

## Bank Mandiri (BMRI)

## 1Q23 result beats estimates

27 April 2023



<b>BMRI IJ</b>	<b>BUY</b>
Sector	Banks
Price at 27 April 2023 (IDR)	5,200
Price target (IDR)	6,110
Upside/Downside (%)	17.5

## Stock Information

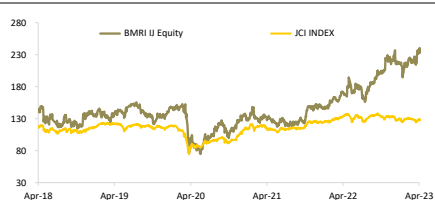
PT Bank Mandiri (Persero) Tbk (Persero) Tbk is a state-owned bank offering a range of banking products and services to its customers from individuals and SMEs to corporations. The bank is formed by a merger of four state-owned banks.

Market cap (IDR bn)	485,333
Shares outstanding (mn)	93,333
52-week range (Rp)	3,588-5,500
3M average daily vol. ('000)	100,978
3M average daily val. (Rp mn)	514,544

## Shareholders (%)

Republic of Indonesia	52.0
Public	48.0

## Stock Performance



Source: Bloomberg

	1M	3M	12M
Performance (%)	2.0	3.7	26.4

## Analyst(s)

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BMRI recorded a solid 1Q23 result, with earnings surpassing our and street forecasts at 102.9%/104.6%. Profitability metrics and asset quality remain undamaged and moving within the improvement trajectory. Our '23F PATMI for BMRI (+12.5% yoy) is rather conservative than consensus at 13.8% yoy. We also like BMRI for its well-managed asset quality which could provide room to further records lower CoC. Maintain BUY with DDM-based TP of IDR6,110 (2.3x '23F P/B) while it is trading at 1.9x '23F P/B, or below +1SD of 10-year historical mean of 2.5x.

## 1Q23 earnings arrives above ours and consensus

BMRI booked solid 1Q23 earnings at IDR12.56 tn, or grew by 25.2% yoy and forming around 27.1% and 26.8% to our and consensus' expectations of IDR 46.3 tn and IDR46.85 tn. NPAT growth was mainly driven by 12.4% yoy and 18.3% yoy growths in net interest income and PPOP coupled with the helped from 7.7% yoy drop in provision expenses. On quarterly basis, NPAT grew 19.4% yoy and beating KBVs and street forecasts at 102.9%/104.6%, respectively. Despite net interest income came in lower by 3.8% qoq, overall earnings growth in 1Q23 was primarily underpinned by a sharp drop in operating expenses and provisions by 26.1% qoq and 13.7% qoq.

## Loan growth surpassing ours and BMRI '23F guidance

Albeit flattish on qoq basis, BMRI saw healthy loan growth at 12.4% yoy to IDR1,205.46 tn and beating FY23 management's guidance of 10-12% yoy and our expectation of 10.3% yoy. Corporate segment loan (+5.2% yoy) remains as the backbone and contributes approximately 33% to total loan while commercial loan saw higher portion by 57bps to 16.9% and grew strongly at 17.7% yoy. Likewise for consumer loan segment which recorded 10.8% yoy growth. Both segments' solid growth were in line with BMRI '23F guidance which is expected to be supported by value-chain base and higher-yield segments in commercial, consumer, micro and SME (micro and SME segment loan growth in 1Q23 was at 12.7% yoy and 11.7% yoy).

## Improving key performance metrics across the boards

BMRI saw better 1Q23 cost of credit (CoC) and non-performing loan (NPL), as a result of continuing improvement in asset quality. 1Q23 cost of credit was at 1.18%, 39bps better vs 1.57% in 1Q22 and arrived far below management's guidance of 1.3-1.5% (KBVs '23F CoC: 1.34%). NPL also saw a better figures at 1.77% from 2.66% in 1Q22 or improved by 89bps yoy. The bank maintains its credit cost guidance in the range of 1.3-1.5%, which will be driven by ample coverage ratio and improvement asset quality as well as stable macro environment expectation. On profitability metrics, NIM expanded at 5.40% from 5.31% in 1Q22 while the management forecasts '23F NIM to hovers at 5.3-5.6%, driven by loan repricing, higher LDR, stable CASA ratio and manageable cost of fund.

## Expecting '23F earnings growth of 12.5% yoy

Our expectation of BMRI's solid performance in '23F is supported by its solid loan growth, stable NIM figures and ongoing manageable cost of credit. We forecast BMRI's net interest income to grow 12.1% yoy in '23F supported by interest income growth of 10.7% yoy, as we expect higher yield on the back of repricing opportunity, stable CASA ratio and manageable cost of fund. We also expect BMRI earnings growth will be also underpinned by 9% yoy growth in non-interest income, coupled with the help from controllable operating expenses at 8% yoy which could bring PPOP to grow by 13.4%yoy. Our '23F PATMI for BMRI is around 1.33pts more conservative than consensus at 13.8% yoy.

