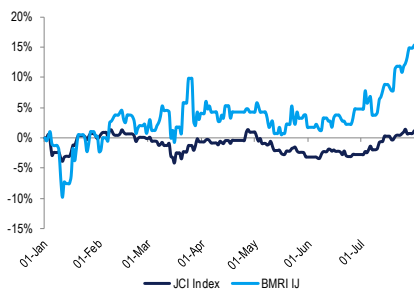


Stock Data

Target price	Rp7,200
Prior TP	Rp7,200
Current price	Rp5,725
Upside/downside	+25.8%
Shares outstanding (mn)	93,333
Market cap (Rp bn)	534,333
Free float	39%
Avg. 6m daily T/O (Rp bn)	515

Price Performance

	3M	6M	12M
Absolute	10.6%	14.2%	38.4%
Relative to JCI	10.4%	13.7%	38.6%
52w low/high (Rp)	3,988 – 5,725		



Major Shareholders

Republic of Indonesia	52%
Indonesia Investment Authority	8%

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## 2Q23 results: beat across the board; remain our conviction pick

- 1H23 net profit of Rp25.2tr (+25% yoy/+1% qoq) came in-line with ours but ahead of consensus at 53%.
- LAR improved to 10.3% in 2Q23 vs. 11.3% in 1Q23 (14.6% in 2Q22) which led to lower CoC guidance of 1.1-1.3% from 1.3-1.5%.
- It also booked the strongest loan growth among big banks at 12% (+6% qoq) ahead of its peers (5-9% yoy). Mandiri remains our conviction pick.

### 2Q23 results: in-line with ours but ahead of consensus

BMRI net profit of Rp25.2tr in 1H23 (+25% yoy/+1% qoq), came in-line with our estimates (at 50%) but ahead of consensus (at 53%). Robust PPOP growth of 19% yoy (+1% qoq) was supported by both NII at 13% yoy (+6% qoq) and non-ii at 10% yoy (-11% qoq) while opex only grew by 3% yoy (flat qoq), this also resulted in lower CIR of 37%. Provision was flat yoy (+7% qoq) which resulted in CoC of 1.2% in 1H23 (vs. 1.4/1.2% in 1H22/1Q23) – lower than initial FY23 guidance of 1.3-1.5%; this prompted downward revision on CoC to 1.1-1.3%.

### Robust NIM from loan yield expansion and manageable CoF

Consolidated NIM stood at 5.6% in 1H23 vs. 5.4% in 1H22/1Q23 – at the upper end of FY23F guidance of 5.3-5.6%. Overall NIM improvement in 2Q23 was coming from loan yield expansion (+30bp qoq) and lower CoF (-10bp qoq) – [link to our previous note highlighting the structural change in CASA](#). LDR was stable yoy/qoq at 86% in 2Q23. Deposit grew by 8% yoy (+3% qoq) mainly driven by CA (+21% yoy/+3% qoq) and SA (+6% yoy/+1% qoq) – highest among big banks, while TD declined by -1% yoy (+6% qoq).

### Strong loan growth from higher yielding segment

Loan grew by 12% yoy (+6% qoq) supported by higher yielding segments i.e. commercial at 19% yoy (+6% qoq) and subsidiaries (+16% yoy/+3% qoq). Other segments (SME, micro, and consumer) also posted a double digit yoy growth of 11-12%. Meanwhile, corporate grew by +6% yoy but improved by +9% qoq. It maintains its FY23 guidance for 10-12% growth.

### Improving LAR and LAR coverage

NPL improved to 1.6% in 2Q23 vs. 1.8% in 1Q23 (2.4% in 2Q22) driven by major improvement in commercial segments. Loan-at-risk (LAR) also improved to 10.3% in 2Q23 vs. 11.3% in 1Q23 (14.6% in 2Q22) with LAR coverage stood at 48% in 2Q23 (vs. 47/42% in 1Q23/2Q22).

### Maintain Buy with unchanged TP

Maintain Buy with unchanged TP of Rp7,200 based on FY24F 2.3x P/B. It currently trading at 1.8x FY24F P/B (10-year average of: 1.6x). Risk to our call is worse than expected margin and asset quality.

