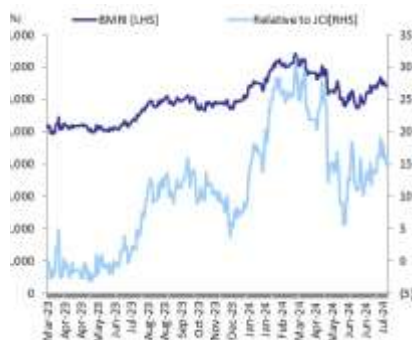


# Buy

(Maintained)

Last Price (Rp)	6,400
Target Price (Rp)	7,400
Previous Target Price (Rp)	7,400
Upside/Downside	+15.6%
No. of Shares (mn)	93,333
Mkt Cap (Rpbn/US\$mn)	597,333/36,736
Avg, Daily T/O (Rpbn/US\$mn)	782.9/48.2
Free Float (%)	39.2
Major Shareholder (%)	
Government of Indonesia	52.0
INA	8.0
EPS Consensus (Rp)	
	2024F 2025F 2026F
BRIDS	608.8 672.7 706.1
Consensus	603.6 670.7 741.6
BRIDS/Cons (%)	0.9 0.3 (4.8)

## BMRI relative to JCI Index



Source: Bloomberg

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# Bank Mandiri (BMRI IJ)

## Inline 2Q24/ 1H24 earnings on resilient NIM, with intact sound asset quality

- BMRI reported 1H24 net profit of Rp26.6tr (+5% yoy) supported by 20% loan growth and lower CoC, offsetting the lower NIM.
- Mgmt revised its FY24 loan growth target from 13-15% to 16-18% while maintaining its CoC target at 1.0-1.2%.
- Maintain Buy rating with an unchanged TP of Rp7,400 based on 10.3% CoE (5-year avg.) and 20.9% FY24F ROE, implying 2.4x FY24F PBV.

### Inline 2Q24 earnings supported by resilient qoq NIM in 2Q24

BMRI reported consolidated net profit of Rp26.6tr in 1H24 (+5% yoy), in line with our estimate of Rp26.5tr, representing 47% and 48% of our and the consensus FY24 estimates respectively. NIM declined to 5.0% (-48bps yoy) in 1H24 as loan yield fell to 8.4% (-15bps yoy) and CoF rose to 2.7% (+48bps yoy). However, on a qoq basis, NIM was relatively flat at 5.0%, despite a 7bps qoq decline in loan yield to 8.4%. This was supported by relatively flat CoF at 2.7% (+3bps qoq), made possible by a 65bps qoq increase in CASA to 75.0%.

### The Livin App: gateway to improve CoF

BMRI saw an increase in its Livin app users to 25.6mn (+35.8% yoy) which boosted transaction value (98% of retail transactions were done via the app in 1H24). This translated into transaction frequencies, value, and fee-based income. Fee based income generated by the Livin app reached Rp1.2tr in 1H24 (+26.4% yoy). The development of the Livin app translated to an increase in savings deposits (+13.4% yoy, +3.2% qoq) as well, which allowed the CoF to remain flat qoq during a period of rising interest rates. Going forward, the higher usage of Livin merchant, which has 2mn users in its first year since launch, may offer further support for BMRI's CASA retention.

### Robust asset quality supporting bottom line

Aside from the resilient NIM and high CASA ratio, BMRI's earnings were supported by its asset quality, as reflected in an NPL ratio of 1.2% in 1H24 (flat qoq vs. 1.6% in 1H23) and a LaR ratio of 7.8% in 1H24 (-67bps qoq, -258bps yoy). The strong asset quality drove the CoC down to 0.9% in 2Q24 from 1.0% in 1Q24 and 1.3% in 2Q23.

### Maintain Buy rating with an unchanged TP of Rp7,400

We tweaked our forecasts to reflect higher loan growth, lower NIM and lower CoC post 2Q24 earnings. Our TP remains at Rp7,400 as our FY24F NP forecasts is relatively unchanged at Rp56.8tr (+3% yoy), while we also maintain our CoE assumption at 10.3%. We reiterate our Buy rating on the bank's attractive 20.9% ROE and c. 4% dividend yield. Downside risks to our view are lower-than-expected loan yield and deteriorating asset quality.

