

Investment Consideration

Increase in PPOP with Lower Provisions

In 3Q21, BMRI recorded a net profit of IDR 6.7 trillion, up 80.1% supported by an increase in net interest income of IDR 18.1 trillion, up 37.3% YoY. Interest income increased by 14.1% YoY and combined with a decrease in interest expense by 24.5% YoY, meant PPOP was up 41.6% YoY, although it was flat QoQ. This was accompanied by a 2.7% QoQ decrease in provision in 3Q21, so that provisioning only rose 0.6% YoY. The percentage increase in provision being lower than the increase in PPOP resulted in a significant increase in operating profit.

Loan growth led by Commercial and Micro

Loan growth was 17% YoY after the consolidation of BSI which grew 20% YoY in 3Q21. Bank only credit growth was 8% YoY. The main drivers of loan growth were commercial, up 13.9% YoY and micro, up 9.8% YoY. On the financial side, deposit growth fully balanced credit growth at 18.53% YoY. CASA remains the main pillar with a consolidated ratio of 69.7% consisting of 28.8% Current accounts and 24.5% Saving accounts. The strong CASA ratio was also due to the decrease in time deposits by 3.63% as banks have been able to reduce time deposits rates.

Asset Quality and Restructuring

NPLs and SMLs were at 3% and 4.5% in 3Q21. LAR increased to 19.6% from 20.5% in 2Q21 following the improving trend of restructurings. The Bank has started to reduce some NPLs from restructured loans, by IDR 2.4 trillion in 3Q21 from IDR 1.7 trillion in 2Q21). We see encouraging trends in both asset quality and Cost of Credit. Management maintains its Cost of Credit guidance at 1.9-2.4% in 2021F

Digital developments; Livin (retail) and Kopra (business)

The New Livin app launched on October 21st with many features that are new in the market, such as pre-login, smart top-up, and online onboarding among others. The goal is to optimize the current strong customer base (>30 million subscribers) together with the comprehensive ecosystem of banks within the group. This is the reason behind digital transformation via a super-app instead of going through a separate digital bank. New Life has had 1.5 million downloads since its launch on October 2nd 2021. Kopra, launched as BMRI's effort to maintain their edge in the wholesale business, through providing clients with a holistic digital banking ecosystem, for example, E-Fx, trading & underwriting, and cash management. Currently, 65% of BMRI's total loans come from the wholesale segment.

Valuation: 13% Upside, Hold.

Based on our DDM Valuation, we have a target price within one year of IDR 8,050, or trading at 1,8x PBV which gives 13% potential upside, Hold.

Income Statement (Idr bn)	2017A	2018A	2019A	2020A	2021F	2022F	2023F
Interest Income	90.888	91.991	103.501	101.223	91.553	105.826	120.039
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	126.908	146.227	164.016
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	40.893	49.423	58.289
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	24.645	26.372	29.315
Profit Before Tax	27.157	33.943	36.441	23.298	24.768	26.496	29.440
Tax Expense	5.714	8.091	7.986	5.652	4.954	5.299	5.888
Net Profit	21.443	25.852	28.456	17.646	19.815	21.197	23.552
EPS (Rp/Share)	442,3	536,0	588,9	367,0	410,5	440,3	487,5

4 November 2021
Banking, Equity

Price IDR. 7,125
Target Price IDR. 8,050
JKSE Index 6,552.13

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 J**
Market cap (IDR bn) **334,833.3B**
52-Week High (IDR) **7,450**
52-Week Low (IDR) **5,600**
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) **14,374**

