

28 Januari 2020
Banking, Equity

Price IDR. 7725
Target Price IDR. 8100
JKSE Index 6244.11

Investment Consideration

Corporate Segment Main Focus

Loans rose 10.7% YoY to Rp907.5 trillion. This was supported by corporate loans which rose by 13.3% YoY from financing to infrastructure projects and which contributed 23% to the total loan portfolio. Payroll loans grew by 17.5% YoY and microloans grew by 19.4% YoY, becoming a major driver. The main focus of BMRI remains in the Corporate Segment and strengthening integration between the wholesale and retail segments. In line with last year's growth estimate of 10.21%. The estimated loan growth for 2020-2021 is also in the range of 10%.

NIM increased 10Bps

In 4Q19, BMRI NIM increased only slightly by 10bps, to 5.56% from 5.66% in 4Q18. The Cost of Funds (CoF) decreased to 1.4% in 4Q19 from 1.8% in 4Q18. BMRI indicated they have reduced the proportion of Time Deposits and increased CASA by 13.1% YoY. We lower our estimates because the bank's ability to reduce CoF will be less during tight liquidity conditions in the banking system and we estimate the Net Interest Margin in 2020 will be 5%.

NPLs Improve

NPL improved to 2.3% in 4Q19 from 2.8% in 2018 driven by the small and commercial segments. BMRI anticipates strong risk management supervision will further reduce NPLs, and our estimate is in the range of 2.3%.

Valuation: 5% Upside, Hold.

Based on our DDM Valuation, we have a target price within one year of IDR 8100, or trading at 1.5x PBV which gives 5% potential upside, Hold.

Income Statement (Idr bn)	2017A	2018A	2019A	2020F	2021F	2022F
Interest Income	90.888	91.991	103.501	103.523	114.927	128.686
Interest Expense	-35.034	-34.005	-41.391	-38.322	-37.877	-42.198
Net Interest Income	125.923	125.996	144.892	141.846	152.803	170.884
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	50.912	59.957	68.166
Provision Expense	-15.952	-14.185	-12.072	-9.199	-11.035	-9.653
Operating Profit	59.073	33.906	36.452	41.712	48.922	58.513
Profit Before Tax	27.157	33.943	36.441	41.702	48.912	58.503
Tax Expense	5.714	8.091	7.986	8.340	9.782	11.701
Net Profit	21.443	25.852	28.456	33.362	39.129	46.802
EPS (Rp/Share)	442,3	536,0	588,9	694,9	816,3	978,0

Published on Investing.com, 6/Nov/2019 - 6:12:55 GMT, Powered by TradingView.
Bank Mandiri Persero Tbk, Indonesia, Jakarta:BMRI, D



Stock Information

Bloomberg code **BMRI IJ**
Market cap (IDR bn) **368666.7B**
52-Week High (IDR) **8175**
52-Week Low (IDR) **6275**
6-m Avg Daily. Val (IDR) **7198**
Free Float (%) **40.00**

