

Not Rated

Bank Tabungan Negara (BBTN IJ)

3Q24 results: below consensus estimate amid NIM pressure and high operating expenses

| | |
|------------------------------|--------------|
| Last Price (Rp) | 1,290 |
| Target Price (Rp) | n/a |
| Upside/Downside | n/a |
| No. of Shares (mn) | 14,034 |
| Mkt Cap (Rpbn/US\$mn) | 18,104/1,141 |
| Avg, Daily T/O (Rpbn/US\$mn) | 38.3/2.4 |

- 3Q24's net profit fell to Rp581bn (-10% qoq, -31% yoy), resulting in 9M24 NP of Rp2.1tr (-10% yoy), below consensus est. at 61% of FY24.
- Management expects improving FY25F profitability, supported by higher NIM from the new subsidized mortgage scheme.
- BBTN's 3Q24 performance was weak due to continued NIM compression, elevated opex (and CIR), and declining coverage ratios.

Key Financials:

| | 2021A | 2022A | 2023A |
|----------------|-------|-------|-------|
| EPS (Rp) | 224.4 | 287.5 | 284.4 |
| PER (x) | 5.7 | 4.5 | 4.5 |
| PBV (x) | 0.6 | 0.5 | 0.5 |
| CoE (x) | 16.3 | 21.7 | 21.1 |
| Div. yield (%) | 1.7 | 3.4 | 3.9 |
| ROAE (%) | 11.5 | 12.9 | 12.4 |

Summary:

- **Weak overall performance:** In our view, BBTN's 3Q24 performance was weak due to continued NIM compression, elevated opex (and CIR), and declining coverage ratios. The success of the FY25F housing program, particularly with its higher yield and funding sources, will be critical for profit recovery, while the current low CoC presents downside risks.

9M24 Insights:

- **Net profit fell 10% yoy:** BBTN reported net profit of Rp2.1tr (-10% yoy), achieving 61% of consensus FY24F, thus below expectations. There is no updated guidance for FY24F earnings growth (latest 1H24 NP guidance was revised down to c. 1% from 10-11% in 1Q24).
- **Robust loan growth offset by lower NIM:** Loans grew 12% yoy, but NII declined by 12% as NIM fell to 2.9% from 3.8% in 9M23. The bank's FY24 loan growth guidance remains at 10-11%, with FY25F indicated at approximately 14%.
- **Non-housing and high-yield mortgage driving loan growth:** Loan growth of 12% yoy was driven by the high-yield mortgage segment, which grew 20% yoy (vs. overall mortgage at 10%), and non-housing loans, which grew 29%, driven by commercial (+35%) and corporate (+32%) loans.
- **Improving CoC from lower provision expenses:** As of 9M24, CoC stood at 0.5% (9M23: 1.3%) as loans grew 12% yoy, while provision expenses declined by 54%.
- **NPL ratio improved yoy but coverage declined:** In 3Q24, NPL was reported at 3.2% (3Q23: 3.5%), slightly higher than 3.1% in 1H24. NPL coverage declined to 126% in Sep24 from 155% in Dec23. Similar trends were seen in LaR ratio and LaR coverage.
- **Guiding for lower FY24F CoC:** BBTN anticipates continued asset quality improvement, targeting a new FY24 CoC of 1% max (previously 1.1% max). NPL guidance remains unchanged at below 3.0%.

BRI Danareksa Sekuritas Analysts

Victor Stefano

(62-21) 5091 4100 ext. 3503
victor.stefano@brids.co.id

Naura Reyhan Muchlis

(62-21) 5091 4100 ext. 3507
naura.muchlis@brids.co.id

3Q24 Insights:

- Weak net profit in 3Q24: Net profits were Rp581bn (-10% qoq, -31% yoy), with the yoy decline primarily due to lower NIM.
- Qoq decline in NP caused by higher provision expenses and flattish PPOP: PPOP grew 2% qoq, supported by a 2% increase in NII. However, provision expenses rose 19%, resulting in a 10% qoq decline in NP.
- Lower housing loan disbursement: Housing loan disbursement fell to Rp13tr in 3Q24 (-17% qoq, -21% yoy), as the new FLPP quota was added only in Oct24. Weakness was also observed in some non-subsidized mortgage segments during 3Q24 and 4Q24. Future disbursement is expected to be supported by the subsidized mortgage program.

