Bank Mandiri (BMRI IJ)

2Q26: Strong Earnings, But NIM Pressure Persists

HOLD (Maintained)

Share Price	Rp4,130
Target Price	Rp5,150
Upside	+24.7%

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Highlights

- **Headline earnings remained resilient, but core earnings softened.** 1H26 earnings grew 24.4% yoy, supported by lower provisions and strong non-interest income, while NII and PPOP weakened qoq amid ongoing margin compression.
- **Loan growth remained strong, but profitability deteriorated.** Gross loans rose 19.2% yoy, driven by corporate lending. Lower loan yields and a weaker funding mix compressed NIM, leading management to lower its 2026 NIM guidance.
- **Maintain HOLD with an unchanged target price of Rp5,150.** Healthy asset quality and disciplined execution continue to support earnings, but persistent NIM pressure, funding competition and policy-related uncertainty limit upside at current valuations.

2Q26 Results

Year to 31 Dec (Rpb)	2Q26	qoq	yoy	1H26	Pro-Forma 1H25	yoy
Profit & Loss						
Interest Income	35,520	-5.0%	2.8%	72,895	69,642	4.7%
Interest Expenses	12,731	3.3%	-0.4%	25,056	25,367	-1.2%
Net Interest Income	22,789	-9.0%	4.7%	47,839	44,275	8.0%
Non-Interest Income & Others	11,716	1.4%	32.6%	23,271	19,887	17.0%
Total Income	34,505	-5.7%	12.8%	71,110	64,162	10.8%
Operating Expenses	12,934	-7.6%	-9.1%	26,926	27,313	-1.4%
PPOP	21,571	-4.6%	31.8%	44,184	36,849	19.9%
Provision Expenses	2,430	-9.7%	-2.2%	5,121	5,852	-12.5%
Net Profit	15,028	-2.3%	33.5%	30,412	24,455	24.4%

Source: Bank Mandiri, UOB Kay Hian

Analysis

- **2Q26 earnings remained resilient, supported by non-core earnings.** Bank Mandiri's (BMRI) net profit increased 33.5% yoy (-2.3% qoq) to Rp15.0t in 2Q26, bringing 1H26 earnings to Rp30.4t (+24.4% yoy), broadly in line with expectations. Earnings growth was driven by strong non-interest income, lower operating expenses and a 12.5% yoy decline in provisions, while pre-provision operating profit (PPOP) rose 19.9% yoy in 1H26. However, earnings quality was weaker than the headline growth suggested, as core income momentum softened. Despite a 19.2% yoy loan growth, net interest income (NII) grew only 8%, and declined 8% qoq, leading to a 4.6% qoq drop in PPOP.

Key Financials

Year to 31 Dec (Rpb)	2024	2025	2026F	2027F	2028F
Net interest income	101,757	106,210	97,627	98,623	107,515
Non-interest income	44,842	49,016	43,786	49,551	52,484
Net profit (rep./act.)	55,783	56,220	58,495	59,444	62,847
Net profit (adj.)	55,783	56,220	58,495	59,444	62,847
EPS (Rp)	598	602	627	637	673
PE (x)	6.9	6.9	6.6	6.5	6.1
P/B (x)	1.4	1.3	1.3	1.2	1.2
Dividend yield (%)	11.3	8.8	11.4	11.4	11.6
Net int margin (%)	5.2	4.9	4.3	4.3	4.3
Cost/income (%)	40.0	43.5	41.3	42.1	42.0
Loan loss cover (%)	293.2	229.8	234	198	193
Consensus net profit	-	-	56,909	59,536	65,221
UOBKH/Consensus (x)	-	-	1.03	1.00	0.96

Source: Bank Mandiri, Bloomberg, UOB Kay Hian

Stock Data

GICS Sector:	Financials
Bloomberg ticker:	BMRI IJ
Share issued (m):	93,333.3
Market cap (Rpb):	385,466.7
Market cap (US$m):	21,482.8
3-mth avrg daily t'over (US$m):	54.8

Price Performance (%)

