

Soft 1Q24 earnings growth, yet inline

13 May 2024



BMRI IJ	BUY
Sector	Banks
Price at 8 May 2024 (IDR)	8,100
Price target (IDR)	6,275
Upside/Downside (%)	29.1

Stock Information

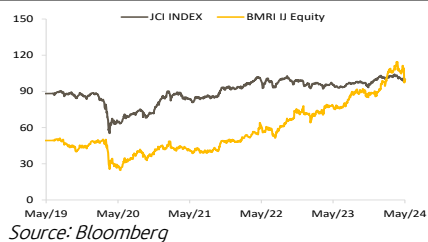
PT Bank Mandiri (Persero) Tbk (Persero) Tbk is a state-owned bank offering a range of banking products and services to its customers from individuals and SMEs to corporations. The bank is formed by a merger of four state-owned banks.

Market cap (IDR bn)	585,667
Shares outstanding (mn)	93,333
52-week range (IDR)	4,950–7,500
3M average daily vol. ('000)	119,457
3M average daily val. (IDR mn)	827,171

Shareholders (%)

Republic of Indonesia	54.9
Public	45.1

Stock Performance



	1M	3M	12M
Performance	(7.3)	(9.0)	22.2

Despite flattish, BMRI's 1Q24 earnings arrives within ours and '24F consensus expectations. Total loan (+19.1% yoy) came in above the industry figure as well as '24F management guidance, while TPF grew strongly (+13.0% yoy) amid the tight liquidity environment. Key risk metrics continue to record a healthier figure, while NIM reported 33 bps lower on continuing COF pressure. NIM could remain within '24F guidance, backed by (1) stable, solid corporate loan growth and a better portion from the higher loan yield segment; (2) continuing solid deposit mix and being less aggressive on rate competition; and (3) loan yield repricing. Maintain BUY with GGM-based TP of IDR8,100 (2.6x '24F P/B), currently trading at 2.0x '24F P/B or slightly above its average historical mean of 1.9x.

Flattish 1Q24 earnings, yet overall inline

BMRI flattish 1Q24 earnings growth is mainly triggered by mounting interest expenses (35.4% yoy). On the top line level, interest income still recorded double-digit growth (13.2% yoy), backed by robust loan growth. Yet, pressure from the cost of deposits (especially TD to 3.4% vs. 2.7% in 1Q23) has made the net interest income growth arrive at the mid-single digit only (5.11% yoy). The 1.13% yoy net profit growth to IDR 12.70tn was largely saved by the low provision figure, which inched down 2.6% yoy. All in all, 1Q24 PATMI came in line with ours and street expectations at a run rate of 21.8%/21.7% vs. the 5-year average run rate of 23.6% (excluding COVID-19).

Robust loan growth remains

Total loan growth came in at a very strong figure of 19.1% yoy, far above the industry 1Q24 loan growth of 12.4% yoy and surpassing BMRI's '24F upper range growth expectation of 15% yoy. The corporate segment saw another robust growth of 27.9% yoy, forming around 35.3% of BMRI's total loan portfolio. The second highest loan growth driver, the commercial segment, also recorded solid growth of 19.8% yoy (17.0% to total loan), while on the subsidiary level, a total of 15.6% yoy of loan growth was booked.

Healthy deposits growth, with solid CASA

On the third-party fund side, we like BMRI's 1Q24 deposit mixed profile, whereas the total TPF growth (13.0% yoy, higher vs. banking industry growth of only 7.4% yoy) was mainly driven by its current account segment (17.0% yoy). It is worth noting that BMRI's low-cost funding segment (savings accounts) also grew by double digits (10.9%). CASA growth remains solid at 13.3% yoy to IDR 1,168.9tn, thus bringing the ratio to arrive 20 bps yoy higher to 74.4% in 1Q24.

Shrinking profitability, yet risk metrics improvement continues intact

On key performance metrics, NIM at 5.07% (-33bps yoy) arrives within BMRI's new guidance of 5.0–5.3%, while cost of credit continues to improve (-13bps yoy to 1.05% in 1Q24), also within '24F expectation. Gross NPL also stood at a healthier level, at 1.17% vs. 1.77% a year ago, thanks to corporate and commercial significant NPL improvements of 61 bps yoy and 228 bps yoy, respectively (at bank-only level).

