

**BUY | TP : IDR6,850**
**BMRI Stock Price Data**

Last Price	:	IDR5,725
52wk High	:	IDR10,400
52wk Low	:	IDR3,987
Share Out	:	93.3bn
Market Cap	:	IDR527.3tn

**BMRI Stock Price Performance**

1-Day	:	+0.40%
1-Week	:	+4.09%
1-Month	:	+10.1%
3-Month	:	+10.6%
Year-to-Date	:	+15.9%

**Shareholders**

Govt of Indo	:	52.00%
Public	:	48.00%

**PT Bank Mandiri Tbk (BMRI IJ)**
**Solid Performance Should Continue**
**1H23 Earnings Slightly Ahead the Expectation**

BMRI 1H23 booked a net profit of IDR25.3tn (+24.9% YoY) or IDR12.7tn (+0.89% QoQ) in 2Q23, slightly above the consensus & our FY23F target of 53%/51%. Net interest income grew by +13.1% YoY to IDR47.3tn, backed by a sharp growth of +21.3% YoY in interest income correlated with the increasing loan distribution. Concurrently, the non-interest income experienced a negative growth with -11.4% QoQ caused by a major drop in cash recoveries (-45.9% QoQ). BMRI managed to lower their cost-to-income ratio to 40.8% (-4.55 ppt YoY) due to the management capacity to maintain their operating expenses stable with a +2.6% YoY and +0.02% QoQ growth. NIM stood at 5.56% in 1H23, aligned with the management target of 5.3%-5.6%. We expect in the future, NIM will maintain at the current level and the loan growth will exceed the industry average.

**New Loan Mix and Re-pricing Strategy Generate Higher Loan Yields**

Loan grew at +5.5% QoQ, +11.8% YoY to IDR1,272tn, in line with the management target with an expectation of +10-12% YoY and above the industry growth (May-23) of +9.39% YoY. This was primarily driven by a significant growth in corporate loans (+9.2% QoQ, +6% YoY) and commercial loans (+5.9% QoQ, +19% YoY). BMRI loan yield also improved to 7.85% (+98 bps YoY), affected by the new loan mix and the company's new re-pricing strategy. Similar to BBNI and BBKA, BMRI NPL also experienced better credit quality with an NPL of 2.5% (-70 bps YoY) and an NPL Coverage of 308.8% in 1H23. The provisioning coverage for Waskita increasing to ~60% (vs 45% previously). Meanwhile, LAR improved to 10.3% in 2Q23 (vs 11.3% in 1Q23), resulting in lower CoC target of 1.1%-1.3%.

**Digital Transformation Drives Down BMRI Cost of Credit**

On the funding side, BMRI's success in developing digital platforms (KOPRA and Livin') significantly affects their current account performance, with a remarkable growth of +23.3% YoY. BMRI currently dominates a 19.3% share of the domestic current account market, which has grown significantly compared to 2019 with a market share of 14.1%. This puts the bank in a solid position to continue to grow its market share in the future with its digital platform development. The savings account also recorded a positive growth of 6.03% YoY; meanwhile, the time deposit diminished by -4.6% YoY. Overall, BMRI announced a higher CASA ratio of 73.4% (+2.67 pts YoY), which led to a better cost of credit with 1.19% (-23 bps YoY) in 1H23. Due to the outperformance output, management revised their guidelines in cost of credit from 1.3%-1.5% to 1.1%-1.3%.

**Maintain BUY with higher TP of IDR6,850/share**

We transfer our banking coverage from Tirta Widi Gilang to Victoria Venny. We maintain our BUY rating with slightly higher GGM-based TP of IDR6,850/share which implies a 2.1x FY24F P/B. Downside risks to our call include slower than expected loan growth and asset quality deterioration.


