

Buy

(Maintained)

Bank Mandiri (BMRI IJ)

FY24 Results: Below; Higher Opex in 4Q24 Eroded Net Profit Despite Improving Loan Yield

Last Price (Rp)	5,100
Target Price (Rp)	5,900
Previous Target Price (Rp)	6,400
Upside/Downside	+15.7%
No. of Shares (mn)	93,333
Mkt Cap (Rpbn/US\$mn)	476,000/29,149
Avg, Daily T/O (Rpbn/US\$mn)	663.4/40.6
Free Float (%)	39.2
Major Shareholder (%)	
Government of Indonesia	52.0
INA	8.0
EPS Consensus (Rp)	
	2025F 2026F 2027F
BRIDS	604.5 674.2 714.4
Consensus	641.9 699.4 741.5
BRIDS/Cons (%)	(5.8) (3.6) (3.7)

- BMRI recorded NP of Rp55.8tr in FY24 (+1% yoy), slightly missing our and consensus' estimate on higher-than-expected CIR amid lower CoC.
- Despite the robust NII, 4Q24 NP declined to Rp13.8tr (-11% qoq, -14% yoy) as opex jumped, offsetting the higher NIM.
- Maintain Buy rating for BMRI with a lower TP of Rp5,900. Risks to our view include lower EA yield and possible asset quality deterioration.

Robust growth in wholesale segment, offset by a lower NIM and a higher CIR

BMRI recorded a net profit of Rp55.8tr in FY24, slightly missing our estimate (97%) and consensus (98%) due to higher-than-expected CIR (37.8% vs. realization of 40.0%). BMRI booked loan growth of 19.5% yoy, offsetting a 33bps decline in NIM, resulting in a 6% increase in NII. The corporate and commercial segments remained the biggest contributors, with 27% and 23% yoy growth, respectively. Deposits grew by 8%, resulting in an LDR of 98%. CoC remained low at 0.8% (FY23: 0.8%), while NPL coverage declined to 271% (FY23: 326%). The NPL ratio improved from 1.2% in FY23 to 1.1% in FY24. CIR rose to 40.0%, driven by higher opex (+9% yoy), mainly due to elevated opex in 4Q24.

Negative NP growth driven by elevated opex

BMRI posted a net profit of Rp13.8tr in 4Q24 (-11% qoq, -14% yoy), despite an NII of Rp27.1tr (+6% qoq, +13% yoy). The decline in NP was driven by high opex, which increased by 36% qoq and 22% yoy due to higher G&A and other expenses. NIM increased to 5.1% in 4Q24 from 5.0% in 3Q24, driven by higher loan yields, which offset the rise in CoF, along with a higher LDR. Loan yields increased across all segments except corporates, supported by repricing and higher yields on newly booked loans during the quarter.

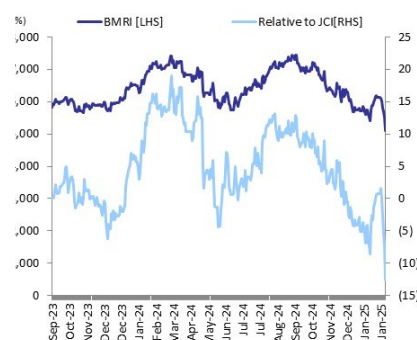
FY25 guidance: moderating growth with solid asset quality expectations

The bank guides for FY25F loan growth of 10-12% (FY24 19.5%), NIM of 5.0-5.2% (FY24 5.15%), and CoC of 1.0-1.2% (FY24 0.79%). The higher CoC is due to the lower expectation of potential provision releases, while asset quality is expected to remain solid as NPL is guided to remain around 1% (FY24 0.97%). Management aims to lower LDR to the mid-to-low 90% (FY24 98%), which indicates that deposits must grow by 14% yoy at a minimum. We slightly lowered our FY25/ 26F est. by 7/ 5% to reflect mgmt's latest guidance.

