

Bank Mandiri

BUY (unchanged)

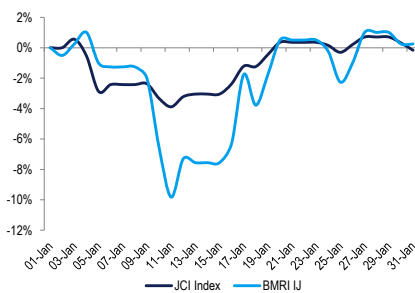
Company Update | Banks | BMRI IJ | 31 January 2023

Stock Data

| | |
|---------------------------|----------|
| Target price | Rp11,800 |
| Prior TP | Rp11,500 |
| Current price | Rp9,950 |
| Upside/downside | +18.6% |
| Shares outstanding (mn) | 46,667 |
| Market cap (Rp bn) | 464,333 |
| Free float | 38% |
| Avg. 6m daily T/O (Rp bn) | 520 |

Price Performance

| | 3M | 6M | 12M |
|-------------------|----------------|-------|-------|
| Absolute | -5.7% | 24.8% | 33.1% |
| Relative to JCI | -2.0% | 26.6% | 30.0% |
| 52w low/high (Rp) | 7,175 – 10,900 | | |



Major Shareholders

| | |
|--------------------------------|-----|
| Republic of Indonesia | 52% |
| Indonesia Investment Authority | 8% |

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4Q22 results: beat from stellar NIM and PPOP; current multiple is undervalued

- FY22 net profit of Rp41.2tr (+47% yoy) was ahead. Both NII and PPOP grew by 20% and 25% yoy, the strongest among big banks.
- Lower provisioning (-17% yoy) was attributed to better asset quality. NPL/LAR improved to 1.9/11.7% in 4Q22 vs. 2.7/17.4% in 4Q21.
- NIM improved to 5.5% in FY22 (+40/20bp yoy/qoq) from repricing. Loan growth was also the strongest. Upgrade our EPS and TP.

Strongest PPOP growth among big banks

FY22 net profit of Rp41.2tr (+47% yoy/+1% qoq) was ahead at 108%/104% of our/consensus estimates. Headline PPOP was robust at +25% yoy/-2% qoq (highest among big banks) as strong NII (+20% yoy/+8% qoq) was complemented by mild opex (+8% yoy/+31% qoq). Concurrently, provision also improved (-17% yoy/+2% qoq) which result in lower CoC at 1.4% in FY22 vs. 2.1% in FY21 – at the lower end of its guidance of 1.4-1.7%. It guides for 1.3-1.5% CoC in FY23F, which we think is conservative.

Robust NIM in FY22, ample upside in FY23F guidance

NIM improved to 5.5% in FY22 (vs. 5.1/5.4% in FY21/9M22) on the back of loan repricing (+70bp yoy/+50bp qoq) and low CoF (+10bp yoy/+15bp qoq). This was quite a feat considering its LDR only stood at 80% in 4Q22 (vs. 81%/85% in 4Q21/3Q22). Deposit grew at 15% yoy (+10% qoq) driven by CASA (+22% yoy/+15% qoq), while TD was relatively flat (+1% yoy/-4% qoq). It conservatively guides for NIM of 5.3-5.6% in FY23 which suggests plenty of upside given the current pace of repricing.

Strong loan growth across segments

Loan grew 14% yoy (+3% qoq), primarily supported by subsidiaries (mostly from BSI) at 21% yoy (+4% qoq); while other segments posted low to mid-teens yoy growth. It guides for 10-12% growth in FY23.

Improving asset quality with sufficient provisioning

NPL improved to 1.9% in 4Q22 vs. 2.2% in 3Q22 (2.7% in 4Q21) while loan-at-risk (LAR) also improved to 11.7% in 4Q22 vs. 13.4% in 3Q22 (17.4% in 4Q21) with LAR coverage stood at 46% in 4Q22 (vs. 44/39% in 3Q22/4Q21).