## Maintain BUY with Target Price of IDR6,110

Our intrinsic value is based on Gordon Growth Model with fair '23F P/B of 2.3x. BMRI is currently trading at 1.9x '23F P/B, or below its +1SD 10-year historical mean of 2.5x. Risks to our call are: a) lower-than-expected loan growth, NIM and loan yield, b) higher than expected CoC and c) higher inflation, slowing economic activity and d) deteriorating asset quality.

## Key Statistics

Year-end Dec	2021A	2022A	2023F	2024F	2025F
Net interest income	73,062	87,903	98,529	112,247	123,205
Non-interest income	34,061	37,648	40,883	43,482	46,985
Total operating income	107,124	125,551	139,411	155,729	170,190
Pre-provision operating profit	57,984	72,291	81,994	93,343	103,437
Net profit	28,028	41,171	46,309	48,711	51,916
EPS (IDR)	300	441	496	522	556
EPS growth (%)	66.8	46.9	12.5	5.2	6.6
PER (x)	17.3	11.8	10.5	10.0	9.3
PBV (x)	2.4	2.1	1.9	1.9	1.8
Div. Yield (%)	3.5	5.9	6.7	6.0	6.4
ROE (%)	14.2	19.0	19.3	19.5	20.0

Source: Company, KB Valbury Sekuritas

**Figure 1: BMRI's Financial Overview**

Income Statements (IDR bn)	3M22	3M23	YoY (%)	1Q22	1Q23	YoY (%)	4Q22	QoQ (%)	2023F	Achievement (%)
<b>Net interest income</b>	20,478	23,009	12.4	20,478	23,009	12.4	23,918	(3.8)	98,529	23.4
Non-interest income	9,234	10,200	10.5	9,234	10,200	10.5	10,969	(7.0)	40,883	24.9
Total operating income	29,712	33,209	11.8	29,712	33,209	11.8	34,887	(4.8)	139,411	23.8
Total operating expenses	(12,013)	(12,276)	2.2	(12,013)	(12,276)	2.2	(16,610)	(26.1)	(57,417)	21.4
<b>PPoP</b>	17,699	20,933	18.3	17,699	20,933	18.3	18,277	14.5	81,994	25.5
Loan loss provisions	(4,002)	(3,692)	(7.7)	(4,002)	(3,692)	(7.7)	(4,280)	(13.7)	(19,905)	18.5
<b>Net profit</b>	10,032	12,560	25.2	10,032	12,560	25.2	10,518	19.4	46,309	27.1

Source : Company

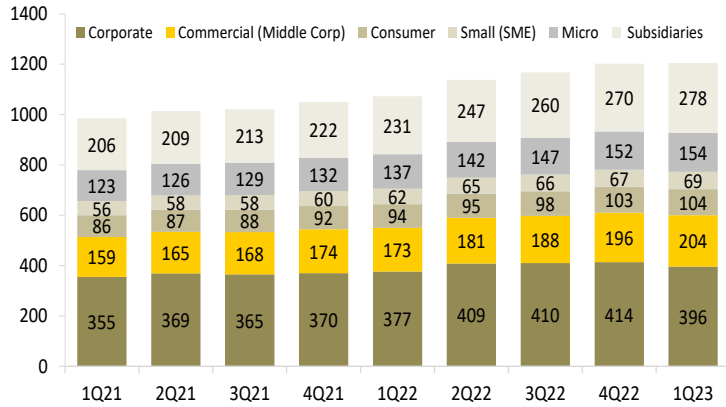
Balance Sheet (IDR bn)	3M22	3M23	YoY (%)	1Q22	1Q23	YoY (%)	4Q22	QoQ (%)
Gross loans	1,072,852	1,205,464	12.4	1,072,852	1,205,464	12.4	1,202,230	0.3
Current accounts	392,161	483,111	23.2	392,161	483,111	23.2	541,801	(10.8)
Saving deposits	500,096	548,637	9.7	500,096	548,637	9.7	552,752	(0.7)
Time deposits	376,751	359,401	(4.6)	376,751	359,401	(4.6)	396,291	(9.3)
Total equity	213,360	241,645	13.3	213,360	241,645	13.3	252,246	(4.2)

