

BUY (Maintain)

Target Price (IDR) **6,600**

Potential Upside (%) **15,3**

Price Comparison

Cons. Target Price (IDR) 6,099

SSI vs. Cons. (%) 108.2

Stock Information

Last Price (IDR) 5,725

Shares Issued (Mn) 93,33

Market Cap. (IDR Bn) 534,333

52-Weeks High/Low (IDR) 5,800/3,988

3M Avg. Daily Value (IDR Bn) 515,5

Free Float (%) 39,2

Shareholder Structure:

Negara Republik Indonesia (%) 52.0

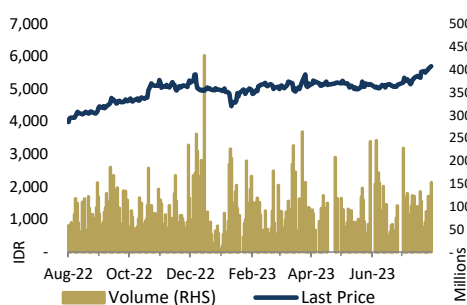
Public (%) 40.0

Indonesia Investment Authority (%) 8.0

Stock Performance

(%)	YTD	1M	3M	12M
Absolute	15.4	10.1	10.6	38.4
JCI Return	1.2	4.0	0.2	(0.3)
Relative	14.2	6.1	10.4	38.7

Stock Price & Volumes, 12M



Company Background

PT Bank Mandiri Tbk is a state-owned BUKU 4 bank and is the bank with the largest asset value (consolidated) in Indonesia. Its credit composition is dominated by corporate loans, followed by commercial loans and micro loans.

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Digital acquisition to boost efficiency

BMRI results came above our expectations and cons. BMRI posted 2Q23 earnings of IDR 12.7tn (+0.9% QoQ, +24.5% YoY), translating to 6M23 earnings of IDR 25.2tn (+24.9% YoY), beating our and street estimates (SSI: 54.1%, cons: 53.5%). Provision expense came in at IDR 3.9tn in 2Q23 (+6.6% QoQ, +10.6% YoY), bringing its 6M23 figure to IDR 7.6tn (+2.1% YoY), implying a credit cost of ~1.19%, lower than the bank's previous guidance (1.3%-1.5%). In addition to lower provision expense, further improvement in CIR ratio (36.8% in 1H23) was a major contributor to BMRI's good results, with a chunk of it coming from lower other allowances costs and promotion expenses. The bank's NII came in at IDR 24.3tn in 2Q23 (+5.6% QoQ, +13.8% YoY), translating into 6M23 NII of IDR 47.3tn (+13.1% YoY). Regarding loans, BMRI distributed IDR 1,267tn worth of loans in 1H23 (+5.6% QoQ, +11.3% YoY), with high-yielding segments, especially commercial segment, as the main driver, in line with the bank's strategy. BMRI also reported positive growth in deposits, which was recorded at IDR 1,430tn in 2Q23 (+2.8% QoQ, +8.5% YoY).

Main focus going forward. Going into 2H23, we believe the bank's CIR to normalize to ~39% in FY23F, though BMRI's management remains confident that the bank will book a CIR of 36% in the long term, supported by digital acquisitions, which are expected to boost efficiency. It is worth highlighting that tightening liquidity will be the main challenge for the banking sector in 2H23; however, BMRI's management remains positive that it could achieve its FY23 NIM target of 5.3%-5.6% despite limited room to re-price its loan yield in 2H23, as the bank will continue to focus on disbursing loan to high yield segments such as commercial and SME segments. Even with tighter liquidity, we believe the pressure on CoF will be manageable as the Livin app has continued to gain more popularity, and it will help the bank to increase its CASA ratio further. It is worth noting that 80% of BMRI's customer CASA accounts are now linked to Livin.

