

Bank Central Asia (BBCA)

Robust results momentum to sustain

28 July 2023



BBCA IJ	BUY
Sector	Banks
Price at 27 July 2023 (IDR)	9,225
Price target (Rp)	10,150
Upside/Downside (%)	10.0

Stock Information

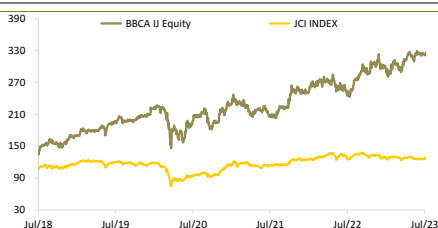
PT Bank Central Asia Tbk has positioned itself as one of the largest transaction banks in Indonesia. The bank provides custodianship, cash management, facilitation for exports and imports, as well as foreign exchange services. Through its subsidiaries, the bank also offers leasing and consumer financing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

Market cap (IDR bn)	1,137,213
Shares outstanding (mn)	123,275
52-week range (IDR)	7,275 - 9,400
3M average daily vol. ('000)	75,848
3M average daily val. (IDR mn)	688,408

Shareholders (%)

PT Dwimuria Invest. Andalan	54.9
Public	45.1

Stock Performance



Source: Bloomberg

	1M	3M	12M
Performance (%)	0.8	0.8	25.9

Analyst(s)

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BBKA posted another solid result with 1H23 earnings came in above ours and street expectation at 54%/51%. Key metrics remain robust with NIM and CoC arrives above 2023 guidance and thus made management rising the target. Ours and consensus' FY23F estimates now looks conservative given stronger 2H performance trend (5yr hist. accounted closed to 55%). We revisit our model and made some adjustment following better than expected 1H23 results and taking into account BBKA's new guidance. Our new '23F/'24F earnings are 140bps and 200bps higher, mainly on lesser credit cost. Upgrade to BUY, TP IDR10,150 (5.1x/4.6x '23F/'24F P/B), while currently trading at 4.7x '23F P/B, at its +2SD 5-yr hist

1H23 earnings beating KBV's and street estimates

In all, 1H23 earnings arrived above ours and consensus expectation at 54%/51%. From top to bottom, the bank reported solid 1H23 results, whereas net interest income noted 24.6% yoy higher helped by strong interest income growth by 26.7%. PPOP came in at IDR31,670bn or grew by 22.6% yoy on the backed of manageable opex and bringing CIR improves by 1.4% yoy. A sharp drop in provisions (-49.5% yoy) has strongly underpinned BBKA's 1H23 earnings which grew 34.0% yoy. On the quarterly basis, 2Q23 standalone PATMI was 9.8% qoq higher, mainly driven by -8.8% drop in opex and provision expenses which tanked 71.1% qoq.

Solid loan growth with steady strong CASA

Loans grew by 9.0% yoy to IDR735,93bn, arrives within management guidance range of 9%-12% (KBVS: 10.3% yoy), supported by robust consumer loan growth which grew by 13.9% yoy (surpassing our '23F for BBKA consumer segment loan growth at 10% yoy), as both mortgage and vehicles loan continue to remain recorded solid demand. Corporate segment remains taking the largest chunked of the loan portfolio, despite noted lower and offset by consumer loan portion of around 25% from 23.9% in 1H22. On the liabilities side, TPF grew by 6.0% yoy to IDR1,071.2bn and gradually improving vs previous quarters. CASA continue as BBKA's funding backbone and we believe will remain stays at around or above that level (KBVS '23F: 82% vs FY22: 81.2%).

Continuing solid key metrics

BBKA recorded another solid key performance metrics across the board. NIM expanded by 60bps to 5.6% arrives above original BBKA's guidance at 5.3%-5.4%. LAR consistently improving with stronger coverages, while NPL saw another solid figure at 1.9% or 30 bps better yoy and flattish qoq. Last but not least, CoC came in as low as 50bps from 120bps in 1H22 and even lower on quarterly basis to 0.1% in 2Q23 (-70bps) from 0.8% in 1Q23.

