

Investment Consideration

Net Profit Increase from BRIS Consolidation

Bank Mandiri (BMRI) reported a net profit of Rp12.5 trillion up 22% YoY. Net Interest Income (22% YoY to Rp35.2tn in 1H21) exceeded expectations helped by a 5.05% NIM expansion up 40bps YoY. Net interest income grew by 21.5% YoY and non-interest income by 16.6% YoY due to an increase in the loan portfolio, mainly driven by the consolidation of BRIS and much lower interest expenses from lower interest rates. There was also a 18.1% YoY increase in PPOP to Rp28,467 billion.

Loan Growth improved

Loan growth remained strong at 16.4% YoY. This growth was supported by SME loans which grew 16.1% YoY, Commercial grew 16% YoY, but the consumer segment slowed by -3.3% YoY. By sector, loans are still dominated by telecommunications, infrastructure and energy & water. BMRI estimates credit growth will slow down slightly because of PPKM. NPL improved to 3.08% from 3.15% in 1Q21. Restructured loans were IDR 0.9 trillion or 10% of the total loan from IDR 1.7 trillion in 2Q21.

Focuses on increasing CASA

Third Party Fund growth was 19.7% YoY mainly due to a significant increase in CASA of 32.49% YoY contributed by a strong deposit franchise and the launch of the Livin digital application. Livin registered users rose 45% YoY to 7.8 million users in June 2021, from 5.4 million in June 2020. Monthly new subscriber receipts reached 45 thousand new users online and 150 thousand new users through branches. This reduction in expensive funds was also helped by a Time Deposit decrease of 1%.

Valuation: 19% Upside, Hold.

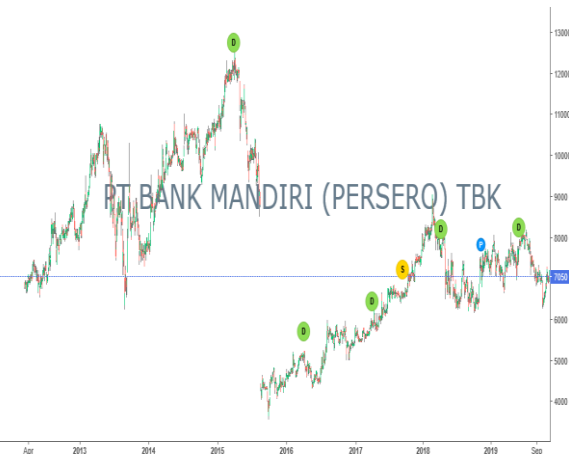
Based on our DDM Valuation, we have a target price within one year of IDR 7,090, or trading at 1.5x PBV which gives 22% potential upside, Hold.

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
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

6 August 2021
Banking, Equity

Price IDR. 5,975
Target Price IDR. 7,090
JKSE Index 6,203.43

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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%**