Business Plan Outlook:

- Bulk asset sales delayed to year-end: The bank expects bulk asset sales of Rp1.1-1.3tr in Dec24, potentially reducing NPL by 25-28bps.
- Syariah divestment in progress: Management indicated progress in the divestment of its UUS.
- Targeting 300-350k subsidized housing in FY25F: The bank aims to deliver 300-350k units in FY25, with gross disbursements of Rp60-80tr for the subsidized housing program. Of the 3 million units targeted nationwide, BBTN expects 800k to be delivered in FY25F.
- Better NIM in FY25F: Management expects NIM to improve to 3.5%, driven by proposed higher subsidized housing rates in the 7-8% range for 30-year tenors, with additional target markets in the upper mass segment (monthly incomes of Rp8.0-15.0mn).
- Better CIR in FY25F: Higher NIM is expected to drive CIR improvement to approximately 57% in FY25F from about 60% in FY24F. Liquidity and alternative source of funding will be crucial to achieve the higher NIM.

Exhibit 1. BBTN 3Q24 Earnings Summary (Presentation)

| BBTN Financials (Rpbn) - presentation | 3Q23 | 2Q24 | 3Q24 | qoq, % | yoy, % | 9M23 | 9M24 | yoy, % | FY24C | A/C |
|---------------------------------------|---------|---------|---------|----------|----------|---------|---------|----------|---------|-----|
| Interest income | 7,311 | 7,303 | 7,391 | 1% | 1% | 20,833 | 22,366 | 7% | 30,904 | 72% |
| Interest expense | 3,647 | 4,505 | 4,526 | 0% | 24% | 10,691 | 13,475 | 26% | 17,147 | 79% |
| Net interest income | 3,664 | 2,798 | 2,865 | 2% | -22% | 10,142 | 8,891 | -12% | 13,757 | 65% |
| Other operating income | 644 | 1,004 | 851 | -15% | 32% | 2,362 | 2,860 | 21% | 3,956 | 72% |
| Operating expenses | 2,244 | 2,710 | 2,605 | -4% | 16% | 6,601 | 7,736 | 17% | 9,748 | 79% |
| PPOP | 2,064 | 1,092 | 1,112 | 2% | -46% | 5,903 | 4,015 | -32% | 7,965 | 50% |
| Provision | 989 | 319 | 379 | 19% | -62% | 2,937 | 1,355 | -54% | 3,520 | 38% |
| Operating Profit | 1,075 | 773 | 733 | -5% | -32% | 2,966 | 2,660 | -10% | 4,445 | 60% |
| Net profit | 839 | 642 | 581 | -10% | -31% | 2,313 | 2,082 | -10% | 3,413 | 61% |
| Loans | 318,300 | 352,066 | 356,064 | 1% | 12% | 318,300 | 356,064 | 12% | | n/a |
| Customer deposits | 323,908 | 365,382 | 370,751 | 1% | 14% | 323,908 | 370,751 | 14% | 382,152 | 97% |
| Key Ratio | | | | | | | | | | |
| | | | | qoq, bps | yoy, bps | | | yoy, bps | | |
| EA yield yield (%) - ann | 7.9 | 7.0 | 7.0 | ⇒ (2) | ↓ (84) | 7.5 | 7.3 | ↓ (29) | | |
| Cost of fund (%) - ann | 4.1 | 4.4 | 4.3 | ↑ (12) | ↓ 19 | 4.0 | 4.4 | ↓ 39 | | |
| NIM (%) - ann | 3.6 | 2.9 | 2.9 | ⇒ (3) | ↓ (73) | 3.8 | 2.9 | ↓ (90) | | |
| CIR (%) - ann | 52.1 | 71.3 | 70.1 | ↑ (118) | ↓ 1,801 | 46.6 | 60.2 | ↓ 1,360 | | |
| Cost of credit (%) - ann | 1.3 | 0.4 | 0.4 | ⇒ 7 | ↑ (83) | 1.3 | 0.5 | ↑ (80) | | |
| ROE (%) - ann | 11.7 | 8.3 | 7.4 | ↓ (93) | ↓ (427) | 11.1 | 8.9 | ↓ (217) | | |
| CASA ratio (%) | 49.5 | 51.8 | 51.0 | ↓ (80) | ↑ 150 | | | | | |
| LDR (%) | 98.3 | 96.4 | 96.0 | ↑ (40) | ↑ (230) | | | | | |
| NPL ratio (%) | 3.5 | 3.1 | 3.2 | ↓ 10 | ↑ (30) | | | | | |
| LaR ratio (%) | 22.7 | 21.2 | 20.8 | ↑ (40) | ↑ (190) | | | | | |

