

Bank Mandiri

FY24 result review: Weak last quarter

FY24 results

In 4Q24, BMRI posted an NPAT of IDR13.8tr (-11.0% QoQ, -13.9% YoY), mainly impacted by seasonally higher GA expenses in the quarter (+62.7% QoQ, +40.7% YoY). Management emphasized that subs (i.e. BRIS) still need to improve efficiency.

Cummulatively, FY24 NPAT reached IDR55.8tr (+1.3% YoY), slightly below consensus estimates of IDR56.2tr (99.3% run-rate). Non-II fell short of management's expectations due to lower recovery income, while provision expenses rose 17.5 YoY due to fewer reversals, normalizing from the high base in FY23.

Interest income still grew robustly (+14.1% YoY), supported by strong loan growth (+19.5% YoY) particularly in the corporate (+26.7% YoY) and commercial (+23.0% YoY) segments and loan yield upward repricing especially in the commercial, SME, micro, and consumer segments. However, CoF pressure remained, driving a 35.0% YoY increase in interest expenses. Net II still grew +6.1% YoY, a solid performance.

BMRI has demonstrated better CoF management than other SOE banks, in our view, largely due to its digital initiatives (Livin for retail, Livin merchants for SME, and Kopra for wholesale customers), enhancing its transaction-based funding franchise. Deposits grew 7.7% YoY, led by CASA (+8.5% YoY), while TD +5.5%. The bank released some high-cost CA and TD that resulted in slower YoY growth.

Stronger loan growth relative to deposit growth drove the LDR to 98.0% (bank-only), though management noted that it had already fallen below 95% in January 2025.

Asset quality continued to improve, with gross NPL declining to 1.12% (FY23: 1.19%) and LAR to 6.76% (FY23: 8.62%), marking the lowest NPL ratio among major banks. While recoveries fell short of expectations due to weak macroeconomic conditions, management believes they will improve in 2025.

Guidance 2025

- Loan growth +10-12% (FY24: +19.5%).

Our take: loan growth will align with deposit growth, meaning deposits should expand faster than loans to bring LDR down to 90-95%. Digitalization will drive CASA growth, while BI's dovish stance will support system liquidity.

- NIM: 5.0-5.2% (FY24: 5.15%).

Our take: While CoF pressures may persist in the near term, loan yield upward repricing should help mitigate NIM compression.

- CoC: 1.0-1.2% (FY24: 0.79%).

Our take: The higher CoC guidance does not indicate rising NPL but reflects a normalization of provision reversals following the heavy provisioning during COVID.

Recommendation

BMRI's 4Q24 results were slightly below consensus expectations, which could lead to short-term selling pressure. We will monitor the January and February 2025 results for more clarity, particularly on liquidity levels and provisioning trend. We are currently in the process of re-initiating coverage on BMRI.

Appendix 1

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