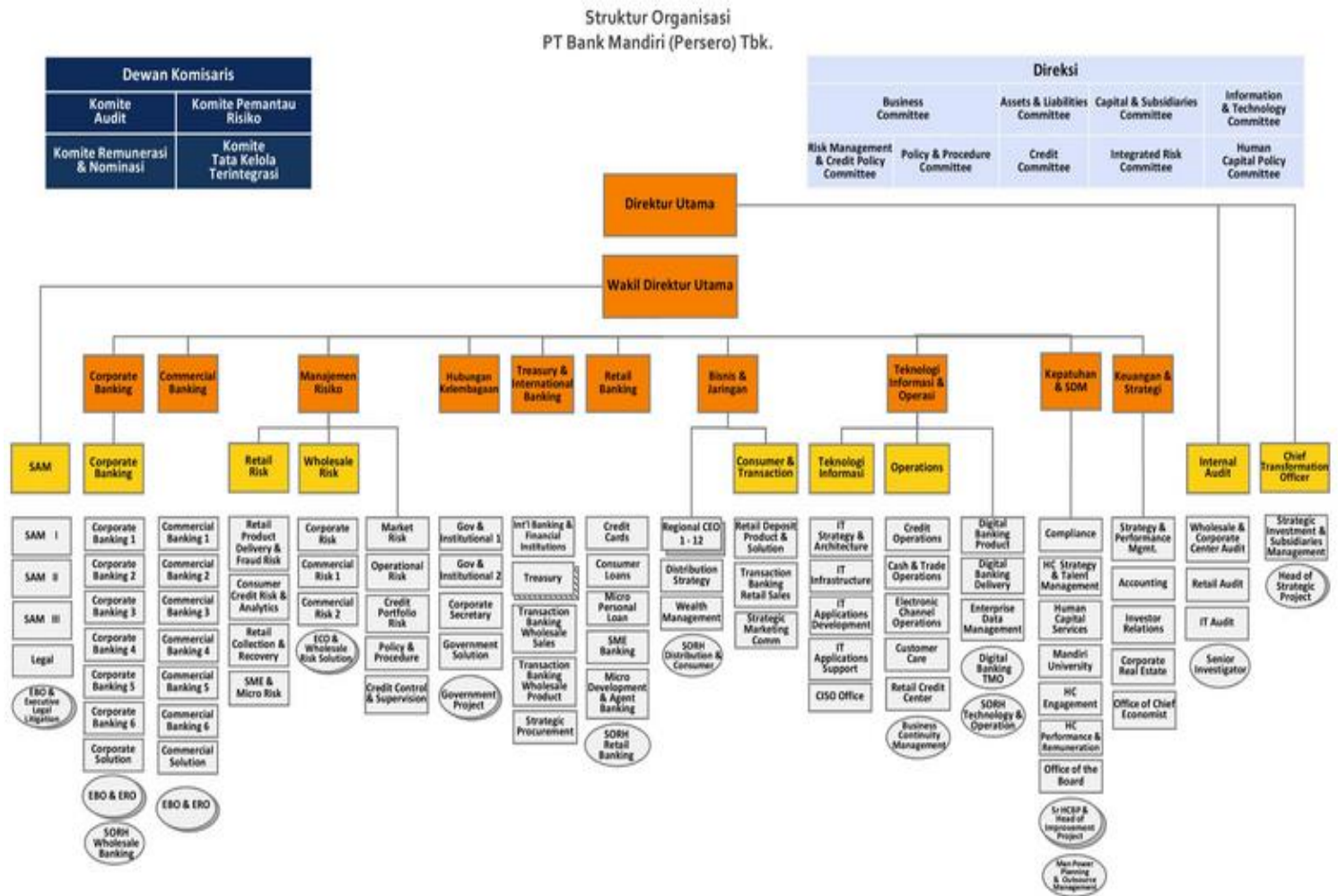
USD/IDR-YE (IDR)
2020A **14,050**
2021F (6M Avg) **14,374**

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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



