

Solid '23 result, expecting to continue this year

29 January 2024



BBCA IJ	BUY
Sector	Banks
Price at 26 Jan 2024 (IDR)	9,350
Price target (IDR)	10,520
Upside/Downside (%)	12.5

Stock Information

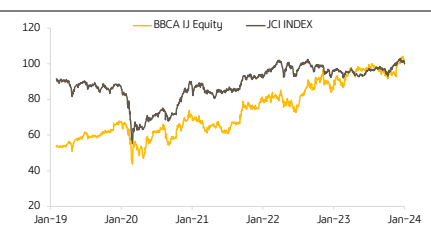
PT Bank Central Asia Tbk has positioned itself as one of the largest transaction banks in Indonesia. The bank provides custodianship, cash management, facilitation for exports and imports, as well as foreign exchange services. Through its subsidiaries, the bank also offers leasing and consumer financing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

Market cap (IDR bn)	1,171,113
Shares outstanding (mn)	123,275
52-week range (IDR)	8,250-9,775
3M average daily vol. ('000)	72,825
3M average daily val. (IDR mn)	665,970

Shareholders (%)

PT Dwimuria Invest. Andalan	54.9
Public	45.1

Stock Performance



Source: Bloomberg

	1M	3M	12M
Performance	-0.5	7.5	7.9

Analyst

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BBCA's '23 earnings at IDR48.6 tn (+19.4% yoy) arrives above ours and consensus expectation at run rates of 106%/105%. Loan growth (+13.9% yoy) arrives above our expectation (+11% yoy), far above industry's loan growth of +10.4% yoy, while TPF growth of 6% yoy also surpassing industry growth at 3.8% yoy. Given the wait and see stances in 1H24, accelerated 4Q23 loan growth should positively supporting BBCA's earnings in 1H24, before confirmation on cut rates and smooth domestic political (election) take place. We believe '24F will become another solid year, supported by stable NIM, manageable CIR and continuing low provisions. Maintain BUY with DDM-based TP of IDR10,520 (4.8x '24F P/B), while currently trades at 4.2x '24F P/B or at its +1SD of 4.2x.

FY23 earnings above ours and street expectation

FY23 BBCA's earnings grew strong at +19.4% yoy driven by solid growth from top to bottom. Net interest income was 17.5% yoy higher, amid mounting CoF adjustment which grew by 48.6% yoy. Worth noting that interest income growth (+21.1% yoy) was not driven by loan yield repricing and we like BBCA's steps to front load interest rate transmission as a result of benchmark rate hikes. Cost to income efficiency has also helped PPOP to grow in a double-digit range (+13.8% yoy), while sharp drop in provision, benefited from continuing asset quality improvement, has also helped FY23 solid PATMI growth. All in all, FY23 earnings came above both ours and consensus at run rate of 106%/105%.

Strong loan growth, surpassing industry figure

BBCA's '23F loan growth at 13.9% yoy to IDR810.4 tn, with a solid quarter on quarter growth at 5.8% yoy and arrives above our expectation (+11% yoy), far above industry loan growth of 10.4% yoy. The strong growth was driven by corporate loan which grew by 15% yoy accounted for around 46% of the total loan. SME also grew solid (+16.0% yoy) and together with commercial segment formed 29% of the total loan. We also like consumer segment's growth of 14.8% yoy, primarily backed by strong mortgage (+11.7% yoy) and vehicles segment growth at 20.8% yoy, the second highest in the loan segment.

Liquidity still solid to capture loan demand

On liabilities side, total third parties fund growth at 6% yoy or 220bps higher versus industry growth at 3.8% yoy in the same period. Despite mostly triggered by TD growth (13.2% yoy), CASA portion remain strong at 80.3% and around 40bps better than 79.9% in 3Q23. Despite market anxiety on the potential tightening liquidity, we still view that such concern should not be the case for BBCA, given its strong TPF at IDR1,107 tn with LDR ratio at 70.2% and that should be translated as BBCA's solid liquidity position to capture loan demand appetite this year.

Key performance metric remains intact

The bank managed another solid key performance figure across the boards, with NIM and CoC continue to record a better number by 20bps to 5.5% and 40bps to 0.3%, respectively. On asset quality side, manageable NPL at 1.9% (FY23) and improves qoq by -20bps to 1.9% from 2.1% in 3Q23 should also translated as BBCA's ability to manage risk and which will underpin '24F earnings.

