

Expect Jul24 and overall 3Q24 growth to sustain

14 August 2024



BMRI IJ	BUY
Sector	Banks
Price at 13 Aug 2024 (IDR)	8,100
Price target (IDR)	7,000
Upside/Downside (%)	15.7

Stock Information

PT Bank Mandiri (Persero) Tbk (Persero) Tbk is a state-owned bank offering a range of banking products and services to its customers from individuals and SMEs to corporations. The bank is formed by a merger of four state-owned banks.

Market cap (IDR bn)	653,333
Shares outstanding (mn)	93,333
52-week range (IDR)	5,525-7,500
3M average daily vol. ('000)	116,759
3M average daily val. (IDR mn)	728,633

Shareholders (%)

Republic of Indonesia	54.9
Public	45.1

Stock Performance



Source: Bloomberg

	1M	3M	12M
Performance	9.7	13.7	18.5

BMRI has pocketing enough 1H24 earnings and key performance metrics to enter 2H24. Both Jul24 and Aug24 bank only results will become a strong signal for its 3Q24, which we expect should remain within ours and consensus expectations. New '24F loan growth forecast and previous key performance metrics guidance sound achievable. Previous market nerves over the LAR and NPL will start to diminish in the second half of this year, and we never take this as a concern since our BMRI '24F outlook was released in November 23. NIM expansion could continue and is likely to get closer to management guidance and our '24F expectation for BMRI NIM. Since our last report (May 24), the stock has provided a capital gain of 11.7%. Maintain BUY with GGM-based TP of IDR8,100 (2.6x '24F P/B), currently trading at 2.2x '24F P/B or slightly below its +2SD.

Pocketing enough earnings and key metrics to sail the 2H24 period.

We like the overall 1H24 results, which came in line with ours and the consensus forecast at a run rate of 45.6%/45.4%. The ongoing loan demand coupled with steady CASA growth in the following months (1H24: 17.9% yoy) will overall underpin 3Q24 earnings to record another inline growth. What's more, key risk metrics also arrive within our expectations. As such, others things being equal, we are confident that our '24F CoC for BMRI will be effortlessly achieved.

Jul24 bank only net profit growth to remain intact.

Loan loss provisions will continue to play a crucial role amid the prolonged market nerves over the higher cost of funding in the remaining period of this year. The latest 2H24 figures seem to confirm that Jul24-Aug24 bank only and 3Q24 earnings growth likely to be intact. Even assuming our Jul24 bank only net profit growth expectation for BMRI of -3.8% mom (weaker than Jul23 of -2.6% mom), the cumulative 7M24 bank only PATMI will still grow at 7.4% yoy, or 27bps better vs 6M24 period.

3Q24 earnings should become another solid result.

On the consolidated level, we believe the bank will witness another solid quarterly result. Our 3Q24F PATMI for BMRI (6.18% qoq) will be supported by a combination of: (1) steady loan and EA yield; (2) stable CoF IBL; (3) continuing soft funding cost; and (3) loan loss provisions, which will stay low. On a cumulative basis, we expect BMRI's 9M24F net profit to reach IDR41.3tn (5.61% yoy) or equal to a run-rate of around 71% and in line with the 5-year historical average of 72%.

New '24F guidance sounds achievable.

Following its revised down '24F guidance (1Q24) for several key performance metrics on the back of the latent impact of the 25-bps BI rate increase, now the bank has new loan growth guidance on better confidence underpinned by strong 1H24 results, in our view. BMRI expects '24F loan growth to hover within the range of 16%-18% yoy, or around 300 bps higher from previous range guidance of 13%-15% yoy. We believe the new target is achievable as continuing momentum from the wholesale/corporate segment remain intact. BMRI maintains its NIM and CoC forecast this year of 5.0%-5.3% and 1.0%-1.2%, respectively. Worth noting that BMRI's 1H24 CoC of 0.98% has beat our '24F credit cost for BMRI of 0.95%.

Some catalysts for NIM expansion.

Carefully selected debtors for wholesale yield re-pricing will become the main story amid our expectation of a stable low cost of funds (increasing funding cost appears to have a peak in 1Q24) in the remaining quarters of this year. Stronger transactional banking with a much better posture of deposit mix will play an important role in supporting our thesis. Albeit mild, we think better key profitability metrics figures in 1H24 should be translated as a potential continuing NIM expansion. In the bank-only level, NIM stood at 5.09% (2Q24) and significantly improved (23 bps) compared to 4.83% in the previous quarter. Management forecasts '24F NIM to hover within the range of 5.0%-5.3% or aligned with our expectation of 5.3%.

