

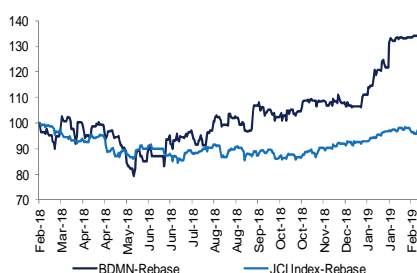
HOLD (Unchanged)

Stock Data

Target price (Rp)	Rp7,350
Prior TP (Rp)	Rp6,000
Share price (Rp)	Rp9,150
Upside/downside (%)	(20.0)
Shares outstanding (m)	9,585
Market cap. (US\$ m)	6,245
Free float (%)	32.6
Avg. 6m daily T/O (US\$ m)	2.7

Price Performance

	3M	6M	12M
Absolute (%)	24.9	31.2	36.6
Vs. JCI (%)	16.5	22.1	37.9
52w high/low (Rp)	9,150 - 5,425		



Major Shareholders

Asia Financial (Indonesia)	67.4%
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Estimate Change; Vs. Consensus

	2019F	2020F
Latest EPS (Rp)	371	430
Vs. Prior EPS (%)	-24.0	-24.0
Vs. Consensus (%)	n.m	n.m

Source: Bloomberg

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M&A value supersedes fundamentals

- **Modest FY18 earnings (+6.5%) albeit still below expectations.**
- **Loans grew 7.8% despite falling microloans to 1.6% of portfolio.**
- **Credit cost improved as loan mix shifts towards lower-risk assets.**
- **We view MUFG's high offer price of Rp9,590 as SELL opportunity.**

Modest results. BDMN's reported net earnings of Rp3.9tn in FY18 (+6.5% yoy) came below our/consensus estimates of Rp4.1tn/Rp4.2tn, respectively, due to its restructuring cost of Rp265bn booked in 4Q18 (vs. Rp274bn in 4Q17). Excluding this, the result came in-line with expectations, and its earnings growth was largely driven by declining provisions (-7%). Excluding earnings contribution of Rp495bn from subsidiaries held in available for sale portfolio (eg. Adira Insurance), BDMN's earnings from continuing operation was Rp3,922bn in FY18 or only 4.4% growth, which reflects the bank's slow asset growth in recent years due to its unwinding of microlending business.

Flat core profit. BDMN's total loans grew at respectable 7.8% in FY18 despite its unwinding of microloans to 1.6% of loan portfolio (FY17: 5.2%; FY16: 8.0%), which has been ongoing in the past four years. The bank's loan growth drivers were Adira Finance (+13%), Enterprise loans (+11%), SME loans (+10%) and its consumer loans (+18%), particularly home mortgages (+29%). In our estimate, NIMs were stable at 8.8% in FY18 (vs. -30bps yoy according to management) but we forecast BDMN's NIM to narrow to 8.3% in FY19F (FY20F: 8.0%) due to rising cost of funds and its loan portfolio mix shift towards lower-yielding enterprise and SME loans as BDMN expands loans into automotive supply chain to capitalises on MUFG's strong relationship with Japanese companies.

Asset quality. BDMN's credit cost improved to 2.5% in FY18 (FY17: 2.8%), down from as high as 3.6% in FY15-16, reflecting its loan portfolio mix shift towards lower-risk loans as the bank unwind its high margin/high credit-cost micro lending business, which accounted for as high as 14% of its loan portfolio in 2014. The improvement in BDMN's credit cost came from mass-market loans (from 4.6% to 4.4%) as well as its enterprise/SME/retail portfolio (from 1.4% to 1.2%).

Valuation. We cut our FY19-20F earnings forecasts by c.24% to reflect the sale of subsidiaries (Adira Insurance), implying earnings growth of 4% in FY19F for BDMN's continuing operation (pre-merger with Bank Nusantara Parahyangan). However, we raise our TP to Rp7,350 (from Rp6,000) due to our roll-forward of valuation to be based on FY19F book value and BDMN's acquisition/merger plan, which led to MUFG's generous offer price of Rp9,590 for minority shareholders who want to sell their shares during 28 March to 10 April 2019. We view this as a good SELL opportunity as it is well above our valuation for the stock.

