

Strong earnings likely to continue, raising our '24F EPS

4 November 2023



BRIS IJ	
Sector	Banking
Price at 1 Nov 2023 (IDR)	1,490
Price target (IDR)	2,050
Upside/Downside (%)	37.6

Stock Information

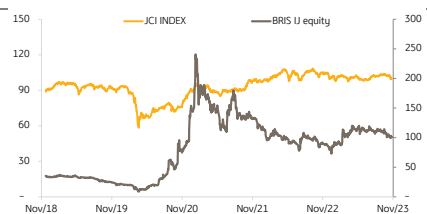
PT Bank Syariah Indonesia, Tbk. is Indonesia's largest Islamic bank. BRIS is formed by a merger of BRI syariah, BNI Syariah and Bank Syariah Mandiri. The bank offers financing in a segment of commercial, corporate, SME, Micro, consumer, pawning, and others. The bank also offers services such as credit and debit cards, phone banking, fund transfer and many more.

Market cap (IDR bn)	69,194
Shares outstanding (mn)	46,129
52-week range (IDR)	1,095 - 1,820
3M average daily vol. ('000)	19,421
3M average daily val. (IDR mn)	31,732

Shareholders (%)

PT Bank Mandiri	51.5
PT Bank Negara Indonesia	23.2
PT Bank Rakyat Indonesia	15.4

Stock Performance



Source: Bloomberg

	1M	3M	12M
Performance	-8.3	-9.4	8.7

BRIS 9M23 earnings beating ours and street expectation by 82%/78% (hist average at 75%) and we believe the growth to continue backed by shariah market strong prospects. Financing growth at 15.9% yoy were far above industry growth and 90bps surpassing BRIS's '23F upper range loan guidance. TPF growth also arrives within '23F BRIS forecast. The bank should continue to enjoy high yield loan from its consumer segment and thus will overall supporting NIM expansion to remain intact. We revisit our model and fine-tuned our assumption to accommodate BRIS solid prospect and raised our '23F/'24F EPS growth for BRIS by 2.4%/2.1%. **Maintain BUY with a higher rolled-over TP of IDR2,050 (2.2x '24F P/B), while its currently trading at 1.8x '24F P/B or slightly above its -1SD historical mean of 1.6x.**

9M23 beating ours and street forecasts

BRIS noted another solid quarterly result, whereas PATMI grew by 31% yoy, beating KBVs and consensus expectation at 82%/78% (hist average at 75%). Sturdy earning in 9M23 were driven by robust growth from top to bottom. Amid mounting sharing expenses (+48.3% yoy), strong margin income growth at 15.7% yoy has made net margin income 7.4% yoy higher. Manageable CIR and higher fee-based income (+12.4% yoy) also underpin PPOP growth (+13.5% yoy), while 978bps sharp drop in provisions play important role in supporting 9M23 net profit at IDR4.2 tn.

Financing solid growth remains, with TPF reached '23F guidance

We like BRIS continuing strong financing growth at 15.9% yoy which arrives far above industry and around 90bps surpassing BRIS's '23F upper range loan guidance (13%-15%), thanks to strong pick up on consumer segment (+17.6% yoy) on the back of auto loan, mortgage and payroll-based financing. Amid the tightening liquidity environment, the bank reported an acceptable TPF growth at 6.9% yoy, with manageable CASA at around 60% of the total third-party fund. Worth noting that TPF growth were in line within the range of BRIS's '23F TPF forecast of 7%-9%.

Solid key metrics performance remains

Key ratios continue to solid, with NIM reported at 5.93% and closed to '23F management upper guidance of 6% (5.7%-6%). Healthier NPF by 46bps to 2.21% also within '23F BRIS NPF forecast at 2.1%-2.3%, while CoC continue to improves (+49bps) to 1.35% from 1.84% in 3Q22. BRIS should continue to enjoy high yield loan from its consumer segment (10.02% in Sept23). That said, any potential profit-sharing expenses that could continue to take place in 4Q23, NIM is likely to remain reaches within BRIS target.

Revised up our '23F/'24F EPS for BRIS by 2.4%/2.1%

We revisit our model and made some adjustment to accommodate with better-than-expected 9M23. We also believe BRIS solid prospects growth will remain intact. As such our new '23F/'24F loan growth forecast is 12%/13% yoy from around 10%/11% previously. We also fine-tuned on potential higher sharing expenses. Yet, our '23F/'24F net margin income for BRIS remain higher by around 100bps and resulting to a better EPS growth by 2.4%/2.1%.

