

PT Bank Central Asia, Tbk

HOLD

7 November 2019
Banking, Equity

Price **IDR. 31475**
Target Price **IDR. 33000**
JKSE Index **6264.15**

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Bank Central Asia Tbk, Indonesia, Jakarta:BBCA, M



Stock Code **BBCA IJ**
Bloomberg code **BBCA IJ**
Market cap (IDR.bn) **784029.3**
52-Week High (IDR) **31900**
52-Week Low (IDR) **23350**
6-m Avg Daily. Val (IDR) **29940**
Free Float (%)

Major Shareholders (%)
Dwimuria **54.94%**
Public **45.06%**

USD/IDR-YE
2018A **14390**
2019F (6M Avg) **13963**

Key Indicators
Non Performing Loan (x) **1.63**
Net Interest Margin (x) **7.90**

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Investment Consideration Targeting Higher Net Income

BBCA net profit increased + 13.0% YoY in 3Q19. Revenue increased from credit growth in most segments, and there was also an increase in demand deposits and savings, supported by an increase in the number of transactions on electronic channels. We now estimate net profit growth CAGR during 2019-2020 to average 14% compared to 2018A.

NIM is stable

As of 3Q19, NIM was up + 10bps from a year ago, but remained stable QoQ. BBCA reduced deposit rates following JIBOR's interest rate reduction and will reduce loan interest rates with other banks to maintain NIM. We estimate NIM Growth during 2019-2020 to average 6.5-7.9%.

Credit growth has risen due to two segments

As of 3Q19, Loan Growth increased by 10.6% YoY, driven by corporate loans which grew 16.5% YoY. The biggest contributors to loan growth were financial institutions and infrastructure. However, consumer lending fell -2% from 3Q18 due to lower motor vehicle loans because of the development of more convenient online transportation services and the new MRT.

NPL rose 20bps due to the steel industry and the Palu disaster

The NPL ratio increased slightly in 3Q19 to 1.6%, compared to 3Q18's 1.4% due to exposure to the steel industry which has seen a ratings downgrade and the Palu earthquake Disaster. The increase in NPLs will result in a cost of funds increase of 0.8%, and we assume the NPL ratio will still rise slightly higher to 1.65%.

Valuation: 4% Upside, Hold.

Based on our DDM Valuation, we have a target price within one year of IDR 33000, or trading at 3.8x PBV which gives 4% potential upside, Hold.

