

## Bank Mandiri (BMRI)

Expecting 2H23 results to continue solid

02 August 2023



<b>BMRI IJ</b>	<b>BUY</b>
Sector	Banks
Price at 1 August 2023 (IDR)	5,650
Price target (IDR)	6,300
Upside/Downside (%)	11.5

## Stock Information

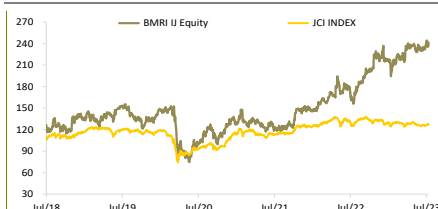
PT Bank Mandiri (Persero) Tbk (Persero) Tbk is a state-owned bank offering a range of banking products and services to its customers from individuals and SMEs to corporations. The bank is formed by a merger of four state-owned banks.

Market cap (IDR bn)	527,333
Shares outstanding (mn)	93,333
52-week range (Rp)	3,988-5,800
3M average daily vol. ('000)	100,583
3M average daily val. (Rp mn)	525,772

## Shareholders (%)

Republic of Indonesia	52.0
Public	48.0

## Stock Performance



Source: Bloomberg

	<b>1M</b>	<b>3M</b>	<b>12M</b>
Performance (%)	8.7	7.6	38.2

## Analyst(s)

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BMRI's strong 1H23 earnings delivery (+25% yoy) which beats ours/consensus has made our '23F estimate looks conservative and underpinned its premium valuation. We expect a soft qoq growth in TPF and SA will gradually improve in the remaining quarters of 2023. On a cumulative basis, NIM is likely to arrive within guidance, while another CoC improvement should overall underpinned '23F earnings momentum. Maintain BUY with higher TP of IDR6,300 (prev: IDR6,110), pegged at 2.4x/2.3x '23F/'24F P/B, while its currently trades 2.1x '23F P/B, or slightly below +1SD 10yr hist mean of 2.4x.

## 1H23 results came above ours and street forecasts

BMRI recorded strong 1H23 results, with earnings arriving above both ours and consensus expectation at 54%/53%. PATMI surged 24.9% yoy to IDR25.2 tn driven by solid growth in net interest income (+13.1% yoy) and PPOP (+18.9% yoy) as well as with the absence of a sharp drop in provision expenses which only noted 18bps lower to IDR7.64 tn.

## Solid loan and CASA growth

Loan growth was arriving within guidance (10-12% yoy; KBVS: 10.34% yoy) at 11.8% yoy and 5.53% qoq to IDR1,272.1 tn, driven by robust growth from several segments such as consumers (+11.7% yoy) and SME (+11.7% yoy) as well as micro (+11.3% yoy) with the highest growth recorded from commercial (+19.0% yoy) and its subsidiaries (+16.3% yoy). On funding side, TPF grew at 8.47% yoy to IDR1,430.1 tn, thanks to strong CA growth (21.2% yoy) and a drop in TD (-1.43% yoy), which bringing CASA growth at 12.6% yoy and continue plays important role in financing loan demand.

## Key metrics improvement remains intact

Key metrics continue to moves within its improvement track. NIM was 19bps higher to 5.56% in 1H23 and only inched differences with the upper guidance of 5.6%, while credit cost advances to 1.19% on continuing asset quality enhancement and surpassing target of 1.3-1.5% (KBVS: 1.34%). As such, management raising its guidance by 20bps to 1.1-1.3%. Loan yield reached 7.93% vs 6.84% in 2Q23 and 7.66% in 1Q23, benefiting from USD corporate loan new booking, while CoF downed to 1.56% vs 1.69% in 1Q23 mainly driven by lower CA rate from 2.15% to 1.94% in 2Q23.

