



QUICK REVIEW (BMRI)
BANK MANDIRI (PERSERO) TBK.

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RESEARCH TEAM

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Recommendation

Recommendation : **HOLD**

Fair Value : **IDR 5,750**

Current Price (21/10) : **IDR 5,525**

Company Description

PT Bank Mandiri (Persero) Tbk is formed by the merger of four state-owned banks, namely Pt Bank Bumi Daya, PT Bank Dagang Negara, PT Bank Export Import Indonesia (Bank Exim), PT Bank Pembangunan Indonesia (Bank Bapindo). The Bank operates in the commercial banking services.

Company Update

Results Estimate : 3Q 2020 (to be announced at Oct 26)

<i>In Billions of IDR</i>	Q3 2020 Est	Q3 2019	%YoY	Q3 2020 Est	Q2 2020	%QoQ
Net Revenue	19,280	21,271	-9.4%	19,280	18,900	2.0%
+ Net Interest Income	14,219	15,228	-6.6%	14,219	13,492	5.4%
+ Adjusted Total Non-Interest Income	5,061	6,043	-16.2%	5,061	5,407	-6.4%
- Provision for Loan Losses	3,651	2,029	79.9%	3,651	6,419	-43.1%
Net Revenue after Provisions	15,629	19,242	-18.8%	15,629	12,481	25.2%
- Total Non-Interest Expense	9,117	10,092	-9.7%	9,117	8,827	3.3%
Operating Income (Loss)	6,512	9,149	-28.8%	6,512	3,653	78.2%
Pretax Income (Loss), GAAP	6,419	8,805	-27.1%	6,419	3,451	86.0%
- Income Tax Expense (Benefit)	1,487	1,855	-19.8%	1,487	973	52.9%
Income (Loss) Incl. MI	4,932	6,950	-29.0%	4,932	2,478	99.0%
- Minority Interest	171	231	-26.0%	171	101	68.8%
Net Income Avail to Common, GAAP	4,761	6,719	-29.1%	4,761	2,377	100.3%

Source: Bloomberg, MCS Research

Company Update

Indonesia's State Islamic Bank Merger to Form \$ 15 Billion Entity

Indonesia is pushing ahead with a years-long plan to merge the Islamic units of its state-owned lenders, which could form an entity with \$ 15 billion of assets.

PT Bank Mandiri, PT Bank Negara Indonesia and PT Bank Rakyat Indonesia signed a conditional deal on Monday to combine their Shariah-compliant units. The merged entity's assets could reach 390 trillion rupiah (\$ 26 billion) by 2025, from up to 225 trillion rupiah by end of 2020, as its scale helps it better compete with non-Islamic lenders.

(Source: Bloomberg)

Company Update

Bank Mandiri to Own Majority in Merged State Shariah Bank

Bank Mandiri will have 51.2% stake in the merged state Shariah lender with Bank Negara Indonesia controlling 25% stake, according to a prospectus. Bank BRISyariah, the surviving entity, will issue 31.1b of new shares. Bank Rakyat Indonesia owns 17.4% stake in BRISyariah, which will remain listed after the merger. Publicly held shares in BRISyariah to be 4.4%.

(Source: Bloomberg)

Company Update

Indonesia Credit May Rebound in 4Q on Recovery

Indonesian banks's loan may recover to about 2% this year and further in 2021, after declining to 0.55% in August, as public sector banks may lead by easing credit underwriting standards for micro and small businesses. BBNI and BBRI set the pace with 5% and 1.1% growth in the first 8 months, while loans by most peers contracted.

(Source: Bloomberg)

