



**HOLD**

**Target Price : IDR10,500**

## Stock Data

Current Price	:	IDR9,725
52Wk Range (H-L)	:	IDR10,900-7,175
Share Outstanding	:	46.67 bn
Free Float	:	40.000%
Mkt Capitalization (IDR Tn)	:	453.83

## Major Shareholders

Government	:	52.00%
INA	:	8.00%
Public	:	40.00%



**Research Analyst**

Tirta Citradi

tirta.citradi@mncgroup.com

## PT Bank Mandiri (Persero) Tbk (BMRI IJ)

Banking Sector

### HOLD with upgraded TP to IDR10,500/share

#### 4Q22 quarterly net income was unchanged...

BMRI reported the 4Q22 consolidated net income of IDR10.52tn. The bank's bottom-line grew +0.71% QoQ. The increase in NII (+7.97% QoQ) was offset by accelerating Opex (+30.56% QoQ). Despite successfully managing to have +50 bps QoQ higher loan yield which outperformed +19 bps QoQ higher CoF, quarterly loan growth was lower than bank's funding balance expansion. Furthermore, personnel expense/G&A expense/other expense grew +18.30%/37.65%/56.13% QoQ. BMRI also reported a moderate provisioning expense growth of +2.20% QoQ.

#### ...yet still bring FY22 performance to beat consensus estimate...

FY22 net income jumped +46.89% YoY to IDR41.17tn forming +104% consensus estimate. FY22 solid performance was driven by : 1) higher revenue collection amidst rising interest rate; 2) manageable Opex growth and 3) lower CoC as asset quality improved significantly. NII expanded +20.31% YoY on the back of higher loan growth and yield as well as increasing CASA ratio. Note that BMRI booked +14.48% YoY loan growth & +370 bps increase in CASA ratio to 73.4%. BMRI's NIM stood at 5.47% (+38 bps YoY). BMRI managed to book Opex growth of +8.38% YoY, while CoC could be reduced by -62 bps YoY. Asset quality risk is getting better reflected by -80 bps YoY decrease in NPL to 1.92%. Taking a look at a more conservative indicator, BMRI's LaR was down by -560 bps YoY to 11.7%.

#### Outlook : management guidance still achievable

Management guidance for FY23F : loan growth at +10-12%; NIM 5.3-5.6%; CoC 1.3-1.5%. We expect loan to book a double digit growth is achievable even if during high interest rate environment and tighter liquidity due to higher RRR given BMRI's LDR still 80.19%. Stable CASA ratio would result in a manageable CoF. In addition, BMRI's strategy for repricing opportunity and tapping value chain based higher yield segments in commercial, micro, SME and consumer would bring IEA yields higher and thus favoring NIM expansion to at least 5.5-5.6%. Furthermore, BMRI still manage ample coverage ratio (NPL coverage at 285%) and having 87% of Covid-19 restructured loan risk profile to fall within low-medium are favorable for lower CoC. We expect 1.3% CoC FY23F in-line with management guidance and hence, BMRI net income could grow double digit (+10.61% FY23F).

#### We Upgrade TP to IDR10,500/share with HOLD Rating

We revised up BMRI's TP to IDR10,500/share (vs IDR10,000/share previously), using DDM-derived valuation model with the details of : 1) risk free rate at 7.1%; 2) Cost of Equity at 11.9% and 3) terminal growth of 6.0%. Our new TP imply 1.7/1.6x FY23F/FY24F P/B. Key upsides to our call : 1) higher than expected NIM due to better asset allocation and liquidity utilization; 2) declining asset quality risk as well as 3) CIR improvement. Meanwhile on the flip side, key downsides include : 1) unfavorable macro condition due to monetary policy surprise that trigger FX volatility and 2) lower than expected loan growth.

#### Key Financial Highlight

Financial Projections	FY20	FY21	FY22	FY23F	FY24F
Net Interest Income (IDR bn)	95,616	97,749	112,382	124,125	134,832
Net Income (IDR bn)	16,800	28,028	41,171	45,538	49,538
EPS (IDR)	360	601	882	976	1,062
BVS (IDR)	4,386	4,760	5,405	5,674	5,942
P/E (X)	27.0	16.2	11.0	10.0	9.2
P/B (X)	2.2	2.0	1.8	1.7	1.6
ROAE (%)	8.1%	13.1%	17.4%	17.6%	18.3%
ROAA (%)	1.2%	1.7%	2.2%	2.2%	2.3%

