

Expecting 9M24 results to continue inline

3 October 2024



<b>BBRI IJ</b>	<b>BUY</b>
Sector	Banks
Price at 2 October 2024 (IDR)	4,940
Price target (IDR)	6,830
Upside/Downside (%)	38.3

**Stock Information**

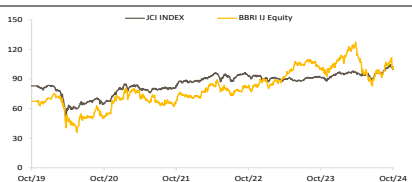
PT Bank Rakyat Indonesia (BBRI) established in 1895 is the oldest bank in Indonesia. BBRI plays an important role in developing grass root economy of Indonesia, focusing in Micro, Small and Medium Enterprises (MSMEs) segments.

Market cap (IDR bn)	765,373
Shares outstanding (mn)	151,559
52-week range (IDR)	4,360-5,750
3M average daily vol. ('000)	108,483
3M average daily val. (IDR mn)	589,631

**Shareholders (%)**

Republic of Indonesia	54.9
Public	45.1

**Stock Performance**



Source: Bloomberg

	1M	3M	12M
Performance	(4.5)	8.1	(5.9)

**Analyst**

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Overall 8M24 earnings were in line with expectations, while Aug24 standalone bank only PATMI exceeded our Aug24F PATMI forecast for BBRI. We expect 9M24 earnings to also be in line. The weakening loan growth reflects a selective loan chaneling strategy to maintain asset quality improvement, in our view. Continuously lower blended interest expenses could strengthen NIM expansion. The focus on healthier risk metrics has started to improve BBRI's CoC to 3.2%, significantly down from its peak of 4.4% in 2M24. We maintain our BUY rating for BBRI with a GGM-based target price of IDR6,830, implying a 3.0x 2024F P/B ratio. The stock is currently trading at its historical average of 2.2x '24F P/B.

**Overall healthy 8M24 result: Aug24 was even better than expected.**

BBRI's financial performance in the 8M24 was remarkably strong, culminating in August with net profit exceeding our projections. The bank's cumulative net profit for the period reached IDR36.2 trillion, a 3.9% increase YoY, representing 55% of our full-year forecast. On a standalone basis, BBRI's bank only net income surged by 20.9% YoY and 51% MoM in Aug24, reaching IDR4.8 trillion. The impressive growth in net profit was primarily driven by a reduction in the cost of funding and ongoing improvements in asset quality, leading to a 14.4% decrease in provisions compared to the same period last year. The robust earnings performance in Aug24 contributed to BBRI's overall positive financial results for the first eight months of 2024, exceeding our expectations (8M24A of IDR36.2tn vs our 8M24F net profit for BBRI of IDR35.3tn).

**9M24 likely to record another inline result**

We believe BBRI's 9M24 earnings will likely remain stable. Our conservative forecast for BBRI's 9M24 bank-only PATMI is IDR40.46tn (3.75% YoY growth). The market expects 3Q24 consolidated net profit to reach IDR13.67tn, bringing 9M24 net income to approximately IDR41.9tn (7.49% YoY growth). Assuming continued CoC improvement MoM, BBRI's 9M24 actual net income will effortlessly exceed our 9M24F bank-only net income forecast for BBRI.

**Softer loan growth sound acceptable, amid the focus in AQ**

BBRI recorded significant loan growth of 7.1% YoY to IDR1,203.68tn. While YTD loan growth has been declining, we believe this is acceptable as the bank prioritizes selective lending to maintain asset quality amid credit cost concerns. This focus has resulted in significant CoC improvement. In 8M24, the credit cost reached 3.2%, far below its peak of 3.7% in 1Q24 and 4.4% in Feb24.

