

6 February 2025

Financial Services | Banks

## Bank Mandiri (BMRI IJ)

**Buy** (Maintained)

### Looking Forward To a Better 2025; Keep BUY

- **Keep BUY, with new IDR7,670 TP from IDR8,100, 39% upside and 7% FY25F yield.** Bank Mandiri closed out 2024 on a softer note – as expected. Given near-term liquidity challenges, it will focus on a funding-led growth model, ie taking its foot off growing loans. Instead, it plans to leverage off its value chain strategy and digital platforms to grow higher yielding retail loans and low-cost CASA. A combination of earnings growth rebound, potentially improved funding conditions, IDR close to trough levels and mean-level P/BV keep us positive on the stock.
- **4Q24 results were in line** with net profit of IDR13.8trn (-11% QoQ, -14% YoY) bringing FY24 earnings to IDR55.8trn (+1% YoY) – at 101% and 98% of our and Street FY24F earnings. Reported group ROE was 21.2% (FY23: 23.2%), while CET-1 ratio was 19.6% (4Q23: 20.8%). 4Q24 operating income (+8% QoQ; +5% YoY) trend was positive, bolstered by strong loans growth as well as NIM and non-II expansion (QoQ basis). PPOP, though, fell 10% QoQ (-7% YoY) from a surge in operating expenses (+36% QoQ, +24% YoY) – partly seasonal. Group CIR rose to 47% in 4Q24 from 37% in 3Q24, leading to the drop in net profit. Credit cost (CoC) was slightly lower QoQ at 0.8%.
- **Good end to loans growth**, which at +5% QoQ and +19.5% YoY, exceeded BMRI's 2024 target of 16-18%. Loans growth was driven by wholesale (+27% YoY) and commercial (+23% YoY) loans while SME/micro/consumer loans grew 13%/12%/9% YoY respectively. Meanwhile, deposits rose by a slower pace of +2% QoQ (+8% YoY), which was deliberate especially in 4Q as part of efforts to shed costly special rate deposits (26% of total deposits in Dec 2024 vs 28-29% in Oct and Nov 2024). As a result, LDR rose to 98% from 93% in 3Q24 but CASA ratio improved to 74.8% in 4Q24 from 73.8% in 3Q24.
- **Improving NIM.** 4Q24 NIM (Bank only) ticked 7bps higher QoQ (-1bp YoY) to 4.95% as higher yields from new loan bookings (commercial, SME and consumer) helped lift blended loan yield and cushion the 10bps QoQ rise in deposit cost. A higher LDR helped as well. Overall, 2024 group NIM stood at 5.15% (+4bps QoQ, -33bps YoY) – within the 5-5.3% guidance.
- **Asset quality continued to improve**, with the overall loans-at-risk (LAR) ratio easing to 6.8% (3Q24: 7.5%) while the gross NPL ratio fell to 1.12% (3Q24: 1.13%). LLC stood at 271% (3Q24: 281%), well above the pre-pandemic average of 141%, while LAR coverage was 45% (3Q24: 43%; 2017-2019 average: 41%). FY24 cost of credit (CoC) of 0.8% met BMRI's <1% guidance.
- **2025 outlook.** For this year, BMRI is shifting focus to a liability-led growth model, growing cheap funding and extracting benefits from its value chain strategy, ie growing SME and retail loans as well as transactional and SME demand deposits (average funding cost is c.100bps lower than blended demand deposit cost). With that, it aims to lower its LDR to the 90-95% range.
- **We trim FY25F-26F earnings by 6% and 7%** on a more modest NIM rebound and loans growth, leading to a lower ROE assumption in our GGM-derived valuation. Our TP includes a 6% ESG premium.

