

31 October 2024

Financial Services | Banks

## Bank Rakyat Indonesia (BBRI IJ)

**Buy** (Maintained)

### Solid 3Q24, Positioned For 4Q Growth; Keep BUY

Target Price (Return): IDR5,900 (+25%)  
 Price (Market Cap): IDR4,710 (USD45,453m)  
 ESG score: 3.3 (out of 4)  
 Avg Daily Turnover (IDR/USD) 1,182,101m/76.3m

- **Maintain BUY and IDR5,900 TP, 25% upside and c.7% FY25F yield.** 3Q24 earnings rose 11.2% QoQ and 5.5% YoY, driven by higher non-II and slight NIM improvement, contributing to a 2.4% YoY rise in 9M24 earnings (IDR45trn) – in line. PPOP surged 15.9% QoQ with better cost of funds (CoF) expectations ahead, while asset quality improved as NPL fell. The recovery rate lifted to 62.9% in 3Q24 (2Q24: 52.7%). With the anticipated interest rate cuts and lower credit costs, we believe 4Q24 earnings growth outlook remains solid.
- **Solid 3Q24 earnings as non-II and credit slightly improved NIM boosts performance.** Bank Rakyat Indonesia posted an 11.2% increase in 3Q24 earnings QoQ and a 5.5% rise YoY. This growth was driven by slight improvements in NIM, and higher non-II. These factors contributed to a 2.4% YoY increase in 9M24 earnings, reaching IDR45trn, accounting for 73-74% of the full-year target. Management expressed its confidence that credit costs will continue to decrease, aligning with the goal of a maximum 3% by year-end on a consolidated base. Meanwhile, the recovery rate continued its uptrend, rising to 62.9% in 3Q24 from 52.7% in 2Q24.
- **3Q24 PPOP surged 15.9% QoQ, expecting CoF reductions.** In 3Q24, PPOP rose 15.9% QoQ (+8.3% YoY), reaching IDR30.5trn, and bringing 9M24 PPOP to IDR87.5trn – an impressive 10.6% YoY increase, likely one of the highest growth rates among Indonesian banks. This was achieved despite a high interest rate environment and temporary shift in the loans portfolio from micro to corporate loans. CASA ratio increased to 64.2% by the end of September, improving from 63.2% in June, which supported the gradual declining CoF. BBRI expects CoF to fall further in the upcoming quarters as the Bank Indonesia (BI) rate cuts ease liquidity conditions.
- **Moderate loans growth in 3Q24; strong non-II and lower net CoC.** Loans growth for the year stood at 8.2% YoY (+1.2% QoQ), slightly under BBRI's forecasted 10-12% range due to slower-than-anticipated corporate loan expansion. However, it remains optimistic that corporate loan growth will reach 20% YoY by end-2024 (up from 16.9% YoY in September), which should bring full-year loans growth in line with the bank's target. In 3Q24, non-II rose by 22.2% QoQ (+44.4% YoY) to IDR16.6trn, bolstered by strong loan recovery efforts, which pushed down net credit costs (CoC) by 49bps to 0.93%.
- **Enhanced asset quality and coverage despite slight increase in CIR.** BBRI's asset quality saw improvement, with NPL decreasing to 2.9% at the end of September from 3.05% in June. Loans at risk (LAR) also declined slightly to 11.66% during the same period, and NPL coverage increased to 215.44%. The ratio of restructured loans dropped to 2.1% of total outstanding loans, with BBRI targeting a further reduction by year-end. Although CIR rose slightly to 41.3% due to operational expenses, such as IT investments and insurance amortization, we believe the company remains well-positioned.