LAR consistent improvement

LAR continue to improves (360bps) to 8.7% from 12.3% in 1H22 and 80bps qoq better from 9.5% in 1Q23 as reopening economy has triggered continuing recovery momentum which led to stronger repayment. Restru loans on Coll.1 even record a stronger amount from 8.1% to 4.1% of total loans in Jun23, thanks to current restructured loans which improves by -45.5%yoy, -36.6%ytd and -27.4%qoq

Earnings upgrades

BBKA increasing its NIM guidance to 5.5%-5.6% from 5.3%-5.4% previously and CoC lowered by 20bps from 70bps-80bps to 50bps-60bps. We revisit our model and made some adjustment following better than expectation 1H23 results and taking into account BBKA's revised up guidance. Having said that, our new '23F/'24F earnings are 140bps and 200bps higher, mainly on lesser credit cost. We also raised retention ratio assumption to 88% from 85% of DPO previously, as we believe BBKA's stable payout ratio likely to remains. Using GGM model, BBKA's new TP pegged at 5.1x/4.6x of '23F/'24F P/B.

Upgrade BUY, with target price of IDR10,150

In all, BBKA deserved to trade at premium and its solid result signaling the ability to remain resilient in this cautiously optimistic year. Risks to our call are: a) slower-than-expected loan growth, b) lower-than-expected NIM and loan yield, c) higher than expected cost of funds and cost of credit, d) higher inflation, slowing economic activity, worsening uncertainty and e) deteriorating asset quality.

Key Statistics

Year-end Dec	2021A	2022A	2023F	2024F	2025F
Net interest income	56,136	63,990	72,544	83,593	97,016
Non-interest income	22,338	23,487	25,240	26,868	29,056
Total operating income	78,473	87,476	97,784	110,461	126,072
Pre-provision operating profit	48,165	54,994	61,876	70,556	81,729
Net income	31,423	40,736	45,800	52,521	61,208
EPS (IDR)	255	330	372	426	497
EPS growth (%)	15.8	29.6	12.4	14.7	16.5
PER (x)	36.2	27.9	24.8	21.7	18.6
PBV (x)	5.6	5.1	4.7	4.2	3.8
Div. Yield (%)	1.6	1.7	1.9	2.2	2.5
ROE (%)	16.2	19.2	19.7	20.4	21.3

Source: Company, KB Valbury Sekuritas

Figure 1: BBCA 1H23 results

Income statements (IDRbn)	6M22	6M23	YoY (%)	2Q22	2Q23	YoY (%)	1Q23	QoQ (%) KBVS	'23F	% to '23F	Cons. '23F	% to consensus
Net interest income	29,773	37,104	24.6	15,290	18,573	21.5	18,531	0.2	72,544			
Non interest income	11,123	12,166	9.4	5,203	5,913	13.6	6,253	-5.4	25,240			
Total operating income	40,896	49,270	20.5	20,493	24,486	19.5	24,784	-1.2	97,784			
Operating expenses	-15,054	(17,600)	16.9	-7,332	-8,396	14.5	-9,204	-8.8	-35,908			
PPOP	25,842	31,670	22.6	13,161	16,090	22.3	15,580	3.3	61,876			
Provisions	-3,727	-1,882	(49.5)	-909	-422	(53.6)	-1,460	-71.1	-5,270			
Net profit	18,049	24,190	34.0	9,985	12,660	26.8	11,530	9.8	45,162	54	47,599	51

