

Expect 9M24 earnings to continue inline

8 October 2024



BMRI IJ	BUY
Sector	Banks
Price at 7 October 2024 (IDR)	6,875
Price target (IDR)	8,100
Upside/Downside (%)	17.8

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)	644,000
Shares outstanding (mn)	93,333
52-week range (IDR)	5,525-7,550
3M average daily vol. ('000)	95,416
3M average daily val. (IDR mn)	657,598

Shareholders (%)

Republic of Indonesia	54.9
Public	45.1

Stock Performance



Source: Bloomberg

	1M	3M	12M
Performance	(3.1)	11.2	14.1

We remain optimistic about BMRI's financial performance for the remainder of 2024. Despite recent fluctuations in deposit mix, we anticipate that the bank's overall funding cost will continue to decline due to lower benchmark interest rates. Net interest margin (NIM) has remained stable within the management's projected range, indicating a healthy financial position. The upcoming release of 9M24 earnings will be a significant event, and we believe the recent market correction presents a favourable opportunity for investors. Following the release of 9M24 results, we will reassess our valuation for 2025. We are sticking with our BUY recommendation with GGM target price of IDR8,100 (2.6x '24F P/B). The current trading price is at 2.2X '24F P/B or below its +2SD, suggesting an attractive investment potential.

Another solid result: Inline

BMRI has continued to deliver solid financial results, with 8M24 bank-only net profit of IDR33.55tn aligning closely with our expectations (IDR33.34tn). Although the growth rate was moderate, it remains on track with a run rate of 57.3% vs 57.2% last year. We expect a continued declining in blended interest expenses, which bodes well for future profitability. This positive trend is expected to contribute to a stronger growth in net profit in the coming quarters.

Inline 3Q24 of IDR4.3tn vs our 3Q24F for BMRI of IDR4.23tn

On monthly stand-alone basis, BMRI's Aug24 bank only earnings were a mixed bag. On one hand, the bank's net profit of IDR4.33tn demonstrated a respectable growth of 6.4% yoy and -5.4% MoM (in line with our 3Q24F bank only PATMI for BMRI of IDR4.23tn) This positive performance was driven by a solid increase in interest income and stable soft funding costs as well as improving cost to income. However, the bank's earnings were also impacted by increased provisions, which weighed on the overall growth rate. Despite this headwind, BMRI ability to generate solid top line and manage funding costs and CIR effectively are a positive sign for the bank's future prospects.

Loan continues surpassing '24F new management guidance

BMRI's loan portfolio continues to expand at a robust pace, growing 22.6% yoy in Aug24 (0.5% mom). This significant growth exceeded both the bank's management guidance (10-12% yoy) and our own forecast for BMRI '24F loan growth of 13.7% yoy. On the funding side, the bank's total TPF saw a healthy increase of 14.5% yoy. Demand deposits were the primary driver of this growth, while TD recorded a higher growth rate, resulting in a slightly lower growth of current and savings accounts (CASA). Overall, we believe BMRI's deposit mix remains manageable, and the bank's funding costs are likely to continue declining, particularly as the impact of lower benchmark interest rates becomes more pronounced in the coming quarters.

NIM and CoC still arrive within BMRI '24F estimation

Bank Mandiri's Aug24 performance was strong across key financial metrics. The bank's net interest margin (NIM) of 5.3% remained within the management's projected range for 2024, reflecting healthy profitability. Additionally, funding costs have stabilized and declined from their peak earlier in the year. The bank's cost-to-income ratio also improved, indicating greater operational efficiency (123bps better to 32.2% vs 33.5% in 8M23). From a risk metrics perspective, credit costs remained within BMRI expected range (8M24: 0.74% vs guidance of 1.0-1.2%), demonstrating prudent lending practices and effective asset quality management.

What next?

