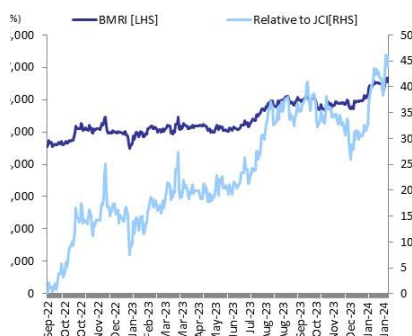


BUY

(Maintained)

Last Price (Rp)	6,675
Target Price (Rp)	7,600
Previous Target Price (Rp)	7,300
Upside/Downside	+13.9%
No. of Shares (mn)	93,333
Mkt Cap (Rpbn/US\$mn)	623,000/39,788
Avg, Daily T/O (Rpbn/US\$mn)	459.7/29.4
Free Float (%)	39.2
Major Shareholder (%)	
Government of Indonesia	52.0
INA	8.0
EPS Consensus (Rp)	
	2024F 2025F 2026F
BRIDS	618.7 693.1 769.0
Consensus	613.4 663.1 752.4
BRIDS/Cons (%)	0.9 4.5 2.2

BMRI relative to JCI Index



Source: Bloomberg

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Bank Mandiri (BMRI IJ)

Raising our FY24-25F forecast and TP post 4Q23 earnings beat

- BMRI reported FY23 net profit of Rp55.1tr (+34%yoy) beating our forecast and the cons. on 4Q23 higher recoveries and lower provisions.
- We expect the FY24F earnings growth to normalize due to our expectation of softer NIM and CoC normalization.
- Maintain BUY with a higher TP of Rp7,600 as we raise our FY24F net profit estimate by 5%, resulting in a higher ROE of 21.2%.

Robust 4Q23 earnings supported by higher recoveries and lower provisions

BMRI reported 4Q23 net profit of Rp16.0tr (+27% qoq, +77% yoy) backed by high cash recoveries of Rp4.5tr (+188% qoq, +166% yoy) and lower provisions of Rp1.0tr (-34% qoq, -77% yoy), bringing its FY23 CoC down to 0.85%, better than our expectation. The bank expects the high recoveries income to continue as it expects mid-to-high single digit growth in non-interest income in FY24. The lower provisions, however, are a one-off, driven by the overprovisioning for covid restructured loans since FY21 and provision release from the recalibration of the credit provision model. Hence, the bank indicates that FY24F's CoC will stand at 1.0-1.2%, higher than FY23's 0.85%.

4Q23 lower NIM on a higher CoF

BMRI's annualized NIM declined to 5.1% in 4Q23 (3Q23: 5.5%, 4Q22: 5.6%), signaling a continuous compression in margins as the annualized CoF rose to 3.2% from 1.9% in 4Q22 and 3.0% in 3Q23, offsetting the higher earnings yield. The bank provides guidance for a stable to slightly lower NIM of 5.3-5.5% in FY24F (vs. 5.48% in FY23) mainly to account for rising CoF risk.

We raise our FY24-25F estimate on higher recoveries and lower provisions

We raise our FY24F earnings estimate by 5% to Rp57.7tr on the back of higher non-operating income (+11%) and slightly lower provisions (-5%) to offset the slightly lower NIM assumption, which results in a higher ROE of 21.2% (from 20.8% previously). We now expect BMRI's earnings growth to normalize at 5% in FY24F, post its strong FY23 NP growth of 34%. Our NP growth estimate for BMRI is similar to BBNI's but lower than BBKA's 9%.

Maintain BUY rating with a higher TP of Rp7,600

BMRI trades at 2.2x, +2 SD PBV of its 5-years average. We maintain our Buy rating with a higher TP of Rp7,600 (from Rp7,300 prev.), reflecting fair value PBV of 2.5x on a higher ROE expectation, as we maintain our CoE assumption at 10.3%. The downside risk to our NP forecast is the normalization in recovery income while there is an upside if the bank can keep its CoF lower than our expectation.

