

Strong earnings '23, '24F likely to continue

1 February 2024



<b>BMRI IJ</b>	<b>BUY</b>
Sector	Banks
Price at 31 Jan 2024 (IDR)	6,650
Price target (IDR)	6,650
Upside/Downside (%)	0.0

**Stock Information**

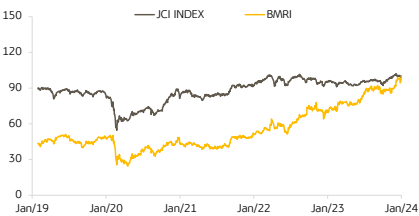
PT Bank Mandiri (Persero) Tbk (Persero) Tbk is a state-owned bank offering a range of banking products and services to its customers from individuals and SMEs to corporations. The bank is formed by a merger of four state-owned banks.

Market cap (IDR bn)	567,123
Shares outstanding (mn)	93,333
52-week range (IDR)	4,450-6,650
3M average daily vol. ('000)	80,964
3M average daily val. (IDR mn)	470,418

**Shareholders (%)**

Republic of Indonesia	54.9
Public	45.1

**Stock Performance**



Source: Bloomberg

	1M	3M	12M
Performance	3.4	13.1	33.0

BMRI's '23 earnings arrive higher than ours and street estimates at a run rate of 110%/114%, on quarterly basis PATMI grew higher by 15.6% qoq and 52.1% yoy. Loan growth came in at a shocking growth rate of 16.3% yoy (beating '23F guidance, industry figure, average banks under our coverage and our '23F loan growth for BMRI) on the back strong 4Q23 loan demand from commercial and corporate segment. We believe BMRI's 24F loan growth guidance (13-15% yoy) is achievable. The bank expecting NIM and CoC to hover within 5.3-5.5% and 1.0-1.2%. We will revisit our model to accommodate BMRI's '23 breathtaking result and as our previous TP has been reached on yesterday closing price. Maintain BUY DDM TP of IDR6,650 (2.4x '24F P/B), currently trading at 2.4x '24F P/B or slightly above +2SD hist mean.

**Sturdy earnings growth beating ours and street forecast**

BMRI earnings 33.7% yoy mainly driven by solid growth in PPOP (17.3% yoy) and a sharp drop in provision (37.1% yoy). The bank managed recorded a high single digit net interest income amid mounting financing cost (49.8% yoy) adjustment as a result of rising benchmark rate previously. Provisions continue to decline on sustained asset quality improvement and also become as another catalyst on '23 earnings growth. On quarterly basis, PATMI grew much stronger by 15.6% qoq and 52.1% qoq, driven by lower provisions (34.1% qoq, 76.7% yoy). In all '23 earnings were way above ours and street forecast at a run rate of 110%/114%.

**Strong loan growth surpassing guidance, industry and our '23F**

Loan grew came in at a very strong growth of 16.3% yoy, beating the above industry (10.4% yoy), banks under our coverage (12.2% yoy), BMRI guidance (10-12% yoy) and our '23F loan for BMRI (11.2% yoy). Corporate and commercial segment remain as the backbone, accounted around 52.08% as a total and around 108bps higher vs 3Q23 portion of 51%. The sturdy loan growth was triggered by 4Q23 solid loan demand from corporate and commercial segment which grew by 18.3% yoy and 21.2% yoy, respectively.

**TPF grew at healthy rate, better than industry**

On the liabilities side, TPF grew by 5.78% yoy and stronger on quarterly basis by 8.63% qoq, driven by current account deposit (7.92% yoy, 15.5% qoq). Stronger saving account grew (6.19% yoy) compared to TD portion at 2.26% yoy has overall brought CASA grew by 7.05% yoy and 9.47% qoq. With such growth we believe BMRI's liquidity will remain adequate enough to capture any loan demand in '24F and thus confirming the market concern on industry tighter liquidity as total TPF only grew by 3.8% yoy in '23.