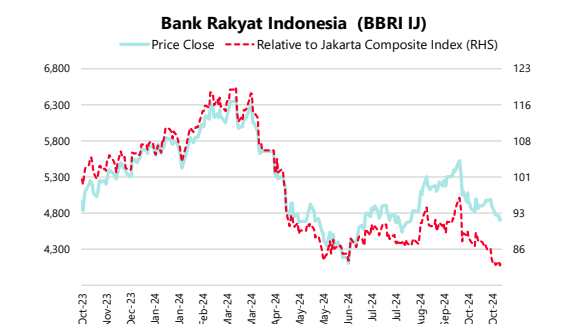
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#### Share Performance (%)

	YTD	1m	3m	6m	12m
Absolute	(17.7)	(4.9)	0.9	(4.7)	(5.8)
Relative	(21.8)	(5.5)	(3.6)	(9.3)	(18.2)
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	61,459	71,122	78,914
Net profit growth (%)	66.4	17.5	2.3	15.7	11.0
Recurring net profit (IDRb)	50,939	60,415	61,790	71,470	79,280
Recurring EPS (IDR)	355.99	401.96	409.71	473.09	524.78
BVPS (IDR)	1,994.72	2,068.08	2,308.65	2,415.11	2,547.56
DPS (IDR)	233.33	373.02	318.26	325.46	376.63
Recurring P/E (x)	13.23	11.72	11.50	9.96	8.98
P/B (x)	2.36	2.28	2.04	1.95	1.85
Dividend Yield (%)	5.0	7.9	6.8	6.9	8.0
Return on average equity (%)	17.4	19.7	18.6	19.9	21.1

Source: Company data, RHB

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## Financial Exhibits

<b>Asia</b>	<b>Financial summary (IDR)</b>	<b>Dec-22</b>	<b>Dec-23</b>	<b>Dec-24F</b>	<b>Dec-25F</b>	<b>Dec-26F</b>
Indonesia	EPS	357.61	399.87	407.51	470.79	522.37
Financial Services	Recurring EPS	355.99	401.96	409.71	473.09	524.78
<b>Bank Rakyat Indonesia</b>	DPS	233.33	373.02	318.26	325.46	376.63
BBRI IJ	BVPS	1,994.72	2,068.08	2,308.65	2,415.11	2,547.56
Buy						
<b>Valuation basis</b>	<b>Valuation metrics</b>	<b>Dec-22</b>	<b>Dec-23</b>	<b>Dec-24F</b>	<b>Dec-25F</b>	<b>Dec-26F</b>
P/BV backed by GGM. Assumptions include:	Recurring P/E (x)	13.23	11.72	11.50	9.96	8.98
i. COE of 12.4%;	P/B (x)	2.4	2.3	2.0	2.0	1.8
ii. ROE of 21%;	Dividend Yield (%)	5.0	7.9	6.8	6.9	8.0
iii. 6.7% long-term growth.						
<b>Key drivers</b>	<b>Income statement (IDRb)</b>	<b>Dec-22</b>	<b>Dec-23</b>	<b>Dec-24F</b>	<b>Dec-25F</b>	<b>Dec-26F</b>
i. Faster-than-expected loans 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	<b>Net interest income</b>	<b>124,597</b>	<b>135,183</b>	<b>144,037</b>	<b>150,906</b>	<b>159,439</b>
	Non interest income	48,880	48,107	52,701	57,755	63,315
	<b>Total operating income</b>	<b>173,477</b>	<b>183,290</b>	<b>196,738</b>	<b>208,661</b>	<b>222,754</b>
	Overheads	(82,192)	(76,782)	(77,106)	(75,527)	(75,468)
	<b>Pre-provision operating profit</b>	<b>91,285</b>	<b>106,508</b>	<b>119,632</b>	<b>133,135</b>	<b>147,286</b>
	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)
	<b>Pre-tax profit</b>	<b>64,597</b>	<b>76,430</b>	<b>81,027</b>	<b>96,541</b>	<b>107,055</b>
	Taxation	(13,188)	(16,005)	(16,967)	(20,216)	(22,418)
	Minority interests	(238)	(325)	(2,601)	(5,203)	(5,723)
	<b>Reported net profit</b>	<b>51,170</b>	<b>60,100</b>	<b>61,459</b>	<b>71,122</b>	<b>78,914</b>
	<b>Recurring net profit</b>	<b>50,939</b>	<b>60,415</b>	<b>61,790</b>	<b>71,470</b>	<b>79,280</b>
<b>Key risks</b>						
Rapid inflation caused by higher input costs, which may have a short-term impact on economic recovery.						
<b>Company Profile</b>						
Bank Rakyat Indonesia is the largest bank in Indonesia, with assets totalling IDR1,678trn. It focuses on loans in the MSME segment.						
	<b>Profitability ratios</b>	<b>Dec-22</b>	<b>Dec-23</b>	<b>Dec-24F</b>	<b>Dec-25F</b>	<b>Dec-26F</b>
	Return on average assets (%)	2.9	3.1	2.9	3.0	3.0
	Return on average equity (%)	17.4	19.7	18.6	19.9	21.1
	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	39.2	36.2	33.9
	Credit cost (bps)	263	261	296	250	250
	<b>Balance sheet (IDRb)</b>	<b>Dec-22</b>	<b>Dec-23</b>	<b>Dec-24F</b>	<b>Dec-25F</b>	<b>Dec-26F</b>
	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	630,304	802,535	992,475
	Total assets	1,865,639	1,965,007	2,209,757	2,463,883	2,758,761
	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	348,770	364,853	384,862
	Minority interests	4,101	5,109	5,619	6,181	6,800
	<b>Asset quality and capital</b>	<b>Dec-22</b>	<b>Dec-23</b>	<b>Dec-24F</b>	<b>Dec-25F</b>	<b>Dec-26F</b>
	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	23.2	23.7	23.7
	Tier-1 ratio (%)	26.0	25.0	24.0	24.6	24.6
	Total capital ratio (%)	27.1	26.1	25.1	25.6	25.7