Source : Company, KB Valbury Sekuritas

Balance Sheet (IDRbn)	6M22	6M23	YoY (%)	2Q22	2Q23	YoY (%)	1Q23	QoQ (%)
Total loans (gross)	675,362	736,000	9.0	675,362	736,000	9.0	713,822	3.1
Third party funds	1,011,042	1,072,000	6.0	1,011,042	1,072,000	6.0	1,038,750	3.1
Current accounts	304,808	329,000	7.9	304,808	329,000	7.9	320,660	2.6
Saving deposits	513,003	536,000	4.5	513,003	536,000	4.5	522,674	2.5
Time deposits	193,231	207,000	6.9	193,231	207,000	7.1	195,416	5.7
CASA	817,811	865,000	5.8	817,811	865,000	5.8	843,334	2.6
Total assets	1,264,468	1,357,000	7.3	1,264,468	1,357,000	7.3	1,321,723	2.7
Total equity	202,987	225,000	10.6	202,987	225,000	10.8	211,261	6.3

Source : Company, KB Valbury Sekuritas

Key metrics (%)	6M22	6M23	YoY (%)	2Q22	2Q23	YoY (%)	1Q23	QoQ (%)
NIM	5.0	5.6	12.0	5.0	5.6	12.0	5.6	0.0
Cost of Credit	1.2	0.5	(58.3)	1.2	0.5	(58.3)	0.8	-37.5
CIR	34.3	32.9	(4.1)	34.3	32.9	(4.1)	35.1	-6.3
LDR	63.5	65.7	3.5	63.5	65.7	3.5	65.6	0.2
NPL gross	2.2	1.9	(13.6)	2.2	1.9	(13.6)	1.8	5.6
CAR	24.7	29.5	19.4	24.7	29.5	19.4	28.9	2.1
ROE	19.6	24.2	23.5	19.6	24.2	23.5	22.3	8.5
ROA	2.8	3.7	32.1	2.8	3.7	32.1	3.4	8.8

Source : Company, KB Valbury Sekuritas

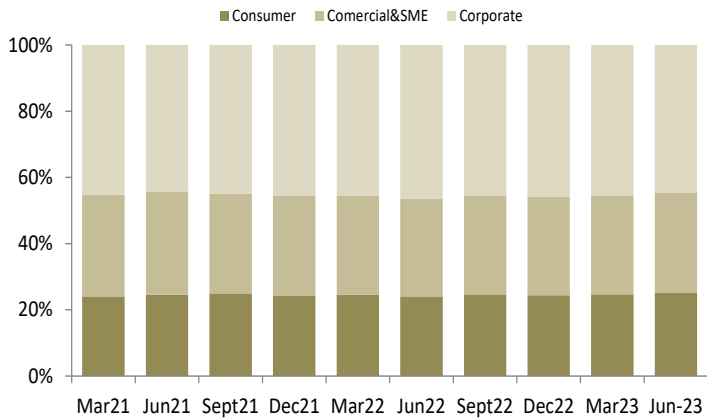
Figure 2: Forecast revisions

Key metrics (IDRbn)	New		Old		Difference (%)		Street		Difference (%)	
	2023F	2024F	2023F	2024F	2023F	2024F	2023F	2024F	2023F	2024F
Loan	784,787	871,653	780,503	864,114	0.5%	0.9%				
Deposit	1,121,000	1,202,513	1,121,000	1,202,513	0.0%	0.0%				
Interest Income	82,227	94,560	82,183	94,442	0.1%	0.1%				
Interest Expenses	(9,683)	(10,967)	(9,683)	(10,967)	0.0%	0.0%				
Net Interest Income	72,544	83,593	72,500	83,475	0.1%	0.1%				
Non Interest Income	25,240	26,868	25,137	26,691	0.4%	0.7%				
Total Income	97,784	110,461	97,637	110,166	0.2%	0.3%				
Opex	(35,908)	(39,906)	(35,908)	(39,906)	0.0%	0.0%				
PPOP	61,876	70,556	61,729	70,260	0.2%	0.4%				
Provision Expenses	(5,270)	(5,647)	(5,911)	(6,613)	-10.9%	-14.6%				
Operating Profit	56,606	64,909	55,817	63,648	1.4%	2.0%				
Net Profit	45,800	52,521	45,162	51,500	1.4%	2.0%	47,599	51,352	-3.8%	2.3%