Overall improvement in LAR.

Loans at risk and Covid-19 restructured loans have never been our concerns since our '24F outlook for BMRI was released in November 23. Indeed, LAR has been massively improving by 258 basis points yoy to 7.76% vs. 10.3% in 1H23 and around 86 basis points better from 8.62% at the end of last year. Our view was also confirmed with the latest BMRI's restructured loan, whereas as a total it improves to 6.07% vs. 6.59% in 1Q24 and 6.94% in Dec23. On a segmentation basis, Covid-19 restruct loan sharply recorded a better figure to 1.18% to total loan vs. 3.06% in Junu23, while BaU improves from 5.44% to 4.89%.

Maintain BUY GGM TP of IDR8,100.

Our GGM TP of IDR8,100 is pegged at 2.6x '24F P/B while currently trading at 2.2x '24F P/B or slightly below its +2SD. Downside risks to our call are: 1) slower loan growth; 2) worsening NIM and AQ; 3) higher than expected CoC, CoF, and NPL, 4) slowing down economic activity, 6) stubborn inflation 6) uninterrupted strengthening of DYY; 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 Interest income	87,903	95,887	106,990	119,687	134,429
Non int. income	37,648	42,771	48,358	55,751	58,885
Income from operations	125,551	138,658	155,349	175,438	193,314
Pre-provision profit	72,291	84,790	96,830	111,068	122,507
Net income (IDR bn)	41,171	55,060	58,248	63,748	70,157
EPS (IDR)	441	590	624	683	752
EPS growth (%)	46.9	33.7	5.8	9.4	10.1
PER (x)	15.9	11.9	11.2	10.2	9.3
PBV (x)	2.8	2.5	2.2	2.0	1.8
Div. Yield (%)	2.6	3.8	4.2	4.5	4.9
RoE (%)	19.7	22.9	22.8	23.1	24.0

Source: Company, KBVS Research

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Exhibit 2: BMRI BaU, Covid-19 and Total Restru Loans (Jun24)

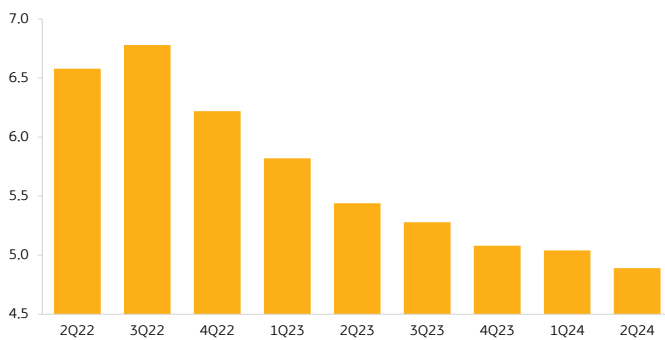
BAU Restru Loans (IDR tn)	Jun-22	Sep-22	Dec-22	Mar-23	Jun-23	Sep-23	Dec-23	Mar-24	Jun-24
Current	31.7	35.6	29.6	28.7	21.9	22.6	27.5	27.9	29.8
Special mention	24.6	26.4	30	28.4	34.9	35.8	35.4	37.2	37
Non-performing	18.5	17.2	15.2	13	12.4	11.1	8.14	7.17	8.15
Total	74.8	79.2	74.8	70.1	69.2	69.5	71.04	72.27	74.95

COVID-19 Restru Loans (IDR tn)	Jun-22	Sep-22	Dec-22	Mar-23	Jun-23	Sep-23	Dec-23	Mar-24	Jun-24
Current	57.7	48	42.9	36.7	31.5	29.3	21.2	18.1	15.3
Special mention	14.4	9.72	4.62	5.02	4.44	2.82	2.6	2.31	1.2
Non-performing	3.35	3.89	3.18	3.12	2.96	2.74	2.23	1.92	1.64
Total	75.45	61.61	50.7	44.84	38.9	34.86	26.03	22.33	18.14

Total Restru Loans (IDR tn)	Jun-22	Sep-22	Dec-22	Mar-23	Jun-23	Sep-23	Dec-23	Mar-24	Jun-24
Current	89.4	83.6	72.5	65.4	53.4	51.9	48.7	46	45.1
Special mention	39	36.12	34.62	33.42	39.34	38.62	38	39.51	38.2
Non-performing	21.85	21.09	18.38	16.12	15.36	13.84	10.37	9.09	9.79
Total	150.25	140.81	125.5	114.94	108.1	104.36	97.07	94.6	93.09

