

1 July 2024

Financial Services | Banks

Bank Rakyat Indonesia (BBRI IJ)

Buy (Maintained)

5M24 Earnings Accelerated, Up 8.8% YoY, In Line; BUY

Target Price (Return): IDR6,300 (+37%)
 Price (Market Cap): IDR4,600 (USD42,495m)
 ESG score: 3.3 (out of 4)
 Avg Daily Turnover (IDR/USD) 1,358,097m/82.8m

- **Stay BUY with a GGM-based TP of IDR6,300, 37% upside and c.7% yield.** Bank Rakyat Indonesia's 5M24 earnings accelerated, bringing 5M24 earnings to 8.8% YoY (4M24: 4.5% YoY), in line. This was driven by robust PPOP thanks to higher loans exposure, as well as non-II, with a one-time IDR2.5trn dividend. However, 5M24 NIM slightly narrowed to 6.46% (4M24: 6.59%). Deposit growth outpaced loans growth, easing LDR to 85.89%. Key risk is rising NPL, especially in the micro loan segment, which may cause BBRI to increase its CoC guidance.
- **Accelerated 5M24 earnings growth...** May earnings came in at IDR4.1trn (+1.6% MoM, +33.0% YoY), bringing 5M24 earnings to IDR21.9trn (+8.8% YoY), achieved 34% and 33% of our and consensus FY24F earnings, same as last year achievement, in line. It is worth noting that 5M24 earnings growth pace was faster than that of the previous month (4M24 earnings grew 4.5% YoY).
- **...supported by robust PPOP.** In May, PPOP increased to IDR9.0trn (+8.7% MoM, +26.6% YoY) thank to higher loan exposure, loan yields, as well as non-II. The non-II increase was driven by higher commission income, and one-time income IDR2.5trn on dividend. This brought 5M24 PPOP's increase to IDR45.3trn (+16.8% YoY), despite the narrowed 5M24 NIM.
- **Deposits grew faster than loans, narrowed NIM.** 5M24 NIM narrowed to 6.46% (4M24: 6.59%, 5M24: 6.7%) which is likely be driven by higher CoF. 5M24 deposits growth was faster than loan growth, however, driven by faster growth in time deposit (TD). YoY, LDR eased to 85.89% at end May 2024 (May 2023: 90.38%, Apr 2024: 85.43%).
- **Still high CoC allocation to manage risk of rising NPL.** 5M24 CoC was relatively flat at 3.75% (vs 4M24: 3.74%, 5M24: 3.13%) which is still in line with management's full-year CoC guidance of a maximum 3% in 2024. We believe that CoC is likely to decline in 2H24.
- **Key risk is the increased NPL,** especially on micro loans in the Indonesian Government's market-based rural small credit programme or KUPEDES segment. However, there is risk that full-year CoC could be above management guidance if asset quality deteriorates significantly in the coming quarters. Operationally, the bank performed well, evidenced by strong 5M24 PPOP growth.
- **ESG methodology.** Our TP has included 6% premium to its fair value as BBRI's ESG score is 3.3, above the median.

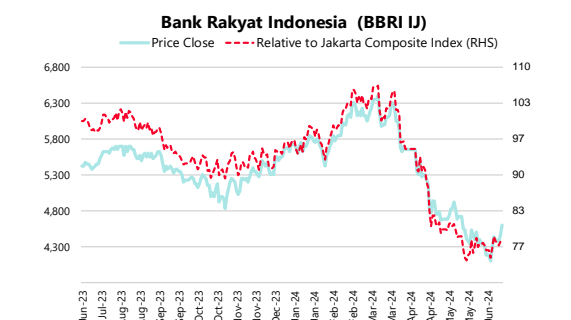
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Share Performance (%)

	YTD	1m	3m	6m	12m
Absolute	(19.7)	1.5	(24.0)	(19.7)	(15.2)
Relative	(15.5)	5.4	(19.6)	(15.1)	(19.8)
52-wk Price low/high (IDR)				4,100	-6,400



Source: Bloomberg

Overall ESG Score: 3.3 (out of 4)

E: EXCELLENT

BBRI has calculated its greenhouse gas (GHG) emissions and determined its emissions baseline determination. Its Peduli-Indonesia Lestari initiative also aims to support marine sustainability via initiatives like re-planting mangrove seeds. BBRI has also re-engineered its credit card application process to make it paperless by moving everything online. To accelerate the revitalisation of rivers in a number of areas, its Clean the River CSR programme was carried out in 19 rivers at 19 regional offices throughout Indonesia.