Business Model



Source: Company

Balanced Sheet : Annual

In Billions of IDR	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019
Total Assets										
+ Cash & Cash Equivalents	34,378	47,510	53,558	62,956	71,303	81,423	75,392	74,457	87,202	74,585
+ Interbanking Assets	46,454	73,580	72,399	62,888	89,846	48,150	89,032	89,560	39,444	52,082
+ ST And LT Investments	105,340	90,462	89,706	109,030	126,619	147,511	155,533	163,162	178,342	200,809
+ Total Commercial Loans	209,424	240,800	296,219	349,345	400,376	459,829	511,101	555,115	579,543	651,757
+ Total Consumer Loans	37,760	71,339	83,707	101,440	117,171	126,935	146,469	178,532	210,878	235,640
+ Other Loans	1,592	7,054	14,453	29,173	24,078	21,878	18,611	19,991	54,472	49,163
+ Total Loans	248,776	319,193	394,380	479,959	541,625	608,642	676,180	753,638	844,893	936,560
- Reserve for Loan Losses	11,522	12,168	14,104	16,677	17,919	22,558	32,945	34,116	32,177	30,351
+ Net Loans	237,254	307,025	380,276	463,282	523,706	586,084	643,235	719,522	812,717	906,209
+ Net Fixed Assets	5,527	6,590	7,003	7,646	8,929	9,762	35,663	36,619	38,443	44,612
+ Total Intangible Assets	0	0	861	1,160	1,645	1,915	1,955	2,401	2,765	3,321
+ Investments in Associates	6	6	4	5	55	48	197	192	200	61
+ Total Deferred Tax Assets	4,401	3,800	3,967	4,322	4,189	4,835	5,990	5,564	4,998	3,952
+ Total Derivative Assets	37	114	87	171	71	701	239	446	1,799	1,617
+ Customer Acceptances & Liab	0	0	0	0	0	0	0	0	0	0
+ Other Assets	16,376	22,805	27,759	21,639	28,676	29,634	31,469	32,777	36,344	30,997
Total Assets	449,775	551,892	635,619	733,100	855,040	910,063	1,038,706	1,124,701	1,202,252	1,318,246
Liabilities & Shareholders' Equity										
+ Demand Deposits	68,714	92,866	113,911	123,446	128,067	172,166	187,052	203,390	200,506	250,414
+ Interest Bearing Deposits	293,925	329,720	369,003	432,896	508,315	504,221	575,448	612,416	640,408	682,710
+ Other Deposits	0	0	0	0	0	0	0	0	0	0
+ Total Deposits	362,639	422,586	482,914	556,342	636,382	676,387	762,501	815,807	840,914	933,125
+ ST Borrowings & Repos	13,604	25,367	15,646	20,629	31,508	28,948	25,550	22,177	53,519	49,465
+ LT Debt	6,781	6,718	16,968	18,941	22,363	28,770	32,602	42,950	51,448	55,199
+ Pension Liabilities	0	0	3,813	4,585	5,181	5,777	6,763	8,277	7,988	7,586
+ Total Derivative Liabilities	33	165	113	226	157	299	502	276	1,118	1,195
+ Other Liabilities	24,646	34,401	39,632	43,586	54,605	50,390	57,418	65,208	62,305	62,642
Total Liabilities	407,705	489,237	559,086	644,309	750,195	790,572	885,336	954,695	1,017,292	1,109,212
+ Preferred Equity and Hybrid Capital	0	0	0	0	0	0	0	0	0	0
+ Share Capital & APIC	17,459	28,862	28,862	28,983	28,983	28,983	28,983	28,983	28,983	28,983
- Treasury Stock	0	0	0	0	0	0	0	0	0	0
+ Retained Earnings	24,442	33,506	46,079	59,632	74,043	89,225	96,931	111,358	127,085	143,310
+ Other Equity	358	575	362	1,196	368	1,137	24,540	26,378	25,135	32,308
Equity before Minority Interest	41,543	61,793	74,580	87,419	102,658	117,070	150,454	166,719	181,203	204,601
+ Minority/Non Controlling Interest	527	861	1,953	1,371	2,187	2,422	2,916	3,287	3,758	4,434
Total Equity	42,070	62,654	76,533	88,791	104,845	119,492	153,370	170,006	184,960	209,035
Total Liabilities & Equity	449,775	551,892	635,619	733,100	855,040	910,063	1,038,706	1,124,701	1,202,252	1,318,246