Financial Summary (Rp bn)	2021A	2022A	2023F	2024F	2025F
Net interest income	73,062	87,903	98,675	109,218	119,659
PPOP	57,984	72,291	79,897	89,845	99,059
Provision charges	(19,543)	(16,123)	(15,904)	(18,324)	(20,156)
Net profit	28,028	41,171	50,208	56,152	61,914
Net profit growth	64%	47%	22%	12%	10%
P/BV (x)	2.4	2.1	2.0	1.8	1.7
Dividend yield	1.9%	3.1%	5.4%	6.6%	7.4%
ROAE	13.5%	17.4%	19.1%	19.8%	20.2%
IPS vs. consensus			106%	109%	109%

Source: Company, Indo Premier

Share price closing as of: 31 July 2023

Fig. 1: BMRI 2Q23 results summary

BMRI 2Q23 result (Rp bn)	1H23	1H22	yoy%	2Q23	2Q22	yoy%	1Q23	%QoQ	IPS FY23F	% of IPS	Cons FY23F	% of Cons.
Interest Income	64,191	52,934	21%	32,800	27,033	21%	31,391	4%	127,745	50%		
Interest Expenses	(16,884)	(11,102)	52%	(8,502)	(5,679)	50%	(8,382)	1%	(29,070)	58%		
<b>Net interest income</b>	<b>47,307</b>	<b>41,832</b>	<b>13%</b>	<b>24,298</b>	<b>21,354</b>	<b>14%</b>	<b>23,009</b>	<b>6%</b>	<b>98,675</b>	<b>48%</b>		
Non interest income	19,306	17,478	10%	9,106	8,244	10%	10,200	-11%	41,180	47%		
<b>Total Income</b>	<b>66,613</b>	<b>59,310</b>	<b>12%</b>	<b>33,404</b>	<b>29,598</b>	<b>13%</b>	<b>33,209</b>	<b>1%</b>	<b>139,855</b>	<b>48%</b>		
Overhead Expenses	(24,554)	(23,928)	3%	(12,278)	(11,915)	3%	(12,276)	0%	(59,958)	41%		
<b>Pre-provision profit</b>	<b>42,059</b>	<b>35,382</b>	<b>19%</b>	<b>21,126</b>	<b>17,683</b>	<b>19%</b>	<b>20,933</b>	<b>1%</b>	<b>79,897</b>	<b>53%</b>		
Loan loss provision	(7,641)	(7,655)	0%	(3,949)	(3,653)	8%	(3,692)	7%	(15,904)	48%		
Non Operating	21	30	-30%	6	21	-71%	15	-60%	1,704	1%		
<b>Pretax Profit</b>	<b>34,439</b>	<b>27,757</b>	<b>24%</b>	<b>17,183</b>	<b>14,051</b>	<b>22%</b>	<b>17,256</b>	<b>0%</b>	<b>65,696</b>	<b>52%</b>	<b>65,271</b>	<b>53%</b>
Taxes	(9,207)	(7,548)	22%	(4,511)	(3,874)	16%	(4,696)	-4%	(15,489)	59%		
<b>Net Profit</b>	<b>25,232</b>	<b>20,209</b>	<b>25%</b>	<b>12,672</b>	<b>10,177</b>	<b>25%</b>	<b>12,560</b>	<b>1%</b>	<b>50,208</b>	<b>50%</b>	<b>47,193</b>	<b>53%</b>

Source: Company, Indo Premier

Fig. 2: BMRI 2Q23 balance sheet summary

Balance Sheet (Rp bn)	2Q23	2Q22	%YoY	1Q23	%QoQ
Cash + CA with BI	195,529	152,831	28%	188,114	4%
Secondary Reserves	401,459	423,302	-5%	418,401	-4%
<b>Gross Loan</b>	<b>1,272,076</b>	<b>1,138,312</b>	<b>12%</b>	<b>1,205,464</b>	<b>6%</b>
Loan loss provisions	(62,902)	(69,432)	-9%	(64,119)	-2%
Other assets	157,825	140,694	12%	160,311	-2%
<b>Total Assets</b>	<b>1,963,987</b>	<b>1,785,707</b>	<b>10%</b>	<b>1,908,171</b>	<b>3%</b>
Demand Deposits	497,629	410,696	21%	483,111	3%
Saving deposits	552,434	522,130	6%	548,637	1%
<b>CASA</b>	<b>1,050,063</b>	<b>932,826</b>	<b>13%</b>	<b>1,031,748</b>	<b>2%</b>
Time Deposits & CD	380,066	385,596	-1%	359,401	6%
<b>Deposit from Customers</b>	<b>1,430,129</b>	<b>1,318,422</b>	<b>8%</b>	<b>1,391,149</b>	<b>3%</b>
Wholesale funding	186,381	155,178	20%	161,561	15%
Other liabilities&accrued	92,230	91,287	1%	113,816	-19%
<b>Total Liabilities</b>	<b>1,708,741</b>	<b>1,564,887</b>	<b>9%</b>	<b>1,666,526</b>	<b>3%</b>
<b>Equity</b>	<b>255,246</b>	<b>220,820</b>	<b>16%</b>	<b>241,645</b>	<b>6%</b>

