

Uninterrupted solid quarterly results

2 October 2023



BRIS IJ	
Sector	Banking
Price at 29 Sept 2023 (IDR)	1,625
Price target (IDR)	1,950
Upside/Downside (%)	20.0

Stock Information

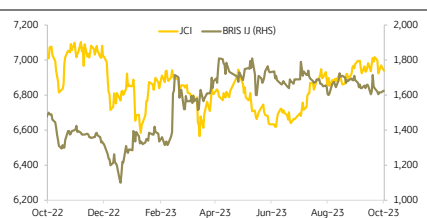
PT Bank Syariah Indonesia, Tbk. is Indonesia's largest Islamic bank. BRIS is formed by a merger of BRI syariah, BNI Syariah and Bank Syariah Mandiri. The bank offers financing in a segment of commercial, corporate, SME, Micro, consumer, pawning, and others. The bank also offers services such as credit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

Market cap (IDR bn)	74,960
Shares outstanding (mn)	46,129
52-week range (IDR)	1,095 - 1,820
3M average daily vol. ('000)	23,365
3M average daily val. (IDR mn)	39,360

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	-3.9	-4.1	13.0

Analyst

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We believe BRIS '23F earnings likely to continue solid year on year. Even assuming earnings in the remaining quarter of this year will be flat, which is unlikely, '23F earnings could reach IDR5.54 tn or 30.3% yoy and beating KBVs and consensus forecast of IDR5.1tn and IDR5.3tn, respectively. We also like its huge latent growth to serve the massive untapped syariah market. At this stage, BRIS looks undemanding. KSEI data seems also confirming stock attractiveness, whereas as of Aug23 foreign holding on BRIS has mounting by 225bps yoy. Maintain BUY with TP of IDR1,950, pegged at 2.4x '23F P/B, while its currently trades 2.0x '23F P/B, or below its historical mean average of 2.5x.

1H23 above ours and street forecasts

BRIS noted a solid 1H23 results, with earnings arrives above both ours and consensus expectation at 55.2%/52.4% or 5.1%/2.4% higher compared to FY22 run rate at 50%. PATMI surged 32.4% yoy to IDR2.82 tn driven by solid growth from top to bottom. In spite of mounting profit-sharing expenses at 44.7 % yoy, BRIS earnings growth was also helped by its margin income (14.3% yoy), manageable overhead cost (0.9% yoy) and softened provisions by 3.9% yoy.

Financing solid growth remains

We like BRIS financing growth at 16% yoy, far above industry and banks under our coverage as well as 300bps higher than '23F low range management guidance at 13%-15% yoy, thanks to consumer segment financing sturdy growth at 20.7% yoy and taking as the largest chunked (54.3%) of BRIS's 1H23 financing. Of the total, in line with the solid 4W industry sales volume growth, auto loan demand soaring by 64.9% yoy with the continuing solid card and payroll demand which booked a robust growth of 33.1% and 28.6% yoy, respectively.

Key metrics continue reported within management guidance

Aside from its earnings and financing solid results, we also like BRIS key performance metrics which also reported within its '23F guidance. NIM at 5.99% was at upper range '23F BRIS forecast at 5.70%-6.00%. Assuming rising profit-sharing expenses will continue take place (1H23 CoF 45bps higher to 2.02%), we believe continuing financing demand and loan yield repricing could overall managed NIM to remain arrives not far from FY22 and 1H23 figures. We also like BRIS NPF which arrives at the '23F upper range guidance (2.31%) of 2.10%-2.30% (KBVS '23F NPF for BRIS at 2.3%), while on asset quality side, our '23F CoC for BRIS (1.8%) has been beating by 1H23 figures at 1.55%, or around 49bps better vs a year earlier at 2.04% (1H22).

Expecting 2023 result to surpassing ours and street estimates

With 1H23 solid earnings result (1H23: 32.4%yoy), we believe BRIS should effortlessly to achieved both ours and street '23F earnings for BRIS at 20.1% yoy and 26.4% yoy, respectively. As a matter of fact, assuming BRIS earnings will be flat in the remaining quarters of this year, which is unlikely, FY23 earnings could potentially reach IDR5.54 tn or 30.3% yoy, beating KBVs and consensus forecast. Using the same scenario, we might see 9M23 earnings growth will equal to 30.6% yoy to IDR4.18 tn. It is worth noting that our '23F earnings scenario analysis for BRIS is even assuming that profit sharing expenses (CoF) will remain accelerates and grew by 228bps higher to 47% yoy (1H23: 44.7% yoy).