Lowering '24F NIM guidance, yet kept the risk metrics expectation

Following the 25-bps BI rate increase and the ongoing concern about the cost of fund pressures, BMRI revised down its '24F NIM guidance by 20–30 bps from 5.3%–5.5% to 5.0%–5.3%. On the cost of credit, the bank kept its guidance of 1.0–1.2% on a stable coverage ratio and normalized the provision reversal level. Management also maintains '24 loan growth guidance at a range of 13–15% on the back of several drivers: (1) market share dominance in the wholesale segment and (2) value chain-based higher yield segments. For now, our '24F loan growth forecast for BMRI is unchanged at 13.7% yoy.

Some catalysts to record better NIM expectation

Revising the NIM guidance amid the tight liquidity environment and the latest increasing BI rate is acceptable. Yet, room for BMRI's NIM to arrive within its old guidance seems to remain open, backed by an opportunity to reprice its loan yield. A better figure (1Q24 cons. segment loan growth: 10.8% yoy) from the higher yield loan segment (consumer) should become an additional catalyst. Moreover, we believe solid deposit mixed with other sources of deposits could limit the latest continuing higher cost of fund trend expectation and benefit BMRI's NIM. On risk metrics, aside from its continuing solid cost of credit and NPL profile, we also think its small portion of microloans could overall mitigate any latent drawbacks that might occur from the segment.

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 2.0x '24F P/B, or slightly above its average historical mean of 1.9x. 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)	13.3	10.0	9.4	8.6	7.8
PBV (x)	2.4	2.1	1.9	1.7	1.5
Div. Yield (%)	3.1	4.5	5.0	5.3	5.8
RoE (%)	19.7	22.9	22.8	23.1	24.0

Source: Company, KBVS Research

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Exhibit 2: BMRI 1Q24 financial and key performance metrics results

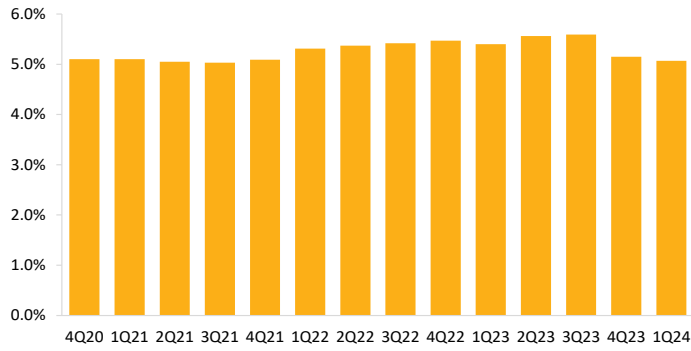
Income Statements (IDR bn)	3M23	3M24	YoY (%)	1Q23	1Q24	YoY (%)	4Q23	QoQ (%)	KBVS '24F	% '24F	Cons. '24F	% '24F
Net Interest Income	23,009	24,186	5.1	23,009	24,186	5.1	24,024	0.7				
PPoP	20,933	21,201	1.3	20,933	21,201	1.3	22,436	(5.5)				
Loan loss provisions	(3,692)	(3,596)	(2.6)	(3,692)	(3,596)	(2.6)	(996)	261.0				
Net profit	12,560	12,702	1.1	12,560	12,702	1.1	15,996	(20.6)	58,248	21.8	58,518	21.7

Balance Sheet (IDR bn)	3M23	3M24	YoY (%)	1Q23	1Q24	YoY (%)	4Q23	QoQ (%)
Gross loans	1,205,464	1,435,487	19.1	1,205,464	1,435,487	19.1	1,398,071	2.7
Current account	483,111	562,103	16.4	483,111	562,103	16.4	584,713	(3.9)
Saving account	548,637	606,832	10.6	548,637	606,832	10.6	586,992	3.4
Time deposits	359,401	402,956	12.1	359,401	402,956	12.1	405,245	(0.6)
CASA (IDRbn)	1,031,748	1,168,935	13.3	1,031,748	1,168,935	13.3	1,171,705	(0.2)
TPF (IDRbn)	1,391,149	1,571,891	13.0	1,391,149	1,571,891	13.0	1,576,950	(0.3)
Total equity	241,645	268,787	11.2	241,645	268,787	11.2	287,495	(6.5)

