

Bank Mandiri Tbk. (BMRI)

Successfully Unfurling the Sail Amidst the Storm

As of 1H24, BMRI posted a net profit of +5.23% YoY and +9.03% QoQ to IDR 26.55T (1H23: IDR 25.23T & 1Q24: IDR 12.70T). Net Interest Income (NII) still increased by +3.75% YoY and +5.11% to IDR 49.08T (1H23: IDR 47.31T & 1Q24: IDR 24.19T). BMRI's Non Interest Income in 1H24 grew +5.74% YoY and +2.56% QoQ to IDR 19.41T (1H23: IDR 18.36T & 1Q24: IDR 9.58T). BMRI's PPOP increased 3.47% YoY and 5.27% QoQ to IDR 43.52T (1H23: IDR 42.06T & 1Q24: IDR 21.20T). BMRI's encouraging results were supported by its shining performance amidst the ongoing storm of high interest rates and tight liquidity, as evidenced by lending growth that still outpaced guidance along with strong CASA growth that outpaced the industry. In addition, NIM which in the last quarter contracted due to a significant increase in Cost of Fund (CoF), began to return to expansion this quarter, which was supported by an increase in credit yield after loan repricing which was in line with credit growth in the Wholesale Segment (Corporate & Commercial Segment).

Lending Surpasses Management Guidance & New Guidance for FY24 Credit Issued

- As of 1H24, BMRI posted a stellar loan disbursement performance, where loan disbursement rose +20.5% YoY and +6.75% QoQ to IDR 1,532T (1H23: IDR 1,272T & 1Q24: IDR 1,435T). The loan growth performance was impressive as it exceeded the upper limit based on guidance from BMRI management. In light of this achievement, the management provided new guidance for FY24, where Loan growth is targeted to be at 16-18% (Previous Guidance: 13-15%). The biggest loan growth momentum came from the Wholesale banking segment, which became the engine of BMRI's loan growth. Corporate segment grew +10.8% QoQ and +29.7% YoY to IDR 561T in 1H24 and Commercial segment grew +7.58% QoQ and +21.7% YoY to IDR 263T in 1H24.

Storm of Tight Liquidity Didn't Stop BMRI's Third Party Funds from Growing

- As of 1H24, third party funds (DPK) increased by +15.4% YoY and +5.03% QoQ to IDR 1,651T in 1H24. The deposit growth was also supported by CASA growth which grew +17.9% YoY and +5.95% QoQ to IDR 1,238T in 1H24, where CASA growth was supported by significant growth in Current Account deposits, which grew +8.89% QoQ and +23% YoY to IDR 612T in 1H24, in line with the momentum of credit growth in the Wholesale Banking segment. CASA growth was also supported by the growth of savings account, which grew +3.22% QoQ and +13.4% YoY to IDR 626T in 1H24.
- Living' Progress:** Speaking of one of the deposit growth factors, it is also interesting to discuss Living' which is one of BMRI's initiatives to spur CASA growth base from the retail segment as well as to minimize high CoF, where BMRI's banking application is quite instrumental in increasing BMRI's Non Interest Income growth. Fee Based Income from Living' increased by +26.4% YoY and in line with the growth of Living' users to IDR 1.182T in 1H24, which accounted for 6.1% of total Non Interest Income (1H23: IDR 935B, accounting for 5.1% of total Non Interest Income).

BMRI's NIM Begins to Return to Expansionary Trend & CoF Successfully Reduced

- Though BMRI's NIM still experienced a -47 Bps YoY decline as of 1H24 to 5.09%, BMRI's NIM began to increase by 4 Bps QoQ to 5.11% in 2Q24. For the record, Bank Only's NIM experienced significant expansion, rising +23 Bps QoQ to 5.0% in 2Q24. Several initiatives taken by BMRI to increase loan yields in the Wholesale segment have also started to bear fruit and can be seen from the CoF of Deposits that started to flatten, which QoQ fell -7 Bps QoQ to 2.04% in 2Q24. The decline in CoF was driven by a significant decline in current account deposits.

