

Bank Mandiri Tbk (BMRI)

Stellar Performance in FY23

BMRI scored a stellar performance as their FY23 Net Profit recorded at IDR 55,064 T, an increase of 33.7% YoY (FY22: IDR 41,172 T, QoQ + 15.6%). This was supported by Net Interest Income (NII), which experienced a solid increase in FY23 to IDR 95,887 T (FY22: IDR 87,903T, YoY +9.08% & QoQ -2.17%). The other interesting thing to be highlighted is BMRI's Non Interest Income in FY23, which grew 15.5% YoY to IDR 40,648 T (FY22: IDR 35,180T), along with the Operating Expenses that had no significant increase, as it only rose by 1.14% YoY, thus pushing PPOP to increase 17.3% YoY to the level of IDR 84,791 T in FY23. Aside from the significant efficiency & growth of Non-Interest Income, lower provisioning costs contributed to BMRI's improved earnings in FY23. As for the NIM level of BMRI, it was recorded at 5.48% in FY23 (+1 Bps YoY), almost close to its pre-Covid-19 level performance.

Loan Disbursement Grows Beyond Management's Guidance for 2023

- BMRI's loan disbursement nominally increased beyond the guidance for 2023, whereas for FY23, it increased by 16.3% YoY to IDR 1,398T (FY22: IDR 1,202T). The loan growth performance is quite impressive as it exceeds the upper limit based on BMRI management's guidance (FY2023: Loan growth of 10-12%). On a YoY basis, loan growth was in the double-digit range across all segments. The Business Banking segments all posted impressive growth in disbursements, both Corporate which is the target of distribution & the largest contributor (YoY Growth: +18.3%), Commercial (YoY Growth +21.2%), and SME (YoY Growth +14%). Interestingly, BMRI's year-on-year lending growth was the highest compared to its peers in KBMI IV.
- For this FY23 period, BMRI managed to record a Gross Non-Performing Loan (NPL) level at 1.19% down 73 Bps on an annualized basis. Asset quality is supported by the stability of the NPL Coverage (LLR) level at 326% for FY23 (YoY: +41%; 3Q23: 299% & QoQ: +27%). LAR level is currently returning to pre Covid-19 level (FY23: 8.62%, -3.25% YoY).

Stable CASA Ratio and Moderately Increased Cost of Funds (CoF) due to High Interest Rate Era Season

- The total of third-party funds (DPK) increased by 5.78% YoY. The growth was mainly supported by CASA, as the current account deposits experienced a strong growth in both quarter and annualized basis in FY23 to IFR 585 T (+7.92% YoY; FY22: IDR 542T and +15.5% QoQ; 3Q23: IDR 506T). In addition, the surge in saving accounts also contributed to the growth of deposits, which increased to IDR 587 T (+6.19% YoY; FY22: IDR 553T and +4.06% QoQ; 3Q23 IDR 564T). Deposits (high cost funds) grew 6.25% QoQ and +2.26% YoY to IDR 405T in FY23. The challenge can be seen from the increase in Cost of Fund (CoF) both on YoY and QoQ basis, where YoY rose +52 Bps and QoQ +6 Bps to 1.91% for FY23 period. This was due to maintaining liquidity in an era of high interest rates due to the increase in interest expense to maintain deposits with special interest rates.

Improved Performance Efficiency, PPOP Grows Stronger

- Although CoF expense was relatively high, many other costs were successfully reduced. Cost of Credit (CoC) dropped significantly by -59 Bps YoY and -23 Bps QoQ to 0.85% (FY22: 1.44%; 3Q23: 1.19%). CoC realization for FY23 exceeded the guidance for FY2023, where CoC was recorded at 1.1%-1.3%. As for efficiency, it is evident from the Company's CIR, where the Cost to Income Ratio for FY23 fell by -36Bps YoY to 38.8% in FY23, although from 1Q23-4Q23 the CIR was stable in the range of 36-39%. This was also supported by some of BMRI's subsidiaries which showed a downward trend in CIR. One of the supporting factors is BMRI's operating expenses which only increased by 1.14% YoY, and also Non Interest Income which increased significantly, 15.5% YoY. The efficiency of this performance contributed to the increasing PPOP, which experienced an increase of +17.3% YoY.

