INDOPREMIER

Bank Syariah Indonesia

BUY

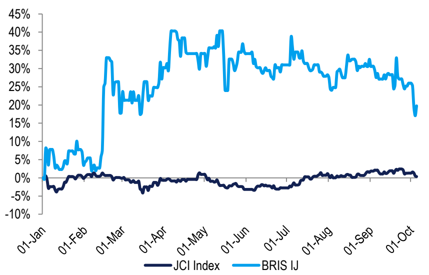
Company Initiation | Banks | BRIS IJ | 05 October 2023

Stock Data

Target price	**Rp2,100**
Prior TP	*NA*
Current price	Rp1,545
Upside/downside	*+35.9%*
Shares outstanding (mn)	46,129
Market cap (Rp bn)	71,270
Free float	10%
Avg. 6m daily T/O (Rp bn)	40

Price Performance

	3M	6M	12M
Absolute	-11.7%	-11.7%	6.3%
Relative to JCI	-14.0%	-12.5%	9.2%
52w low/high (Rp)			1,100 – 1,810



Major Shareholders

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

Anthony

PT Indo Premier Sekuritas

anthony@ipc.co.id

+62 21 5088 7168 ext. 715

Jovent Muliadi

PT Indo Premier Sekuritas

jovent.muliadi@ipc.co.id

+62 21 5088 7168 ext. 710

Capitalizing the country's big Muslim population potential

- Indonesia has the largest Muslim population in the world (13% of world population/87% of Indo's population) but lacking big Sharia bank.
- This where BRIS can shine amidst lack of competition and ample growth opportunity. We project its loan to grow by 13% FY22-25F CAGR.
- We initiate coverage with Buy rating and TP of Rp2,100 at 2.2x P/B.

Underpenetrated Sharia banking system

Islamic finance loan growth (+11.4% FY19-22 CAGR) has been gaining traction and growing faster than conventional banking (+4.6% FY19-22 CAGR) in the last four years. Indonesia has always been a compelling market for Islamic finance with the largest Muslim population of 220mn (about 14x of Malaysia's Muslim population and accounts for 13% world's Muslim population). Yet, the Islamic financing penetration is still very low at 8% in Indonesia (vs. 40% in Malaysia).

BRIS is well-positioned to capitalize on the growing industry

As of Jun23, BRIS has 42% of the Islamic banking system's financing vs. 4% for its closest peers. Its strategy to focus on consumer segment has been paying-off so far, with its consumer portfolio (i.e. payroll, mortgage) grew at 21% 2Q21-23 CAGR, surpassing BMRI and BBNI's consumer loan growth. Concurrently, funding is not an issue for BRIS despite IT incident in May23 (SA only dropped by -4% qoq, but still rose by +4% yoy in 2Q23). One of its key strengths is the Wadiah savings which grew by +5.4% yoy (0% interest rate) vs. system's savings growth of +3% yoy in 2Q23. We also project its NIM to be at 5.9%, higher than industry of 4.8%.

Short-term earnings supported by improving costs

We expect BRIS to post robust net profit of 20% FY22-25F CAGR (vs. big 4 banks at 14%). The growth will be driven by gradual improvement in CIR (from 51% in FY22 to 45% in FY25F) and lower CoC (from 2.0% in FY22 to 1.3% in FY25F) as asset quality is likely to improve – from improving loan mix and better underwriting process on the new loan booking.

Initiate coverage with Buy

Initiate on BRIS with Buy. Our GGM-based TP of Rp2,100 (Ke: 12%, LTG: 10%) which implies 36% upside from current share price and a target multiple of 2.2x FY24F P/BV, in-line with its 2-year average P/BV. Risks are slower than expected financing growth and deteriorating asset quality.

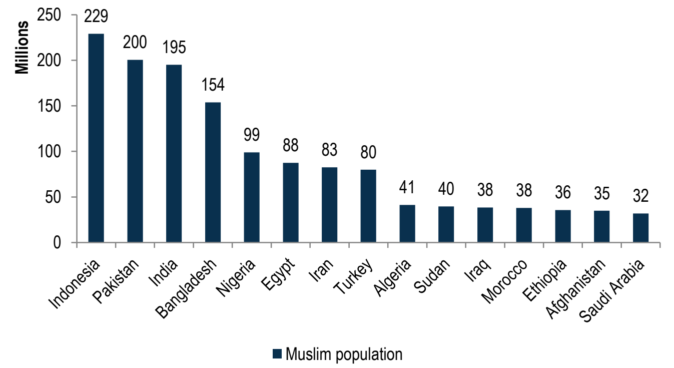
Financial Summary (Rp bn)	2021A	2022A	2023F	2024F	2025F
Net interest income	13,430	15,591	16,277	18,265	20,370
Non-interest income	3,012	3,701	3,445	3,658	3,968
Total revenue	16,442	19,292	19,723	21,923	24,338
PPOP	7,659	9,396	10,463	11,963	13,446
Provision charges	(3,551)	(3,749)	(3,325)	(3,536)	(3,658)
Net profit	3,028	4,260	5,389	6,363	7,390
Net profit growth	38%	41%	26%	18%	16%
FD EPS (Rp)	66	92	117	138	160
P/BV (x)	2.8	2.1	1.9	1.6	1.4
Dividend yield	0.0%	1.1%	0.6%	1.9%	2.2%
ROAE	13.0%	14.6%	15.0%	15.5%	15.9%
IPS vs. consensus			99%	98%	96%

Source: Company, Indo Premier *Share price closing as of: 05 October 2023*

Indonesia is a compelling market for Islamic bank; BRIS is poised to benefit from favorable demographics

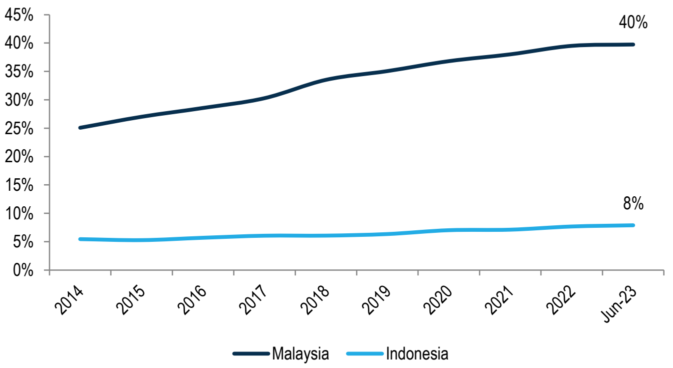
Indonesia, as the world's most populous Muslim country, presents a compelling market for the growth of Islamic bank. With over 220 million people spread across a vast archipelago, accounting for approximately 87% of the total country's population (13% of world Muslim population), the potential is significant. However, the current penetration of Islamic financing remains low. As of Jun23, Islamic banking financing of US$35bn only accounted for 8% of the total banking assets in the country. In comparison, Malaysia, despite having a smaller Muslim population of around 16 million people (61% of the total Malaysia population), stood at 40% with US$172bn in Islamic banking assets. This suggests that Islamic bank in Indonesia may yet have a bright future ahead, even with all the growth already achieved to date.

Fig. 1: Indonesia has the largest Muslim population in the world



Source: World Population Review, Indo Premier

Fig. 2: Indonesia vs. Malaysia Islamic banking financing penetration



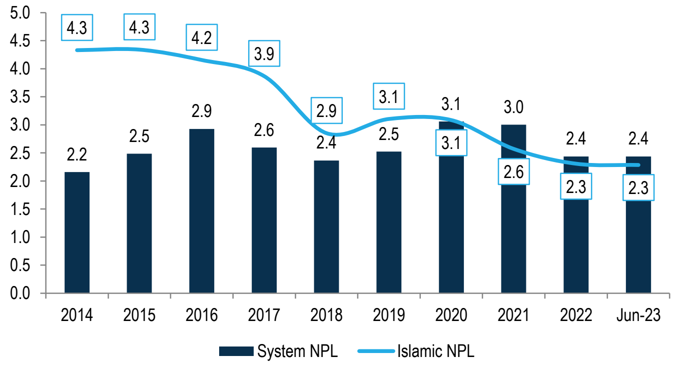
Source: BNM, OJK, Indo Premier

The slow adoption of Islamic banking in Indonesia can primarily be attributed to the prevailing negative sentiment surrounding it. In the country, Islamic banks were regarded as secondary to conventional banks, offering inferior services, and displaying weaker asset quality until recently. In contrast, Malaysia's Islamic banks consistently showcased better asset quality than the banking system, as depicted in fig 3-4.

This occurred because Islamic banks in Indonesia had the tendency to have a lower quality of customers due to the inability to compete with conventional banks. The higher cost structure of Islamic banks forced them to take higher-risk loan. This was exacerbated by poorer credit underwriting capabilities in the past i.e. NPL blowup in BSM in 2014-15, BRI Syariah in 2017, Muamalat in 2014-15.

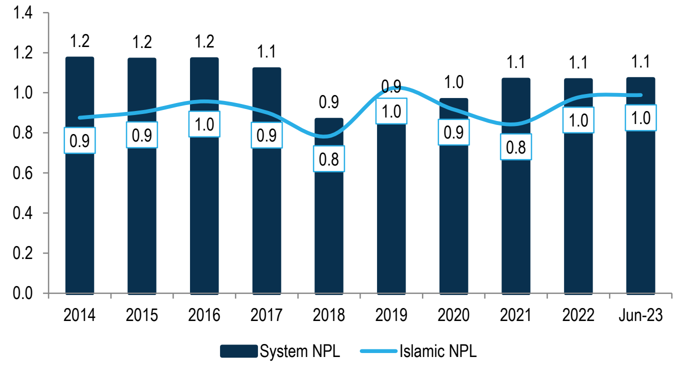
However, this situation could change in the coming years, as evidenced by the fact that the latest NPF position of Islamic banks was lower than the system's NPL since Oct21. We believe that the asset quality within the Islamic system can be further enhanced through consolidation among its players, fostering synergies and improved cost efficiencies in operations and hence, the cost of funds. This strategic move will position Islamic banks to compete more effectively with major conventional banks on the asset side as well.

Fig. 3: Indonesia Islamic banks used to have worse asset quality than the banking system, …



Source: OJK, Indo Premier

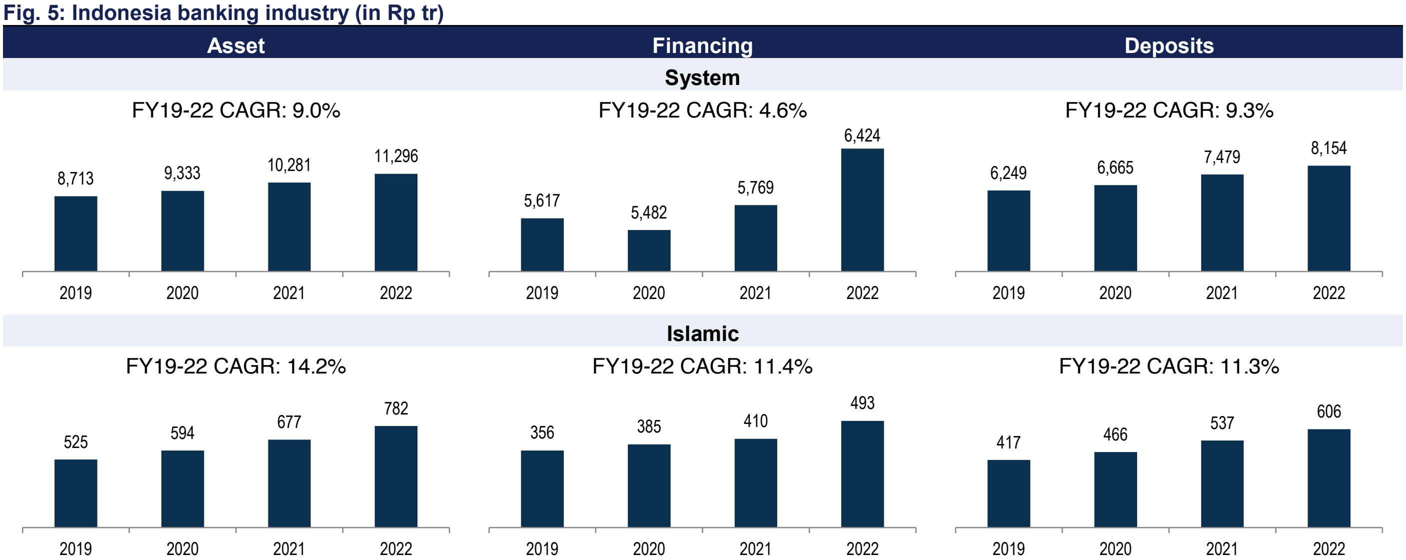
Fig. 4: … , whereas Islamic banks in Malaysia consistently recorded better asset quality than the system



