

'24F earnings growth to continue

21 February 2024



BBCA JJ	BUY
Sector	Banks
Price at 21 Feb 2024 (IDR)	9,875
Price target (IDR)	11,070
Upside/Downside (%)	12.1

Stock Information

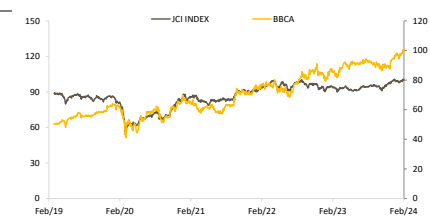
PT Bank Central Asia Tbk has positioned itself as one of the largest transaction banks in Indonesia. The bank provides custodianship, cash management, facilitation for exports and imports, as well as foreign exchange services. Through its subsidiaries, the bank also offers leasing and consumer financing services.

Market cap (IDR bn)	1,235,833
Shares outstanding (mn)	123,275
52-week range (IDR)	8,250-10,025
3M average daily vol. ('000)	81,398
3M average daily val. (IDR mn)	761,112

Shareholders (%)

PT Dwimuria Invest. Andalan	54.9
Public	45.1

Stock Performance



Source: Bloomberg

	1M	3M	12M
Performance	3.1	13.1	14.1

We like the overall BBCA's FY23 result (see our previous report on Jan 29th 2024) and believe it will continue this year. Our '24F loan growth for BBCA of 10% yoy is lower due to the high-base effect in FY23 while largely in line with '24F guidance. Concern over the sector's continuing tight liquidity is not the case for BBCA, thus NIM should remain intact within the FY23 range (KBVS: 5.6%, BBCA guidance: 5.5-5.6%). Earnings growth will be driven by the combination of: a) steady NII growth amid a cautiously optimistic stance on loan growth and potential benchmark rate cuts; b) better cost-to-income and; c) flattish provision expenses. Maintain BUY with a higher DDM-based TP of IDR11,070 (4.9x '24F P/B), while now trading at 4.4x '24F P/B or at +1SD historical mean.

Steady NII, better CIR and motionless provisions to support '24F earnings

Following our BBCA's FY23 result update report, we visited our model and confidence that '24F result should become another year for the bank. We like overall BBCA's FY23 earnings which came above both ours and consensus at run rate of 106%/105%. We expect '24F earnings to grow by 11.1% yoy which will be back by steady NII growth, manageable cost to income and continuing low provisions expenses as a result of stable asset quality improvement.

Lower '24F loan growth on the back of the FY23 high-based effect

Despite FY23 loan growth (13.9% yoy) arriving far above industry growth (10.4% yoy), we cautiously expect that '24F loan could record another higher-level yoy due to a higher based effect (around 280 bps higher than the 5-year average pre-covid period). It is worth noting that recovery momentum post-COVID has brought loan growth sharply improved from 8% in FY21 to 11.7% yoy (FY22) and 13.9% yoy. Hence, we expect loan growth to grow at a slower rate of around 10% yoy, or in line with BBCA's '24F guidance of 9-10% yoy. Corporate will continue to be the main support (accounting for 45.4% of the total loan), while an eye-catching high yield from the consumer segment should continue to play a crucial role, and we think it should remain growing at a double-digit level ('24F: 13.5% yoy vs. FY23 high-based effect: 16.0% yoy).

Industry's tight liquidity should not be a concern for BBCA

We believe market concern on tight liquidity in the sector will continue in '24F. Yet, that should not be the case for BBCA due to its strong presence in the domestic banking field. We like the bank FY23 TPF, which is 220 basis points higher than the industry growth. We expect the '24F total TPF could arrive more than 100 bps higher yoy, supported by higher CASA. In all, we think solid LDR should be translated as its rock-hard liquidity position to capture the continuing '24F loan demand appetite.