Maintain Buy with higher TP

We raise our EPS by 13/12% for FY23/24F on the back of better NIM outlook. This also resulted in higher TP of Rp11,800 based on 2x P/B (ROAE: 18%, Ke: 14%) – note we expect BMRI's ROAE to reach 18.5% by FY23F and 19% in FY24F (higher if it increases its dividend payout). It currently trades at 1.7x FY23F P/BV (10-year average: 1.7x). Risk is slow loan repricing.

| Financial Summary (Rp bn) | 2021A | 2022A | 2023F | 2024F | 2025F |
|---------------------------|----------|----------|----------|----------|----------|
| Net interest income | 73,062 | 87,903 | 99,911 | 109,640 | 120,181 |
| PPOP | 57,984 | 72,291 | 81,036 | 90,035 | 100,274 |
| Provision charges | (19,543) | (16,123) | (19,115) | (21,207) | (23,328) |
| Net profit | 28,028 | 41,171 | 48,533 | 53,981 | 60,345 |
| Net profit growth | 64% | 47% | 18% | 11% | 12% |
| P/BV (x) | 2.1 | 1.8 | 1.7 | 1.5 | 1.4 |
| Dividend yield | 2.2% | 3.6% | 5.3% | 6.3% | 7.0% |
| ROAE | 13.5% | 17.4% | 18.4% | 18.7% | 19.2% |
| Forecast changes | | | 13% | 12% | NA |
| IPS vs. consensus | | | 108% | 110% | 121% |

Source: Company, Indo Premier

Share price closing as of: 31 January 2023

Fig. 1: BMRI 4Q22 results summary

| BMRI 4Q22 result (Rp bn) | FY22 | FY21 | yoy% | 4Q22 | 4Q21 | yoy% | 3Q22 | %QoQ | IPS FY22F | % of IPS | Cons FY22F | % of Cons. |
|-----------------------------|----------------|----------------|------------|---------------|---------------|------------|---------------|------------|----------------|-------------|---------------|---------------|
| Interest Income | 112,382 | 97,749 | 15% | 31,123 | 25,480 | 22% | 28,325 | 10% | 108,798 | 103% | | |
| Interest Expenses | (24,479) | (24,687) | -1% | (7,205) | (5,735) | 26% | (6,172) | 17% | (31,229) | 78% | | |
| Net interest income | 87,903 | 73,062 | 20% | 23,918 | 19,745 | 21% | 22,153 | 8% | 77,569 | 113% | | |
| Non interest income | 37,648 | 34,061 | 11% | 10,969 | 8,941 | 23% | 9,201 | 19% | 40,741 | 92% | | |
| Total Income | 125,551 | 107,123 | 17% | 34,887 | 28,686 | 22% | 31,354 | 11% | 118,310 | 106% | | |
| Overhead Expenses | (53,260) | (49,140) | 8% | (16,610) | (14,537) | 14% | (12,722) | 31% | (53,118) | 100% | | |
| Pre-provision profit | 72,291 | 57,983 | 25% | 18,277 | 14,149 | 29% | 18,632 | -2% | 65,192 | 111% | | |
| Loan loss provision | (16,123) | (19,543) | -17% | (4,280) | (3,103) | 38% | (4,188) | 2% | (16,534) | 98% | | |
| Non Operating | 210 | (82) | -356% | 188 | (99) | -290% | (8) | -2450% | 1,453 | 14% | | |
| Pretax Profit | 56,378 | 38,358 | 47% | 14,185 | 10,947 | 30% | 14,436 | -2% | 50,112 | 113% | 54,407 | 104% |
| Taxes | (15,207) | (10,330) | 47% | (3,667) | (2,148) | 71% | (3,992) | -8% | (12,031) | 126% | | |
| Net Profit | 41,171 | 28,028 | 47% | 10,518 | 8,799 | 20% | 10,444 | 1% | 38,080 | 108% | 39,539 | 104% |

