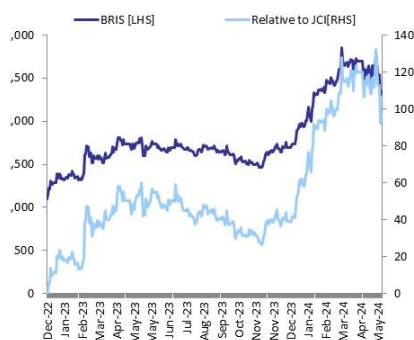


Buy

(Maintained)

Last Price (Rp)	2,350
Target Price (Rp)	2,700
Previous Target Price (Rp)	2,700
Upside/Downside	+14.9%
No. of Shares (mn)	46,129
Mkt Cap (Rpbn/US\$mn)	108,404/6,731
Avg, Daily T/O (Rpbn/US\$mn)	94.7/5.9
Free Float (%)	33.0
Major Shareholder (%)	
PT. Bank Mandiri	51.5
PT. Bank Negara Indonesia	23.2
EPS Consensus (Rp)	
	2024F 2025F 2026F
BRIDS	142.8 162.7 186.8
Consensus	143.1 170.0 199.0
BRIDS/Cons (%)	(0.2) (4.3) (6.1)

BRIS relative to JCI Index



Source: Bloomberg

BRI Danareksa Sekuritas Analysts

Victor Stefano

(62-21) 5091 4100 ext. 3503

victor.stefano@brids.co.id

Naura Reyhan Muchlis

(62-21) 5091 4100 ext. 3507

naura.muchlis@brids.co.id

Bank Syariah Indonesia (BRIS IJ)

Better entry point emerges as growth prospects and asset quality are intact

- BRIS' more resilient profile remains intact with a lower CoF from higher SA and a high payroll loans segment to support asset quality.
- We think the lower implied cost of equity of 7.9% is justified given the bank's higher earnings growth vs its peers at 15/14% in FY24/25F.
- Maintain our FY24F forecasts and TP of Rp2,700; reiterate our Buy rating with superior earnings growth vs. its peers as the key catalyst.

Resilient CoF amid high interest rates

Compared to the few other big banks, BRIS recorded a relatively lower increase in CoF at +61bps yoy in 1Q24 vs 17-105bps for its peers. Despite the 37bps qoq increase in the CoF in 1Q24 to 2.6%, the management is optimistic that CoF will decline in 2Q24 and 3Q24 as funding remains dominated by SA (42% of total deposits as of 1Q24 vs. other banks' 30-50%), which are the most resilient to changes in the reference rate. We continue to expect BRIS' low-cost savings product (wadiah SA) to remain at 16% of the total bank's deposits, supporting the bank's CoF amid tight liquidity in the banking sector.

Sound asset quality despite the industry volatility

BRIS' NPLs stood at 2.01% in 1Q24, the lowest since its merger. The progression of the bank's NPLs is aligned with its target of <2%. Despite the upward trend in the industry's SME & Microloans NPLs, BRIS' exposure to this segment is minimal as SME-Micro only accounted for 17.6% of BRIS' total loans portfolio as of 1Q24. Furthermore, while other banks faced challenges regarding CoC, BRIS achieved its lowest CoC since its merger (at 0.8%).

Premium valuation justified given strong growth prospects and franchise

We continue to expect the bank to book 15/14% EPS growth in FY24/25F driven by financing growth. While the bank is currently valued at 2.2x FY24F PBV (vs. ROE of 15.9%), we believe the historical implied cost of equity of 7.9% is justified given the bank's underpenetrated Sharia market segment, strong brand to support its CASA franchise, robust asset quality from its payroll business, and potential efficiency from its scaling.

Maintain Buy rating on superior earnings growth vs peers as the key catalyst

We keep our FY24F projections and valuation unchanged, utilizing a GGM-based model with a fair value PBV of 2.6x applied to the average BVPS of Rp1,023 for FY24/FY25. We believe this premium valuation is justified given the bank's sustainably higher growth prospects compared to its peers. However, potential risks to our outlook include slower financing growth, a higher-than-anticipated cost of funds, and worsening assets quality.

