

Bank Mandiri Tbk (BMRI)

Maintain a Solid and Healthy Performance

BMRI posted a 1Q23 Net Profit of IDR 12.560 T, an increase of 25.2% YoY (1Q22: IDR 10.032 T) and +19.4% QoQ (4Q22: IDR 10.518 T). NIM in 1Q23 was recorded at 5.40%, down 7 Bps QoQ and up 9 Bps YoY. On a quarterly basis, Net Interest Income (NII) decreased by -3.8% QoQ (4Q22: IDR 23.918 T), yet it increased by +12.4% year-on-year (1Q22: 20.468 T) to IDR 23.009 T. PPOP also recorded an increase to IDR 25,153 T, which means it rose both on quarterly (+14.5% QoQ; 4Q22: IDR 18,277 T) and annualized basis (+18.3% YoY; 1Q22: IDR 17,699 T).

CASA Ratio Relatively Increased, Though Comes with an Increase in CoF

- Total deposits increased by 9.6% YoY but decreased by -6.7% QoQ. On a quarterly basis, the most significant decline was contributed by the drop in current account deposits to IDR 433.5T (-13% QoQ; 4Q22: IDR 498T), with deposits declining -15.5% QoQ to IDR 225.4T. However, the CASA Ratio relatively increased by 74.2%, indicating an increase of +0.75% QoQ and +3.86% YoY. In maintaining liquidity, this increase in deposits led to an improvement in Cost of Funds (CoF) this quarter by 44 Bps (Consolidated) due to special interest offers for deposits and current accounts.

Loan Disbursements Grew in Line With Management's Guidance for 2023

- In terms of Loan, the nominal disbursed went upside in this quarter, an increase of +12.4% YoY and +0.3% QoQ to IDR 1,205.5 T (4Q22: IDR 1202.2 T; 1Q22: IDR 1,072.9 T). On a year-on-year basis, loan growth was recorded to almost hit a double-digit in all segments, except the Corporate segment, which only grew by 5.2%. Cost of Credit (CoC) moderately declined by 26 bps QoQ and 39 bps YoY to 1.18% (4Q22: 1.44%; 1Q22: 1.57%). Moreover, the 1Q23 performance was in line with management's guidance for 2023, with loan growth achieved (10-12% loan growth; 1Q23: +12.4%) and CoC at 1.2% for this first quarter (FY23 CoC Guidance: 1.3-1.5%). Similar to NIM, it was still in line with management's guidance (Guidance FY23: 5.3-5.6%; 1Q23: 5.4%), although there was an increase in CoF.

Healthier Asset Quality and Efficient Performance

- As of 1Q23, BMRI managed to record a Gross Non-Performing Loan (NPL) level of 1.77%, down 89 bps YoY and 16 bps QoQ. The Loan at Risk (LAR) level decreased by 0.43% on a quarterly basis and 5.32% on an annual basis to 11.3%. Moreover, asset quality was also supported by an increase in NPL Coverage (LLR) level, which rose by 55.9% YoY from 246% in 1Q22 to 302.8% in 1Q23 (QoQ: +17.6%; 4Q22: 285.3%).
- Cost efficiency is shown by the trend of Cost to Income Ratio (CIR), which is sloping down, decreasing by 3.47% YoY and 5.45% QoQ to 37% in 1Q23 (1Q22: 40.4%; 4Q22: 42.4%). The cost efficiency is also indicated by the increasingly solid and massive performance of BMRI's digital platforms, Livin' and KOPRA.

Buy Recommendation with a TP of IDR 6,300 (Upside + 22.3%)

- NHKS Research recommends a Buy for BMRI, with a target price of IDR 6,300 that reflects a 23F P/BV of 2.1x. This is supported by the growth performance of the wholesale-retail banking segment and improved NIM. As for the risks for this recommendation include the uncertain macro situation, loan growth and performance expectations that are below expectations, and a decreased NIM.