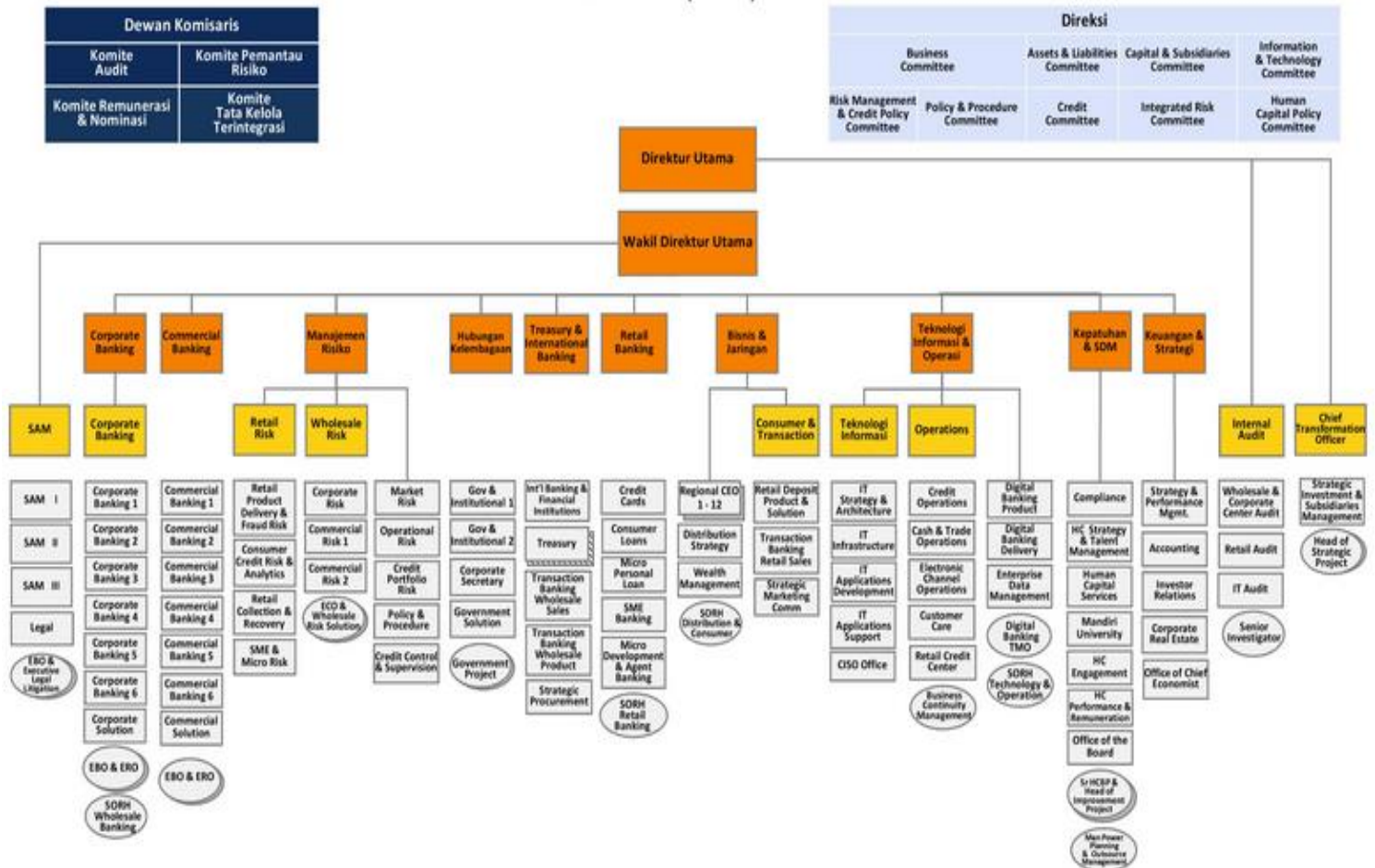
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Company Profile

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

Struktur Organisasi PT Bank Mandiri (Persero) Tbk.