Source: Company, Indo Premier

Fig. 2: BMRI 4Q22 balance sheet summary

| Balance Sheet (Rp bn) | 4Q22 | 4Q21 | %YoY | 3Q22 | %QoQ |
|-------------------------------|------------------|------------------|------------|------------------|------------|
| Cash + CA with BI | 277,696 | 196,199 | 42% | 180,000 | 54% |
| Secondary Reserves | 423,718 | 414,475 | 2% | 418,718 | 1% |
| Gross Loan | 1,202,230 | 1,050,157 | 14% | 1,167,518 | 3% |
| Loan loss provisions | (65,362) | (69,194) | -6% | (69,569) | -6% |
| Other assets | 154,263 | 133,974 | 15% | 142,669 | 8% |
| Total Assets | 1,992,545 | 1,725,611 | 15% | 1,839,336 | 8% |
| Demand Deposits | 541,801 | 413,073 | 31% | 416,012 | 30% |
| Saving deposits | 552,752 | 486,853 | 14% | 533,153 | 4% |
| CASA | 1,094,553 | 899,926 | 22% | 949,165 | 15% |
| Time Deposits & CD | 396,291 | 391,251 | 1% | 412,133 | -4% |
| Deposit from Customers | 1,490,844 | 1,291,177 | 15% | 1,361,298 | 10% |
| Wholesale funding | 161,136 | 204,687 | -21% | 159,011 | 1% |
| Other liabilities&accrued | 88,319 | 17,425 | 407% | 87,640 | 1% |
| Total Liabilities | 1,740,299 | 1,503,500 | 16% | 1,607,949 | 8% |
| Equity | 252,246 | 222,112 | 14% | 231,387 | 9% |

Source: Company, Indo Premier

Fig. 3: BMRI 4Q22 key ratios

| Key Ratios (%) | 1Q20 | 2Q20 | 3Q20 | 4Q20 | 1Q21 | 2Q21 | 3Q21 | 4Q21 | 1Q22 | 2Q22 | 3Q22 | 4Q22 |
|----------------------------------|------|------|------|------|------|------|------|------|------|------|------|------|
| Loan yield - reported, bank only | 8.5 | 7.6 | 7.2 | 7.1 | 7.4 | 7.1 | 6.9 | 6.8 | 6.9 | 6.8 | 7.0 | 7.5 |
| Cost of funds (C) - reported | 3.0 | 2.9 | 2.8 | 2.7 | 2.0 | 1.9 | 1.8 | 1.7 | 1.4 | 1.3 | 1.4 | 1.4 |
| NIM (Q) - reported | 5.2 | 4.3 | 3.9 | 4.3 | 4.7 | 4.6 | 4.8 | 4.9 | 5.1 | 5.2 | 5.3 | 5.5 |
| NIM (C) - reported | 5.4 | 4.9 | 4.7 | 4.7 | 5.1 | 5.1 | 5.0 | 5.1 | 5.3 | 5.4 | 5.4 | 5.5 |
| Credit costs (C) - reported | 1.3 | 2.2 | 2.2 | 2.4 | 2.4 | 2.3 | 2.3 | 2.1 | 1.6 | 1.4 | 1.5 | 1.4 |
| Cost to income ratio | 43.4 | 45.1 | 45.6 | 47.4 | 44.8 | 45.3 | 45.9 | 47.3 | 40.4 | 40.8 | 40.7 | 42.4 |
| CASA ratio | 64 | 62 | 65 | 67 | 68 | 68 | 70 | 70 | 70 | 71 | 70 | 73 |
| LDR | 95 | 89 | 84 | 84 | 83 | 86 | 84 | 81 | 84 | 86 | 85 | 80 |
| CAR | 17.7 | 19.0 | 19.5 | 19.5 | 18.6 | 19.0 | 19.3 | 19.6 | 18.0 | 18.2 | 18.9 | 19.7 |
| Gross NPL | 2.4 | 3.3 | 3.3 | 3.1 | 3.2 | 3.1 | 3.0 | 2.7 | 2.7 | 2.4 | 2.2 | 1.9 |
| Special mention | 6.0 | 6.0 | 4.6 | 4.5 | 4.5 | 4.7 | 4.5 | 4.3 | 4.6 | 4.3 | 4.0 | 3.8 |
| Loan at risk (excl. Covid) | 10.6 | 11.5 | 10.5 | 10.2 | 10.4 | 10.5 | 10.1 | 10.2 | 10.2 | 9.5 | 9.3 | 8.1 |
| Loan at risk (incl. Covid) | NA | 18.3 | 21.5 | 21.4 | 21.2 | 20.7 | 19.7 | 17.4 | 16.6 | 14.6 | 13.4 | 11.7 |
| Coverage ratio | 257 | 196 | 205 | 229 | 220 | 222 | 230 | 243 | 247 | 253 | 268 | 285 |

