

Inline 1H24 result; expect solid growth in 9M24

6 September 2024



| | |
|----------------------------|---------|
| BRIS IJ | |
| Sector | Banking |
| Price at 5 Sept 2024 (IDR) | 2,650 |
| Price target (IDR) | 2,970 |
| Upside/Downside (%) | 12.1 |

Stock Information

PT Bank Syariah Indonesia, Tbk. is Indonesia's largest Islamic bank. BRIS is formed by a merger of BRI syariah, BNI Syariah and Bank Syariah Mandiri. The bank offers financing in a segment of commercial, corporate, SME, Micro, consumer, pawn, and others. The bank also offers services such as credit and debit cards, phone banking, fund transfer and many more.

| | |
|--------------------------------|---------------|
| Market cap (IDR bn) | 122,243 |
| Shares outstanding (mn) | 46,129 |
| 52-week range (IDR) | 1,450 - 2,960 |
| 3M average daily vol. ('000) | 33,137 |
| 3M average daily val. (IDR mn) | 83,743 |

Shareholders (%)

| | |
|--------------------------|------|
| PT Bank Mandiri | 51.5 |
| PT Bank Negara Indonesia | 23.2 |
| PT Bank Rakyat Indonesia | 15.4 |
| Public | 9.9 |

Stock Performance



Source: Bloomberg

| | 1M | 3M | 12M |
|-------------|-----|------|------|
| Performance | 6.4 | 21.5 | 60.2 |

Analyst

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BRIS delivered impressive 1H24 results, highlighted by a robust 20.3% yoy increase in net profit. This strong performance, driven by factors such as solid financing growth, manageable funding costs, and improved credit quality, points to continued strong earnings momentum in 9M24. We are also encouraged by the solid 17.5% yoy growth in funding, supported by an improved CASA ratio of 62.05% and robust loan growth of 16% yoy. Key risk metrics remain healthy. While NIM increased modestly from 5.28% in March 2024 to 5.51% in June 2024, this positive trend underscores improving profitability. Maintain BUY with a GGM target price of IDR2,970 (3.2x 2024F PB), while currently trading at 2.8x 24 PB, slightly above its historical average.

Earnings on the Upswing; 1H24 inline

BRIS net profit surged by 20.3% yoy to IDR 3.39tn, driven by healthy top-line growth (11.4% yoy) and a significant drop in provisions (34.8% yoy). On a quarterly basis, PATMI increased by a robust 23.7% yoy to IDR1.68tn. Overall, the 1H24 results aligned with both our and street forecasts, coming in at 51.3%/52.1% of the projected BRIS net profit. Notably, the 2Q24 figure exceeded our 2Q24F net income forecast for BRIS of IDR1.58tn (106.6%). On a cumulative basis (1H24: IDR3.39tn), results were 3.2% above our 1H24F PATMI projection for BRIS of IDR3.28tn.

Financing and Funding Finesse

Shifting our attention to the balance sheet, we see robust financing demand remains intact, with total loan growth of 16.0% yoy. This solid growth is driven by strong performance across segments, with consumer loans (up 15.9% yoy) now comprising 54.23% of BRIS's total loan portfolio. The bank also enjoyed strong growth in Wholesale and SME-Micro segments, at 14.6% and 18.6% yoy, respectively. We are also pleased to see solid third-party fund growth of 17.5% yoy, bolstered by an improved CASA ratio of 62.05%. Furthermore, 1H24 funding growth surpassed BRIS's 2024F TPF guidelines of 8.5%-10.0% yoy.

Risk metrics looking rosy, coupled with better NIM

Key risk metrics showed improvement in 1H24, with NIM demonstrating a slight but encouraging increase. NPF gross and CoC both improved, decreasing by 32bps and 56bps to reach 1.99% and 0.99%, respectively, compared to 2.31% and 1.55% in the previous quarter. These figures aligned with our 2024F projections for BRIS of 1.9% and 1.1%. BRIS's NIM also expanded, albeit modestly, from 5.38% in Mar24 to 5.51% in Jun24. The bank projects that its 2024F NIM will fall within the 5.50%-5.86% range. We anticipate that NIM will remain manageable in the coming quarters, potentially approaching management's target. This expectation is supported by continued strong financing demand and growing wadiah deposits, which should help alleviate pressure on funding costs.

