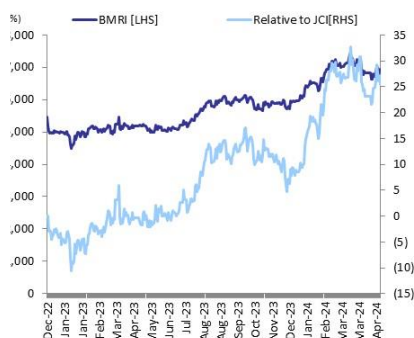


# BUY

(Maintained)

Last Price (Rp)	6,900
Target Price (Rp)	7,400
Previous Target Price (Rp)	7,600
Upside/Downside	+7.2%
No. of Shares (mn)	93,333
Mkt Cap (Rpbn/US\$mn)	644,000/39,606
Avg, Daily T/O (Rpbn/US\$mn)	595.7/36.6
Free Float (%)	39.2
Major Shareholder (%)	
Government of Indonesia	52.0
INA	8.0
EPS Consensus (Rp)	
	2024F 2025F 2026F
BRIDS	620.0 685.3 758.4
Consensus	625.6 683.4 761.2
BRIDS/Cons (%)	(0.9) 0.3 (0.4)

## BMRI relative to JCI Index



Source: Bloomberg

## BRI Danareksa Sekuritas Analysts

### Victor Stefano

(62-21) 5091 4100 ext. 3503  
victor.stefano@brids.co.id

### Naura Reyhan Muchlis

(62-21) 5091 4100 ext. 3507  
naura.muchlis@brids.co.id

# Bank Mandiri (BMRI IJ)

## 1Q24 earnings slight miss on lower NIM and other operating income, offsetting strong loans growth

- BMRI posted muted net profit growth of 1% yoy (22% of our FY24 est) on 36bps lower NIM, lower recoveries and higher G&A exp.
- Despite expecting a better NIM, BMRI lowered its FY24 NIM guidance to 5-5.3% (vs. 5.3-5.5% prev.) as it remains cautious on liquidity.
- We maintain our Buy rating but with a lower TP of Rp7,400 (from Rp7,600) as we revise down our FY24F NP by 2%.

### Lower-than-expected 1Q24 earnings on lower NIM and operating income

BMRI reported 1Q24 net profit of Rp12.7tr (+1% yoy, -21% qoq from 4Q23's high base). The 1Q24 NP is slightly below our FY24F and the consensus at 21.9% and 21.7%, respectively. Net interest income still grew by 5% yoy supported by strong 19% loans growth (vs. the FY24 target of 13-15%), but partly offset by lower NIM. NIM declined to 5.0% (-36bps yoy) as the loan yield was flat at 8.5% but CoF increased by 48bps yoy. PPOP growth slowed to 1% yoy due to the declining other operating income (-1%) and higher opex (+7% yoy), resulting in NP growth of only 1%, despite the 3% lower provisions. 1Q24 CoC stood at 1.0%, inline with the management's guidance for FY24F.

### Strong loans growth amid declining NIM to support growth

BMRI booked a loans balance of Rp1,435tr (+19% yoy, +3% qoq) supported by the mining, CPO, financial services, and manufacturing sectors. The corporate and commercial segments continued to drive the loans growth with 28% and 20% yoy growth, respectively. Despite the high 1Q24 loans growth, the management is retaining its loans growth target of 13-15% as it remains cautious on the liquidity and CoF outlook.

### Liquidity remains as the biggest concern

Taking into account the higher-for-longer interest rates outlook, BMRI revised its FY24F NIM guidance from 5.3-5.5% to 5.0-5.3%. Nonetheless, it expects higher NIMs in the subsequent quarters from a higher loans yield, higher loan to earning asset portion, and higher liquidity to lower the CoF. However, we revise down our FY24F, taking into account the higher interest rate and 1Q24 results, resulting in lower NIM and a lower NP forecast.

