

Buy

Bank Mandiri (BMRI IJ)

Nov24 bank-only results: Soft net profit on lower NIM and lower recovery income

Last Price (Rp)	5,675
Target Price (Rp)	8,200
Upside/Downside	+44.5%
No. of Shares (mn)	93,333
Mkt Cap (Rpbn/US\$mn)	615,330/32,706
Avg, Daily T/O (Rpbn/US\$mn)	653.2/40.3

Key Financials:

	2024F	2025F	2026F
EPS (Rp)	608.8	672.7	706.1
PER (x)	9.3	8.4	8.0
PBV (x)	1.9	1.7	1.6
CoE (x)	12.6	13.6	14.1
Dividend yield (%)	6.4	7.1	7.5
ROAE (%)	20.9	21.2	20.5

- **BMRI's Nov24 net profit was soft at Rp4.1tr (+1% mom, -10% yoy), impacted by higher CIR and lower NIM, despite reduced CoF**
- **BMRI's 11M24 net profit rose to Rp47.2tr (+5% yoy), i.e., below, driven by a 23% loan growth, which offset NIM compression due to rising CoF.**
- **BMRI's overall performance was relatively weak, marked by declining NIM, though deposit growth and lower CoF showed some positives.**

11M24 Insights:

- **Net profit rose 5% yoy:** BMRI reported a net profit of Rp47.2tr (+5% yoy), achieving 83% of both our and consensus FY24F, slightly trailing last year's performance of 86%.
- **Strong loan growth offset the lower NIM:** Loans increased 23% yoy, while deposits rose 15% yoy, resulting in a higher LDR of 93.9% in 11M24 compared to 87.7% in 11M23. This drove positive NII growth (+5%) despite a 44bps yoy decline in NIM to 4.9%.
- **NIM pressured by higher CoF:** EA yield remained stable at 7.3%, but CoF increased to 2.8% (from 2.2% in 11M23), contributing to the lower NIM amidst a higher LDR.
- **Stable CoC:** As of 11M24, BMRI's CoC was steady at 0.7% (flat yoy), with provision expenses increasing 23%, aligned with the 23% loan growth.
- **Opex efficiency and improved CIR:** BMRI's opex rose only 1% yoy in 11M24, leading to an improved CIR of 33.2%, down from 34.4% in 11M23.

Nov24 Insights:

- **Soft Nov24 net profit:** BMRI reported net profits of Rp4.1tr (+1% mom, -10% yoy), impacted by lower other operating income, higher opex, and a reduced NIM.
- **NIM fell mom despite a decline in CoF:** CoF decreased by 19bps mom, but a 31bps drop in EA yield led to a lower NIM of 4.7% (-17bps mom).
- **Lower LDR mom as deposits grew faster than loans:** Loans grew 2% mom, while deposits rose 3%, reducing LDR to 93.9% in Nov24 from its Oct24 high of 95.1%.
- **CoC normalized at 0.3%:** Following a high base in Oct24, CoC moderated to 0.4% in Nov24 (-61bps mom).
- **Higher CIR due to lower income:** With a declining NIM and a drop in other operating income (-4% mom, -19% yoy), CIR increased to 38.6% in Nov24.

Summary:

- **Overall performance:** In our assessment, BMRI's Nov24 results were relatively weak, with a declining NIM and recovery income failing to match last year's levels. LDR remained high, but the lower CoF and a 3% mom deposit growth showed positive momentum.
- 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 Nov24 bank-only results

BMRI - Bank Only (Rpbn)	Nov-23	Oct-24	Nov-24	mom, %	yoy, %	11M23	11M24	yoy, %	FY23	11M23/FY23	FY24F	11M24/FY24F	FY24C	11M24/FY24C
Interest income	8,298	9,927	9,607	-3%	16%	88,946	101,698	14%	97,831	91%	149,120	68%		
Interest expense	(2,456)	(3,434)	(3,279)	-5%	33%	(23,803)	(33,147)	39%	(26,604)	89%	(47,692)	70%		
Net interest income	5,842	6,493	6,328	-3%	8%	65,144	68,551	5%	71,227	91%	101,429	68%	103,952	66%
Other operating income	3,113	2,646	2,527	-4%	-19%	28,091	28,646	2%	32,452	87%	44,138	65%	45,237	63%
Operating expenses	(3,378)	(3,414)	(3,422)	0%	1%	(32,051)	(32,278)	1%	(35,623)	90%	(56,737)	57%		
PPOP	5,578	5,725	5,433	-5%	-3%	61,184	64,918	6%	68,056	90%	92,878	70%		
Provision	(24)	(954)	(328)	-66%	1250%	(5,844)	(7,167)	23%	(5,367)	109%	(15,368)	47%	(14,032)	51%
Pre-tax profit	5,588	5,034	5,103	1%	-9%	55,416	58,095	5%	62,787	88%	77,553	75%	77,354	75%
Net profit	4,554	4,055	4,111	1%	-10%	45,069	47,173	5%	51,097	88%	56,817	83%	56,634	83%
										YTD, %				
Loans	1,046,059	1,263,845	1,283,445	2%	23%	1,046,059	1,283,445	23%	1,085,787	18%	1,599,449	80%	1,622,421	79%
Customer deposits	1,192,237	1,328,960	1,367,083	3%	15%	1,192,237	1,367,083	15%	1,242,146	10%	1,804,456	76%	1,758,145	78%
Key Ratio				mom, bps	yoy, bps			yoy, bps		11M24 vs FY23, bps		vs FY24F, bps		
Earning Asset yield (%) - ann	7.2	7.4	7.1	↓ (31)	↓ (10)	7.3	7.3	⇒ (2)	7.3	⇒ (3)	7.2	↑ 13		
Cost of fund (%) - ann	2.5	3.1	2.9	↑ (19)	↓ 43	2.2	2.8	↓ 55	2.3	↓ 51	2.5	↓ 27		
NIM (%) - ann	5.1	4.9	4.7	↓ (17)	↓ (39)	5.3	4.9	↓ (44)	5.3	↓ (41)	4.9	⇒ 4		
CIR (%) - ann	37.7	37.4	38.6	↓ 129	↓ 93	34.4	33.2	↑ (117)	34.4	↑ (115)	37.9	↑ (471)		
Cost of credit (%) - ann	0.0	0.9	0.3	↑ (61)	↓ 28	0.7	0.7	⇒ 1	0.5	↓ 12	1.0	↑ (37)		
CASA Ratio (%)	79.1	78.4	79.5	↑ 112	↑ 40	79.1	79.5	↑ 40	79.4	⇒ 8	63.5	↑ 1,602		
LDR (%)	87.7	95.1	93.9	↑ (122)	↓ 614	87.7	93.9	↓ 614	87.4	↓ 647	88.6	↓ 524		

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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