

# Bank Mandiri Tbk (BMRI)

## Focus on NIM Recovery and Asset Quality

Throughout 2020, BMRI booked a -37.7% YoY net profit decline; to IDR 17.1 Tn (vs IDR 27.5 Tn in FY19). On top line side, non-interest income performed well, which grew by 4.9%. Facing 2021, the management will focus on the recovery of Net Interest Margin (NIM) and asset quality, with single digit credit growth target.

### Non-Interest Income Grows, Relatively Solid PPOP

- BMRI booked net interest income of IDR 56.5 Trillion (vs IDR 59.4 Tn in FY19). However, non-interest income managed to perform well as it grew 4.9% to IDR 28.7 Trillion (vs IDR 27.3 Tn in FY19)
- Pre-Provision Operating Profit (PPOP) fell 5.1% to IDR 46.1 Trillion. Meanwhile, an unavoidable increase in provision expense by 89.7% caused net profit to IDR 17.1 Trillion (-37.7% yoy). However, NIM was cut down by 91 bps to 4.65%.

### NPL Suppressed by Commercial Segment

- Corporate segment was still the biggest credit contributor for Bank Mandiri's portfolio with an outstanding loan amount of IDR 344.3 Trillion or 38.6% from the total credit.
- NPL level was recorded at 3.1% (vs 2.3% in FY19). Commercial segment booked the highest NPL of IDR 17.4 Tn or contributed to NPL formation of 4.47%. However this decline is also followed by an NPL Coverage increase which reached 229.1% in FY20, compared to its position at the end of 2019 at 144.3%.

### Double Digit Growth in Funding, CASA Portion Increases

- Bank Mandiri's Third Party Funds grew 12.2% in 2020; supported by current account growth of 21.9% to IDR305.3 Trillion. Low cost funding portion also managed to slightly increase with FY20 CASA ratio at 66.5% (vs 65.3% in FY19).
- In terms of liquidity, BMRI's is still ample as indicated by the LCR level of 207.8% (vs 177.7% FY19) and NSFR level of 125.2% (vs 116.6% FY19).
- Digital transformation strategy is yielding good results; with a 43% growth in transaction value via Mandiri Online throughout 2020

### Maintaining BUY Rating with TP at IDR 7,900

- We maintain BUY rating for BMRI by increasing the target price to IDR 7,900/share. Our TP implies a forward PBV of 1.7x.
- Factors taken into account for our call, include: 1) Low interest rates support credit growth at a high single digit level; 2) The focus on NIM recovery and asset quality in 2021 will result in lower provision expenses; 3) Increasing digital banking services as the key to fee-based income growth

### Bank Mandiri Tbk | Summary (IDR bn)

in IDR bn	2019/12A	2020/12A	2021/12F	2022/12F
Interest Income	91,525	87,321	97,416	103,448
<i>Interest Income growth</i>	13.0%	-4.6%	11.6%	6.2%
Operating Revenue	88,600	86,718	91,581	97,018
Net profit	27,482	17,119	23,671	29,771
EPS (IDR)	589	367	507	638
<i>EPS growth</i>	9.1%	-37.7%	38.3%	25.8%
BVPS (IDR)	4,479	4,153	4,517	4,927
Net Interest Margin	5.2%	4.5%	4.5%	4.4%
Loan/Deposits	95.8%	84.7%	86.1%	86.5%
NPL	2.3%	3.1%	2.8%	2.7%
ROE	14.0%	8.5%	11.7%	13.5%
ROA	2.2%	1.2%	1.6%	1.8%
P/E	13.0x	17.2x	15.6x	12.4x
P/BV	1.7x	1.5x	1.7x	1.6x
P/Op. Revenue	4.0x	3.4x	4.0x	3.8x
DPS (IDR)	353	220	304	383
<i>Dividend yield</i>	4.6%	3.5%	3.9%	4.8%

