

August 16th, 2023
Banking, Equity

Price IDR. 5,800
Target Price IDR. 7,870
JKSE Index IDR. 6,900.54



Stock Information

Bloomberg code **BMRI IJ**
Market cap (IDR Tn) **267.960**
52-Week High (IDR) **5,950**
52-Week Low (IDR) **4,125**
6-m Avg Daily. Val (IDR) **5,244**
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 Strong Profit Growth

In Q2 2023, Bank Mandiri (BMRI) reported impressive net profit of IDR 25.23 trillion, a 24.85% YoY increase from the previous year's IDR 20.21 trillion. This growth was primarily fueled by a 21.26% YoY rise in interest income, leading to a 19-basis points YoY increase in NIM to 5.56%. Recoveries from written-off assets also contributed, with a 43.29% YoY growth. We anticipate 35.89% YoY growth in FY23, with profit reaching IDR 55.95 trillion.

Steady Loan and Deposit Growth

As of June 2023, Bank Mandiri reported robust 11.75% YoY loan growth to IDR 1,273 trillion. Notably, commercial loans led with 19.17% YoY growth, driven by Energy and Water loans surging by 200%. Other loan segments including Consumer, SME, Micro, and Corporate loans grew at rates of 11.66%, 11.56%, 11.31%, and 5.97% respectively. Customer deposits grew by 8.47%, primarily from a 21.17% expansion in Current Account, while Savings Account grew by 5.80%, and Time Deposit decreased by 1.43% YoY. This led to a 260-basis points YoY increase in the CASA ratio to 73.40%, though it remained 80 basis points lower than the previous quarter. We anticipate a 13.97% YoY expansion of the loan portfolio and 11.66% growth in Customer Deposits by December 31st, 2023.

Improved Asset Quality

As of June 2023, BMRI consolidated gross NPL ratio, decreased by -78 bps YoY to 1.64%. For the bank only, the ratio decreased by -94 bps YoY to 1.53%. Corporate banking boasted the healthiest NPL ratio at 0.83%, down by 21 bps. SME, Micro, Consumer, Commercial NPLs stood at 0.98%, 1.31%, 2.13%, and 2.93% respectively. The overall NPL coverage ratio increased by 51% to 304%. We project continued asset quality improvement, reducing the consolidated NPL ratio to 1.65% and 1.55% for the bank only in 2023.

Valuation: 36% Upside, Recommendation to Buy.

Our Multi-Stage DDM Valuation indicates a target price of IDR 7,870 within a year, implying a trading multiple of 3.9x PBV and offering a potential 36% upside. Consequently, we recommend a "Buy."

Financial Highlight	2020A	2021A	2022A	2023F
Net Interest Income (IDR bn)	62,521	73,062	87,903	104,741
Net Income (IDR Bn)	16,800	28,028	41,171	55,948
EPS (IDR)	180.09	300.53	441.26	799.26
P/E (x)	17.56	11.69	11.25	9.85
NIM (%)	5.10%	5.09%	5.47%	5.30%
ROA (%)	1.17%	1.72%	2.21%	2.66%
ROE (%)	8.53%	14.20%	19.00%	22.74%
Price (IDR)	3,163	3,513	4,963	7,870

