

March 14th, 2024
Banking, Equity

Price IDR. 7,400
Target Price IDR. 8,850
JKSE Index IDR. 7,433.32



Stock Information

Bloomberg code **BMRI IJ**
Market cap (IDR Bn) **690.66**
52-Week High (IDR) **7,400**
52-Week Low (IDR) **4,913**
6-m Avg Daily. Val (IDR) **6,247**
Free Float Ratio (%) **39.22**

Major Shareholders (%)
Government **52.00**
INA **8.00**
Others **40.00**

USD/IDR-YE (IDR)
2023A **15,439**
2024F (APBN 2024) **15,000**

Key Indicators (%)
NPL Ratio **1.14**
Net Interest Margin **5.34**

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Investment Consideration

Continued Double-Digit Profit Growth

In 2023, BMRI reported a robust growth in consolidated net income of 33.74% year-over-year (YoY), increasing from IDR 41.17 trillion to IDR 55.06 trillion. This achievement positioned BMRI as the second-best performer among the big-four banks in terms of profit growth. The growth was primarily fuelled by a significant increase in interest income, which rose by 17.94%. Another contributing factor was the 37.06% YoY reduction in provision expenses. We predict that BMRI will continue to enhance its profitability in 2024, with an expected increase of 25.62% YoY to reach IDR 69.17 trillion.

Leading in Loan Growth

As of December 2023, BMRI's consolidated loan portfolio reached IDR 1,398 trillion, marking a substantial 16.29% YoY growth and positioning it as the leader among the big-four banks. The Commercial segment led with a 21.24% YoY growth. The Social Service and Business Service sectors were the top growth sectors, expanding by 55.02% and 32.93% annually, respectively. We anticipate that BMRI will further expand its consolidated loan portfolio by 14.31% YoY.

Robust ESG Commitment with Sustainable Financing

BMRI has demonstrated a serious commitment to implement ESG practices in its business. It is evident that BMRI's loan portfolio includes sustainable financing, accounting for 23.98%, which is 454-bps higher than in 2022. As of December 2023, BMRI's total sustainable financing amounted to IDR 264 trillion, representing a significant increase of 15.79% YoY. Of this amount, IDR 129 trillion was allocated for Green Loans, while IDR 135 trillion was earmarked for social loans. Additionally, 81% of CPO debtors were already certified CPO Plantation and Refinery (included in the process debtors).

Stable Liquidity in the Fourth Quarter of 2023

BMRI maintained stable liquidity throughout 2023, evidenced by a 5.78% YoY growth in third-party deposits, which boosted the Current and Savings Account (CASA) ratio by 88 basis points to 74.30%. The increase in deposits and the CASA ratio was primarily driven by a 7.92% YoY growth in Current Accounts. We forecast an 8.50% growth in total deposits for 2024, and a 26-basis point increase in the CASA ratio to 74.56%.

Significant Asset Quality Improvement

BMRI's asset quality experienced a significant improvement, with a decrease in its consolidated NPL ratio by 73 basis points YoY to a level of 1.19% as of December 2023. The Corporate segment emerged as the healthiest segment with an NPL ratio of 0.31%, while the Commercial segment experienced the most significant improvement, decreasing by 3.19% to 1.73%. We forecast that BMRI's consolidated NPL ratio will further improve in 2024 to a level of 1.14%.

Valuation: 20% Upside, Buy

Our Multi-Stage Dividend Discount Model (DDM) Valuation indicates a target price of IDR 8,850 within a year, corresponding to a price-to-book value (PBV) ratio of 2.47x and offering a potential 20% upside. Therefore, we recommend to Buy.