Source : Company, KB Valbury Sekuritas

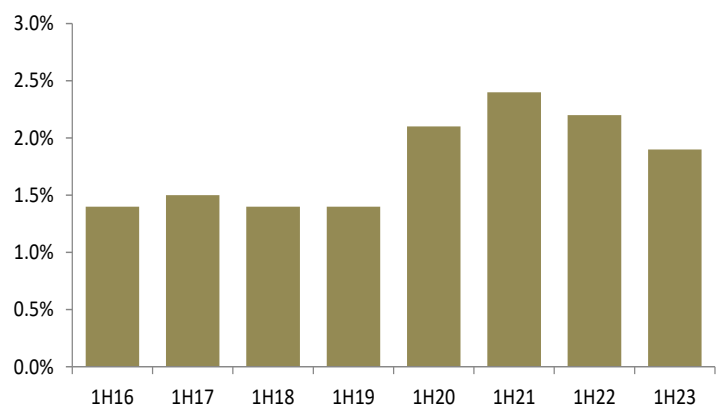
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Figure 3: Corporate segment will remain as the main engine



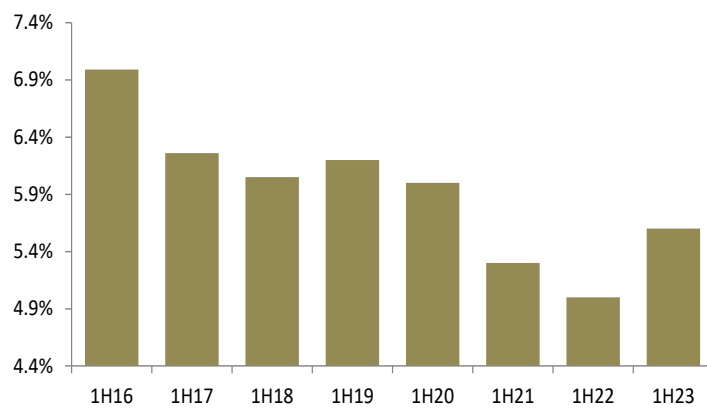
Source: Company, KB Valbury Sekuritas

Figure 4: Expecting manageable NPL on AQ improvement



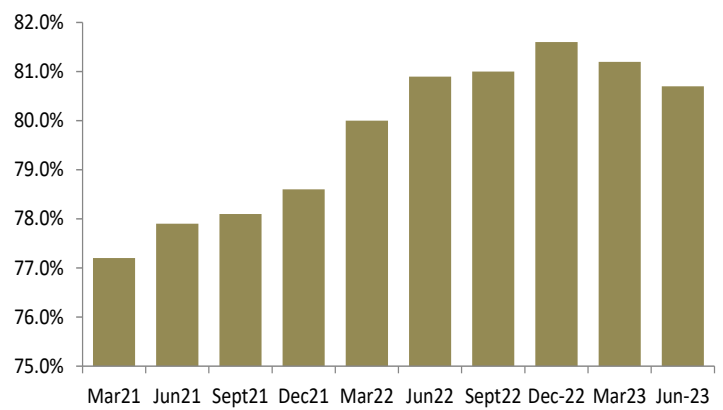
Source: Company, KB Valbury Sekuritas

Figure 5: NIM recovery momentum has continued



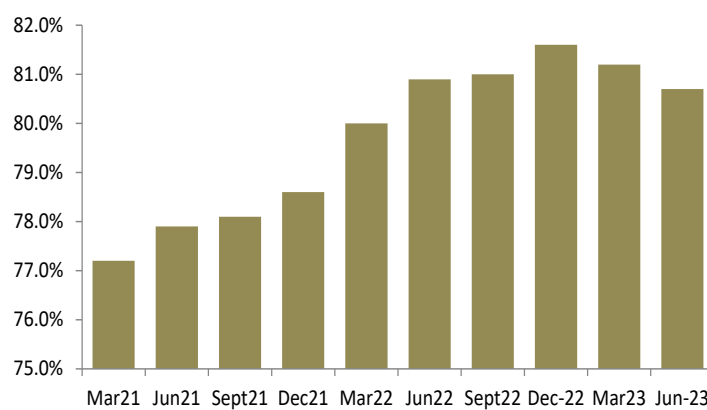
Source: Company, KB Valbury Sekuritas

Figure 6: Solid CASA remains



Source: Company, KB Valbury Sekuritas

Figure 7: LAR continue arrived within the down track path



Source: Company, KB Valbury Sekuritas

Figure 8: Currently trading at 4.7x '23F P/B, at +2SD 10-year historical



Source: Company, KB Valbury Sekuritas

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FINANCIAL TABLES

CONSOLIDATED STATEMENTS OF PROFIT OR LOSS

Year End Dec (IDR bn)	2021A	2022A	2023F	2024F	2025F
Interest income	65,627	72,241	82,227	94,560	109,508
Interest expenses	-9,491	-8,252	-9,683	-10,967	-12,492
Net interest income	56,136	63,990	72,544	83,593	97,016
Non-interest income	22,338	23,487	25,240	26,868	29,056
Total operating income	78,473	87,476	97,784	110,461	126,072
Operating expenses	-30,308	-32,483	-35,908	-39,906	-44,343
Pre-provision operating profit	48,165	54,994	61,876	70,556	81,729
Loan loss provision	-9,324	-4,527	-5,270	-5,647	-6,088
Pretax profit	38,841	50,467	56,606	64,909	75,641
Tax Expenses	-7,401	-9,711	-10,786	-12,368	-14,413
