

## PT Bank Central Asia, Tbk

**HOLD**

26 Februari 2020  
 Banking, Equity

Price IDR. 32650  
 Target Price IDR. 37310  
 JKSE Index 5787.14

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



**Stock Code**  
**Bloomberg code** **BBCA IJ**  
**Market cap (IDR.bn)** **24,408B**  
**52-Week High (IDR)** **35,300**  
**52-Week Low (IDR)** **25,700**  
**6-m Avg Daily. Val (IDR)** **31,883**  
**Free Float (%)** **00.00**

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

**USD/IDR-YE**  
**2019A** **13,834**  
**2020F (6M Avg)** **13,866**

**Key Indicators**  
**Non Performing Loan (%)** **1.33**  
**Net Interest Margin (%)** **6.08**

### Investment Consideration

#### Loan growth above industry average

In 2019, loan growth was 9.5% YoY, still above the industry's 7.1%, but much lower than FY18's 15.5% YoY. Corporate lending grew 11.1% YoY, commercial by 12%, and consumer dropped significantly to 4.3% YoY from 9.7% in FY18. For the consumer segment, credit card growth was still quite good at 9.4% YoY, but there was a decrease in auto financing by -1.1%. We estimate credit growth in 2020 will rise to a double-digit rate of 12%.

#### Stable Asset Quality

The NPL ratio fell -10bps to 1.3% in FY19 from 1.4% in FY18 with the largest contributors the trade sector, 2.7% and manufacturing, 1.3%. Special Mention Loans were 50% consumer loans consisting of mortgages and cars. BBCA made an additional provision of 6.2 trillion for IFRS 9.

#### Operating Costs Rise

Operating costs increased significantly, as we can see from QoQ growth of 16.9% in 4Q19 up from 9.8% in 3Q19, the increase was from upgrading of the IT systems.

#### Higher CASA Growth

In FY19, CASA growth was higher at 10% YoY from 8.9% in FY18, mostly from new account openings which grew 15% YoY. That means 3 million new CASA customers for BBCA. We estimate CASA growth in 2020 will be even higher at around 12%.

#### Valuation: 14% Upside, Hold.

Based on our DDM Valuation, we have a target price within one year of IDR 37,310, or trading at 3.8x PBV which gives 14% potential upside, Hold.