Financial Highlight	2021A	2022A	2023A	2024F
Net Income (IDR Bn)	28,028	41,171	55,060	69,167
EPS (IDR)	300.53	441.26	589.93	741.08
NIM (%)	5.09%	5.47%	5.48%	5.34%
ROE (%)	14.20%	19.70%	23.20%	26.08%
Gross NPL	2.72%	1.92%	1.19%	1.14%

Company Profile

PT Bank Mandiri (Persero) Tbk. (hereafter referred to as "Bank Mandiri" or the "Bank") was founded on October 2, 1998, in the Republic of Indonesia, according to notarial deed No. 10 by Sutjipto, S.H., under Government Regulation No. 75 of 1998, dated October 1, 1998. The Ministry of Justice of the Republic of Indonesia approved the deed of establishment in its Decision Letter No. C2-16561.HT.01.01.TH.98, dated October 2, 1998, and it was published in Supplement No. 6859 of the State Gazette No. 97 on December 4, 1998. Bank Mandiri was created through the merger of PT Bank Bumi Daya (Persero), PT Bank Dagang Negara (Persero), PT Bank Ekspor Impor Indonesia (Persero), and PT Bank Pembangunan Indonesia (Persero), collectively known as the "Merged Banks." The Bank operates under the laws and regulations applicable to banking and commenced operations on August 1, 1999.