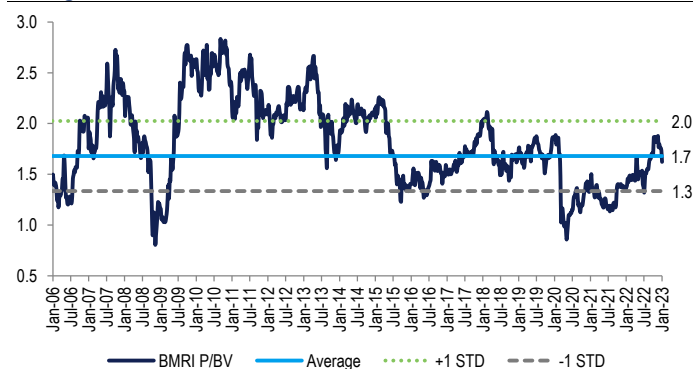
Source: Company, Indo Premier

Fig. 4: Forecast changes

| Income Statement (Rp bn) | New | | | Previous | | | Changes | | |
|-------------------------------|----------------|----------------|----------------|----------------|----------------|-----------|------------|------------|-----------|
| | 2023F | 2024F | 2025F | 2023F | 2024F | 2025F | 2023F | 2024F | 2025F |
| Interest income | 127,835 | 140,264 | 153,183 | 118,722 | 129,892 | NA | 8% | 8% | NA |
| Interest expense | (27,924) | (30,623) | (33,002) | (33,713) | (36,433) | NA | -17% | -16% | NA |
| Net interest income | 99,911 | 109,640 | 120,181 | 85,009 | 93,459 | NA | 18% | 17% | NA |
| Non-interest income | 41,211 | 45,806 | 51,174 | 44,820 | 49,597 | NA | -8% | -8% | NA |
| Total operating income | 141,122 | 155,446 | 171,355 | 129,829 | 143,057 | NA | 9% | 9% | NA |
| Opex | (60,086) | (65,411) | (71,081) | (56,858) | (61,805) | NA | 6% | 6% | NA |
| PPOP | 81,036 | 90,035 | 100,274 | 72,971 | 81,251 | NA | 11% | 11% | NA |
| Provisions | (19,115) | (21,207) | (23,328) | (18,181) | (19,999) | NA | 5% | 6% | NA |
| Operating profit | 61,921 | 68,828 | 76,946 | 54,791 | 61,253 | NA | 13% | 12% | NA |
| Non-operating profit | 1,701 | 1,891 | 2,055 | 1,610 | 1,787 | NA | 6% | 6% | NA |
| Pre-tax profit | 63,622 | 70,719 | 79,001 | 56,401 | 63,040 | NA | 13% | 12% | NA |
| Income tax | (11,765) | (13,077) | (14,620) | (10,410) | (11,638) | NA | 13% | 12% | NA |
| Minority interests | (3,324) | (3,661) | (4,036) | (3,058) | (3,369) | NA | 9% | 9% | NA |
| Net profit | 48,533 | 53,981 | 60,345 | 42,933 | 48,033 | NA | 13% | 12% | NA |

