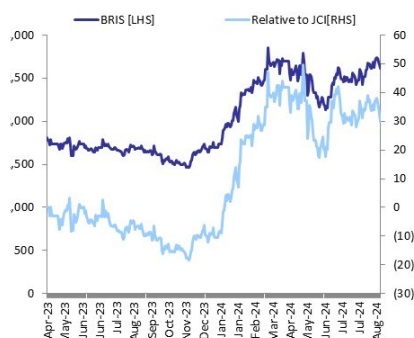


BUY

(Maintained)

Last Price (Rp)	2,610
Target Price (Rp)	2,700
Previous Target Price (Rp)	2,700
Upside/Downside	+3.4%
No. of Shares (mn)	46,129
Mkt Cap (Rpbn/US\$mn)	120,397/7,755
Avg, Daily T/O (Rpbn/US\$mn)	99.1/6.4
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	144.7 174.0 202.8
BRIDS/Cons (%)	(1.4) (6.5) (7.6)

BRIS relative to JCI Index



Source: Bloomberg

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Bank Syariah Indonesia (BRIS IJ)

In line 1H24 net profit supported by financing growth and lower provisions

- BRIS booked net profit of Rp1.7tr in 2Q24 (flat qoq, +24% yoy), bringing its 1H24 NP to Rp3.4tr (+20% yoy), i.e., in line with ours and consensus.
- NIM declined to 5.1% in 2Q24 (-23bps qoq, -76bps yoy), but the CoC remained robust at 0.9%, supported by improving MSME loan quality.
- We maintain our FY24F forecasts and TP of Rp2,700; reiterate our Buy rating with superior earnings growth vs. its peers as the key catalyst.

Strong net profit growth supported by higher loans and lower provisions

BRIS booked net profit of Rp1.7tr in 2Q24 (flat qoq, +24% yoy), with PPOP of Rp2.8tr (flat qoq, +2% yoy). The strong yoy growth was supported by the lower provisions (-40% yoy). Net profit grew to Rp3.4tr in 1H24 (+20% yoy), reaching 52% and 51% of our and consensus FY24F, respectively, i.e., in line. NIM came in at 5.2% in 1H24, a drop from 5.9% in 1H23, due to a 10bps decrease in yield and a 48bps increase in CoF, but this was offset by higher loans, which grew 16% yoy, resulting in a 2% NII growth.

NIM remained under pressure, but CoC remained robust

BRIS's NIM declined to 5.1% in 2Q24 (-23bps qoq, -76bps yoy), driven by a lower financing yield of 8.2% (-19bps qoq, -22bps yoy) and a higher CoF of 2.6% (flat qoq, +38bps yoy). Despite the lower NIM, the bank grew its PPOP through strong loan growth (+4% qoq, +16% yoy), higher other operating income (+9% qoq, +33% yoy), and slower opex growth (flat qoq, +14% yoy). CoC remained robust at 0.9% (flat qoq, -86bps yoy), as mgmt maintained confidence in overall loan quality, especially from its new loans. Deposit growth was flat qoq in 2Q24 (+17% yoy). Management stated that this demonstrated the minimal impact of the Muhammadiyah case.

Improving quality in MSME loans driven by new loan disbursement

MSME loans grew 19% yoy to Rp45tr in 2Q24, driven by subsidized KUR, which grew 34% yoy, partly offset by SME loan, which grew by only 8% yoy, and non-subsidized KUR, which contracted 13% yoy. Overall, MSME loan quality improved with NPL declining from 3.8% in 2Q23 to 2.9% in 2Q24. Non-subsidized KUR NPL remained at a high level of 9.6% in 2Q24 (vs. 14% in 2Q23) but is a small part (4%) of MSME loan. The MSME loan quality also reflected legacy loans. As of Jun24, new booking's NPL was robust at 0.12%.

Solid 2Q24 performances, maintain BUY

We maintain our Buy rating given the robust growth and high potential in the Shariah financial market, hence justifying the premium 2.6x FY24F PBV. We keep our TP of Rp2,700 (based on inverse CoE GGM), with our forecasts and valuation unchanged. Risk to our view is rising NPL and CoC.