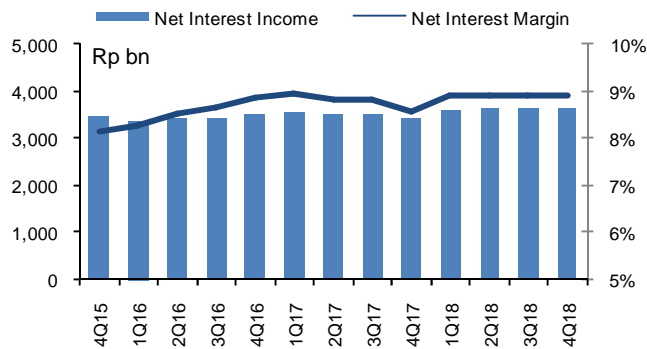
Year To 31 Dec	2017A	2018A	2019F	2020F	2021F
Operating income (RpBn)	18,102	18,473	18,944	20,686	22,920
PPOP (RpBn)	9,058	8,961	8,629	9,649	11,111
Net profit (RpBn)	3,682	3,922	3,561	4,117	5,003
Net profit growth (%)	37.9	6.5	(9.2)	15.6	21.5
FD EPS (Rp)	384	409	371	430	522
P/E (x)	23.8	22.4	24.6	21.3	17.5
P/B (x)	2.2	2.1	2.0	1.9	1.7
Dividend yield (%)	1.5	1.6	1.4	1.6	2.0
ROAA (%)	2.1	2.2	1.8	1.8	2.0
ROAE (%)	9.9	10.0	8.4	9.2	10.4

Source: BDMN, IndoPremier

Share Price Closing as of : 20-February-2019

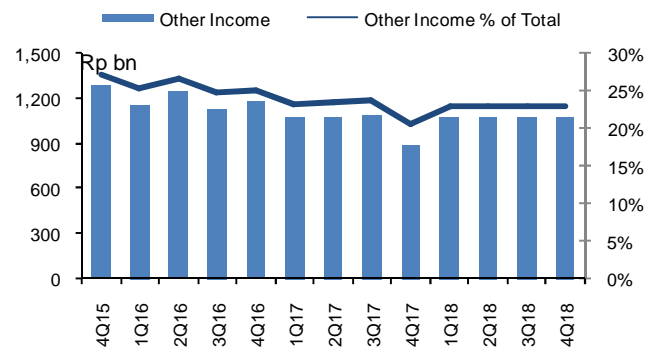
BDMN IJ Results Note

Fig. 1: Net Interest Income (Rp bn) and NIMs (%)



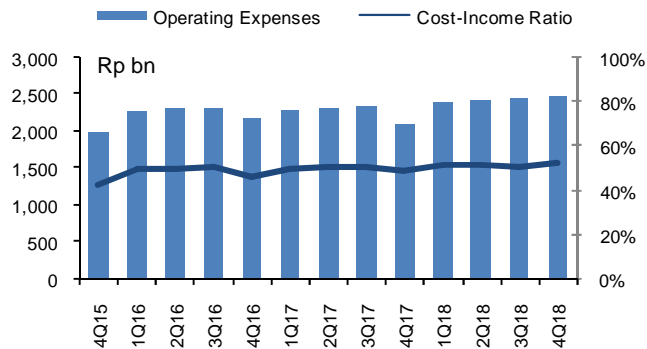
Source: Company, IndoPremier

Fig. 2: Non-Interest Income (Rp bn; % of Gross Income)



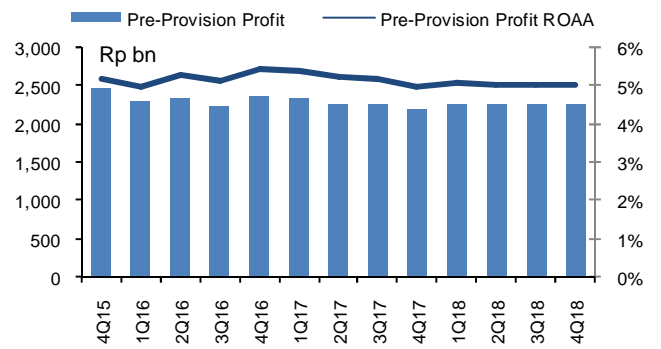
Source: Company, IndoPremier

Fig. 3: Operating Expense (Rp bn) and Cost/Income Ratio (%)



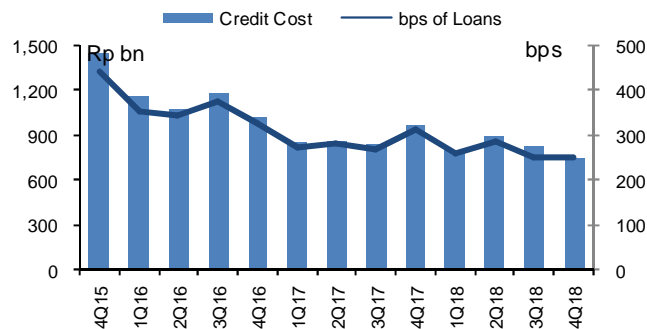
Source: Company, IndoPremier

Fig. 4: Pre-Provision Profit (Rp bn; % of Average Assets)



