

Robust FY23 earnings to continue in '24F

20 March 2024



<b>BRIS IJ</b>	
Sector	Banking
Price at 19 Mar 2024 (IDR)	2,660
Price target (IDR)	2,970
Upside/Downside (%)	11.7

**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)	106,097
Shares outstanding (mn)	46,129
52-week range (IDR)	1,450 - 2,960
3M average daily vol. ('000)	46,644
3M average daily val. (IDR mn)	103,720

**Shareholders (%)**

PT Bank Mandiri	51.5
PT Bank Negara Indonesia	23.2
PT Bank Rakyat Indonesia	15.4
Public	9.9

**Stock Performance**



Source: Bloomberg

	1M	3M	12M
Performance	13.0	57.8	65.0

**Analyst**

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BRIS has proven its earnings growth resiliency, and we believe '24F PATMI will continue to record a double-digit growth rate. Higher TPF should remain intact, with robust loan growth likely to linger. We also like its Jan24 bank-only solid earnings growth, which came in at much better growth than other big banks. With its huge untapped potential for syariah market development, we believe BRIS growth trajectory will remain ample. On this backdrop, further re-rating on the bank's valuation somewhat justified. We raised our sustainability rate assumption by 5% and fine-tuned several assumptions to accommodate its solid, huge prospect growth. Our normalized RoE for BRIS came in at 20bps/10bps higher in '24F/'25F. Maintain BUY with a higher DDM TP of IDR2,970 (3.2x '24F PB), while currently trading slightly above its avg. hist. mean.

**Another robust earnings growth in '24F**

BRIS solid earnings growth will continue this year, and we expect to witness PATMI grow by around 15.9% year over year to IDR 6.61 trillion. Our earnings growth expectation for BRIS will be driven by steady, strong margin income growth coupled with a softened profit-sharing expense (we believe transmission on the benchmark rate hike has been behind us). We also expect the bank to continue reporting a well-managed cost-to-income ratio and solid PPOP growth. BRIS projected its profit after tax to hover within the range of IDR6.3tn-IDR6.5tn.

**Higher TPF coupled with better CASA likely remain intact.**

BRIS's total third-party fund growth is likely to sustain this year on the back of continuing solid growth both from Mudharabah and Wadiah. The time deposit segment may grow lower than CA and SA, as we expect to see a softened margin on the back of potential benchmark rate cuts. This assumption has resulted in stronger CASA growth by 24.6 bps compared to BRIS's '24F TD growth at 7.8% yoy. In all, our total TPF growth for BRIS this year of 7.8% yoy is more conservative than '24F management guidance at 8.5%-10% yoy.

**'24F financing growth to remain solid**

Better financing demand appetite should continue, and we forecast BRIS total financing growth at 14.5% yoy. Murabahah and Istishna will continue to play a significant role as the loan growth drivers. Likewise, we also expect to see another double-digit growth in Mudharabah and Musharakah financing. On the loan portfolio board, we believe BRIS will continue to benefit from another solid pick-up in the consumer segment, with stronger growth in the SME-Micro segment. The bank is expecting '24F total financing to grow by 15% year over year.

**Better earnings bank only January 24 results**

BRIS Bank's January 24 earnings growth came in at a solid figure and recorded much better growth compared to all banks under our coverage. On the balance sheet side, total financing remains strong at a double-digit rate (16.1% yoy), while total third-party funds are reported to be 11.8% yoy higher, thanks to continuing robust CASA growth.

**BRIS should be traded at a higher valuation.**

We have revisited our BRIS model and made some adjustments to accommodate its better-than-expected FY23 results (KBVS and cons. Run rate at: 106%/109%). We strongly believe that BRIS stock should be traded at a higher valuation, mainly on the back of its huge potential growth in the upcoming year. We raise our sustainability rate assumption by 5% and post fine-tune our various assumptions, we end up with a higher normalized RoE by 20bps and 10bps in '24F/'25F.