Expecting another double-digit earnings growth in 3Q24 and 9M24

We anticipate continued double-digit earnings growth for BRIS in both 3Q24 and 9M24. The bank secured substantial earnings in 2Q24, which strongly supports our expectation that BRIS's 9M24 net income will align with both our forecast and the consensus estimate. Assuming all other factors remain constant, our 3Q24F PATMI projection for BRIS of IDR1.52tn (10.8% yoy) would result in a cumulative net income of approximately IDR4.92tn in 9M24, representing a 17.2% yoy increase. This projection is notably more conservative (96.5%) than the consensus estimates for BRIS's 9M24F net profit of IDR5.1tn (21.5% yoy). We believe our 9M24 PATMI forecast for BRIS is well-supported by factors such as robust financing, a manageable NIM, and a consistently healthy cost of credit.

Several key points as additional stock catalysts

We are confident that BRIS's vigorous first-half performance positions it to comfortably meet both our and the market's PATMI expectations for the year (BRIS FY24 PATMI growth guidance: 6.3%-6.5%). Ahead of the third-quarter earnings release, Aug24 bank-only results will be a crucial indicator. We also anticipate a valuation re-rating for BRIS in the near term, which should serve as an additional catalyst for the stock. BRIS has also released its bank-only net income for 7M24, which demonstrated strong growth of 21.1% yoy, reaching IDR3.9tn. On a monthly basis, July 2024 net income grew even more impressively, surging by 26.8% yoy, exceeded both our and consensus forecasts (achieving a run-rate of 59.5%/60.4%).

Maintain BUY, GGM TP of IDR2,970.

Our GGM TP of IDR2,970/share, pegged at 3.2x '24F PB, while currently, the stock is trading at 2.8x '24F P/B, or slightly above its average historical mean of 2.4x. Downside risks to our call are: 1) slower than expected optimizing targeted payroll financing; 2) lower-than-expected loan growth, NI, and financing yield; 3) higher than anticipated exposures to TD; 4) higher than expected CoC; and 5) weakening shariah banking product penetration and further asset quality deterioration in the corporate segment.

Exhibit 1: Key Statistics

| Year end Dec (IDR bn) | 2022A | 2023A | 2024F | 2025F | 2026F |
|------------------------|--------|--------|--------|--------|--------|
| Net margin income | 15,591 | 16,259 | 18,460 | 21,246 | 24,531 |
| Non int. income | 3,701 | 4,204 | 4,730 | 5,321 | 5,853 |
| Total operating income | 19,292 | 20,463 | 23,190 | 26,567 | 30,385 |
| PPOP | 9,396 | 10,214 | 12,300 | 14,454 | 17,053 |
| Net income | 4,260 | 5,704 | 6,615 | 7,955 | 9,371 |
| EPS (IDR) | 103 | 124 | 143 | 172 | 203 |
| EPS growth (%) | 39.2 | 20.6 | 16.0 | 20.3 | 17.8 |
| PER (x) | 25.3 | 20.9 | 18.1 | 15.0 | 12.7 |
| PBV (x) | 3.2 | 3.1 | 2.8 | 2.4 | 2.1 |
| Div. Yield (%) | 0.7 | 0.9 | 1.2 | 1.4 | 1.7 |
| RoE (%) | 16.8 | 16.9 | 16.9 | 17.1 | 17.5 |