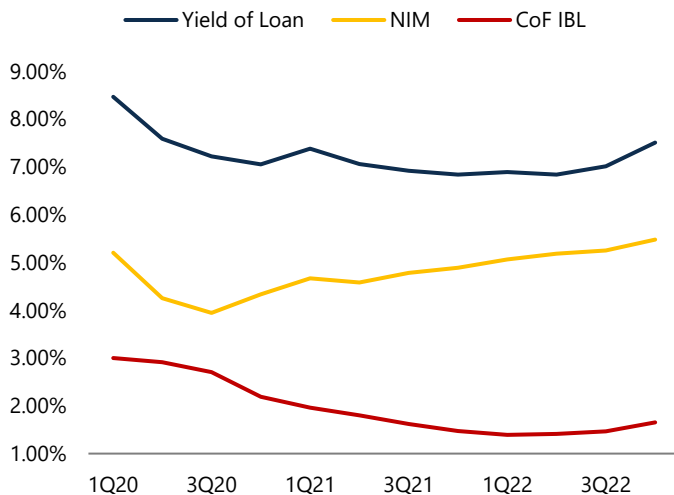
Sources : Bloomberg, MNCS Research

Exhibit 1. BMRI quarterly earnings slightly unchanged, yet full year performance beating consensus estimates

Income Statement (IDR Bn)	4Q21	3Q22	4Q22	QoQ	YoY	FY21	FY22	YoY
Interest Income	25,480	28,325	31,123	9.88%	22.15%	97,749	112,382	14.97%
Interest Expense	(5,735)	(6,172)	(7,205)	16.74%	25.64%	(24,687)	(24,479)	-0.84%
<b>Net Interest Income</b>	<b>19,745</b>	<b>22,153</b>	<b>23,918</b>	<b>7.97%</b>	<b>21.13%</b>	<b>73,062</b>	<b>87,903</b>	<b>20.31%</b>
Net Premium Income	459	624	469	-24.84%	2.18%	1,788	2,468	38.03%
Total NII & Premium Income	20,204	22,777	24,387	7.07%	20.70%	74,850	90,371	20.74%
<b>Non-Interest Income</b>	<b>8,482</b>	<b>8,577</b>	<b>10,500</b>	<b>22.42%</b>	<b>23.80%</b>	<b>32,273</b>	<b>35,180</b>	<b>9.01%</b>
<b>Total Operating Income</b>	<b>28,686</b>	<b>31,354</b>	<b>34,887</b>	<b>11.27%</b>	<b>21.62%</b>	<b>107,123</b>	<b>125,551</b>	<b>17.20%</b>
<b>Total Operating Expenses</b>	<b>(14,537)</b>	<b>(12,722)</b>	<b>(16,610)</b>	<b>30.56%</b>	<b>14.26%</b>	<b>(49,140)</b>	<b>(53,260)</b>	<b>8.38%</b>
Personnel Expenses	(6,496)	(5,906)	(6,987)	18.30%	7.56%	(22,677)	(24,642)	8.67%
G&A Expenses	(5,762)	(5,512)	(7,587)	37.65%	31.68%	(19,520)	(22,102)	13.23%
Other Expenses	(2,279)	(1,304)	(2,036)	56.13%	-10.66%	(6,943)	(6,516)	-6.15%
<b>PPOP</b>	<b>14,149</b>	<b>18,632</b>	<b>18,277</b>	<b>-1.91%</b>	<b>29.18%</b>	<b>57,983</b>	<b>72,291</b>	<b>24.68%</b>
<b>Provision Expenses</b>	<b>(3,103)</b>	<b>(4,188)</b>	<b>(4,280)</b>	<b>2.20%</b>	<b>37.93%</b>	<b>(19,543)</b>	<b>(166,123)</b>	<b>-17.50%</b>
<b>Income Before Tax</b>	<b>11,046</b>	<b>14,444</b>	<b>13,997</b>	<b>-3.09%</b>	<b>26.72%</b>	<b>38,440</b>	<b>56,168</b>	<b>46.12%</b>
Non-Operating Income	(99)	(8)	188	N/A	N/A	(82)	210	N/A
Net Income Before Tax	10,947	14,436	14,185	-1.74%	29.57%	38,358	56,378	46.98%
<b>Net Income</b>	<b>8,799</b>	<b>10,444</b>	<b>10,518</b>	<b>0.71%</b>	<b>19.54%</b>	<b>28,028</b>	<b>41,171</b>	<b>46.89%</b>