52-week high/low: Rp5,375/Rp3,650

1mth	3mth	6mth	1yr	YTD
0.2	(10.8)	(17.2)	(11.8)	(19.0)

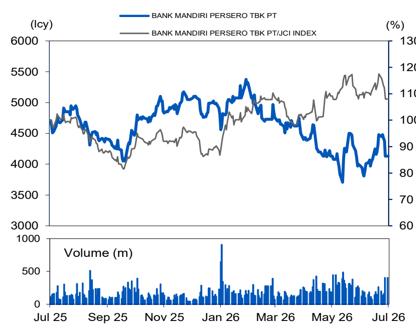
Major Shareholders

	%
Danantara	51.48

Balance Sheet Metrics

FY26 NAV/Share (Rp)	3,191
FY26 CAR tier-1 (%)	22.3

Price Chart



Source: Bloomberg

Company Description

BMRI is a state-owned bank, a leader in wholesale segment.

- **NIM pressure intensified, leading management to lower guidance.** NII declined 9.0% qoq as NIM fell to 4.56% in 1H26 (1Q26:4.70%), reflecting continued pressure on loan yields amid intense pricing competition and tighter system liquidity. While funding costs continued to rise (+12bp qoq), the larger drag came from declining loans yields (-20bp qoq, led by the corporate segment, where yield dropped 17bp qoq to 5.94% in 2Q26. Consequently, management revised its 2026 NIM guidance downward to 4.3-4.5% from 4.5-4.7%, implying that margin pressure is likely to persist in 2H26.
- **Strong loan growth masked weaker profitability mix.** Gross loans expanded 19.2% yoy to Rp1,677t, driven primarily by corporate lending (+33.6% yoy), while retail loan growth remained relatively subdued. Meanwhile, loans to related parties (SOE) expanded to 27% of total loans with loans to Agrinas accounting for 3.5% of total loans. Although the strong loans growth supported balance sheet expansion, lower-yield wholesale lending diluted overall asset yields. As a result, loan growth significantly outpaced NII growth (+8.1% yoy), highlighting weaker incremental profitability from new lending.
- **Funding mix continued to deteriorate.** Deposit competition remained elevated as current account and savings account (CASA) increased only 5.7% yoy (+0.4% qoq), while time deposits surged 54.4% yoy and wholesale funding rose 32.7% yoy. Consequently, CASA ratio declined to 69.2% in 1H26 from 76.6% in 1H25 while the loan-to-coverage ratio continued trending down to 125%. With government liquidity placement, the bank was able to keep its loan-to-deposit ratio at 92.3% in Jun 26, but a weaker funding mix is likely to keep funding costs elevated in 2H26.
- **Asset quality remained healthy despite retail challenges.** Gross NPL improved slightly to 1.01%, while credit cost (CoC) remained low at 0.61%, supported by resilient corporate asset quality. Although retail segments, particularly micro and payroll and consumer loans, remained under pressure, loan at risk (LaR) improved to 5.83%. Meanwhile, NPL and LaR coverage normalised to 235% and 40.5%, respectively. Management maintained its 2026 CoC guidance of 0.6-0.8% and views NPL coverage of around 230% as a comfortable level.

Valuation/Recommendation

- **Maintain HOLD with a target price of Rp5,150.** Our target price is based on a 1.5x 2026F P/B, derived using the Gordon Growth Model (17.1% sustainable ROE, 4.0% terminal growth, and 12.7% cost of equity). BMRI continues to deliver resilient earnings, supported by healthy asset quality, disciplined cost management and a diversified franchise. However, we believe these strengths are largely reflected in the current valuation. Looking ahead, earnings growth is likely to normalise amid persistent NIM pressure from tighter system liquidity and intensifying funding competition. In addition, the evolving role of SOE banks in supporting government policy could increase uncertainty over long-term profitability and capital allocation. We also remain watchful of the Agrinas loan programme as repayments begin in 3Q26, which should provide greater clarity on its underlying credit risk.