Key Financials

Year to 31 Dec	2022A	2023A	2024F	2025F	2026F
PPOP (Rpbn)	72,291	84,790	92,946	103,573	114,971
Net profit (Rpbn)	41,179	55,063	57,742	64,690	71,775
EPS (Rp)	441.2	590.0	618.7	693.1	769.0
EPS growth (%)	46.9	33.7	4.9	12.0	11.0
BVPS (Rp)	2,460.8	2,794.9	3,042.3	3,319.6	3,627.2
PER (x)	15.1	11.3	10.8	9.6	8.7
PBV (x)	2.7	2.4	2.2	2.0	1.8
Dividend yield (%)	4.0	5.3	5.6	6.2	6.9
ROAE (%)	19.0	22.5	21.2	21.8	22.1

Source: BMRI, BRIDS Estimates

Exhibit 1. BMRI 4Q23 results summary

BMRI (IDR bn)	4Q22	3Q23	4Q23	y-o-y	q-o-q	12M22	12M23	y-o-y	FY23F	FY23C	A/F	A/C
Interest income	31,123	33,817	34,536	11%	2%	112,382	132,545	18%	130,792	137,130	101%	97%
Interest expense	7,205	9,261	10,513	46%	14%	24,479	36,658	50%	34,610	37,009	106%	99%
Net interest income	23,919	24,556	24,023	0%	-2%	87,903	95,887	9%	96,182	100,121	100%	96%
Other operating income	10,969	9,638	13,828	26%	43%	37,648	42,771	14%	38,983	37,736	110%	113%
Operating expenses	16,609	13,899	15,415	-7%	11%	53,260	53,867	1%	53,094	-	101%	n/a
PPOP	18,278	20,295	22,436	23%	11%	72,291	84,791	17%	82,070	-	103%	n/a
Provision	4,281	1,511	996	-77%	-34%	16,123	10,149	-37%	12,533	-	81%	n/a
Operating Profit	13,997	18,784	21,440	53%	14%	56,168	74,642	33%	69,537	70,426	107%	106%
Net profit	9,018	12,595	14,807	64%	18%	41,171	55,060	34%	51,138	51,253	108%	107%
Loans	1,202,230	1,315,923	1,398,071	16%	6%				1,343,543	1,345,220	104%	104%
Customer deposits	1,569,466	1,553,322	1,690,860	8%	9%				1,639,683	1,580,075	103%	107%
LDR (%)	76.6	84.7	82.7									
Loan yield (%) - ann	8.5	8.7	8.5			7.8	11.5					
Cost of fund (%) - ann	1.9	3.0	3.2			1.7	2.3					
NIM (%) - ann	5.6	5.5	5.1			5.4	5.4					
CIR (%) - ann	47.6	40.6	40.7			42.4	38.8					
Cost of credit (%) - ann	1.4	0.5	0.3			1.4	0.8					
NPL ratio (%)	1.9	1.5	1.2									
LaR ratio (%)	11.9	9.8	8.6									

Source: Company, BRIDS Estimates

Exhibit 2. BMRI Change in Forecast

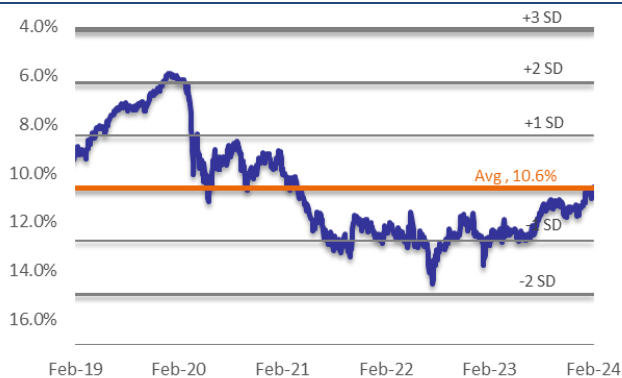
BMRI - Forecast Changes	2024F (Prev)	2024F (Curr)	Δ%	2025F (Prev)	2025F (Curr)	Δ%
Net Interest Income	105,146	103,504	(1.56)	113,722	115,127	1.24
PPOP (Rpbn)	89,887	92,946	3.40	97,638	103,573	6.08
Net profit (Rpbn)	54,948	57,742	5.08	60,036	64,690	7.75
BVPS (Rp)	2,974	3,042	2.28	3,295	3,320	0.75
Gross Loans	1,429,923	1,543,271	7.93	1,597,491	1,751,238	9.62
Customer Deposits	1,779,053	1,713,435	(3.69)	1,993,234	1,905,557	(4.40)
Ratios	2024F (Prev)	2024F (Curr)	Δ bps	2025F (Prev)	2025F (Curr)	Δ bps
Net Interest Margin	5.1	5.0	(11)	5.2	5.1	(5)
Gross NPL Ratio	1.8	1.6	(19)	1.8	1.5	(28)
Cost/Income Ratio	39.0	38.1	(91)	38.7	37.6	(113)
Cost of Credit	1.1	1.0	(11)	1.0	0.9	(7)
ROAE (%)	20.8	21.2	37	20.5	21.8	129