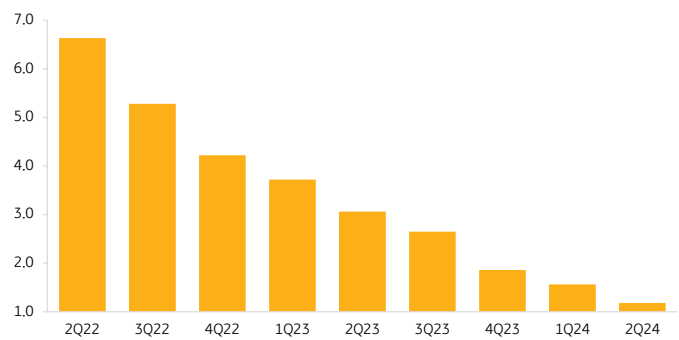
Source : Company, KBVS Research Indonesia

Exhibit 3: BaU restructured loans (% to total loan)



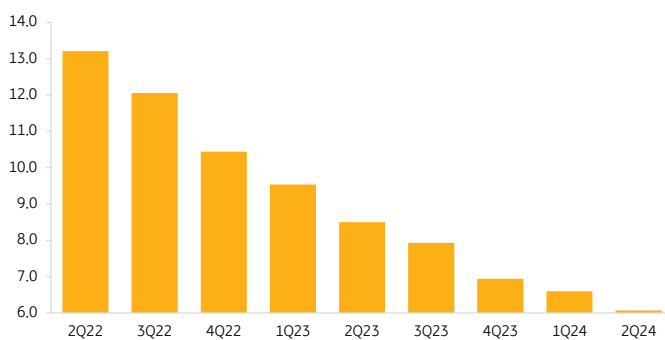
Source: Company, KBVS Research

Exhibit 4: Covid-19 restructured loans (% to total loan)



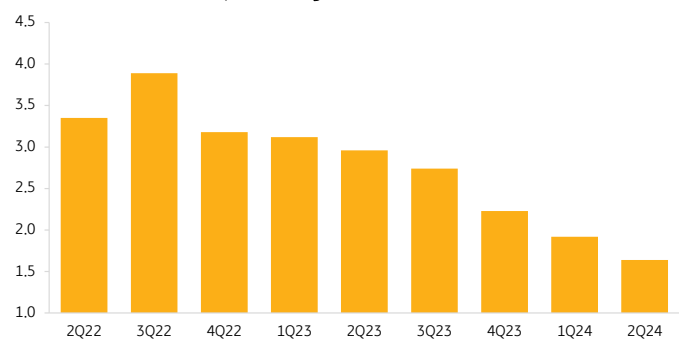
Source: Company, KBVS Research

Exhibit 5: Total restructured loans (% to total loan)



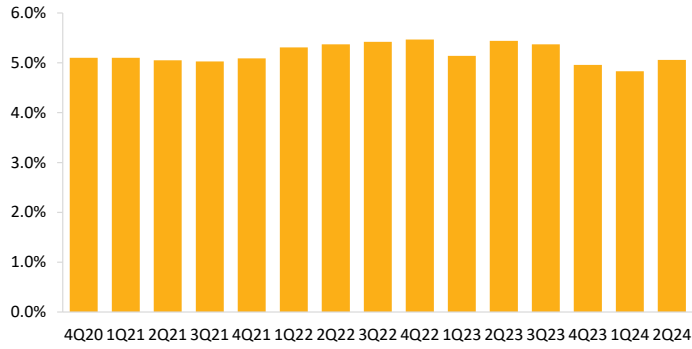
Source: Company, KBVS Research

Exhibit 6: Covid-19 non performing (IDRtn)



