

Bank Mandiri Tbk (BMRI)

Solid Growth Across the Board

Bank Mandiri Tbk (BMRI) successfully booked net profit of IDR 12.5 trillion in 1H21, or up 21.5% yoy. This increase was supported by solid growth in Net Interest Income and Non-Interest Income. The company is still optimistic that loan growth can increase by double digits at the end of 2021, with NIM remained at the desired level. BMRI also plans to launch the superapp *Livin 2.0* in the fourth quarter.

Revenue Records Double Digit Growth, Provision Expense Well-managed

- BMRI successfully reach strong top-line achievement on a consolidated basis in 1H21, marked by Net Interest Income which grew by 21.5%; while Non-Interest Income also managed to increase 17.3% yoy. This supported Pre-Provision Operating Profit (PPOP) to increase by 20% to IDR 29 trillion.
- The Company was also able to control provision expenses which only recorded a moderate increase of 6.9% yoy to IDR 11 trillion (vs. IDR 10.3 trillion in 1H20).
- With solid growth across the board, BMRI was able to record a 1H21 net profit of IDR 12.5 trillion; or grew 21.5% compared to 1H20 profit of IDR 10.2 trillion.

Corporate Segment Boosts Credit Growth

- BMRI posted credit growth of 5.4% (bank-only) and 16.4% (consolidated), with loan disbursement focused on sectors that are considered prospective. The telecommunications sector recorded the highest credit growth of 57% ytd, with an increase in outstanding loans of IDR 12.6 trillion.
- On a bank-only basis, the corporate segment was still the mainstay of performance with a growth of 8.2% ytd; which contributes to 42% of BMRI's total loans.
- Cost of Funds fell again to 1.8% in 2Q21, supported by the increase in the low-cost funds segment with CASA ratio reaching 73.2%. On the other hand, the NIM level was still maintained at 5.1% or in line with the estimate in the 4.8%-5.1% range.

Launch of *Livin 2.0* Super App to Strengthen Digital Services

- BMRI plans to launch the *Livin 2.0* application in October 2021, which is expected to be a new source for retail loans. To date, *Livin* has 7.1 active users with a total transaction value of IDR 388 trillion in 2Q21.
- As for FY21 guidance, the company is still targeting double-digit credit growth.

BUY Recommendation with a Target Price of 7,450

- We maintain our Buy recommendation for BMRI by adjusting the target price to IDR 7,450/share. Our target price reflects a 22F P/B of 1.5x or at -0.5 SD from the 3-year average.

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	106,606
<i>Interest Income growth</i>	13.0%	-4.6%	11.6%	9.4%
Operating Revenue	88,600	86,718	91,581	101,658
Net profit	27,482	17,119	23,671	31,650
EPS (IDR)	589	367	507	678
<i>EPS growth</i>	9.1%	-37.7%	38.3%	33.7%
BVPS (IDR)	4,479	4,153	4,517	4,967
Net Interest Margin	5.2%	4.5%	4.5%	4.6%
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%	14.3%
ROA	2.2%	1.2%	1.6%	2.0%
P/E	13.0x	17.2x	14.7x	11.0x
P/BV	1.7x	1.5x	1.6x	1.5x
P/Op. Revenue	4.0x	3.4x	3.8x	3.4x
DPS (IDR)	353	220	304	407
Dividend yield	4.6%	3.5%	4.1%	5.5%

Source: Company Data, Bloomberg, NHKSI Research

Please consider the rating criteria & important disclaimer

BUY

Target Price (IDR)	7,450
Consensus Price (IDR)	7,902
TP to Consensus Price	-5.7%
Potential Upside	+24.7%

Shares data

Last Price (IDR)	5,975
Price date as of	Aug 16, 2021
52 wk range (Hi/Lo)	7,450 / 4,860
Free float (%)	37.9
Outstanding sh.(mn)	46,667
Market Cap (IDR bn)	278,833
Market Cap (USD mn)	19,388
Avg. Trd Vol - 3M (mn)	41.39
Avg. Trd Val - 3M (bn)	245.7
Foreign Ownership	26.3%

Financial Services

Banking	BMRI IJ
Bloomberg	
Reuters	BMRI.JK

Share Price Performance



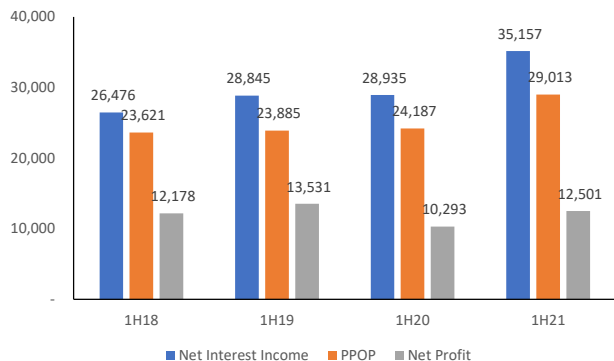
	YTD	1M	3M	12M
Abs. Ret.	-5.5%	1.7%	0.8%	-2.8%
Rel. Ret.	-7.4%	1.4%	-3.5%	-17.8%

