

### Investment Consideration

#### Net profit drop

BMRI posted a FY2020 net profit of IDR 17.2 trillion, down 37.7% YoY. Net Interest Income increased by 4.9% YoY, PPOP fell 5.1% even though it grew quite significantly on a quarterly basis, by 9%. But the increase in provision costs was quite significant, IDR 23 trillion or 36.4% YoY, which held back the increase in net income. BMRI is focusing on debt restructuring,

#### Loan growth single digit

Loan growth was 0.1% QoQ and 7.1% YoY. Loan growth increased for all segments except for the UMKM segment, which was down 6.1% YoY. BMRI continues to be selective in providing loans to certain sectors such as FMCG, telecommunications, and health-related sectors and instead, is looking to optimize the growth potential of micro and MSMEs with digital innovations. We still estimate loan growth to remain in the range of 7-8% in 2021F taking into account the uncertainty of the realization of vaccination programs and economic recovery.

#### Credit Restructuring and Asset Quality

The credit restructuring in FY 2020 has reached a total of IDR 123.4 trillion or 16.2% of total loans (Bank Only) consisting of Corporate IDR 50.7 trillion, Commercial IDR 13.3 trillion, Retail IDR 59.5 trillion. 11% of the restructured loans are high-risk profile, 25% are intermediate risk. Asset quality in terms of non-performing loans decreased 24Bps to 3.1%, The NPL Coverage Ratio rose to 229.1%.

#### Valuation: 9% Upside, Hold.

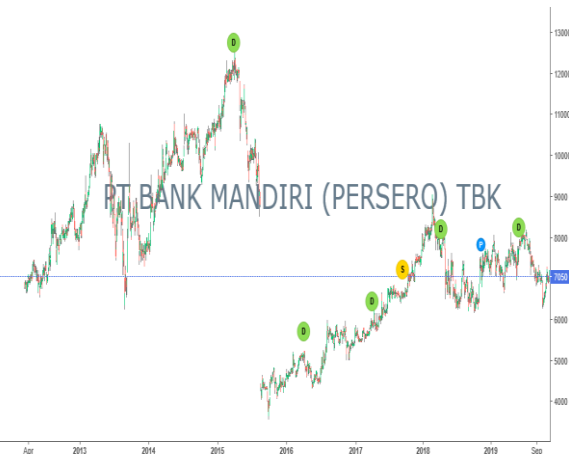
Based on our DDM Valuation, we have a target price within one year of IDR 7,090, or trading at 1,6x PBV which gives 9% potential upside, Hold.

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
<b>Net Interest Income</b>	<b>125.923</b>	<b>125.996</b>	<b>144.892</b>	<b>143.413</b>	<b>125.521</b>	<b>144.716</b>	<b>162.371</b>
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
<b>PPOP</b>	<b>43.122</b>	<b>48.091</b>	<b>48.524</b>	<b>46.072</b>	<b>39.506</b>	<b>47.911</b>	<b>56.645</b>
Provision Expense	-15.952	-14.185	-12.072	-22.896	-16.248	-23.051	-28.974
<b>Operating Profit</b>	<b>59.073</b>	<b>33.906</b>	<b>36.452</b>	<b>23.176</b>	<b>23.258</b>	<b>24.860</b>	<b>27.670</b>
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
<b>Net Profit</b>	<b>21.443</b>	<b>25.852</b>	<b>28.456</b>	<b>17.646</b>	<b>18.705</b>	<b>19.988</b>	<b>22.237</b>
<b>EPS (Rp/Share)</b>	<b>442,3</b>	<b>536,0</b>	<b>588,9</b>	<b>367,0</b>	<b>386,9</b>	<b>414,6</b>	<b>459,6</b>