Key Financials

Year to 31 Dec	2022A	2023A	2024F	2025F	2026F
PPOP (Rpbn)	9,396	10,214	11,561	13,033	14,777
Net profit (Rpbn)	4,260	5,704	6,586	7,503	8,615
EPS (Rp)	92.4	123.6	142.8	162.7	186.8
EPS growth (%)	25.4	33.9	15.5	13.9	14.8
BVPS (Rp)	726.3	839.8	959.6	1,086.3	1,210.4
PER (x)	25.8	19.2	16.7	14.6	12.7
PBV (x)	3.3	2.8	2.5	2.2	2.0
Dividend yield (%)	1.0	1.3	1.5	1.7	2.0
ROAE (%)	14.6	15.8	15.9	15.9	16.3

Source: BRIS, BRIDS Estimates

Better entry point emerges as growth prospects and asset quality are intact

More resilient CoF amid high interest rates

Compared to the few other big banks, BRIS recorded a relatively lower increase in CoF at +61bps yoy in 1Q24 vs 17-105bps for its peers. Despite the 37bps qoq increase in the CoF in 1Q24 to 2.6%, the company is optimistic that CoF will decline in 2Q24 and 3Q24 as funding remains dominated by saving accounts (42% of total deposits as of 1Q24), which are the most resilient to changes in the reference rate. We continue to expect BRIS' low-cost savings product (wadiah SA) to remain at 16% of the total bank's customer deposits, supporting the bank's CoF amid tight liquidity in the banking sector.

Exhibit 1. Big 5 Banks' CoF

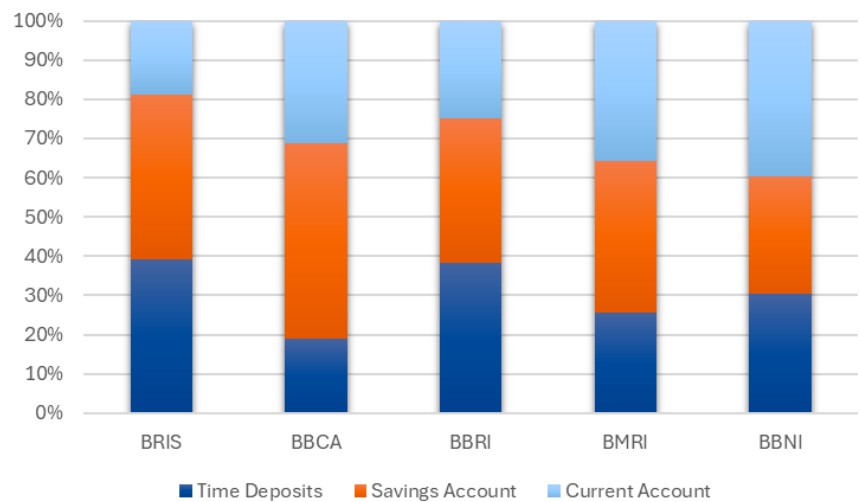
1Q24	BRIS	BBCA	BBRI	BMRI	BBNI
CoF	2.6%	1.1%	4.0%	2.7%	3.2%
Δ yoy, bps	61	17	105	48	94

Source: Company, BRIDS

Exhibit 2. BRIS's customer deposits breakdown



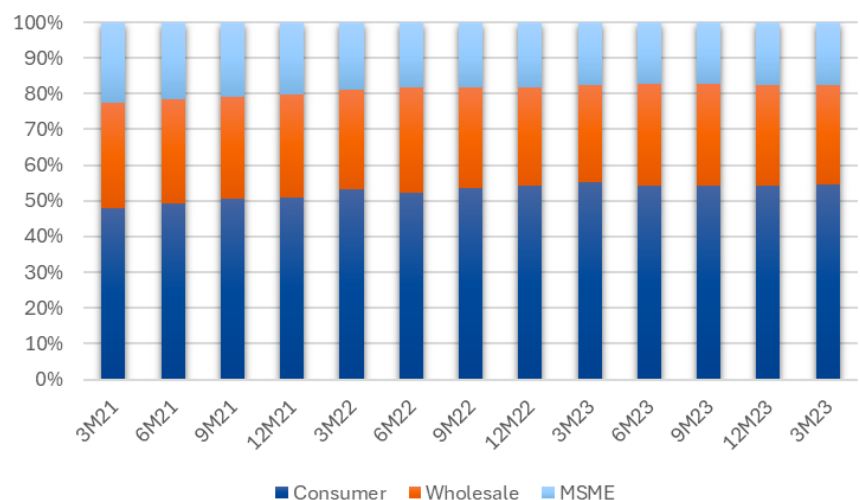
Source: Company, BRIDS

Exhibit 3. Big 5 Banks' customer deposit breakdown (1Q24)