Maintain BUY with higher rolled-over TP of IDR2,050

We raised our TP for BRIS as we revised up our EPS forecasts and rolled over valuation to '24F. Our new TP of IDR2,050 is 5.1% higher (previous TP: IDR1,950). We used Gordon Growth Model to measure the intrinsic value of BRIS, whereas our TP implies 2.2x '24F PB, while currently it's trading at 1.8x '24F P/B, or slightly above its -1SD historical mean of 1.6x. Downside risks to our call are: 1) slower than expected optimizing targeted payroll financing, 2) lower-than-expected loan growth, NI and financing yield, 3) higher than anticipated exposures to TD, 4) higher than expected credit cost and 5) weakening shariah banking products penetration and further asset quality deterioration in corporate segment.

Exhibit 1: Key Statistics

Year end Dec (IDR bn)	2021A	2022A	2023F	2024F	2025F
Net margin income	13,430	15,591	17,808	19,744	22,340
Non int. income (IDR bn)	3,012	3,701	4,265	4,692	5,161
Total oper. income (IDR bn)	16,442	19,292	22,073	24,436	27,501
PPOP	7,659	9,396	11,316	12,740	14,783
Net income (IDR bn)	3,028	4,260	5,240	6,426	7,921
EPS (IDR)	74	103	114	139	172
EPS growth (%)	n/a	39.2	10.8	22.6	23.3
PER (x)	20.4	14.6	13.2	10.8	8.7
PBV (x)	2.5	1.9	1.8	1.6	1.4
Div. Yield (%)	-	1.2	1.5	1.9	2.3
RoE (%)	13.7	16.8	19.4	20.3	21.1

Source: Company, KBVS Research

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Exhibit 2: BRIS 9M23 financial and key performance metrics results

Income Statements (IDR bn)	9M22	9M23	YoY (%)	3Q22	3Q23	YoY (%)	2Q23	QoQ (%)	KBVS '23F	% '23F	Cons. '23F	% Cons. '23F
Margin income	14,207	16,444	15.7	4,883	5,602	14.7	5,457	2.7				
Profit sharing expenses	(2,899)	(4,298)	48.3	(979)	(1,519)	55.2	(1,454)	4.5				
Net margin income	11,308	12,146	7.4	3,904	4,083	4.6	4,003	2.0				
Other operating income	2,692	3,026	12.4	991	1,085	9.5	961	12.9				
Operating income	14,000	15,172	8.4	4,895	5,168	5.6	4,964	4.1				
Overhead cost	(7,029)	(7,255)	3.2	(2,535)	(2,720)	7.3	(2,196)	23.9				
PPOP	6,971	7,917	13.6	2,360	2,448	3.7	2,768	(11.6)				
Provisions	(2,586)	(2,333)	(9.8)	(785)	(602)	(23.3)	(969)	(37.9)				
Net profit	3,205	4,200	31.0	1,074	1,378	28.3	1,364	1.0	5,115	82	5,384	78

Balance Sheet (IDR bn)	9M22	9M23	YoY (%)	3Q22	3Q23	YoY (%)	2Q23	QoQ (%)
Asset	280,002	319,846	14.2	280,002	319,846	14.2	313,613	2.0
Financing	199,822	231,676	15.9	199,822	231,676	15.9	221,901	4.4
Current accounts	40,239	41,510	3.2	40,239	41,510	3.2	40,414	2.7
Saving accounts	109,079	114,799	5.2	109,079	114,799	5.2	110,929	3.5
Time deposits	95,858	105,807	10.4	95,858	105,807	10.4	101,172	4.6
CASA (IDRbn)	149,318	156,309	4.7	149,318	156,309	4.7	151,343	3.3
TPF (IDRbn)	245,176	262,116	6.9	245,176	262,116	6.9	252,515	3.8
Total equity	27,542	37,178	35.0	27,542	37,178	35.0	35,903	3.6