Forecasts and Valuation	Dec-23	Dec-24	Dec-25F	Dec-26F	Dec-27F
Reported net profit (IDRb)	55,060	55,783	59,779	66,450	74,488
Net profit growth (%)	33.7	1.3	7.2	11.2	12.1
Recurring net profit (IDRb)	55,060	55,783	59,779	66,450	74,488
Recurring EPS (IDR)	589.94	597.68	640.49	711.98	798.10
BVPS (IDR)	2,794.89	3,040.72	3,322.64	3,650.36	4,021.31
DPS (IDR)	264.64	358.57	384.26	427.15	478.81
Recurring P/E (x)	9.37	9.24	8.63	7.76	6.92
P/B (x)	1.98	1.82	1.66	1.51	1.37
Dividend Yield (%)	4.8	6.5	7.0	7.7	8.7
Return on average equity (%)	22.4	20.5	20.1	20.4	20.8

Source: Company data, RHB

Target Price (Return): IDR7,670 (+39%)  
Price (Market Cap): IDR5,525 (USD31,537m)  
ESG score: 3.3 (out of 4)  
Avg Daily Turnover (IDR/USD) 576,630m/35.5m

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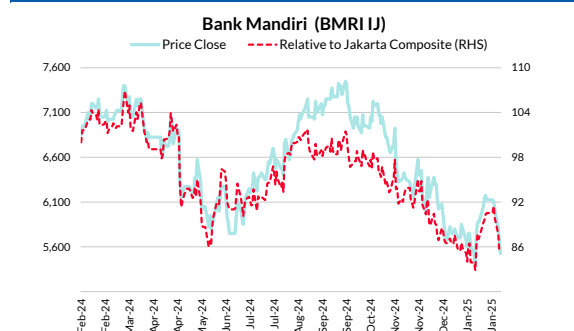


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#### Share Performance (%)

	YTD	1m	3m	6m	12m
Absolute	(3.1)	(4.8)	(20.2)	(16.0)	(19.1)
Relative	(3.0)	(3.5)	(14.6)	(16.2)	(17.4)
52-wk Price low/high (IDR)				5,400	7,450



Source: Bloomberg

#### Overall ESG Score: 3.3 (out of 4)

##### E: EXCELLENT

BMRI is committed to achieving net zero emissions in its operations by 2030, and in financing by 2060. In sustainable banking, BMRI has five prioritised sectors – oil palm plantations, construction & infrastructure, energy & water, metal mining, and F&B. Total sustainable business financing stood at IDR264trn or 24% of loans (bank-only).

##### S: EXCELLENT

The bank implemented several CSR programmes with a focus on community empowerment and the environment. It also developed branchless banking to introduce retail products to the underbanked, and distribute micro business credit and/or people's business credit to four commodity sectors.

##### G: EXCELLENT

BMRI actively provides education related to sustainability to stakeholders. The bank's composition of board of commissioners and board of directors is in line with the recommendations of the Financial Services Authority.

