

# Bank Rakyat Indonesia Tbk. (BBRI)

## Recovery in 3Q24 - Is the Storm & Rain Still Happening?

Despite BBRI's asset quality situation is still a concern, BBRI's performance recovery is starting to show improvement as seen in the company's quarterly performance from several aspects, while some notes are still needed. As of 9M24, BBRI posted a net profit increase of +2.6% YoY to IDR 45.36 T (9M23: IDR 44.21 T), as profit growth and performance recovery happened to strengthen on a quarterly basis (Net Profit +11.2% QoQ, 2Q24: IDR 13.91T & 3Q24: IDR 15.47 T). Net Interest Income (NII) growth also began to recover after contracting in 2Q23, which grew +5.4% QoQ to IDR 25.83 T as of 3Q24 (2Q24: IDR 33.98T) and NII grew by +4.5% YoY to IDR 105.76 T as of 9M24 (9M23: IDR 31.84 T, +26.6% QoQ, 2Q24: IDR 12.67 T & 3Q24: IDR 16.04 T). The growth was driven by the significant recovery of written-off assets (+63.4% YoY & +36.1% QoQ, 9M24: IDR 17.83T & 3Q24: IDR 7.75T). The combination of such growth, along with stable-controlled and efficient operating expenses led to BBRI's Pre-Provision Operating Profit performance growing +10.5% YoY and +15.9% QoQ to IDR 87.5 T in 9M24 (9M23: IDR 79.18 T & 2Q24: IDR 26.3T).

### Loan Disbursement: Distribution Growth Challenges & FY2024 Loan Growth Expectation at the Lower End of Guidance

- Total loans disbursed by BBRI (Consolidated) in 9M24 rose by +8.2% YoY & +1.2% QoQ to IDR 1,353 T (9M23: IDR 1,251 T & 2Q24: 1,336 T), which still fell short of BBRI's guidance for FY2024, with loan growth at: 10-12% due to high-base effect in 3Q23. Speaking of which, management expects that loan growth can at least reach the lower end of management's guidance (+10%) for 4Q24 and FY2024. BBRI's significant loan growth was seen in the growth of corporate and consumer banking segments, where both loan segments grew +17% YoY and +10% YoY to IDR 247.7T and IDR 203.1T respectively (QoQ basis: +2.7% and +2.2%; 2Q24 Corporate: IDR 241T, 2Q24 Consumer: IDR 199T). Management is still focusing on growing lending in more conservative segments, particularly corporate segment (Still targeting +20% YoY growth for corporate segment until end of year) as well as focusing on BBRI's asset recovery particularly in BBRI's micro and ultra-micro segments.

### BBRI's Asset Quality: Keeping Focus on Asset Quality Improvement

- A challenge for BBRI is its high Cost of Credit (CoC), which on a consolidated basis as of 3Q24 stood at 3.23% (+10 Bps QoQ & +45 Bps QoQ) and YTD stood at 3.39% as of 9M24. The figure is still quite high, where the guidance from BBRI indicates a maximum performance of 3.0% for CoC in FY2024. One reason for the spike in CoC is BBRI's strategy to front-load the provision expense of one of BBRI's subsidiaries, PNM. If we look at the bank only CoC number, there was an improvement of -23 Bps QoQ to 2.94% as of 3Q24 (2Q24: 3.17% & 3Q23: 1.88%). The front load strategy implemented by BBRI was done to mitigate the decline in BBRI's asset quality and caused a +300 Bps QoQ increase in the CoC of BBRI's subsidiaries, where the CoC of subsidiaries as of 3Q24 stood at 5.55% (2Q24: 2.52% & 3Q23: 2.07%).
- Speaking of BBRI's NPL, the figure on a consolidated basis stood at 2.9% as of 9M24 (1H24: 3.05% & 9M23: 3.07%), which is inline with management's guidance for FY2024 at <3%. The decline in NPLs was contributed by the improved Corporate and Small segments (9M24 Corporate & Small NPLs: 2.52% & 4.64%, 1H24 Corporate & Small NPLs: 3.07% & 5.05%). The Micro segment is still a challenge for BBRI, where Micro NPL stood at 3.03% as of 9M24 (1H24: 2.95%, 9M23: 2.41%). In terms of LAR, it stood at 11.66% as of 9M24 and is in a stable trend. BBRI continues to focus on improving its asset quality especially in the micro segment, one of which is by focusing on improving and tightening its underwriting model and better credit standards as well as on tighter collection.