**Maintain BUY with a higher TP of IDR2,970.**

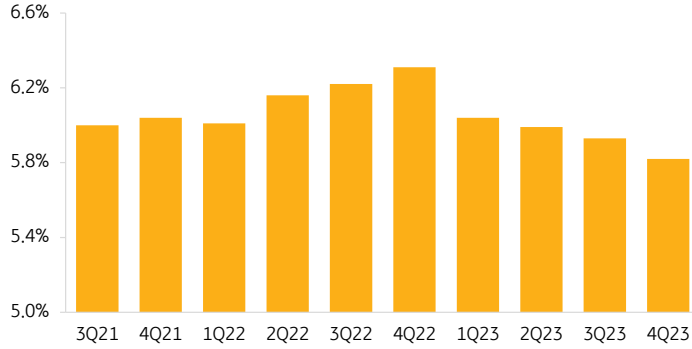
Our new TP is IDR2,970/share, which using the Gordon Growth Model pegged at 3.2x '24F PB. Currently, the stock is trading at 2.8x '24F P/B, or slightly above its average historical mean. Downside risks to our call are: 1) slower than expected optimizing targeted payroll financing; 2) lower-than-expected loan growth, NI, and financing yield; 3) higher than anticipated exposures to TD; 4) higher than expected CoC; and 5) weakening shariah banking product penetration and further asset quality deterioration in the corporate segment.

**Exhibit 1: Key Statistics**

Year end Dec (IDR bn)	2022A	2023A	2024F	2025F	2026F
Net margin income	15,591	16,259	18,460	21,246	24,531
Non int. income	3,701	4,204	4,730	5,321	5,853
Total operating income	19,292	20,463	23,190	26,567	30,385
PPOP	9,396	10,214	12,300	14,454	17,053
Net income	4,260	5,704	6,615	7,955	9,371
EPS (IDR)	103	124	143	172	203
EPS growth (%)	39.2	20.6	16.0	20.3	17.8
PER (x)	25.7	21.4	18.4	15.3	13.0
PBV (x)	3.3	3.1	2.8	2.5	2.1
Div. Yield (%)	0.7	0.9	1.2	1.4	1.6
RoE (%)	16.8	16.9	16.9	17.1	17.5

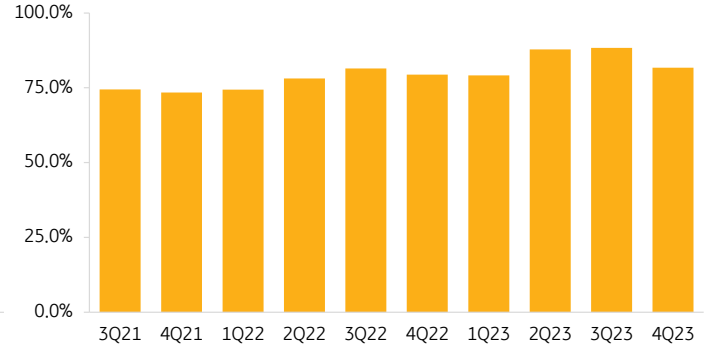
Source: Company, KBVS Research

Exhibit 2: NIM continue arrives within '23F guidance (%)



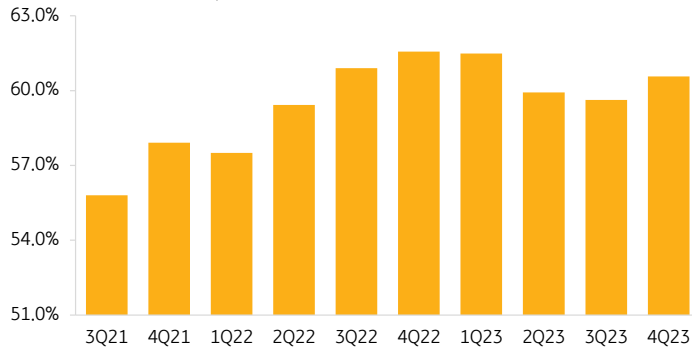
Source: Company, KBVS Research

Exhibit 3: Solid FDR to capture the ongoing better loan demand appetite (%)



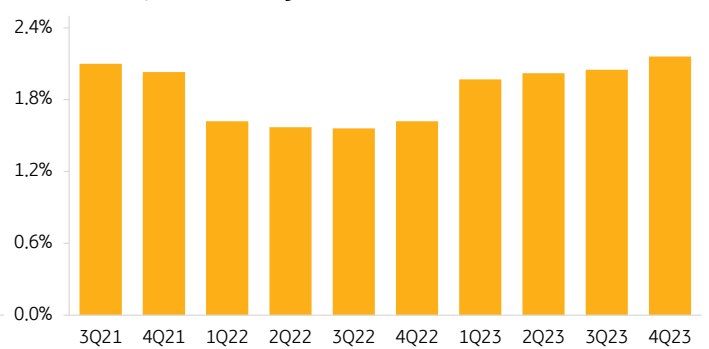
Source: Company, KBVS Research

Exhibit 4: Stable CASA portion remains (%)...