BMRI Asset Quality: Consistently Healthy and Stable

- BMRI's asset quality is still quite healthy and stable as of 1H24 where BMRI managed to record Gross Non-Performing Loan (NPL) level at 1.16% for 1H24 (Consolidated NPL: 1Q24: 1.17% 2Q24: 1.16%). Asset quality is supported by the stability of NPL Coverage level at 293% for 1H24 and LAR at 44.2%, which is enough to help BMRI keep its future provisioning costs stable and low. BMRI's CoC as of 1H24 stood at 0.98% (1Q24: 1.19%), and in line with management guidance for FY24 (1.0-1.2%).

Buy Recommendation with TP IDR 7,775 (Upside +15.2%)

- NHKS Research raised its recommendation to Buy for BMRI, with a higher target price at IDR 7,775 which reflects a 24F P/BV of 2.3x. This is supported by the growth performance of the wholesale-retail banking segment as well as some of BMRI's efficiencies and initiatives that have begun to show an expansionary NIM. The risks for this recommendation are the uncertain macro and political situation that causes higher for longer conditions, increasingly competitive competition between banks, growth loan expectations and performance that is less than expected.

Bank Mandiri Tbk | Summary (IDR bn)

In IDR Bn	2023/12A	2024/12F	2025/12F	2026/12F
Interest Income	132,544	156,068	170,839	187,607
Interest Income growth	17.9%	17.7%	9.5%	9.8%
Operating Revenue	138,604	149,599	170,769	194,865
Net profit	55,006	59,273	67,525	77,154
EPS (IDR)	588	634	722	825
EPS growth	33.6%	7.8%	13.9%	14.3%
BVPS (IDR)	2,789	3,055	3,381	3,755
Net Interest Margin	5.3%	5.4%	5.5%	5.7%
Loan/Deposits	79.8%	88.2%	88.6%	89.0%
NPL	1.9%	0.9%	0.9%	0.9%
ROE	22.9%	19.7%	20.4%	21.0%
ROA	3.0%	2.6%	2.8%	2.9%
P/E	11.5x	11.3x	11.3x	11.3x
F P/BV	2.2x	2.1x	2.2x	2.2x
P/Op. Revenue	4.6x	4.9x	4.8x	4.8x
DPS (IDR)	353	368	396	451
Dividend yield	5.2%	4.7%	4.5%	4.5%

Source: Company Data, Bloomberg, NHKS Research

Please consider the rating criteria & important disclaimer

Company Report | August 2, 2024

Buy

Target Price (IDR)	7,775
Consensus Price (IDR)	7,441
TP to Consensus Price	+4.49%
Potential Upside	+15.20%

Shares data

Last Price (IDR)	6,750
Price date as of	August 1, 2024
52 wk range (Hi/Low)	7,500 / 5,525
Free float (%)	39.2
Outstanding sh.(mn)	93,333
Market Cap (IDR bn)	630,000
Market Cap (USD mn)	38,731
Avg. Trd Vol - 3M (mn)	129.56
Avg. Trd Val - 3M (bn)	803.74
Foreign Ownership	23.84%

Financial Services

Banking	
Bloomberg	BMRI IJ
Reuters	BMRI.JK

Share Price Performance



	YTD	1M	3M	12M
Abs. Ret.	10.2%	8.0%	6.7%	19.5%
Rel. Ret.	3.3%	5.4%	3.8%	13.3%

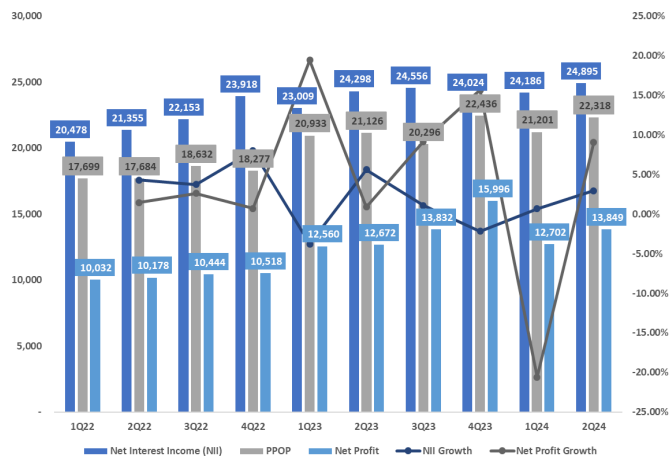
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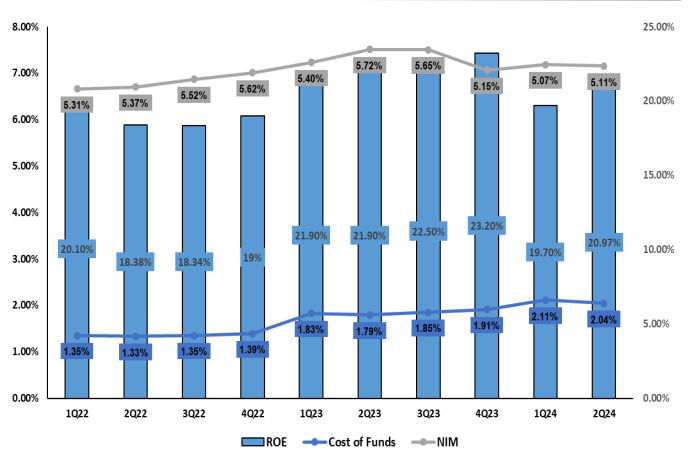
Performance Highlights

