

Inline 10M24 bank only earnings

5 December 2024



BBRI IJ	BUY
Sector	Banks
Price at 5 December 2024 (IDR)	4,260
Price target (IDR)	5,960
Upside/Downside (%)	39.9

Stock Information

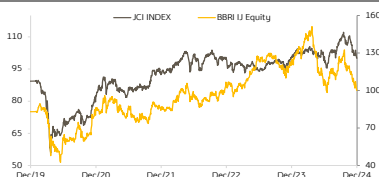
PT Bank Rakyat Indonesia (BRI) established in 1895 is the oldest bank in Indonesia. BRI plays an important role in developing grass root economy of Indonesia, focusing in Micro, Small and Medium Enterprises (MSMEs) segments.

Market cap (IDR bn)	659,282
Shares outstanding (mn)	151,559
52-week range (IDR)	4,090-6,450
3M average daily vol. ('000)	266,415
3M average daily val. (IDR mn)	1,282,030

Shareholders (%)

Republic of Indonesia	54.9
Public	45.1

Stock Performance



Source: Bloomberg

	1M	3M	12M
Performance	(9.6)	(17.3)	(21.8)

Analyst

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BBRI reported 10M24 earnings in line with our expectations. Blended funding costs softened further, positively impacting profitability. Robust non-interest income supported a 44bps YoY increase in PPOp to 14.9% yoy vs previous month. While provisions remained elevated, they were significantly lower than the peak observed in 3M24, signalling improving credit quality. The bank's strategic approach to loan growth, prioritizing asset quality, led to a more selective lending strategy. The focus on healthier risk metrics has started to improve BBRI's CoC to 5.1%, significantly down from its peak in 1Q24 at 3.83%. Key for the following earnings growth are: (1) the upcoming lower borrowing cost and (2) continuous CoC improvement. We maintain our BUY rating for BBRI with a GGM-based target price of IDR5,960, implying a 2.6x '25F P/B ratio. The stock is currently trading at 1.9x '25F P/B, or slightly below average historical mean of 2.1x.

Inline 10M24 earnings

Following its inline 9M24 earnings, the bank recorded another inline 10M24 bank only earnings. PATMI growth of 5.3% yoy was driven by a combination of steady double-digit top line and consistent declining blended funding cost. Non-Il grew strong by 36.1% yoy and overall has help PPOp growth remain intact (14.9% yoy). On provision side, despite continue mounting (36.2% yoy), the year-to-date increasing amount has been improving from its peak in 1Q24 which grew by 66.8% yoy. In all our 10M24F bank only earnings for BBRI of IDR 45,974bn was in line with 10M24 net income results of IDR 45,725bn.

Softer loan growth sound acceptable, amid the focus in asset quality

The bank reported significant YoY loan growth of 6.4%, reaching IDR1,226.48 tn. While the year-to-date loan growth has moderated as anticipated, the bank's strategic focus on selective lending to maintain asset quality amid rising credit cost concerns is commendable. Our 2025 loan growth forecast for BBRI stands at approximately 7.9% YoY. This conservative projection accounts for potential headwinds such as softer MSME loan growth due to ongoing economic challenges, subdued consumer spending confidence, and potentially weaker funding demand. Despite it sound less optimistic, we believe that the 10M24 and our '25F loan growth for the bank should resulting to a healthier CoC and thus will drive '25F earnings to grow stronger yoy.

Strong CASA growth to further enhance NIM

BBRI reported a 6.6% YoY increase in total deposits, surpassing the previous period's 5.6% YoY growth. This positive trend was primarily driven by a robust 10.7% YoY growth in demand deposits, which elevated the CASA ratio to 6.8% YoY, representing a 20bps improvement over the prior month. Concurrently, time deposit growth continued to moderate, declining to 6.4% YoY from its peak of 26.3% YoY in 2M24. This shift towards a more stable and low-cost deposit base, coupled with the ongoing decline in the cost of funds (CoF), positions the bank favorably for potential margin expansion in the upcoming quarters.

Better NIM, with healthier cost of credit

Key ratio performance largely recorded an improvement. CASA ratio reached a YTD high of 64.5%, representing a substantial 275bps increase from Jan24. Net Interest Margin remained strong, expanding by approximately 10bps compared to June 2024. While it slightly moderated from the previous month, it still comfortably falls within the management's 2024 guidance range of 7.6%-8.0%. For instance, the consolidated NIM stood at 7.83% in 3Q24, a 40bps improvement over 2Q24's 7.44%. BBRI's cost of credit continues to trend favorably, approaching the company's 2024 target of 3.1%.

