

Investment Considerations

BBRI's Profit Growth Weakens Amid Rising Costs and Declining NIM

In the first nine months of 2024, PT Bank Rakyat Indonesia (BRI) reported a modest 2.44% year-over-year (YoY) growth in consolidated net income attributable to the parent entity. This limited growth was primarily due to a substantial 40.20% YoY increase in interest expenses, which outpaced the 12.81% YoY rise in interest income. As a result, BRI's net interest margin (NIM) declined to 7.70%, down 42 basis points YoY. However, a significant 182.92% YoY gain in net foreign exchange income partially offset the impact of rising costs. Operating expenses (OPEX) rose by 10.60% YoY, driven by higher amortization and SAP module implementation costs. For the full year 2024, we forecast a 7.09% YoY growth in net income attributable to the parent entity, with NIM projected to end at 7.73%, reflecting a 22-basis-point decline compared to 2023.

September 2024: Strong Loan Growth, yet Below Expectations

As of September 2024, BRI's consolidated loan portfolio expanded by 8.21% YoY, demonstrating strong growth but falling short of internal targets and Q2-2024 levels. Loan growth was led by the corporate banking segment, which increased by 15.73% YoY, driven by the manufacturing sector (19.1% of total loans) and investment loans (55.8% of corporate loans). In the BRI micro segment, growth was limited to 3.31% YoY due to tightened credit standards and a focus on improving asset quality. Meanwhile, the Ultra Micro segment, including subsidiaries Pegadaian and PNM, grew by 6.25% YoY, with Pegadaian recording a 26.5% YoY increase and PNM a 7.9% YoY rise. By December 2024, we project BRI's consolidated loan portfolio to grow by 9.17% YoY, remaining below target.

Customer Deposits Showed Strong Growth

By September 2024, BRI's consolidated customer deposits increased by 5.59% YoY. This growth was primarily driven by a 11.05% YoY surge in Current Accounts and a 4.06% YoY rise in Time Deposits. Savings Accounts saw lower growth of 3.62% YoY. The strong growth in Current Accounts contributed to a 6.47% YoY increase in CASA (Current Account Savings Account), with the CASA ratio rising to 64.17% (up 100 bps quarter-over-quarter and 53 bps year-over-year). We forecast customer deposits to grow by 1.69% YoY by December 2024, with the CASA ratio reaching 63.99%.

Loan Quality Strengthens Despite Micro Segment Challenges

As of September 2024, BRI's consolidated gross non-performing loan (NPL) ratio improved to 2.90%, a 17-basis-point YoY decrease. The bank-only gross NPL ratio stood at 3.04%, down 19 basis points YoY. The corporate banking segment showed the most significant improvement, with its NPL ratio dropping by 214 bps YoY to 2.52%. Conversely, the micro loan segment faced further challenges, as its NPL ratio rose by 62 bps YoY to 3.03%. Restructuring efforts played a key role in asset quality improvement, with over IDR 18 trillion in loans restructured during the first nine months of 2024. Restructured loans rose by 33%, from IDR 8.3 trillion YoY to IDR 33.5 trillion. By year-end 2024, we project the consolidated gross NPL ratio to decline to 2.84%, while the bank-only NPL ratio is expected to fall to 3.02%.

Valuation: 15%, Upside, Buy Recommendation

Using a Dividend Discount Model (DDM) valuation, we have revised our one-year target price to IDR 5,025, implying a Price-to-Book Value (PBV) of 1.98x and a potential upside of 15%. We maintain a Buy recommendation for BBRI.