NIM to remain well managed

FY23 key performance metrics arrive within its improvement figure, and we believe '24F should remain intact. We expect the bank to remain open to carefully repricing its loan yield (selective). With the possibility of a lower cost of funds and a slightly higher lending yield, we might witness BBCA NIM to be manageable even assuming loan growth will grow at a slower pace due to the FY23 high-based effect. Our '24F NIM for BBCA at 5.6% was in line with BBCA's expectation of 5.5-5.6%.

2024 solid earnings growth to continue

The key story will lie in the BBCA's ability to maintain its NII growth amid a cautiously optimistic banking sector outlook this year (loan growth, yield, and cost of funds). We think 1Q24 earnings should be manageable, backed by its 4Q23 solid loan growth (5.8% qoq) that will benefit BBCA's 1Q24F book. Ceteris paribus, we might witness an inline 1H24F earnings result with the potential for stronger 3Q24F and '24F yoy growth (11.1% yoy) backed by better confidence in the absence of a wait and see stance.

Maintain BUY with higher TP of IDR11,070

The stock has accelerated by 5.3% ytd (14.1% on yoy basis) and make the upside become limited (our TP IDR10,520). Hence, we raise our assumption on BBCA's retention ratio by 25bps and keeping our assumption on risk free and risk premium unchanged. Our new TP for BBCA of IDR11,070 is pegged at 4.9x '24F P/B while currently trading at 4.4x '24F P/B, or at its +1SD of 4.4x. Downside risks to our call are: 1) slower loan growth, 2) worsening NIM and AQ, 3) higher than expected CoC, CoF, NPL 4) slowing down economic activity, worsening domestic political situation and 5) longer than expected wait and see stance.

Exhibit 1: Key Statistics

Year end Dec (IDR bn)	2022A	2023A	2024F	2025F	2026F
Net Interest income	63,990	75,129	81,654	87,809	96,161
Non int. income	23,487	24,817	27,294	29,927	32,995
Income from operations	87,476	99,945	108,948	117,736	129,156
Pre-provision profit	54,994	62,443	68,667	74,329	81,932
Net income (IDR bn)	40,736	48,639	54,062	58,569	64,729
EPS (IDR)	330	395	439	475	525
EPS growth (%)	29.6	19.4	11.1	8.3	10.5
PER (x)	29.9	25.0	22.5	20.8	18.8
PBV (x)	5.5	5.0	4.4	3.8	3.3
Div. Yield (%)	1.6	2.2	2.9	3.1	3.4
RoE (%)	19.2	21.0	20.8	19.7	18.9

Source: Company, KBVS Research

Analyst

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Exhibit 2: BBCA key financial and key performance metrics results

Income Statements (Rptn)	12M22	12M23	YoY (%)	4Q22	4Q23	YoY (%)	3Q23	QoQ (%)	KBVS '23F	% to '23F	Cons' '23F	% to Cons'
Net interest income	64.1	75.4	17.6	18.1	19.5	8.0	18.8	3.7	72.6	104		
Non-interest income	22.7	23.9	5.3	6.0	6.4	6.7	5.8	10.3	25.2			
Total operating income	86.8	99.3	14.4	24.1	25.9	7.7	24.6	5.3	97.8	102		
Total operating expenses	(31.9)	(36.7)	15.0	(8.7)	(10.5)	20.7	(9.1)	15.4	(35.9)			
PPoP	55.0	62.6	13.8	15.4	15.4	0.3	15.5	(0.6)	61.9	101		
Provision	(4.5)	(2.3)	(48.9)	(0.6)	0.0	N/A	0.4	N/A	(4.4)			
Net profit	40.7	48.6	19.4	11.8	12.2	3.6	12.2	0.0	45.8	106	46.5	105

