

FY23 earnings beating ours and consensus

6 February 2024



BRIS IJ	
Sector	Banking
Price at 5 Feb 2024 (IDR)	2,310
Price target (IDR)	UR
Upside/Downside (%)	-

Stock Information

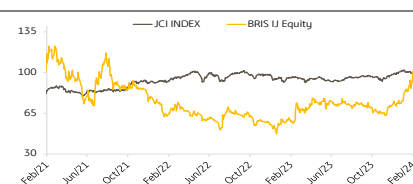
PT Bank Syariah Indonesia, Tbk. is Indonesia's largest Islamic bank. BRIS is formed by a merger of BRI syariah, BNI Syariah and Bank Syariah Mandiri. The bank offers financing in a segment of commercial, corporate, SME, Micro, consumer, pawn, and others. The bank also offers services such as credit and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

Market cap (IDR bn)	106,097
Shares outstanding (mn)	46,129
52-week range (IDR)	1,300 - 2,400
3M average daily vol. ('000)	34,254
3M average daily val. (IDR mn)	64,653

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	32.8	54.0	71.1

BRIS' FY23 earnings grew by 33.9% yoy, exceeding ours and the market forecasts at 109%/106%. Financing grew solid by +15.7% yoy, surpassing '23F guidance, industry figures, and our '23F financing growth for the bank. We like to see BRIS continue to enjoy the high yield segment (consumer loan: +15.7% yoy). Third-party fund growth of 12.4% yoy was driven mainly by sturdy CA growth at 19.5% yoy, together with SA growth, bringing the CASA portion more than double vs. 3Q23. We will revisit the BRIS model to accommodate the astonishing FY23 result and fine-tune the higher valuation for BRIS. The stock price has surpassed our latest TP of IDR2,050 (see our previous report in Nov '23) and provided a gain of 55.7%. **Maintain BUY**, whereas the current price remains appealing at 2.5x '24F P/B or at its average hist. mean.

FY23 earnings surpass ours and street forecasts.

BRIS reported another strong quarterly result. FY23 solid earnings growth was supported by double-digit margin income growth, low overhead cost increase, and a sharp drop in provisions. Rising profit sharing expenses (+48.3% yoy), which made net margin income grow at a single-digit rate, was offset by continuing asset quality improvement, which brought PATMI to grow by 33.9% yoy and arrive above ours and street expectations by 109%/106%. It is worth noting that on a quarterly basis, the growth was stronger at 42.6% yoy (9.1% qoq).

Solid TPF growth coupled with a stronger CASA portion

We like BRIS continuing solid financing growth, whereas in the same period it grew by 15.7% yoy, surpassing the banking industry (+10.4% yoy), '23F management guidance of +13-15% yoy, and our financing growth forecast for BRIS at 12.7% yoy, thanks to strong pick-ups in the consumer segment (+15.7% yoy) and wholesale segment, which grew the highest at 18.0% yoy. On the liabilities side, total third-party funds grew by 12.4% yoy, backed by sturdy CA segment growth of 19.5%. With the help of saving account growth at 7.1% yoy, the CASA portion grew by more than double vs 3Q23, to 10.5% yoy (13.8% qoq).

Solid key metrics and performance remain

Key performance metrics remain solid, whereas NIM recorded 5.8% is within '23F BRIS NIM range guidance of 5.7-6.0%. NPF was consistently getting healthier, from 2.2% in 3Q23 to 2.08% and 18 bps, surpassing our '23F NPF for BRIS at 2.26%. Moreover, the bank also successfully managed its credit costs and saw another better figure by around 21 bps to 1.14 from 1.35% in the previous quarter.

To revisit our model and fine-tune a higher valuation

All in all, we like BRIS FY23 results and believe that '24F will be another year for the bank. We will revisit our model and make some adjustments to accommodate a better-than-expected FY23. In our view, the continuing tempting potential untapped syariah market should be translated as strong latent growth for BRIS going forward. We also think that BRIS should be trading at a higher valuation due to its continuing solid prospects for growth this year.