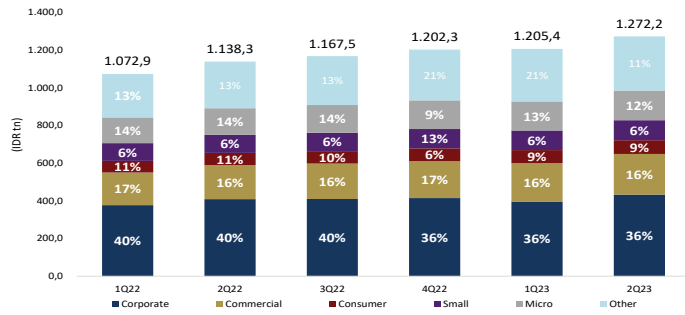
2023F guidance During the analyst meeting, BMRI stated that it maintains its loan growth guidance at 10%-12%, and expects CoC to decline to 1.1%-1.3% in 2023F, compared to the previous guidance of 1.3%-1.5%, as BMRI already has an adequate coverage level and better asset quality management risk compared to other banks, and BMRI hinted that it expects its CoC to reach 1.0%-1.2% next year. Lastly, BMRI remains optimistic that its NIM could be in the range of 5.3%-5.6% this year and remain there next year.

BUY, TP of IDR 6,600/share. We reiterate our BUY rating on BMRI with a 12-month TP of IDR 6,600/share, implying a 2023F PBV of 2.5x. Downside risks: worse-than-expected economic recovery, lower-than-expected NIM and loan growth, and higher cost of credit

Forecast and Valuation (at closing price IDR 5,700 per share)

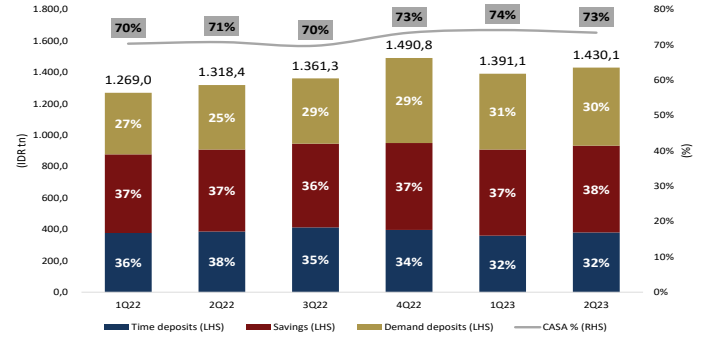
Y/E Dec (IDR Bn)	19A	20A	21A	22A	23F
Net Interest Income (IDR Bn)	59.440	56.508	73.062	87.903	99.682
Pre Provision Profit (IDR Bn)	48.537	45.759	57.706	72.291	82.733
Operating Profit (IDR Bn)	36.452	23.176	38.440	56.168	65.063
Net Profit (IDR Bn)	27.482	17.119	28.028	41.171	46.643
EPS (IDR)	589	367	601	882	999
EPS Growth (%)	9,9	-37,7	63,7	46,9	13,3
P/E Ratio (x)	16,9	27,1	16,6	6,5	10,0
BVPS (IDR)	4.384	4.053	4.386	4.922	5.392
P/BV Ratio (x)	2,3	2,5	2,3	1,2	1,8
DPS (IDR)	353	220	360	529	600
Dividend Yield (%)	3,6	2,2	3,6	5,3	6,0