BMRI's strong financial performance in the 8M24 positions the bank well to exceed its full-year earnings targets. We anticipate that the bank's 3Q24F net profit will continue to exhibit significant growth, driven by continuing robust loan growth, manageable funding cost as well as sustained AQ improvement. Our estimate for BMRI 3Q24F standalone net profit stands at IDR13.82tn (6.9% yoy). This figure aligns closely with the consensus forecast for consolidated net profit in the same period of IDR14.39tn. For the 9M24F, we project a total net profit of IDR38.47tn or 7.1% yoy (cons: IDR39.04tn). The bank is scheduled to release its 9M24 financial results at the end of Oct24. We believe, investors will be closely watching the report for further insights into the bank's performance and outlook for the remainder of the year.

Significant upside on latest short-term correction

The upcoming release of BMRI 9M24 financial results is expected to be a significant catalyst for the stock. Despite a short-term decline in performance, the bank's shares remain a strong investment option, evidenced by their YTD (18.5%) and 1YR returns (19.0%). While BMRI stock has experienced a temporary setback in the past month (1M return: -5.2%), we believe this presents a favourable entry point for investors. Our target price of IDR8,100 per share is slightly higher than the consensus estimates of IDR7,950, suggesting that we anticipate strong performance from the bank in the coming months. We maintain a positive outlook on BMRI and believe that its shares are poised for further growth.

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 below its +2SD. While we maintain a positive outlook on Bank Mandiri, it is important to acknowledge the potential downside risks that could impact the bank's performance and, consequently, its stock price, such as: 1) slower loan growth; 2) worsening NIM and AQ; 3) higher than expected CoC, CoF, and NPL. 4) slowing down economic activity and stubborn inflation 5) strengthening DXY; 6) worsening political tension.

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)	15.8	11.8	11.1	10.2	9.2
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 8M24 bank only results – Profit and Loss

Profit and Loss (IDRbn)	1M24	2M24	3M24	4M24	5M24	6M24	7M24	8M24	8M23	8M24	YoY (%)
Interest income	8,751	17,160	26,207	35,151	44,432	53,538	63,049	72,635	64,280	72,635	13.0
Interest expense	(2,874)	(5,385)	(8,243)	(11,057)	(14,013)	(16,853)	(19,908)	(23,121)	(16,630)	(23,121)	39.0
Net interest income	5,877	11,775	17,965	24,074	30,419	36,685	43,141	49,515	47,650	49,515	3.9
Non Int Inc & others	2,374	4,374	6,891	9,005	11,707	15,217	17,992	20,326	19,098	20,326	6.4
Opex	(2,903)	(5,671)	(8,525)	(11,109)	(13,913)	(16,825)	(19,790)	(22,520)	(22,342)	(22,520)	0.8
PPOP	5,348	10,478	16,330	21,970	28,213	35,077	41,343	47,320	44,407	47,320	6.6
Provision	(594)	(1,609)	(2,553)	(3,309)	(4,053)	(4,737)	(5,438)	(6,046)	(5,732)	(6,046)	5.5
Net Profit	3,834	7,158	11,126	15,073	19,630	24,649	29,228	33,559	31,512	33,559	6.5

Profit and Loss (IDRbn)	Jan-24	Feb-24	Mar-24	Apr-24	May-24	Jun-24	Jul-24	Aug-24	Aug-23	Aug-24	YoY (%)	MoM (%)
Interest income	8,751	8,410	9,047	8,924	9,301	9,106	9,512	9,586	8,438	9,586	13.6	0.8
Interest expense	(2,874)	(2,511)	(2,857)	(2,814)	(2,956)	(2,840)	(3,056)	(3,212)	(2,229)	(3,212)	44.1	5.1
Net interest income	5,877	5,898	6,190	6,109	6,345	6,267	6,456	6,374	6,209	6,374	2.7	(1.3)
Non Int Inc & others	2,374	2,000	2,517	2,114	2,702	3,509	2,775	2,334	2,146	2,334	8.8	(15.9)
Opex	(2,903)	(2,768)	(2,854)	(2,584)	(2,804)	(2,912)	(2,965)	(2,730)	(2,919)	(2,730)	(6.5)	(7.9)
PPOP	5,348	5,130	5,853	5,640	6,243	6,864	6,266	5,977	5,436	5,977	10.0	(4.6)
Provision	(594)	(1,014)	(944)	(756)	(744)	(684)	(701)	(608)	(382)	(608)	59.2	(13.2)
Net Profit	3,834	3,324	3,968	3,947	4,557	5,019	4,579	4,331	4,072	4,331	6.4	(5.4)