Foreign holding mounting by 225bps yoy

We continue to like BRIS for its huge latent growth to serve the massive untapped financial syariah market. At this juncture, BRIS looks undemanding traded at 2.0x '23F P/B and offering 20.7% of upside, while we believe it should be valued at 2.4x '23 P/B. Its YTD return of 25.2% seems confirming stock attractiveness. Please bear in mind, KSEI data as of Aug23 revealed that foreign ownership on BRIS stocks has been increasing by 65bps YTD and 225bps higher compared to the same period of last year (0.6% vs 2.9%).

Maintain BUY with target price of IDR1,950

We maintain our BUY stance for BRIS with a TP of IDR1,950. We used Gordon Growth Model to measure the intrinsic value of BRIS, whereas our TP implies 2.4x '23F PB, while currently it's trading at 2.0x '23F P/B, or below its 2-yr historical mean at 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 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	17,633	19,561	21,820
Non int. income (IDR bn)	3,012	3,701	4,265	4,692	5,161
Total oper. income (IDR bn)	16,442	19,292	21,898	24,253	26,981
PPOP	7,659	9,396	11,141	12,558	14,263
Net income (IDR bn)	3,028	4,260	5,115	6,292	7,538
EPS (IDR)	74	103	111	136	163
EPS growth (%)	n/a	39.1	8.1	23.0	19.8
PER (x)	22.1	15.8	14.7	11.9	9.9
PBV (x)	2.7	2.0	2.0	1.8	1.5
Div. Yield (%)	-	1.1	1.4	1.7	2.1
RoE (%)	-	13.7	16.8	19.1	20.0

Source: Company, KBVS Research

Exhibit 1: BRIS 1H23 financial and key performance metrics results

Income Statements (IDR bn)	6M22	6M23	YoY (%)	2Q22	2Q23	YoY (%)	1Q23	QoQ (%)	2022KBVS '23F	% '23F	Cons. '23F	% Cons. '23F	
Margin income	9,324	10,842	16.3	4,775	5,457	14.3	5,385	1.3	19,623	22,300	48.6	21,663	50.0
Profit sharing expenses	(1,920)	(2,779)	44.7	(949)	(1,454)	53.2	(1,325)	9.7	(4,032)	(4,667)			
Net margin income	7,404	8,063	8.9	3,826	4,003	4.6	4,060	(1.4)	15,591	17,633			
Other operating income	1,701	1,941	14.1	874	961	10.0	980	(1.9)	3,701	4,265			
Operating income	9,105	10,004	9.9	4,700	4,964	5.6	5,040	(1.5)	19,292	21,898			
Overhead cost	(4,494)	(4,535)	0.9	(2,275)	(2,196)	(3.5)	(2,339)	(6.1)	(9,895)	(10,757)			
PPOP	4,611	5,469	18.6	2,425	2,768	14.1	2,701	2.5	9,396	11,141			
Provisions	(1,801)	(1,731)	(3.9)	(944)	(969)	2.6	(762)	27.2	(3,749)	(3,995)			
Net profit	2,131	2,822	32.4	1,144	1,364	19.2	1,458	(6.4)	4,260	5,115	55.2	5,384	52.4

Source : Company, KB Valbury Sekuritas

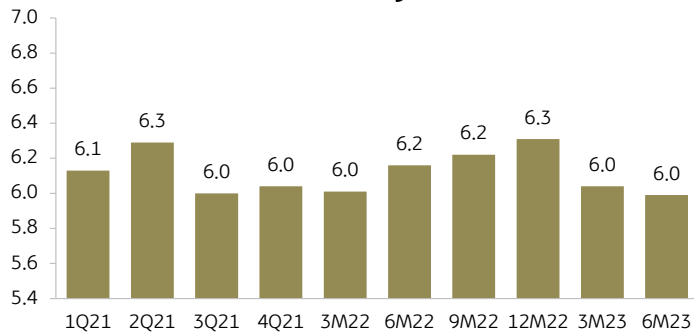
Balance Sheet (IDR bn)	6M22	6M23	YoY (%)	2Q22	2Q23	YoY (%)	1Q23	QoQ (%)
Asset	277,343	313,613	13.1	277,343	313,613	13.1	313,253	0.1
Financing	191,294	221,901	16.0	191,294	221,901	16.0	213,277	4.0
Current accounts	38,869	40,414	4.0	38,869	40,414	4.0	50,447	(19.9)
Saving accounts	106,532	110,929	4.1	106,532	110,929	4.1	115,124	(3.6)
Time deposits	99,263	101,172	1.9	99,263	101,172	1.9	103,687	(2.4)
CASA (IDRbn)	145,401	151,343	4.1	145,401	151,343	4.1	165,571	(8.6)
TPF (IDRbn)	244,664	252,515	3.2	244,664	252,515	3.2	269,258	(6.2)
Total equity	26,506	35,903	35.5	26,506	35,903	35.5	34,992	2.6