Earnings Revision/Risk

- **Earnings adjustment as we reconstruct our models** following changes in guidance. Our 2026 forecasts incorporate BRIS' deconsolidation from Feb 26, while the reported 2025 numbers still consolidate BRIS, as BMRI has not provided restated full-year 2025 financials. Consequently, reported yoy growth in loans, deposits and operating income is not directly comparable.
- **Risks:** a) Weaker-than-expected macro conditions, b) rupiah volatility which could lead to further rate hikes and SRBI issuances, c) heightened geopolitical uncertainty, d) slower economic growth weighing on loan demand and asset quality, and e) potential regulatory changes affecting banking operations.

Loan Growth And Breakdown

(Rpt)	Jun-26	yoy	qoq	% Of loans
Corporate	840	33.6%	4.9%	52.0%
Commercial	343	15.1%	5.5%	21.3%
SME	85	2.5%	2.4%	5.3%
Micro	198	2.0%	0.0%	12.3%
Payroll Loan	94	-3.1%	-1.2%	5.8%
KUR	73	3.8%	2.4%	4.5%
Normal Micro	31	15.7%	-1.3%	1.9%
Consumer	125	1.4%	0.8%	7.7%
Mortgages	71	4.3%	1.7%	4.4%
Credit cards	22	7.6%	1.4%	1.4%
Auto loans	25	-19.2%	-9.6%	1.6%
Others	6	103.0%	33.5%	0.4%
Subsidiaries	86	8.0%	2.4%	5.3%
Total	1,677	19.2%	3.9%	103.9%

Source: Bank Mandiri, UOB Kay Hian

Key Ratios

Key Metrics (%)	1H26	yoy	1Q26	chg
Loan (Rpt)	1,677	19.2%	1,614	3.9%
Deposit (Rpt)	1,763	17.1%	1,730	1.9%
Loan/Deposit Ratio	92.3%	2.2%	91.3%	1.0%
CASA Ratio	69.2%	-7.4%	71.7%	-2.5%
NIM	4.6%	-0.3%	4.7%	-0.1%
CIR	37.9%	-6.3%	38.2%	-0.3%
NPL Ratio	1.0%	-0.1%	1.0%	0.0%
NPL Cov Ratio	235.0%	-30.0%	237.0%	-2.0%
Credit Cost	0.6%	-0.1%	0.6%	0.0%
CAR	17.9%	-1.6%	19.7%	-1.8%
ROE	20.9%	2.9%	20.4%	0.5%

Source: Bank Mandiri, UOB Kay Hian

CoF, Yield, And NIM Trend (Bank-Only)

Source: Bank Mandiri, UOB Kay Hian

Earnings Revisions

	-----New----		----Old----		---Changes---	
Key Assumptions	2026F	2027F	2026F	2027F	2026F	2027F
Loan Growth	-6.3%	9.5%	10.4%	10.1%	-16.8%	-0.5%
NIM	4.27%	4.30%	4.7%	4.8%	-0.4%	-0.5%
CoC	0.7%	0.8%	0.8%	0.9%	-0.1%	-0.1%
	---New---		---Old---		---Changes---	
(Rpb)	2026F	2027F	2026F	2027F	2026F	2027F
Operating Income	141,413	148,175	165,971	181,189	-14.8%	-18.2%
Net Profit	58,495	59,444	57,293	62,362	2.1%	-4.7%
	---UOBKH---		---Market---		---Changes---	
(Rpb)	2026F	2027F	2026F	2027F	2026F	2027F
Operating Income	141,413	148,175	154,763	166,222	-8.6%	-10.9%
Net Profit	58,495	59,444	57,311	60,842	2.1%	-2.3%

Source: UOB Kay Hian

Profit & Loss

Year to 31 Dec (Rpb)	2025	2026F	2027F	2028F
Interest income	164,412	150,993	155,299	169,739
Interest expense	(58,202)	(53,366)	(56,676)	(62,224)
Net interest income/(expense)	106,210	97,627	98,623	107,515
Fees & Commissions	32,790	29,089	32,469	33,781
Net Trading Income	16,226	14,698	17,082	18,703
Non-Interest Income	49,016	43,786	49,551	52,484
Total Income	155,226	141,413	148,175	159,999
Staff Costs	(26,635)	(23,173)	(24,447)	(25,914)
Other Operating Expense	(40,949)	(35,275)	(37,874)	(41,233)
Pre-Provision Profit	87,642	82,966	85,853	92,852
Loan Loss Provision	(11,331)	(11,441)	(13,945)	(17,283)
Pre-tax profit	76,343	75,968	76,942	81,346
Tax	(15,071)	(15,194)	(15,190)	(16,059)
Minorities	(5,052)	(2,279)	(2,308)	(2,440)
Net profit	56,220	58,495	59,444	62,847
Net profit (adj.)	56,220	58,495	59,444	62,847