Source: Company, KBVS Research

Exhibit 3: BMRI 8M24 bank only results – Selected Balance Sheet

Selected Balance Sheet (IDRbn)	1M24	2M24	3M24	4M24	5M24	6M24	7M24	8M24	8M23	8M24	YoY (%)	MoM (%)
Total Loan (IDRbn)	1,095,766	1,098,373	1,113,886	1,134,431	1,152,538	1,196,095	1,215,875	1,222,126	996,868	1,222,126	22.6	0.5
Total deposits (IDRbn)	1,210,951	1,209,149	1,232,522	1,234,746	1,296,107	1,312,826	1,295,265	1,302,804	1,137,928	1,302,804	14.5	0.6
Demand deposits (IDRbn)	507,762	514,441	507,036	507,926	560,284	558,225	547,642	541,098	455,130	541,098	18.9	-1.2
Savings deposits (IDRbn)	457,336	460,350	472,148	472,673	474,357	487,938	491,989	475,629	438,111	475,629	8.6	-3.3
Time deposits (IDRbn)	245,852	234,358	253,338	254,146	261,466	266,663	255,633	286,076	244,688	286,076	16.9	11.9
CASA (IDRbn)	965,099	974,791	979,184	980,600	1,034,641	1,046,164	1,039,632	1,016,728	893,241	1,016,728	13.8	-2.2

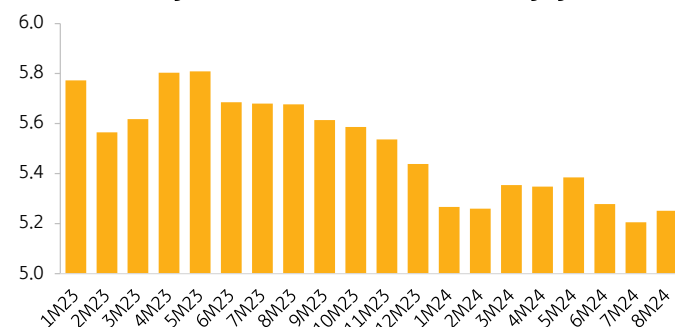
Source: Company, KBVS Research

Exhibit 4: BMRI 8M24 bank only results – Selected Key Ratio

Selected Key Ratio (%)	1M24	2M24	3M24	4M24	5M24	6M24	7M24	8M24	8M23	8M24	YoY (%)	MoM (%)
NIM	5.3	5.3	5.4	5.3	5.4	5.3	5.2	5.3	5.7	5.3	-0.4	0.0
Loan yield	7.8	7.7	7.8	7.8	7.9	7.7	7.6	7.7	7.7	7.7	0.0	0.1
Cost of fund	2.5	2.4	2.4	2.4	2.4	2.3	2.4	2.4	2.0	2.4	0.4	0.0
Cost of credit	0.7	0.9	0.9	0.9	0.8	0.8	0.8	0.7	0.9	0.7	-0.1	0.0
CASA (IDRbn)	965,099	974,791	979,184	980,600	1,034,641	1,046,164	1,039,632	1,016,728	893,241	1,016,728	13.8	-2.2
Loan to deposits	90.5	90.8	90.4	91.9	88.9	91.1	93.9	93.8	87.6	93.8	6.2	-0.1
CASA (% to total)	79.7	80.6	79.4	79.4	79.8	79.7	80.3	78.0	78.5	78.0	-0.5	-2.2
Cost to income	35.2	35.1	34.3	33.6	33.0	32.4	32.4	32.2	33.5	32.2	-1.2	-0.1