Key metrics	9M22	9M23	YoY (%)	3Q22	3Q23	YoY (%)	2Q23	QoQ (%)
LFR	81.5	88.4	6.9	81.5	88.4	6.9	87.9	0.5
CASA	60.9	59.6	(1.3)	60.9	59.6	(1.3)	59.9	(0.3)
NIM	6.2	5.9	(0.3)	6.2	5.9	(0.3)	6.0	(0.1)
CoC	1.8	1.4	(0.5)	1.8	1.4	(0.5)	1.6	(0.2)
Cost of fund	1.6	2.1	0.5	1.6	2.1	0.5	2.0	0.0
NPF gross	2.7	2.2	(0.5)	2.7	2.2	(0.5)	2.3	(0.1)
NPF coverage ratio	162.3	189.6	27.3	162.3	189.6	27.3	189.5	0.1
Tier-1 CAR	16.0	19.7	3.7	16.0	19.7	3.7	19.2	0.4
ROAA	2.1	2.3	0.3	2.1	2.3	0.3	2.4	(0.0)
ROAE	17.4	16.9	(0.6)	17.4	16.9	(0.6)	17.3	(0.4)

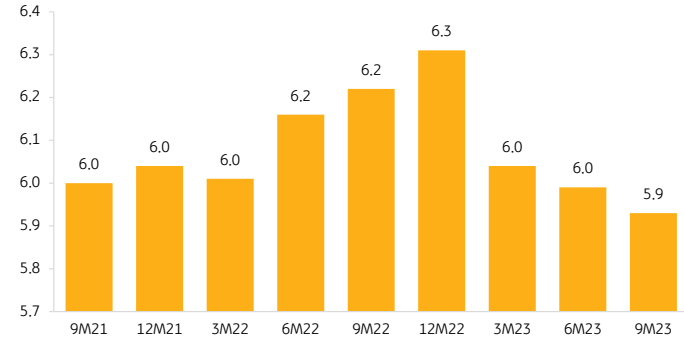
Source : Company, KBVS Research

Exhibit 3: BRIS forecast revisions

	New		Original		Diff.		Street		Diff to cons	
	2023F	2024F	2023F	2024F	2023F	2024F	2023F	2024F	2023F	2024F
Loan	234,129	264,895	227,456	252,149	2.9%	5.1%				
Deposit	284,721	311,120	284,721	311,120	0.0%	0.0%				
Margin income	22,617	24,823	22,300	24,438	1.4%	1.6%				
Profit sharing expense	(4,810)	(5,080)	(4,667)	(4,877)	3.0%	4.2%				
Net margin income	17,808	19,744	17,633	19,561	1.0%	0.9%				
Non-interest income	4,265	4,692	4,265	4,692						
Operating expenses	(10,757)	(11,696)	(10,757)	(11,696)						
PPOP	11,316	12,740	11,141	12,558	1.6%	1.5%				
Loan loss provision	(3,995)	(4,039)	(3,995)	(4,039)						
Pretax profit	7,329	8,709	7,155	8,527						
Net profit	5,240	6,426	5,115	6,292	2.4%	2.1%	5,406	6,406	-3.1%	0.3%

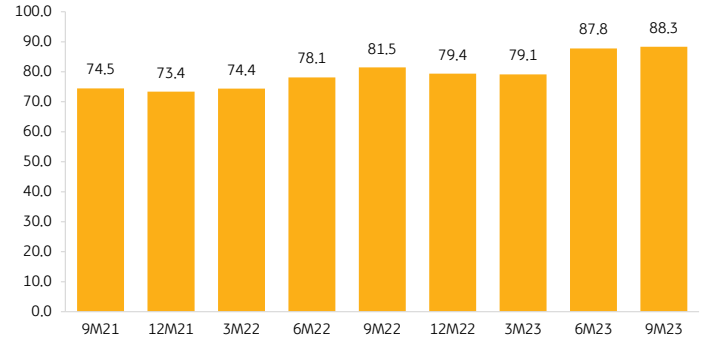
Source : Company, KBVS Research

Exhibit 4: NIM continue arrives within '23F guidance (%)



