

# Bank Mandiri Tbk (BMRI)

## More Solid and Impressive Performance

BMRI scored a brilliant performance in 9M23, where 9M23 Net Profit was recorded at IDR 39.064 T, an increase of 27.4% YoY (9M22: IDR 30.653 T) and 9.15% QoQ (2Q23: IDR 12.672 T & 3Q23: IDR 13.832 T). BMRI's solid performance is shown by Net Interest Income (NII), which rose solidly in 9M23 to IDR 71.863T (9M22: IDR 63.985T, +12.3% YoY & +1.1% QoQ). PPOP on a quarterly basis declined -3.93% QoQ and on an annualized basis increased +15.4% YoY to IDR 62.355T in 9M23. BMRI's impressive performance can also be seen from its improving asset quality, as well as growing Non Interest Income. NIM level stood at 5.59% in 9M23 (+17 Bps YoY & +3 Bps QoQ).

### Outstanding Loan Achievement Grows Beyond Management's 2023 Guidance

- In terms of Loans, the nominal loan disbursement experienced an increase in this period, increased by 12.7% YoY and +3.45% QoQ to DR 1,315.9 (9M22: IDR 1,167.5 T; 6M23: IDR 1,272.1 T). The loan growth performance was quite impressive as it exceeded the upper limit based on BMRI management's guidance (FY2023: Loan growth 10%-12%). On a year-on-year basis, loan growth was almost in the double-digit range in all segments, except for the Corporate segment, which only grew 9.55%. The corporate segment is still BMRI's largest distribution base and main loan contributor. Other than the corporate segment, the Commercial Banking segment scored strong growth in disbursement in this period with QoQ +3.08% and YoY +18.6%.

### CASA Ratio and Moderately Increased Cost of Fund (CoF) as Liquidity Tightens

- Total Third Party Funds (DPK) increased by 1.5% QoQ and 6.6% YoY. The growth was mainly supported by BMRI's strong focus in the corporate segment as well as the solidified KOPRA platform, as CASA, especially giro deposits, grew to IDR 506.2T in 9M23 (+21.7% YoY; 9M22: IDR 416T and +1.7% QoQ; 6M23: IDR 497.6T). In addition, the surge in saving accounts also contributed to the growth of DPK which grew to IDR 564.1T (+5.8% YoY; 9M22: IDR 533.1T and +2.1% QoQ; 6M23 IDR 552.4T). Deposits (High Cost Fund) only grew 0.35% QoQ and decreased -7.46% YoY to IDR 381.4T in 9M23. CASA Ratio was stable at 73-74%. As the problem during the period was maintaining tight liquidity due to the high-interest rate era, the CoF level increased (CoF bank only 3Q23: 2.17%; 2Q23: 1.96%).

### Improved Performance Efficiency and Healthier Asset Quality

- An interesting highlight in this period is that Cost of Credit (CoC) dropped significantly by -50 YoY and -23 Bps QoQ to 0.96% (9M22: 1.46%; 6M23: 1.19%). The CoC realization as of 9M23 exceeds the guidance for FY2023, where CoC is at 1.1%-1.3%. For the rest of 2023, the newly revised guidance from BMRI management regarding CoC is for CoC to be at <1.1%. Speaking of efficiency, although the era of high-interest rates and Cost to Income Ratio experienced a slight increase of +12 Bps QoQ to 38.1%, however, branch optimization and efficiency carried out by BMRI are bearing fruit. For example, talking about customer acquisition, NTB (New To Bank) Livin' customer growth has increased to 21k per day (2Q23: 19.7k). This is also reflected in the upward trend in revenue per employee and assets per branch.
- Asset quality is getting healthier, as per 9M23, BMRI managed to record Gross Non-Performing Loan (NPL) level at 1.49%, down 75 Bps on an annualized basis and down 15 Bps on a quarterly basis. The healthy asset quality is supported by the stable NPL Coverage (LLR) level at 299% for 9M23 (YoY: +31%; 9M22: 268% & QoQ: +1%; 6M23: 304%).

### Buy Recommendation with a TP of IDR 6,900 (Upside +20.0%)

- NHKS Research recommends Buy for BMRI with a target price of IDR 6,900, which reflects a 23F P/BV of 2.3x. This is supported by the growth performance of the wholesale-retail banking segment and solid NIM achievement. The risks for this recommendation are the uncertain macro situation, increasing competition among banks, less-than-expected loan growth and performances, as well as declining 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	13.1x	13.9x	13.9x	13.9x
F P/BV	2.1x	2.7x	3.1x	3.2x
P/Op. Revenue	4.3x	4.6x	5.1x	5.0x
DPS (IDR)	264	282	348	411
Dividend yield	4.6%	4.1%	4.3%	4.5%

Source: Company Data, Bloomberg, NHKS Research

Please consider the rating criteria & important disclaimer

Company Report | Nov. 1 2023

# Buy

Target Price (IDR)	6,900
Consensus Price (IDR)	6,701
TP to Consensus Price	+3.0%
Potential Upside	+20.0%