Guidance from BMRI's Management for FY2024

- BMRI management indicated that loan growth is quite aggressive, despite the wait-and-see situation in FY2024, the loan growth target will be at 13-15% YoY. In addition, NIM level will be indicated to be quite stable in the range of 5.3-5.5%, where there are several efforts that will be made such as the possibility of repricing loans, increasing liquidity + stable CASA and improvement in lower CoF. As for CoC, it is indicated to be stable at 1.0-1.2%.

Overweight Recommendation with TP at IDR 7,800 (Upside +9.86%)

- NHKSI Research recommends an Overweight for BMRI with a target price of IDR 7,800, reflecting a 24F P/BV of 1.75x. 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 and political situation, increasingly competitive competition between banks, less-than-expected loan growth and performance expectations, as well as declining NIM.

Bank Mandiri Tbk | Summary (IDR bn)

In IDR Bn	2023/12A	2024/12F	2025/12F	2026/12F
Interest Income	132,544	154,610	164,285	181,353
Interest Income growth	17.9%	16.6%	6.3%	10.4%
Operating Revenue	138,604	151,492	165,075	188,609
Net profit	55,006	60,137	72,379	80,174
EPS (IDR)	588	643	774	857
EPS growth	33.6%	9.3%	20.4%	10.8%
BVPS (IDR)	3,074	3,448	4,007	4,528
Net Interest Margin	5.3%	5.4%	5.1%	5.3%
Loan/Deposits	79.8%	89.5%	89.2%	89.5%
NPL	1.9%	1.1%	1.0%	0.9%
ROE	22.9%	19.7%	20.8%	20.1%
ROA	3.0%	2.6%	2.9%	2.9%
P/E	12.1x	12.3x	12.3x	12.2x
F/PBV	2.3x	2.5x	2.8x	2.8x
P/Op. Revenue	4.8x	4.9x	5.4x	5.2x
DPS (IDR)	264	353	386	464
Dividend yield	3.7%	4.5%	4.1%	4.4%

Source: Company Data, Bloomberg, NHKSI Research

Please consider the rating criteria & important disclaimer

Company Report | Feb. 13 2024

Overweight

Target Price (IDR)	7,800
Consensus Price (IDR)	7,316
TP to Consensus Price	+6.62%
Potential Upside	+9.86%

Shares data

Last Price (IDR)	7,100
Price date as of	February 12, 2024
52 wk range (Hi/Low)	7,200 / 4,912
Free float (%)	39.2
Outstanding sh.(mn)	93,333
Market Cap (IDR bn)	655,666
Market Cap (USD mn)	41,944
Avg. Trd Vol - 3M (mn)	81.17
Avg. Trd Val - 3M (bn)	508.64
Foreign Ownership	23.74%

Financial Services

Banking

Bloomberg	BMRI.IJ
Reuters	BMRI.JK

Share Price Performance



	YTD	1M	3M	12M
Abs. Ret.	15.9%	8.0%	21.9%	37.9%
Rel. Ret.	9.4%	7.2%	15.2%	31.8%

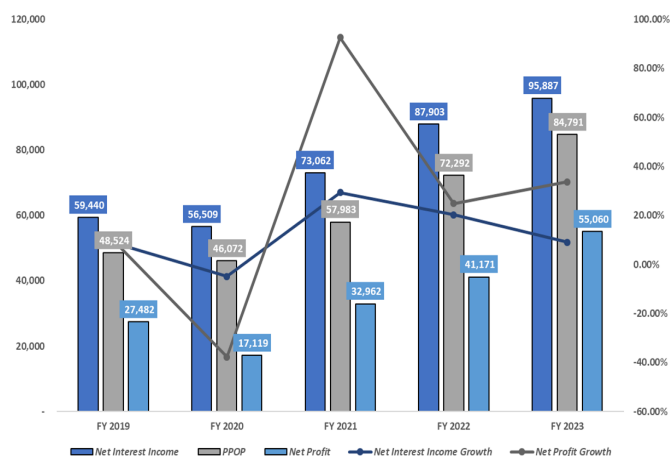
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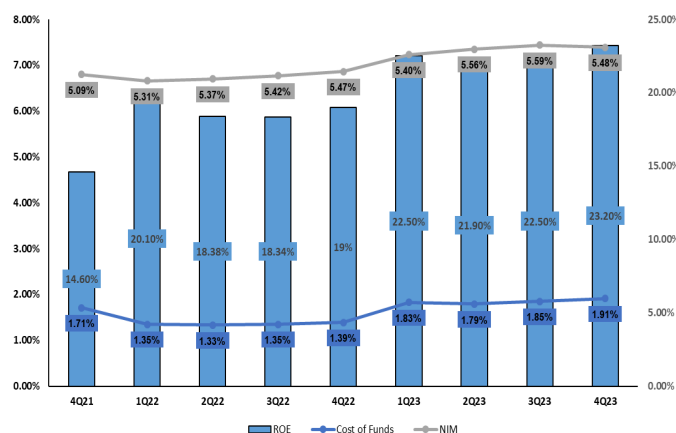
Performance Highlights