### Maintain BUY rating with a lower TP of Rp7,400

We lower our TP to Rp7,400 (from Rp7,600 prev.) to reflect our lower FY24F NP, while maintaining our CoE assumption at 10.3%. We retain our BUY rating on the bank's attractive 21.2% ROE and c. 4% dividend yield. The downside risk to our NP forecast is 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	91,810	101,181	111,854
Net profit (Rpbn)	41,179	55,063	56,876	62,964	69,846
EPS (Rp)	441.2	590.0	609.4	674.6	748.4
EPS growth (%)	46.9	33.7	3.3	10.7	10.9
BVPS (Rp)	2,460.8	2,794.9	3,038.6	3,308.5	3,607.8
PER (x)	15.6	11.7	11.1	10.1	9.1
PBV (x)	2.8	2.5	2.3	2.1	1.9
Dividend yield (%)	3.8	5.1	5.4	6.0	6.6
ROAE (%)	19.0	22.5	21.2	21.5	21.9

Source: BMRI, BRIDS Estimates

**Exhibit 1. BMRI 1Q24 results summary**

BMRI (IDR bn)	1Q23	4Q23	1Q24	y-o-y	q-o-q	3M23	3M24	y-o-y	FY24F	FY24C	A/F	A/C
Interest income	31,391	34,536	35,535	13%	3%	31,391	35,535	13%	146,792		24.2%	n/a
Interest expense	8,382	10,513	11,349	35%	8%	8,382	11,349	35%	43,044		26.4%	n/a
Net interest income	23,009	24,023	24,186	5%	1%	23,009	24,186	5%	103,747	107,543	23.3%	22.5%
Other operating income	10,200	13,828	10,127	-1%	-27%	10,200	10,127	-1%	42,573	43,978	23.8%	23.0%
Operating expenses	12,276	15,415	13,112	7%	-15%	12,276	13,112	7%	57,174		22.9%	n/a
PPOP	20,933	22,436	21,201	1%	-6%	20,933	21,201	1%	93,194		22.7%	n/a
Provision	3,692	996	3,596	-3%	261%	3,692	3,596	-3%	14,219	14,752	25.3%	24.4%
Operating Profit	17,241	21,440	17,605	2%	-18%	17,241	17,605	2%	78,974	80,196	22.3%	22.0%
Net profit	12,560	15,997	12,702	1%	-21%	12,560	12,702	1%	57,870	58,484	21.9%	21.7%
Loans	1,205,464	1,398,071	1,435,487	19%	3%					1,550,197	n/a	92.6%
Customer deposits	1,471,208	1,690,860	1,692,117	15%	0%					1,724,772	n/a	98.1%
yoy, bps      qoq, bps      yoy, bps												
Loan yield (%) - ann	8.4	8.5	8.5	5	(5)	7.9	8.0	6				
Cost of fund (%) - ann	2.2	3.2	2.7	48	(54)	2.2	2.7	48				
NIM (%) - ann	5.3	5.1	5.0	(36)	(19)	5.3	5.0	(36)				
CIR (%) - ann	37.0	40.7	38.2	125	(251)	37.0	38.2	125				
Cost of credit (%) - ann	1.2	0.3	1.0	(21)	72	1.2	1.0	(21)				
LDR (%)	81.9	82.7	84.8	290	215							
NPL ratio (%)	1.8	1.2	1.2	(61)	(2)							
LaR ratio (%)	11.4	8.6	8.4	(300)	(19)							

Source: Company, BRIDS Estimates

**Exhibit 2. BMRI Change in Forecast**

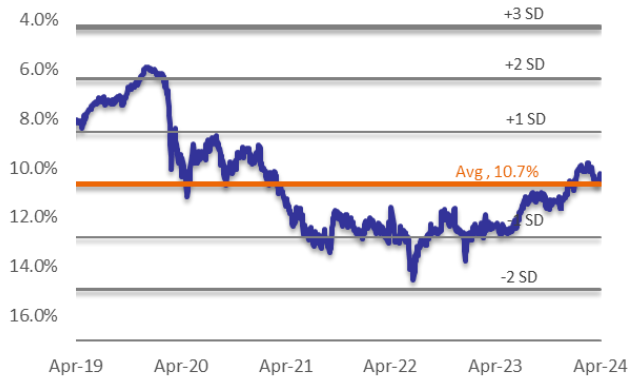
BMRI - Forecast Changes	2024F (Prev)	2024F (Curr)	Δ%	2025F (Prev)	2025F (Curr)	Δ%
Net Interest Income	103,747	101,561	(2.11)	114,145	111,844	(2.02)
PPOP (Rpbn)	93,194	91,810	(1.49)	102,572	101,181	(1.36)
Net profit (Rpbn)	57,870	56,876	(1.72)	63,958	62,964	(1.55)
BVPS (Rp)	3,043	3,039	(0.14)	3,317	3,308	(0.26)
Gross Loans	1,543,271	1,543,271	-	1,751,238	1,751,238	-
Customer Deposits	1,713,435	1,713,435	-	1,905,557	1,905,557	-
Ratios	2024F (Prev)	2024F (Curr)	Δ bps	2025F (Prev)	2025F (Curr)	Δ bps
Net Interest Margin	5.0	4.9	(11)	5.1	5.0	(10)
Gross NPL Ratio	1.6	1.6	-	1.5	1.5	-
Cost/Income Ratio	38.0	38.2	18	37.7	37.9	16
Cost of Credit	1.0	1.0	-	0.9	0.9	-
ROAE (%)	21.2	20.9	(35)	21.5	21.3	(29)

