

1 August 2025

Financial Services | Banks

Bank Rakyat Indonesia (BBRI IJ)

Buy (Maintained)

1H25 Missed, Hope Resting On 2H Recovery; Still BUY

Target Price (Return): IDR4,300 (+16 %)
Price (Market Cap): IDR3,710 (USD34,275m)
ESG score: 3.3 (out of 4)
Avg Daily Turnover (IDR/USD) 721,171m/44.2m

- **Keep BUY, with new IDR4,300 TP from IDR4,400, 16% upside and c.8% FY26F yield.** Bank Rakyat Indonesia's 1H25 earnings missed expectations, weighed down by high credit costs and ongoing pressure in the micro segment, despite resilient NIM. We expect a recovery in loan and fee income in 2H25, supported by improved liquidity and increased government spending. However, micro-related risks remain. Our earnings forecast has been cut by 5%. The stock remains attractive, trading below -1SD while offering compelling dividend yield.
- **Eyes 2H rebound, backed by easing and subsidiary growth.** Heading into 2H25, BBRI expects liquidity conditions to improve, supported by Bank Indonesia's recent rate cuts and relaxed macroprudential measures. These policy shifts are anticipated to stimulate loan demand, with loans growth will likely accelerate, especially as government spending ramps up. Loans growth momentum is expected to come mainly from BBRI's subsidiaries – Pegadaian and Permodalan Nasional Madani (PNM) – while the core micro segment may continue to face headwinds, offering limited room for expansion this year. On the non-II side, BBRI sees an uptick in fee-based income during 2H25, helped by a greater number of working days, which should boost transaction-related fee revenue.
- **1H25 earnings slipped as micro pains persist.** BBRI posted a 2Q25 net profit of IDR12.6trn (-7.8% QoQ and -8.8% YoY), bringing 1H25 earnings to IDR26.3trn (-11.5% YoY), meeting only 45% of our and consensus FY25F – below the 49% run-rate in 1H24. While margin remained solid and cost efficiency was contained, profitability was hit by elevated credit costs and ongoing weakness in the micro loan segment.
- **NIM rise, but fee-based income slump caps profit growth.** In 2Q25, BBRI's NII rose 4.4% QoQ, supported by higher asset yields, pushing NIM up slightly to 7.8% (1Q25: 7.7%) – above the upper end of its FY25 guidance. However, non-II dropped 11.7% QoQ, pulling total operating income down by 1.0%. Despite controlled operating expenses (+4.9% QoQ), PPOP declined 3.8% QoQ and rose just 2.2% YoY in 1H25, showing limited profit growth.
- **Asset quality concerns persist despite easing provisions.** Provisioning costs fell 10.4% QoQ but remained high YoY (+41.3%) at IDR11trn, reflecting persistent asset quality concerns in the micro segment. Gross NPL stood at 3.0%, while NPL coverage dropped to 188.8%, partly due to a large IDR2.6trn textile loan write-off. Loans growth reached 6.0% YoY, led by corporate and commercial loans, while micro remained weak. CASA ratio held firm at 65.5% (Mar 2025: 65.8%), with LDR easing to 84.9% (Mar 2025: 86%).
- **Earnings estimates lowered as micro risks linger.** We maintain FY25F-27F revenue and PPOP, supported by solid core performance, but raise provisioning by 8-10% for FY25F-26F due to ongoing asset quality concerns, especially in the micro segment. Consequently, net income forecasts are cut by 5% for both years. Our TP is trimmed to IDR4,300, based on a GGM-derived intrinsic value of IDR4,012 and includes a 6% ESG premium.

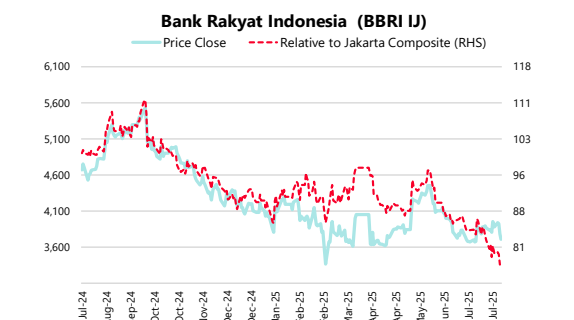
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Share Performance (%)