Financial Highlight	2021A	2022A	2023A	2024F
Total Consolidated Loan	1,042,867	1,139,077	1,266,429	1,382,575
Net Interest Income (IDR bn)	114,094	124,597	135,183	141,221
Net Income Attributable to Parent (IDR Bn)	31,067	51,170	60,100	64,363
NIM Ratio	6.95%	7.85%	7.95%	7.73%
EPS (IDR/Share)	237.96	338.01	398.33	426.86

November 19th, 2024
Banking, Equity

Price IDR 4,360
Target Price IDR 5,025
JKSE Index IDR 7,195.72



Stock Code BBRI IJ
Bloomberg code 660.797
Market Cap (IDR Bn) 6,450
52-Week High (IDR) 4,090
52-Week Low (IDR) 46.63
Free Float (%)

Major Shareholders (%)
Government RI 53.19
Other Public 45.97
Treasury 0.61
BOC and BOD 0.23

USD/IDR (JISDOR)
2023A 15,439
2024F 15,789

Key Indicators (%)
Gross NPL (Consol) 2.84
Net Interest Margin 7.73

Analyst: Achmadi Hangradhika
achmadi.hangradhika@binaartha.com

Company Profile

PT Bank Rakyat Indonesia (Persero) Tbk (BRI) commenced operations on December 18, 1968. Its legal status transitioned to a limited liability corporation (Persero) on April 29, 1992, under Government Regulation No. 21 of 1992. Operating in the banking sector, BRI is committed to optimizing its resources to deliver high-quality and competitive services, enhancing shareholder value and driving sustainable growth.

Company Group Structure (As of December 2023)

