

Two thumbs up 9M24 earnings; '25F should continue

30 October 2024



<b>BRIS IJ</b>	
Sector	Banking
Price at 29 Oct 2024 (IDR)	2,950
Price target (IDR)	3,670
Upside/Downside (%)	24.4

**Stock Information**

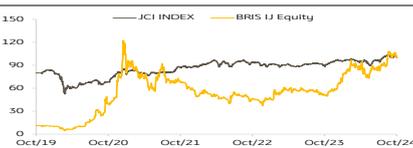
PT Bank Syariah Indonesia, Tbk. is Indonesia's largest Islamic bank. BRIS is formed by a merger of BRI syariah, BNI Syariah and Bank Syariah Mandiri. The bank offers financing in a segment of commercial, corporate, SME, Micro, consumer, pawning, and others. The bank also offers services such as credit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

Market cap (IDR bn)	136,081
Shares outstanding (mn)	46,129
52-week range (IDR)	1,455 - 3,350
3M average daily vol. ('000)	41,714
3M average daily val. (IDR mn)	119,247

**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	(3.0)	17.7	93.4

BRIS delivered impressive 9M24 results, highlighted by a robust 21.6% yoy surge in net profit. The bank's 9M24 net income significantly exceeded both our and consensus forecasts, achieving a run rate of 77.2% and 78.4%, respectively. Total financing growth landed within BRIS's 2024 guidance, surpassing both our projections and the broader banking industry's loan growth expectations for the year. Despite tight liquidity environment, BRIS enjoyed strong growth in TPF of 14.9% yoy, fueled by an 18.9% surge in CASA financing. Given the robust 9M24, we anticipate another better-than-expected 4Q24 earnings result. Looking ahead to 2025, we believe our '25F net income for BRIS is well-supported by several factors, including robust financing growth, manageable NIM, and a consistently healthy CoC. We rolled-over our valuation for BRIS ('25F), resulting in a higher GGM-TP of IDR 3,670/ share (pegged at 3.4x '25F P/B). The stock is currently trading at 2.7x '25F P/B, or slightly above its historical average of 2.4x.

**Remarkable 9M24 earnings growth: Above**

BRIS's robust earnings streak continues, fueled by solid performance across the board. Double-digit growth in margin income (12.0% yoy), combined with a manageable CIR and ongoing AQ improvements, propelled the bank's 9M24 net income to a 21.6% yoy increase. This impressive result arrived above both our and consensus expectations, achieving a remarkable run rate of 77.2% and 78.4%, respectively.

**Robust financing with the big boost from high yield segment**

BRIS's total financing surged by 15.3% yoy, outpacing industry loan growth by a whopping 443bps and exceeding our '24F for BRIS by 78bps. This also handily beat the '24F bank's management guidance of ±15% yoy. Worth to note that Syariah bank industry financing grew by 11.37% yoy in Sept24. The bank continues to ride the wave of strong growth in high-yield segments. Consumer financing, which accounts for 54.57% of total financing, saw a robust 16.27% yoy increase, driven by a 34.47% surge in automotive financing and an 18.34% jump in payroll-based financing. Wholesale financing also played a key role, contributing 27.83% of total financing with a healthy 12.17% yoy expansion. As we predicted, gold pawning absolutely glittered, achieving a dazzling 143.43% yoy growth and propelling overall gold business growth by a shining 60.53%. This marks the highest growth within the entire financing portfolio.

**Enjoying strong TPF growth amid the tight liquidity**

Amidst the prevailing tight liquidity conditions and increased competition among banks, BRIS demonstrated strong performance, achieving a 14.9% yoy growth in TPF, exceeding its '24F guidance range of 8.5-10.0%. Savings accounts continued to dominate the deposit mix, growing by 13.40% yoy, driven by strong growth in wadiah (19.04% yoy) and mudharabah funding (10.08% yoy). The robust growth in CASA deposits, particularly the 18.8% yoy increase, positions BRIS favorably to maintain low funding costs in 2025.