Source: Company, BRIDS Estimates

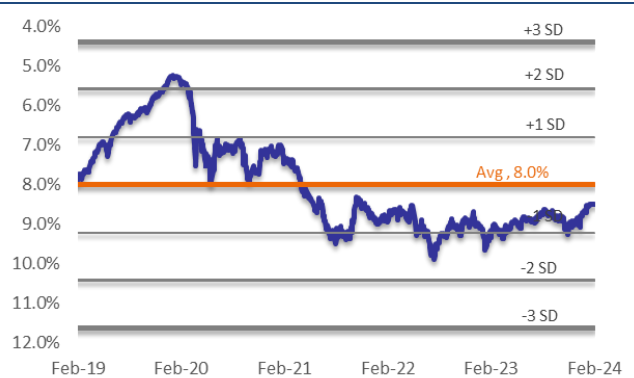
Exhibit 3. Changes in valuation

Gordon Growth Valuation with Inverse Cost of Equity			Gordon Growth Valuation with Inverse Cost of Equity		
Previous			New		
Parameters:	Comment:		Parameters:	Comment:	
Cost of equity (%)	10.30	5-Year average	Cost of equity (%)	10.30	5-Year average
Cost of equity (%) - SD	2.00	5-Year average	Cost of equity (%) - SD	2.00	5-Year average
SD used	-		SD used	-	
Cost of equity (%) used	10.30		Cost of equity (%) used	10.30	
Long-term growth (%)	3.00	Long-term nominal GDP growth	Long-term growth (%)	3.00	Long-term nominal GDP growth
Forward ROE (%)	20.8	FY24F ROAE	Forward ROE (%)	21.2	FY24F ROAE
Fair value P/BV (x)	2.44	(ROAE - g) / (COC - g)	Fair value P/BV (x)	2.49	(ROAE - g) / (COC - g)
BV/share (IDR)	2,974	FY24F Book value per share	BV/share (IDR)	3,042	FY24F Book value per share
Fair value (IDR)	7,300	Fair value P/BV multiple x BVPS	Fair value (IDR)	7,600	Fair value P/BV multiple x BVPS

Source: Company, Bloomberg, BRIDS Estimates

Exhibit 4. BMRI's cost of equity band chart (5-year)


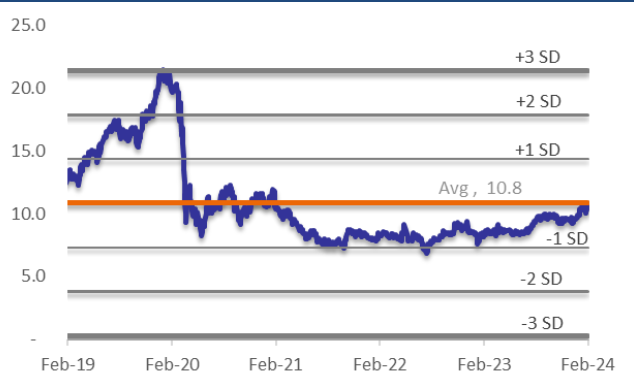
Source: Company, BRIDS Estimates

Exhibit 5. Big 4 Banks' cost of equity band chart (5-year)


Source: Company, BRIDS Estimates

Exhibit 6. BMRI's PBV band chart (5-year)


Source: Company, BRIDS Estimates

Exhibit 7. BMRI's PE band chart (5-year)


Source: Company, BRIDS Estimates

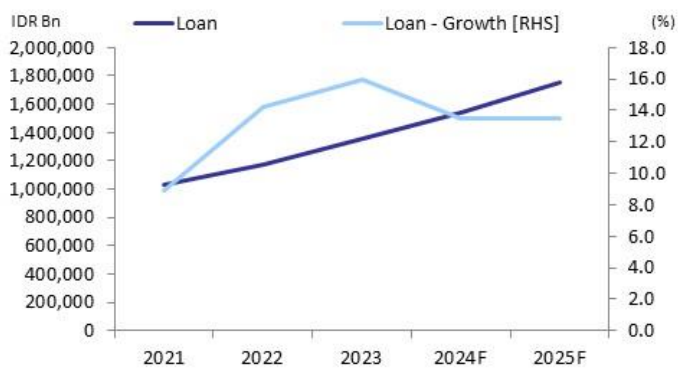
Downside risk to earnings from high-base recovery income in FY24

BMRI booked recovery income of Rp10.1tr in FY23 (Rp4.5tr in 4Q23), the highest historically. Based on the management's guidance, we expect 8.7% growth in non-interest income (including recoveries), or an additional Rp3.5tr in FY24F. If the bank cannot sustain its high-base recovery income, there is a risk to FY24F's earnings growth.

