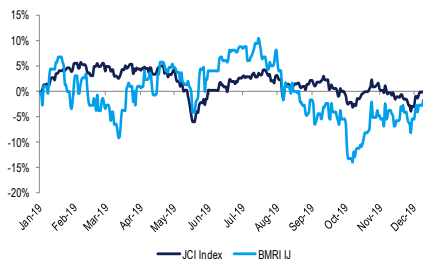


Stock Data

Target price	Rp8,000
Prior TP	Rp8,000
Current price	Rp7,250
Upside/downside	+10%
Shares outstanding (mn)	46,667
Market cap (Rp bn)	338,333
Free float	40%
Avg. 6m daily T/O (Rp bn)	293

Price Performance

	3M	6M	12M
Absolute	2.8%	-5.5%	-3.3%
Relative to JCI	4.7%	-5.3%	-4.4%
52w low/high (Rp)	6,350 – 8,150		



Major Shareholders

Republic of Indonesia	60%
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Big confidence booster

- Mandiri has just finished its EGM today with the primary agenda to change its management composition.
- We are positive with the change especially with the appointment of the President Commissioner, CEO and CFO respectively.
- The changes, in our view, shall ensure the continuity of the strategy which has slowly started to pay-off. Mandiri is one of our top pick.

Mandiri's 3rd EGM of the year

Mandiri held its 3rd EGM of the year today with the main is to change its BOC and BOD post the departure of its previous CEO (Kartika Wirjoatmodjo to become the Vice SOE Minister). There were four new names in BoC but only one new name among its BoD.

Positive changes

We are positive on the changes especially with the appointment of the new President Commissioner (Kartika Wirjoatmodjo previously was the CEO), CEO (Royke Tumilaar previously was the corporate banking director) and CFO & strategy director (Silvano Rumanir previously was the SEVP for corporate banking and CEO of Mandiri Sekuritas). The appointment of the new CEO and CFO with wholesale banking as the background was spot-on given Mandiri's focus on wholesale segment (corporate accounts for 39% of the loan, while corporate and commercial combines for 55% of total).

Ensuring the continuity of the strategy is imperative while the risk of kitchen sinking is minimal

With the overall changes, we believe there will be continuity on its previous strategy which refocusing its focus to core segment (corporate and its value chain) while still continuously improve its transaction banking capability (eventually for consumer lending and retail funding). The appointment of new CEO from internal candidates shall also minimize the risk of kitchen sinking, in our view.

Maintain Buy, Mandiri is one of our top pick

Despite its good 3Q19 results ([link](#)) and progress on its asset quality ([link](#)), its share price has been underperforming the overall index (-3% against JCI YTD). Mandiri is now trading at 1.7x 2020F P/BV (below its 10Y avg of 2.1x P/BV), we believe the change in management and earnings recovery (especially post-IFRS 9 implementation) shall be the major catalysts for the share price. Risk is unexpected deterioration in asset quality.

Financial Summary	2017A	2018A	2019F	2020F	2021F
Net interest income (Rp bn)	52,327	54,623	58,273	64,027	70,590
Non-interest income (Rp bn)	25,808	31,035	28,373	32,279	36,223
Total revenue (Rp bn)	78,135	85,657	86,646	96,306	106,813
PPOP (Rp bn)	43,122	48,091	48,613	53,881	59,765
Provision charges (Rp bn)	(15,952)	(14,185)	(14,760)	(16,423)	(17,132)
Net profit (Rp bn)	20,640	25,015	27,083	29,954	34,086
Net profit growth	49%	21%	8%	11%	14%
FD EPS (Rp)	442	536	580	642	730
P/BV (x)	2.4	2.1	1.9	1.7	1.6
Dividend yield	1.8%	2.7%	3.0%	3.2%	3.5%
ROAE	12.8%	14.1%	13.5%	13.6%	14.1%
Forecast changes			N/A	N/A	N/A
IPS vs. consensus			99%	96%	98%