**Key performance metrics aligned with '24F guidance**

Key performance metrics continued to improve. NIM expanded modestly to 5.6% from 5.5% in the previous quarter, marking the third consecutive quarter of growth from 5.4% in the first quarter of 2024. Risk metrics remained well-managed, with the NPL ratio declining to 1.97% from 2.21% in the same period last year and 2.0% in the 2Q24. The loan loss coverage ratio also strengthened to 195.04% from 189.56% in 3Q23. Additionally, the cost of credit improved to 0.97% from 1.35% in the 3Q23 and 1.0% in the 2Q24. These results align with BRIS's '24 guidance for NPLs of <2.0% and a NIM of 5.50%-5.86%. We anticipate that the NIM will remain stable in the coming quarters, supported by continued strong financing demand and steady growth in wadiah deposits.

**4Q24 and '25F solid earnings likely to continue**

Given the strong quarterly performance, we anticipate that BRIS will continue to deliver double-digit earnings growth in 4Q24. Our confidence in this outlook is reinforced by a sensitivity analysis, which suggests that even under a conservative scenario of a 2.28% qoq decline in earnings, the FY24 net income would still exceed our forecast of IDR6.61 trillion. We believe that BRIS's strong financing demand and consistent wadiah funding will continue to drive its performance. This combination is expected to alleviate pressure on funding costs and support further expansion of its net interest margin in 2025.

**Maintain BUY, GGM TP of IDR3,670.**

We have extended our valuation horizon for BRIS to 2025. The stock has delivered a strong 12M return of 93.4% and is approaching our previous target price of IDR2,970. Our rolled-over '25F GGM-TP of IDR3,670 is pegged at 3.4x '25F P/B. The stock is currently trading at 2.7x '25F P/B, which is slightly above its historical average of 2.4x. Downside risks to our call are: 1) slower than expected optimizing targeted payroll financing; 2) lower-than-expected financing growth; 3) weaker-than-expected NIM; 4) higher than anticipated exposures to time deposits; 5) higher than expected CoC; and 6) weakening sharia banking product penetration and further asset quality deterioration.

**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)	25.3	20.9	18.1	15.0	12.7
PBV (x)	3.2	3.1	2.8	2.4	2.1
Div. Yield (%)	0.7	0.9	1.2	1.4	1.7
RoE (%)	16.8	16.9	16.9	17.1	17.5

Source: Company, KBVS Research

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Exhibit 2: BRIS 9M24 selected key financial and key ratio metrics

Income Statements (IDR bn)	9M23	9M24	YoY (%)	3Q23	3Q24	YoY (%)	2Q24	QoQ (%)	KBVS '24F	% to KBVS	Cons. '24F	% to Cons.
Margin income	16,444	18,414	12.0	5,602	6,332	13.0	6,049	4.7				
Profit sharing expenses	(4,298)	(5,840)	35.9	(1,519)	(1,979)	30.3	(1,934)	2.3				
Net margin income	12,146	12,574	3.5	4,083	4,353	6.6	4,115	5.8				
Other operating income	3,026	3,939	30.2	1,085	1,454	34.0	1,257	15.7				
Operating income	15,172	16,513	8.8	5,168	5,807	12.4	5,338	8.8				
Overhead cost	(7,255)	(7,994)	10.2	(2,720)	(2,920)	7.4	(2,519)	15.9				
PPOP	7,917	8,519	7.6	2,448	2,887	17.9	2,817	2.5				
Provisions	(2,333)	(1,746)	(25.2)	(602)	(617)	2.5	(580)	6.4				
Net profit	4,200	5,107	21.6	1,378	1,713	24.3	1,687	1.6	6,615	77.2	6,511	78.4