Maintain BUY

Since our last call on BRIS (see our latest report in Nov23), the stock has provided a gain of 55.7% (Friday closing 2/2/24 IDR2,320/share) and surpassing our latest TP at IDR2,050/share, which using the Gordon Growth Model pegged at 2.2x '24F PB. Currently, the stock is trading at 2.5x '24F P/B, or at its average historical mean of 2.5x. 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 syariah banking product penetration and further asset quality deterioration in the 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)	31.5	22.6	20.4	16.7	13.5
PBV (x)	3.8	2.9	2.8	2.5	2.2
Div. Yield (%)	-	0.8	1.0	1.2	1.5
RoE (%)	13.7	16.8	19.4	20.3	21.1

Source: Company, KBVS Research

Analyst
Akhmad Nurcahyadi
akhmad.nurcahyadi@kbvalbury.com

Exhibit 2: BRIS FY23 financial and key performance metrics results

Income Statements (IDR bn)	12M22	12M23	YoY (%)	4Q22	4Q23	YoY (%)	3Q23	QoQ (%)	KBVS '23F	% '23F	Cons. '23F	% Cons. '23F
Margin income	19,612	22,169	13.0	5,405	5,725	5.9	5,602	2.2				
Profit sharing expenses	(4,043)	(5,995)	48.3	(1,144)	(1,697)	48.3	(1,519)	11.7				
Net margin income	15,569	16,174	3.9	4,261	4,028	(5.5)	4,083	(1.3)	17,808			
Other operating income	3,712	4,160	12.1	1,020	1,134	11.2	1,085	4.5				
Operating income	19,281	20,334	5.5	5,281	5,162	(2.3)	5,168	(0.1)				
Overhead cost	(9,884)	(10,121)	2.4	(2,855)	(2,866)	0.4	(2,720)	5.4				
PPOP	9,397	10,213	8.7	2,426	2,296	(5.4)	2,448	(6.2)	11,316			
Provisions	(3,749)	(2,622)	(30.1)	(1,163)	(289)	(75.2)	(602)	(52.0)				
Net profit	4,260	5,704	33.9	1,055	1,504	42.6	1,378	9.1	5,240	109	5,384	106

Source : Company, KB Valbury Sekuritas

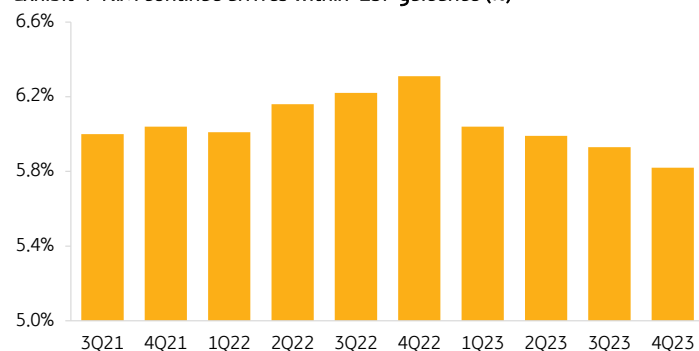
Balance Sheet (IDR bn)	12M22	12M23	YoY (%)	4Q22	4Q23	YoY (%)	3Q23	QoQ (%)
Asset	305,727	353,624	15.7	305,727	353,624	15.7	319,846	10.6
Financing	207,705	240,316	15.7	207,705	240,316	15.7	231,676	3.7
Current accounts	44,521	53,201	19.5	44,521	53,201	19.5	41,510	28.2
Saving accounts	116,484	124,726	7.1	116,484	124,726	7.1	114,799	8.6
Time deposits	100,486	115,848	15.3	100,486	115,848	15.3	105,807	9.5
CASA (IDRbn)	161,005	177,927	10.5	161,005	177,927	10.5	156,309	13.8
TPF (IDRbn)	261,491	293,775	12.3	261,491	293,775	12.3	262,116	12.1
Total equity	33,506	38,739	15.6	33,506	38,739	15.6	37,178	4.2

Source : Company, KB Valbury Sekuritas

Key metrics	12M22	12M23	YoY (%)	4Q22	4Q23	YoY (%)	3Q23	QoQ (%)
NIM	6.3	5.8	(0.5)	6.3	5.8	(0.5)	5.9	(0.1)
CASA	61.6	60.6	(1.0)	61.6	60.6	(1.0)	59.6	0.9
CIR	51.0	49.9	(1.2)	51.0	49.9	(1.2)	48.4	1.4
COF	1.6	2.1	0.5	1.6	2.1	0.5	2.1	0.1
ROA	2.0	2.4	0.4	2.0	2.4	0.4	2.3	0.0
ROE	16.8	16.9	0.0	16.8	16.9	0.0	16.9	0.0
FDR	79.4	81.7	2.4	79.4	81.7	2.4	88.4	(6.7)
Loan yield	9.2	8.9	(0.2)	9.2	8.9	(0.2)	9.0	(0.1)
NPF gross	2.4	2.1	(0.3)	2.4	2.1	(0.34)	2.2	(0.13)
NPF coverage ratio	183.1	194.4	11.2	183.1	194.4	11.2	189.6	4.8
CoC	2.0	1.1	(0.8)	2.0	1.1	(0.8)	1.4	(0.2)