**Research Analyst**

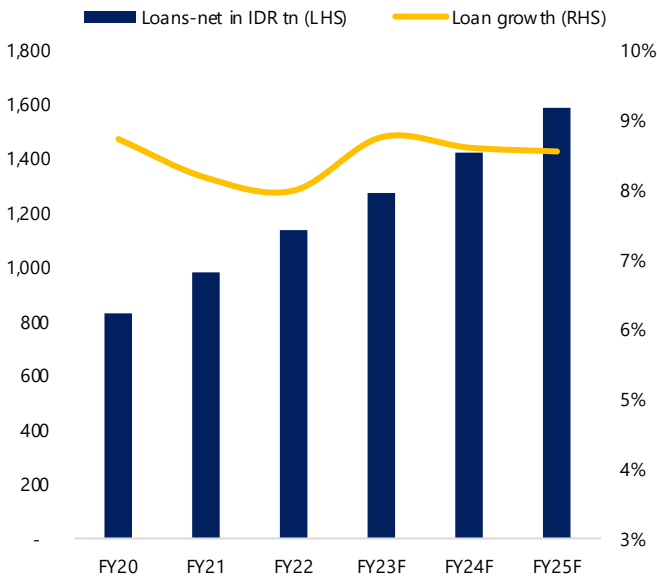
Victoria Venny

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Key Financial Highlight	FY20	FY21	FY22	FY23E	FY24F
Net Interest Income (IDR bn)	56,508	73,062	87,903	99,138	108,028
Net Profit (IDR bn)	17,119	28,028	41,171	49,166	56,407
EPS (IDR)	197	327	482	575	660
BVS (IDR)	2,027	2,193	2,461	2,995	3,260
P/E (x)	29.0	17.5	11.9	10.0	8.7
P/B (x)	2.8	2.6	2.3	1.9	1.8
ROAE (%)	9.3	15.5	20.7	21.1	21.1
ROAA (%)	1.3	1.9	2.4	2.6	2.7

