

Bank Mandiri Tbk. (BMRI)

Sailing Steadily Amid Tight Liquidity

In 9M24, BMRI posted a net profit of +7.56% YoY and +11.7% QoQ to IDR 42.02 T (9M23: IDR 39.06 T; 2Q24: IDR 13.85 T & 3Q24: IDR 15.47 T). Net Interest Income (NII) still posted an increase of +3.81% YoY and +2.52% QoQ to IDR 74.60 T (9M23: IDR 71.86 T; 2Q24: IDR 24.19 T & 3Q24: IDR 25.52 T). BMRI's Non Interest Income in 9M24 experienced accelerated growth of +12.6% YoY and +15.8% QoQ to IDR 30.79T (9M23: IDR 27.36T; 2Q24: IDR 9.83T & 3Q24: IDR 11.34T), which was driven by growth in recurring income especially digital service fees and income from BMRI's subsidiaries. As for operating costs, it was relatively stable and insignificant, thus pushing BMRI's PPOP (Pre-Provision Operating Profit) up +7.22% YoY and +4.58% QoQ to IDR 66.86T as of 9M24 (9M23: IDR 62.36T; 2Q24: IDR 22.32T & 3Q24: IDR 23.34T). As a corporate credit giant, BMRI continued to deliver strong lending growth, particularly in the Corporate and Commercial segments, where lending grew +20.8% YoY as of 9M24 with total loans disbursed of IDR 1,590T. This achievement exceeded the upper limit of guidance at 18.0% for FY24 loan growth. In addition to strong loan growth, BMRI continues to maintain and improve its asset quality.

BMRI's Lending Remains Strong and Managed to Surpass Upper Guidance Limit

- As of 9M24, BMRI's loan disbursement performance is still quite impressive, as it rose +20.5% YoY and +3.75% QoQ to IDR 1,589T (9M23: IDR 1,316T & 1H24: IDR 1,532T). This loan growth performance is still within the upper limit of BMRI management's new guidance for FY24 where loan growth is indicated to be in the range of 16-18%. The biggest loan growth momentum still came from the wholesale banking segment, which became the engine of BMRI's loan growth. Corporate segment grew +3.4% QoQ and +29.4% YoY to IDR 581T in 9M24 (9M23: IDR 449T & 1H24: IDR 561T) and Commercial segment grew +4.81% QoQ and +23.6% YoY to IDR 275T in 9M24 (9M23: IDR 222T & 1H24: IDR 263T).

BMRI's Asset Quality: Getting Solid, Staying Strong with New Guidance for CoC (Cost of Credit)

- BMRI's asset quality as of 9M24 remained solid as it managed to record Gross Non-Performing Loan (NPL) level down -3 Bps QoQ and -36 Bps YoY to 1.13% for 9M24 (Consolidated NPL: 1H24: 1.16% 9M23: 1.49%). BBRI's NPL coverage is starting to normalize with 281% for 9M24 (1H24: 293%). In addition, LAR (Loan at Risk) achievements are starting to stabilize at pre-pandemic levels. With these achievements, BMRI's CoC as of 9M24 stood at 0.87% (9M23: 0.96%, -9 Bps YoY & 1H24: 0.98%, -11 Bps QoQ) and inline with management guidance for FY24 (1.0-1.2%). This healthy asset quality implication also triggered management to revise the CoC figure, where the new guidance for CoC in FY24 is at <1.0% (Previous Guidance: 1.0-1.2%).

High Cost of Fund (CoF) Challenges Still Causing NIM (Net Interest Margin) to Contract

- Despite the tight liquidity situation, BMRI was still able to record growth in third party funds and CASA. As of 9M24 BMRI's Third Party Funds (DPK) increased by +14.9% YoY and +1.00% QoQ to IDR 1,667T. The deposit growth was supported by CASA growth of +15% YoY and slightly down -0.57% QoQ to IDR 1,231T in 9M24. However, it should be noted that there was a spike in growth on a QoQ basis for deposits, which grew +5.71% to IDR 436T as of 9M24 (+14.4% YoY, 9M23: IDR 381.4T). This tightening liquidity condition also still triggered an increase in bank only CoF (Cost Of Fund), where for BMRI CoF rose +17 Bps QoQ to 2.21% as of 3Q24 (2Q24: 2.04%, 3Q23: 1.75%). The increase in CoF was also supported by the increase in CoF from deposits (+16 Bps QoQ, 3Q24: 3.8%) and current accounts (+26 Bps QoQ, 3Q24: 2.87%).
- The increase in CoF also caused the Net Interest Margin (NIM) of BMRI bank only to contract on a quarterly basis due to the upward trend of CoF in 3Q24. However, on a consolidated basis, BMRI's NIM increased by +2 Bps QoQ to 5.11% in 3Q24, which was supported by a more expansive NIM performance from BMRI's subsidiaries, especially Bank Mandiri Taspen's NIM performance. The figure is still inline with the guidance provided by management (NIM Guidance for FY24: 5.0-5.3%).