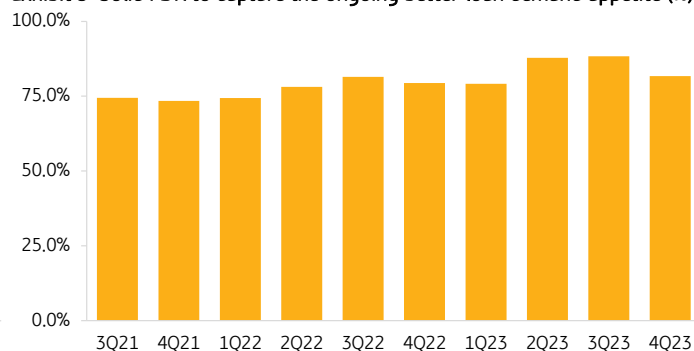
Source : Company, KBVS Research

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



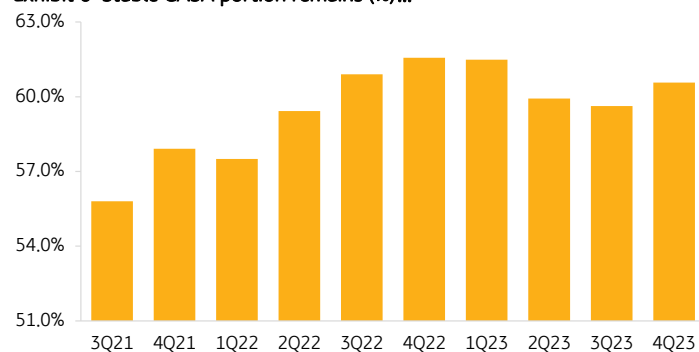
Source: Company, KBVS Research

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



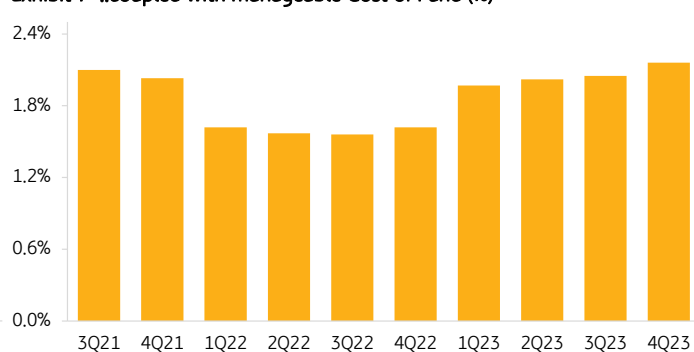
Source: Company, KBVS Research

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



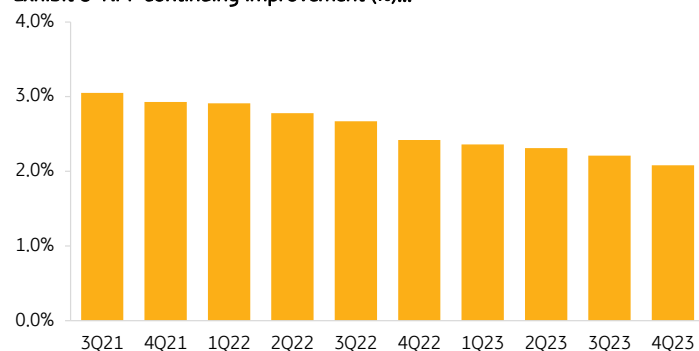
Source: Company, KBVS Research

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



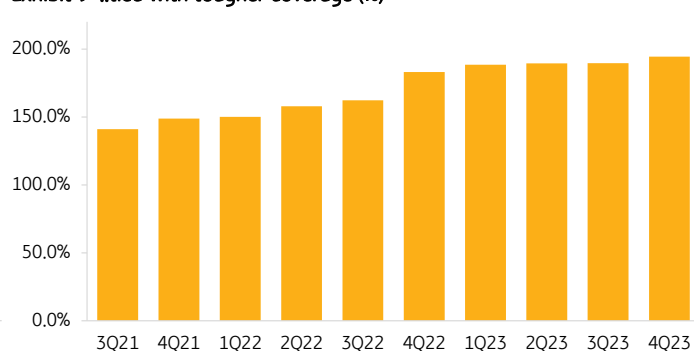
Source: Company, KBVS Research

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



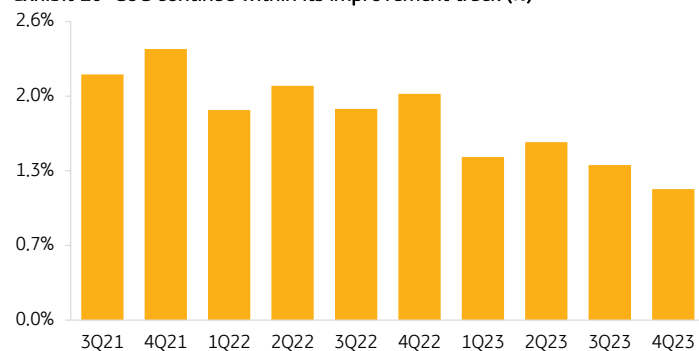
Source: Company, KBVS Research

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



Source: Company, KBVS Research

Exhibit 10: CoC continue within its improvement track (%)



Source: Company, KBVS Research

Exhibit 11: Traded at 2.5 '24F P/B , at its historical mean of 2.5x



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)	31.5	22.6	20.4	16.7	13.5
PBV (x)	3.8	2.9	2.8	2.5	2.2
Div. Yield	-	0.8	1.0	1.2	1.5

Source: Company, KBVS Research

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KB Valbury Sekuritas Head Office

Sahid Sudirman Center 41st Floor Unit A-C
Jalan Jenderal Sudirman No. 86 Kelurahan Karet Tengsin,
Kecamatan Tanah Abang, Jakarta Pusat 10220, Indonesia
T. +62 21 – 250 98 300
F. +62 21 – 255 33 778

Branch Office

Jakarta – Sudirman

Sahid Sudirman Center 41st Floor Unit A-C
Jalan Jenderal Sudirman No. 86 Karet Tengsin,
Tanah Abang, Jakarta Pusat 10220
T. (021) 25098300/301

Jakarta – Kelapa Gading

Rukan Plaza Pasifik