## LAR has touched its pre-pandemic level

LAR in Jun '23 was at 10.3% (Mar '23: 11.3%, Jun '22: 14.6%) has reached to the pre-pandemic level at around 10.6%, with Cat. 1 restru at 4.19% vs 5.42% in Mar '23. The continuing asset quality improvement also brought NPL stood at 1.64% vs 2.42% in Jun '22 and 1.77% in Mar '23. The bank also saw stronger coverage ratio by 51pts to 304% vs 253% in the same period. On the watchlist SoE construction debtors, BMRI has formed a coverage ratio of 60% (WSKT) and 30% (WIKa).

## Expecting 2023 result to continue beat ours and cons. forecast

Using the 1Q23, 2Q23 results with ours and street earnings expectation in 3Q23F, 4Q23F, '23F earnings could arrives at around 150bps and 30bps higher, ceteris paribus. What's more, BMRI likely to reached ours and cons. '23F earnings effortlessly, as BMRI only need to booked the remaining 46%/47% earnings in 2H23 vs 53% of 5yr hist. avg. (excl. Covid year). Other things being equal, our sensitivity analysis suggest that for every 10bps declines in CoC, earnings will increase by around 2.03% from our base numbers, vice versa. Assuming the bank will record CoC at lower new guidance of 1.1%, 2023 PATMI will equal to around 4.8% higher than our '23F of IDR46.3tn.

## Maintain BUY with higher target price of IDR6,300

Post better than expected 1H23 results and to justify BMRI's revised up guidance, we revisit our model and made some adjustment. Our new '23F earnings for BMRI is now 200bps higher mainly on better CoC expectation. We also revised up our RRR from 79% to 82%. Pegged at 2.4x/2.3x '23F/'24F P/B, our new TP for BMRI of IDR6,300 (previously IDR6,110) is slightly below +1SD 10yr hist. mean of 2.4x, while currently is trading at 2.1x. Risks to our call are: a) slower-than-expected loan growth, b) lower-than-expected NIM and loan yield, c) higher than expected cost of funds and cost of credit, d) higher inflation, slowing economic activity, worsening uncertainty and e) deteriorating asset quality.

## Key Statistics

Year-end Dec	2021A	2022A	2023F	2024F	2025F
Net interest income	73,062	87,903	98,529	112,247	123,205
Non-interest income	34,061	37,648	40,883	43,482	46,985
Total operating income	107,124	125,551	139,411	155,729	170,190
Pre-provision operating profit	57,984	72,291	81,994	93,343	103,437
Net profit	28,028	41,171	47,249	49,682	53,578
EPS (IDR)	300	441	506	532	574
EPS growth (%)	66.8	46.9	14.8	5.1	7.8
PER (x)	18.8	12.8	11.2	10.6	9.8
PBV (x)	2.6	2.3	2.1	2.0	1.9
Div. Yield (%)	3.2	5.5	6.3	5.7	6.1
ROE (%)	14.2	19.0	19.7	19.6	20.2

Source: Company, KB Valbury Sekuritas

## Bank Mandiri (BMRI)

Figure 1: BMRI 1H23 results and revised up forecast changes

Income Statements (IDR bn)	6M22	6M23	YoY (%)	2Q22	2Q23	YoY (%)	1Q23	QoQ (%)	KBVS '23F	% '23F	Cons. '23F	% '23F
Net interest income	41,832	47,307	13.1	21,355.0	24,298.0	13.8	23,009.0	5.6				
Non-interest income	17,478	19,306	10.5	8,244.0	9,106.0	10.5	10,200.0	(10.7)				
Total operating income	59,310	66,613	12.3	29,599	33,404	12.9	33,209	0.6				
Total operating expenses	(23,928)	(24,554)	2.6	(11,915.0)	(12,278.0)	3.0	(12,276.0)	0.0				
PPoP	35,382	42,059	18.9	17,684	21,126	19.5	20,933	0.9				
Loan loss provisions	(7,655)	(7,641)	(0.18)	(3,653.0)	(3,949.0)	8.1	(3,692.0)	7.0				
Net profit	20,209	25,232	24.9	10,178.0	12,672.0	24.5	12,560.0	0.9	46,309	54	47,195	53