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

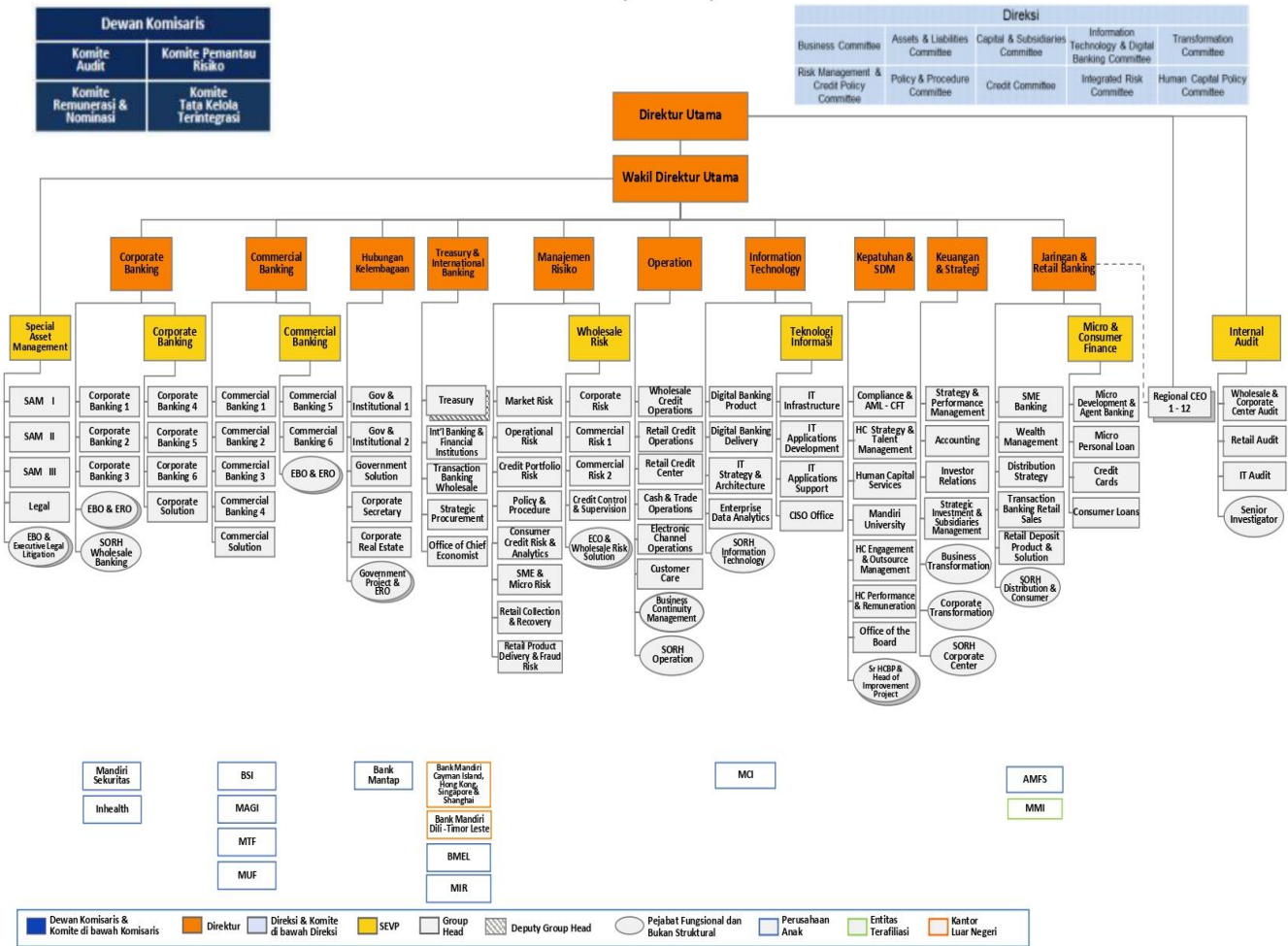


Chart: Gross Loan (IDR Bn) YoY

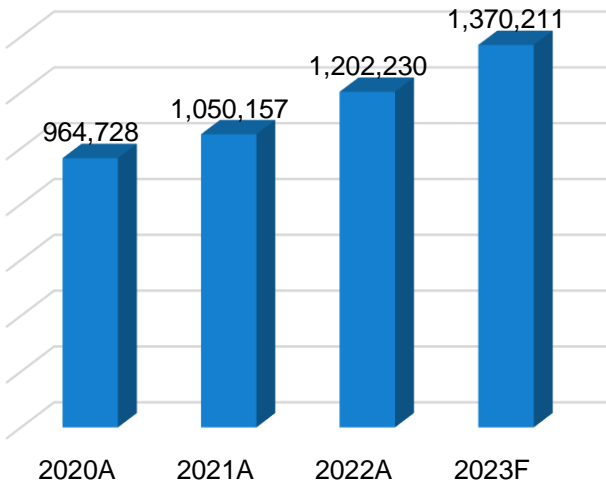


Chart: NPL Ratio (%) YoY

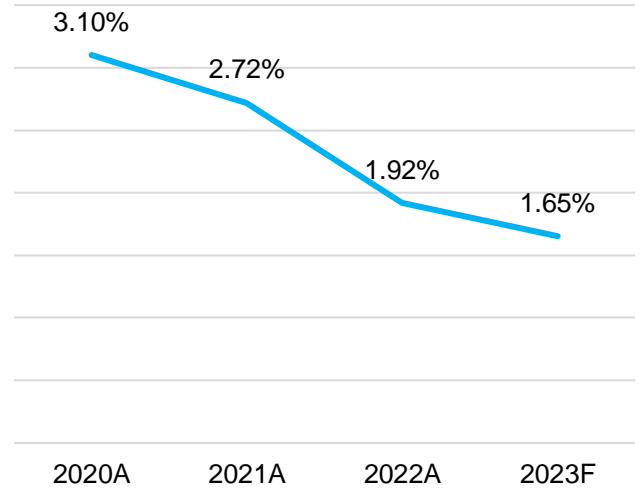


Chart: Profitability (IDR Bn and %) YoY

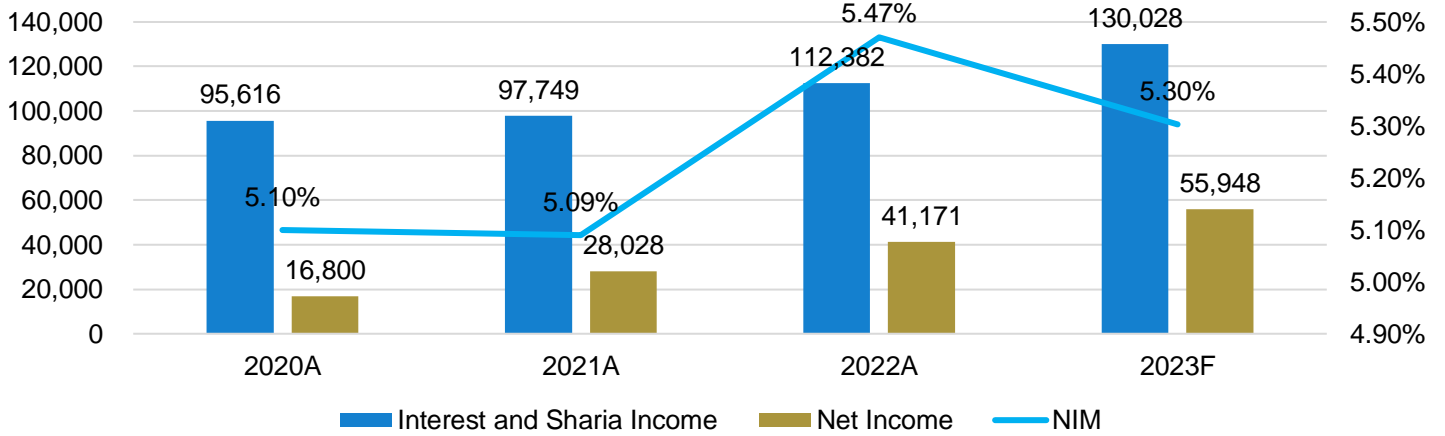


Chart: CASA Ratio (%) YoY

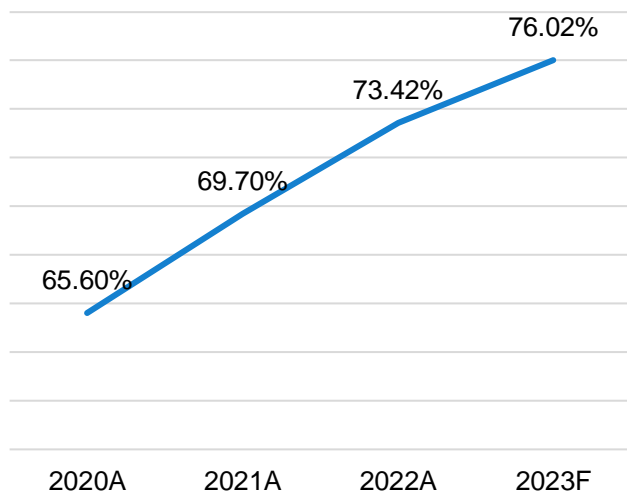


Chart: CAR (%) YoY

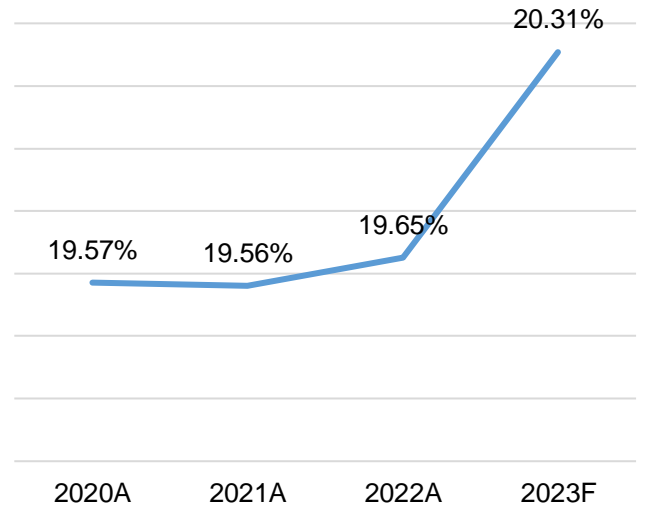


Chart: Gross Loan (IDR Bn) QoQ

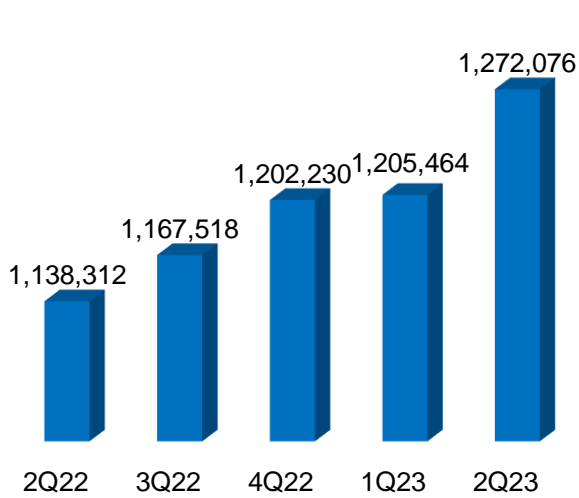


Chart: Customer Deposit (IDR Bn) QoQ

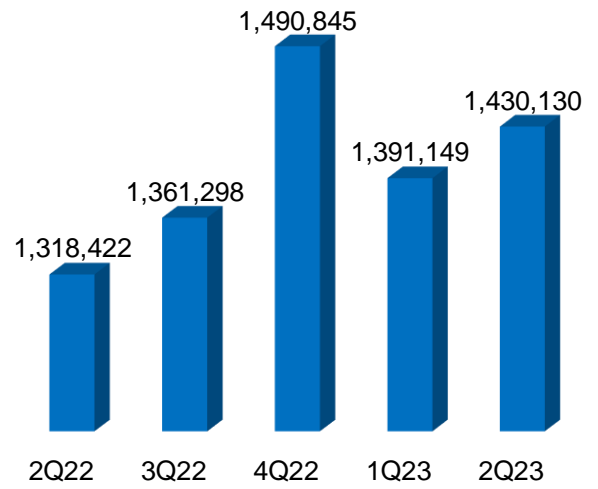


Chart: Non-Performing Loan (%) QoQ

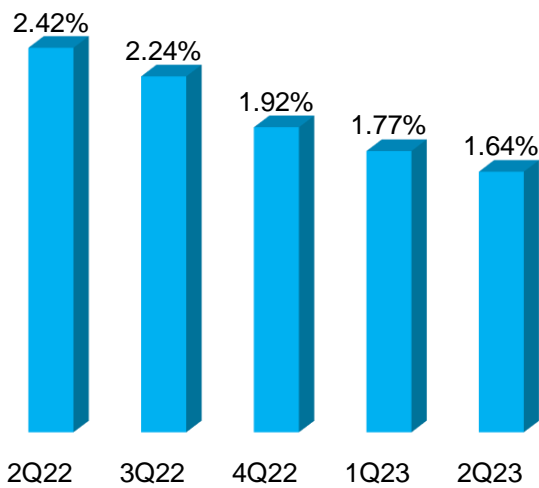
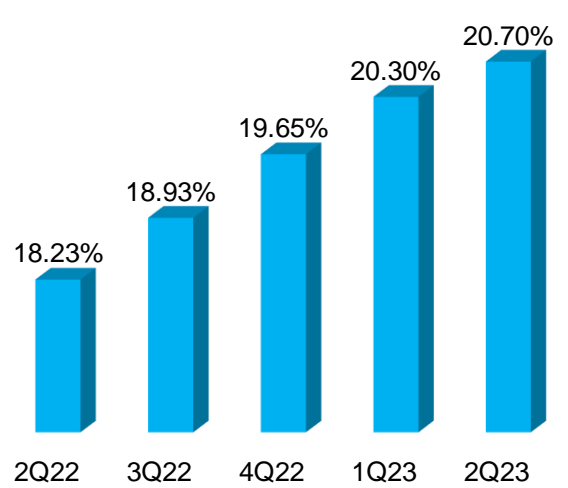