Source: BNM, Indo Premier

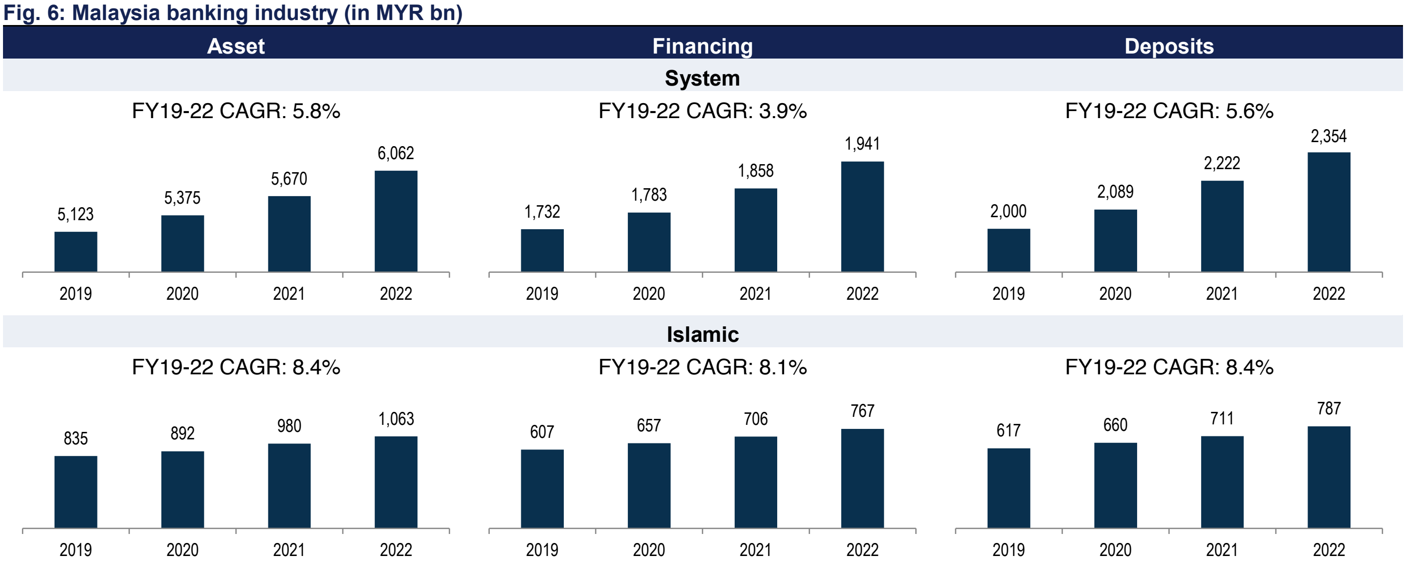
Furthermore, when it comes to growth, Islamic banking in Indonesia has demonstrated superior performance compared to conventional banks in recent years. With a financing growth rate of 11.4% FY19-22 CAGR, it has outpaced the overall banking system growth rate of 4.6% and even surpassed Malaysia's growth rate of 8.1%. We anticipate further accelerated growth for Islamic banking in Indonesia due to the increasing popularity of the industry, a stronger ecosystem, and improved infrastructure.

Fig. 5: Indonesia banking industry (in Rp tr)



Source: OJK, Indo Premier

Fig. 6: Malaysia banking industry (in MYR bn)



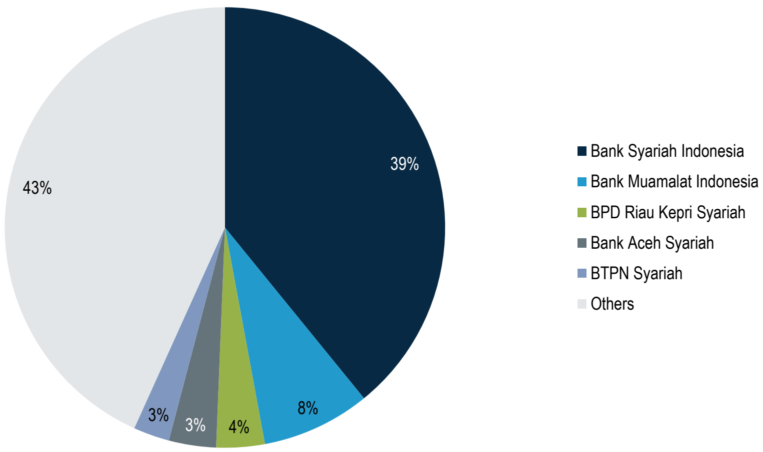
Source: BNM, Indo Premier

As of Jun23, BRIS has Rp314tr in assets, accounting for 39% of the total Islamic banking system in Indonesia and 2.8% of the entire banking system's assets. This makes BRIS the largest Islamic bank and the seventh largest bank in Indonesia in terms of asset size.

In terms of lending, BRIS ranked sixth with Rp221tr, representing 42% of the Islamic banking system's financing and 3.3% of the total banking system's loans.

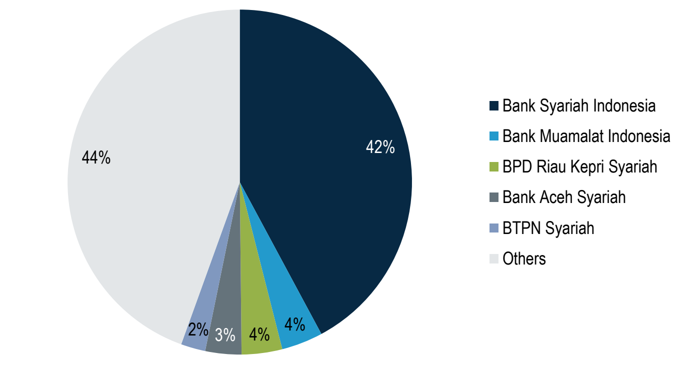
Furthermore, BRIS recorded Rp253tr in deposits, making up 48% of the Islamic banking system's deposits and 3.1% of the total banking system's deposits. These figures establish BRIS as the sixth largest bank in Indonesia in terms of third-party funding.

Fig. 7: BRIS is the largest Islamic bank in Indonesia (based on asset level as of Jun23)



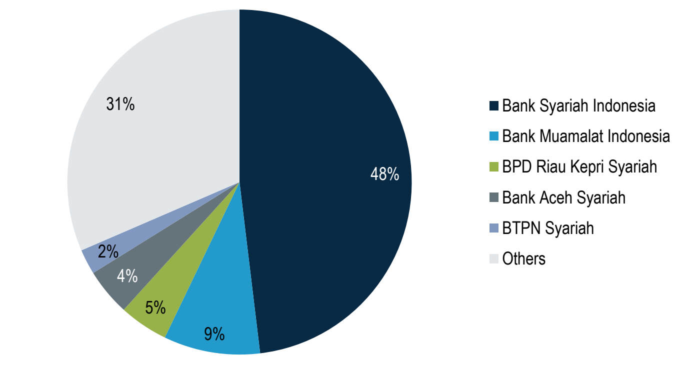
Source: Company, OJK, Indo Premier

Fig. 8: BRIS has 42% financing market share …



Source: Company, OJK, Indo Premier

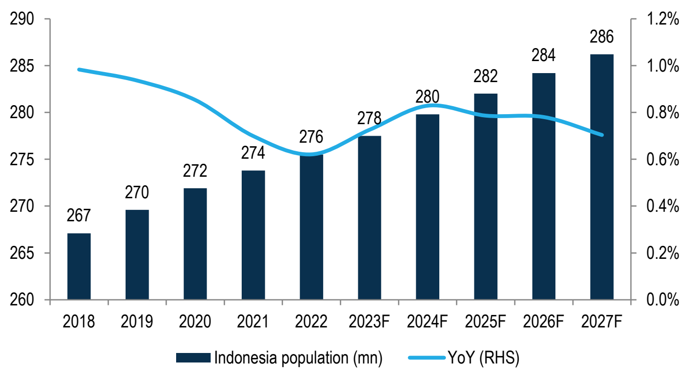
Fig. 9: … and 48% deposits market share (as of Jun23)



Source: Company, OJK, Indo Premier

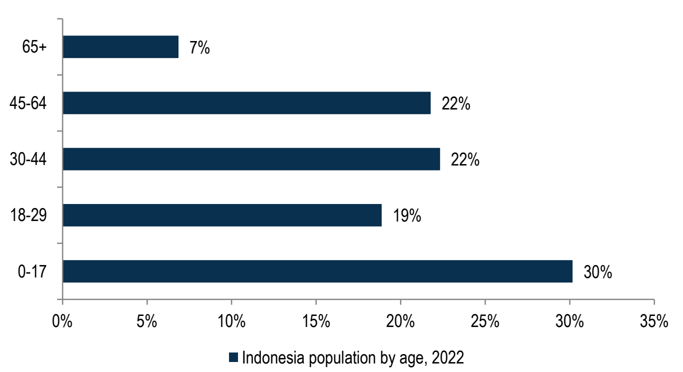
As the leading Islamic bank in Indonesia, BRIS is well-positioned to capitalize on the country's rising demand for Islamic financing and its favourable demographic trends. Over the next five years, Indonesia's working-age population is projected to grow at a CAGR of 0.9%. About 30% of population currently below working age will enter the work force over time, resulting in higher demand for personal finance, auto and mortgage loans.

Fig. 10: Indonesia's population is expected to grow by 0.9% CAGR FY22-27F



Source: Euromonitor, Indo Premier

Fig. 11: About 30% of population is currently below working age and will enter the work force over time



Source: Euromonitor, Indo Premier

Islamic Financing in Malaysia has had a far greater success in its implementation compared to Indonesia

Malaysian Islamic banking's roots originate from the use of savings deposits for the Malay population to go on Hajj, the development of Islamic banking was fully supported by government as Islam is the main and formal religion of Malaysia in a vote to support the Malay Muslim majority and to improve the income disparity between races, due to the ethnic unrest that occurred in 1969.

The push from the government was a national agenda and more of a symbolic move to gain the popular vote. Fast forward to the present, Islamic finance has been widely accepted in Malaysia regardless of race or religion, industry estimates more than 50% of clients are non-Muslims.

Ever since the government issued the Islamic Banking Act (IBA) to establish the first Islamic Bank in 1983-1993, Malaysian Islamic financing has gone through three phases of implementation, first was establishing infrastructure

(1993-2000), gaining domestic critical mass (2000-2010) and achieving global status (2010-present). The implementation focused on having a large number of players, wide variety of instruments and an Islamic money market to help Malaysians to save money to go to Hajj, do investments that comply with Islamic laws i.e. avoiding riba.

- From 1993-2000, the introduction of a dual banking system in 1993, allows participation and acceleration of Islamic banking products to local customers in the shortest possible time. Conventional banks were allowed to offer Islamic products through the “Islamic window”. 1994 the Islamic Interbank Money market and 1996 the Sharia capital market.
- 2000-2010, the Islamic bank loan market share was targeted to reach 20% via Financial Sector Master plan in 2001. The country also opened to foreign banks to obtain licenses in the country, with Al Rajhi Saudi Bank, Kuwait finance bank and other banks opening branches in the country. In 2006, the government launched an initiative called the Malaysia International Islamic Financial Centre (MIFC) to strengthen its position as an Islamic financial hub.
- 2010-present, total Islamic finance in Malaysia has grown to US$176/179bn for financing/deposits, which contributes to 40/33% of the total banking system. This market share growth of Islamic finance has been more than double compared to 18/19% of financing/deposits market share in 2010. Around 62% of the financing are towards household sector. The type of loans is mainly for mortgage/auto/personal at 53/20/14% of total household financing.

Compared to Indonesia, the Islamic banking has only penetrated 8% of total loans. The Islamic banking regulation was issued 16 years after the establishment of the first Islamic Bank (BMI) in 1992, while the resolution of double taxation and the settlement of sharia business disputes were only established in 2010.

While the difference is quite stark in the penetration, Indonesia currently possesses all the necessary products and infrastructure to grow the sharia banking market. This includes the Sharia presence under “Undang-Undang Republik Indonesia Nomor 21 Tahun 2008” which requires the conventional banks that have an Islamic business unit to spin off its business unit into a separate entity of Islamic bank by 2023 at the latest. The parent entity can opt to create a new bank, merge it with other Islamic business units from different conventional banks (with minimum capital of Rp3tr), or sell it to existing Islamic banks.

