

February 20th, 2023
Banking, Equity

Price IDR. 10,275
Target Price IDR. 12,740
JKSE Index IDR. 6,894.72

Investment Consideration

46.89% Profit Growth

In FY22, BMRI recorded a net profit of IDR 41.17 trillion, up significantly by 46.89% YoY from IDR 28.03 trillion the previous year. The growth was supported by higher net interest and sharia income, which grew by +20.31% YoY. The growth was mostly contributed by income from loans and government bonds, which accounted for 76.29% of the total. They grew by 11.70% and 39.10% YoY, respectively. We estimate that BMRI will grow its net profit by +34.07% from IDR 41.17 trillion in FY22 to IDR 55.20 trillion in FY23.

Solid Loan growth

As of December 2022, BMRI recorded solid consolidated loan growth of +14.48% YoY. The highest growth was from Micro Loans, which grew by 15.31% YoY, with KUR experiencing the highest growth rate among micro loans, growing by 16.5% YoY. Other segments, such as Commercial, SME, Corporate, and Consumer, also experienced growth, with rates of 12.95%, 11.96%, 11.86%, and 11.62%, respectively. Corporate credit remained the major contributor to BMRI's loan portfolio, accounting for 34.4% of total loans. We predict that consolidated total gross loans will grow by +11.95% in FY23, with bank-only loans growing at a slightly faster rate of +12.63% YoY. Non-bank loans are also expected to grow, though at a lower rate of +9.61% YoY.

Asset Quality Improved

As of December 2022, BMRI improved its consolidated gross NPL ratio, which declined by -80 bps YoY to 1.92%, and for bank only, the ratio decreased by -93 bps YoY to 1.88%. Of the five segments served by BMRI, only one, SME lending, saw an increase in its NPL ratio from 0.62% in FY21 to 0.90% in FY22, although it was still one of the smallest NPLs among the other segments. The NPL ratios for Corporate, Micro, Consumer, and Commercial loans were 0.90%, 1.04%, 1.89%, and 4.92%, respectively. We forecast that BMRI's consolidated gross NPL ratio will decline again to 1.66% in FY23 from 1.92% in FY22, and for bank-only loans, it will decrease again to 1.55% in FY23 from 1.88% in FY21.

Valuation: 24% Upside, Buy.

Based on our DDM Valuation, we have a target price within one year of IDR 12,740 or trading at 2.3x PBV which gives 24% potential upside, Buy

Income Statement (IDR bn)	2020A	2021A	2022A	2023F
Interest Income	95,616	97,749	112,382	131,170
Interest Expense	(33,095)	(24,687)	(24,479)	(25,038)
Net Interest Income	62,521	73,062	87,903	106,132
Other Operating Income	31,120	34,061	37,648	41,657
Other Operating Expense	(44,530)	(49,140)	(53,260)	(59,077)
PPOP	49,110	57,984	72,291	88,712
Provision Expense	(24,855)	(19,543)	(16,123)	(14,280)
Operating Profit	24,255	38,440	56,168	74,431
Non-Operating Income – Net	137	(82)	210	82
Profit Before Tax	24,392	38,358	56,378	74,513
Tax Expense	5,993	7,807	11,425	16,765
Profit After Tax	18,399	30,551	44,952	57,748
Income for The Year Attributable to - Non-Controlling Interest	1,599	2,523	3,782	2,549
Net Income	16,800	28,028	41,171	55,199
EPS (Rp/Share)	360.2	601.1	882.5	1,183.7



Stock Information

Bloomberg code **BMRI IJ**
Market cap (IDR Tn) **481,833**
52-Week High (IDR) **11,000**
52-Week Low (IDR) **7,175**
6-m Avg Daily. Val (IDR) **8,193**
Free Float Ratio (%) **39.95**

Major Shareholders (%)
Government **52.00**
INA **8.00**
Directors **0.05**
Public **39.95**