2024 earnings growth likely to continue

We believe '24F will be another solid year for BBCA. Accelerated loan growth in 4Q23 should positively impacted to BBCA's '24F book, while our expectation on steady loan growth, soften CoF adjustment, stable NIM, continuing CIR improvement and steady soft provisions as well as a potential benchmark cut rates should overall underpin '24F growth.

Maintain BUY with TP of IDR10,520

Our GGM intrinsic value for BBCA is pegged at 4.8x '24F P/B while currently trading at 4.2x '24F P/B, or at its +1SD of 4.2x. 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)	2021A	2022A	2023F	2024F	2025F
Net Interest income	56,136	63,990	72,581	83,797	97,393
Non int. income	22,338	23,487	25,243	26,891	29,093
Income from operations	78,473	87,476	97,824	110,688	126,485
Pre-provision profit	48,165	54,994	61,916	70,782	82,143
Net income (IDR bn)	31,423	40,736	46,570	53,709	62,658
EPS (IDR)	255	330	378	436	508
EPS growth (%)	15.8	29.6	14.3	15.3	16.7
PER (x)	36.7	28.3	24.8	21.5	18.4
PBV (x)	5.7	5.2	4.7	4.2	3.8
Div. Yield (%)	1.6	1.7	1.9	2.2	2.5
RoE (%)	16.2	19.2	20.0	20.8	21.7

Source: Company, KBVS Research

Exhibit 2: BBKA 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

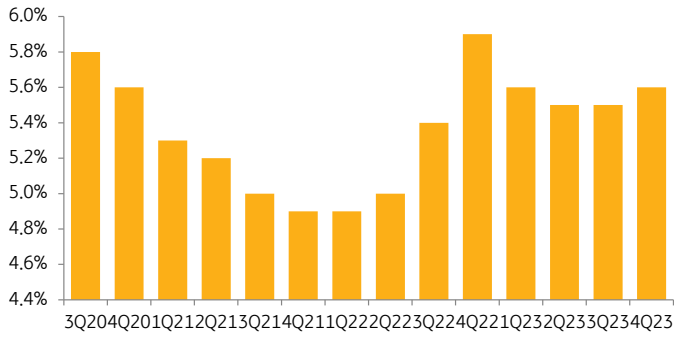
Balance Sheet (Rptn)	12M22	12M23	YoY (%)	4Q22	4Q23	YoY (%)	3Q23	QoQ (%)
Gross loans	711	810	13.9	711	810	13.9	766	5.8
Current accounts	324	349	7.6	324	349	7.6	338	3.2
Saving deposits	524	536	2.3	524	536	2.3	532	0.8
Time deposits	192	217	13.2	192	217	13.2	219	-0.9
Total Deposits	1,040	1,102	6.0	1,040	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