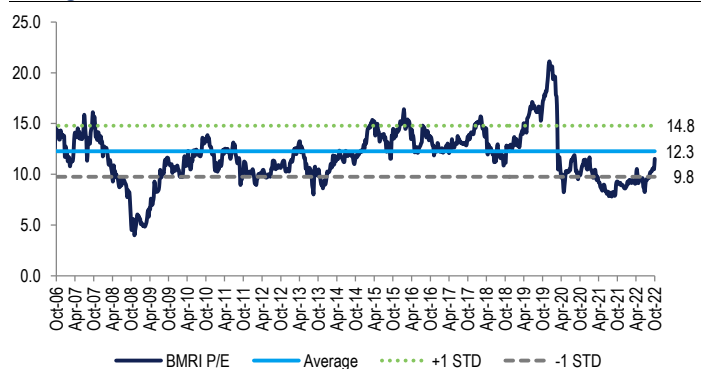
Source: Indo Premier

Fig. 5: BMRI's P/BV – now trading at 1.7x FY23F P/BV vs. 10-year average of 1.7x P/BV



Source: Bloomberg, Company, Indo Premier

Fig. 6: BMRI's P/E – now trading at 9.6x FY23F P/E vs. 10-year average of 12.3x P/E



Source: Bloomberg, Company, Indo Premier

Fig. 7: Peers comparison

| Ticker | Closing Price | Target Price | P/BV multiple | Upside Recommendation | | P/E (x) | | P/BV (x) | |
|--------|---------------|--------------|---------------|-----------------------|-----|---------|-------|----------|-------|
| | | | | | | 2022F | 2023F | 2022F | 2023F |
| BBCA | 8,475 | 9,400 | 4.4 | 11% | Buy | 25.6 | 21.9 | 4.9 | 4.3 |
| BBRI | 4,580 | 5,700 | 2.5 | 24% | Buy | 14.2 | 12.4 | 2.1 | 2.0 |
| BMRI | 9,950 | 11,800 | 2.0 | 19% | Buy | 11.3 | 9.6 | 1.8 | 1.7 |
| BBNI | 9,150 | 10,400 | 1.1 | 14% | Buy | 9.3 | 8.1 | 1.2 | 1.1 |
| BBTN | 1,360 | 2,600 | 1.1 | 91% | Buy | 5.1 | 4.0 | 0.7 | 0.6 |

Source: Bloomberg, Company, Indo Premier

Share price closing as of: 31 January 2023

| Income Statement (Rp bn) | 2021A | 2022A | 2023F | 2024F | 2025F |
|-------------------------------|----------------|----------------|----------------|----------------|----------------|
| Interest income | 97,749 | 112,382 | 127,835 | 140,264 | 153,183 |
| Interest expense | (24,687) | (24,479) | (27,924) | (30,623) | (33,002) |
| Net interest income | 73,062 | 87,903 | 99,911 | 109,640 | 120,181 |
| Non-interest income | 34,061 | 37,648 | 41,211 | 45,806 | 51,174 |
| Total operating income | 107,124 | 125,551 | 141,122 | 155,446 | 171,355 |
| Opex | (49,140) | (53,260) | (60,086) | (65,411) | (71,081) |
| PPOP | 57,984 | 72,291 | 81,036 | 90,035 | 100,274 |
| Provisions | (19,543) | (16,123) | (19,115) | (21,207) | (23,328) |
| Operating profit | 38,440 | 56,168 | 61,921 | 68,828 | 76,946 |
| Non-operating profit | (82) | 210 | 1,701 | 1,891 | 2,055 |
| Pre-tax profit | 38,358 | 56,378 | 63,622 | 70,719 | 79,001 |
| Income tax | (7,807) | (12,248) | (11,765) | (13,077) | (14,620) |
| Minority interest | (2,523) | (2,959) | (3,324) | (3,661) | (4,036) |
| Net profit | 28,028 | 41,171 | 48,533 | 53,981 | 60,345 |