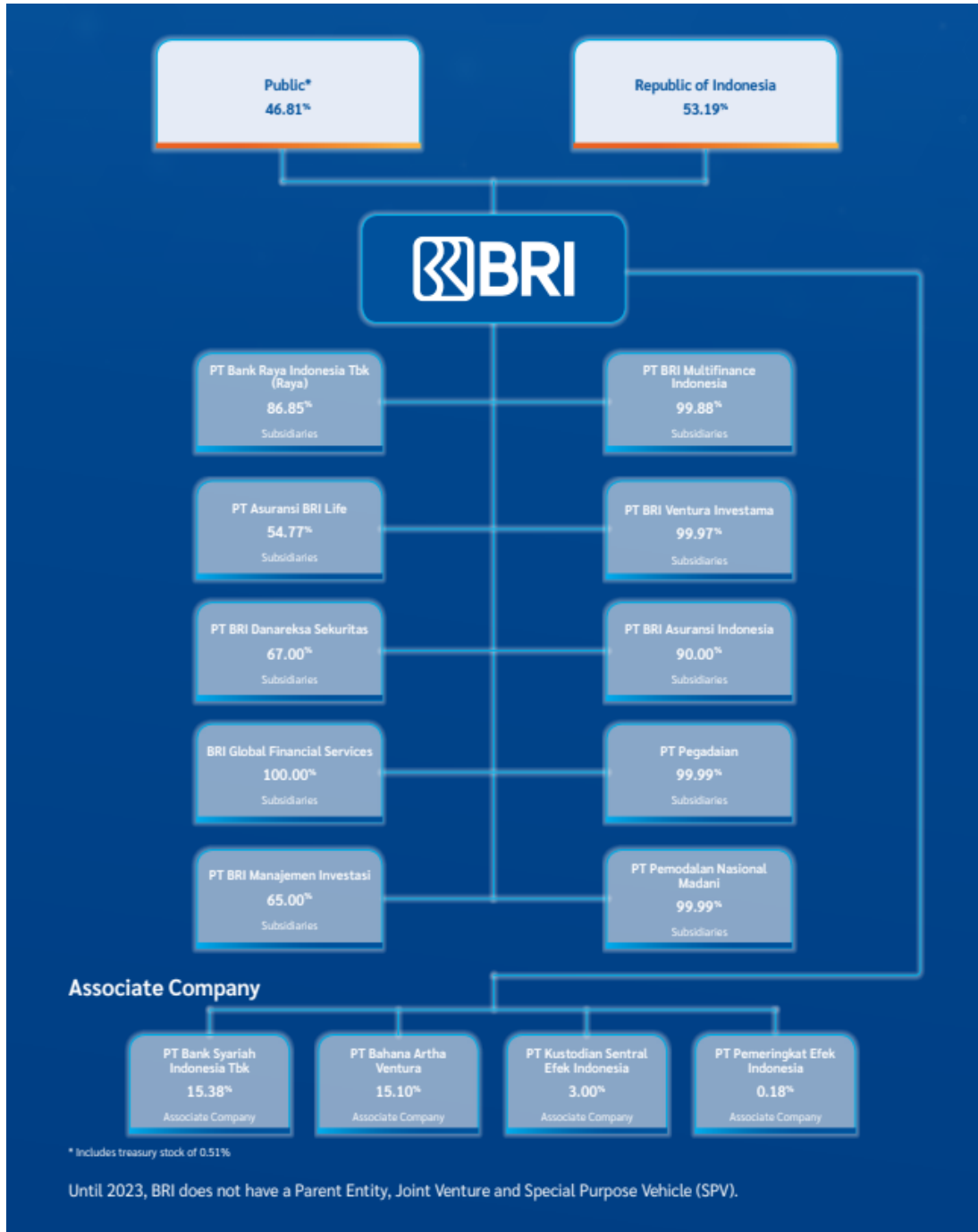


Chart: Gross Loan (In IDR Bn) YoY

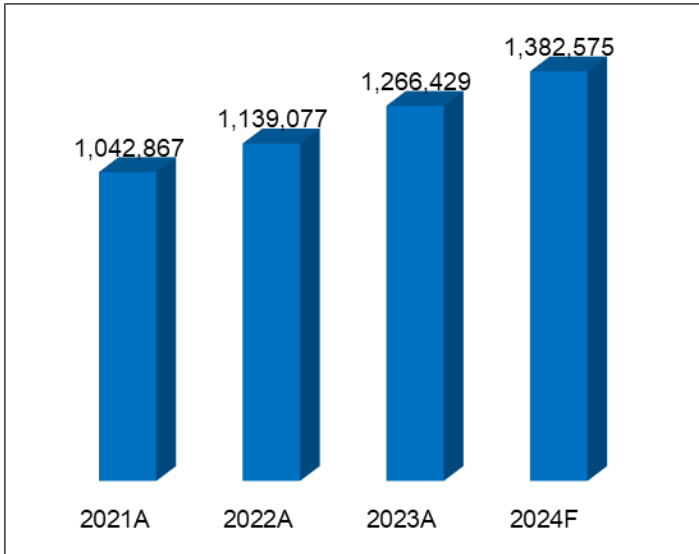


Chart: Customer Deposit (In IDR Bn) YoY

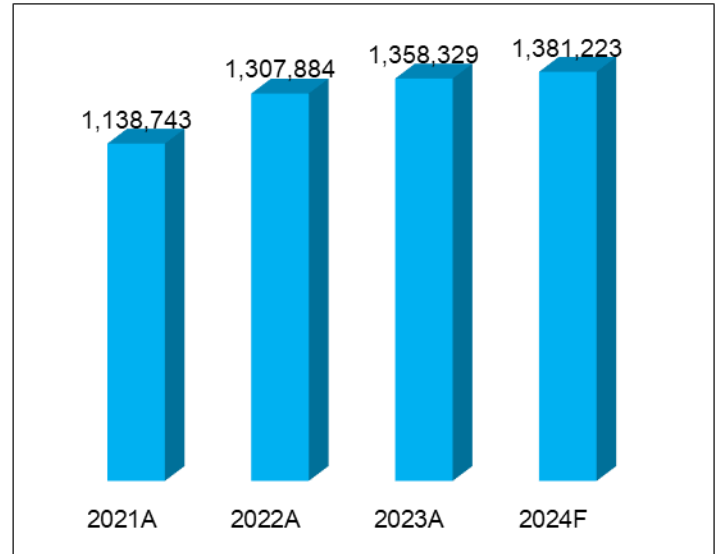


Chart: Profitability Ratio (IDRBn & %) YoY

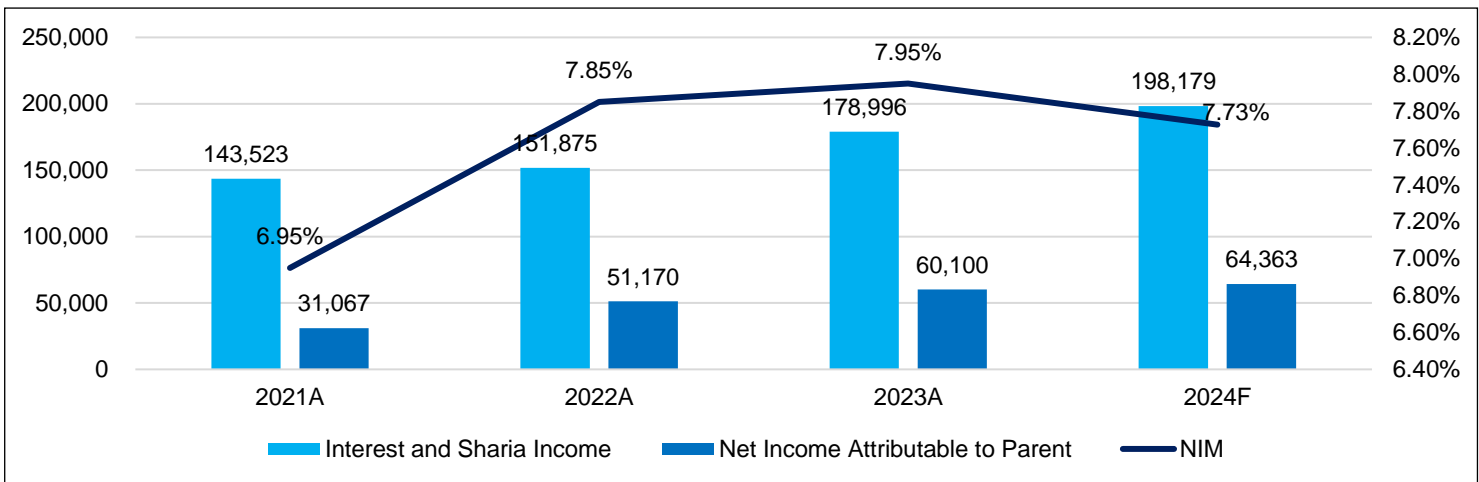


Chart: Gross Non-Performing Loan Ratio (%) YoY

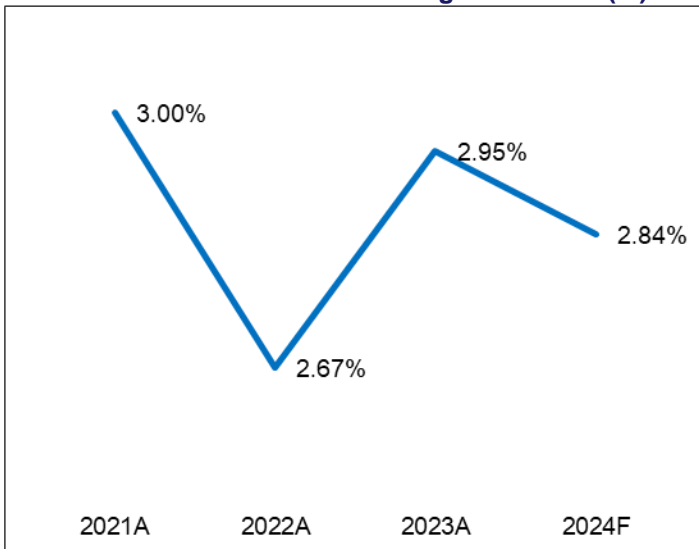


Chart: Capital Adequacy Ratio (%) YoY

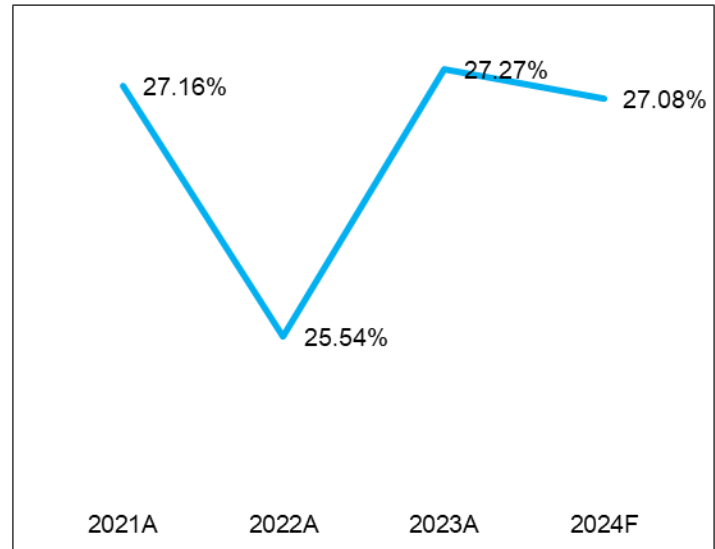


