

Investment Consideration Sharia Bank Merger

The SOE Ministry plan to merge Islamic Banks is forecast to be completed in February 2021. There are two scenarios in merging BUMN Syariah banks. In the first scenario, BRIS will become the surviving entity and will continue to be listed on the IDX. However, in 1Q20, BRI Syariah total equity increased by 1.54% QoQ to IDR. 5.16 Trillion which is smaller than the total Equity of Islamic Bank Mandiri, IDR 5.18 Trillion. So in the second scenario, viewed from the company's capital, the larger Bank Mandiri Syariah will become the surviving entity, BBRI will makes a tender offer to the shareholders of BRIS and BRIS will be delisted. The goal of the Sharia Bank Merger is to broaden the Sharia bank capital structure in order to increase lending.

BRIS 1Q20 performance

In 1Q20, BRIS CAR was 21.99% up from 25.6% in FY2019, which is the largest capital adequacy among Sharia BUMN Banks. BRIS net profit was IDR. 75 million in 1Q20 which is growth of 150% YoY. Total loans increased to IDR. 30.45 Trillion. Loans to the retail segment grew an impressive 49.74%, while loans to small retail grew an even faster 71% YoY, to IDR. 6.07 Trillion. On the funding side, low cost CASA deposits grew to IDR. 16.86 Trillion up 78% YoY, as a result of more payroll savings accosts which grew 46%.

Valuation: 9% Upside, Hold.

Based on our DDM Valuation, we have a target price within one year of IDR 560 or trading at 1.0x PBV which gives 9% potential upside, Hold.

Income Statement (Idr bn)	2017A	2018A	2019A	2020F	2021F	2022F
Interest Income	2.817	3.120	3.375	2.584	3.112	3.358
Interest Expense	-1.194	-1.317	-1.321	-1.314	-1.543	-1.711
Net Interest Income	1.623	1.803	2.054	1.270	1.569	1.647
Net Operating Income	149	174	251	222	250	277
Operating Expense	-1.179	-1.201	-1.332	-1.354	-1.424	-1.637
Pre Provision Operating Profit	593	777	972	138	394	287
Provision Expense	-453	-619	-854	-30	-276	-171
Operating Profit	139	157	118	108	118	116
Profit Before Tax	151	152	117	106	116	114
Tax Expense	-50	-45	-43	-35	-41	-39
Net Profit	101	107	74	71	76	75
EPS (Rp/Share)	25,5	12,8	7,6	7,3	7,8	7,8

3 August 2020
 Banking, Equity

Price IDR. 515
 Target Price IDR. 560
 JKSE Index 5006.223



Stock Code
 Bloomberg code BRIS IJ
 Market cap (IDR.bn) 5246.7B
 52-Week High (IDR) 615
 52-Week Low (IDR) 135
 6-m Avg Daily. Val (IDR) 291