Source: Company

Chart: Gross Loan (x) YoY

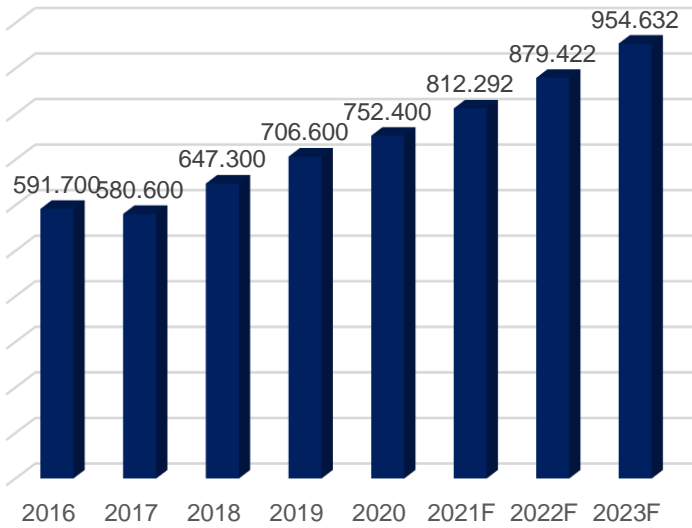


Chart: Loan to Deposit Ratio (x) YoY

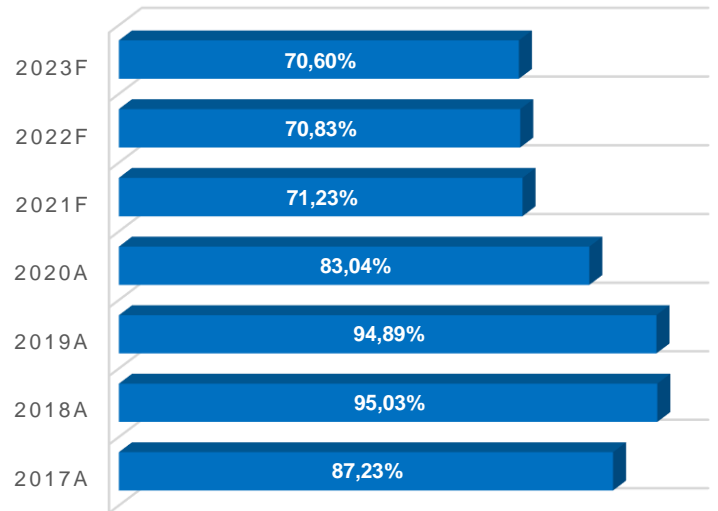


Chart: Profitability (x) YoY