Chart: CAR (%) QoQ



Balance Sheet (IDR Bn)

Balance sheet (IDR bn)	2020A	2021A	2022A	2023F
Cash and CA with BI	78,464	122,972	134,562	103,098
Interbank Placement	82,443	47,785	95,324	72,670
Marketable Securities	90,715	99,115	82,841	68,166
Gross Loan	964,728	1,050,157	1,202,230	1,370,211
Allowance for Loans	(65,504)	(69,194)	(65,362)	(73,328)
Loans-net	899,224	980,963	1,136,868	1,296,883
Other Earning Asset	476,472	529,673	615,677	693,192
Non-Earning Asset	87,805	92,003	105,438	119,906
Total Asset	1,541,965	1,725,611	1,992,545	2,213,078
Deposit:				
Current Account	319,745	413,073	541,801	636,918
Saving Account	431,507	486,853	552,752	628,581
Time Deposits	393,387	391,251	396,291	399,129
Other Interest-Bearing Liabilities	84,389	99,941	123,071	129,610
Non-Interest-Bearing Liabilities	108,236	112,383	126,383	139,100
Total Liabilities	1,337,265	1,503,500	1,740,299	1,933,338
Total Shareholder's Equity	204,700	222,111	252,245	279,741

Income Statement (IDR Bn)

Income Statement (IDR Bn)	2020A	2021A	2022 A	2023F
Interest Income	95,616	97,749	112,382	130,028
Interest Expense	(33,095)	(24,687)	(24,479)	(25,287)
Net Interest Income	62,521	73,062	87,903	104,741
Non-Interest Income	31,120	34,061	37,648	41,488
Gross Operating Income	93,640	107,124	125,551	146,229
Operating Expense	(44,530)	(49,140)	(53,260)	(56,687)
PPOP	49,110	57,984	72,291	89,543
Provision Expense	(24,855)	(19,543)	(16,123)	(15,397)
Operating Profit	24,255	38,440	56,168	74,146
Non-Operating Income – Net	137	(82)	210	82
Profit Before Tax	24,392	38,358	56,378	74,228
Tax Expense	(5,993)	(7,807)	(11,425)	(14,846)
Profit After Tax	18,399	30,551	44,952	59,382
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	55,948
EPS (Rp/Share)	180.09	300.53	441.26	799.3

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%	38.77%
ROE	8.53%	14.20%	19.00%	22.74%
ROA	1.17%	1.72%	2.21%	2.66%
BOPO	80.03%	67.26%	57.35%	56.77%
Cost of Credit	2.47%	2.05%	1.44%	1.12%
Liquidity				
LDR	83.40%	80.80%	80.20%	82.31%
CASA	65.60%	69.70%	73.42%	76.02%
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%	323.53%
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%	11.66%
Net Income Growth	-38.87%	66.84%	46.89%	35.89%

