

10 November 2020  
Banking, Equity

Price **IDR. 6150**  
Target Price **IDR. 7090**  
JKSE Index **5335.53**

### Investment Consideration

#### Net Profit Decreased

In 9M20, BMRI recorded a net profit of IDR 3.74Tn, a decrease of 44.4% YoY. PPOP fell by 5.7% YoY due to a decrease in Net Interest Income by 4.1% YoY and a significant increase in Provision Fees by 52.8%. The net Interest Margin decreased 90Bps to 4.68% due to the decline in asset quality and higher cost of funds.

#### Loan to Deposit Ratio decreased

Loans grew by 3.8% YoY, and there was a positive performance from the corporate segment up 10.6% YoY. Micro loans were also up by 10.6%, and commercial loans increased 7.7% YoY. Third Party Funds experienced a high growth of 18% YoY especially in the digital segment which pushed the LDR down to 84.4% in 9M20 from 94.1% in 9M19.

#### Credit Restructuring and Asset Quality

As of September 30, 2020, BMRI has restructured loans totaling IDR 116.4tn or 15% of total loans consisting of 40% corporate, 16.7% commercial, 13.4% micro. BMRI estimates that there will be no significant additional restructuring as the pace of debt restructuring has slowed down. Asset quality in terms of non-performing loans increased to 3.33%, Special Mention loans decreased to 4.6% from the corporate and consumer segments. We estimate a 2.2% decrease in Cost of Credit in FY2020.

#### Valuation: 15% Upside, Hold.

Based on our DDM Valuation, we have a target price within one year of IDR 7090, or trading at 1.3x PBV which gives 15% potential upside, Hold.

Income Statement (Idr bn)	2017A	2018A	2019A	2020F	2021F	2022F
Interest Income	90.888	91.991	103.501	100.348	107.832	116.054
Interest Expense	-35.034	-34.005	-41.391	-38.322	-37.877	-42.198
<b>Net Interest Income</b>	<b>125.923</b>	<b>125.996</b>	<b>144.892</b>	<b>138.670</b>	<b>145.709</b>	<b>158.252</b>
Net Operating Income	22.282	27.672	26.490	31.972	34.401	38.866
Operating Expense	35.014	37.566	40.076	46.261	51.494	57.188
<b>Pre Provision Operating Profit</b>	<b>43.122</b>	<b>48.091</b>	<b>48.524</b>	<b>47.736</b>	<b>52.862</b>	<b>55.534</b>
Provision Expense	-15.952	-14.185	-12.072	-9.190	-11.005	-9.650
Operating Profit	59.073	33.906	36.452	38.546	41.858	45.885
<b>Profit Before Tax</b>	<b>27.157</b>	<b>33.943</b>	<b>36.441</b>	<b>38.536</b>	<b>41.848</b>	<b>45.874</b>
Tax Expense	5.714	8.091	7.986	7.707	8.370	9.175
<b>Net Profit</b>	<b>21.443</b>	<b>25.852</b>	<b>28.456</b>	<b>30.828</b>	<b>33.478</b>	<b>36.700</b>
<b>EPS (Rp/Share)</b>	<b>442,3</b>	<b>536,0</b>	<b>588,9</b>	<b>641,2</b>	<b>696,6</b>	<b>764,0</b>

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Bank Mandiri Persero Tbk, Indonesia, Jakarta:BMRI, D



### Stock Information

Bloomberg code **BMRI J**  
Market cap (IDR bn) **269,500B**  
52-Week High (IDR) **8050**  
52-Week Low (IDR) **3660**  
6-m Avg Daily. Val (IDR) **5241**  
Free Float (%) **40.00**

