

11 Juni 2020
Banking, Equity

Price **IDR. 4910**
Target Price **IDR. 6690**
JKSE Index **4920.68**

Investment Consideration

Net Interest Margin down

Net Interest Margin fell to 5.40% mainly driven by loan restructuring. In 1Q BMRI has approved a total of IDR 99trn (10.9% of loans) worth of loan restructuring, and 13.6% of loans are still in the pipeline as of June 5, 2020. We estimate the Net Interest Margin will be around 4.87% in 2020.

Loan growth still strong

In 1Q20, Loans grew 14.20% YoY, but fell by 0.5% QoQ. Growth was driven by Corporate 9.9% YoY, Commercial 8.7% YoY. MSME loans reached Rp 89.2 trillion in March 2020, growing by 6.90% YoY. Growth is still quite good because Covid-19 has not yet had a significant impact, but we have reduced our forecast for loan growth from 10% to 7-8% in 2020.

BMRIs focus, maintain liquidity, restructure loans

BMRI is focussing on maintaining liquidity with the issuance of IDR 1 trillion local bonds and US \$ 500 million global bonds, plus increasing low-cost funds. As of May 29, 2020, BMRI has restructured more than 323 thousand debtors. Of the total debtors restructured, 72% are from SME and Micro debtors with a total value of Rp. 25.6 Trillion

Valuation: 36% Upside, Buy.

Based on our DDM Valuation, we have a target price within one year of IDR 6690, or trading at 1.0x PBV which gives 36% potential upside, Buy.

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



Stock Information

Bloomberg code **BMRI IJ**
Market cap (IDR bn) **246,166.7B**
52-Week High (IDR) **8,175**
52-Week Low (IDR) **3,660**
6-m Avg Daily. Val (IDR) **6,166**
Free Float (%) **40.00**