Figure 1. BMRI's loan breakdown by segment



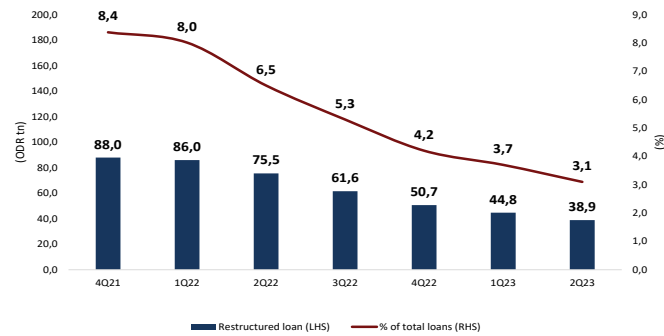
Source: Company, SSI research

Figure 2. BMRI's TPF breakdown



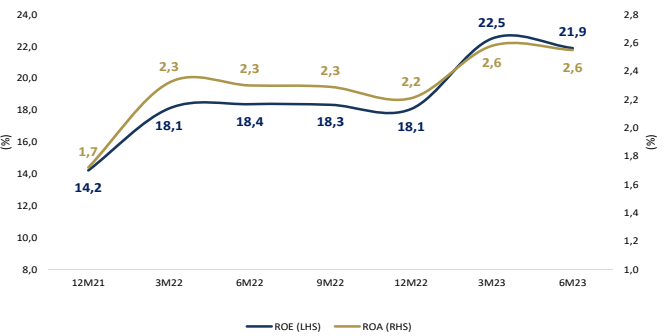
Source: Company, SSI research

Figure 3. BMRI's restructured loan



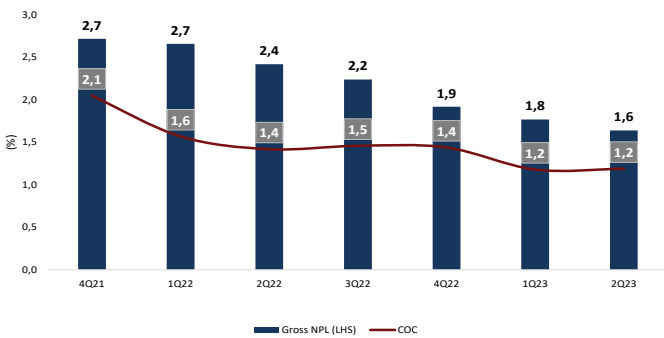
Source: Company, SSI research

Figure 4. BMRI's profitability



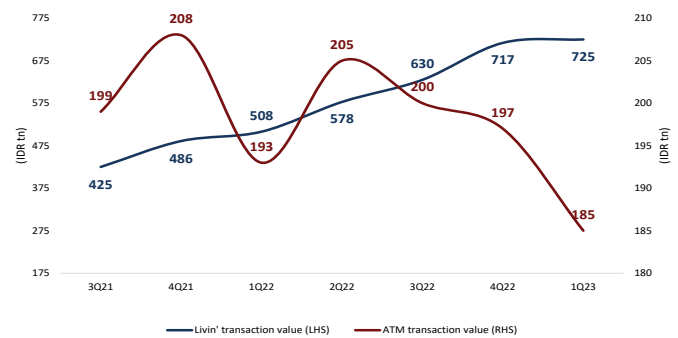
Source: Company, SSI research

Figure 5. BMRI's NPL and CoC



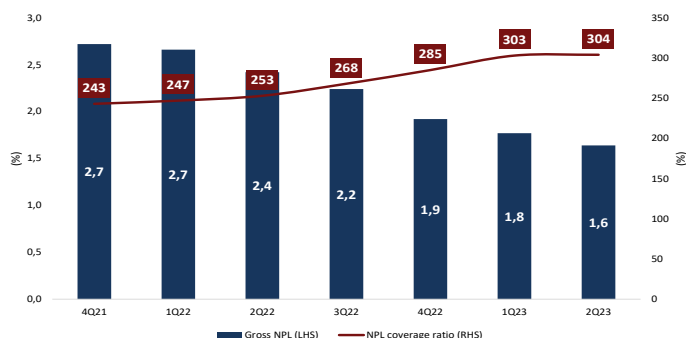
Source: Company, SSI research

Figure 6. BMRI's Livin transaction



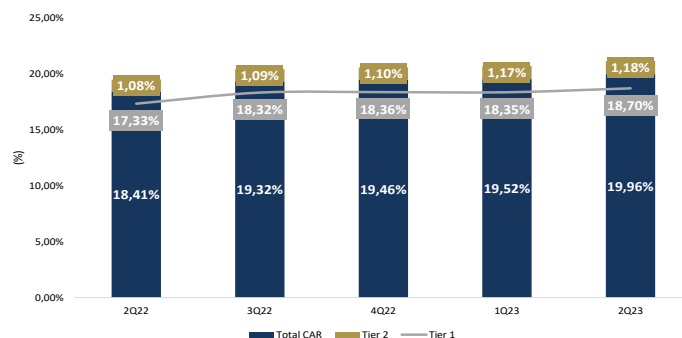
Source: Company, SSI research (Data not provided for 2Q23)