USD/IDR-YE (IDR)
2022A **14,871.0**
2023F (6M Avg) **15,311.6**

Key Indicators (%)
NPL (Bank-Only) **1.55**
Net Interest Margin **5.48**

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Company Profile

PT Bank Mandiri (Persero) Tbk. (hereinafter referred to as “Bank Mandiri” or the “Bank”) was established on October 2, 1998 in the Republic of Indonesia based on notarial deed No. 10 of Sutjipto, S.H., under Government Regulation No. 75 of 1998 dated October 1, 1998. The deed of establishment was approved by the Ministry of Justice of the Republic of Indonesia in its Decision Letter No. C2-16561.HT.01.01.TH.98 dated October 2, 1998 and was published in Supplement No. 6859 of State Gazette No. 97 dated December 4, 1998. Bank Mandiri was established through the merger of PT Bank Bumi Daya (Persero) (“BBD”), PT Bank Dagang Negara (Persero) (“BDN”), PT Bank Ekspor Impor Indonesia (Persero) (“Bank Exim”) and PT Bank Pembangunan Indonesia (Persero) (“Bapindo”) (hereinafter collectively referred to as the “Merged Banks”). Bank Mandiri is engaged in banking activities under prevailing laws and regulations. The Bank commenced its operations on August 1, 1999.

Company Structure

STRUKTUR ORGANISASI
PT BANK MANDIRI (PERSERO) Tbk.

Lampiran Keputusan Direksi No. KEP.DIR/048/2021 tentang Struktur Organisasi
Tanggal 3 September 2021

