

15 February 2021
 Banking, Equity

Price **IDR. 34,000**
 Target Price **IDR. 40,000**
 JKSE Index **6,270.32**

Published on Investing.com, 5Nov2019 - 3:15:09 GMT, Powered by TradingView.
 Bank Central Asia Tbk, Indonesia, Jakarta:BBCA, M



Stock Code **BBCA**
 Bloomberg code **BBCA IJ**
 Market cap (IDR.bn) **833,339.3B**
 52-Week High (IDR) **36,900**
 52-Week Low (IDR) **21,625**
 6-m Avg Daily. Val (IDR) **31,637**

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

USD/IDR-YE
 2020A **14,050**
 2021F (6M Avg) **14,409**

Key Indicators
 Non Performing Loan (%) **2.00**
 Net Interest Margin (%) **4.96**

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Investment Consideration Slightly Lower Net Profit

BBCA posted a slightly lower net profit, -5% YoY, which was caused by weaker demand for credit at the end of the year, instead of higher as is usually the case, plus a higher cost of provisioning which surged significantly by 152.3% YoY. However, net Interest Income increased by 7.3% and PPOP rose 11.2% YoY due to an increase in trading income and a decrease in general & administrative expenses. We estimate profit growth of around 10% in 2021F.

A Lower NIM

NIM was lower in 2020 at 5.7% from 6.2% in 2019. The bank has a conservative stance on NIM and expect it to be in the 5% -5.4% range for 2021, with pressure on earnings likely to continue from deferred interest payments on restructured loans. We estimate that NIM will be around 5% in 2021F

Loan growth and Third-Party Funds

Loan growth decreased 2.1% YoY. Some credit growth was driven by the corporate segment by 7.7% YoY, meanwhile Commercial & SME were down 7.9% YoY, and Sharia Financing was down 1.3% YoY. BBCA remains conservative seeing that the Covid-19 pandemic could disrupt loan demand in early 2021. Third-Party Funds increased by 19.30% YoY driven by Current account growth of 23.7%, Saving accounts 19.6%, Time Deposit 14%. This meant CASA grow quite significantly by 21% YoY.

Loan Restructured and Asset Quality

As of 31 December 2020, the amount of restructured loans amounted to IDR 88.0 trillion, or 15% of the total loans. Most of the restructured loans, 37.6%, are from the corporate segment, 27% from the commercial segment, 24.6% from the consumer segment, and 10.8% from the SME segment. BBCA estimates that 12-15% of the total risky loans may require an extension during the restructuring period. On Asset Quality, Non-Performing Loans were stable at 1.8% and Special Mention Loans decreased to 1.8%. We estimate Non-Performing Loans to be around 2% in 2021F

Valuation: 18% Upside, Hold.

Based on our DDM Valuation, we have a target price within one year of IDR 40,000, or trading at 5.3x PBV which gives 18% potential upside, Hold.