Sources: Company, IndoPremier

Share price closing as of 09 December 2019

Fig. 1: Summary of BMRI's BoD changes on today's EGM

Previous management		New Management		
BoD	Name	BoD	Name	Background
President Director	Kartika Wirjoatmodjo	President Director	Royke Tumilaar	2018-present: Corporate Banking Director of Bank Mandiri 2017-2018: Wholesale Banking Director of Bank Mandiri 2015-2017: Corporate Banking Director of Bank Mandiri
Deputy President Director	Sulaiman Arif Arianto	Deputy President Director	Sulaiman Arif Arianto	2015-present: Deputy President Director of Bank Mandiri 2009-2015: Commercial Banking Director of Bank Rakyat Indonesia 2006-2009: Micro and Small Business Director of Bank Rakyat Indonesia
Institutional Relationship Director	Alexandra Askandar	Director of Corporate Banking	Alexandra Askandar	2018-present: Institutional Relationship Director of Bank Mandiri 2016-2018: SEVP of Corporate Banking at Bank Mandiri 2011-2018: Commissioner of Mandiri Sekuritas
Retail Banking Director	Donsuw an Simatupang	Director of Institution	Donsuw an Simatupang	2018-present: Retail Banking Director of Bank Mandiri 2017-2018: Risk Management Director of Bank Rakyat Indonesia 2017: Micro, Small & Medium Enterprises Director of Bank Rakyat Indonesia
Risk Management Director	Ahmad Siddik Badruddin	Director of Risk Management	Ahmad Siddik Badruddin	2018-present: Risk Management Director of Bank Mandiri 2015-2018: Risk Management and Compliance Director of Bank Mandiri 2014-2015: SEVP Retail Chief Risk Officer of Bank Mandiri
Information Technology and Operation Director	Rico Usthavia Frans	Director of Technology Information	Rico Usthavia Frans	2018-present: Information Technology and Operation Director of Bank Mandiri 2016-2018: Digital Banking and Technology Director of Bank Mandiri 2013-2015: SEVP Transaction Banking of Bank Mandiri
Treasury and International Banking Director	Darmaw an Junaidi	Director of Treasury, International Banking & Special Asset Management	Darmaw an Junaidi	2018-present: Treasury and International Banking Director of Bank Mandiri 2017-2018: Treasury Director of Bank Mandiri 2017: Acting President Director of Semen Indonesia
Compliance and Human Capital Director	Agus Dw i Handaya	Director of Compliance & Human Resource	Agus Dw i Handaya	2018-present: Compliance Director of Bank Mandiri 2017-2018: SEVP of Corporate Transformation & Finance at Bank Mandiri 2016-2017: Group Head Office The CEO at Bank Mandiri
Finance and Strategy Director	Panji Iraw an	Director of Finance & Strategy	Silvano Winston Rumanthir	2019: SEVP of Bank Mandiri 2016-2019: CEO of Mandiri Sekuritas
Business and Network Director	Hery Gunardi	Director of Consumer & Retail Transaction	Hery Gunardi	2018-present: Small Business and Network Director of Bank Mandiri 2016-2018: Distributions Director of Bank Mandiri 2015-2016: Consumer Banking Director of Bank Mandiri
Commercial Banking Director	Riduan	Director of Commercial Banking	Riduan	2019-present: Commercial Banking Director of Bank Mandiri 2017-2018: SEVP of Middle Corporate at Bank Mandiri 2018: Commissioner of Mandiri Sekuritas
Corporate Banking Director	Royke Tumilaar	Director of Operation	Panji Iraw an	2018-present: Finance Director of Bank Mandiri 2016-2018: Treasury and International Director of Bank Negara Indonesia 2011-2016: Group Head of Treasury at Bank Mandiri
Change in position/new director				