### Shares data

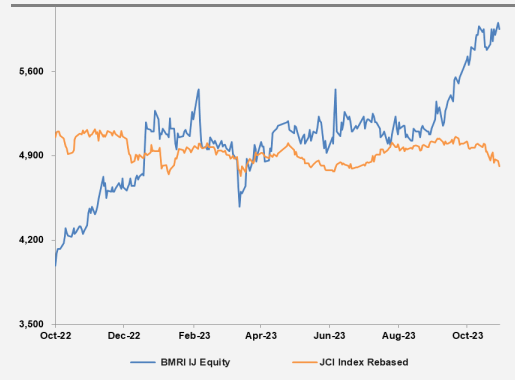
Last Price (IDR)	5,750
Price date as of	October 31, 2023
52 wk range (Hi/Lo)	6,200 / 4,450
Free float (%)	39.2
Outstanding sh.(mn)	93,333
Market Cap (IDR bn)	529,666
Market Cap (USD mn)	33,361
Avg. Trd Vol - 3M (mn)	78.28
Avg. Trd Val - 3M (bn)	460.90
Foreign Ownership	23.20%

### Financial Services

#### Banking

Bloomberg	BMRI IJ
Reuters	BMRI.JK

### Share Price Performance



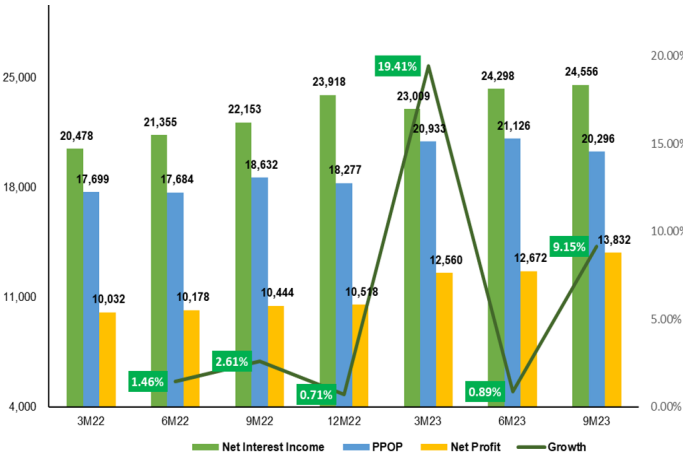
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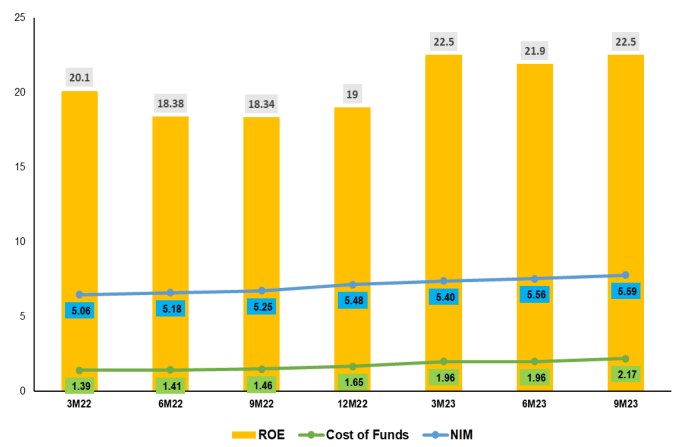
# Performance Highlights

