

Expect 1H24 earnings growth to be intact

20 June 2024



BRIS IJ	
Sector	Banking
Price at 20 June 2024 (IDR)	2,440
Price target (IDR)	2,970
Upside/Downside (%)	21.7

Stock Information

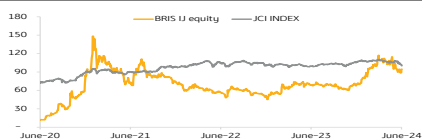
PT Bank Syariah Indonesia, Tbk. is Indonesia's largest Islamic bank. BRIS is formed by a merger of BRI syariah, BNI Syariah and Bank Syariah Mandiri. The bank offers financing in a segment of commercial, corporate, SME, Micro, consumer, pawning, and others. The bank also offers services such as credit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

Market cap (IDR bn)	105,175
Shares outstanding (mn)	46,129
52-week range (IDR)	1,450 - 2,960
3M average daily vol. ('000)	43,501
3M average daily val. (IDR mn)	109,100

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	(4.4)	(9.4)	46.1

BRIS 5M24 bank only earnings growth should be translated as a strong support for 1H24 result. Robust loan growth remains with better total TPF which backed by higher growth from the CASA portion. We expect first-half earnings growth to remain on track and arrives within ours and the street's '24F forecasts (even assuming flat Jun '24 PATMI). We might witness another soft NIM in 1H24 due to the continuing trend in cost of borrowing adjustments. Key to a better NIM is BRIS' ability to manage its CASA coupled with a combination of robust financing growth and selective yield re-pricing. Despite the continuing mild appetite and the sell-off on indo-banking stocks, BRIS' stock foreign ownership has, interestingly, been increasing YTD. Maintain BUY with GGM TP IDR2,970 (3.2x '24F PB), while currently trading at 2.6x '24 PB or at its average hist. mean.

Another solid monthly bank-only earnings.

Following its solid 4M24 result, BRIS reported continuing robust earnings in the period of 5M24. Amid the continuing cost of fund adjustment trend, the bank still successfully manages to record positive net interest income (2.0% yoy), backed by strong YTD loan growth. On the bottom line level, BRIS 5M24 bank only PATMI came in at IDR 2.76tn, or grew strong by 18.6% yoy, mainly driven by improving asset quality, which resulted in a sharp drop in provision of 30.2% yoy. In all, BRIS earnings arrive at 41.9% and 41.2% of our '24F earnings for BRIS and consensus forecast.

A better MoM result translated into a healthy 1H24 expectation.

On a MoM basis, the bank recorded solid earnings growth of 36% yoy as of May 24 and far above April 24 flat growth supported by softer provisions (22.9% yoy). We also like BRIS's effort to mitigate risk by frontloading higher provisions in May 24 (35.2% MoM), despite the flat net profit growth of -0.15% MoM. In all, the bank recorded a much better MoM performance compared to last year. This should translate as a solid catalyst to support the overall 1H24F earnings growth, in our view. Ceteris paribus, assuming June 24 bank only earnings reported no growth, we might witness BRIS 1H24F earnings to grow by 17% yoy to IDR3.3tn, or came in within KBVS and street '24F estimates with a run rate of 49.9%/49.1% compared to last year's run rate of 49.5%.

Robust financing with solid TPF growth.

BRIS reported another solid May 24 financing growth of 17.1% yoy to IDR 253.36tn, thanks to strong wholesale segment growth of 19.26% yoy (retail 17.50% yoy, consumer 15.82% yoy). On the third-party fund side, total customer deposits grew by 11.3% yoy, supported by a stronger saving account segment. CASA remained strong at 62.5% and 119 basis points higher yoy, or around IDR182.45tn in absolute amount, and grew by 13.5% yoy. With such a well-shaped CASA portion, we expect BRIS to continue in a well-shaped position to reach its '24F NIM guidance at 5.50%-5.86%.

Expecting '24F NIM to arrive within guidance with a steady low CoC.