Source: Company, BRIDS Estimates

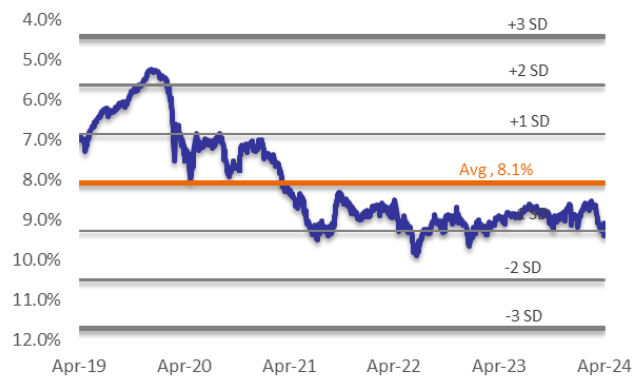
**Exhibit 3. Changes in valuation**

Gordon Growth Valuation with Inverse Cost of Equity				Gordon Growth Valuation with Inverse Cost of Equity			
New		Comment:		New		Comment:	
Parameters:				Parameters:			
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 (%)	21.2	FY24F ROAE		Forward ROE (%)	20.9	FY24F ROAE	
Fair value P/BV (x)	2.50	(ROAE - g) / (COC - g)		Fair value P/BV (x)	2.45	(ROAE - g) / (COC - g)	
BV/share (IDR)	3,043	FY24F Book value per share		BV/share (IDR)	3,039	FY24F Book value per share	
Fair value (IDR)	7,600	Fair value P/BV multiple x BVPS		Fair value (IDR)	7,400	Fair value P/BV multiple x BVPS	

Source: Company, Bloomberg, BRIDS Estimates

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


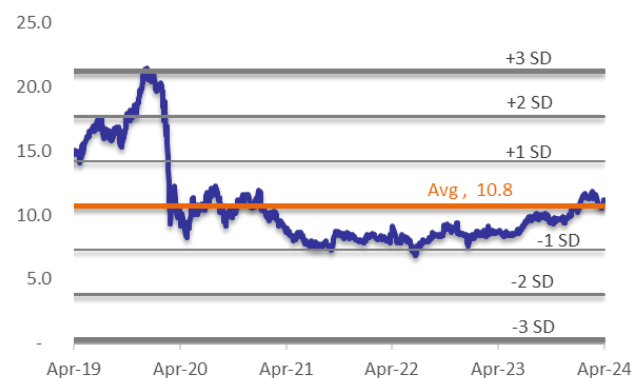
Source: Company, BRIDS Estimates

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


Source: Company, BRIDS Estimates

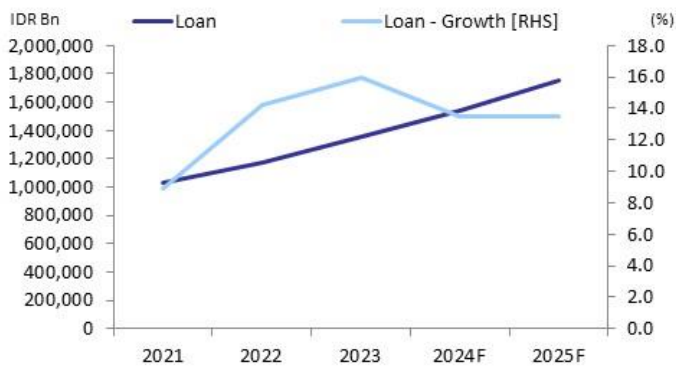
**Exhibit 6. BMRI's PBV band chart (5-year)**