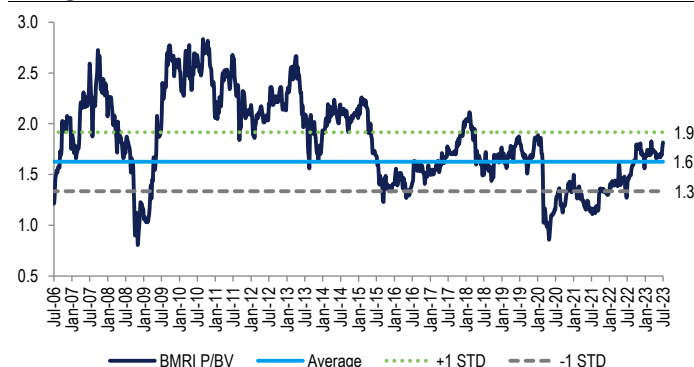
Source: Company, Indo Premier

Fig. 3: BMRI 2Q23 key ratios

Key Ratios (%)	3Q20	4Q20	1Q21	2Q21	3Q21	4Q21	1Q22	2Q22	3Q22	4Q22	1Q23	2Q23
Loan yield - reported, bank	7.2	7.1	7.4	7.1	6.9	6.8	6.9	6.8	7.0	7.5	7.7	7.9
NIM (Q) - reported, bank onl	3.9	4.3	4.7	4.6	4.8	4.9	5.1	5.2	5.3	5.5	5.1	5.4
NIM (C) - reported	4.7	4.7	5.1	5.1	5.0	5.1	5.3	5.4	5.4	5.5	5.4	5.6
Credit costs (C) - reported	2.2	2.4	2.4	2.3	2.3	2.1	1.6	1.4	1.5	1.4	1.2	1.2
Cost to income ratio	45.6	47.4	44.8	45.3	45.9	47.3	40.4	40.8	40.7	42.4	37.0	36.8
CASA ratio	65	67	68	68	70	70	70	71	70	73	74	73
LDR	84	84	83	86	84	81	84	86	85	80	86	86
CAR	19.5	19.5	18.6	19.0	19.3	19.6	18.0	18.2	18.9	19.7	20.3	20.0
Gross NPL	3.3	3.1	3.2	3.1	3.0	2.7	2.7	2.4	2.2	1.9	1.8	1.6
Special mention	4.6	4.5	4.5	4.7	4.5	4.3	4.6	4.3	4.0	3.8	4.1	4.1
Loan at risk (incl. Covid)	21.5	21.4	21.2	20.7	19.7	17.1	16.6	14.6	13.4	11.7	11.3	10.3
Coverage ratio	205	229	220	222	230	243	247	253	268	285	303	304

Source: Company, Indo Premier

**Fig. 4: BMRI's P/BV – now trading at 1.8x FY24F P/BV vs. 10-year average of 1.6x P/BV**



Source: Bloomberg, Company, Indo Premier

**Fig. 5: BMRI's P/E – now trading at 9.5x FY24F P/E vs. 10-year average of 12x P/E**



Source: Bloomberg, Company, Indo Premier

**Fig. 6: Peer comparison table**

Ticker	Closing Price	Target Price	P/BV multiple target (x)	Upside	Recommendation	P/E (x)			P/BV (x)		
						FY23F	FY24F	10Y Avg	FY23F	FY24F	10Y Avg
BBCA	9,125	10,400	4.7	14%	Buy	23.6	21.6	20.5	4.6	4.2	3.7
BBRI	5,650	5,700	2.5	1%	Buy	13.8	11.6	14.4	2.7	2.5	2.4
BMRI	5,725	7,200	2.3	26%	Buy	10.6	9.5	12.0	2.0	1.8	1.6
BBNI	8,875	10,400	1.1	17%	Buy	7.8	7.2	10.6	1.1	1.0	1.1
BBTN	1,315	1,440	0.6	10%	Hold	6.4	5.0	11.9	0.6	0.5	0.9