S: EXCELLENT

BBRI implements labour rights in accordance with local laws. It also continuously looks out for labour issues like the use of children and/or forced labour. The bank strives for freedom of association and gender equality, while fighting against discrimination. It carries out community empowerment activities such as education and training activities on green businesses.

G: GOOD

As the first mover in the implementation of sustainable finance, BBRI continues to strengthen a. its sustainability governance structure under the Director of Risk Management, who is responsible for the implementation of sustainable finance.

Forecasts and Valuation	Dec-22	Dec-23	Dec-24F	Dec-25F	Dec-26F
Reported net profit (IDRb)	51,170	60,100	63,830	72,910	80,305
Net profit growth (%)	66.4	17.5	6.2	14.2	10.1
Recurring net profit (IDRb)	50,939	60,415	64,161	73,258	80,670
Recurring EPS (IDR)	355.99	401.96	425.43	484.92	533.99
BVPS (IDR)	1,994.72	2,068.08	2,324.35	2,430.09	2,562.27
DPS (IDR)	233.33	373.02	318.26	338.01	386.10
Recurring P/E (x)	12.92	11.44	10.81	9.49	8.61
P/B (x)	2.31	2.22	1.98	1.89	1.80
Dividend Yield (%)	5.1	8.1	6.9	7.3	8.4
Return on average equity (%)	17.4	19.7	19.3	20.3	21.3

