

Buoyant 1Q24 earnings growth

23 April 2024



BBCA IJ	BUY
Sector	Banks
Price at 22 April 2024 (IDR)	9,350
Price target (IDR)	11,070
Upside/Downside (%)	18.4

Stock Information

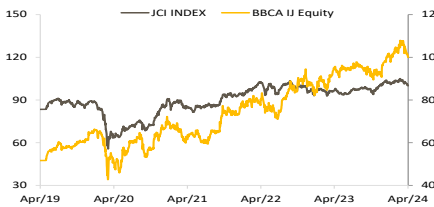
PT Bank Central Asia Tbk has positioned itself as one of the largest transaction banks in Indonesia. The bank provides custodianship, cash management, facilitation for exports and imports, as well as foreign exchange services. Through its subsidiaries, the bank also offers leasing and consumer financing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

Market cap (IDR bn)	1,168,032
Shares outstanding (mn)	123,275
52-week range (IDR)	8,600-10,400
3M average daily vol. ('000)	89,739
3M average daily val. (IDR mn)	880,070

Shareholders (%)

PT Dwimuria Invest. Andalan	54.9
Public	45.1

Stock Performance



Source: Bloomberg

	1M	3M	12M
Performance	(7.4)	(2.9)	2.5

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We like BBCA's overall 1Q24 earnings result which came largely in-line. Amid the lingering uncertainty, BBCA successfully pocketed a solid first quarter performance and this should be translated as a strong foundation to support the remaining quarters of 2024. We expect to witness more loan booking with stable asset quality improvement. With interest income remains on its growth trajectory path coupled with softer interest expenses as well as stable CIR and consistent soft provision, BBCA's FY24 earnings is likely to arrive within '24F KBVS and consensus expectation. Maintain BUY with DDM-based TP of IDR11,070 (4.9x '24F P/B), while currently trading at 4.2x '24F P/B or slightly above its historical mean average of 4.1x '24F P/B.

Robust 1Q24 earnings (+11.7% yoy), inline

BBCA's 1Q24 earnings at IDR12.9 tn grew strongly by 11.7% yoy, driven by solid improvement from top to bottom. On quarterly basis, despite usually noted a weaker growth compared to other quarters in the year, 1Q24 PATMI robust earnings growth recorded the highest (+5.4% qoq) even compared to several years before Covid period. Net interest income grew by 7.1% yoy, backed by interest income growth of 9.2% yoy which underpinned by solid 1Q24 average loan growth. We also like BBCA's continuing CIR improvement (2.0% yoy, 4.1% qoq) which overall also help the bank to book higher PPOP both on yearly and quarterly basis (8.5% yoy, 9.4% QoQ). In all, 1Q24 earnings came in line with ours and street forecast at run rate of 23.9%/24.1% vs 5yr historical average 1Q of 22.3%.

A record high loans growth in first quarter

BBCA's loans growth has been on a growth trajectory and we expect to witness it will continue going forward. 1Q24 loans grew sturdily by 17.1% yoy, far above banking industry loans growth in Feb24 of 11.28% yoy (BBCA Feb24 bank only loan growth: 15.1% yoy). The robust loan growth was mainly driven by strong working capital loans (19.2% yoy) and a stronger demand in investment loans (28.3% yoy), thanks to several sectors such as: financial services, oil & gas, construction, telco, basic metal, logistics, energy & electricity which overall support the 1Q24 loan growth noted far above historical first quarter year-on-year growth. Worth noting that consumer segment loans was noted the second highest growth of 14.9% yoy on the back of sturdy vehicles loan growth of 22.2% yoy. We expect to see more loan booking in the remaining quarters in consumer segment, especially from vehicles and mortgage.

Well accepted TPF growth with solid CASA improvement

Amid the continuing cautiously optimistic view on the ongoing third-party funds growth this year, BBCA reported a well-accepted total TPF growth of 7.9% yoy. CA and SA grew by mid to high single digit and bringing CASA to grow by 7.3% yoy. On quarterly basis we like BBCA's saving accounts which grew the highest (3.5% qoq) among others. We also like declining TD growth -0.4% qoq which resulting to around 40bps higher CASA portion to 81.5%. We believe the bank should continue to book a stable CASA which become as one of the keys for its '24F margin achievement.