Source: Company Data, Bloomberg, NHKSI Research

Please consider the rating criteria & important disclaimer

## BUY

### Target Price (IDR)

7,900

Consensus Price (IDR)	7,996
TP to Consensus Price	-1.2%
vs. Last Price	+17.5%

### Shares data

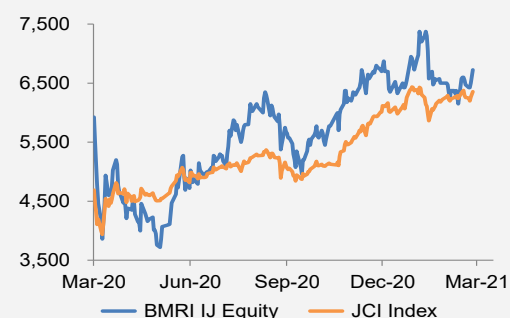
Last Price (IDR)	6,725
Price date as of	Mar. 12, 2021
52 wk range (Hi/Lo)	7,450 / 3,660
Free float (%)	37.9
Outstanding sh.(mn)	46,667
Market Cap (IDR bn)	310,695
Market Cap (USD mn)	21,802
Avg. Trd Vol - 3M (mn)	60.91
Avg. Trd Val - 3M (bn)	406.0
Foreign Ownership	26.9%

