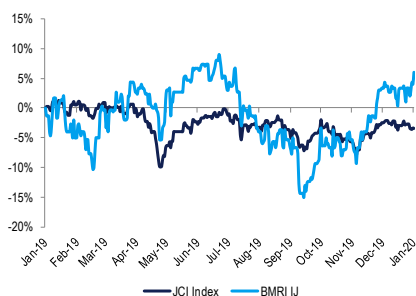


Stock Data

Target price	Rp9,000
Prior TP	Rp8,000
Current price	Rp7,925
Upside/downside	+14%
Shares outstanding (mn)	46,667
Market cap (Rp bn)	369,833
Free float	40%
Avg. 6m daily T/O (Rp bn)	286

Price Performance

	3M	6M	12M
Absolute	9.7%	1.6%	6.0%
Relative to JCI	11.2%	4.1%	9.5%
52w low/high	Rp6,350 – Rp8,150		



Major Shareholders

Republic of Indonesia	60%
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FY19 results: in-line, improvement in asset quality will secure FY20 outlook

- FY19 net profit of Rp27.5tr (+10% yoy) was in-line. Headline PPOP grew 1% yoy (+9% yoy ex one-offs), while provision improved (-15% yoy).
- Lower provisioning was attributed to improvement on its overall asset quality. NPL/LAR improved to 2.3/9.6% in 4Q19 vs. 2.5/11% in 3Q19.
- Ample provision adjustment (post IFRS 9) shall further alleviate investors' concern on its asset quality. Maintain Buy and upgrade TP to Rp9,000.

Stellar PPOP growth excluding one-offs

FY19 net profit of Rp27.5tr (+10% yoy/+8% qoq) was in-line at 101%/100% of our/consensus estimates. Headline PPOP was mild (1% yoy/-9% qoq) due to one-off gain/tax income in FY18 (Rp2.5tr) and one-off tax provision in 4Q19 (Rp625bn). Excluding all the one-offs, PPOP grew 8% yoy (-4% qoq). Concurrently, provision also improved (-15% yoy/-56% qoq) which result in lower credit costs (CoC) at 1.4% in FY19 vs. 1.8% in FY18 (0.8% in 4Q19 vs. 2% in 3Q19). It guides for lower CoC of 1.2-1.4% in FY20 (ours: 1.3%).

Robust NIM in FY19, though FY20 guidance remains conservative

NIM stood at 5.6% in FY19 relatively stable on a qoq basis (5.7% in FY18) this was largely due to higher LDR (97% in 4Q19 vs. 94%/97% in 3Q19/4Q18). Deposits grew at 11% yoy (+5% qoq) driven by CASA (+13% yoy/+7% qoq), while TD was weaker (+7% yoy/flat) – this also helps CoF. It guides for NIM of 5.4-5.6% in 2020 (our estimate: 5.5%).

Loan growth driven by micro and corporate

Loan grew 11% yoy (+8% qoq) driven by micro (20% yoy/+6% qoq) and corporate (+11% yoy/+11% qoq). Commercial (+6% yoy/+10% qoq) and small (+3% yoy/+2% qoq) were weakest. It guides for 8-10% growth in 2020.

Gradual improvement in asset quality is the much needed catalyst

NPL improved to 2.3% in 4Q19 vs. 2.5% in 3Q19 (2.8% in 4Q18) driven by commercial and small segments. Loan-at-risk (LAR) also improved to 9.6% in 4Q19 vs. 11% in 3Q19 (9.7% in 4Q18) amid lower restructured loans (7.3% in 4Q19 vs. 8.3%/7.1% in 3Q19/4Q18). Post IFRS 9 (Rp21-25tr with 220-250bp impact to CAR), NPL/LAR coverage is expected to increase to 255%/61% from 144%/35% previously.

