

May 16th, 2023
 Banking, Equity

Price **IDR. 4,990**
 Target Price **IDR. 6,510**
 JKSE Index **IDR. 6,676.56**



Stock Information

Bloomberg code **BMRI IJ**
 Market cap (IDR Tn) **230.540**
 52-Week High (IDR) **5,500**
 52-Week Low (IDR) **3,587.5**
 6-m Avg Daily. Val (IDR) **5,053**
 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**
 2023F **14.866**

Key Indicators (%)
 NPL Ratio **1.65**
 Net Interest Margin **5.30**

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Investment Consideration

25% Profit Growth

In the first quarter of 2023, Bank Mandiri (BMRI) recorded a significant increase in net profit, with a figure of IDR 12.56 trillion. This represents a growth of 25.21% year-on-year, compared to IDR 10.03 trillion in the previous year. Furthermore, the net interest income of the bank grew by 12.36%, although this was slower growth than last year. Despite the slight decrease in net interest income growth, the NIM ratio was still maintained, and even grew by 9 basis points year-on-year. We forecast BMRI will continue to grow its net profit, reaching IDR 57.17 trillion in 2023, which represents a year-on-year increase of 38.84%. The NIM ratio is expected to remain within the bank's guidance at 5.30%.

Solid Loan and Deposit Growth

As of March 2023, Bank Mandiri reported robust loan growth of 12.36% YoY, amounting to IDR 1,205 trillion. Overall, Commercial loans had the fastest growth, increasing by 17.75% YoY and within that, Energy and Water loans was the largest contributor to growth with a significant uptick of 178%. Additionally, other loans, including Micro, SME and Consumer, registered growth rates of 12.72%, 11.61%, and 5.15%, respectively. Customer Deposits had a quarterly decline of -6.69%, but still grew on an annual basis, by 9.62%, with Current Accounts growing by 23.19%, Saving Accounts by 9.71%, and Time Deposit decreasing by -4.61%. This improvement in current and saving accounts led to an increase in the CASA ratio, which surged by 3.90%, reaching 74.20%. We anticipate BMRI will continue expanding its consolidated loan portfolio by 13.97% YoY, leading to a higher LDR ratio at 80.37%. Additionally, we predict that the CASA ratio will surge to the level of 77.80% by December 31st, 2023.

Asset Quality Improved

As of March 2023, BMRI improved its consolidated gross NPL ratio, which declined by -89 bps YoY to 1.77%, and for bank only, the ratio decreased by -15 bps YoY to 1.70%. Corporate banking now has the healthiest NPL ratio at 0.85% with a decrease of 37 bps YoY. SME, Consumer, Micro, Commercial NPLs are 0.93%, 1.15%, 1.92%, and 3.86%. The overall NPL coverage ratio also increasing 55.9% to 303%. We predict BMRI will continue improving its asset quality and reduce the consolidated NPL ratio in 2023 to 1.65% and 1.55% for the bank only.

Valuation: 30% Upside, Buy.

Based on our Multi-Stage DDM Valuation, we have determined a target price of IDR 6,510 within one year, which implies a trading multiple of 3.3x PBV and offers a potential upside of 30%. Therefore, we recommend a "Buy".

| Financial Highlight | 2020A | 2021A | 2022A | 2023F |
|------------------------------|--------|--------|--------|---------|
| Net Interest Income (IDR bn) | 62,521 | 73,062 | 87,903 | 106,677 |
| Net Income (IDR Bn) | 16,800 | 28,028 | 41,171 | 57,161 |
| EPS (IDR) | 180.09 | 300.53 | 441.26 | 612.64 |
| P/E (x) | 17.56 | 11.69 | 11.25 | 10.63 |
| NIM (%) | 5.10% | 5.09% | 5.47% | 5.30% |
| ROA (%) | 1.17% | 1.72% | 2.21% | 2.67% |
| ROE (%) | 8.53% | 14.20% | 19.00% | 23.24% |
| Price (IDR) | 3,163 | 3,513 | 4,963 | 6,510 |