Source: Company data, RHB

Financial Exhibits

Asia	Financial summary (IDR)	Dec-22	Dec-23	Dec-24F	Dec-25F	Dec-26F
Indonesia	EPS	357.61	399.87	423.24	482.62	531.57
Financial Services	Recurring EPS	355.99	401.96	425.43	484.92	533.99
Bank Rakyat Indonesia	DPS	233.33	373.02	318.26	338.01	386.10
BBRI IJ	BVPS	1,994.72	2,068.08	2,324.35	2,430.09	2,562.27
Buy						
Valuation basis	Valuation metrics	Dec-22	Dec-23	Dec-24F	Dec-25F	Dec-26F
P/BV backed by GGM. Assumptions include:	Recurring P/E (x)	12.92	11.44	10.81	9.49	8.61
i. COE of 12.4%;	P/B (x)	2.3	2.2	2.0	1.9	1.8
ii. ROE of 21.5%;	Dividend Yield (%)	5.1	8.1	6.9	7.3	8.4
iii. 6.7% long-term growth.						
Key drivers	Income statement (IDRb)	Dec-22	Dec-23	Dec-24F	Dec-25F	Dec-26F
i. Faster-than-expected loan growth;	Interest income	151,875	178,996	193,652	207,099	223,217
ii. Lower cost of funds;	Interest expense	(27,278)	(43,813)	(49,615)	(56,193)	(63,778)
iii. Improvements in asset quality	Net interest income	124,597	135,183	144,037	150,906	159,439
	Non interest income	48,880	48,107	52,701	57,755	63,315
	Total operating income	173,477	183,290	196,738	208,661	222,754
	Overheads	(82,192)	(76,782)	(74,107)	(73,265)	(73,709)
	Pre-provision operating profit	91,285	106,508	122,632	135,396	149,045
	Loan impairment allowances	(27,522)	(30,021)	(38,562)	(36,567)	(40,224)
	Other impairment allowances	543	342	376	414	455
	Other exceptional items	291	(399)	(419)	(440)	(462)
	Pre-tax profit	64,597	76,430	84,027	98,803	108,814
	Taxation	(13,188)	(16,005)	(17,596)	(20,690)	(22,786)
	Minority interests	(238)	(325)	(2,601)	(5,203)	(5,723)
	Reported net profit	51,170	60,100	63,830	72,910	80,305
	Recurring net profit	50,939	60,415	64,161	73,258	80,670
Key risks						
Rapid inflation caused by higher input costs, which may have a short-term impact on economic recovery.						
Company Profile						
Bank Rakyat Indonesia is the largest bank in Indonesia, with assets totalling IDR1,678trn. It focuses on loans in the MSME segment.						
	Profitability ratios	Dec-22	Dec-23	Dec-24F	Dec-25F	Dec-26F
	Return on average assets (%)	2.9	3.1	3.1	3.1	3.1
	Return on average equity (%)	17.4	19.7	19.3	20.3	21.3
	Return on IEAs (%)	11.4	13.8	13.5	12.2	12.5
	Cost of funds (%)	2.2	3.3	3.4	3.4	3.3
	Net interest spread (%)	9.2	10.5	10.1	8.9	9.1
	Net interest margin (%)	9.4	10.4	10.1	8.9	8.9
	Non-interest income / total income (%)	28.2	26.2	26.8	27.7	28.4
	Cost to income ratio (%)	47.4	41.9	37.7	35.1	33.1
	Credit cost (bps)	263	261	296	250	250
	Balance sheet (IDRb)	Dec-22	Dec-23	Dec-24F	Dec-25F	Dec-26F
	Total gross loans	1,089,789	1,211,421	1,393,040	1,532,344	1,685,578
	Other interest earning assets	295,871	-	259,238	203,029	159,007
	Total gross IEAs	1,385,660	1,211,421	1,652,278	1,735,373	1,844,585
	Total provisions	(89,610)	(81,018)	(72,825)	(74,025)	(78,299)
	Net loans to customers	1,000,179	1,130,403	1,320,215	1,458,319	1,607,279
	Total net IEAs	1,296,050	1,130,403	1,579,453	1,661,348	1,766,286
	Total non-IEAs	569,589	834,604	632,675	804,798	994,697
	Total assets	1,865,639	1,965,007	2,212,128	2,466,145	2,760,983
	Customer deposits	1,307,884	1,358,329	1,543,102	1,753,010	1,991,472
	Other interest-bearing liabilities	9,335	11,958	19,144	30,648	49,065
	Total IBLs	1,317,219	1,370,287	1,562,246	1,783,659	2,040,538
	Total non-IBLs	245,025	278,248	293,121	309,189	326,562
	Total liabilities	1,562,244	1,648,535	1,855,367	2,092,848	2,367,099
	Share capital	7,578	7,578	7,578	7,578	7,578
	Shareholders' equity	299,294	311,364	351,141	367,116	387,084
	Minority interests	4,101	5,109	5,619	6,181	6,800
	Asset quality and capital	Dec-22	Dec-23	Dec-24F	Dec-25F	Dec-26F
	Reported NPLs / gross cust loans (%)	2.7	2.7	2.6	2.6	2.6
	Total provisions / reported NPLs (%)	210.2	197.3	202.8	179.3	171.2
	CET-1 ratio (%)	25.1	24.2	23.7	24.1	24.0
	Tier-1 ratio (%)	26.0	25.0	24.5	24.9	24.9
	Total capital ratio (%)	27.1	26.1	25.6	26.0	26.0