Source : Company

Financial Ratios (%)	3M22	3M23	YoY (%)	1Q22	1Q23	YoY (%)	4Q22	QoQ (%)
LDR	84.0	86.2	2.2	84.0	86.2	2.2	80.2	6.0
CASA	70.3	74.2	3.9	70.3	74.2	3.9	73.4	0.8
NPL gross	2.7	1.8	(0.9)	2.7	1.8	(0.9)	1.9	(0.2)
NIM	5.3	5.4	0.1	5.3	5.4	0.1	5.5	(0.1)
ROE	20.1	22.5	2.4	20.1	22.5	2.4	19.0	3.5
ROA	2.3	2.6	0.3	2.3	2.6	0.3	2.2	0.4

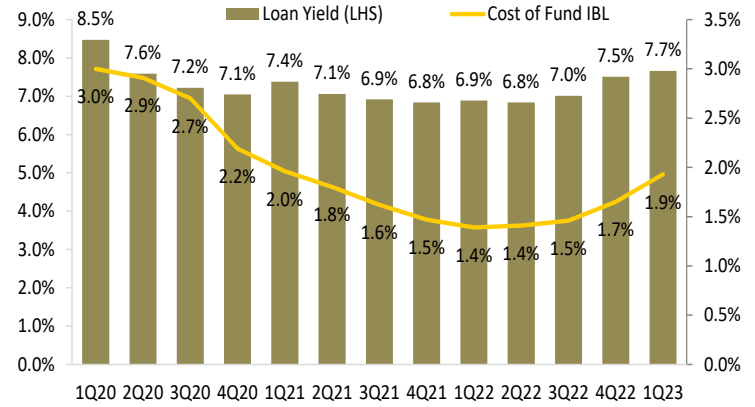
Source : Company

**Figure 2: Higher Corporate loan segmentation (IDRtn)**



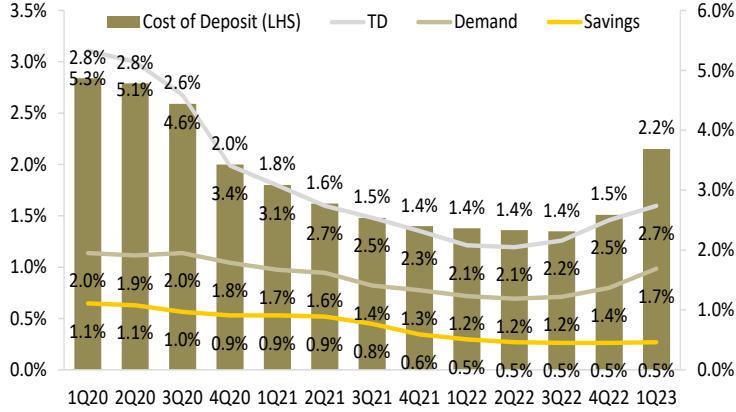
Source: Company, KB Valbury Sekuritas

**Figure 3: CoF and Loan Yield room adjustment remain healthy (%)**



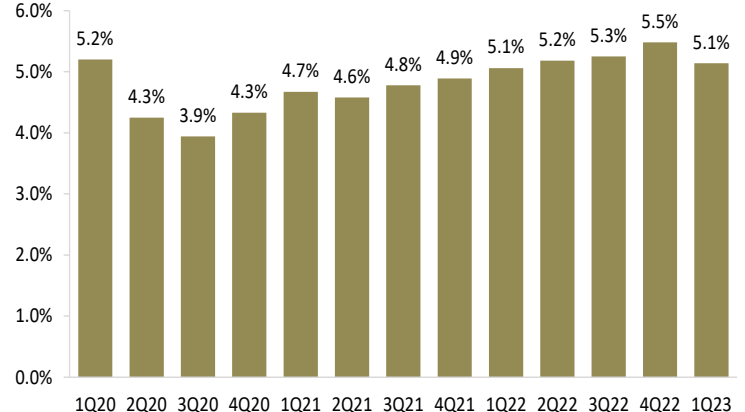
Source: Company, KB Valbury Sekuritas

**Figure 4: Cost of DD, SA and TD (%)**



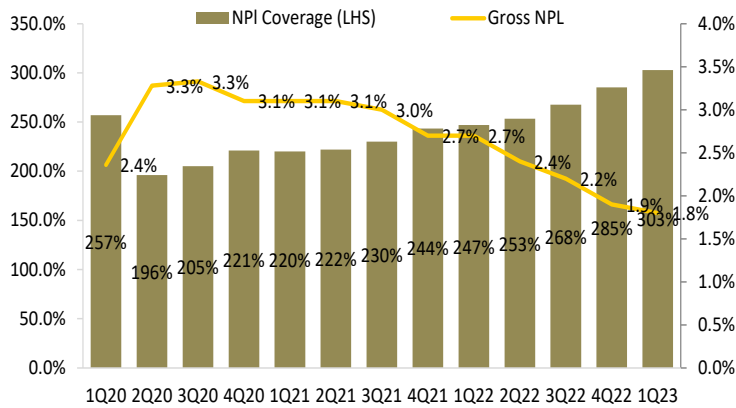
Source: Company, KB Valbury Sekuritas

**Figure 5: NIM consistently improved in four straight quarters**



Source: Company, KB Valbury Sekuritas

**Figure 6: Asset quality continuously trending up with stronger coverage**



Source: Company, KB Valbury Sekuritas

**Figure 7: Currently at 2.0x 2023F P/B, below +1SD 10-year historical mean**



Source: Company, KB Valbury Sekuritas

# Bank Mandiri (BMRI)

## FINANCIAL TABLES

### CONSOLIDATED STATEMENTS OF PROFIT OR LOSS

Year End Dec (IDR bn)	2021A	2022A	2023F	2024F	2025F
Interest income	97,749	112,382	124,409	138,314	153,144
Interest expenses	(24,687)	(24,479)	(25,880)	(26,067)	(29,939)
Net interest income	73,062	87,903	98,529	112,247	123,205
Non-interest income	34,061	37,648	40,883	43,482	46,985
Total operating income	107,124	125,551	139,411	155,729	170,190
Operating expenses	(49,140)	(53,260)	(57,417)	(62,386)	(66,753)
Pre-provision operating profit	57,984	72,291	81,994	93,343	103,437
Loan loss provision	(19,543)	(16,123)	(19,905)	(23,287)	(25,400)
Pretax profit	38,358	56,378	62,299	70,087	78,070
Tax Expenses	(7,807)	(11,425)	(12,875)	(17,522)	(19,908)
Minorities interest	(2,523)	(3,782)	(3,115)	(3,855)	(6,246)
Net profit	28,028	41,171	46,309	48,711	51,916