Dupont analysis: Indonesia Islamic banks outperforming Malaysia and UAE in profitability

In this section, we aim to assess the profitability of Islamic banks in Indonesia compared to Malaysia and UAE, using the Dupont method. We also compared them to conventional banks in the respective countries. Our analysis using the Dupont method leads us to the following conclusions:

- In FY22, Indonesia and UAE Islamic bank achieved similar ROA of 2.0%, while Islamic bank in Malaysia had a lower ROA of 0.6%. However, in terms of ROE, Indonesia Islamic bank performed the best with ROE of 16.3%, surpassing Malaysia’s 7.5% and UAE’s 13.7% on higher leverage.
- The key differences lie in the stellar revenue generating capabilities of Indonesia Islamic banks, with total income as % of assets at 7.6%

vs. 2.7/3.9% in Malaysia/UAE – main driven was due to higher yield at 9.5% for Indonesia vs. 3.8/4.6% in Malaysia/UAE, while Indonesia Islamic banks LDR was lower at 82% vs. 88/91% in Malaysia/UAE.

- UAE Islamic banks better operating efficiency with lower cost-to-income ratio of 35.4%, in contrast to Indonesia's 50.4% and Malaysia's 57.0%. Fortunately, improving operating efficiency is more manageable than increasing yield.
- Concurrently, Indonesia's Islamic banks PPOP as % of assets stood at 3.8% slightly lower than conventional banks' 4.3%. The difference was attributed to higher cost as % of assets at 3.9% for Islamic banks vs. 3.3% for conventional banks, which may be due to less efficient infrastructure and resources. Below PPOP, we observed a similar provisioning rate in Indonesia between Islamic banks (1.8%) and conventional banks (1.7%) but higher at 0.2/0.9% for Islamic banks in Malaysia/UAE.

Based on these findings, we believe that Islamic banks in Indonesia are more attractive compared to their counterparts in more developed Islamic finance countries such as Malaysia and UAE. We think that the key for Islamic banks in Indonesia to outperform its conventional peers lies in their ability to generate higher fee income, operate more efficiently, and maintain asset quality.

Fig. 12: Dupont analysis of Islamic banks and conventional banks in Indonesia, Malaysia, and UAE as of FY22

Dupont analysis	Indonesia banks		Malaysia banks		UAE banks	
	Islamic	Conventional	Islamic	Conventional	Islamic	Conventional
Interest income / assets	8.2%	6.6%	3.7%	2.7%	3.9%	3.7%
Asset yield	*9.5%*	*7.9%*	*3.8%*	*3.0%*	*4.6%*	*4.8%*
Interest expense / assets	1.4%	1.2%	1.3%	1.0%	1.1%	1.4%
CoF	*1.7%*	*1.6%*	*1.5%*	*1.2%*	*1.3%*	*1.7%*
NII / assets	**6.8%**	**5.4%**	**2.4%**	**1.7%**	**2.9%**	**2.2%**
NIM	*7.9%*	*6.4%*	*2.5%*	*1.9%*	*3.3%*	*2.9%*
Non-interest income / assets	**0.9%**	**2.2%**	**0.3%**	**1.2%**	**1.0%**	**1.2%**
Non-interest income / total income	*11.6%*	*29.1%*	*11.0%*	*41.8%*	*25.9%*	*36.0%*
Total income / assets	**7.6%**	**7.6%**	**2.7%**	**2.9%**	**3.9%**	**3.5%**
Cost to income	50.4%	43.5%	57.0%	44.0%	35.4%	38.1%
Cost / assets	**3.9%**	**3.3%**	**1.5%**	**1.3%**	**1.4%**	**1.3%**
Pre-provision ROA	**3.8%**	**4.3%**	**1.2%**	**1.6%**	**2.5%**	**2.1%**
LLP / loans	1.8%	1.7%	0.2%	0.3%	0.9%	1.0%
Loans / assets	*71.4%*	*61.7%*	*77.6%*	*67.9%*	*70.1%*	*54.5%*
Operating ROA	**2.6%**	**3.3%**	**1.0%**	**1.4%**	**1.9%**	**1.6%**
Other income / assets	0.0%	0.0%	-0.1%	0.0%	0.2%	0.0%
Pre-tax ROA	**2.6%**	**3.3%**	**0.9%**	**1.4%**	**2.1%**	**1.6%**
Tax and zakat rate	23.9%	19.8%	34.2%	30.6%	1.5%	7.2%
ROA	**2.0%**	**2.6%**	**0.6%**	**1.0%**	**2.0%**	**1.5%**
Balance sheet leverage	*8.3*	*6.7*	*12.9*	*10.0*	*6.8*	*8.3*
ROE	**16.3%**	**17.2%**	**7.5%**	**9.9%**	**13.7%**	**12.5%**
P/B	1.9	2.7	0.9	1.2	1.1	1.2
P/E	13.4	16.1	12.0	12.1	8.3	9.6

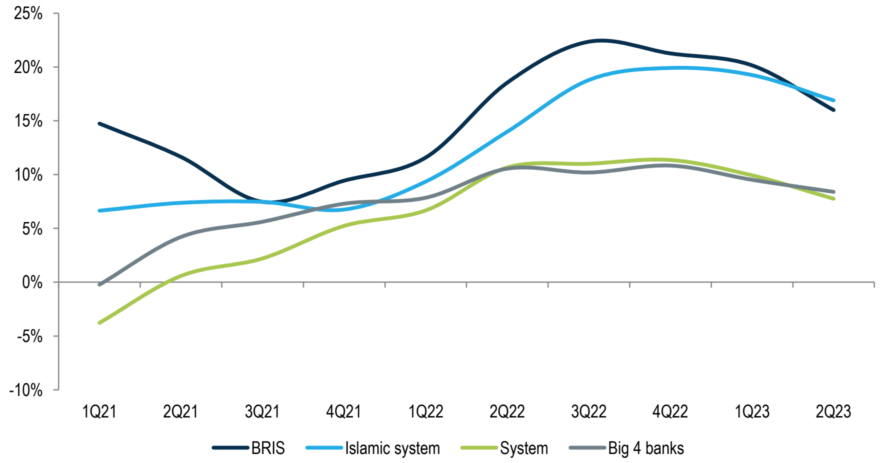
Source: Bloomberg, Company, Indo Premier

BRIS' focus on consumer financing position it for success in the Islamic banking market in Indonesia

BRIS' financing has been growing substantially over the past two years. Its financing grew by 17% 2Q21-23 CAGR vs. 9% for big 4 banks and 15/9% for Islamic/national banking system. This indicates BRIS' strength among its Islamic bank peers and reflects the increasing demand in the Islamic finance industry.

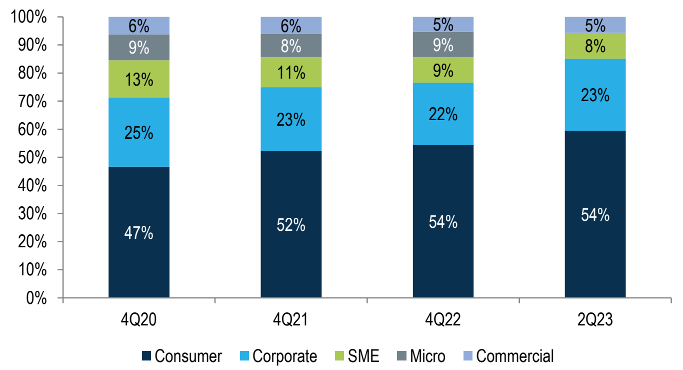
As of 2Q23, BRIS' overall financing rose by 16% yoy to Rp221tr. Consumer financing saw the highest growth at 21% yoy, followed by micro, corporate, and commercial at 16/13/10% yoy respectively. SME financing remained flat at 1% yoy. Within the consumer segment, most of the financing came from mortgage and payroll-based financing which accounts 41% and 39%; while the rest was distributed among pension financing (11%), gold pawning & instalments (5%), and auto financing (3%).

Fig. 13: BRIS' financing growth outpace the industry since its inception in 2021



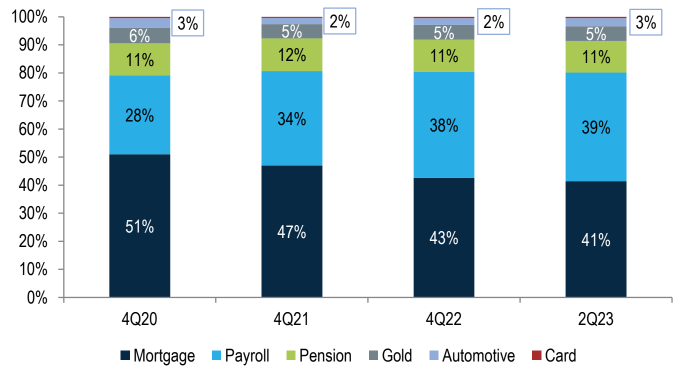
Source: Company, Indo Premier

Fig. 14: BRIS' financing by segment (% of total)



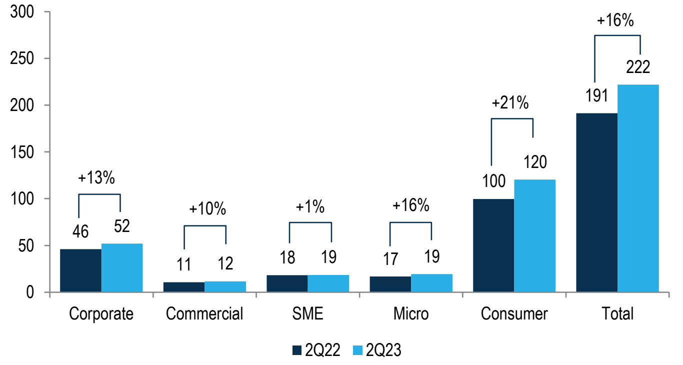
Source: Company, Indo Premier

Fig. 15: BRIS' consumer financing by segment (% of total)



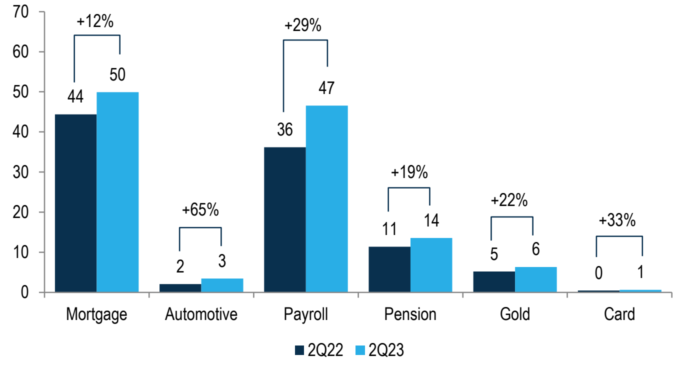
Source: Company, Indo Premier

Fig. 16: BRIS' financing by segment (in Rp tr)



Source: Company, Indo Premier

Fig. 17: BRIS' consumer financing by segment (in Rp tr)



Source: Company, Indo Premier

Following the merger in Feb21, BRIS redefined its strategy with a focus on retail banking especially in consumer financing i.e. mortgage, multipurpose, vehicles, pensioners, financing cards, gold instalments and gold mortgages, government program financing.

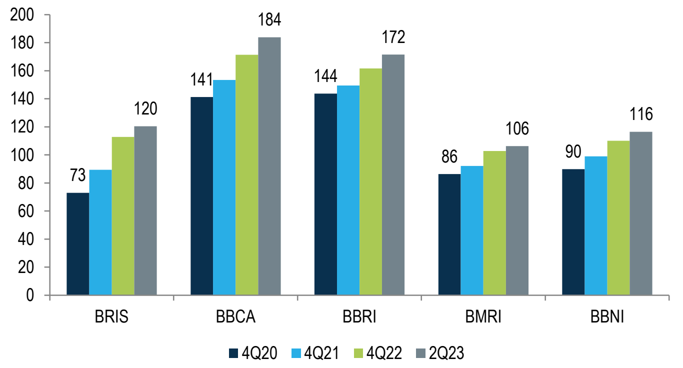
The progress has been robust so far. On average, BRIS' consumer financing grew by 25% yoy between 1Q21 and 2Q23, compared to 7% yoy for big 4 banks and brought its consumer financing portfolio reaching Rp120tr in 2Q23, surpassing BMRI and BBNI with Rp106tr and Rp116tr respectively. We believe this was due to increasing popularity of the sharia-compliant product, which have become more developed and competitive overtime. BRIS has also benefited from having a stronger ecosystem and improved infrastructure through digitalization efforts.