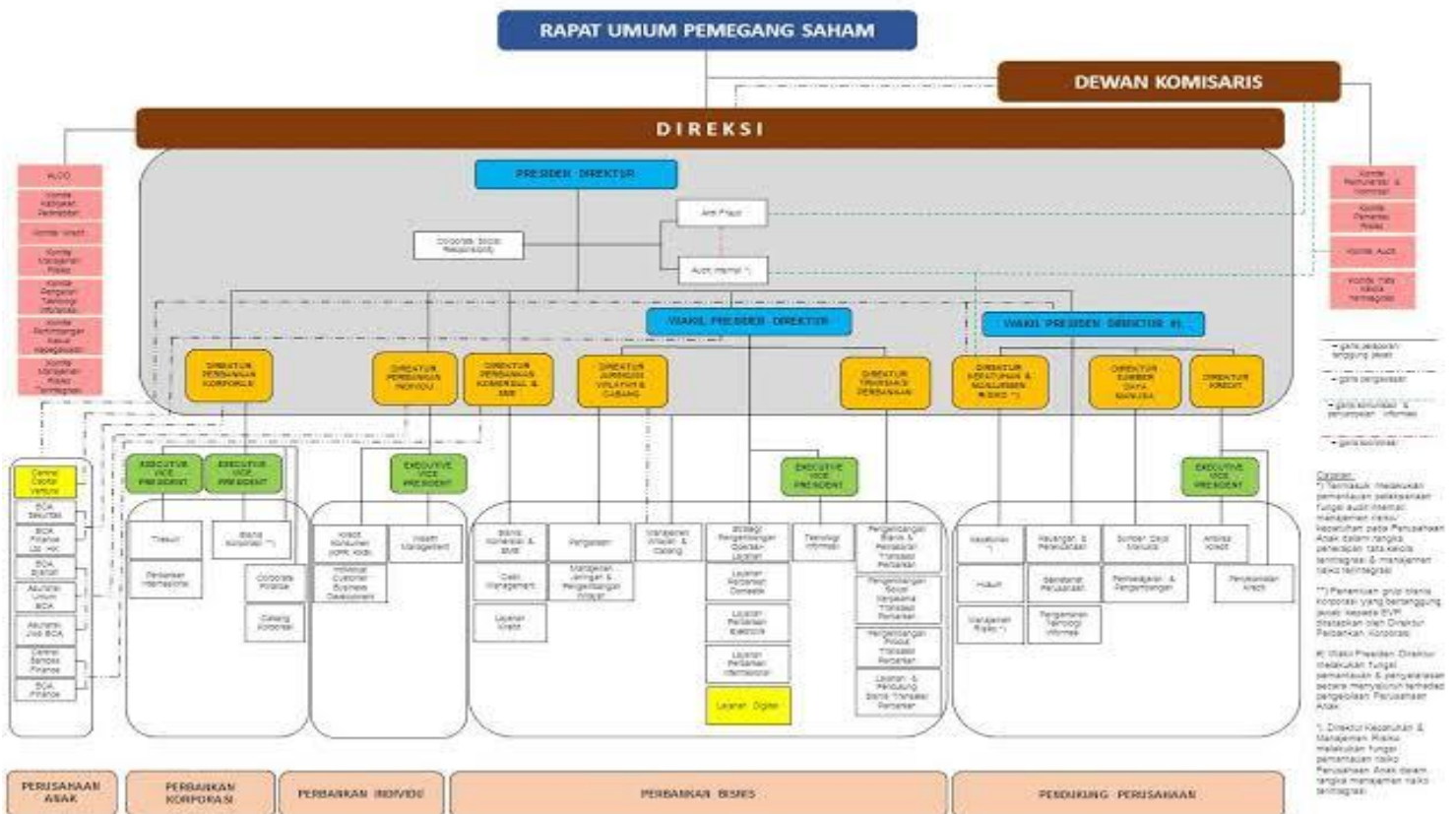
Income Statement (Idr bn)	2017	2018	2019F	2020F	2021F
Interest Income	53.768	56.767	70.460	85.838	97.202
Interest Expense	-11.941	-11.476	-13.778	-15.341	-17.287
Net Interest Income	41.826	45.291	56.682	70.497	79.916
Net Operating Income	15.157	17.745	19.299	20.977	24.578
Operating Expense	-25.192	-27.653	-31.967	-35.082	-36.048
Pre Provision Operating Profit	31.791	35.383	44.014	56.391	68.446
Provision Expense	-2.633	-2.677	-7.372	-14.664	-19.033
Operating Profit	29.159	32.706	36.642	41.727	49.413
Profit Before Tax	29.159	32.706	36.642	41.727	49.413
Tax Expense	-5.838	-6.854	-7.446	-8.469	-10.028
Net Profit	23.321	25.852	29.197	33.258	39.385
EPS (Rp/Share)	945	1.049	1.184	1.349	1.597

Company Profile

PT Bank Central Asia Tbk (the "Bank") was established in the Republic of Indonesia based on the Notary Deed No. 38 of Raden Mas Soeprpto dated 10 August 1955 under the name of "N.V. Perseroan Dagang Dan Industrie Semarang Knitting Factory". This deed of establishment was approved by the Minister of Justice in its decision letter No. J.A.5/89/19 dated 10 October 1955 and was published in Supplement No. 595 to State Gazette of the Republic of Indonesia No. 62 dated 3 August 1956. The name of the Bank has been changed several times with the latest change PT Bank Central Asia based on the Notary Deed No. 144 of Wargio Suhardjo, S.H., the substitute of notary public Ridwan Suselo, dated 21 May 1974. The Bank started its commercial operations in the banking business on 12 October 1956. According to Article 3 of the Bank's Articles of Association, the Bank operates as a commercial bank. The Bank is engaged in banking activities and other financial services in accordance with the prevailing regulations in Indonesia.