### Financial Services

#### Banking

Bloomberg	BMRI IJ
Reuters	BMRI.JK

### Share Price Performance



	YTD	1M	3M	12M
Abs. Ret.	6.3%	3.5%	-0.7%	4.7%
Rel. Ret.	0.0%	1.3%	-7.8%	-25.2%

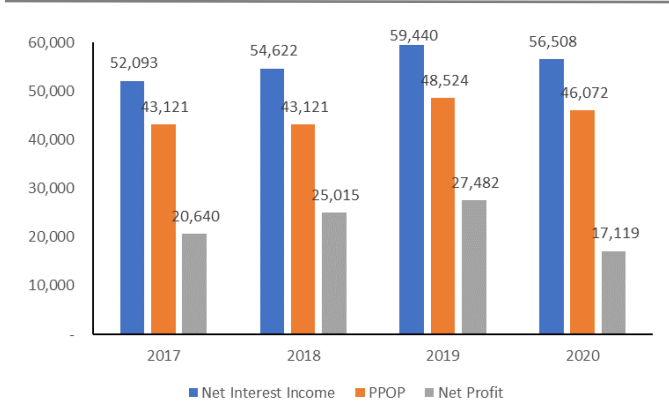
### Anggaraksa Arismunandar

(021) 5088 9134

anggaraksa@nhsec.co.id

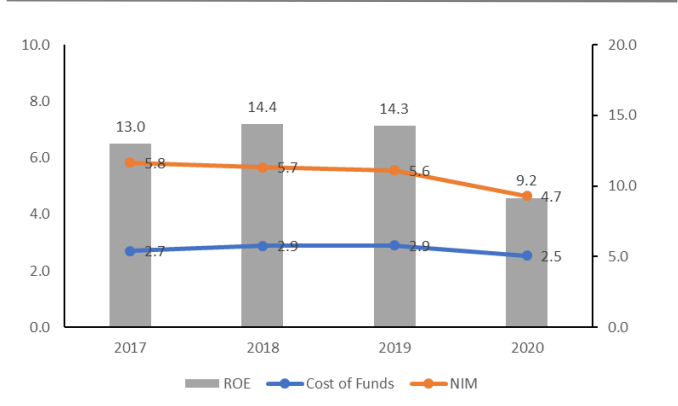
# Performance Highlights

## Financial Performance (IDR Billion)



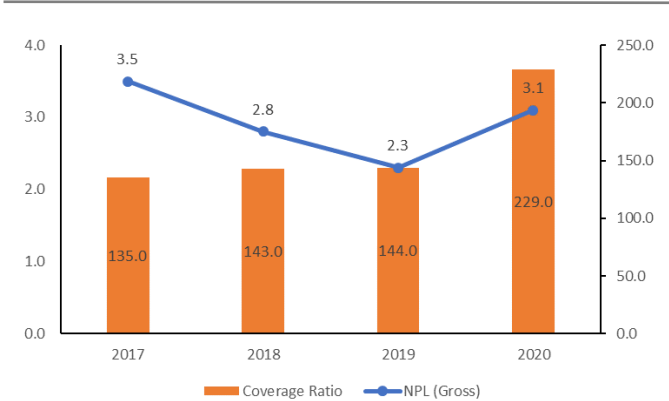
Source: Company, NHKSI Research

## Profitability Ratios (%)



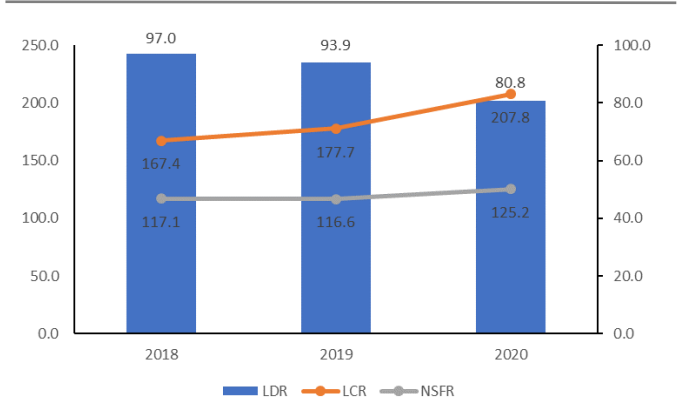
Source: Company, NHKSI Research

## Asset Quality (%)



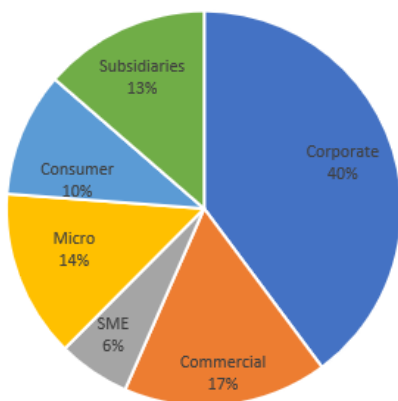
Source: Company, NHKSI Research

## Liquidity (%)



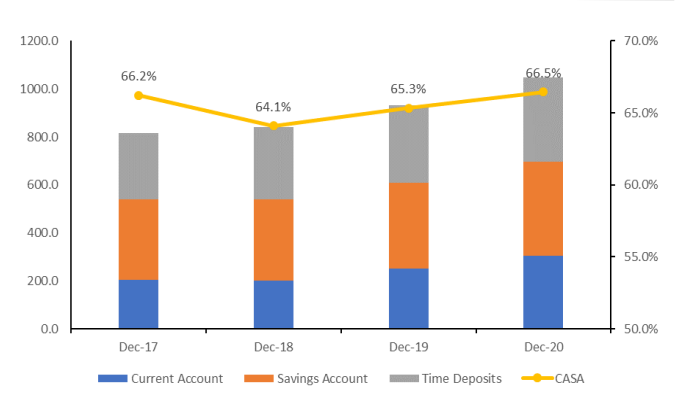
Source: Company, NHKSI Research

## Loan Composition by Segment



Source: Company, NHKSI Research

## Third Party Funds Composition (IDR Trillion)



Source: Company, NHKSI Research

## Company Overview



PT. Bank Mandiri (Persero) Tbk (BMRI) is a state-owned company established on October 2, 1998. The establishment of this bank is part of a banking restructuring program, by combining 4 state-owned banks, namely: Bank Bumi Daya, Bank Dagang Negara, Bank Indonesian Export Import and Bank Pembangunan Indonesia. Bank Mandiri products and services include: Wholesale Banking, export and import advisory and retail banking. The Company has network services spread across Indonesia with 2,312 branches, 15,444 ATMs and 47,323 ATM links. In addition, the company also has 8 overseas branch offices/representatives.