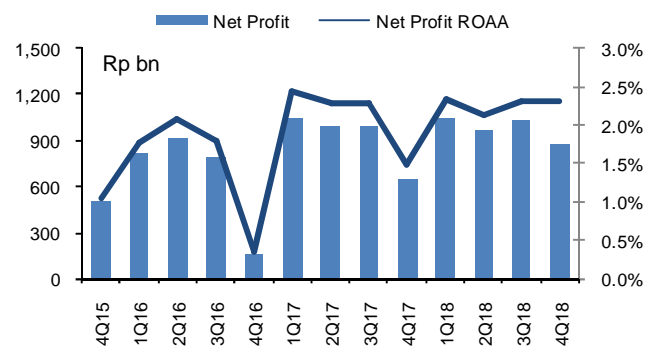
Source: Company, IndoPremier

Fig. 5: Net Loan Provisioning (Rp bn; bps of Average Loans)



Source: Company, IndoPremier

Fig. 6: Net Profit (Rp bn) and ROAA (%)



Source: Company, IndoPremier

FY2018 Results

(Rp Bn)	FY18	FY17	% Y-Y	4Q18	3Q18	% Q-Q
Net Interest Income	14,241	13,980	1.9	3,562	3,483	2.3
Fees & Commissions	3,424	3,428	-0.1	913	871	4.8
Insurance & Other Incomes	540	436	23.7	158	3	n.m
Trading Income	268	258	3.8	60	57	5.4
Operating Income	18,473	18,102	2.0	4,693	4,414	6.3
Operating Expenses	-9,512	-9,044	5.2	-2,475	-2,204	12.3
Pre-Provision Profit	8,961	9,058	-1.1	2,218	2,210	0.3
Provision for Impairment	-3,267	-3,513	-7.0	-745	-829	-10.1
Operating Profit	5,694	5,545	2.7	1,472	1,381	6.6
Other Non Operating Items	-232	-223	4.2	-272	26	n.m
Pre-Tax Profit	5,461	5,322	2.6	1,201	1,407	-14.6
Tax	-1,354	-1,494	-9.3	-268	-333	-19.5
Minorities	-185	-147	26.2	-49	-48	2.1
Net Profit	3,922	3,682	6.5	884	1,027	-13.9
Net Profit of Disposal Group	495	399	23.8			
Net Profit Continuing Oper.	3,427	3,282	4.4			
Gross Loans	134,519	124,766	7.8	134,519	127,331	5.6
Customer Deposits	107,696	101,897	5.7	107,696	98,327	9.5
Non-Performing Loans (NPL)	3,656	3,412	7.2	3,656	3,825	-4.4
Special Mention Loans	6,854	7,086	-3.3	6,854	7,292	-6.0
Loan Loss Reserves (LLR)	4,357	4,256	2.4	4,357	4,271	2.0
Total Assets	186,762	178,257	4.8	186,762	178,635	4.5
Risk-Weighted Assets	164,394	157,002	4.7	164,394	161,463	1.8
Shareholders' Funds	41,311	38,660	6.9	41,311	40,154	2.9
BV Per Share	4,310	4,034	6.9	4,310	4,189	2.9

Source: Company, IndoPremier

Key Ratios (%)	FY18	FY17	% Y-Y	4Q18	3Q18	% Q-Q
ROAA (annualized)	2.17	2.11	2.7	1.94	2.27	-14.9
ROAE (annualized)	10.0	9.9	1.0	8.7	10.4	-16.1
Net Interest Margin (bps)	883	880	0.3	880	866	1.6
Gross Credit Cost (bps)	257	288	-10.6	228	260	-12.6
Fee Inc/Operating Income	18.5	18.9	-2.1	19.5	19.7	-1.4
Non Int Inc/Operating Income	22.9	22.8	0.6	24.1	21.1	14.2
Op. Cost/ Operating Income	51.5	50.0	3.1	52.7	49.9	5.6
Loan-to-Deposit Ratio (LDR)	124.9	122.4	2.0	124.9	129.5	-3.5
NPL/Loan Ratio	2.7	2.7	-0.6	2.7	3.0	-9.5
LLR/NPL Ratio	119.2	124.7	-4.5	119.2	111.7	6.7
Tier-1 Capital Ratio	21.4	21.2	0.8	21.4	21.5	-0.2
Total Capital Ratio	22.2	22.0	0.9	22.2	22.2	0.0