**Expect continuing CASA portion improvement to continue**

Total TPF increased 6.6% YoY to IDR1,349.06tn, driven by solid demand deposit growth of 20.0% YoY, increasing the CASA portion by 1.3% to 64.8% compared to 63.5% in 8M23. Time deposit (TD) growth declined sharply by 6.3% MoM, and we expect continued weak growth in the remaining months of year. Given the CASA growth and continuously lower cost of funding, we anticipate potential margin expansion in 4Q24

**Better NIM, with healthier cost of credit**

Key ratio performance generally improved. CASA reached a YTD high of 64.8%, an improvement of 306 bps and 130 bps YoY, respectively. NIM increased slightly to approximately 6.5% in Aug24, up from 6.4% in June24. Due to improved asset quality, the credit cost was 3.2%, an 82-bps improvement compared to 2.4% in the same period last year, and closer to management's guidance of a maximum of 3% for 24F. BBRI's total interest expenses continued their declining trend, reaching 46% YoY, down from a peak of 52.7% YoY in 2M24, consistent with our previous report.

**Lower foreign ownership and lowest YTD stock return**

We acknowledge market concerns about BBRI's earnings growth this year, which have contributed to a decline in foreign ownership from 36.7% in Jan24 to 34.0% in Sept24. Consequently, the stock has underperformed its peers and the average banking stock under our coverage, with a YTD return of -7.1% compared to 21.5%. We anticipate that the upcoming release of 9M24 earnings results, coupled with continued strong earnings performance in the remaining quarters of the year, will support an improvement in the stock price. While awaiting the publication of 9M24 consolidated and October-November 2024 bank-only results, we believe that BBRI remains an attractive investment at current levels, even assuming a price of IDR5,600, which corresponds to a 2.2x ('24 forecast P/B), falling within the average to +1 SD range.

**Maintain BUY GGM-TP of IDR6,830.**

Our GGM-based TP for BBRI of IDR6,830 pegged at 3.0x '24F P/B while currently trading at 2.2x '24F P/B, or at its average historical mean. Downside risks to our call are: 1) slower loan growth; 2) worsening AQ; and 3) higher than expected CoC, CoF, and NPL. 4) slowing economic activity amid the domestic political situation; 5) higher for longer remains; and 6) prolonged tight liquidity and a high-interest rate environment.

**Exhibit 1: Key Statistics**

Year end Dec (IDR bn)	2022A	2023A	2024F	2025F	2026F
Net Interest income	124,597	135,183	143,947	157,291	174,671
Non int. income	48,880	48,107	49,364	54,300	58,682
Total operating income	173,477	183,290	193,310	211,591	233,353
Pre-provision profit	91,285	106,508	114,885	129,534	146,205
Net income (IDR bn)	51,170	60,100	66,678	73,903	81,691
EPS (IDR)	338	397	440	488	539
EPS growth (%)	64.7	17.5	10.9	10.8	10.5
PER (x)	14.6	12.5	11.2	10.1	9.2
PBV (x)	2.5	2.4	2.2	2.0	1.8
Div. Yield (%)	3.5	4.7	6.4	6.2	7.4
RoE (%)	17.4	19.7	20.4	20.6	20.9

Source: Company, KBVS Research

**Exhibit 2: BBRI 8M24 result – Selected Profit & Loss**

Profit and Loss (IDRbn)	6M24	7M24	8M24	8M23	8M24	YoY (%)
Interest income	81,025	94,608	108,213	95,249	108,213	13.6
Interest expense	(25,937)	(30,237)	(34,577)	(23,685)	(34,577)	46.0
Net interest income	55,089	64,370	73,636	71,564	73,636	2.9
Total Income	81,390	95,258	109,927	98,084	109,927	
Opex	(26,535)	(32,755)	(38,556)	(36,439)	(38,556)	
PPOP	54,855	62,503	71,371	61,645	71,371	15.8
Provision	(19,261)	(23,023)	(25,600)	(17,766)	(25,600)	44.1
Net Profit	28,247	31,419	36,207	34,827	36,207	4.0