Source: Company data, RHB

## Solid 3Q24; Positioned For 4Q Growth

BBRI's 3Q24 earnings increased by 11.2% QoQ and 5.5% YoY. The quarterly earnings improvement was driven by a slight expansion in NIM and growth in non-II. These factors contributed to a 2.4% YoY rise in 9M24 earnings, reaching IDR45trn, accounting for 73% and 74% of our full-year estimates. This aligns with expectations, as management indicated that CoC will likely to decline further, approaching management's full-year guidance cap of 3% on a consolidate base. Meanwhile, the recovery rate continued its uptrend, rising to 62.9% in 3Q24 from 52.7% in 2Q24.

Figure 1: BBRI's 9M24 results highlights

INCOME STATEMENT (IDRbn)	3Q23	2Q24	3Q24	QoQ	YoY	9M23	9M24	YoY	9M24/ RHB	9M24/ Cons.
Interest Income	46,302	48,572	50,145	3.2%	8.3%	131,893	148,792	12.8%		
Interest Expense	10,646	14,595	14,318	-1.9%	34.5%	30,696	43,036	40.2%		
<b>Net Interest Income</b>	<b>35,657</b>	<b>33,977</b>	<b>35,827</b>	<b>5.4%</b>	<b>0.5%</b>	<b>101,197</b>	<b>105,756</b>	<b>4.5%</b>		
Non-Interest Income	11,482	13,564	16,579	22.2%	44.4%	33,657	43,327	28.7%		
<b>Total Operating Income</b>	<b>47,139</b>	<b>47,541</b>	<b>52,406</b>	<b>10.2%</b>	<b>11.2%</b>	<b>134,854</b>	<b>149,083</b>	<b>10.6%</b>		
Operating Expense	19,016	21,246	21,939	3.3%	15.4%	55,673	61,574	10.6%		
<b>PPOP</b>	<b>28,123</b>	<b>26,295</b>	<b>30,467</b>	<b>15.9%</b>	<b>8.3%</b>	<b>79,181</b>	<b>87,509</b>	<b>10.5%</b>		
Provision Expense	9,158	7,784	10,967	40.9%	19.8%	22,979	29,464	28.2%		
<b>Operating Profit</b>	<b>18,965</b>	<b>18,511</b>	<b>19,500</b>	<b>5.3%</b>	<b>2.8%</b>	<b>56,202</b>	<b>58,045</b>	<b>3.3%</b>	<b>72%</b>	<b>75%</b>
<b>Net Profit</b>	<b>14,565</b>	<b>13,816</b>	<b>15,363</b>	<b>11.2%</b>	<b>5.5%</b>	<b>43,993</b>	<b>45,065</b>	<b>2.4%</b>	<b>73%</b>	<b>74%</b>
<b>BALANCE SHEET (IDRbn)</b>	<b>9M23</b>	<b>6M24</b>	<b>9M24</b>	<b>QoQ</b>	<b>YoY</b>					
Loan	1,250,715	1,336,780	1,353,356	1.2%	8.2%					
Deposit	1,290,287	1,389,662	1,362,419	-2.0%	5.6%					
CASA	821,136	877,895	874,231	-0.4%	6.5%					
Time Deposits	469,151	511,767	488,188	-4.6%	4.1%					
<b>RATIOS</b>	<b>9M23</b>	<b>6M24</b>	<b>9M24</b>							
ROAA - After Tax (%)	3.27%	3.01%	3.06%							
ROAE - B/S (%)	19.59%	19.23%	19.21%							
NIM (%)	8.12%	7.64%	7.70%							
CoC (%)	2.44%	3.48%	3.39%							
CASA (%)	63.64%	63.17%	64.17%							
LDR (%)	96.93%	96.19%	99.33%							
CIR (%)	41.28%	41.00%	41.30%							
NPL (%)	3.07%	3.05%	2.90%							
CAR (%)	27.48%	25.13%	26.76%							
Coverage (%)	228.65%	211.60%	215.44%							