Company Structure

STRUKTUR ORGANISASI PT BANK CENTRAL ASIA Tbk.



Source: Company

Chart: Net Interest Margin (x) yoy

Net Interest Income

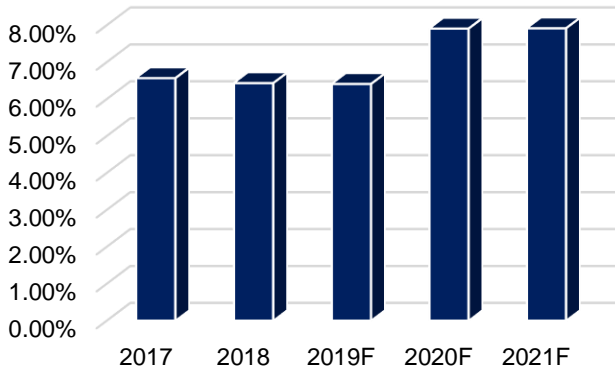


Chart: Loan to Deposit Ratio (x) yoy

Loan to Deposit Ratio

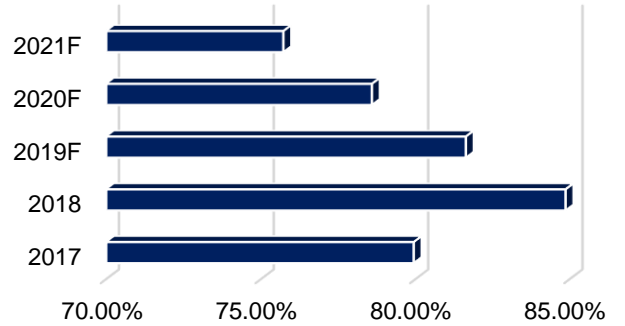


Chart: Gross NPL (x) yoy

Gross NPL (Bank Only)

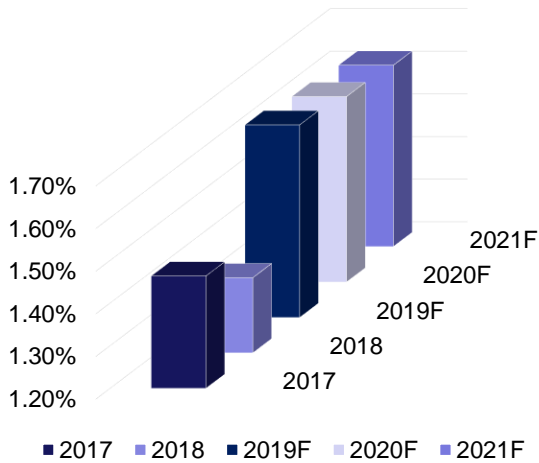
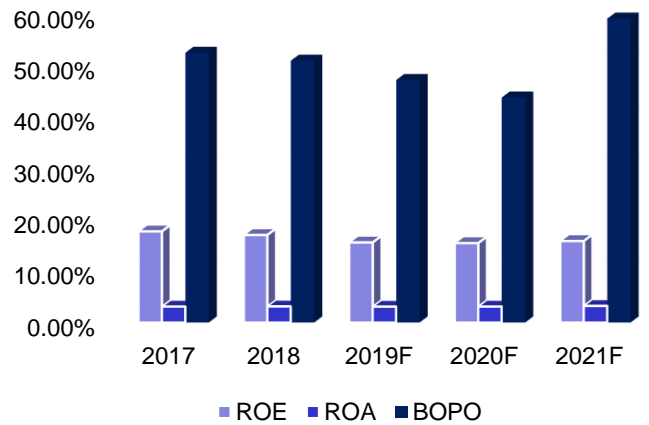


Chart: Profitability (x) YoY

Profitability Ratio



Balance Sheet (IDR.bn)