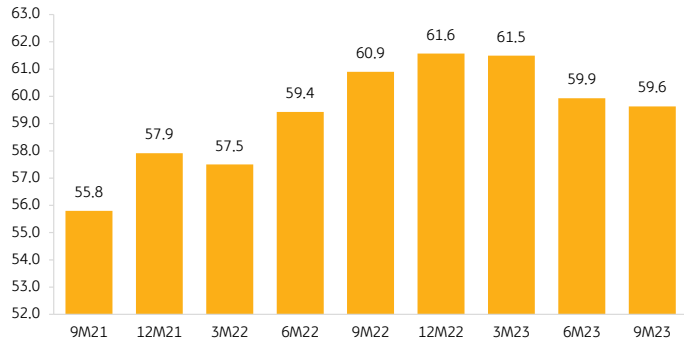
Source: Company, KBVS Research

Exhibit 5: Solid FDR to capture the ongoing loan demand (%)



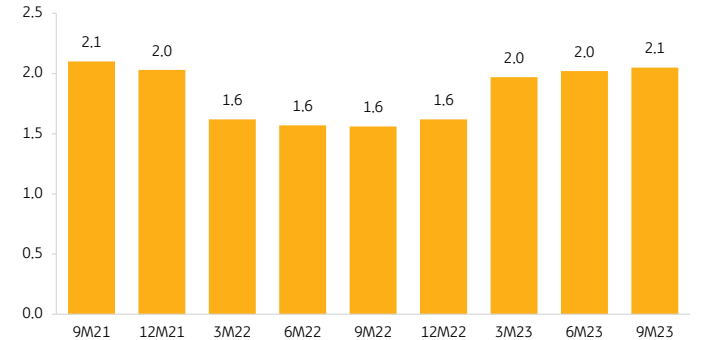
Source: Company, KBVS Research

Exhibit 6: Stable CASA portion remains (%)...



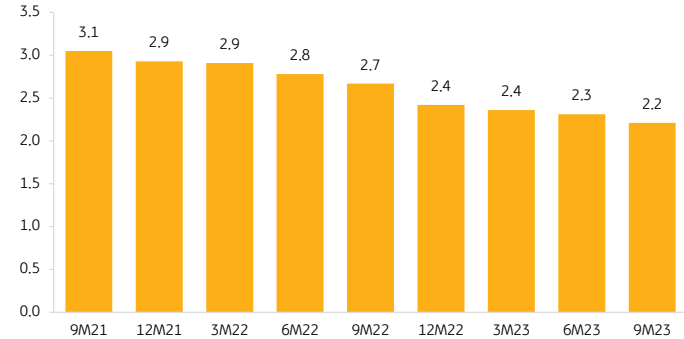
Source: Company, KBVS Research

Exhibit 7: ..with manageable Cost of Fund (%)



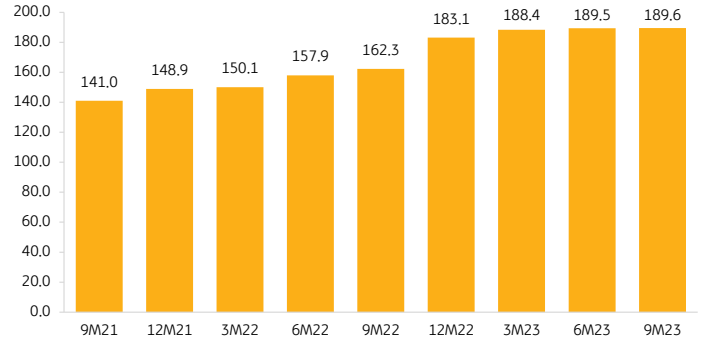
Source: Company, KBVS Research

Exhibit 8: NPF continuing improvement (%)...



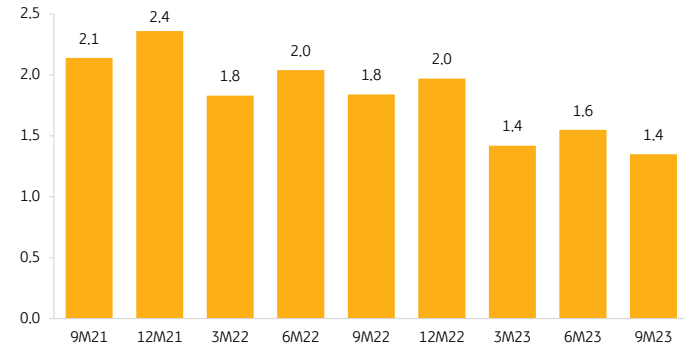
Source: Company, KBVS Research

Exhibit 9: ..coupled with tougher coverage (%)