4 February 2021  
Banking, Equity

Price IDR. 6,500  
Target Price IDR. 7,090  
JKSE Index 6,077.745

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



**Stock Information**  
Bloomberg code **BMRI IJ**  
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%**

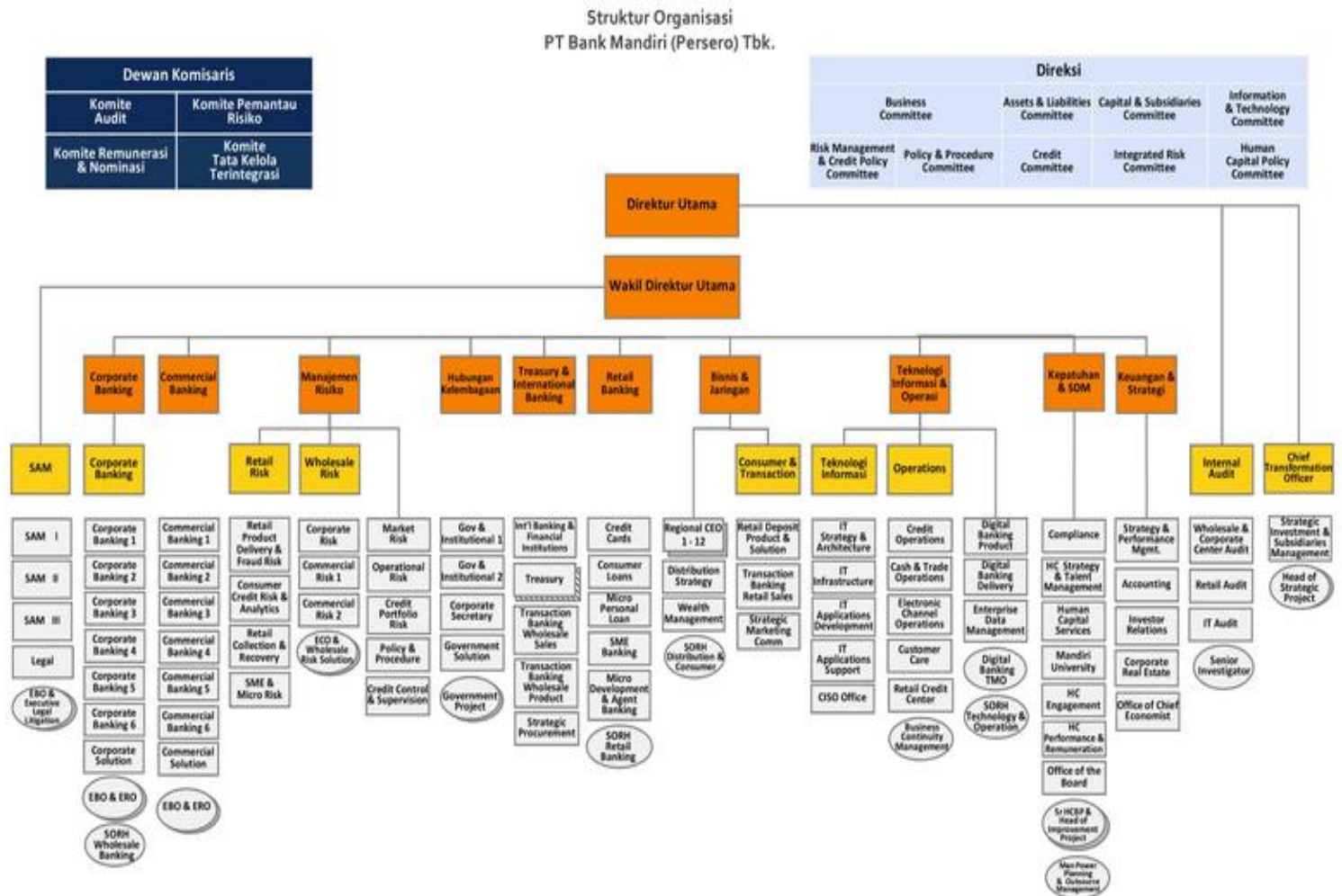
**USD/IDR-YE (IDR)**  
2020A **14,050**  
2021F (6M Avg) **14,427**