Financial Performance (IDR Billion)



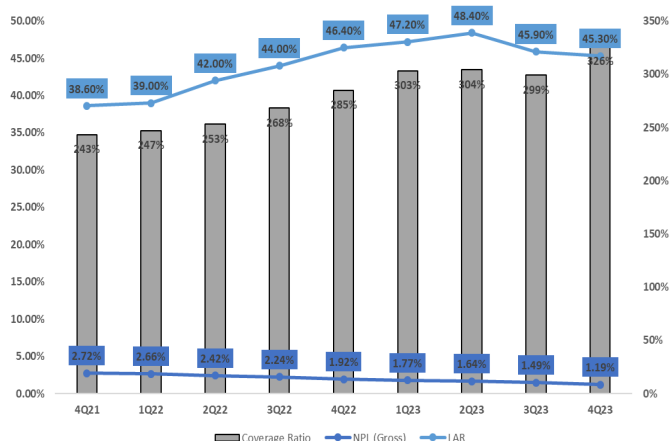
Source: Company, NHKSI Research

Profitability Ratios (In %)



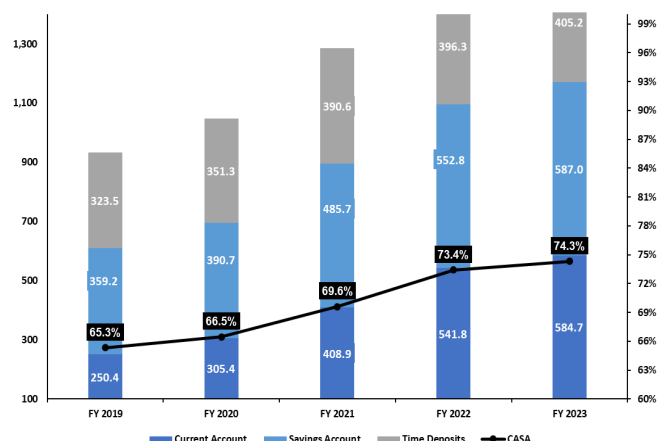
Source: Company, NHKSI Research

Asset Quality Getting Better (In %)



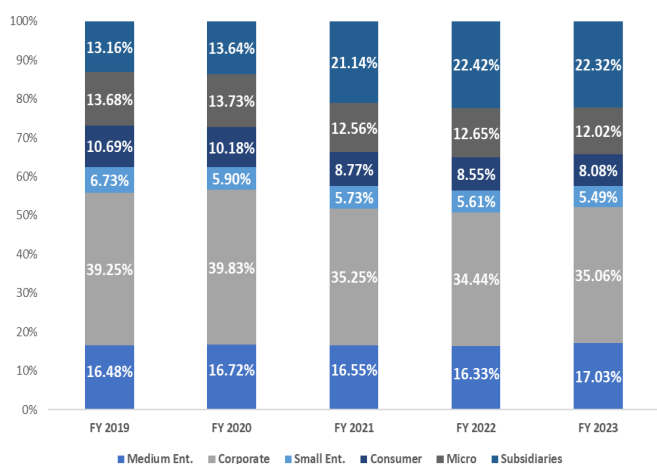
Source: Company, NHKSI Research

Third Party Fund (IDR Tn) & CASA Ratio (In %)