**We like '23 result, '24F key metrics guidance is achievable**

We like the overall '23 result, includes BMRI's key metrics which continue to come within '23F management estimates, with improving CoC and healthier NPL. We believe the '24F loan growth guidance within the range of 13-15% yoy likely to be achieved backed by higher yield segments. The bank expected NIM and CoC to hover within 5.3-5.5% and 1.0-1.2%. In all, we believe asset quality will remain on track and with the help of carefully selected loan yield repricing as well as softer cost of fund BMRI's '24F solid earnings growth could continue in a double-digit rate.

**Maintain BUY with higher TP of IDR6,650**

At this stage, we continue to like BMRI. Our call on the stock has giving a 1YR return of 33.0% and at yesterday closing price, our TP (IDR6,650) has been achieved. Hence, we will revisit our model to accommodate BMRI's '23 breathtaking result. Our latest GGM TP is pegged at 2.4x '24F P/B while its currently trading at 2.4x '24F P/B, or slightly above its +2SD historical mean. Downside risks to our call are: 1) Slower loan growth, 2) worsening NIM and AQ, 3) higher than expected CoC, CoF, NPL 4) slowing down economic activity, worsening domestic political situation, 5) longer than expected wait & see stance.

**Exhibit 1: Key Statistics**

Year end Dec (IDR bn)	2021A	2022A	2023F	2024F	2025F
Net Interest income	73,062	87,903	98,893	113,590	125,253
Non int. income	34,061	37,648	40,962	43,563	46,893
Income from operations	107,124	125,551	139,856	157,153	172,146
Pre-provision profit	57,984	72,291	82,438	94,767	105,393
Net income (IDR bn)	28,028	41,171	49,774	53,570	57,760
EPS (IDR)	300	441	533	574	619
EPS growth (%)	66.8	46.9	20.9	7.6	7.8
PER (x)	22.1	15.1	12.5	11.6	10.7
PBV (x)	3.0	2.7	2.5	2.4	2.2
Div. Yield (%)	2.7	4.6	5.6	5.2	5.6
RoE (%)	14.2	19.0	20.6	21.2	22.4

Source: Company, KBVS Research

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Exhibit 2: BMRI 12M23 financial and key performance metrics results

Income Statements (IDR bn)	12M22	12M23	YoY (%)	4Q22	4Q23	YoY (%)	3Q23	QoQ (%)	KBVS '23F	% '23F	Cons. '23F	% '23F
Net Interest Income	87,903	95,887	9.1	23,918	24,024	0.4	24,556	(2.2)				
Non-interest income	37,648	42,771	13.6	10,969	13,827	26.1	9,638	43.5				
Total operating income	125,551	138,658	10.4	34,887	37,851	8.5	34,194	10.7				
Total operating expenses	(53,260)	(53,867)	1.1	(16,610)	(15,415)	(7.2)	(13,898)	10.9				
PPoP	72,291	84,791	17.3	18,277	22,436	11.0	20,296	10.5				
Loan loss provisions	(16,123)	(10,149)	(37.1)	(4,280)	(996)	(76.7)	(1,512)	(34.1)				
Net profit	41,172	55,060	33.7	10,518	15,996	52.1	13,832	15.6	49,774	110.6	48,231	114.2

Source : Company, KB Valbury Sekuritas Indonesia

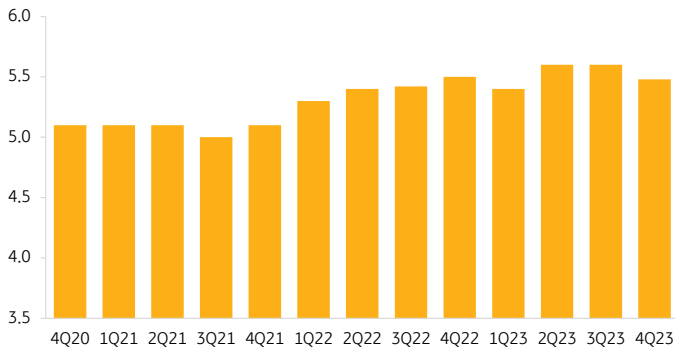
Balance Sheet (IDR bn)	12M22	12M23	YoY (%)	4Q22	4Q23	YoY (%)	3Q23	QoQ (%)
Gross loans	1,202,230	1,398,071	16.3	1,202,230	1,398,071	16.3	1,315,923	6.2
Current account	541,801	584,713	7.9	541,801	584,713	7.9	506,233	15.5
Saving account	552,752	586,992	6.2	552,752	586,992	6.2	564,084	4.1
Time deposits	396,291	405,245	2.3	396,291	405,245	2.3	381,391	6.3
CASA (IDRbn)	1,094,553	1,171,705	7.0	1,094,553	1,171,705	7.0	1,070,317	9.5
TPF (IDRbn)	1,490,844	1,576,950	5.8	1,490,844	1,576,950	5.8	1,451,708	8.6
LDR	80.6	88.7	9.9	80.6	88.7	9.9	90.6	(2.2)
Total equity	252,246	287,495	14.0	252,246	287,495	14.0	268,604	7.0