Maintain Buy with higher TP, Mandiri is one of our top pick

Continuous improvement in asset quality and ample provision post IFRS 9 shall alleviate investors' concern towards its loan quality. We raise our EPS by 4-5% for FY20-21. Maintain Buy with higher TP of Rp9,000 (based on 1.9x P/BV). It trades at 1.9x FY20F P/BV (10-year avg: 2.1x). Risk is asset quality.

Financial Summary (Rp bn)	2018A	2019A	2020F	2021F	2022F
Net interest income	54,623	59,440	63,129	68,623	76,531
Total revenue	85,657	88,600	96,238	106,089	119,058
Provision charges	48,091	48,524	53,095	60,115	67,569
PPOP	(14,185)	(12,072)	(12,425)	(13,668)	(15,035)
Net profit	25,015	27,482	31,188	35,656	40,338
Net profit growth	21%	10%	10%	14%	13%
P/BV (x)	2.0	1.8	1.9	1.7	1.5
Dividend yield	2.5%	2.7%	3.0%	3.4%	3.8%
ROAE	14.1%	14.2%	15.5%	16.9%	17.1%
Forecast changes			4%	5%	N/A
IPS vs. consensus			101%	103%	N/A

Sources: Company, IndoPremier

Share price closing as of: 24 January 2020

Fig. 1: BMRI's FY19 results summary

BMRI FY19 Result (Rp bn)	FY19	FY18	%YoY	4Q19	4Q18	%YoY	3Q19	%QoQ	IPS FY19F	% of IPS	Cons. FY19F	% of Cons.
Interest Income	91,525	80,993	13%	23,755	21,568	10%	23,283	2%	89,120	103%		
Interest Expenses	(32,085)	(26,370)	22%	(8,256)	(7,288)	13%	(8,187)	1%	(30,847)	104%		
Net interest income	59,440	54,623	9%	15,499	14,280	9%	15,096	3%	58,273	102%	59,866	99%
Fee based Income	28,298	30,379	-7%	7,913	9,925	-20%	7,278	9%	25,202	112%		
Gain from Financial Securities	862	656	31%	222	34	553%	332	-33%	3,171	27%		
Non interest income	29,160	31,035	-6%	8,135	9,959	-18%	7,610	7%	28,373	103%	28,565	102%
Total Income	88,600	85,658	3%	23,634	24,239	-2%	22,706	4%	86,646	102%	88,431	100%
Overhead Expenses	(40,076)	(37,566)	7%	(11,873)	(10,702)	11%	(9,826)	21%	(38,033)	105%	(39,686)	101%
Pre-provision profit	48,524	48,092	1%	11,761	13,537	-13%	12,880	-9%	48,613	100%	48,745	100%
Loan loss provision	(12,072)	(14,185)	-15%	(1,798)	(3,224)	-44%	(4,062)	-56%	(14,760)	82%	(13,662)	88%
Non Operating	(10)	38	-126%	49	15	227%	(12)	-508%	1,050	-1%	1,007	-1%
Pretax Profit	36,442	33,945	7%	10,012	10,328	-3%	8,806	14%	34,903	104%	36,090	101%
Tax	(7,986)	(8,091)	-1%	(1,806)	(2,566)	-30%	(2,087)	-13%	(7,820)	102%	(8,743)	91%
Minority Interest	(973)	(837)	16%	(285)	(837)	-66%	(231)	24%	(887)	110%		
Net Profit	27,482	25,015	10%	7,232	6,923	4%	6,719	8%	27,083	101%	27,347	100%