Key drivers for stronger 2025 PATMI growth

We anticipate that BBRI's stronger PATMI growth in 2025 will be primarily driven by improved asset quality and lower CoF. The bank's shorter-term time deposits is expected to benefit it by enabling a quicker response to declining borrowing costs compared to its peers. Furthermore, the implementation of rigorous credit approval processes and a reduced focus on high-risk loan products are poised to enhance the quality of new loans and contribute to overall asset quality improvement. Additionally, a potential decline in the SRBI yield could stimulate deposit growth in the banking sector, including BBRI, leading to higher yoy liquidity in '25F.

Lower foreign ownership sound acceptable

Foreign investor and sentiment towards BBRI have been tempered by concerns over its growth trajectory. As a result, foreign ownership has declined from a peak of 37.1% in March 2024 to 32.9% in October 2024. However, we believe that continued improvement in asset quality in the coming months could significantly bolster market confidence. This could potentially lead to increased foreign ownership in BBRI stock.

Maintain BUY GGM-TP of IDR5,960.

Our GGM-based TP for BBRI of IDR5,960 pegged at 2.6x '25F P/B while currently trading at 1.9x '25F P/B, or slightly below average historical mean of 2.1x. Downside risks to our call are: 1) muted loan growth 2) worsening AQ, 3) higher than expected CoC, and NPL, 4) slower than expected to get benefit from low-interest rate environment, 5) slowing economic activity, resulting to a stagnation demand on banking products, 5) higher for longer continue occur and global uncertainty sustained, 6) prolonged tight liquidity and high SRBI

Exhibit 1: Key Statistics

Year end Dec (IDR bn)	2022A	2023A	2024F	2025F	2026F
Net Interest income	124,597	135,183	145,821	155,277	168,547
Non int. income	48,880	48,107	50,580	53,929	58,269
Total operating income	173,477	183,290	196,401	209,206	226,816
Pre-provision profit	91,285	106,508	117,351	127,777	140,940
Net income (IDR bn)	51,170	60,100	60,350	65,090	73,489
EPS (IDR)	338	397	398	429	485
EPS growth (%)	64.7	17.5	0.4	7.9	12.9
PER (x)	12.6	10.7	10.7	9.9	8.8
PBV (x)	2.2	2.1	1.9	1.9	1.8
Div. Yield (%)	4.1	5.4	7.4	7.5	8.6
RoE (%)	17.4	19.7	18.6	19.1	20.8

Source: Company, KBVS Research

Exhibit 2: BBRI bank only 10M24 result – Selected Profit & Loss

Profit and Loss (IDRbn)	5M24	6M24	7M24	8M24	9M24	10M24	10M23	10M24	YoY (%)
Interest income	67,378	81,025	94,608	108,213	121,579	134,778	120,972	134,778	11.4
Interest expense	(21,529)	(25,937)	(30,237)	(34,577)	(38,638)	(42,770)	(30,393)	(42,770)	40.7
Net interest income	45,849	55,089	64,370	73,636	82,941	92,008	90,578	92,008	1.6
Non Int Inc & others	21,695	26,301	30,888	36,291	41,122	45,989	33,795	45,989	36.1
Total Income	67,544	81,390	95,258	109,927	124,063	137,997	124,373	137,997	11.0
Opex	(22,238)	(26,535)	(32,755)	(38,556)	(43,096)	(48,489)	(46,471)	(48,489)	4.3
PPOP	45,306	54,855	62,503	71,371	80,967	89,508	77,902	89,508	14.9
Provision	(17,890)	(19,261)	(23,023)	(25,600)	(28,391)	(31,595)	(23,201)	(31,595)	36.2
Net Profit	21,903	28,247	31,419	36,207	41,673	45,726	43,419	45,726	5.3