Source : Company, KB Valbury Sekuritas Indonesia

Financial Ratios (%)	12M22	12M23	YoY (%)	4Q22	4Q23	YoY (%)	3Q23	QoQ (%)
NIM	5.5	5.5	0.0	5.5	5.5	0.0	5.6	(0.1)
CASA Ratio	73.4	74.3	0.9	73.4	74.3	0.9	73.7	0.6
CIR	42.4	38.8	(3.6)	42.4	38.8	(3.6)	38.1	0.7
Cost of Fund	1.4	1.9	0.5	1.4	1.9	0.5	1.8	0.2
ROAA	2.2	2.6	0.4	2.2	2.6	0.4	2.6	0.0
ROAE	19.7	23.2	3.5	19.7	23.2	3.5	22.5	0.7
LDR	80.6	88.7	8.0	80.6	88.7	8.0	90.6	(2.0)
Loan yield (*bank only)	7.5	7.7	0.2	7.5	7.7	0.2	8.1	(0.4)
NPL Gross	1.9	1.2	(0.7)	1.9	1.2	(0.7)	1.5	(0.3)
NPL Coverage	285.0	326.0	41.0	285.0	326.0	41.0	299.0	27.0
CoC	1.4	0.9	(0.6)	1.4	0.9	(0.6)	1.0	(0.1)
LAR	11.9	8.6	(3.3)	11.9	8.6	(3.3)	9.8	(1.2)

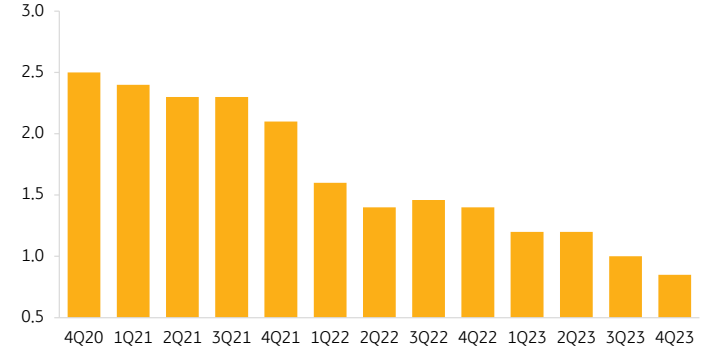
Source : Company, KB Valbury Sekuritas Indonesia