### Challenges from Deposits & Funding: Third Party Fund (DPK) Efficiency Creates Stable CoF & Expansive NIM

- Third Party Funds (DPK) from BBRI still grew +5.6% YoY but declined -2% QoQ to IDR 1,362T as of 9M24, with CASA growing 6.5% YoY, yet flat -0.4% QoQ to IDR 874T as of 9M24. Meanwhile, high cost fund deposits decreased -4.6% QoQ while still growing +4.1% to IDR 488T as of 9M24, due to BBRI's balance sheet optimization strategy. With the optimization strategy, BBRI's CASA Ratio improved to 64.2% as of 9M24, and helped BBRI maintain its Cost of Fund (CoF) which is still on a stable trend to 3.66% as of 9M24 (1H24: 3.64%, 1Q24: 3.83%). Management anticipates that the CoF figure will remain flat and stable until the end of FY2024. This combination of flat and stabilizing CoF has also helped NIM to start trending expansively again on a quarterly basis. As of 9M24, BBRI's NIM stood at 7.7% as of 9M24 (9M23: 8.12). This figure is still in line with Guidance at 7.6% - 8.0%. (Notes Quarterly NIM Performance: 2Q24: 7.44%, +39 Bps QoQ, 3Q24: 7.83%).

### Buy Recommendation with TP Maintained at IDR 5,550 (+17.8%)

- NHKS Research recommends Buy for BBRI by maintaining TP at IDR 5,550 (+17.8% Upside), which reflects Forward P/BV of 2.16x FY24 (Latest Average 3 Years). Is the storm starting to blow over? Despite asset quality still being a challenge, it seems that solid steps are starting to be taken towards improving asset quality. Risks in BBRI's potential downside include unfavorable macro situation impacting the middle to lower segments, NIM that is not as expected (contraction), loan growth expectation that is not growing, slowing asset quality improvement and funding competition that is getting more intense and competitive in the era of high interest rates.

### Bank Rakyat Indonesia Tbk | Summary (IDR Bn)

	2023/12A	2024/12F	2025/12F	2026/12F
Interest Income	178,996	187,200	219,069	254,685
Interest Income growth	17.9%	4.6%	17.0%	16.3%
Operating Revenue	183,290	201,864	235,241	264,543
Net profit	60,100	61,269	69,639	73,446
EPS (IDR)	397	404	459	485
EPS growth	17.5%	1.9%	13.7%	5.5%
BVPS (IDR)	2,088	2,201	2,380	2,579
Net Interest Margin	8.0%	7.8%	8.2%	8.3%
Loan/Deposits	93.2%	91.4%	89.2%	86.5%
NPL	2.7%	2.7%	2.7%	2.7%
ROE	19.8%	19.2%	20.1%	19.5%
ROA	3.3%	3.0%	3.0%	2.8%
Non-Int. Inc. /Op. Rev	26.2%	27.2%	27.2%	26.9%
P/E	11.9x	13.7x	13.7x	13.7x
P/BV	2.3x	2.5x	2.6x	2.6x
DPS (IDR)	317	323	322	339
Dividend yield	6.73%	5.83%	5.10%	5.10%

Source: Company Data, Bloomberg, NHKS Research

Please consider the rating criteria & important disclaimer

NH Korindo Sekuritas Indonesia

**NH** KORINDO  
SEKURITAS INDONESIA

Company Report | October 31, 2024

## Buy

Target Price (IDR)	5,550
Consensus Price (IDR)	5,872
TP to Consensus Price	-5.5%
Potential Upside	+17.8%