Source : Company

Balance Sheet (IDR bn)	6M22	6M23	YoY (%)	2Q22	2Q23	YoY (%)	1Q23	QoQ (%)
Gross loans	1,138,312	1,272,076	11.75	1,138,312	1,272,076	11.75	1,205,464	5.5
Current accounts	410,696	497,629	21.17	410,696	497,629	21.17	483,111	3.0
Saving deposits	522,130	552,434	5.80	522,130	552,434	5.80	548,637	0.7
Time deposits	385,596	380,066	(1.43)	385,596	380,066	(1.43)	359,401	5.7
CASA (IDRbn)	932,826	1,050,063	12.57	932,826	1,050,063	12.57	1,031,748	1.8
TPF (IDRbn)	1,318,422	1,430,129	8.47	1,318,422	1,430,129	8.47	1,391,149	2.8
LDR	86	88	3.15	86	88	3.15	86	2.6
Total equity	220,820	255,246	15.59	220,820	255,246	15.59	241,645	5.6

Source : Company, KB Valbury Sekuritas Indonesia

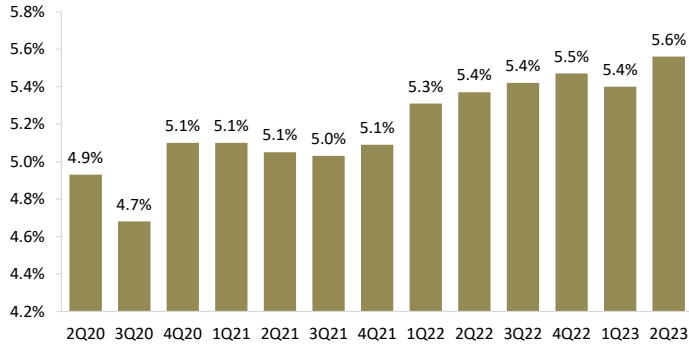
Financial Ratios (%)	6M22	6M23	YoY (%)	2Q22	2Q23	YoY (%)	1Q23	QoQ (%)
Loan (IDRbn)	1,138,312	1,272,076	11.8	1,138,312	1,272,076	11.8	1,205,464	5.5
CA (IDRbn)	410,696	497,629	21.2	410,696	497,629	21.2	483,111	3.0
SA (IDRbn)	522,130	552,434	5.8	522,130	552,434	5.8	548,637	0.7
TD (IDRbn)	385,596	380,066	-1.4	385,596	380,066	-1.4	359,401	5.7
CASA (IDRbn)	932,826	1,050,063	12.6	932,826	1,050,063	12.6	1,031,748	1.8
TPF (IDRbn)	1,318,422	1,430,129	8.5	1,318,422	1,430,129	8.5	1,391,149	2.8
LDR	85.7	88.4	2.7	85.7	88.4	2.7	86.2	2.2
CASA Ratio	70.8	73.4	2.7	70.8	73.4	2.7	74.2	-0.8
NIM	5.4	5.6	0.2	5.4	5.6	0.2	5.4	0.2
CoC	1.4	1.2	-0.2	1.4	1.2	-0.2	1.2	0.0
Cost of Fund	1.2	1.6	0.4	1.19	1.56	0.4	1.69	-0.1
NPL Ratio	2.4	1.6	-0.8	2.4	1.6	-0.8	1.8	-0.1
NPL Coverage Ratio	253.0	304.0	51.0	253.0	304.0	51.0	303.0	1.0
Cost of Credit	1.4	1.2	-0.2	1.4	1.2	-0.2	1.2	0.0
Tier-1 CAR	17.1	19.5	2.4	17.1	19.5	2.4	19.1	0.4
ROAE	19.9	21.9	2.0	19.9	21.9	2.0	22.5	-0.6
ROAA	2.3	2.6	0.3	2.3	2.6	0.3	2.6	0.0