## Financial Exhibits

<b>Asia</b> Indonesia Financial Services <b>Bank Mandiri</b> BMRI IJ Buy	<b>Financial summary (IDR)</b>	<b>Dec-23</b>	<b>Dec-24</b>	<b>Dec-25F</b>	<b>Dec-26F</b>	<b>Dec-27F</b>
	EPS	589.94	597.68	640.49	711.98	798.10
	Recurring EPS	589.94	597.68	640.49	711.98	798.10
	DPS	264.64	358.57	384.26	427.15	478.81
	BVPS	2,794.89	3,040.72	3,322.64	3,650.36	4,021.31
<b>Valuation basis</b> GGM-derived intrinsic value with an ESG overlay. Key GGM assumptions: i. COE of 12.2%, ii. ROE of 20%, and iii. 5.5% long-term growth.	<b>Valuation metrics</b>	<b>Dec-23</b>	<b>Dec-24</b>	<b>Dec-25F</b>	<b>Dec-26F</b>	<b>Dec-27F</b>
	Recurring P/E (x)	9.37	9.24	8.63	7.76	6.92
	P/B (x)	2.0	1.8	1.7	1.5	1.4
	Dividend Yield (%)	4.8	6.5	7.0	7.7	8.7
<b>Key drivers</b> Our earnings are most sensitive to changes in: i. Net interest margin; ii. Credit cost; and iii. Non-interest income growth.	<b>Income statement (IDRb)</b>	<b>Dec-23</b>	<b>Dec-24</b>	<b>Dec-25F</b>	<b>Dec-26F</b>	<b>Dec-27F</b>
	Interest income	132,544	151,236	169,675	187,757	205,834
	Interest expense	(36,658)	(49,479)	(55,454)	(61,185)	(66,229)
	<b>Net interest income</b>	<b>95,887</b>	<b>101,757</b>	<b>114,221</b>	<b>126,573</b>	<b>139,605</b>
	Non interest income	42,879	44,929	47,648	50,531	53,589
<b>Key risks</b> Downside risks include: i. Weaker-than-expected NIMs; ii. Sharper-than-expected deterioration in asset quality; and iii. Weaker-than-expected non-interest income.	<b>Total operating income</b>	<b>138,765</b>	<b>146,686</b>	<b>161,869</b>	<b>177,104</b>	<b>193,194</b>
	Overheads	(53,889)	(58,849)	(62,674)	(67,061)	(70,414)
	<b>Pre-provision operating profit</b>	<b>84,876</b>	<b>87,838</b>	<b>99,195</b>	<b>110,043</b>	<b>122,780</b>
	Loan impairment allowances	(10,234)	(11,778)	(17,587)	(19,326)	(21,091)
	Other exceptional items	43	344	-	-	-
<b>Company Profile</b> Bank Mandiri is Indonesia's second-largest bank by assets. It has a diversified loan book with lending to the corporate (state-owned enterprises (SOEs) and non-SOEs), SME, retail, and micro segments. The company was established in 1998 as an effort to restructure the national banking sector, with four state-owned banks (Bank Bumi Daya, Bank Dagang Negara, Bank Ekspor Impor Indonesia, and Bank Pembangunan Indonesia) merged into Bank Mandiri in 1999.	<b>Pre-tax profit</b>	<b>74,685</b>	<b>76,403</b>	<b>81,608</b>	<b>90,717</b>	<b>101,689</b>
	Taxation	(14,633)	(15,238)	(16,276)	(18,093)	(20,282)
	Minority interests	(4,992)	(5,382)	(5,553)	(6,173)	(6,920)
	<b>Reported net profit</b>	<b>55,060</b>	<b>55,783</b>	<b>59,779</b>	<b>66,450</b>	<b>74,488</b>
	<b>Recurring net profit</b>	<b>55,060</b>	<b>55,783</b>	<b>59,779</b>	<b>66,450</b>	<b>74,488</b>
	<b>Profitability ratios</b>	<b>Dec-23</b>	<b>Dec-24</b>	<b>Dec-25F</b>	<b>Dec-26F</b>	<b>Dec-27F</b>
	Return on average assets (%)	2.6	2.4	2.3	2.4	2.4
	Return on average equity (%)	22.4	20.5	20.1	20.4	20.8
	Return on IEAs (%)	7.2	7.4	7.4	7.4	7.5
	Cost of funds (%)	2.1	2.6	2.6	2.6	2.5
	Net interest spread (%)	5.1	4.8	4.8	4.8	4.9
	Net interest margin (%)	5.2	5.0	5.0	5.0	5.1
	Non-interest income / total income (%)	30.9	30.6	29.4	28.5	27.7
	Cost to income ratio (%)	38.8	40.1	38.7	37.9	36.4
	Credit cost (bps)	78.7	76.8	98.6	97.2	97.2
	<b>Balance sheet (IDRb)</b>	<b>Dec-23</b>	<b>Dec-24</b>	<b>Dec-25F</b>	<b>Dec-26F</b>	<b>Dec-27F</b>
	Total gross loans	1,398,071	1,670,547	1,898,493	2,076,078	2,262,387
	Other interest earning assets	529,272	508,809	530,605	569,124	610,767
	Total gross IEAs	1,927,343	2,179,356	2,429,099	2,645,201	2,873,154
	Total provisions	(55,716)	(51,932)	(53,199)	(54,523)	(58,493)
	Net loans to customers	1,344,189	1,620,155	1,846,891	2,023,210	2,205,611
	Total net IEAs	1,871,627	2,127,423	2,375,900	2,590,679	2,814,661
	Total non-IEAs	302,593	299,800	298,103	327,823	355,972
	Total assets	2,174,219	2,427,223	2,674,003	2,918,501	3,170,633
	Customer deposits	1,576,950	1,698,897	1,919,754	2,130,926	2,344,423
	Other interest-bearing liabilities	217,824	323,867	350,256	379,464	411,766
	Total IBLs	1,794,773	2,022,764	2,270,009	2,510,390	2,756,190
	Total non-IBLs	91,951	90,985	58,654	26,012	(9,198)
	Total liabilities	1,886,724	2,113,749	2,328,663	2,536,402	2,746,992
	Share capital	29,310	29,762	29,762	29,762	29,762
	Shareholders' equity	260,853	283,796	310,109	340,695	375,317
	Minority interests	26,642	29,678	35,231	41,404	48,324
	<b>Asset quality and capital</b>	<b>Dec-23</b>	<b>Dec-24</b>	<b>Dec-25F</b>	<b>Dec-26F</b>	<b>Dec-27F</b>
	Reported NPLs / gross cust loans (%)	1.2	1.1	1.0	1.0	1.0
	Total provisions / reported NPLs (%)	343.0	299.4	295.2	289.8	283.8
	CET-1 ratio (%)	20.8	19.6	19.8	20.3	20.9
	Tier-1 ratio (%)	20.8	19.6	19.8	20.3	20.9
	Total capital ratio (%)	22.0	20.8	21.0	21.5	22.1