Profit and Loss (IDRbn)	May-24	Jun-24	Jul-24	Aug-24	Sep-24	Oct-24	Oct-23	Oct-24	YoY (%)
Interest income	13,265	13,648	13,582	13,606	13,366	13,199	12,260	13,199	7.7
Interest expense	(4,419)	(4,407)	(4,301)	(4,340)	(4,060)	(4,132)	(3,473)	(4,132)	19.0
Net interest income	8,846	9,240	9,282	9,265	9,305	9,067	8,788	9,067	3.2
Non Int Inc & others	6,326	4,606	4,587	5,403	4,831	4,868	3,923	4,868	24.1
Opex	(6,178)	(4,296)	(6,220)	(5,801)	(4,540)	(5,393)	(5,548)	(5,393)	(2.8)
PPOP	8,994	9,550	7,648	8,868	9,596	8,541	7,162	8,541	19.2
Provision	(3,857)	(1,371)	(3,762)	(2,577)	(2,792)	(3,203)	(1,755)	(3,203)	82.6
Net Profit	4,084	6,344	3,171	4,788	5,466	4,053	4,417	4,053	(8.2)

Source: Company, KBVS Research

Exhibit 3: BBRI bank only 10M24 result – Selected Balance Sheet

Selected B/S (IDRbn)	5M24	6M24	7M24	8M24	9M24	10M24	10M23	10M24	YoY (%)
Total Loan	1,202,495	1,207,047	1,203,851	1,203,683	1,216,403	1,226,487	1,153,055	1,226,487	6.4
Total deposits	1,400,045	1,384,426	1,383,057	1,349,063	1,357,526	1,362,828	1,265,329	1,349,063	6.6
Demand deposits	361,893	358,694	357,767	356,325	351,044	345,587	312,172	345,587	10.7
Savings deposits	512,789	519,469	518,648	518,047	523,197	533,469	510,940	533,469	4.4
Time Deposits	525,363	506,262	506,642	474,691	483,286	483,771	454,645	483,771	6.4
CASA	874,682	878,163	876,415	874,372	874,241	879,056	823,112	879,056	6.8

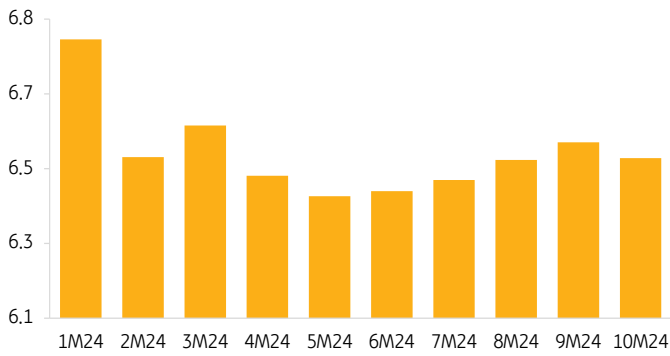
Source: Company, KBVS Research

Exhibit 4: BBRI bank only 10M24 result – Selected Key Ratio

Selected Key Ratios (%)	5M24	6M24	7M24	8M24	9M24	10M24	10M23	10M24	YoY (%)
NIM	6.4	6.4	6.5	6.5	6.5	6.5	6.8	6.5	(0.3)
EA Yield	11.0	11.1	11.1	11.2	11.2	11.1	10.6	11.2	0.5
Cost of fund	3.5	3.5	3.6	3.6	3.6	3.6	2.7	3.6	0.9
Cost of credit	3.6	3.2	3.3	3.2	3.1	3.1	2.4	3.2	0.8
CASA (IDRbn)	874,682	878,163	876,415	874,372	874,241	879,056	803,617	874,372	8.8
Loan to Deposits	85.9	87.2	87.0	89.2	89.6	90.0	88.8	89.2	0.4
CASA	62.5	63.4	63.4	64.8	64.4	64.5	63.5	64.8	1.3
CIR	32.9	32.6	34.4	35.1	34.7	35.1	37.2	35.1	(2.1)

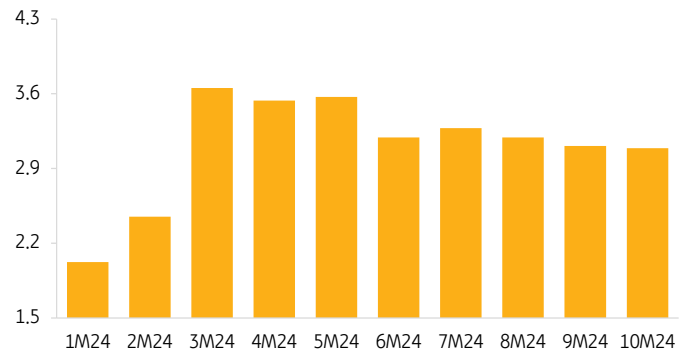
Source: Company, KBVS Research

Exhibit 5: Expect higher NIM on the upcoming softer borrowing cost (%)