Source: Company, BRIDS Estimates

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


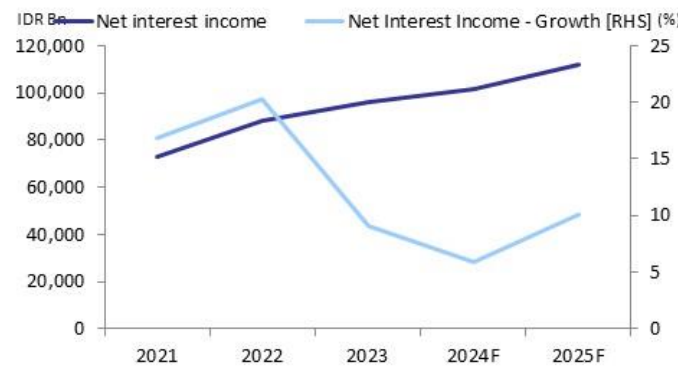
Source: Company, BRIDS Estimates

**Exhibit 8. Loans and Growth**



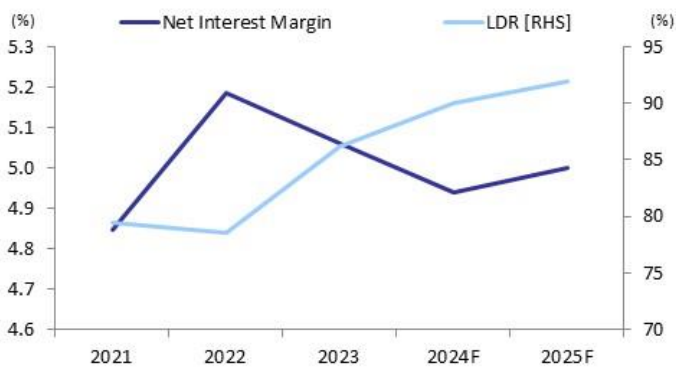
Source: Company, BRIDS Estimates

**Exhibit 9. Net Interest Income and Growth**



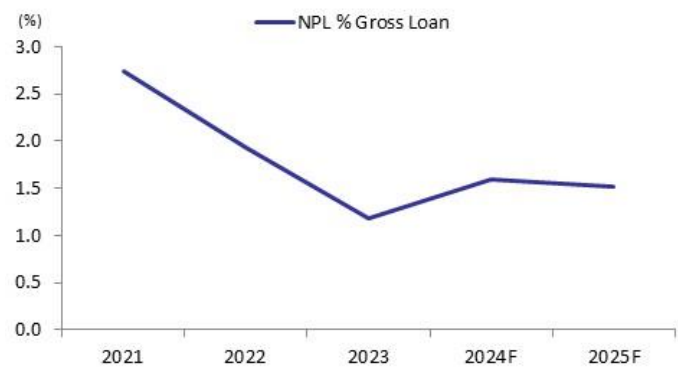
Source: Company, BRIDS Estimates

**Exhibit 10. NIM and LDR**



Source: Company, BRIDS Estimates

**Exhibit 11. NPLs**



Source: Company, BRIDS Estimates

**Exhibit 12. 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)	(45,231)	(47,972)	(49,101)
<b>Net Interest Income</b>	<b>87,903</b>	<b>95,887</b>	<b>101,561</b>	<b>111,844</b>	<b>124,464</b>
Non-Interest Income (NII)	33,254	39,172	42,963	47,250	51,231
<b>Oper. Income</b>	<b>121,157</b>	<b>135,059</b>	<b>144,524</b>	<b>159,093</b>	<b>175,695</b>
Oper. Expenses	(53,260)	(53,867)	(56,762)	(61,736)	(67,777)
<b>Pre-provisions profit</b>	<b>72,291</b>	<b>84,790</b>	<b>91,810</b>	<b>101,181</b>	<b>111,854</b>
Provisions & Allowances	(16,114)	(10,146)	(14,219)	(15,319)	(16,577)
<b>Operating Profits</b>	<b>56,177</b>	<b>74,645</b>	<b>77,590</b>	<b>85,862</b>	<b>95,277</b>
Non-Operating Income	210	43	43	43	43
Exceptionals	0	0	0	0	0
<b>Pre-tax Profit</b>	<b>56,386</b>	<b>74,688</b>	<b>77,634</b>	<b>85,905</b>	<b>95,320</b>
Income Tax	(11,425)	(14,633)	(15,470)	(17,119)	(18,995)
Minorities	(3,782)	(4,992)	(5,287)	(5,823)	(6,480)
<b>Net Profit</b>	<b>41,179</b>	<b>55,063</b>	<b>56,876</b>	<b>62,964</b>	<b>69,846</b>