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

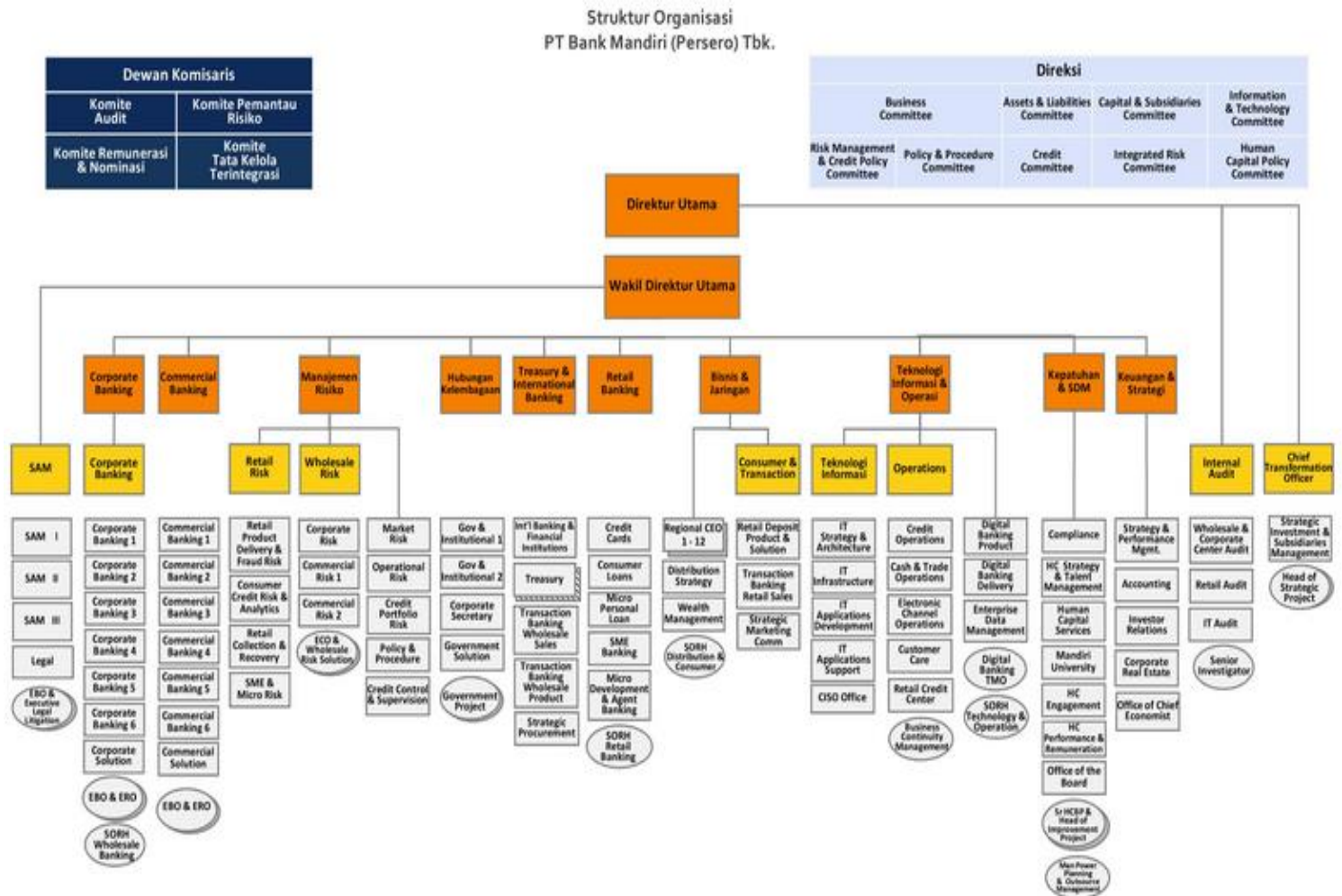
USD/IDR-YE (IDR)