Source : Company, KB Valbury Sekuritas

Key metrics	6M22	6M23	YoY (%)	2Q22	2Q23	YoY (%)	1Q23	QoQ (%)
LFR	78.2	87.9	9.7	78.2	87.9	9.7	79.2	8.7
CASA	59.4	59.9	0.5	59.4	59.9	0.5	61.5	(1.6)
NIM	6.2	6.0	(0.2)	6.2	6.0	(0.2)	6.0	(0.0)
CoC	2.0	1.6	(0.5)	2.0	1.6	(0.5)	1.4	0.1
Cost of fund	1.6	2.0	0.5	1.6	2.0	0.5	2.0	0.1
NPF gross	2.8	2.3	(0.5)	2.8	2.3	(0.5)	2.4	(0.0)
NPF coverage ratio	157.9	189.5	31.5	157.9	189.5	31.5	188.4	1.1
Tier-1 CAR	16.1	19.2	3.1	16.1	19.2	3.1	19.3	(0.0)
ROAA	2.0	2.4	0.3	2.0	2.4	0.3	2.5	(0.1)
ROAE	17.7	17.3	(0.4)	17.7	17.3	(0.4)	18.2	(0.9)

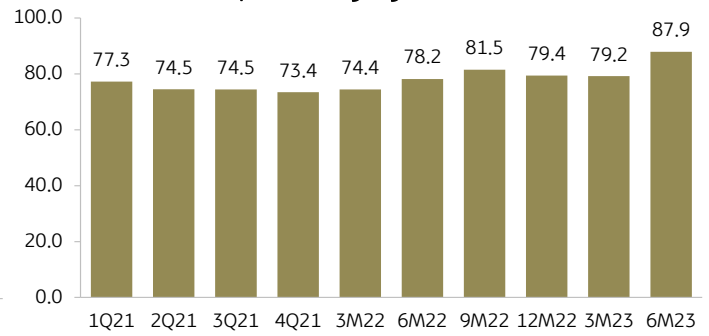
Source : Company, KB Valbury Sekuritas

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



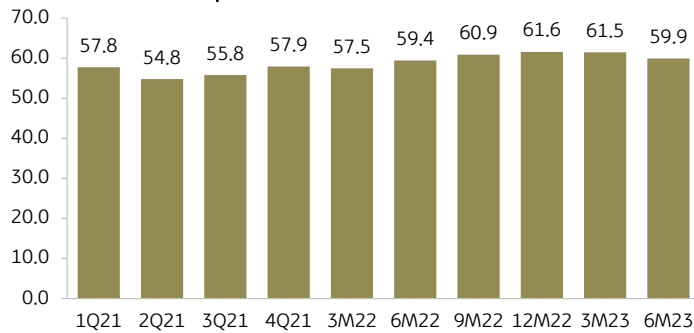
Source: Company, KBVS Research

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



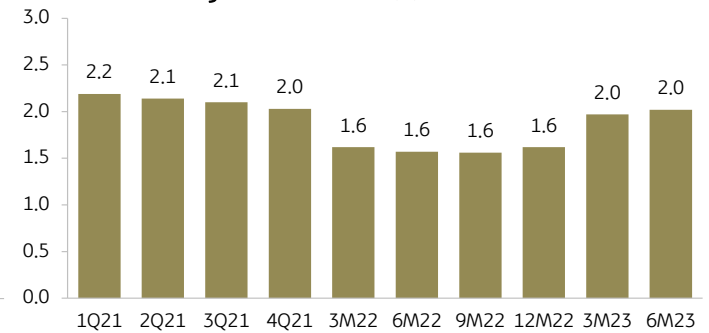
Source: Company, KBVS Research

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



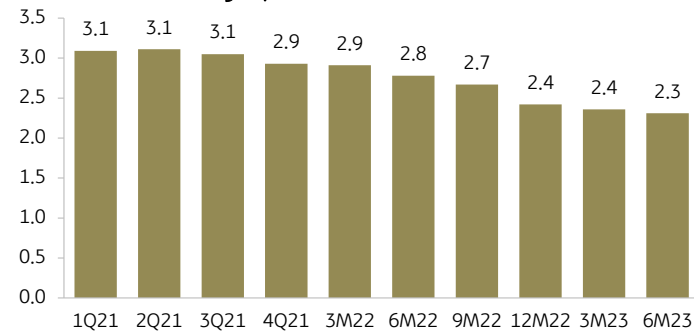
Source: Company, KBVS Research

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



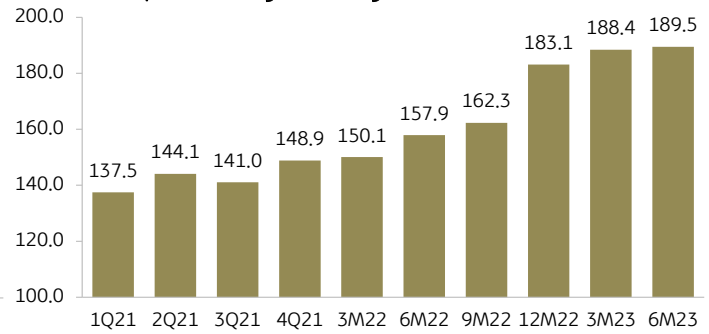
Source: Company, KBVS Research

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



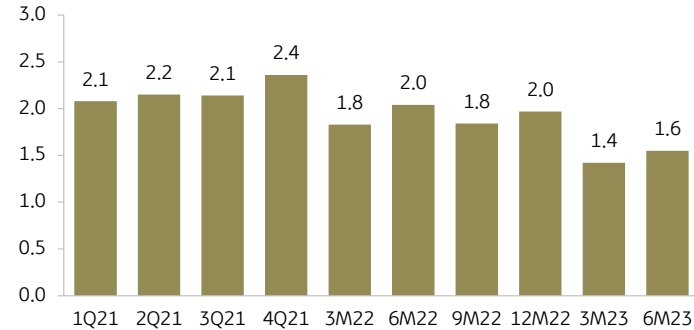
Source: Company, KBVS Research

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



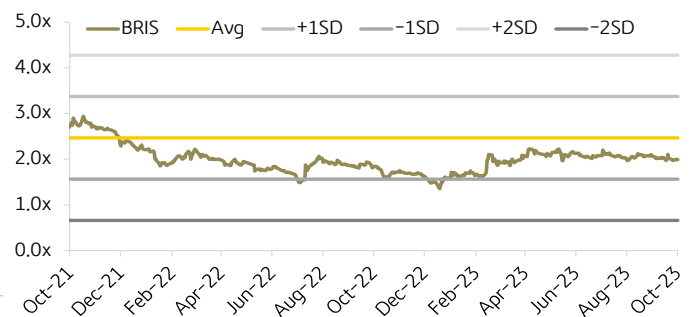
Source: Company, KBVS Research

Exhibit 8: Expecting CoC to soften (%)...



Source: Company, KBVS Research

Exhibit 9: Currently traded at 2.0 '23F P/B below its hist. mean at 2.5x



Source: Company, Bloomberg, KBVS Research

FINANCIAL TABLES
Exhibit 10: Profit & Loss

Year End Dec (IDR bn)	2021A	2022A	2023F	2024F	2025F
