

Buy

Bank Mandiri (BMRI IJ)

Oct24 results: weak net profit due to higher opex, lower recovery income, and higher CoC

Last Price (Rp)	6,450
Target Price (Rp)	8,200
Upside/Downside	+27.1%
No. of Shares (mn)	93,333
Mkt Cap (Rpbn/US\$mn)	602,000/37,933
Avg, Daily T/O (Rpbn/US\$mn)	671.8/42.3

- **BMRI reported net profit of Rp4.1tr in Oct24 (-26% mom, -11% yoy) resulting in 10M24 net profit of Rp43.1tr (+6% yoy), i.e., in line.**
- **Loan grew 2% mom with monthly EA yield rising 18bps, but CoF rose 8bps mom and LDR has reached 95%, the highest in the past few years.**
- **Despite the NIM improvement, Oct24 performance was a bit weak as opex rose, recoveries income down, and CoC increased (from reversal).**

Key Financials:

	2024F	2025F	2026F
EPS (Rp)	608.8	672.7	706.1
PER (x)	10.6	9.6	9.1
PBV (x)	2.1	2.0	1.8
CoE (x)	11.4	12.3	12.7
Dividend yield (%)	5.7	6.3	6.6
ROAE (%)	20.9	21.2	20.5

10M24 Insights:

- **Net profit up 6% yoy:** BMRI reported net profit of Rp43.1tr (+6% yoy), forming 76% of our and consensus' FY24F, which is relatively in line compared to last year's achievement of 74%.
- **Strong loan growth offsetting the lower NIM:** Loans grew 23% yoy, while deposits grew 13% yoy, resulting in a higher LDR of 95.1% in 10M24 from 88.0% in 10M23. This drove positive NII growth (+5%) despite a lower NIM, which declined by 45bps yoy to 4.9%.
- **NIM down from higher CoF:** EA yield remained flat at 7.3%, while CoF rose to 2.8% (from 2.2% in 10M23), leading to a lower NIM amid the higher LDR.
- **Flattish CoC:** As of 10M24, BMRI's CoC stood at 0.7% (flat yoy), with provision expenses rising 18% due to 23% higher loan growth.
- **Contained opex and improved CIR:** In 10M24, BMRI's opex only increased by 1% yoy, and CIR improved to 32.7% from 34.0% in 10M23.

Oct24 Insights:

- **Weak Oct24 net profit:** BMRI reported net profit of Rp4.1tr (-26% mom, -11% yoy), driven by lower other operating income, higher opex, and higher CoC.
- **NIM improved mom despite the higher CoF:** CoF rose 8bps mom to 3.1%, while EA yield rose 19bps mom, resulting in a 14bps mom higher NIM, partly aided by the higher LDR.
- **Loans continue to grow, deposits were flattish:** Loans grew 2% mom, while deposits remained flat, pushing LDR to 95.1% in Oct24, among the highest in recent years.
- **Higher CoC at 0.9%:** Following reversals in Sep24, CoC rose to 0.9% in Oct24 (+31bps yoy).
- **Elevated CIR from higher opex:** Opex stood at Rp3.4tr in Oct24 (+17% mom, +4% yoy), while other operating income declined to Rp2.6tr (-16% mom, -25% yoy), which we believe stems from lower recovery income. CIR rose to 37.4% in Oct24 (+624bps mom, +270bps yoy).

Summary:

- **Overall performance:** In our view, BMRI's Oct24 performance was somewhat weak as the higher NIM was partly driven by an elevated LDR, which is notably high compared to recent years, alongside elevated opex and reduced recovery income. On the positive side, the 2% mom loan growth was accompanied by a higher EA yield.
- We currently have a **Buy** rating on BMRI with TP of Rp8,200 (based on a 5-year inverse cost of equity GGM).

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Exhibit 1. BMRI Oct24 bank only results

BMRI - Bank Only (Rpbn)	Oct-23	Sep-24	Oct-24	mom, %	yoy, %	10M23	10M24	yoy, %	FY23	10M23/FY23	FY24F	10M24/FY24F	FY24C	10M24/FY24C
Interest income	8,354	9,529	9,927	4%	19%	80,648	92,091	14%	97,831	82%	149,120	62%		
Interest expense	(2,452)	(3,314)	(3,434)	4%	40%	(21,347)	(29,868)	40%	(26,604)	80%	(47,692)	63%		
Net interest income	5,902	6,215	6,493	4%	10%	59,301	62,223	5%	71,227	83%	101,429	61%	103,908	60%
Other operating income	3,526	3,135	2,646	-16%	-25%	24,978	26,119	5%	32,452	77%	44,138	59%	45,237	58%
Operating expenses	(3,268)	(2,909)	(3,414)	17%	4%	(28,674)	(28,856)	1%	(35,623)	80%	(56,737)	51%		
PPOP	6,160	6,440	5,725	-11%	-7%	55,606	59,486	7%	68,056	82%	92,878	64%		
Provision	(512)	161	(954)	n/a	86%	(5,820)	(6,839)	18%	(5,367)	108%	(15,368)	45%	(14,415)	47%
Pre-tax profit	5,651	6,605	5,034	-24%	-11%	49,828	52,993	6%	62,787	79%	77,553	68%	77,597	68%
Net profit	4,578	5,447	4,055	-26%	-11%	40,515	43,062	6%	51,097	79%	56,817	76%	56,811	76%
										YTD, %				
Loans	1,031,403	1,240,838	1,263,845	2%	23%	1,031,403	1,263,845	23%	1,085,787	16%	1,599,449		1,621,836	
Customer deposits	1,172,274	1,323,988	1,328,960	0%	13%	1,172,274	1,328,960	13%	1,242,146	7%	1,804,456		1,768,819	
Key Ratio				mom, bps	yoy, bps			yoy, bps		10M24 vs FY23, bps		vs FY24F, bps		
Earning Asset yield (%) - ann	7.4	7.2	7.4	▲ 19	▲ 6	7.3	7.3	➡ (2)	7.3	➡ (1)	7.2	▲ 15		
Cost of fund (%) - ann	2.5	3.0	3.1	▲ 8	▲ 57	2.2	2.8	▲ 56	2.3	▲ 50	2.5	▲ 26		
NIM (%) - ann	5.2	4.7	4.9	▲ 14	▲ (35)	5.4	4.9	▲ (45)	5.3	▲ (39)	4.9	▲ 7		
CIR (%) - ann	34.7	31.1	37.4	▲ 624	▲ 270	34.0	32.7	▲ (136)	34.4	▲ (169)	37.9	▲ (526)		
Cost of credit (%) - ann	0.6	(0.2)	0.9	▲ 107	▲ 31	0.7	0.7	➡ (2)	0.5	▲ 16	1.0	▲ (33)		
CASA Ratio (%)	79.3	78.4	78.4	➡ (2)	▲ (96)	79.3	78.4	▲ (96)	79.4	▲ (105)	63.5	▲ 1,490		
LDR (%)	88.0	93.7	95.1	▲ 138	▲ 712	88.0	95.1	▲ 712	87.4	▲ 769	88.6	▲ 646		

Source: Company, BRIDS Estimates, Bloomberg

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INVESTMENT RATING

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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