In 2003, the company officially went public after carrying out an initial public offering (IPO) of 20% or the equivalent of 4 billion shares. The Government of the Republic of Indonesia is still the largest shareholder in BMRI with an ownership portion of 60%. The Company also has a number of subsidiaries engaged in financial services, including: Bank Syariah Indonesia (Sharia Banking); Bank Mandiri Taspen (Banking); Mandiri Sekuritas (Investment Banking); AXA Mandiri and Mandiri InHealth (Insurance); Mandiri Tunas Finance and Mandiri Utama Finance (Financing).

### ASEAN Banking Peers (as of 10 March 2021)

Company	Ticker	Market Cap (USD Mn)	Total Assets (USD Mn)	Net Income LTM (USD Mn)	ROE (%)	P/E (x)	P/B (x)	Dividend Yield LTM (%)
<b>INDONESIA</b>								
BANK MANDIRI PERSERO TBK PT	BMRI IJ	20,959	102,645	1,176	8.7	17.7	1.6	5.5
BANK CENTRAL ASIA TBK PT	BBCA IJ	58,145	77,240	1,865	15.1	30.9	4.5	1.6
BANK RAKYAT INDONESIA PERSER	BBRI IJ	40,803	108,568	1,280	9.2	31.3	3.0	3.5
BANK NEGARA INDONESIA PERSER	BBNI IJ	7,761	64,010	225	2.8	33.6	1.0	3.4
<b>SINGAPORE</b>								
DBS GROUP HOLDINGS LTD	DBS SP	52,723	491,893	3,448	9.0	14.9	1.3	3.7
UNITED OVERSEAS BANK LTD	UOB SP	31,712	326,810	1,682	6.7	14.6	1.4	4.5
OVERSEA-CHINESE BANKING CORP	OCBC SP	38,300	394,608	2,412	6.9	14.8	1.0	3.8
<b>MALAYSIA</b>								
CIMB GROUP HOLDINGS BHD	CIMB MK	10,942	149,821	281	2.1	37.3	0.8	2.7
<b>THAILAND</b>								
BANGKOK BANK PUBLIC CO LTD	BBL TB	7,909	127,453	543	3.9	14.1	0.5	4.0
SIAM COMMERCIAL BANK PUB CO	SCB TB	12,401	109,298	877	6.8	13.9	0.9	3.6