Source: Company data, RHB

## Results At a Glance

Figure 1: BMRI – summary of 4Q24 and FY24 results

FYE Dec (IDRbn)	4Q23	3Q24	4Q24	QoQ	YoY	FY23	FY24	YoY	% of RHB	% of Street
Interest income	34,536	38,413	40,600	5.7%	17.6%	132,544	151,236	14.1%		
Interest expense	10,513	12,891	13,446	4.3%	27.9%	36,658	49,479	35.0%		
<b>NII</b>	<b>24,023</b>	<b>25,522</b>	<b>27,154</b>	<b>6.4%</b>	<b>13.0%</b>	<b>95,887</b>	<b>101,757</b>	<b>6.1%</b>		
Non-II	13,859	11,604	12,777	10.1%	-7.8%	42,879	44,929	4.8%		
<b>Total operating income</b>	<b>37,883</b>	<b>37,126</b>	<b>39,931</b>	<b>7.6%</b>	<b>5.4%</b>	<b>138,765</b>	<b>146,686</b>	<b>5.7%</b>		
Operating expenses	15,281	13,867	18,872	36.1%	23.5%	53,889	58,849	9.2%		
<b>PPOP</b>	<b>22,602</b>	<b>23,260</b>	<b>21,060</b>	<b>-9.5%</b>	<b>-6.8%</b>	<b>84,876</b>	<b>87,838</b>	<b>3.5%</b>		
Provision expense	1,162	2,539	2,326	-8.4%	100.2%	10,234	11,778	15.1%		
<b>Operating profit</b>	<b>21,440</b>	<b>20,720</b>	<b>18,734</b>	<b>-9.6%</b>	<b>-12.6%</b>	<b>74,642</b>	<b>76,060</b>	<b>1.9%</b>		
<b>Net profit</b>	<b>15,997</b>	<b>15,467</b>	<b>13,765</b>	<b>-11.0%</b>	<b>-13.9%</b>	<b>55,060</b>	<b>55,783</b>	<b>1.3%</b>	<b>101%</b>	<b>98%</b>
<b>Balance sheet (IDRbn)</b>	<b>Dec-23</b>	<b>Sep-24</b>	<b>Dec-24</b>							
Loans	1,398,071	1,589,835	1,670,547	5.1%	19.5%					
Deposit	1,576,950	1,667,497	1,698,897	1.9%	7.7%					
- CASA	1,171,705	1,231,369	1,271,210	3.2%	8.5%					
- Time deposits	405,245	436,128	427,686	-1.9%	5.5%					
<b>Ratios</b>	<b>FY23</b>	<b>9MFY24</b>	<b>FY24</b>							
ROAA (%)	2.64%	2.49%	2.42%							
ROAE (%)	23.2%	21.7%	21.2%							
NIM (%)	5.48%	5.11%	5.15%							
CoC (%)	0.8%	0.9%	0.8%							
CASA (%)	74.3%	73.8%	74.8%							
LDR (%)	88.7%	95.3%	98.3%							
CIR (%)	38.8%	37.4%	40.1%							
NPL (%)	1.19%	1.13%	1.12%							
CAR (%)	21.5%	20.1%	20.1%							
Loan loss coverage (%)	326.0%	281.0%	271.0%							

