

12 November 2019  
Banking, Equity

Price **IDR. 7050**  
Target Price **IDR. 7500**  
JKSE Index **6148.74**

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



**Stock Information**  
Bloomberg code **BMRI IJ**  
Market cap (IDR bn) **774167.3**  
52-Week High (IDR) **31900**  
52-Week Low (IDR) **23350**  
Shares issued (mn) **24655**  
6-m Avg Daily. Val (IDR) **5639**  
Free Float (%) **40.00**

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

**USD/IDR-YE (IDR)**  
2018A **14390**  
2019F (6M Avg) **13963**

### Investment Consideration

#### No liquidity constraints

BMRI has no liquidity constraints. This is due to the stable growth of 3rd party funds which increased by 7.2% YoY in the third quarter. This growth was supported by lower cost current accounts which rose 18.1% to 153.1 Trillion. To increase deposits, BMRI continues to improve their service quality for customers, by making online transacting easier. The value of e-channel transactions has reached IDR 560 trillion, up 6.7% YoY with 31.7 million registered e-channel users, up 10% YoY. We estimate this will continue to grow around 7-9% a year.

#### Corporate Segment main focus

BMRI reported credit growth of 7.8% YoY in 9M19, with micro-loans (13.8% of total loans) the main driver as they grew by 19.4% YoY. These are mainly payroll loans. Corporate loans (38.5% of total loans) only grew by 7.6% YoY. Going forward, the corporate segment will remain the main focus of BMRI especially infrastructure, FMCG & Health Services.

#### BMRI KRAS and Duniatex coverage

As of September 2019, BMRI already has 26% coverage for KRAS which has a total loan amount of IDR6.6trillion. BMRI management is targeting to increase that to 30% and the loan has been restructured in August 2019. As for the Duniatex group, BMRI already provided 15% coverage by September 2019 and plans to increase the figure to 25% by the end of this year.

#### Valuation: 6% Upside, Hold.

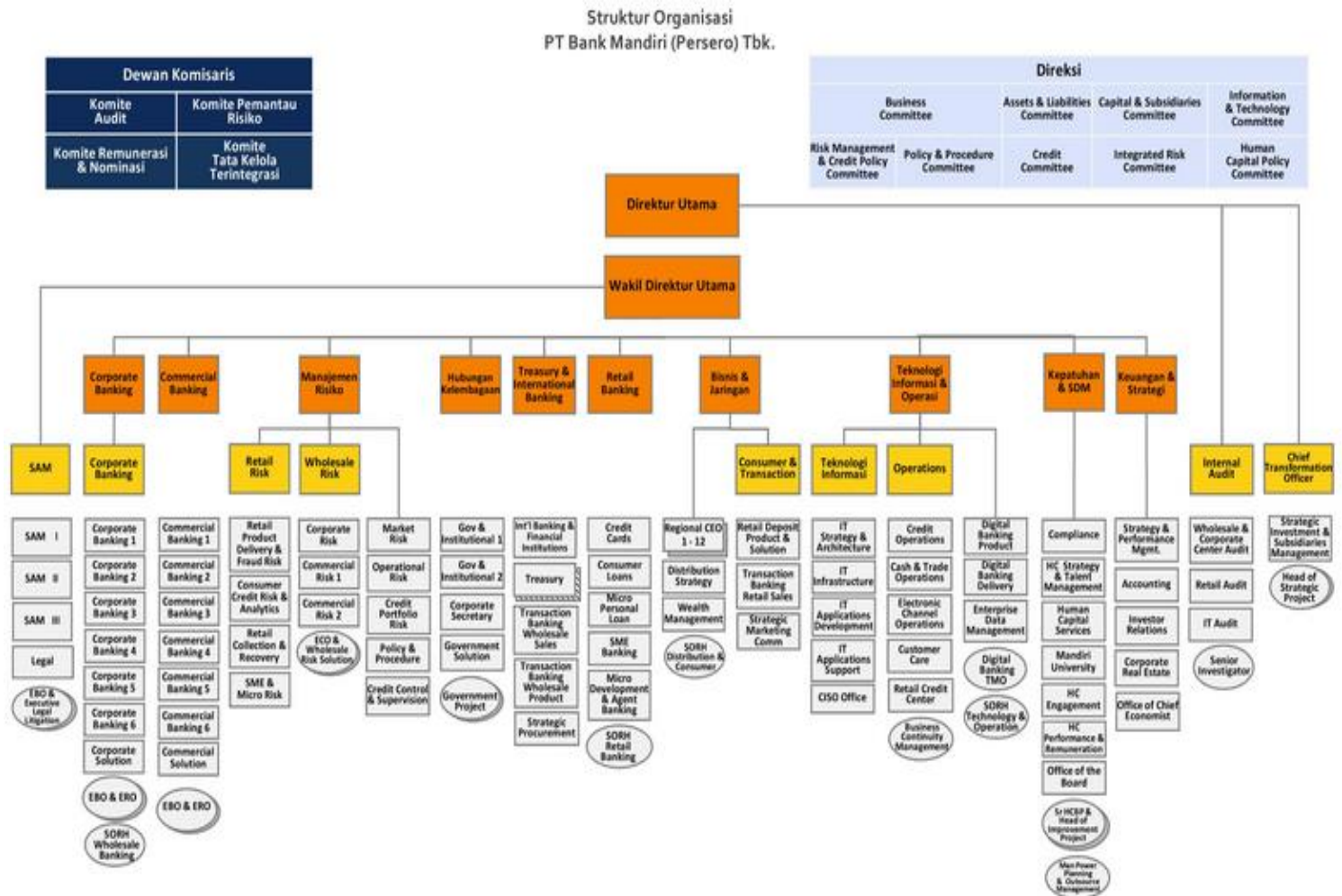
Based on our DDM Valuation, we have a target price within one year of IDR 7500, or trading at 1.2x PBV which gives 6% potential upside, Hold.