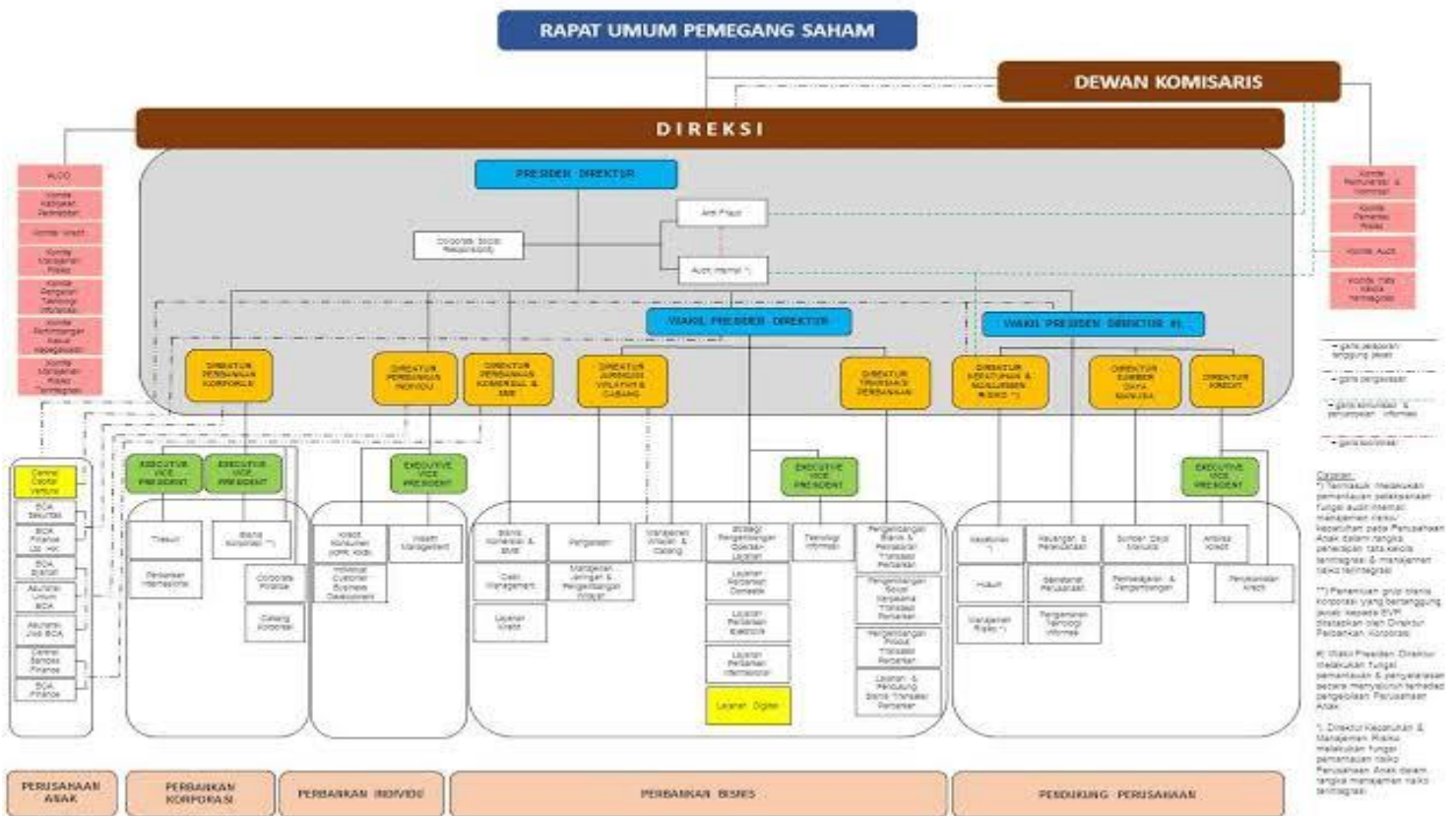
Income Statement (Idr bn)	2017A	2018A	2019A	2020A	2021F	2022F	2023F
Interest Income	53.799	56.812	64.352	65.875	75.387	79.047	98.532
Interest Expense	-11.941	-11.476	-13.528	-11.329	-17.318	-20.607	-25.190
Net Interest Income	41.858	45.336	50.824	54.547	58.069	58.440	73.342
Net Operating Income	18.109	23.150	26.484	21.101	31.036	37.892	44.022
Operating Expense	-21.430	-30.659	-32.737	-30.480	-36.290	-37.393	-49.982
PPOP	38.537	37.826	44.571	45.168	52.815	58.939	67.382
Provision Expense	-5.447	-5.740	-8.282	-11.599	-15.303	-17.271	-21.653
Operating Profit	33.089	32.086	36.289	33.569	37.512	41.668	45.729
Profit Before Tax	29.159	32.706	36.289	33.569	37.512	41.668	45.729
Tax Expense	-5.838	-6.854	-7.719	-6.421	-7.632	-8.511	-9.340
Net Profit	23.321	25.852	28.570	27.147	29.881	33.157	36.389
EPS (Rp/Share)	945,4	1.048,3	1.158,1	1.100,0	1.211,0	1.343,6	1.474,6

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 the 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 being 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: Gross Loan (x) QoQ

