

## Non Rated

## Bank Rakyat Indonesia (BBRI IJ)

### 1H24 earnings: Not yet out of the wood but progressing

|                            |       |
|----------------------------|-------|
| Last Price (Rp)            | 4,700 |
| 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)        | 712,327/43,836 |
| Avg, Daily T/O (Rpbn/US\$m) | 1,310.3/80.6   |
| 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          | 409.2 | 455.3 | 508.2 |
| BRIDS/Cons (%)     | n/a   | n/a   | n/a   |

- Despite the higher NPL ratio, the SML ratio improved to 6.9% in 1H24 from 7.1% in 1Q24 and overall NPL improved to 3.1% (-6bps qoq).
- While we noted two scenarios of higher-than-expected CoC in FY24, the bank remains confident in achieving its current 3.0% CoC guidance.
- BBRI's implied CoE of 10.3% is slightly below its -1SD of the 5-year avg. of 8.7% with PBV of 2.2x, slightly above mean.

#### 1H24 net profit remained in line with consensus expectations

BBRI reported net profit of Rp29.7tr in 1H24 (+1% yoy), in line with the consensus (48%) FY24F. NIM declined to 7.7% in 1H24 from 7.9% in 1H23 as the increase in loan yield (+48bps yoy) was offset by the higher CoF (+86bps yoy). The 2Q24 net profit was Rp13.8tr (-1% yoy, -13% qoq) as NIM declined sequentially due to one-off corporate client payments in 1Q24.

#### Asset quality improvement in 2Q24

Overall NPL slightly improved from 3.11% in 1Q24 to 3.05% in 1H24. We noted notable improvement in the small and medium segments, although the micro segment's NPL still rose from 2.69% in 1Q24 to 2.95% in 1H24. Special mention loans improved in all segments, including micro, which decreased to 6.87% in 1H24 from 7.11% in 1Q24. LaR improved to 12.0% in 1H24 from 12.7% in 1Q24 due to the lower amount of restructured loans. The bank aims to reduce COVID-19 restructured loans from Rp32tr in 1H24 to Rp20-22tr in FY24. Coverage on COVID-19 restructured loans remained steady at 33%, which the management deemed sufficient, as the corporate portion (Rp9tr) still serviced its obligations.

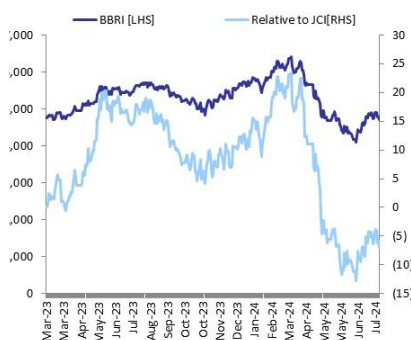
#### Management's confidence in meeting its FY24 CoC target

In 2Q24, CoC improved to 3.1% from 3.8% in 1Q24, resulting in a CoC of 3.5% in 1H24. According to management, the two downside scenarios on its FY24 CoC target of 3.0% are: 1) lower-than-expected loan growth and 2) absence of positive results from the Rp15-20tr restru which started in May24. However, management remains confident that the company will meet its CoC target as it observed improvements in asset quality throughout 2Q24.

#### Relatively cheap valuation in view of the potential recovery

We deem 1H24 results as decent, given that higher recoveries may partly offset the higher provisions and that the corporate loans were disbursed to names with good track records, resulting in less delinquency risk. There is a downside risk to 2H24 NIM from the expected one-off modification losses, while higher LDR and few cash basis payments in 3Q24 offer upside risk. BBRI trades at 2.2x PBV, slightly above its 5-year mean of 2.1x PBV. The implied CoE of 10.3% is slightly below its -1SD of the 5-year avg. of 8.7%.

