

Non Rated

Bank Rakyat Indonesia (BBRI IJ)

Positive 1Q24 net profit growth despite higher provisions, expected improvement ahead

Last Price (Rp)	5,225
Target Price (Rp)	n/a
Previous Target Price (Rp)	n/a
Upside/Downside	n/a

No. of Shares (mn)	151,559
Mkt Cap (Rpbn/US\$m)	791,896/49,022
Avg, Daily T/O (Rpbn/US\$m)	862.1/53.4
Free Float (%)	46.3

Major Shareholder (%)	
Government of Indonesia	53.2

EPS Consensus (Rp)	2024F	2025F	2026F
BRIDS	n/a	n/a	n/a
Consensus	445.5	501.7	554.9
BRIDS/Cons (%)	n/a	n/a	n/a

- Despite the 91% increase in provisions, BBRI booked 1Q24 net profit of Rp15.9tr in 1Q24 (+2% yoy) with strong PPOP growth of +22% yoy.
- The mgmt raised CoC/NPL guidance to max 3.0% (from 2.2-2.3%) and to max 3.0% (from 2.7-2.9%), but with an expected improvement in 2H24.
- Since Mar24, BBRI's valuation has de-rated to 2.4x PBV (+0.5SD vs 5-year mean) as the shares fell 15%, underperforming the sector by 11%.

Strong PPOP from higher recoveries and contained opex

BBRI booked net profit of 15.9tr (+2% yoy, -1% qoq) with a strong PPOP of Rp30.7tr (+22% yoy, +12% qoq) but offset by higher provisions of Rp10.7tr (+91% yoy, +60% qoq). BBRI's 1Q24 NP is 24% of the FY24F consensus, inline. The strong PPOP was supported by other income amounting to Rp13.2tr (+26% yoy) from higher recoveries (+48% yoy), albeit still 26% lower from a high base in 4Q23, and lower opex, leading to a CIR of 37.4% (-441bps yoy).

Frontloading the small and micro segments led to a higher CoC

The bank's NPLs rose to 3.11% in 1Q24 from 2.95% in 4Q23, while the CoC increased to 3.3% from 2.1%. This was primarily due to the bank frontloading provisions for the micro and small segments. However, it is important to note that the rising NPLs was slightly offset by improving NPLs in the corporate segment. The management revised the NPLs guidance from 2.7-2.9% to <3% and CoC guidance from 2.2-2.3% to 3.0% max in FY24F, indicating their proactive approach to these challenges. This also implies expected normalization of CoC back to the FY23 level of 2.4% in 2H24, with the possibility of costs starting to trend down in 2Q24 judging from the Mar24 bank-only CoC (down 429bps from its peak in Feb24).

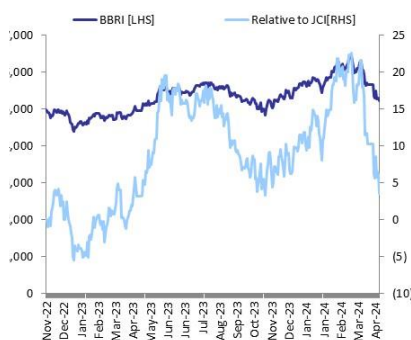
Focus on asset quality improvement, slightly lower FY24F loans guidance

Despite the 11% yoy loans growth in 1Q24, the management slightly revised the target from 11-12% to 10-12% as the bank will focus on improving its asset quality, especially in the micro and small segments. The consumer and corporate segments supported the 1Q24 loans growth (+12% and +15% yoy respectively) and will continue to drive the FY24F loans growth.

Valuation derating is pricing in the asset quality concern

Despite mounting concerns on deteriorating asset quality which led to a higher CoC, the bank delivered good performance with 2.5% yoy NP growth, supported by higher other operating income and loan yields. Since Mar24, BBRI's valuation has de-rated to 2.4x PBV (+0.5SD vs. 5-year mean) with an implied CoE of 9.9% (-1SD of its 5-yr avg.) as the share price underperformed the sector by 11% partly due to the rising concerns on asset quality.