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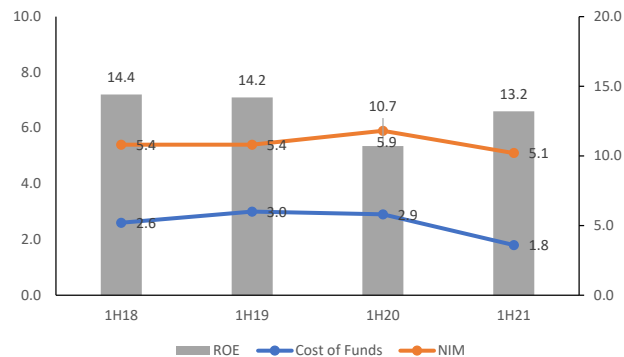
Performance Highlights

Financial Performance (IDR Billion)



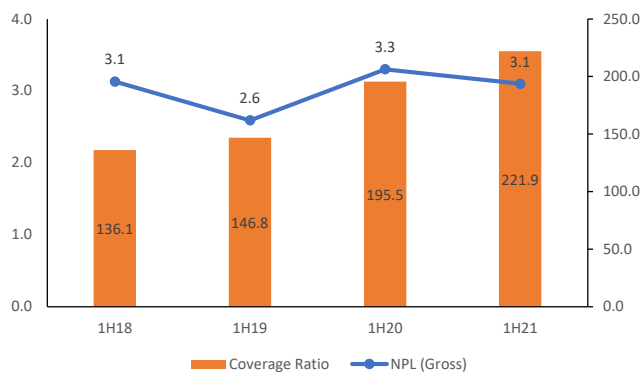
Source: Company, NHKSI Research

Profitability Ratios (%)



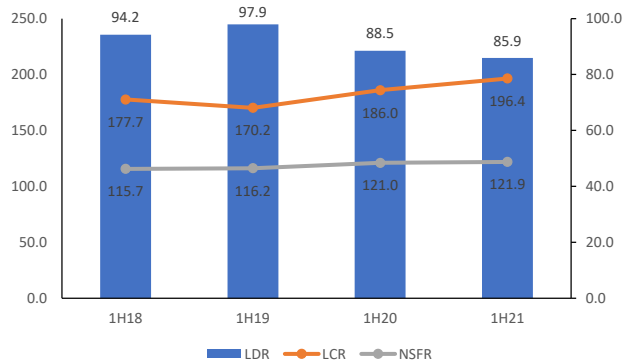
Source: Company, NHKSI Research

Asset Quality (%)



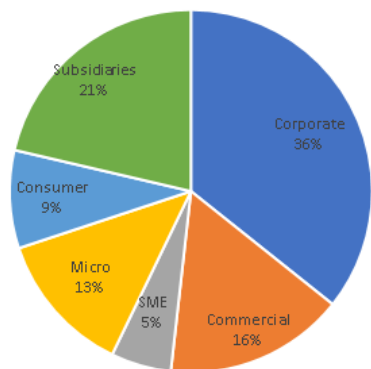
Source: Company, NHKSI Research

Liquidity (%)



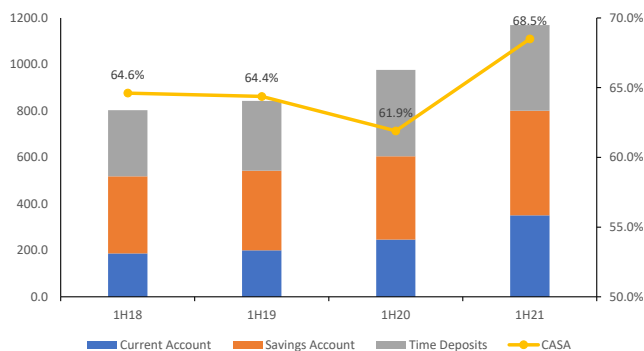
Source: Company, NHKSI Research

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).