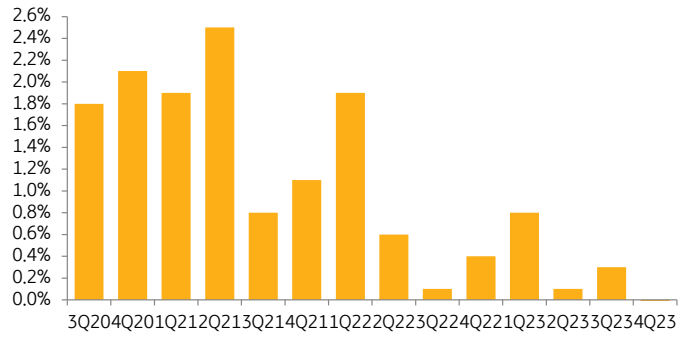
Source : Company, KB Valbury Sekuritas

Exhibit 3: Solid NIM remains



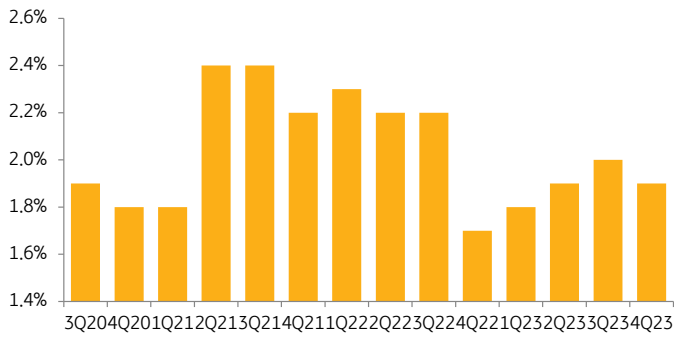
Source: Company, KBVS Research

Exhibit 4: CoC continue at low level



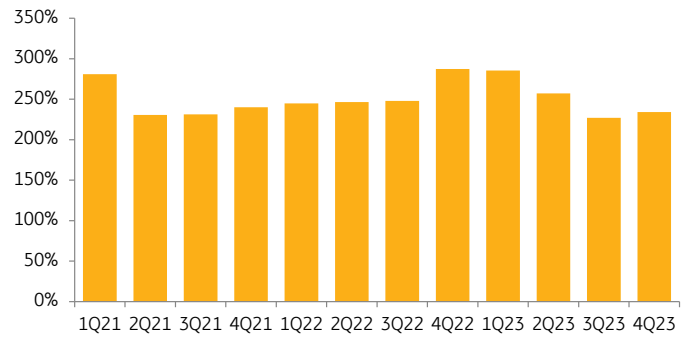
Source: Company, KBVS Research

Exhibit 5: Well managed NPL...