Source : Company, KB Valbury Sekuritas

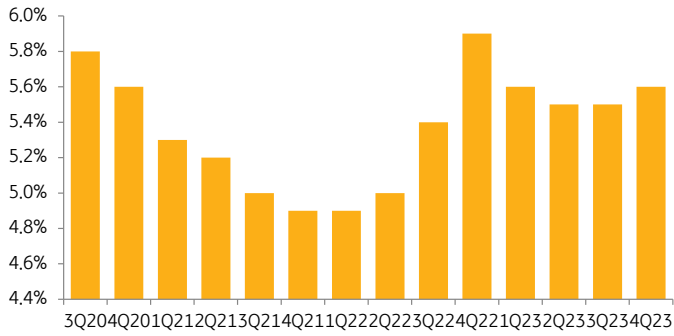
Balance Sheet (Rptn)	12M22	12M23	YoY (%)	4Q22	4Q23	YoY (%)	3Q23	QoQ (%)
Gross loans	711	810	13.9	711	810	13.9	766	5.8
Current accounts	324	349	7.6	324	349	7.6	338	3.2
Saving deposits	524	536	2.3	524	536	2.3	532	0.8
Time deposits	192	217	13.2	192	217	13.2	219	-0.9
Total Deposits	1,040	1,102	6.0	1,040	1,102	6.0	1,089	1.2
CASA	848	885	4.3	848	885	N/A	870	N/A
Total equity	221	242	9.7	221	242	9.7	236	2.8

Source : Company, KB Valbury Sekuritas

Financial Ratios (%)	12M22	12M23	YoY (%)	4Q22	4Q23	YoY (%)	3Q23	QoQ (%)
NIM	5.3	5.5	0.2	5.9	5.6	-0.3	5.5	0.1
CoC	0.7	0.3	-0.4	0.4	(0.1)	-0.5	0.3	-0.4
CIR	33.9	33.8	-0.1	32.5	36.5	4.0	36.1	0.4
ROA	3.2	3.6	0.4	3.7	3.7	0.0	3.5	0.2
ROE	21.7	23.5	1.8	24.7	23.4	-1.3	22.3	1.1
CAR	25.8	29.4	3.6	25.8	29.4	3.6	29.5	-0.1
CASA	81.6	80.3	-1.3	81.6	80.3	-1.3	79.9	0.4
NPL gross	1.7	1.9	0.2	1.7	1.9	0.2	2.1	-0.2
NPL coverage	286.9	234.1	-52.8	287.3	234.1	-53.2	226.5	7.6
LAR	10.4	6.9	-3.5	10.0	6.9	-3.1	7.9	-1.0