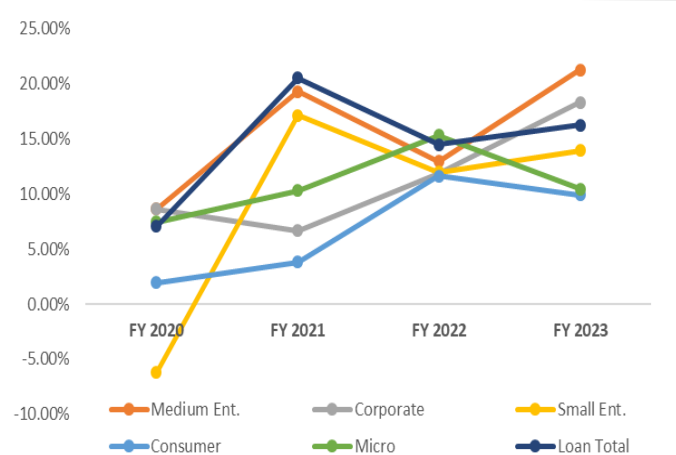
Source: Company, NHKSI Research

Loan Composition Breakdown (In %)



Source: Company, NHKSI Research

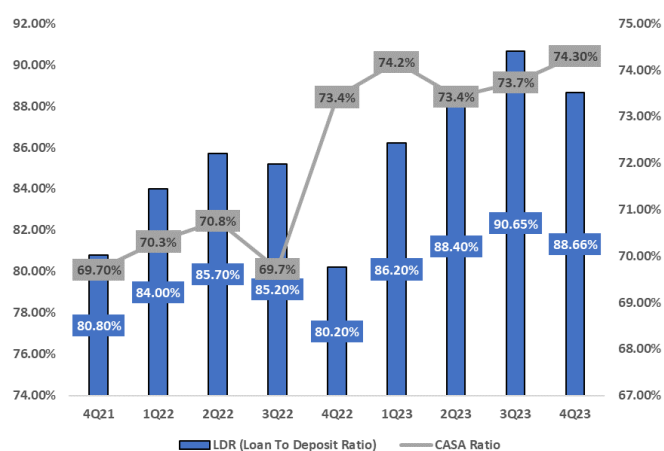
Loan Growth Movement (In % & YoY)



Source: Bloomberg, NHKSI Research

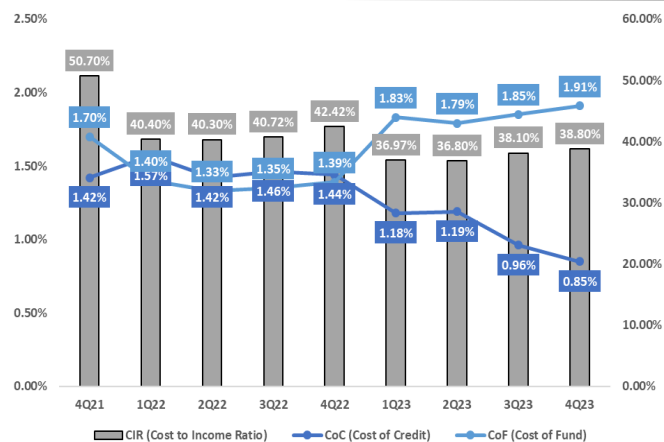
Performance Highlights

BMRI LDR vs CASA Ratio (In %)



Source: Company, NHKSI Research

BMRI CoF & CIR



Source: Company, NHKSI Research

BMRI F-PBV | Last 3 Years



Source: Company, NHKSI Research

Summary of Financials

INCOME STATEMENT				
(IDR bn)	2023/12A	2024/12F	2025/12F	2026/12F
Interest Income	132,544	154,610	164,285	181,353
Growth (% y/y)	17.9%	16.6%	6.3%	10.4%
Interest Expenses	(36,658)	(44,890)	(45,701)	(45,651)
Net Interest Income	95,887	109,720	118,584	135,702
Net Interest Margin	5.30%	5.39%	5.11%	5.27%
Net Fee Income	22,310	24,138	27,476	30,957
Trading Income	3,545	5,486	5,409	5,997
Other Operating Income	16,862	12,148	13,606	15,953
Operating Revenue	138,604	151,492	165,075	188,609
Operating Expenses	(53,867)	(57,567)	(57,776)	(70,329)
Pre-provisioning OP	84,736	93,925	107,299	118,280
Provision for Impairment	(10,149)	(12,232)	(8,873)	(9,393)
EBT	74,631	81,779	98,581	109,000
Income Tax	(14,633)	(16,412)	(19,698)	(21,676)
Non-controlling Interest	(4,992)	(5,229)	(6,504)	(7,150)
Net Profit	55,006	60,137	72,379	80,174
Growth (% y/y)	33.6%	9.3%	20.4%	10.8%