Source: Company, BRIDS

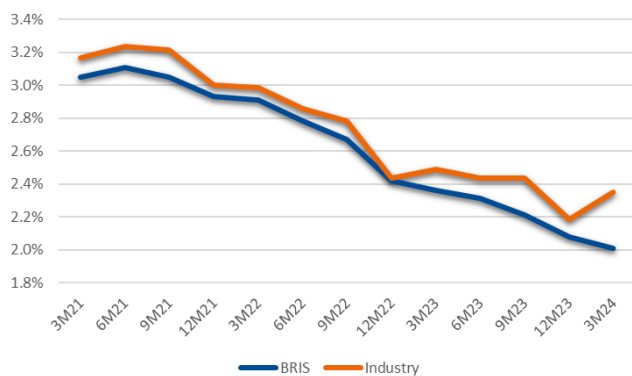
Sound assets quality despite the industry volatility

BRIS' NPLs stood at 2.01% in 1Q24, the lowest since its merger. The progression of the bank's NPLs is aligned with its target of <2%. Despite the upward trend in the industry's SME & Microloans NPLs, BRIS' exposure to this segment is minimal as SME-Micro only accounted for 17.6% of BRIS' total loans portfolio as of 1Q24. Furthermore, while other banks faced challenges regarding CoC, BRIS achieved its lowest CoC since its merger (at 0.8%), reflecting the makeup of its portfolio mix as the customer segment and wholesale business account for 80% of its overall portfolio.

Exhibit 4. BRIS's Loans by Segment


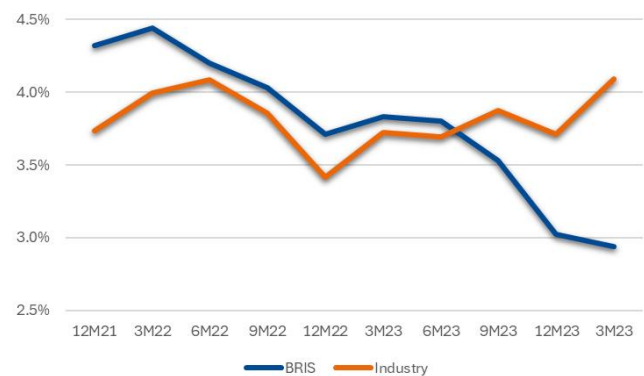
Source: Company, BRIDS

Exhibit 5. BRIS vs Industry Historical NPLs



Source: Company, BRIS Estimates

Exhibit 6. BRIS vs Industry Historical MSME NPLs

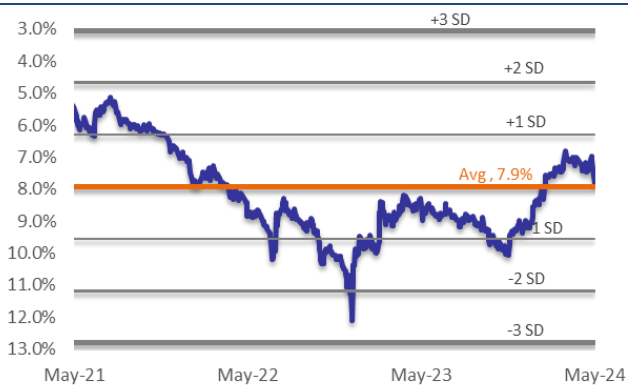


Source: Company, BRIS Estimates

Premium valuation justified given strong growth prospects and franchise

We continue to expect the bank to book 15/14% EPS growth in FY24/25F driven by financing growth. While the bank is currently valued at 2.2x FY24F PBV (vs. ROE of 15.9%), we believe the historical implied cost of equity of 7.9% is justified given the bank's underpenetrated Sharia market segment, strong brand to support its CASA franchise, robust asset quality from its payroll business, and potential efficiency from its scaling.

Exhibit 7. BRIS' cost of equity band chart (5-year)



Source: Company, BRIS Estimates

Exhibit 8. Big 5 Banks' cost of equity band chart (5-year)



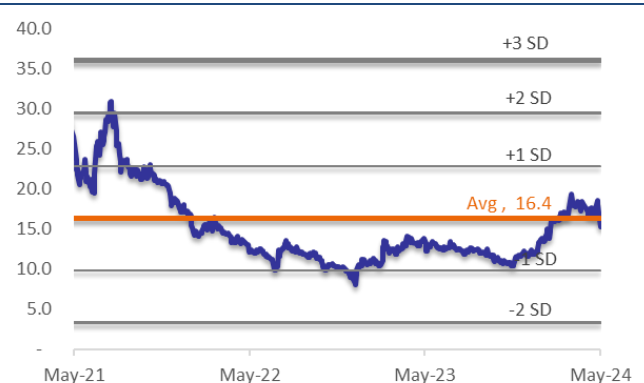
Source: Company, BRIS Estimates

Exhibit 9. BRIS's PBV band chart (5-year)



Source: Company, BRIS Estimates

Exhibit 10. BRIS's PE band chart (5-year)



Source: Company, BRIS Estimates

Maintain Buy rating on superior earnings growth vs peers as the key catalyst

We keep our FY24F projections and valuation unchanged, utilizing a GGM-based model with a fair value PBV of 2.6x applied to the average BVPS of Rp1,023 for FY24/FY25. We believe this premium valuation is justified given the bank's sustainably higher growth prospects compared to its peers. However, potential risks to our outlook include slower financing growth, a higher-than-anticipated cost of funds, and worsening assets quality.