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

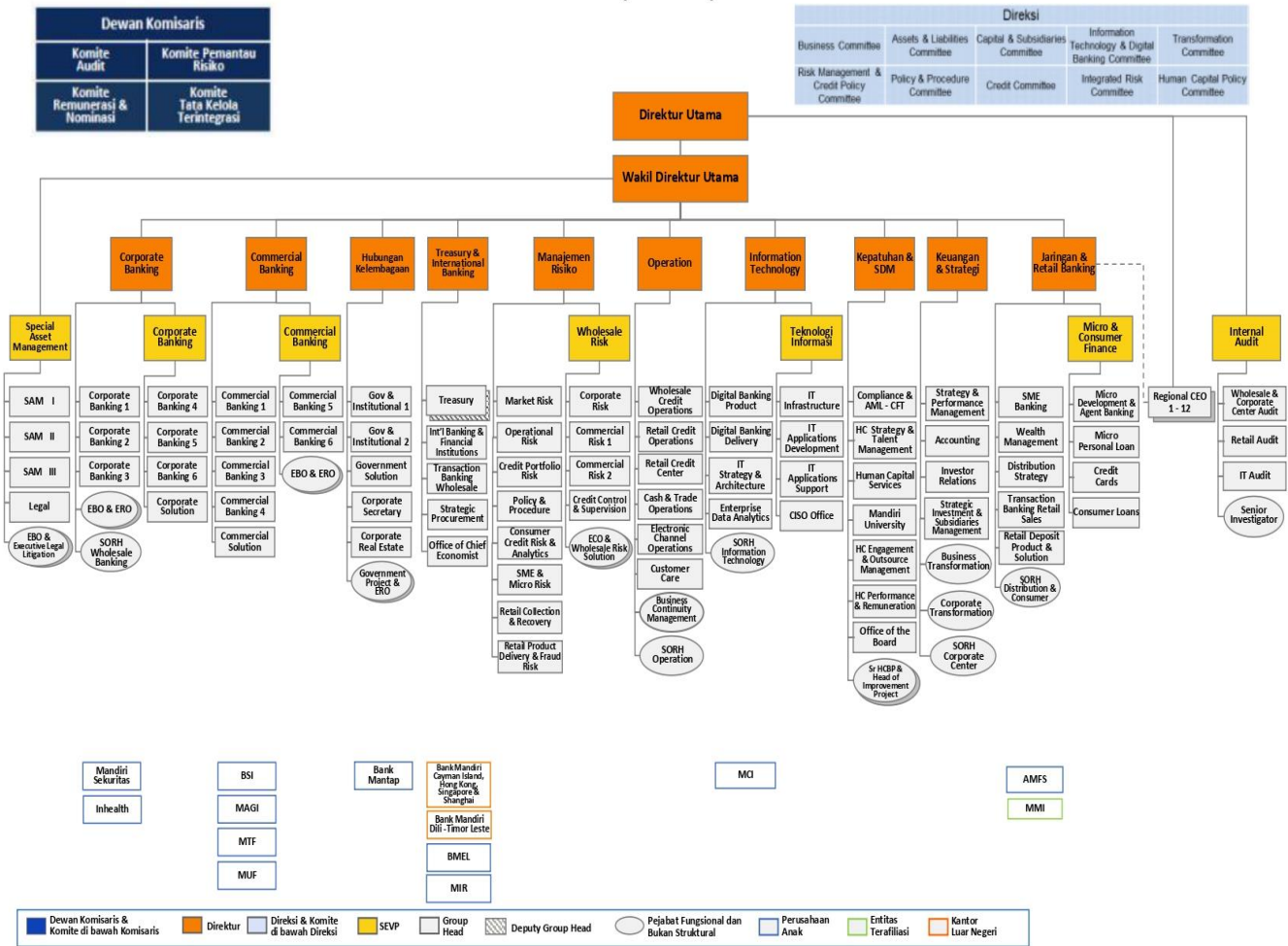


Chart: Gross Loan (IDR Bn) YoY

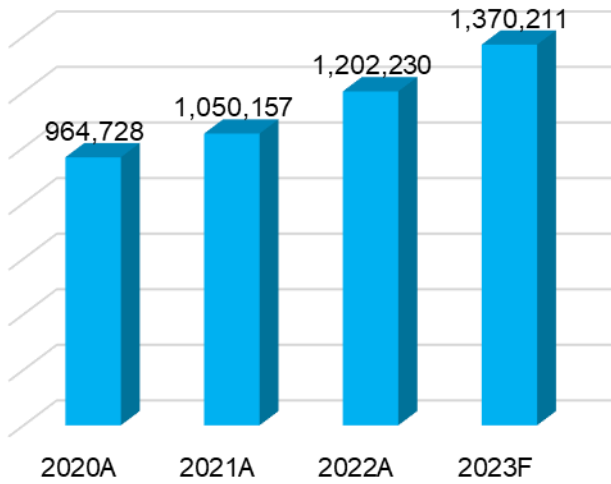


Chart: NPL Ratio (%) YoY

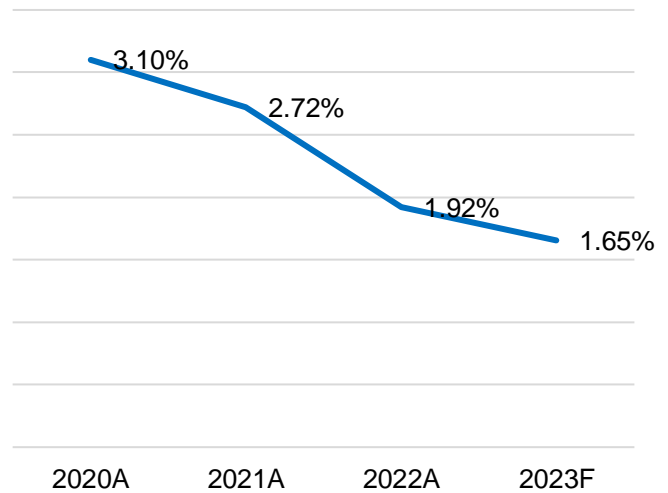


Chart: Profitability (IDR Bn and %) YoY

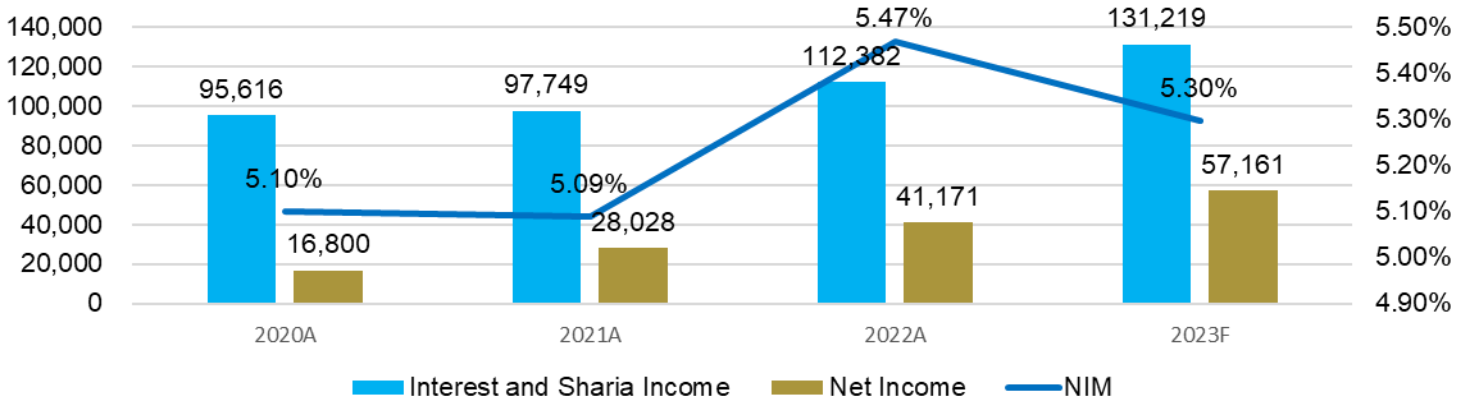


Chart: CASA Ratio (%) YoY

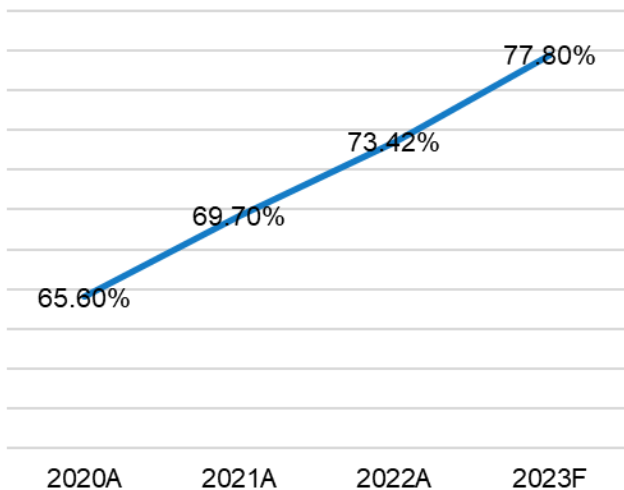


Chart: CAR (%) YoY

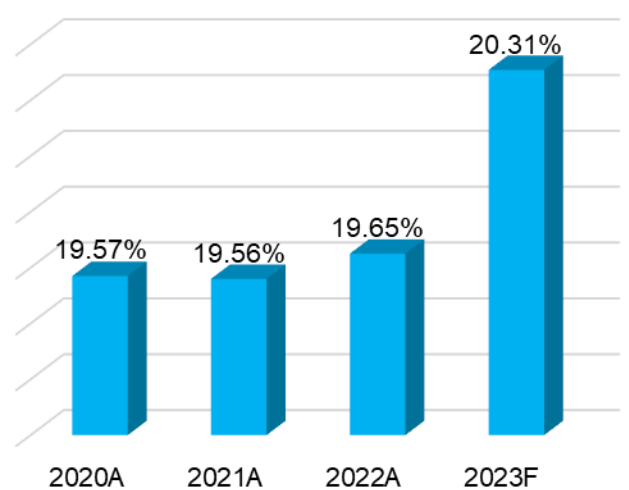


Chart: Gross Loan (IDR Bn) QoQ