Stable key performance ratio.

On ratio performance, all the key metrics show a steady improvement, with sound stable profitability and well managed asset quality. NIM at 5.6% was within '24F management guidance (5.5%-5.6%). CoC continued to arrive at a low level (40bps) and better on year-on-year basis (40bps yoy), despite 50bps lower on quarterly basis. However, we do not take this as a drawback since it still within BBCA's '24F guidance (the bank kept its '24F range guidance of 30-40bps). From risk metrics, gross NPL remain well managed on quarterly basis (-0.0% qoq). Meanwhile, 1Q24 gross NPL is 10bps higher to 1.9% (1.8% in 1Q23) as the bank downgraded mortgage and several commercial segment portfolios (provisions has been booked). LAR strongly improved to 6.6% compared to 9.8% in 1Q23, with total loan at risk sharply drop by 22.2% yoy to IDR 51.4tn vs last year of IDR 66tn (1Q23).

Maintain BUY with TP of IDR11,070

Our DDM TP for BBCA of IDR11,070 is pegged at 4.9x '24F P/B while currently trading at 4.2x '24F P/B, or slightly above its historical mean average of 4.1x '24F P/B. 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 Middle East tension 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)	28.3	23.7	21.3	19.7	17.8
PBV (x)	5.2	4.8	4.2	3.6	3.1
Div. Yield (%)	1.7	2.3	3.0	3.3	3.6
RoE (%)	19.2	21.0	20.8	21.2	22.1

Source: Company, KBVS Research

Exhibit 2: BBKA key financial and key performance metrics results

Income Statements (Rpbn)	3M23	3M24	YoY (%)	1Q23	1Q24	YoY (%)	4Q23	QoQ (%)	KBVS '24F	Cons. 24F	% to KBVS	% to Cons.
Net interest income	18.5	19.8	7.1	18.5	19.8	7.1	19.5	2.0				
Non-interest income	6.0	6.4	6.8	6.0	6.4	6.8	6.4	-0.5				
Total operating income	24.5	26.2	7.0	24.5	26.2	7.0	25.9	1.3				
Total operating expenses	-9.0	-9.3	4.4	-9.0	-9.3	4.4	-10.5	-10.6				
PPoP	15.6	16.9	8.5	15.6	16.9	8.5	15.4	9.4				
Provision	-1.5	-1.0	-29.8	-1.5	-1.0	-29.8	0.0	n/a				
Net profit	11.5	12.9	11.7	11.5	12.9	11.7	12.2	5.4	54.1	53.5	23.9	24.1

Source : Company, KBVS Research

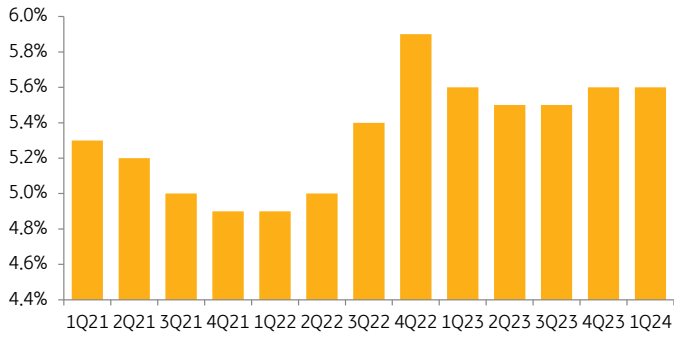
Balance Sheet (Rpbn)	3M23	3M24	YoY (%)	1Q23	1Q24	YoY (%)	4Q23	QoQ (%)
Gross loans	713.8	835.7	17.1	713.8	835.7	17.1	810.4	3.1
Current accounts	320.7	349.3	8.9	320.7	349.3	8.9	348.5	0.2
Saving deposits	522.7	555.2	6.2	522.7	555.2	6.2	536.2	3.5
Time deposits	195.4	216.1	10.6	195.4	216.1	10.6	217.0	-0.4
Total Deposits	1,038.8	1,120.6	7.9	1,038.8	1,120.6	7.9	1,101.7	1.7
CASA	843.3	904.5	7.3	843.3	904.5	7.3	884.7	2.2
Total equity	211.3	227.2	7.5	211.3	227.2	7.5	242.4	-6.3