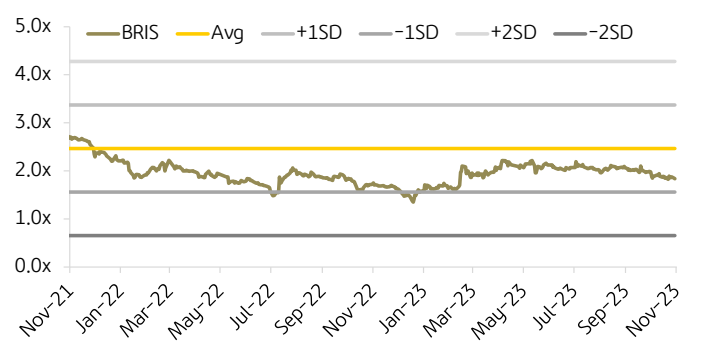
Source: Company, KBVS Research

Exhibit 10: Expect softening CoC to continue (%)



Source: Company, KBVS Research

Exhibit 11: Traded at 1.8 '24F P/B, slightly above its -1SD hist mean of 1.6x



Source: Company, Bloomberg, KBVS Research

FINANCIAL TABLES
Exhibit 12: Profit & Loss

Year End Dec (IDR bn)	2021A	2022A	2023F	2024F	2025F
Margin income	17,808	19,623	22,617	24,823	27,571
Profit sharing expense	(4,379)	(4,032)	(4,810)	(5,080)	(5,231)
Net margin income	13,430	15,591	17,808	19,744	22,340
Non-interest income	3,012	3,701	4,265	4,692	5,161
Operating expenses	(8,783)	(9,895)	(10,757)	(11,696)	(12,718)
Pre-provision operating profit	7,659	9,396	11,316	12,740	14,783
Loan loss provision	(3,551)	(3,749)	(3,995)	(4,039)	(4,021)
Operating profit	4,108	5,648	7,321	8,701	10,763
Pretax profit	4,062	5,656	7,329	8,709	10,771
Net profit	3,028	4,260	5,240	6,426	7,921

Exhibit 13: Balance sheet

Year End Dec (IDR bn)	2021A	2022A	2023F	2024F	2025F
Assets					
Cash	4,120	4,951	5,561	5,931	6,221
Current Account at BI	20,564	31,778	32,324	33,765	35,177
Interbank Loans	1,842	2,476	2,602	2,735	2,874
Marketable securities	67,579	57,841	56,238	54,655	52,116
Loan (Consolidated)	163,815	198,506	224,483	254,883	291,339
Fixed Assets	4,056	5,655	6,398	7,037	7,741
Other assets	3,314	4,519	4,934	5,389	5,889
Total Asset	265,289	305,727	332,540	364,396	401,356
Liabilities					
Interbank Deposit	116	2,219	2,333	2,454	2,580
Customer Deposit	233,251	261,491	284,721	311,120	341,427
Other Liabilities	5,898	7,578	7,831	8,039	8,256
Total liabilities & syirkah funds	240,275	272,222	294,885	321,612	352,264
Equity					
Capital Stock	20,565	23,065	23,065	23,065	23,065
Additional Paid-in Capital	(6,367)	(3,929)	(3,929)	(3,929)	(3,929)
Retained Earnings	10,209	13,712	17,887	23,004	29,318
Other Equity	607	658	633	645	639
Shareholder's Equity	25,014	33,506	37,655	42,784	49,092
Non-controlling Interest	-	-	-	-	-
Total Equity	25,014	33,506	37,655	42,784	49,092

Exhibit 14: Key performance metrics

Year End Dec (IDR bn)	2021A	2022A	2023F	2024F	2025F
NIM	6.0	6.3	6.3	6.4	6.6
FDR	73.4	79.4	82.2	85.1	88.3
CASA	57.9	61.6	62.0	62.1	62.2
Cost/income	52.6	51.0	48.7	47.9	46.2
NPF	2.9	2.4	2.26	2.0	1.7
ROE	13.7	16.8	19.4	20.3	21.1
ROA	1.6	2.0	2.3	2.5	2.8
CAR	22.1	20.3	21.1	21.5	22.3
BVPS (IDR)	609	806	816	927	1,064
PER (x)	20.4	14.6	13.2	10.8	8.7
PBV (x)	2.5	1.9	1.8	1.6	1.4
Div. Yield	-	1.2	1.5	1.9	2.3

Source: Company, KBVS Research

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