

Investment Consideration

Quarterly Net income increased significantly

In 1Q21, BMRI reported net profit down by -25% YoY to IDR 6,519 billion, but up significantly from the previous quarter, +91.5%, not including profit from Bank Syariah Indonesia. This was due to provisions of IDR 5.4T which is higher than a year ago and lower than the previous quarter. Net Interest Income growth for banking was actually, flat YoY and was positive up 9% QoQ. NIM was 5.10% on lower interest rates along with solid liquidity and a significant reduction in the cost of funds. BMRI has seen improvements in liquidity and cuts in deposit rates. We estimate NIM will be in the range of 4.8 - 5.1% in FY2021F.

Credit growth is good

Credit increased by 9.1% YoY driven by commercial 5.5% YoY, SMEs 4.5% YoY, Subsidiaries 76.6% YoY. The creation of BSI, which is the result of the merger of BRI Syariah, BNI Syariah, and Bank Mandiri Syariah, will help to increase loans. We estimate credit growth of 11% in FY2021F.

Asset Quality and Restructured Loans

In 1Q21, NPL was 3.15%, Special Mention 4.46%. This year, we expect an improvement. BMRI will focus on asset quality in 2021. In 1Q21, the restructured loans amounted to IDR 94 trillion or 12% of total loans. Restructured loans with a low risk, 66%, are likely to return to normal after restructuring, 23% are medium risk, and 11% are high risk.

Valuation: 19% Upside, Buy.

Based on our DDM Valuation, we have a target price within one year of IDR 7,090, or trading at 1.5x PBV which gives 19% potential upside, Buy.

Income Statement (Idr bn)	2017A	2018A	2019A	2020A	2021F	2022F	2023F
Interest Income	90.888	91.991	103.501	101.223	90.165	104.314	118.395
Interest Expense	-35.034	-34.005	-41.391	-42.190	-35.356	-40.402	-43.976
Net Interest Income	125.923	125.996	144.892	143.413	125.521	144.716	162.371
Net Operating Income	22.282	27.672	26.490	27.686	31.162	33.350	36.613
Operating Expense	35.014	37.566	40.076	40.647	46.465	49.351	54.387
PPOP	43.122	48.091	48.524	46.072	39.506	47.911	56.645
Provision Expense	-15.952	-14.185	-12.072	-22.896	-16.248	-23.051	-28.974
Operating Profit	59.073	33.906	36.452	23.176	23.258	24.860	27.670
Profit Before Tax	27.157	33.943	36.441	23.298	23.381	24.984	27.796
Tax Expense	5.714	8.091	7.986	5.652	4.676	4.997	5.559
Net Profit	21.443	25.852	28.456	17.646	18.705	19.988	22.237
EPS (Rp/Share)	442.3	536.0	588.9	367.0	386.9	414.6	459.6

27 May 2021
Banking, Equity

Price IDR. 5,900
Target Price IDR. 7,090
JKSE Index 5,928.31

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



Stock Information
Bloomberg code **BMRIJ**
Market cap (IDR bn) **306,833.3B**
52-Week High (IDR) **8,050**
52-Week Low (IDR) **3,660**
6-m Avg Daily. Val (IDR) **6,141**
Free Float (%) **40.00**