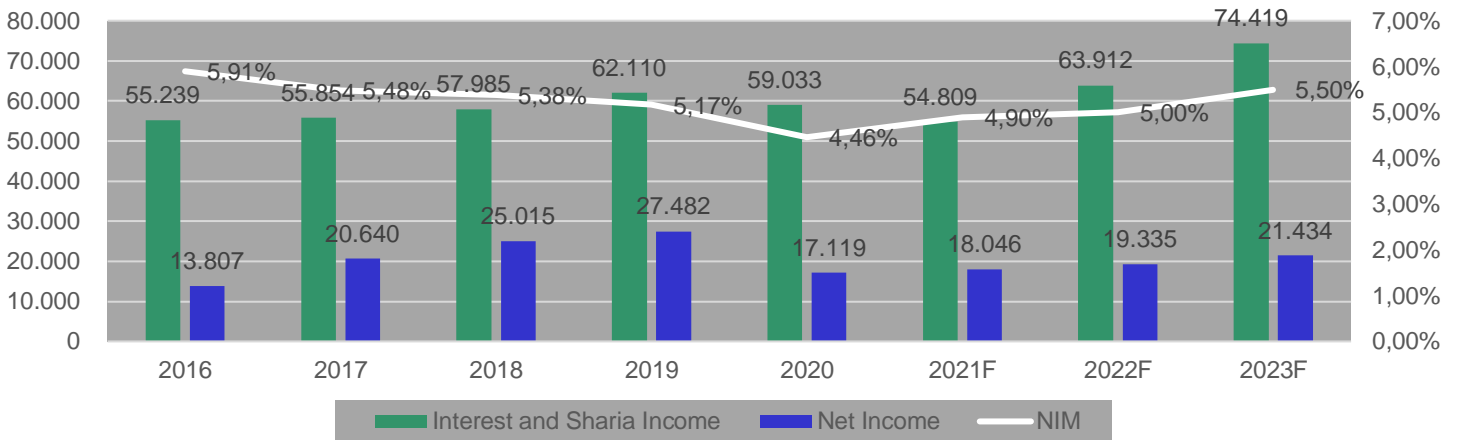


Chart: Net Interest Margin (x) YoY

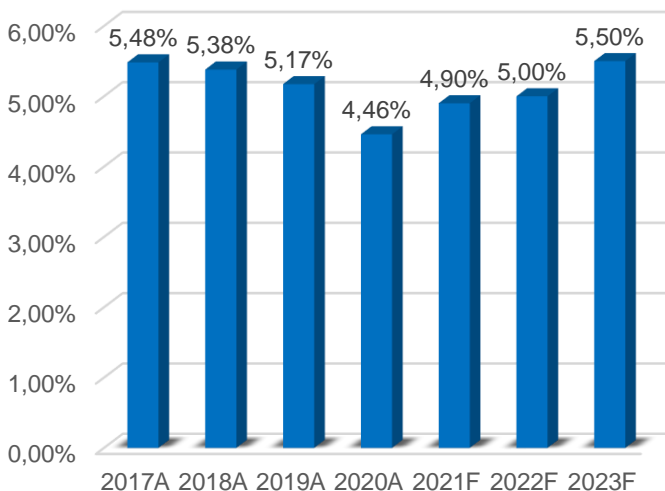


Chart: Non Performing Loan (x) YoY

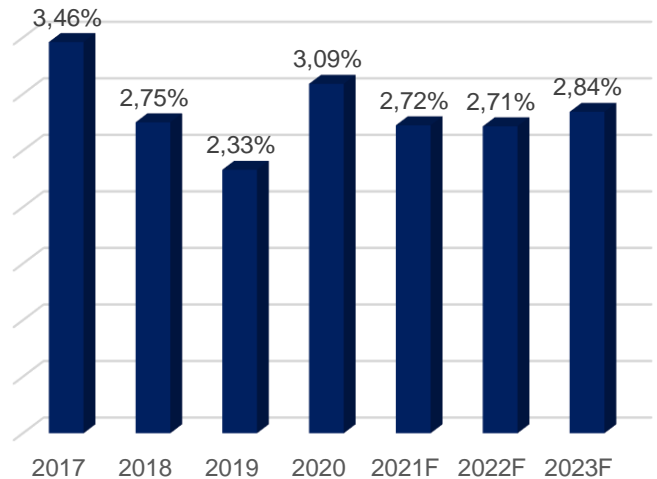