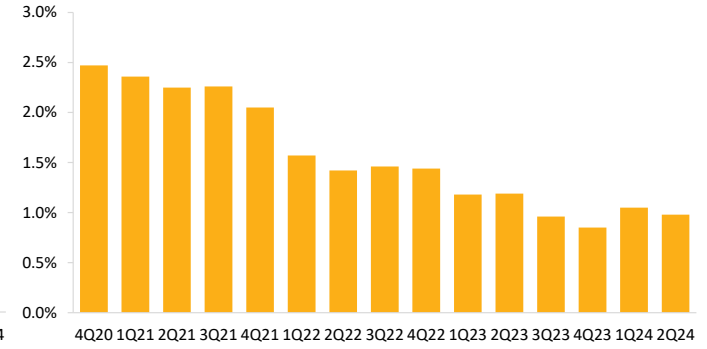
Source: Company, KBVS Research

Exhibit 7: Expect NIM to arrive better in the following quarters



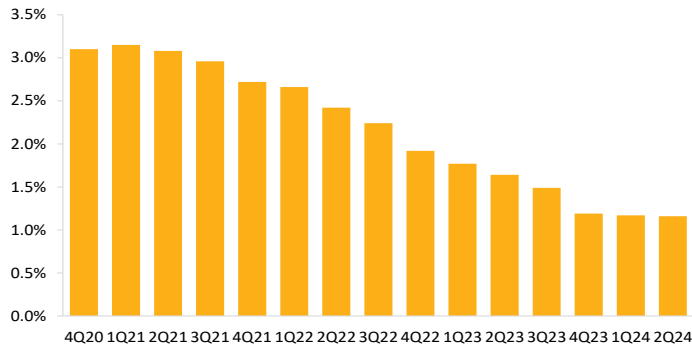
Source: Company, KBVS Research

Exhibit 8: COC to remain at low level



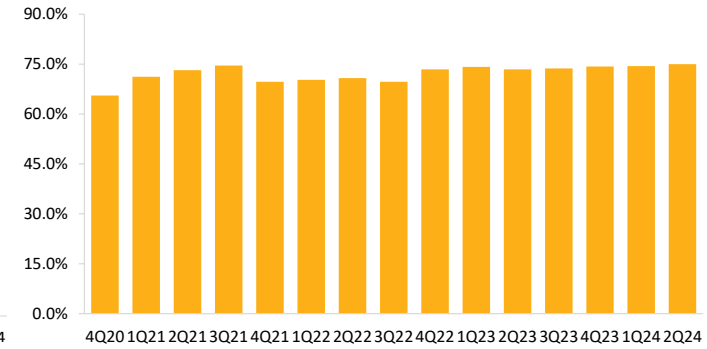
Source: Company, KBVS Research

Exhibit 9: Continuing better AQ lead to a healthier NPL



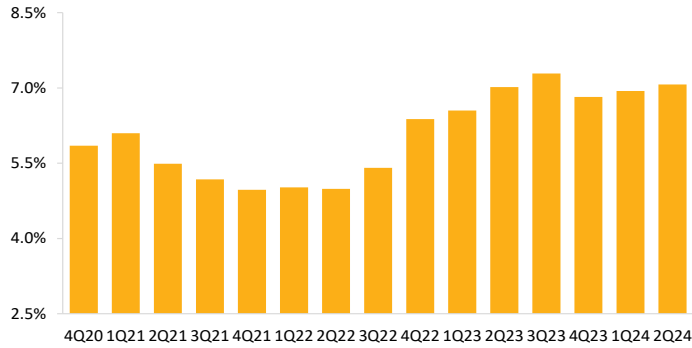
Source: Company, KBVS Research

Exhibit 10: Solid CASA to limit another round of potential rising cost of fund



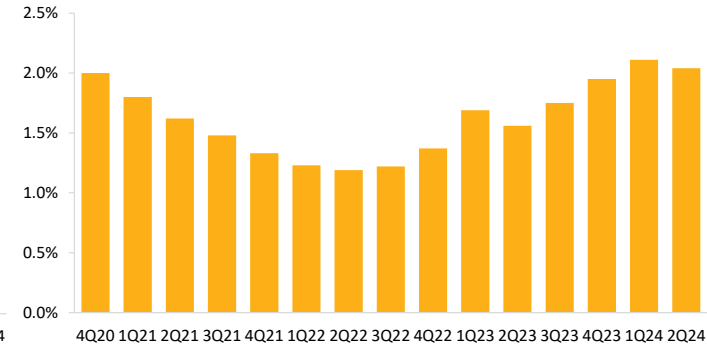
Source: Company, KBVS Research

Exhibit 11: Expect loan repricing to continue...