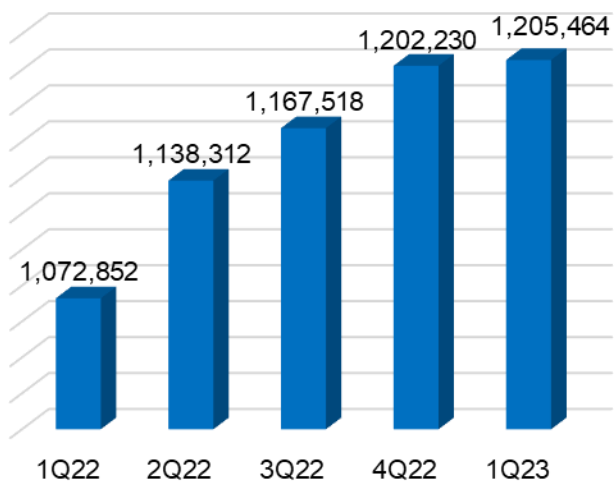


Chart: Customer Deposit (IDR Bn) QoQ

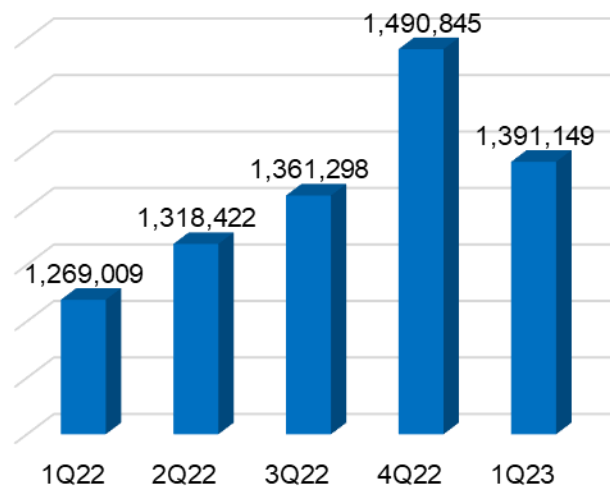


Chart: Non Performing Loan (%) QoQ

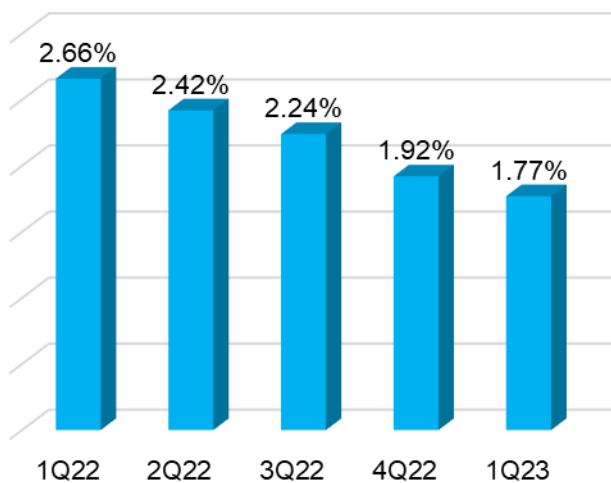
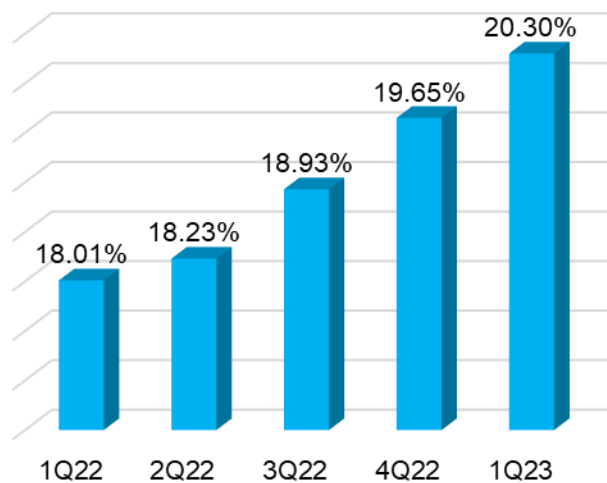


Chart: CAR (%) QoQ



Balance Sheet (IDR Bn)

| Balance sheet (IDR bn) | 2020A | 2021A | 2022A | 2023F |
|------------------------------------|------------------|------------------|------------------|------------------|
| Cash and CA with BI | 78,464 | 122,972 | 134,562 | 89,618 |