Source : Company, KBVS Research

Balance Sheet (IDR bn)	9M23	9M24	YoY (%)	3Q23	3Q24	YoY (%)	2Q24	QoQ (%)
Financing	231,676	267,067	15.3	231,676	267,067	15.3	257,388	3.8
Current accounts	41,510	55,642	34.0	41,510	55,642	34.0	55,338	0.5
Saving accounts	114,799	130,185	13.4	114,799	130,185	13.4	128,776	1.1
Time deposits	105,807	115,394	9.1	105,807	115,394	9.1	112,583	2.5
TPF (IDRbn)	262,116	301,221	14.9	262,116	301,221	14.9	296,697	1.5
CASA (IDRbn)	156,309	185,827	18.9	156,309	185,827	18.9	184,114	0.9
Total equity	31,178	43,491	39.5	31,178	43,491	39.5	41,671	4.4

Source : Company, KBVS Research

Key metrics	9M23	9M24	YoY (%)	3Q23	3Q24	YoY (%)	2Q24	QoQ (%)
NIM	5.9	5.6	(0.4)	5.9	5.6	(0.4)	5.5	0.0
CIR	48.4	49.0	0.6	48.4	49.0	0.6	47.8	1.2
Loan yield	9.0	8.9	(0.1)	9.0	8.9	(0.1)	9.1	(0.2)
Cost of Fund (CoF)	2.1	2.5	0.4	2.1	2.5	0.4	2.5	(0.0)
ROA	2.3	2.5	0.1	2.3	2.5	0.1	2.5	(0.0)
ROE	16.9	17.6	0.7	16.9	17.6	0.7	17.9	(0.3)
NPF gross	2.2	2.0	(0.2)	2.2	2.0	(0.2)	2.0	(0.0)
NPF coverage ratio	189.6	195.0	5.5	189.6	195.0	5.5	194.9	0.2
CoC	1.4	1.0	(0.4)	1.4	1.0	(0.4)	1.0	(0.0)
Tier 1 - CAR	19.7	20.3	0.6	19.7	20.3	0.6	20.2	0.1
CASA	59.6	61.7	2.1	59.6	61.7	2.1	62.1	(0.4)
FDR	88.3	88.6	0.3	88.3	88.6	0.3	86.7	1.9

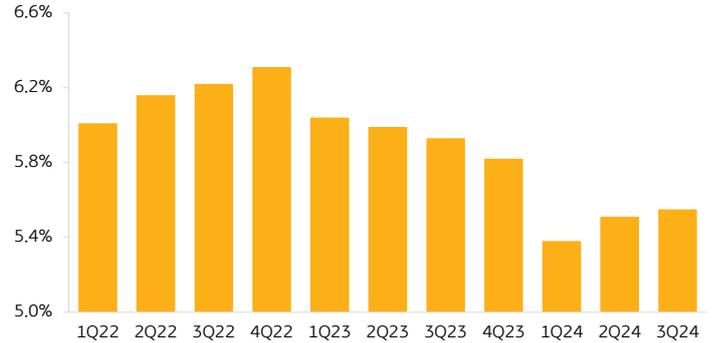
Source : Company, KBVS Research

Exhibit 3: Continuing consumer finance focus to benefit growth (%)



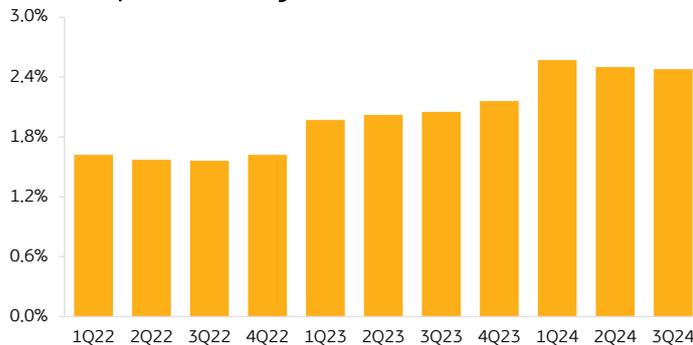
Source: Company, KBVS Research

Exhibit 4: Expect another better NIM in the remaining quarters (%)