Chart: Gross Loan (In IDR Bn) QoQ

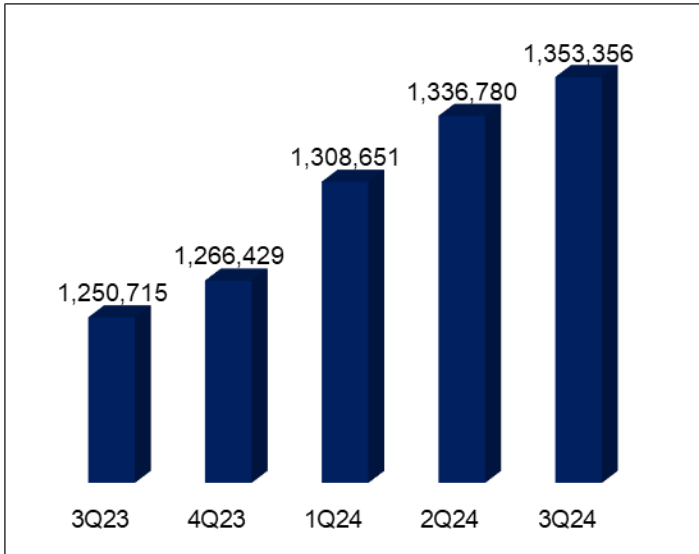


Chart: Customer Deposit (In IDR Bn) QoQ

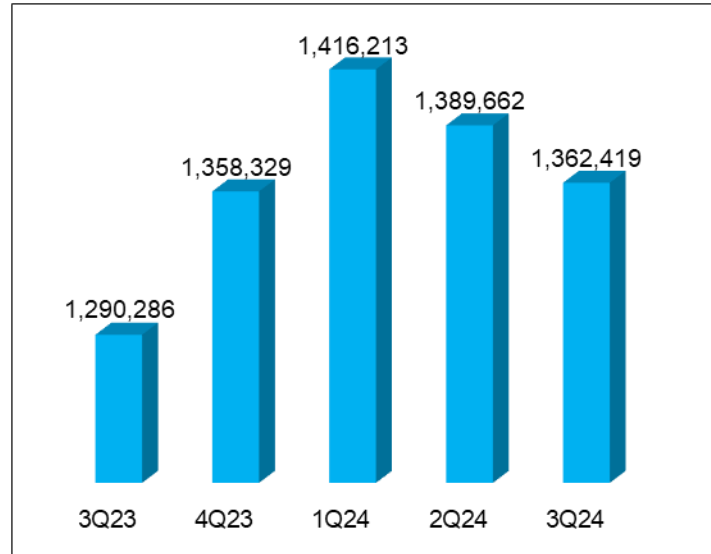


Chart: Gross Non-Performing Loan (%) QoQ

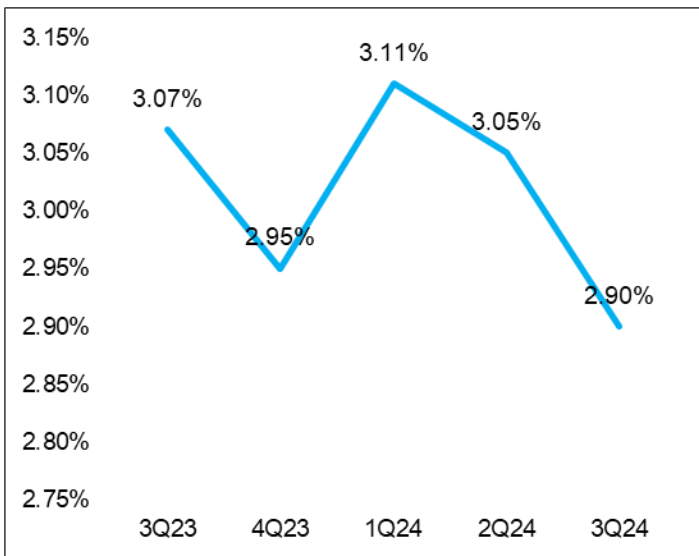
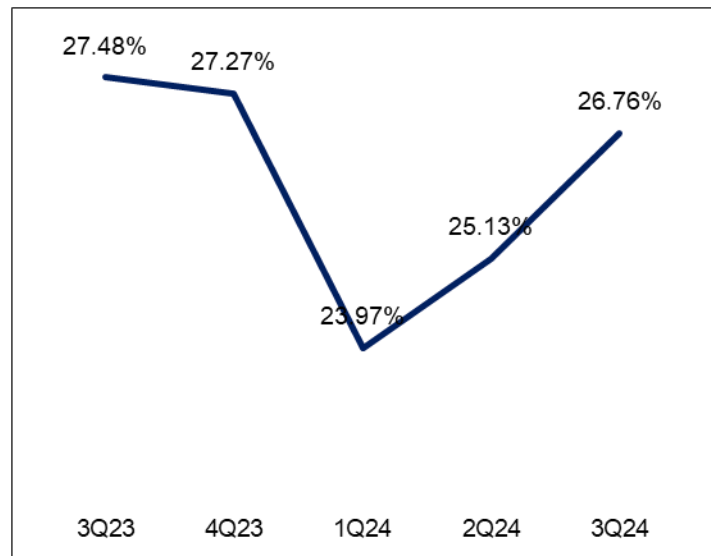


Chart: CAR (%) QoQ



CONSOLIDATED STATEMENTS OF FINANCIAL POSITION (in IDR Bn)

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION (in IDR Bn)	2021A	2022A	2023A	2024F
Cash and CA with BI	82,727	178,343	133,513	171,397
Interbank Placement	58,977	70,400	65,223	51,763
Marketable Securities	371,738	330,242	331,010	286,340
Gross Loans	1,042,867	1,139,077	1,266,429	1,382,575
Provision	(87,829)	(93,088)	(85,502)	(92,130)
Net Loan	955,038	1,045,989	1,180,927	1,290,445
Other Earning Asset	544,055	525,004	521,907	438,180
Non-Earning Asset	96,278	116,303	128,660	136,264
Total Assets	1,678,098	1,865,639	1,965,007	2,036,286
Deposit:				
Current Account	220,590	349,756	346,124	355,925
Saving Account	497,677	522,648	527,946	527,970
Time Deposit	420,476	435,481	484,259	497,328
Other-Interest-Bearing Liabilities	185,110	184,114	203,082	202,138
Non-Interest-Bearing Liabilities	62,457	70,246	87,124	69,664
Total Liabilities	1,386,311	1,562,244	1,648,535	1,653,025
Total Shareholder's Equity	291,787	303,395	316,472	383,261

