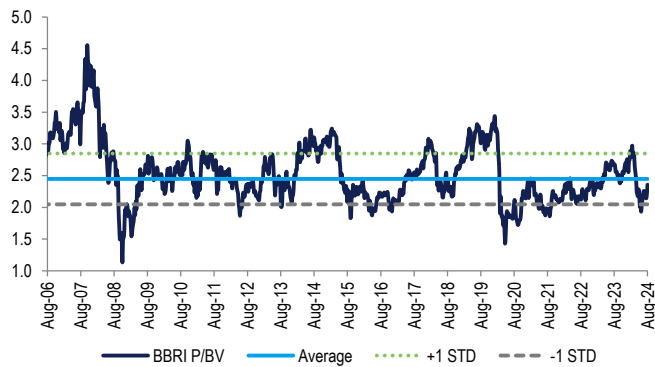
Source: Company, Indo Premier

Fig. 3: Current sell-off has surpassed Covid level, which we think is overblown

NSVal (in Rp bn)	25 Sep - 03 Oct'24	01 Feb - 30 Sep'20
ALL	(20,711)	(8,719)
NG	(74)	(434)
<b>RG+TN</b>	<b>(20,638)</b>	<b>(8,285)</b>
SAvg.	5,063	3,162
# of shares (bn)	152	123
Mkt cap (Rp bn)	767,343	390,019
% of Mkt cap	2.7%	2.1%

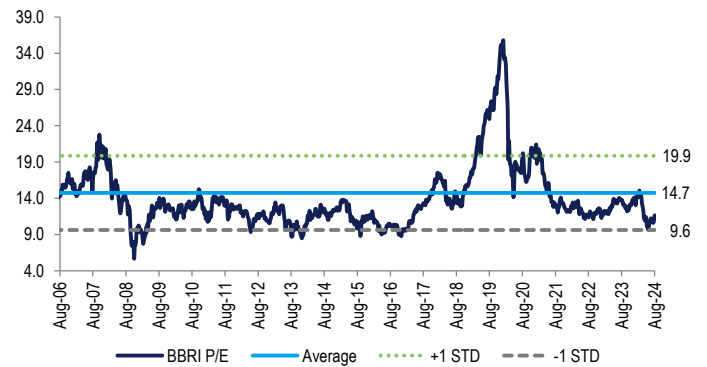
Source: Indo Premier

Fig. 4: BBRI's P/BV – now trading at 2.2x FY25F P/BV vs. 10-year average of 2.4x P/BV



Source: Bloomberg, Company, Indo Premier

Fig. 5: BBRI's P/E – now trading at 10.7x FY25F P/E vs. 10-year average of 14.7x P/E



Source: Bloomberg, Company, Indo Premier

Fig. 6: 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	10,450	10,400	4.7	0%	Buy	23.6	21.4	21.0	4.9	4.5	3.7
BBRI	4,920	5,800	2.6	18%	Buy	11.9	10.7	14.7	2.3	2.2	2.4
BMRI	7,050	7,800	2.4	11%	Buy	11.7	10.4	11.9	2.3	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	1,390	2,120	0.8	53%	Buy	6.3	5.3	6.9	0.6	0.5	0.8
BRIS*	2,970	2,600	2.4	-12%	Buy	20.4	18.4	16.1	3.1	2.8	2.2

Source: Bloomberg, Company, Indo Premier

\*3Y avg

Share price closing as of: 03 October 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)
<b>Net interest income</b>	<b>124,370</b>	<b>134,390</b>	<b>139,569</b>	<b>150,609</b>	<b>164,466</b>
Non-interest income	49,107	56,564	64,427	68,892	73,785
<b>Total operating income</b>	<b>173,477</b>	<b>190,954</b>	<b>203,996</b>	<b>219,501</b>	<b>238,251</b>
Opex	(82,192)	(84,446)	(86,722)	(92,263)	(98,328)
<b>PPOP</b>	<b>91,285</b>	<b>106,508</b>	<b>117,274</b>	<b>127,238</b>	<b>139,923</b>
Provisions	(26,979)	(29,679)	(38,146)	(39,152)	(41,533)
<b>Operating profit</b>	<b>64,306</b>	<b>76,829</b>	<b>79,129</b>	<b>88,086</b>	<b>98,390</b>
Non-operating profit	291	(399)	(435)	(475)	(519)
<b>Pre-tax profit</b>	<b>64,597</b>	<b>76,430</b>	<b>78,694</b>	<b>87,611</b>	<b>97,871</b>
Income tax	(13,188)	(16,005)	(15,826)	(17,617)	(19,678)
Minority interest	(238)	(325)	(347)	(374)	(406)
<b>Net profit</b>	<b>51,170</b>	<b>60,100</b>	<b>62,520</b>	<b>69,620</b>	<b>77,787</b>

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
<b>Total Assets</b>	<b>1,865,639</b>	<b>1,965,007</b>	<b>2,082,923</b>	<b>2,230,107</b>	<b>2,391,003</b>
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
<b>Total liabilities</b>	<b>1,562,244</b>	<b>1,648,535</b>	<b>1,754,668</b>	<b>1,885,001</b>	<b>2,026,880</b>
<b>Shareholders' equity</b>	<b>303,395</b>	<b>316,472</b>	<b>328,255</b>	<b>345,107</b>	<b>364,123</b>
<b>Total liabilities &amp; equity</b>	<b>1,865,639</b>	<b>1,965,007</b>	<b>2,082,923</b>	<b>2,230,107</b>	<b>2,391,003</b>

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**

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