QoQ Result

PT Bank Mandiri (Persero) Tbk
Key Ratios

Balance Sheet	2Q22	3Q22	4Q22	1Q23	2Q23	%QoQ	%YoY
Loan	1,138,312	1,167,518	1,202,230	1,205,464	1,272,076	5.53%	11.75%
Loan Loss Reserves	(69,432)	(69,569)	(65,362)	(64,119)	(62,902)	-1.90%	-9.40%
NPL Consolidated	27,547	26,152	23,083	15,640	14,950	-4.41%	-45.73%
Deposit							
Demand	410,696	416,012	541,801	483,111	497,629	3.01%	21.17%
Savings	522,130	533,153	552,752	548,637	552,434	0.69%	5.80%
Time Deposit	385,597	412,132	396,291	359,401	380,066	5.75%	-1.43%
Total Asset	1,785,707	1,839,336	1,992,545	1,908,171	1,963,987	2.93%	9.98%
Shareholder Equity	202,554	212,096	229,679	217,759	231,009	6.08%	14.05%

Balance Sheet	2Q22	3Q22	4Q22	1Q23	2Q23	%QoQ	%YoY
Interest Income	27,033	28,325	31,123	31,391	32,800	4.49%	21.33%
Interest Expense	(5,678)	(6,172)	(7,205)	(8,382)	(8,502)	1.43%	49.72%
Net Interest Income	21,355	22,152	23,919	23,009	24,298	5.60%	13.78%
Net Operating Income	8,244	9,201	10,969	10,200	9,106	-10.72%	10.46%
Operating Expense	(11,915)	(12,722)	(16,609)	(12,276)	(12,278)	0.01%	3.04%
PPOP	17,684	18,631	18,278	20,933	21,126	0.92%	19.47%
Provision Expense	(3,653)	(4,188)	(4,281)	(3,692)	(3,950)	6.98%	8.13%
Operating Profit	14,031	14,443	13,997	17,241	17,177	-0.37%	22.42%
Non-Operating Income - net	21	(8)	187	15	7	-55.47%	-68.02%
Profit Before Tax	14,052	14,435	14,185	17,256	17,183	-0.42%	22.29%
Tax Expense	(2,902)	(3,015)	(2,697)	(3,395)	(3,340)	-1.62%	15.11%
Earning After Tax	11,150	11,421	11,487	13,861	13,843	-0.13%	24.15%
Income for The Year Attributable to - Non-controlling interest	972	977	970	1,300	1,171	-9.92%	20.45%
Net Income	10,178	10,444	10,518	12,560	12,672	0.89%	24.50%
EPS (Rp/Share)	218.16	223.86	225.46	269.15	181.02	-32.74%	-17.02%

Ratio	2Q22	3Q22	4Q22	1Q23	2Q23	%QoQ	%YoY
Profitability & Efficiency							
NIM	5.37%	5.42%	5.47%	5.40%	5.56%	0.16	0.19
Cost-to-Income Ratio	40.80%	40.70%	42.40%	37.00%	36.80%	(0.20)	(4.00)
ROE (bank only)	23.03%	23.28%	22.62%	24.56%	25.78%	1.22	2.75
ROA (bank only)	3.38%	3.40%	3.30%	3.59%	3.72%	0.13	0.34
Cost of Credit	1.42%	1.46%	1.44%	1.18%	1.19%	0.01	(0.23)
Liquidity							
LDR	85.70%	85.20%	80.20%	86.20%	88.40%	2.20	2.70
CASA	70.80%	69.70%	73.40%	74.20%	73.40%	(0.80)	2.60
Asset Quality							
Gross NPL	2.42%	2.24%	1.92%	1.77%	1.64%	(0.13)	(0.78)
Gross NPL (Bank only)	2.47%	2.26%	1.88%	1.70%	1.53%	(0.17)	(0.94)
NPL Coverage	253.00%	268.00%	285.00%	303.00%	304.00%	1.00	51.00
Capital							
CAR	18.23%	18.93%	19.65%	20.30%	20.70%	0.40	2.47

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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