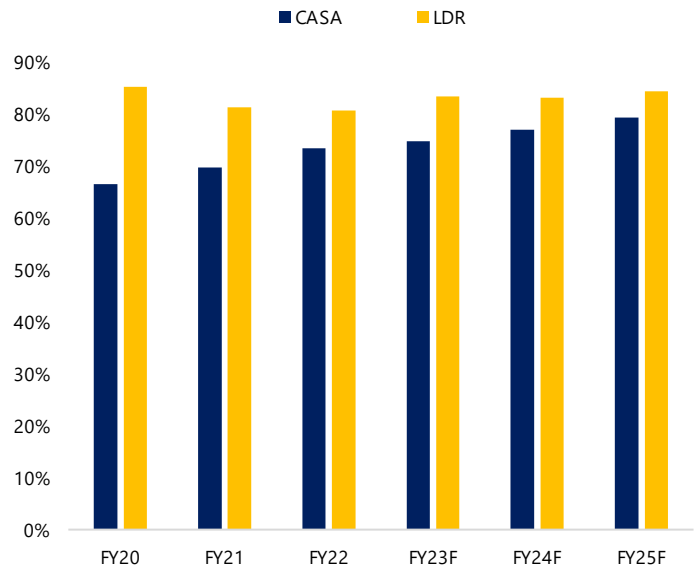
Sources : Bloomberg, MNCS Research

**Exhibit 01. We expect loan to grow ~9% in FY23F**



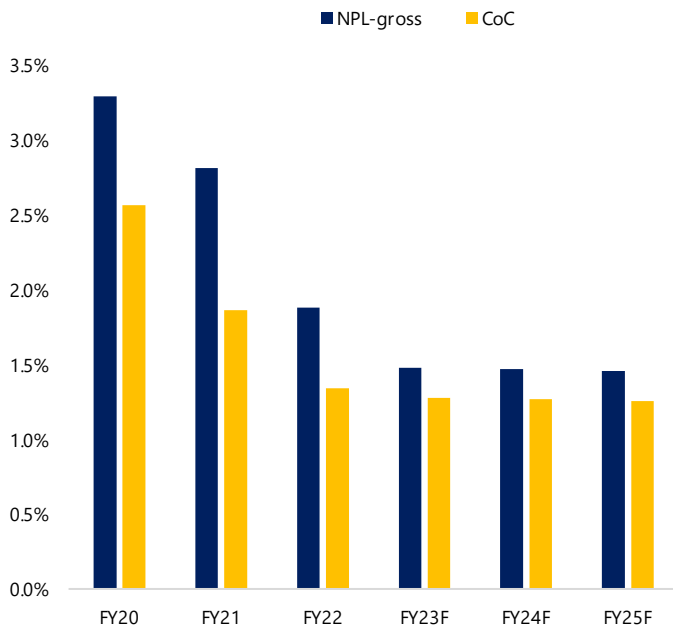
Sources : BMRI Data, MNCS Research

**Exhibit 02. CASA & LDR trend**



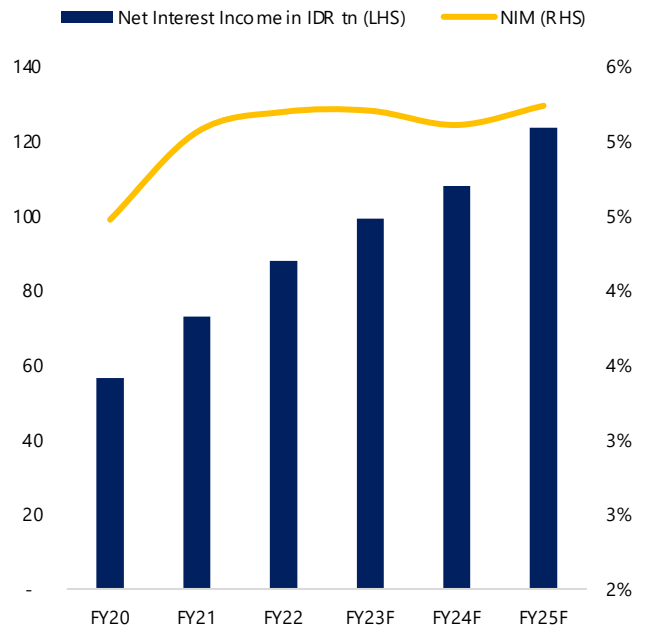
Sources : BMRI Data, MNCS Research

**Exhibit 03. BMRI NPL also experienced better credit quality**



Sources : BMRI Data, MNCS Research

**Exhibit 04. NIM stood at 5.56% in 1H23, aligned with the management target of 5.3%-5.6%**



Sources : BMRI Data, MNCS Research

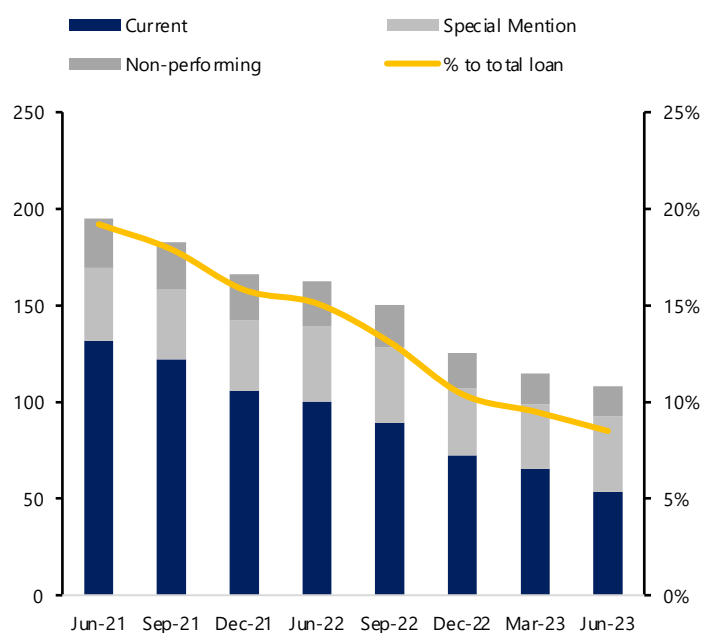
**Exhibit 05. Net profit increased +24.5% YoY/ +0.9% QoQ in 2Q23**

Income Statement (IDR bn)	2Q22	1Q23	2Q23	QoQ (%)	YoY (%)	1H22	2H23	YoY (%)	MNCS Est FY23	Cons Est FY23
Net interest income	21,355	23,009	24,298	5.6%	13.8%	41,832	47,307	13.1%		
Non-interest income	7,457	9,736	8,624	-11.4%	15.6%	16,102	18,360	14.0%		
Operating income	29,599	33,209	33,404	0.6%	12.9%	59,310	66,613	12.3%		
Provision expenses	3,653	3,692	3,949	7.0%	8.1%	7,655	7,641	-0.2%		
Personnel expenses	5,934	5,916	5,835	-1.4%	-1.7%	11,749	11,751	0.02%		
GA expenses	4,325	4,749	4,795	1.0%	10.9%	9,003	9,544	6.0%		
Other expenses	1,656	1,611	1,648	2.3%	-0.5%	3,176	3,259	2.6%		
PPOP	17,684	20,933	21,126	0.9%	19.5%	35,382	42,059	18.9%		
Pretax profit	14,052	17,256	17,183	-0.4%	22.3%	27,757	34,439	24.1%		
<b>Net profit</b>	<b>10,178</b>	<b>12,560</b>	<b>12,672</b>	<b>0.9%</b>	<b>24.5%</b>	<b>20,209</b>	<b>25,232</b>	<b>24.9%</b>	<b>51.3%</b>	<b>53.5%</b>

Gross loans	1,138,312	1,205,469	1,272,076	5.5%	11.8%
Third party funds	1,318,422	1,391,149	1,430,130	2.8%	8.5%

Key ratio (%)	1H22	1Q23	1H23	QoQ	YoY
NIM	5.4	5.4	5.6	0.2	0.2
ROA	2.3	2.6	2.6	0.0	0.3
ROE	19.9	22.5	21.9	-0.6	2.0
LDR	85.7	86.2	88.4	2.2	2.7
NPL-gross	2.4	1.8	1.6	-0.1	-0.8