Source: Bloomberg, NHKSI Research

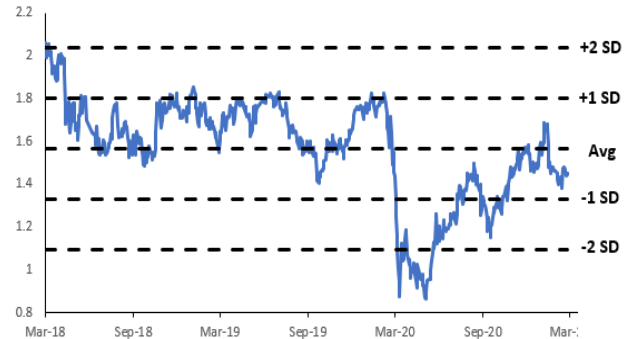
# Multiple Valuation

Blended Forward P/E | Last 3 years



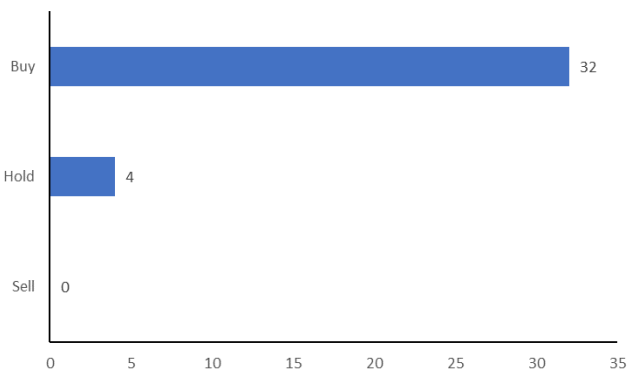
Source: NHKSI research

Blended Forward P/BV | 3 years



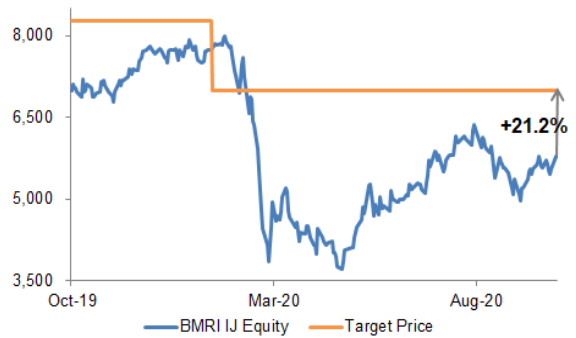
Source: NHKSI research

Analyst Coverage Rating



Source: Bloomberg

Closing and Target Price



Source: NHKSI research

# Rating and Target Price Update

Target Price Revision

Date	Rating	Target Price	Last Price	Consensus	vs Last Price	vs Consensus
07/24/2020	Buy	6,400	5,275	6,000	+21.3%	+6.7%
09/22/2020	Buy	7,000	5,575	6,790	+25.6%	+3.1%
11/06/2020	Buy	7,000	5,775	6,992	+21.2%	+0.1%
15/03/2020	Buy	7,900	6,725	7,996	+17.5%	-1.2%

Source: NHKSI Research, Bloomberg

## Summary of Financials

INCOME STATEMENT					PROFITABILITY & STABILITY				
(IDR bn)	2019/12A	2020/12A	2021/12F	2022/12F		2019/12A	2020/12E	2021/12F	2022/12F
Interest Income	91,525	87,321	97,416	103,448	ROE	14.0%	8.5%	11.7%	13.5%
Growth (% y/y)	13.0%	-4.6%	11.6%	6.2%	ROA	2.2%	1.2%	1.6%	1.8%
Interest Expenses	(32,085)	(30,812)	(35,074)	(37,404)	Non-Int. Inc. /Op. Rev	32.9%	34.8%	31.9%	31.9%
<b>Net Interest Income</b>	<b>59,440</b>	<b>56,509</b>	<b>62,342</b>	<b>66,044</b>	Cost/Income	45.2%	46.9%	44.2%	44.5%
Net Interest Margin	5.2%	4.5%	4.5%	4.4%	Cash Dividend (IDR bn)	16,489	10,272	14,203	17,862
Net Fee Income	16,066	14,495	17,456	18,492	Dividend Yield (%)	4.6%	3.5%	3.9%	4.8%
Trading Income	4,734	6,541	6,546	6,935	Payout Ratio (%)	60.0%	60.0%	60.0%	60.0%
Other Operating Income	8,361	9,173	5,237	5,548	Loan/Deposits	95.8%	84.7%	86.1%	86.5%
<b>Operating Revenue</b>	<b>88,600</b>	<b>86,718</b>	<b>91,581</b>	<b>97,018</b>	Loan/Assets	68.8%	62.5%	65.0%	65.7%
Operating Expenses	(40,076)	(40,646)	(40,520)	(43,155)	NPL	2.3%	3.1%	2.8%	2.7%
<b>Pre-provisioning OP</b>	<b>48,524</b>	<b>46,072</b>	<b>51,061</b>	<b>53,864</b>	Loan Loss Res./Loan	3.3%	7.0%	5.0%	4.9%
Provision for Impairment	(12,072)	(22,896)	(18,664)	(13,092)	CASA/Deposits	65.3%	66.5%	66.6%	67.0%
<b>EBT</b>	<b>36,441</b>	<b>23,298</b>	<b>32,531</b>	<b>40,914</b>	Time Deposits/Deposits	34.7%	33.5%	33.4%	33.0%
Income Tax	(7,986)	(5,652)	(8,133)	(10,228)	Par Value (IDR)	250	250	250	250
Non-controlling Interest	(973)	(526)	(727)	(915)	Total Shares (mn)	46,667	46,667	46,667	46,667
<b>Net Profit</b>	<b>27,482</b>	<b>17,119</b>	<b>23,671</b>	<b>29,771</b>	Share Price (IDR)	7,675	6,325	7,900	7,900
Growth (% y/y)	9.1%	-37.7%	38.3%	25.8%	Market Cap (IDR tn)	358.2	295.2	368.7	368.7