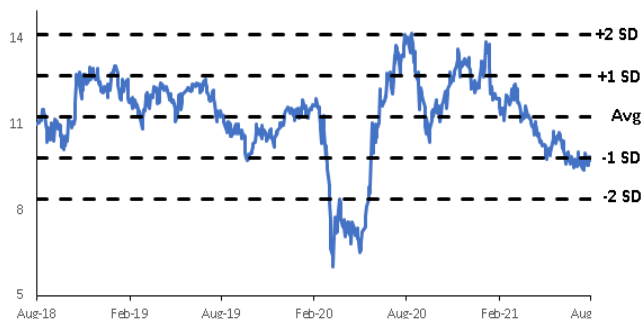
ASEAN Banking Peers (as of 16 August 2021)

Company	Ticker	Market Cap (USD Mn)	Total Assets (USD Mn)	Total Assets (USD Mn)	Net Income LTM (USD Mn)	ROE (%)	P/E (x)	P/B (x)	Dividend Yield LTM (%)
INDONESIA									
BANK MANDIRI PERSERO TBK PT	BMRI IJ	19,386	108,582,529,225	108,583	1,341	10.5	14.4	1.5	3.7
BANK CENTRAL ASIA TBK PT	BBCA IJ	55,025	77,596,647,962	77,597	2,036	16.5	27.0	4.2	1.7
BANK RAKYAT INDONESIA PERSER	BBRI IJ	33,697	99,677,594,219	99,678	1,451	10.9	23.0	2.5	2.5
BANK NEGARA INDONESIA PERSER	BBNI IJ	6,677	60,122,170,127	60,122	267	3.4	2.3	0.1	0.9
SINGAPORE									
DBS GROUP HOLDINGS LTD	DBS SP	57,602	499,287,301,784	499,287	4,515	11.0	12.9	1.4	2.9
UNITED OVERSEAS BANK LTD	UOB SP	32,057	331,826,700,785	331,827	2,256	7.6	13.2	1.1	3.8
OVERSEA-CHINESE BANKING CORP	OCBC SP	39,039	387,285,225,779	387,285	3,492	9.4	11.0	1.0	3.5
MALAYSIA									
CIMB GROUP HOLDINGS BHD	CIMB MK	10,889	146,783,947,763	146,784	539	4.0	14.6	0.8	1.0
THAILAND									
BANGKOK BANK PUBLIC CO LTD	BBL TB	5,884	128,646,441,890	128,646	624	4.3	10.0	0.4	2.4
SIAM COMMERCIAL BANK PUB CO	SCB TB	9,907	99,934,838,233	99,935	930	7.0	11.6	0.8	2.4

Source: Bloomberg, NHKSI Research

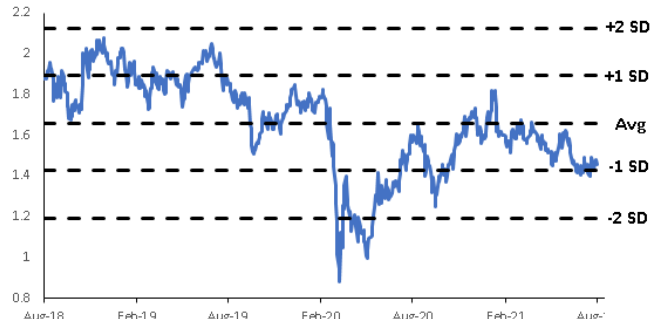
Multiple Valuation

Blended Forward P/E | Last 3 years



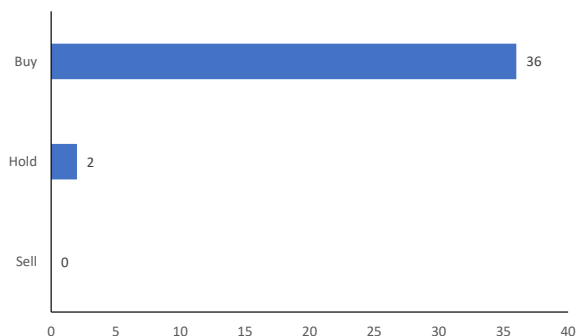
Source: NHKSI research

P/BV Ratio | Last 3 years



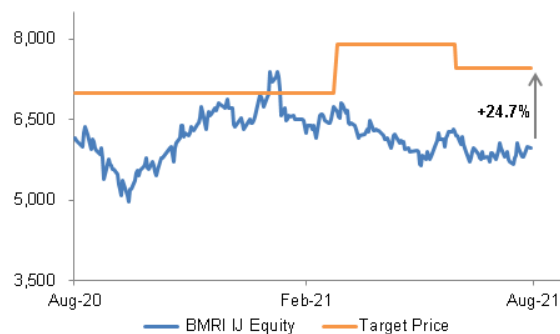
Source: NHKSI research

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
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%
15/03/2021	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%