Source: Company

Chart: Gross Loan (x) YoY

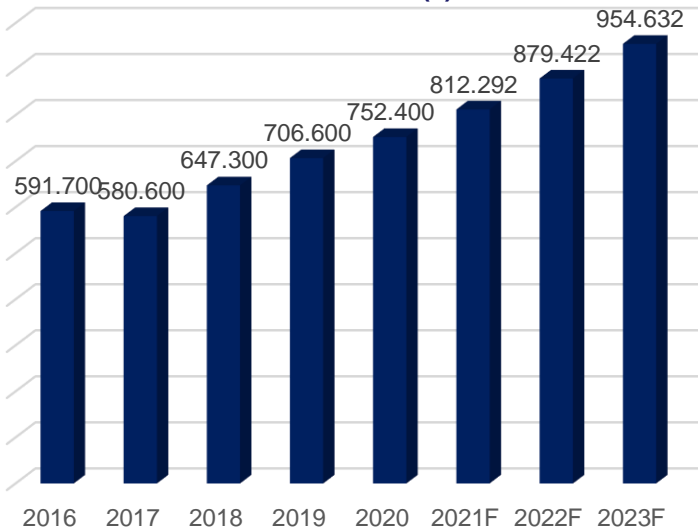


Chart: Loan to Deposit Ratio (x) YoY

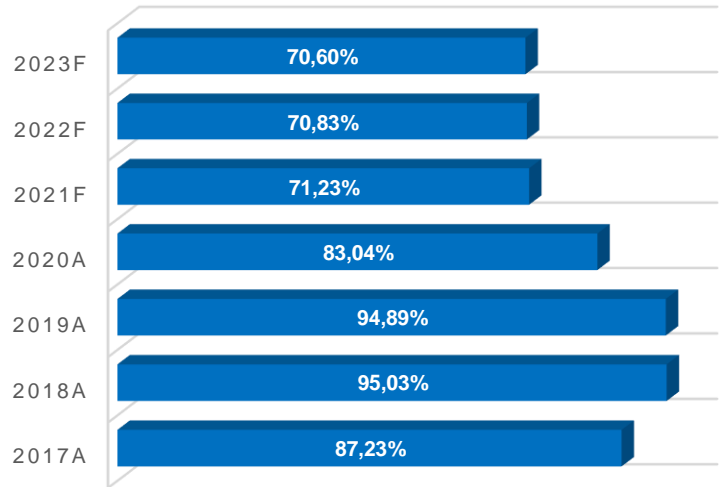


Chart: Profitability (x) YoY