## Financial Performance (IDR Billion)



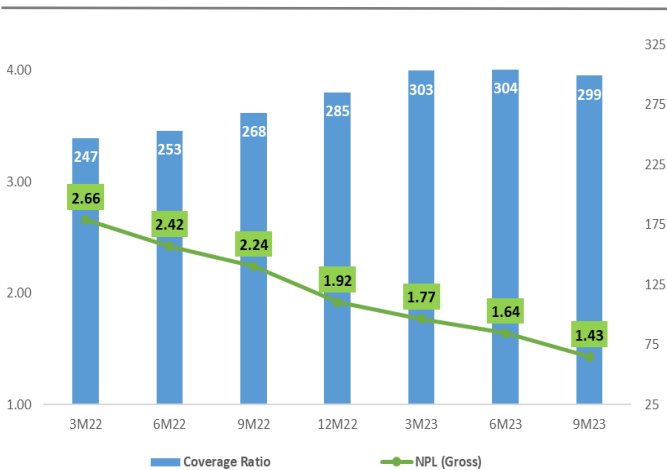
Source: Company, NHKSI Research

## Profitability Ratios (%)



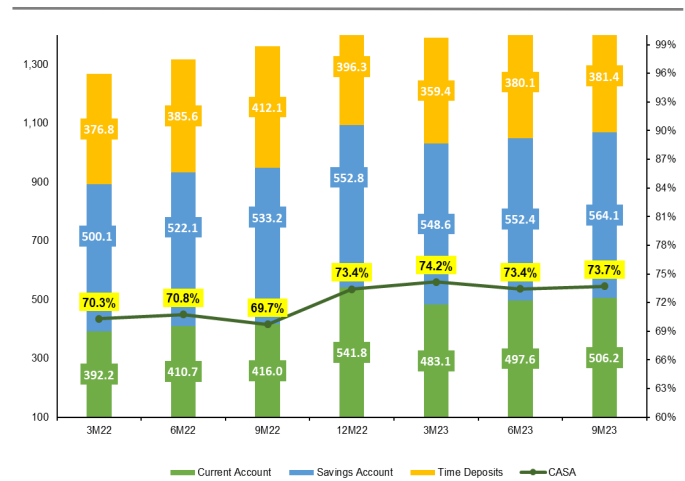
Source: Company, NHKSI Research

## Asset Quality (%)



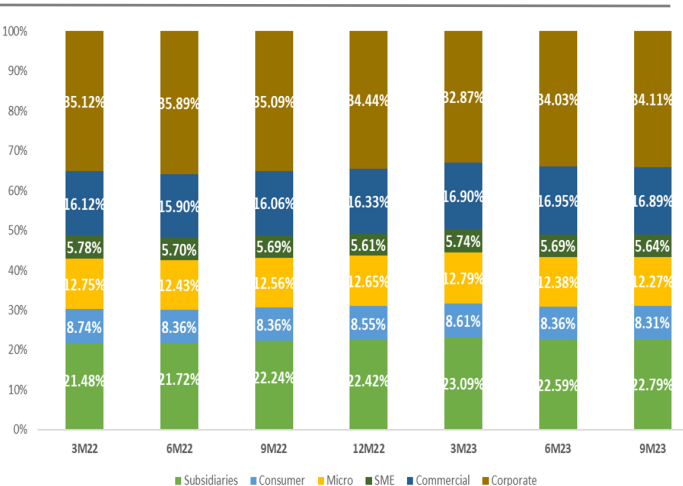
Source: Company, NHKSI Research

## 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
<b>Interest Income</b>	<b>112,382</b>	<b>127,722</b>	<b>141,527</b>	<b>160,303</b>
<i>Growth (% y/y)</i>	<i>15.0%</i>	<i>13.6%</i>	<i>10.8%</i>	<i>13.3%</i>
Interest Expenses	(24,479)	(30,234)	(37,122)	(40,824)
<b>Net Interest Income</b>	<b>87,903</b>	<b>97,488</b>	<b>104,405</b>	<b>119,480</b>
<i>Net Interest Margin</i>	<i>5.5%</i>	<i>5.6%</i>	<i>5.7%</i>	<i>5.7%</i>
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
<b>Operating Revenue</b>	<b>125,541</b>	<b>140,140</b>	<b>149,985</b>	<b>170,423</b>
Operating Expenses	(53,260)	(61,870)	(64,923)	(74,505)
<b>Pre-provisioning OP</b>	<b>72,281</b>	<b>78,270</b>	<b>85,062</b>	<b>95,918</b>
Provision for Impairment	(16,123)	(18,965)	(15,321)	(18,363)
<b>EBT</b>	<b>56,368</b>	<b>59,397</b>	<b>69,870</b>	<b>77,673</b>
Income Tax	(11,425)	(12,058)	(14,173)	(15,762)
Non-controlling Interest	(3,782)	(838)	(756)	(589)
<b>Net Profit</b>	<b>41,171</b>	<b>46,501</b>	<b>54,941</b>	<b>61,323</b>
<i>Growth (% y/y)</i>	<i>24.9%</i>	<i>13.0%</i>	<i>18.1%</i>	<i>11.6%</i>

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 (%)	4.6%	4.1%	4.3%	4.5%
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)	5,750	6,900	8,152	9,099
Market Cap (IDR tn)	537.8	645.4	762.5	851.1

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
<b>Total Assets</b>	<b>1,992,545</b>	<b>2,289,024</b>	<b>2,542,847</b>	<b>2,759,675</b>
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
<b>Total Liabilities</b>	<b>1,740,299</b>	<b>2,032,421</b>	<b>2,261,576</b>	<b>2,449,789</b>
Capital Stock & APIC	29,310	29,241	29,241	29,241
Retained Earnings	166,995	157,157	179,548	202,412
<b>Shareholders' Equity</b>	<b>252,245</b>	<b>256,603</b>	<b>281,271</b>	<b>309,886</b>

VALUATION INDEX				
	2022/12A	2023/12F	2024/12F	2025/12F
Price /Earnings	13.1x	13.9x	13.9x	13.9x
Price /Book Value	2.1x	2.5x	2.7x	2.7x
Price/Op. Revenue	4.3x	4.6x	5.1x	5.0x
PE/EPS Growth	0.5x	1.1x	0.8x	1.2x
EV/Operating Revenue	5.1x	5.7x	6.2x	6.1x
EV/PPOP	8.9x	10.2x	11.0x	10.9x
EV (IDR bn)	645,683	795,755	933,460	1,042,424
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
<b>Net Changes in Cash</b>	<b>9,346</b>	<b>4,388</b>	<b>(1,516)</b>	<b>(2,041)</b>

OWNERSHIP		
By Geography	% Shareholders	%
Indonesia	76.80	Republic of Indonesia 52.00
United States	10.26	INA (Indonesian SWF) 8.00
Luxembourg	4.82	Schroeders PLC 2.20
Others	8.12	Others 37.80

Source: Bloomberg, NHKSI research

## 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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