Source: Company, BRIDS Estimates, Bloomberg

BRI Danareksa Equity Research Team

| | | |
|-------------------------------|---|--|
| Erindra Krisnawan, CFA | Head of Equity Research, Strategy, Coal | erindra.krisnawan@brids.co.id |
| Natalia Sutanto | Consumer, Cigarettes, Pharmaceuticals, Retail | natalia.sutanto@brids.co.id |
| Niko Margaronis | Telco, Tower, Technology, Media | niko.margaronis@brids.co.id |
| Timothy Wijaya | Metal, Oil and Gas | timothy.wijaya@brids.co.id |
| Victor Stefano | Banks, Poultry | victor.stefano@brids.co.id |
| Ismail Fakhri Suweleh | Healthcare, Property, Industrial Estate | ismail.suweleh@brids.co.id |
| Richard Jerry, CFA | Automotive, Cement, Infrastructure | richard.jerry@brids.co.id |
| Ni Putu Wilastita Muthia Sofi | Research Associate | wilastita.sofi@brids.co.id |
| Naura Reyhan Muchlis | Research Associate | naura.muchlis@brids.co.id |
| Sabela Nur Amalina | Research Associate | sabela.amalina@brids.co.id |
| Kafi Ananta Azhari | Research Associate | kafi.azhari@brids.co.id |

BRI Danareksa Economic Research Team

| | | |
|---------------------------|---------------------------------|--|
| Helmy Kristanto | Chief Economist, Macro Strategy | helmy.kristanto@brids.co.id |
| Dr. Telisa Aulia Falianty | Senior Advisor | telisa.falianty@brids.co.id |
| Kefas Sidauruk | Economist | kefas.sidauruk@brids.co.id |

BRI Danareksa Institutional Equity Sales Team

| | | |
|-------------------------|---|--|
| Yofi Lasini | Head of Institutional Sales and Dealing | yofi.lasini@brids.co.id |
| Novrita Endah Putrianti | Institutional Sales Unit Head | novrita.putrianti@brids.co.id |
| Ehrlicch Suhartono | Institutional Sales Associate | ehrliech@brids.co.id |
| Yunita Nababan | Institutional Sales Associate | yunita@brids.co.id |
| Adeline Solaiman | Institutional Sales Associate | adeline.solaiman@brids.co.id |
| Andreas Kenny | Institutional Sales Associate | andreas.kenny@brids.co.id |
| Christy Halim | Institutional Sales Associate | christy.halim@brids.co.id |
| Jason Joseph | Institutional Sales Associate | jason.joseph@brids.co.id |

BRI Danareksa Sales Traders

| | | |
|----------------|----------------------|--|
| Mitcha Sondakh | Head of Sales Trader | mitcha.sondakh@brids.co.id |
| Suryanti Salim | Sales Trader | suryanti.salim@brids.co.id |

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 |

Disclaimer

The information contained in this report has been taken from sources which we deem reliable. However, none of PT BRI Danareksa Sekuritas and/or its affiliated and/or their respective employees and/or agents makes any representation or warrant (express or implied) or accepts any responsibility or liability as to, or in relation to, the accuracy or completeness of the information and opinions contained in this report or as to any information contained in this report or any other such information or opinions remaining unchanged after the issue thereof.

We expressly disclaim any responsibility or liability (express or implied) of PT BRI Danareksa Sekuritas, its affiliated companies and their respective employees and agents whatsoever and howsoever arising (including, without limitations for any claims, proceedings, action, suits, losses, expenses, damages or costs) which may be brought against or suffered by any person as results of acting in reliance upon the whole or any part of the contents of this report and neither PT BRI Danareksa Sekuritas, its affiliated companies or their respective employees or agents accepts liability for any errors, omissions or mis-statements, negligent or otherwise, in the report and any liability in respect of the report or any inaccuracy therein or omission therefrom which might otherwise arise is hereby expressly disclaimed.

The information contained in the report is not to be taken as any recommendation made by PT BRI Danareksa Sekuritas or any other person to enter into any agreement with regard to any investment mentioned in this document. This report is prepared for general circulation. It does not have regards to the specific person who may receive this report. In considering any investments you should make your own independent assessment and seek your own professional financial and legal advice.