Exhibit 3: NIM expansion continues amid tightening liquidity environment



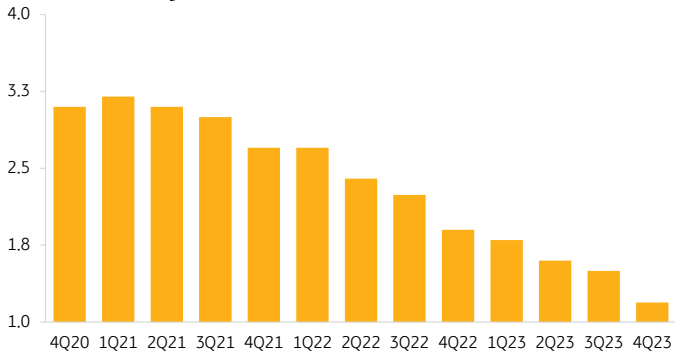
Source: Company, KBVS Research

Exhibit 4: Softened COC remains



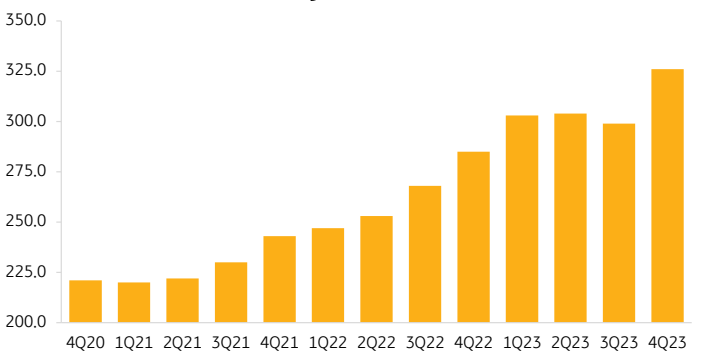
Source: Company, KBVS Research

Exhibit 5: Continuing better AQ lead to a healthier NPL



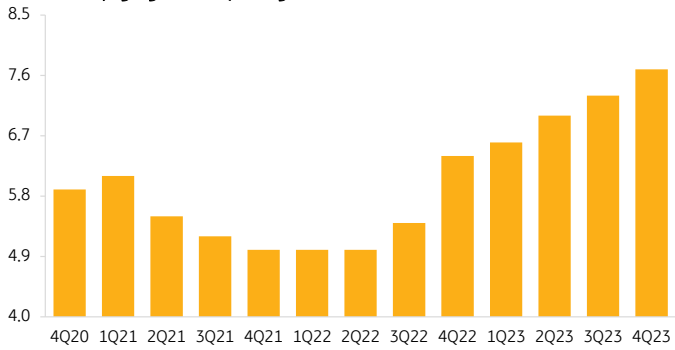
Source: Company, KBVS Research

Exhibit 6: Well-made NPL coverage



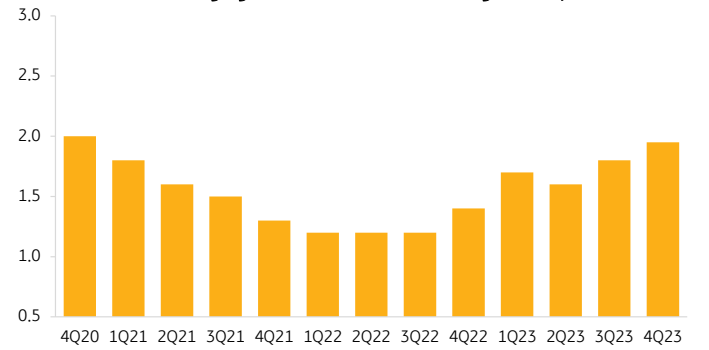
Source: Company, KBVS Research

Exhibit 7: Enjoying loan repricing...