Financial Performance (IDR Billion)



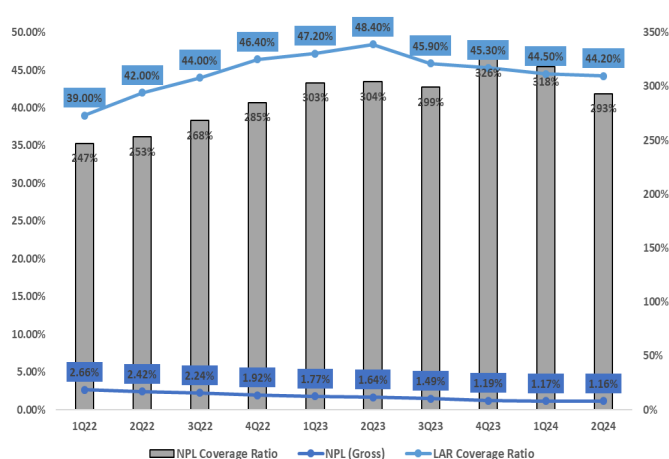
Source: Company, NHKSI Research

Profitability Ratios (In %)



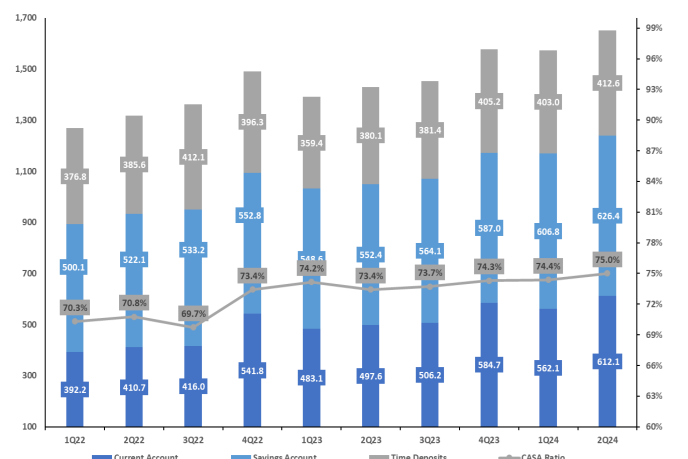
Source: Company, NHKSI Research

Asset Quality (In %)



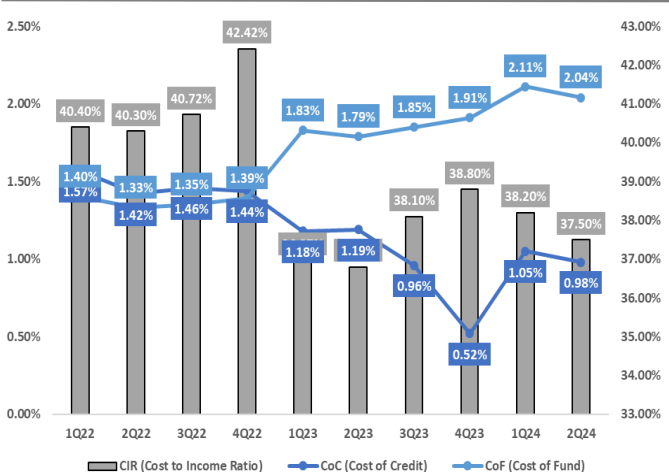
Source: Company, NHKSI Research

Third Party Fund (IDR Tn) & CASA Ratio (In %)