Source: Company, KB Valbury Sekuritas

### CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

Year End Dec (IDR bn)	2021A	2022A	2023F	2024F	2025F
<b>Assets</b>					
Cash	23,948	27,213	30,887	32,878	34,334
Current Account at BI	99,023	107,349	125,530	117,121	128,617
Interbank Loans	73,201	143,110	157,888	125,487	128,617
Govt Treasury Bills & Securities	289,055	329,212	221,043	217,511	232,225
Investment Securities	98,104	82,800	110,211	104,810	88,429
Loan	980,963	1,136,868	1,261,930	1,406,634	1,539,873
Fixed Assets	49,145	56,541	57,241	57,941	58,641
Other assets	112,172	109,452	136,232	143,351	151,109
Total Asset	1,725,611	1,992,545	2,100,962	2,205,733	2,361,844
<b>Liabilities</b>					
Interbank Deposit	13,811	15,781	7,894	8,366	8,932
Customer Deposit	1,291,176	1,490,845	1,578,880	1,673,162	1,786,349
Debts Securities Issued	45,138	45,774	47,366	50,195	53,590
Other Liabilities	153,375	187,899	189,650	192,127	205,374
Total liabilities	1,503,500	1,740,299	1,823,791	1,923,850	2,054,245
<b>Equity</b>					
Capital Stock	11,667	11,667	11,667	11,667	11,667
Additional Paid-in Capital	17,643	17,643	17,643	17,643	17,643
Retained Earnings	142,588	166,995	184,485	200,779	223,469
Other Equity	32,789	33,374	35,667	18,943	16,828
Shareholder's Equity	204,687	229,679	249,462	249,032	269,607
Non-controlling Interest	17,425	22,567	27,709	32,851	37,993
Total Equity	222,111	252,245	277,171	281,883	307,600

Source: Company, KB Valbury Sekuritas

### RATIO ANALYSIS

Year End Dec	2021A	2022A	2023F	2024F	2025F
NIM (%)	5.1	5.4	5.5	5.7	6.4
LDR (%)	81.3	80.6	84.0	87.8	89.5
CASA (%)	69.7	73.4	74.5	75.6	76.5
NPL (%)	2.7	1.9	2.5	2.2	2.2
ROAE (%)	14.2	19.0	19.3	19.5	20.0
ROAA (%)	1.7	2.2	2.3	2.3	2.3
CAR (%)	19.6	19.5	20.1	20.5	21.0
BVPS (IDR)	2,193	2,461	2,673	2,668	2,889
PER (x)	17.3	11.8	10.5	10.0	9.3
PBV (x)	2.4	2.1	1.9	1.9	1.8
Div. Yield (%)	3.5	5.9	6.7	6.0	6.4

Source: Company, KB Valbury Sekuritas

## Bank Mandiri (BMRI)

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