

PT Bank Central Asia, Tbk

HOLD

Investment Consideration

Lower Loans

In the 2Q, loans decreased -2.8% QoQ or by 595,136 billion driven by consumer loans as credit card debt fell by -14.1% QoQ, and Vehicle loans decreased by -9.9% QoQ. Commercial & SME loans decreased by -3.4% QoQ, while Corporate loans grew by 0,9% QoQ.

Credit Restructured

As of 30 June 2020, Restructured loans were Rp 69.3 tn, or 12% of total loans. The restructuring scheme involves extension of terms, as well as deferring principal & interest payments. Mortgages, consumer and auto loans are mostly restructured with extensions. As of July 2020 BBCA has worked on loan restructuring proposals for Rp 116tn, or 20% of the total large loans; 35% of consumer loans and 18% of the total corporate loans. We estimate that 20%-30% of total loans will be restructured in FY2020. We predict restructuring will have an impact on the Net Interest Margin with an increase in the range of 6%.

Lower Net Income

Net Income decreased -14% QoQ. The decrease was caused by Provision Costs which rose because of the ongoing restructuring. Pre-Provision Operational Profits increased significantly by 13% QoQ because of both higher Net Interest Income and Non-Interest Income.

Valuation: 12% Upside, Hold.

Based on our DDM Valuation, we have a target price within one year of IDR 34,690, or trading at 3.9x PBV which gives 14% potential upside, Hold.

| Income Statement (Idr bn) | 2017A | 2018A | 2019A | 2020F | 2021F | 2022F |
|----------------------------|---------------|----------------|----------------|----------------|----------------|----------------|
| Interest Income | 53.799 | 56.812 | 64.352 | 54.408 | 60.778 | 68.040 |
| Interest Expense | -11.941 | -11.476 | -13.528 | -1.515 | -1.682 | -1.859 |
| Net Interest Income | 41.858 | 45.336 | 50.824 | 52.893 | 59.096 | 66.180 |
| Net Operating Income | 18.109 | 23.150 | 26.484 | 29.455 | 32.302 | 35.643 |
| Operating Expense | -21.430 | -30.659 | -32.737 | -36.713 | -40.521 | -44.804 |
| PPOP | 38.537 | 37.826 | 44.571 | 45.636 | 50.878 | 57.019 |
| Provision Expense | -5.447 | -5.740 | -8.282 | -8.500 | -7.507 | -7.507 |
| Operating Profit | 33.089 | 32.086 | 36.289 | 37.136 | 43.370 | 49.511 |
| Profit Before Tax | 29.159 | 32.706 | 36.289 | 37.136 | 43.370 | 49.511 |
| Tax Expense | -5.838 | -6.854 | -7.719 | -7.650 | -8.983 | -10.341 |
| Net Profit | 23.321 | 25.852 | 28.570 | 29.486 | 34.387 | 39.171 |
| EPS (Rp/Share) | 945,4 | 1.048,3 | 1.158,1 | 1.195,4 | 1.394,1 | 1.588,0 |

29 July2020
 Banking, Equity

Price IDR. 30,925
 Target Price IDR. 34,690
 JKSE Index 5112.99

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



Stock Code
 Bloomberg code **BBCA IJ**
 Market cap (IDR.bn) **762,456.2B**
 52-Week High (IDR) **35,300**
 52-Week Low (IDR) **21,625**
 6-m Avg Daily. Val (IDR) **28,462**

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

USD/IDR-YE
 2019A **13,866**
 2020F (6M Avg) **14,688**

Key Indicators
 Non Performing Loan (%) **1.37**
 Net Interest Margin (%) **5.94**

