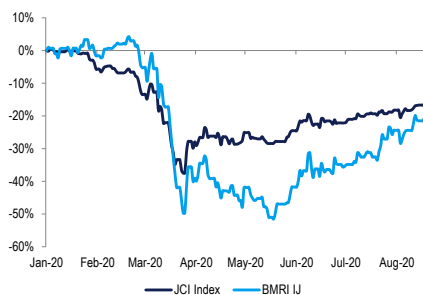


Stock Data

Target price	Rp7,100
Prior TP	Rp5,100
Current price	Rp6,100
Upside/downside	+16%
Shares outstanding (mn)	46,667
Market cap (Rp bn)	284,667
Free float	37%
Avg. 6m daily T/O (Rp bn)	373

Price Performance

	3M	6M	12M
Absolute	58.0%	-22.0%	-17.3%
Relative to JCI	42.1%	-11.6%	-1.0%
52w low/high (Rp)	3,720 – 8,000		



Major Shareholders

Republic Indonesia	60%
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2Q20 results: beat in PPOP; upgrade our EPS and rating to Buy

- 1H20 net profit of Rp10.3tr (-24% yoy/-70% qoq) formed 65-111% of FY estimates. PPOP also beat our/consensus FY estimates (at 58%).
- Restructuring progress has been stellar especially on the amount (16% of loan, the lowest among SOE banks) and potential provision charges.
- We upgrade our EPS on the back of: 1) higher NIM, 2) better opex and 3) lower CoC from better restructuring progress. Upgrade to Buy.

2Q20 result highlight: beat in PPOP amid stellar costs control

BMRI posted 1H20 net profit of Rp10.3tr (-24% yoy/-70% qoq), beating both our/consensus (111/65%) estimates. The beat largely came from better than expected PPOP (due to stellar costs control) – at 58% of our/consensus estimates, and provisioning - credit costs (CoC) stood at 2.2% in 1H20 vs. 1.6%/1.3% in 1H19/1Q20, lower than guidance of 2.5-3% in FY20F.

Trending down NIM, similar trend may persist in 2H

NIM stood at 4.9% in 1H20 vs. 5.6%/5.4% in 1H19/1Q20, slightly better than its guidance of 4.4-4.6% for FY20F (our estimates of: 4.7%). The drop in NIM were largely due to lower asset yield (-140bp yoy/-90 bp qoq) from higher restructured loan; at the same time, drop in CoF wasn't enough to offset the impact. This was due to faster growth in time deposit (+24% yoy/+10% qoq) while CASA was slower (+11% yoy/flat qoq).

A more positive loan growth outlook

Loan grew 4% yoy (-3% qoq) driven by most of the segments except small. It guides for a slight growth in FY20F loan (vs. small contraction previously).

Stellar progress on restructuring; lowering our CoC assumption

NPL stood at 3.3% in 2Q20 vs. 2.6%/2.4% in 2Q19/1Q20, while loan-at-risk (including Covid restructuring) stood at 20% in 2Q20 vs. 10% in 2Q19/1Q20. Covid restructuring reached Rp119tr as of Jun20, forming 16% of bank only loan – the best among SOE banks under our coverage; it now guides total Covid restructuring to be around Rp150-160tr (17-18% of loan vs. our expectation of Rp177tr). We cut our restructuring assumption to Rp150tr and provision coverage to 10% (vs. 15% previously), which is pretty conservative if we compare potential charges based on its latest risk assessment of 6-8% provision charges (with different default rate assumption – figure 6).

Upgrade to Buy on the back of higher EPS

We adjust our FY20-22F EPS by 15-113% on the back of slightly higher NIM, better opex and lower CoC; and raise our TP to Rp7,100 (now based on 1.5x P/B still at -1 s.d. of its 10Y mean). Downside risk is worsening asset quality.

Financial Summary (Rp bn)	2018A	2019A	2020F	2021F	2022F
Net interest income	54,623	59,440	53,766	59,681	65,363
Total revenue	85,657	88,600	84,254	92,828	101,201
PPOP	48,091	48,524	42,924	48,726	53,312
Provision charges	(14,185)	(12,072)	(22,106)	(19,348)	(16,277)
Net profit	25,015	27,482	13,636	21,002	28,874
Net profit growth	21%	10%	-50%	54%	37%
P/BV (x)	1.5	1.4	1.5	1.4	1.3
Dividend yield	3.3%	4.0%	4.3%	2.2%	3.3%
ROAE	14.1%	14.0%	6.8%	10.6%	13.4%
Forecast changes			47%	113%	15%
IPS vs. consensus			86%	89%	93%