We closely watch BRIS NIM, which reported a lower figure (70 bps yoy) as transmission adjustments to borrowing costs remain intact. On the EA interest income side, we have not seen a significant repricing yield until 5M24. We expect this will start to take effect in June and potentially impact a better 9M24 NIM compared to the latest position in 5M24 of 5.3%. While waiting for the 1H24 result, we maintain our '24F NIM forecast for BRIS, which stood at around 60 bps below management's upper guidance of 5.86%. On key risk metrics, CoC noted an improvement of around 59 bps to 0.87.

Foreign ownership in BRIS stock, interestingly, has been increasing.

As the uncertainty remains, selling pressure on indo-banking stocks continues. With the stock price having dropped by 14.03% from its YTD high, we believe at yesterday's closing price the stock is offering attractive upside potential. What's more, we also like BRIS's latest foreign ownership, which interestingly (regardless of the sentiment) recorded an anomaly pattern compared to its peer's stock movement. As of May 24, foreign ownership is recorded at around 4.0%, or 141 basis points higher year on year vs. May 23, at 2.6%.

Maintain BUY and GGM TPs of IDR 2,970.

Our GGM TP of IDR2,970/share pegged at 3.2x '24F PB, while currently, the stock is trading at 2.6x '24F P/B, or at its average historical mean. Downside risks to our call are: 1) slower loan growth; 2) worsening NIM and AQ; 3) higher than expected CoC and NPL 4) lower than expected interest income and mounting CoF, 5) slowing down economic activity, 6) stubborn inflation 6) uninterrupted strengthening of DXY; 7) worsening middle-east tension; and 8) prolonged uncertainty (which will jeopardize growth expectations).

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)	23.8	19.7	17.0	14.1	12.0
PBV (x)	3.0	2.9	2.6	2.3	2.0
Div. Yield (%)	0.7	0.9	1.3	1.5	1.8
RoE (%)	16.8	16.9	16.9	17.1	17.5

Source: Company, KBVS Research

Analyst

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Exhibit 2: BRIS 5M24 bank only result

P&L (IDRbn)	1M24	2M24	3M24	4M24	5M24	5M23	5M24	YoY (%)	to 23A	to KBVS '24F	to 'cons '24F
Interest income	2,010	4,046	6,308	8,334	10,445	9,361	10,445	11.6			
Interest expense	(638)	(1,249)	(1,927)	(2,570)	(3,226)	(2,284)	(3,226)	41.2			
Net interest income	1,371	2,796	4,381	5,764	7,219	7,076	7,219	2.0			
Non Int Inc & others	322	628	977	1,255	1,613	1,242	1,613				
Opex	(809)	(1,633)	(2,543)	(3,344)	(4,243)	(3,916)	(4,243)				
PPOP	885	1,791	2,815	3,674	4,590	4,402	4,590	4.3			
Provision	(206)	(396)	(549)	(706)	(918)	(1,314)	(918)				
Net Profit	513	1,055	1,707	2,239	2,769	2,335	2,769	18.6	44.6	41.9	41.2

P&L (IDRbn)	Jan-24	Feb-24	Mar-24	Apr-24	May-24	May-23	May-24	YoY (%)	MoM (%)
Interest income	2,010	2,036	2,262	2,026	2,111	1,847	2,111	14.3	4.2
Interest expense	(638)	(611)	(678)	(643)	(656)	(498)	(656)	31.6	1.9
Net interest income	1,371	1,425	1,585	1,383	1,456	1,349	1,456	7.9	5.3
Non Int Inc & others	322	306	349	278	358	267	358		
Opex	(809)	(824)	(910)	(802)	(898)	(825)	(898)		
PPOP	885	906	1,024	859	916	791	916	15.7	6.6
Provision	(206)	(190)	(153)	(157)	(212)	(275)	(212)		
Net Profit	513	542	652	531	530	390	530	36.0	(0.2)

Source: Company, KBVS Research

Selected B/S (IDRbn)	Jan-24	Feb-24	Mar-24	Apr-24	May-24	May-23	May-24	YoY (%)
Total Loan	239,030	241,734	246,541	250,977	253,366	216,338	253,366	17.1
Total Assets	346,439	348,413	357,904	350,678	355,251	310,600	355,251	14.4
Total Liability	307,145	308,526	317,349	309,617	314,440	275,098	314,440	14.3
Total Equity	39,295	39,887	40,555	41,061	40,812	35,502	40,812	15.0
Total deposits	287,825	289,409	297,339	293,245	291,867	262,163	291,867	11.3
Demand deposits	53,760	53,934	55,753	53,070	54,950	53,478	54,950	2.8
Savings deposits	122,156	120,889	125,202	126,429	127,509	107,281	127,509	18.9
Time deposits	111,909	114,585	116,384	113,747	109,407	101,404	109,407	7.9
CASA	175,916	174,824	180,955	179,498	182,459	160,759	182,459	13.5