PROFITABILITY & STABILITY				
	2023/12A	2024/12F	2025/12F	2026/12F
ROE	20.4%	19.7%	20.8%	20.1%
ROA	2.6%	2.6%	2.9%	2.9%
Non-Int. Inc. /Op. Rev	30.8%	27.6%	28.2%	28.1%
Cost/Income	38.9%	38.0%	35.0%	37.3%
Cash Dividend (IDR bn)	32,588	33,004	36,082	43,427
Dividend Yield (%)	4.9%	4.5%	4.1%	4.5%
Payout Ratio (%)	59.2%	54.9%	49.9%	54.2%
Loan/Deposits	87.8%	89.5%	89.2%	89.5%
Loan/Assets	64.3%	66.3%	65.7%	65.7%
NPL	1.18%	1.05%	0.95%	0.88%
Loan Loss Res./Loan	3.9%	2.7%	2.5%	2.3%
CASA/Deposits	74.3%	75.4%	76.2%	76.4%
Time Deposits/Deposits	25.7%	24.6%	23.8%	23.6%
Par Value (IDR)	250	250	250	250
Total Shares (mn)	93,533	93,533	93,533	93,533
Share Price (IDR)	7,100	7,800	9,375	10,375
Market Cap (IDR tn)	664.1	729.6	876.9	970.4

BALANCE SHEET				
(IDR bn)	2023/12A	2024/12F	2025/12F	2026/12F
Cash	26,432	25,415	29,846	26,815
Placement in Banks	219,066	215,025	247,412	250,896
Net Loans	1,344,189	1,536,570	1,709,955	1,867,578
Investment	428,249	435,630	470,798	538,722
Fixed Asset	57,978	64,259	70,189	76,795
Other Assets	98,305	104,366	138,916	148,256
Total Assets	2,174,219	2,381,264	2,667,116	2,909,061
Deposits	1,595,415	1,764,473	1,966,191	2,134,110
Debt	146,178	147,462	161,041	172,689
Other liabilities	145,131	146,790	165,056	178,785
Total Liabilities	1,886,724	2,058,725	2,292,288	2,485,584
Capital Stock & APIC	29,310	29,310	29,310	29,310
Retained Earnings	197,304	224,437	260,734	297,481
Shareholders' Equity	287,495	322,538	374,829	423,477

VALUATION INDEX				
	2023/12A	2024/12F	2025/12F	2026/12F
Price /Earnings	12.1x	12.1x	12.1x	12.1x
Price /Book Value	2.3x	2.3x	2.3x	2.3x
Price/Op. Revenue	4.8x	4.8x	5.3x	5.1x
PE/EPS Growth	0.4x	1.3x	0.6x	1.1x
EV/Operating Revenue	5.8x	5.9x	6.4x	6.2x
EV/PPOP	9.6x	9.4x	9.8x	9.9x
EV (IDR bn)	810,475	886,644	1,055,576	1,176,259
Op. Rev. CAGR (3-Yr)	16.1%	20.4%	15.5%	14.5%
EPS CAGR (3-Yr)	26.0%	52.0%	30.0%	24.9%
Basic EPS (IDR)	588.09	642.95	773.83	857.17
Diluted EPS (IDR)	588	643	774	857
BVPS (IDR)	3,073.72	3,448.38	4,007.43	4,527.55
Op. Revenue PS (IDR)	1,482	1,620	1,765	2,016
DPS (IDR)	348	353	386	464

CASH FLOW STATEMENT				
(IDR bn)	2023/12A	2024/12F	2025/12F	2026/12F
Operating Cash Flow	71,751	87,880	90,310	94,161
Investing Cash Flow	(201,946)	(217,450)	(221,087)	(222,234)
Financing Cash Flow	129,414	128,553	135,208	125,041
Net Changes in Cash	(781)	(1,017)	4,431	(3,031)

OWNERSHIP		
By Geography	% Shareholders	%
Indonesia	76.26	Republic of Indonesia
United States	11.15	INA (Indonesian SWF)
Luxembourg	4.58	Capital Group
Others	7.75	Others

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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