2019A **13866**
2020F (6M Avg) **13623**

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

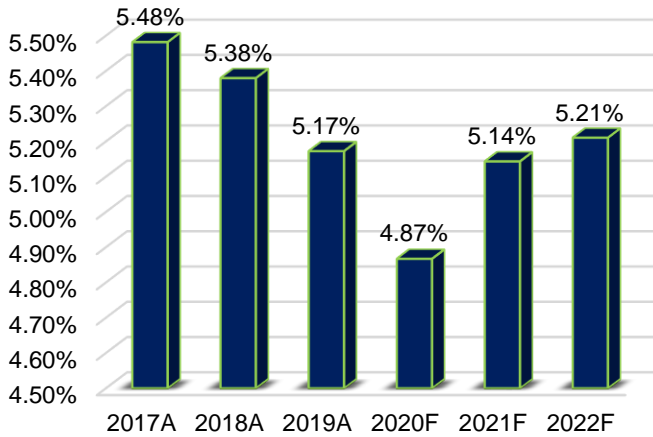


Chart: Loan to Deposit Ratio (x) YoY

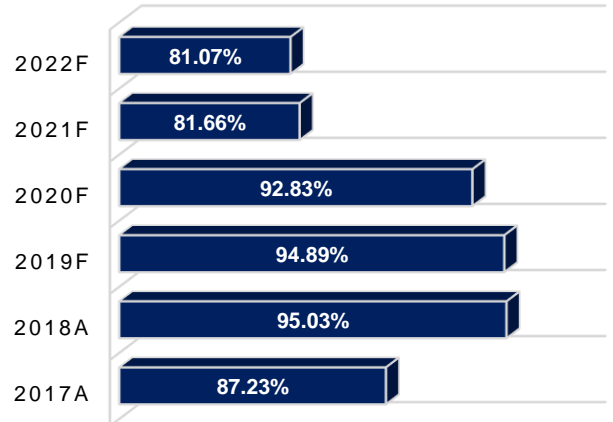


Chart: Profitability (x) YoY

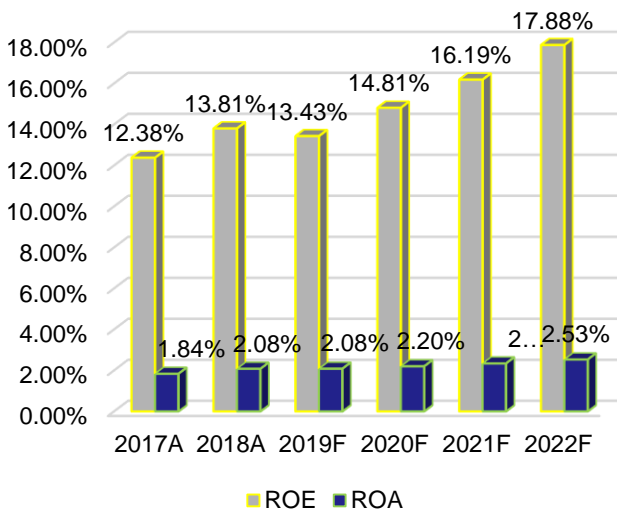
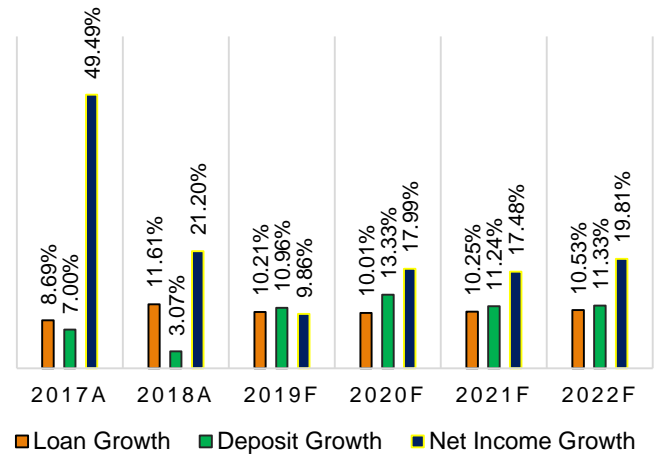


Chart: Growth (x) YoY



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	85.703	75.927	78.518
Interbank Placement	74.601	22.516	37.569	52.819	62.278	76.299
Marketable Securities	59.610	63.836	71.263	77.435	120.327	132.862
Gross Loan	712.038	799.557	885.835	982.141	961.062	1.062.219
Allowance for Loans	-33.745	-31.796	-29.988	-35.175	-38.235	-39.571
Loans-net	678.293	767.761	855.847	946.967	922.827	1.022.648
Other Earning Asset	306.881	278.332	314.990	357.481	537.011	597.652
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	1.473.622	1.627.863	1.801.554
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	223.319	239.774	259.753