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

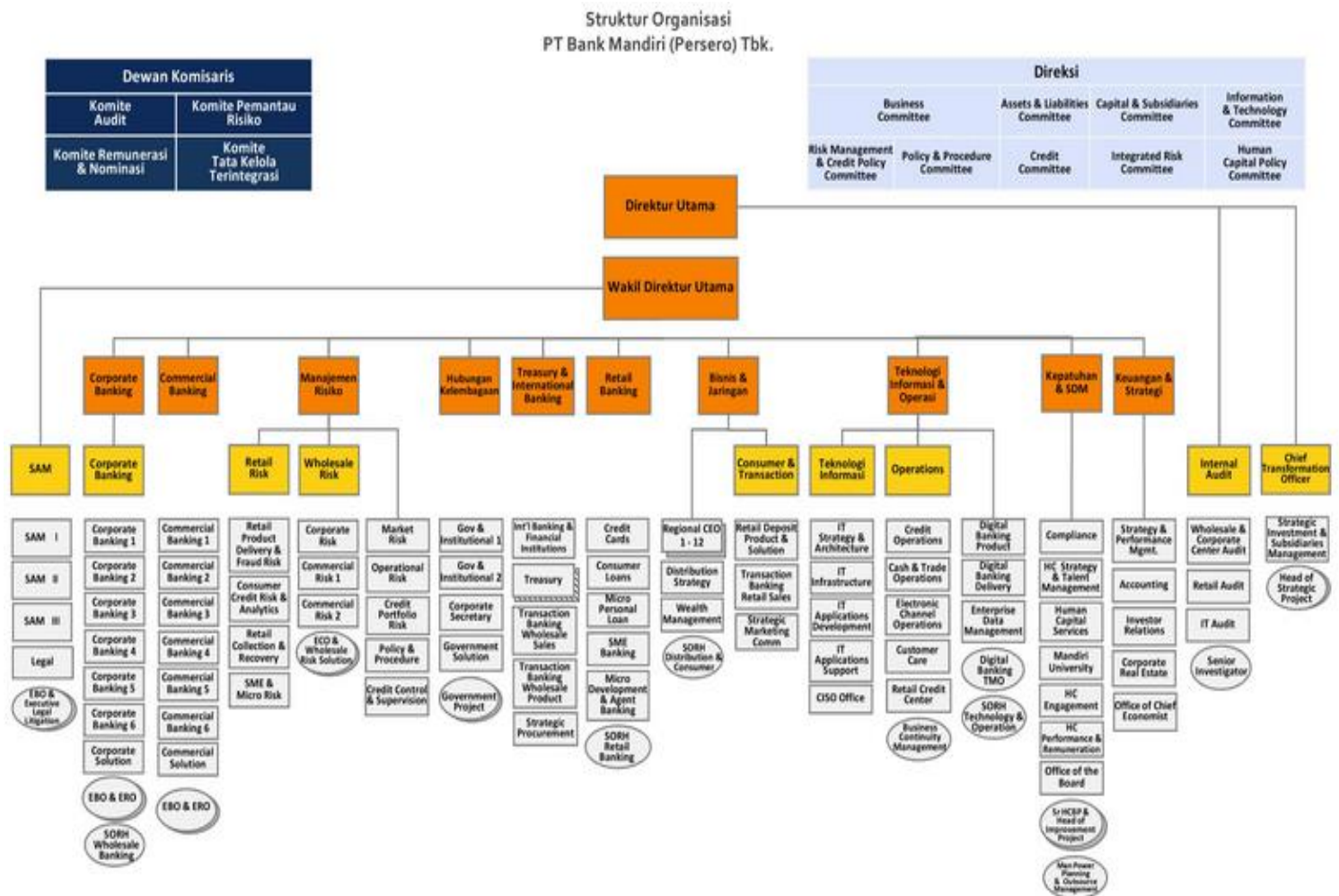
USD/IDR-YE (IDR)
2020A **14,050**
2021F (6M Avg) **14,585**

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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: Gross Loan (x) YoY