BBRI relative to JCI Index



Source: Bloomberg

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Key Financials

Year to 31 Dec	2020A	2021A	2022A	2023A
PPOP (Rpbn)	65,059	80,435	91,285	106,508
Net profit (Rpbn)	21,036	33,467	51,170	60,100
EPS (Rp)	171	220.8	337.6	396.5
EPS growth (%)	(38.8)	29.5	52.9	17.5
BVPS (Rp)	1,840	1,905.1	1,974.8	2,054.4
PER (x)	31.9	23.4	15.3	13.2
PBV (x)	3.0	2.7	2.6	2.5
Dividend yield (%)	1.4	3.4	5.5	6.5
ROAE (%)	9.7	13.0	17.4	19.7

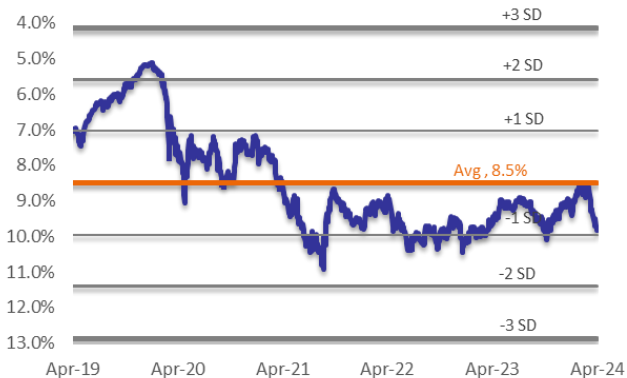
Source: BBRI, BRIDS Estimates

Exhibit 1. BBRI 1Q24 results summary

BBRI (IDR bn)	1Q23	4Q23	1Q24	y-o-y	q-o-q	3M23	3M24	y-o-y	FY24C
Interest income	42,460	47,103	50,075	18%	6%	42,460	50,075	18%	196,646
Interest expense	9,681	13,116	14,123	46%	8%	9,681	14,123	46%	48,510
Net interest income	32,779	33,987	35,952	10%	6%	32,779	35,952	10%	148,136
Other operating income	10,465	14,451	13,184	26%	-9%	10,465	13,184	26%	50,726
Operating expenses	18,091	21,110	18,389	2%	-13%	18,091	18,389	2%	
PPOP	25,153	27,328	30,747	22%	13%	25,153	30,747	22%	
Provision	5,599	6,700	10,713	91%	60%	5,599	10,713	91%	29,665
Operating Profit	19,555	20,628	20,034	2%	-3%	19,555	20,034	2%	85,148
Net profit	15,502	16,107	15,886	2%	-1%	15,502	15,886	2%	67,142
Loans	1,180,121	1,266,429	1,308,651	11%	3%				
Customer deposits	1,255,453	1,358,329	1,416,213	13%	4%				1,475,076
				qoq, bps	yoy, bps			yoy, bps	
Loan yield (%) - ann	12.3	12.9	13.1	↑ 28	↑ 84	13.0	13.9	↑ 91	
Cost of fund (%) - ann	3.0	3.9	4.0	↓ 12	↓ 105	3.0	4.0	↓ 105	
NIM (%) - ann	8.1	8.1	8.3	↑ 16	↑ 20	8.1	8.3	↑ 20	
CIR (%) - ann	41.8	43.6	37.4	↑ (616)	↑ (441)	41.8	37.4	↑ (441)	
Cost of credit (%) - ann	1.9	2.1	3.3	↓ 120	↓ 140	1.9	3.3	↓ 140	
LDR (%)	93.2	92.4	91.9	↑ (51)	↑ (126)				
NPL ratio (%)	2.9	3.0	3.1	↓ 16	↓ 25				
LaR ratio (%)	14.9	12.5	12.7	↓ 23	↑ (224)				