Buy Recommendation with TP at IDR 8,225 (Upside +22.8%)

- NHKSI Research maintains a Buy Recommendation for BMRI while raising it with a higher target price at IDR 8,225, reflecting a Forwards P/BV of 2.4x. This is buoyed by the growth performance of the wholesale-retail banking segment as well as some of BMRI's initiatives and efficiencies that have begun to show an expansionary NIM. As for the risks for this recommendation is the macro and political situation that causes higher for longer, increasingly competitive competition between banks, growth loan expectations and performance that is less than expected.

Bank Mandiri Tbk. | Summary (IDR Billions)

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	11.4x	13.0x	13.0x	12.9x
F P/BV	2.2x	2.4x	2.5x	2.6x
P/Op. Revenue	4.5x	5.1x	5.1x	5.1x
DPS (IDR)	353	368	396	451
Dividend yield	5.3%	4.5%	4.2%	4.2%

Source: Company Data, Bloomberg, NHKSI Research

Please consider the rating criteria & important disclaimer

Company Report | November 1, 2024

Buy

Target Price (IDR)	8,225
Consensus Price (IDR)	7,955
TP to Consensus Price	+3.4%
Potential Upside	+22.8%

Shares data

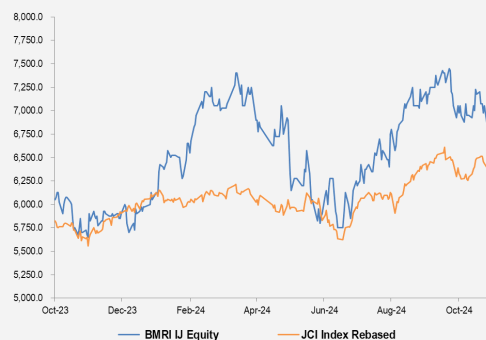
Last Price (IDR)	6,700
Price date as of	October 31, 2024
52 wk range (Hi/Low)	7,550 / 5,525
Free float (%)	39.2
Outstanding sh.(mn)	93,333
Market Cap (IDR bn)	625,333
Market Cap (USD mn)	39,807
Avg. Trd Vol - 3M (mn)	92.37
Avg. Trd Val - 3M (bn)	648.86
Foreign Ownership	23.84%

Financial Services

Banking

Bloomberg	BMRI IJ
Reuters	BMRI.JK

Share Price Performance



	YTD	1M	3M	12M
Abs. Ret.	9.4%	-3.2%	4.7%	18.1%
Rel. Ret.	-1.2%	-3.9%	0.3%	5.9%

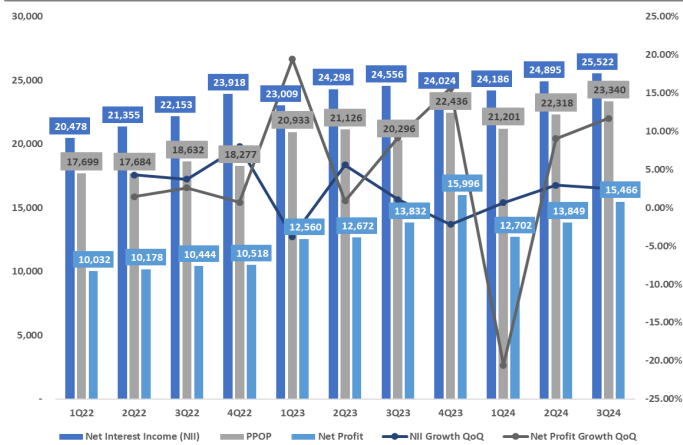
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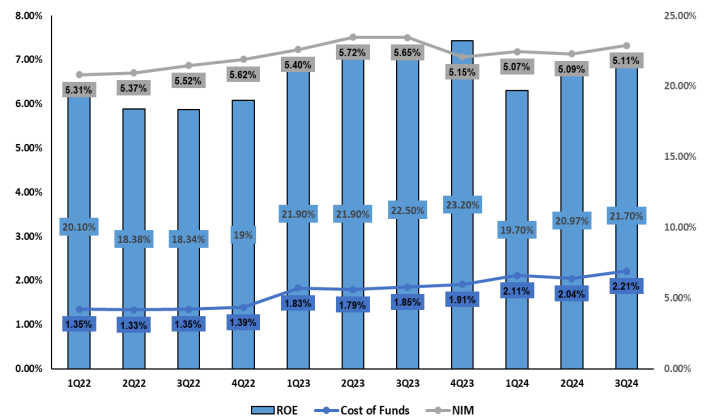
Performance Highlight for BMRI