Profit and Loss (IDRbn)	Jun-24	Jul-24	Aug-24	Aug-23	Aug-24	YoY (%)	MoM (%)
Interest income	13,648	13,582	13,606	12,592	13,606	8.0	0.2
Interest expense	(4,407)	(4,301)	(4,340)	(3,179)	(4,340)	36.5	0.9
Net interest income	9,240	9,282	9,265	9,413	9,265	(1.6)	(0.2)
Total Income	13,846	13,868	14,668	12,690	14,668		
Opex	(4,296)	(6,220)	(5,801)	(4,215)	(5,801)		
PPOP	9,550	7,648	8,868	8,476	8,868	4.6	16.0
Provision	(1,371)	(3,762)	(2,577)	(3,244)	(2,577)	(20.6)	(31.5)
Net Profit	6,344	3,171	4,788	3,960	4,788	20.9	51.0

Source: Company, KBVS Research

**Exhibit 3: BBRI 8M24 result – Selected Balance Sheet**

Selected B/S (IDRbn)	6M24	7M24	8M24	8M23	8M24	YoY (%)
Total Loan	1,207,047	1,203,851	1,203,683	1,123,641	1,203,683	7.1
Total deposits	1,384,426	1,383,057	1,349,063	1,265,329	1,349,063	6.6
Demand deposits	358,694	357,767	356,325	297,019	356,325	20.0
Saving deposits	519,469	518,648	518,047	506,598	518,047	2.3
Time deposits	506,262	506,642	474,691	461,712	474,691	2.8
CASA	878,163	876,415	874,372	803,617	874,372	8.8

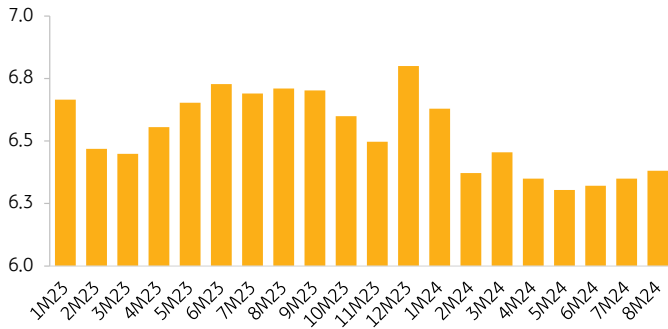
Source: Company, KBVS Research

**Exhibit 4: BBRI 8M24 result – Selected Key Ratio**

Selected Key Ratios (%)	6M24	7M24	8M24	8M23	8M24	YoY (%)	Ytd (%)
NIM	6.3	6.3	6.4	6.7	6.4	(0.3)	(0.2)
EA Yield	11.1	11.1	11.1	10.6	11.1	0.5	(0.2)
Cost of fund	3.5	3.6	3.6	2.7	3.6	0.9	0.1
Cost of credit	3.2	3.3	3.2	2.4	3.2	0.8	1.2
CASA (IDRbn)	878,163	876,415	874,372	803,617	874,372	8.8	2.5
Loan to Deposits	87.2	87.0	89.2	88.8	89.2	0.4	5.6
CASA	63.4	63.4	64.8	63.5	64.8	1.3	3.1
CIR	32.6	34.4	35.1	37.2	35.1	(2.1)	(0.2)