Balance Sheet

Year to 31 Dec (Rpb)	2025	2026F	2027F	2028F
Cash With Central Bank	278,487	186,840	124,191	137,202
Govt Treasury Bills & Securities	374,348	280,260	310,477	343,004
Interbank Loans	71,227	93,420	93,143	102,901
Customer Loans	1,845,782	1,730,368	1,902,612	2,078,802
Investment Securities	45,941	40,762	45,157	49,888
Derivative Receivables	64,415	37,368	41,397	45,734
Properties & Other Fixed Assets	72,062	105,849	108,547	111,244
Other Assets	77,432	72,337	76,118	80,153
Total assets	2,829,948	2,515,561	2,715,591	2,972,622
Interbank Deposits	28,371	25,173	27,887	30,808
Customer Deposits	2,105,764	1,868,400	2,069,848	2,286,694
Debts Securities Issued	266,215	220,293	199,742	217,777
Other Liabilities	95,334	62,545	62,545	62,545
Total liabilities	2,502,546	2,183,616	2,367,587	2,605,767
Shareholders' funds	293,751	297,811	313,384	331,647
Minority interest	33,651	34,134	34,620	35,207
Total Equity & Liabilities	2,829,948	2,515,561	2,715,591	2,937,415

Operating Ratios

Year to 31 Dec (Rpb)	2025	2026F	2027F	2028F
Capital Adequacy				
Tier-1 CAR	19.3	19.0	18.8	18.0
Total CAR	19.9	19.6	18.8	18.0
Total Assets/Equity	9.6	8.1	8.4	8.8
Tangible Assets/Tangible Common Equity	9.9	8.3	8.6	9.0
Asset Quality				
NPL Ratio	1.1	1.1	1.1	1.1
Loan Loss Coverage	229.8	235	198	193
Loan Loss Reserve/Gross Loans	2.6	2.5	2.1	2.1
Increase in NPLs	15.1	(13.0)	9.5	9.2
Credit Cost (bp)	57	65	75	85
Liquidity				
Loan/Deposit Ratio	90.0	95.0	93.9	92.8
Liquid Assets/Short-Term Liabilities	33.2	28.8	24.5	24.6
Liquid Assets/Total Assets	25.6	22.3	19.4	19.6

Key Metrics

Year to 31 Dec (%)	2025	2026F	2027F	2028F
Growth				
Net Interest Income, yoy Chg	4.4	(8.1)	1.0	9.0
Fees & Commissions, yoy Chg	26.3	(11.3)	11.6	4.0
Pre-Provision Profit, yoy Chg	(0.4)	(5.3)	3.5	8.2
Net Profit, yoy Chg	0.8	4.0	1.6	5.7
Customer Loans, yoy Chg	0.8	4.0	1.6	5.7
Customer Deposits, yoy Chg	14.0	(6.3)	10.0	9.3
Profitability				
Net Interest Margin	4.9	4.3	4.3	4.3
Cost/Income Ratio	43.5	41.3	42.1	42.0
Adjusted ROA	2.1	2.2	2.3	2.2
Reported ROE	19.5	19.8	19.5	19.5
Adjusted ROE	19.5	19.8	19.5	19.5
Valuation				
P/BV	1.3	1.3	1.2	1.2
P/NTA	1.3	1.3	1.3	1.2
Adjusted P/E	6.9	6.6	6.5	6.1
Dividend Yield	8.8	11.4	11.4	11.6
Payout Ratio	60.0	75.0	73.8	70.9

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