Source: Company data, RHB

Figure 2: BBRI's 2024 guidance

	2023 Actual	2024 Guidance	9M24 Actual
Loan Growth (YoY)	11.20%	10% - 12%	8.20%
NIM	7.95%	7.6% - 8.0%	7.70%
CoC	2.37%	Max. 3%	3.39%
NPL	2.95%	< 3%	2.90%
CIR	41.89%	41% - 42%	41.30%

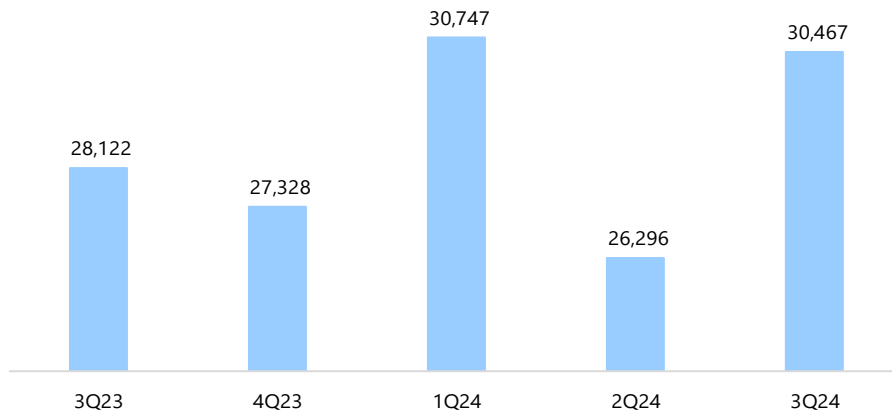
Source: Company data, RHB

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3Q24 PPOP rose 15.9% QoQ (up 8.3% YoY) to IDR30.5trn, bringing 9M24 PPOP to IDR87.5trn, a 10.6% YoY increase – potentially the fastest growth among Indonesian banks under our coverage. This growth was supported by a slight rise in NIM, which reached 7.7% in 9M24 from 7.64% in 1H24, despite higher interest rates in 2Q24 and 3Q24 and a temporary shift in the portfolio mix from micro to corporate loans. CASA ratio increased to 64.17% at end Sep 2024, from 63.17% at end Jun 2024 (Sep 2023: 63.64%) which was partly driven the lower CoF. BBRI anticipates a potential decline in CoF in the coming quarters as BI's rate cuts ease liquidity conditions.