| Interbank Placement | 82,443 | 47,785 | 95,324 | 114,053 |
| Marketable Securities | 90,715 | 99,115 | 82,841 | 111,569 |
| Gross Loan | 964,728 | 1,050,157 | 1,202,230 | 1,370,211 |
| Allowance for Loans | (65,504) | (69,194) | (65,362) | (69,950) |
| Loans-net | 899,224 | 980,963 | 1,136,868 | 1,300,261 |
| Other Earning Asset | 476,472 | 529,673 | 615,677 | 769,724 |
| Non Earning Asset | 87,805 | 92,003 | 105,438 | 124,353 |
| Total Asset | 1,541,965 | 1,725,611 | 1,992,545 | 2,283,956 |
| Deposit: | | | | |
| Current Account | 319,745 | 413,073 | 541,801 | 701,342 |
| Saving Account | 431,507 | 486,853 | 552,752 | 625,146 |
| Time Deposits | 393,387 | 391,251 | 396,291 | 378,445 |
| Other Interest Bearing Liabilities | 84,389 | 99,941 | 123,071 | 159,317 |
| Non Interest Bearing Liabilities | 108,236 | 112,383 | 126,383 | 140,050 |
| Total Liabilities | 1,337,265 | 1,503,500 | 1,740,299 | 2,004,300 |
| Total Shareholder's Equity | 204,700 | 222,111 | 252,245 | 279,656 |