Fig 1. Quarterly Financial Performance (In IDR Billion)



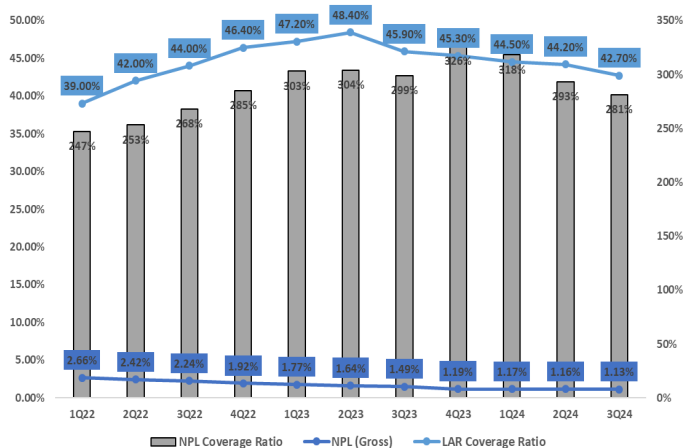
Source: Company, NHKSI Research

Fig 2. Profitability Ratios (In %)



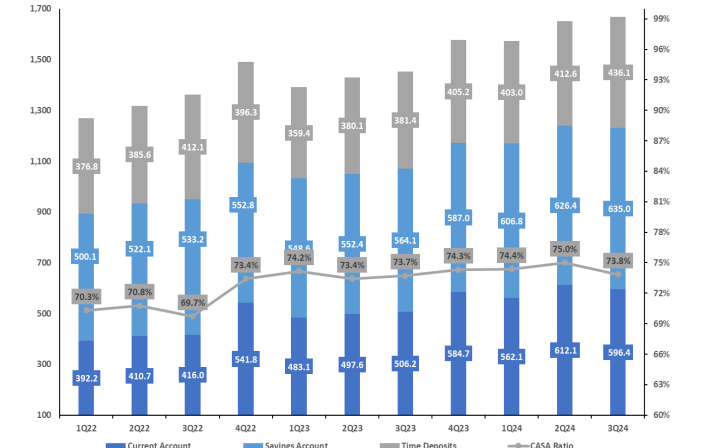
Source: Company, NHKSI Research

Fig 3. Asset Quality (In %)



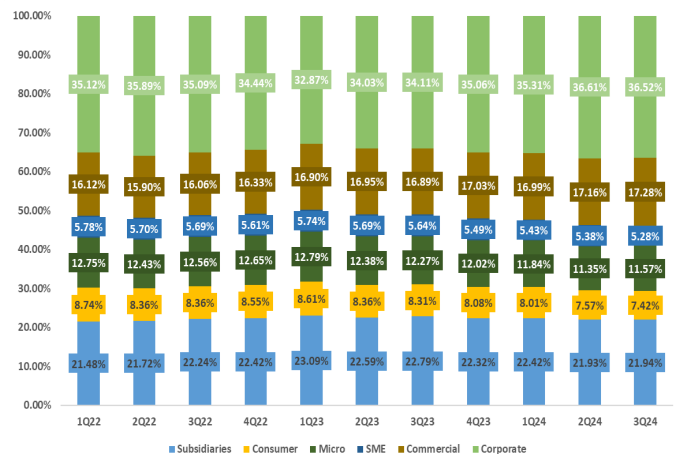
Source: Company, NHKSI Research

Fig 4. Third Party Fund Composition (IDR Tn) & CASA Ratio (In %)