Fig. 18: BRIS' consumer financing product list

Product	Description
BSI Griya	Financing facilities for the purpose of purchasing a residential house/shop house/ office house, as w ell as the construction of a house w ith the condition of a new house, second house, or ready-to-built plots.
BSI Oto	Financing facilities for the purpose of ow ning motor vehicles, both 2-w heeld and 4-w heeld motor vehicles.
BSI KPR Sejahtera	Financing facility issued by BSI w ith the support of FLPP and channeled to MBR in the context of ow nership of flats.
BSI Mitraguna Berkah	Financing facilities provided to State Cicil Apparatus (ASN) and permanent employees of companies/state institutions/foundations/other business entities, carried out in bulk or individual proposals.
BSI Pensiun/Pra Pensiun Berkah	Financing facilities provided to monthly pension beneficiaries through BSI as the paying office, or ASN employees entering retirement age.
BSI Gold Installment	Purchase gold in fixed and light installments w ithout w orrying about the price of gold later.
BSI Gold Paw n	Gold paw n is a financing product based on collateral in the form of gold as an alternative to getting cash quickly.

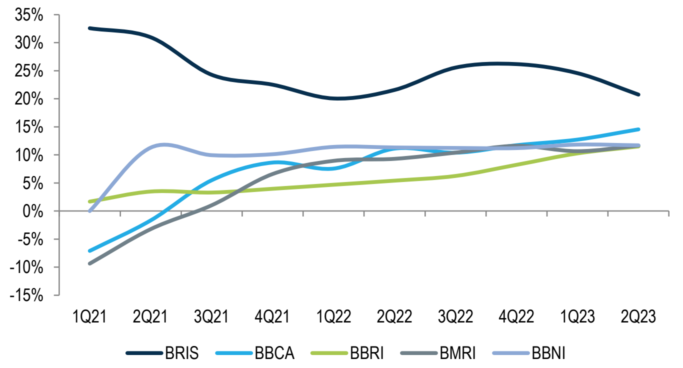
Source: Company, Indo Premier

Fig. 19: BRIS and big 4 banks consumer segment portfolio (Rp tr)



Source: Company, Indo Premier

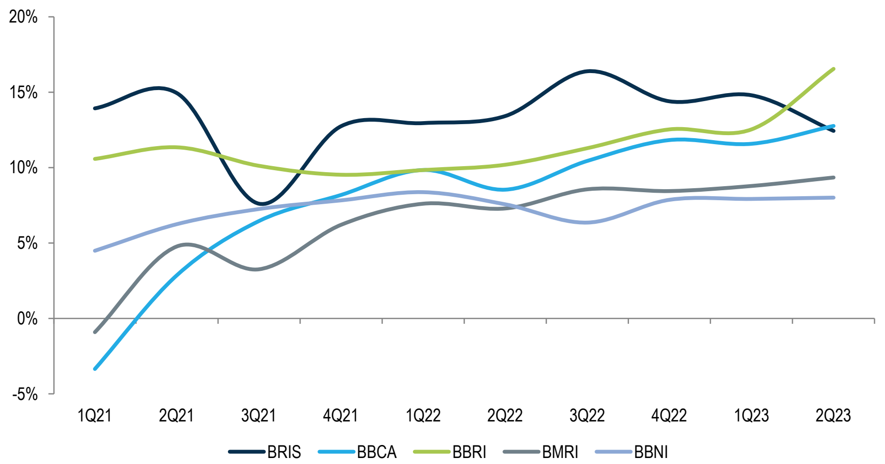
Fig. 20: BRIS and big 4 banks consumer segment growth



Source: Company, Indo Premier

As an example, BRIS has demonstrated solid growth in its mortgage portfolio, averaging at 13% growth rate between the 1Q21-2Q23. This growth rate surpasses the average of the big banks, which stands at 8%. Furthermore, when we consider yield, BRIS's mortgage offerings are quite competitive. BRIS offers an effective yield per annum of 9.55% (fixed for 10 years), which is comparable to BBNI's 9.50%, although it still higher than BBCA's 7.30% and BMRI's 7.88%; making it an attractive option for prospective customers. It also offers a special 0% down payment option for civil servants and SOE employees.

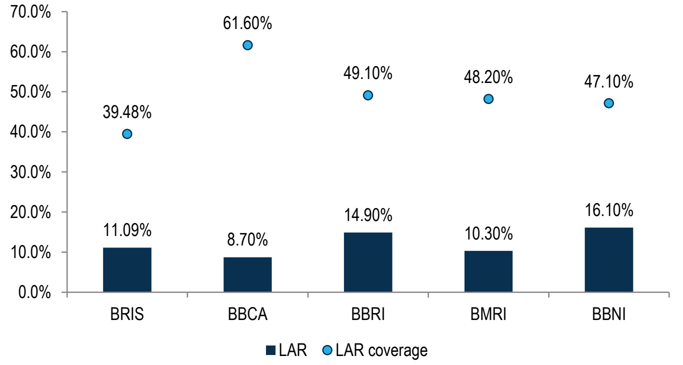
Fig. 21: BRIS mortgage growth outpace big banks in the past years



Source: Company, Indo Premier

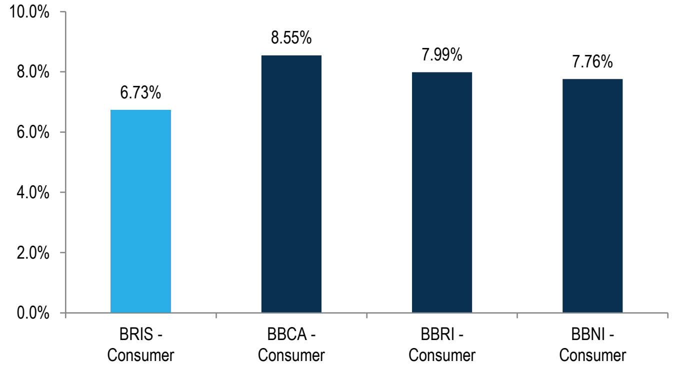
Moreover, BRIS' also demonstrated excellent asset quality. As of Jun23, BRIS's financing-at-risk (FAR) stood at 11.1%, which is slightly higher than BBCA's 8.7% and BMRI's 10.3%, but notably lower than BBRI's and BBNI's 14.9% and 16.1%, respectively. When we examine each segment individually, BRIS boasts the best consumer asset quality with LAR at 6.7%, surpassing the big banks' range of 7.8% to 8.6%.

Fig. 22: BRIS' and big banks LAR & LAR coverage (as of Jun23)



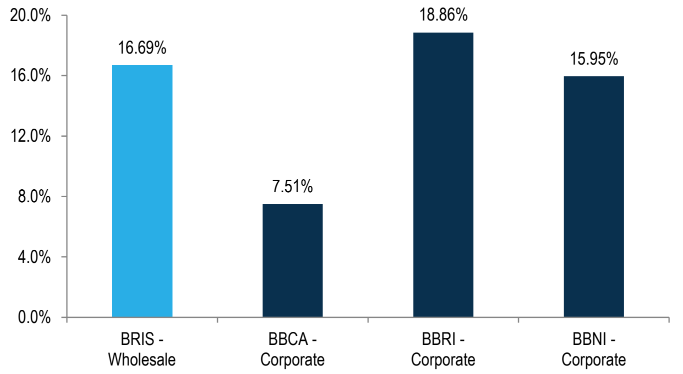
Source: Company, Indo Premier

Fig. 23: BRIS and big banks consumer segment LAR (as of Jun23)



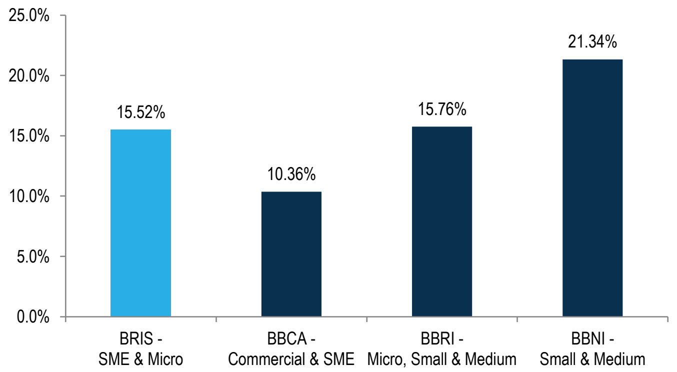
Source: Company, Indo Premier

Fig. 24: BRIS and big banks wholesale segment LAR (as of Jun23)



Source: Company, Indo Premier

Fig. 25: BRIS and big banks SME & micro segment LAR (as of Jun23)



Source: Company, Indo Premier

We believe BRIS' strategy to pursue the retail segment has been on the right path. Our segment profitability analysis reveals that, the retail segment (which consists of consumers, SMEs, and micros) not only yield higher returns but also demonstrates better asset quality compared to wholesale, SME & micro segment.

As of 1H23, BRIS' retail segment achieved a net margin of 8.2% with an NPF of 2.0%, while the wholesale segment recorded a margin of 2.9% and an NPF of 3.1%. Moreover, our findings indicate that the retail segment delivers higher return on assets, with an average ROA of 2.7% between FY21-1H23, which is more than double the average ROA of 1.0% in the wholesale segment during the same period.

BRIS' retail segment ROA have expanded to 3.3% (annualized) in 1H23 from 2.1% in FY21, mainly driven by lower CIR and and CoC due to its stellar asset quality.

Notably, BRIS' retail segment operational numbers also stands out against the big 3 SOE banks, especially on its impressive growth of 17% yoy in 2Q23 compared to the modest growth of 3-10% exhibited by the big 3 SOE banks, as shown in fig 27. In terms of ROA, BRIS' retail segment delivers higher return than BBRI and BBNI, attributed to higher yield and lower CoC. but still below BMRI which posted low–teens net margin and single digit CIR.

Fig. 26: BRIS' wholesale vs retail segment profitability analysis

	Wholesale			Retail		
	FY21	FY22	1H23	FY21	FY22	1H23
Interest income	3,759	4,024	2,470	18,579	19,841	10,913
Interest expense	(2,817)	(2,505)	(1,591)	(9,411)	(8,899)	(4,912)
Net interest income	**942**	**1,520**	**878**	**9,168**	**10,942**	**6,001**
Non-interest income	171	261	112	423	687	350
Total income	**1,113**	**1,780**	**990**	**9,591**	**11,629**	**6,351**
Operating expenses	(135)	(202)	(128)	(4,709)	(4,607)	(2,445)
PPOP	**978**	**1,578**	**863**	**4,882**	**7,022**	**3,906**
Provision	(982)	(908)	(54)	(1,710)	(2,113)	(851)
Non-operating income	0	0	0	0	0	0
Pre-tax profit	**(4)**	**670**	**809**	**3,172**	**4,909**	**3,055**
Zakat	(4)	(17)	(19)	(79)	(114)	(71)
Tax expenses	(39)	(152)	(167)	(773)	(1,013)	(631)
Net income	**(47)**	**500**	**623**	**2,319**	**3,781**	**2,353**
Gross loans	**49,380**	**57,184**	**63,519**	**121,911**	**150,521**	**158,382**
yoy %	*2%*	*16%*	*13%*	*13%*	*23%*	*17%*
NIM	1.9%	2.9%	2.9%	8.0%	8.0%	8.2%
CIR	12%	11%	13%	49%	40%	38%
CoC	2.0%	1.7%	0.2%	1.5%	1.6%	1.2%
NPL	4.8%	3.7%	3.1%	2.2%	1.9%	2.0%
ROA	-0.1%	1.0%	2.2%	2.1%	2.9%	3.3%