Source: Company data, RHB

## Management FY24 target achievement and FY25F guidance

Figure 2: Comparison of BMRI's guidance over FY23-25F

	FY23 achieved	FY24 achieved	FY24 guidance	FY25 guidance	Comments
Loans growth	16.3%	19.5%	16 - 18%	10 - 12%	Switching focus to a liability-led growth strategy with greater reliance on its ecosystem value chain (ie SME and retail) rather than wholesale to underpin 2025 loans growth. Management targets to keep LDR to a low- to mid-90% level going forward.
NIM	5.48%	5.15%	5 - 5.3%	5 - 5.2%	For now, management is starting off on a more cautious stance on the liquidity environment, given the NIM squeeze experienced last year. Also, efforts to lower LDR could pressure NIM in the near term, cushioned by higher loan yields from new commercial, SME and consumer loan bookings. Beyond that, BMRI thinks a combination of government initiatives and policies (eg efforts to bolster private consumption) as well as policy rate cuts by Bank Indonesia, could lead to improved liquidity conditions and lower funding cost.
Credit cost	0.85%	0.79%	< 1%	1 - 1.2%	Higher CoC mainly reflects normalisation of CoC in the absence of the overlay writebacks rather than anticipation of asset quality issues ahead.

Source: Company data, RHB

## Earnings forecasts

Our FY25F-26F numbers have been updated for the full-year FY24 results, and to take into account management's targets/guidance. Consequently, we trim FY25F-26F net profit by 6% and 7%, mainly on lower NIM assumptions after updating for FY24 (actual) numbers, and to factor in a more modest rebound ahead as well as more conservative loans growth assumptions ahead given management's focus on liquidity and liability franchise.

On the whole, we continue to project FY25 earnings growth to rebound from the +1% YoY in FY24, albeit by a more modest +7% YoY in FY25F as compared to the earlier +15% YoY. We expect NII (2025F: +12% YoY) to be the key driver underpinning the rebound in 2025F PATMI growth amid double-digit loan growth and stable NIM, partly offset by higher CoC assumed of 1% vs 0.8% in 2024.

Figure 3: BMRI – revisions to earnings forecasts

	Previous FY25F	Previous FY26F	Previous FY27F	Revised FY25F	Revised FY26F	Revised FY27F	% Change FY25F	% Change FY26F	% Change FY27F
<b>FYE Dec (IDRbn)</b>									
NII	116,048	128,368	<i>new</i>	114,221	126,573	139,605	-2%	-1%	<i>n.m.</i>
Operating income	163,146	178,309	<i>new</i>	161,869	177,104	193,194	-1%	-1%	<i>n.m.</i>
PPOP	104,016	116,223	<i>new</i>	99,195	110,043	122,780	-5%	-5%	<i>n.m.</i>
Provision expenses	17,003	18,886	<i>new</i>	17,587	19,326	21,091	3%	2%	<i>n.m.</i>
<b>Net profit</b>	<b>63,693</b>	<b>71,251</b>	<b><i>new</i></b>	<b>59,779</b>	<b>66,450</b>	<b>74,488</b>	<b>-6%</b>	<b>-7%</b>	<b><i>n.m.</i></b>
EPS (IDR)	682	763	<i>new</i>	640	712	798	-6%	-7%	<i>n.m.</i>
EPS growth (%)	15.5%	11.9%		7.2%	11.2%	12.1%			
Loans	1,793,506	1,983,673	<i>new</i>	1,846,430	2,018,808	2,199,391	3%	2%	<i>n.m.</i>
Loan growth (%)	11.6%	10.6%		10.5%	9.3%	8.9%			
NIM (%)	5.07%	5.06%	<i>new</i>	4.98%	5.02%	5.07%			
CIR (%)	36.2%	34.8%	<i>new</i>	38.7%	37.9%	36.4%			
Credit cost (%)	1.00%	1.00%	<i>new</i>	1.00%	1.00%	1.00%			
BVPS (IDR)	3,360	3,714	<i>new</i>	3,323	3,650	4,021	-1%	-2%	<i>n.m.</i>
DPS (IDR)	409	458	<i>new</i>	384	427	479	-6%	-7%	<i>n.m.</i>
ROE	21.4%	21.6%	<i>new</i>	20.1%	20.4%	20.8%			

Source: Company data, RHB

## Valuation and TP

We trim our TP to IDR7,670 from IDR8,100. The change reflects the update to book value, coupled with the earnings forecast revisions above, which have prompted us to revise our sustainable ROE assumption to 20% from 21%.