Source: Company, KBVS Research

Exhibit 2: BRIS 1H24 selected key financial and key ratio metrics

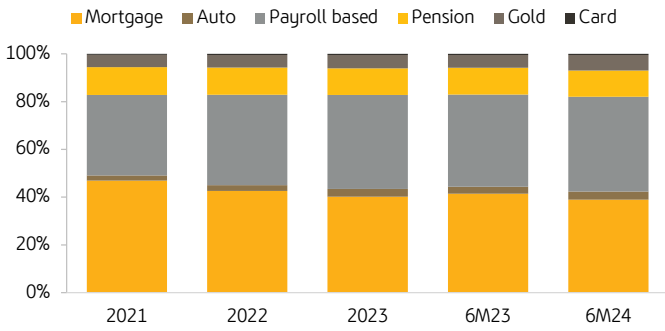
| Income Statements (IDR bn) – 1H24 | 6M23 | 6M24 | YoY (%) | 2Q23 | 2Q24 | YoY (%) | 1Q24 | QoQ (%) | KBVS '24F | % '24F | Cons. '24F | % Cons. '24F |
|-----------------------------------|---------|---------|---------|---------|---------|---------|---------|---------|-----------|--------|------------|--------------|
| Margin income | 10,842 | 12,082 | 11.4 | 5,385 | 6,049 | 12.3 | 6,033 | 0.3 | | | | |
| Profit sharing expenses | (2,779) | (3,861) | 38.9 | (1,325) | (1,934) | 46.0 | (1,927) | 0.4 | | | | |
| Net margin income | 8,063 | 8,221 | 2.0 | 4,060 | 4,115 | 1.4 | 4,106 | 0.2 | | | | |
| Other operating income | 1,941 | 2,485 | 28.0 | 980 | 1,257 | 28.3 | 1,228 | 2.4 | | | | |
| Operating income | 10,004 | 10,672 | 6.7 | 5,040 | 5,338 | 5.9 | 5,334 | 0.1 | | | | |
| Overhead cost | (4,535) | (5,074) | 11.9 | (2,339) | (2,519) | 7.7 | (2,555) | (1.4) | | | | |
| PPOP | 5,469 | 5,632 | 3.0 | 2,701 | 2,815 | 4.2 | 2,817 | (0.1) | | | | |
| Provisions | (1,731) | (1,129) | (34.8) | (762) | (549) | (28.0) | (580) | (5.3) | | | | |
| Net profit | 2,822 | 3,394 | 20.3 | 1,458 | 1,687 | 15.7 | 1,707 | (1.2) | 6,615 | 51.3 | 6,511 | 52.1 |

| Balance Sheet (IDR bn) – 1H24 | 6M23 | 6M24 | YoY (%) | 2Q23 | 2Q24 | YoY (%) | 1Q24 | QoQ (%) |
|-------------------------------|---------|---------|---------|---------|---------|---------|---------|---------|
| Financing | 221,901 | 257,388 | 16.0 | 221,901 | 257,388 | 16.0 | 247,163 | 4.1 |
| Current accounts | 40,414 | 55,338 | 36.9 | 40,414 | 55,338 | 36.9 | 55,753 | (0.7) |
| Saving accounts | 110,929 | 128,776 | 16.1 | 110,929 | 128,776 | 16.1 | 125,202 | 2.9 |
| Time deposits | 101,172 | 112,583 | 11.3 | 101,172 | 112,583 | 11.3 | 116,384 | (3.3) |
| TPF (IDRbn) | 252,515 | 296,697 | 17.5 | 252,515 | 296,697 | 17.5 | 297,339 | (0.2) |
| CASA (IDRbn) | 151,343 | 184,114 | 21.7 | 151,343 | 184,114 | 21.7 | 180,955 | 1.7 |
| Total equity | 35,903 | 41,671 | 16.1 | 35,903 | 41,671 | 16.1 | 40,555 | 2.8 |