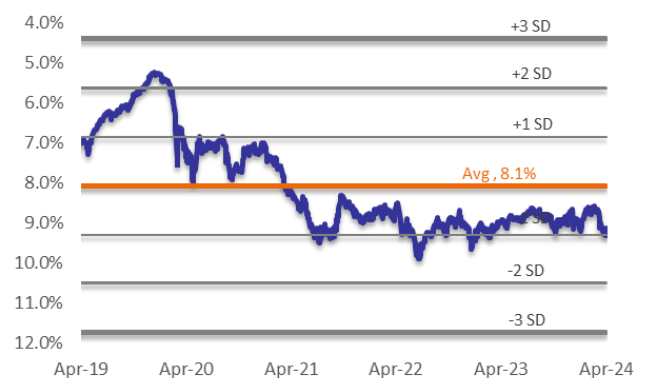
Source: Company, BRIDS Estimates

Exhibit 2. BBRI's cost of equity band chart (5-year)



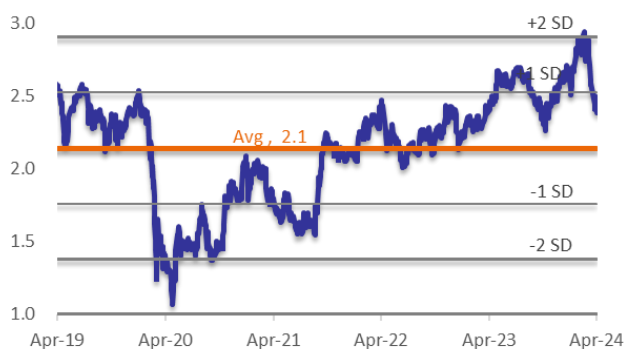
Source: Company, Bloomberg, BRIDS

Exhibit 3. Big 4 Banks' cost of equity band chart (5-year)



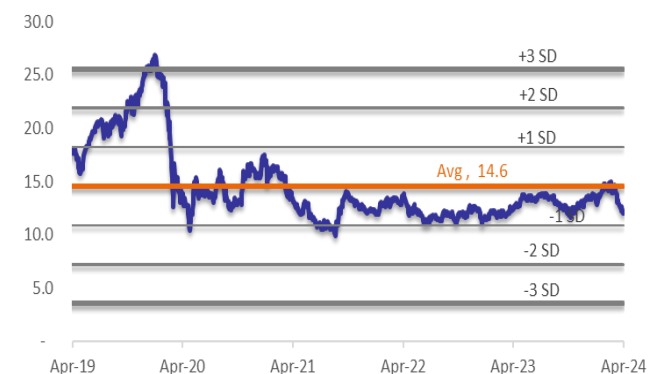
Source: Company, Bloomberg, BRIDS

Exhibit 4. BBRI's PBV band chart (5-year)



Source: Company, Bloomberg, BRIDS

Exhibit 5. BBRI's PE band chart (5-year)



Source: Company, Bloomberg, BRIDS

Exhibit 6. Income Statement

Year to 31 Dec (Rpbn)	2019A	2020A	2021A	2022A	2023A
Interest Income	121,756	135,765	143,523	151,875	178,996
Interest Expense	(40,049)	(42,180)	(29,429)	(27,278)	(43,813)
Net Interest Income	81,707	93,584	114,094	124,597	135,183
Non-Interest Income (NII)	27,530	35,765	38,686	47,216	45,994
Oper. Income	109,237	129,349	152,780	171,813	181,177
Oper. Expenses	(44,966)	(67,504)	(75,918)	(82,192)	(76,782)
Pre-provisions profit	66,192	65,059	80,435	91,285	106,508
Provisions & Allowances	(22,760)	(35,280)	(39,291)	(26,979)	(29,679)
Operating Profits	43,432	29,779	41,144	64,306	76,829
Non-Operating Income	(68)	215	(152)	291	(399)
Exceptionals	0	0	0	0	0
Pre-tax Profit	43,364	29,993	40,992	64,597	76,430
Income Tax	(8,950)	(8,952)	(7,836)	(13,188)	(16,005)
Minorities	(41)	(6)	311	(238)	(325)
Net Profit	34,373	21,036	33,467	51,170	60,100