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Ratio Analysis	2017A	2018A	2019A	2020F	2021F	2022F
NIM	5,48%	5,38%	5,17%	4,87%	5,14%	5,21%
LDR	87,23%	95,03%	94,89%	92,83%	81,66%	81,07%
Gross NPL	3,46%	2,79%	2,38%	2,29%	2,31%	2,16%
Cost of Credit	-2,24%	-1,77%	-1,36%	-0,94%	-1,15%	-0,91%
Provision Coverage	108,21%	106,36%	107,28%	106,82%	107,05%	106,93%
CAR	21,60%	21,00%	21,40%	21,33%	21,24%	21,33%
CASA	66,23%	64,13%	65,34%	66,97%	67,87%	68,76%
Cost-to-Income Ratio	44,81%	43,86%	45,23%	47,61%	46,20%	45,62%
ROE	12,38%	13,81%	13,43%	14,81%	16,19%	17,88%
ROA	1,84%	2,08%	2,08%	2,20%	2,34%	2,53%
ROAE		13,09%	13,62%	14,12%	15,50%	17,03%
BOPO	47,80%	47,96%	53,38%	55,64%	52,46%	53,56%
Loan Growth	8,69%	11,61%	10,21%	10,01%	10,25%	10,53%
Deposit Growth	7,00%	3,07%	10,96%	13,33%	11,24%	11,33%
Net Income Growth	49,49%	21,20%	9,86%	17,99%	17,48%	19,81%

QoQ Result

Balance Sheet	4Q18	3Q19	4Q19	%QoQ	%YoY
Loan	799.557	818.608	885.835	8,2%	10,8%
Loan Loss Reserves	-31.796	-31.990	-29.988	-6,3%	-5,7%
NPL	20.025	4.684	18.894	303,4%	-5,6%
Deposit					
Demand	200.506	223.686	250.414	11,9%	24,9%
Savings	339.034	344.176	359.608	4,5%	6,1%
Time Deposit	301.807	323.816	323.549	-0,1%	7,2%
Total Asset	1.202.252	1.275.670	1.318.246	3,3%	9,6%
Shareholder Equity	181.203	196.677	204.601	4,0%	12,9%

Income Statement	4Q18	3Q19	4Q19	%QoQ	%YoY
Interest Income	23.976	26.430	26.997	2,1%	12,6%
Interest Expense	9.268	10.521	10.853	3,2%	17,1%
Net Interest Income	14.708	15.909	16.145	1,5%	9,8%
Net Operating Income	9.487	6.796	7.490	10,2%	-21,0%
Operating Expense	10.659	9.826	11.873	20,8%	11,4%
PPOP	13.536	12.879	11.761	-8,7%	-13,1%
Provision Expense	3.224	4.062	1.798	-55,7%	-44,2%
Operating Profit	14	-12	49	-513,2%	239,2%
Profit Before Tax	10.326	8.805	10.012	13,7%	-3,0%
Tax Expense	3.174	1.855	2.494	34,5%	-21,4%
Net Profit	7.152	6.950	7.517	8,2%	5,1%

Ratio	4Q18	3Q19	4Q19	QoQ	YoY
NIM	2,22%	2,29%	2,25%	(0,04)	0,02
LDR	95,03%	91,81%	94,89%	3,08	(0,15)
Gross NPL (Bank only)	2,80%	2,50%	2,30%	(0,20)	(0,50)
Cost of Credit	1,00%	-1,08%	1,07%	2,15	0,08
Provision Coverage	106%	194%	96%	(98,51)	(10,79)
CAR	20,98%	21,38%	21,33%	(0,05)	0,35
CASA	64,13%	63,68%	65,34%	1,66	1,21
Cost-to-Income Ratio	44,06%	43,28%	50,24%	6,96	6,18
ROE	3,82%	3,42%	3,53%	0,12	(0,29)
ROA	0,58%	0,53%	0,55%	0,02	(0,03)
BOPO	49,92%	49,01%	60,68%	11,67	10,77

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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