Balance sheet (ldr bn)	2017	2018	2019F	2020F	2021F
Cash and CA with BI	60.227	65.240	84.835	97.745	113.980
Interbank Placement	18.970	31.683	40.217	49.277	59.868
Marketable Securities	5.891	4.802	12.568	15.399	18.709
Gross Loan	467.692	538.277	585.256	638.610	698.618
Allowance for Loans	-13.246	-13.573	-27.310	-29.540	-32.092
Loans-net	454.446	524.705	557.946	609.070	666.526
Other Earning Asset	203.576	198.997	251.357	307.978	374.172
Non Earning Asset	32.071	35.847	50.197	56.795	64.367
Total Asset	750.320	824.788	944.335	1.071.588	1.219.046
Deposit:					
Current Account	151.250	166.822	177.501	189.011	201.268
Saving Deposits	292.582	316.489	359.440	408.431	464.099
Time Deposits	141.262	150.996	180.044	215.242	257.321
Other Interest Bearing Liabilities	24.226	28.885	30.058	32.535	35.217
Non Interest Bearing Liabilities	9.599	9.842	10.012	11.348	12.884
Total Liabilities	618.918	673.035	757.054	856.567	970.789
Total Shareholder's Equity	131.402	151.753	187.281	215.021	248.256

Income Statement (IDR.bn)

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Interest Income	53.768	56.767	70.460	85.838	97.202
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Net Operating Income	15.157	17.745	19.299	20.977	24.578
Operating Expense	-25.192	-27.653	-31.967	-35.082	-36.048
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EPS (Rp/Share)	945	1.049	1.184	1.349	1.597

Ratio Analysis	2017	2018	2019F	2020F	2021F
NIM	6,565%	6,431%	6,408%	7,907%	7,915%
LDR	79,93%	84,86%	81,63%	78,58%	75,72%
Gross NPL (bank only)	1,46%	1,38%	1,65%	1,63%	1,63%
Cost of Credit	0,56%	0,50%	1,26%	2,30%	2,72%
Provision Coverage	149%	127%	193%	193%	193%
CAR	20%	20%	23%	24%	25%
CASA	75,9%	76,2%	74,9%	73,5%	72,1%
Cost-to-Income Ratio	44,2%	43,9%	42,1%	38,4%	34,5%
ROE	17,7%	17,0%	15,6%	15,5%	15,9%
ROA	3,1%	3,1%	3,1%	3,1%	3,2%
ROAE		17,4%	16,3%	15,5%	15,7%
BOPO	52,51%	50,96%	47,21%	43,80%	59,16%
Loan Growth	12,41%	15,09%	8,73%	9,12%	9,40%
Deposit Growth	9,65%	13,03%	13,35%	13,35%	13,54%
Net Income Growth	13,12%	10,92%	12,92%	13,91%	18,42%