| Key metrics – 1H24 | 6M23 | 6M24 | YoY (%) | 2Q23 | 2Q24 | YoY (%) | 1Q24 | QoQ (%) |
|--------------------|-------|-------|---------|-------|-------|---------|-------|---------|
| NIM | 6.0 | 5.5 | (0.5) | 6.0 | 5.5 | (0.5) | 5.4 | 0.1 |
| CIR | 46.0 | 47.8 | 1.8 | 46.0 | 47.8 | 1.8 | 47.8 | 0.1 |
| Loan yield | 9.0 | 9.1 | 0.1 | 9.0 | 9.1 | 0.1 | 9.0 | 0.1 |
| Cost of Fund (CoF) | 2.0 | 2.5 | 0.5 | 2.0 | 2.5 | 0.5 | 2.6 | (0.1) |
| ROA | 2.4 | 2.5 | 0.1 | 2.4 | 2.5 | 0.1 | 2.5 | (0.0) |
| ROE | 17.3 | 17.9 | 0.7 | 17.3 | 17.9 | 0.7 | 18.3 | (0.4) |
| NPF gross | 2.3 | 2.0 | (0.32) | 2.3 | 2.0 | (0.3) | 2.0 | (0.0) |
| NPF coverage ratio | 189.5 | 194.9 | 5.4 | 189.5 | 194.9 | 5.4 | 196.6 | (1.7) |
| CoC | 1.6 | 1.0 | (0.56) | 1.6 | 1.0 | (0.6) | 0.9 | 0.1 |
| Tier 1 – CAR | 19.2 | 20.2 | 0.9 | 19.2 | 20.2 | 0.9 | 20.2 | (0.1) |
| CASA | 59.9 | 62.1 | 2.1 | 59.9 | 62.1 | 2.1 | 60.9 | 1.2 |
| FDR | 87.8 | 86.7 | (1.1) | 87.8 | 86.7 | (1.1) | 83.1 | 3.6 |

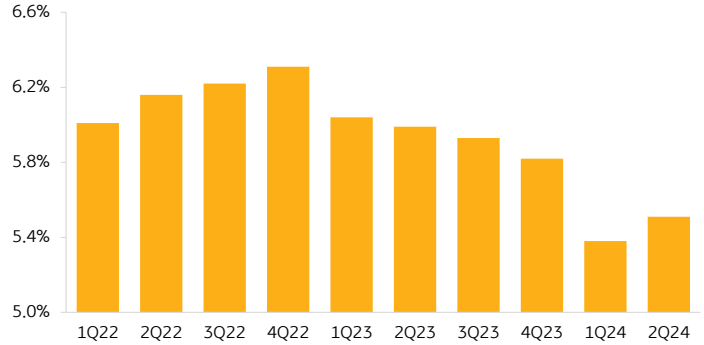
Source : Company, KBVS Research

Exhibit 3: Continuing consumer finance focus to benefit growth (%)



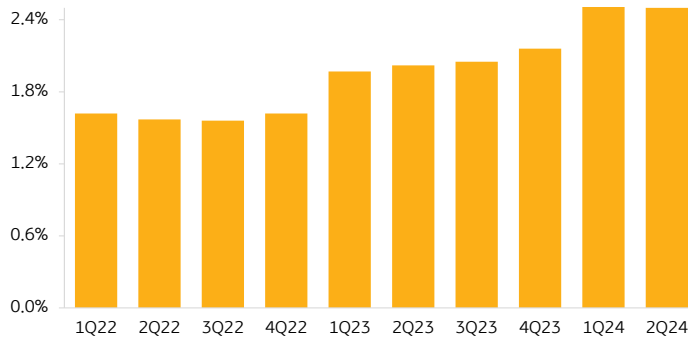
Source: Company, KBVS Research

Exhibit 4: Expect another better NIM in the remaining quarters (%)



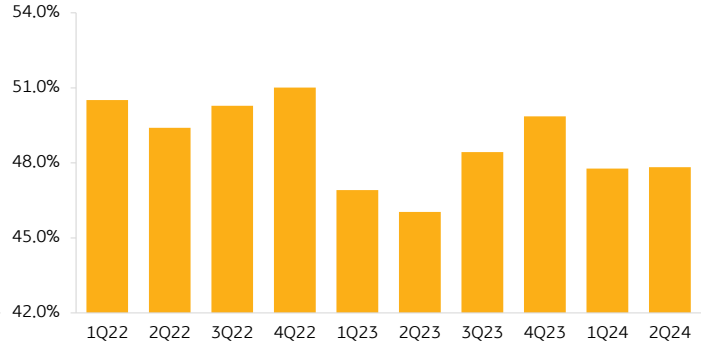
Source: Company, KBVS Research

Exhibit 5: Expect softer funding cost to continue (%)