Exhibit 11. BRIS Valuation

Gordon Growth Valuation		
Parameters:		Remarks:
Cost of equity (%) - Mean	7.9	Since merger
Cost of equity (%) - SD	1.7	Since merger
SD used	-	
Cost of equity (%) used	7.9	
Long-term growth (%)	3.0	Long-term GDP growth
Forward ROE (%)	15.9	FY24F ROAE
Fair value P/BV (x)	2.6	(ROAE - g) / (COC - g)
BV/share (IDR)	1,023	BF FY24/25F Book value per share
Fair value (IDR)	2,700	Fair value P/BV multiple x BVPS

Source: Company, BRIDS

Exhibit 12. Income Statement

Year to 31 Dec (Rpbn)	2022A	2023A	2024F	2025F	2026F
Interest Income	19,623	22,252	25,476	28,281	31,167
Interest Expense	(4,032)	(5,993)	(7,177)	(7,948)	(8,626)
Net Interest Income	15,591	16,259	18,299	20,334	22,541
Non-Interest Income (NII)	3,701	4,204	4,625	5,087	5,884
Oper. Income	19,292	20,463	22,924	25,421	28,424
Oper. Expenses	(9,895)	(10,249)	(11,363)	(12,388)	(13,647)
Pre-provisions profit	9,396	10,214	11,561	13,033	14,777
Provisions & Allowances	(3,749)	(2,622)	(2,796)	(3,048)	(3,311)
Operating Profits	5,648	7,591	8,765	9,985	11,466
Non-Operating Income	9	(2)	(2)	(2)	(3)
Exceptionals	0	0	0	0	0
Pre-tax Profit	5,656	7,589	8,763	9,984	11,463
Income Tax	(1,396)	(1,885)	(2,177)	(2,480)	(2,848)
Minorities	0	0	0	0	0
Net Profit	4,260	5,704	6,586	7,503	8,615

Exhibit 13. Balance Sheet

Year to 31 Dec (Rpbn)	2022A	2023A	2024F	2025F	2026F
Gross Loans	207,705	240,316	276,028	316,032	360,732
Provisions	(9,198)	(9,688)	(11,016)	(12,423)	(14,248)
Net Loans	198,506	230,628	265,012	303,609	346,484
Govt. Bonds	0	0	0	0	0
Securities	57,841	71,169	64,171	57,754	41,872
Other Earnings Assets	0	0	0	0	0
Total Earnings Assets	268,499	314,216	343,067	376,776	405,721
Fixed Assets	5,655	6,481	8,316	8,994	9,717
Non-Earnings Assets	2,367	3,253	3,654	4,490	5,293
Total Assets	305,727	353,624	394,468	446,942	495,260
Customer Deposits	262,425	294,556	330,543	376,345	418,023
Banks Deposits	2,219	1,761	1,884	2,180	2,523
Int. Bearing Liab. - Others	0	0	0	0	0
Total Liabilities	272,222	314,885	350,202	396,831	439,425
Share capital & Reserves	19,793	19,828	19,756	19,787	19,803
Retained Earnings	13,712	18,911	24,509	30,324	36,032
Shareholders' Funds	33,506	38,739	44,266	50,111	55,835
Minority interests	0	0	0	0	0
Total Equity & Liabilities	305,727	353,624	394,468	446,942	495,260

Exhibit 14. Key Ratios

Year to 31 Dec	2022A	2023A	2024F	2025F	2026F
Yield on Earning Assets	7.7	7.6	7.8	7.9	8.0
Cost of funds	1.6	2.1	2.3	2.2	2.1
Interest Spread	6.1	5.5	5.5	5.6	5.8
Net Interest Margin	6.1	5.6	5.6	5.6	5.8
Cost/Income Ratio	51.3	50.1	49.6	48.7	48.0
Oper. Exp./Oper. Gross Inc.	75.8	71.3	70.9	70.1	69.1
Gross NPL Ratio	2.4	2.1	0.0	0.0	0.0
LLP/Gross NPL	183.0	193.8	0.0	0.0	0.0
Cost of Credit	2.0	1.2	1.1	1.0	1.0
Loan to Deposit Ratio	79.1	81.6	83.5	84.0	86.3
Loan to Funding Ratio	78.7	81.5	83.5	83.9	86.3
CASA Mix	61.1	60.3	59.9	59.8	60.4
ROAE	14.6	15.8	15.9	15.9	16.3
ROAA	1.5	1.7	1.8	1.8	1.8
CAR	20.4	17.3	18.2	18.3	18.7