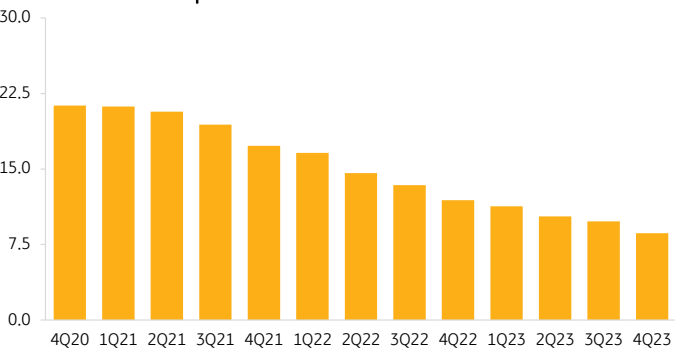
Source: Company, KBVS Research

Exhibit 8:..while managing low CoF to achieve steady NIM expansion



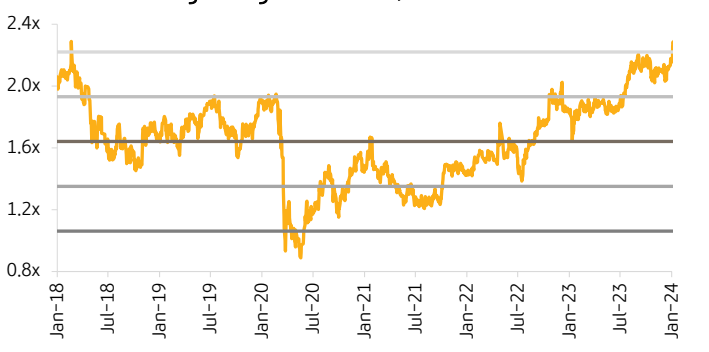
Source: Company, KBVS Research

Exhibit 9: Solid LAR improvement



Source: Company, KBVS Research

Exhibit 10: Currently trading at 2.0x '24F P/B



Source: Company, Bloomberg, KBVS Research

FINANCIAL TABLES

Exhibit 11: Profit & Loss

Year End Dec (IDR bn)	2021A	2022A	2023F	2024F	2025F
Interest income	97,749	112,382	124,774	139,657	155,191
Interest expenses	(24,687)	(24,479)	(25,880)	(26,067)	(29,939)
<b>Net interest income</b>	<b>73,062</b>	<b>87,903</b>	<b>98,893</b>	<b>113,590</b>	<b>125,253</b>
Non-interest income	34,061	37,648	40,962	43,563	46,893
Operating expenses	(49,140)	(53,260)	(57,417)	(62,386)	(66,753)
<b>Pre-provision operating profit</b>	<b>57,984</b>	<b>72,291</b>	<b>82,438</b>	<b>94,767</b>	<b>105,393</b>
Loan loss provision	(19,543)	(16,123)	(15,688)	(17,720)	(18,568)
<b>Pretax Profit</b>	<b>38,358</b>	<b>56,378</b>	<b>66,960</b>	<b>77,079</b>	<b>86,856</b>
Income Tax Expenses	(7,807)	(11,425)	(13,838)	(19,270)	(22,148)
<b>Net profit</b>	<b>28,028</b>	<b>41,171</b>	<b>49,774</b>	<b>53,570</b>	<b>57,760</b>

Exhibit 12: Balance sheet

Year End Dec (IDR bn)	2021A	2022A	2023F	2024F	2025F
<b>Assets</b>					
Cash	23,948	27,213	29,819	32,287	38,242
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 Treas Bills & Sec	289,055	329,212	221,043	217,511	232,225
Investment Securities	98,104	82,800	110,211	104,810	88,429
Loans	980,963	1,136,868	1,275,029	1,438,340	1,576,242
Fixed Assets	49,145	56,541	57,241	57,941	58,641
Other assets	112,172	109,452	127,871	126,868	128,198
<b>Total Asset</b>	<b>1,725,611</b>	<b>1,992,545</b>	<b>2,104,633</b>	<b>2,220,365</b>	<b>2,379,210</b>
<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 Sec and Subordinates	45,138	45,774	47,366	50,195	53,590
Other Liabilities	153,375	187,899	188,856	198,361	209,913
<b>Total liabilities</b>	<b>1,503,500</b>	<b>1,740,299</b>	<b>1,822,997</b>	<b>1,930,084</b>	<b>2,058,784</b>
<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	187,950	206,678	232,295
Other Equity	32,789	33,374	35,667	26,443	16,828
Shareholder's Equity	204,687	229,679	252,927	262,431	278,433
Non-controlling Interest	17,425	22,567	28,709	27,851	41,993
<b>Total Equity</b>	<b>222,111</b>	<b>252,245</b>	<b>281,635</b>	<b>290,281</b>	<b>320,426</b>

Exhibit 13: Key performance metrics

Year End Dec (%)	2021A	2022A	2023F	2024F	2025F
NIM (%)	5.1	5.4	5.5	5.7	6.4
LDR (%)	81.3	80.6	84.6	89.1	90.8
CASA (%)	69.7	73.4	74.5	75.6	76.5
NPL (%)	2.7	1.9	1.5	1.6	1.8
ROAE (%)	14.2	19.0	20.6	20.8	21.4
ROAA (%)	1.7	2.2	2.4	2.5	2.5
CAR (%)	19.6	19.5	20.3	21.5	21.6
BVPS (IDR)	2,193	2,461	2,710	2,812	2,983
PER (x)	22.1	15.1	12.5	11.6	10.7
PBV (x)	3.0	2.7	2.5	2.4	2.2
Div. Yield (%)	2.7	4.6	5.6	5.2	5.6

Source: Company, KBVS Research

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