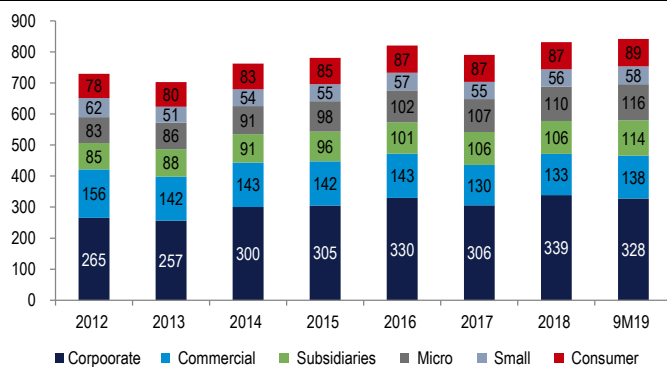
Sources: Company, IndoPremier

Fig. 2: Summary of BMRI's BoC changes on today's EGM

Previous management		New Management		Background
BoC	Name	BoC	Name	
President Commissioner	Hartadi Agus Sarwono	President Commissioner	Kartika Wirjoatmodjo	2019-present: Vice Minister of State Owned Enterprises 2016-2019: President Director of Bank Mandiri 2015-2016: Finance and Strategy Director of Bank Mandiri
Deputy President Commissioner	Imam Apriyanto Putro	Deputy President Commissioner	Muhamad Chatib Basri	2015-present: Independent Commissioner of Astra International 2014-present: President Commissioner of Indonesia Infrastructure Finance 2012-2013: Chairman of Indonesia Investment Coordinating Board
Independent Commissioner	Bangun Sarwito Kusmulyono	Independent Commissioner	Muhammad Nasir	2014-2019: Minister of Research and Technology and Higher Education 2014-2018: Rector of Universitas Diponegoro 2010-2014: Dean Faculty of Economics and Business of Universitas Diponegoro
Independent Commissioner	Goei Siauw Hong	Independent Commissioner	Robertus Bilites	Law Director of Indonesia Deposit Insurance Corporation Law Director of the Indonesian Bank Restructuring Agency
Independent Commissioner	Makmur Keliat	Independent Commissioner	Makmur Keliat	2017-present: Independent Commissioner of Bank Mandiri 2015: Special Staff of Cabinets Secretariat of the Republic of Indonesia 2009-2012: Head of Graduate Program in the International Relations Department of Social and Political Science Faculty of Universitas Indonesia
Commissioner	R. Widyo Pramono	Commissioner	R. Widyo Pramono	2017-present: Commissioner of Bank Mandiri 2015-2017: Junior Attorney General for Supervision 2013-2015: Junior Attorney General for Special Crimes
Commissioner	Ronald Silaban	Commissioner	Ronald Silaban	2018: Head of Financial Education and Training Agency to Ministry of Finance 2016: Expert Staff in Macro Economics and Internal Finance to Ministry of Finance 2015: Executive Director of World Bank
Commissioner	Ardan Adiperdana	Commissioner	Ardan Adiperdana	2016-present: Independent Commissioner of Bank Mandiri 2015-present: Head of Development Finance Controller 2013: President Commissioner of PT Jasa Raharja
New commissioner				

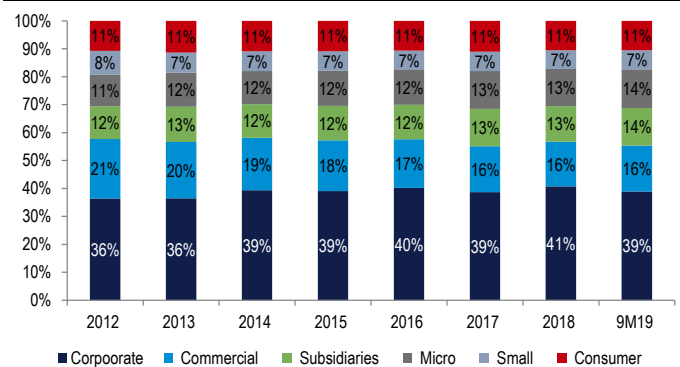
Sources: Company, IndoPremier

Fig. 3: BMRI's loan breakdown (in Rp tr) – corporate segment is the largest segment in BMRI