#### 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    | 13.9    | 11.9    |
| PBV (x)            | 3.0    | 2.7     | 2.4     | 2.3     |
| Dividend yield (%) | 1.4    | 3.4     | 6.1     | 7.2     |
| ROAE (%)           | 9.7    | 13.0    | 17.4    | 19.7    |

Source: BBRI

**Exhibit 1. BBRI 1H24 earnings summary**

| Financial (Rpbn)                 | 2Q23      | 1Q24      | 2Q24      | qoq, %   | yoy, %   | 1H23   | 1H24   | yoy, %   | FY24C     | A/C |
|----------------------------------|-----------|-----------|-----------|----------|----------|--------|--------|----------|-----------|-----|
| Interest income                  | 43,130    | 50,075    | 48,572    | -3%      | 13%      | 85,591 | 98,647 | 15%      | 198,449   | 50% |
| Interest expense                 | 10,369    | 14,123    | 14,596    | 3%       | 41%      | 20,050 | 28,718 | 43%      | 53,233    | 54% |
| Net interest income              | 32,761    | 35,952    | 33,977    | -5%      | 4%       | 65,540 | 69,929 | 7%       | 145,216   | 48% |
| Other operating income           | 11,710    | 13,184    | 13,564    | 3%       | 16%      | 22,175 | 26,748 | 21%      | 58,318    | 46% |
| Operating expenses               | 18,566    | 18,389    | 21,245    | 16%      | 14%      | 36,657 | 39,635 | 8%       | 85,508    | 46% |
| PPOP                             | 25,905    | 30,747    | 26,296    | -14%     | 2%       | 51,058 | 57,043 | 12%      | 118,026   | 48% |
| Provision                        | 8,223     | 10,713    | 7,784     | -27%     | -5%      | 13,821 | 18,497 | 34%      | 38,045    | 49% |
| Operating Profit                 | 17,682    | 20,034    | 18,511    | -8%      | 5%       | 37,237 | 38,545 | 4%       | 79,982    | 48% |
| Net profit                       | 13,920    | 15,886    | 13,816    | -13%     | -1%      | 29,422 | 29,702 | 1%       | 62,093    | 48% |
| Loans                            | 1,202,129 | 1,308,651 | 1,336,780 | 2%       | 11%      |        |        |          |           | n/a |
| Customer deposits                | 1,245,115 | 1,416,213 | 1,389,662 | -2%      | 12%      |        |        |          | 1,485,252 | 94% |
| <b>Key Ratio</b>                 |           |           |           | qoq, bps | yoy, bps |        |        | yoy, bps |           |     |
| Loan yield (%) - ann             | 12.9      | 13.6      | 13.1      | ↓ (50)   | ↑ 15     | 12.9   | 13.3   | ↑ 48     |           |     |
| Cost of fund (%) - ann           | 2.9       | 3.6       | 3.7       | ↓ 7      | ↓ 75     | 2.8    | 3.6    | ↓ 86     |           |     |
| NIM (%) - ann                    | 7.8       | 7.9       | 7.4       | ↓ (51)   | ↓ (42)   | 7.9    | 7.7    | ↓ (16)   |           |     |
| CIR (%) - ann                    | 41.7      | 37.4      | 44.7      | ↓ 726    | ↓ 294    | 41.8   | 41.0   | ↑ (79)   |           |     |
| Cost of credit (%) - ann         | 2.8       | 3.3       | 2.4       | ↑ (97)   | ↑ (41)   | 2.4    | 2.8    | ↓ 48     |           |     |
| Cost of credit on loan (%) - ann | 2.1       | 3.8       | 3.1       | ↑ (74)   | ↓ 98     | 2.3    | 3.5    | ↓ 121    |           |     |
| ROE (%) - ann                    | 19.4      | 21.0      | 18.5      | ↓ (257)  | ↓ (97)   | 20.2   | 19.6   | ↓ (66)   |           |     |
| CASA ratio (%)                   | 57.1      | 54.4      | 55.3      | ↑ 90     | ↓ (181)  |        |        |          |           |     |
| LDR (%)                          | 96.5      | 92.4      | 96.2      | ↓ 379    | ↑ (35)   |        |        |          |           |     |
| NPL ratio (%)                    | 3.0       | 3.1       | 3.1       | ↓ (6)    | ↓ 10     |        |        |          |           |     |
| LaR ratio (%)                    | 13.8      | 12.7      | 12.0      | ↑ (68)   | ↑ (180)  |        |        |          |           |     |