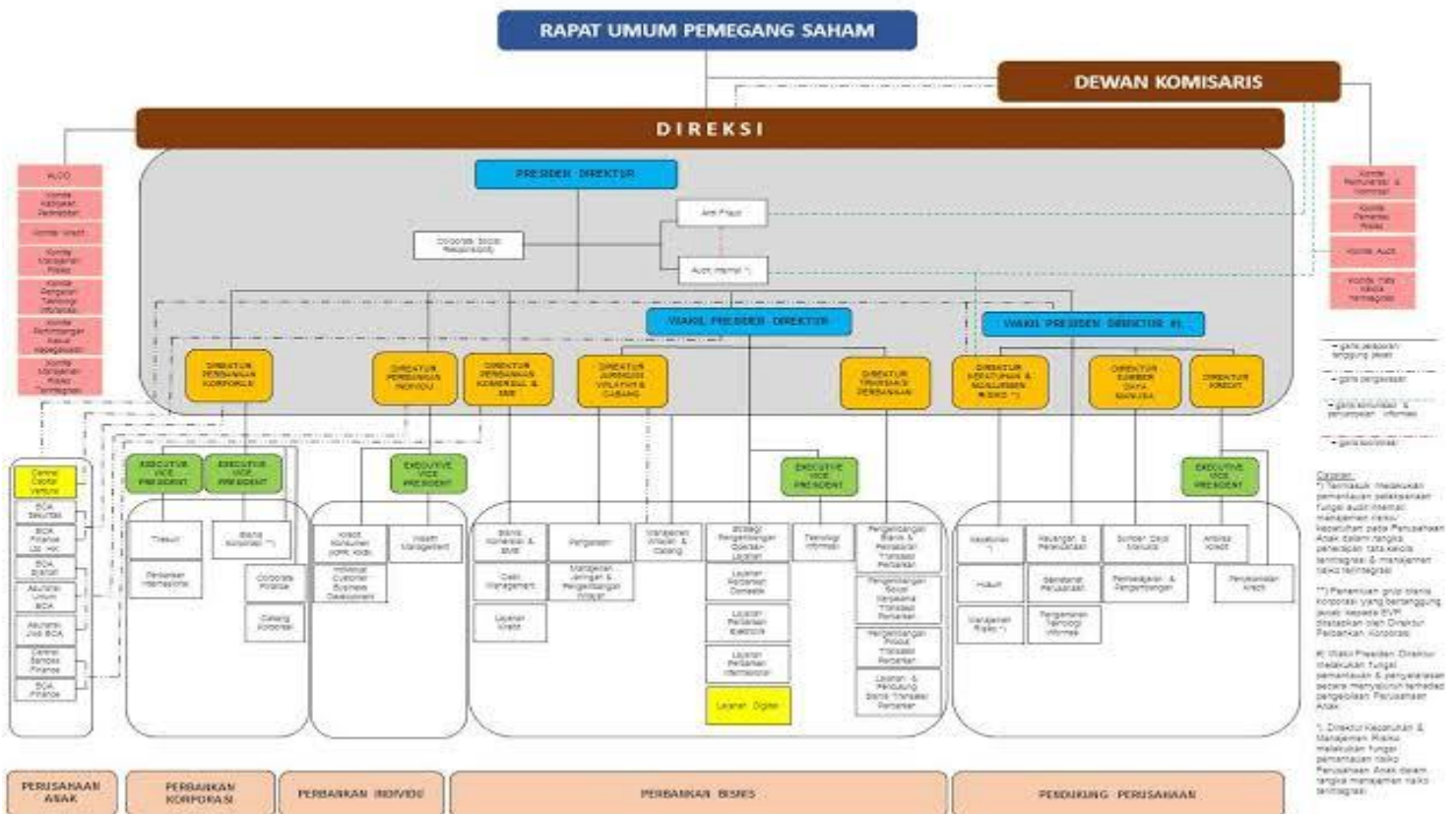
Income Statement (Idr bn)	2017A	2018A	2019A	2020F	2021F	2022F
Interest Income	53.768	56.767	63.838	66.622	79.067	93.386
Interest Expense	-11.941	-11.476	-13.360	-13.254	-15.656	-16.945
<b>Net Interest Income</b>	<b>65.709</b>	<b>68.243</b>	<b>77.198</b>	<b>79.876</b>	<b>94.723</b>	<b>110.331</b>
Net Operating Income	15.157	17.745	21.146	23.651	25.624	28.580
Operating Expense	25.192	27.653	30.743	34.215	38.130	42.476
<b>PPOP</b>	<b>31.791</b>	<b>35.383</b>	<b>40.880</b>	<b>42.804</b>	<b>50.904</b>	<b>62.544</b>
Provision Expense	-2.633	-2.677	-4.591	-1.899	-2.102	-2.221
<b>Operating Profit</b>	<b>34.424</b>	<b>32.706</b>	<b>36.289</b>	<b>40.905</b>	<b>48.803</b>	<b>60.323</b>
Profit Before Tax	29.159	32.706	36.289	40.905	48.803	60.323
Tax Expense	5.838	6.854	7.719	8.181	10.071	12.256
<b>Net Profit</b>	<b>23.321</b>	<b>25.852</b>	<b>28.570</b>	<b>32.724</b>	<b>38.732</b>	<b>48.067</b>
<b>EPS (Rp/Share)</b>	<b>945,4</b>	<b>1.048,7</b>	<b>1.158,6</b>	<b>1.327,3</b>	<b>1.570,8</b>	<b>1.949,5</b>

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 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 since 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 Margin