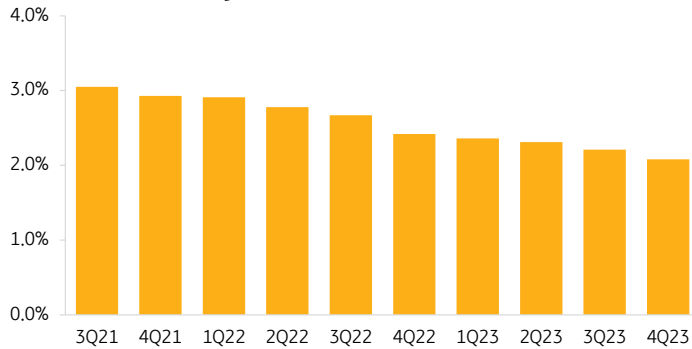
Source: Company, KBVS Research

Exhibit 5: ..coupled with manageable Cost of Fund (%)



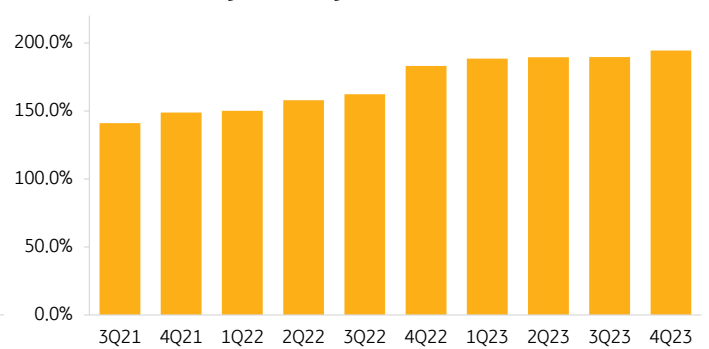
Source: Company, KBVS Research

Exhibit 6: NPF continuing improvement (%)...



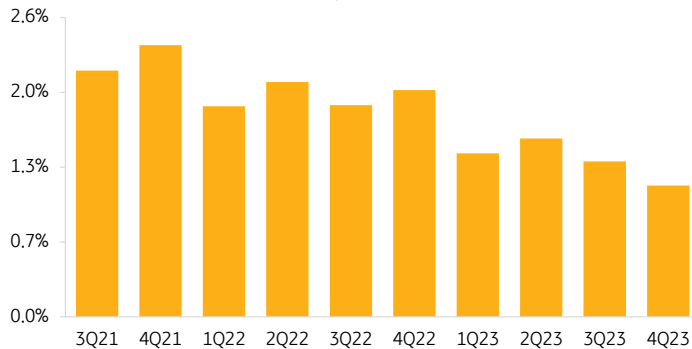
Source: Company, KBVS Research

Exhibit 7: ..tied with tougher coverage (%)



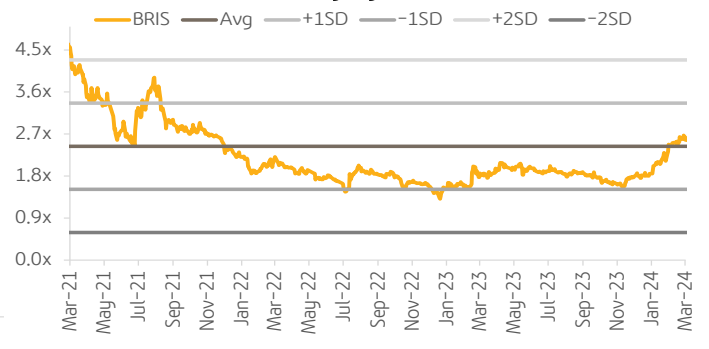
Source: Company, KBVS Research

Exhibit 8: CoC continue within its improvement track (%)