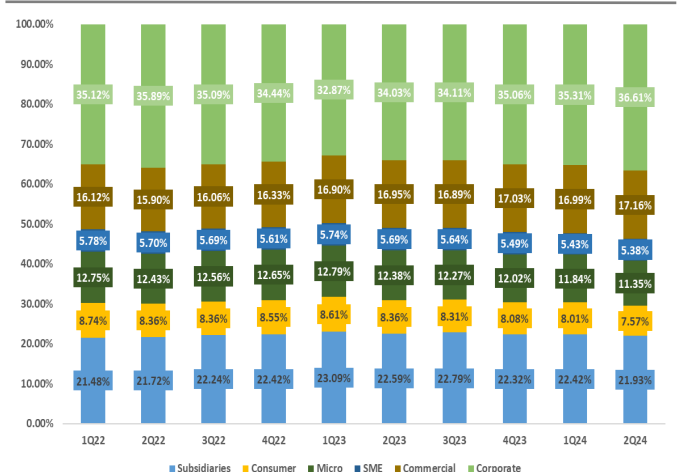
Source: Company, NHKSI Research

BMRI CIR, CoC and CoF (In %)



Source: Company, NHKSI Research

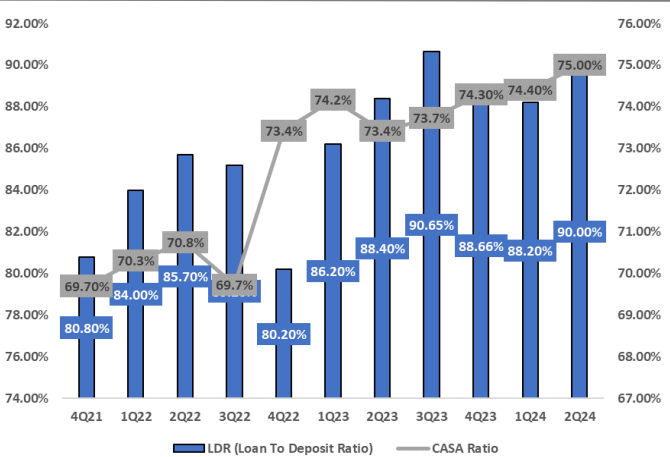
Loan Composition Breakdown (In %)



Source: Company, NHKSI Research

Performance Highlights

BMRI LDR vs CASA Ratio (In %)



Source: Company, NHKSI Research

BMRI F-PBV | Last 3 Years



Source: Company, NHKSI Research

Summary of Financials

INCOME STATEMENT					PROFITABILITY & STABILITY				
(IDR bn)	2023/12A	2024/12F	2025/12F	2026/12F		2023/12A	2024/12F	2025/12F	2026/12F
Interest Income	132,544	156,068	170,839	187,607	ROE	20.4%	19.7%	20.4%	21.0%
Growth (% y/y)	17.9%	17.7%	9.5%	9.8%	ROA	2.6%	2.6%	2.8%	2.9%
Interest Expenses	(36,658)	(47,720)	(48,164)	(47,403)	Non-Int. Inc./Op. Rev	30.8%	27.6%	28.2%	28.1%
Net Interest Income	95,887	108,349	122,675	140,203	Cost/Income	38.9%	38.0%	42.0%	42.0%
Net Interest Margin	5.30%	5.42%	5.51%	5.73%	Cash Dividend (IDR bn)	33,004	34,379	37,046	42,203
Net Fee Income	22,310	23,837	28,423	31,983	Dividend Yield (%)	5.2%	4.7%	4.5%	4.5%
Trading Income	3,545	5,417	5,596	6,196	Payout Ratio (%)	60.0%	58.0%	54.9%	54.7%
Other Operating Income	16,862	11,996	14,076	16,482	Loan/Deposits	87.8%	88.2%	88.6%	89.0%
Operating Revenue	138,604	149,599	170,769	194,865	Loan/Assets	64.3%	65.4%	65.6%	65.7%
Operating Expenses	(53,867)	(56,848)	(71,723)	(81,843)	NPL	1.18%	0.88%	0.88%	0.88%
Pre-provisioning OP	84,736	92,751	99,046	113,022	Loan Loss Res./Loan	3.9%	2.3%	2.3%	2.3%
Provision for Impairment	(10,149)	(12,232)	(7,219)	(8,235)	CASA/Deposits	74.3%	74.5%	74.7%	74.9%
EBT	74,631	80,604	91,971	104,895	Time Deposits/Deposits	25.7%	25.5%	25.3%	25.1%
Income Tax	(14,633)	(16,176)	(18,377)	(20,859)	Par Value (IDR)	250	250	250	250
Non-controlling Interest	(4,992)	(5,154)	(6,068)	(6,881)	Total Shares (mn)	93,533	93,533	93,533	93,533
Net Profit	55,006	59,273	67,525	77,154	Share Price (IDR)	6,750	7,775	8,850	10,100
Growth (% y/y)	33.6%	7.8%	13.9%	14.3%	Market Cap (IDR tn)	631.3	727.2	827.8	944.7