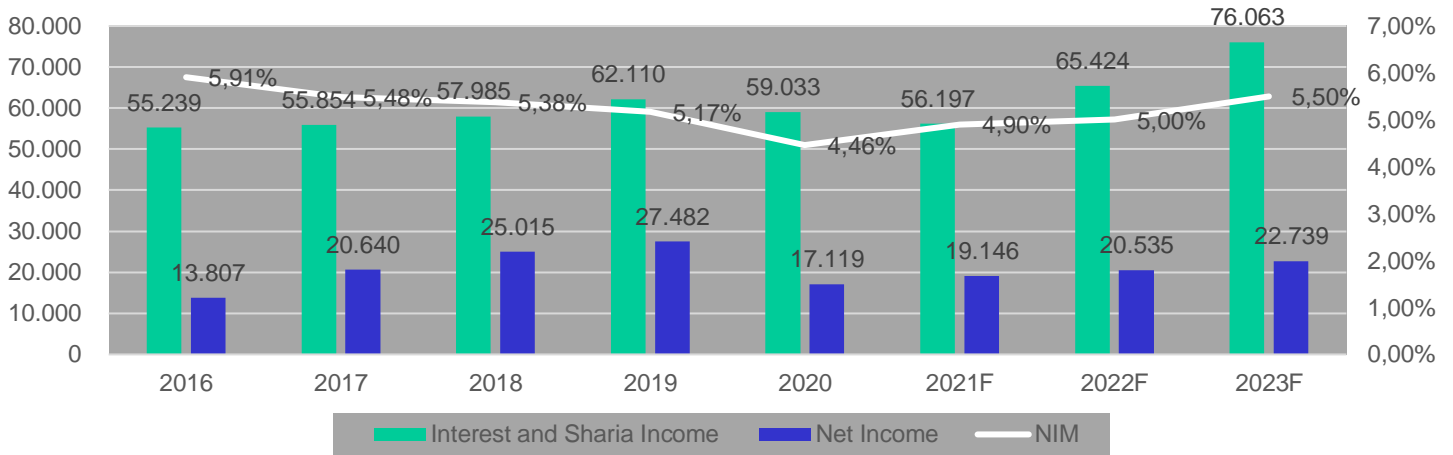


Chart: Net Interest Margin (x) YoY

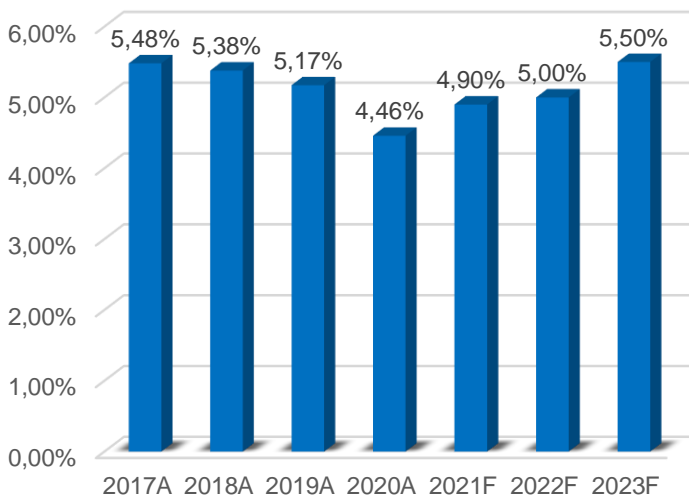


Chart: Non Performing Loan (x) YoY

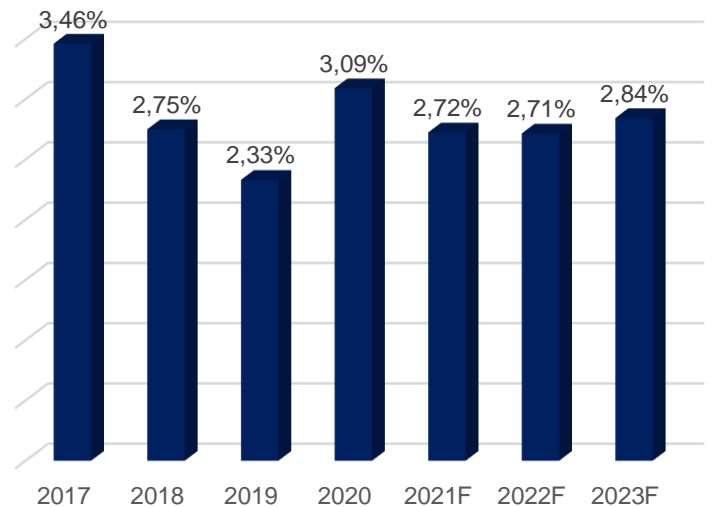