### Shares data

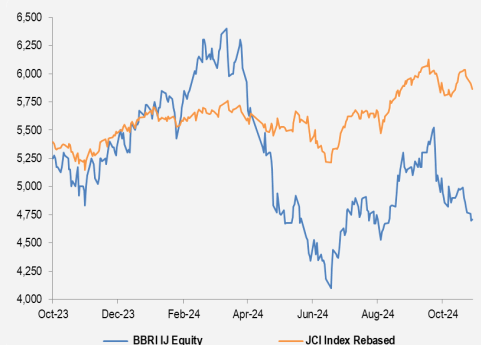
Last Price (IDR)	4,710
Price date as of	October, 30 2024
52 wk range (Hi/Low)	6,450 / 4,090
Free float (%)	46.3
Outstanding sh.(mn)	151,559
Market Cap (IDR bn)	713,843
Market Cap (USD mn)	45,502
Avg. Trd Vol - 3M (mn)	236.89
Avg. Trd Val - 3M (bn)	1,188.52
Foreign Ownership	25.9%

### Finance

#### Bank

Bloomberg	BBRI IJ
Reuters	BBRI.JK

### Share Price Performance



	YTD	1M	3M	12M
Abs. Ret.	-17.0%	-4.8%	0.9%	-5.8%
Rel. Ret.	-20.4%	-5.4%	-3.7%	-18.2%

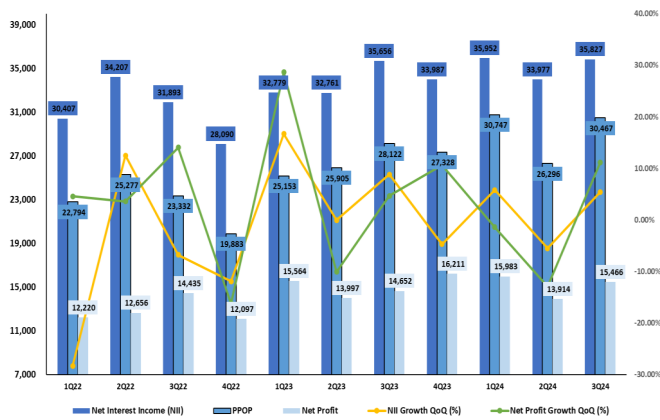
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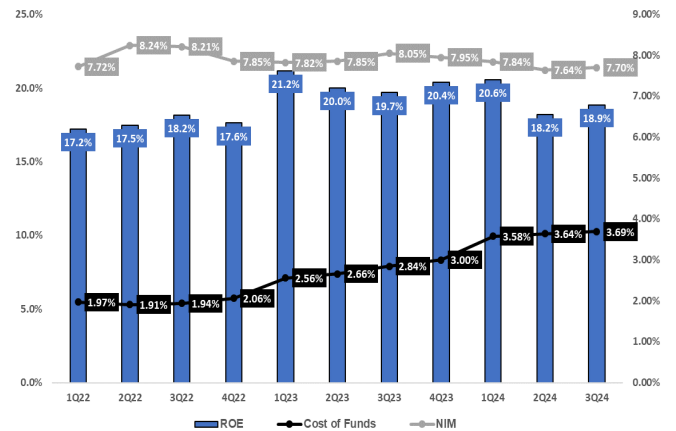
# Performance Highlight for BBRI

Fig 1. Quarterly Financial Performance (In IDR Billion)



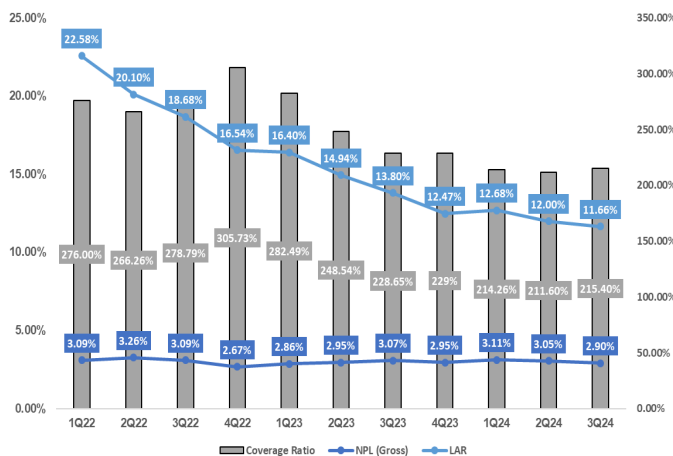
Source: Company, NHKSI Research

Fig 2. Profitability Ratios (In %)