Sources : BMRI Data, MNCS Research

**Exhibit 06. Total restructured loan in IDR tn**


Sources : BMRI Data, MNCS Research

**Exhibit 07. BMRI's Financial Projection & Key Ratio**

<b>Income Statement (IDR bn)</b>	<b>FY20</b>	<b>FY21</b>	<b>FY22</b>	<b>FY23F</b>	<b>FY24F</b>
Interest Income	87,321	97,749	112,382	141,479	152,124
Interest Expense	(30,813)	(24,687)	(24,479)	(42,341)	(44,096)
<b>Net Interest Income</b>	<b>56,508</b>	<b>73,062</b>	<b>87,903</b>	<b>99,138</b>	<b>108,028</b>
Opex	(40,647)	(49,140)	(53,260)	(57,682)	(59,809)
<b>PPOP</b>	<b>46,072</b>	<b>57,983</b>	<b>72,291</b>	<b>84,378</b>	<b>96,055</b>
Provision	(22,896)	(19,543)	(16,123)	(17,015)	(18,792)
Income Before Tax	122	(82)	210	56	59
Tax	23,298	38,358	56,378	67,363	77,263
<b>Net Profit</b>	<b>17,119</b>	<b>28,028</b>	<b>41,171</b>	<b>49,166</b>	<b>56,407</b>
<b>Balance Sheet (IDR bn)</b>	<b>FY20</b>	<b>FY21</b>	<b>FY22</b>	<b>FY23F</b>	<b>FY24F</b>
Securities - net	269,314	387,159	412,012	437,836	500,900
Placement with BI & other Banks	82,396	47,784	95,321	114,385	137,262
Other Earnings Assets	136,005	154,190	169,534	171,229	172,942
<b>Loans</b>	<b>830,046</b>	<b>980,963</b>	<b>1,136,868</b>	<b>1,273,412</b>	<b>1,422,068</b>
Total Earnings Assets	1,317,761	1,570,096	1,813,735	1,996,863	2,233,172
Non Earnings Assets	111,573	155,515	178,810	182,386	186,034
<b>Total Assets</b>	<b>1,429,334</b>	<b>1,725,611</b>	<b>1,992,545</b>	<b>2,179,249</b>	<b>2,419,206</b>
CA	305,364	413,073	541,801	625,470	759,073
SA	390,695	486,853	552,752	569,651	613,958
TD	351,259	391,251	396,291	404,865	410,153
Customer Deposits	1,047,318	1,291,177	1,490,844	1,599,985	1,783,184
<b>Total Liabilities</b>	<b>1,235,538</b>	<b>1,503,500</b>	<b>1,740,299</b>	<b>1,869,273</b>	<b>2,081,813</b>
Paid in Capital & Reserves	69,586	62,098	62,683	88,342	85,323
Retained Earnings	119,557	142,588	166,995	191,177	218,920
Shareholders Equity	189,143	204,686	229,678	279,519	304,243
Minority Interests	4,653	17,425	22,567	30,457	33,151
<b>Total Equity</b>	<b>193,796</b>	<b>222,111</b>	<b>252,245</b>	<b>309,976</b>	<b>337,393</b>
<b>Total Liabilities &amp; Equity</b>	<b>1,429,334</b>	<b>1,725,611</b>	<b>1,992,544</b>	<b>2,179,249</b>	<b>2,419,206</b>
<b>Key Ratio</b>	<b>FY20</b>	<b>FY21</b>	<b>FY22</b>	<b>FY23F</b>	<b>FY24F</b>
IEA Yields	6.9%	6.8%	6.6%	7.4%	7.2%
CoF	2.8%	1.9%	1.6%	2.5%	2.4%
NIM	4.5%	5.1%	5.2%	5.2%	5.1%
CIR	46.9%	45.9%	42.4%	40.6%	38.4%
ROAA	1.3%	1.9%	2.4%	2.6%	2.7%
ROAE	9.3%	15.5%	20.7%	21.1%	21.1%
LDR	85.2%	81.3%	80.6%	83.3%	83.1%
NPL-gross	3.3%	2.8%	1.9%	1.5%	1.5%
CoC	2.6%	1.9%	1.3%	1.3%	1.3%

Sources : BMRI Data, MNCS Research

### MNC Research Industry Ratings Guidance

- **OVERWEIGHT** : Stock's total return is estimated to be above the average total return of our industry coverage universe over next 6-12 months
- **NEUTRAL** : Stock's total return is estimated to be in line with the average total return of our industry coverage universe over next 6-12 months
- **UNDERWEIGHT** : Stock's total return is estimated to be below the average total return of our industry coverage universe over next 6-12 months

### MNC Research Investment Ratings Guidance

- **BUY** : Share price may exceed 10% over the next 12 months
- **HOLD** : Share price may fall within the range of +/- 10% of the next 12 months
  - **SELL** : Share price may fall by more than 10% over the next 12 months
  - **Not Rated** : Stock is not within regular research coverage

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