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)	28.3	21.1	18.3	16.0	14.0
PBV (x)	3.6	3.1	2.7	2.4	2.2
Dividend yield (%)	0.9	1.2	1.4	1.6	1.8
ROAE (%)	14.6	15.8	15.9	15.9	16.3

Source: BRIS, BRIDS Estimates

Improving presence and customer engagement

The bank continues to expand its presence through EDC and ATM networks. The number of EDCs has reached 1,000, tripling qoq (with a target of 20,000), while ATMs have increased to 2,641, up 2% qoq (with a target of 7,000). At the same time, the bank is expecting the launch of its superapps within the next few weeks (during 3Q24), which is expected to boost customer engagement across its various product offerings.

Exhibit 1. BRIS 1H24 earnings summary

BRIS - Financials (Rpbn)	2Q23	1Q24	2Q24	qoq, %	yoy, %	1H23	1H24	yoy, %	FY24F	FY24C	A/F	A/C
Revenue from Fund Management	5,484	6,107	6,009	-2%	10%	10,880	12,115	11%	25,476	25,680	48%	47%
Third parties share on return	1,454	1,927	1,934	0%	33%	2,778	3,861	39%	7,177	7,328	54%	53%
Net profit sharing	4,031	4,180	4,075	-3%	1%	8,102	8,254	2%	18,299	18,352	45%	45%
Other operating income	988	1,205	1,312	9%	33%	1,973	2,517	28%	4,625		54%	n/a
Operating expenses	2,250	2,570	2,570	0%	14%	4,606	5,139	12%	11,363	10,746	45%	48%
PPOP	2,768	2,815	2,817	0%	2%	5,469	5,631	3%	11,561		49%	n/a
Provision	969	549	580	6%	-40%	1,731	1,129	-35%	2,796		40%	n/a
Operating Profit	1,799	2,266	2,236	-1%	24%	3,738	4,502	20%	8,765	8,975	51%	50%
Net profit	1,364	1,707	1,687	-1%	24%	2,822	3,395	20%	6,586	6,674	52%	51%
Financing	221,901	247,163	257,388	4%	16%	221,901	257,388		276,028		93%	n/a
Customer deposits	253,116	297,916	297,303	0%	17%	253,116	297,303		330,543		90%	n/a
Key Ratio				qoq, bps	yoy, bps			yoy, bps				
Financing yield (%)	8.5	8.4	8.2	↓ (19)	↓ (22)	8.4	8.3	↓ (10)				
Cost of fund (%)	2.2	2.6	2.6	⇒ 0	↓ 38	2.1	2.6	↓ 48				
NIM (%) - ann	5.8	5.3	5.1	↓ (23)	↓ (76)	5.9	5.2	↓ (74)				
CIR (%) - ann	44.8	47.7	47.7	⇒ (1)	↓ 287	45.7	47.7	↓ 200				
Cost of financing (%) - ann	1.8	0.9	0.9	⇒ 2	↑ (86)	1.6	0.9	↑ (71)				
ROE (%) - ann	15.4	17.2	16.4	↓ (81)	↑ 103	16.2	16.8	↑ 62				
CASA ratio (%)	60.0	60.9	62.1	↑ 120	↑ 214							
FDR (%)	86.9	82.5	86.3	↓ 377	↑ (67)							
NPF ratio (%)	2.3	2.0	2.0	⇒ (2)	↑ (32)							

Source: Company, BRIDS Estimates

Exhibit 2. BRIS' cost of equity band chart (3-year)



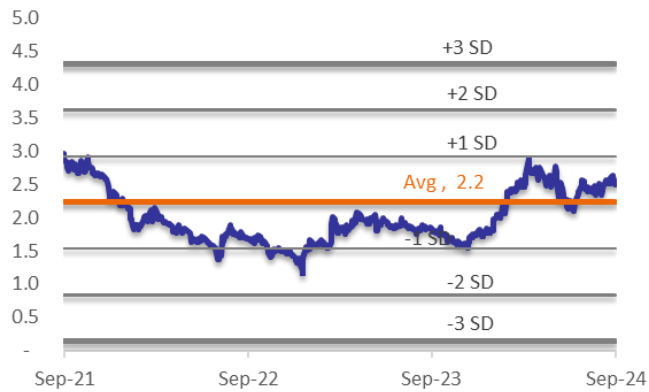
Source: Company, BRIDS Estimates

Exhibit 3. Big 5 Banks' cost of equity band chart (5-year)



Source: Company, BRIDS Estimates

Exhibit 4. BRIS's PBV band chart (3-year)



Source: Company, Bloomberg, BRIDS Estimates

Exhibit 5. BRIS's PE band chart (3-year)



Source: Company, Bloomberg, BRIDS Estimates

Exhibit 6. 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 7. 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 8. 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 9. 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

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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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