	YTD	1m	3m	6m	12m
Absolute	(9.1)	(0.8)	(3.6)	(12.1)	(20.6)
Relative	(15.7)	(9.8)	(15.2)	(18.3)	(24.7)
52-wk Price low/high (IDR)				3,360	-5,525



Source: Bloomberg

Forecasts and Valuation	Dec-23	Dec-24	Dec-25F	Dec-26F	Dec-27F
Reported net profit (IDRb)	60,100	60,155	55,764	62,456	71,842
Net profit growth (%)	17.5	0.1	(7.3)	12.0	15.0
Recurring net profit (IDRb)	60,415	60,920	56,568	63,300	72,728
Recurring EPS (IDR)	401.96	403.61	373.54	417.65	479.86
BVPS (IDR)	2,068.08	2,095.58	2,474.53	2,527.33	2,645.56
DPS (IDR)	288.89	317.89	337.37	312.75	350.28
Recurring P/E (x)	9.23	9.19	9.93	8.88	7.73
P/B (x)	1.79	1.77	1.50	1.47	1.40
Dividend Yield (%)	7.8	8.6	9.1	8.4	9.4
Return on average equity (%)	19.7	19.1	16.1	16.5	18.3

Source: Company data, RHB

Overall ESG Score: 3.3 (out of 4)

E Score: 3.3 (EXCELLENT)

S Score: 3.5 (EXCELLENT)

G Score: 3.0 (GOOD)

Please refer to the ESG analysis on the next page

Emissions And ESG

Trend analysis	Emissions (tCO2e)	Dec-22	Dec-23	Dec-24	Dec-25
BBRI decreased its Scope 1 emission by 5%, and Scope 2 emission by 3%, however its Scope 3 emissions increased by 21% YoY overall in 2024.	Scope 1	132,235	130,529	124,155	na
	Scope 2	360,135	355,742	346,353	na
	Scope 3	11,254,911	10,572,915	12,959,400	na
	Total emissions	11,747,281	11,059,186	13,429,908	na
	Source: Company data, RHB				

Latest ESG-Related Developments

As of Dec 2024, BBRI's total sustainable financing activities amounted 100% of its MSME loans, 34% of its Corporate loan, and 20% of its Consumer loan.

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 Unbundled

Overall ESG Score: 3.3 (out of 4)

Last Updated: 30 April 2025

E Score: 3.3 (EXCELLENT)

BBRI has calculated its greenhouse has (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.

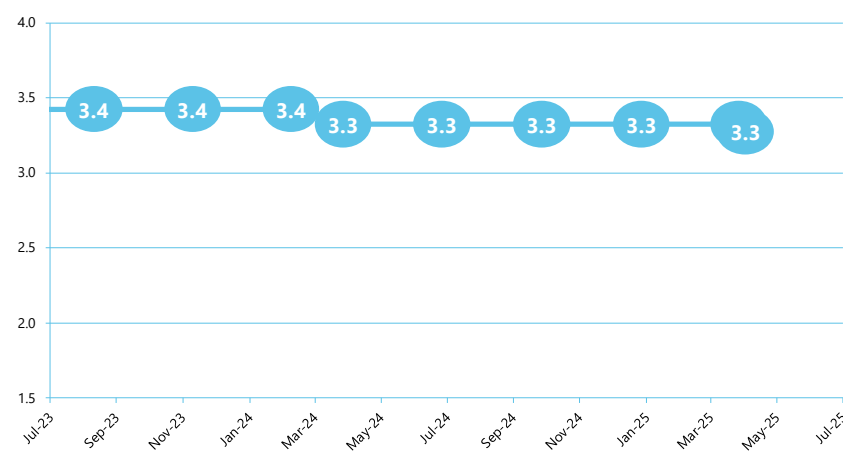
S Score: 3.5 (EXCELLENT)

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 Score: 3.0 (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.