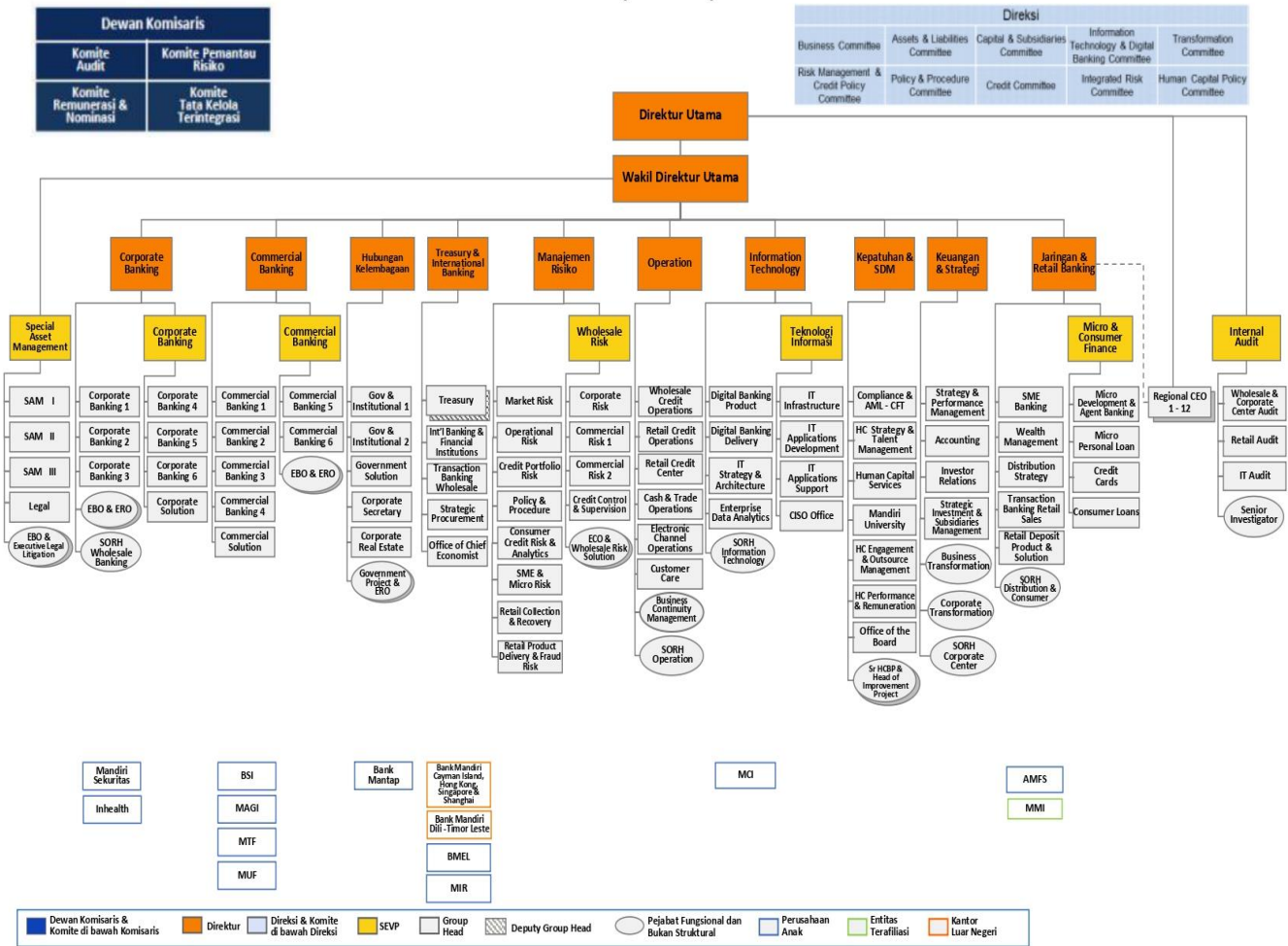


Chart: Gross Loan (IDR Bn) YoY

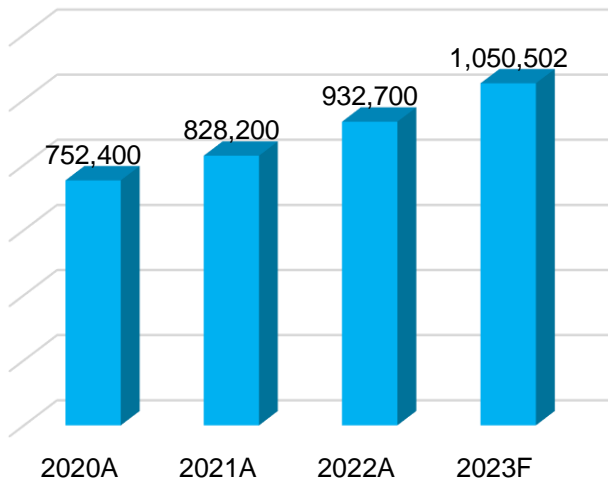


Chart: NPL Ratio (Bank-Only) (%) YoY

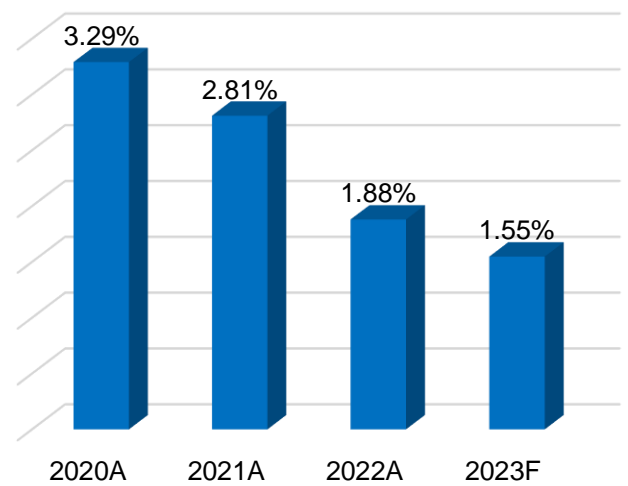


Chart: Profitability (IDR Bn and %) YoY

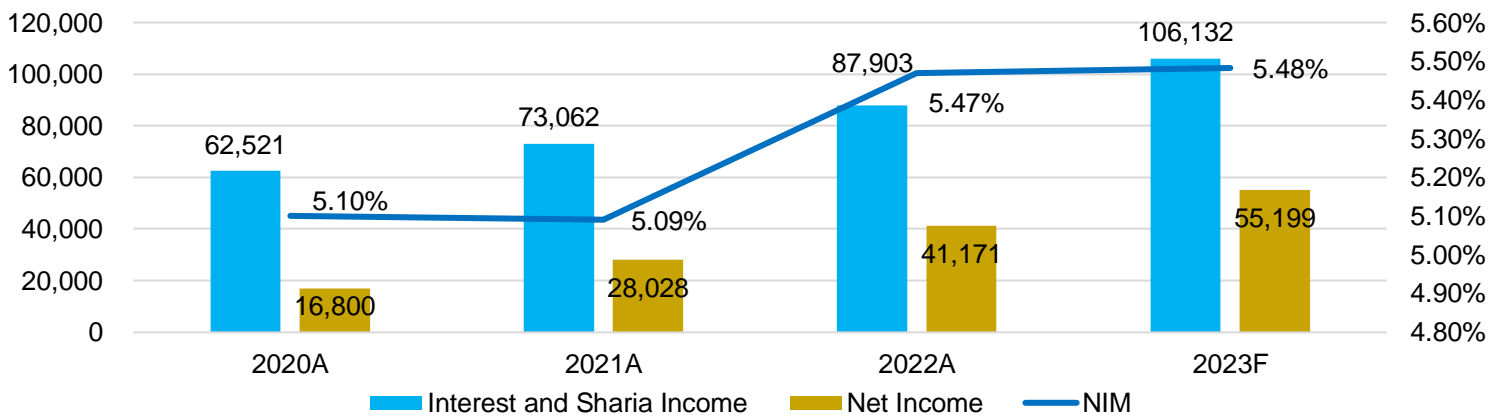


Chart: CASA Ratio (%) YoY

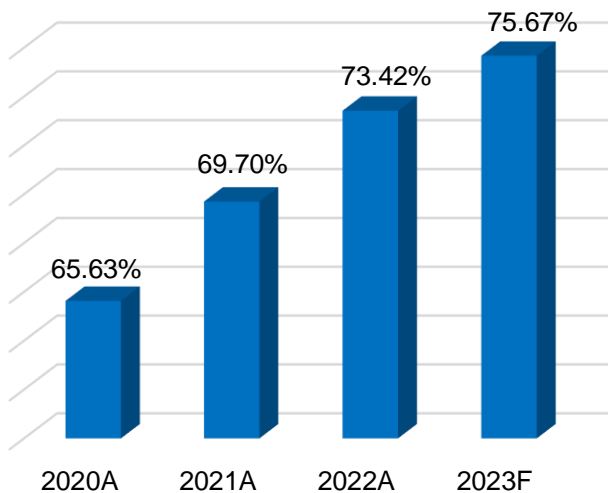


Chart: CAR (%) YoY

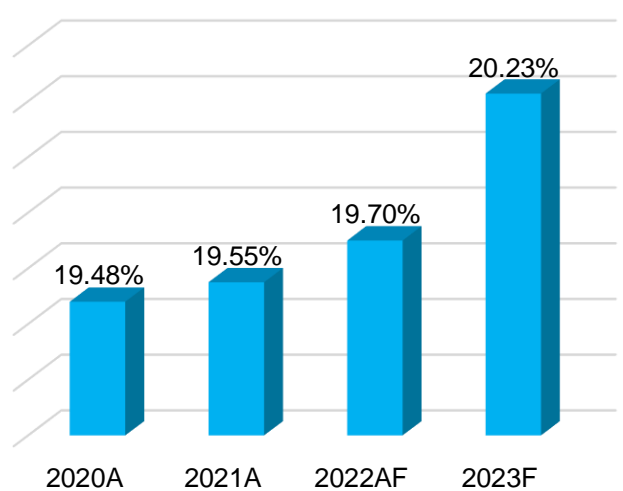


Chart: Gross Loan (IDR Bn) QoQ

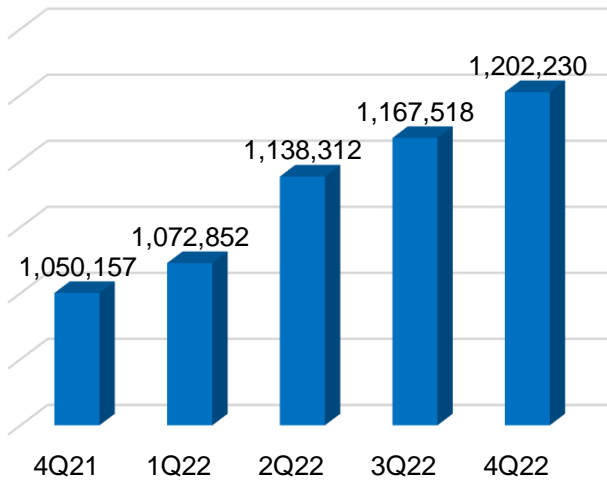


Chart: Customer Deposit (IDR Bn) QoQ

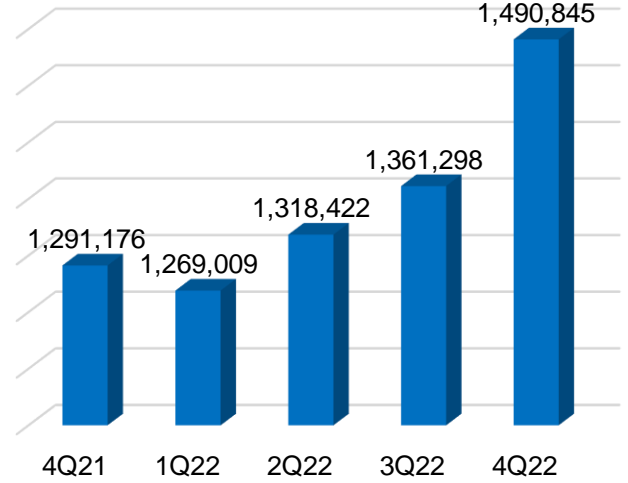


Chart: Non Performing Loan (%) QoQ

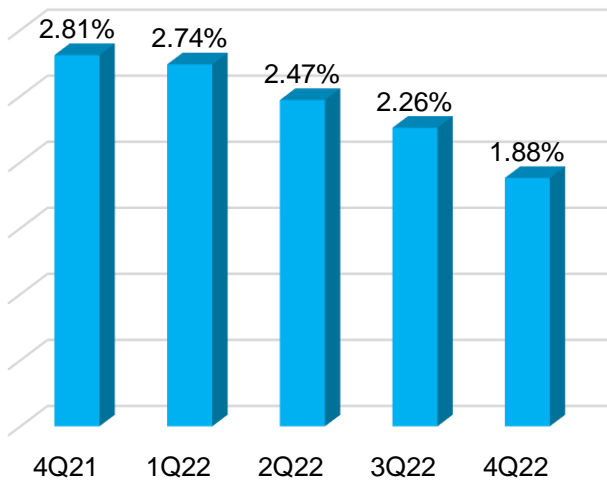
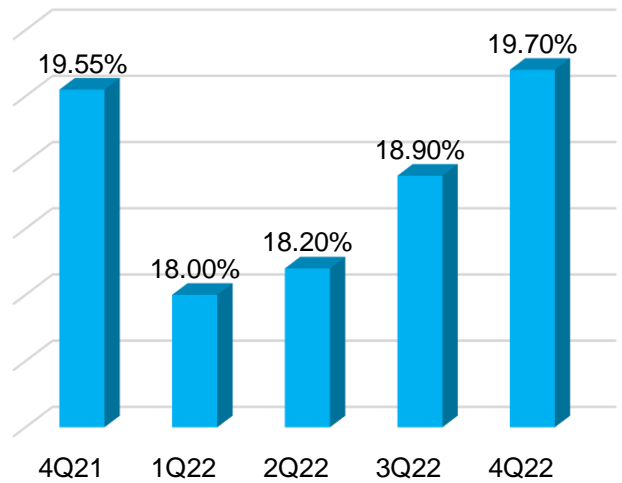


Chart: CAR (%) QoQ



Balance Sheet (IDR Bn)

Balance sheet (IDR bn)	2020A	2021A	2022A	2023F