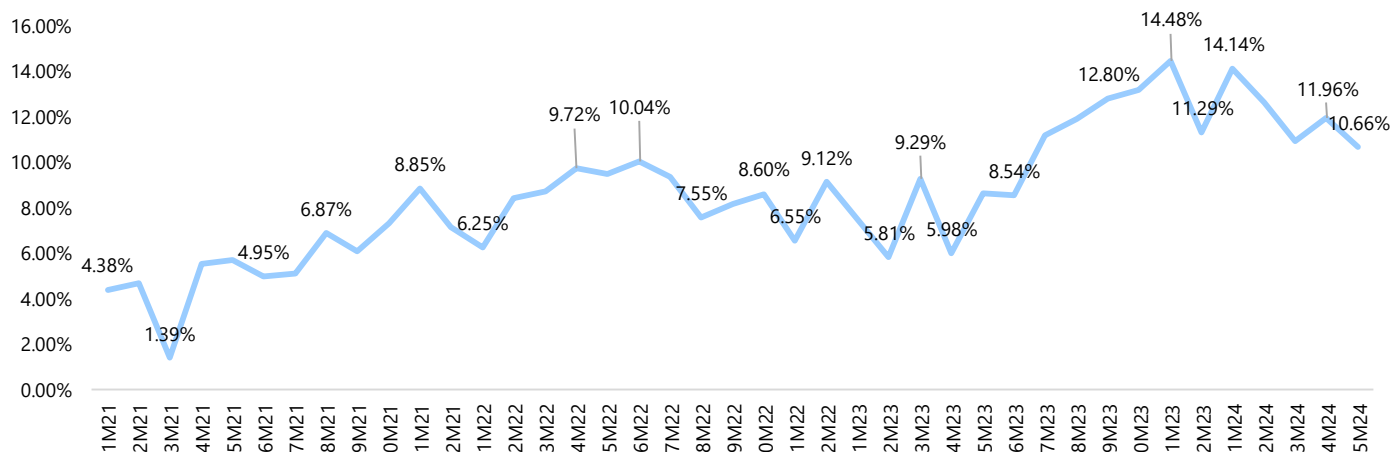
Source: Company data, RHB

Figure 1: BBRI's 5M24 earnings accelerated, up 8.8% YoY, in line

INCOME STATEMENT (IDRbn)	May-23	Apr-24	May-24	MoM	YoY	5M23	5M24	YoY	% of RHB	% of Cons.
Interest Income	11,458	12,929	13,265	2.6%	15.8%	57,898	67,378	16.4%	35%	34%
Interest Expense	3,051	4,337	4,419	1.9%	44.8%	14,439	21,529	49.1%		
Net Interest Income	8,407	8,592	8,846	3.0%	5.2%	43,459	45,849	5.5%		
Non-Interest Income (Non-II)	3,646	3,672	6,386	73.9%	75.1%	15,732	21,756	38.3%		
Total Operating Income (NII and Non-II)	12,053	12,264	15,232	24.2%	26.4%	59,191	67,604	14.2%		
Operating Expense (excl. Provision)	4,947	3,991	6,239	56.3%	26.1%	20,407	22,299	9.3%		
PPOP	7,106	8,273	8,994	8.7%	26.6%	38,784	45,306	16.8%	37%	
Provision Expense	3,339	3,240	3,857	19.0%	15.5%	13,627	17,890	31.3%		
Operating Profit	3,767	5,033	5,137	2.1%	36.4%	25,157	27,416	9.0%	33%	32%
Net Profit	3,071	4,020	4,084	1.6%	33.0%	20,125	21,903	8.8%	34%	33%
BALANCE SHEET (IDRbn)	5M23	4M24	5M24	MoM	YoY					
Loan	1,086,697	1,190,477	1,202,495	1.0%	10.7%					
Deposit	1,202,404	1,393,492	1,400,045	0.5%	16.4%					
CASA	767,348	865,940	874,682	1.0%	14.0%					
Time Deposits	435,056	527,551	525,363	-0.4%	20.8%					
RATIOS	5M23	4M24	5M24							
ROAA - After Tax (%)	3.06%	3.07%	2.99%							
ROAE - B/S (%)	17.45%	19.09%	18.44%							
NIM (%)	6.70%	6.59%	6.46%							
CoC (%)	3.13%	3.74%	3.75%							
CASA (%)	63.82%	62.14%	62.48%							
LDR (%)	90.38%	85.43%	85.89%							
CIR (%)	34.48%	30.67%	32.98%							