Bank Mandiri Tbk | Summary (IDR bn)

in IDR Bn	2022/12A	2023/12F	2024/12F	2025/12F
Interest Income	112,382	127,722	141,527	160,303
Interest Income growth	15.0%	13.6%	10.8%	13.3%
Operating Revenue	125,541	140,140	149,985	170,423
Net profit	41,171	46,501	54,941	61,323
EPS (IDR)	440	497	587	656
EPS growth	24.9%	13.0%	18.1%	11.6%
BVPS (IDR)	2,697	2,743	3,007	3,313
Net Interest Margin	5.5%	5.5%	5.3%	5.4%
Loan/Deposits	79.8%	75.0%	75.1%	77.1%
NPL	1.9%	1.9%	1.8%	1.6%
ROE	17.2%	18.3%	20.4%	20.7%
ROA	2.2%	2.2%	2.3%	2.3%
P/E	11.9x	12.4x	12.4x	12.4x
F P/BV	1.9x	2.4x	2.8x	2.9x
P/Op. Revenue	3.9x	4.1x	4.5x	4.5x
DPS (IDR)	264	282	348	411
Dividend yield	5.1%	4.6%	4.8%	5.1%

Source: Company Data, Bloomberg, NHKS Research

Please consider the rating criteria & important disclaimer

Buy

Target Price (IDR)	6,300
Consensus Price (IDR)	6,592
TP to Consensus Price	-4.4%
Potential Upside	+22.3%

Shares data

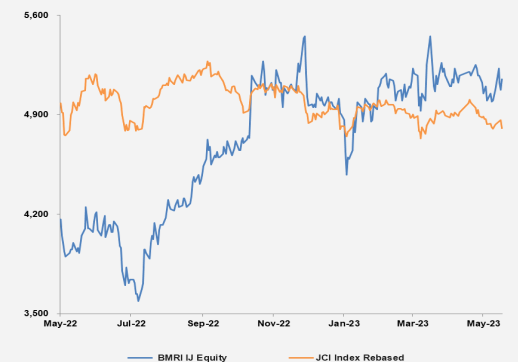
Last Price (IDR)	5,150
Price date as of	Mei 25, 2023
52 wk range (Hi/Lo)	5,500 / 3,587
Free float (%)	39.0
Outstanding sh.(mn)	93,333
Market Cap (IDR bn)	480,667
Market Cap (USD mn)	32,158
Avg. Trd Vol - 3M (mn)	98.15
Avg. Trd Val - 3M (bn)	503.86
Foreign Ownership	22.2%

Financial Services

Banking

Bloomberg	BMRI IJ
Reuters	BMRI.JK

Share Price Performance



	YTD	1M	3M	12M
Abs. Ret.	4.3%	-1.0%	1.7%	31.2%
Rel. Ret.	7.0%	2.6%	4.5%	34.4%

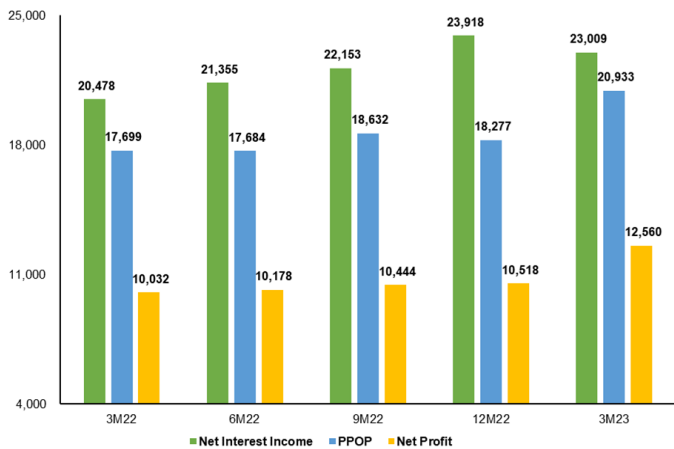
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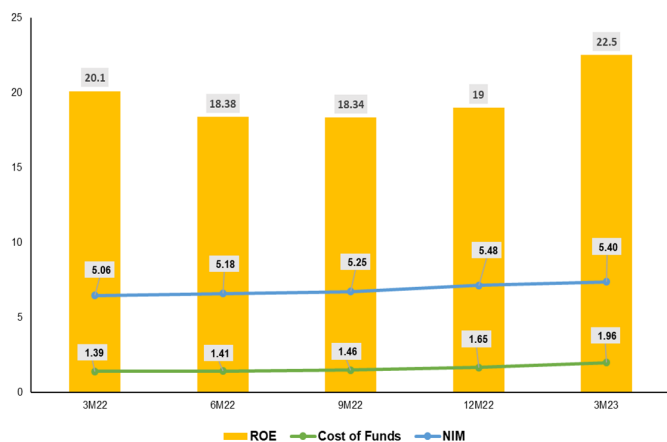
Performance Highlights

Financial Performance (IDR Billion)