Maintain Buy with a lower TP of Rp5,900

We maintain our Buy rating and lower our TP to Rp5,900 (from Rp6,400 prev.), based on an unchanged -0.5SD 5-year average CoE and updated forecasts. This valuation, which we derived from GGM with an 11.9% CoE and a 19.1% FY25F ROE, implies an FV PBV of 1.8x. Risks to our view include lower asset yields and possible asset quality deterioration.

BMRI relative to JCI Index



Source: Bloomberg

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Key Financials

Year to 31 Dec	2023A	2024A	2025F	2026F	2027F
PPOP (Rpbn)	84,790	87,989	94,146	100,302	112,587
Net profit (Rpbn)	55,060	55,783	56,416	62,927	66,681
EPS (Rp)	589.9	597.7	604.5	674.2	714.4
EPS growth (%)	33.7	1.3	1.1	11.5	6.0
BVPS (Rp)	2,794.9	3,040.7	3,282.5	3,552.1	3,837.9
PER (x)	8.6	8.5	8.4	7.6	7.1
PBV (x)	1.8	1.7	1.6	1.4	1.3
Dividend yield (%)	6.9	7.0	7.1	7.9	8.4
ROAE (%)	22.4	20.5	19.1	19.7	19.3

Source: BMRI, BRIDS Estimates

Exhibit 1. BMRI's FY24 earnings summary

BMRI - Financial (Rpbn)	4Q23	3Q24	4Q24	qoq, %	yoy, %	2023	2024	yoy, %	FY24F	FY24C	A/F	A/C
Interest income	34,536	38,413	40,600	6%	18%	132,544	151,236	14%	148,825		102%	n/a
Interest expense	10,513	12,891	13,446	4%	28%	36,658	49,479	35%	47,450		104%	n/a
Net interest income	24,023	25,522	27,154	6%	13%	95,887	101,757	6%	101,374	103,922	100%	98%
Other operating income	13,828	11,579	12,748	10%	-8%	42,771	44,842	5%	42,073		107%	n/a
Operating expenses	15,415	13,761	18,773	36%	22%	53,867	58,610	9%	55,720		105%	n/a
PPOP	22,436	23,341	21,129	-9%	-6%	84,790	87,989	4%	91,776		96%	n/a
Provision	996	2,621	2,395	-9%	140%	10,149	11,929	18%	13,488		88%	n/a
Operating Profit	21,440	20,720	18,734	-10%	-13%	74,642	76,060	2%	78,288	78,278	97%	97%
Net profit	15,997	15,467	13,765	-11%	-14%	55,060	55,783	1%	57,443	56,678	97%	98%
Loans	1,398,071	1,589,835	1,670,547	5%	19%	1,398,071	1,670,547	19%	1,599,449	1,622,421	104%	103%
Customer deposits	1,577,730	1,668,164	1,699,575	2%	8%	1,577,730	1,699,575	8%	1,771,005	1,758,145	96%	97%
Key Ratio				qoq, bps		yoy, bps		yoy, bps				
Loan yield (%) - ann	8.5	8.4	8.6	↑ 15	↔ 6	8.6	8.4	↓ (11)				
Cost of fund (%) - ann	3.2	3.6	3.7	↓ 13	↓ 50	2.3	2.8	↓ 45				
NIM (%) - ann	5.1	4.95	5.09	↑ 14	↓ (5)	5.4	5.0	↓ (37)				
CIR (%) - ann	40.7	37.1	47.0	↓ 996	↓ 632	38.8	40.0	↓ 113				
Cost of credit (%) - ann	0.3	0.7	0.6	↔ (8)	↓ 29	0.8	0.8	↔ (1)				
ROE (%) - ann	25.4	23.5	19.8	↓ (369)	↓ (557)	23.3	21.3	↓ (202)				
CASA ratio (%)	74.3	73.8	74.8	↑ 98	↑ 53							
LDR (%)	88.6	95.3	98.3	↓ 299	↓ 968							
NPL ratio (%)	1.2	1.1	1.1	↔ (2)	↔ (8)							
LaR ratio (%)	8.6	7.3	6.8	↑ (51)	↑ (186)							