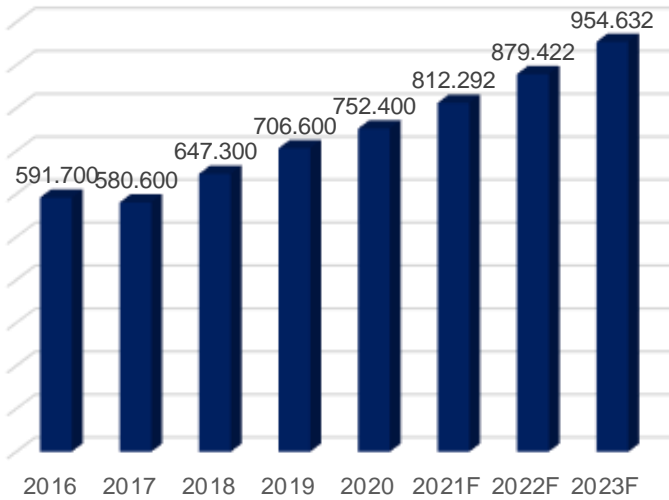


Chart: Loan to Deposit Ratio (x) YoY

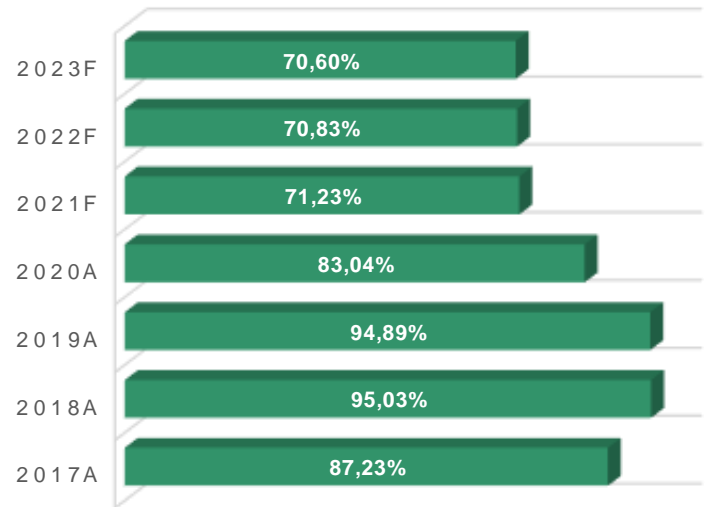


Chart: Profitability (x) YoY

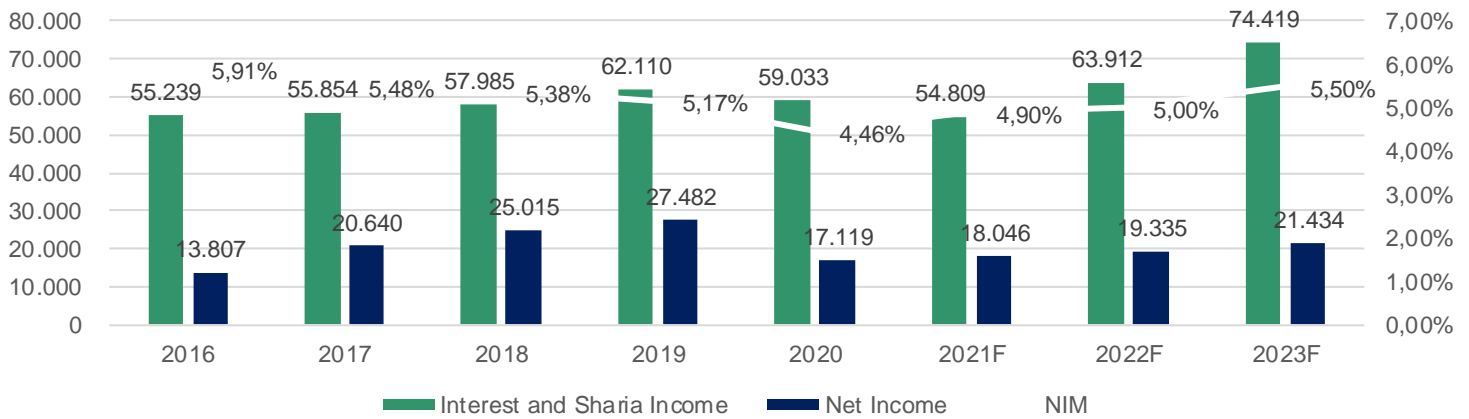