Major Shareholders (%)  
Government **60.00%**  
Public **40.00%**

USD/IDR-YE (IDR)  
2019A **14390**  
2020F (6M Avg) **14609**

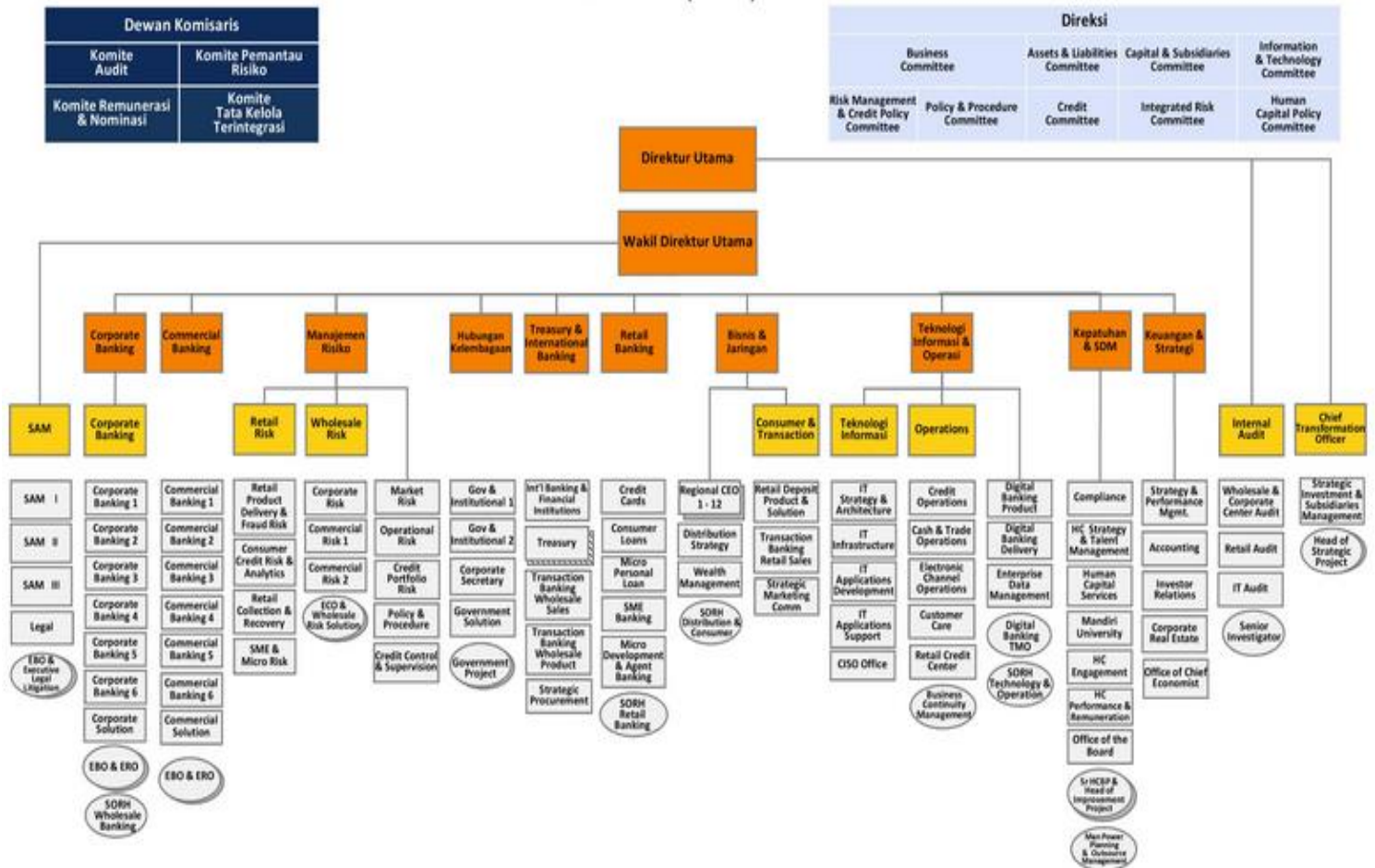
Analyst: Lingga Pratiwi  
Lingga.pratiwi@binaartha.com

Company Profile

PT Bank Mandiri (Persero) Tbk. (hereinafter referred to as “Bank Mandiri” or the “Bank”) was established on October 2, 1998 in the Republic of Indonesia based on notarial deed No. 10 of Sutjipto, S.H., under Government Regulation No. 75 of 1998 dated October 1, 1998. The deed of establishment was approved by the Ministry of Justice of the Republic of Indonesia in its Decision Letter No. C2-16561.HT.01.01.TH.98 dated October 2, 1998 and was published in Supplement No. 6859 of State Gazette No. 97 dated December 4, 1998. Bank Mandiri was established through the merger of PT Bank Bumi Daya (Persero) (“BBD”), PT Bank Dagang Negara (Persero) (“BDN”), PT Bank Ekspor Impor Indonesia (Persero) (“Bank Exim”) and PT Bank Pembangunan Indonesia (Persero) (“Bapindo”) (hereinafter collectively referred to as the “Merged Banks”). Bank Mandiri is engaged in banking activities under prevailing laws and regulations. The Bank commenced its operations on August 1, 1999.