Exhibit 15. Dupont and Growth

Year to 31 Dec	2022A	2023A	2024F	2025F	2026F
Dupont					
Pre-Tax ROAA	2.0	2.3	2.3	2.4	2.4
Tax Retention rate	75.3	75.2	75.2	75.2	75.2
Post-Tax ROAA	1.5	1.7	1.8	1.8	1.8
Goodwil, Assoc& Min	0.0	0.0	0.0	0.0	0.0
Leverage	9.8	9.1	9.0	8.9	8.9
ROAE	14.6	15.8	15.9	15.9	16.3
Growth (%)					
Interest income	10.2	13.4	14.5	11.0	10.2
Net Interest Income	16.1	4.3	12.5	11.1	10.9
Other Oper. Expenses	12.7	3.6	10.9	9.0	10.2
Fee Based Income	14.9	20.4	10.0	10.0	15.0
Pre-Provision Oper. Profit	22.7	8.7	13.2	12.7	13.4
Net Profit	40.7	33.9	15.5	13.9	14.8
Shareholders' Equity	33.9	15.6	14.3	13.2	11.4
Loan	21.3	15.7	14.9	14.5	14.1
Earnings Asset	11.5	17.0	9.2	9.8	7.7
Deposit	12.9	12.0	12.2	13.9	11.1
Int. Bearing Liab.	13.4	11.5	11.7	13.8	11.1
CASA	19.2	10.5	11.6	13.6	12.2
Total Asset	15.2	15.7	11.5	13.3	10.8

Source : BRIS, BRIDS Estimates

BRI Danareksa Equity Research Team

Erindra Krisnawan, CFA	Head of Equity Research, Strategy, Coal	erindra.krisnawan@brids.co.id
Natalia Sutanto	Consumer, Cigarettes, Pharmaceuticals, Retail	natalia.sutanto@brids.co.id
Niko Margaronis	Telco, Tower, Technology, Media	niko.margaronis@brids.co.id
Timothy Wijaya	Metal, Oil and Gas	timothy.wijaya@brids.co.id
Victor Stefano	Banks, Poultry	victor.stefano@brids.co.id
Ismail Fakhri Suweleh	Healthcare, Property, Industrial Estate	ismail.suweleh@brids.co.id
Richard Jerry, CFA	Automotive, Cement	richard.jerry@brids.co.id
Ni Putu Wilastita Muthia Sofi	Research Associate	wilastita.sofi@brids.co.id
Naura Reyhan Muchlis	Research Associate	naura.muchlis@brids.co.id
Sabela Nur Amalina	Research Associate	sabela.amalina@brids.co.id
Christian Immanuel Sitorus	Research Associate	christian.sitorus@brids.co.id

BRI Danareksa Economic Research Team

Helmy Kristanto	Chief Economist, Macro Strategy	helmy.kristanto@brids.co.id
Dr. Telisa Aulia Falianty	Senior Advisor	telisa.falianty@brids.co.id
Kefas Sidauruk	Economist	kefas.sidauruk@brids.co.id

BRI Danareksa Institutional Equity Sales Team

Yofi Lasini	Head of Institutional Sales and Dealing	yofi.lasini@brids.co.id
Novrita Endah Putrianti	Institutional Sales Unit Head	novrita.putrianti@brids.co.id
Ehrlicch Suhartono	Institutional Sales Associate	ehrliech@brids.co.id
Yunita Nababan	Institutional Sales Associate	yunita@brids.co.id
Adeline Solaiman	Institutional Sales Associate	adeline.solaiman@brids.co.id
Andreas Kenny	Institutional Sales Associate	andreas.kenny@brids.co.id
Christy Halim	Institutional Sales Associate	christy.halim@brids.co.id
Jason Joseph	Institutional Sales Associate	jason.joseph@brids.co.id

BRI Danareksa Sales Traders

Mitcha Sondakh	Head of Sales Trader	mitcha.sondakh@brids.co.id
Suryanti Salim	Sales Trader	suryanti.salim@brids.co.id

INVESTMENT RATING

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

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