Figure 7. BMRI's gross NPL and NPL coverage ratio



Source: Company, SSI research

Figure 8. BMRI's CAR ratio



Source: Company, SSI research

Figure 9. BMRI 2Q23 results

BMRI 2Q23 Result (IDRbn)	2Q22	1Q23	2Q23	QoQ (%)	YoY (%)	6M22	6M23	y-y (%)	6M23/2023F	6M23/cons
Interest Income	27.033	31.391	32.800	4,5	21,3	52.934	64.191	21,3		
Interest expense	5.678	8.382	8.502	1,4	49,7	11.102	16.884	52,1		
Net interest income	21.355	23.009	24.298	5,6	13,8	41.833	47.307	13,1		
Non-interest income	8.259	10.249	9.143	(10,8)	10,7	17.528	19.392	10,6		
Total operating income	29.614	33.258	33.441	0,5	12,9	59.360	66.699	12,4	47,3	48,2
Operating expense	12.057	12.359	12.365	0,0	2,6	24.230	24.724	2,0		
Impairment of fin. assets	3.526	3.658	3.899	6,6	10,6	7.403	7.557	2,1		
Operating profit	14.031	17.241	17.177	(0,4)	22,4	27.728	34.418	24,1		
Pretax profit	14.052	17.256	17.183	(0,4)	22,3	27.758	34.439	24,1		
Net profit	10.178	12.560	12.672	0,9	24,5	20.209	25.232	24,9	54,1	53,5
BS & ratio analysis	2Q22	1Q23	2Q23	QoQ	YoY	6M22	6M23			
Gross loans (IDRbn)	1.138.312	1.199.804	1.266.556	5,6	11,3	1.138.312	1.266.556			
Third party funding (IDRbn)	1.318.422	1.391.149	1.430.130	2,8	8,5	1.318.422	1.430.130			
Key ratios										
Net interest margin (%)	5,1	5,1	5,3			5,1	5,3			
Cost efficiency (%)	40,7	37,2	37,0			40,8	37,1			
Cost to income (%)	60,2	58,6	59,0			60,6	58,8			
Loan/deposit (%)	86,3	86,2	88,6			86,3	88,6			
Loan/funding (%)	74,6	74,5	75,6			74,6	75,6			
Capital adequacy (%)	18,4	19,5	20,0			18,4	20,0			
Gross NPL (%)	2,5	1,7	1,5			2,5	1,5			
LLP/NPL (%)	253,3	323,7	338,0			253,3	338,0			
ROAE (%)	20,0	24,3	23,4			19,8	23,3			

Source: Company, Bloomberg, SSI Research

Table 1. Valuation highlights

Ticker	Recommendation	CP IDR	TP IDR	Upside (%)	P/B 23F	Net Profit		EPS Growth		ROE (%)		ROA (%)	
						23F	24F	23F	24F	23F	24F	23F	24F
BBCA	BUY	9.125	10.300	12,9	4,5	45,7	50,0	12,3	9,3	19,4	18,8	3,3	3,3
BBRI	BUY	5.700	6.200	8,8	2,6	56,5	62,9	10,5	11,3	18,2	18,7	3,0	3,2
BMRI	BUY	5.725	6.600	15,3	1,0	46,6	51,6	13,3	10,6	19,4	19,6	2,2	2,2
BBNI	BUY	8.875	12.700	43,1	1,1	21,9	24,1	19,4	10,1	15,0	14,5	2,1	2,1
BBTN	BUY	1.310	1.500	14,5	0,5	3,4	3,8	10,8	11,4	12,4	12,4	0,8	0,9
Sector						174,2	192,3	12,4	10,2	18,7	18,6	2,9	3,0

Source: Companies, SSI Research

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