Source: Company, Indo Premier

Fig. 27: BRIS' retail segment compared to big 3 SOE banks

Retail	BRIS			BBRI			BMRI			BBNI		
in Rp bn	FY21	FY22	1H23	FY21	FY22	1H23	FY21	FY22	1H23	FY21	FY22	1H23
Net interest income	**9,168**	**10,942**	**6,001**	**25,578**	**30,129**	**13,994**	**38,304**	**35,364**	**22,268**	**11,118**	**12,347**	**10,207**
Non-interest income	423	687	350	11,403	15,554	7,905	9,980	11,703	6,164	6,754	7,381	4,457
Total income	**9,591**	**11,629**	**6,351**	**36,981**	**45,683**	**21,899**	**48,284**	**47,068**	**28,433**	**17,872**	**19,727**	**14,664**
Operating expenses	(4,709)	(4,607)	(2,445)	(18,137)	(18,747)	(10,758)	(5,291)	(5,308)	(2,657)	(9,460)	(9,673)	(6,583)
PPOP	**4,882**	**7,022**	**3,906**	**18,843**	**26,936**	**11,141**	**42,992**	**41,759**	**25,776**	**8,412**	**10,054**	**8,080**
Provision	(1,710)	(2,113)	(851)	(10,612)	(17,074)	(6,016)	(6,197)	(7,436)	(13,380)	(912)	(1,284)	(3,921)
Non-operating income	0	0	0	(62)	179	40	0	0	0	0	0	0
Pre-tax profit	**3,172**	**4,909**	**3,055**	**8,170**	**10,042**	**5,165**	**36,795**	**34,323**	**12,395**	**7,500**	**8,769**	**4,159**
Zakat	(79)	(114)	(71)	0	0	0	0	0	0	0	0	0
Tax expenses	(773)	(1,013)	(631)	(1,878)	(2,165)	(981)	(7,489)	(6,956)	(3,400)	(941)	(1,625)	(755)
Net income	**2,319**	**3,781**	**2,353**	**6,292**	**7,877**	**4,184**	**29,306**	**27,367**	**8,995**	**6,560**	**7,144**	**3,405**
Gross loans	**121,911**	**150,521**	**158,382**	**374,319**	**399,556**	**424,156**	**284,191**	**322,250**	**336,129**	**194,800**	**211,700**	**210,400**
yoy %	*13%*	*23%*	*17%*	*4%*	*7%*	*10%*	*8%*	*13%*	*8%*	*12%*	*9%*	*3%*
NIM	8.0%	8.0%	8.2%	7.0%	7.8%	6.9%	14.0%	11.7%	13.8%	6.0%	6.1%	9.8%
CIR	49%	40%	38%	49%	41%	49%	11%	11%	9%	53%	49%	45%
CoC	1.5%	1.6%	1.2%	2.9%	4.4%	3.0%	2.3%	2.5%	8.3%	0.5%	0.6%	3.8%
NPL	2.2%	1.9%	2.0%	2.7%	3.1%	3.2%	1.2%	1.3%	1.5%	2.4%	2.1%	2.7%
ROA	2.1%	2.9%	3.3%	1.8%	2.2%	2.2%	11.0%	9.3%	5.7%	3.6%	3.5%	2.9%

Source: Company, Indo Premier

Looking ahead, BRIS aims to further expand its consumer segment by targeting payroll customers, particularly those employed by state-owned enterprises and civil servants.

The potential is significant, considering BRIS only has 1.3mn payroll accounts as of Jun23 (400k from civil servant and SOEs employee; 900k from private institution), while there is a total of 4.3mn civil servants and 1.6mn SOEs employee reported in Dec22, according to National Civil Service Agency (Badan Kepegawaian Negara) and Ministry of SOEs.

On top of civil SOEs employee and civil servants, the Workers Social Security Agency (BPJS Ketenagakerjaan) reported a total of 22.8mn active wage recipient workers in Dec22. Even after considering the Muslim population in Indonesia (approximately 87% of total population) and discounting it by another 45% of individuals who prefer to use Islamic banks ("universalist" and "conformist"), the potential market for payroll-based financing still amounts to about 8.7mn customers.

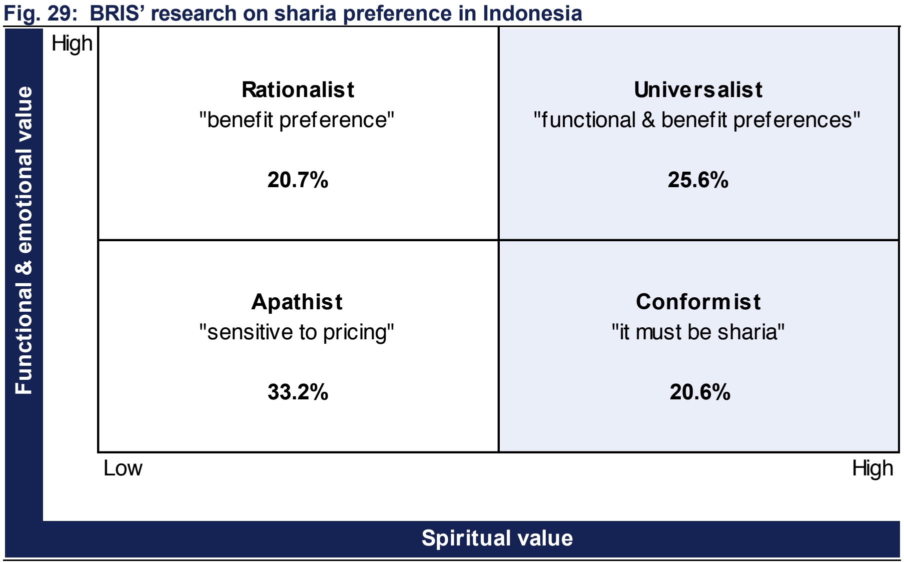
Furthermore, out of 1.3mn payroll accounts currently held by BRIS, only a relatively small percentage has taken multi-purpose financing (13.4%), mortgage loans (1.1%), and vehicle loans (0.2%) – fig. 30. We expect BRIS to continue booking superior growth from its consumer segment given it is still very under penetrated. We forecast BRIS to deliver a 13% FY22-25F CAGR financing growth, with its consumer segment as the main growth engine.

Fig. 28: Number of social security participant in Indonesia as of Dec22

Type	# of workers
Active participation	**35,864,017**
Wage recipient	22,839,463
Non-w age recipient	6,004,021
Construction service	7,020,533
Non-active participation	**19,515,703**
Wage recipient	18,742,715
Non-w age recipient	772,988
Total	**55,379,720**

Source: BPJS Ketenagakerjaan, Indo Premier

Fig. 29: BRIS' research on sharia preference in Indonesia



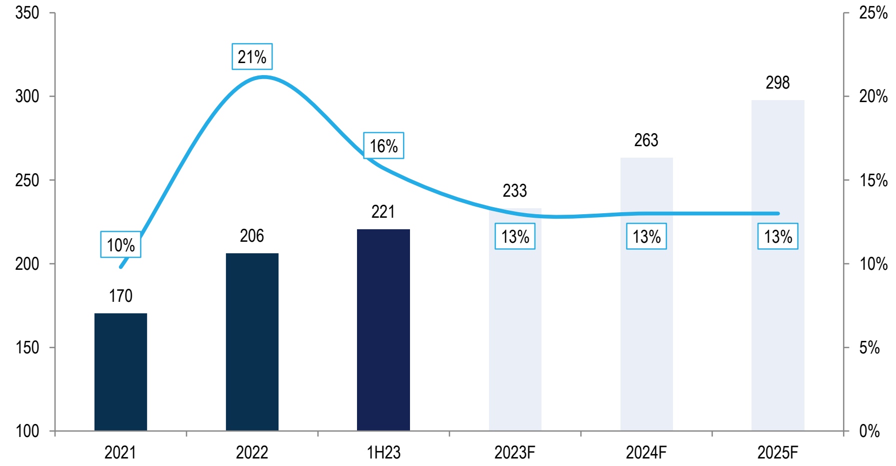
Source: Company, Indo Premier

Fig. 30: BRIS' payroll customer product holding ratio as of Jun23

Automotive financing 0.22%	Mobile banking active user 53.51%	Multi purpose financing 13.44%
Paw ning 0.73%	**2.58** Product holding ratio on payroll customer	Hajj saving 11.86%
Mortgage 1.10%	Time deposit 1.08%	Gold installments 1.92%

Source: Company, Indo Premier

Fig. 31: BRIS' financing growth forecast (in Rp tr)



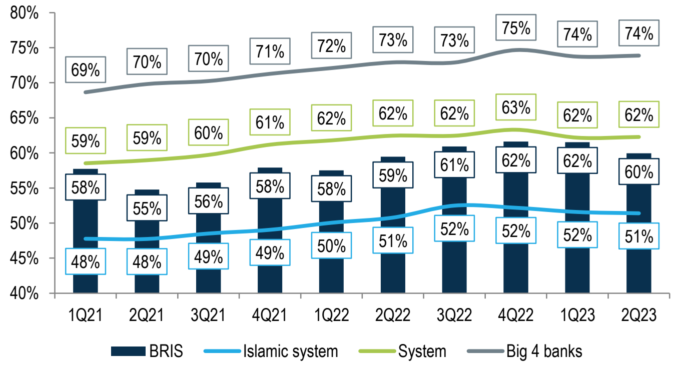
Source: Company, Indo Premier

Funding is not an issue; growing Wadiah accounts shall support low cost of funds

Overall deposits have grown slower compared to overall loan growth (loan saw 17% 2Q21-23 CAGR and deposits saw 8% 2Q21-23 CAGR in the past two years. This was driven by robust growth in CASA (+13% CAGR in 2Q21-23) while time deposit was slower (+2% CAGR in 2Q21-23). As a results, BRIS CASA ratio rose from 55% in 2Q21 to 60% in 2Q23 from, relatively similar with system at 62% but still below big 4 banks at 74%.

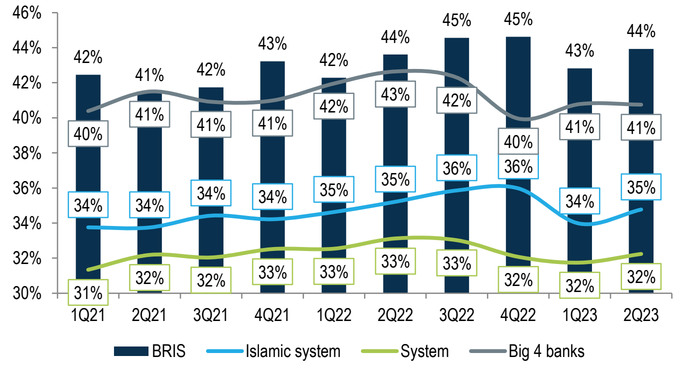
However, if we look more closely on its CASA franchise, BRIS' saving accounts ratio consistently averaged higher at 43% between 1Q21-2Q23 compared to big 4 banks of 41% (BBCA and BMRI at 50% and 38%). Additionally, BRIS' has witnessed a steady increase in its savings market share over the past three years. As of Jun23, BRIS has 18.8mn deposits customers, of which 72% already open Wadiah account (interest free deposits). Notably, Wadiah customer base has grown by 33% over the past year, outpacing the 14% growth of the total customer base. This underpins our view that sharia-compliant products are in high demand among the Muslim population. We think the zero-return aspect is what has made wadiah deposits more popular among depositors as they are guaranteed that their fund not be tainted by usury or riba.