Source: Company, BRIDS Estimates

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



Source: Company, Bloomberg, BRIDS Estimates

**Exhibit 3. Sector's cost of equity band chart (5-year)**



Source: Company, Bloomberg, BRIDS Estimates

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



Source: Company, Bloomberg, BRIDS Estimates

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



Source: Company, Bloomberg, BRIDS Estimates

**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)       |
| <b>Net Interest Income</b>   | <b>81,707</b>  | <b>93,584</b>  | <b>114,094</b> | <b>124,597</b> | <b>135,183</b> |
| Non-Interest Income (NII)    | 27,530         | 35,765         | 38,686         | 47,216         | 45,994         |
| <b>Oper. Income</b>          | <b>109,237</b> | <b>129,349</b> | <b>152,780</b> | <b>171,813</b> | <b>181,177</b> |
| Oper. Expenses               | (44,966)       | (67,504)       | (75,918)       | (82,192)       | (76,782)       |
| <b>Pre-provisions profit</b> | <b>66,192</b>  | <b>65,059</b>  | <b>80,435</b>  | <b>91,285</b>  | <b>106,508</b> |
| Provisions & Allowances      | (22,760)       | (35,280)       | (39,291)       | (26,979)       | (29,679)       |
| <b>Operating Profits</b>     | <b>43,432</b>  | <b>29,779</b>  | <b>41,144</b>  | <b>64,306</b>  | <b>76,829</b>  |
| Non-Operating Income         | (68)           | 215            | (152)          | 291            | (399)          |
| Exceptionals                 | 0              | 0              | 0              | 0              | 0              |
| <b>Pre-tax Profit</b>        | <b>43,364</b>  | <b>29,993</b>  | <b>40,992</b>  | <b>64,597</b>  | <b>76,430</b>  |
| Income Tax                   | (8,950)        | (8,952)        | (7,836)        | (13,188)       | (16,005)       |
| Minorities                   | (41)           | (6)            | 311            | (238)          | (325)          |
| <b>Net Profit</b>            | <b>34,373</b>  | <b>21,036</b>  | <b>33,467</b>  | <b>51,170</b>  | <b>60,100</b>  |

**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)         |
| <b>Net Loans</b>                      | <b>839,067</b>   | <b>876,977</b>   | <b>909,583</b>   | <b>990,951</b>   | <b>1,117,828</b> |
| 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           |
| <b>Total Earnings Assets</b>          | <b>1,295,503</b> | <b>1,504,484</b> | <b>1,577,855</b> | <b>1,652,810</b> | <b>1,775,453</b> |
| 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           |
| <b>Total Assets</b>                   | <b>1,416,759</b> | <b>1,610,065</b> | <b>1,678,098</b> | <b>1,865,639</b> | <b>1,965,007</b> |
| 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                |
| <b>Total Liabilities</b>              | <b>1,207,975</b> | <b>1,380,598</b> | <b>1,386,311</b> | <b>1,562,244</b> | <b>1,648,535</b> |
| 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          |
| <b>Shareholders' Funds</b>            | <b>206,323</b>   | <b>226,916</b>   | <b>288,735</b>   | <b>299,294</b>   | <b>311,364</b>   |
| Minority interests                    | 2,461            | 2,551            | 3,052            | 4,101            | 5,109            |
| <b>Total Equity &amp; Liabilities</b> | <b>1,416,759</b> | <b>1,610,065</b> | <b>1,678,098</b> | <b>1,865,639</b> | <b>1,965,007</b> |

**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 |
|----------------------------|-------|--------|-------|-------|-------|
| <b>Dupont</b>              |       |        |       |       |       |
| 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  |
| <b>Growth (%)</b>          |       |        |       |       |       |
| 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

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**INVESTMENT RATING**

|             |   |
|-------------|---|
| <b>BUY</b>  | Expected total return of 10% or more within a 12-month period       |
| <b>HOLD</b> | Expected total return between -10% and 10% within a 12-month period |
| <b>SELL</b> | Expected total return of -10% or worse within a 12-month period     |

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