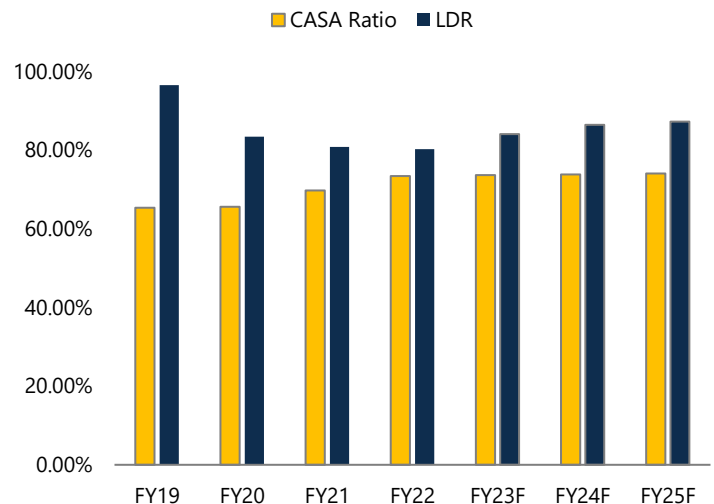
Sources : BMRI Financial Statement, MNCS Research

Exhibit 2. Loan yield repricing offset the jump in CoF



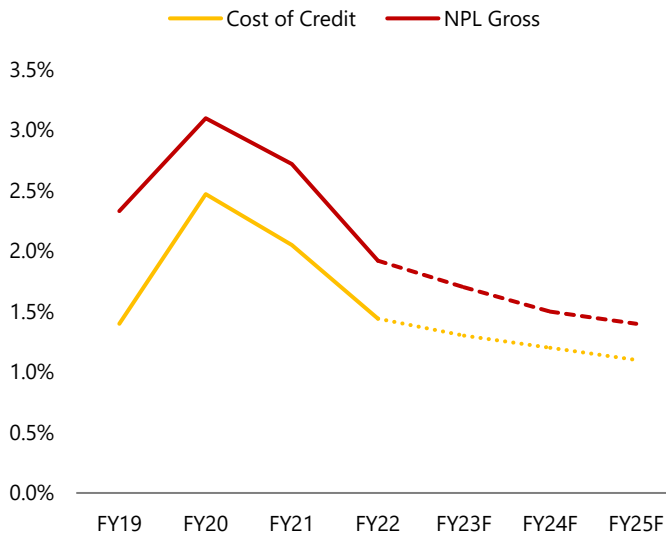
Sources : BMRI Financial Statement, MNCS Research

Exhibit 3. Expect LDR &amp; CASA to improve going forward



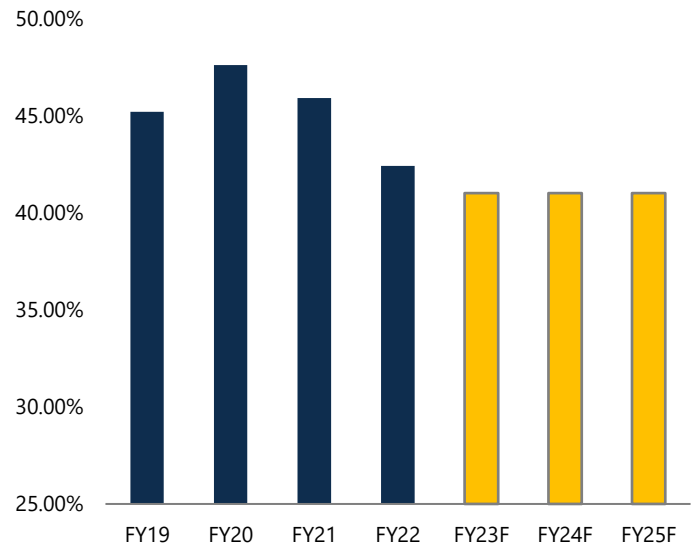
Sources : BMRI Financial Statement, MNCS Research

Exhibit 4. Expect improvement in asset quality to continue



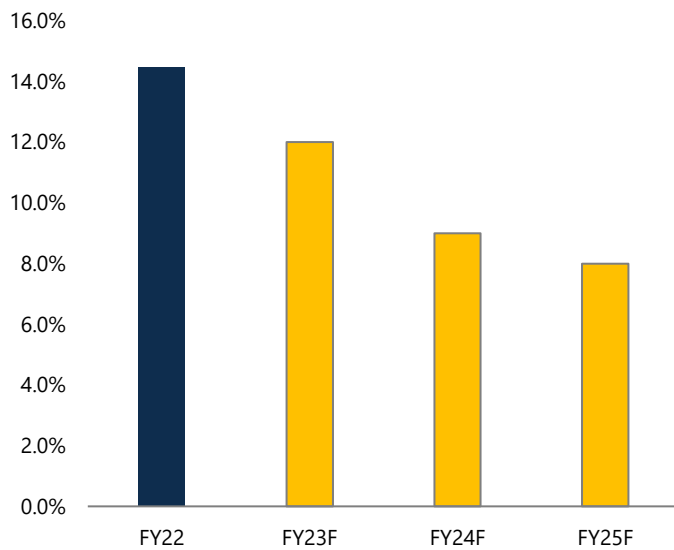
Sources : BMRI Financial Statement, MNCS Research