Income Statement (IDR Bn)

| Income Statement (IDR Bn) | 2020A | 2021A | 2022 A | 2023F |
|--|---------------|----------------|----------------|----------------|
| Interest Income | 95,616 | 97,749 | 112,382 | 131,219 |
| Interest Expense | (33,095) | (24,687) | (24,479) | (24,543) |
| Net Interest Income | 62,521 | 73,062 | 87,903 | 106,677 |
| Non-Interest Income | 31,120 | 34,061 | 37,648 | 41,694 |
| Gross Operating Income | 93,640 | 107,124 | 125,551 | 148,370 |
| Operating Expense | (44,530) | (49,140) | (53,260) | (59,898) |
| PPOP | 49,110 | 57,984 | 72,291 | 88,472 |
| Provision Expense | (24,855) | (19,543) | (16,123) | (12,811) |
| Operating Profit | 24,255 | 38,440 | 56,168 | 75,661 |
| Non-Operating Income – Net | 137 | (82) | 210 | 82 |
| Profit Before Tax | 24,392 | 38,358 | 56,378 | 75,743 |
| Tax Expense | (5,993) | (7,807) | (11,425) | (15,149) |
| Profit After Tax | 18,399 | 30,551 | 44,952 | 60,595 |
| Income for The Year Attributable to - Non-Controlling Interest | 1,599 | 2,523 | 3,782 | 3,434 |
| Net Income | 16,800 | 28,028 | 41,171 | 57,161 |
| EPS (Rp/Share) | 180.09 | 300.53 | 441.26 | 612.64 |

Ratio Highlights

| Ratio Analysis (Consolidated) | 2020A | 2021A | 2022A | 2023F |
|---------------------------------------|---------|---------|---------|---------|
| Profitability & Efficiency | | | | |
| NIM | 5.10% | 5.09% | 5.47% | 5.30% |
| Cost-to-Income Ratio | 47.60% | 45.90% | 42.40% | 40.37% |
| ROE | 8.53% | 14.20% | 19.00% | 23.24% |
| ROA | 1.17% | 1.72% | 2.21% | 2.67% |
| BOPO | 80.03% | 67.26% | 57.35% | 56.24% |
| Cost of Credit | 2.47% | 2.05% | 1.44% | 0.93% |
| Liquidity | | | | |
| LDR | 83.40% | 80.80% | 80.20% | 80.37% |
| CASA | 65.60% | 69.70% | 73.42% | 77.80% |
| Asset Quality | | | | |
| Gross NPL (Bank-Only) | 3.29% | 2.81% | 1.88% | 1.55% |
| Gross NPL (Consolidated) | 3.10% | 2.72% | 1.92% | 1.65% |
| NPL Coverage | | | | |
| | 221.00% | 243.00% | 285.00% | 308.63% |
| Capital | | | | |
| CAR | 19.57% | 19.56% | 19.65% | 20.31% |
| Growth | | | | |
| Loan Growth | -0.10% | 8.86% | 14.48% | 13.97% |
| Deposit Growth | 13.22% | 12.80% | 15.46% | 14.36% |
| Net Income Growth | -38.87% | 66.84% | 46.89% | 38.84% |

QoQ Result

PT Bank Mandiri (Persero) Tbk

Key Ratios

| Balance Sheet | 1Q22 | 2Q22 | 3Q22 | 4Q22 | 1Q23 | %QoQ | %YoY |
|--------------------|-----------|-----------|-----------|-----------|-----------|--------|--------|
| Loan | 1,072,852 | 1,138,312 | 1,167,518 | 1,202,230 | 1,205,464 | 0.3% | 12.4% |
| Loan Loss Reserves | (70,127) | (69,432) | (69,569) | (65,362) | (64,119) | -1.9% | -8.6% |
| NPL Consolidated | 28,538 | 27,547 | 26,152 | 23,083 | 15,640 | -32.2% | -45.2% |
| Deposit | | | | | | | |
| Demand | 392,161 | 410,696 | 416,012 | 541,801 | 483,111 | -10.8% | 23.2% |
| Savings | 500,096 | 522,130 | 533,153 | 552,752 | 548,637 | -0.7% | 9.7% |
| Time Deposit | 376,751 | 385,597 | 412,132 | 396,291 | 359,401 | -9.3% | -4.6% |
| Total Asset | 1,734,075 | 1,785,707 | 1,839,336 | 1,992,545 | 1,908,171 | -4.2% | 10.0% |
| Shareholder Equity | 195,115 | 202,554 | 212,096 | 229,679 | 217,759 | -5.2% | 11.6% |