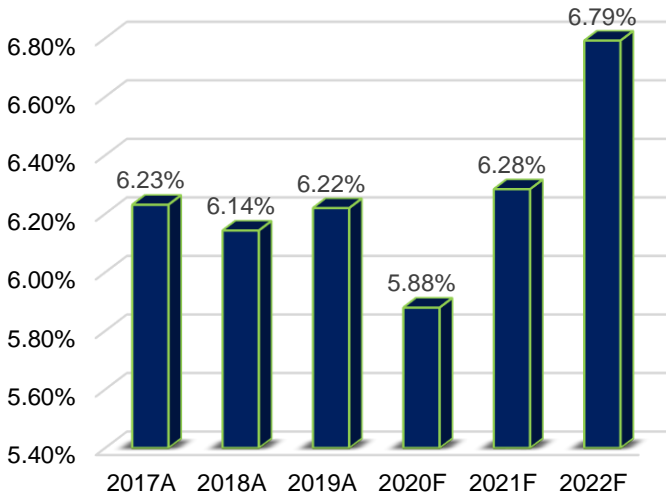


Chart: Loan to Deposit Ratio (x) yoy

Loan to Deposit Ratio

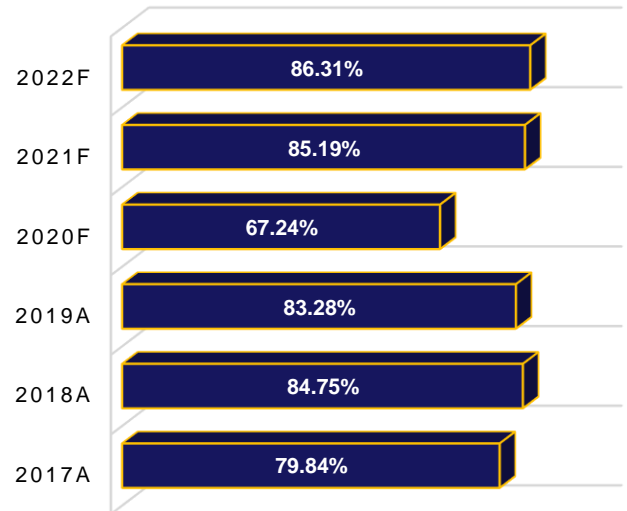


Chart: Profitability Ratio (x) yoy

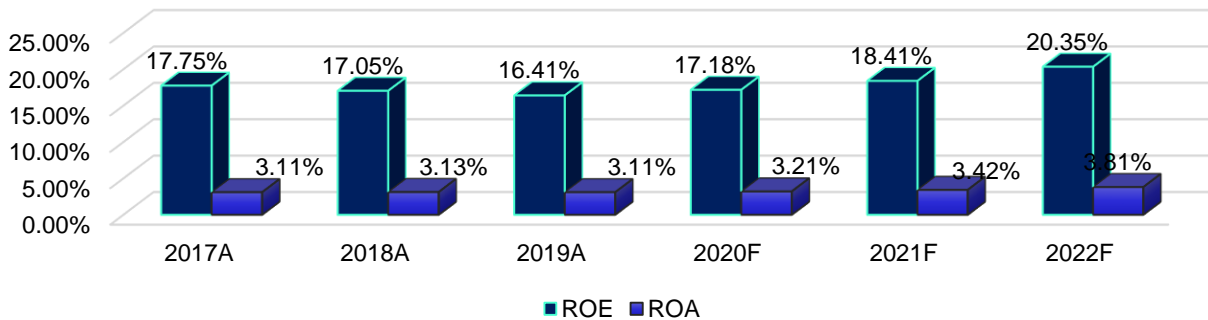
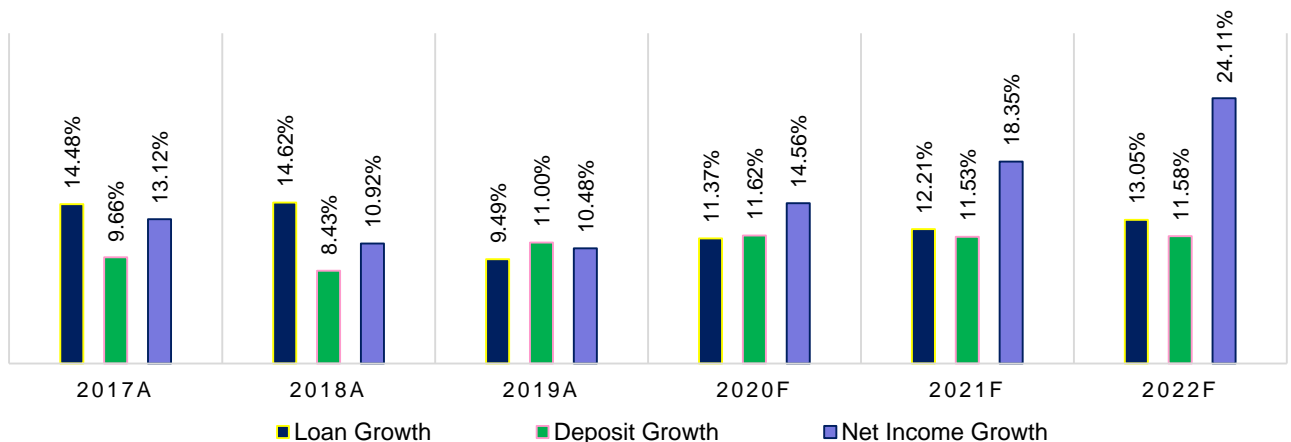