Source: Company, IndoPremier

BDMN IJ Results Note

Year To 31 Dec (RpBn)	2017A	2018A	2019F	2020F	2021F
Income Statement					
Interest income	19,883	20,172	21,742	24,148	26,868
Interest expense	(5,903)	(5,931)	(6,865)	(7,905)	(8,805)
Net interest income	13,980	14,241	14,877	16,243	18,063
Fees and commissions	3,428	3,424	3,766	4,143	4,557
Trading income	258	268	300	300	300
Other operating income	436	540	0	0	0
Total operating income	18,102	18,473	18,944	20,686	22,920
Personnel expenses	(4,817)	(4,966)	(5,314)	(5,686)	(6,084)
G&A expenses	(4,228)	(4,546)	(5,001)	(5,351)	(5,726)
Other operating expenses	0	0	0	0	0
Pre-provision operating profit	9,058	8,961	8,629	9,649	11,111
Provisions	(3,513)	(3,267)	(3,390)	(3,654)	(3,918)
Loan recovery income	0	0	0	0	0
Operating profit	5,545	5,694	5,239	5,995	7,193
Non-operating profit	(223)	(232)	(220)	(208)	(193)
Exceptional items	0	0	0	0	0
Pre-tax profit	5,322	5,461	5,019	5,787	6,999
Income tax	(1,494)	(1,354)	(1,255)	(1,447)	(1,750)
Minority interests	(147)	(185)	(203)	(224)	(246)
Reported net profit	3,682	3,922	3,561	4,117	5,003
Balance Sheet					
Cash	2,546	2,824	2,952	3,208	3,490
Current account with BI	7,556	6,460	9,218	9,996	10,850
Placements at BI & other banks	7,231	9,963	11,317	12,860	14,619
Short-term investments	16,060	9,149	10,064	11,070	12,177
Government bonds	10,974	10,973	10,973	10,973	10,973
Gross loans	124,766	134,519	156,204	175,216	196,834
Loan provisions	(4,271)	(4,365)	(4,536)	(4,728)	(4,852)
Other assets	13,395	17,240	18,952	20,834	22,905
Total Assets	178,257	186,762	215,143	239,429	266,996
Customer deposits	101,897	107,696	116,652	126,477	137,262
Deposits from other banks	4,635	3,152	3,468	3,814	4,196
Securities and borrowings	19,965	21,468	24,413	27,773	31,606
Other liabilities	12,588	12,506	26,482	34,367	43,372
Total Liabilities	139,085	144,822	171,015	192,431	216,435
Share capital	13,158	13,158	13,158	13,158	13,158
Reserves and others	121	(154)	(154)	(154)	(154)
Retained earnings	25,382	28,307	30,495	33,365	36,928
Shareholders' equity	38,660	41,311	43,498	46,369	49,932
Minority interest	512	629	629	629	629
Total Liabilities & Equity	178,257	186,762	215,143	239,429	266,996

Source: BDMN, IndoPremier

BDMN IJ Results Note

Year To 31 Dec	2017A	2018A	2019F	2020F	2021F
Growth Ratios (% yoy)					
Gross loans	1.9	7.8	16.1	12.2	12.3
Total assets	2.4	4.8	15.2	11.3	11.5
Customer deposits	(1.8)	5.7	8.3	8.4	8.5
Net interest income	1.5	1.9	4.5	9.2	11.2
Non-interest income	(12.2)	2.7	(3.9)	9.3	9.3
Total operating income	12.4	2.7	(8.0)	14.4	20.0
Operating expense	(0.6)	5.2	8.4	7.0	7.0
PPOP	(3.4)	(1.1)	(3.7)	11.8	15.2
Net profit	37.9	6.5	(9.2)	15.6	21.5
Profitability Ratios					
ROAA (%)	2.11	2.17	1.77	1.81	1.98
ROAE (%)	9.9	10.0	8.4	9.2	10.4
NIM (%)	8.80	8.83	8.30	8.03	8.01
Credit cost (bps)	287.6	257.0	233.2	220.5	210.6
Cost/income (%)	50.0	51.5	54.4	53.4	51.5
LDR (%)	122.4	124.9	133.9	138.5	143.4
CAR (%)	22.0	22.2	22.2	21.2	20.5
NPL ratio (%)	2.3	2.3	2.1	2.1	2.1
Provisions/NPL (%)	150.3	142.9	137.2	127.8	116.8

Source: BDMN, IndoPremier

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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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