QoQ Result

Balance sheet (ldr bn)	1Q19	2Q19	3Q19F	4Q19F	1Q20F	2Q20F	3Q20F	4Q20F	1Q21F	2Q21F	3Q21F	4Q21F
Cash and CA with BI	60.342	63.812	69.107	84.835	89.593	95.032	100.013	97.745	103.706	109.767	116.001	113.980
Interbank Placement	31.346	32.558	38.181	40.217	42.355	44.569	46.878	49.277	51.772	54.367	57.064	59.868
Marketable Securities	5.711	12.744	11.931	12.568	13.236	13.928	14.649	15.399	16.179	16.990	17.833	18.709
Gross Loan	532.423	552.074	572.839	585.256	598.027	611.167	624.689	638.610	652.945	667.712	682.930	698.618
Allowance for Loans	-13.452	-14.272	-26.702	-27.310	-27.581	-28.445	-28.939	-29.540	-30.153	-30.761	-31.448	-32.092
Loans-net	518.971	537.803	546.137	557.946	570.446	582.721	595.750	609.070	622.792	636.950	651.482	666.526
Other Earning Asset	218.085	234.880	238.630	251.357	264.716	278.557	292.986	307.978	323.578	339.794	356.652	374.172
Non Earning Asset	33.153	33.962	48.688	50.197	51.765	53.383	55.060	56.795	58.591	60.450	62.375	64.367
Total Asset	830.550	870.457	902.562	944.335	976.520	1.009.693	1.043.809	1.071.588	1.108.668	1.146.961	1.186.510	1.219.046
Deposit:												
Current Account	164.719	172.011	174.734	177.501	180.311	183.166	186.066	189.011	192.004	195.044	198.131	201.268
Saving Deposits	319.336	337.195	348.140	359.440	371.107	383.153	395.590	408.431	421.688	435.376	449.508	464.099
Time Deposits	149.818	164.666	172.183	180.044	188.263	196.858	205.845	215.242	225.068	235.343	246.086	257.321
Other Interest Bearing Liabilities	28.656	28.890	29.468	30.058	30.659	31.272	31.897	32.535	33.186	33.850	34.527	35.217
Non Interest Bearing Liabilities	9.184	8.010	9.706	10.012	10.329	10.657	10.997	11.348	11.712	12.089	12.480	12.884
Total Liabilities	671.713	710.773	734.231	757.054	780.669	805.105	830.394	856.567	883.658	911.701	940.732	970.789
Total Shareholder's Equity	158.837	159.684	168.331	187.281	195.851	204.587	213.415	215.021	225.010	235.260	245.778	248.256

Income Statement (ldr bn)	1Q19	2Q19	3Q19F	4Q19F	1Q20F	2Q20F	3Q20F	4Q20F	1Q21F	2Q21F	3Q21F	4Q21F
Interest Income	15.182	15.996	19.341	19.942	20.477	21.117	21.779	22.464	23.173	23.908	24.667	25.454
Interest Expense	-3.258	-3.417	-3.497	-3.605	-3.718	-3.755	-3.873	-3.995	-4.121	-4.252	-4.387	-4.527
Net Interest Income	11.923	12.578	15.844	16.336	16.760	17.362	17.906	18.469	19.052	19.656	20.281	20.927
Net Operating Income	4.766	4.973	4.707	4.852	5.004	5.160	5.323	5.490	5.859	6.045	6.237	6.437
Operating Expense	-8.085	-7.564	-8.115	-8.204	-8.369	-8.630	-8.901	-9.182	-8.593	-8.866	-9.148	-9.441
Pre Provision Operating Profit	8.605	9.988	12.436	12.985	13.395	13.892	14.327	14.778	16.318	16.835	17.370	17.923
Provision Expense	-982	-1.466	-2.052	-2.872	-3.160	-3.476	-3.823	-4.206	-4.416	-4.637	-4.869	-5.112
Operating Profit	7.623	8.522	10.384	10.113	10.235	10.416	10.504	10.572	11.902	12.198	12.501	12.812
Profit Before Tax	7.623	8.522	10.384	10.113	10.235	10.416	10.504	10.572	11.902	12.198	12.501	12.812
Tax Expense	-1.562	-1.721	-2.112	-2.050	-2.078	-2.113	-2.132	-2.145	-2.416	-2.476	-2.537	-2.600
Net Profit	6.061	6.801	8.272	8.063	8.157	8.303	8.372	8.427	9.487	9.723	9.964	10.211
EPS (Rp/Share)	246	276	335	327	331	337	340	342	385	394	404	414

Ratio Analysis	3Q18	2Q19	3Q19
NIM	6,10%	6,20%	6,20%
ROE	18,40%	16,80%	18,00%
ROA	3,90%	3,70%	4,00%
CAR	23,20%	23,60%	23,80%
BOPO	60,20%	62,60%	59,80%
Gross NPL	1,40%	1,40%	1,60%
LDR	80,90%	79,00%	80,60%

Stock Ratings:

Buy: a recommendation to purchase the security with upside potential of 20% or greater

Hold: a recommendation to neither buy nor sell a security with upside potential of 0-19%.

Sell: a recommendation to close out a long position in a security with upside potential below 0% or negative.

**RESEARCH TEAM
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