Chart: Growth (x) YoY



**Balance Sheet (IDR.bn)**

Balance sheet (Idr bn)	2017A	2018A	2019A	2020F	2021F	2022F
Cash and CA with BI	60.227	65.240	73.326	84.472	92.874	101.419
Interbank Placement	18.970	31.683	30.948	48.366	36.426	37.200
Marketable Securities	5.891	4.802	13.550	13.930	10.308	12.483
Gross Loan	467.509	538.099	586.940	528.918	747.421	844.926
Allowance for Loans	-13.244	-13.569	-14.906	-16.116	-17.516	-19.023
Loans-net	454.265	524.530	572.034	512.803	729.905	825.903
Other Earning Asset	203.757	199.171	236.442	378.786	261.646	280.545
Non Earning Asset	32.071	35.847	37.187	42.862	46.942	52.752
<b>Total Asset</b>	<b>750.320</b>	<b>824.788</b>	<b>918.989</b>	<b>1.018.923</b>	<b>1.131.367</b>	<b>1.260.619</b>
Deposit:						
Current Account	151.250	166.822	184.918	212.656	244.554	281.237
Saving Account	292.582	316.489	347.095	381.805	419.985	461.522
Time Deposits	141.740	151.618	172.782	192.210	212.823	236.233
Other Interest Bearing Liabilities	15.360	15.508	16.439	17.045	17.734	18.451
Non Interest Bearing Liabilities	17.986	22.597	23.613	24.674	25.783	26.942
<b>Total Liabilities</b>	<b>618.918</b>	<b>673.035</b>	<b>744.846</b>	<b>828.390</b>	<b>920.879</b>	<b>1.024.386</b>
<b>Total Shareholder's Equity</b>	<b>131.402</b>	<b>151.753</b>	<b>174.143</b>	<b>190.533</b>	<b>210.488</b>	<b>236.234</b>