Exhibit 5. CIR likely to fall and stabilize at 40-41%



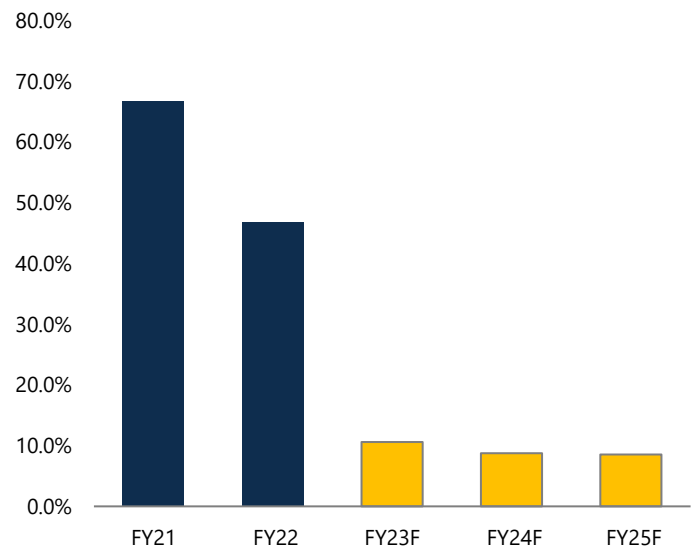
Sources : BMRI Financial Statement, MNCS Research