ESG Rating History



Source: RHB

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Financial Exhibits

Asia	Financial summary (IDR)	Dec-23	Dec-24	Dec-25F	Dec-26F	Dec-27F
Indonesia	EPS	399.87	398.54	368.23	412.09	474.02
Financial Services	Recurring EPS	401.96	403.61	373.54	417.65	479.86
Bank Rakyat Indonesia	DPS	288.89	317.89	337.37	312.75	350.28
BBRI IJ	BVPS	2,068.08	2,095.58	2,474.53	2,527.33	2,645.56
Buy						
Valuation basis	Valuation metrics	Dec-23	Dec-24	Dec-25F	Dec-26F	Dec-27F
P/BV backed by GGM. Assumptions include:	Recurring P/E (x)	9.23	9.19	9.93	8.88	7.73
i. COE of 12.3%;	P/B (x)	1.8	1.8	1.5	1.5	1.4
ii. ROE of 19.5%;	Dividend Yield (%)	7.8	8.6	9.1	8.4	9.4
iii. 4.4% long-term growth.						
Key drivers	Income statement (IDRb)	Dec-23	Dec-24	Dec-25F	Dec-26F	Dec-27F
i. Faster-than-expected loan growth;	Interest income	181,215	199,266	170,708	171,308	203,595
ii. Lower cost of funds;	Interest expense	(43,813)	(57,209)	(40,664)	(41,315)	(42,023)
iii. Better than expected asset quality improvements	Net interest income	137,402	142,057	130,044	129,993	161,572
	Non interest income	45,888	57,811	68,384	71,827	65,586
	Total operating income	183,290	199,869	198,428	201,820	227,158
	Overheads	(76,782)	(83,116)	(79,912)	(79,210)	(92,841)
	Pre-provision operating profit	106,508	116,752	118,515	122,610	134,317
	Loan impairment allowances	(30,021)	(41,771)	(48,837)	(44,587)	(44,528)
	Other impairment allowances	342	3,596	3,956	4,352	4,787
	Other exceptional items	(399)	(979)	(1,028)	(1,079)	(1,133)
	Pre-tax profit	76,430	77,599	72,607	81,295	93,443
	Taxation	(16,005)	(16,955)	(15,864)	(17,763)	(20,417)
	Minority interests	(325)	(489)	(978)	(1,076)	(1,183)
	Reported net profit	60,100	60,155	55,764	62,456	71,842
	Recurring net profit	60,415	60,920	56,568	63,300	72,728
Key risks						
Increased NPL, especially in micro loan segment.						
Company Profile						
Bank Rakyat Indonesia is the largest bank in Indonesia, with assets totalling almost IDR2,000trn at end 2024. It focuses on loans in the MSME segment.						
	Profitability ratios	Dec-23	Dec-24	Dec-25F	Dec-26F	Dec-27F
	Return on average assets (%)	3.1	3.0	2.7	3.0	3.4
	Return on average equity (%)	19.7	19.1	16.1	16.5	18.3
	Return on IEAs (%)	14.0	15.6	10.9	9.3	10.5
	Cost of funds (%)	3.3	4.2	2.9	3.0	3.0
	Net interest spread (%)	10.7	11.4	8.0	6.4	7.5
	Net interest margin (%)	10.6	11.1	8.3	7.1	8.3
	Non-interest income / total income (%)	25.0	28.9	34.5	35.6	28.9
	Cost to income ratio (%)	41.9	41.6	40.3	39.2	40.9
	Credit cost (bps)	261	326	351	300	280
	Balance sheet (IDRb)	Dec-23	Dec-24	Dec-25F	Dec-26F	Dec-27F
	Total gross loans	1,211,421	1,348,207	1,435,982	1,536,501	1,644,056
	Other interest earning assets	-	-	346,065	346,065	346,065
	Total gross IEAs	1,211,421	1,348,207	1,782,047	1,882,566	1,990,121
	Total provisions	(81,018)	(80,898)	(87,357)	(89,520)	(90,573)
	Net loans to customers	1,130,403	1,267,309	1,348,625	1,446,981	1,553,483
	Total net IEAs	1,130,403	1,267,309	1,694,690	1,793,046	1,899,549
	Total non-IEAs	834,604	725,674	384,327	324,373	268,821
	Total assets	1,965,007	1,992,983	2,079,017	2,117,420	2,168,370
	Customer deposits	1,358,329	1,365,450	1,372,609	1,379,805	1,387,039
	Other interest-bearing liabilities	11,958	14,679	18,020	22,120	27,154
	Total IBLs	1,370,287	1,380,130	1,390,629	1,401,925	1,414,193
	Total non-IBLs	278,248	289,665	306,643	325,077	345,103
	Total liabilities	1,648,535	1,669,794	1,697,272	1,727,002	1,759,296
	Share capital	7,578	7,578	7,578	7,578	7,578
	Shareholders' equity	311,364	317,094	375,040	383,042	400,961
	Minority interests	5,109	6,095	6,705	7,375	8,113
	Asset quality and capital	Dec-23	Dec-24	Dec-25F	Dec-26F	Dec-27F
	Reported NPLs / gross cust loans (%)	2.7	2.6	2.6	2.6	2.6
	Total provisions / reported NPLs (%)	197.3	208.5	214.7	189.0	175.5
	CET-1 ratio (%)	25.9	25.0	23.2	23.4	23.9
	Tier-1 ratio (%)	26.7	25.8	24.0	24.2	24.7
	Total capital ratio (%)	27.8	26.9	25.1	25.3	25.8