Company Structure

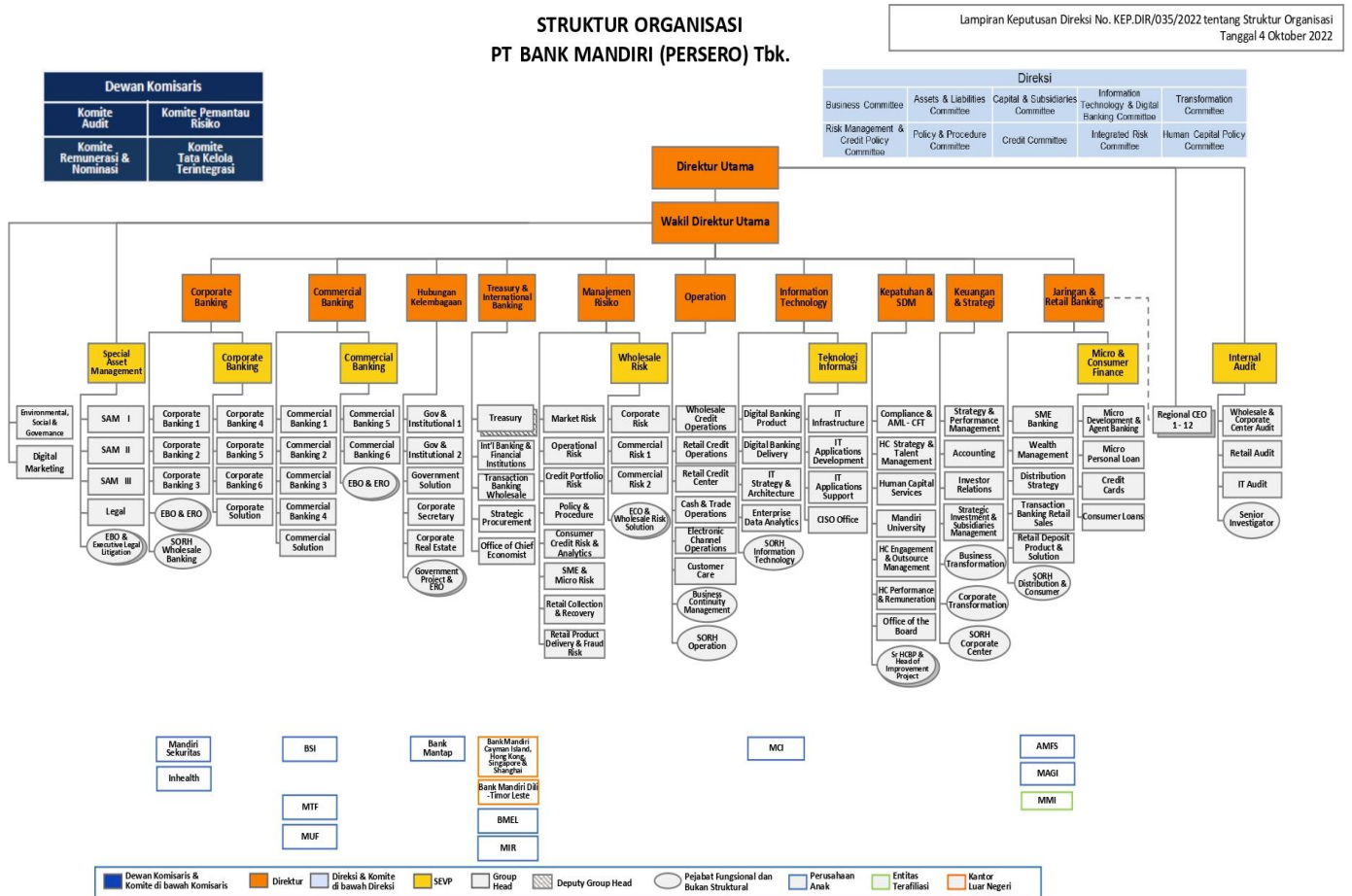


Chart: Gross Loan (IDR Bn) YoY

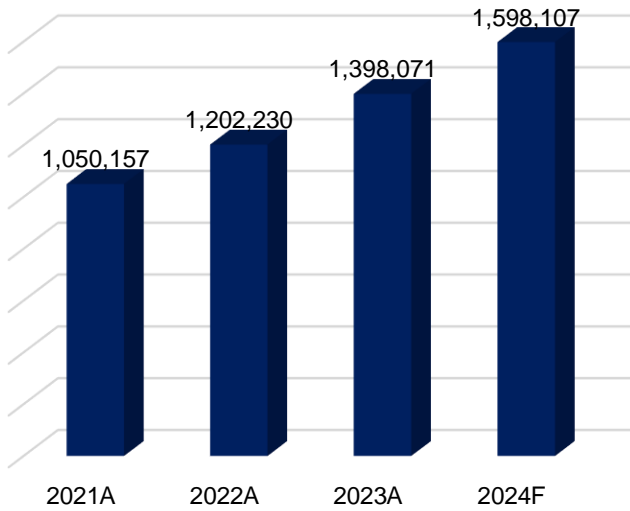


Chart: NPL Ratio (%) YoY

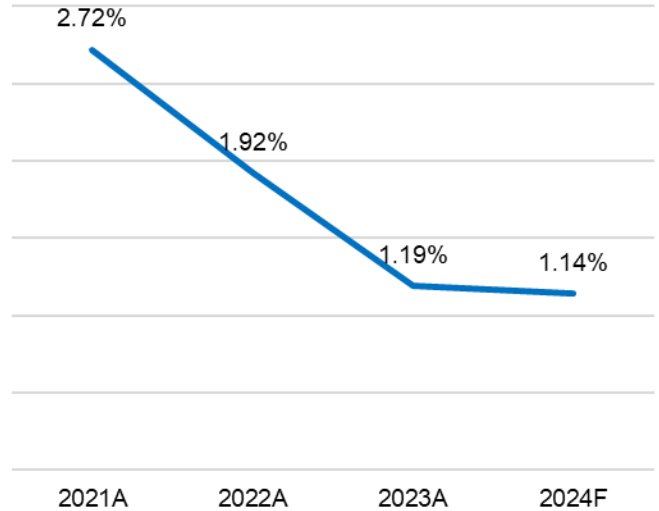


Chart: Profitability (IDR Bn and %) YoY