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Company Profile

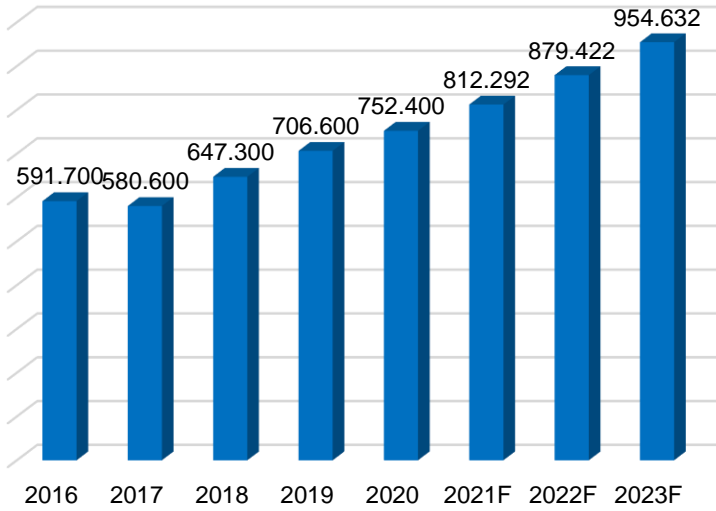
PT Bank Mandiri (Persero) Tbk. (hereinafter referred to as “Bank Mandiri” or the “Bank”) was established on October 2, 1998 in the Republic of Indonesia based on notarial deed No. 10 of Sutjipto, S.H., under Government Regulation No. 75 of 1998 dated October 1, 1998. The deed of establishment was approved 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