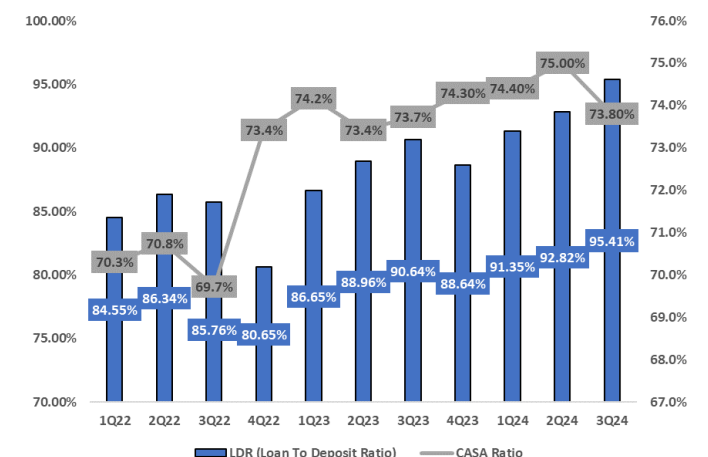
Source: Company, NHKSI Research

Fig 5. Loan Segmentation Breakdown (In %)



Source: Company, NHKSI Research

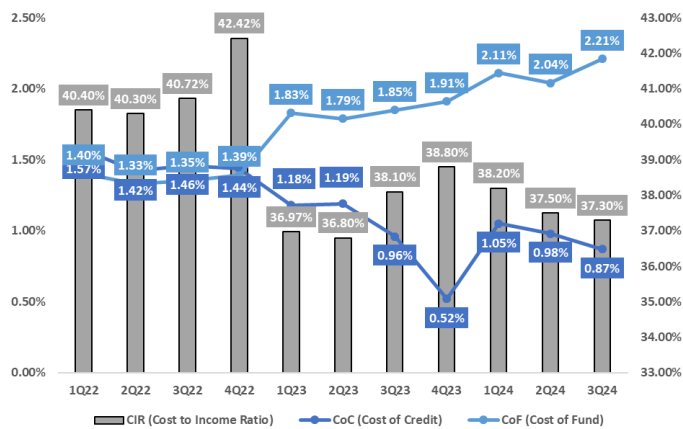
Fig 6. BMRI LDR vs CASA Ratio (In %)



Source: Company, NHKSI Research

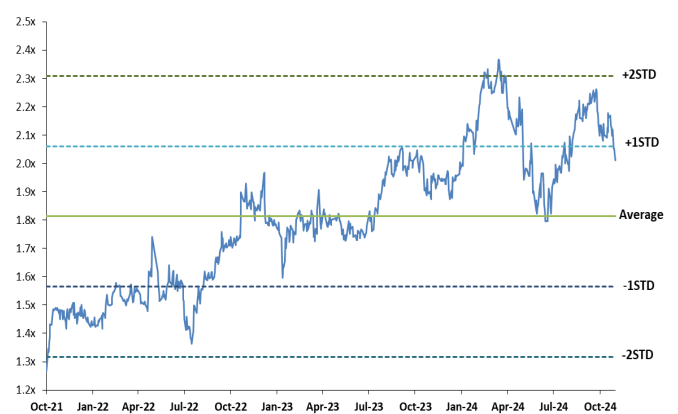
Performance Highlight for BMRI

Fig 7. BMRI CoF, CIR and CoC (In %)



Source: Company, NHKSI Research

Fig 8. BMRI Forward PBV | Last 3 Years (X)



Source: Bloomberg, NHKSI Research

Summary of Financials

INCOME STATEMENT				
(IDR bn)	2023/12A	2024/12F	2025/12F	2026/12F
Interest Income	132,544	156,068	170,839	187,607
Growth (% y/y)	17.9%	17.7%	9.5%	9.8%
Interest Expenses	(36,658)	(47,720)	(48,164)	(47,403)
Net Interest Income	95,887	108,349	122,675	140,203
Net Interest Margin	5.30%	5.42%	5.51%	5.73%
Net Fee Income	22,310	23,837	28,423	31,983
Trading Income	3,545	5,417	5,596	6,196
Other Operating Income	16,862	11,996	14,076	16,482
Operating Revenue	138,604	149,599	170,769	194,865
Operating Expenses	(53,867)	(56,848)	(71,723)	(81,843)
Pre-provisioning OP	84,736	92,751	99,046	113,022
Provision for Impairment	(10,149)	(12,232)	(7,219)	(8,235)
EBT	74,631	80,604	91,971	104,895
Income Tax	(14,633)	(16,176)	(18,377)	(20,859)
Non-controlling Interest	(4,992)	(5,154)	(6,068)	(6,881)
Net Profit	55,006	59,273	67,525	77,154
Growth (% y/y)	33.6%	7.8%	13.9%	14.3%