Fig. 32: BRIS' robust CASA growth brought its CASA ratio to reach similar level with system



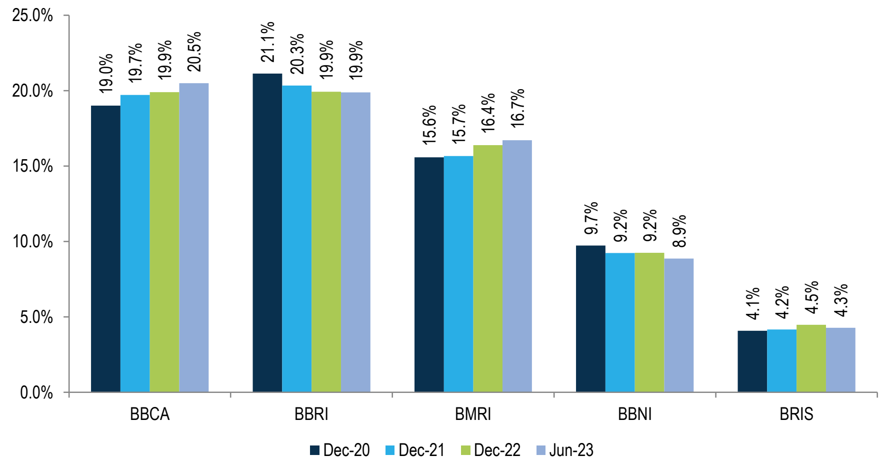
Source: Company, OJK, Indo Premier

Fig. 33: However, in terms of SA ratio, BRIS actually surpassing its peers



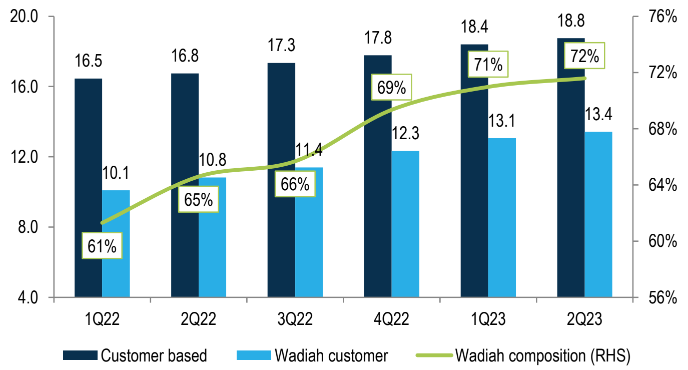
Source: Company, OJK, Indo Premier

Fig. 34: BRIS has consistently increasing its savings market share



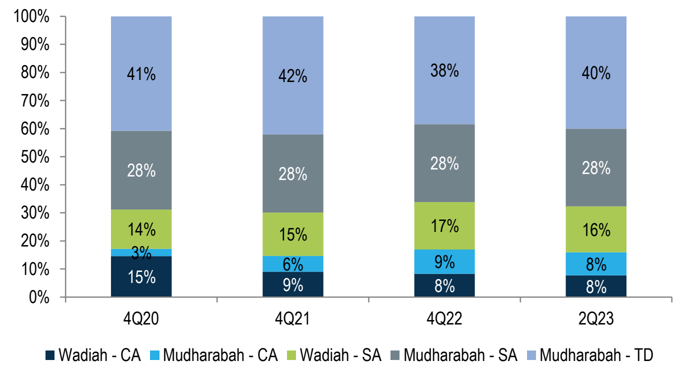
Source: Company, Indo Premier

Fig. 35: BRIS' number of customers (in mn)



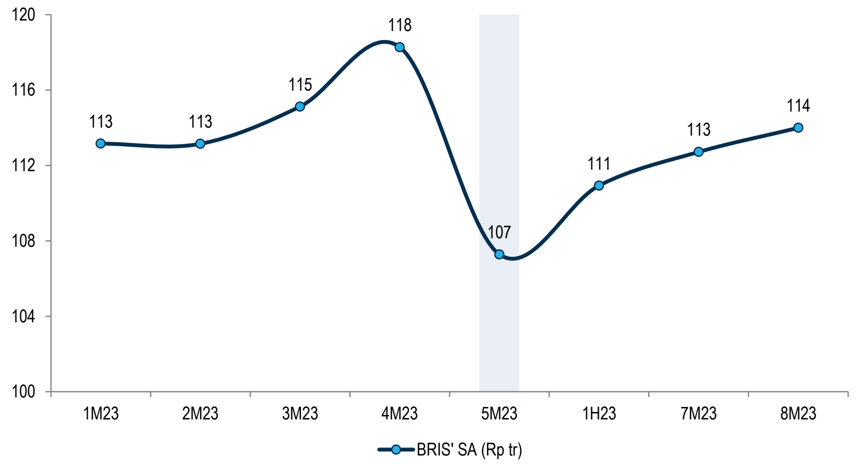
Source: Company, Indo Premier

Fig. 36: BRIS' deposits by segment



Source: Company, Indo Premier

Fig. 37: BRIS' savings has gradually recovered since IT incident in May23

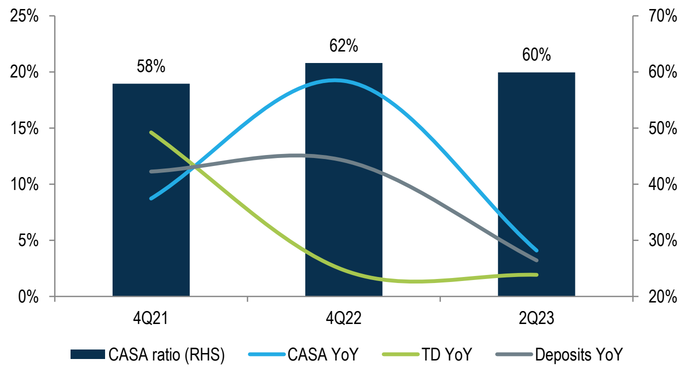


Source: Company, Indo Premier

BRIS' financing-to-deposit ratio (FDR) stood at 87.8% in 2Q23, rising from 78.1% in 2Q22. Despite this rise, it remains below the management's comfortable level of 90%. At this level, we do not think that liquidity is a concern for BRIS, even in the light of the IT incident that occurred in May23. The incident caused a temporary drop in savings, with a decrease of -9% from Rp118tr in Apr23 to Rp107tr in May23 but has gradually recovered, reaching Rp114tr in Aug23, as depicted in fig. 37. During our discussion, management guided CASA ratio should be relatively stable at this level in the medium term.

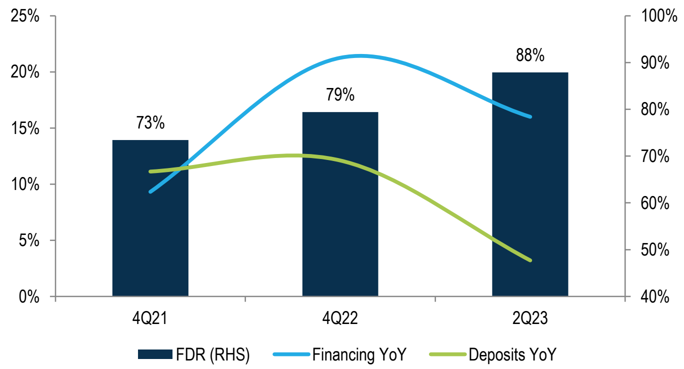
Management decided to focus on increasing its Wadiah savings portion in its funding mix to maintain low cost of funds. We forecast BRIS to deliver a 7% FY22-25F CAGR financing growth, with its consumer segment as the main engine of growth.

Fig. 38: CASA ratio vs. deposit growth – deposit growth has been driven by both CASA & TD; CASA ratio has remained relatively stable



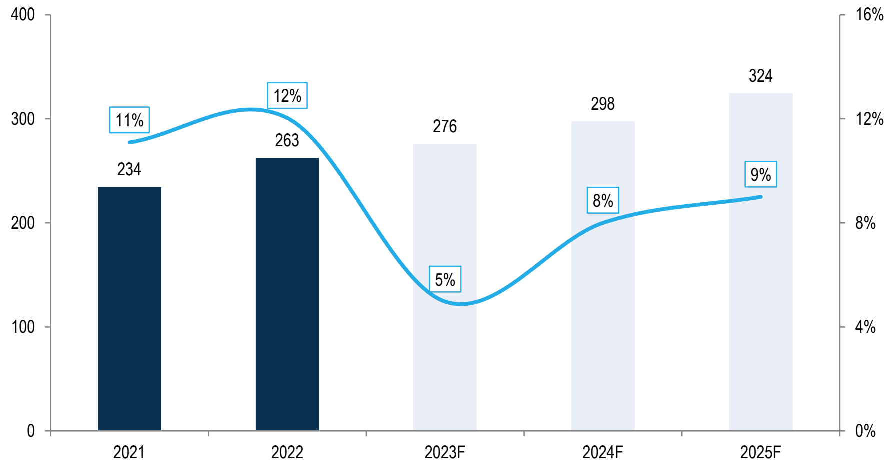
Source: Company, Indo Premier

Fig. 39: Financing-to-deposit ratio (FDR) vs. financing growth



Source: Company, Indo Premier

Fig. 40: BRIS' deposits growth forecast (in Rp tr)



Source: Company, Indo Premier

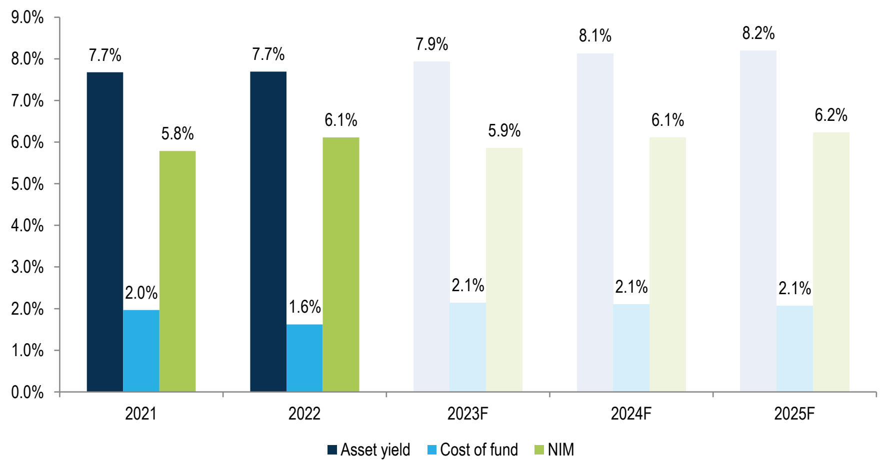
Stable margin outlook

BRIS maintained a stable NIM of 6% in 1H23, despite the rise in cost of funds to 2.0% from 1.6% in the same period last year (driven by higher time deposit costs to 3.8% in 1H23 from 2.8% in 1H22, in-line with the increase in BI rate of +225bp) and lower financing yield to 9% in 1H23 from 9.2% in 1H22 (due to ample liquidity in the market). Stable NIM in can be attributed to higher FDR at 87.8% in 2Q23 vs. 78.1% in 2Q22.

We forecast BRIS' NIM at 5.9-6.2% for the next 3 years, relatively stable compared to 6.1% achieved in FY22. This forecast takes into account the expectation of gradual increase in benchmark rate from FY22F onwards. To note, BRIS may face a disadvantage during rate hike periods as the profit-sharing calculation on the funding follows the interest rate trends, while the consumer lending segment offers fixed rate products with average tenor of 5-8 years for mortgage and 5 years for payroll.

Upside to yield would come from a more aggressive growth in consumer segments, which bears higher yields than the other segments, while further CoF improvement in the medium/long term shall be driven by better CASA ratio as a result of its strategy to grow Wadiah accounts, in our view.

Fig. 41: NIM, asset yield, cost of funds – we think NIM will be at 5.9-6.2% in FY23-25F; relatively stable compared to FY22 amid higher cost of funds



Source: Company, Indo Premier

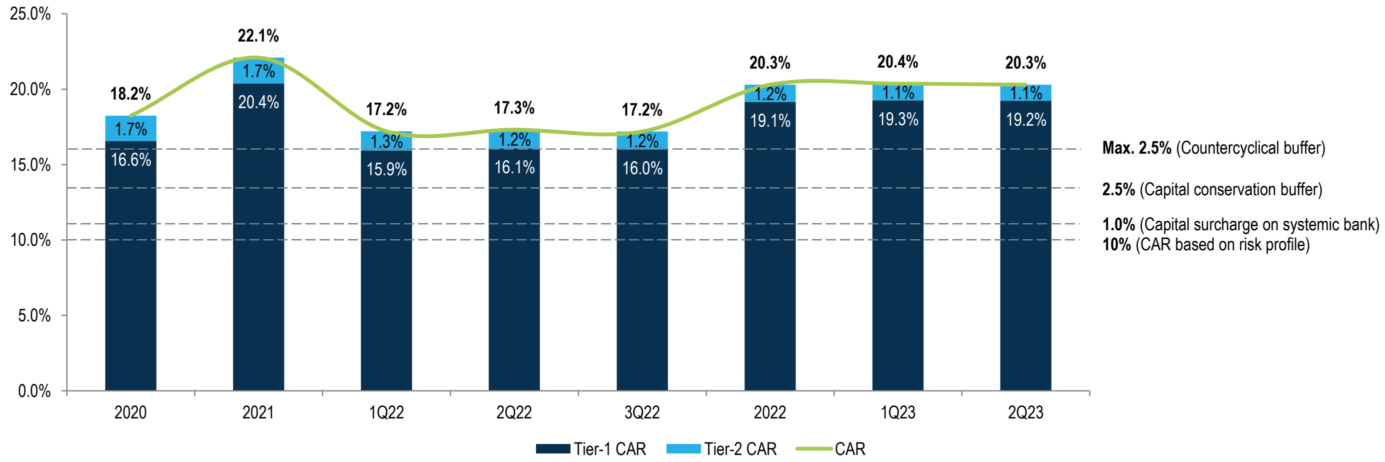
Ample equity base

BRIS' capitalization remains strong, with a tier-1 CAR and total CAR of 19% and 20% in 2Q23, respectively, well above its fully-phase in Basel III capital requirement of c.16%. High capital buffer enabled stable payout ratios and

Following the merger in Feb21, BRIS received a relaxation from the government to exclude operational risk from its RWA calculations for 12 months post-merger completion. This adjustment resulted in the bank recording a CAR ratio of 22% in 2021 and slipped to 17% in 1Q22. In Sep22, BRIS took steps to strengthen its capital position by raising Rp5tr in capital through a rights issue, subsequently elevating its CAR to 20% in 4Q22.