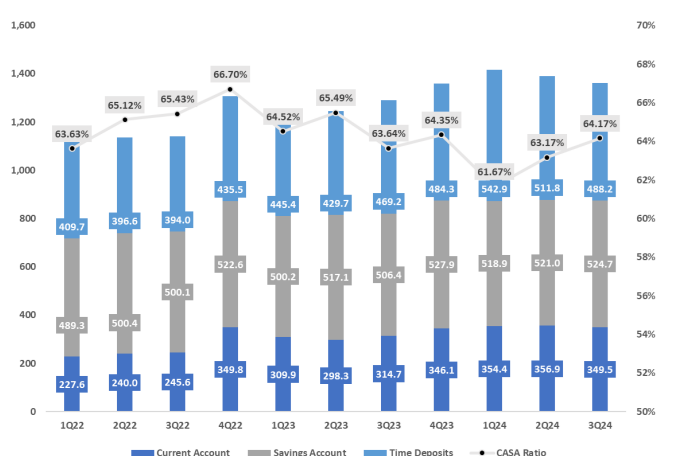
Source: Company, NHKSI Research

Fig 3. Asset Quality (In %)



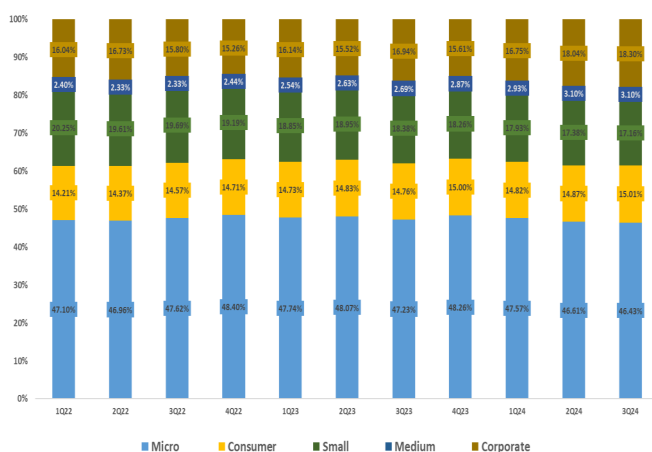
Source: Company, NHKSI Research

Fig 4. Third Party Fund Composition (IDR Tn) &amp; CASA Ratio (In %)



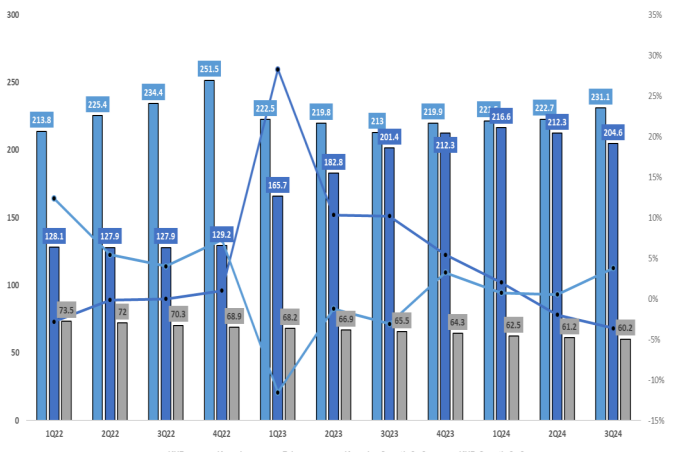
Source: Company, NHKSI Research

Fig 5. Loan Segmentation Breakdown (In %)



Source: Company, NHKSI Research

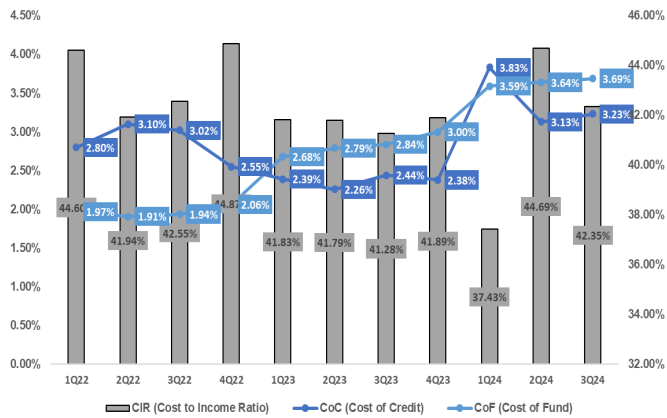
Fig 6. Micro Segment Loan Breakdown (In IDR Tn)