### Key Financials

Year to 31 Dec	2022A	2023A	2024F	2025F	2026F
PPOP (Rpbn)	72,291	84,790	92,878	102,202	111,123
Net profit (Rpbn)	41,171	55,060	56,817	62,781	65,905
EPS (Rp)	441.1	589.9	608.8	672.7	706.1
EPS growth (%)	46.9	33.7	3.2	10.5	5.0
BVPS (Rp)	2,460.8	2,794.9	3,038.4	3,307.4	3,589.9
PER (x)	14.5	10.8	10.5	9.5	9.1
PBV (x)	2.6	2.3	2.1	1.9	1.8
Dividend yield (%)	4.1	5.5	5.7	6.3	6.6
ROAE (%)	19.0	22.4	20.9	21.2	20.5

Source: BMRI, BRIDS Estimates

**Exhibit 1. BMRI 1H24 earnings summary**

BMRI - Financial (Rpbn)	2Q23	1Q24	2Q24	qoq, %	yoy, %	1H23	1H24	yoy, %	FY24F	FY24C	A/F	A/C
Interest income	32,800	35,535	36,689	3%	12%	64,191	72,224	13%	146,792		49%	n/a
Interest expense	8,502	11,349	11,793	4%	39%	16,884	23,143	37%	45,231		51%	n/a
Net interest income	24,298	24,186	24,895	3%	2%	47,307	49,081	4%	101,561	103,906	48%	47%
Other operating income	9,106	10,127	10,387	3%	14%	19,306	20,515	6%	42,963	44,675	48%	46%
Operating expenses	12,278	13,112	12,964	-1%	6%	24,554	26,077	6%	56,762	55,402	46%	47%
PPOP	21,126	21,201	22,318	5%	6%	42,059	43,519	3%	91,810	93,180	47%	47%
Provision	3,950	3,596	3,318	-8%	-16%	7,641	6,913	-10%	14,222	15,302	49%	45%
Operating Profit	17,177	17,605	19,000	8%	11%	34,418	36,606	6%	77,587	77,878	47%	47%
Net profit	12,672	12,702	13,848	9%	9%	25,232	26,551	5%	56,872	55,768	47%	48%
Loans	1,272,076	1,435,487	1,532,354	7%	20%				1,543,271	1,598,751	99%	96%
Customer deposits	1,534,294	1,692,117	1,778,708	5%	16%				1,713,435	1,742,324	104%	102%
<b>Key Ratio</b>												
				qoq, bps	yoy, bps			yoy, bps				
Loan yield (%) - ann	8.7	8.5	8.4	👇 (7)	👇 (36)	8.5	8.4	👇 (15)				
Cost of fund (%) - ann	2.3	2.7	2.7	👉 3	👇 46	2.2	2.7	👇 48				
NIM (%) - ann	5.6	4.95	4.97	👉 2	👇 (66)	5.4	5.0	👇 (48)				
CIR (%) - ann	36.8	38.2	36.7	👇 (147)	👉 (1)	36.9	37.5	👇 61				
Cost of credit (%) - ann	1.3	1.0	0.9	👇 (12)	👇 (38)	1.2	1.0	👇 (30)				
ROE (%) - ann	22.6	20.3	22.4	👇 212	👇 (21)	22.6	22.4	👇 (21)				
CASA ratio (%)	73.4	74.3	75.0	👇 65	👇 156							
LDR (%)	88.9	91.3	92.8	👇 149	👇 387							
NPL ratio (%)	1.6	1.2	1.2	👉 (1)	👇 (48)							
LaR ratio (%)	10.3	8.4	7.8	👇 (67)	👇 (258)							

Source: Company, BRIDS Estimates

**Exhibit 2. BMRI Changes in Forecast**

BMRI - Forecast Changes	2024F (Prev)	2024F (Curr)	Δ%	2025F (Prev)	2025F (Curr)	Δ%
Net Interest Income (Rpbn)	101,561	101,429	(0.13)	111,844	111,596	(0.22)
PPOP (Rpbn)	91,810	92,878	1.16	101,181	102,202	1.01
Net profit (Rpbn)	56,872	56,817	(0.10)	62,960	62,781	(0.28)
BVPS (Rp)	3,039	3,038	(0.01)	3,308	3,307	(0.03)
Gross Loans (Rpbn)	1,543,271	1,599,449	3.64	1,751,238	1,751,238	-
Customer Deposits (Rpbn)	1,713,435	1,804,456	5.31	1,905,557	1,905,557	-
Ratios (%)	2024F (Prev)	2024F (Curr)	Δ bps	2025F (Prev)	2025F (Curr)	Δ bps
Net Interest Margin	4.9	4.9	(7)	5.0	4.9	(7)
Gross NPL Ratio	1.6	1.6	-	1.5	1.5	-
Cost/Income Ratio	38.2	37.9	(28)	37.9	37.6	(25)
Cost of Credit	1.0	1.0	6	0.9	1.0	6
ROAE	20.9	20.9	(2)	21.3	21.2	(6)