| Balance Sheet | 1Q22 | 2Q22 | 3Q22 | 4Q22 | 1Q23 | %QoQ | %YoY |
|---|---------------|---------------|---------------|---------------|---------------|--------------|--------------|
| Interest Income | 25,901 | 27,033 | 28,325 | 31,123 | 31,391 | 0.9% | 21.2% |
| Interest Expense | (5,423) | (5,678) | (6,172) | (7,205) | (8,382) | 16.3% | 54.6% |
| Net Interest Income | 20,478 | 21,355 | 22,152 | 23,919 | 23,009 | -3.8% | 12.4% |
| Net Operating Income | 9,234 | 8,244 | 9,201 | 10,969 | 10,200 | -7.0% | 10.5% |
| Operating Expense | (12,013) | (11,915) | (12,722) | (16,609) | (12,276) | -26.1% | 2.2% |
| PPOP | 17,699 | 17,684 | 18,631 | 18,278 | 20,933 | 14.5% | 18.3% |
| Provision Expense | (4,002) | (3,653) | (4,188) | (4,281) | (3,692) | -13.8% | -7.8% |
| Operating Profit | 13,696 | 14,031 | 14,443 | 13,997 | 17,241 | 23.2% | 25.9% |
| Non Operating Income - net | 9 | 21 | (8) | 187 | 15 | -92.1% | 56.7% |
| Profit Before Tax | 13,706 | 14,052 | 14,435 | 14,185 | 17,256 | 21.7% | 25.9% |
| Tax Expense | (2,812) | (2,902) | (3,015) | (2,697) | (3,395) | 25.9% | 20.8% |
| Earning After Tax | 10,894 | 11,150 | 11,421 | 11,487 | 13,861 | 20.7% | 27.2% |
| Income for The Year Attributable to - Non-controlling interest | 863 | 972 | 977 | 970 | 1,300 | 34.1% | 50.7% |
| Net Income | 10,032 | 10,178 | 10,444 | 10,518 | 12,560 | 19.4% | 25.2% |
| EPS (Rp/Share) | 215.12 | 218.16 | 223.86 | 225.46 | 269.15 | 19.4% | 25.1% |

| Ratio | 1Q22 | 2Q22 | 3Q22 | 4Q22 | 1Q23 | %QoQ | %YoY |
|---------------------------------------|----------------|----------------|----------------|----------------|----------------|---------------|---------------|
| Profitability & Efficiency | | | | | | | |
| NIM | 5.31% | 5.37% | 5.42% | 5.47% | 5.40% | (0.07) | 0.09 |
| Cost-to-Income Ratio | 40.40% | 40.80% | 40.70% | 42.40% | 37.00% | (5.40) | (3.40) |
| ROE (bank only) | 22.15% | 23.03% | 23.28% | 22.62% | 24.56% | 1.94 | 2.41 |
| ROA (bank only) | 3.34% | 3.38% | 3.40% | 3.30% | 3.59% | 0.29 | 0.25 |
| Cost of Credit | 1.57% | 1.42% | 1.46% | 1.44% | 1.18% | (0.26) | (0.39) |
| Liquidity | | | | | | | |
| LDR | 84.00% | 85.70% | 85.20% | 80.20% | 86.20% | 6.00 | 2.20 |
| CASA | 70.30% | 70.80% | 69.70% | 73.40% | 74.20% | 0.80 | 3.90 |
| Asset Quality | | | | | | | |
| Gross NPL | 2.66% | 2.42% | 2.24% | 1.92% | 1.77% | (0.15) | (0.89) |
| Gross NPL (Bank only) | 2.74% | 2.47% | 2.26% | 1.88% | 1.70% | (0.18) | (1.04) |
| NPL Coverage | 247.00% | 253.00% | 268.00% | 285.00% | 303.00% | 18.00 | 56.00 |
| Capital | | | | | | | |
| CAR | 18.01% | 18.23% | 18.93% | 19.65% | 20.30% | 0.00% | 0.00% |

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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