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

USD/IDR-YE (IDR)
2019A **13866**
2020F (6M Avg) **14880**

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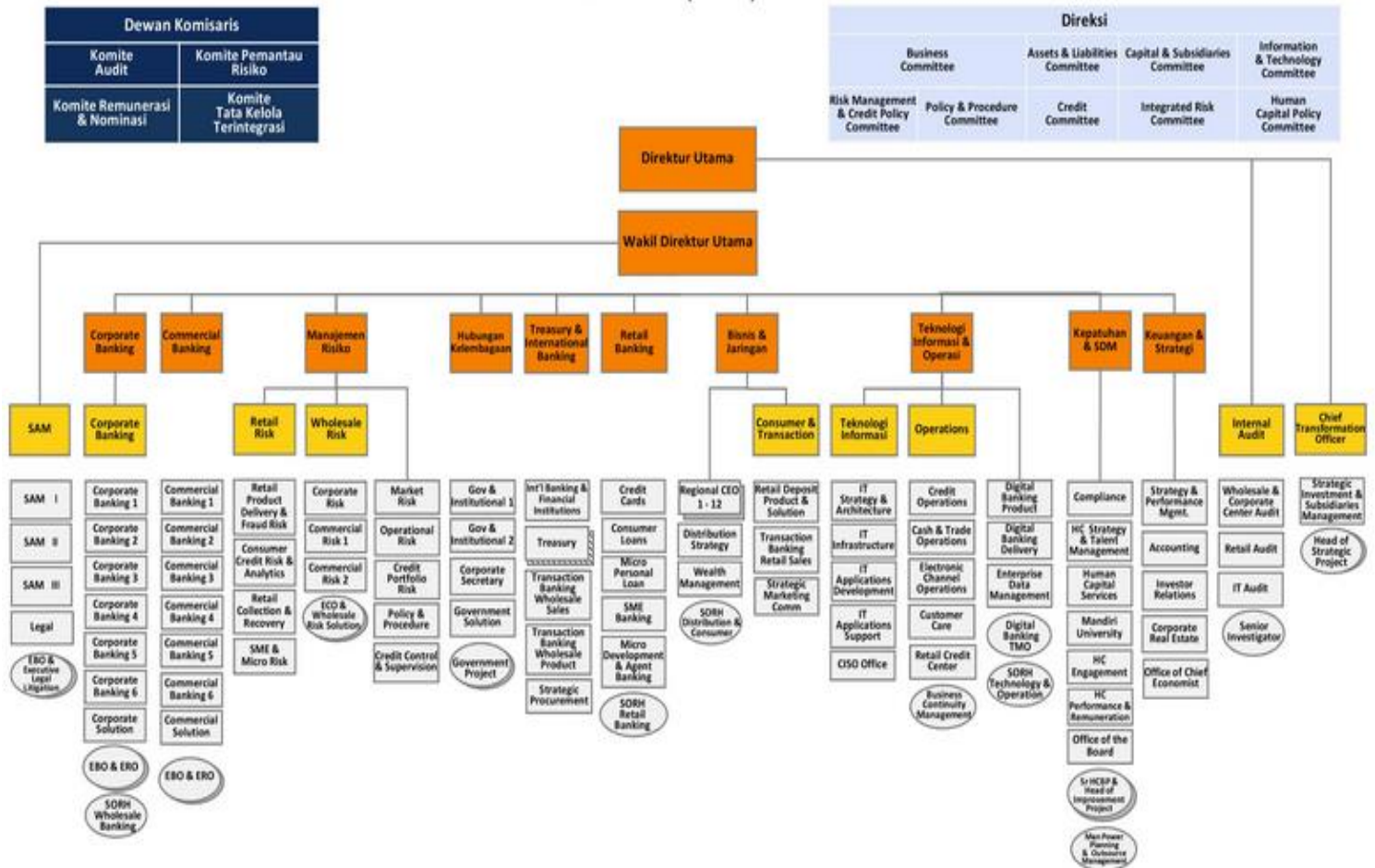
Income Statement (Idr bn)	2017A	2018A	2019A	2020F	2021F	2022F
Interest Income	90.888	91.991	103.501	98.442	104.995	112.107
Interest Expense	-35.034	-34.005	-41.391	-38.322	-37.877	-42.198
Net Interest Income	125.923	125.996	144.892	136.765	142.871	154.305
Net Operating Income	22.282	27.672	26.490	31.972	34.401	38.866
Operating Expense	35.014	37.566	40.076	46.261	51.494	57.188
Pre Provision Operating Profit	43.122	48.091	48.524	45.831	50.025	51.587
Provision Expense	-15.952	-14.185	-12.072	-9.190	-11.005	-9.650
Operating Profit	59.073	33.906	36.452	36.640	39.020	41.937
Profit Before Tax	27.157	33.943	36.441	36.630	39.010	41.927
Tax Expense	5.714	8.091	7.986	7.326	7.802	8.385
Net Profit	21.443	25.852	28.456	29.304	31.208	33.542
EPS (Rp/Share)	442,3	536,0	588,9	608,9	648,5	697,1

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: Net Interest Margin (x) YoY