Source: Company, NHKSI Research

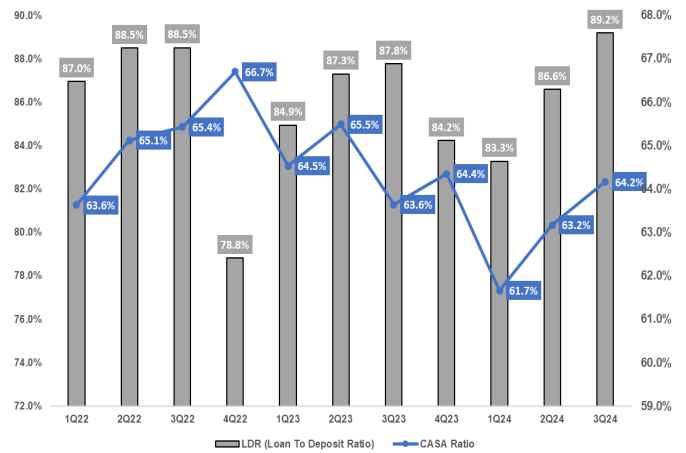
## Performance Highlights for BBRI

Fig 7. BBRI CoF, CIR and CoC (ln %)



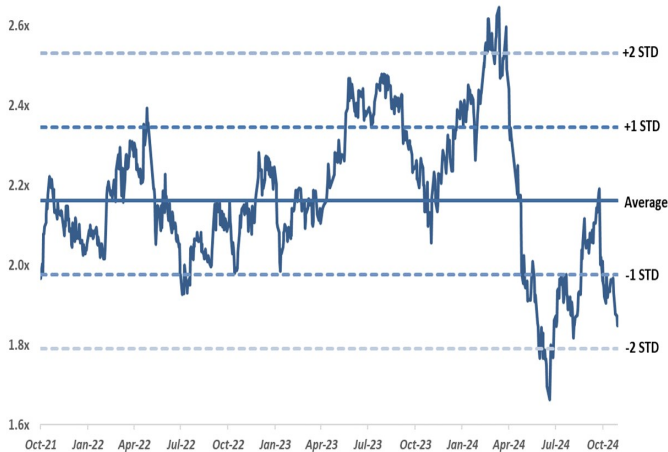
Source: Company, NHKSI Research

Fig 8. BBRI LDR vs CASA Ratio (ln %)



Source: Company, NHKSI Research

Fig 9. BBRI Forward PBV | Last 3 Years (X)



Source: Bloomberg, NHKSI Research

## Summary of Financials

INCOME STATEMENT				
(IDR bn)	2023/12A	2024/12E	2025/12F	2026/12F
Interest Income	178,996	187,200	219,069	254,685
Growth (% y/y)	17.9%	4.6%	17.0%	16.3%
Interest Expenses	(43,813)	(40,161)	(47,819)	(61,230)
Net Interest Income	135,183	147,040	171,249	193,455
Net Interest Margin	8.01%	7.81%	8.19%	8.27%
Net Fee Income	20,738	22,242	26,002	29,438
Trading Income	2,516	4,283	4,006	4,587
Other Operating Income	24,853	28,299	33,983	37,063
Operating Revenue	183,290	201,864	235,241	264,543
Operating Expenses	(77,280)	(86,801)	(112,916)	(137,562)
Pre-provisioning OP	106,010	115,062	122,325	126,980
Provision for Impairment	(29,181)	(37,844)	(34,209)	(33,869)
EBT	76,430	77,123	88,059	92,898
Income Tax	(16,005)	(15,546)	(18,056)	(19,076)
Non-controlling Interest	(325)	(308)	(364)	(376)
Net Profit	60,100	61,269	69,639	73,446
Growth (% y/y)	17.5%	1.9%	13.7%	5.5%