Chart: Net Interest Margin (x) YoY

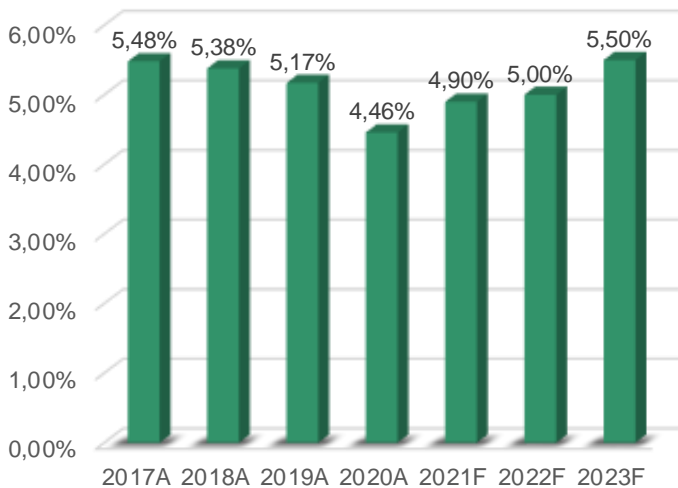


Chart: Non Performing Loan (x) YoY

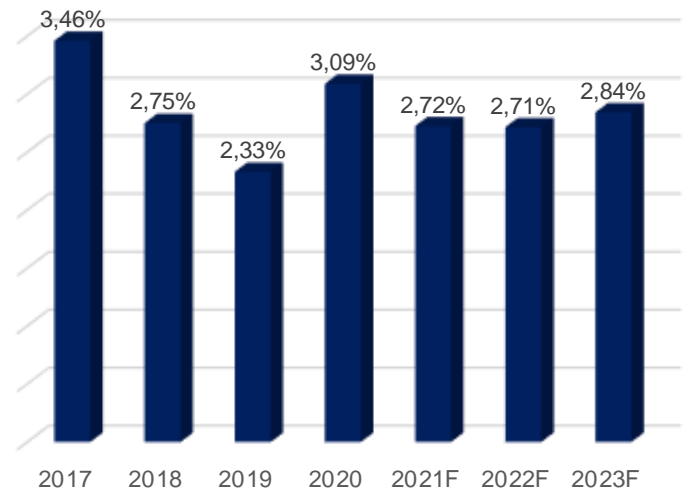