**Exhibit 13. 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)	(46,400)	(41,225)	(36,017)
<b>Net Loans</b>	<b>1,107,987</b>	<b>1,306,734</b>	<b>1,496,871</b>	<b>1,710,013</b>	<b>1,911,194</b>
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
<b>Total Earnings Assets</b>	<b>1,814,469</b>	<b>1,975,387</b>	<b>2,137,931</b>	<b>2,334,907</b>	<b>2,533,692</b>
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
<b>Total Assets</b>	<b>1,992,545</b>	<b>2,174,219</b>	<b>2,313,532</b>	<b>2,550,646</b>	<b>2,753,587</b>
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
<b>Total Liabilities</b>	<b>1,740,299</b>	<b>1,886,724</b>	<b>1,997,999</b>	<b>2,204,105</b>	<b>2,372,628</b>
Share capital & Reserves	62,684	63,549	63,549	63,549	63,549
Retained Earnings	166,995	197,304	220,054	245,240	273,178
<b>Shareholders' Funds</b>	<b>229,679</b>	<b>260,853</b>	<b>283,603</b>	<b>308,789</b>	<b>336,727</b>
Minority interests	22,567	26,642	31,929	37,752	44,231
<b>Total Equity &amp; Liabilities</b>	<b>1,992,545</b>	<b>2,174,219</b>	<b>2,313,532</b>	<b>2,550,646</b>	<b>2,753,587</b>

**Exhibit 14. 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	2.4	2.4	2.2
Interest Spread	5.0	4.9	4.7	4.8	4.9
Net Interest Margin	5.2	5.2	5.0	5.1	5.2
Cost/Income Ratio	42.4	38.8	38.2	37.9	37.7
Oper. Exp./Oper. Gross Inc.	62.6	57.4	60.0	59.3	58.3
Gross NPL Ratio	1.9	1.2	1.6	1.5	1.4
LLP/Gross NPL	284.9	329.1	189.4	154.7	131.7
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	20.9	21.3	21.6
ROAA	2.2	2.6	2.5	2.6	2.6
CAR	19.5	18.6	18.3	17.2	16.2

**Exhibit 15. Dupont and Growth**

Year to 31 Dec	2022A	2023A	2024F	2025F	2026F
<b>Dupont</b>					
Pre-Tax ROAA	3.0	3.6	3.5	3.5	3.6
Tax Retention rate	79.7	80.4	80.1	80.1	80.1
Post-Tax ROAA	2.4	2.9	2.8	2.8	2.9
Goodwil, Assoc& Min	0.2	0.2	0.2	0.2	0.2
Leverage	8.6	8.5	8.2	8.2	8.2
ROAE	19.0	22.5	20.9	21.3	21.6
<b>Growth (%)</b>					
Interest income	15.0	17.9	10.7	8.9	8.6
Net Interest Income	20.3	9.1	5.9	10.1	11.3
Other Oper. Expenses	8.4	1.1	5.4	8.8	9.8
Fee Based Income	23.7	4.7	5.6	7.5	11.4
Pre-Provision Oper. Profit	24.7	17.3	8.3	10.2	10.5
Net Profit	46.9	33.7	3.3	10.7	10.9
Shareholders' Equity	12.2	13.6	8.7	8.9	9.0
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	10.2	8.0

Source : BMRI, BRIDS Estimates

**BRI Danareksa Equity Research Team**

Erindra Krisnawan, CFA	Head of Equity Research, Strategy, Coal	<a href="mailto:erindra.krisnawan@brids.co.id">erindra.krisnawan@brids.co.id</a>
Natalia Sutanto	Consumer, Cigarettes, Pharmaceuticals, Retail	<a href="mailto:natalia.sutanto@brids.co.id">natalia.sutanto@brids.co.id</a>
Niko Margaronis	Telco, Tower, Technology, Media	<a href="mailto:niko.margaronis@brids.co.id">niko.margaronis@brids.co.id</a>
Hasan Barakwan	Metal, Oil and Gas	<a href="mailto:hasan.barakwan@brids.co.id">hasan.barakwan@brids.co.id</a>
Victor Stefano	Banks, Poultry	<a href="mailto:victor.stefano@brids.co.id">victor.stefano@brids.co.id</a>
Ismail Fakhri Suweleh	Healthcare, Property, Industrial Estate	<a href="mailto:ismail.suweleh@brids.co.id">ismail.suweleh@brids.co.id</a>
Richard Jerry, CFA	Automotive, Cement	<a href="mailto:richard.jerry@brids.co.id">richard.jerry@brids.co.id</a>
Ni Putu Wilastita Muthia Sofi	Research Associate	<a href="mailto:wilastita.sofi@brids.co.id">wilastita.sofi@brids.co.id</a>
Naura Reyhan Muchlis	Research Associate	<a href="mailto:naura.muchlis@brids.co.id">naura.muchlis@brids.co.id</a>
Sabela Nur Amalina	Research Associate	<a href="mailto:sabela.amalina@brids.co.id">sabela.amalina@brids.co.id</a>
Christian Immanuel Sitorus	Research Associate	<a href="mailto:christian.sitorus@brids.co.id">christian.sitorus@brids.co.id</a>