Chart: Net Income (x) QoQ

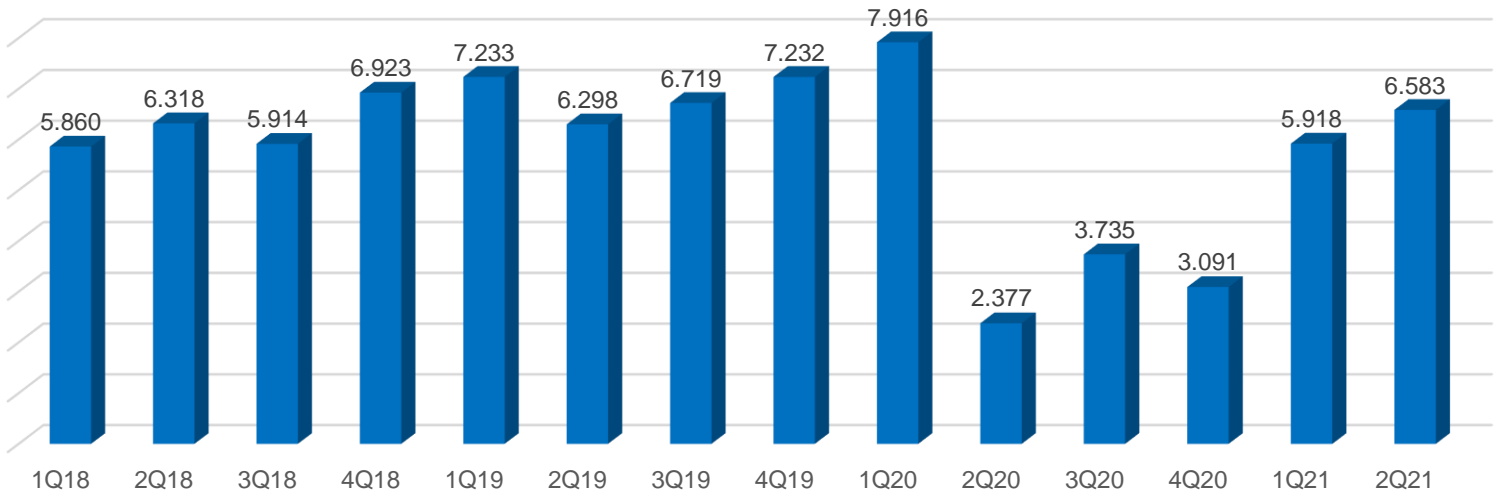


Chart: Non Performing Loan (x) QoQ

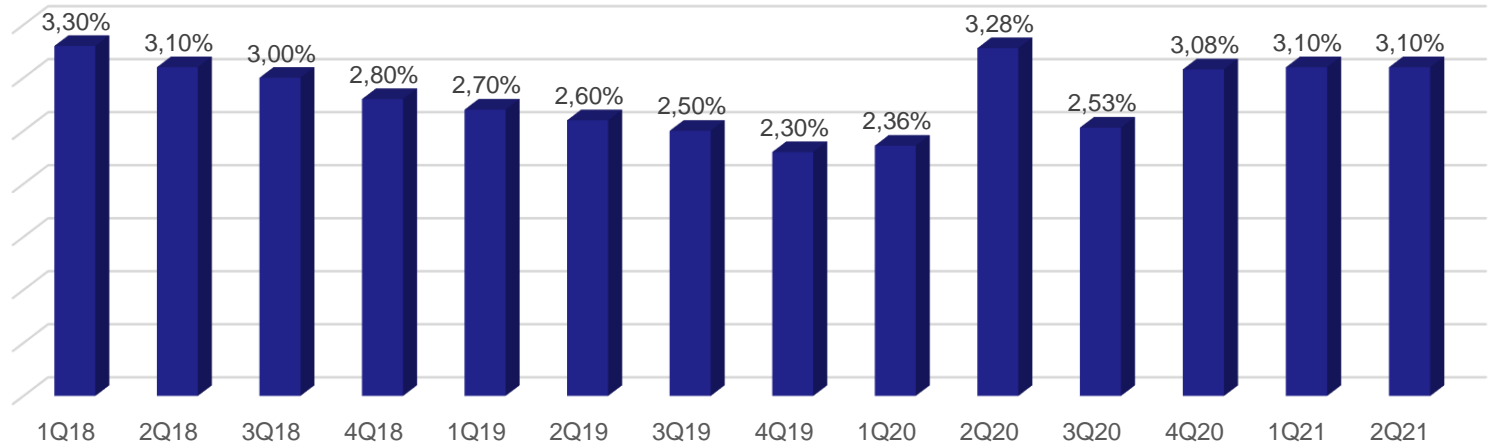
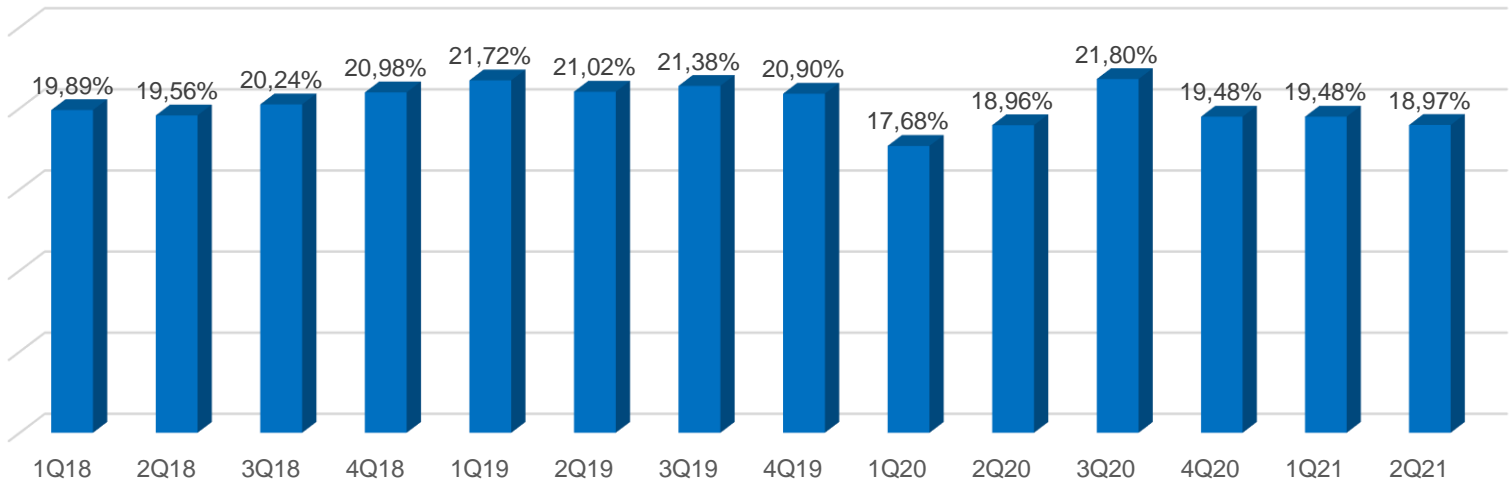