Source : Company, KB Valbury Sekuritas Indonesia

Key metrics (IDRbn)	New		Old		Difference (%)		Street		Difference (%)	
	2023F	2024F	2023F	2024F	2023F	2024F	2023F	2024F	2023F	2024F
Loan	1,263,194	1,409,296	1,261,930	1,406,634	0.1%	0.2%				
Deposit	1,578,880	1,673,162	1,578,880	1,673,162	0.0%	0.0%				
Interest Income	124,409	138,314	124,409	138,314	0.0%	0.0%				
Interest Expenses	(25,880)	(26,067)	(25,880)	(26,067)	0.0%	0.0%				
Net Interest Income	98,529	112,247	98,529	112,247	0.0%	0.0%				
Non Interest Income	40,883	43,482	40,883	43,482	0.0%	0.0%				
Total Income	139,411	155,729	139,411	155,729	0.0%	0.0%				
Opex	(57,417)	(62,386)	(57,417)	(62,386)	0.0%	0.0%				
PPOP	81,994	93,343	81,994	93,343	0.0%	0.0%				
Provision Expenses	(18,640)	(21,890)	(19,905)	(23,287)	-6.4%	-6.0%				
Operating Profit	63,354	71,453	62,089	70,055	2.0%	2.0%				
Net Profit	47,249	49,682	46,309	48,711	2.0%	2.0%	47,195	51,337	0.1%	-3.2%