BALANCE SHEET					VALUATION INDEX				
(IDR bn)	2019/12A	2020/12A	2021/12F	2022/12F		2019/12A	2020/12E	2021/12F	2022/12F
Cash	28,094	24,683	22,289	18,785	Price /Earnings	13.0x	17.2x	15.6x	12.4x
Placement in Banks	96,618	153,383	148,050	142,712	Price /Book Value	1.7x	1.5x	1.7x	1.6x
Net Loans	877,105	830,047	957,527	1,043,902	Price/Op. Revenue	4.0x	3.4x	4.0x	3.8x
Investment	202,825	296,935	301,944	340,090	PE/EPS Growth	1.4x	-0.5x	0.4x	0.5x
Fixed Asset	44,612	46,728	48,238	50,501	EV/Operating Revenue	4.8x	4.2x	4.9x	4.6x
Other Assets	68,992	77,558	72,499	74,573	EV/PPOP	8.7x	8.0x	8.7x	8.2x
<b>Total Assets</b>	<b>1,318,246</b>	<b>1,429,334</b>	<b>1,550,547</b>	<b>1,670,562</b>	EV (IDR bn)	421,544	366,710	444,860	443,825
Deposits	946,968	1,054,533	1,170,110	1,269,293	Op. Rev. CAGR (3-Yr)	15.9%	8.9%	7.1%	7.5%
Debt	87,038	91,573	93,609	88,851	EPS CAGR (3-Yr)	11.4%	-5.6%	19.7%	13.0%
Other liabilities	75,205	89,431	76,057	82,504	Basic EPS (IDR)	589	367	507	638
<b>Total Liabilities</b>	<b>1,109,211</b>	<b>1,235,538</b>	<b>1,339,775</b>	<b>1,440,648</b>	Diluted EPS (IDR)	589	367	507	638
Capital Stock & APIC	29,143	28,983	28,983	28,983	BVPS (IDR)	4,479	4,153	4,517	4,927
Retained Earnings	143,310	124,656	138,056	153,624	Op. Revenue PS (IDR)	1,899	1,858	1,962	2,079
<b>Shareholders' Equity</b>	<b>209,035</b>	<b>193,796</b>	<b>210,772</b>	<b>229,915</b>	DPS (IDR)	353	220	304	383

CASH FLOW STATEMENT					OWNERSHIP			
(IDR bn)	2019/12A	2020/12A	2021/12F	2022/12F	By Geography	% Shareholders	%	
Operating Cash Flow	27,295	28,238	6,105	41,708	Indonesia	73.1	Republic of Indonesia	60.0
Investing Cash Flow	(116,959)	2,168	(119,958)	(129,009)	United States	8.9	BlackRock Inc	1.9
Financing Cash Flow	90,508	52,921	110,917	83,797	Luxembourg	3.0	DJS Ketengakerjaan	1.8
<b>Net Changes in Cash</b>	<b>844</b>	<b>83,326</b>	<b>(2,936)</b>	<b>(3,504)</b>	Others	15.0	Vanguard Group	1.4

Source: NHKSI research

## NH Korindo Sekuritas Indonesia (NHKSI) Stock Ratings

1. Based on a stock's forecasted absolute return over a period of 12 months from the date of publication.
2. Rating system based on a stock's potential upside from the date of publication
  - Buy : Greater than +15%
  - Overweight : +5% to 15%
  - Hold : -5% to +5%
  - Underweight : -5% to -15%
  - Sell : Less than -15%

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