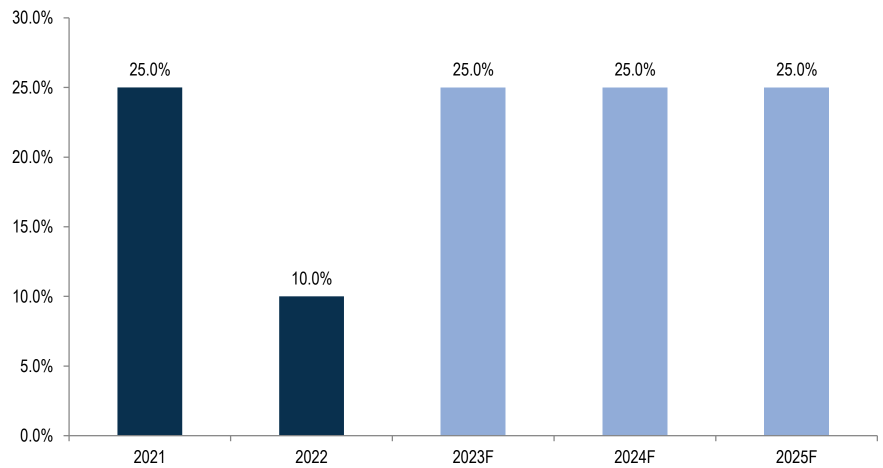
BRIS paid out a total dividend of Rp757bn (25% dividend payout of FY21 net income) and Rp426bn (10% dividend payout of FY22 net income). Dropped in dividend payout ratio was intended to sustain a CAR level of c.20%. Management plans to maintain such CAR level and restoring dividend payout to 25% going forward. Consequently, we anticipate that the dividend payout will remain stable at 25% in FY23-25F.

Fig. 42: BRIS' tier-1 CAR and total CAR



Source: Company, Indo Premier

Fig. 43: BRIS' dividend payout ratio



Source: Company, Indo Premier

Short-term earnings supported by improving costs

We expect BRIS to post robust net profit of 20% FY22-25F CAGR, to be largely driven by operating efficiency. We expect CIR to gradually decline to 45% in FY25F from 51% in FY22, which attribute to efficiencies from the restructuring initiatives (cutting down 270 redundant branches as well as redesigned the business concept).

Cost of credit is expected to drop to 1.3% in FY25F from 2.0% in FY22, as asset quality is likely to improve due to: 1) a higher portion of consumer financing portion in the loan mix (typically consists of better quality loans such as mortgage and payroll); 2) enhanced corporate client quality as most of the client is coming from BMRI; 3) improved underwriting and collection standard; and 4) regular risk assessment and performance monitoring by its parent company.

As such, we forecast ROA to improve to 1.7-2.0% in FY23-25F from 1.5% in FY22, ROE is expected to stood at 15% in FY23F, lower than BBCA, BBRI and BMRI average of 19-20% but higher than BBNI of 14%, partly driven by higher leverage of 9x by FY23F compared to BBNI of 7x.

Fig. 44: BRIS vs. big 4 banks dupont as of FY23F

Dupont analysis	BRIS	BBCA	BBRI	BMRI	BBNI
Interest income / assets	7.0%	6.2%	8.7%	6.1%	5.3%
Asset yield	*7.9%*	*7.2%*	*10.9%*	*7.2%*	*6.7%*
Interest expense / assets	1.8%	0.7%	1.6%	1.4%	1.4%
CoF	*2.1%*	*0.8%*	*2.1%*	*1.7%*	*1.8%*
NII / assets	**5.2%**	**5.5%**	**7.1%**	**4.7%**	**3.9%**
NIM	*5.9%*	*6.4%*	*8.9%*	*5.6%*	*4.9%*
Non-interest income / assets	**1.1%**	**1.7%**	**2.7%**	**2.0%**	**2.0%**
Non-interest income / total income	*17.5%*	*23.9%*	*27.6%*	*29.4%*	*34.0%*
Total income / assets	**6.3%**	**7.2%**	**9.8%**	**6.7%**	**5.9%**
Cost to income	47.0%	35.1%	46.7%	42.9%	42.0%
Cost / assets	**2.9%**	**2.5%**	**4.6%**	**2.9%**	**2.5%**
Pre-provision ROA	**3.3%**	**4.7%**	**5.2%**	**3.8%**	**3.4%**
LLP / loans	1.5%	0.7%	2.2%	1.3%	1.5%
Loans / assets	*70.4%*	*56.9%*	*62.8%*	*64.6%*	*66.3%*
Operating ROA	**2.3%**	**4.3%**	**3.9%**	**3.1%**	**2.5%**
Other income / assets	0.0%	0.0%	0.0%	0.1%	0.0%
Pre-tax ROA	**2.3%**	**4.3%**	**4.0%**	**3.2%**	**2.5%**
Tax and zakat rate	24.5%	19.0%	18.9%	18.5%	19.2%
ROA	**1.7%**	**3.5%**	**3.2%**	**2.4%**	**2.0%**
Balance sheet leverage	*8.7*	*5.8*	*6.2*	*7.9*	*7.2*
ROE	15.0%	20.3%	19.8%	19.1%	14.2%

Source: Company, Indo Premier

Fig. 45: Income statement summary

Income Statement (Rp bn)	2021A	2022A	2023F	2024F	2025F
Interest income	17,808	19,623	22,047	24,318	26,800
Interest expense	(4,379)	(4,032)	(5,770)	(6,053)	(6,430)
Net interest income	**13,430**	**15,591**	**16,277**	**18,265**	**20,370**
% yoy	*13%*	*16%*	*4%*	*12%*	*12%*
Non-interest income	3,012	3,701	3,445	3,658	3,968
Total operating income	**16,442**	**19,292**	**19,723**	**21,923**	**24,338**
% yoy	*12%*	*17%*	*2%*	*11%*	*11%*
Opex	(8,783)	(9,895)	(9,260)	(9,960)	(10,892)
PPOP	**7,659**	**9,396**	**10,463**	**11,963**	**13,446**
% yoy	*14%*	*23%*	*11%*	*14%*	*12%*
Provisions	(3,551)	(3,749)	(3,325)	(3,536)	(3,658)
Operating profit	**4,108**	**5,648**	**7,137**	**8,427**	**9,788**
Non-operating profit	(147)	(133)	(178)	(211)	(245)
Pre-tax profit	**3,961**	**5,515**	**6,959**	**8,217**	**9,544**
Income tax	(932)	(1,255)	(1,570)	(1,854)	(2,153)
Minority interests	0	0	0	0	0
Net profit	**3,028**	**4,260**	**5,389**	**6,363**	**7,390**
% yoy	*38%*	*41%*	*26%*	*18%*	*16%*

Source: Company, Indo Premier

Fig. 46: Balance sheet summary

Balance Sheet (Rp bn)	2021A	2022A	2023F	2024F	2025F
Cash + CA with BI	15,735	25,065	26,041	28,098	29,756
Secondary reserves	78,369	71,982	59,745	54,966	59,913
Gross loans	**170,390**	**206,220**	**237,153**	**267,983**	**294,782**
% yoy	*10%*	*21%*	*15%*	*13%*	*10%*
Loan provisions	(7,476)	(9,198)	(10,378)	(11,420)	(12,234)
Other assets	8,271	11,658	11,182	11,182	11,182
Total assets	**265,289**	**305,727**	**323,744**	**350,809**	**383,399**
CASA	135,785	161,808	170,886	187,533	207,656
TD	98,593	100,760	104,736	110,139	116,806
Total deposits	**234,377**	**262,569**	**275,622**	**297,672**	**324,462**
% yoy	*11%*	*12%*	*5%*	*8%*	*9%*
Securities and borrowings	1,536	4,710	4,710	4,710	4,710
Other liabilities	4,361	4,943	4,943	4,943	4,943
Total liabilities	**240,275**	**272,222**	**285,275**	**307,325**	**334,115**
Total equity	**25,014**	**33,506**	**38,468**	**43,484**	**49,283**

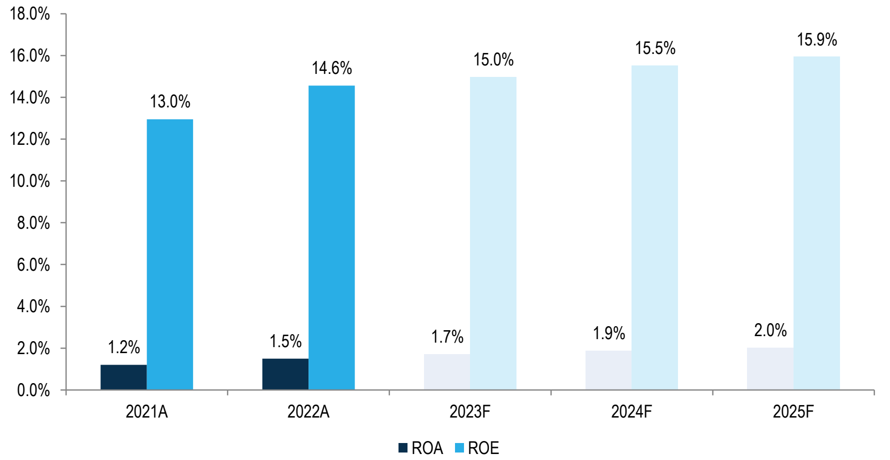
Source: Company, Indo Premier

Fig. 47: Key ratios summary

Key ratios	2021A	2022A	2023F	2024F	2025F
Asset yield	**7.7%**	**7.7%**	**7.9%**	**8.1%**	**8.2%**
Financing yield	*9.0%*	*8.6%*	*8.6%*	*8.6%*	*8.6%*
Secondary reserves yield	*4.2%*	*4.5%*	*4.5%*	*4.5%*	*4.5%*
Cost of funds	**2.0%**	**1.6%**	**2.1%**	**2.1%**	**2.1%**
CASA cost	*0.5%*	*0.6%*	*0.7%*	*0.7%*	*0.7%*
TD cost	*3.8%*	*2.9%*	*4.0%*	*4.0%*	*4.0%*
NIM (reported)	**6.0%**	**6.3%**	**5.9%**	**6.1%**	**6.2%**
Cost of credit	2.2%	2.0%	1.5%	1.4%	1.3%
Cost to income	53.4%	51.3%	47.0%	45.4%	44.8%
FDR	72.7%	78.5%	86.0%	90.0%	90.9%
CASA ratio	57.9%	61.6%	62.0%	63.0%	64.0%
Tier 1 equity	20.4%	19.1%	21.1%	22.0%	22.8%
CAR	22.1%	20.3%	22.2%	23.0%	23.7%
NPF	2.9%	2.4%	2.4%	2.3%	2.2%
SMF	1.8%	1.5%	2.1%	2.1%	2.2%
NPF coverage ratio	153.0%	185.1%	182.6%	188.5%	187.6%
ROA	1.2%	1.5%	1.7%	1.9%	2.0%
ROE	13.0%	14.6%	15.0%	15.5%	15.9%
Balance sheet leverage (x)	10.8	9.8	8.7	8.2	7.9

Source: Company, Indo Premier

Fig. 48: BRIS' ROA and ROE trends



Source: Company, Indo Premier

Valuation

We initiate coverage on BRIS with a Buy rating. We use the GGM-method to derive our target price of Rp2,100/share, which implies 36% upside from current share price and a target multiple of 2.2x FY24F P/BV, in-line with 2-year average P/BV. We detail below the assumptions used in fig. 49.