Sources: Company, IndoPremier

Fig. 2: BMRI's 4Q19 balance sheet summary

Balance Sheet (Rp bn)	4Q19	4Q18	%YoY	3Q19	%QoQ
Cash + CA with BI	87,148	102,038	-15%	90,777	-4%
Secondary Reserves	237,949	200,783	19%	260,773	-9%
Gross Loan	907,456	820,084	11%	841,857	8%
Provision	(30,351)	(32,177)	-6%	(32,389)	-6%
Other assets	441,141	414,345	6%	466,202	-5%
Total Assets	1,318,246	1,202,252	10%	1,275,670	3%
Demand Deposits	250,414	200,506	25%	223,686	12%
Saving deposits	359,161	338,601	6%	343,819	4%
CASA	609,575	539,107	13%	567,505	7%
Time Deposits & CD	323,549	301,807	7%	323,735	0%
Deposit from Customers	933,124	840,914	11%	891,240	5%
Deposit from other banks	13,844	16,927	-18%	20,080	-31%
Securities issued	32,245	19,089	69%	31,863	1%
Borrowings	54,793	52,340	5%	53,291	3%
Other liabilities & accrued	75,205	88,022	-15%	78,368	-4%
Total Liabilities	1,109,211	1,017,292	9%	1,074,842	3%
Equity	209,035	184,960	13%	200,828	4%

Sources: Company, IndoPremier

Fig. 3: BMRI's 4Q19 key ratios summary

Key Ratios (%)	4Q17	1Q18	2Q18	3Q18	4Q18	1Q19	2Q19	3Q19	4Q19
Asset Yield (Q) - reported	8.0	7.9	7.8	8.1	8.2	8.3	8.2	8.2	8.1
Cost of Funds (Q) - reported	2.7	2.6	2.6	2.8	2.9	2.9	3.0	2.9	2.9
NIM (Q) - reported, bank only	5.6	5.6	5.4	5.5	5.5	5.6	5.4	5.5	5.4
NIM (C) - reported, consol	5.9	5.8	5.7	5.8	5.7	5.7	5.6	5.6	5.6
CAR	21.0	20.3	20.0	20.7	20.7	20.6	20.6	21.4	20.9
LDR	89	91	95	94	97	95	99	94	97
CASA Ratio	66	65	65	65	64	62	64	64	65
Gross NPL	3.5	3.3	3.1	3.0	2.8	2.7	2.6	2.5	2.3
Restructured loans (%)	8.1	8.1	7.5	7.4	7.1	7.4	7.4	8.3	7.3
Special Mention	4.1	4.9	4.8	4.5	4.0	4.7	4.6	4.7	4.6
Loan at risk	10.9	11.1	10.7	10.6	9.7	10.2	10.1	11.0	9.6
Coverage Ratio	135	136	136	137	143	146	147	152	144
Credit Costs (C)	2.3	2.3	2.2	2.0	1.8	1.5	1.6	1.7	1.4
Credit Costs (Q)	2.1	2.3	2.2	1.7	1.7	1.5	1.7	2.0	0.8

Sources: Company, IndoPremier

Fig. 4: BMRI's 4Q19 loan breakdown

Loan breakdown (bank-only, Rp tr)	4Q19	4Q18	yoy%	3Q19	qoq%	% of 4Q19 loans
Micro	123.0	102.4	20%	116.4	6%	16%
Small	58.7	56.8	3%	57.5	2%	7%
Consumer	94.3	87.4	8%	88.5	7%	12%
Commercial	151.6	142.6	6%	138.0	10%	19%
Corporate	364.8	329.8	11%	327.7	11%	46%
Total	792.4	719.0	10%	728.1	9%	100%

Sources: Company, IndoPremier

Fig. 5: BMRI's forward P/BV – now trading at 1.9x 2020 P/BV (post IFRS 9), below 10-year average of 2x P/BV



Sources: Bloomberg, Company, IndoPremier

Fig. 6: BMRI's forward P/E – now trading at 11.9x 2020 P/E, slightly below 10-year average of 12.1x P/E



Sources: Bloomberg, Company, IndoPremier

Fig. 7: 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 **	7,925	9,000	1.9	14%	Buy	11.9	10.4	1.9	1.7
BBRI **	4,740	5,200	2.6	10%	Buy	15.1	13.5	2.7	2.4
BBCA *	34,050	31,000	4.0	-9%	Hold	26.0	22.8	4.2	3.7
BBNI **	7,700	9,000	1.4	17%	Buy	8.0	6.9	1.1	1.0
BBTN **	2,070	2,750	1.3	33%	Buy	6.2	5.4	1.0	0.8