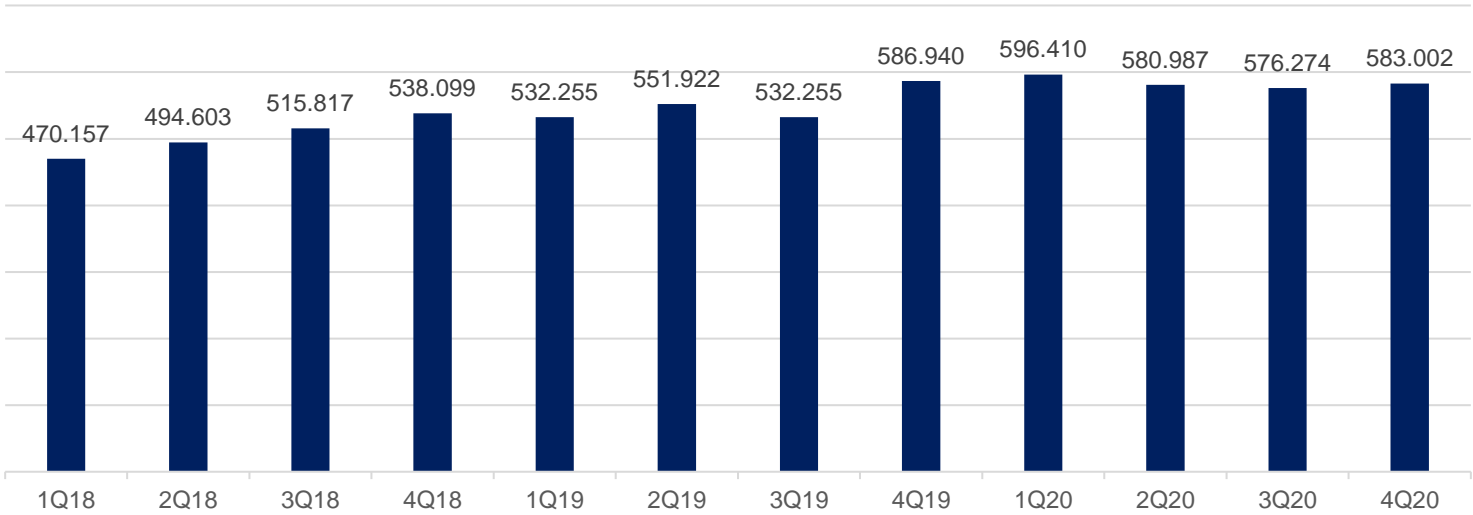


Chart: Profitability Ratio (x) yoy

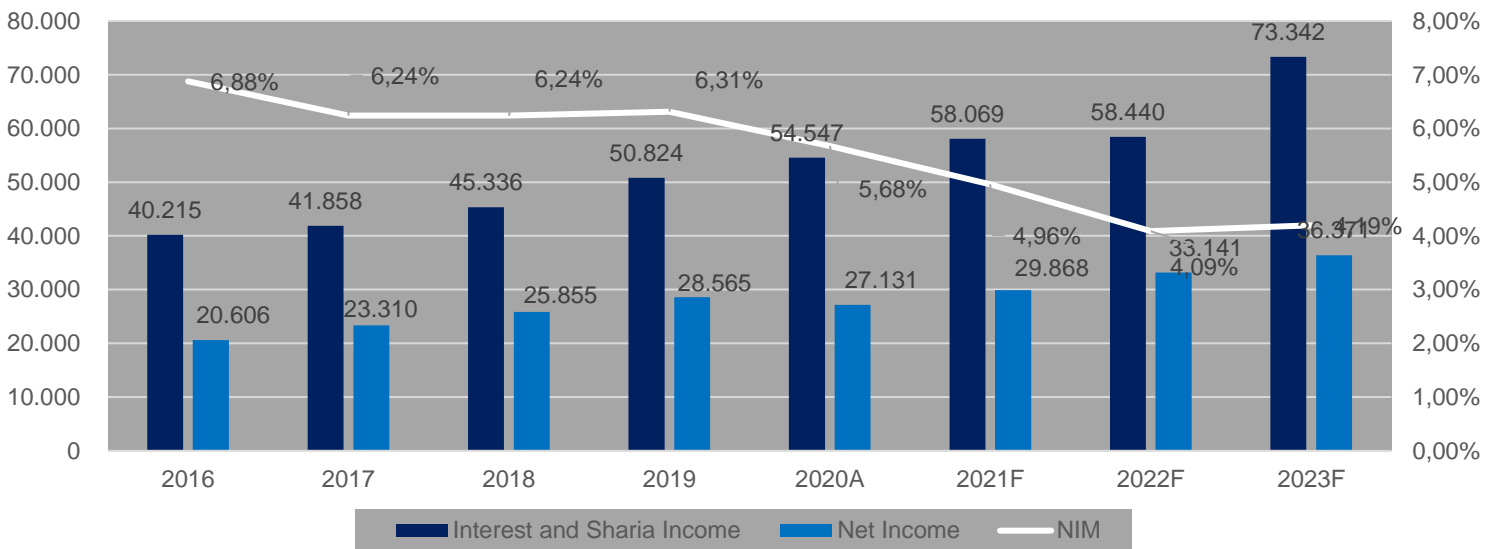
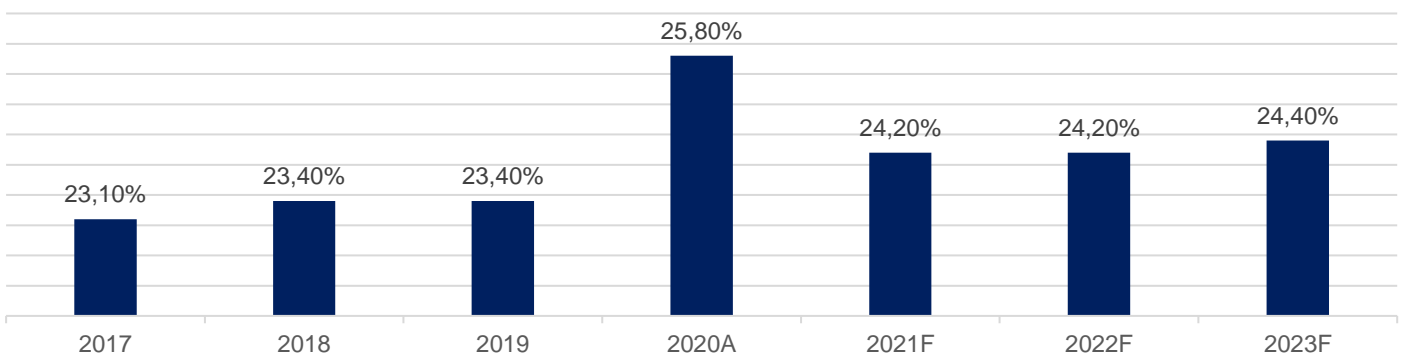


Chart: CAR (x) YoY



Balance Sheet (IDR.bn)

Balance sheet (Idr bn)	2017A	2018A	2019A	2020A	2021F	2022F	2023F
Cash and CA with BI	69.639	86.410	99.640	90.211	84.892	47.830	-784
Interbank Placement	124	1.040	1.936	1.080	2.909	3.956	4.284
Marketable Securities	143.679	121.862	153.720	201.947	315.244	417.458	522.686
Gross Loan	467.509	538.099	586.940	583.002	656.665	735.989	830.567
Allowance for Loans	-13.244	-13.569	-14.906	-27.913	-40.952	-55.916	-75.217
Loans-net	454.265	524.530	572.034	555.088	615.713	680.073	755.350
Other Earning Asset	203.309	188.452	219.382	410.343	514.129	693.453	918.441
Non Earning Asset	23.107	25.395	27.934	19.928	32.453	34.632	45.427
Total Asset	750.320	824.788	918.989	1.075.570	1.247.187	1.455.988	1.718.434
Deposit:							
Current Account	151.250	166.822	184.918	230.646	299.840	389.791	506.729
Saving Account	292.417	316.182	345.634	414.041	496.850	596.220	715.464
Time Deposits	137.449	146.808	168.428	196.890	232.331	274.150	323.497
Other Interest Bearing Liabilities	16.166	17.693	18.073	14.703	14.033	13.393	12.535
Non Interest Bearing Liabilities	21.637	25.530	27.793	34.693	43.306	54.058	67.480
Total Liabilities	618.918	673.035	744.846	890.974	1.086.359	1.327.612	1.625.704
Total Shareholder's Equity	131.402	151.753	174.143	184.596	160.828	128.376	92.730