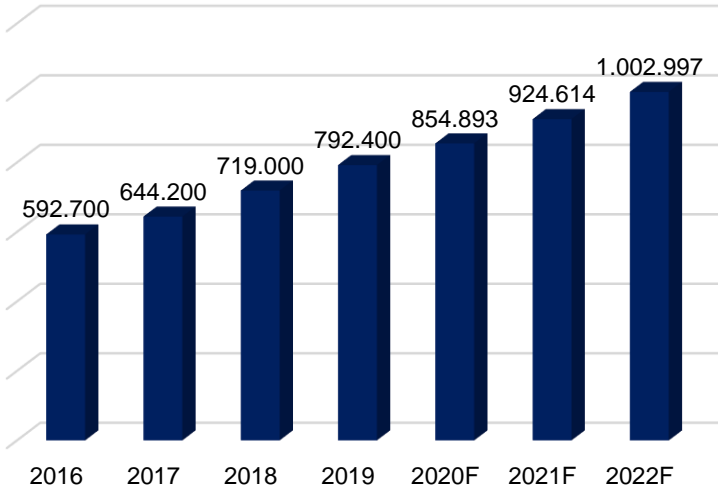
Company Structure

Struktur Organisasi PT Bank Mandiri (Persero) Tbk.

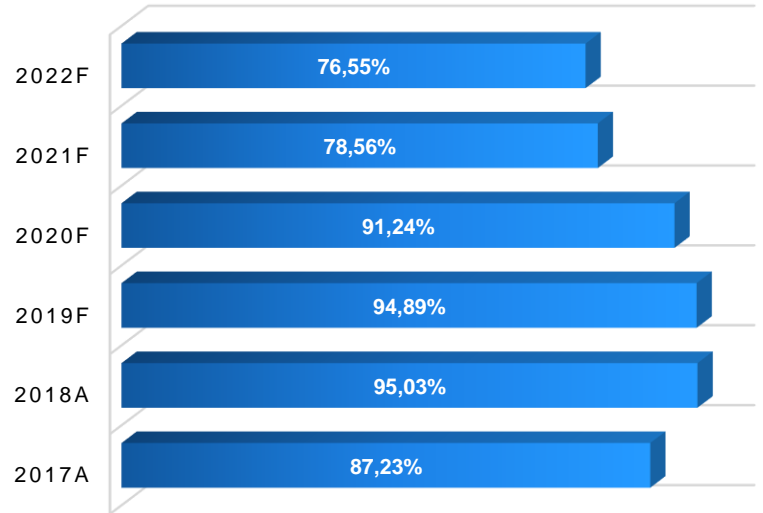


Source: Company

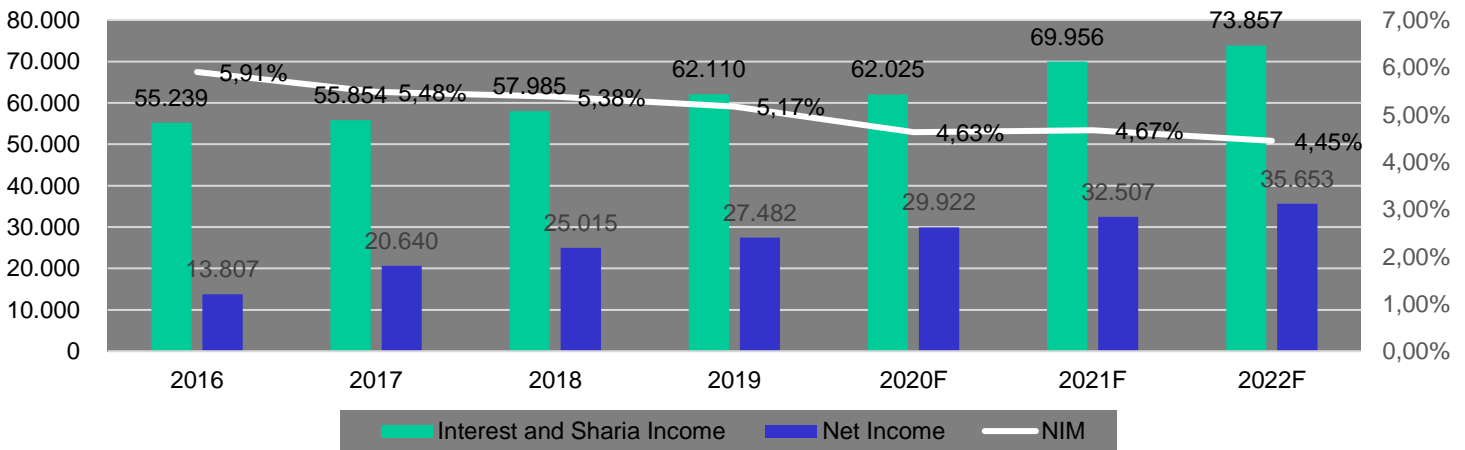
**Chart: Gross Loan (x) YoY**



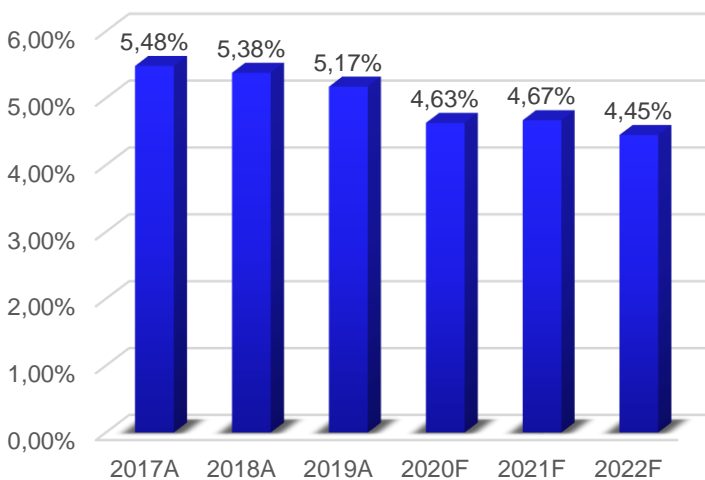
**Chart: Loan to Deposit Ratio (x) YoY**