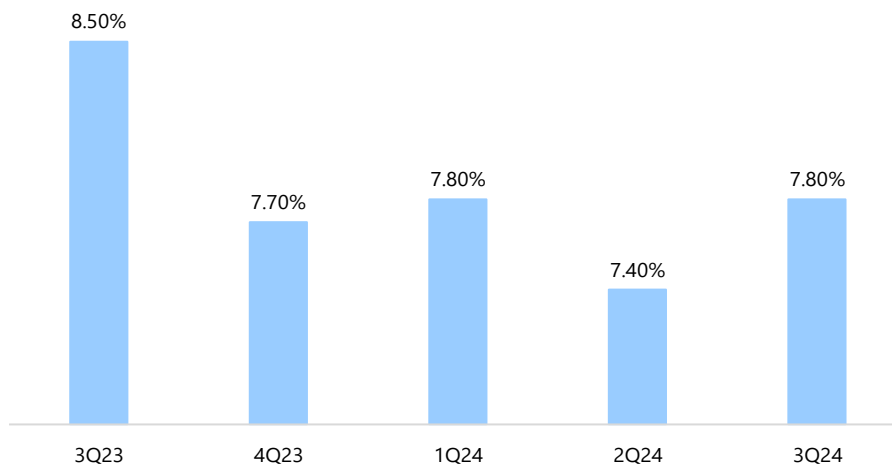
Figure 3: PPOP (IDRbn)



Source: Company data, RHB

Loans growth was 8.2% YoY (+1.2% QoQ), slightly below the management's full-year forecast of 10-12% YoY due to slower-than-expected growth in corporate loans. However, BBRI expects corporate loan growth to accelerate to 20% YoY by the end of 2024 (from 16.9% YoY in September 2024). Hence, FY24F loans growth guidance is likely achievable.

Figure 4: Quarterly NIM (%)

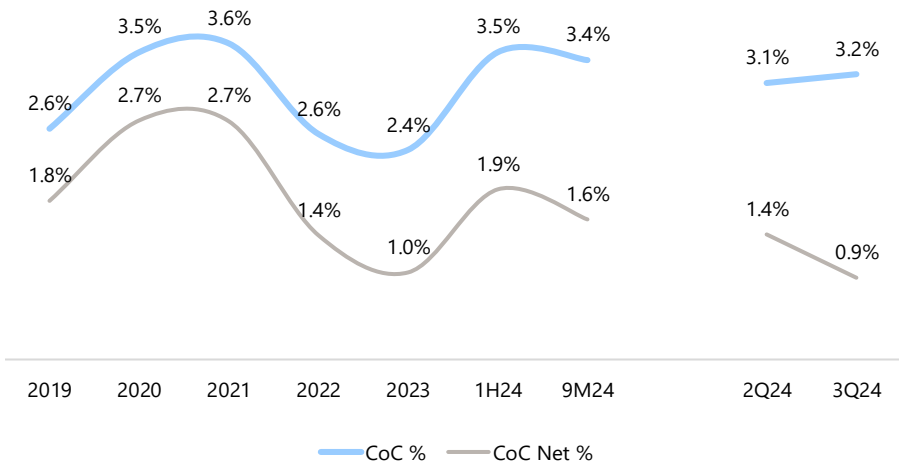


Source: Company data, RHB

In 3Q24, non-IL rose 22.2% QoQ (+44.4% YoY) to IDR16.6trn. BBRI's robust loan recovery efforts drove net CoC down by 49bps to 0.93% in 3Q24. Recovery income continued its upward trend, increasing 36.1% QoQ to IDR7.7trn in 3Q24 from IDR5.7trn in 2Q24, with the recovery rate rising to 62.9% in 3Q24 from 52.7% in 2Q24.