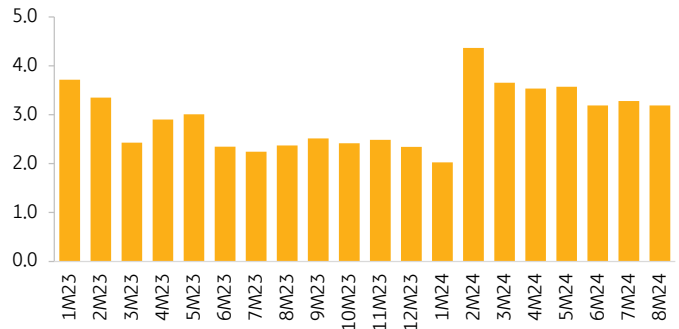
Source: Company, KBVS Research

Exhibit 5: Expecting NIM to be well managed amid the enduring uncertainty



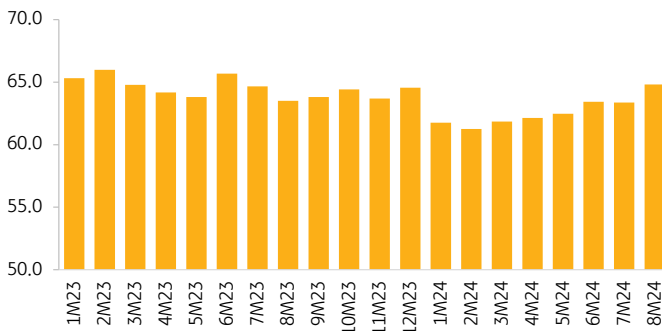
Source: Company, KBVS Research

Exhibit 6: Expect CoC to reach '24F management guidance



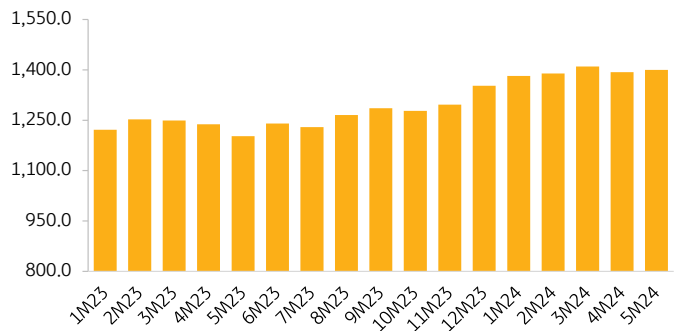
Source: Company, KBVS Research

Exhibit 7: Solid CASA remains and better than Pre Covid historical average



Source: Company, KBVS Research

Exhibit 8: Expect stronger TPF growth



Source: Company, KBVS Research

Exhibit 9: Expect manageable loan to deposit



Source: Company, KBVS Research

Exhibit 10: Cost to income growth likely to stay soft



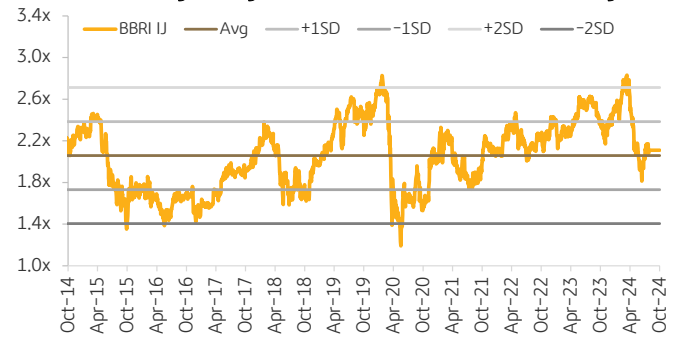
Source: Company, KBVS Research

Exhibit 11: BBRI foreign ownership holding

Ticker	Jul-24	Aug-24	Sep-24	YTD 2023	YTD 2024	Sep-23	Sep-24	YoY (chg)
BBCA IJ	36.3%	36.4%	36.6%	0.2%	0.5%	35.9%	36.6%	0.7%
BBRI IJ	34.1%	34.2%	34.0%	1.1%	-2.7%	36.7%	34.0%	-2.7%
BMRI IJ	33.6%	34.2%	34.4%	0.6%	0.5%	33.6%	34.4%	0.8%
BBNI IJ	26.0%	26.1%	26.8%	1.1%	-0.3%	26.3%	26.8%	0.5%
BBTN IJ	10.9%	10.8%	11.4%	-1.5%	1.2%	9.6%	11.4%	1.8%
BRIS IJ	4.2%	4.3%	4.9%	0.8%	1.5%	3.0%	4.9%	2.0%
Average	24.2%	24.3%	24.7%	0.4%	0.1%	24.2%	24.7%	0.5%