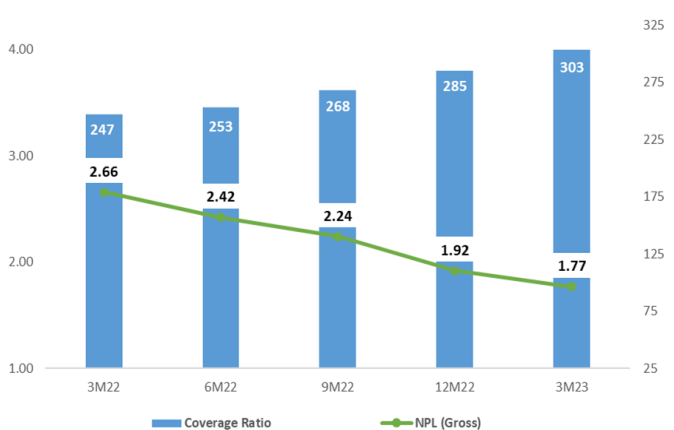
Source: Company, NHKSI Research

Profitability Ratios (%)



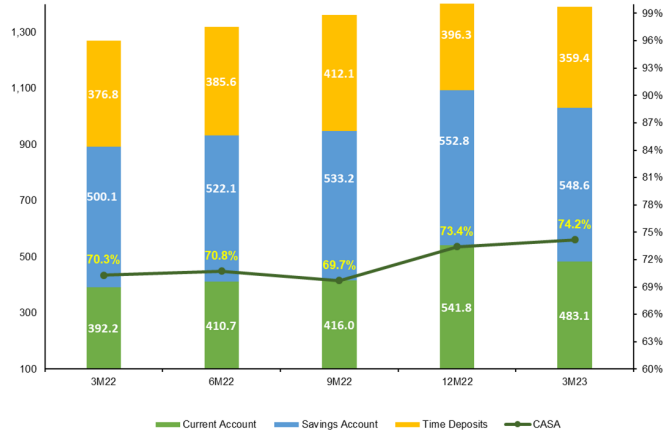
Source: Company, NHKSI Research

Asset Quality (%)



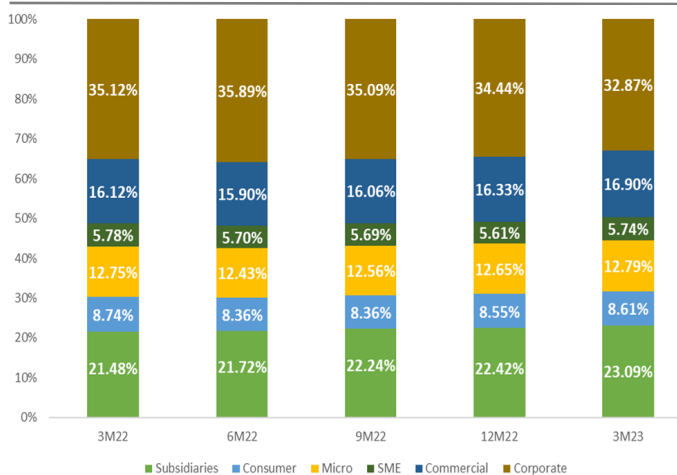
Source: Company, NHKSI Research

Third Party Fund (IDR Tn)



Source: Company, NHKSI Research

Loan Composition Breakdown



Source: Company, NHKSI Research

F-PBV | Last 3 Years



Source: Bloomberg, NHKSI Research

Summary of Financials

INCOME STATEMENT

(IDR bn)	2022/12A	2023/12F	2024/12F	2025/12F
Interest Income	112,382	127,722	141,527	160,303
Growth (% y/y)	15.0%	13.6%	10.8%	13.3%
Interest Expenses	(24,479)	(30,234)	(37,122)	(40,824)
Net Interest Income	87,903	97,488	104,405	119,480
Net Interest Margin	5.5%	5.6%	5.7%	5.7%
Net Fee Income	21,310	24,497	25,739	29,157
Trading Income	4,384	8,374	9,131	9,604
Other Operating Income	11,944	9,781	10,710	12,182
Operating Revenue	125,541	140,140	149,985	170,423
Operating Expenses	(53,260)	(61,870)	(64,923)	(74,505)
Pre-provisioning OP	72,281	78,270	85,062	95,918
Provision for Impairment	(16,123)	(18,965)	(15,321)	(18,363)
EBT	56,368	59,397	69,870	77,673
Income Tax	(11,425)	(12,058)	(14,173)	(15,762)
Non-controlling Interest	(3,782)	(838)	(756)	(589)
Net Profit	41,171	46,501	54,941	61,323
Growth (% y/y)	24.9%	13.0%	18.1%	11.6%