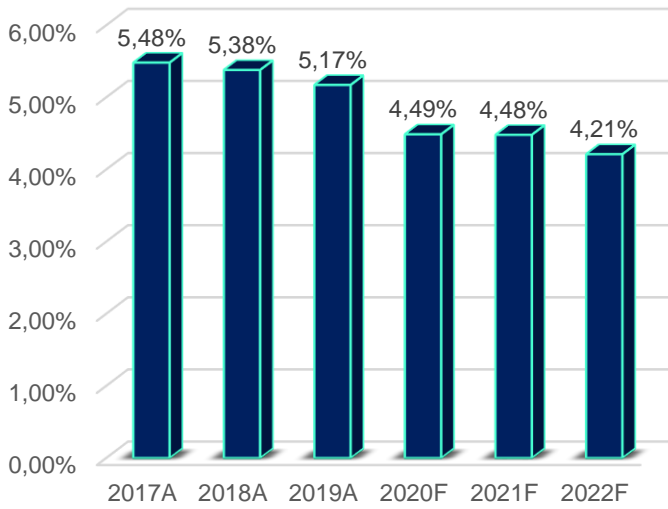


Chart: Loan to Deposit Ratio (x) YoY

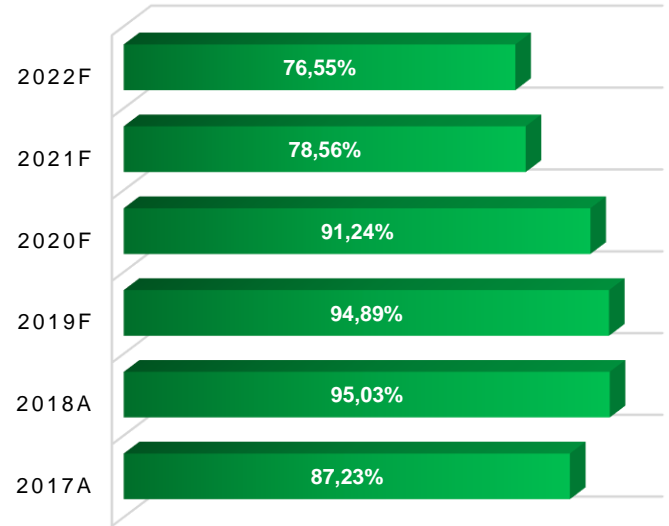


Chart: Profitability (x) YoY

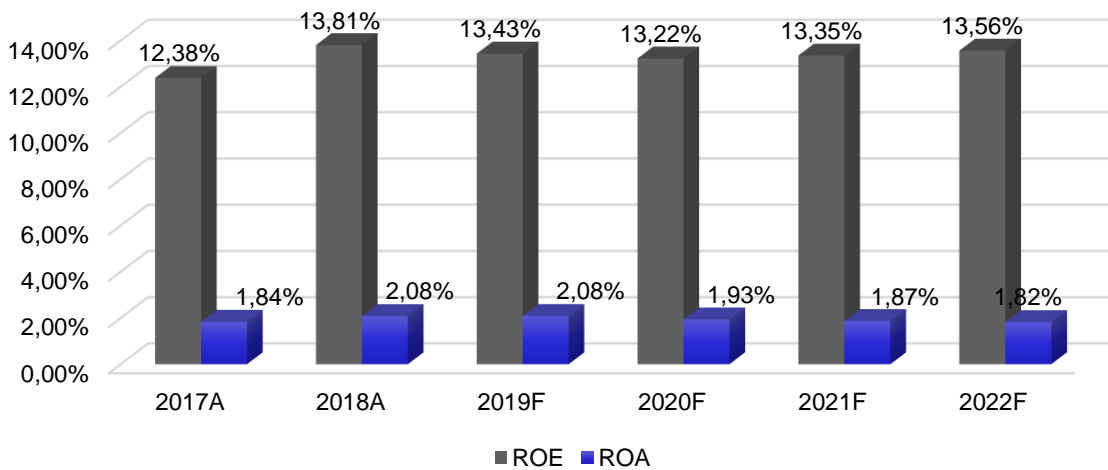
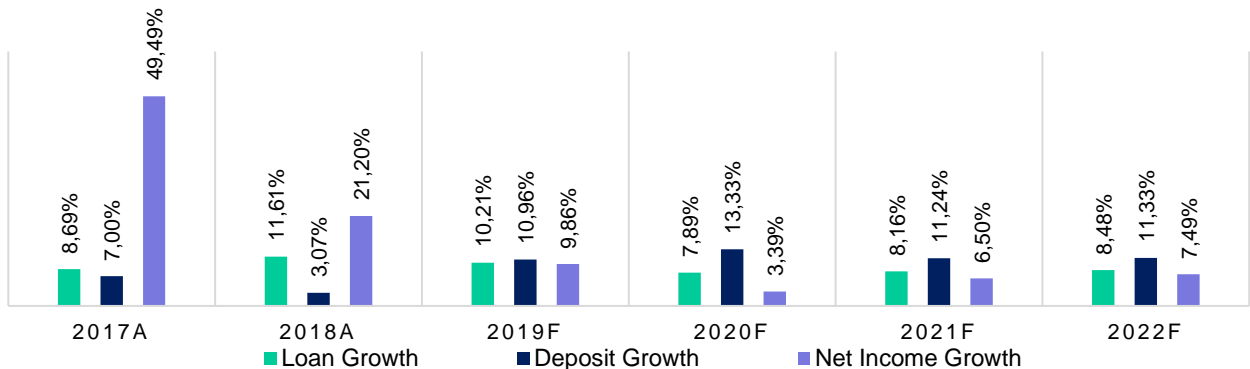