Source: Company, BRIDS Estimates, Bloomberg

Exhibit 2. BMRI's Changes in Forecast

BMRI - Forecast Changes	2025F (Prev)	2025F (Curr)	Δ%	2026F (Prev)	2026F (Curr)	Δ%
Net Interest Income (Rpbn)	108,100	108,454	0.33	119,324	115,280	(3.39)
PPOP (Rpbn)	98,491	94,146	(4.41)	109,158	100,302	(8.11)
Net profit (Rpbn)	60,980	56,416	(7.48)	66,047	62,927	(4.72)
BVPS (Rp)	3,302	3,282	(0.60)	3,585	3,552	(0.93)
Gross Loans (Rpbn)	1,751,238	1,780,153	1.65	1,947,210	1,939,248	(0.41)
Customer Deposits (Rpbn)	1,911,076	1,911,076	-	2,088,712	2,088,712	-
Ratios (%)	2025F (Prev)	2025F (Curr)	Δ bps	2026F (Prev)	2026F (Curr)	Δ bps
Net Interest Margin	4.8	4.8	(2)	4.9	4.8	(15)
Gross NPL Ratio	1.5	1.4	(15)	1.4	1.2	(20)
Cost/Income Ratio	37.4	39.6	224	36.6	39.4	280
Cost of Credit	0.9	1.0	7	1.0	0.8	(25)
ROAE	20.6	19.1	(148)	20.5	19.7	(82)

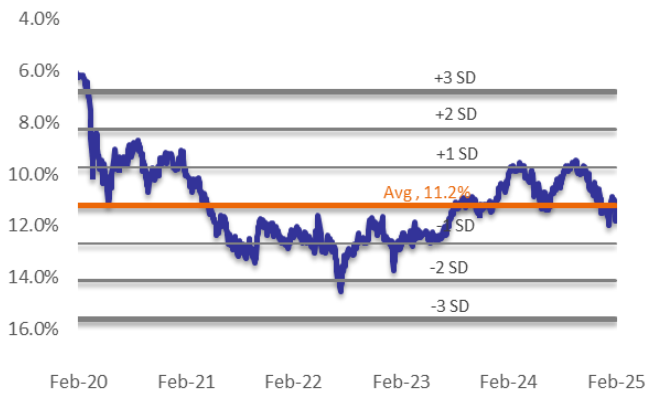
Source: Company, BRIDS Estimates

Exhibit 3. BMRI's Valuation

Gordon Growth Valuation with Inverse Cost of Equity	
Parameters:	Comment:
Cost of equity (%)	11.2 5-Year average
Cost of equity (%) - SD	1.5 5-Year average
SD used	(0.5)
Cost of equity (%) used	11.9
Long-term growth (%)	3.0 Long-term nominal GDP growth
Forward ROE (%)	19.1 FY25F ROAE
Fair value P/BV (x)	1.8 (ROAE - g) / (COC - g)
BV/share (IDR)	3,282 FY25F Book value per share
Fair value (IDR)	5,900 Fair value P/BV multiple x BVPS

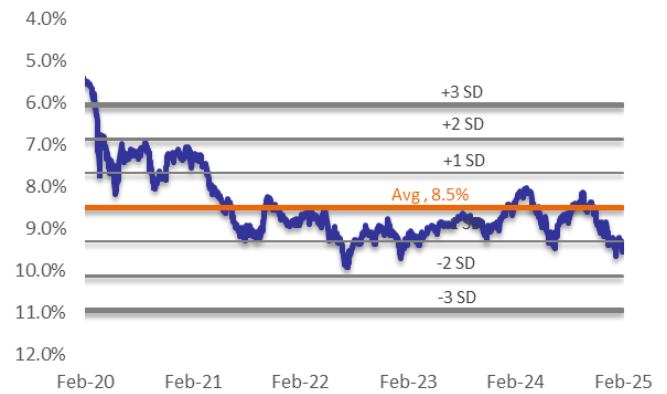
Source: Company, BRIDS Estimates

Exhibit 4. BMRI's cost of equity band chart (5-year)