**Chart: Profitability (x) YoY**



**Chart: Net Interest Margin (x) YoY**



**Chart: Non Performing Loan (x) YoY**

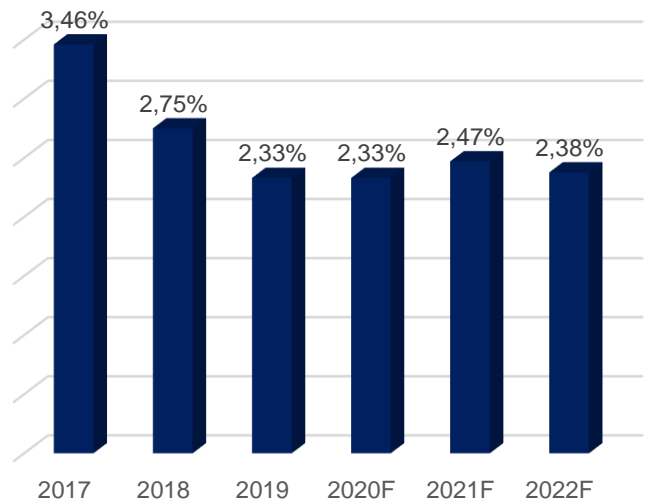


Chart: Net Income (x) QoQ

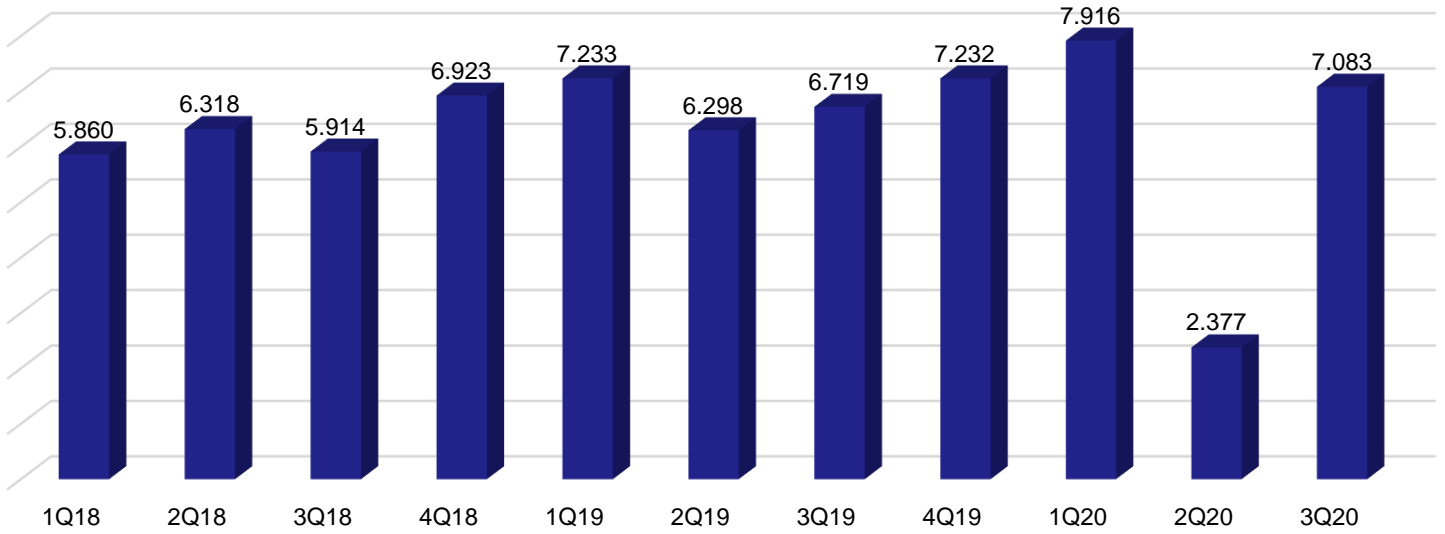


Chart: Non Performing Loan (x) QoQ

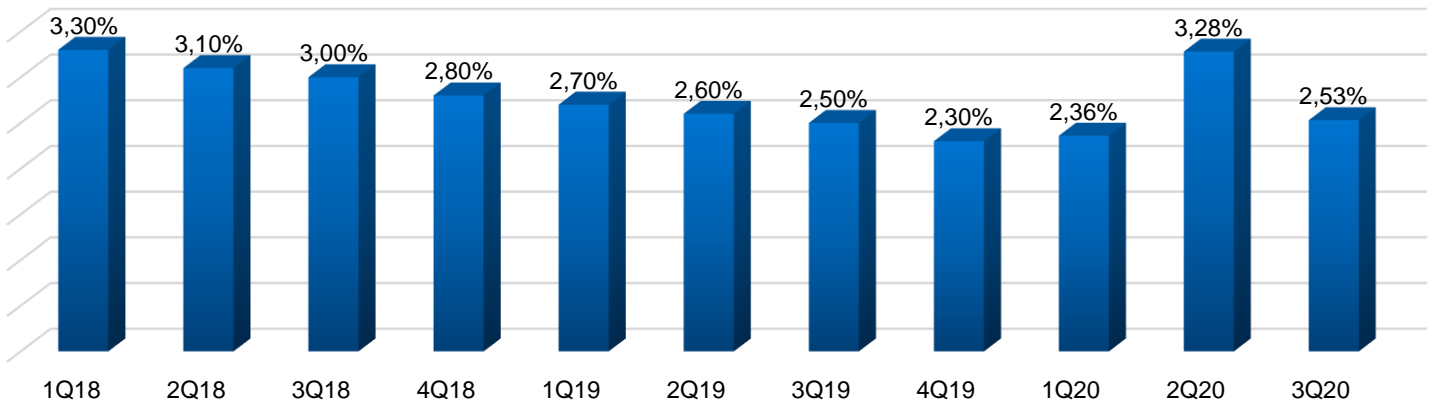
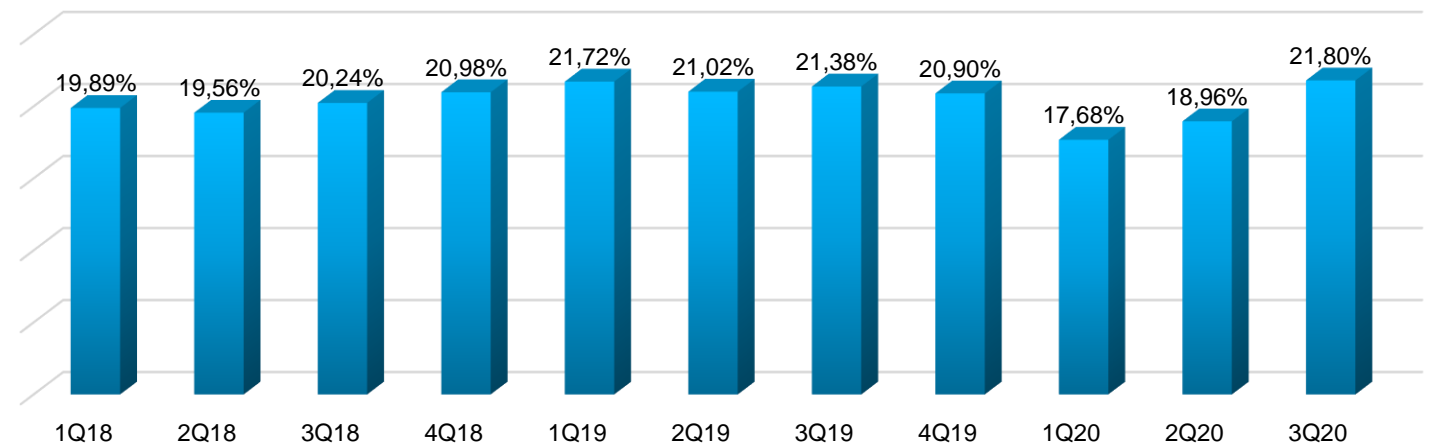