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Operating Profit	34.424	32.706	36.289	40.905	48.803	60.323
<b>Profit Before Tax</b>	<b>29.159</b>	<b>32.706</b>	<b>36.289</b>	<b>40.905</b>	<b>48.803</b>	<b>60.323</b>
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Ratio Analysis	2017A	2018A	2019A	2020F	2021F	2022F
NIM	6,23%	6,14%	6,22%	5,88%	6,28%	6,79%
LDR	79,84%	84,75%	83,28%	67,24%	85,19%	86,31%
Gross NPL	1,45%	1,37%	1,34%	1,38%	1,34%	1,33%
Cost of Credit	-0,56%	-0,50%	-0,78%	-0,36%	-0,28%	-0,26%
Provision Coverage	142,93%	125,83%	131,76%	128,79%	130,28%	129,54%
CAR	23,10%	23,40%	23,40%	23,40%	23,40%	23,40%
CASA	75,79%	76,12%	75,48%	75,57%	75,74%	75,87%
Cost-to-Income Ratio	44,21%	43,87%	42,92%	44,42%	42,83%	40,45%
ROE	17,75%	17,05%	16,41%	17,18%	18,41%	20,35%
ROA	3,11%	3,13%	3,11%	3,21%	3,42%	3,81%
ROAE		17,40%	16,73%	16,80%	17,80%	19,38%
BOPO	50,06%	48,92%	46,49%	50,48%	49,37%	46,90%
Loan Growth	14,48%	14,62%	9,49%	11,37%	12,21%	13,05%
Deposit Growth	9,66%	8,43%	11,00%	11,62%	11,53%	11,58%
CASA Growth		8,70%	8,90%	10,08%	11,74%	11,79%
Net Income Growth	13,12%	10,92%	10,48%	14,56%	18,35%	24,11%

**QoQ Result**

Balance Sheet	4Q18	3Q19	4Q19	%QoQ	%YoY
Loan	538.099	571.090	587.720	2,91%	9,22%
Loan Loss Reserves	-13.569	-15.144	-16.023	5,80%	18,08%
NPL	7.493	9.287	7.775	-16,28%	3,77%
Deposit					
Demand	166.822	179.047	185.722	3,73%	11,33%
Savings	316.489	333.945	346.291	3,70%	9,42%
Time Deposit	151.618	170.062	172.778	1,60%	13,96%
Total Asset	824.788	893.594	918.989	2,84%	11,42%
Shareholder Equity	151.660	167.885	167.833	-0,03%	10,66%

Income Statement	4Q18	3Q19	4Q19	%QoQ	%YoY
<b>Net Interest Income</b>	<b>11.971</b>	<b>12.676</b>	<b>11.989</b>	<b>-5,42%</b>	<b>0,15%</b>
Net Operating Income	5.130	5.520	7.197	30,37%	40,29%
Operating Expense	6.777	6.959	8.136	16,92%	20,05%
<b>PPOP</b>	<b>10.324</b>	<b>11.238</b>	<b>11.050</b>	<b>-1,67%</b>	<b>7,04%</b>
Provision Expense	929	1.049	1.095	4,38%	17,82%
<b>Operating Profit</b>	<b>9.394</b>	<b>10.189</b>	<b>9.955</b>	<b>-2,29%</b>	<b>5,97%</b>
Profit Before Tax	9.394	10.189	9.955	-2,29%	5,97%
Tax Expense	2.052	2.128	2.311	8,60%	12,60%
<b>Net Profit</b>	<b>7.342</b>	<b>8.061</b>	<b>7.644</b>	<b>-5,17%</b>	<b>4,12%</b>

Ratio	4Q18	3Q19	4Q19	QoQ	YoY
NIM	2,05%	2,00%	1,69%	(0,31)	(0,36)
LDR	84,75%	83,61%	83,39%	(0,22)	(1,36)
Gross NPL (Bank only)					-
Cost of Credit	0,49%	0,50%	0,24%	(0,26)	(0,24)
Provision Coverage	126%	119%	137%	18,08	10,75
CAR	23,40%	23,80%	23,80%	-	0,40
CASA	76,12%	75,10%	75,49%	0,38	(0,64)
Cost-to-Income Ratio	39,63%	38,24%	42,41%	4,16	2,77
ROE	4,84%	4,80%	4,55%	(0,25)	(0,29)
ROA	0,89%	0,90%	0,83%	(0,07)	(0,06)
BOPO	44,45%	43,41%	42,01%	(1,40)	(2,45)

**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.

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