Source: Company data, RHB

1H25 Missed, Hope Resting On 2H Recovery

BBRI reported 2Q25 net profit of IDR12.6trn (-7.8% QoQ, -8.8% YoY), bringing 1H25 earnings to IDR26.3trn (-11.5% YoY). This accounts for just 45% of our and Street FY25F – falling short of expectations (vs 49% achievement in 1H24). 1H25 results reflect margin resilience and cost containment, but asset quality challenges persist, particularly in the micro segment.

Looking ahead to 2H25, BBRI anticipates liquidity conditions to improve on the back of Bank Indonesia's rate cuts and macroeconomic prudential policy relaxation. Loans growth is expected to pick up, supported in part by increased government spending. Loans growth will likely be driven by subsidiaries Pegadaian and PNM, as the core micro segment remains under pressure, with limited upside for the full year. On the non-II front, BBRI anticipates an increase in fee-based income in 2H25, supported by a higher number of working days, which is expected to drive growth in transaction-related fees.

Solid margin, but profit hit by credit costs and weak micro loans

1H25 highlights solid topline fundamentals but persistent challenges from rising credit costs and weak profitability momentum. Despite stronger margins and improved CASA, the bank faces pressure from its high cost of credit (CoC), modest loans growth, and the struggling micro segment.

In 2Q25, BBRI posted a net profit of IDR12.6trn (-7.8% QoQ and -8.8% YoY), bringing 1H25 net profit to IDR26.3trn, which represents a YoY decline of 11.5%. This result achieved 45% of our and consensus full-year forecasts, reflecting a weaker-than-expected performance. The pressure on earnings was mainly due to higher provisioning costs and flattish operating income growth.

NII in 2Q25 rose 4.4% QoQ and 7.6% YoY to IDR37.4trn, supported by a 5.4% QoQ increase in interest income. However, interest expense also rose 8.1% QoQ, outpacing asset yield gains, which limited the benefit to NIM. NIM for 2Q25 stood at 7.80%, up slightly from 7.70% in 1Q25. On a 1H25 basis, NIM was 7.8%, modestly above the upper bound of management's full-year guidance of 7.3–7.7%.

Non-II fell 11.7% QoQ to IDR12.9trn, leading to a 1.0% QoQ decline in total operating income to IDR49.9trn. This weaker non-II contributed to softer topline growth in 2Q25. Despite the revenue pressure, operating expenses only grew 4.9% QoQ, allowing PPOP to reach IDR28.8trn (-3.8% QoQ). On a 1H25 basis, PPOP rose just 2.2% YoY, indicating limited earnings leverage.

2Q25 provisioning expense declined 10.4% QoQ, however, on a YoY basis, it surged 41.3% YoY to IDR11trn, reflecting asset quality concerns, particularly in the micro and commercial segments. This weighed heavily on its bottomline, with operating profit inching up only 0.7% QoQ to IDR17.8trn.

On the balance sheet, loans growth reached 6.0% YoY as of Jun 2025, with loans rising 3.1% QoQ. Deposits rose 6.7% YoY, while CASA improved by 10.6% YoY and 3.9% QoQ, helping maintain the CASA ratio at a healthy 65.5% (Jun 2024: 61.7%). However, LDR increased to 84.9% (Jun 2024: 83.3%), reflecting tightening liquidity, though the bank expects easing conditions in 2H25.

In terms of asset quality, gross NPL rose to 3.0%, while CoC for 1H25 was elevated at 3.4%, above management's guidance of 3.0–3.2%. The NPL coverage ratio dropped to 188.8% from over 214% in 1Q25, driven in part by the IDR2.6trn write-off in corporate loans tied to the textile sector.