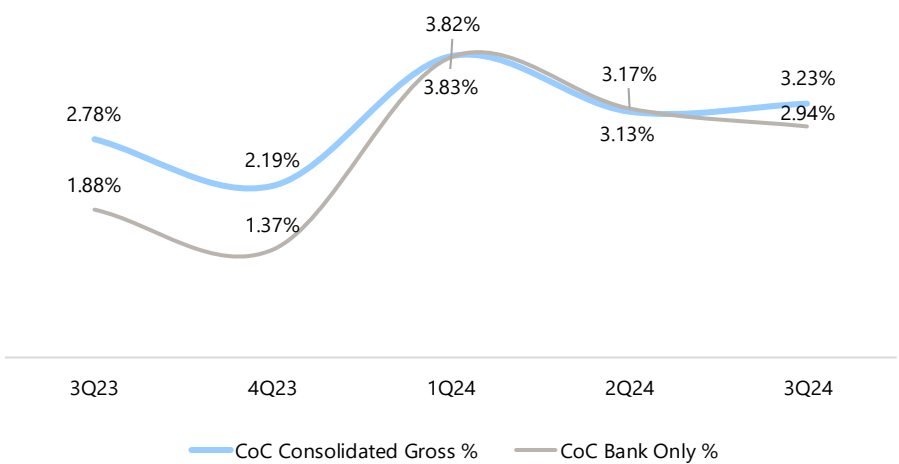
For 3Q24, on a consolidated base, gross CoC slightly decreased to 3.39% in 9M24 from 3.48% in 1H24. Notably, there was a 300bps QoQ increase in the subsidiary's gross CoC to 5.55% due to Permodalan Nasional Madani's (PNM) frontloading of provisions in 3Q24. BBRI expects PNM's CoC to decrease in 4Q24.

Figure 5: CoC



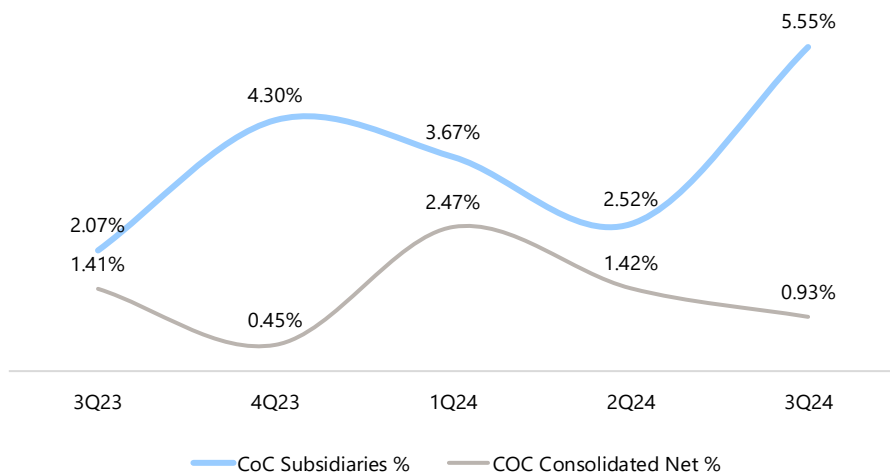
Source: Company data, RHB

Figure 6: Gross CoC (consolidated and Bank-only)



Source: Company data, RHB

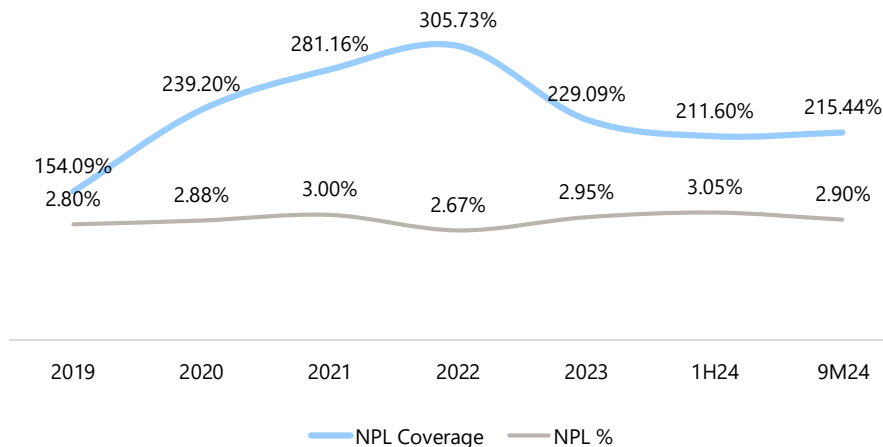
Figure 7: Net CoC (consolidated and Bank-only)