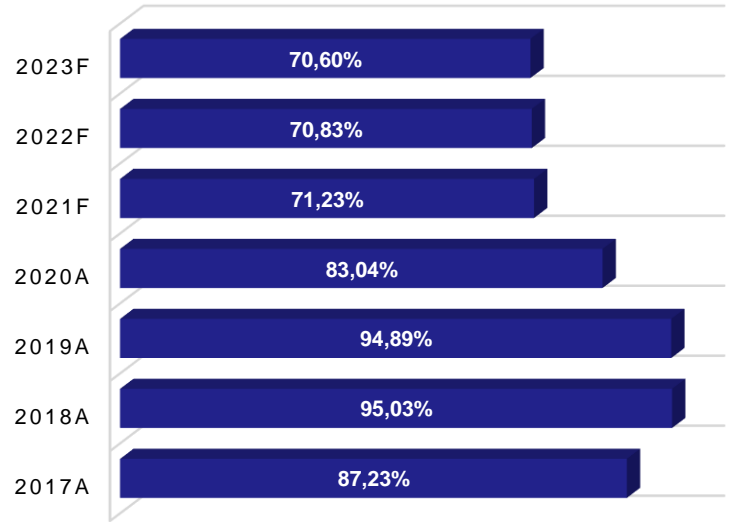


Source: Company

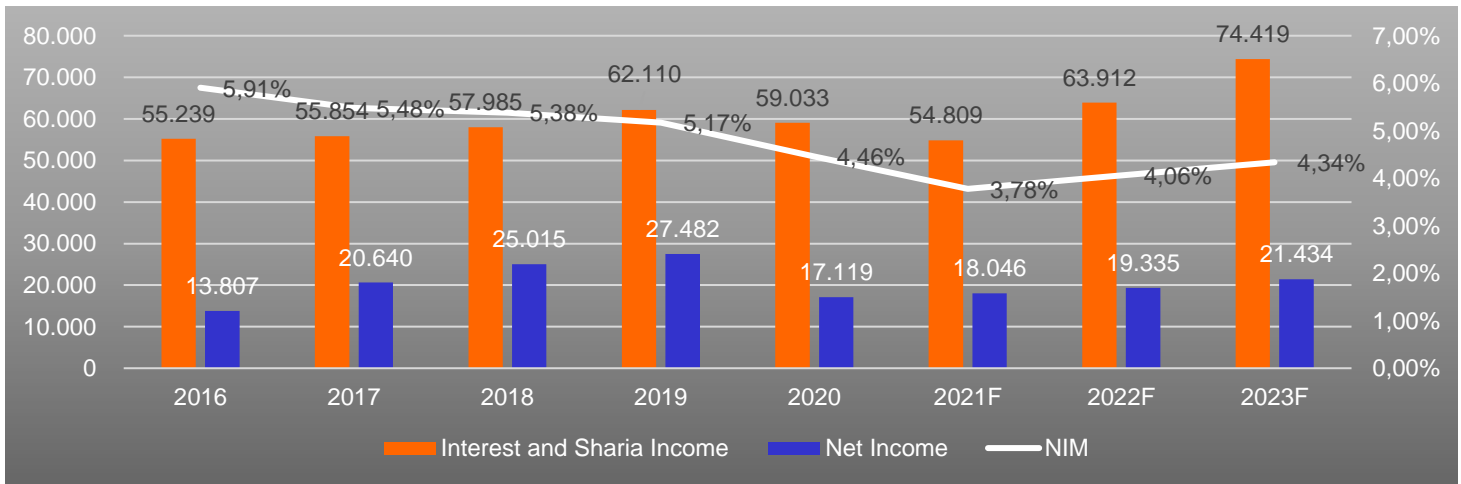
**Chart: Gross Loan (x) YoY**



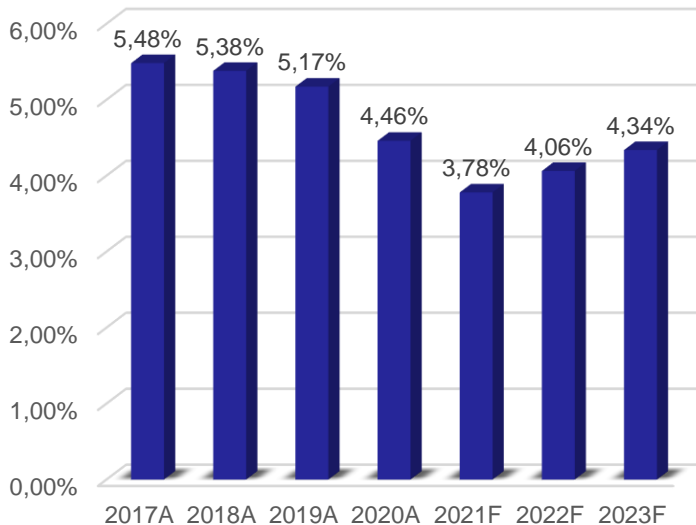
**Chart: Loan to Deposit Ratio (x) YoY**