Source: Bloomberg, MCS Research

Balanced Sheet : Quarter

<i>In Billions of IDR</i>	Q1 2019	Q2 2019	Q3 2019	Q4 2019	Q1 2020	Q2 2020
Total Assets						
+ Cash & Cash Equivalents	81,501	68,378	78,024	74,585	62,700	64,969
+ Interbanking Assets	60,414	65,638	80,254	52,082	86,416	145,854
+ ST And LT Investments	193,518	194,264	195,756	200,809	196,240	213,351
+ Total Commercial Loans	553,807	582,035	589,576	651,757	637,189	621,745
+ Total Consumer Loans	214,942	219,415	226,142	235,640	235,940	225,940
+ Other Loans	47,308	57,365	54,709	49,163	53,830	46,306
+ Total Loans	816,058	858,815	870,427	936,560	926,959	893,990
- Reserve for Loan Losses	30,799	31,726	32,389	30,351	54,294	55,715
+ Net Loans	785,259	827,089	838,038	906,209	872,665	838,276
+ Net Fixed Assets	38,766	38,833	42,827	44,612	46,305	46,769
+ Total Intangible Assets	2,700	2,671	2,722	3,321	3,181	3,303
+ Investments in Associates	48	24	120	61	68	54
+ Total Deferred Tax Assets	4,182	3,811	3,382	3,952	8,856	7,672
+ Total Derivative Assets	1,186	1,636	1,151	1,617	5,466	3,049
+ Customer Acceptances & Liab	0	0	0	0	0	0
+ Other Assets	38,399	33,284	33,396	30,997	38,141	36,146
Total Assets	1,205,972	1,235,628	1,275,670	1,318,246	1,320,038	1,359,441
Liabilities & Shareholders' Equity						
+ Demand Deposits	185,135	200,137	223,686	250,414	253,233	246,540
+ Interest Bearing Deposits	642,626	643,022	667,554	682,710	688,106	730,017
+ Other Deposits	0	0	0	0	0	0
+ Total Deposits	827,761	843,159	891,240	933,125	941,339	976,556
+ ST Borrowings & Repos	53,249	64,281	51,590	49,465	61,094	63,226
+ LT Debt	56,223	65,168	60,572	55,199	59,042	64,678
+ Pension Liabilities	6,154	5,948	7,061	7,586	5,906	4,648
+ Total Deferred Tax Liabilities	0	0	0	0	0	0
+ Total Derivative Liabilities	1,181	1,321	1,242	1,195	8,887	1,868
+ Other Liabilities	67,739	66,063	63,138	62,642	66,329	65,145
Total Liabilities	1,012,307	1,045,939	1,074,842	1,109,212	1,142,597	1,176,123
+ Preferred Equity and Hybrid Capital	0	0	0	0	0	0
+ Share Capital & APIC	28,983	28,983	28,983	28,983	28,983	28,983
- Treasury Stock	0	0	0	0	15	151
+ Retained Earnings	134,318	129,359	136,078	143,310	115,207	117,830
+ Other Equity	26,662	27,432	31,617	32,308	29,333	32,576
Equity before Minority Interest	189,963	185,774	196,677	204,601	173,508	179,238
+ Minority/Non Controlling Interest	3,702	3,915	4,151	4,434	3,934	4,081
Total Equity	193,665	189,689	200,828	209,035	177,442	183,319
Total Liabilities & Equity	1,205,972	1,235,628	1,275,670	1,318,246	1,320,038	1,359,441