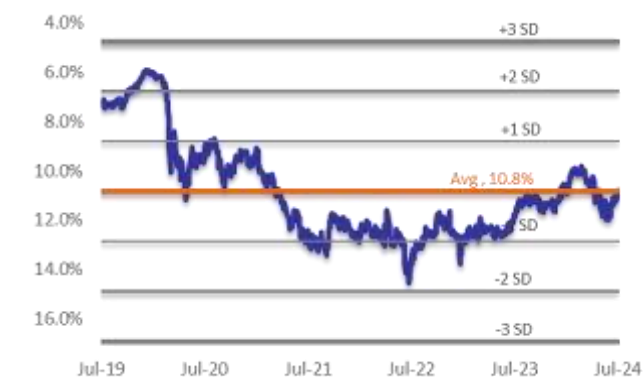
Source: Company, BRIDS Estimates

**Exhibit 3. BMRI's Valuation**

Gordon Growth Valuation with Inverse Cost of Equity	
New	
<b>Parameters:</b>	<b>Comment:</b>
Cost of equity (%)	10.30 5-Year average
Cost of equity (%) - SD	2.00 5-Year average
SD used	-
Cost of equity (%) used	10.30
Long-term growth (%)	3.00 Long-term nominal GDP growth
Forward ROE (%)	20.9 FY24F ROAE
Fair value P/BV (x)	2.45 (ROAE - g) / (COC - g)
BV/share (IDR)	3038 FY24F Book value per share
Fair value (IDR)	7,400 Fair value P/BV multiple x BVPS

Source: Company, BRIDS Estimates

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



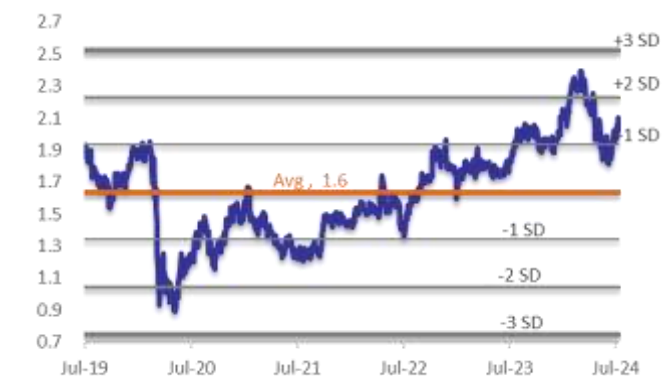
Source: Company, Bloomberg, BRIDS Estimates

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



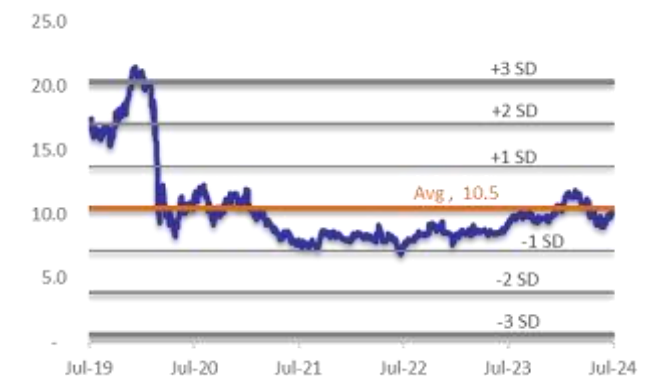
Source: Company, Bloomberg, BRIDS Estimates