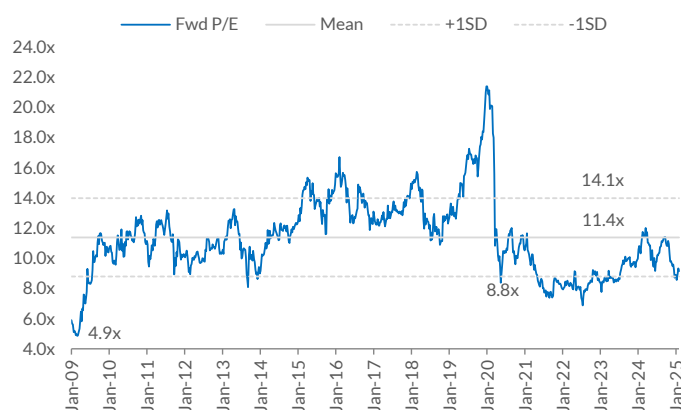
Following the above revisions, our intrinsic value is now IDR7,239 from IDR7,643 previously, based on an updated GGM-derived P/BV of 2.18x (from 2.52x), or around +1SD from its long-term mean. The TP includes an unchanged ESG premium of 6% applied, given BMRI's ESG score of 3.3 out of 4.0, using our proprietary in-house methodology.

**Figure 4: BMRI – GGM valuation with ESG overlay**

<b>Cost of equity (COE) computation:</b>		Sustainable ROE (%)	20.0
Risk free rate (%)	6.7	COE (%)	12.2
Equity premium (%)	4.2	Long-term growth (g)	5.5
Beta (x)	1.3	Implied P/BV (x)	2.18
Cost of equity - CAPM (%)	12.2	BVPS – 12-mth rolling forward	IDR3,323
		Intrinsic value	IDR7,239
ESG premium/(discount) (%)	6.0	ESG premium/(discount)	IDR434
		<b>TP (rounded)</b>	<b>IDR7,670</b>

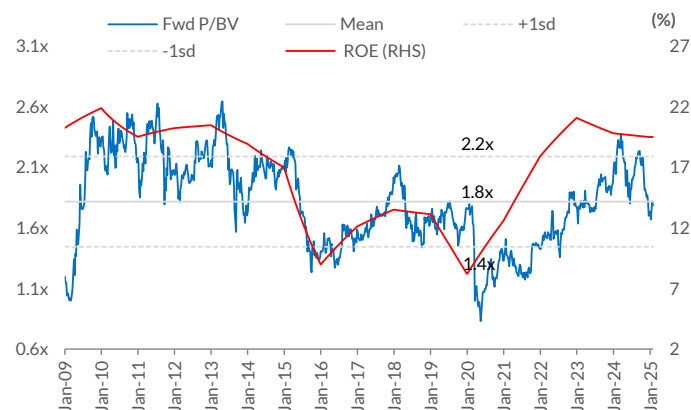
Source: Company data, RHB

**Figure 5: BMRI's 12-month forward consensus P/E**



Source: Bloomberg, RHB

**Figure 6: BMRI's 12-month forward consensus P/BV**



Source: Bloomberg, RHB

## Emissions And ESG

### Trend analysis

BMRI's total emissions (ex-financed emissions) decreased by 19% in 2023 from the baseline period of 2019. This was the result of various energy-saving efforts and as part of BMRI's goal to achieve net-zero emissions for its operations by 2030.