**Chart: Profitability (x) YoY**



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



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

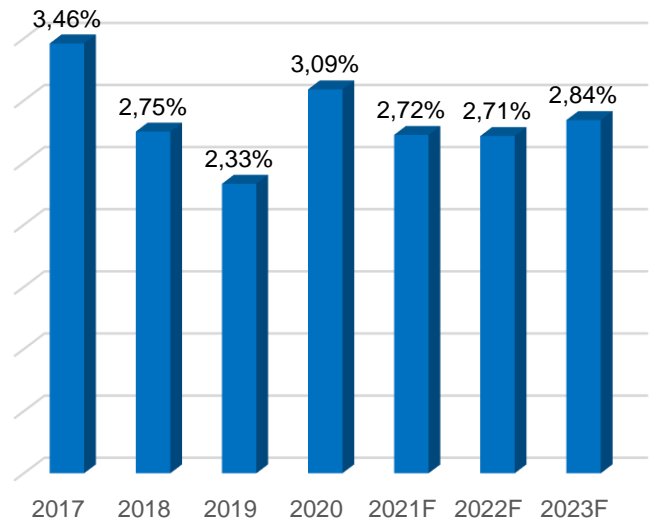


Chart: Net Income (x) QoQ

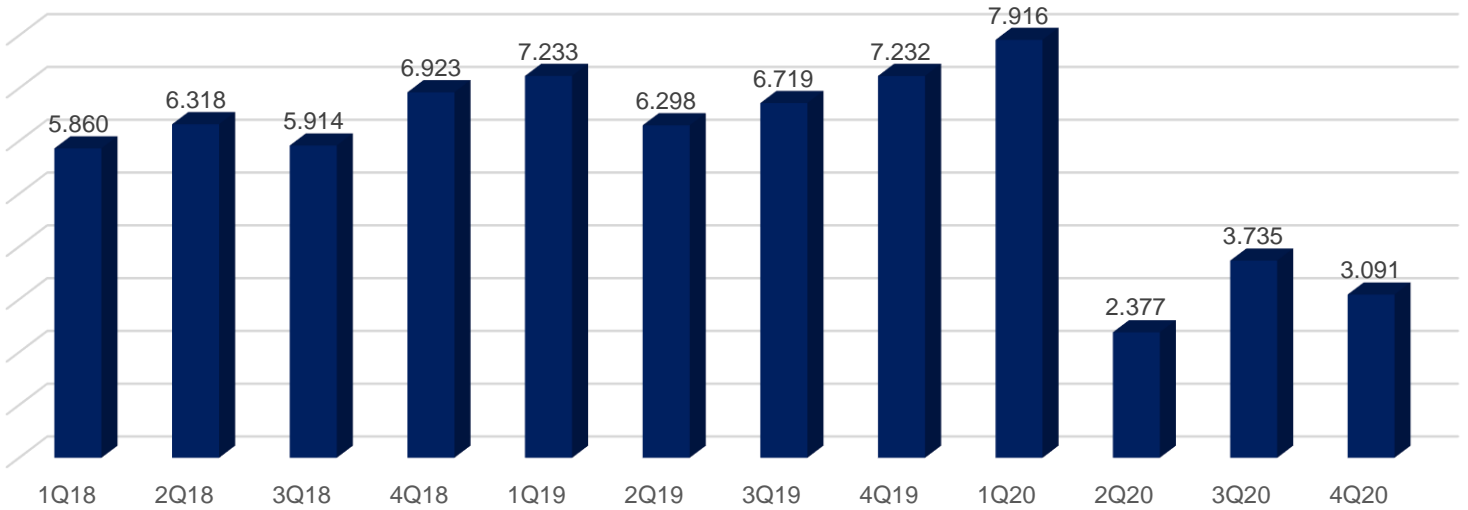


Chart: Non Performing Loan (x) QoQ

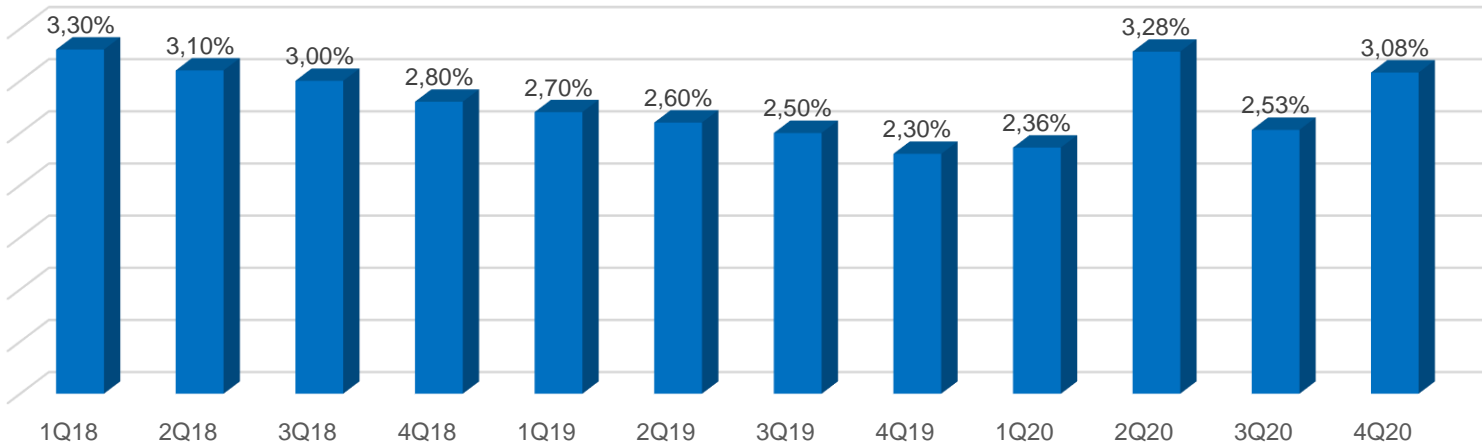
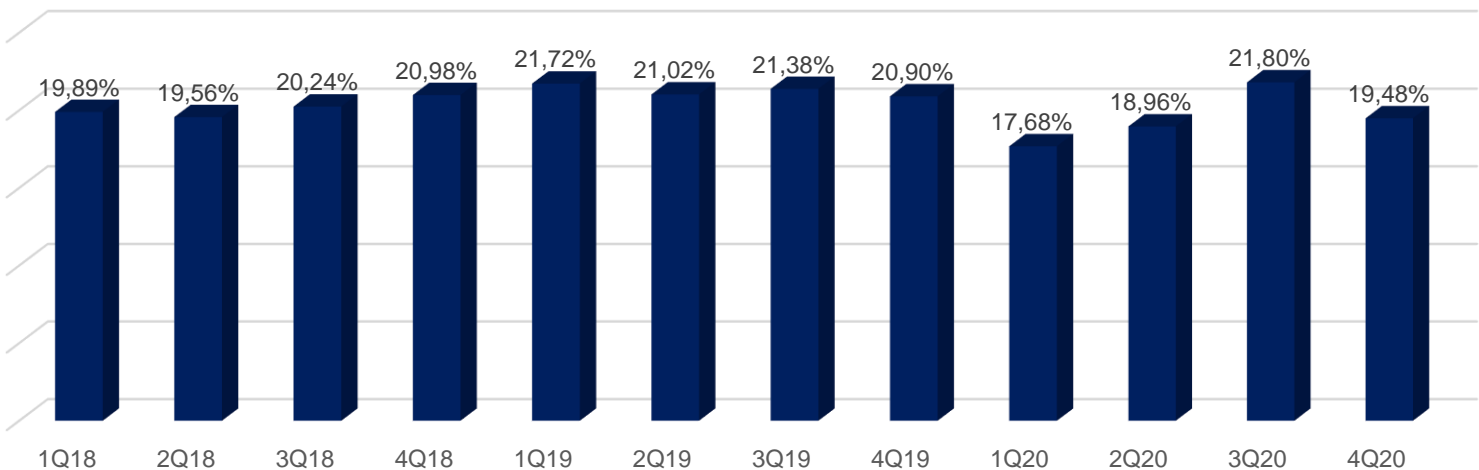


Chart: CAR (x) QoQ



**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
<b>Total Asset</b>	<b>1.124.701</b>	<b>1.202.252</b>	<b>1.318.246</b>	<b>1.429.334</b>	<b>1.536.692</b>	<b>1.654.365</b>	<b>1.785.092</b>

## 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
<b>Total Liabilities</b>	<b>954.695</b>	<b>1.017.292</b>	<b>1.109.212</b>	<b>1.235.538</b>	<b>1.346.287</b>	<b>1.466.946</b>	<b>1.598.870</b>
<b>Total Shareholder's Equity</b>	<b>170.006</b>	<b>184.960</b>	<b>209.035</b>	<b>193.796</b>	<b>190.406</b>	<b>187.418</b>	<b>186.222</b>