Jl. Raya Boulevard Barat Blok A1 No. 10
Jakarta Utara 11620
T. (021) 29451577

Jakarta – Puri Indah

Rukan Grand Aries Niaga Blok E1 No. IV
Jl. Taman Aries, Kembangan
Jakarta Barat 11620
T. (021) 22542390

Jakarta – Pluit

Jl. Pluit Putra Raya No. 2
Jakarta Utara 14450
T. (021) 6692119

Bandung

Jl. HOS Cokroaminoto No. 82
Bandung 40171
T. (022) 87255800

Malang

Jl. Pahlawan Trip No. 7
Malang 65112
T. (0341) 585888

Banjarmasin

Jl. Gatot Subroto No. 33
Banjarmasin 70235
T. (0511) – 3265918

Pekanbaru

Jl. Tuanku Tambusai, Komplek CNN
Blok A No. 3 Pekanbaru 28291
T. (0761) 839393

Palembang

Komplek PTC Mall Blok I No. 7
Jl. R. Sukanto
Palembang 30114
T. (0711) 5700281

Surabaya

Pakuwon Center Lt 21
Jl. Embong Malang No.1
Surabaya 60261
T. (031) 2955788

Padang

Jl. Kampung Nias II No. 10,
Padang 25211
T. (0751) 8955747

Yogyakarta

Jl. Magelang KM 5,5 No. 75
Yogyakarta 55000
T. (0274) 623111

Semarang

Candi Plaza Building Lt. Dasar
Jl. Sultan Agung No. 90-90A
Semarang 50252
T. (024) 8501122

Makassar

Komplek RUKO Citraland City Losari
Business Park, Blok B2 No. 09
Jl. Citraland Boulevard Makassar 90111
T. (0241) 16000818

Medan

Komplek Jati Junction No. P5-5A
Jl. Perintis Kemerdekaan
Medan 20218
T. (061) 88816222

Denpasar

Jl. Teuku Umar No. 177
Komplek Ibis Styles Hotel
Denpasar Bali 80114
T. (0361) 225229

Investment Gallery

Jakarta

Citra Garden 6 Ruko Sixth Avenue
Blok J1 A/18, Cengkareng
Jakarta Barat 11820
T. (021) 522392181

Semarang

Jl. MT Haryono 637
Semarang 50242
T. (024) 8415195

Salatiga

Jl. Diponegoro No. 68
Salatiga 50711
T. (0298) 313007

Solo

Jl. Ronggowarsito No. 34
Surakarta 57118
T. (0271) 6726306