Chart: Net Income (x) QoQ

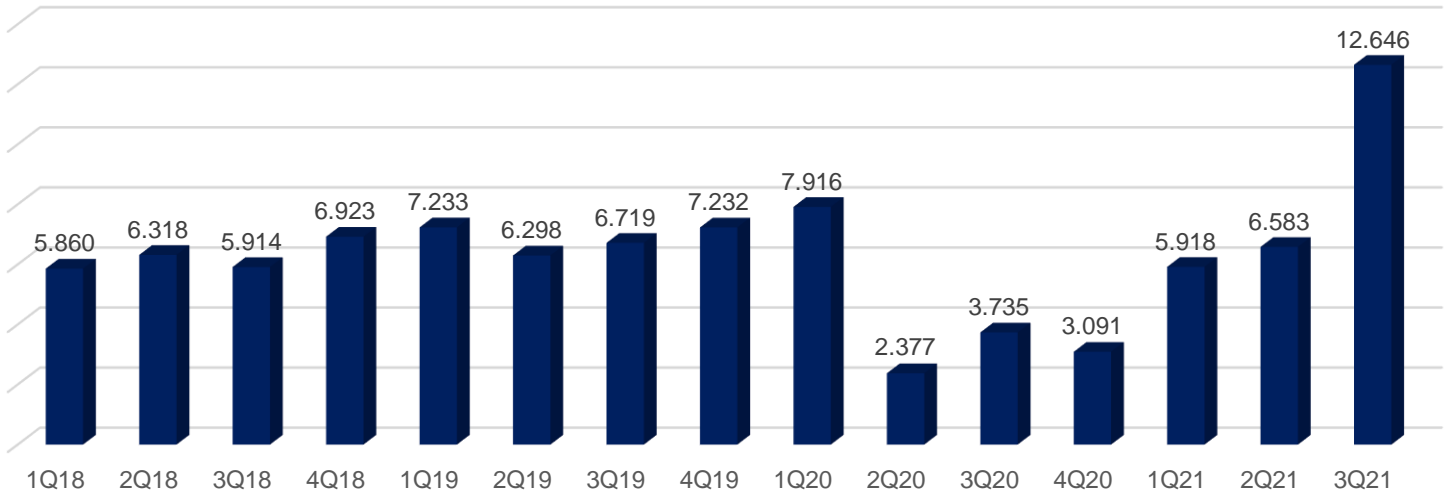


Chart: Non Performing Loan (x) QoQ

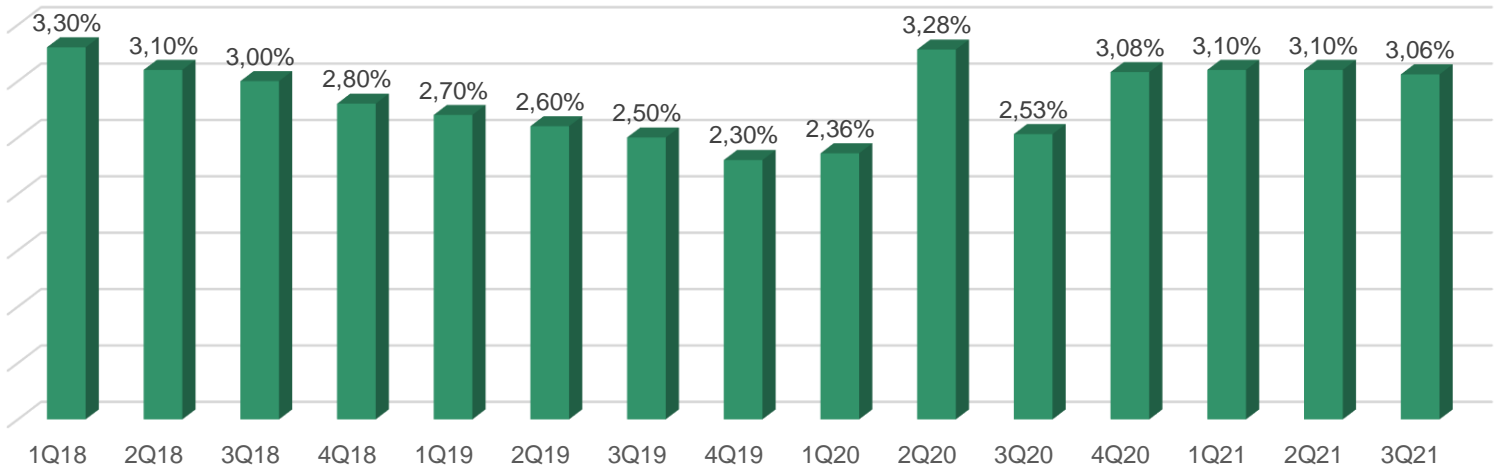
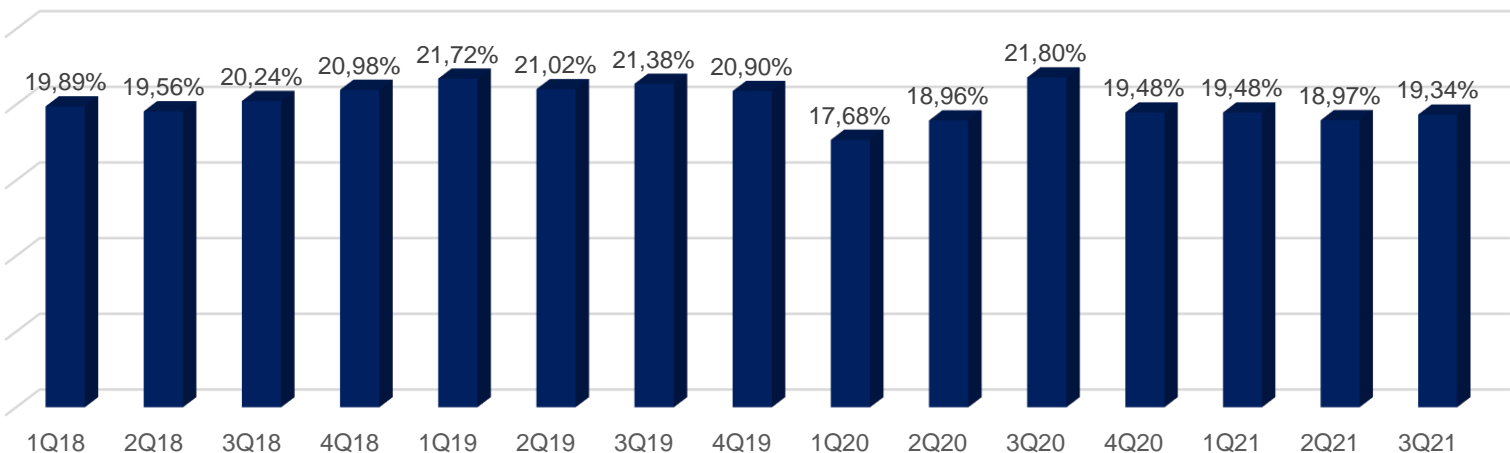


