

Bank Mandiri Tbk (BMRI)

Asset Quality Improves and CoF Down

Bank Mandiri Tbk (BMRI) managed to book a net profit of IDR 19.3 trillion in 9M21, an increase of 37.1% YoY. This increase was supported by solid growth in Net Interest Income and Non-Interest Income. The company is still optimistic that credit disbursement can increase by double digits until the end of 2021, with NIM level in line with our estimates.

Asset Quality Improves as Loan Growth Increases

- BMRI booked consolidation loan growth of 16.93% YoY to IDR1,021.6 trillion until 3Q21. The growth is balanced by asset quality, through slashing Non-Performing Loan (NPL) by 37 bps to 2.96% YoY.
- Meanwhile, BMRI still maintains its reserve ratio at 230.01% YoY. This figure is 24.86 bps higher than previously 205.15%. The loan growth was also complemented by low cost of fund with BMRI's CASA ratio went up to 74.57%.
- Furthermore, the bank successfully maintained liquidity, booking DPK increase by 18.5% YoY to IDR 1,214 trillion.

CASA Pushes CoF Down by 108 Bps

- The ample liquidity was also matched by maintained Cost of Fund (CoF) which stood at 1.62%.
- Meanwhile, loan disbursement growth boosted BMRI's consolidated asset to grow 16.44% YoY to IDR1,637.9 trillion.
- BMRI was focused on digital transformation, launching the application Livin 2.0 on October 2, 2021, which has now been downloaded 1.5 million times.
- The financial super app is aimed to increase the penetration of BMRI's retail products. Meanwhile, BMRI also launched Kopra, a platform targeting the wholesale banking market.

Maintain Buy with TP of IDR8,600

- We maintain Buy rating by increasing the target price to IDR8,600/share. Our target price reflects forward PBV FY21/22 at 1.6x/1.5x.
- Meanwhile, some key risks to our TP are: the ongoing loan restructuring program, and the tighter competition for third party funding amidst low interest rate period.

Bank Mandiri Tbk | Summary (IDR bn)

in IDR bn	2020/12A	2021/12F	2022/12F	2023/12F
Interest Income	87,321	92,776	106,949	120,418
<i>Interest Income growth</i>	-4.6%	6.2%	15.3%	12.6%
Operating Revenue	86,718	93,739	104,782	121,667
Net profit	17,119	25,650	32,856	40,786
EPS (IDR)	367	550	704	874
<i>EPS growth</i>	-37.7%	49.8%	28.1%	24.1%
BVPS (IDR)	4,153	4,640	5,287	5,970
Net Interest Margin	4.5%	4.4%	4.4%	4.9%
Loan/Deposits	84.7%	84.6%	85.5%	86.8%
NPL	3.1%	2.8%	2.4%	2.4%
ROE	8.5%	12.5%	14.2%	15.5%
ROA	1.2%	1.6%	1.9%	2.2%
P/E	19.1x	15.6x	12.2x	9.8x
P/BV	1.7x	1.9x	1.6x	1.4x
P/Op. Revenue	3.8x	4.3x	3.8x	3.3x
DPS (IDR)	220	220	422	458
<i>Dividend yield</i>	3.1%	2.6%	4.9%	5.3%

Source: Company Data, Bloomberg, NHKSI Research

Please consider the rating criteria & important disclaimer

BUY

Target Price (IDR)	8,600
Consensus Price (IDR)	8,314
TP to Consensus Price	+3.4%
Potential Upside	+18.6%

Shares data

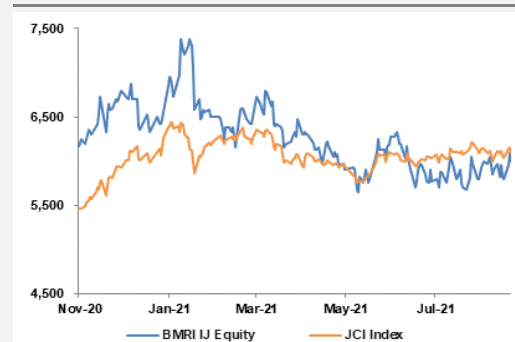
Last Price (IDR)	7,250
Price date as of	Nov. 19, 2021
52 wk range (Hi/Lo)	7,450 / 5,600
Free float (%)	37.9
Outstanding sh.(mn)	46,667
Market Cap (IDR bn)	333,833
Market Cap (USD mn)	23,540
Avg. Trd Vol - 3M (mn)	45.85
Avg. Trd Val - 3M (bn)	303.32
Foreign Ownership	26.8%