Fig. 49: GGM assumptions

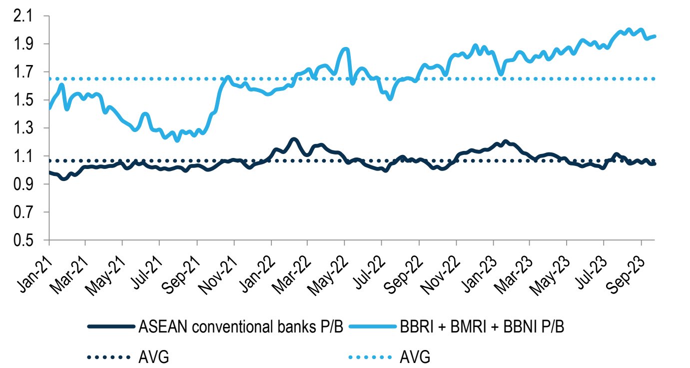
Risk free rate	7.00%
Beta	1.00
Market risk premium	5.00%
Cost of equity	**12.01%**
Long-term growth	10.00%
Long-term ROE	14.50%
Implied P/BV multiple (x)	**2.2**
FY24F BVPS (Rp/share)	943
Target price (Rp/share)	**2,116**

Source: Company, Indo Premier

Furthermore, it's worth noting that BRIS is currently trading at 1.9x P/B and 12.9x P/E, which is below global Islamic banks valuation of 2.1x P/B and 14.7x P/E. However, we firmly believe that BRIS deserves a premium valuation, primarily due to its promising ROE outlook at 15/16% in FY23-24F vs. global Islamic banks of 13/14%.

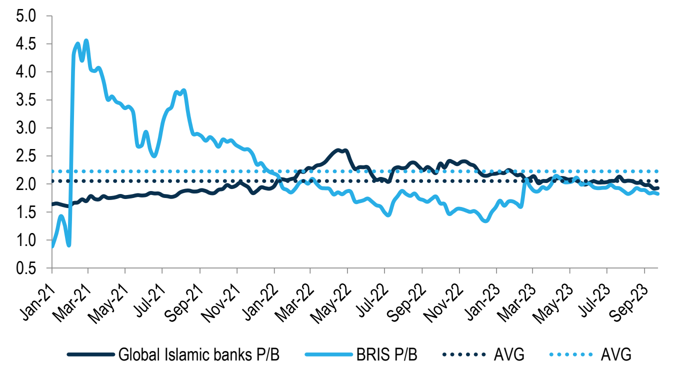
On top of that, it is essential to consider that Indonesia's conventional banks (big 3 SOE), tend to trade at a premium valuation of about 55% over ASEAN conventional banks, such as OCBC, DBS, UOB, Bangkok Bank, Kasikorn, PBK, Maybank, CIMB – fig.50. This context underscores BRIS' potential for a premium valuation in the market.

Fig. 50: P/B valuation of big 3 SOE banks vs. ASEAN conventional banks



Source: Bloomberg, Company, Indo Premier

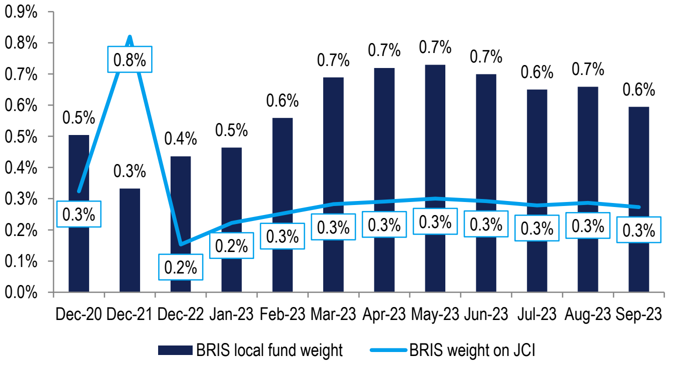
Fig. 51: P/B valuation of BRIS vs. global Islamic banks



Source: Bloomberg, Company, Indo Premier

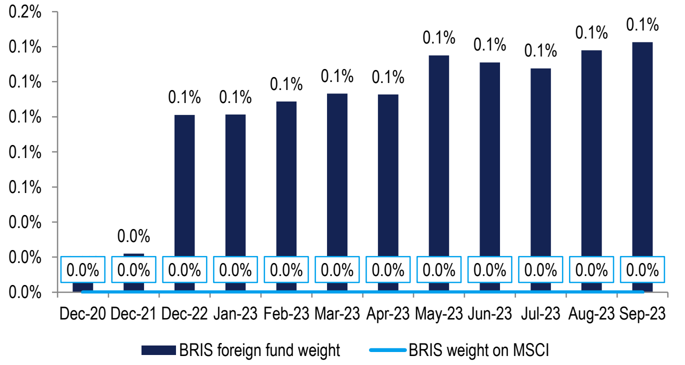
We believe that BRIS premium valuation compared to the big 3 SOE banks is also justified considering its status as the largest Islamic bank in Indonesia, particularly for sharia-compliant funds are unable to have any exposure on banks except sharia banks i.e. BRIS/BTPS. Concurrently, BRIS was listed in several major sharia index, such as ISSI (Indeks Saham Syariah Indonesia – composite index of Islamic stocks listed in JCI) with a weight of 0.53%; 1.02% in JII (Jakarta Islamic Index – consists of 30 most liquid Islamic stocks); 0.9% in JII70; as well as 7.54% in IDX-MES BUMN 17.

Fig. 52: BRIS' local fund weight vs. weight on JCI



Source: Bloomberg, Company, KSEI, Indo Premier

Fig. 53: BRIS' foreign fund weight vs. weight on MSCI



Source: Bloomberg, Company, KSEI, Indo Premier

Fig. 54: Peer comparison table of global Islamic banks

Ticker	Country	Market cap (US$ mn)	P/BV FY23F	P/BV FY24F	P/E FY23F	P/E FY24F	ROE FY23F	ROE FY24F
Al Rajhi Bank	Saudi Arabia	71,027	2.9	2.5	16.7	15.2	16.7%	17.8%
Kuw ait Finance House	Kuw ait	34,505	1.9	1.9	18.8	17.7	9.6%	10.7%
Alinma Bank	Saudi Arabia	17,783	2.3	2.1	14.7	13.2	14.9%	16.5%
Qatar Islamic Bank	Qatar	12,054	1.8	1.6	10.8	10.1	15.5%	16.8%
Dubai Islamic Bank	UAE	11,395	1.2	1.1	7.7	8.3	13.6%	13.4%
Abu Dhabi Islamic Bank	UAE	10,917	2.0	1.9	9.7	9.6	19.1%	20.3%
Bank Albilad	Saudi Arabia	10,891	2.7	2.4	17.5	15.5	16.4%	16.4%
Masraf Al Rayan	Qatar	5,584	0.9	0.9	16.2	15.4	5.3%	5.7%
Bank Al-Jazira	Saudi Arabia	3,511	0.9	0.9	17.0	13.4	5.6%	6.7%
Bank BTPN Syariah	Indonesia	931	1.6	1.4	9.5	6.9	17.2%	21.2%
Bank Islam Malaysia	Malaysia	1,011	0.7	0.6	9.1	8.3	7.2%	7.8%
Aggregate		**179,609**	**2.0**	**1.9**	**14.5**	**13.6**	**13.4%**	**14.4%**
Mean			*1.7*	*1.6*	*13.4*	*12.1*	*12.8%*	*13.9%*
Median			*1.8*	*1.6*	*14.7*	*13.2*	*14.9%*	*16.4%*
BRIS	**Indonesia**	**4,465**	**1.9**	**1.6**	**13.2**	**11.2**	**15.0%**	**15.5%**

Source: Bloomberg, Company, Indo Premier *Share price closing as of: 05 October 2023*

Fig. 55: Peer comparison table of BRIS and big banks in Indonesia

Ticker	Closing price	Target price	Upside/ downside	Rating	P/BV FY23F	P/BV FY24F	P/E FY23F	P/E FY24F	ROA FY23F	ROA FY24F	ROE FY23F	ROE FY24F
BBCA	9,075	10,400	15%	Buy	4.6	4.1	23.4	21.4	3.5%	3.5%	20.3%	19.9%
BBRI	5,175	6,500	26%	Buy	2.4	2.3	12.7	10.6	3.2%	3.5%	19.8%	22.2%
BMRI	6,125	7,200	18%	Buy	2.1	1.9	11.4	10.2	2.3%	2.4%	19.1%	19.8%
BBNI	10,375	10,400	0%	Buy	1.2	1.1	9.2	8.4	2.0%	2.0%	14.2%	13.9%
BRIS	**1,545**	**2,100**	**36%**	**Buy**	**1.9**	**1.6**	**13.2**	**11.2**	**1.7%**	**1.9%**	**15.0%**	**15.5%**

Source: Bloomberg, Company, Indo Premier *Share price closing as of: 05 October 2023*

Income Statement (Rp bn)	2021A	2022A	2023F	2024F	2025F
Interest income	17,808	19,623	22,047	24,318	26,800
Interest expense	(4,379)	(4,032)	(5,770)	(6,053)	(6,430)
Net interest income	**13,430**	**15,591**	**16,277**	**18,265**	**20,370**
Non-interest income	3,012	3,701	3,445	3,658	3,968
Total operating income	**16,442**	**19,292**	**19,723**	**21,923**	**24,338**
Opex	(8,783)	(9,895)	(9,260)	(9,960)	(10,892)
PPOP	**7,659**	**9,396**	**10,463**	**11,963**	**13,446**
Provisions	(3,551)	(3,749)	(3,325)	(3,536)	(3,658)
Operating profit	**4,108**	**5,648**	**7,137**	**8,427**	**9,788**
Non-operating profit	(147)	(133)	(178)	(211)	(245)
Pre-tax profit	**3,961**	**5,515**	**6,959**	**8,217**	**9,544**
Income tax	(932)	(1,255)	(1,570)	(1,854)	(2,153)
Minority interest	0	0	0	0	0
Net profit	**3,028**	**4,260**	**5,389**	**6,363**	**7,390**

Balance Sheet (Rp bn)	2021A	2022A	2023F	2024F	2025F
Cash + CA with BI	15,735	25,065	26,041	28,098	29,756
Secondary reserves	78,369	71,982	59,745	54,966	59,913
Gross loans	170,390	206,220	237,153	267,983	294,782
Loan provisions	(7,476)	(9,198)	(10,378)	(11,420)	(12,234)
Other assets	8,271	11,658	11,182	11,182	11,182
Total Assets	**265,289**	**305,727**	**323,744**	**350,809**	**383,399**
Total deposits	234,377	262,569	275,622	297,672	324,462
Securities and borrowings	1,536	4,710	4,710	4,710	4,710
Other liabilities	4,361	4,943	4,943	4,943	4,943
Total liabilities	240,275	272,222	285,275	307,325	334,115
Shareholders' equity	25,014	33,506	38,468	43,484	49,283
Total liabilities & equity	**265,289**	**305,727**	**323,744**	**350,809**	**383,399**

Growth YoY	2021A	2022A	2023F	2024F	2025F
Gross loans	9.8%	21.0%	15.0%	13.0%	10.0%
Total assets	10.7%	15.2%	5.9%	8.4%	9.3%
Total deposits	11.1%	12.0%	5.0%	8.0%	9.0%
Net interest income	12.6%	16.1%	4.4%	12.2%	11.5%
Non-interest income	8.5%	22.9%	-6.9%	6.2%	8.5%
Total operating income	31.4%	37.5%	26.4%	18.1%	16.1%
Operating expense	10.4%	12.7%	-6.4%	7.6%	9.4%
PPOP	13.5%	22.7%	11.3%	14.3%	12.4%
Net profit	38.4%	40.7%	26.5%	18.1%	16.1%

Key Ratios	2021A	2022A	2023F	2024F	2025F
ROAA	1.2%	1.5%	1.7%	1.9%	2.0%
ROAE	13.0%	14.6%	15.0%	15.5%	15.9%
NIM	5.8%	6.1%	5.9%	6.1%	6.2%
Credit cost	2.2%	2.0%	1.5%	1.4%	1.3%
Cost/income	53.4%	51.3%	47.0%	45.4%	44.8%
LDR	72.7%	78.5%	86.0%	90.0%	90.9%
CAR	22.1%	20.3%	22.2%	23.0%	23.7%
NPL ratio	2.9%	2.4%	2.4%	2.3%	2.2%
Provisions/NPL	153.0%	185.1%	182.6%	188.5%	187.6%

Source: Company, Indo Premier

INVESTMENT RATINGS

BUY	:	Expected total return of 10% or more within a 12-month period
HOLD	:	Expected total return between -10% and 10% within a 12-month period
SELL	:	Expected total return of -10% or worse within a 12-month period

ANALYSTS CERTIFICATION

The views expressed in this research report accurately reflect the analyst's personal views about any and all of the subject securities or issuers; and no part of the research analyst's compensation was, is, or will be, directly or indirectly, related to the specific recommendations or views expressed in the report.

DISCLAIMERS