Minorities interest	-17	-20	-20	-20	-20
Net income	31,423	40,736	45,800	52,521	61,208

Source: Company, KB Valbury Sekuritas

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

Year End Dec (IDR bn)	2021A	2022A	2023F	2024F	2025F
Assets					
Cash	23,616	21,360	20,248	22,373	23,709
Current Account BI	65,785	104,110	106,495	108,226	114,150
Interbank	98,754	36,129	38,952	40,360	42,239
Govt Treas Bills & Sec	189,806	211,181	223,438	227,954	226,216
Inv. Securities	35,543	39,847	41,927	44,362	47,274
Loan	603,747	676,421	748,283	833,525	936,366
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	1,421,882	1,533,688	1,664,312
Liabilities					
Interbank Deposit	10,017	7,936	8,557	9,179	9,901
Deposit from customer	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	227,242	257,736	293,605
Other Equity	16,043	12,970	9,370	5,847	2,293
Shareholder's Equity	202,713	221,019	243,702	270,673	302,988
Non-controlling Interest	136	163	183	203	223
Total Equity	202,849	221,182	243,885	270,875	303,211

Source: Company, KB Valbury Sekuritas

RATIO ANALYSIS

Year End Dec	2021A	2022A	2023F	2024F	2025F
NIM (%)	5.1	5.3	5.7	5.8	6.0
LDR (%)	65.3	68.4	70.0	72.5	75.2
CASA (%)	78.6	81.6	82.0	82.2	82.7
NPL (%)	2.2	1.7	1.6	1.5	1.4
ROE (%)	16.2	19.2	19.7	20.4	21.3
ROA (%)	2.7	3.2	3.3	3.6	3.8
CAR (%)	26.9	27.4	27.9	28.7	29.6
BVPS (IDR)	1,644	1,793	1,977	2,196	2,458
PER (x)	36.2	27.9	24.8	21.7	18.6
PBV (x)	5.6	5.1	4.7	4.2	3.8
Div. Yield (%)	1.6	1.7	1.9	2.2	2.5

Source: Company, KB Valbury Sekuritas

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