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



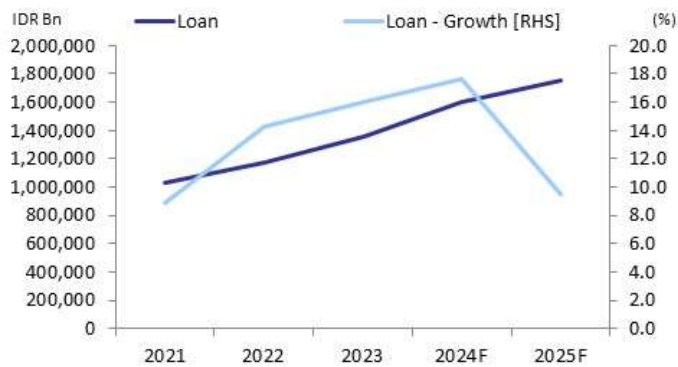
Source: Company, Bloomberg, BRIDS Estimates

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



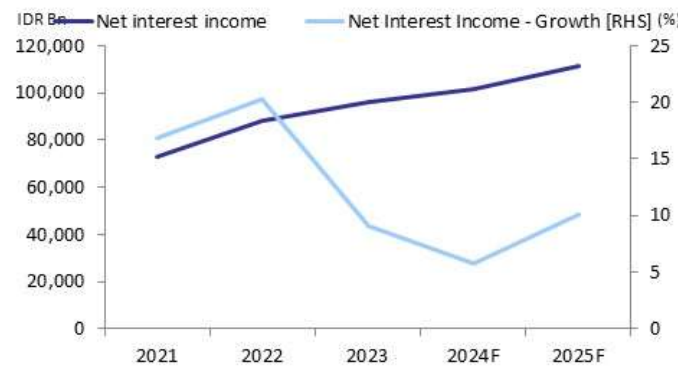
Source: Company, Bloomberg, BRIDS Estimates

**Exhibit 8. Loans and Growth**



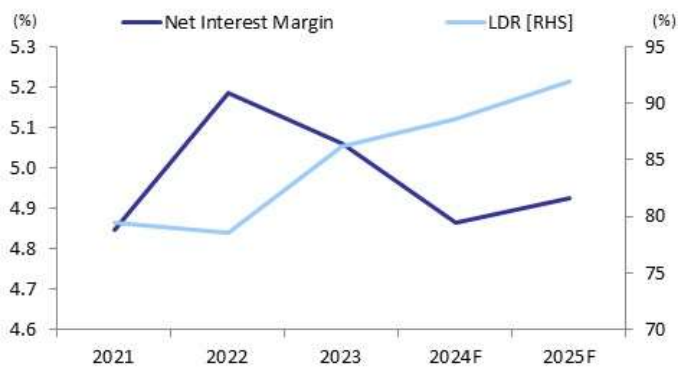
Source: Company, BRIDS Estimates

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



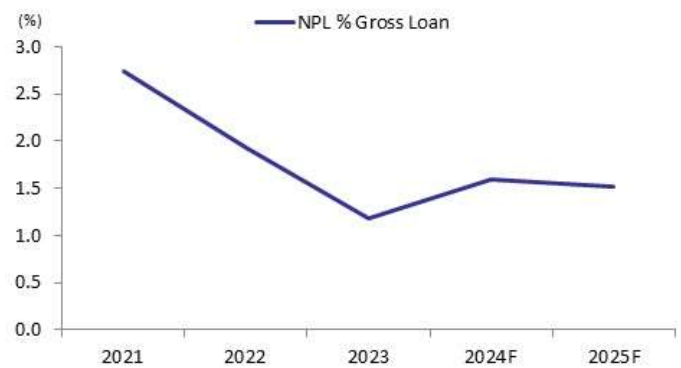
Source: Company, BRIDS Estimates

**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	149,120	162,092	173,565
Interest Expense	(24,479)	(36,658)	(47,692)	(50,496)	(51,130)
<b>Net Interest Income</b>	<b>87,903</b>	<b>95,887</b>	<b>101,429</b>	<b>111,596</b>	<b>122,435</b>
Non-Interest Income (NII)	33,254	39,172	44,138	48,473	52,166
<b>Oper. Income</b>	<b>121,157</b>	<b>135,059</b>	<b>145,567</b>	<b>160,069</b>	<b>174,601</b>
Oper. Expenses	(53,260)	(53,867)	(56,737)	(61,691)	(67,414)
<b>Pre-provisions profit</b>	<b>72,291</b>	<b>84,790</b>	<b>92,878</b>	<b>102,202</b>	<b>111,123</b>
Provisions & Allowances	(16,123)	(10,149)	(15,368)	(16,583)	(20,897)
<b>Operating Profit</b>	<b>56,168</b>	<b>74,642</b>	<b>77,510</b>	<b>85,619</b>	<b>90,226</b>
Non-Operating Income	210	43	43	43	43
Exceptionals	0	0	0	0	0
<b>Pre-tax Profit</b>	<b>56,378</b>	<b>74,685</b>	<b>77,553</b>	<b>85,663</b>	<b>90,269</b>
Income Tax	(11,425)	(14,633)	(15,456)	(17,072)	(17,990)
Minorities	(3,782)	(4,992)	(5,280)	(5,810)	(6,374)
<b>Net Profit</b>	<b>41,171</b>	<b>55,060</b>	<b>56,817</b>	<b>62,781</b>	<b>65,905</b>

