

Hold

(Maintained)

Bank Syariah Indonesia (BRIS II)

Aug24 results: Improved NIM and cost efficiency offsetting the higher CoC

Last Price (Rp)	3,070
Target Price (Rp)	2,800
Previous Target Price (Rp)	2,800
Upside/Downside	-8.8%

No. of Shares (mn)	46,129
Mkt Cap (Rpbn/US\$mn)	141,617/9,379
Avg, Daily T/O (Rpbn/US\$mn)	110.5/7.3
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	146.5	174.7	205.0
BRIDS/Cons (%)	(2.6)	(6.9)	(8.9)

- BRIS delivered solid Aug24 net profit growth, despite higher operating costs, driven by 14% loan growth, as solid asset quality is maintained.
- NIM slightly improved mom to 5.6% in Aug24 thanks to the higher LDR, with CoF remaining flattish at 2.6%.
- Maintain our Hold rating despite the still positive growth outlook, as valuation has reached its fair value, in our view.

Solid 8M24 performance with robust loan growth

BRIS reported solid performance in 8M24, with net profit up 21% yoy to Rp4.5tr, forming 68%/67% of our/cons FY24 forecasts, slightly surpassing the 65% achievement in 8M23. NII continued its positive trend, growing 4% yoy, despite a lower NIM, thanks to strong loan growth of 14% yoy. On the expense side, operating costs rose 11% yoy, leading to an increase in CIR to 48.9% (+111bps yoy). Nonetheless, BRIS maintained solid asset quality, with a low CoC at 0.9% in 8M24 compared to 1.5% in 8M23.

Flat mom NP in Aug24 amid higher provisions

Net profit reached Rp541bn in Aug24, reflecting a 17% yoy increase but flat mom. This flat performance was largely due to a 99% mom rise in provision expenses, which offset the 15% mom growth in PPOP. The other operating income grew by 24% mom and 25% yoy, driven by strong non-interest income. Additionally, BRIS' LDR increased to 87.6% (+141bps mom), supporting a higher NIM of 5.6% (+13bps mom), aided by a higher EA yield and a stable CoF. Overall, BRIS delivered a solid Aug24 performance, with strong loan growth and slight NIM improvements. The rise in monthly CoC remains within expectations, while higher other operating income and decent LDR are positive indicators for future performance.

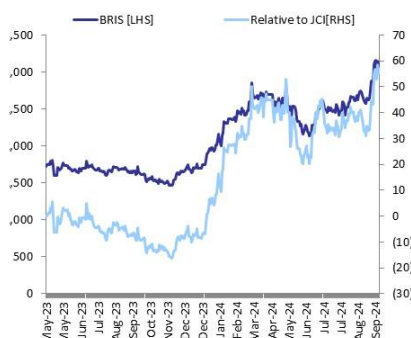
Steady growth in both assets and liabilities

Loans grew 1% mom to Rp261tr (+14% yoy) in Aug24 while deposits remained flattish mom at Rp298tr (+16% yoy). This results in a higher LDR mom to 87.6% from 86.2% in the previous month, but still below Aug23's LDR of 88.9%.

Maintain Hold with a TP of Rp2,800

We maintain our TP of Rp2,800, with a GGM-based valuation with a 5-year inverse CoE of 7.9%, FY25F ROE of 15.9%, and LTG of 3.0%, resulting in an FV PBV of 2.6x. Despite the robust growth in the Sharia market and a solid mgmt. to drive the growth, we maintain our Hold rating as we see that the bank has traded at its fair valuation. Our TP implies an 8.8% downside and a 0.7% div. yield. Risks to our view are higher earnings growth and higher free float.

BRIS relative to JCI Index



Source: Bloomberg

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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)	33.2	24.8	21.5	18.9	16.4
PBV (x)	4.2	3.7	3.2	2.8	2.5
Dividend yield (%)	0.8	1.0	1.2	1.3	1.5
ROAE (%)	14.6	15.8	15.9	15.9	16.3