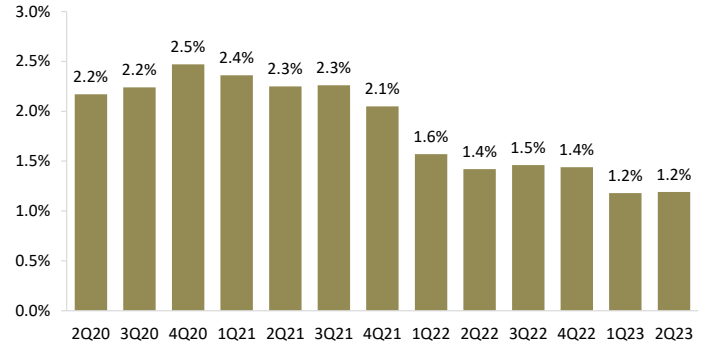
Source : Company, KB Valbury Sekuritas

**Figure 2: NIM continue on its trajectory path (%)...**



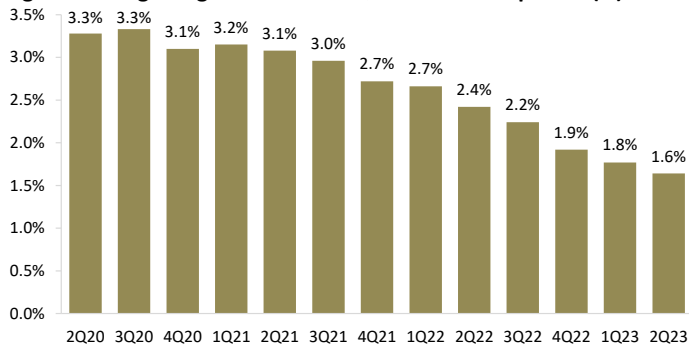
Source: Company, KB Valbury Sekuritas

**Figure 3: ...with consistent new low level of CoC (%)**



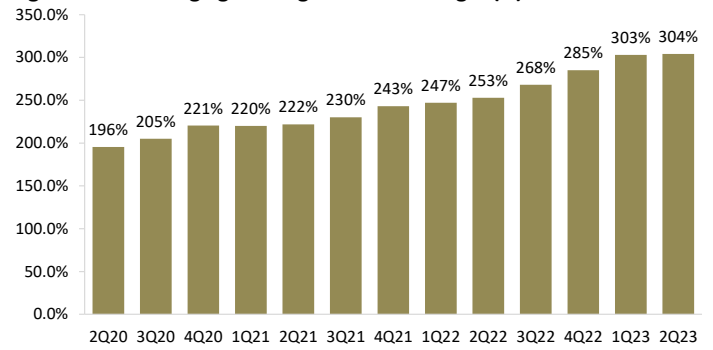
Source: Company, KB Valbury Sekuritas

**Figure 4: NPL getting healthier as AQ continue to improves (%)...**



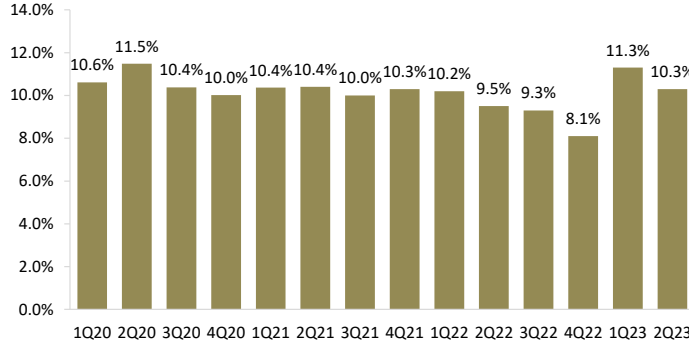
Source: Company, KB Valbury Sekuritas

**Figure 5: ..and bringing coverage become stronger (%)**



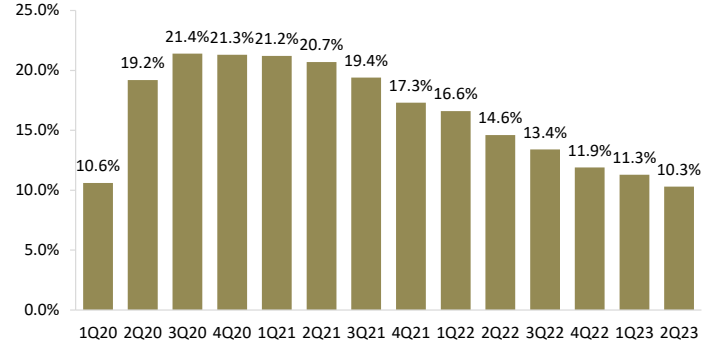
Source: Company, KB Valbury Sekuritas

**Figure 6: LAR has back to its pre-covid level in 1Q20 at 10.6% (%)**



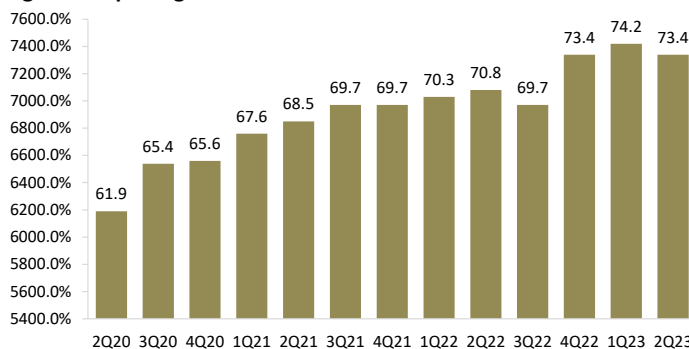
Source: Company, KB Valbury Sekuritas

**Figure 7: Likewise for LAR inc. Covid-19 restructured loans (%)**



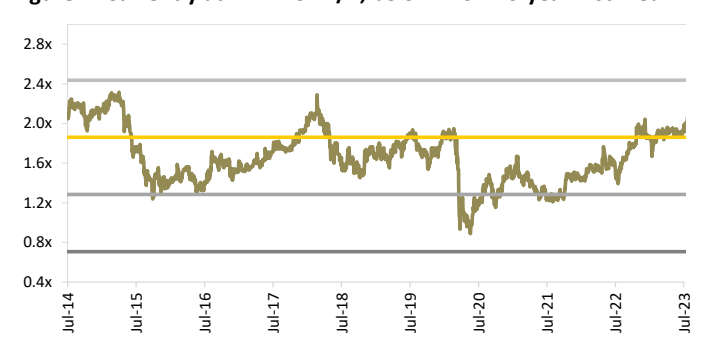
Source: Company, KB Valbury Sekuritas

**Figure 6: Expecting CASA ratio to continue solid**



Source: Company, KB Valbury Sekuritas

**Figure 7: Currently at 2.1x '23F P/B, below +1SD 10-year hist mean 2.4x**



Source: Company, KB Valbury Sekuritas

# Bank Mandiri (BMRI)

## FINANCIAL TABLES

### CONSOLIDATED STATEMENTS OF PROFIT OR LOSS

Year End Dec (IDR bn)	2021A	2022A	2023F	2024F	2025F
Interest income	97,749	112,382	124,409	138,314	153,144
Interest expenses	(24,687)	(24,479)	(25,880)	(26,067)	(29,939)
Net interest income	73,062	87,903	98,529	112,247	123,205
Non-interest income	34,061	37,648	40,883	43,482	46,985
Total operating income	107,124	125,551	139,411	155,729	170,190
Operating expenses	(49,140)	(53,260)	(57,417)	(62,386)	(66,753)
Pre-provision operating profit	57,984	72,291	81,994	93,343	103,437
Loan loss provision	(19,543)	(16,123)	(18,640)	(21,890)	(22,900)
Pretax profit	38,358	56,378	63,563	71,485	80,569
Tax Expenses	(7,807)	(11,425)	(13,136)	(17,871)	(20,545)
Minorities interest	(2,523)	(3,782)	(3,178)	(3,932)	(6,446)