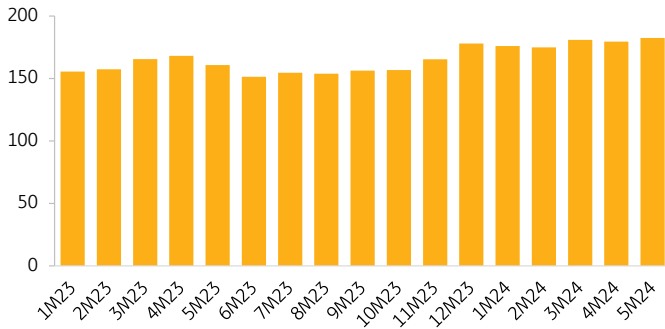
Source: Company, KBVS Research

Exhibit 3: BRIS 5M24 bank only selected key ratios

Selected Key Ratios (%)	1M24	2M24	3M24	4M24	5M24	5M23	5M24	YoY (%)
NI	5.1	5.3	5.4	5.3	5.3	5.3	5.3	(0.0)
Yield of financing	8.7	8.7	9.0	8.8	8.7	8.8	8.7	(0.1)
Cost of fund	2.6	2.6	2.6	2.6	2.6	2.6	2.6	0.0
Cost of credit	1.03	0.98	0.89	0.84	0.87	0.84	0.87	0.03
CASA (IDRbn)	175,916	174,824	180,955	179,498	182,459	179,498	182,459	1.6
CASA	61.1	60.4	60.9	61.2	62.5	61.2	62.5	1.30
Loan to Deposits	83.0	83.5	82.9	85.6	86.8	85.6	86.8	1.2
CIR	47.8	47.7	47.5	47.7	48.0	47.7	48.0	0.4

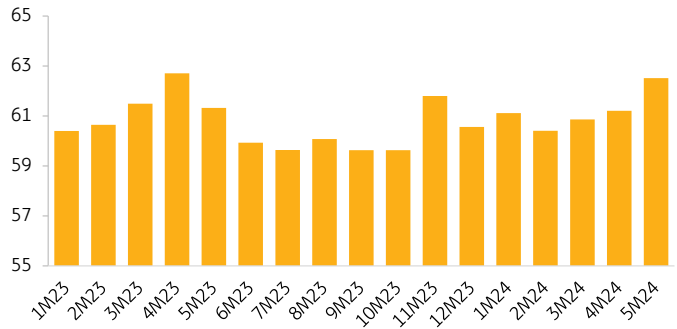
Source: Company, KBVS Research

Exhibit 4: Solid CASA growth (IDRtn)



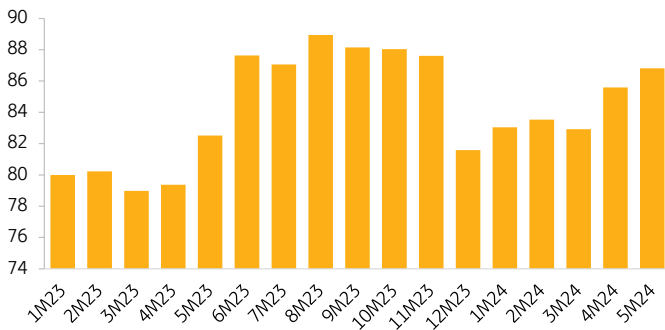
Source: Company, KBVS Research

Exhibit 5: Higher CASA portion remains (%)