Source: Company, Indo Premier

Share price closing as of: 19 August 2020

Fig. 1: BMRI's 2Q20 results summary

BMRI 2Q20 result (Rp bn)	1H20	1H19	yoy%	2Q20	2Q19	%YoY	1Q20	%QoQ	IPS FY20F	% of IPS
Interest Income	45,199	44,487	2%	21,490	22,471	-4%	23,709	-9%	84,580	53%
Interest Expenses	(16,264)	(15,642)	4%	(8,091)	(8,008)	1%	(8,173)	-1%	(31,379)	52%
Net interest income	28,935	28,845	0%	13,399	14,463	-7%	15,536	-14%	53,200	54%
Non interest income	14,436	13,415	8%	6,073	6,734	-10%	8,363	-27%	30,471	47%
Total Income	43,371	42,260	3%	19,472	21,197	-8%	23,899	-19%	83,672	52%
Overhead Expenses	(19,185)	(18,377)	4%	(9,156)	(9,523)	-4%	(10,028)	-9%	(42,182)	45%
Pre-provision profit	24,186	23,883	1%	10,316	11,674	-12%	13,871	-26%	41,490	58%
Loan loss provision	(10,290)	(6,212)	66%	(6,811)	(3,455)	97%	(3,479)	96%	(25,329)	41%
Non Operating	(29)	(47)	-38%	(55)	(25)	118%	26	-312%	(11)	267%
Pretax Profit	13,867	17,624	-21%	3,450	8,194	-58%	10,418	-67%	16,150	86%
Tax	(3,316)	(3,636)	-9%	(973)	(1,667)	-42%	(2,343)	-58%	(6,899)	48%
Minority Interest	(260)	(458)	-43%	(101)	(230)	-56%	(159)	-36%	(887)	29%
Net Profit	10,293	13,531	-24%	2,377	6,298	-62%	7,916	-70%	9,251	111%

Source: Company, Indo Premier

Fig. 2: BMRI's balance sheet summary as of 2Q20

Balance Sheet (Rp bn)	2Q20	2Q19	%YoY	1Q20	%QoQ
Cash + CA with BI	200,072	129,883	54%	147,662	35%
Secondary Reserves	256,702	231,375	11%	234,562	9%
Gross Loan	871,660	835,110	4%	902,685	-3%
Loan loss provisions	(55,715)	(31,726)	76%	(54,294)	3%
Other assets	86,722	70,986	22%	89,423	-3%
Total Assets	1,359,441	1,235,628	10%	1,320,038	3%
Demand Deposits	246,540	200,137	23%	253,233	-3%
Saving deposits	357,881	342,610	4%	350,483	2%
CASA	604,421	542,747	11%	603,716	0%
Time Deposits & CD	372,135	300,412	24%	337,623	10%
Deposit from Customers	976,556	843,159	16%	941,339	4%
Wholesale funding	136,656	137,321	0%	131,206	4%
Other liabilities&accrued	62,910	65,459	-4%	70,052	-10%
Total Liabilities	1,176,123	1,045,939	12%	1,142,597	3%
Equity	183,319	189,689	-3%	177,442	3%

Source: Company, Indo Premier

Fig. 3: BMRI's key ratios summary as of 2Q20

Key Ratios (%)	2Q18	3Q18	4Q18	1Q19	2Q19	3Q19	4Q19	1Q20	2Q20
Loan yield (reported)	8.8	8.7	8.7	8.9	9.0	8.9	8.8	8.5	7.6
Cost of funds (reported)	2.7	2.8	2.9	3.1	3.1	3.1	3.1	3.0	2.9
NIM (Q) - reported, bank only	5.4	5.3	5.4	5.5	5.4	5.4	5.4	5.2	4.3
NIM (C) - reported, consol	5.7	5.8	5.7	5.7	5.6	5.6	5.6	5.4	4.9
CAR	20.0	20.7	20.5	20.6	20.6	21.4	20.9	17.7	19.0
LDR	95	94	97	95	99	94	97	95	89
CASA Ratio	65	65	64	62	64	64	65	64	62
Gross NPL	3.1	3.0	2.8	2.7	2.6	2.5	2.3	2.4	3.3
Special Mention	4.8	4.5	4.0	4.7	4.6	4.7	4.6	6.0	6.0
Loan at risk (ex-Covid)	10.7	10.6	9.4	10.2	10.1	11.0	9.1	10.6	11.5
Coverage Ratio	136	137	143	146	147	152	144	257	196
Credit Costs (C)	2.2	2.0	1.8	1.2	1.6	1.7	1.4	1.3	2.2
Credit Costs (Q)	2.2	1.7	1.7	1.2	1.7	2.0	0.8	1.3	3.2