**BRI Danareksa Economic Research Team**

Helmy Kristanto	Chief Economist, Macro Strategy	<a href="mailto:helmy.kristanto@brids.co.id">helmy.kristanto@brids.co.id</a>
Dr. Telisa Aulia Falianty	Senior Advisor	<a href="mailto:telisa.falianty@brids.co.id">telisa.falianty@brids.co.id</a>
Kefas Sidauruk	Economist	<a href="mailto:kefas.sidauruk@brids.co.id">kefas.sidauruk@brids.co.id</a>

**BRI Danareksa Institutional Equity Sales Team**

Yofi Lasini	Head of Institutional Sales and Dealing	<a href="mailto:yofi.lasini@brids.co.id">yofi.lasini@brids.co.id</a>
Novrita Endah Putrianti	Institutional Sales Unit Head	<a href="mailto:novrita.putrianti@brids.co.id">novrita.putrianti@brids.co.id</a>
Ehrlich Suhartono	Institutional Sales Associate	<a href="mailto:ehrliech@brids.co.id">ehrliech@brids.co.id</a>
Yunita Nababan	Institutional Sales Associate	<a href="mailto:yunita@brids.co.id">yunita@brids.co.id</a>
Adeline Solaiman	Institutional Sales Associate	<a href="mailto:adeline.solaiman@brids.co.id">adeline.solaiman@brids.co.id</a>
Andreas Kenny	Institutional Sales Associate	<a href="mailto:andreas.kenny@brids.co.id">andreas.kenny@brids.co.id</a>
Christy Halim	Institutional Sales Associate	<a href="mailto:christy.halim@brids.co.id">christy.halim@brids.co.id</a>
Jason Joseph	Institutional Sales Associate	<a href="mailto:jason.joseph@brids.co.id">jason.joseph@brids.co.id</a>

**BRI Danareksa Sales Traders**

Mitcha Sondakh	Head of Sales Trader	<a href="mailto:mitcha.sondakh@brids.co.id">mitcha.sondakh@brids.co.id</a>
Suryanti Salim	Sales Trader	<a href="mailto:suryanti.salim@brids.co.id">suryanti.salim@brids.co.id</a>

**INVESTMENT RATING**

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

**Disclaimer**

The information contained in this report has been taken from sources which we deem reliable. However, none of PT BRI Danareksa Sekuritas and/or its affiliated and/or their respective employees and/or agents makes any representation or warrant (express or implied) or accepts any responsibility or liability as to, or in relation to, the accuracy or completeness of the information and opinions contained in this report or as to any information contained in this report or any other such information or opinions remaining unchanged after the issue thereof.

We expressly disclaim any responsibility or liability (express or implied) of PT BRI Danareksa Sekuritas, its affiliated companies and their respective employees and agents whatsoever and howsoever arising (including, without limitations for any claims, proceedings, action, suits, losses, expenses, damages or costs) which may be brought against or suffered by any person as results of acting in reliance upon the whole or any part of the contents of this report and neither PT BRI Danareksa Sekuritas, its affiliated companies or their respective employees or agents accepts liability for any errors, omissions or mis-statements, negligent or otherwise, in the report and any liability in respect of the report or any inaccuracy therein or omission therefrom which might otherwise arise is hereby expressly disclaimed.

The information contained in the report is not to be taken as any recommendation made by PT BRI Danareksa Sekuritas or any other person to enter into any agreement with regard to any investment mentioned in this document. This report is prepared for general circulation. It does not have regards to the specific person who may receive this report. In considering any investments you should make your own independent assessment and seek your own professional financial and legal advice.