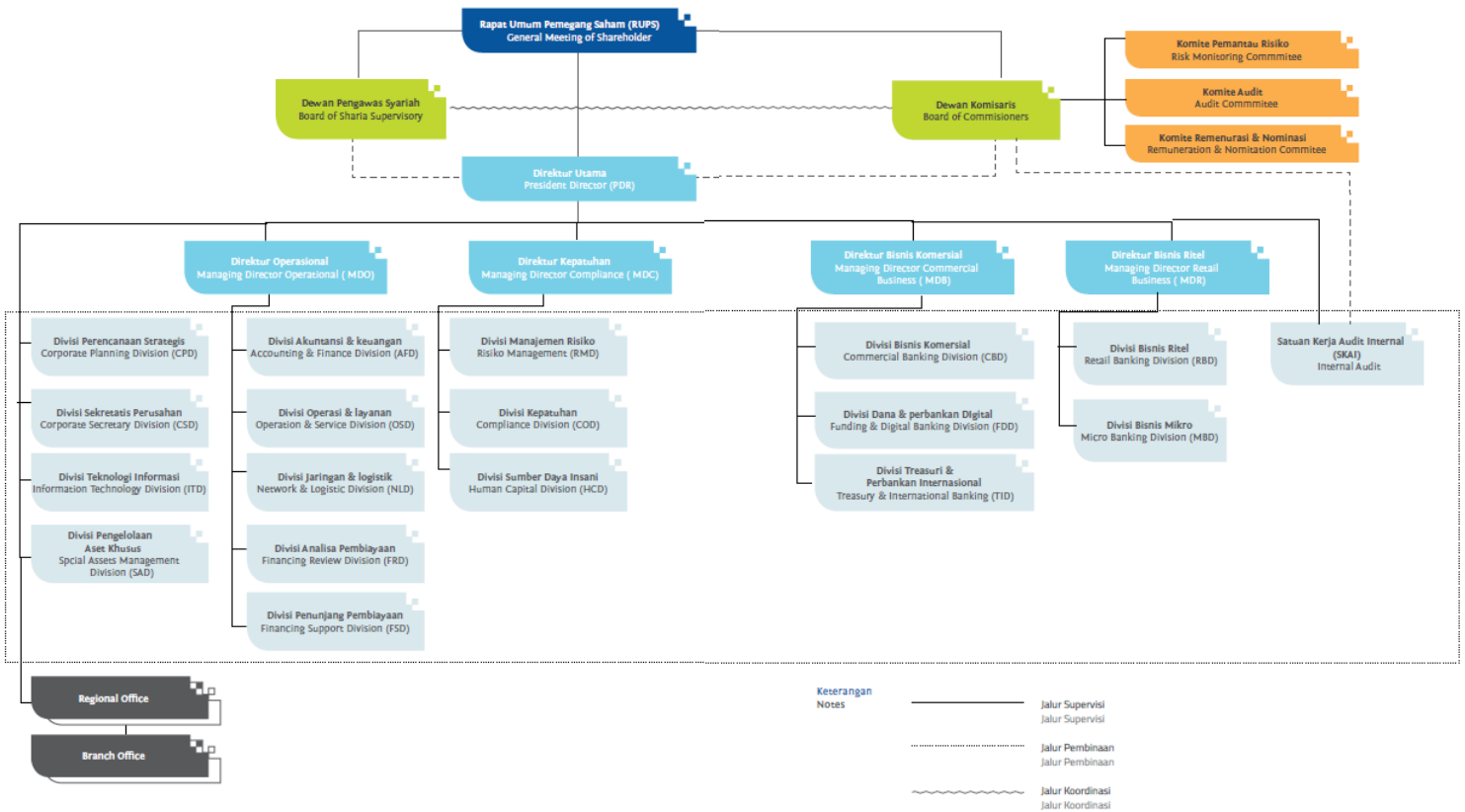
Major Shareholders (%)
 BBRI 73.00%
 DPLK BRI-Saham Syariah 8.67%
 Public 18.33%

USD/IDR-YE
 2029A 13,866
 2020F (6M Avg) 14,688

Company Profile

On December 19, 2008, the Syariah Business Unit of PT Bank Rakyat Indonesia (Persero) Tbk was merged into PT Bank BRIsyariah. The spin off process became effective on January 1, 2009, following the official signing made by Sofyan Basir as President Director of PT Bank Rakyat Indonesia Tbk and Ventje Rahardjo as President Director of PT Bank BRIsyariah. BRIsyariah sees great potential in the sharia banking segment. The aim is to develop a financial business based on the principles of sharia banking. BRIsyariah targets a wide variety of sectors. The large customer base throughout Indonesia shows BRIsyariah has room to grow as a modern retail bank providing various financial services. To further strengthen its reputation to all stakeholders, since 2016 BRIsyariah rebranded the logo, to strengthen brand equity, as it had become the fourth largest sharia bank, based on total assets. In 2017, BRIsyariah became the first bank which distributed Rp58,1 billion in KUR sharia to 2,578 customers. The Bank was also appointed by the Ministry of Finance of the Republic of Indonesia as the electronic state tax collector recipient bank through the second generation National Income Generation Module (MPN) for corporate and individual taxpayers. In 2018, BRIsyariah conducted an Initial Public Offering on 9 May 2018, listing its shares on the Indonesia Stock Exchange.