**Income Statement (IDR.bn)**

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**Ratio Highlights**

Ratio Analysis	2017A	2018A	2019A	2020A	2021F	2022F	2023F
<b>Profitability &amp; Efficiency</b>							
NIM	5,48%	5,38%	5,17%	4,46%	3,78%	4,06%	4,34%
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%
<b>Liquidity</b>							
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%
<b>Asset Quality</b>							
Gross NPL	5,02%	3,83%	3,28%	6,05%	4,20%	4,39%	4,70%
Provision Coverage	135,10%	142,80%	144,30%	229,10%	300,00%	300,00%	300,00%
<b>Capital</b>							
CAR	21,60%	21,00%	20,90%	19,48%	20,46%	20,28%	20,07%
<b>Growth</b>							
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	4Q19	3Q20	4Q20	%QoQ	%YoY
Loan	885.835	852.820	870.145	2,0%	-1,8%
Loan Loss Reserves	-29.988	-58.880	-62.271	5,8%	107,7%
NPL	26.156	21.918	45.515	107,7%	74,0%
Deposit					
Demand	250.414	297.796	305.364	2,5%	21,9%
Savings	359.608	372.185	391.033	5,1%	8,7%
Time Deposit	323.549	354.655	351.467	-0,9%	8,6%
<b>Total Asset</b>	<b>1.318.246</b>	<b>1.406.655</b>	<b>1.429.334</b>	<b>1,6%</b>	<b>8,4%</b>
<b>Shareholder Equity</b>	<b>204.601</b>	<b>185.085</b>	<b>189.143</b>	<b>2,2%</b>	<b>-7,6%</b>

Income Statement	4Q19	3Q20	4Q20	%QoQ	%YoY
Interest Income	26.997	24.831	24.761	-0,3%	-8,3%
Interest Expense	10.853	11.151	10.001	-10,3%	-7,8%
<b>Net Interest Income</b>	<b>16.145</b>	<b>13.680</b>	<b>14.759</b>	<b>7,9%</b>	<b>-8,6%</b>
Net Operating Income	7.490	5.925	8.983	51,6%	19,9%
Operating Expense	11.873	9.136	12.326	34,9%	3,8%
<b>PPOP</b>	<b>11.761</b>	<b>10.469</b>	<b>11.416</b>	<b>9,1%</b>	<b>-2,9%</b>
Provision Expense	1.798	5.409	7.197	33,1%	300,2%
<b>Operating Profit</b>	<b>49</b>	<b>-27</b>	<b>177</b>	<b>-762,5%</b>	<b>264,2%</b>
Profit Before Tax	10.012	5.033	4.397	-12,6%	-56,1%
Tax Expense	2.494	1.152	1.184	2,8%	-52,5%
<b>Net Profit</b>	<b>7.517</b>	<b>3.881</b>	<b>3.212</b>	<b>-17,2%</b>	<b>-57,3%</b>

Ratio	4Q19	3Q20	4Q20	QoQ	YoY
<b>Profitability &amp; Efficiency</b>					
NIM	5,17%	4,93%	4,46%	(0,47)	(0,71)
Cost-to-Income Ratio	45,23%	45,10%	46,87%	1,77	1,64
ROE	13,43%	11,31%	9,05%	(2,26)	(4,38)
ROAE	13,62%	10,11%	11,24%	1,13	(2,38)
Cost of Credit	1,36%	2,24%	2,20%	(0,04)	0,84
				-	-
<b>Liquidity</b>					
LDR	94,89%	84,40%	83,04%	(1,36)	(11,85)
CASA	65,34%	65,40%	66,46%	1,06	1,12
<b>Asset Quality</b>					
Gross NPL (Bank only)	3,28%	3,33%	6,05%	2,72	2,77
NPL Coverage	144%	205%	229%	23,90	84,80
<b>Capital</b>					
CAR	20,90%	19,52%	19,48%	(0,04)	(1,42)

**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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