Income Statement (Idr bn)	2017A	2018A	2019F	2020F	2021F
Interest Income	90.888	91.991	107.202	131.603	155.337
Interest Expense	-35.034	-34.005	-41.255	-48.589	-57.285
<b>Net Interest Income</b>	<b>55.854</b>	<b>57.985</b>	<b>65.948</b>	<b>83.014</b>	<b>98.053</b>
Net Operating Income	22.282	27.672	25.288	29.774	35.236
Operating Expense	-35.014	-37.566	-38.245	-45.213	-53.507
<b>Pre Provision</b>					
<b>Operating Profit</b>	<b>43.122</b>	<b>48.091</b>	<b>57.582</b>	<b>77.157</b>	<b>90.890</b>
Provision Expense	-15.952	-14.185	-15.497	-25.355	-32.909
<b>Operating Profit</b>	<b>27.170</b>	<b>33.906</b>	<b>42.085</b>	<b>51.802</b>	<b>57.982</b>
Profit Before Tax	27.157	33.943	41.988	51.701	57.881
Tax Expense	-5.714	-8.091	-9.167	-11.736	-12.023
<b>Net Profit</b>	<b>21.443</b>	<b>25.852</b>	<b>32.821</b>	<b>39.965</b>	<b>45.858</b>
<b>EPS (Rp/Share)</b>	<b>442</b>	<b>536</b>	<b>689</b>	<b>845</b>	<b>966</b>