Company Structure



Source: Company

Chart: Profitability (x) YoY

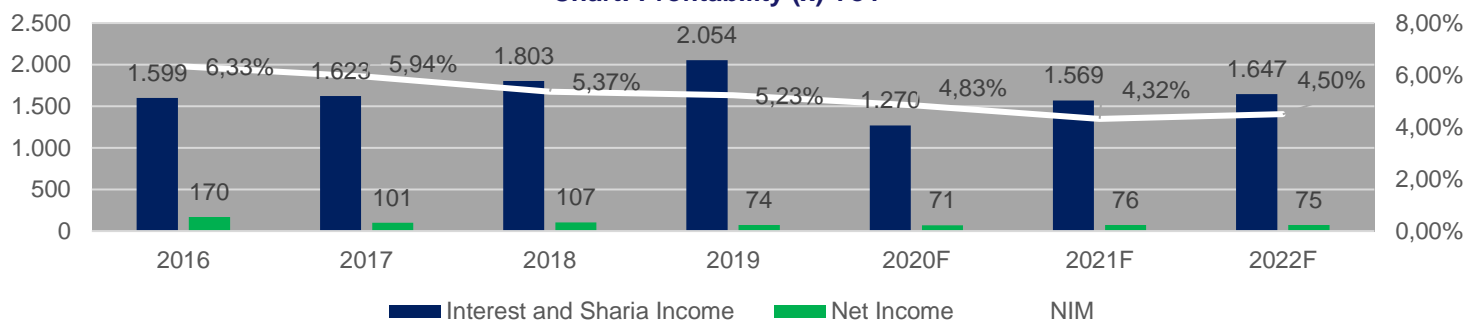


Chart: Non Performing Loan (x) YoY

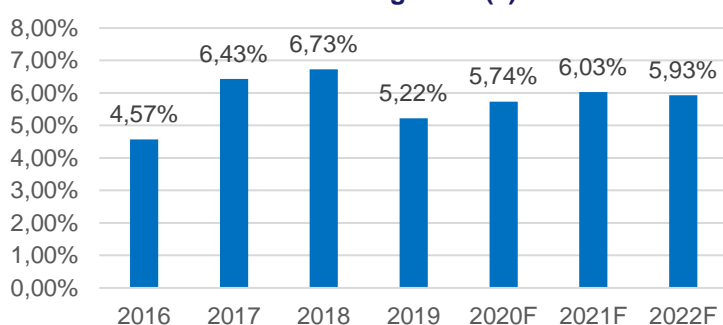
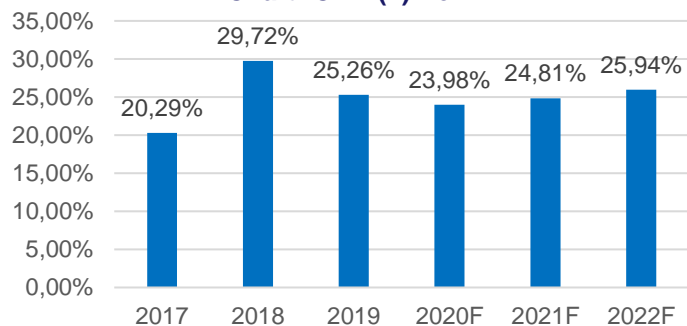


Chart: CAR (x) YoY



QoQ Result

Balance Sheet	1Q19	4Q19	1Q20	%QoQ	%YoY
Loan	9.164	12.204	13.545	10,99%	47,81%
Loan Loss Reserves	-306	-377	-474	25,51%	54,78%
NPL	521	637	677	6,32%	30,11%
Deposit					
Demand	2.182	6.111	7.177	17,45%	228,89%
Savings	7.316	8.977	9.683	7,86%	32,36%
Time Deposit	18.952	19.049	16.175	-15,09%	-14,65%
Total Asset	38.561	43.123	42.229	-2,07%	9,51%
Shareholder Equity	5.057	5.088	5.166	1,54%	2,16%