Figure 1: BBRI's 1H25 performance vs FY24 actual and guidance for FY25F

	FY24 achieved	1H25 achieved	FY25F guidance	Comments
Loan growth	7.0%	6.0%	7% - 9%	Management expects FY25F loans growth to land at the lower end of its guidance, around 7%. It anticipates that increased government spending in 2H25 will help stimulate economic activity, ultimately supporting loan expansion. Loans growth in 2H will likely be led by corporate and commercial segments, while the micro segment remains under pressure and is expected to see flat growth.
NIM	7.7%	7.8%	7.3% - 7.7%	NIM edged up to 7.8% in 1H25 from 7.7% in 1Q25, supported by stronger yields on earning assets. This figure slightly exceeds the bank's FY25 NIM guidance. While management expects liquidity conditions to begin improving in 3Q25, it is keeping the full-year NIM target unchanged at 7.3-7.7%.
Cost of credit	3.2%	3.4%	3.0% - 3.2%	CoC eased slightly to 3.4% in 1H25, down from 3.5% in 1Q25, though it remains above the management's FY25 guidance range of 3.0-3.2%. Management noted that CoC for the full year could end slightly above the target if loans growth falls short of expectations or if the restructuring of a steel company's loan does not materialise this year. Meanwhile, NPL coverage ratio dipped to 189% as of end-Jun 2025, compared to 200% at end-Mar 2025.
NPL gross	2.8%	3.0%	3% or slightly higher (revised up)	As of end-Jun 2025, BBRI's NPL stood at 3.0%, relatively unchanged from the previous quarter and still within the company's full-year guidance. Notably, BBRI wrote off IDR2.6trn in corporate loans linked to the textile sector in June, leading to a sharp drop in corporate NPLs. However, NPLs in the micro and commercial segments continued to rise.
Cost to income ratio	41.6%	41.9%	41% - 43%	Cost-to-income ratio (CIR) rose to 41.9% in 1H25, up from 40.7% in 1Q25, mainly due to higher personnel expenses at its subsidiaries, particularly PNM. Despite the increase, CIR remains within management's FY25 guidance range.

Source: Company data, RHB

Figure 2: BBRI's 1H25 results highlights

INCOME STATEMENT (IDRbn)	2Q24	1Q25	2Q25	QoQ	YoY	6M24	6M25	YoY	% of RHB	% of Cons.
Interest Income	49,183	49,838	52,538	5.4%	6.8%	99,790	102,376	2.6%		
Interest Expense	14,401	13,987	15,115	8.1%	5.0%	28,512	29,102	2.1%		
Net Interest Income	34,781	35,852	37,423	4.4%	7.6%	71,278	73,275	2.8%	55%	N/A
Non-Interest Income	12,954	14,590	12,885	-11.7%	-0.5%	25,605	27,104	5.9%		
Total Operating Income	47,747	50,442	49,937	-1.0%	4.6%	96,883	100,379	3.6%		
Operating Expense	21,440	20,544	21,556	4.9%	0.5%	39,840	42,100	5.7%		
PPOP	26,296	29,897	28,751	-3.8%	9.3%	57,043	58,278	2.2%		
Provision Expense	7,784	12,275	10,998	-10.4%	41.3%	18,497	23,273	25.8%		
Operating Profit	18,511	17,622	17,753	0.7%	-4.1%	38,751	35,005	-9.7%	44%	47%
Net Profit	13,816	13,673	12,603	-7.8%	-8.8%	29,702	26,277	-11.5%	45%	45%
BALANCE SHEET (IDRbn)	6M24	3M25	6M25	QoQ	YoY					
Loan	1,336,780	1,373,661	1,416,619	3.1%	6.0%					
Deposit	1,389,662	1,421,600	1,482,120	4.3%	6.7%					
CASA	877,895	934,950	970,946	3.9%	10.6%					
Time Deposits	511,767	486,650	511,174	5.0%	-0.1%					
RATIOS	6M24	3M25	6M25							
ROAA - After Tax (%)	3.22%	2.70%	2.60%							
ROAE - B/S (%)	20.22%	17.20%	16.60%							
NIM (%)	8.00%	7.70%	7.80%							
CoC (%)	3.83%	3.50%	3.40%							
CASA (%)	61.66%	65.77%	65.50%							
LDR (%)	83.30%	86.03%	84.97%							
CIR (%)	37.43%	40.70%	41.90%							
NPL (%)	3.11%	3.00%	3.04%							
CAR (%)	23.97%	24.00%	25.01%							
Coverage (%)	214.26%	200.60%	188.84%							

Source: Company data, RHB

Solid revenue outlook, but credit risks trim earnings forecast

We have kept our operating income and PPOP forecasts for BBRI unchanged for 2025-2027, reflecting continued confidence in the bank's underlying revenue-generating capability despite ongoing headwinds. However, due to rising concerns over asset quality – particularly in the micro loan segment – we raise our provisioning assumptions by 8% for 2025 and 10% for 2026.