Source: Bloomberg, MCS Research

Profit & Loss : Annual

<i>In Billions of IDR</i>	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020 Est	FY 2021 Est
Net Revenue	39,743	46,937	54,476	63,686	71,035	73,685	79,948	83,727	80,431	89,350
+ Net Interest Income	27,531	32,777	39,132	45,363	51,825	52,403	55,100	60,016	57,554	68,207
+ Adjusted Total Non-Interest Income	12,212	14,161	15,344	18,323	19,209	21,282	24,849	23,711	22,877	21,143
- Provision for Loan Losses	1,221	1,775	2,929	8,697	20,953	11,860	8,165	7,165	15,855	15,187
Net Revenue after Provisions	38,522	45,163	51,547	54,989	50,082	61,824	71,783	76,562	64,576	74,163
- Total Non-Interest Expense	18,840	21,643	25,361	28,736	31,289	35,115	37,671	40,123	37,558	41,863
Operating Income (Loss)	19,683	23,520	26,187	26,253	18,792	26,709	34,112	36,439	27,018	32,301
- Non-Operating (Income) Loss	817	413	183	116	220	403	191	10	202	265
Pretax Income (Loss), Adjusted	20,500	23,932	26,004	26,369	18,573	27,112	33,921	36,429	26,816	32,036
- Abnormal Losses (Gains)	5	129	4	0	0	45	22	13	6	0
Pretax Income (Loss), GAAP	20,504	24,062	26,008	26,369	18,573	27,157	33,943	36,441	26,822	32,036
- Income Tax Expense (Benefit)	4,461	5,232	5,353	5,217	3,923	5,714	8,091	7,986	6,314	7,128
Income (Loss) from Cont Ops	16,044	18,830	20,655	21,152	14,650	21,443	25,852	28,456	20,508	24,908
- Net Extraordinary Losses (Gains)	0	0	0	0	0	0	0	0	0	0
Income (Loss) Incl. MI	16,044	18,830	20,655	21,152	14,650	21,443	25,852	28,456	20,508	24,908
- Minority Interest	540	626	783	817	844	803	837	973	603	837
Net Income, GAAP	15,504	18,204	19,872	20,335	13,807	20,640	25,015	27,482	19,906	24,071
- Preferred Dividends	0	0	0	0	0	0	0	0	0	0
- Other Adjustments	0	0	0	0	0	0	0	0	0	0
Net Income Avail to Common, GAAP	15,504	18,204	19,872	20,335	13,807	20,640	25,015	27,482	19,906	24,071

Source: Bloomberg, MCS Research

Profit & Loss : Quarter

<i>In Billions of IDR</i>	Q1 2019	Q2 2019	Q3 2019	Q4 2019	Q1 2020	Q2 2020	Q3 2020 Est	Q4 2020 Est
Net Revenue	19,846	20,236	21,271	25,364	22,871	18,900	19,280	19,380
+ Net Interest Income	14,509	14,653	15,228	15,626	15,595	13,492	14,219	14,248
+ Adjusted Total Non-Interest Income	5,337	5,583	6,043	9,738	7,276	5,407	5,061	5,132
- Provision for Loan Losses	1,247	2,637	2,029	1,251	2,181	6,419	3,651	3,603
Net Revenue after Provisions	18,599	17,599	19,242	24,113	20,690	12,481	15,629	15,777
- Total Non-Interest Expense	9,172	9,615	10,092	11,245	10,461	8,827	9,117	9,154
Operating Income (Loss)	9,428	7,984	9,149	9,878	10,229	3,653	6,512	6,623
- Non-Operating (Income) Loss	8	210	345	133	188	208	93	89
Pretax Income (Loss), Adjusted	9,419	8,194	8,804	10,011	10,417	3,445	6,419	6,535
- Abnormal Losses (Gains)	11	0	0	0	0	6	0	0
Pretax Income (Loss), GAAP	9,431	8,194	8,805	10,012	10,417	3,451	6,419	6,535
- Income Tax Expense (Benefit)	1,969	1,667	1,855	2,494	2,343	973	1,487	1,511
Income (Loss) from Cont Ops	7,461	6,527	6,950	7,517	8,074	2,478	4,932	5,024
- Net Extraordinary Losses (Gains)	0	0	0	0	0	0	0	0
Income (Loss) Incl. MI	7,461	6,527	6,950	7,517	8,074	2,478	4,932	5,024
- Minority Interest	228	230	231	285	159	101	171	173
Net Income, GAAP	7,233	6,298	6,719	7,232	7,916	2,377	4,761	4,851
- Preferred Dividends	0	0	0	0	0	0	0	0
- Other Adjustments	0	0	0	0	0	0	0	0
Net Income Avail to Common, GAAP	7,233	6,298	6,719	7,232	7,916	2,377	4,761	4,851