Exhibit 8. BMRI's recovery income

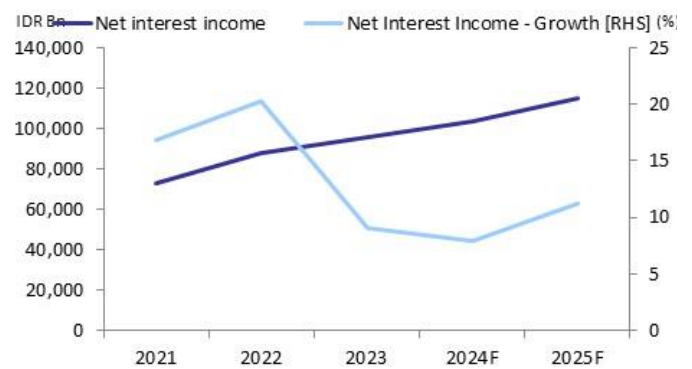

Source: Company, BRIDS Estimates

Exhibit 9. Loan and Growth



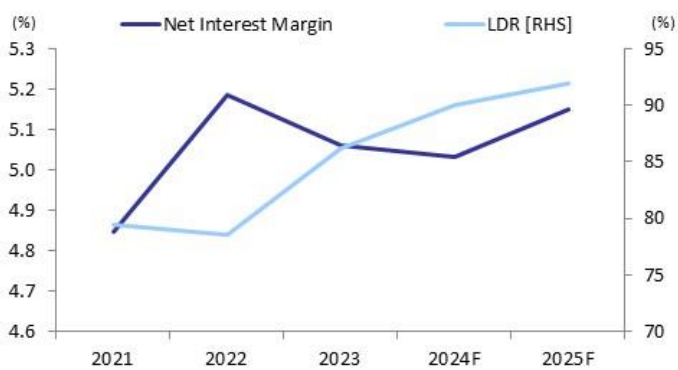
Source: Company, BRIDS Estimates

Exhibit 10. Net Interest Income and Growth



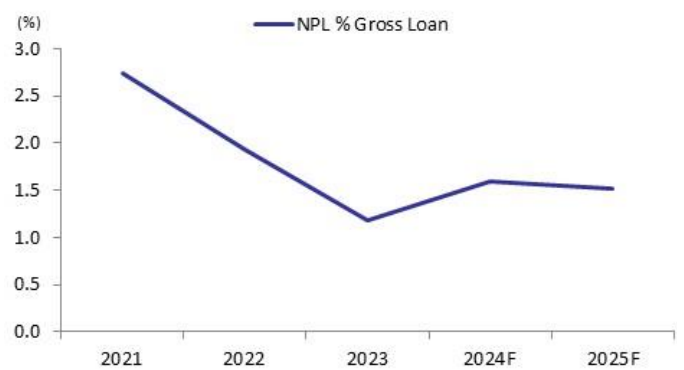
Source: Company, BRIDS Estimates

Exhibit 11. NIM and LDR



Source: Company, BRIDS Estimates

Exhibit 12. NPL



Source: Company, BRIDS Estimates

Exhibit 13. Income Statement

Year to 31 Dec (Rpbn)	2022A	2023A	2024F	2025F	2026F
Interest Income	112,382	132,544	146,792	159,815	173,565
Interest Expense	(24,479)	(36,658)	(43,287)	(44,688)	(45,074)
Net Interest Income	87,903	95,887	103,504	115,127	128,491
Non-Interest Income (NII)	33,254	39,172	42,522	46,958	51,041
Oper. Income	121,157	135,059	146,027	162,085	179,532
Oper. Expenses	(53,260)	(53,867)	(57,128)	(62,335)	(68,497)
Pre-provisions profit	72,291	84,790	92,946	103,573	114,971
Provisions & Allowances	(16,114)	(10,146)	(14,148)	(15,343)	(17,023)
Operating Profits	56,177	74,645	78,798	88,230	97,948
Non-Operating Income	210	43	43	43	43
Exceptionals	0	0	0	0	0
Pre-tax Profit	56,386	74,688	78,841	88,274	97,991
Income Tax	(11,425)	(14,633)	(15,711)	(17,591)	(19,527)
Minorities	(3,782)	(4,992)	(5,388)	(5,993)	(6,689)
Net Profit	41,179	55,063	57,742	64,690	71,775