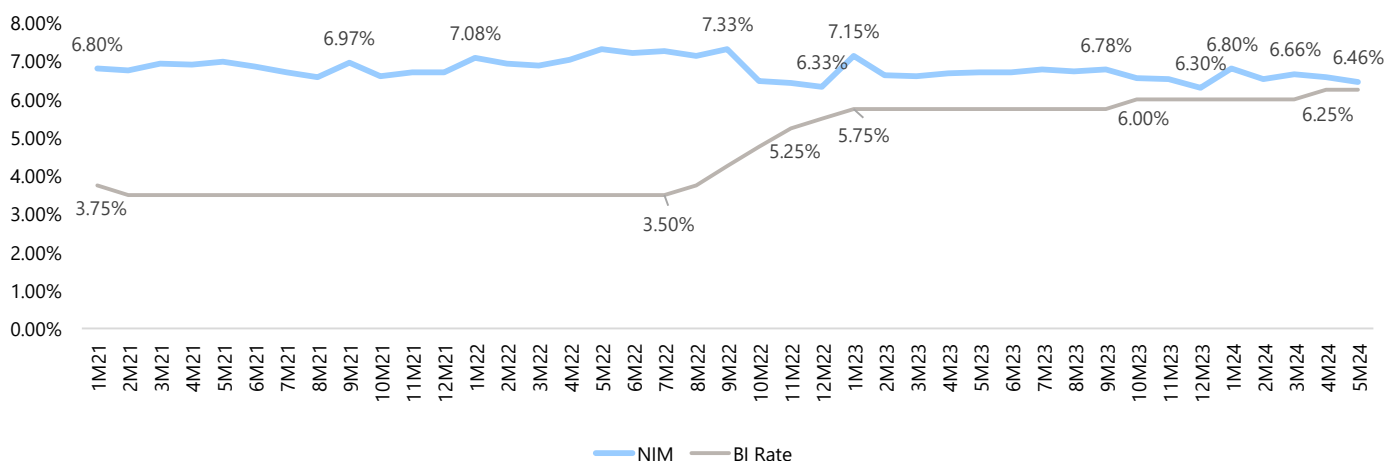
Source: Company data, RHB

Figure 2: Loan growth was slightly slower in 5M24, but still within management guidance of 10-12% YoY



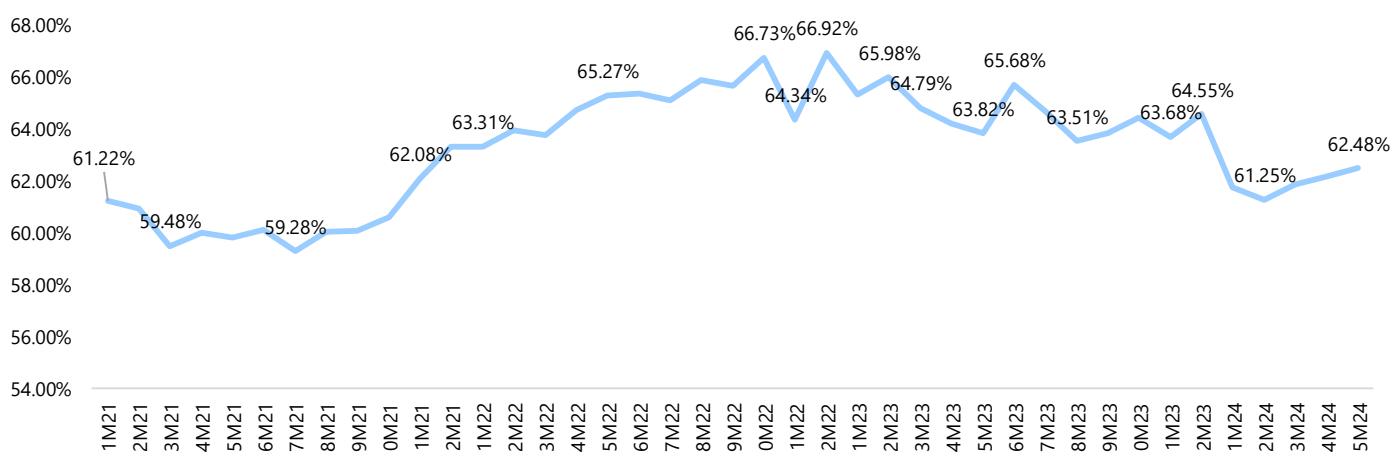
Source: Company data, RHB

Figure 3: 5M24 NIM slightly narrowed, partly due to higher TD exposure to third party funds