Chart: CAR (x) QoQ



**Balance Sheet (IDR.bn)**

Balance sheet (Idr bn)	2017A	2018A	2019A	2020F	2021F	2022F
Cash and CA with BI	74.457	87.202	74.585	83.189	69.800	69.604
Interbank Placement	74.601	22.516	37.569	55.305	66.505	83.860
Marketable Securities	59.610	63.836	71.263	81.080	128.494	146.028
Gross Loan	712.038	799.557	885.835	965.315	924.614	1.002.997
Allowance for Loans	-33.745	-31.796	-29.988	-35.166	-38.196	-39.529
Loans-net	678.293	767.761	855.847	930.149	886.418	963.468
Other Earning Asset	306.881	278.332	314.990	374.308	573.459	656.875
Non Earning Asset	65.071	68.957	72.824	83.471	92.098	102.735
<b>Total Asset</b>	<b>1.124.701</b>	<b>1.202.252</b>	<b>1.318.246</b>	<b>1.471.118</b>	<b>1.621.775</b>	<b>1.792.682</b>
Deposit:						
Current Account	203.390	200.506	250.414	313.018	363.594	422.342
Saving Account	337.229	339.034	359.608	395.568	435.125	478.638
Time Deposits	275.633	301.807	323.549	349.433	378.203	409.342
Other Interest Bearing Liabilities	71.584	89.728	76.909	84.004	91.880	100.099
Non Interest Bearing Liabilities	66.859	86.216	98.732	108.281	119.287	131.380
<b>Total Liabilities</b>	<b>954.695</b>	<b>1.017.292</b>	<b>1.109.212</b>	<b>1.250.303</b>	<b>1.388.089</b>	<b>1.541.801</b>
<b>Total Shareholder's Equity</b>	<b>170.006</b>	<b>184.960</b>	<b>209.035</b>	<b>220.815</b>	<b>233.686</b>	<b>250.882</b>

**Income Statement (IDR.bn)**

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<b>EPS (Rp/Share)</b>	<b>442,3</b>	<b>536,0</b>	<b>588,9</b>	<b>641,2</b>	<b>696,6</b>	<b>764,0</b>

**Ratio Highlights**

Ratio Analysis	2017A	2018A	2019A	2020F	2021F	2022F
<b>Profitability &amp; Efficiency</b>						
NIM	5,48%	5,38%	5,17%	4,63%	4,67%	4,45%
Cost-to-Income Ratio	44,81%	43,86%	45,23%	49,22%	49,34%	50,73%
ROE	12,38%	13,81%	13,43%	13,83%	14,18%	14,47%
ROA	1,84%	2,08%	2,08%	2,03%	2,00%	1,99%
ROAE		13,09%	13,62%	13,63%	14,00%	14,32%
BOPO	47,80%	47,96%	53,38%	56,98%	55,10%	57,92%
Cost of Credit	2,24%	1,77%	1,36%	2,20%	2,50%	2,20%
<b>Liquidity</b>						
LDR	87,23%	95,03%	94,89%	91,24%	78,56%	76,55%
CASA	66,23%	64,13%	65,34%	66,97%	67,87%	68,76%
<b>Asset Quality</b>						
Gross NPL	3,46%	2,79%	2,38%	2,33%	2,40%	2,28%
Provision Coverage	108,21%	106,36%	107,28%	106,82%	107,05%	106,93%
<b>Capital</b>						
CAR	21,60%	21,00%	21,40%	21,33%	21,24%	21,33%
<b>Growth</b>						
Loan Growth	8,69%	11,61%	10,21%	7,89%	8,16%	8,48%
Deposit Growth	7,00%	3,07%	10,96%	13,33%	11,24%	11,33%
Net Income Growth	49,49%	21,20%	9,86%	8,88%	8,64%	9,68%