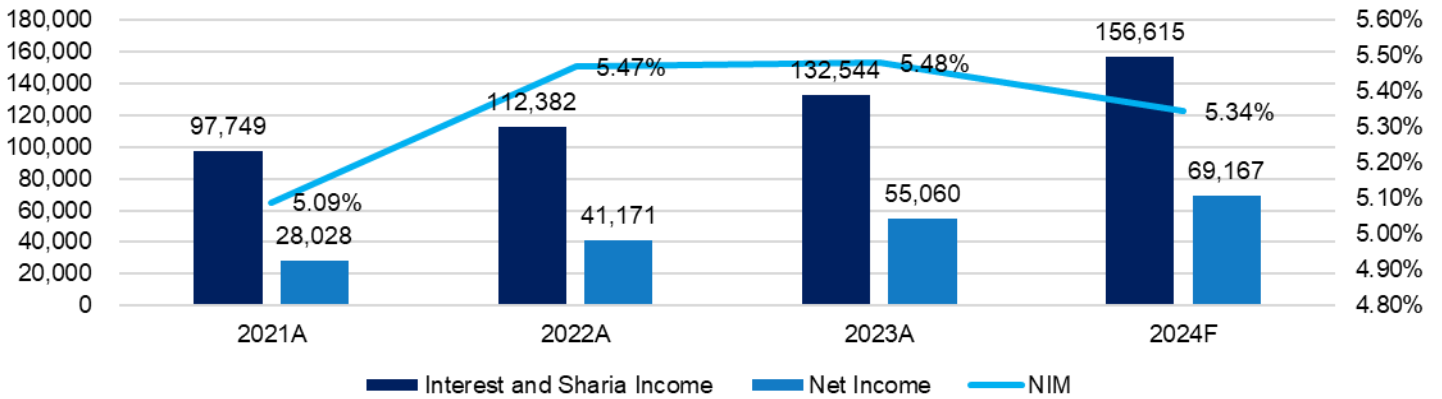


Chart: CASA Ratio (%) YoY

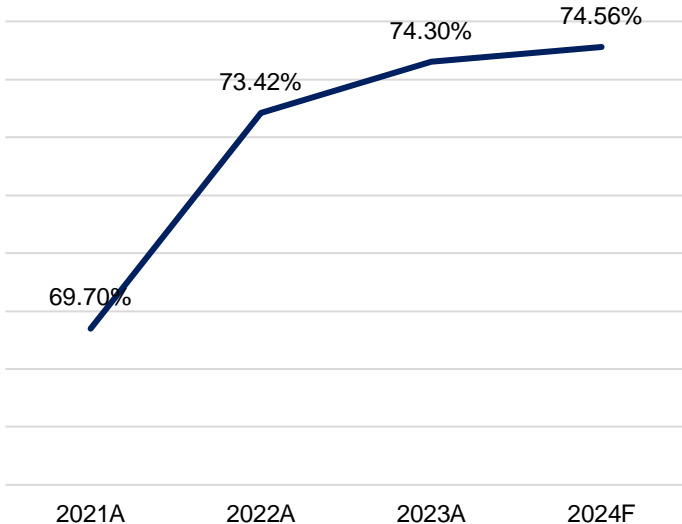


Chart: CAR (%) YoY

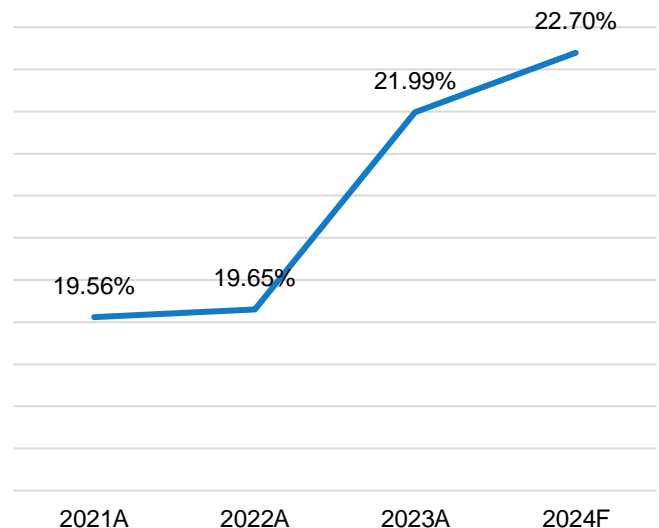


Chart: Gross Loan (IDR Bn) QoQ