Source: Company data, RHB

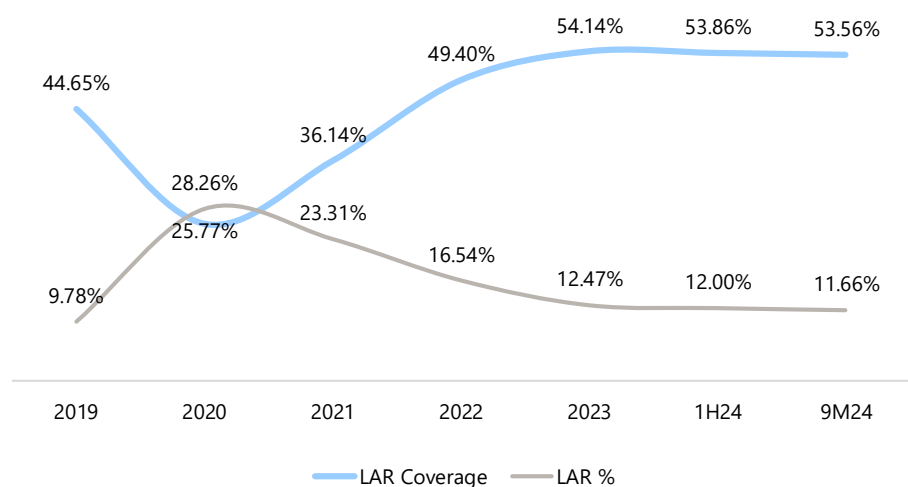
Overall, asset quality improved QoQ, with NPLs dropping to 2.9% at end-Sep 2024, down from 3.05% as at end-Jun 2024. LAR also decreased slightly to 11.66% from 12% during the same period. NPL coverage rose slightly to 215.44% from 211.6%, while LAR coverage remained stable at around 53.5%. Restructured loans declined to IDR25.9trn which accounted for 2.1% of total outstanding loans at end-Sep 2024 (Jun 2024: 2.6%). BBRI aims to further lower restructured loans to IDR20trn by end-2024.

Figure 8: NPL and NPL coverage ratio



Source: Company data, RHB

Figure 9: LAR and LAR coverage ratio



Source: Company data, RHB

Cost-to income ratio (CIR) increased slightly to 41.3% in 9M24 from 41% in 1H24, driven by other operational expenses, such as the Government's market-based rural small credit programme (Kupedes) insurance premium amortisation and IT spending costs.

Maintain BUY and IDR5,900 TP. We see BBRI well positioned to benefit from expected further BI rate cuts and its ongoing reduction in CoC, moving closer to the full-year target of a maximum of 3%, which should further support 4Q24 earnings growth.

## Emissions And ESG

### Trend analysis

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

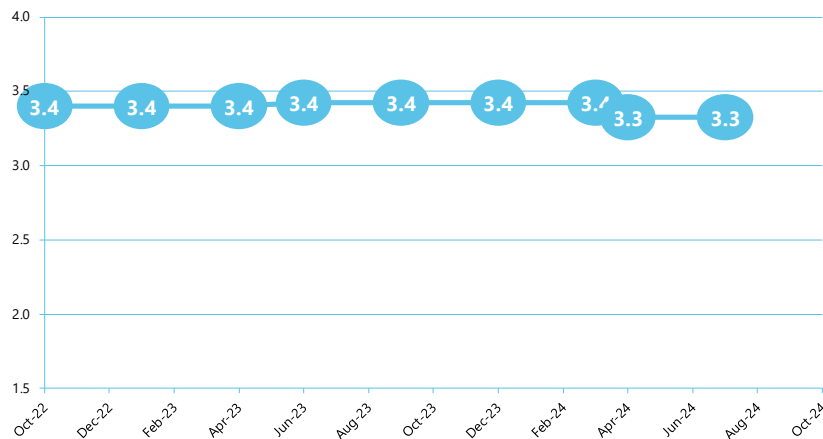
Emissions (tCO <sub>2</sub> e)	Dec-21	Dec-22	Dec-23
Scope 1	133,727	132,235	130,529
Scope 2	320,066	360,135	355,742
Scope 3	na	11,134,854	10,434,550
Total emissions	453,792	11,627,224	10,920,821

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
2024-07-25	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
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

Source: RHB, Bloomberg



## RHB Guide to Investment Ratings

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

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