* including asset reval

** including asset reval, post IFRS 9 book value

Sources: Bloomberg, Company, IndoPremier

Share price closing as of 24 January 2020

Income Statement (Rp bn)	2018A	2019A	2020F	2021F	2022F
Interest income	80,993	91,525	96,391	105,321	116,091
Interest expense	(26,370)	(32,085)	(33,262)	(36,698)	(39,560)
Net interest income	54,623	59,440	63,129	68,623	76,531
Non-interest income	31,035	29,160	33,109	37,466	42,527
Total operating income	85,657	88,600	96,238	106,089	119,058
Opex	(37,566)	(40,076)	(43,144)	(45,974)	(51,489)
PPOP	48,091	48,524	53,095	60,115	67,569
Provisions	(14,185)	(12,072)	(12,425)	(13,668)	(15,035)
Operating profit	33,906	36,452	40,669	46,447	52,534
Non-operating profit	38	(10)	-	-	-
Pre-tax profit	33,943	36,442	40,669	46,447	52,534
Income tax	(8,091)	(7,987)	(8,540)	(9,754)	(11,032)
Minority interests	(837)	(973)	(940)	(1,037)	(1,163)
Net profit	25,015	27,482	31,188	35,656	40,338

Balance Sheet (Rp bn)	2018A	2019A	2020F	2021F	2022F
Cash + CA with BI	87,202	87,148	106,935	97,760	87,624
Secondary reserves	217,565	237,949	242,867	272,011	304,653
Gross loans	820,084	907,456	1,001,322	1,101,454	1,211,600
Loan provisions	(31,796)	(30,351)	(57,156)	(60,961)	(65,147)
Other assets	109,198	116,044	125,610	134,971	145,205
Total Assets	1,202,253	1,318,246	1,419,578	1,545,236	1,683,935
Total deposits	849,369	933,124	1,044,846	1,142,887	1,250,410
Securities and borrowings	95,827	100,882	95,827	95,827	95,827
Other liabilities	72,097	75,205	79,307	83,742	88,843
Total Liabilities	1,017,292	1,109,211	1,219,979	1,322,456	1,435,079
Shareholders' equity	184,960	209,035	199,599	222,780	248,856
Total Liabilities & Equity	1,202,253	1,318,246	1,419,578	1,545,236	1,683,935

Sources: Company, IndoPremier

Growth YoY	2018A	2019A	2020F	2021F	2022F
Gross loans	12.4%	10.7%	10.0%	10.0%	10.0%
Total assets	6.9%	9.6%	8.0%	8.9%	9.0%
Customer deposits	3.1%	9.9%	11.1%	9.4%	9.4%
Net interest income	4.4%	8.8%	7.7%	8.7%	11.5%
Non-interest income	20.3%	-6.0%	10.5%	13.2%	13.5%
Total operating income	9.6%	3.4%	8.7%	10.2%	12.2%
Operating expense	7.3%	6.7%	7.4%	6.6%	12.0%
PPOP	11.5%	0.9%	9.7%	13.2%	12.4%
Net profit	21.2%	9.9%	13.7%	14.3%	13.1%

Key Ratios	2018A	2019A	2020F	2021F	2022F
ROAA	2.1%	2.1%	2.3%	2.4%	2.5%
ROAE	14.1%	14.1%	15.5%	16.9%	17.1%
NIM	5.6%	5.6%	5.5%	5.5%	5.5%
Credit cost	1.8%	1.4%	1.3%	1.3%	1.3%
Cost/income	43.9%	45.2%	44.8%	43.3%	43.2%
LDR	96.6%	97.2%	95.8%	96.4%	96.9%
CAR	20.5%	20.9%	19.3%	19.5%	19.7%
NPL ratio	2.9%	2.3%	2.1%	2.0%	2.0%
Provisions/NPL	134.5%	144.0%	271.2%	282.5%	267.8%

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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