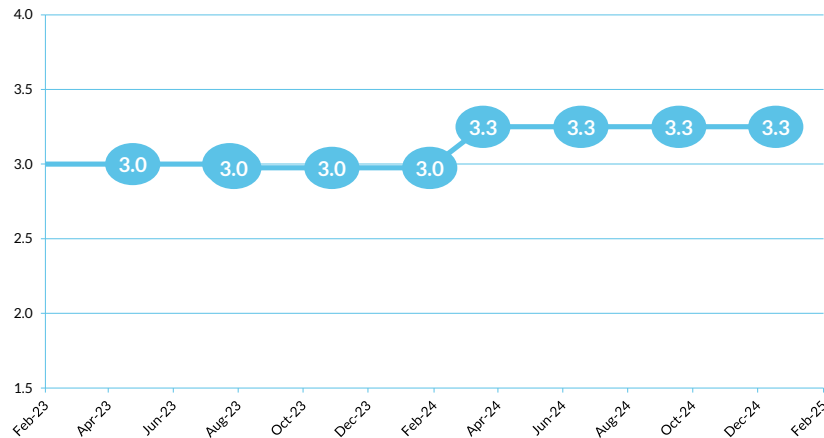
Emissions (tCO <sub>2</sub> e)	Dec-22	Dec-23	Dec-24
Scope 1	42,698	43,077	na
Scope 2	260,082	252,636	na
Scope 3	1,007	-	na
Total emissions	303,787	295,713	na

Source: Company data, RHB

## Latest ESG-Related Developments

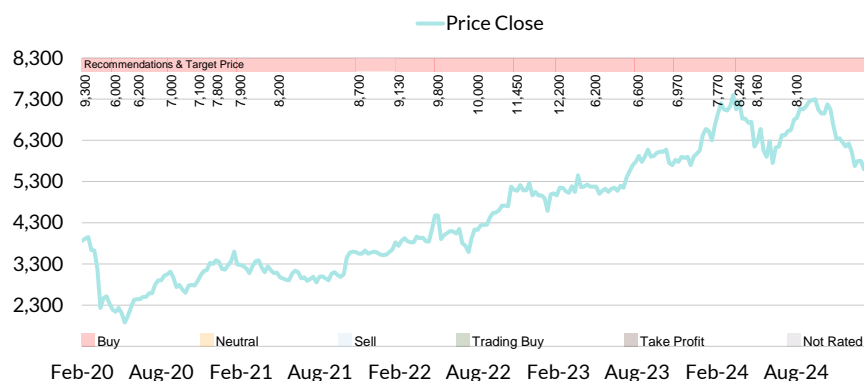
- **2024-2028 strategy is underpinned by three pillars:** i) Sustainable banking, ii) sustainable operations, and iii) sustainability beyond banking.
- **Focus in 2024:** Developing a sustainable financing framework, enhancing its ESG credit policy and establishing a climate risk stress test.
- **Financed emissions:** BMRI started reporting its Scope 3 financed emissions in 2023, which stood at 18mtCO<sub>2</sub>e.

## ESG Rating History



Source: RHB

## Recommendation Chart



Source: RHB, Bloomberg

Date	Recommendation	Target Price	Price
2024-08-01	Buy	8,100	6,750
2024-05-01	Buy	8,160	6,900
2024-04-05	Buy	8,240	6,825
2024-03-21	Buy	8,240	7,050
2024-01-31	Buy	7,770	6,650
2023-10-30	Buy	6,970	5,725
2023-08-01	Buy	6,600	5,650
2023-04-25	Buy	6,200	5,175
2023-02-01	Buy	12,200	4,850
2022-10-27	Buy	11,450	5,100
2022-07-29	Buy	10,000	4,138
2022-04-28	Buy	9,800	4,475
2022-01-28	Buy	9,130	3,825
2021-10-29	Buy	8,700	3,588
2021-07-30	Buy	8,200	2,850

Source: RHB, Bloomberg



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<b>Buy:</b>	Share price may exceed 10% over the next 12 months
<b>Trading Buy:</b>	Share price may exceed 15% over the next 3 months, however longer-term outlook remains uncertain
<b>Neutral:</b>	Share price may fall within the range of +/- 10% over the next 12 months
<b>Take Profit:</b>	Target price has been attained. Look to accumulate at lower levels
<b>Sell:</b>	Share price may fall by more than 10% over the next 12 months
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