Selected key ratios	3M23	3M24	YoY (%)	1Q23	1Q24	YoY (%)	4Q23	QoQ (%)
NIM	5.4	5.1	(0.3)	5.4	5.1	(0.3)	5.2	(0.1)
CIR	37.0	38.2	1.2	37.0	38.2	1.2	41.0	(2.8)
CoC	1.2	1.1	(0.1)	1.2	1.1	(0.1)	0.5	0.5
ROAA	2.6	2.3	(0.2)	2.6	2.3	(0.2)	2.8	(0.4)
ROAE	21.9	19.7	(2.2)	21.9	19.7	(2.2)	25.4	(5.7)
CASA Ratio	74.2	74.4	0.2	74.2	74.4	0.2	74.3	0.1
LDR	83.9	88.2	4.3	83.9	88.2	4.3	85.8	2.4
Cost of Fund	1.7	2.1	0.4	1.7	2.1	0.4	2.0	0.2
Loan yield (*bank only)	7.7	7.7	0.0	7.7	7.7	0.0	7.7	0.0
NPL Gross	1.8	1.2	(0.6)	1.8	1.2	(0.6)	1.2	(0.0)
LAR	11.3	8.4	(2.9)	11.3	8.4	(2.9)	8.6	(0.2)
NPL Coverage	303.0	318.0	15.0	303.0	318.0	15.0	326.0	(8.0)
Tier-1 CAR	19.1	18.7	(0.4)	19.1	18.7	(0.4)	20.8	(2.1)

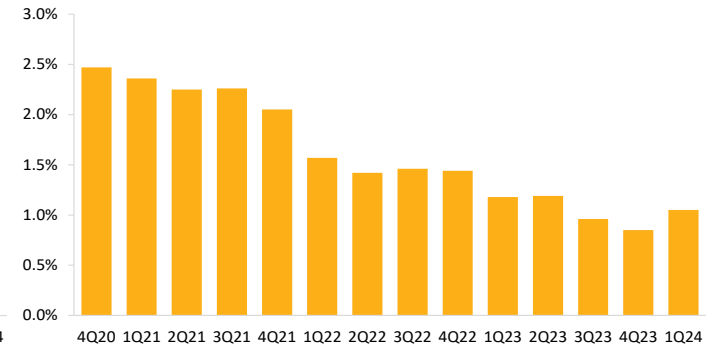
Source : Company, KB Valbury Sekuritas Indonesia