Source: BRIS, BRIDS Estimates

Exhibit 1. BRIS 8M24 earnings summary

BRIS - Bank Only (Rpbn)	Aug-23	Jul-24	Aug-24	mom, %	yoy, %	8M23	8M24	yoy, %	FY23	8M23/FY23	FY24F	8M24/FY24F	FY24C	8M24/FY24C
Interest income	1,864	2,142	2,172	1%	17%	15,094	16,958	12%	23,153	65%	25,476	67%	25,602	66%
Interest expense	(517)	(657)	(654)	-1%	26%	(3,794)	(5,172)	36%	(5,993)	63%	(7,177)	72%	(7,689)	67%
Net interest income	1,346	1,485	1,518	2%	13%	11,300	11,786	4%	17,160	66%	18,299	64%	17,913	66%
Other operating income	326	329	409	24%	25%	2,115	2,726	29%	3,271	65%	4,625	59%		
Operating expenses	(864)	(987)	(979)	-1%	13%	(6,416)	(7,102)	11%	(10,188)	63%	(11,363)	63%	(10,831)	66%
PPOP	808	827	948	15%	17%	6,999	7,409	6%	10,243	68%	11,561	64%		
Provision	(193)	(115)	(229)	99%	18%	(2,083)	(1,477)	-29%	(2,652)	79%	(2,796)	53%		
Pre-tax profit	599	696	699	0%	17%	4,799	5,778	20%	7,399	65%	8,763	66%	8,732	66%
Net profit	463	539	541	0%	17%	3,710	4,474	21%	5,704	65%	6,586	68%	6,660	67%
Financing	227,822	257,730	260,763	1%	14%	227,822	260,763	14%	239,693	9%	276,028			
Customer deposits	256,145	299,130	297,789	0%	16%	256,145	297,789	16%	293,776	1%	330,543			
YTD, %														
Key Ratio					mom, bps	yoy, bps			yoy, bps	8M24 vs FY23, bps		vs FY24F, bps		
Earning Asset yield (%) - ann	7.8	7.9	8.0	13	21	8.2	8.0	(18)	8.1	(18)	7.8	22		
Cost of fund (%) - ann	2.4	2.6	2.6	(2)	22	2.1	2.5	40	2.2	32	2.3	27		
NIM (%) - ann	5.7	5.5	5.6	13	(4)	6.1	5.5	(56)	6.0	(50)	5.6	(3)		
CIR (%) - ann	51.7	54.4	50.8	(361)	(86)	47.8	48.9	111	49.9	(92)	49.6	(63)		
Cost of credit (%) - ann	1.0	0.5	1.1	52	4	1.5	0.9	(56)	1.2	(31)	1.0	(9)		
CASA Ratio (%)	60.1	63.0	63.1	16	304	60.1	63.1	304	60.6	255	59.9	318		
LDR (%)	88.9	86.2	87.6	141	(138)	88.9	87.6	(138)	81.6	598	83.5	406		

Source: Company, Bloomberg, BRIDS Estimates

Exhibit 2. 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 FY25F ROAE
Fair value P/BV (x)	2.6 (ROAE - g) / (COC - g)
BV/share (IDR)	1,086 BF FY25F Book value per share
Fair value (IDR)	2,800 Fair value P/BV multiple x BVPS

Source: Company, BRIDS Estimates

Exhibit 3. Peers Comparison

Ticker	Rec	Target Price (Rp)	Market Cap (Rpbn)	P/E (x)		P/BV (x)		ROE FY25F
				FY24F	FY25F	FY24F	FY25F	
BBCA IJ	BUY	12,400	1,337,534	25.3	23.1	5.1	4.6	20.9%
BBRI IJ	NR	n/a	807,052	n/a	n/a	n/a	n/a	n/a
BMRI IJ	BUY	8,200	672,000	11.8	10.7	2.4	2.2	21.2%
BBNI IJ	BUY	7,600	208,865	9.6	8.6	1.3	1.2	14.3%
BRIS IJ	HOLD	2,800	141,617	21.5	18.9	3.2	2.8	15.9%

Source: Company, BRIDS Estimates

Exhibit 4. BRIS' cost of equity band chart (3-year)



Source: Company, Bloomberg, BRIDS Estimates

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



Source: Company, Bloomberg, BRIDS Estimates

Exhibit 6. BRIS's PBV band chart (3-year)



Source: Company, Bloomberg, BRIDS Estimates

Exhibit 7. BRIS's PE band chart (3-year)



Source: Company, Bloomberg, BRIDS Estimates

Exhibit 8. 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 9. 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 10. 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	2.0	1.9	1.9
LLP/Gross NPL	183.0	193.8	199.0	202.0	207.1
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 11. 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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