Source: NHKSI Research, Bloomberg

Summary of Financials

INCOME STATEMENT

(IDR bn)	2019/12A	2020/12A	2021/12F	2022/12F
Interest Income	91,525	87,321	97,416	106,606
Growth (% y/y)	13.0%	-4.6%	11.6%	9.4%
Interest Expenses	(32,085)	(30,812)	(35,074)	(37,404)
Net Interest Income	59,440	56,509	62,342	69,202
Net Interest Margin	5.2%	4.5%	4.5%	4.6%
Net Fee Income	16,066	14,495	17,456	19,377
Trading Income	4,734	6,541	6,546	7,266
Other Operating Income	8,361	9,173	5,237	5,813
Operating Revenue	88,600	86,718	91,581	101,658
Operating Expenses	(40,076)	(40,646)	(40,520)	(45,218)
Pre-provisioning OP	48,524	46,072	51,061	56,440
Provision for Impairment	(12,072)	(22,896)	(18,664)	(13,092)
EBT	36,441	23,298	32,531	43,496
Income Tax	(7,986)	(5,652)	(8,133)	(10,874)
Non-controlling Interest	(973)	(526)	(727)	(972)
Net Profit	27,482	17,119	23,671	31,650
Growth (% y/y)	9.1%	-37.7%	38.3%	33.7%

PROFITABILITY & STABILITY

	2019/12A	2020/12E	2021/12F	2022/12F
ROE	14.0%	8.5%	11.7%	14.3%
ROA	2.2%	1.2%	1.6%	2.0%
Non-Int. Inc. /Op. Rev	32.9%	34.8%	31.9%	31.9%
Cost/Income	45.2%	46.9%	44.2%	44.5%
Cash Dividend (IDR bn)	16,489	10,272	14,203	18,990
Dividend Yield (%)	4.6%	3.5%	4.1%	5.5%
Payout Ratio (%)	60.0%	60.0%	60.0%	60.0%
Loan/Deposits	95.8%	84.7%	86.1%	86.5%
Loan/Assets	68.8%	62.5%	65.0%	65.7%
NPL	2.3%	3.1%	2.8%	2.7%
Loan Loss Res./Loan	3.3%	7.0%	5.0%	4.9%
CASA/Deposits	65.3%	66.5%	66.6%	67.0%
Time Deposits/Deposits	34.7%	33.5%	33.4%	33.0%
Par Value (IDR)	250	250	250	250
Total Shares (mn)	46,667	46,667	46,667	46,667
Share Price (IDR)	7,675	6,325	7,450	7,450
Market Cap (IDR tn)	358.2	295.2	347.7	347.7

BALANCE SHEET

(IDR bn)	2019/12A	2020/12A	2021/12F	2022/12F
Cash	28,094	24,683	22,289	20,666
Placement in Banks	96,618	153,383	148,050	142,712
Net Loans	877,105	830,047	957,527	1,043,902
Investment	202,825	296,935	301,944	340,090
Fixed Asset	44,612	46,728	48,238	50,501
Other Assets	68,992	77,558	72,499	74,573
Total Assets	1,318,246	1,429,334	1,550,547	1,672,443
Deposits	946,968	1,054,533	1,170,110	1,269,293
Debt	87,038	91,573	93,609	88,851
Other liabilities	75,205	89,431	76,057	82,504
Total Liabilities	1,109,211	1,235,538	1,339,775	1,440,648
Capital Stock & APIC	29,143	28,983	28,983	28,983
Retained Earnings	143,310	124,656	138,056	155,503
Shareholders' Equity	209,035	193,796	210,772	231,795

VALUATION INDEX

	2019/12A	2020/12E	2021/12F	2022/12F
Price /Earnings	13.0x	17.2x	14.7x	11.0x
Price /Book Value	1.7x	1.5x	1.6x	1.5x
Price/Op. Revenue	4.0x	3.4x	3.8x	3.4x
PE/EPS Growth	1.4x	-0.5x	0.4x	0.3x
EV/Operating Revenue	4.8x	4.2x	4.6x	4.1x
EV/PPOP	8.7x	8.0x	8.3x	7.5x
EV (IDR bn)	421,544	366,710	423,860	420,943
Op. Rev. CAGR (3-Yr)	15.9%	8.9%	7.1%	9.2%
EPS CAGR (3-Yr)	11.4%	-5.6%	19.7%	15.3%
Basic EPS (IDR)	589	367	507	678
Diluted EPS (IDR)	589	367	507	678
BVPS (IDR)	4,479	4,153	4,517	4,967
Op. Revenue PS (IDR)	1,899	1,858	1,962	2,178
DPS (IDR)	353	220	304	407

CASH FLOW STATEMENT

(IDR bn)	2019/12A	2020/12A	2021/12F	2022/12F
Operating Cash Flow	27,295	28,238	6,105	43,587
Investing Cash Flow	(116,959)	2,168	(119,958)	(129,009)
Financing Cash Flow	90,508	52,921	110,917	83,797
Net Changes in Cash	844	83,326	(2,936)	(1,624)

OWNERSHIP

By Geography	% Shareholders	%	
Indonesia	73.7	Republic of Indonesia	60.0
United States	9.1	DJS Ketenagakerjaan	1.8
Luxembourg	3.3	Vanguard Group	1.6
Others	13.9	Capital Group Cos Inc	1.5

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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