PROFITABILITY & STABILITY				
	2023/12A	2024/12F	2025/12F	2026/12F
ROE	20.4%	19.7%	20.4%	21.0%
ROA	2.6%	2.6%	2.8%	2.9%
Non-Int. Inc. /Op. Rev	30.8%	27.6%	28.2%	28.1%
Cost/Income	38.9%	38.0%	42.0%	42.0%
Cash Dividend (IDR bn)	33,004	34,379	37,046	42,203
Dividend Yield (%)	5.3%	4.5%	4.2%	4.2%
Payout Ratio (%)	60.0%	58.0%	54.9%	54.7%
Loan/Deposits	87.8%	88.2%	88.6%	89.0%
Loan/Assets	64.3%	65.4%	65.6%	65.7%
NPL	1.18%	0.88%	0.88%	0.88%
Loan Loss Res./Loan	3.9%	2.3%	2.3%	2.3%
CASA/Deposits	74.3%	74.5%	74.7%	74.9%
Time Deposits/Deposits	25.7%	25.5%	25.3%	25.1%
Par Value (IDR)	250	250	250	250
Total Shares (mn)	93,533	93,533	93,533	93,533
Share Price (IDR)	6,700	8,225	9,350	10,675
Market Cap (IDR tn)	626.7	769.3	874.5	998.5

BALANCE SHEET				
(IDR bn)	2023/12A	2024/12F	2025/12F	2026/12F
Cash	26,432	21,319	26,959	27,023
Placement in Banks	219,066	245,997	286,406	233,489
Net Loans	1,344,189	1,488,940	1,622,945	1,769,010
Investment	428,249	390,084	395,812	509,272
Fixed Asset	57,978	63,920	69,347	75,410
Other Assets	98,305	119,909	131,502	140,351
Total Assets	2,174,219	2,330,169	2,532,972	2,754,554
Deposits	1,595,415	1,727,096	1,873,744	2,033,081
Debt	146,178	144,338	153,469	164,514
Other liabilities	145,131	143,680	157,295	170,321
Total Liabilities	1,886,724	2,015,115	2,184,508	2,367,917
Capital Stock & APIC	29,310	29,310	29,310	29,310
Retained Earnings	197,304	222,198	252,678	287,629
Shareholders' Equity	287,495	315,054	348,463	386,638

VALUATION INDEX				
	2023/12A	2024/12F	2025/12F	2026/12F
Price /Earnings	11.4x	13.0x	13.0x	12.9x
Price /Book Value	2.4x	2.7x	2.8x	2.8x
Price/Op. Revenue	4.5x	5.1x	5.1x	5.1x
PE/EPS Growth	0.3x	1.7x	0.9x	0.9x
EV/Operating Revenue	5.6x	6.2x	6.1x	6.0x
EV/PPOP	9.1x	9.9x	10.4x	10.4x
EV (IDR bn)	773,062	921,637	1,033,283	1,171,420
Op. Rev. CAGR (3-Yr)	16.1%	19.9%	16.8%	15.8%
EPS CAGR (3-Yr)	26.0%	51.3%	27.0%	23.3%
Basic EPS (IDR)	588.09	633.71	721.94	824.89
Diluted EPS (IDR)	588	634	722	825
BVPS (IDR)	2,789	3,055	3,381	3,755
Op. Revenue PS (IDR)	1,482	1,599	1,826	2,083
DPS (IDR)	353	368	396	451

CASH FLOW STATEMENT				
(IDR bn)	2023/12A	2024/12F	2025/12F	2026/12F
Operating Cash Flow	71,751	80,085	76,509	79,118
Investing Cash Flow	(201,946)	(166,628)	(177,532)	(185,457)
Financing Cash Flow	129,414	81,431	106,663	106,403
Net Changes in Cash	(781)	(5,113)	5,640	63

OWNERSHIP		
By Geography	% Shareholders	%
Indonesia	75.03	Republic of Indonesia
United States	12.15	INA (Indonesian SWF)
Luxembourg	4.21	Capital Group Cos Inc.
Others	8.61	Others

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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