Financial Services

Banking

Bloomberg	BMRI IJ
Reuters	BMRI.JK

Share Price Performance



	YTD	1M	3M	12M
Abs. Ret.	12.3%	10.5%	17.4%	18.8%
Rel. Ret.	2.2%	13.7%	11.3%	-6.3%

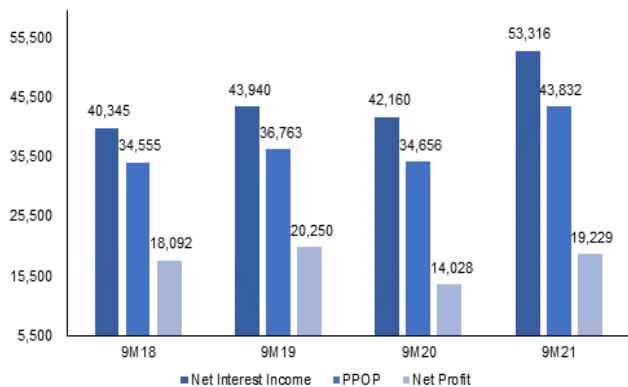
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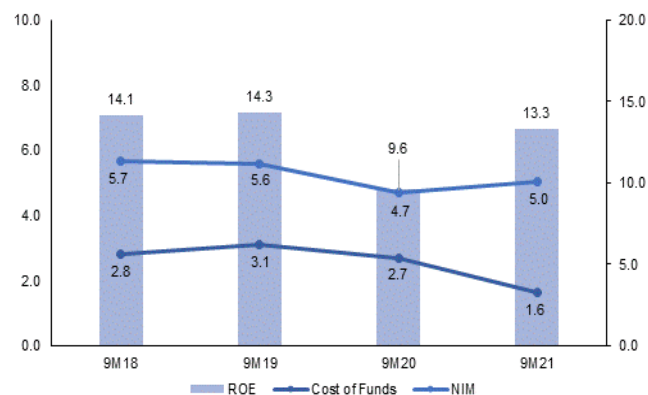
Performance Highlights

Financial Performance (IDR Billion)



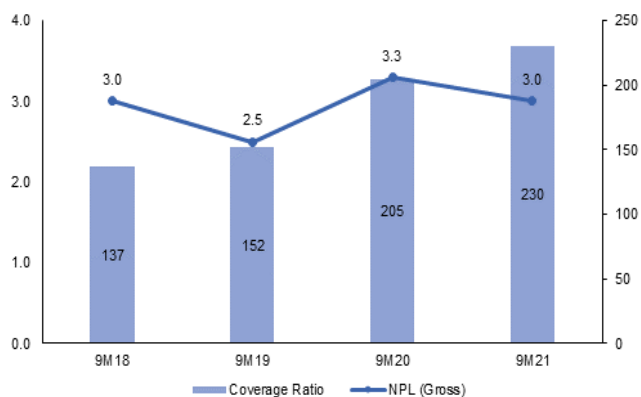
Source: Company, NHKSI Research

Profitability Ratios (%)



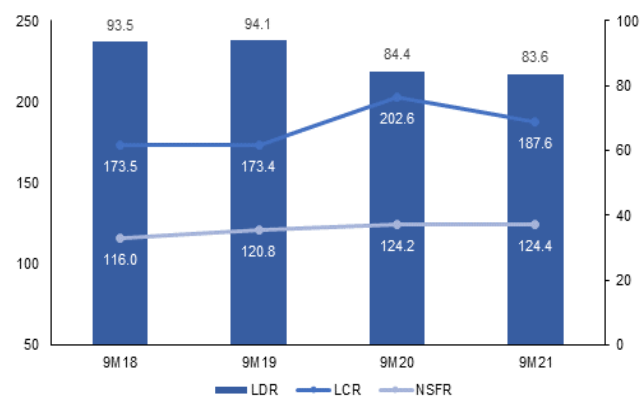
Source: Company, NHKSI Research

Asset Quality (%)



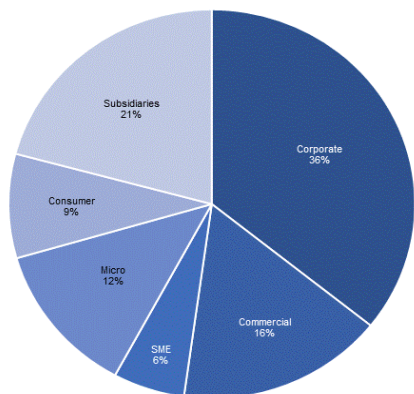
Source: Company, NHKSI Research

Liquidity (%)