Cash and CA with BI	78,464	122,972	134,562	135,371
Interbank Placement	82,396	47,784	95,321	77,973
Marketable Securities	90,570	98,104	82,800	137,004
Gross Loan	964,728	1,050,157	1,202,230	1,345,937
Allowance for Loans	(65,504)	(69,194)	(65,362)	(72,943)
Loans-net	899,224	980,963	1,136,868	1,272,994
Other Earning Asset	476,472	529,673	615,677	638,809
Non Earning Asset	87,805	92,003	105,438	116,693
Total Asset	1,541,965	1,725,611	1,992,545	2,163,867
Deposit:				
Current Account	319,745	413,073	541,801	611,514
Saving Account	431,507	486,853	552,752	643,020
Time Deposits	393,387	391,251	396,291	403,366
Other Interest Bearing Liabilities	84,389	99,941	123,071	105,438
Non Interest Bearing Liabilities	108,236	112,383	126,383	123,138
Total Liabilities	1,337,265	1,503,500	1,740,299	1,886,477
Total Shareholder's Equity	204,700	222,111	252,245	277,391

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Ratio Highlights

Ratio Analysis (Consolidated)	2020A	2021A	2022A	2023F
Profitability & Efficiency				
NIM	5.10%	5.09%	5.47%	5.48%
Cost-to-Income Ratio	47.55%	45.87%	42.42%	39.97%
ROE	9.20%	13.48%	18.08%	21.23%
ROA	1.17%	1.72%	2.21%	2.55%
ROAE	11.61%	11.34%	15.78%	19.66%
BOPO	80.86%	70.84%	62.56%	56.93%
Cost of Credit	2.47%	2.05%	1.44%	1.06%
Liquidity				
LDR	83.40%	80.80%	80.20%	81.18%
CASA	65.63%	69.70%	73.42%	75.67%
Asset Quality				
Gross NPL (Bank-Only)	3.29%	2.81%	1.88%	1.55%
Gross NPL (Consolidated)	3.10%	2.72%	1.92%	1.66%
Capital				
CAR	19.48%	19.55%	19.70%	20.23%
Growth				
Loan Growth	7.10%	10.07%	12.62%	12.63%
Deposit Growth	13.22%	12.80%	15.46%	11.21%
Net Income Growth	-38.87%	66.84%	46.89%	34.07%