| Balance Sheet (Rp bn) | 2021A | 2022A | 2023F | 2024F | 2025F |
|---------------------------------------|------------------|------------------|------------------|------------------|------------------|
| Cash + CA with BI | 122,972 | 148,961 | 156,258 | 169,054 | 181,730 |
| Secondary reserves | 487,677 | 561,157 | 572,381 | 595,276 | 622,063 |
| Gross loans | 1,050,157 | 1,202,230 | 1,346,486 | 1,481,135 | 1,629,248 |
| Loan provisions | (68,589) | (65,362) | (65,686) | (65,282) | (64,837) |
| Other assets | 133,394 | 145,559 | 156,706 | 168,286 | 180,943 |
| Total Assets | 1,725,611 | 1,992,545 | 2,166,145 | 2,348,469 | 2,549,147 |
| Total deposits | 1,299,977 | 1,490,845 | 1,637,388 | 1,791,142 | 1,959,782 |
| Securities and borrowings | 106,975 | 136,928 | 136,928 | 136,928 | 136,928 |
| Other liabilities | 96,548 | 112,526 | 115,745 | 119,454 | 123,535 |
| Total liabilities | 1,503,500 | 1,740,299 | 1,890,061 | 2,047,524 | 2,220,245 |
| Shareholders' equity | 222,112 | 252,246 | 276,084 | 300,945 | 328,901 |
| Total liabilities & equity | 1,725,611 | 1,992,545 | 2,166,145 | 2,348,469 | 2,549,147 |

| Growth YoY | 2021A | 2022A | 2023F | 2024F | 2025F |
|------------------------|-------|-------|-------|-------|-------|
| Gross loans | 17.6% | 14.5% | 12.0% | 10.0% | 10.0% |
| Total assets | 20.7% | 15.5% | 8.7% | 8.4% | 8.5% |
| Total deposits | 23.4% | 14.7% | 9.8% | 9.4% | 9.4% |
| Net interest income | 29.3% | 20.3% | 13.7% | 9.7% | 9.6% |
| Non-interest income | 12.7% | 10.5% | 9.5% | 11.1% | 11.7% |
| Total operating income | 23.5% | 17.2% | 12.4% | 10.2% | 10.2% |
| Operating expense | 20.9% | 8.4% | 12.8% | 8.9% | 8.7% |
| PPOP | 25.9% | 24.7% | 12.1% | 11.1% | 11.4% |
| Net profit | 63.7% | 46.9% | 17.9% | 11.2% | 11.8% |

| Key Ratios | 2021A | 2022A | 2023F | 2024F | 2025F |
|----------------|--------|--------|--------|--------|--------|
| ROAA | 1.7% | 2.2% | 2.3% | 2.3% | 2.4% |
| ROAE | 13.5% | 17.4% | 18.4% | 18.7% | 19.2% |
| NIM | 5.1% | 5.5% | 5.6% | 5.7% | 5.7% |
| Credit cost | 2.0% | 1.4% | 1.5% | 1.5% | 1.5% |
| Cost/income | 45.9% | 42.4% | 42.6% | 42.1% | 41.5% |
| LDR | 80.8% | 80.2% | 82.2% | 82.7% | 83.1% |
| CAR | 19.6% | 19.7% | 20.1% | 20.3% | 20.6% |
| NPL ratio | 2.7% | 1.9% | 1.9% | 1.8% | 1.7% |
| Provisions/NPL | 243.7% | 284.8% | 254.4% | 250.2% | 232.7% |

Source: Company, Indo Premier

INVESTMENT RATINGS

| | |
|------|---|
| BUY | : Expected total return of 10% or more within a 12-month period |
| HOLD | : Expected total return between -10% and 10% within a 12-month period |
| SELL | : Expected total return of -10% or worse within a 12-month period |

ANALYSTS CERTIFICATION

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