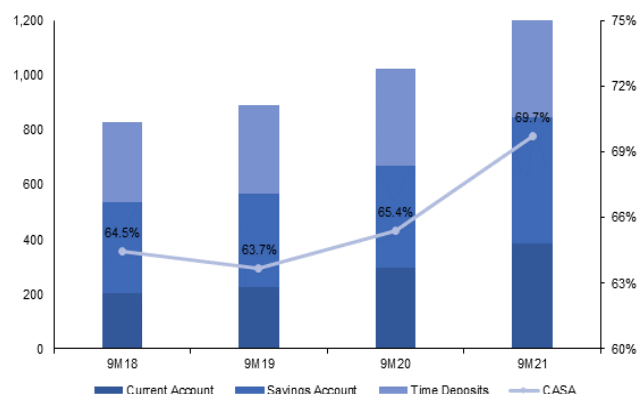
Source: Company, NHKSI Research

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: 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

Company	Ticker	Market Cap (USD Mn)	Total Assets (USD Mn)	Net Interest Margin (LTM) (%)	ROE (%)	P/E (x)	P/B (x)	Dividend Yield LTM (%)
INDONESIA								
Bank Mandiri Tbk	BMRI IJ	23,479	102,645	5.1	10.5	17.3	1.8	3.1
Bank Negara Indonesia Tbk	BBNI IJ	9,284	64,010	5.5	5.8	19.6	1.1	0.6
Bank Central Asia Tbk	BBCA IJ	64,626	77,240	5.4	16.4	30.3	4.6	1.4
Bank Rakyat Indonesia Tbk	BBRI IJ	45,667	108,568	5.7	10.1	22.5	1.9	2.2
SINGAPORE								
DBS Group Holdings Ltd	DBS SP	60,426	491,893	1.4	10.8	13.4	1.4	2.7
United Overseas Bank Ltd	UOB SP	33,295	326,810	1.6	8.5	13.7	1.1	3.7
Oversea-Chinese Banking Corp.	OCBC SP	39,917	394,608	1.6	8.7	12.4	1.0	3.4
MALAYSIA								
CIMB Group Holdings Bhd	CIMB MK	12,729	149,821	2.2	6.9	13.3	0.9	2.9
THAILAND								
Bangkok Bank Public Co. Ltd	BBL TB	7,038	127,453	1.6	4.9	10.4	0.5	2.8
Siam Commercial Bank Pub Co.	SCB TB	12,519	109,298	2.7	7.9	12.8	1.0	3.0

Source: Bloomberg, NHKSI Research

Multiple Valuation

Blended Forward P/E | Last 3 years



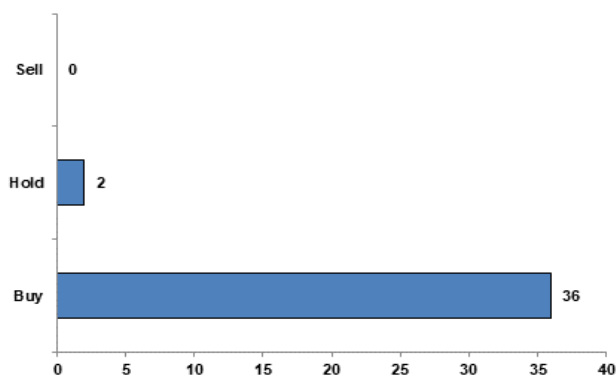
Source: NHKSI research

P/BV Ratio | Last 3 years



Source: NHKSI research

Analyst Coverage Rating



Source: Bloomberg

Closing and Target Price



Source: NHKSI research

Rating and Target Price Update

Date	Rating	Target Price	Last Price	Consensus	Potential Upside	vs Consensus
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%
15/03/2021	Buy	7,900	6,725	7,996	+17.5%	-1.2%
18/08/2021	Buy	7,450	5,975	7,902	+24.7%	-5.7%
22/11/2021	Buy	8,600	7,250	8,314	+18.6%	+3.4%