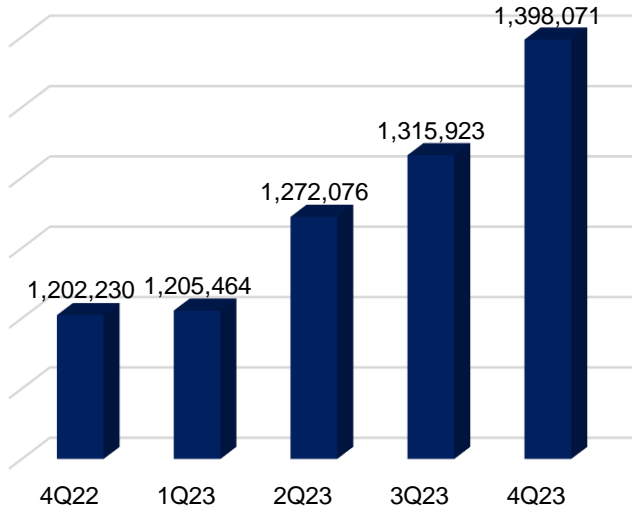


Chart: Customer Deposit (IDR Bn) QoQ

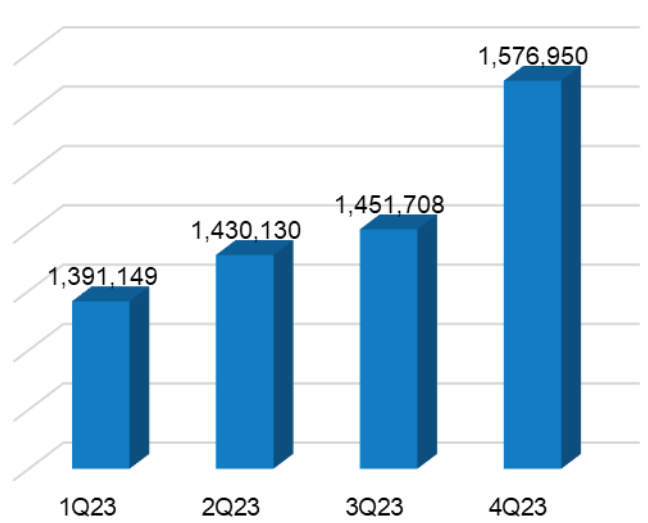


Chart: Non-Performing Loan (%) QoQ

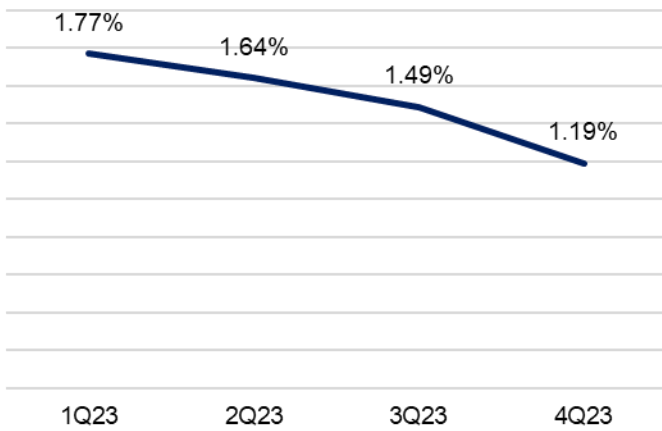
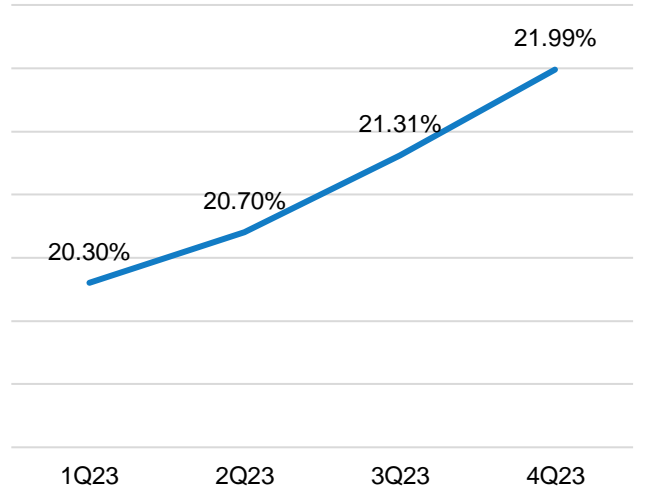