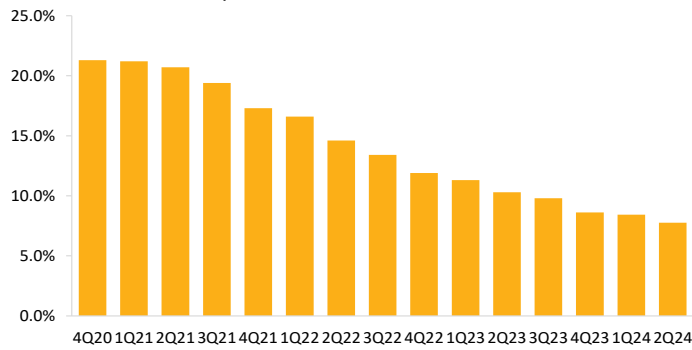
Source: Company, KBVS Research

Exhibit 12:..with continuing solid deposit mixed to manage cost of fund



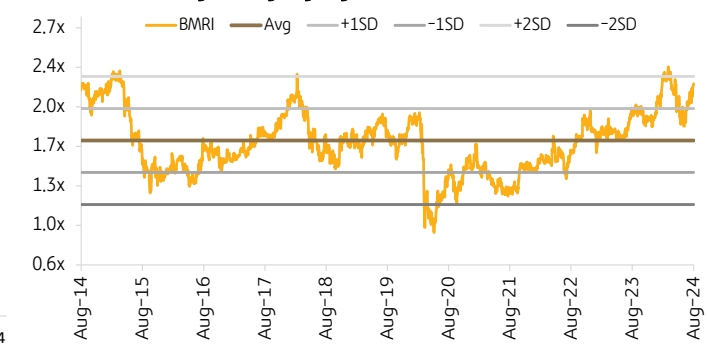
Source: Company, KBVS Research

Exhibit 13: Solid LAR improvement



Source: Company, KBVS Research

Exhibit 14: Currently trading slightly below +2SD



Source: Company, Bloomberg, KBVS Research

FINANCIAL TABLES

Exhibit 15: Profit & Loss

Year End Dec (IDR bn)	2022A	2023A	2024F	2025F	2026F
Interest income	112,382	132,544	152,812	171,453	193,109
Interest expenses	(24,479)	(36,658)	(45,822)	(51,766)	(58,680)
Net interest income	87,903	95,887	106,990	119,687	134,429
Non-interest income	37,648	42,771	48,358	55,751	58,885
Operating expenses	(53,260)	(53,867)	(58,518)	(64,370)	(70,807)
Pre-provision operating profit	72,291	84,790	96,830	111,068	122,507
Loan loss provision	(16,123)	(10,149)	(10,972)	(12,266)	(13,769)
Pretax Profit	56,378	74,685	85,890	98,835	108,770
Income Tax Expenses	(11,425)	(14,633)	(21,473)	(25,203)	(27,736)
Net profit	41,171	55,060	58,248	63,748	70,157

Exhibit 16: Balance sheet

Year End Dec (IDR bn)	2022A	2023A	2024F	2025F	2026F
Assets					
Cash	27,213	26,432	26,995	27,774	28,728
Current Account at BI	107,349	108,605	114,811	122,980	171,108
Interbank Loans	143,110	110,461	76,541	79,342	90,773
Govt Treas Bills & Sec	329,212	309,183	292,247	287,614	272,320
Investment Securities	82,800	94,546	101,713	99,110	90,691
Loans	1,136,868	1,344,189	1,544,636	1,793,023	2,082,265
Fixed Assets	56,541	57,978	58,678	59,378	60,078
Other assets	109,452	122,825	155,307	172,397	186,980
Total Asset	1,992,545	2,174,219	2,370,928	2,641,618	2,982,943
Liabilities					
Interbank Deposit	15,781	18,465	26,093	24,659	29,608
Customer Deposit	1,490,845	1,576,950	1,739,566	1,983,547	2,269,332
Debts Sec and Subordinates	45,774	50,518	52,187	59,506	68,080
Other Liabilities	187,899	240,792	230,073	211,617	209,303
Total liabilities	1,740,299	1,886,724	2,047,919	2,279,329	2,576,323
Equity					
Capital Stock	11,667	11,667	11,667	11,667	11,667
Additional Paid-in Capital	17,643	17,643	17,643	17,643	17,643
Retained Earnings	166,995	197,304	228,021	262,646	300,928
Other Equity	33,374	34,239	35,967	37,027	39,244
Shareholder's Equity	229,679	260,853	293,298	328,982	369,483
Non-controlling Interest	22,567	26,642	29,711	33,307	37,137
Total Equity	252,245	287,495	323,010	362,289	406,619

Exhibit 17: Key performance metrics

Year End Dec (%)	2022A	2023A	2024F	2025F	2026F
NIM (%)	5.5	5.5	5.3	5.4	5.5
LDR (%)	80.6	88.6	91.4	92.1	92.7
CASA (%)	73.4	74.3	75.8	78.1	80.3
NPL (%)	1.9	1.2	1.2	1.1	1.0
ROAE (%)	19.0	22.4	21.0	20.5	20.1
ROAA (%)	2.2	2.6	2.6	2.5	2.5
CAR (%)	19.5	21.5	23.3	23.9	24.4
BVPS (IDR)	2,461	2,795	3,142	3,525	3,959
PER (x)	15.9	11.9	11.2	10.2	9.3
PBV (x)	2.8	2.5	2.2	2.0	1.8
Div. Yield (%)	2.6	3.8	4.2	4.5	4.9

Source: Company, KBVS Research

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