Source: Company, KBVS Research

Exhibit 9: Traded at 2.8 '24F P/B, slightly above its historical mean



Source: Company, Bloomberg, KBVS Research

**FINANCIAL TABLES**
**Exhibit 10: Profit & Loss**

Year End Dec (IDR bn)	2022A	2023A	2024F	2025F	2026F
Margin income	19,623	22,252	25,621	29,066	32,870
Profit sharing expense	-4,032	-5,993	-7,161	-7,821	-8,339
<b>Net margin income</b>	<b>15,591</b>	<b>16,259</b>	<b>18,460</b>	<b>21,246</b>	<b>24,531</b>
Non-interest income	3,701	4,204	4,730	5,321	5,853
Operating expenses	-9,895	-10,249	-10,889	-12,113	-13,332
<b>Pre-provision operating profit</b>	<b>9,396</b>	<b>10,214</b>	<b>12,300</b>	<b>14,454</b>	<b>17,053</b>
Loan loss provision	-3,749	-2,622	-3,334	-3,633	-4,202
<b>Operating profit</b>	<b>5,648</b>	<b>7,591</b>	<b>8,966</b>	<b>10,820</b>	<b>12,850</b>
Pretax profit	5,656	7,589	8,964	10,818	12,848
<b>Net profit</b>	<b>4,260</b>	<b>5,704</b>	<b>6,615</b>	<b>7,955</b>	<b>9,371</b>

**Exhibit 11: Balance sheet**

Year End Dec (IDR bn)	2022A	2023A	2024F	2025F	2026F
<b>Assets</b>					
Cash	4,951	5,256	5,479	5,993	6,514
Current Account at BI	31,778	32,441	33,394	34,677	36,809
Interbank Loans	2,476	2,304	2,414	2,528	2,648
Marketable securities	57,841	71,169	63,089	59,502	57,703
Loan (Consolidated)	198,506	230,629	264,528	304,680	352,601
Fixed Assets	5,655	5,353	5,888	6,477	7,125
Other assets	4,519	6,474	6,707	8,632	11,370
<b>Total Asset</b>	<b>305,727</b>	<b>353,625</b>	<b>381,498</b>	<b>422,488</b>	<b>474,769</b>
<b>Liabilities</b>					
Interbank Deposit	2,219	1,761	1,866	2,168	3,611
Customer Deposit	261,491	293,776	316,746	347,025	388,780
Other Liabilities	7,578	18,568	19,535	23,634	25,339
<b>Total liabilities &amp; syirkah funds</b>	<b>272,222</b>	<b>314,885</b>	<b>338,148</b>	<b>372,828</b>	<b>417,731</b>
<b>Equity</b>					
Capital Stock	23,065	23,065	23,065	23,065	23,065
Additional Paid-in Capital	(3,929)	(3,929)	(3,929)	(3,929)	(3,929)
Retained Earnings	13,712	18,911	23,540	29,841	37,224
Other Equity	658	693	675	684	679
Shareholder's Equity	33,506	38,740	43,350	49,660	57,039
Non-controlling Interest	-	-	-	-	-
<b>Total Equity</b>	<b>33,506</b>	<b>38,740</b>	<b>43,350</b>	<b>49,660</b>	<b>57,039</b>

**Exhibit 12: Key performance metrics**

Year End Dec (IDR bn)	2022A	2023A	2024F	2025F	2026F
NIM	6.3	5.8	5.8	6.1	6.3
FDR	79.4	81.8	86.9	91.2	94.1
CASA	61.6	60.6	60.6	61.1	61.5
Cost/income	51.0	50.1	47.0	45.6	43.9
NPF	2.4	2.27	2.0	1.8	1.5
ROE	16.8	16.9	16.9	17.1	17.5
ROA	2.0	2.3	2.4	2.7	2.9
CAR	20.3	20.2	20.8	21.5	22.0
BVPS (IDR)	806	840	940	1,077	1,236
PER (x)	25.7	21.4	18.4	15.3	13.0
PBV (x)	3.3	3.1	2.8	2.5	2.1
Div. Yield	0.7	0.9	1.2	1.4	1.6

Source: Company, KBVS Research

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