Net profit	28,028	41,171	47,249	49,682	53,578

Source: Company, KB Valbury Sekuritas

### CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

Year End Dec (IDR bn)	2021A	2022A	2023F	2024F	2025F
<b>Assets</b>					
Cash	23,948	27,213	31,562	33,970	35,505
Current Account at BI	99,023	107,349	125,530	117,121	128,617
Interbank Loans	73,201	143,110	157,888	125,487	128,617
Govt Treasury Bills & Securities	289,055	329,212	221,043	217,511	232,225
Investment Securities	98,104	82,800	110,211	104,810	88,429
Loan	980,963	1,136,868	1,263,194	1,409,296	1,545,035
Fixed Assets	49,145	56,541	57,241	57,941	58,641
Other assets	112,172	109,452	136,232	143,351	151,109
Total Asset	1,725,611	1,992,545	2,102,902	2,209,486	2,368,177
<b>Liabilities</b>					
Interbank Deposit	13,811	15,781	7,894	8,366	8,932
Customer Deposit	1,291,176	1,490,845	1,578,880	1,673,162	1,786,349
Debts Securities Issued	45,138	45,774	47,366	50,195	53,590
Other Liabilities	153,375	187,899	189,650	192,127	205,374
Total liabilities	1,503,500	1,740,299	1,823,791	1,923,850	2,054,245
<b>Equity</b>					
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	142,588	166,995	185,425	202,033	225,802
Other Equity	32,789	33,374	35,667	26,443	16,828
Shareholder's Equity	204,687	229,679	250,402	257,786	271,940
Non-controlling Interest	17,425	22,567	28,709	27,851	41,993
Total Equity	222,111	252,245	279,111	285,636	313,932

Source: Company, KB Valbury Sekuritas

### RATIO ANALYSIS

Year End Dec	2021A	2022A	2023F	2024F	2025F
NIM (%)	5.1	5.4	5.5	5.7	6.4
LDR (%)	81.3	80.6	84.0	87.8	89.5
CASA (%)	69.7	73.4	74.5	75.6	76.5
NPL (%)	2.7	1.9	2.5	2.2	2.2
ROAE (%)	14.2	19.0	19.7	19.6	20.2
ROAA (%)	1.7	2.2	2.3	2.3	2.3
CAR (%)	19.6	19.5	20.1	21.2	21.1
BVPS (IDR)	2,193	2,461	2,683	2,762	2,914
PER (x)	18.8	12.8	11.2	10.6	9.8
PBV (x)	2.6	2.3	2.1	2.0	1.9
Div. Yield (%)	3.2	5.5	6.3	5.7	6.1

Source: Company, KB Valbury Sekuritas



## Bank Mandiri (BMRI)

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