Source : Company, KBVS Research

Financial Ratios (%)	3M23	3M24	YoY (%)	1Q23	1Q24	YoY (%)	4Q23	QoQ (%)
NIM	5.6	5.6	0.0	5.6	5.6	0.0	5.6	0.0
CoC	0.8	0.4	-0.4	0.8	0.4	-0.4	-0.1	0.5
CIR	34.4	32.4	-2.0	34.4	32.4	-2.0	36.5	-4.1
ROA	3.4	3.6	0.2	3.4	3.6	0.2	3.7	-0.1
ROE	22.3	22.7	0.4	22.3	22.7	0.4	23.4	-0.7
CAR	28.9	26.3	-2.6	28.9	26.3	-2.6	29.4	-3.1
CASA	81.9	81.5	-0.4	81.9	81.5	-0.4	81.1	0.4
NPL gross	1.8	1.9	0.1	1.8	1.9	0.1	1.9	0.0
NPL coverage	284.9	220.3	-64.6	284.9	220.3	-64.6	234.1	-13.8
LAR	9.8	6.6	-3.2	9.8	6.6	-3.2	6.9	-0.3

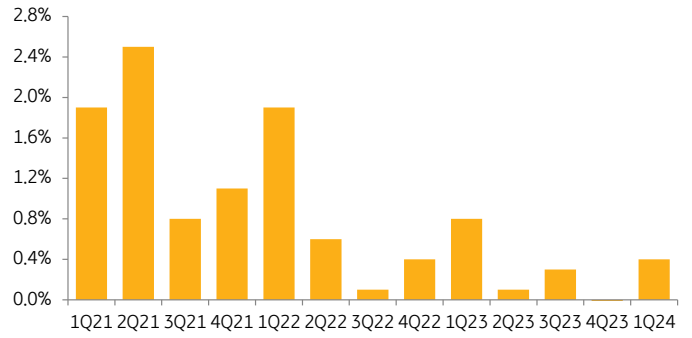
Source : Company, KBVS Research

Exhibit 3: NIM trajectory remains



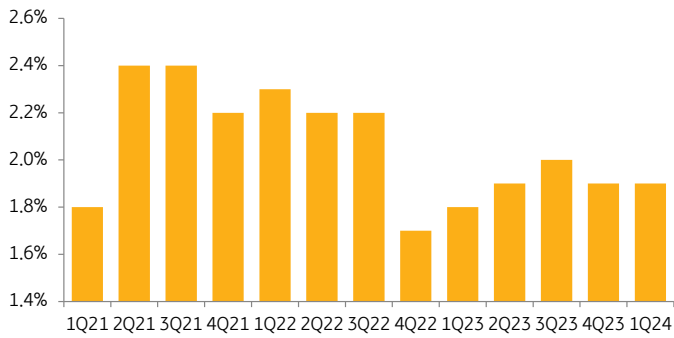
Source: Company, KBVS Research

Exhibit 4: Steady CoC improvement



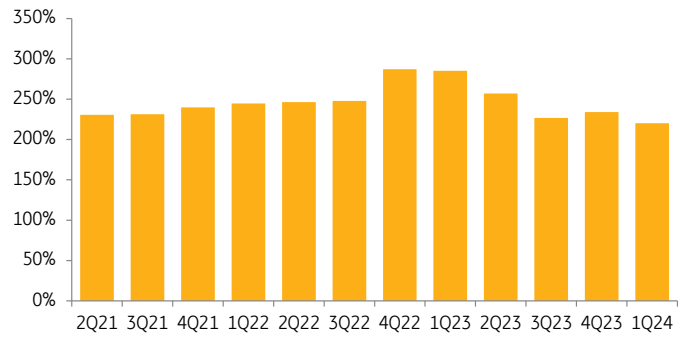
Source: Company, KBVS Research

Exhibit 5: Well managed NPL...