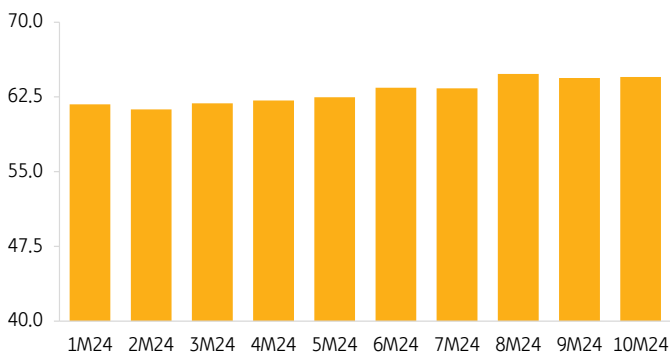
Source: Company, KBVS Research

Exhibit 6: Softening CoC to play crucial role for '25F earnings growth (%)



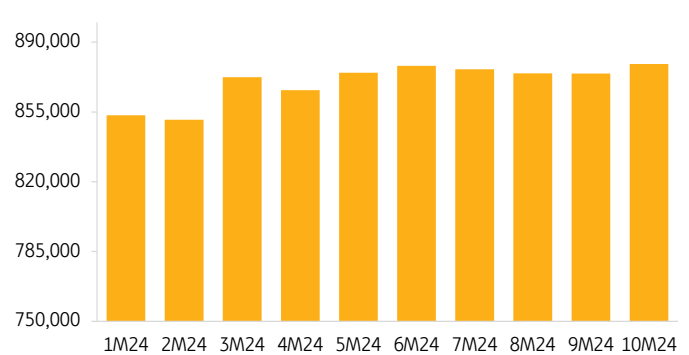
Source: Company, KBVS Research

Exhibit 7: Solid CASA to continue (%)



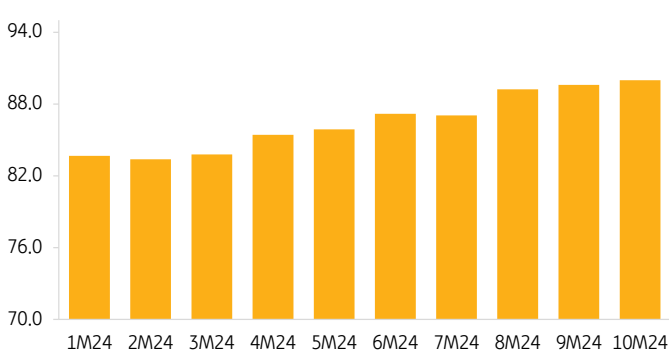
Source: Company, KBVS Research

Exhibit 8: Expect stronger TPF growth (IDRbn)