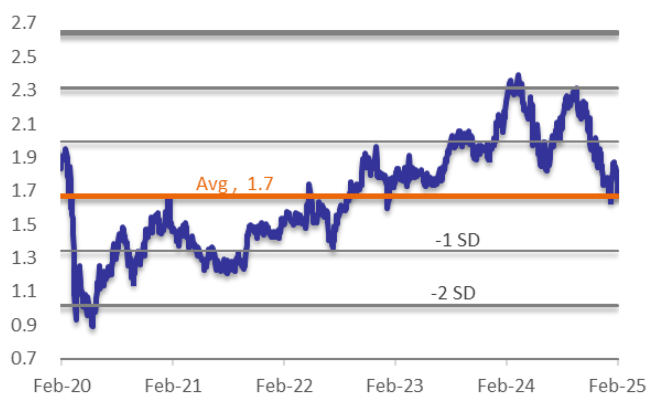
Source: Company, Bloomberg, BRIDS Estimates

Exhibit 5. Sector's cost of equity band chart (5-year)



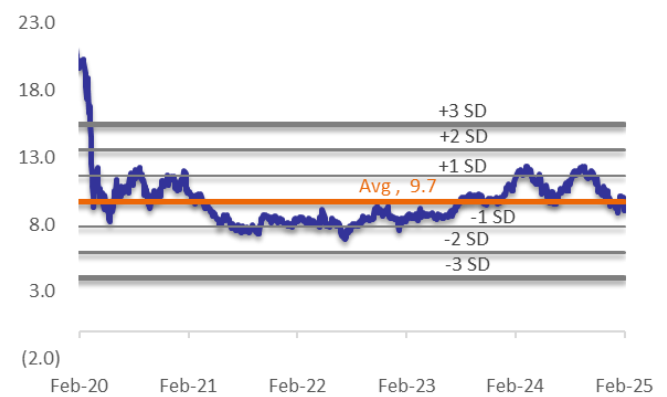
Source: Company, Bloomberg, BRIDS Estimates

Exhibit 6. BMRI's P/BV band chart (5-year)



Source: Company, Bloomberg, BRIDS Estimates

Exhibit 7. BMRI's P/E band chart (5-year)



Source: Company, Bloomberg, BRIDS Estimates

Exhibit 8. Income Statement

Year to 31 Dec (Rpbn)	2023A	2024A	2025F	2026F	2027F
Interest Income	132,544	151,236	166,172	176,433	191,737
Interest Expense	(36,658)	(49,479)	(57,718)	(61,153)	(63,656)
Net Interest Income	95,887	101,757	108,454	115,280	128,081
Non-Interest Income (NII)	39,172	40,209	43,386	45,987	49,986
Oper. Income	135,059	141,965	151,840	161,267	178,067
Oper. Expenses	(53,867)	(58,610)	(61,811)	(65,340)	(69,726)
Pre-provisions profit	84,790	87,989	94,146	100,302	112,587
Provisions & Allowances	(10,149)	(11,929)	(16,852)	(14,425)	(21,175)
Operating Profits	74,642	76,060	77,293	85,877	91,412
Non-Operating Income	43	344	344	344	344
Exceptionals	0	0	0	0	0
Pre-tax Profit	74,685	76,403	77,637	86,221	91,756
Income Tax	(14,633)	(15,238)	(15,484)	(17,196)	(18,300)
Minorities	(4,992)	(5,382)	(5,737)	(6,098)	(6,775)
Net Profit	55,060	55,783	56,416	62,927	66,681