Income Statement	1Q19	4Q19	1Q20	%QoQ	%YoY
Interest Income	811	908	961	5,84%	18,43%
Interest Expense	345	328	330	0,44%	-4,40%
Net Interest Income	467	580	631	8,89%	35,29%
Net Operating Income	63	-1.043	61	-105,86%	-3,59%
Operating Expense	318	290	334	15,35%	4,96%
PPOP	212	-753	358	-147,59%	69,28%
Provision Expense	171	335	256	-23,53%	49,88%
Operating Profit	41	-1.088	102	-109,37%	150,96%
Profit Before Tax	41	-1.090	109	-109,96%	165,24%
Tax Expense	11	11	33	198,14%	207,20%
Net Profit	30	-1.102	75	-106,82%	150,04%

Balance Sheet (IDR.bn)

Balance sheet (Idr bn)	2017A	2018A	2019A	2020F	2021F	2022F
Cash and CA with BI	2.146	1.730	1.590	2.147	2.051	1.269
Interbank Placement	1.968	4.332	3.273	3.603	4.019	3.650
Marketable Securities	7.661	9.098	10.268	10.321	10.572	10.456
Gross Loan	6.973	8.600	12.204	14.865	19.177	25.104
Allowance for Loans	-160	-353	-377	-444	-664	-837
Loans-net	6.813	8.247	11.826	14.421	18.513	24.267
Other Earning Asset	20.336	25.010	27.057	27.647	28.403	27.881
Non Earning Asset	2.248	2.883	2.649	3.338	3.676	3.943
Total Asset	31.543	37.869	43.123	47.553	52.643	57.361
Deposit:						
Current Account	1.909	2.573	6.111	7.333	8.799	10.559
Saving Account	6.020	7.261	8.977	10.772	12.927	14.220
Time Deposits	18.430	19.041	19.049	20.002	21.002	22.052
Other Interest Bearing Liabilities	2.541	3.936	3.816	4.274	4.770	5.324
Non Interest Bearing Liabilities	40	32	82	82	83	83
Total Liabilities	28.941	32.843	38.035	42.464	47.581	52.238
Total Shareholder's Equity	2.603	5.027	5.088	5.089	5.062	5.123

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Ratio Highlights

Ratio Analysis	2017A	2018A	2019A	2020F	2021F	2022F
Profitability & Efficiency						
NIM	5,94%	5,37%	5,23%	4,83%	4,32%	8,49%
Cost-to-Income Ratio	66,54%	60,72%	57,81%	90,77%	78,32%	85,09%
ROE	3,88%	2,12%	1,45%	1,39%	1,50%	1,47%
ROA	0,32%	0,28%	0,17%	0,15%	0,14%	0,13%
ROAE		3,00%	1,79%	1,42%	1,44%	1,48%
BOPO	64,72%	57,62%	49,63%	94,01%	80,05%	87,40%
Liquidity						
LDR	26,46%	29,78%	35,75%	39,01%	44,88%	53,61%
CASA	30,08%	34,06%	44,20%	47,51%	50,85%	52,91%
Asset Quality						
Gross NPL	6,43%	6,73%	5,22%	5,74%	6,03%	5,93%
Provision Coverage	119,25%	203,51%	197,43%	173,40%	191,45%	187,43%
Capital						
CAR	20,29%	29,72%	25,26%	23,98%	24,81%	25,94%
Growth						
Loan Growth	0,18%	23,32%	41,90%	21,80%	29,01%	30,91%
Deposit Growth	19,71%	9,54%	18,23%	11,63%	12,13%	9,60%
Net Income Growth	-40,61%	5,45%	-30,57%	-4,14%	6,68%	-0,34%

Stock Ratings:

Buy: a recommendation to purchase the security with upside potential of 20% or greater

Hold: a recommendation to neither buy nor sell a security with upside potential of 0-19%.

Sell: a recommendation to close out a long position in a security with upside potential below 0% or negative.

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