

FLASH NOTE
Bank Mandiri: Forecast adjustments

(BMRI IJ. Rp13,225. HOLD. TP Rp11,800)

- We adjust our FY17-18F forecasts after incorporating the 1H16 result. We make adjustments to our assumptions on Net-interest income, Operating Expenses and deposit growth.
- We raise our FY17F Non-interest Income by 8.5% estimate as BMRI has been able to book higher than ours in Cash Recovery and slightly higher loan related fees.
- We lower by 2.5% FY17F Operating Expenses mainly on G&A expenses.
- We made minor adjustment on corporate loan segment lending rate for FY18-19F
- We lower deposit growth assumption to maintain around 85% LDR in FY18-19F.
- We maintain our HOLD recommendation on the stock and maintain our TP at Rp11,800, implying 1.6x PB 1H17F (ROE=17%, G=9.5% and Ke=14.1%) as we rolled over our valuation base to mid-2018. The stock is currently trading at 1.7x 1H17 PB, higher than its fair value.

Forecast changes

	OLD			NEW			Forecast Changes (%)		
	2017F	2018F	2019F	2017F	2018F	2019F	2017F	2018F	2019F
Interest Income	84,148.90	92,119.70	100,107.00	84,148.91	91,818.45	99,366.44	0.0	(0.3)	(0.7)
Interest Expense	-32,957.80	-37,038.70	-42,928.50	-32,957.82	-36,529.86	-40,799.67	0.0	(1.4)	(5.0)
Net Interest Income	51,191.10	55,081.00	57,178.60	51,191.09	55,288.59	58,566.77	(0.0)	0.4	2.4
Non-Interest Income	22,986.40	24,802.60	26,993.90	24,939.42	25,833.84	27,525.07	8.5	4.2	2.0
Operating Expense	-35,179.80	-38,670.40	-42,474.40	-34,202.11	-37,627.52	-41,360.82	(2.8)	(2.7)	(2.6)
Pre Provision Operating Profit	38,997.70	41,213.20	41,698.10	41,928.40	43,494.92	44,731.02	7.5	5.5	7.3
Provision and Allowances	-15,803.20	-9,127.00	-7,203.70	-15,803.17	-9,127.02	-7,203.71	(0.0)	0.0	0.0
EBIT	23,152.80	32,042.30	34,448.40	26,083.49	34,324.06	37,481.28	12.7	7.1	8.8
Tax	-4,890.10	-6,767.70	-7,275.80	-5,509.09	-7,249.58	-7,916.42	12.7	7.1	8.8
Post Tax Profit	18,262.70	25,274.70	27,172.50	20,574.39	27,074.47	29,564.86	12.7	7.1	8.8
Minorities	-1,051.60	-1,455.40	-1,564.70	-1,184.73	-1,559.02	-1,702.42	12.7	7.1	8.8
Reported Net Profit	17,211.10	23,819.30	25,607.90	19,389.66	25,515.45	27,862.44	12.7	7.1	8.8
Financial ratios (%)									
Loan growth (Gross)	12.49	11.48	10.6	12.49	11.48	10.60			
NIM	5.62	5.55	5.3	5.62	5.57	5.43			
CASA	61.74	59.61	58.56	61.74	60.51	60.71			
LDR	86.82	83.75	80.88	86.82	85.02	85.05			

Sources: Danareksa Sekuritas

Agus Pramono, CFA

agus.pramono@danareksa.com

(62-21) 29555 888 ext.3500