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



Source: Company

Chart: Net Interest Margin (x) yoy

Net Interest Income

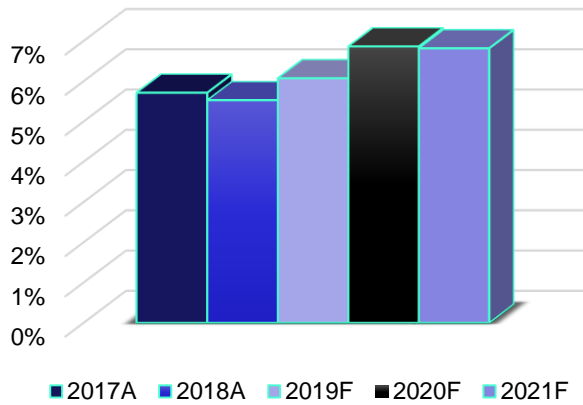


Chart: Loan to Deposit Ratio (x) yoy

Loan to Deposit Ratio

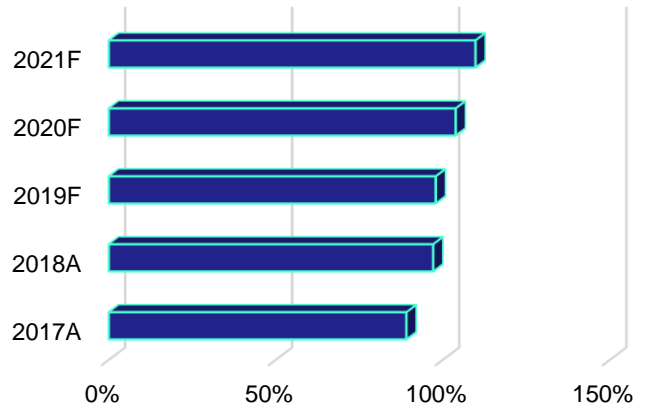


Chart: Gross NPL (x) yoy

Gross NPL (Bank only)

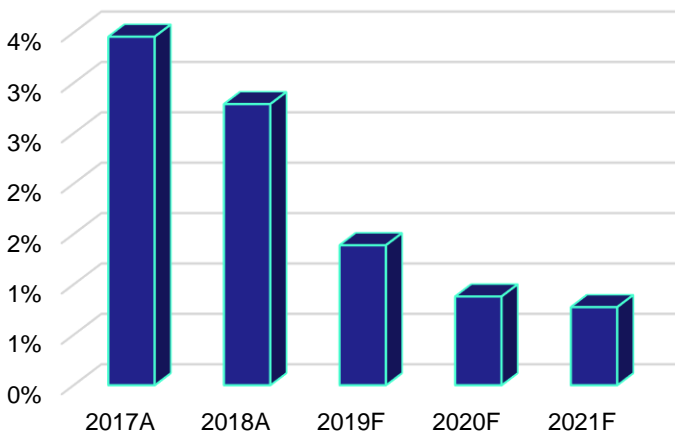
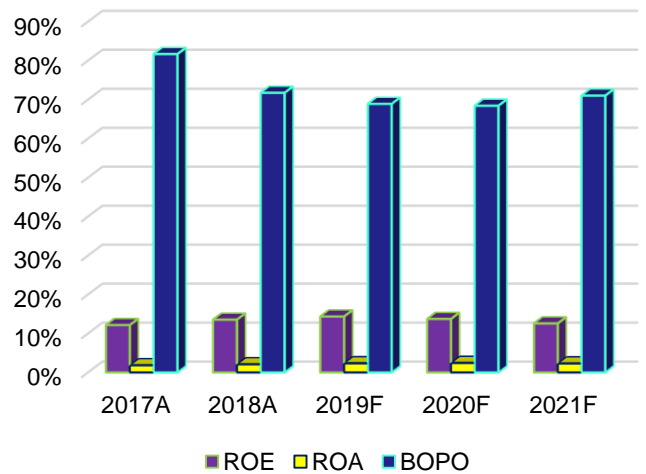


Chart: Profitability (x) YoY

Profitability



**Balance Sheet (IDR.bn)**

Balance sheet (Idr bn)	2017A	2018A	2019F	2020F	2021F
Cash and CA with BI	74.457	87.202	79.035	110.614	140.350
Interbank Placement	74.601	22.516	69.574	77.876	93.044
Marketable Securities	59.610	63.836	67.852	75.948	90.740
Gross Loan	727.183	816.755	900.170	1.067.799	1.288.761
Allowance for Loans	-34.108	-32.167	-32.951	-34.987	-43.178
Loans-net	693.075	784.588	867.219	1.032.812	1.245.583
Other Earning Asset	292.098	261.506	344.425	385.525	460.612
Non Earning Asset	65.071	68.957	79.415	93.178	112.193
<b>Total Asset</b>	<b>1.124.701</b>	<b>1.202.252</b>	<b>1.370.094</b>	<b>1.622.130</b>	<b>1.958.737</b>
Deposit:					
Current Account	203.390	200.506	244.372	317.082	415.630
Saving Deposits	337.229	339.034	344.322	346.047	347.433
Time Deposits	275.633	301.807	331.204	365.397	411.258
Other Interest Bearing Liabilities	71.584	89.728	133.709	202.979	308.136
Non Interest Bearing Liabilities	66.859	86.216	91.990	102.853	117.432
<b>Total Liabilities</b>	<b>954.695</b>	<b>1.017.292</b>	<b>1.145.597</b>	<b>1.334.358</b>	<b>1.599.889</b>
<b>Total Shareholder's Equity</b>	<b>170.006</b>	<b>184.960</b>	<b>224.496</b>	<b>287.772</b>	<b>358.848</b>