Chart: Net Income (x) QoQ

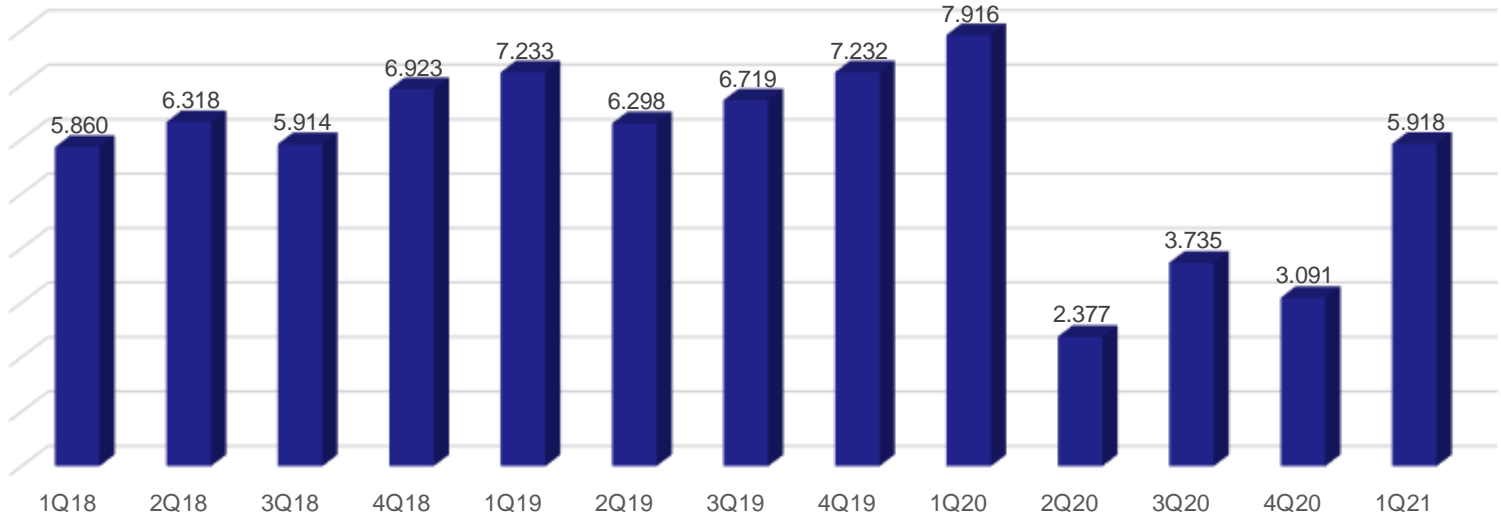


Chart: Non Performing Loan (x) QoQ

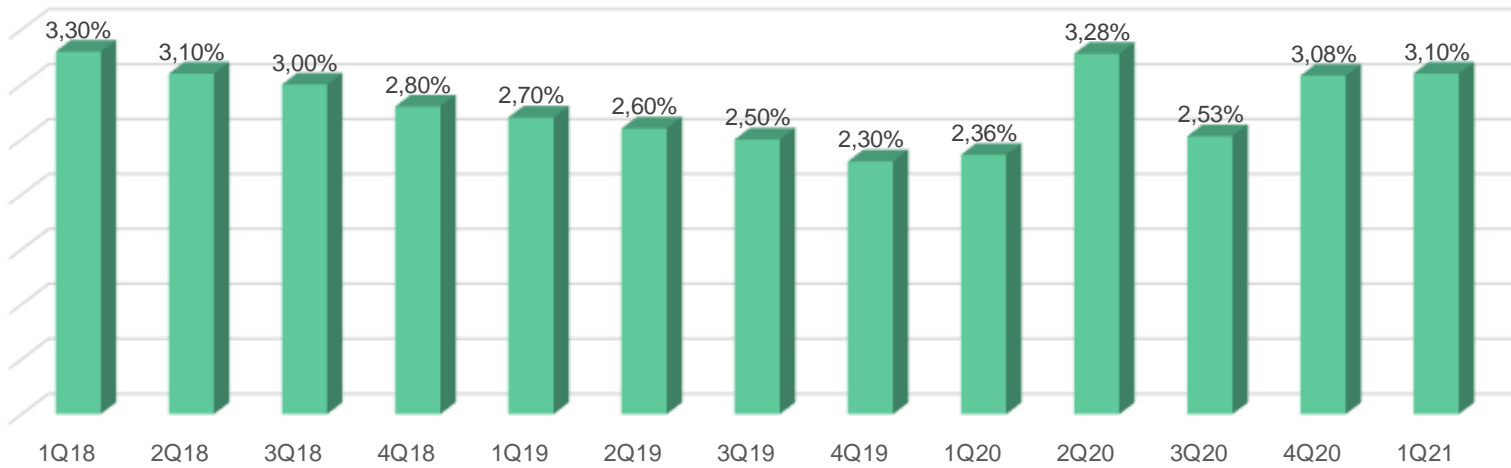
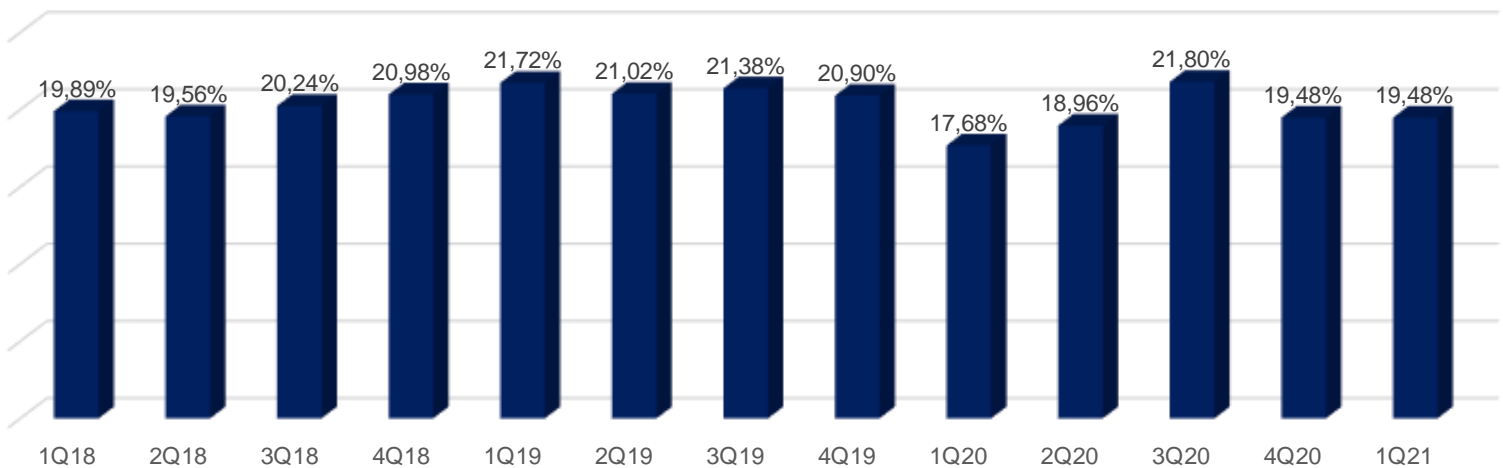