Exhibit 9. Balance Sheet

Year to 31 Dec (Rpbn)	2023A	2024A	2025F	2026F	2027F
Gross Loans	1,359,832	1,623,217	1,780,153	1,939,248	2,119,431
Provisions	(53,099)	(49,355)	(47,779)	(40,098)	(34,883)
Net Loans	1,306,734	1,573,862	1,732,374	1,899,149	2,084,548
Govt. Bonds	309,183	287,273	266,956	248,490	231,607
Securities	94,546	95,478	92,640	89,302	86,203
Other Earnings Assets	37,456	46,293	45,147	52,159	56,550
Total Earnings Assets	1,975,387	2,216,011	2,348,920	2,500,408	2,669,830
Fixed Assets	82,315	90,459	95,417	100,812	106,536
Non-Earnings Assets	46,909	49,954	44,707	47,116	47,259
Total Assets	2,174,219	2,427,223	2,693,359	2,929,253	3,149,420
Customer Deposits	1,577,730	1,699,575	1,911,076	2,088,712	2,270,733
Banks Deposits	17,685	27,043	28,936	30,961	33,128
Int. Bearing Liab. - Others	0	0	0	0	0
Total Liabilities	1,886,724	2,113,749	2,351,581	2,556,207	2,742,927
Share capital & Reserves	63,549	63,746	63,746	63,746	63,746
Retained Earnings	197,304	220,050	242,617	267,788	294,460
Shareholders' Funds	260,853	283,796	306,363	331,534	358,206
Minority interests	26,642	29,678	35,415	41,513	48,287
Total Equity & Liabilities	2,174,219	2,427,223	2,693,359	2,929,253	3,149,420

Exhibit 10. Key Ratios

Year to 31 Dec	2023A	2024A	2025F	2026F	2027F
Yield on Earning Assets	7.0	7.2	7.3	7.3	7.4
Cost of funds	2.1	2.6	2.7	2.6	2.5
Interest Spread	4.9	4.6	4.6	4.7	4.9
Net Interest Margin	5.1	4.9	4.8	4.8	5.0
Cost/Income Ratio	38.8	40.0	39.6	39.4	38.2
Oper. Exp./Oper. Gross Inc.	57.4	61.2	63.8	62.1	62.8
Gross NPL Ratio	1.2	1.1	1.4	1.2	1.2
LLP/Gross NPL	329.1	273.7	196.1	171.8	135.0
Cost of Credit	0.8	0.8	1.0	0.8	1.0
Loan to Deposit Ratio	86.2	95.5	93.1	92.8	93.3
Loan to Funding Ratio	83.5	93.2	89.2	89.2	90.0
CASA Mix	66.5	66.5	64.4	65.4	65.1
ROAE	22.4	20.5	19.1	19.7	19.3
ROAA	2.6	2.4	2.2	2.2	2.2
CAR	18.6	17.2	17.2	16.4	0.0

Exhibit 11. Dupont and Growth

Year to 31 Dec	2023A	2024A	2025F	2026F	2027F
Dupont					
Pre-Tax ROAA	3.6	3.3	3.0	3.1	3.0
Tax Retention rate	80.4	80.1	80.1	80.1	80.1
Post-Tax ROAA	2.9	2.7	2.4	2.5	2.4
Goodwil, Assoc& Min	0.2	0.2	0.2	0.2	0.2
Leverage	8.5	8.4	8.7	8.8	8.8
ROAE	22.4	20.5	19.1	19.7	19.3
Growth (%)					
Interest income	17.9	14.1	9.9	6.2	8.7
Net Interest Income	9.1	6.1	6.6	6.3	11.1
Other Oper. Expenses	1.1	8.8	5.5	5.7	6.7
Fee Based Income	4.7	16.6	4.0	6.6	10.9
Pre-Provision Oper. Profit	17.3	3.8	7.0	6.5	12.2
Net Profit	33.7	1.3	1.1	11.5	6.0
Shareholders' Equity	13.6	8.8	8.0	8.2	8.0
Loan	16.0	19.4	9.7	8.9	9.3
Earnings Asset	8.9	12.2	6.0	6.4	6.8
Deposit	5.9	8.2	12.4	9.3	8.7
Int. Bearing Liab.	8.5	12.7	11.7	9.0	7.5
CASA	6.2	8.2	8.7	10.9	8.2
Total Asset	9.1	11.6	11.0	8.8	7.5

Source: BMRI, BRIDS Estimates

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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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