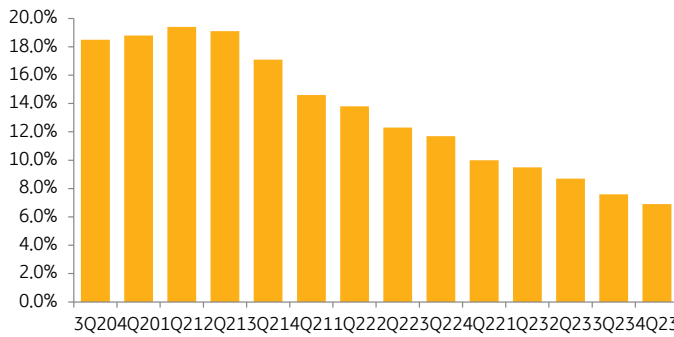
Source: Company, KBVS Research

Exhibit 6: ..with solid NPL coverage



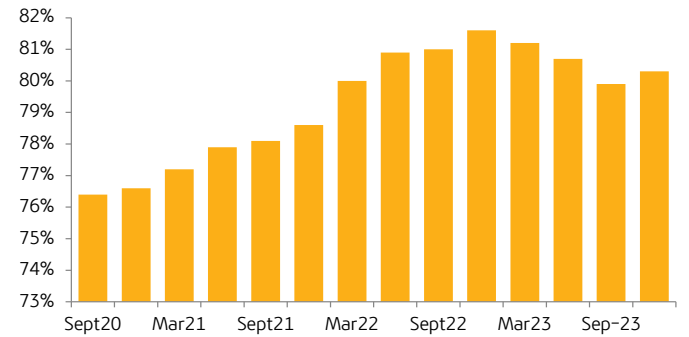
Source: Company, KBVS Research

Exhibit 7: LAR improvement to remain intact



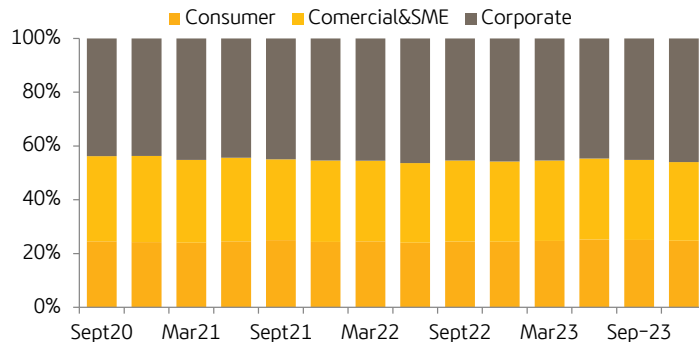
Source: Company, KBVS Research

Exhibit 8: Solid CASA to maintain NIM



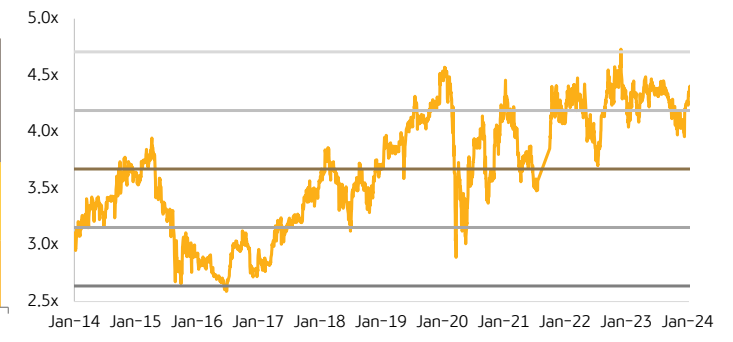
Source: Company, KBVS Research

Exhibit 9: Strong corporate portion to underpin growth



Source: Company, KBVS Research

Exhibit 10: Currently trading at 4.2x '24F P/B, at its +1SD of 4.2x



Source: Company, Bloomberg, KBVS Research

FINANCIAL TABLES
Exhibit 11: Profit & Loss

Year End Dec (IDR bn)	2021A	2022A	2023F	2024F	2025F
Interest income	65,627	72,241	82,264	94,763	109,885
Interest expenses	-9,491	-8,252	-9,683	-10,967	-12,492
Net interest income	56,136	63,990	72,581	83,797	97,393
Non-interest income	22,338	23,487	25,243	26,891	29,093
Operating expenses	-30,308	-32,483	-35,908	-39,906	-44,343
Pre-provision operating profit	48,165	54,994	61,916	70,782	82,143
Loan loss provision	-9,324	-4,527	-4,359	-4,406	-4,711
Pretax Profit	38,841	50,467	57,557	66,376	77,432
Income Tax Expenses	-7,401	-9,711	-10,967	-12,648	-14,754
Net profit	31,423	40,736	46,570	53,709	62,658

Exhibit 12: Balance sheet

Year End Dec (IDR bn)	2021A	2022A	2023F	2024F	2025F
Assets					
Cash	23,616	21,360	19,023	17,501	17,663
Current Account at BI	65,785	104,110	106,495	108,226	114,150
Interbank Loans	98,754	36,129	38,952	40,360	42,239
Govt Treas Bills & Sec	189,806	211,181	223,438	227,954	226,216
Investment Securities	35,543	39,847	41,927	44,362	47,274
Loans	603,747	676,421	750,214	839,898	944,784
Fixed Assets	22,169	24,709	27,376	30,177	33,117
Other assets	188,924	200,974	215,162	226,711	241,240
Total Asset	1,228,345	1,314,731	1,422,590	1,535,188	1,666,683
Liabilities					
Interbank Deposit	10,017	7,936	8,557	9,179	9,901
Customer Deposit	975,949	1,039,718	1,121,000	1,202,513	1,297,164
Debts Sec and Subordinates	982	500	500	500	500
Other Liabilities	38,548	45,396	47,941	50,621	53,536
Total liabilities	1,025,496	1,093,550	1,177,998	1,262,813	1,361,101
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	179,580	200,959	227,949	259,236	295,977
Other Equity	16,043	12,970	9,370	5,847	2,293
Shareholder's Equity	202,713	221,019	244,409	272,173	305,360
Non-controlling Interest	136	163	183	203	223
Total Equity	202,849	221,182	244,592	272,376	305,583

Exhibit 13: Key performance metrics

Year End Dec (%)	2021A	2022A	2023F	2024F	2025F
NIM (%)	5.1	5.3	5.7	5.8	6.0
LDR (%)	65.3	68.4	70.1	72.8	75.6
CASA (%)	78.6	81.6	82.0	82.2	82.7
NPL (%)	2.2	1.7	1.6	1.5	1.4
ROAE (%)	16.2	19.2	20.0	20.8	21.7
ROAA (%)	2.7	3.2	3.4	3.6	3.9
CAR (%)	26.9	27.4	28.0	28.8	29.8
BVPS (IDR)	1,644	1,793	1,983	2,208	2,477
PER (x)	36.7	28.3	24.8	21.5	18.4
PBV (x)	5.7	5.2	4.7	4.2	3.8
Div. Yield (%)	1.6	1.7	1.9	2.2	2.5

Source: Company, KBVS Research

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