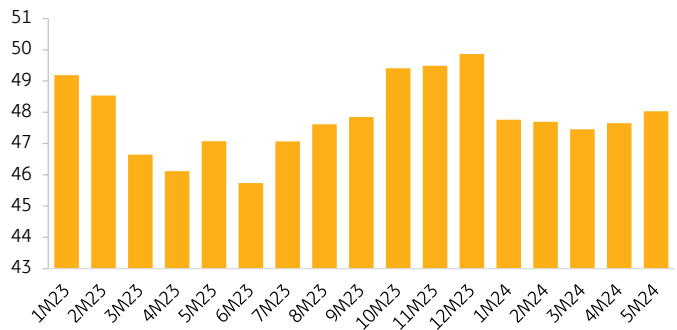
Source: Company, KBVS Research

Exhibit 6: Stronger FDR to capture the upcoming loan demand (%)



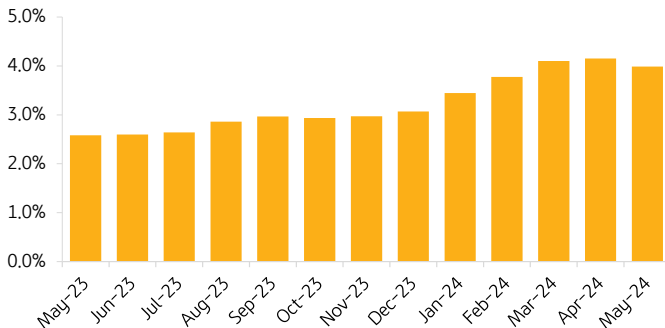
Source: Company, KBVS Research

Exhibit 7: CIR improvement as the additional earnings growth (%)



Source: Company, KBVS Research

Exhibit 8: Increasing foreign ownership amid indo-banking stock sell off



Source: Company, KBVS Research

Exhibit 9: Banks under our coverage indo banking stock foreign ownership

Ticker	Jan-24	Feb-24	Mar-24	Apr-24	May-24	YTD 2024	YTD 2023	May-23	May-24	YoY (chg)
BBCA IJ	36.1%	36.3%	36.3%	36.1%	35.9%	-0.2%	0.4%	36.1%	35.9%	-0.2%
BBRI IJ	36.7%	37.0%	37.1%	36.1%	35.0%	-1.7%	1.2%	36.8%	35.0%	-1.8%
BMRI IJ	33.9%	34.4%	34.5%	34.2%	33.7%	-0.2%	0.2%	33.2%	33.7%	0.4%
BBNI IJ	27.2%	27.8%	27.4%	27.0%	26.6%	-0.6%	1.1%	26.2%	26.6%	0.4%
BBTN IJ	10.2%	10.8%	11.4%	11.1%	10.5%	0.3%	-1.1%	10.0%	10.5%	0.6%
BRIS IJ	3.4%	3.8%	4.1%	4.2%	4.0%	0.5%	0.4%	2.6%	4.0%	1.41%
Average	24.6%	25.0%	25.1%	24.8%	24.3%	-0.3%	0.4%	24.1%	24.3%	0.1%

Source: Company, KBVS Research

Exhibit 10: Selected 5M24 key ratios (%)

Selected Key Ratios (%)	1M24	2M24	3M24	4M24	5M24	5M23	5M24	YoY (%)
NI	5.1	5.3	5.4	5.3	5.3	5.3	5.3	(0,0)
Yield of financing	8.7	8.7	9.0	8.8	8.7	8.8	8.7	(0,1)
Cost of fund	2.6	2.6	2.6	2.6	2.6	2.6	2.6	0,0
Cost of credit	1.03	0.98	0.89	0.84	0.87	0.84	0.87	0,0
CASA (IDRbn)	175,916	174,824	180,955	179,498	182,459	179,498	182,459	1.6
CASA	61.1	60.4	60.9	61.2	62.5	61.2	62.5	1.3
Loan to Deposits	83.0	83.5	82.9	85.6	86.8	85.6	86.8	1.2
CIR	47.8	47.7	47.5	47.7	48.0	47.7	48.0	0.4

Source: Company, KBVS Research

Exhibit 11: Traded at 2.6x '24F P/B, at its avg. hit. mean



Source: Company, Bloomberg, KBVS Research

FINANCIAL TABLES
Exhibit 12: 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 13: 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 14: 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)	23.8	19.7	17.0	14.1	12.0
PBV (x)	3.0	2.9	2.6	2.3	2.0
Div. Yield	0.7	0.9	1.3	1.5	1.8

Source: Company, KBVS Research

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