Source: NHKSI Research, Bloomberg

Summary of Financials

INCOME STATEMENT					PROFITABILITY & STABILITY				
(IDR bn)	2020/12A	2021/12F	2022/12F	2023/12F		2020/12A	2021/12F	2022/12F	2023/12F
Interest Income	87,321	92,776	106,949	120,418	ROE	8.5%	12.5%	14.2%	15.5%
<i>Growth (% y/y)</i>	-4.6%	6.2%	15.3%	12.6%	ROA	1.2%	1.6%	1.9%	2.2%
Interest Expenses	(30,812)	(28,577)	(34,717)	(35,769)	Non-Int. Inc. /Op. Rev	34.8%	31.5%	31.1%	30.4%
Net Interest Income	56,509	64,199	72,232	84,649	Cost/Income	46.9%	44.1%	40.0%	42.0%
<i>Net Interest Margin</i>	4.5%	4.4%	4.4%	4.9%	Cash Dividend (IDR bn)	10,272	10,272	19,713	21,350
Net Fee Income	14,495	15,362	17,906	20,620	Dividend Yield (%)	3.1%	2.6%	4.9%	5.3%
Trading Income	6,541	6,642	7,917	9,018	Payout Ratio (%)	60.0%	40.0%	60.0%	52.3%
Other Operating Income	9,173	7,536	6,727	7,380	Loan/Deposits	84.7%	84.6%	85.5%	86.8%
Operating Revenue	86,718	93,739	104,782	121,667	Loan/Assets	62.5%	63.6%	63.8%	64.0%
Operating Expenses	(40,646)	(41,315)	(41,913)	(51,145)	NPL	3.1%	2.8%	2.4%	2.4%
Pre-provisioning OP	46,072	52,424	62,869	70,522	Loan Loss Res./Loan	7.0%	6.4%	5.5%	5.5%
Provision for Impairment	(22,896)	(21,915)	(21,197)	(20,424)	CASA/Deposits	66.5%	71.0%	71.2%	70.9%
EBT	23,298	30,586	41,801	50,221	Time Deposits/Deposits	33.5%	29.0%	28.8%	29.1%
Income Tax	(5,652)	(6,516)	(9,523)	(11,070)	Par Value (IDR)	250	250	250	250
Non-controlling Interest	(526)	1,579	578	1,634	Total Shares (mn)	46,667	46,667	46,667	46,667
Net Profit	17,119	25,650	32,856	40,786	Share Price (IDR)	7,000	8,600	8,600	8,600
<i>Growth (% y/y)</i>	-37.7%	49.8%	28.1%	24.1%	Market Cap (IDR tn)	326.7	401.3	401.3	401.3

BALANCE SHEET					VALUATION INDEX				
(IDR bn)	2020/12A	2021/12F	2022/12F	2023/12F		2020/12A	2021/12F	2022/12F	2023/12F
Cash	24,683	24,780	35,114	37,153	Price /Earnings	19.1x	15.6x	12.2x	9.8x
Placement in Banks	153,383	147,764	155,252	163,343	Price /Book Value	1.7x	1.9x	1.6x	1.4x
Net Loans	830,047	1,010,931	1,072,581	1,128,478	Price/Op. Revenue	3.8x	4.3x	3.8x	3.3x
Investment	296,935	383,636	377,441	397,111	PE/EPS Growth	-0.5x	0.3x	0.4x	0.4x
Fixed Asset	46,728	48,029	50,021	52,074	EV/Operating Revenue	4.6x	5.3x	4.7x	4.2x
Other Assets	77,558	83,200	87,479	88,124	EV/PPOP	8.6x	9.4x	7.8x	7.2x
Total Assets	1,429,334	1,698,339	1,777,887	1,866,284	EV (IDR bn)	398,210	495,388	492,497	506,655
Deposits	1,054,533	1,276,709	1,327,165	1,376,190	Op. Rev. CAGR (3-Yr)	15.1%	11.8%	12.0%	15.9%
Debt	91,573	101,542	96,347	99,906	EPS CAGR (3-Yr)	-6.0%	0.6%	6.1%	33.6%
Other liabilities	89,431	103,541	107,633	111,609	Basic EPS (IDR)	367	550	704	874
Total Liabilities	1,235,537	1,481,792	1,531,146	1,587,705	Diluted EPS (IDR)	367	550	704	874
Capital Stock & APIC	28,983	29,241	29,241	29,241	BVPS (IDR)	4,153	4,640	5,287	5,970
Retained Earnings	124,656	136,385	155,814	176,886	Op. Revenue PS (IDR)	1,858	2,009	2,245	2,607
Shareholders' Equity	193,797	216,547	246,741	278,579	DPS (IDR)	220	220	422	458

CASH FLOW STATEMENT					OWNERSHIP			
(IDR bn)	2020/12A	2021/12F	2022/12F	2023/12F	By Geography	% Shareholders	%	
Operating Cash Flow	(12,206)	82,649	28,332	50,095	Indonesia	73.2	Republic of Indonesia	60.0
Investing Cash Flow	(26,176)	(316,182)	(60,598)	(91,692)	United States	9.1	DJS Ketenagakerjaan	1.8
Financing Cash Flow	90,661	230,157	42,600	43,636	Luxembourg	3.7	Vanguard Group	1.6
Net Changes in Cash	52,279	(3,377)	10,334	2,039	Others	14.0	Others	36.6

Source: Bloomberg, 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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