CONSOLIDATED STATEMENTS OF PROFIT OR LOSS (In IDR Bn)

CONSOLIDATED STATEMENTS OF PROFIT OR LOSS (In IDR Bn)	2021A	2022A	2023A	2024F
Interest Income	143,523	151,875	178,996	198,179
Interest Expense	(29,429)	(27,278)	(43,813)	(56,959)
Net Interest Income	114,094	124,597	135,183	141,221
Fee&Other Operating Income - Net	42,259	48,880	48,107	57,202
Gross Operating Income	156,353	173,477	183,290	198,423
Other Operating Expense	(75,918)	(82,192)	(76,782)	(81,512)
Pre-Provision Operating Profit	80,435	91,285	106,508	116,911
Provision Expense	(39,291)	(26,979)	(29,679)	(35,435)
Operating Income	41,144	64,306	76,829	81,476
Non-Operating Income	(152)	291	(399)	(4)
Earning Before Tax	40,992	64,597	76,430	81,472
Tax Expense	(7,836)	(13,188)	(16,005)	(16,694)
Earning After Tax	33,156	51,408	60,425	64,778
Pro Forma Net Income Arising From Acquisition Transaction With Entities Under Common Control	(2,401)	0	0	0
Net Income	30,756	51,408	60,425	64,778
Income for The Year Attributable to - NCI	(311)	238	325	415
Total Net Income Attributable to Parent	31,067	51,170	60,100	64,363
EPS (Rp/Share)	237.96	338.01	398.33	426.86

Ratio Highlights

Ratio Analysis (Consolidated)	2021A	2022A	2023A	2024F
Profitability & Efficiency				
NIM	6.95%	7.85%	7.95%	7.73%
Cost-to-Income Ratio	48.56%	47.38%	41.89%	41.08%
ROE	12.85%	17.63%	19.95%	17.63%
ROA	2.13%	3.01%	3.24%	3.01%
BOPO	78.54%	69.10%	68.21%	69.10%
Cost of Fund	2.36%	2.06%	3.00%	2.06%
Liquidity				
LDR	91.58%	87.09%	93.23%	100.10%
CASA	63.08%	66.70%	64.35%	63.99%
Asset Quality				
Gross NPL	3.00%	2.67%	2.95%	2.84%
Gross NPL (Bank Only)	3.08%	2.82%	3.12%	3.02%
Provision Coverage	281.16%	305.73%	229.09%	234.50%
Capital				
CAR	27.16%	25.54%	27.27%	27.08%
Growth				
Loan Growth	2.22%	9.23%	11.18%	9.17%
Deposit Growth	1.59%	14.85%	3.86%	1.69%
Net Income Growth	66.53%	64.71%	17.45%	7.09%

QoQ Results

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION (in IDR Bn)	3Q23	4Q23	1Q24	2Q24	3Q24	%QoQ	%YoY
Loan	1,250,715	1,266,429	1,308,651	1,336,780	1,353,356	1.24%	8.21%
Loan Loss Reserves	(87,871)	(85,502)	(87,076)	(86,415)	(84,504)	-2.21%	-3.83%
NPL	38,397	37,360	40,699	40,772	39,247	-3.74%	2.21%
Deposit							
Demand	314,710	346,124	354,386	356,855	349,490	-2.06%	11.05%
Savings	506,426	527,946	518,912	521,041	524,741	0.71%	3.62%
Time Deposit	469,151	484,259	542,916	511,767	488,188	-4.61%	4.06%
Total Asset	1,851,965	1,965,007	1,989,074	1,977,371	1,961,916	-0.78%	5.94%
Shareholder Equity	306,601	311,364	292,997	305,897	323,379	5.72%	5.47%