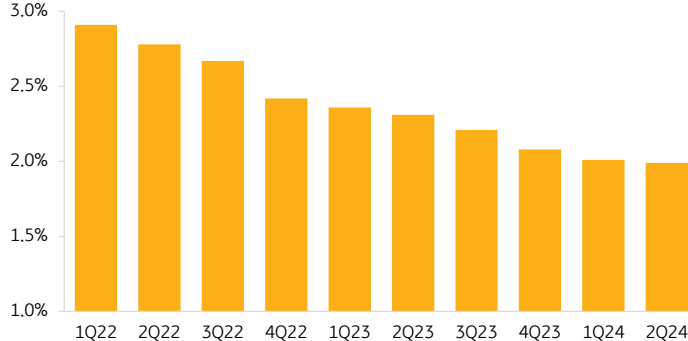
Source: Company, KBVS Research

Exhibit 6: CIR improvement as the additional earnings growth (%)



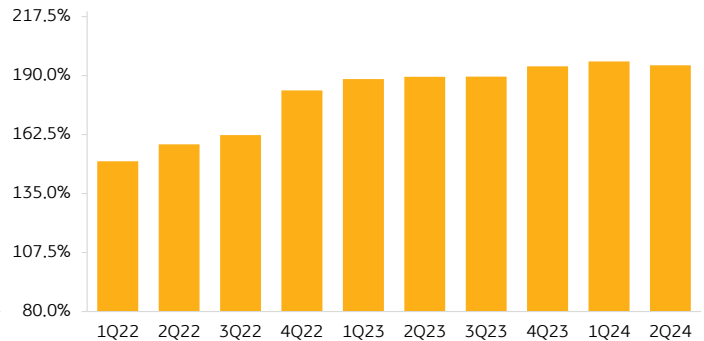
Source: Company, KBVS Research

Exhibit 7: NPF continuing improvement (%)...



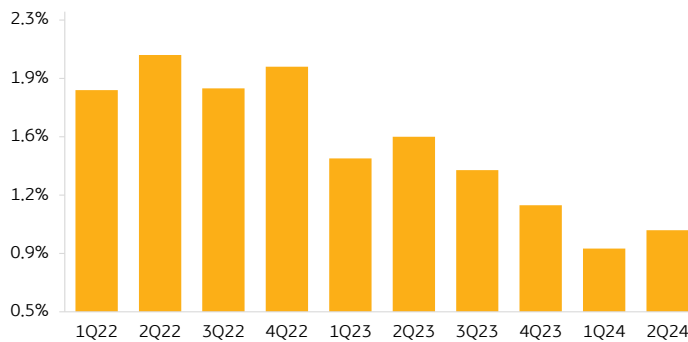
Source: Company, KBVS Research

Exhibit 8: ..coupled with steady sturdy coverage (%)



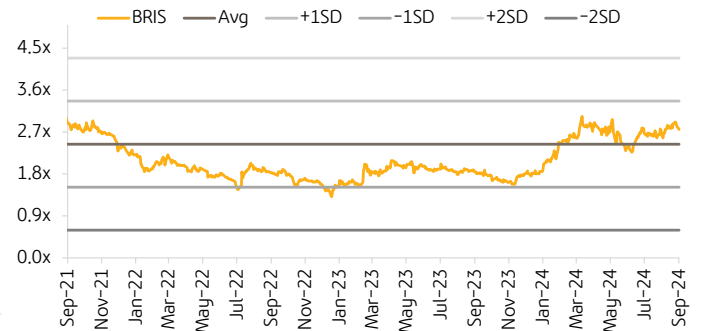
Source: Company, KBVS Research

Exhibit 9: CoC continue within its improvement track (%)