Source: Company, Indo Premier

Fig. 4: Breakdown of BMRI's restructuring as Aug

Restructuring (Rp tr)	As of Aug 13th, 2020		As of 2Q20	% of loan balance	
	Pipeline	Approved	Loan balance	Pipeline	Approved
Corporate	61	50	358	17%	14%
Commercial	12	12	141	9%	9%
Wholesale	74	62	499	15%	12%
SME	13	12	50	26%	25%
Micro productive	20	20	44	46%	46%
Micro Salary based	5	5	72	7%	7%
Consumer	21	20	90	24%	22%
MSME	59	58	256	23%	22%
Total (bank only loan)	133	119	755	18%	16%

Source: Company, Indo Premier

Fig. 5: We assume Rp150tr of Covid restructuring with 10% coverage, which translates to Rp15tr of additional provisions (Rp10tr to be booked in FY20F and the remaining in FY21F)

Covid restructuring assumptions	Previous	New
Covid restructuring assumption (Rp tr)	177	150
Coverage assumption (%)	15%	10%
Additional provisions (Rp tr)	27	15

Changes in provision forecast (Rp tr)	FY20F	FY21F	FY22F
Initial provision pre-Covid	(12)	(14)	(15)
Provision post 1Q result	(25)	(29)	(19)
Additional provision vs. initial	(13)	(16)	(4)
Provision post 2Q result	(22)	(19)	(16)
Additional provision vs. initial	(10)	(6)	(1)

Source: Company, Indo Premier

Fig. 6: Despite lower coverage assumption of 10% on the restructured loans, our estimate is still more conservative than the potential charges based on risk assessment (assuming 6-9% default rate)

Potential charges based on risk assessment	Proportion as % of Covid restructuring	Default rate *	Provision charges according to IFRS	Credit costs
High risk	10%	6%	75%	4.5%
Medium Risk	30%	9%	25%	2.3%
Total credit costs (a)				6.8%
Covid restructuring assumption (Rp tr - b)				150
Additional provision (Rp tr - a x b)				10
Coverage rate (i.e. additional provision as % of restructured)				6.8%
<i>*we assume 60% default rate on the High Risk portfolio, and 30% default rate on the Medium Risk portfolio</i>				

Source: Company, Indo Premier

Fig. 7: Forecast changes

Income Statement (Rp bn)	Previous forecast			New forecast			Changes		
	2020F	2021F	2022F	2020F	2021F	2022F	2020F	2021F	2022F
Interest income	84,580	92,612	101,196	84,448	91,869	99,832	0%	-1%	-1%
Interest expense	(31,379)	(33,846)	(36,468)	(30,682)	(32,188)	(34,470)	-2%	-5%	-5%
Net interest income	53,200	58,765	64,728	53,766	59,681	65,363	1%	2%	1%
Non-interest income	30,471	32,968	35,576	30,488	33,147	35,838	0%	1%	1%
Total operating income	83,672	91,734	100,304	84,254	92,828	101,201	1%	1%	1%
Opex	(42,182)	(44,559)	(48,344)	(41,330)	(44,102)	(47,889)	-2%	-1%	-1%
PPOP	41,490	47,174	51,960	42,924	48,726	53,312	3%	3%	3%
Provisions	(25,329)	(29,302)	(19,255)	(22,106)	(19,348)	(16,277)	-13%	-34%	-15%
Operating profit	16,161	17,872	32,705	20,818	29,378	37,035	29%	64%	13%
Non-operating profit	(11)	(12)	(13)	(11)	(12)	(13)	0%	1%	1%
Pre-tax profit	16,150	17,860	32,693	20,807	29,366	37,023	29%	64%	13%
Income tax	(5,979)	(6,970)	(6,541)	(6,245)	(7,345)	(7,037)	4%	5%	8%
Minority interests	(919)	(1,008)	(1,102)	(926)	(1,020)	(1,112)	1%	1%	1%
Net profit	9,251	9,882	25,049	13,636	21,002	28,874	47%	113%	15%

Source: Company, Indo Premier

Fig. 8: New GGM assumption

New GGM assumption	
Risk-free rate	7.0%
Beta	1.0
Risk premium	7.0%
Cost of equity	14.0%
Long term growth	10.0%
Sustainable ROE	15.9%
Target P/BV multiple	1.5
Target Price (Rp/sh)	7,100

Source: Bloomberg, Company, Indo Premier

Fig. 9: BMRI's forward P/BV – now trading at 1.4x 2021F P/BV vs. 10 year average of 1.9x P/BV



Source: Bloomberg, Company, Indo Premier

Fig. 10: BMRI's forward P/E – now trading at 13.6x 2020F P/E vs. 10 year average of 13x P/E