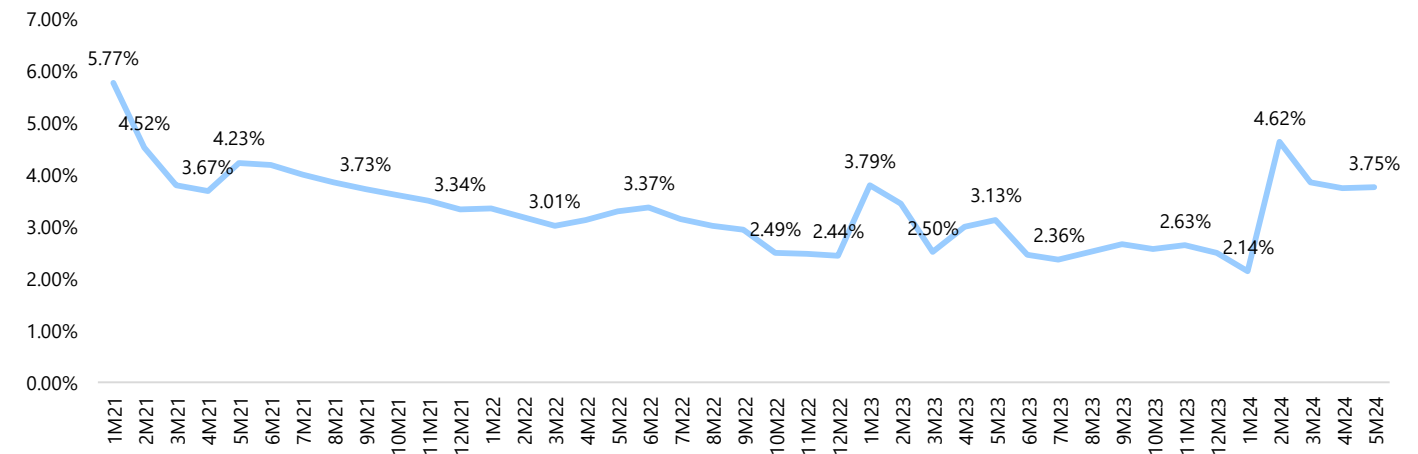
Source: Company data, RHB

Figure 4: 5M24 CASA was still at a manageable level



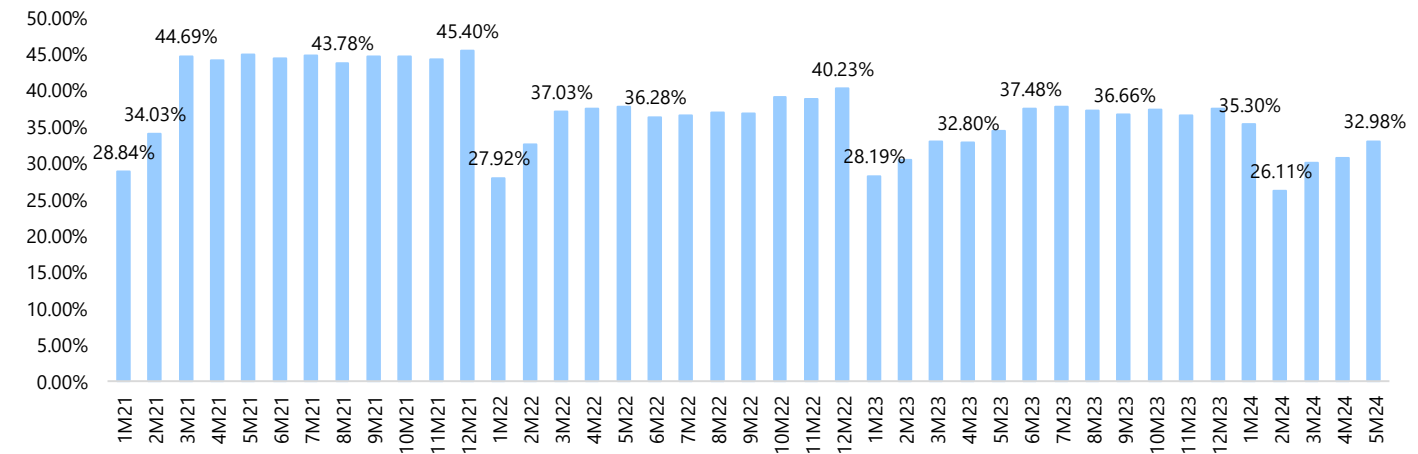
Source: Company data, RHB

Figure 5: BBRI allocated a high CoC to manage risks of rising NPL, especially in the micro loan segment



Source: Company data, RHB

Figure 6: Depite 5M24 CIR increasing, it was still manageable



Source: Company data, RHB

Emissions And ESG

Trend analysis

BBRI decreased its Scope 1, 2 and 3 emissions by 6% YoY overall in 2023.