Chart: CAR (x) QoQ



Balance Sheet (IDR.bn)

Balance sheet (ldr bn)	2017A	2018A	2019A	2020A	2021F	2022F	2023F
Cash and CA with BI	74.457	87.202	74.585	74.321	138.101	139.440	140.173
Interbank Placement	74.601	22.516	37.569	79.767	79.153	96.052	110.197
Marketable Securities	59.610	63.836	71.263	79.901	133.540	140.572	148.164
Gross Loan	712.038	799.557	885.835	870.145	812.292	879.422	954.632
Allowance for Loans	-33.745	-31.796	-29.988	-62.271	-141.395	-156.466	-177.118
Loans-net	678.293	767.761	855.847	807.874	670.897	722.955	777.515
Other Earning Asset	306.881	278.332	314.990	463.773	638.054	693.821	760.878
Non Earning Asset	65.071	68.957	72.824	83.366	89.640	98.149	106.526
Total Asset	1.124.701	1.202.252	1.318.246	1.429.334	1.536.692	1.654.365	1.785.092
Deposit:							
Current Account	203.390	200.506	250.414	305.364	342.008	383.049	429.015
Saving Account	337.229	339.034	359.608	391.033	422.315	456.101	492.589
Time Deposits	275.633	301.807	323.549	351.467	376.070	402.395	430.563
Other Interest Bearing Liabilities	71.584	89.728	76.909	80.816	87.986	95.266	103.160
Non Interest Bearing Liabilities	66.859	86.216	98.732	106.858	117.907	130.136	143.544
Total Liabilities	954.695	1.017.292	1.109.212	1.235.538	1.346.287	1.466.946	1.598.870
Total Shareholder's Equity	170.006	184.960	209.035	193.796	190.406	187.418	186.222

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Operating Expense	35.014	37.566	40.076	40.647	46.465	49.351	54.387
PPOP	43.122	48.091	48.524	46.072	39.506	47.911	56.645
Provision Expense	-15.952	-14.185	-12.072	-22.896	-16.248	-23.051	-28.974
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Net Profit	21.443	25.852	28.456	17.646	18.705	19.988	22.237
EPS (Rp/Share)	442.3	536.0	588.9	367.0	386.9	414.6	459.6