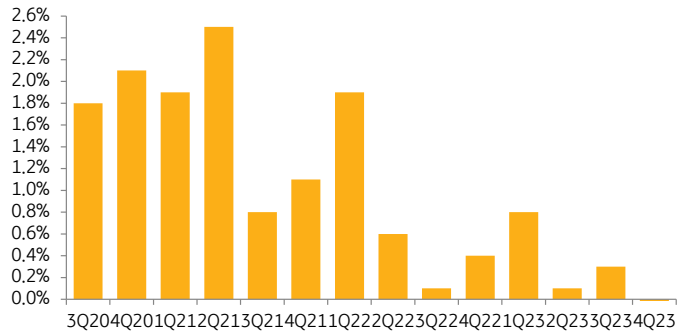
Source : Company, KB Valbury Sekuritas

Exhibit 3: NIM trajectory remains



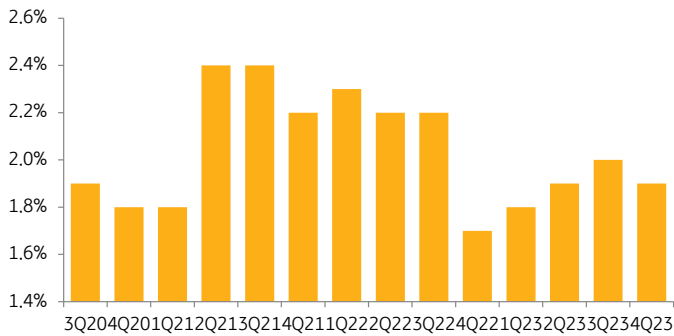
Source: Company, KBVS Research

Exhibit 4: Steady CoC improvement



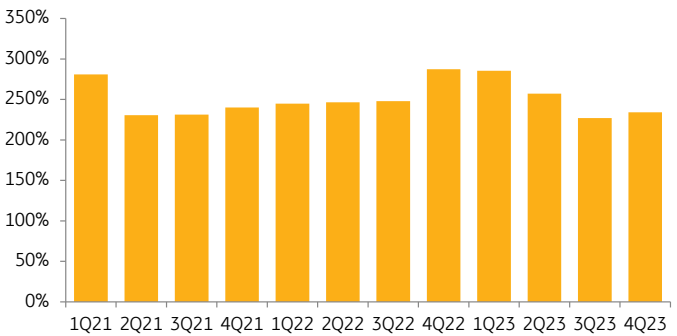
Source: Company, KBVS Research

Exhibit 5: Well managed NPL...