Chart: CAR (%) QoQ



Balance Sheet (IDR Bn)

Balance sheet (IDR Bn)	2021A	2022A	2023A	2024F
Cash and CA with BI	122,972	134,562	135,037	152,504
Interbank Placement	47,785	95,324	73,888	84,536
Marketable Securities	99,115	82,841	94,696	100,045
Gross Loan	1,050,157	1,202,230	1,398,071	1,598,107
Allowance for Loans	(69,194)	(65,362)	(53,882)	(52,761)
Loans-net	980,963	1,136,868	1,344,189	1,545,346
Other Earning Asset	529,673	615,677	579,927	572,414
Non-Earning Asset	92,003	105,438	115,066	127,937
Total Asset	1,725,611	1,992,545	2,174,219	2,398,202
Deposit:				
Current Account	413,073	541,801	584,713	641,607
Saving Account	486,853	552,752	586,992	634,037
Time Deposits	391,251	396,291	405,245	435,272
Other Interest-Bearing Liabilities	99,941	123,071	144,897	169,319
Non-Interest-Bearing Liabilities	112,383	126,383	164,878	183,661
Total Liabilities	1,503,500	1,740,299	1,886,724	2,063,895
Total Shareholder's Equity	222,111	252,245	287,495	334,306

Income Statement (IDR Bn)

Income Statement (IDR Bn)	2021A	2022 A	2023A	2024F
Interest Income	97,749	112,382	132,544	156,615
Interest Expense	(24,687)	(24,479)	(36,658)	(43,287)
Net Interest Income	73,062	87,903	95,887	113,329
Non-Interest Income	34,061	37,648	42,771	47,640
Gross Operating Income	107,124	125,551	138,658	160,969
Operating Expense	(49,140)	(53,260)	(53,867)	(57,160)
PPOP	57,984	72,291	84,790	103,809
Provision Expense	(19,543)	(16,123)	(10,149)	(10,963)
Operating Profit	38,440	56,168	74,642	92,846
Non-Operating Income – Net	(82)	210	43	45
Profit Before Tax	38,358	56,378	74,685	92,891
Tax Expense	(7,807)	(11,425)	(14,633)	(18,578)
Profit After Tax	30,551	44,952	60,052	74,313
Income for The Year Attributable to - Non-Controlling Interest	2,523	3,782	4,992	5,146
Net Income	28,028	41,171	55,060	69,167
EPS (Rp/Share)	300.53	441.26	589.93	741.08

Ratio Highlights

Ratio Analysis (Consolidated)	2021A	2022A	2023A	2024F
Profitability & Efficiency				
NIM	5.09%	5.47%	5.48%	5.34%
Cost-to-Income Ratio	45.90%	42.40%	38.80%	35.51%
ROE	14.20%	19.00%	23.20%	26.08%
ROA	1.72%	2.21%	2.64%	3.16%
BOPO	67.26%	57.35%	51.88%	54.54%
Cost of Credit	2.05%	1.44%	0.85%	0.69%
Liquidity				
LDR-Bank Only	80.04%	77.60%	86.75%	91.96%
CASA	69.70%	73.42%	74.30%	74.56%
Asset Quality				
Gross NPL (Bank-Only)	2.81%	1.88%	1.02%	0.97%
Gross NPL (Consolidated)	2.72%	1.92%	1.19%	1.14%
NPL Coverage	243.00%	285.00%	326.00%	289.59%
Capital				
CAR	19.56%	19.65%	21.99%	22.70%
Growth				
Loan Growth	8.86%	14.48%	16.29%	14.31%
Deposit Growth	12.80%	15.46%	5.78%	8.50%
Net Income Growth	66.84%	46.89%	33.74%	25.62%