Chart: CAR (x) QoQ



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	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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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	2Q20	1Q21	2Q21	%QoQ	%YoY
Loan	851.510	962.267	991.783	3,1%	16,5%
Loan Loss Reserves	-55.183	-67.269	-68.021	1,1%	23,3%
NPL	26.426	11.346	17.871	57,5%	-32,4%
Deposit					
Demand	246.540	366.842	350.912	-4,3%	42,3%
Savings	358.174	431.974	450.381	4,3%	25,7%
Time Deposit	372.268	383.005	368.995	-3,7%	-0,9%
Total Asset	1.359.441	1.584.067	1.580.527	-0,2%	16,3%
Shareholder Equity	179.238	181.628	189.077	4,1%	5,5%

Income Statement	2Q20	1Q21	2Q21	%QoQ	%YoY
Interest Income	24.031	29.229	27.821	-4,8%	15,8%
Interest Expense	10.371	9.704	8.742	-9,9%	-15,7%
Net Interest Income	13.660	19.525	19.079	-2,3%	39,7%
Net Operating Income	5.812	6.087	7.350	20,7%	26,5%
Operating Expense	9.156	11.487	11.542	0,5%	26,1%
PPOP	10.316	14.125	14.887	5,4%	44,3%
Provision Expense	6.811	5.408	5.592	3,4%	-17,9%
Operating Profit	3.505	8.718	9.295	6,6%	165,2%
Profit Before Tax	3.451	8.701	9.227	6,0%	167,4%
Tax Expense	973	2.181	2.061	-5,5%	111,9%
Net Profit	2.478	6.519	7.166	9,9%	189,2%

Ratio	2Q20	1Q21	2Q21	QoQ	YoY
Profitability & Efficiency					
NIM	4,93%	5,10%	5,05%	(0,05)	0,12
Cost-to-Income Ratio	44,46%	44,80%	45,34%	0,54	0,88
ROE	10,73%	12,77%	13,22%	0,45	2,49
ROA	1,54%	1,57%	1,66%	0,09	0,12
Cost of Credit	2,17%	2,36%	2,33%	(0,03)	0,16
				-	-
Liquidity					
LDR	88,55%	82,50%	85,89%	3,39	(2,66)
CASA	61,89%	67,60%	68,49%	0,89	6,60
Asset Quality					
Gross NPL (Bank only)	3,28%	3,15%	3,08%	(0,07)	(0,20)
NPL Coverage	196%	220%	222%	1,77	26,34
Capital					
CAR	18,96%	18,59%	18,97%	0,38	0,01

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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