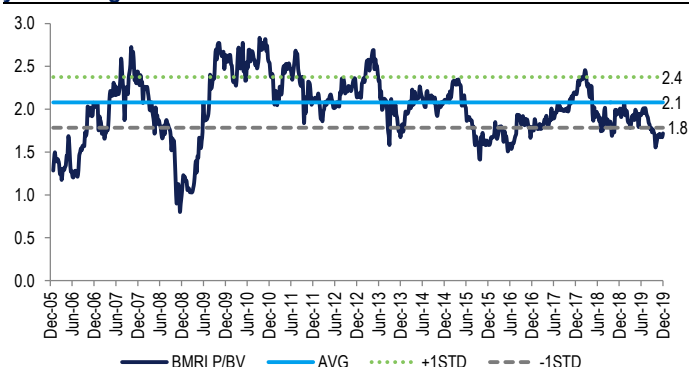
Sources: Company, IndoPremier

Fig. 4: BMRI's loan breakdown (as % of total loans) – as of 3Q19, corporate loans account for c.39% of BMRI's total loans



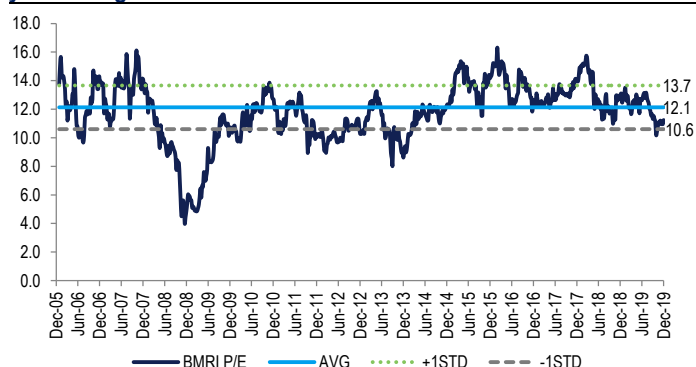
Sources: Company, IndoPremier

Fig. 5: BMRI forward P/BV – now trading at 1.7x 2020F P/BV vs. 10 year average of 2.1x P/BV



Sources: Bloomberg, IndoPremier

Fig. 6: BMRI forward P/E – now trading at 11.3x 2020F P/E vs. 10 year average of 12.1x P/E



Sources: Bloomberg, IndoPremier

Fig. 7: Peer comparison table

Ticker	Closing Price (Rp/share)	TP (Rp/share)	P/BV multiple target (x)	Upside	Recommendation	P/E (x)		P/BV (x)	
						2019F	2020F	2019F	2020F
BMRI	7,250	8,000	1.9	10%	Buy	12.5	11.3	1.9	1.7
BBRI	4,180	4,600	2.5	10%	Buy	14.7	13.2	2.6	2.3
BBCA	31,975	31,000	4.0	-3%	Hold	27.8	24.4	4.7	4.1
BBNI	7,575	8,500	1.3	12%	Buy	9.2	8.2	1.3	1.2
BBTN	2,190	2,750	1.3	26%	Buy	13.7	6.5	1.1	1.1