PROFITABILITY & STABILITY				
	2023/12A	2024/12E	2025/12F	2026/12F
ROE	19.9%	19.2%	20.1%	19.5%
ROA	3.3%	3.0%	3.0%	2.8%
Non-Int. Inc. /Op. Rev	26.2%	27.2%	27.2%	26.9%
Cost/Income	42.2%	43.0%	48.0%	52.0%
Cash Dividend (IDR bn)	48,058	49,015	48,747	51,412
Dividend Yield (%)	6.7%	5.8%	5.1%	5.1%
Payout Ratio (%)	80.0%	80.0%	70.0%	70.0%
Loan/Deposits	93.2%	91.4%	89.2%	86.5%
Loan/Assets	64.4%	64.2%	63.1%	61.9%
NPL	2.70%	2.70%	2.68%	2.70%
Loan Loss Res./Loan	6.8%	6.0%	5.1%	4.5%
CASA/Deposits	64.3%	66.0%	67.6%	69.8%
Time Deposits/Deposits	35.7%	34.0%	32.4%	30.2%
Par Value (IDR)	250	250	250	250
Total Shares (mn)	151,559	151,559	151,559	151,559
Share Price (IDR)	4,710	5,550	6,300	6,625
Market Cap (IDR tn)	713.8	841.2	954.8	1,004.1

BALANCE SHEET				
(IDR bn)	2023/12A	2024/12E	2025/12F	2026/12F
Cash	31,604	35,232	35,046	31,794
Placement in Banks	189,454	231,928	336,081	418,365
Net Loans	1,180,927	1,314,755	1,484,257	1,681,662
Investment	371,911	428,836	458,015	518,189
Fixed Asset	59,678	66,576	73,197	81,317
Other Assets	131,433	99,897	94,495	116,076
Total Assets	1,965,007	2,177,224	2,481,090	2,847,403
Deposits	1,358,329	1,531,154	1,753,979	2,036,111
Debt	180,023	196,770	228,932	263,709
Other liabilities	110,183	115,686	137,399	156,669
Total Liabilities	1,648,535	1,843,610	2,120,311	2,456,489
Capital Stock & APIC	83,431	83,431	83,431	83,431
Retained Earnings	213,711	225,965	246,857	268,891
Shareholders' Equity	316,472	333,614	360,779	390,914

VALUATION INDEX				
	2023/12A	2024/12E	2025/12F	2026/12F
Price /Earnings	11.88x	13.73x	13.71x	13.67x
Price /Book Value	2.26x	2.52x	2.65x	2.57x
Price/Op. Revenue	3.89x	4.17x	4.06x	3.80x
PE/EPS Growth	0.68x	7.06x	1.00x	2.50x
EV/Operating Revenue	4.73x	5.00x	4.93x	4.73x
EV/PPOP	8.18x	8.78x	9.47x	9.84x
EV (IDR bn)	867,371	1,009,842	1,158,721	1,250,012
Op. Rev. CAGR (3-Yr)	18.1%	22.6%	14.6%	15.1%
EPS CAGR (3-Yr)	20.4%	48.6%	27.7%	12.8%
Basic EPS (IDR)	396.5	404.3	459.5	484.6
Diluted EPS (IDR)	397	404	459	485
BVPS (IDR)	2,088	2,201	2,380	2,579
Op. Revenue PS (IDR)	1,209	1,332	1,552	1,745
DPS (IDR)	317	323	322	339

CASH FLOW STATEMENT				
(IDR bn)	2023/12A	2024/12E	2025/12F	2026/12F
Operating Cash Flow	118,048	105,265	152,397	91,628
Investing Cash Flow	(181,077)	(310,470)	(305,098)	(268,477)
Financing Cash Flow	67,225	208,834	152,514	173,597
Net Changes in Cash	4,196	3,629	(187)	(3,252)

OWNERSHIP		
By Geography	% Shareholders	%
Indonesia	74.07 Republic of Indonesia	53.19
United States	12.31 Vanguard Co.	1.98
United Kingdom	3.53 Blackrock Inc.	1.71
Others	10.09 Others	43.12

Source: NHKSI Research, Company, Bloomberg

**NH Korindo Sekuritas Indonesia (NHKSI) Stock Ratings**

1. Based on a stock's forecasted absolute return over a period of 12 months from the date of publication.
2. Rating system based on a stock's potential upside from the date of publication
  - Buy : Greater than +15%
  - Overweight : +5% to 15%
  - Hold : -5% to +5%
  - Underweight : -5% to -15%
  - Sell : Less than -15%

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