Exhibit 6. LDR utilization to result in double digit loan growth



Sources : BMRI Financial Statement, MNCS Research

Exhibit 7. Expect EPS to book +10.61% growth in FY23F



Sources : BMRI Financial Statement, MNCS Research

## Exhibit 8. BMRI financial projections &amp; key ratio

Income Statement (IDR bn)	FY20	FY21	FY22	FY23F	FY24F
Interest Income	95,616	97,749	112,382	124,125	134,832
Interest Expense	(33,095)	(24,687)	(24,479)	(27,340)	(29,158)
<b>Net Interest Income</b>	<b>62,521</b>	<b>73,062</b>	<b>87,903</b>	<b>96,785</b>	<b>105,674</b>
Non Interest Income	31,120	34,061	37,648	38,464	39,073
Operating Income	93,641	107,123	125,551	135,248	144,747
Opex	(44,530)	(49,140)	(53,260)	(55,452)	(59,346)
<b>PPOP</b>	<b>49,111</b>	<b>57,983</b>	<b>72,291</b>	<b>79,797</b>	<b>85,401</b>
Provision	(24,855)	(19,543)	(16,123)	(17,504)	(17,612)
Income Before Tax	24,393	38,358	56,378	62,380	67,861
Tax	(5,993)	(7,807)	(11,425)	(12,476)	(13,572)
<b>Net Income</b>	<b>16,800</b>	<b>28,028</b>	<b>41,171</b>	<b>45,538</b>	<b>49,538</b>
Balance Sheet	FY20	FY21	FY22	FY23F	FY24F
CA with BI	52,239	99,023	107,349	115,400	117,218
Placement with BI & Banks	108,818	73,201	143,110	108,376	108,229
Securities & Government Bond	324,408	414,475	423,718	448,744	467,175
Loans	877,051	957,636	1,107,987	1,279,173	1,398,701
Other IEA	62,646	68,905	31,133	54,228	51,422
<b>IEA</b>	<b>1,425,162</b>	<b>1,609,660</b>	<b>1,813,297</b>	<b>2,005,922</b>	<b>2,142,746</b>
Non IEA	68,496	66,806	33,403	56,235	44,819
Fixed Assets	48,307	49,145	49,636	50,315	50,910
<b>Total Assets</b>	<b>1,541,965</b>	<b>1,725,611</b>	<b>1,992,545</b>	<b>2,112,472</b>	<b>2,238,476</b>
Current Account	319,745	413,073	541,802	562,652	609,312
Saving Account	431,507	486,853	552,753	616,905	644,416
<b>CASA</b>	<b>751,252</b>	<b>899,926</b>	<b>1,094,554</b>	<b>1,179,557</b>	<b>1,253,728</b>
Time Deposit	393,387	391,251	396,291	423,102	445,090
<b>Customer Deposit</b>	<b>1,144,639</b>	<b>1,291,177</b>	<b>1,490,845</b>	<b>1,602,658</b>	<b>1,698,818</b>
Deposit from other Banks	7,391	12,800	14,847	16,332	18,455
Securities & Borrowing	92,573	97,174	103,137	108,865	115,228
Other IBL	39,654	41,950	43,583	45,692	47,688
<b>IBL</b>	<b>1,284,257</b>	<b>1,443,102</b>	<b>1,652,412</b>	<b>1,773,548</b>	<b>1,880,188</b>
Non IBL	53,008	60,398	87,887	74,143	81,015
<b>Total Liabilities</b>	<b>1,337,265</b>	<b>1,503,500</b>	<b>1,740,299</b>	<b>1,847,690</b>	<b>1,961,202</b>
Paid & Add Capital	28,983	29,310	29,310	29,310	29,310
Retained Earnings	124,656	142,588	166,995	185,210	205,026
Reserves & Others	51,061	50,213	55,941	50,261	42,938
<b>Total Equity</b>	<b>204,700</b>	<b>222,111</b>	<b>252,246</b>	<b>264,782</b>	<b>277,273</b>
<b>Total Liabilities &amp; Equity</b>	<b>1,541,965</b>	<b>1,725,611</b>	<b>1,992,545</b>	<b>2,112,472</b>	<b>2,238,476</b>
Key Ratio	FY20	FY21	FY22	FY23F	FY24F
IEA Yields	6.7%	6.1%	6.3%	6.5%	6.5%
CoF	2.6%	1.7%	1.5%	1.6%	1.6%
NIM	5.1%	5.1%	5.5%	5.5%	5.5%
CIR	47.6%	45.9%	42.4%	41.0%	41.0%
ROAA	1.2%	1.7%	2.2%	2.2%	2.3%
ROA	1.1%	1.6%	2.1%	2.2%	2.2%
ROAE	8.1%	13.1%	17.4%	17.6%	18.3%
ROE	8.2%	12.6%	16.3%	17.2%	17.9%
LDR	83.4%	81.3%	80.6%	84.0%	86.4%
Gross NPL	3.1%	2.7%	1.9%	1.7%	1.5%
CoC	2.6%	1.9%	1.5%	1.3%	1.2%

Sources : BMRI Financial Statement, MNCS Research

**MNC Research Industry Ratings Guidance**

**OVERWEIGHT:** Stock's total return is estimated to be above the average total return of our industry coverage universe over next 6-12 months

**NEUTRAL:** Stock's total return is estimated to be in line with the average total return of our industry coverage universe over next 6-12 months

**UNDERWEIGHT:** Stock's total return is estimated to be below the average total return of our industry coverage universe over next 6-12 months

**MNC Research Investment Ratings Guidance**

**BUY :** Share price may exceed 10% over the next 12 months

**HOLD :** Share price may fall within the range of +/- 10% of the next 12 months

**SELL :** Share price may fall by more than 10% over the next 12 months

**Not Rated :** Stock is not within regular research coverage

**PT MNC SEKURITAS**

MNC Financial Center Lt. 14 – 16

Jl. Kebon Sirih No. 21 - 27, Jakarta Pusat 10340

Telp : (021) 2980 3111

Fax : (021) 3983 6899

Call Center : 1500 899

**Disclaimer**

*This research report has been issued by PT MNC Sekuritas. It may not be reproduced or further distributed or published, in whole or in part, for any purpose. PT MNC Sekuritas has based this document on information obtained from sources it believes to be reliable but which it has not independently verified; PT MNC Sekuritas makes no guarantee, representation or warranty and accepts no responsibility to liability as to its accuracy or completeness. Expression of opinion herein are those of the research department only and are subject to change without notice. This document is not and should not be construed as an offer or the solicitation of an offer to purchase or subscribe or sell any investment. PT MNC Sekuritas and its affiliates and/or their offices, director and employees may own or have positions in any investment mentioned herein or any investment related thereto and may from time to time add to or dispose of any such investment. PT MNC Sekuritas and its affiliates may act as market maker or have assumed an underwriting position in the securities of companies discussed herein (or investment related thereto) and may sell them to or buy them from customers on a principal basis and may also perform or seek to perform investment banking or underwriting services for or relating to those companies.*