Chart: Growth (x) YoY



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	81.682	67.254	62.996
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
Total Asset	1.124.701	1.202.252	1.318.246	1.469.611	1.619.229	1.786.074
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
Total Liabilities	954.695	1.017.292	1.109.212	1.250.303	1.388.089	1.541.801
Total Shareholder's Equity	170.006	184.960	209.035	219.308	231.140	244.273

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Ratio Highlights

Ratio Analysis	2017A	2018A	2019A	2020F	2021F	2022F
Profitability & Efficiency						
NIM	5,48%	5,38%	5,17%	4,49%	4,48%	4,21%
Cost-to-Income Ratio	44,81%	43,86%	45,23%	50,23%	50,72%	52,57%
ROE	12,38%	13,81%	13,43%	13,22%	13,35%	13,56%
ROA	1,84%	2,08%	2,08%	1,93%	1,87%	1,82%
ROAE		13,09%	13,62%	13,33%	13,29%	13,46%
BOPO	47,80%	47,96%	53,38%	57,81%	56,22%	59,44%
Cost of Credit	-2,24%	-1,77%	-1,36%	-0,95%	-1,19%	-0,96%
Liquidity						
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%
Asset Quality						
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%
Capital						
CAR	21,60%	21,00%	21,40%	21,33%	21,24%	21,33%
Growth						
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%	3,39%	6,50%	7,49%

QoQ Result

Balance Sheet	1Q19	4Q19	1Q20	%QoQ	%YoY
Loan	768.093	885.835	881.385	-0,5%	14,7%
Loan Loss Reserves	-30.397	-29.988	-53.872	79,6%	77,2%
NPL	5.609	18.736	11.337	-39,5%	102,1%
Deposit					
Demand	185.135	250.414	253.233	1,1%	36,8%
Savings	331.595	359.608	350.744	-2,5%	5,8%
Time Deposit	311.357	323.549	337.782	4,4%	8,5%
Total Asset	1.205.972	1.318.246	1.320.038	0,1%	9,5%
Shareholder Equity	189.963	204.601	173.508	-15,2%	-8,7%

Income Statement	4Q18	3Q19	4Q19	%QoQ	%YoY
Interest Income	24.808	26.997	27.600	2,2%	11,3%
Interest Expense	9.838	10.853	10.666	-1,7%	8,4%
Net Interest Income	14.970	16.145	16.934	4,9%	13,1%
Net Operating Income	6.093	7.490	6.966	-7,0%	14,3%
Operating Expense	8.854	11.873	10.029	-15,5%	13,3%
PPOP	12.209	11.761	13.871	17,9%	13,6%
Provision Expense	2.757	1.798	3.479	93,5%	26,2%
Operating Profit	-22	49	26	-46,6%	-219,2%
Profit Before Tax	9.431	10.012	10.417	4,1%	10,5%
Tax Expense	1.969	2.494	2.343	-6,1%	19,0%
Net Profit	7.461	7.517	8.074	7,4%	8,2%

Ratio	4Q18	3Q19	4Q19	QoQ	YoY
Profitability & Efficiency					
Cost-to-Income Ratio	42,03%	50,24%	41,96%	(8,28)	(0,07)
ROE	3,81%	3,53%	4,56%	1,03	0,75
ROA	0,60%	0,55%	0,60%	0,05	(0,00)
BOPO	51,57%	60,68%	49,81%	(10,88)	(1,76)
Cost of Credit	1,06%	1,07%	0,93%	(0,14)	(0,13)
Liquidity					
LDR	92,76%	94,89%	93,59%	(1,30)	0,83
CASA	62,40%	65,34%	64,13%	(1,21)	1,73
Asset Quality					
Gross NPL (Bank only)	2,70%	2,30%	2,40%	0,10	(0,30)
Provision Coverage	180%	96%	226%	130,32	46,17
Capital					
CAR	21,72%	20,90%	17,68%	(3,22)	(4,04)

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
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