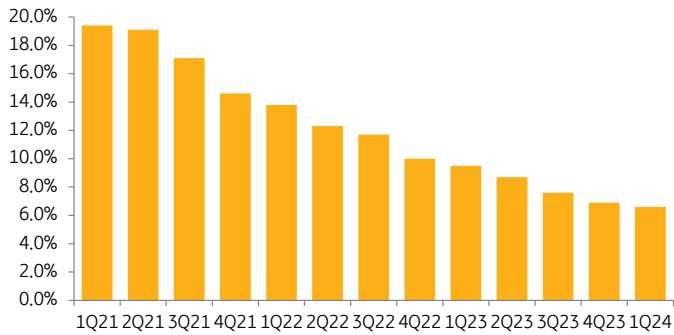
Source: Company, KBVS Research

Exhibit 6: .. and solid NPL coverage should continue



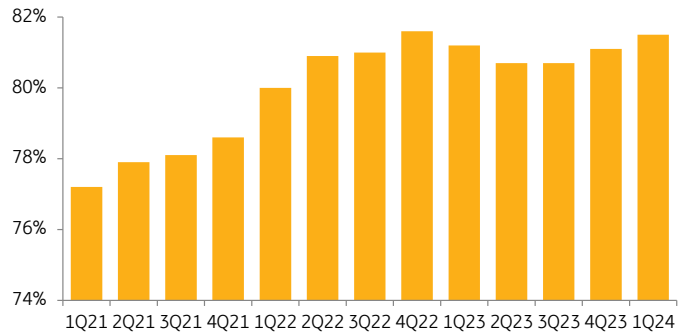
Source: Company, KBVS Research

Exhibit 7: LAR still moves within its improvement track



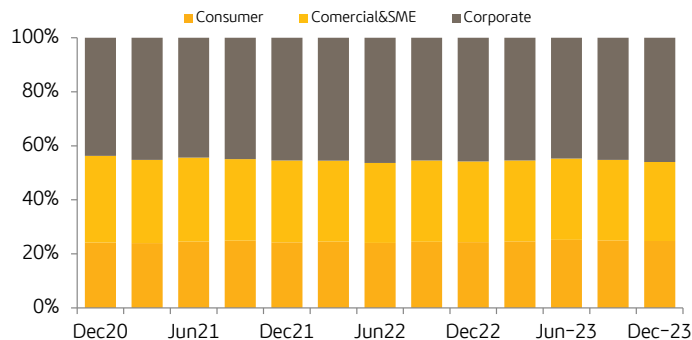
Source: Company, KBVS Research

Exhibit 8: Solid CASA to overall help NIM



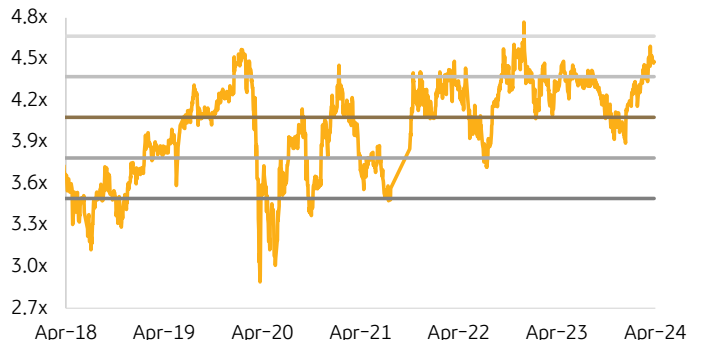
Source: Company, KBVS Research

Exhibit 9: Corporate and consumer will play crucial role



Source: Company, KBVS Research

Exhibit 10: Currently trading at 4.2x '24F P/B, slightly above its historical mean



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	21.2	22.1
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)	28.3	23.7	21.3	19.7	17.8
PBV (x)	5.2	4.8	4.2	3.6	3.1
Div. Yield (%)	1.7	2.3	3.0	3.3	3.6

Source: Company, KBVS Research

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