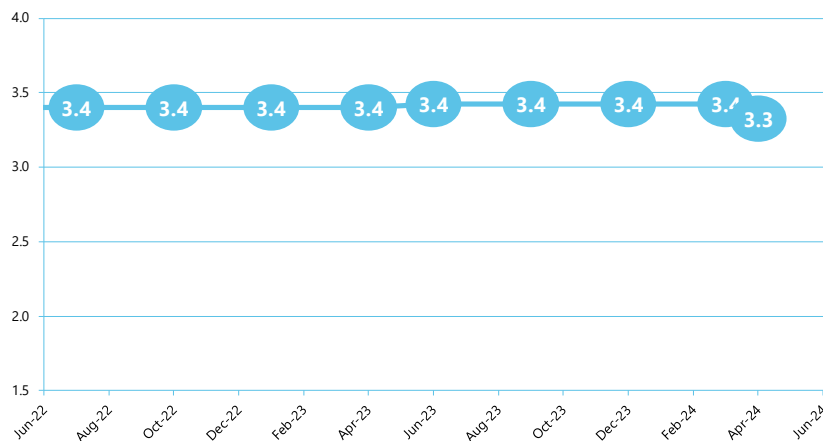
Emissions (tCO ₂ e)	Dec-21	Dec-22	Dec-23
Scope 1	133,727	132,235	130,529
Scope 2	320,066	360,135	355,742
Scope 3	na	11,134,854	10,434,550
Total emissions	453,792	11,627,224	10,920,821

Source: Company data, RHB

Latest ESG-Related Developments

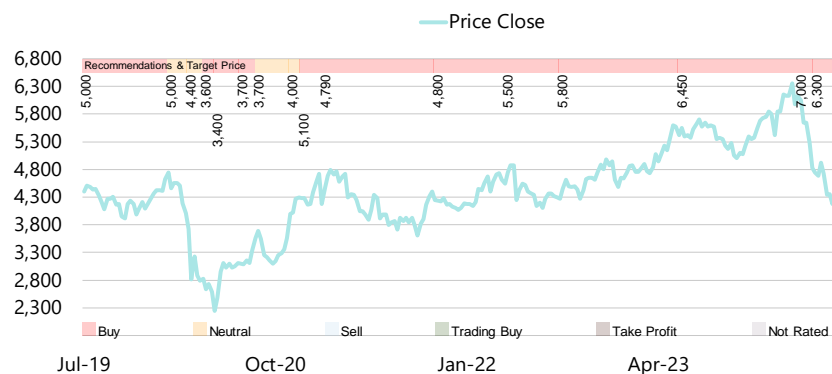
- As of Dec 2023, BBRI's total sustainable financing activities amounted IDR777.28trn (equivalent to 67.11% of the bank's total credit and corporate bond investment portfolio).
- BBRI has assessed, managed, and disclosed climate-related risks and opportunities in accordance with the IFRS S2 Climate-related Disclosure standards. The bank has set a net-zero emissions target that is currently in the Science-Based Targets initiative (SBTi) validation process.

ESG Rating History



Source: RHB

Recommendation Chart



Source: RHB, Bloomberg

Date	Recommendation	Target Price	Price
2024-04-26	Buy	6,300	4,830
2024-03-20	Buy	7,000	6,100
2023-12-07	Buy	6,450	5,475
2023-06-09	Buy	6,450	5,425
2023-02-09	Buy	5,800	4,810
2022-11-17	Buy	5,800	4,670
2022-10-10	Buy	5,800	4,370
2022-08-24	Buy	5,800	4,290
2022-07-28	Buy	5,500	4,360
2022-04-14	Buy	5,500	4,540
2022-01-09	Buy	4,800	4,190
2021-10-28	Buy	4,800	4,240
2021-02-01	Buy	4,790	4,400
2020-12-10	Buy	5,100	4,330
2020-11-12	Neutral	4,000	3,950

Source: RHB, Bloomberg

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Sell:	Share price may fall by more than 10% over the next 12 months
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