Exhibit 14. Balance Sheet

Year to 31 Dec (Rpbn)	2022A	2023A	2024F	2025F	2026F
Gross Loans	1,172,600	1,359,832	1,543,271	1,751,238	1,947,210
Provisions	(64,613)	(53,099)	(70,667)	(71,374)	(72,087)
Net Loans	1,107,987	1,306,734	1,472,604	1,679,865	1,875,123
Govt. Bonds	329,212	309,183	281,040	256,078	233,843
Securities	82,800	94,546	99,505	104,723	109,540
Other Earnings Assets	28,881	37,456	38,601	45,178	52,170
Total Earnings Assets	1,814,469	1,975,387	2,137,931	2,334,907	2,533,692
Fixed Assets	77,970	82,315	92,001	95,197	98,656
Non-Earnings Assets	36,852	46,909	39,216	41,261	42,462
Total Assets	1,992,545	2,174,219	2,313,979	2,551,954	2,755,877
Customer Deposits	1,491,779	1,577,730	1,713,435	1,905,557	2,064,622
Banks Deposits	14,847	17,685	18,923	20,247	21,665
Int. Bearing Liab. - Others	0	0	0	0	0
Total Liabilities	1,740,299	1,886,724	1,997,999	2,204,105	2,372,628
Share capital & Reserves	62,684	63,549	63,549	63,549	63,549
Retained Earnings	166,995	197,304	220,400	246,276	274,986
Shareholders' Funds	229,679	260,853	283,949	309,825	338,535
Minority interests	22,567	26,642	32,031	38,024	44,713
Total Equity & Liabilities	1,992,545	2,174,219	2,313,979	2,551,954	2,755,877

Exhibit 15. Key Ratios

Year to 31 Dec	2022A	2023A	2024F	2025F	2026F
Yield on Earning Assets	6.6	7.0	7.1	7.1	7.1
Cost of funds	1.6	2.1	2.3	2.2	2.0
Interest Spread	5.0	4.9	4.8	4.9	5.1
Net Interest Margin	5.2	5.1	5.0	5.1	5.3
Cost/Income Ratio	42.4	38.8	38.1	37.6	37.3
Oper. Exp./Oper. Gross Inc.	62.6	57.4	59.2	58.1	57.1
Gross NPL Ratio	1.9	1.2	1.6	1.5	1.4
LLP/Gross NPL	284.9	329.1	288.4	267.9	263.5
Cost of Credit	1.5	0.8	1.0	0.9	0.9
Loan to Deposit Ratio	78.6	86.2	90.1	91.9	94.3
Loan to Funding Ratio	76.3	83.5	89.0	90.9	93.4
CASA Mix	66.3	66.5	61.5	66.5	66.4
ROAE	19.0	22.5	21.2	21.8	22.1
ROAA	2.2	2.6	2.6	2.7	2.7
CAR	19.5	18.6	18.6	17.5	16.5

Exhibit 16. Dupont and Growth

Year to 31 Dec	2022A	2023A	2024F	2025F	2026F
Dupont					
Pre-Tax ROAA	3.0	3.6	3.5	3.6	3.7
Tax Retention rate	79.7	80.4	80.1	80.1	80.1
Post-Tax ROAA	2.4	2.9	2.8	2.9	3.0
Goodwil, Assoc& Min	0.2	0.2	0.2	0.2	0.3
Leverage	8.6	8.5	8.2	8.2	8.2
ROAE	19.0	22.5	21.2	21.8	22.1
Growth (%)					
Interest income	15.0	17.9	10.7	8.9	8.6
Net Interest Income	20.3	9.1	7.9	11.2	11.6
Other Oper. Expenses	8.4	1.1	6.1	9.1	9.9
Fee Based Income	23.7	4.7	7.5	8.4	11.7
Pre-Provision Oper. Profit	24.7	17.3	9.6	11.4	11.0
Net Profit	46.9	33.7	4.9	12.0	11.0
Shareholders' Equity	12.2	13.6	8.9	9.1	9.3
Loan	14.3	16.0	13.5	13.5	11.2
Earnings Asset	15.1	8.9	8.2	9.2	8.5
Deposit	15.5	5.9	8.6	11.2	8.3
Int. Bearing Liab.	16.4	8.5	6.3	10.7	7.9
CASA	21.6	6.2	0.4	20.1	8.2
Total Asset	15.5	9.1	6.4	10.3	8.0

Source : BMRI, BRIDS Estimates

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INVESTMENT RATING

BUY	Expected total return of 10% or more within a 12-month period
HOLD	Expected total return between -10% and 10% within a 12-month period
SELL	Expected total return of -10% or worse within a 12-month period

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