Sources: Company, Bloomberg, IndoPremier

Share price closing as of 09 December 2019

Income Statement (Rp bn)	2017A	2018A	2019F	2020F	2021F
Interest income	79,502	80,993	89,120	98,023	107,913
Interest expense	(27,174)	(26,370)	(30,847)	(33,996)	(37,323)
Net interest income	52,327	54,623	58,273	64,027	70,590
Non-interest income	25,808	31,035	28,373	32,279	36,223
Total operating income	78,135	85,657	86,646	96,306	106,813
Opex	(35,014)	(37,566)	(38,033)	(42,426)	(47,047)
PPOP	43,122	48,091	48,613	53,881	59,765
Provisions	(15,952)	(14,185)	(14,760)	(16,423)	(17,132)
Operating profit	27,170	33,906	33,853	37,458	42,634
Non-operating profit	(13)	38	1,050	1,153	1,278
Pre-tax profit	27,157	33,943	34,903	38,611	43,912
Income tax	(5,714)	(8,091)	(6,974)	(7,716)	(8,783)
Minority interest	(803)	(837)	(847)	(941)	(1,044)
Net profit	20,640	25,015	27,083	29,954	34,086

Balance Sheet (Rp bn)	2017A	2018A	2019F	2020F	2021F
Cash + CA with BI	74,457	87,202	102,267	111,438	123,312
Secondary reserves	252,581	217,565	216,846	242,867	272,011
Gross loans	729,544	820,084	916,420	1,015,700	1,125,747
Loan provisions	(33,745)	(31,796)	(38,693)	(46,299)	(53,604)
Other assets	101,864	109,198	117,043	125,610	134,971
Total Assets	1,124,701	1,202,253	1,313,883	1,449,316	1,602,438
Total deposits	823,594	849,369	940,569	1,053,024	1,179,607
Securities and borrowings	57,148	95,827	95,827	95,827	95,827
Other liabilities	73,947	72,097	75,450	79,307	83,742
Total liabilities	954,689	1,017,292	1,111,846	1,228,158	1,359,176
Shareholders' equity	170,012	184,960	202,037	221,158	243,262
Total liabilities & equity	1,124,701	1,202,253	1,313,883	1,449,316	1,602,438

Sources: Company, IndoPremier

Growth YoY	2017A	2018A	2019F	2020F	2021F
Gross loans	10.2%	12.4%	11.7%	10.8%	10.8%
Total assets	8.3%	6.9%	9.3%	10.3%	10.6%
Total deposits	6.8%	3.1%	10.7%	12.0%	12.0%
Net interest income	1.0%	4.4%	6.7%	9.9%	10.2%
Non-interest income	13.7%	20.3%	-8.6%	13.8%	12.2%
Total operating income	4.8%	9.6%	1.2%	11.1%	10.9%
Operating expense	12.0%	7.3%	1.2%	11.5%	10.9%
PPOP	-0.3%	11.5%	1.1%	10.8%	10.9%
Net profit	49.5%	21.2%	8.3%	10.6%	13.8%

Key Ratios	2017A	2018A	2019F	2020F	2021F
ROAA	1.9%	2.1%	2.1%	2.1%	2.2%
ROAE	12.8%	14.1%	13.5%	13.6%	14.1%
NIM	5.7%	5.6%	5.5%	5.6%	5.5%
Credit cost	2.3%	1.8%	1.7%	1.7%	1.6%
Cost/income	44.8%	43.9%	43.9%	44.1%	44.0%
LDR	88.6%	96.6%	97.4%	96.5%	95.4%
CAR	21.0%	20.5%	22.3%	22.1%	21.9%
NPL ratio	3.4%	2.9%	2.6%	2.4%	2.1%
Provisions/NPL	134.8%	134.5%	163.8%	193.8%	221.6%

Sources: Company, IndoPremier

INVESTMENT RATINGS

BUY	: Expected total return of 10% or more within a 12-month period
HOLD	: Expected total return between -10% and 10% within a 12-month period
SELL	: Expected total return of -10% or worse within a 12-month period

ANALYSTS CERTIFICATION

The views expressed in this research report accurately reflect the analyst's personal views about any and all of the subject securities or issuers; and no part of the research analyst's compensation was, is, or will be, directly or indirectly, related to the specific recommendations or views expressed in the report.

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