As a result, we lower our net income forecasts by 5% for both 2025 and 2026, now projected at IDR55.8trn and IDR62.5trn, respectively. Meanwhile, the 2027 outlook remains intact, on

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expectations for improving asset quality and a return to earnings stability. In summary, while BBRI's revenue outlook is steady, near-term profit faces pressure from higher credit costs.

Figure 3: Revised forecasts

	2025F	Previous 2026F	2027F	2025F	Revised 2026F	2027F	Changes 2025F	2026F	2027F
Operating Income	198,585	202,202	227,554	198,428	201,820	227,158	0%	0%	0%
PPOP	118,672	122,992	134,713	118,515	122,610	134,317	0%	0%	0%
Provision	41,392	36,520	39,741	44,881	40,235	39,741	8%	10%	0%
Net Income	58,613	65,659	72,152	55,764	62,456	71,842	-5%	-5%	0%

Source: Company data, RHB

Valuation and TP

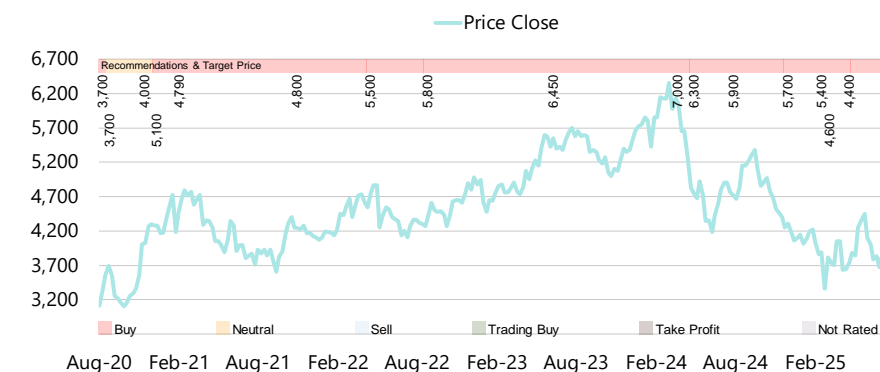
We lower our TP to IDR4,300 from IDR4,400. This revision is based on an intrinsic value of IDR4,012, calculated using our GGM-based P/BV of 1.9x, or at -1SD from its 5-year forward mean. The TP also includes a consistent 6% ESG premium, reflecting BBRI's ESG Score of 3.3.

Figure 4: GGM valuation

GGM	
Cost of Equity	12.3%
Risk-Free Rate (Rf)	6.6%
Beta (x)	1.05
Expected Market Return (Rm)	12%
Risk Premium (Rm-Rf)	5.4%
Sustainable Growth Rate (SGR)	4.4%
Sustainable ROE (%)	19.5%
Dividend Payout Ratio (%)	78%
Implied PBV (x)	1.9
BVPS FY24E (IDR)	2,092
Fair Value (IDR)	4,012
ESG premium (discount)	288
Target price (IDR)	4,300

Source: Company data, RHB

Recommendation Chart



Source: RHB, Bloomberg

Date	Recommendation	Target Price	Price
2025-05-01	Buy	4,400	3,850
2025-03-03	Buy	4,600	3,670
2025-02-13	Buy	5,400	3,990
2024-11-27	Buy	5,700	4,400
2024-07-25	Buy	5,900	4,700
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

Source: RHB, Bloomberg

RHB Guide to Investment Ratings

Buy:	Share price may exceed 10% over the next 12 months
Trading Buy:	Share price may exceed 15% over the next 3 months, however longer-term outlook remains uncertain
Neutral:	Share price may fall within the range of +/- 10% over the next 12 months
Take Profit:	Target price has been attained. Look to accumulate at lower levels
Sell:	Share price may fall by more than 10% over the next 12 months
Not Rated:	Stock is not within regular research coverage

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