Source: Bloomberg, Company, Indo Premier

Share price closing as of: 31 July 2023

Income Statement (Rp bn)	2021A	2022A	2023F	2024F	2025F
Interest income	97,749	112,382	127,745	139,336	151,983
Interest expense	(24,687)	(24,479)	(29,070)	(30,118)	(32,323)
<b>Net interest income</b>	<b>73,062</b>	<b>87,903</b>	<b>98,675</b>	<b>109,218</b>	<b>119,659</b>
Non-interest income	34,061	37,648	41,180	45,734	51,070
<b>Total operating income</b>	<b>107,124</b>	<b>125,551</b>	<b>139,855</b>	<b>154,951</b>	<b>170,729</b>
Opex	(49,140)	(53,260)	(59,958)	(65,106)	(71,670)
<b>PPOP</b>	<b>57,984</b>	<b>72,291</b>	<b>79,897</b>	<b>89,845</b>	<b>99,059</b>
Provisions	(19,543)	(16,123)	(15,904)	(18,324)	(20,156)
<b>Operating profit</b>	<b>38,440</b>	<b>56,168</b>	<b>63,993</b>	<b>71,521</b>	<b>78,903</b>
Non-operating profit	(82)	210	1,704	1,888	2,046
<b>Pre-tax profit</b>	<b>38,358</b>	<b>56,378</b>	<b>65,696</b>	<b>73,409</b>	<b>80,949</b>
Income tax	(7,807)	(11,425)	(12,159)	(13,589)	(14,992)
Minority interest	(2,523)	(3,782)	(3,330)	(3,668)	(4,044)
<b>Net profit</b>	<b>28,028</b>	<b>41,171</b>	<b>50,208</b>	<b>56,152</b>	<b>61,914</b>

Balance Sheet (Rp bn)	2021A	2022A	2023F	2024F	2025F
Cash + CA with BI	122,972	134,562	148,016	159,088	171,578
Secondary reserves	487,677	566,828	566,828	583,833	601,348
Gross loans	1,050,157	1,202,230	1,342,415	1,476,656	1,624,322
Loan provisions	(68,589)	(64,613)	(58,290)	(54,934)	(51,243)
Other assets	133,394	153,537	164,726	177,522	191,488
<b>Total Assets</b>	<b>1,725,611</b>	<b>1,992,545</b>	<b>2,163,695</b>	<b>2,342,165</b>	<b>2,537,493</b>
Total deposits	1,299,977	1,502,190	1,637,388	1,787,305	1,951,533
Securities and borrowings	106,975	137,376	137,376	137,376	137,376
Other liabilities	96,548	100,734	115,297	122,843	131,336
<b>Total liabilities</b>	<b>1,503,500</b>	<b>1,740,299</b>	<b>1,890,061</b>	<b>2,047,524</b>	<b>2,220,245</b>
<b>Shareholders' equity</b>	<b>222,112</b>	<b>252,245</b>	<b>273,634</b>	<b>294,640</b>	<b>317,247</b>
<b>Total liabilities &amp; equity</b>	<b>1,725,611</b>	<b>1,992,545</b>	<b>2,163,695</b>	<b>2,342,165</b>	<b>2,537,493</b>

Growth YoY	2021A	2022A	2023F	2024F	2025F
Gross loans	17.6%	14.5%	11.7%	10.0%	10.0%
Total assets	20.7%	15.5%	8.6%	8.2%	8.3%
Total deposits	23.4%	15.6%	9.0%	9.2%	9.2%
Net interest income	29.3%	20.3%	12.3%	10.7%	9.6%
Non-interest income	12.7%	10.5%	9.4%	11.1%	11.7%
Total operating income	23.5%	17.2%	11.4%	10.8%	10.2%
Operating expense	20.9%	8.4%	12.6%	8.6%	10.1%
PPOP	25.9%	24.7%	10.5%	12.5%	10.3%
Net profit	63.7%	46.9%	22.0%	11.8%	10.3%

Key Ratios	2021A	2022A	2023F	2024F	2025F
ROAA	1.8%	2.2%	2.3%	2.4%	2.5%
ROAE	13.5%	17.4%	19.1%	19.8%	20.2%
NIM	5.4%	5.5%	5.6%	5.7%	5.7%
Credit cost	2.0%	1.4%	1.3%	1.3%	1.3%
Cost/income	45.9%	42.4%	42.9%	42.0%	42.0%
LDR	80.8%	80.0%	82.0%	82.6%	83.2%
CAR	19.6%	19.6%	19.7%	19.8%	19.7%
NPL ratio	2.7%	1.9%	1.6%	1.3%	1.3%
Provisions/NPL	243.7%	284.9%	265.6%	281.3%	240.6%

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

## 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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