Source: Company, KBVS Research

Exhibit 12: Currently trading at 2.2x '24F P/B, at its historical average



Source: Company, Bloomberg, KBVS Research

**FINANCIAL TABLES**
**Exhibit 13: Profit & Loss**

Year End Dec (IDR bn)	2022A	2023A	2024F	2025F	2026F
Interest income	151,875	178,996	195,125	215,595	240,583
Interest expenses	(27,278)	(43,813)	(51,178)	(58,305)	(65,911)
<b>Net interest income</b>	<b>124,597</b>	<b>135,183</b>	<b>143,947</b>	<b>157,291</b>	<b>174,671</b>
Non-interest income	48,880	48,107	49,364	54,300	58,682
<b>Total operating income</b>	<b>173,477</b>	<b>183,290</b>	<b>193,310</b>	<b>211,591</b>	<b>233,353</b>
Operating expenses	(82,192)	(76,782)	(78,425)	(82,057)	(87,148)
<b>Pre-provision operating profit</b>	<b>91,285</b>	<b>106,508</b>	<b>114,885</b>	<b>129,534</b>	<b>146,205</b>
Loan loss provision	(26,979)	(29,679)	(29,691)	(35,151)	(41,919)
Pretax profit	64,597	76,430	84,795	93,984	103,887
<b>Net profit</b>	<b>51,170</b>	<b>60,100</b>	<b>66,678</b>	<b>73,903</b>	<b>81,691</b>

**Exhibit 14: Balance sheet**

Year End Dec (IDR bn)	2022A	2023A	2024F	2025F	2026F
<b>Assets</b>					
Cash	27,407	31,604	36,594	40,665	45,343
Current Account at BI	150,935	101,909	79,995	90,845	99,619
Interbank Loans	91,888	87,557	85,339	66,671	63,590
Govt Treas Bills & Sec	264,945	238,102	228,558	230,962	214,182
Investment Securities	116,311	126,503	128,564	132,418	132,660
Loans	1,045,989	1,180,927	1,338,999	1,518,521	1,727,623
Fixed Assets	55,216	59,678	66,231	69,543	70,933
Other assets	112,946	138,726	151,194	157,280	158,610
<b>Total Asset</b>	<b>1,865,639</b>	<b>1,965,007</b>	<b>2,115,474</b>	<b>2,306,903</b>	<b>2,512,562</b>
<b>Liabilities</b>					
Interbank Deposit	9,335	11,958	15,004	16,173	17,440
Customer Deposit	1,307,884	1,358,329	1,428,486	1,539,744	1,660,325
Debts Sec and Subordinates	63,612	49,638	54,630	58,885	63,496
Other Liabilities	181,413	228,611	269,618	312,137	360,073
<b>Total liabilities</b>	<b>1,562,244</b>	<b>1,648,535</b>	<b>1,767,738</b>	<b>1,926,938</b>	<b>2,101,333</b>
<b>Equity</b>					
Capital Stock	7,578	7,578	7,578	7,578	7,578
Additional Paid-in Capital	76,243	75,853	75,853	75,853	75,853
Retained Earnings	201,170	213,711	244,976	272,205	298,468
Other Equity	14,303	14,220	14,220	19,220	24,220
Shareholder's Equity	299,294	311,363	342,628	374,856	406,120
Non-controlling Interest	4,101	5,109	5,109	5,109	5,109
<b>Total Equity</b>	<b>303,395</b>	<b>316,472</b>	<b>347,736</b>	<b>379,965</b>	<b>411,228</b>

**Exhibit 15: Key performance metrics**

Year End Dec (%)	2022A	2023A	2024F	2025F	2026F
NIM	7.9	8.0	8.0	8.1	8.2
LDR	87	93	99	103	108
CASA	66.7	64.3	63.6	64.5	65.4
NPL	2.7	3.0	2.9	2.9	2.8
ROAE	17.4	19.7	20.4	20.6	20.9
ROAA	2.9	3.1	3.3	3.3	3.4
CAR	23.3	25.2	25.8	25.9	25.7
BVPS (IDR)	1,975	2,054	2,261	2,473	2,680
PER (x)	14.6	12.5	11.2	10.1	9.2
PBV (x)	2.5	2.4	2.2	2.0	1.8
Div. Yield	3.5	4.7	6.4	6.2	7.4

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