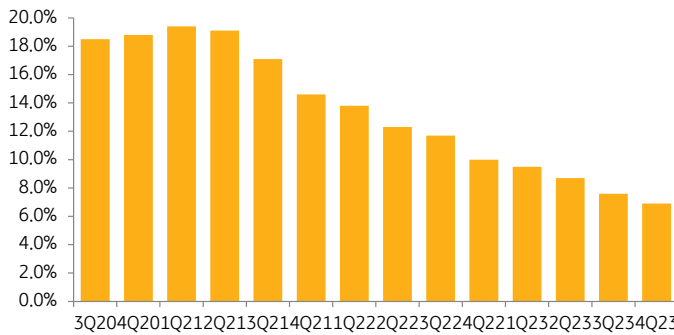
Source: Company, KBVS Research

Exhibit 6: .. and solid NPL coverage should continue



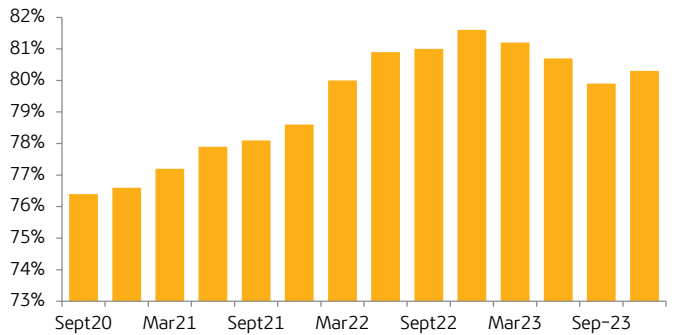
Source: Company, KBVS Research

Exhibit 7: LAR still moves within its improvement track



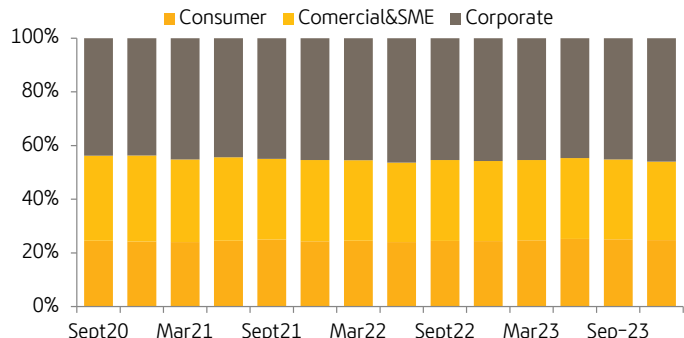
Source: Company, KBVS Research

Exhibit 8: Solid CASA to overall help NIM



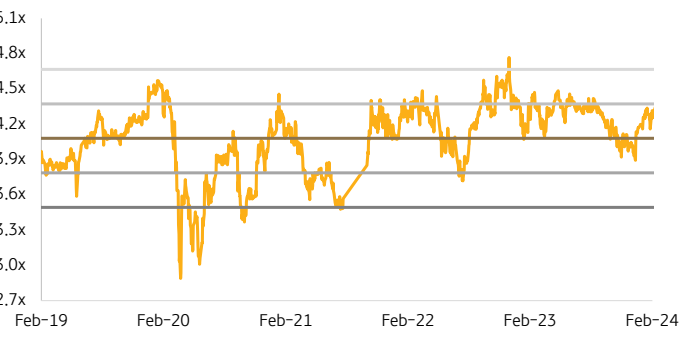
Source: Company, KBVS Research

Exhibit 9: Corporate and consumer will play crucial role



Source: Company, KBVS Research

Exhibit 10: Currently trading at 4.4x '24F P/B, at its +1SD of 4.4x



Source: Company, Bloomberg, KBVS Research

FINANCIAL TABLES

Exhibit 11: Profit & Loss

Year End Dec (IDR bn)	2022A	2023A	2024F	2025F	2026F
Interest income	72,241	87,398	95,203	102,822	112,897
Interest expenses	(8,252)	(12,269)	(13,549)	(15,012)	(16,735)
Net interest income	63,990	75,129	81,654	87,809	96,161
Non-interest income	23,487	24,817	27,294	29,927	32,995
Operating expenses	(32,483)	(37,503)	(40,281)	(43,407)	(47,224)
Pre-provision operating profit	54,994	62,443	68,667	74,329	81,932
Loan loss provision	(4,527)	(2,263)	(1,780)	(1,868)	(1,852)
Pretax Profit	50,467	60,180	66,887	72,461	80,080
Income Tax Expenses	(9,711)	(11,522)	(12,806)	(13,873)	(15,332)
Net profit	40,736	48,639	54,062	58,569	64,729

Exhibit 12: Balance sheet

Year End Dec (IDR bn)	2022A	2023A	2024F	2025F	2026F
Assets					
Cash	21,360	21,702	22,227	23,182	24,046
Current Account at BI	104,110	92,618	80,370	70,091	68,723
Interbank Loans	36,129	10,816	11,597	12,500	13,477
Govt Treas Bills & Sec	211,181	250,233	292,917	332,927	377,545
Investment Securities	39,847	76,662	82,234	90,227	97,494
Loans	676,421	776,331	855,451	941,456	1,033,015
Fixed Assets	24,709	26,825	29,046	31,378	33,827
Other assets	200,974	152,922	163,627	180,932	198,032
Total Asset	1,314,731	1,408,107	1,537,469	1,682,694	1,846,160
Liabilities					
Interbank Deposit	7,936	10,071	10,802	11,648	12,562
Customer Deposit	1,039,718	1,101,863	1,181,915	1,274,387	1,374,466
Debts Sec and Subordinates	500	500	625	625	625
Other Liabilities	45,396	53,136	66,847	78,268	92,164
Total liabilities	1,093,550	1,165,569	1,260,189	1,364,927	1,479,817
Equity					
Capital Stock	1,541	1,541	1,541	1,541	1,541
Additional Paid-in Capital	5,549	5,549	5,549	5,549	5,549
Retained Earnings	200,959	222,957	257,433	297,547	345,626
Other Equity	12,970	12,309	12,556	12,910	13,388
Shareholder's Equity	221,019	242,356	277,079	317,547	366,104
Non-controlling Interest	163	181	200	219	238
Total Equity	221,182	242,538	277,279	317,766	366,342

Exhibit 13: Key performance metrics

Year End Dec (%)	2022A	2023A	2024F	2025F	2026F
NIM (%)	5.3	5.6	5.6	5.7	5.8
LDR (%)	68.4	73.5	75.2	76.4	77.3
CASA (%)	81.6	80.3	80.5	81.0	81.5
NPL (%)	1.7	1.8	1.7	1.7	1.7
ROAE (%)	19.2	21.0	20.8	19.7	18.9
ROAA (%)	3.2	3.6	3.7	3.6	3.7
CAR (%)	26.8	29.4	30.8	32.2	0.0
BVPS (IDR)	1,793	1,966	2,248	2,576	2,970
PER (x)	29.9	25.0	22.5	20.8	18.8
PBV (x)	5.5	5.0	4.4	3.8	3.3
Div. Yield (%)	1.6	2.2	2.9	3.1	3.4

Source: Company, KBVS Research

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