Ratio Highlights

Ratio Analysis	2017A	2018A	2019A	2020A	2021F	2022F	2023F
Profitability & Efficiency							
NIM	5,48%	5,38%	5,17%	4,46%	4,90%	5,00%	5,50%
Cost-to-Income Ratio	44,81%	43,86%	45,23%	46,87%	54,05%	50,74%	48,98%
ROE	12,38%	13,81%	13,43%	9,05%	9,72%	10,58%	11,81%
ROA	1,84%	2,08%	2,08%	1,20%	1,17%	1,17%	1,20%
ROAE		13,09%	13,62%	11,24%	9,38%	10,15%	11,19%
BOPO	47,80%	47,96%	53,38%	46,50%	54,05%	48,45%	44,76%
Cost of Credit	2,24%	1,77%	1,36%	2,20%	2,50%	2,20%	2,20%
Liquidity							
LDR	87,23%	95,03%	94,89%	83,04%	71,23%	70,83%	70,60%
CASA	66,23%	64,13%	65,34%	66,46%	67,02%	67,59%	68,16%
Asset Quality							
Gross NPL	3,46%	2,75%	2,33%	3,09%	2,72%	2,71%	2,84%
Provision Coverage	135,10%	142,80%	144,30%	229,10%	300,00%	300,00%	300,00%
Capital							
CAR	21,60%	21,00%	20,90%	19,48%	20,46%	20,28%	20,07%
Growth							
Loan Growth	10,20%	11,49%	10,00%	7,10%	7,96%	8,26%	8,55%
Deposit Growth	7,00%	3,07%	10,96%	12,24%	8,83%	8,87%	8,91%
Net Income Growth	49,49%	21,20%	9,86%	-37,71%	5,42%	7,14%	10,86%

QoQ Result

Balance Sheet	1Q20	4Q20	1Q21	%QoQ	%YoY
Loan	881.385	870.145	962.267	10,6%	9,2%
Loan Loss Reserves	-53.872	-62.271	-67.269	8,0%	24,9%
NPL	11.337	45.515	11.346	-75,1%	0,1%
Deposit					
Demand	253.233	305.364	366.842	20,1%	44,9%
Savings	350.744	391.033	431.974	10,5%	23,2%
Time Deposit	337.782	351.467	383.005	9,0%	13,4%
Total Asset	1.320.038	1.429.334	1.584.067	10,8%	20,0%
Shareholder Equity	173.508	189.143	181.628	-4,0%	4,7%

Income Statement	1Q20	4Q20	1Q21	%QoQ	%YoY
Interest Income	27.600	24.761	29.229	18,0%	5,9%
Interest Expense	10.666	10.001	9.704	-3,0%	-9,0%
Net Interest Income	16.934	14.759	19.525	32,3%	15,3%
Net Operating Income	6.966	8.983	6.087	-32,2%	-12,6%
Operating Expense	10.029	12.326	11.487	-6,8%	14,5%
PPOP	13.871	11.416	14.125	23,7%	1,8%
Provision Expense	3.479	7.197	5.408	-24,9%	55,4%
Operating Profit	10.391	4.220	8.718	106,6%	-16,1%
Profit Before Tax	10.417	4.397	8.701	97,9%	-16,5%
Tax Expense	2.343	1.184	2.181	84,2%	-6,9%
Net Profit	8.074	3.212	6.519	103,0%	-19,3%

Ratio	1Q20	4Q20	1Q21	QoQ	YoY
Profitability & Efficiency					
NIM	5,40%	4,46%	5,10%	0,64	(0,30)
Cost-to-Income Ratio	42,00%	51,90%	44,80%	(7,10)	2,80
ROE	17,67%	6,61%	12,77%	6,16	(4,90)
ROA	2,40%	0,87%	1,57%	0,70	(0,83)
Cost of Credit	1,33%	2,80%	2,36%	(0,44)	1,03
				-	-
Liquidity					
LDR	95,00%	84,30%	82,50%	(1,80)	(12,50)
CASA	64,10%	66,50%	67,60%	1,10	3,50
Asset Quality					
Gross NPL (Bank only)	2,36%	3,09%	3,15%	0,06	0,79
NPL Coverage	257%	229%	220%	(9,00)	(36,60)
Capital					
CAR	17,68%	19,48%	18,59%	(0,89)	0,91

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.

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