PROFITABILITY & STABILITY

	2022/12A	2023/12F	2024/12F	2025/12F
ROE	17.9%	20.4%	22.3%	22.9%
ROA	2.2%	2.2%	2.3%	2.3%
Non-Int. Inc. /Op. Rev	30.0%	30.4%	30.4%	29.9%
Cost/Income	42.4%	44.1%	43.3%	43.7%
Cash Dividend (IDR bn)	24,702	26,369	32,551	38,459
Dividend Yield (%)	5.1%	4.5%	4.7%	4.9%
Payout Ratio (%)	60.0%	56.7%	59.2%	62.7%
Loan/Deposits	79.8%	75.0%	75.1%	77.1%
Loan/Assets	60.4%	57.2%	57.5%	59.0%
NPL	1.9%	1.9%	1.8%	1.6%
Loan Loss Res./Loan	5.8%	4.6%	4.7%	4.5%
CASA/Deposits	73.4%	75.2%	75.9%	76.1%
Time Deposits/Deposits	26.6%	24.8%	24.1%	23.9%
Par Value (IDR)	250	250	250	250
Total Shares (mn)	93,533	93,533	93,533	93,533
Share Price (IDR)	5,150	6,300	7,443	8,308
Market Cap (IDR tn)	481.7	589.3	696.2	777.1

BALANCE SHEET

(IDR bn)	2022/12A	2023/12F	2024/12F	2025/12F
Cash	23,948	33,294	37,682	36,167
Placement in Banks	253,724	288,682	297,244	305,171
Net Loans	1,136,868	1,250,270	1,392,775	1,555,875
Investment	426,407	500,974	589,648	624,562
Fixed Asset	56,541	68,669	72,487	76,694
Other Assets	95,057	147,135	153,010	161,207
Total Assets	1,992,545	2,289,024	2,542,847	2,759,675
Deposits	1,506,626	1,746,854	1,947,097	2,113,748
Debt	109,248	138,516	148,252	155,287
Other liabilities	124,426	147,052	166,227	180,753
Total Liabilities	1,740,299	2,032,421	2,261,576	2,449,789
Capital Stock & APIC	29,310	29,241	29,241	29,241
Retained Earnings	166,995	157,157	179,548	202,412
Shareholders' Equity	252,245	256,603	281,271	309,886

VALUATION INDEX

	2022/12A	2023/12F	2024/12F	2025/12F
Price /Earnings	11.7x	12.7x	12.7x	12.7x
Price /Book Value	1.9x	2.3x	2.5x	2.5x
Price/Op. Revenue	3.8x	4.2x	4.6x	4.6x
PE/EPS Growth	0.5x	1.0x	0.7x	1.1x
EV/Operating Revenue	4.7x	5.3x	5.8x	5.7x
EV/PPOP	8.2x	9.4x	10.2x	10.1x
EV (IDR bn)	589,563	739,635	867,154	968,417
Op. Rev. CAGR (3-Yr)	12.3%	17.4%	11.9%	10.7%
EPS CAGR (3-Yr)	14.4%	39.5%	18.6%	14.2%
Basic EPS (IDR)	440	497	587	656
Diluted EPS (IDR)	440	497	587	656
BVPS (IDR)	2,697	2,743	3,007	3,313
Op. Revenue PS (IDR)	1,342	1,498	1,604	1,822
DPS (IDR)	264	282	348	411

CASH FLOW STATEMENT

(IDR bn)	2022/12A	2023/12F	2024/12F	2025/12F
Operating Cash Flow	76,150	36,710	71,050	73,712
Investing Cash Flow	(220,282)	(242,649)	(275,273)	(301,732)
Financing Cash Flow	153,478	210,327	202,707	225,979
Net Changes in Cash	9,346	4,388	(1,516)	(2,041)

Source: Bloomberg, NHKSI research

OWNERSHIP

By Geography	% Shareholders		%
Indonesia	76.93	Republic of Indonesia	52.00
United States	9.19	INA (Indonesian SWF)	8.21
Luxembourg	5.41	Vanguard Group	2.11
Others	8.47	Others	37.68

NH Korindo Sekuritas Indonesia (NHKSI) Stock Ratings

1. Based on a stock's forecasted absolute return over a period of 12 months from the date of publication.

2. Rating system based on a stock's potential upside from the date of publication

- Buy : Greater than +15%
- Overweight : +5% to 15%
- Hold : -5% to +5%
- Underweight : -5% to -15%
- Sell : Less than -15%

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