**Income Statement (IDR.bn)**

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<b>Pre Provision Operating Profit</b>	<b>43.122</b>	<b>48.091</b>	<b>57.582</b>	<b>77.157</b>	<b>90.890</b>
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Ratio Analysis	2017A	2018A	2019F	2020F	2021F
NIM	5,71%	5,53%	6,07%	6,86%	6,82%
LDR	89,09%	97,08%	97,86%	103,82%	109,75%
Gross NPL (Bank only)	3,46%	2,79%	1,39%	0,88%	0,77%
Cost of Credit	2,19%	1,74%	1,72%	2,37%	2,55%
Provision Coverage	109,37%	107,60%	135,77%	135,77%	135,77%
CAR	20,59%	19,84%	23,37%	26,44%	25,73%
CASA	66,23%	64,13%	64,00%	64,47%	64,98%
Cost-to-Income Ratio	44,81%	43,86%	39,91%	36,95%	37,06%
ROE	12,14%	13,52%	14,33%	13,71%	12,56%
ROA	1,84%	2,08%	2,35%	2,43%	2,30%
ROAE		12,83%	13,93%	14,02%	13,14%
BOPO	81,67%	71,73%	68,88%	68,41%	71,01%
Loan Growth	9,98%	12,32%	10,21%	18,62%	20,69%
Deposit Growth	7,00%	3,07%	9,34%	11,81%	14,18%
Net Income Growth	49,49%	21,20%	28,62%	22,64%	14,26%

**QoQ Result**

Balance sheet (ldr bn)	1Q19	2Q19	3Q19	4Q19	1Q20	2Q20	3Q20	4Q20	1Q21	2Q21	3Q21	4Q21
Cash and CA with BI	81.501	68.378	57.541	79.035	80.314	82.636	89.002	110.614	115.025	117.228	119.690	140.350
Interbank Placement	41.562	43.313	63.412	69.574	75.319	75.688	75.827	77.876	81.135	84.749	88.695	93.044
Marketable Securities	68.043	71.822	61.843	67.852	73.455	73.814	73.951	75.948	79.127	82.652	86.499	90.740
Gross Loan	787.117	832.168	864.466	900.170	937.744	978.255	1.021.456	1.067.799	1.117.405	1.170.592	1.227.605	1.288.761
Allowance for Loans	-30.790	-31.720	-23.187	-32.951	-31.955	-30.659	-32.721	-34.987	-37.753	-39.006	-40.758	-43.178
Loans-net	756.327	800.447	841.279	867.219	905.789	947.596	988.735	1.032.812	1.079.653	1.131.586	1.186.847	1.245.583
Other Earning Asset	295.011	295.927	313.923	344.425	372.867	374.691	375.383	385.525	401.659	419.552	439.082	460.612
Non Earning Asset	73.133	70.876	76.345	79.415	84.269	86.660	89.642	93.178	97.440	101.975	106.896	112.193
<b>Total Asset</b>	<b>1.205.972</b>	<b>1.235.628</b>	<b>1.289.088</b>	<b>1.370.094</b>	<b>1.443.239</b>	<b>1.491.582</b>	<b>1.542.763</b>	<b>1.622.130</b>	<b>1.693.777</b>	<b>1.770.340</b>	<b>1.852.515</b>	<b>1.958.737</b>
Deposit:												
Current Account	185.135	200.137	221.152	244.372	270.032	284.883	300.552	317.082	339.278	363.027	388.439	415.630
Saving Deposits	331.595	342.949	343.635	344.322	345.011	345.356	345.701	346.047	346.393	346.739	347.086	347.433
Time Deposits	311.357	300.412	315.433	331.204	347.765	351.242	354.755	365.397	376.359	387.650	399.279	411.258
Other Interest Bearing Liabilities	96.624	108.521	120.458	133.709	148.416	164.742	182.864	202.979	225.307	250.090	277.600	308.136
Non Interest Bearing Liabilities	87.596	93.920	88.022	91.990	96.281	98.148	100.101	102.853	106.203	109.742	113.480	117.432
<b>Total Liabilities</b>	<b>1.012.307</b>	<b>1.045.939</b>	<b>1.088.699</b>	<b>1.145.597</b>	<b>1.207.504</b>	<b>1.244.372</b>	<b>1.283.972</b>	<b>1.334.358</b>	<b>1.393.540</b>	<b>1.457.249</b>	<b>1.525.886</b>	<b>1.599.889</b>
<b>Total Shareholder's Equity</b>	<b>193.665</b>	<b>189.689</b>	<b>200.389</b>	<b>224.496</b>	<b>235.736</b>	<b>247.210</b>	<b>258.791</b>	<b>287.772</b>	<b>300.237</b>	<b>313.091</b>	<b>326.630</b>	<b>358.848</b>