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Ratio Highlights

Ratio Analysis	2017A	2018A	2019A	2020A	2021F	2022F	2023F
Profitability & Efficiency							
NIM	6,24%	6,24%	6,31%	5,68%	4,96%	4,09%	4,19%
Cost-to-Income Ratio	42,29%	43,86%	42,35%	40,29%	40,73%	38,82%	42,59%
ROE	17,75%	17,05%	16,41%	14,70%	18,57%	25,82%	39,22%
ROA	3,11%	3,13%	3,11%	2,52%	2,39%	2,28%	2,12%
ROAE		17,40%	16,73%	15,56%	16,63%	22,19%	32,52%
BOPO	44,30%	44,74%	41,81%	34,73%	35,99%	34,83%	37,54%
Cost of Credit	1,17%	1,07%	1,41%	1,99%	2,33%	2,35%	2,61%
Liquidity							
LDR	80,45%	85,44%	83,97%	69,27%	63,81%	58,40%	53,73%
CASA	76,35%	76,69%	75,90%	76,60%	77,42%	78,24%	79,07%
Asset Quality							
Gross NPL	1,45%	1,37%	1,34%	1,82%	2,00%	2,10%	1,80%
Provision Coverage	142,93%	125,83%	189,20%	260,90%	310,00%	380,00%	450,00%
Capital							
CAR	23,10%	23,40%	23,40%	25,80%	24,20%	24,20%	24,40%
Growth							
Loan Growth	14,48%	14,62%	9,49%	-2,51%	12,62%	12,08%	12,85%
Deposit Growth	9,62%	8,38%	10,98%	20,40%	22,27%	22,46%	22,66%
CASA Growth		8,69%	8,87%	9,84%	21,51%	23,58%	23,76%
Net Income Growth	13,12%	10,92%	10,48%	-5,02%	10,09%	10,96%	9,75%

QoQ Result

Balance Sheet	4Q19	3Q20	4Q20	%QoQ	%YoY
Loan	586.940	576.274	583.002	1,17%	-0,67%
Loan Loss Reserves	-14.906	-27.914	-27.913	0,00%	87,27%
NPL	15.551	17.868	10.496	-41,26%	-32,50%
Deposit					
Demand	184.918	205.424	230.646	12,28%	24,73%
Savings	345.634	391.134	414.041	5,86%	19,79%
Time Deposit	168.428	184.120	196.890	6,94%	16,90%
Total Asset	918.989	1.003.638	1.075.570	7,17%	17,04%
Shareholder Equity	174.043	179.029	184.596	3,11%	6,06%

Income Statement	4Q19	3Q20	4Q20	%QoQ	%YoY
Interest Income	16.604	16.258	16.432	1,07%	-1,04%
Interest Expense	3.211	2.704	2.688	-0,60%	-16,30%
Net Interest Income	13.393	13.554	13.744	1,40%	2,62%
Net Operating Income	6.922	3.877	3.266	-15,76%	-52,81%
Operating Expense	8.904	5.646	5.667	0,38%	-36,35%
PPOP	11.411	11.786	11.343	-3,76%	-0,60%
Provision Expense	-1.456	-2.080	-2.470	18,79%	69,68%
Operating Profit	12.867	13.865	13.813	-0,38%	7,36%
Profit Before Tax	9.955	9.706	8.872	-8,59%	-10,87%
Tax Expense	-2.308	-1.905	-1.770	-7,06%	-23,29%
Net Profit	7.647	7.801	7.102	-8,96%	-7,13%

Ratio	4Q19	3Q20	4Q20	QoQ	YoY
Profitability & Efficiency					
NIM	6,20%	5,60%	5,68%	0,08	(0,60)
CIR	37,30%	32,10%	40,29%	8,19	(5,20)
ROE	16,80%	19,30%	14,70%	4,60	2,50
ROA	3,70%	3,90%	2,52%	1,38	0,20
BOPO	55,66%	51,80%	34,73%	17,07	(3,87)
Cost of Credit	0,40%	1,80%	1,99%	0,19	1,40
Liquidity					
LDR	79,00%	69,60%	69,27%	0,33	(9,40)
CASA	75,20%	76,40%	76,60%	0,20	1,20
Asset Quality					
Gross NPL (Bank only)	1,40%	1,90%	1,82%	0,08	0,50
Provision Coverage	118%	244%	260,90%	17,40	125,91
Capital					
CAR	23,80%	24,70%	25,80%	1,10	0,90

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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