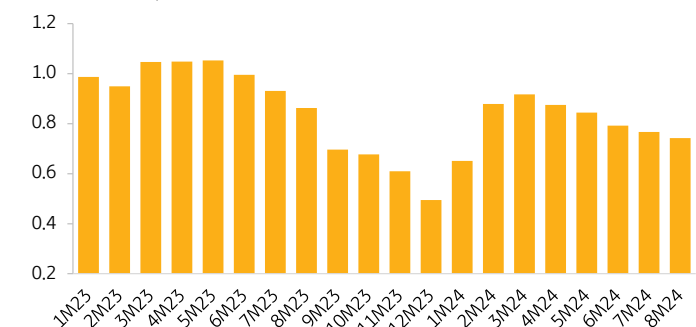
Source: Company, KBVS Research

Exhibit 5: Assuming flattish, NIM still within '24F BMRI range guidance (%)



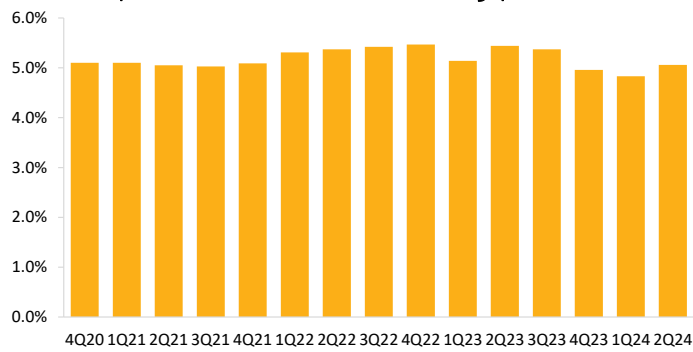
Source: Company, KBVS Research

Exhibit 6: AQ improvement momentum should remain continue



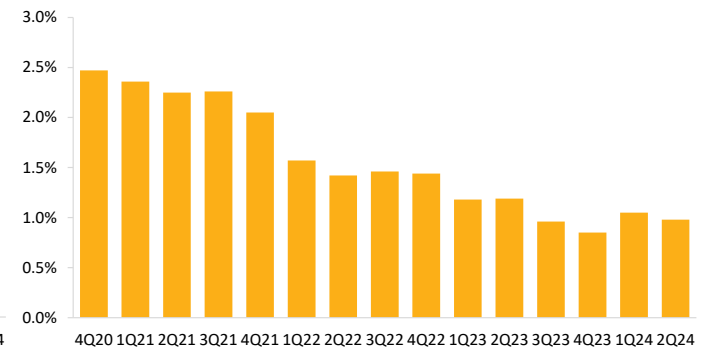
Source: Company, KBVS Research

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



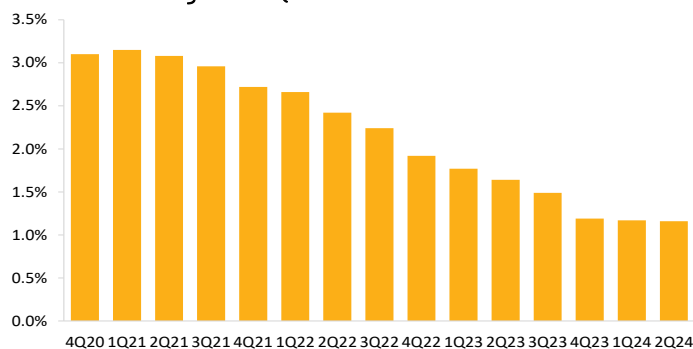
Source: Company, KBVS Research

Exhibit 8: COC to remain at low level



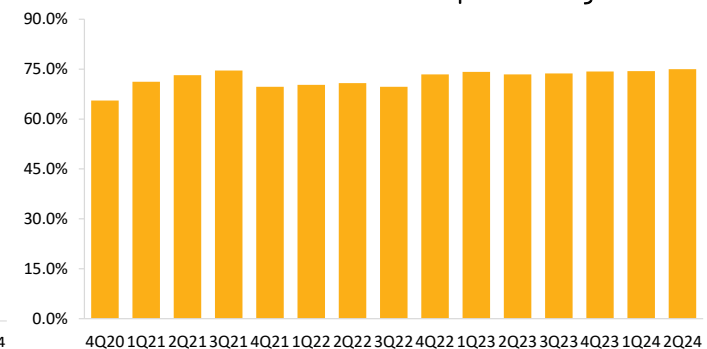
Source: Company, KBVS Research

Exhibit 9: Continuing better AQ lead to a healthier NPL



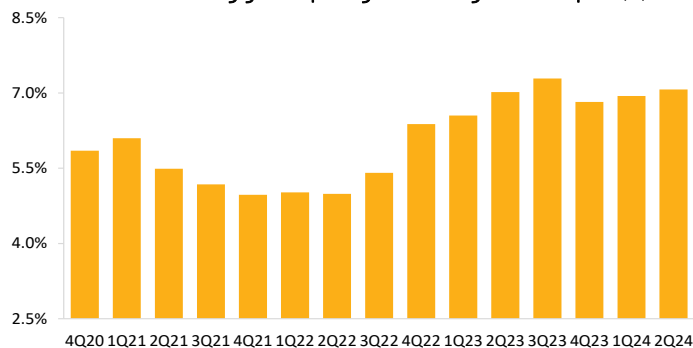
Source: Company, KBVS Research

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



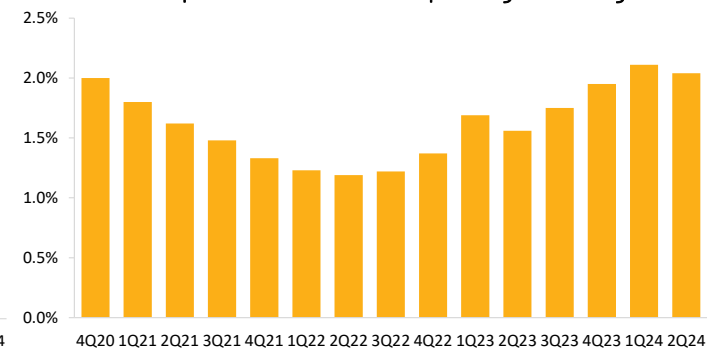
Source: Company, KBVS Research