CONSOLIDATED STATEMENTS OF PROFIT OR LOSS (In IDR Bn)	3Q23	4Q23	1Q24	2Q24	3Q24	%QoQ	%YoY
Interest Income	46,302	47,103	50,075	48,572	50,145	3.24%	8.30%
Interest Expense	(10,646)	(13,116)	(14,123)	(14,596)	(14,317)	-1.91%	34.49%
Net Interest Income	35,656	33,987	35,952	33,977	35,827	5.45%	0.48%
Fee&Other Operating Income - Net	7,686	14,451	13,184	13,564	16,579	22.22%	115.71%
Gross Operating Income	43,342	48,437	49,136	47,541	52,406	10.23%	20.91%
Other Operating Expense	(15,220)	(21,110)	(18,389)	(21,245)	(21,939)	3.26%	44.14%
Pre-Provision Operating Profit	28,122	27,328	30,747	26,296	30,467	15.86%	8.34%
Provision Expense	(9,157)	(6,700)	(10,713)	(7,784)	(10,967)	40.89%	19.76%
Net Operating Income	18,964	20,628	20,034	18,511	19,500	5.34%	2.83%
Non-Operating Income	(446)	84	(109)	13	39	186.15%	-108.64%
Earning Before Tax	18,518	20,711	19,925	18,525	19,539	5.47%	5.51%
Tax Expense	(3,866)	(4,500)	(3,942)	(4,611)	(4,073)	-11.68%	5.34%
Net Income	14,652	16,211	15,983	13,914	15,466	11.16%	5.56%
Income for The Year Attributable to - NCI	81	104	97	97	103	6.36%	27.44%
Total Net Income Attributable to Parent	14,571	16,107	15,886	13,816	15,363	11.19%	5.43%
EPS (Rp/Share)	96.56	106.75	105.35	91.63	101.90	11.21%	5.53%

Ratio (Consolidated)	9M-23	FY-23	1Q24	1H-24	9M-24	%QoQ	%YoY
Profitability & Efficiency							
NIM	8.12%	7.95%	7.84%	7.64%	7.70%	0.06	(0.42)
ROE	19.59%	19.95%	20.22%	19.23%	19.21%	(0.02)	(0.38)
ROA	3.27%	3.24%	3.21%	3.01%	3.06%	0.05	(0.21)
Cost of Fund	2.84%	3.00%	3.60%	3.60%	3.70%	0.10	0.86
Liquidity							
LDR		84.22%	83.30%	86.59%	89.18%	2.59	89.18
CASA	63.64%	64.35%	61.66%	63.17%	64.17%	1.00	0.53
Asset Quality							
Gross NPL	3.07%	2.95%	3.11%	3.05%	2.90%	(0.15)	(0.17)
Gross NPL (Bank only)	3.23%	3.12%	3.27%	3.21%	3.04%	(0.17)	(0.19)
NPL Coverage Ratio	228.65%	229.09%	214.26%	211.60%	215.44%	3.84	(13.21)
Capital							
CAR	27.48%	27.27%	23.97%	25.13%	26.76%	1.63	(0.72)

Stock Ratings:

Buy: a recommendation to purchase the security with upside potential of 12.5% or greater

Hold: a recommendation to neither buy nor sell a security with upside potential of 6.25%-12.49%.

Sell: a recommendation to close out a long position in a security with upside potential below 6.25% or negative

**RESEARCH TEAM
(62-21) 520-6678 ext.612**

Disclaimer; PT Binaartha Sekuritas has compiled this report in good faith, using information believed to be reliable. PT Binaartha and its analyst take no responsibility for the accuracy of the information contained in this report. This report has been produced for distribution to clients of PT Binaartha Sekuritas only. This report is not an invitation to buy or sell any security. PT Binaartha Sekuritas may have used the information in this report prior to publication. The company or its clients may have positions in or may from time to time buy or sell the securities mentioned in this report or other related securities.