**Exhibit 13. Balance Sheet**

Year to 31 Dec (Rpbn)	2022A	2023A	2024F	2025F	2026F
Gross Loans	1,172,600	1,359,832	1,599,449	1,751,238	1,947,210
Provisions	(64,613)	(53,099)	(48,089)	(41,225)	(36,017)
<b>Net Loans</b>	<b>1,107,987</b>	<b>1,306,734</b>	<b>1,551,360</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>2,195,729</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>2,405,464</b>	<b>2,550,527</b>	<b>2,751,785</b>
Customer Deposits	1,491,779	1,577,730	1,804,456	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>2,089,962</b>	<b>2,204,103</b>	<b>2,372,624</b>
Share capital & Reserves	62,684	63,549	63,549	63,549	63,549
Retained Earnings	166,995	197,304	220,031	245,143	271,505
<b>Shareholders' Funds</b>	<b>229,679</b>	<b>260,853</b>	<b>283,580</b>	<b>308,692</b>	<b>335,054</b>
Minority interests	22,567	26,642	31,923	37,732	44,106
<b>Total Equity &amp; Liabilities</b>	<b>1,992,545</b>	<b>2,174,219</b>	<b>2,405,464</b>	<b>2,550,527</b>	<b>2,751,785</b>

**Exhibit 14. Key Ratios**

Year to 31 Dec	2022A	2023A	2024F	2025F	2026F
Yield on Earning Assets	6.6	7.0	7.2	7.2	7.1
Cost of funds	1.6	2.1	2.5	2.4	2.3
Interest Spread	5.0	4.9	4.6	4.7	4.8
Net Interest Margin	5.2	5.1	4.9	4.9	5.0
Cost/Income Ratio	42.4	38.8	37.9	37.6	37.8
Oper. Exp./Oper. Gross Inc.	62.6	57.4	60.7	60.1	60.7
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	1.0	1.1
Loan to Deposit Ratio	78.6	86.2	88.6	91.9	94.3
Loan to Funding Ratio	76.3	83.5	87.6	90.9	93.4
CASA Mix	66.3	66.5	63.5	66.5	66.4
ROAE	19.0	22.4	20.9	21.2	20.5
ROAA	2.2	2.6	2.5	2.5	2.5
CAR	19.5	18.6	17.8	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	3.4	3.5	3.4
Tax Retention rate	79.7	80.4	80.1	80.1	80.1
Post-Tax ROAA	2.4	2.9	2.7	2.8	2.7
Goodwil, Assoc& Min	0.2	0.2	0.2	0.2	0.2
Leverage	8.6	8.5	8.4	8.4	8.2
ROAE	19.0	22.4	20.9	21.2	20.5
<b>Growth (%)</b>					
Interest income	15.0	17.9	12.5	8.7	7.1
Net Interest Income	20.3	9.1	5.8	10.0	9.7
Other Oper. Expenses	8.4	1.1	5.3	8.7	9.3
Fee Based Income	23.7	4.7	10.9	7.3	9.8
Pre-Provision Oper. Profit	24.7	17.3	9.5	10.0	8.7
Net Profit	46.9	33.7	3.2	10.5	5.0
Shareholders' Equity	12.2	13.6	8.7	8.9	8.5
Loan	14.3	16.0	17.6	9.5	11.2
Earnings Asset	15.1	8.9	11.2	6.3	8.5
Deposit	15.5	5.9	14.3	5.6	8.3
Int. Bearing Liab.	16.4	8.5	11.5	5.6	7.9
CASA	21.6	6.2	9.0	10.6	8.2
Total Asset	15.5	9.1	10.6	6.0	7.9

Source: BMRI, BRIDS Estimates



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**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

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