**QoQ Result**

Balance Sheet	3Q19	2Q20	3Q20	%QoQ	%YoY
Loan	818.608	851.510	852.820	0,2%	4,2%
Loan Loss Reserves	-31.990	-55.183	-58.880	6,7%	84,1%
NPL	4.684	26.426	21.918	-17,1%	367,9%
Deposit					
Demand	223.686	246.540	297.796	20,8%	33,1%
Savings	344.176	358.174	372.185	3,9%	8,1%
Time Deposit	323.816	372.268	354.655	-4,7%	9,5%
<b>Total Asset</b>	<b>1.275.670</b>	<b>1.359.441</b>	<b>1.406.655</b>	<b>3,5%</b>	<b>10,3%</b>
<b>Shareholder Equity</b>	<b>196.677</b>	<b>179.238</b>	<b>185.085</b>	<b>3,3%</b>	<b>-5,9%</b>

Income Statement	3Q19	2Q20	3Q20	%QoQ	%YoY
Interest Income	26.430	24.031	24.831	3,3%	-6,0%
Interest Expense	10.521	10.371	11.151	7,5%	6,0%
<b>Net Interest Income</b>	<b>15.909</b>	<b>13.660</b>	<b>13.680</b>	<b>0,1%</b>	<b>-14,0%</b>
Net Operating Income	6.796	5.812	5.925	1,9%	-12,8%
Operating Expense	9.826	9.156	5.788	-36,8%	-41,1%
<b>PPOP</b>	<b>12.879</b>	<b>10.316</b>	<b>13.817</b>	<b>33,9%</b>	<b>7,3%</b>
Provision Expense	4.062	6.811	5.409	-20,6%	33,1%
<b>Operating Profit</b>	<b>-12</b>	<b>-55</b>	<b>-27</b>	<b>-51,0%</b>	<b>127,1%</b>
Profit Before Tax	8.805	3.451	8.381	142,9%	-4,8%
<b>Tax Expense</b>	<b>1.855</b>	<b>973</b>	<b>1.152</b>	<b>18,4%</b>	<b>-37,9%</b>
<b>Net Profit</b>	<b>6.950</b>	<b>2.478</b>	<b>7.229</b>	<b>191,7%</b>	<b>4,0%</b>

Ratio	3Q19	2Q20	3Q20	QoQ	YoY
<b>Profitability &amp; Efficiency</b>					
NIM	5,58%	5,40%	4,93%	(0,47)	(0,65)
Cost-to-Income Ratio	43,80%	43,40%	45,10%	1,70	1,30
ROE	14,75%	17,67%	11,31%	(6,36)	(3,44)
ROAE	14,29%	17,67%	10,11%	(7,56)	(4,18)
Cost of Credit	1,52%	2,17%	2,24%	0,07	0,72
				-	-
<b>Liquidity</b>					
LDR	94,10%	88,50%	84,40%	(4,10)	(9,70)
CASA	63,70%	61,90%	65,40%	3,50	1,70
<b>Asset Quality</b>					
Gross NPL (Bank only)	2,53%	3,28%	3,33%	0,05	0,80
NPL Coverage	152%	196%	205%	9,70	53,00
<b>Capital</b>					
CAR	21,80%	18,96%	19,52%	0,56	(2,28)

**Stock Ratings:**

Buy: a recommendation to purchase the security with upside potential of 20% or greater

Hold: a recommendation to neither buy nor sell a security with upside potential of 0-19%.

Sell: a recommendation to close out a long position in a security with upside potential below 0% or negative.

**RESEARCH TEAM  
(62-21) 520-6678 ext.612**

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