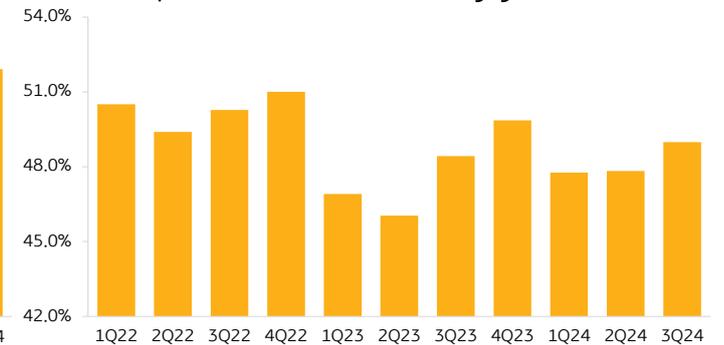
Source: Company, KBVS Research

Exhibit 5: Expect softer funding cost to continue (%)



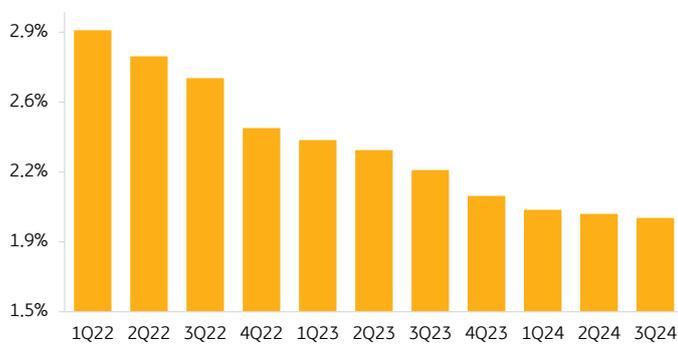
Source: Company, KBVS Research

Exhibit 6: CIR improvement as the additional earnings growth (%)



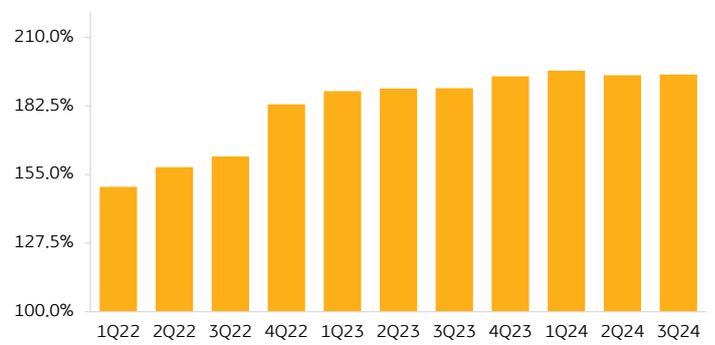
Source: Company, KBVS Research

Exhibit 7: NPF continuing improvement (%)...



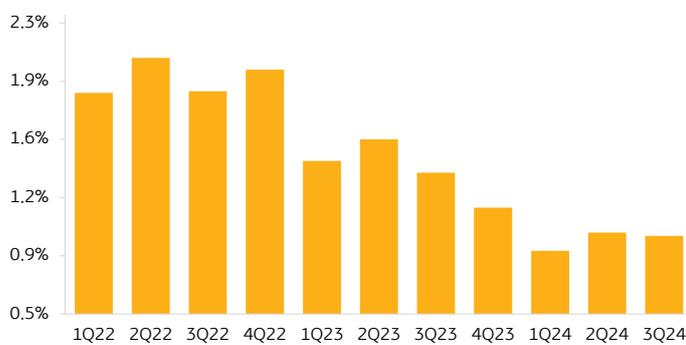
Source: Company, KBVS Research

Exhibit 8: ..coupled with steady sturdy coverage (%)



Source: Company, KBVS Research

Exhibit 9: CoC continue within its improvement track (%)



Source: Company, KBVS Research

Exhibit 10: Traded at 2.7x '25F P/B, slightly above its avg. hit. mean of 2.4x



Source: Company, Bloomberg, KBVS Research

**FINANCIAL TABLES**
**Exhibit 11: 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 12: 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 13: 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)	25.3	20.9	18.1	15.0	12.7
PBV (x)	3.2	3.1	2.8	2.4	2.1
Div. Yield	0.7	0.9	1.2	1.4	1.7

Source: Company, KBVS Research

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