Source: Bloomberg, Company, Indo Premier

Fig. 11: Peer comparison table

Ticker	Closing Price	Target Price	P/BV multiple target (x)	Upside	Recommendation	P/E (x)		P/BV (x)	
						2020F	2021F	2020F	2021F
BMRI	6,100	7,100	1.5	16%	Buy	20.9	13.6	1.5	1.4
BBRI	3,560	2,700	2.3	-24%	Hold	27.6	43.4	2.2	2.2
BBCA	31,650	30,500	4.0	-4%	Hold	38.4	33.8	4.5	4.2
BBNI	5,050	5,200	0.8	3%	Hold	28.4	11.6	0.9	0.8
BBTN	1,510	2,000	1.0	32%	Buy	15.0	10.2	1.0	0.9

Source: Bloomberg, Company, Indo Premier

Share price closing as of: 19 August 2020

Income Statement (Rp bn)	2018A	2019A	2020F	2021F	2022F
Interest income	80,993	91,525	84,448	91,869	99,832
Interest expense	(26,370)	(32,085)	(30,682)	(32,188)	(34,470)
Net interest income	54,623	59,440	53,766	59,681	65,363
Non-interest income	31,035	29,160	30,488	33,147	35,838
Total operating income	85,657	88,600	84,254	92,828	101,201
Opex	(37,566)	(40,076)	(41,330)	(44,102)	(47,889)
PPOP	48,091	48,524	42,924	48,726	53,312
Provisions	(14,185)	(12,072)	(22,106)	(19,348)	(16,277)
Operating profit	33,906	36,452	20,818	29,378	37,035
Non-operating profit	38	(10)	(11)	(12)	(13)
Pre-tax profit	33,943	36,442	20,807	29,366	37,023
Income tax	(8,091)	(7,987)	(6,245)	(7,345)	(7,037)
Minority interest	(837)	(973)	(926)	(1,020)	(1,112)
Net profit	25,015	27,482	13,636	21,002	28,874

Balance Sheet (Rp bn)	2018A	2019A	2020F	2021F	2022F
Cash + CA with BI	87,202	87,148	72,877	75,582	81,719
Secondary reserves	217,565	237,949	304,265	343,819	354,134
Gross loans	820,084	907,456	934,680	1,000,107	1,100,118
Loan provisions	(31,796)	(30,351)	(57,684)	(62,207)	(62,457)
Other assets	109,198	116,044	121,663	130,189	139,495
Total Assets	1,202,253	1,318,246	1,375,802	1,487,490	1,613,009
Total deposits	849,369	933,124	1,021,112	1,115,858	1,219,710
Securities and borrowings	95,827	100,882	90,375	90,375	90,375
Other liabilities	72,097	75,205	74,010	76,087	78,330
Total liabilities	1,017,292	1,109,211	1,185,498	1,282,321	1,388,416
Shareholders' equity	184,960	209,035	190,304	205,169	224,593
Total liabilities & equity	1,202,253	1,318,246	1,375,802	1,487,490	1,613,009

Growth YoY	2018A	2019A	2020F	2021F	2022F
Gross loans	12.4%	10.7%	3.0%	7.0%	10.0%
Total assets	6.9%	9.6%	4.4%	8.1%	8.4%
Total deposits	3.1%	9.9%	7.9%	9.3%	9.3%
Net interest income	4.4%	8.8%	-9.5%	11.0%	9.5%
Non-interest income	20.3%	-6.0%	4.6%	8.7%	8.1%
Total operating income	9.6%	3.4%	-4.9%	10.2%	9.0%
Operating expense	7.3%	6.7%	3.1%	6.7%	8.6%
PPOP	11.5%	0.9%	-11.5%	13.5%	9.4%
Net profit	21.2%	9.9%	-50.4%	54.0%	37.5%

Key Ratios	2018A	2019A	2020F	2021F	2022F
ROAA	2.1%	2.1%	1.0%	1.5%	1.9%
ROAE	14.1%	14.1%	6.8%	10.6%	13.4%
NIM	5.6%	5.6%	4.7%	4.8%	4.9%
Credit cost	1.8%	1.4%	2.4%	2.0%	1.6%
Cost/income	43.9%	45.2%	49.1%	47.5%	47.3%
LDR	96.6%	97.2%	91.5%	89.6%	90.2%
CAR	20.5%	20.9%	18.7%	18.6%	18.8%
NPL ratio	2.7%	2.3%	3.0%	2.7%	2.5%
Provisions/NPL	142.5%	144.0%	207.1%	226.9%	226.1%

Source: Company, Indo Premier

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

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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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