Source: Bloomberg, MCS Research

Cash Flow : Annual

<i>In Billions of IDR</i>	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019
Cash from Operating Activities										
+ Net Income	9,218	12,246	15,504	18,204	19,872	20,335	13,807	20,640	25,015	27,482
+ Depreciation & Amortization	449	466	711	953	1,156	1,490	1,757	1,832	1,817	2,059
+ Provision for Loan Losses	1,117	111	1,221	1,775	2,929	8,697	20,953	11,860	8,165	7,165
+ Non-Cash Items	148	1,113	3,779	2,513	4,698	4,663	1,831	976	6,995	2,365
+ Net Ch in Operating Capital	34,824	11,046	1,549	5,199	29,430	23,419	4,516	892	6,773	11,777
+ Net Cash From Disc Ops	0	0	0	0	0	0	0	0	0	0
Cash from Operating Activities	45,460	24,982	22,763	28,644	775	49,278	30,170	34,416	48,765	27,295
Cash from Investing Activities										
+ Net Change in Fixed Assets	948	1,491	1,574	1,465	2,244	1,131	2,139	1,735	2,345	3,668
+ Net Change in Investments	4,950	1,790	416	11,053	4,134	27,245	3,604	2,652	17,835	11,435
+ Net Ch in Loans & Interbank	46,901	69,545	76,026	86,735	61,665	73,390	73,967	82,134	106,503	100,707
+ Net Cash from Acq & Div	429	300	0	0	0	0	0	0	0	0
+ Other Investing Activities	60	500	480	44	706	573	420	889	861	1,149
+ Net Cash From Disc Ops	0	0	0	0	0	0	0	0	0	0
Cash from Investing Activities	42,530	69,446	77,664	99,297	68,749	102,339	80,129	87,410	127,544	116,959
Cash from Financing Activities										
+ Dividends Paid	2,799	3,183	2,941	4,651	5,461	4,968	6,100	6,213	9,288	11,257
+ Cash From (Repayment) Debt	1,515	6,599	1,565	10,907	8,994	5,746	4,672	7,412	26,913	4,899
+ Cash (Repurchase) of Equity	46	11,404	0	0	0	0	0	0	0	0
+ Net Change In Deposits	39,505	65,004	62,062	70,825	83,532	34,313	85,318	52,699	25,775	97,380
+ Other Financing Activities	316	0	0	99	36	0	546	497	475	515
+ Net Cash From Disc Ops	0	0	0	0	0	0	0	0	0	0
Cash from Financing Activities	37,951	79,824	57,556	77,179	87,028	35,091	83,343	53,401	42,927	90,508
Net Changes in Cash	40,881	35,359	2,654	9,519	17,781	13,137	31,893	1,216	34,098	885

Source: Bloomberg, MCS Research

Cash Flow : Quarter

<i>In Billions of IDR</i>	Q1 2019	Q2 2019	Q3 2019	Q4 2019	Q1 2020	Q2 2020
Cash from Operating Activities						
+ Net Income	7,233	6,298	6,719	7,232	7,916	2,377
+ Depreciation & Amortization	501	515	512	532	882	886
+ Provision for Loan Losses	1,247	2,637	2,029	1,251	2,181	6,419
+ Non-Cash Items	4,949	3,333	6,971	2,990	2,283	4,796
+ Net Ch in Operating Capital	5,072	5,087	1,690	3,307	1,854	5,832
+ Net Cash From Disc Ops	0	0	0	0	0	0
Cash from Operating Activities	1,040	7,695	17,922	2,717	11,408	946
Cash from Investing Activities						
+ Net Change in Fixed Assets	594	437	493	2,145	504	1,681
+ Net Change in Investments	5,974	2,343	3,135	4,669	2,371	12,435
+ Net Ch in Loans & Interbank	25,967	47,221	9,467	69,986	11,320	24,145
+ Net Cash from Acq & Div	0	0	0	0	0	0
+ Other Investing Activities	68	116	208	757	25	291
+ Net Cash From Disc Ops	0	0	0	0	0	0
Cash from Investing Activities	19,331	45,430	13,303	77,557	8,420	9,737
Cash from Financing Activities						
+ Dividends Paid	0	11,257	0	0	16,489	0
+ Cash From (Repayment) Debt	1,520	20,656	15,262	1,025	3,330	9,885
+ Cash (Repurchase) of Equity	0	0	0	0	15	136
+ Net Change In Deposits	3,117	19,483	45,081	35,933	10,780	39,627
+ Other Financing Activities	193	11	213	98	840	19
+ Net Cash From Disc Ops	0	0	0	0	0	0
Cash from Financing Activities	4,830	28,872	29,607	36,860	3,233	49,356
Net Changes in Cash	15,267	11,528	31,811	36,435	23,059	52,310

Source: Bloomberg, MCS Research

Valuation



Source: Bloomberg

Valuation

PSR

- 3.0x

RPS

- IDR 1,915

Value

- **IDR 5,750**



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