QoQ Result

PT Bank Mandiri (Persero) Tbk

Key Ratios

Balance Sheet	4Q21	1Q22	2Q22	3Q22	4Q22	%QoQ	%YoY
Loan	1,050,157	1,072,852	1,138,312	1,167,518	1,202,230	3.0%	14.5%
Loan Loss Reserves	(69,194)	(70,127)	(69,432)	(69,569)	(65,362)	-6.0%	-5.5%
NPL	23,110	22,909	21,780	20,377	17,444	-14.4%	-24.5%
Deposit							
Demand	413,073	392,161	410,696	416,012	541,801	30.2%	31.2%
Savings	486,853	500,096	522,130	533,153	552,752	3.7%	13.5%
Time Deposit	391,251	376,751	385,597	412,132	396,291	-3.8%	1.3%
Total Asset	1,725,611	1,734,075	1,785,707	1,839,336	1,992,545	8.3%	15.5%
Shareholder Equity	204,687	195,115	202,554	212,096	229,679	8.3%	12.2%

Balance Sheet	4Q21	1Q22	2Q22	3Q22	4Q22	%QoQ	%YoY
Interest Income	25,480	25,901	27,033	28,325	31,123	9.9%	22.1%
Interest Expense	5,734	5,423	5,678	6,172	7,205	16.7%	25.6%
Net Interest Income	19,746	20,478	21,355	22,152	23,919	8.0%	21.1%
Net Operating Income	8,941	9,234	8,244	9,201	10,969	19.2%	22.7%
Operating Expense	14,536	12,013	11,915	12,722	16,609	30.6%	14.3%
PPOP	14,151	17,699	17,684	18,631	18,278	-1.9%	29.2%
Provision Expense	3,104	4,002	3,653	4,188	4,281	2.2%	37.9%
Operating Profit	11,047	13,696	14,031	14,443	13,997	-3.1%	26.7%
Profit Before Tax	10,948	13,706	14,052	14,435	14,185	-1.7%	29.6%
Tax Expense	1,450	2,812	2,902	3,015	2,697	-10.5%	86.0%
Earning After Tax	9,498	10,894	11,150	11,421	11,487	0.6%	21.0%
Income for The Year Attributable to - Non- controlling interest	698	863	972	977	970	-0.8%	38.8%
Net Income	8,799	10,032	10,178	10,444	10,518	0.7%	19.5%
EPS (Rp/Share)	188.69	215.12	218.16	223.86	225.46	0.7%	19.5%

Ratio	4Q21	1Q22	2Q22	3Q22	4Q22	%QoQ	%YoY
Profitability & Efficiency							
NIM	5.09%	5.31%	5.37%	5.42%	5.47%	0.05	0.38
Cost-to-Income Ratio	47.30%	40.40%	40.80%	40.70%	42.40%	1.70	(4.90)
ROE (bank only)	16.24%	22.15%	23.03%	23.28%	22.62%	(0.66)	6.38
ROA (bank only)	2.53%	3.34%	3.38%	3.40%	3.30%	(0.10)	0.77
Cost of Credit	1.42%	1.57%	1.42%	1.46%	1.44%	(0.02)	0.02
Liquidity							
LDR	80.80%	84.00%	85.70%	85.20%	80.20%	(5.00)	(0.60)
CASA	69.70%	70.30%	70.80%	69.70%	73.40%	3.70	3.70
Asset Quality							
Gross NPL (Bank only)	2.81%	2.74%	2.47%	2.26%	1.88%	(0.38)	(0.93)
NPL Coverage	243.00%	247.00%	253.00%	268.00%	285.00%	17.00	42.00
Capital							
CAR	19.55%	18.00%	18.20%	18.90%	19.70%	0.80	0.15

Stock Ratings:

Buy: a recommendation to purchase the security with upside potential of 20% or greater

Hold: a recommendation to neither buy nor sell a security with upside potential of 0-19%.

Sell: a recommendation to close out a long position in a security with upside potential below 0% or negative.

**RESEARCH TEAM
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