Source: Company, KBVS Research

Exhibit 10: Traded at 2.7x '24F P/B, slightly above its avg. hit. mean of 2.4x



Source: Company, Bloomberg, KBVS Research

FINANCIAL TABLES
Exhibit 11: Profit & Loss

| Year End Dec (IDR bn) | 2022A | 2023A | 2024F | 2025F | 2026F |
|---------------------------------------|---------------|---------------|---------------|---------------|---------------|
| Margin income | 19,623 | 22,252 | 25,621 | 29,066 | 32,870 |
| Profit sharing expense | (4,032) | (5,993) | (7,161) | (7,821) | (8,339) |
| Net margin income | 15,591 | 16,259 | 18,460 | 21,246 | 24,531 |
| Non-interest income | 3,701 | 4,204 | 4,730 | 5,321 | 5,853 |
| Operating expenses | (9,895) | (10,249) | (10,889) | (12,113) | (13,332) |
| Pre-provision operating profit | 9,396 | 10,214 | 12,300 | 14,454 | 17,053 |
| Loan loss provision | (3,749) | (2,622) | (3,334) | (3,633) | (4,202) |
| Operating profit | 5,648 | 7,591 | 8,966 | 10,820 | 12,850 |
| Pretax profit | 5,656 | 7,589 | 8,964 | 10,818 | 12,848 |
| Net profit | 4,260 | 5,704 | 6,615 | 7,955 | 9,371 |

Exhibit 12: Balance sheet

| Year End Dec (IDR bn) | 2022A | 2023A | 2024F | 2025F | 2026F |
|--|----------------|----------------|----------------|----------------|----------------|
| Assets | | | | | |
| Cash | 4,951 | 5,256 | 5,479 | 5,993 | 6,514 |
| Current Account at BI | 31,778 | 32,441 | 33,394 | 34,677 | 36,809 |
| Interbank Loans | 2,476 | 2,304 | 2,414 | 2,528 | 2,648 |
| Marketable securities | 57,841 | 71,169 | 63,089 | 59,502 | 57,703 |
| Loan (Consolidated) | 198,506 | 230,629 | 264,528 | 304,680 | 352,601 |
| Fixed Assets | 5,655 | 5,353 | 5,888 | 6,477 | 7,125 |
| Other assets | 4,519 | 6,474 | 6,707 | 8,632 | 11,370 |
| Total Asset | 305,727 | 353,625 | 381,498 | 422,488 | 474,769 |
| Liabilities | | | | | |
| Interbank Deposit | 2,219 | 1,761 | 1,866 | 2,168 | 3,611 |
| Customer Deposit | 261,491 | 293,776 | 316,746 | 347,025 | 388,780 |
| Other Liabilities | 7,578 | 18,568 | 19,535 | 23,634 | 25,339 |
| Total liabilities & syirkah funds | 272,222 | 314,885 | 338,148 | 372,828 | 417,731 |
| Equity | | | | | |
| Capital Stock | 23,065 | 23,065 | 23,065 | 23,065 | 23,065 |
| Additional Paid-in Capital | (3,929) | (3,929) | (3,929) | (3,929) | (3,929) |
| Retained Earnings | 13,712 | 18,911 | 23,540 | 29,841 | 37,224 |
| Other Equity | 658 | 693 | 675 | 684 | 679 |
| Shareholder's Equity | 33,506 | 38,740 | 43,350 | 49,660 | 57,039 |
| Non-controlling Interest | - | - | - | - | - |
| Total Equity | 33,506 | 38,740 | 43,350 | 49,660 | 57,039 |

Exhibit 13: Key performance metrics

| Year End Dec (IDR bn) | 2022A | 2023A | 2024F | 2025F | 2026F |
|-----------------------|-------|-------|-------|-------|-------|
| NIM | 6.3 | 5.8 | 5.8 | 6.1 | 6.3 |
| FDR | 79.4 | 81.8 | 86.9 | 91.2 | 94.1 |
| CASA | 61.6 | 60.6 | 60.6 | 61.1 | 61.5 |
| Cost/income | 51.0 | 50.1 | 47.0 | 45.6 | 43.9 |
| NPF | 2.4 | 2.27 | 2.0 | 1.8 | 1.5 |
| ROE | 16.8 | 16.9 | 16.9 | 17.1 | 17.5 |
| ROA | 2.0 | 2.3 | 2.4 | 2.7 | 2.9 |
| CAR | 20.3 | 20.2 | 20.8 | 21.5 | 22.0 |
| BVPS (IDR) | 806 | 840 | 940 | 1,077 | 1,236 |
| PER (x) | 25.3 | 20.9 | 18.1 | 15.0 | 12.7 |
| PBV (x) | 3.2 | 3.1 | 2.8 | 2.4 | 2.1 |
| Div. Yield | 0.7 | 0.9 | 1.2 | 1.4 | 1.7 |

Source: Company, KBVS Research

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