Exhibit 11: The remaining yield repricing to make significant impact (%)



Source: Company, KBVS Research

Exhibit 12: Solid deposit mixed to continue help funding cost to stay soft



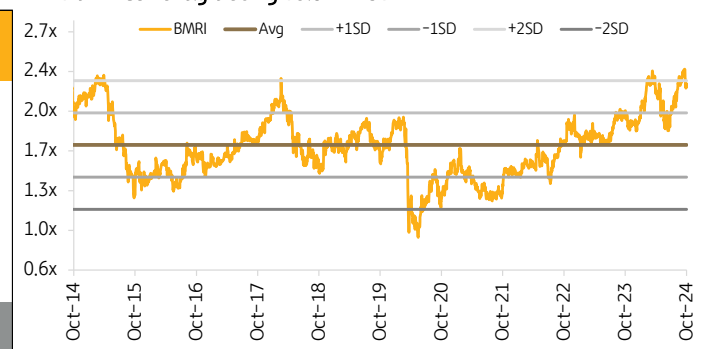
Source: Company, KBVS Research

Exhibit 13: Solid LAR improvement

Stock return (%)	YTD	1 Year	1M	3M	6M
BBCA IJ Equity	11.5	16.7	0.0	3.5	4.8
BBRI IJ Equity	(11.8)	(2.5)	(7.8)	0.4	(14.7)
BMRI IJ Equity	18.5	19.0	(5.2)	7.0	0.7
BBNI IJ Equity	0.4	3.8	(8.0)	10.6	(1.9)
BBTN IJ Equity	14.5	14.0	(1.4)	8.2	(7.7)
BRIS IJ Equity	68.1	89.9	10.6	16.9	8.7
Average bank under our coverage	16.9	23.5	(1.9)	7.8	(1.7)

Source: Bloomberg, KBVS Research

Exhibit 14: Currently trading 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)	15.8	11.8	11.1	10.2	9.2
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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