Margin income	17,808	19,623	22,300	24,438	26,829
Profit sharing expense	(4,379)	(4,032)	(4,667)	(4,877)	(5,009)
Net margin income	13,430	15,591	17,633	19,561	21,820
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	11,141	12,558	14,263
Loan loss provision	(3,551)	(3,749)	(3,995)	(4,039)	(4,021)
Operating profit	4,108	5,648	7,146	8,518	10,242
Other income (expenses)	(46)	9	9	9	9
Pretax profit	4,062	5,656	7,155	8,527	10,251
Net profit	3,028	4,260	5,115	6,292	7,538

Exhibit 11: Balance sheet

Year End Dec (IDR bn)	2021A	2022A	2023F	2024F	2025F
Assets					
Cash	4,120	4,951	5,560	6,004	6,258
Current Account at BI	20,564	31,778	38,872	40,921	45,112
Interbank Loans	1,842	2,476	2,602	2,735	2,874
Marketable securities	67,579	57,841	56,238	59,944	61,733
Loan (Consolidated)	163,815	198,506	217,810	242,138	271,171
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	332,415	364,168	400,779
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	17,762	22,775	28,740
Other Equity	607	658	633	645	639
Shareholder's Equity	25,014	33,506	37,531	42,556	48,515
Non-controlling Interest	-	-	-	-	-
Total Equity	25,014	33,506	37,531	42,556	48,515

Exhibit 12: Key performance metrics

Year End Dec (IDR bn)	2021A	2022A	2023F	2024F	2025F
NIM	6.0	6.3	6.4	6.5	6.6
FDR	73.4	79.4	79.9	81.0	82.4
CASA	57.9	61.6	62.0	62.1	62.2
Cost/income	52.6	51.0	49.1	48.2	47.1
NPF	2.9	2.4	2.26	2.0	1.7
CAR	22.1	20.3	21.0	21.4	22.1
BVPS (IDR)	609	806	814	923	1,052
PER (x)	22.1	15.8	14.7	11.9	9.9
PBV (x)	2.7	2.0	2.0	1.8	1.5
Div. Yield	-	1.1	1.4	1.7	2.1
ROE	13.7	16.8	19.1	20.0	20.4
ROA	1.6	2.0	2.2	2.4	2.7

Source: Company, KBVS Research

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