Income Statement (ldr bn)	1Q19	2Q19	3Q19	4Q19	1Q20	2Q20	3Q20	4Q20	1Q21	2Q21	3Q21	4Q21
Interest Income	24.808	25.266	30.100	31.620	33.345	34.759	35.885	37.195	38.790	40.575	42.502	44.580
Interest Expense	-9.838	-10.180	-10.349	-10.888	-11.474	-11.964	-12.350	-12.801	-13.350	-13.965	-14.628	-15.343
<b>Net Interest Income</b>	<b>14.970</b>	<b>15.086</b>	<b>19.750</b>	<b>20.732</b>	<b>21.872</b>	<b>22.795</b>	<b>23.535</b>	<b>24.393</b>	<b>25.440</b>	<b>26.610</b>	<b>27.874</b>	<b>29.237</b>
Net Operating Income	6.093	6.112	6.363	6.721	7.077	7.306	7.543	7.848	8.203	8.587	9.000	9.447
Operating Expense	-8.854	-9.523	-9.663	-10.206	-10.747	-11.094	-11.454	-11.917	-12.456	-13.039	-13.667	-14.345
<b>Pre Provision Operating Profit</b>	<b>12.209</b>	<b>11.674</b>	<b>16.451</b>	<b>17.247</b>	<b>18.202</b>	<b>19.007</b>	<b>19.624</b>	<b>20.324</b>	<b>21.186</b>	<b>22.158</b>	<b>23.207</b>	<b>24.339</b>
Provision Expense	-2.757	-3.455	-4.319	-4.967	-5.463	-6.010	-6.611	-7.272	-7.635	-8.017	-8.418	-8.839
<b>Operating Profit</b>	<b>9.452</b>	<b>8.219</b>	<b>12.132</b>	<b>12.281</b>	<b>12.739</b>	<b>12.997</b>	<b>13.013</b>	<b>13.052</b>	<b>13.551</b>	<b>14.141</b>	<b>14.790</b>	<b>15.500</b>
Profit Before Tax	9.431	8.194	12.107	12.256	12.714	12.972	12.988	13.027	13.526	14.116	14.764	15.475
Tax Expense	-1.969	-1.667	-2.748	-2.782	-2.886	-2.945	-2.948	-2.957	-2.705	-3.014	-3.053	-3.252
<b>Net Profit</b>	<b>8.196</b>	<b>7.966</b>	<b>11.265</b>	<b>11.354</b>	<b>11.283</b>	<b>11.378</b>	<b>11.422</b>	<b>11.473</b>	<b>11.570</b>	<b>11.782</b>	<b>11.987</b>	<b>12.188</b>
<b>EPS (Rp/Share)</b>	<b>155</b>	<b>290</b>	<b>200</b>	<b>200</b>	<b>208</b>	<b>212</b>	<b>212</b>	<b>213</b>	<b>228</b>	<b>234</b>	<b>247</b>	<b>258</b>

Ratio Analysis	3Q18	2Q19	3Q19
NIM	5,66%	5,58%	5,58%
ROE	14,10%	14,20%	14,00%
ROA	2,80%	2,91%	2,90%
Cost of Credit	1,94%	1,50%	165,00%
Loan Growth	13,80%	9,50%	7,80%
Gross NPL	3,01%	2,59%	2,50%
LDR	93,50%	98,82%	95,00%

**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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