Exhibit 7. Balance Sheet

Year to 31 Dec (Rpbn)	2019A	2020A	2021A	2022A	2023A
Gross Loans	877,431	943,788	994,417	1,079,275	1,197,753
Provisions	(38,364)	(66,810)	(84,834)	(88,324)	(79,924)
Net Loans	839,067	876,977	909,583	990,951	1,117,828
Govt. Bonds	1,130	0	0	0	0
Securities	195,840	326,957	371,738	330,242	331,010
Other Earnings Assets	29,125	72,821	45,455	55,038	63,099
Total Earnings Assets	1,295,503	1,504,484	1,577,855	1,652,810	1,775,453
Fixed Assets	44,076	60,885	65,038	73,951	81,464
Non-Earnings Assets	20,265	33,492	32,023	42,374	53,376
Total Assets	1,416,759	1,610,065	1,678,098	1,865,639	1,965,007
Customer Deposits	987,405	1,071,919	1,138,743	1,307,884	1,358,329
Banks Deposits	17,970	23,786	13,329	9,335	11,958
Int. Bearing Liab. - Others	33,791	49,003	0	0	0
Total Liabilities	1,207,975	1,380,598	1,386,311	1,562,244	1,648,535
Share capital & Reserves	24,762	58,642	101,967	98,124	97,652
Retained Earnings	181,561	168,274	186,768	201,170	213,711
Shareholders' Funds	206,323	226,916	288,735	299,294	311,364
Minority interests	2,461	2,551	3,052	4,101	5,109
Total Equity & Liabilities	1,416,759	1,610,065	1,678,098	1,865,639	1,965,007

Exhibit 8. Key Ratios

Year to 31 Dec	2019A	2020A	2021A	2022A	2023A
Yield on Earning Assets	9.8	9.7	9.3	9.4	10.4
Cost of funds	3.5	3.4	2.2	1.9	2.8
Interest Spread	6.3	6.3	7.1	7.5	7.6
Net Interest Margin	6.6	6.7	7.4	7.7	7.9
Cost/Income Ratio	40.5	50.9	48.6	47.4	41.9
Oper. Exp./Oper. Gross Inc.	71.3	83.0	77.9	68.0	66.2
Gross NPL Ratio	2.8	3.0	3.1	2.7	3.0
LLP/Gross NPL	156.2	236.8	277.0	306.5	226.2
Cost of Credit	2.7	3.9	4.1	2.6	2.6
Loan to Deposit Ratio	88.9	88.0	87.3	82.5	88.2
Loan to Funding Ratio	85.5	83.5	83.3	78.7	85.1
CASA Mix	57.1	58.9	62.3	66.2	63.8
ROAE	17.7	9.7	13.0	17.4	19.7
ROAA	2.5	1.4	2.0	2.9	3.1
CAR	21.1	19.3	25.3	23.3	20.1

Exhibit 9. Dupont and Growth

Year to 31 Dec	2019A	2020A	2021A	2022A	2023A
Dupont					
Pre-Tax ROAA	3.2	2.0	2.5	3.6	4.0
Tax Retention rate	79.4	70.2	80.9	79.6	79.1
Post-Tax ROAA	2.5	1.4	2.0	2.9	3.2
Goodwil, Assoc& Min	0.0	0.0	0.0	0.0	0.0
Leverage	7.0	7.0	6.4	6.0	6.3
ROAE	17.7	9.7	13.0	17.4	19.7
Growth (%)					
Interest income	9.1	11.5	5.7	5.8	17.9
Net Interest Income	5.2	14.5	21.9	9.2	8.5
Other Oper. Expenses	7.1	50.1	12.5	8.3	(6.6)
Fee Based Income	20.7	11.5	5.4	10.2	10.3
Pre-Provision Oper. Profit	10.2	(1.7)	23.6	13.5	16.7
Net Profit	6.2	(38.8)	59.1	52.9	17.5
Shareholders' Equity	12.8	10.0	27.2	3.7	4.0
Loan	7.0	7.6	5.4	8.5	11.0
Earnings Asset	10.1	16.0	4.9	4.8	7.4
Deposit	8.7	9.0	5.1	14.3	4.0
Int. Bearing Liab.	8.6	13.8	(0.4)	12.7	5.1
CASA	2.9	12.4	11.3	21.5	0.2
Total Asset	9.2	13.6	4.2	11.2	5.3

Source: BBRI, BRIDS Estimates

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INVESTMENT RATING

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

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