Chart: CAR (x) QoQ



Balance Sheet (IDR.bn)

Balance sheet (Idr bn)	2017A	2018A	2019A	2020A	2021F	2022F	2023F
Cash and CA with BI	74.457	87.202	74.585	74.321	135.777	132.837	130.128
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	1.534.368	1.647.762	1.775.047
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	188.081	180.816	176.177

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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%	53,19%	49,96%	48,27%
ROE	12,38%	13,81%	13,43%	9,05%	10,44%	11,66%	13,26%
ROA	1,84%	2,08%	2,08%	1,20%	1,25%	1,25%	1,28%
ROAE		13,09%	13,62%	11,24%	9,74%	11,05%	12,46%
BOPO	47,80%	47,96%	53,38%	46,50%	53,44%	47,93%	44,30%
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%	11,84%	7,26%	10,73%

QoQ Result

Balance Sheet	3Q20	2Q21	3Q21	%QoQ	%YoY
Loan	852.820	991.783	999.006	0,7%	17,1%
Loan Loss Reserves	-58.880	-68.021	-68.528	0,7%	16,4%
NPL	21.918	17.871	23.140	29,5%	5,6%
Deposit					
Demand	297.796	350.912	383.504	9,3%	28,8%
Savings	372.185	450.381	463.646	2,9%	24,6%
Time Deposit	354.655	368.995	367.952	-0,3%	3,7%
Total Asset	1.406.655	1.580.527	1.637.950	3,6%	16,4%
Shareholder Equity	185.085	189.077	196.152	3,7%	6,0%

Income Statement	3Q20	2Q21	3Q21	%QoQ	%YoY
Interest Income	24.831	27.821	57.302	106,0%	130,8%
Interest Expense	11.151	8.742	18.683	113,7%	67,5%
Net Interest Income	13.680	19.079	38.619	102,4%	182,3%
Net Operating Income	5.925	7.350	13.386	82,1%	125,9%
Operating Expense	9.136	11.542	23.025	99,5%	152,0%
PPOP	10.469	14.887	28.980	94,7%	176,8%
Provision Expense	5.409	5.592	10.847	94,0%	100,5%
Operating Profit	5.060	9.295	18.133	95,1%	258,4%
Profit Before Tax	5.033	9.227	18.184	97,1%	261,3%
Tax Expense	1.152	2.061	4.296	108,4%	272,9%
Net Profit	3.881	7.166	13.888	93,8%	257,8%

Ratio	3Q20	2Q21	3Q21	QoQ	YoY
Profitability & Efficiency					
NIM	4,68%	5,05%	5,03%	(0,02)	0,35
Cost-to-Income Ratio	45,61%	45,34%	45,90%	0,56	0,29
ROE	9,60%	13,22%	13,31%	0,09	3,71
ROA	1,37%	1,66%	1,67%	0,01	0,30
Cost of Credit	2,24%	2,33%	2,26%	(0,07)	0,02
				-	-
Liquidity					
LDR	84,44%	85,89%	83,64%	(2,25)	(0,80)
CASA	65,39%	68,49%	69,74%	1,25	4,35
Asset Quality					
Gross NPL (Bank only)	3,33%	3,08%	2,96%	(0,12)	(0,37)
NPL Coverage	205,15%	221,87%	230,01%	8,14	24,86
Capital					
CAR	19,52%	18,97%	19,34%	0,37	(0,18)

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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