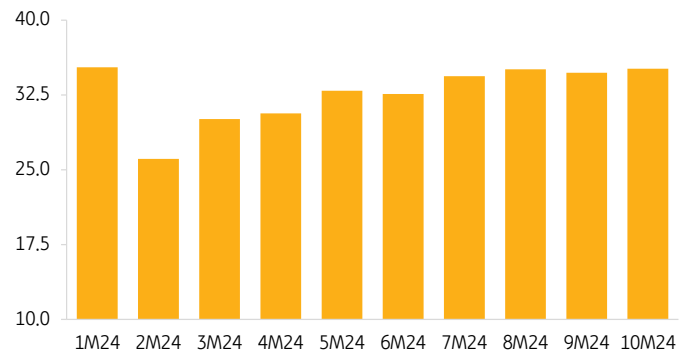
Source: Company, KBVS Research

Exhibit 9: Well managed LDR amid the continuing tight liquidity



Source: Company, KBVS Research

Exhibit 10: Cost to income growth likely to stay soft



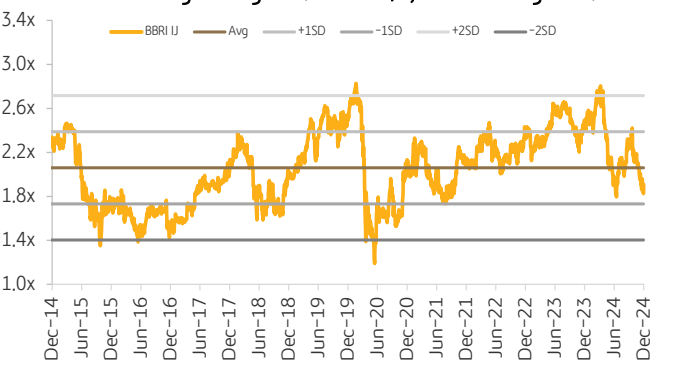
Source: Company, KBVS Research

Exhibit 11: Foreign ownership on BBRI stock

Ticker	Aug-24	Sep-24	Oct-24	YTD 2023	YTD 2024	Incr / (Decr)	Oct-23	Oct-24	YoY (chg)	MoM (chg)
BBCA IJ	36.4%	36.6%	36.5%	0.0%	0.4%	0.4%	35.6%	36.5%	0.9%	-0.1%
BBRI IJ	34.2%	34.0%	32.9%	0.8%	-3.7%	-4.5%	36.3%	32.9%	-3.4%	-1.0%
BMRI IJ	34.2%	34.4%	34.1%	0.3%	0.2%	-0.1%	33.4%	34.1%	0.8%	-0.2%
BBNI IJ	26.1%	26.8%	27.1%	1.9%	-0.1%	-1.9%	27.0%	27.1%	0.1%	0.3%
BBTN IJ	10.8%	11.4%	11.3%	-1.5%	1.1%	2.6%	9.6%	11.3%	1.7%	-0.1%
BRIS IJ	4.3%	4.9%	4.8%	0.7%	1.3%	0.6%	2.9%	4.8%	1.8%	-0.2%
Average	24.3%	24.7%	24.5%	0.4%	-0.1%	-0.5%	24.2%	24.5%	0.3%	-0.2%

Source: Company, KBVS Research

Exhibit 12: Currently trading at 1.9x '25F P/B, below average hist. mean of 2.1x



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	190,968	201,476	215,577
Interest expenses	(27,278)	(43,813)	(45,147)	(46,199)	(47,030)
Net interest income	124,597	135,183	145,821	155,277	168,547
Non-interest income	48,880	48,107	50,580	53,929	58,269
Total operating income	173,477	183,290	196,401	209,206	226,816
Operating expenses	(82,192)	(76,782)	(79,050)	(81,429)	(85,876)
Pre-provision operating profit	91,285	106,508	117,351	127,777	140,940
Loan loss provision	(26,979)	(29,679)	(40,204)	(44,603)	(47,085)
Pretax profit	64,597	76,430	76,748	82,775	93,456
Net profit	51,170	60,100	60,350	65,090	73,489

Exhibit 14: Balance sheet

Year End Dec (IDR bn)	2022A	2023A	2024F	2025F	2026F
Assets					
Cash	27,407	31,604	30,104	31,575	33,484
Current Account at BI	150,935	101,909	120,029	133,227	151,962
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	1,328,486	1,433,743	1,554,595
Fixed Assets	55,216	59,678	60,275	62,686	67,387
Other assets	112,946	138,726	140,150	145,742	156,623
Total Asset	1,865,639	1,965,007	2,121,504	2,237,023	2,374,483
Liabilities					
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	281,975	271,114	267,508
Total liabilities	1,562,244	1,648,535	1,780,096	1,885,915	2,008,768
Equity					
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	238,648	255,458	273,620
Other Equity	14,303	14,220	14,220	7,110	3,555
Shareholder's Equity	299,294	311,363	336,299	345,999	360,606
Non-controlling Interest	4,101	5,109	5,109	5,109	5,109
Total Equity	303,395	316,472	341,408	351,107	365,715

Exhibit 15: Key performance metrics

Year End Dec (%)	2022A	2023A	2024F	2025F	2026F
NIM	7.9	8.0	7.8	7.9	8.0
LDR	87	93	99	99	100
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	18.6	19.1	20.8
ROAA	2.9	3.1	3.0	3.0	3.2
CAR	23.3	25.2	25.2	24.6	24.2
BVPS (IDR)	1,975	2,054	2,219	2,283	2,379
PER (x)	12.6	10.7	10.7	9.9	8.8
PBV (x)	2.2	2.1	1.9	1.9	1.8
Div. Yield	4.1	5.4	7.4	7.5	8.6

Source: Company, KBVS Research

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