Exhibit 3: Expect NIM to arrive better in the following quarters



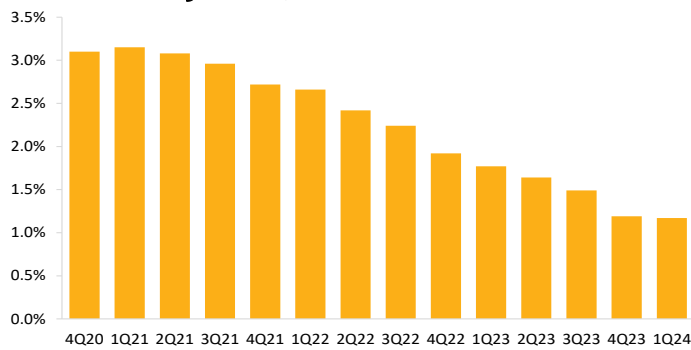
Source: Company, KBVS Research

Exhibit 4: COC to remain at low level



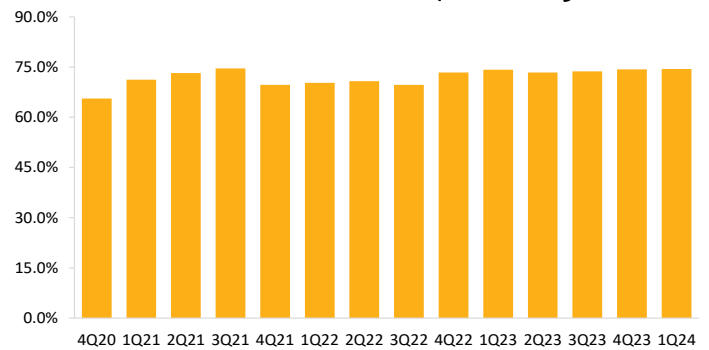
Source: Company, KBVS Research

Exhibit 5: Continuing better AQ lead to a healthier NPL



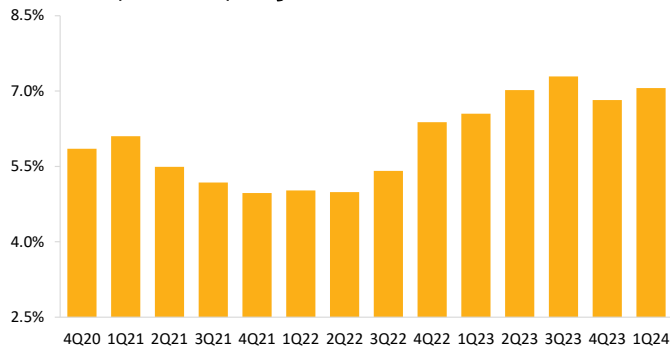
Source: Company, KBVS Research

Exhibit 6: Solid CASA to limit another round of potential rising cost of fund



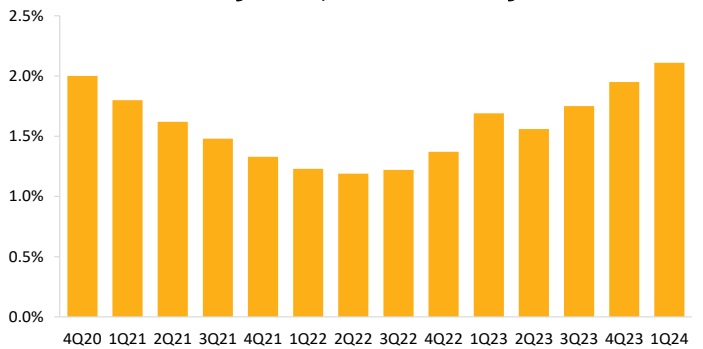
Source: Company, KBVS Research

Exhibit 7: Expect loan repricing to continue...



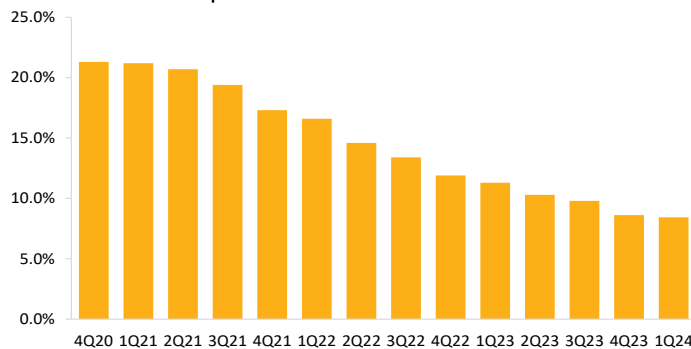
Source: Company, KBVS Research

Exhibit 8:..with continuing solid deposit mixed to manage cost of fund



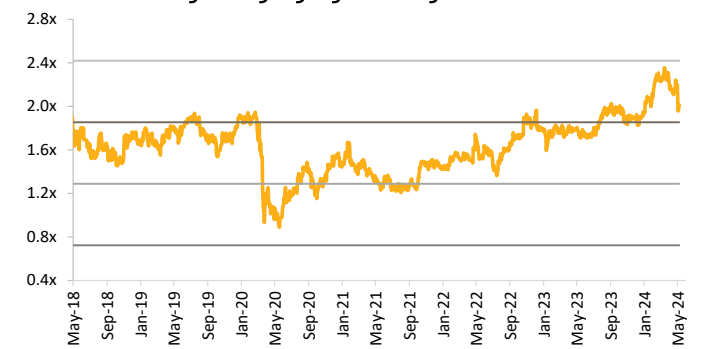
Source: Company, KBVS Research

Exhibit 9: Solid LAR improvement



Source: Company, KBVS Research

Exhibit 10: Currently trading slightly above avg hist. mean of 1.9x. '24F P/B



Source: Company, Bloomberg, KBVS Research

FINANCIAL TABLES

Exhibit 11: 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 12: 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 13: 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)	14.2	10.6	10.1	9.2	8.3
PBV (x)	2.5	2.2	2.0	1.8	1.6
Div. Yield (%)	2.9	4.2	4.7	5.0	5.4

Source: Company, KBVS Research

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