BALANCE SHEET					VALUATION INDEX				
(IDR bn)	2023/12A	2024/12F	2025/12F	2026/12F		2023/12A	2024/12F	2025/12F	2026/12F
Cash	26,432	21,319	26,959	27,023	Price /Earnings	11.5x	12.3x	12.3x	12.2x
Placement in Banks	219,066	245,997	286,406	233,489	Price /Book Value	2.4x	2.5x	2.6x	2.7x
Net Loans	1,344,189	1,488,940	1,622,945	1,769,010	Price/Op. Revenue	4.6x	4.9x	4.8x	4.8x
Investment	428,249	390,084	395,812	509,272	PE/EPS Growth	0.3x	1.6x	0.9x	0.9x
Fixed Asset	57,978	63,920	69,347	75,410	EV/Operating Revenue	5.6x	5.9x	5.8x	5.7x
Other Assets	98,305	119,909	131,502	140,351	EV/PPOP	9.2x	9.5x	10.0x	9.9x
Total Assets	2,174,219	2,330,169	2,532,972	2,754,554	EV (IDR bn)	777,739	879,547	986,517	1,117,639
Deposits	1,595,415	1,727,096	1,873,744	2,033,081	Op. Rev. CAGR (3-Yr)	16.1%	19.9%	16.8%	15.8%
Debt	146,178	144,338	153,469	164,514	EPS CAGR (3-Yr)	26.0%	51.3%	27.0%	23.3%
Other liabilities	145,131	143,680	157,295	170,321	Basic EPS (IDR)	588.09	633.71	721.94	824.89
Total Liabilities	1,886,724	2,015,115	2,184,508	2,367,917	Diluted EPS (IDR)	588	634	722	825
Capital Stock & APIC	29,310	29,310	29,310	29,310	BVPS (IDR)	2,789	3,055	3,381	3,755
Retained Earnings	197,304	222,198	252,678	287,629	Op. Revenue PS (IDR)	1,482	1,599	1,826	2,083
Shareholders' Equity	287,495	315,054	348,463	386,638	DPS (IDR)	353	368	396	451

CASH FLOW STATEMENT					OWNERSHIP				
(IDR bn)	2023/12A	2024/12F	2025/12F	2026/12F	By Geography	% Shareholders			%
Operating Cash Flow	71,751	80,085	76,509	79,118	Indonesia	76.16	Republic of Indonesia		52.00
Investing Cash Flow	(201,946)	(166,628)	(177,532)	(185,457)	United States	11.37	INA (Indonesian SWF)		8.00
Financing Cash Flow	129,414	81,431	106,663	106,403	Luxembourg	4.62	Capital Group Cos Inc.		2.87
Net Changes in Cash	(781)	(5,113)	5,640	63	Others	7.85	Others		37.13

Source: Company Report, Bloomberg, NHKSI research

NH Korindo Sekuritas Indonesia (NHKSI) Stock Ratings

1. Based on a stock's forecasted absolute return over a period of 12 months from the date of publication.
2. Rating system based on a stock's potential upside from the date of publication
 - Buy : Greater than +15%
 - Overweight : +5% to 15%
 - Hold : -5% to +5%
 - Underweight : -5% to -15%
 - Sell : Less than -15%

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