QoQ Result

PT Bank Mandiri (Persero) Tbk
Key Ratios

Balance Sheet	4Q22	1Q23	2Q23	3Q23	4Q23	%QoQ	%YoY
Loan	1,202,230	1,205,464	1,272,076	1,315,923	1,398,071	6.24%	16.29%
Loan Loss Reserves	(65,362)	(64,119)	(62,902)	(58,374)	(53,882)	-7.70%	-17.56%
NPL Consolidated	23,083	21,337	20,862	19,607	16,637	-15.15%	-27.92%
Deposit							
Demand	541,801	483,111	497,629	506,233	584,713	15.50%	7.92%
Savings	552,752	548,637	552,434	564,084	586,992	4.06%	6.19%
Time Deposit	396,291	359,401	380,066	381,391	405,245	6.25%	2.26%
Total Asset	1,992,545	1,908,171	1,963,987	2,006,939	2,174,219	8.34%	9.12%
Shareholder Equity	229,679	217,759	231,009	243,310	260,853	7.21%	13.57%

Balance Sheet	4Q22	1Q23	2Q23	3Q23	4Q23	%QoQ	%YoY
Interest Income	31,123	31,391	32,800	33,817	34,536	2.13%	10.97%
Interest Expense	(7,205)	(8,382)	(8,502)	(9,261)	(10,513)	13.52%	45.92%
Net Interest Income	23,919	23,009	24,298	24,556	24,023	-2.17%	0.44%
Net Operating Income	10,969	10,200	9,106	9,638	13,828	43.48%	26.07%
Operating Expense	(16,609)	(12,276)	(12,278)	(13,899)	(15,415)	10.91%	-7.19%
PPOP	18,278	20,933	21,126	20,295	22,436	10.55%	22.75%
Provision Expense	(4,281)	(3,692)	(3,950)	(1,511)	(996)	-34.09%	-76.73%
Operating Profit	13,997	17,241	17,177	18,784	21,440	14.14%	53.17%
Non-Operating Income - net	187	15	7	(11)	33	-396.14%	-82.36%
Profit Before Tax	14,185	17,256	17,183	18,772	21,473	14.39%	51.38%
Tax Expense	(2,697)	(3,395)	(3,340)	(3,705)	(4,192)	13.15%	55.43%
Earning After Tax	11,487	13,861	13,843	15,067	17,281	14.69%	50.43%
Income for The Year Attributable to - Non-controlling interest	970	1,300	1,171	1,236	1,284	3.93%	32.46%
Net Income	10,518	12,560	12,672	13,832	15,997	15.65%	52.09%
EPS (Rp/Share)	225.46	269.15	181.02	148.20	171.39	15.65%	-23.98%

Ratio	4Q22	1Q23	2Q23	3Q23	4Q23	%QoQ	%YoY
Profitability & Efficiency							
NIM	5.47%	5.40%	5.56%	5.59%	5.48%	(0.11)	0.01
Cost-to-Income Ratio	42.40%	37.00%	36.80%	38.10%	38.80%	0.70	(3.60)
ROE	19.70%	22.50%	21.90%	22.50%	23.20%	0.70	3.50
ROA	2.21%	2.58%	2.55%	2.60%	2.64%	0.04	0.43
Cost of Credit	1.44%	1.18%	1.19%	0.96%	0.85%	(0.11)	(0.59)
Liquidity							
LDR Bank Only	77.61%	84.90%	85.68%	87.64%	86.75%	(0.89)	9.14
CASA	73.40%	74.20%	73.40%	73.70%	74.30%	0.60	0.90
Asset Quality							
Gross NPL	1.92%	1.77%	1.64%	1.49%	1.19%	(0.30)	(0.73)
Gross NPL (Bank only)	1.88%	1.70%	1.53%	1.36%	1.02%	(0.34)	(0.86)
NPL Coverage	285.00%	303.00%	304.00%	299.00%	326.00%	27.00	41.00
Capital							
CAR	19.65%	20.30%	20.70%	21.31%	21.99%	0.68	2.34

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.

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