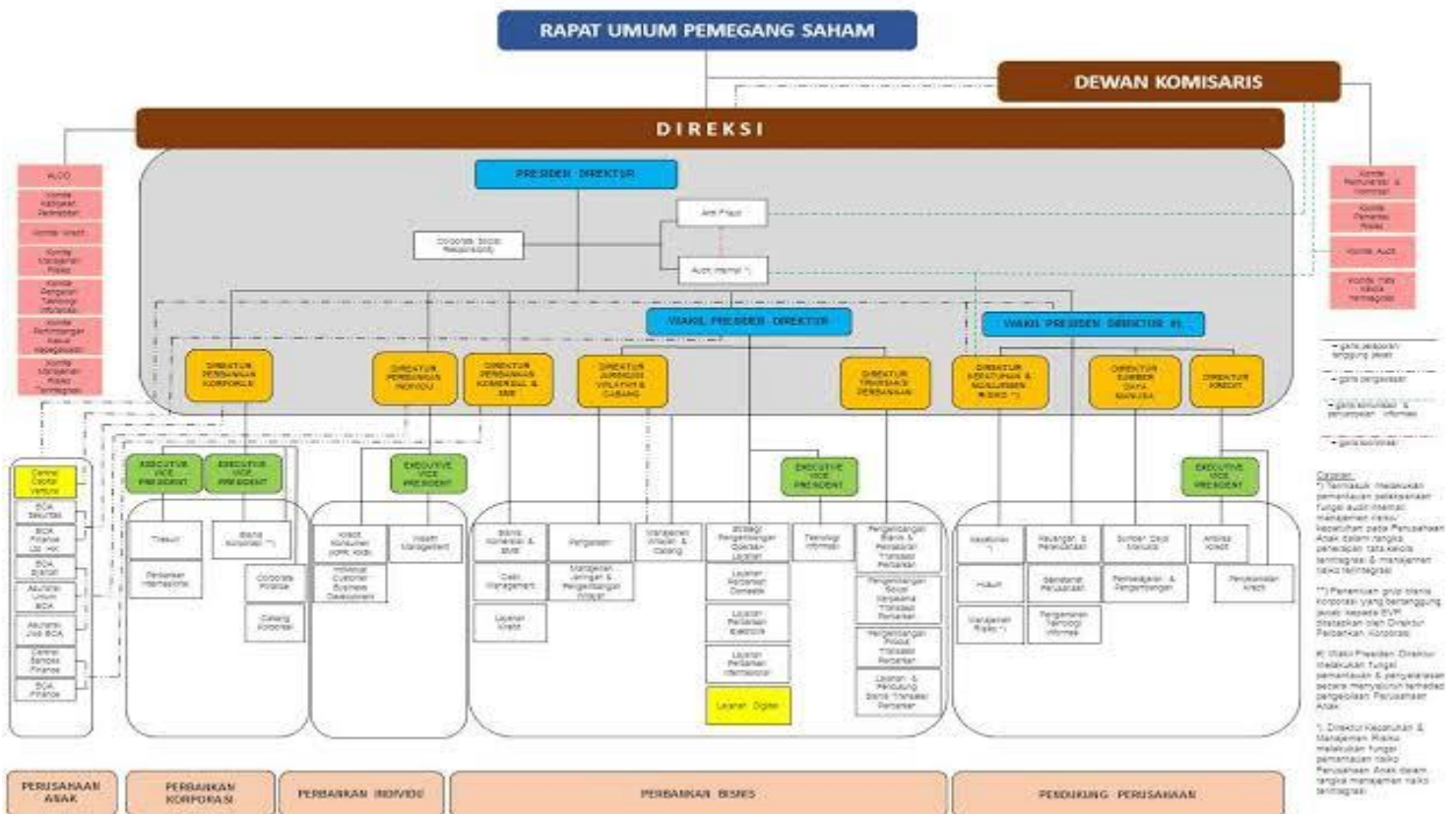
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Company Profile

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: Net Interest Income (x) QoQ

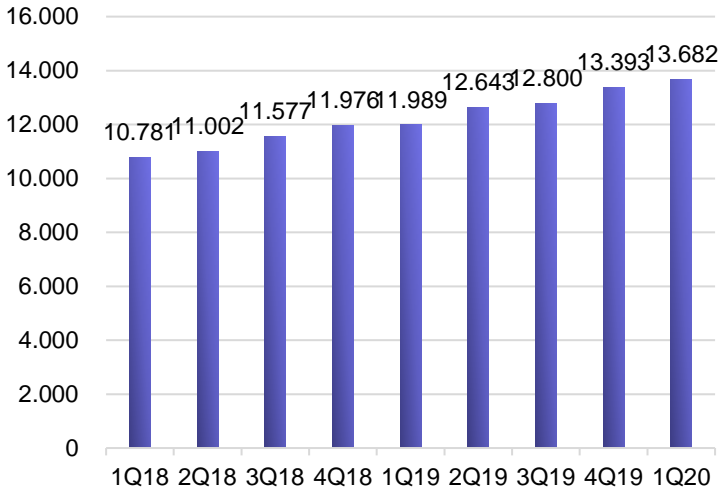


Chart: Net Income (x) QoQ

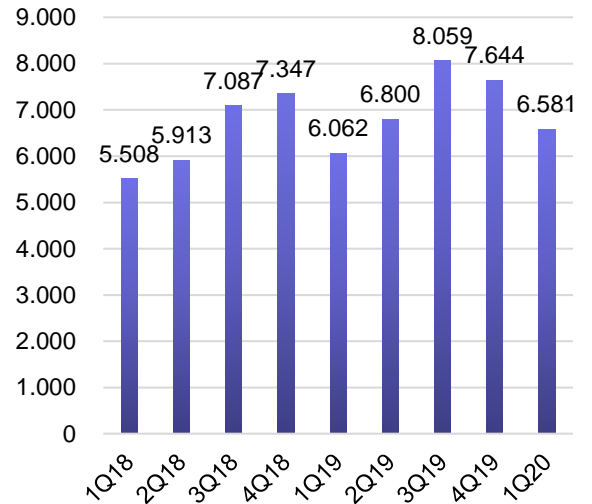


Chart: Profitability Ratio (x) yoy

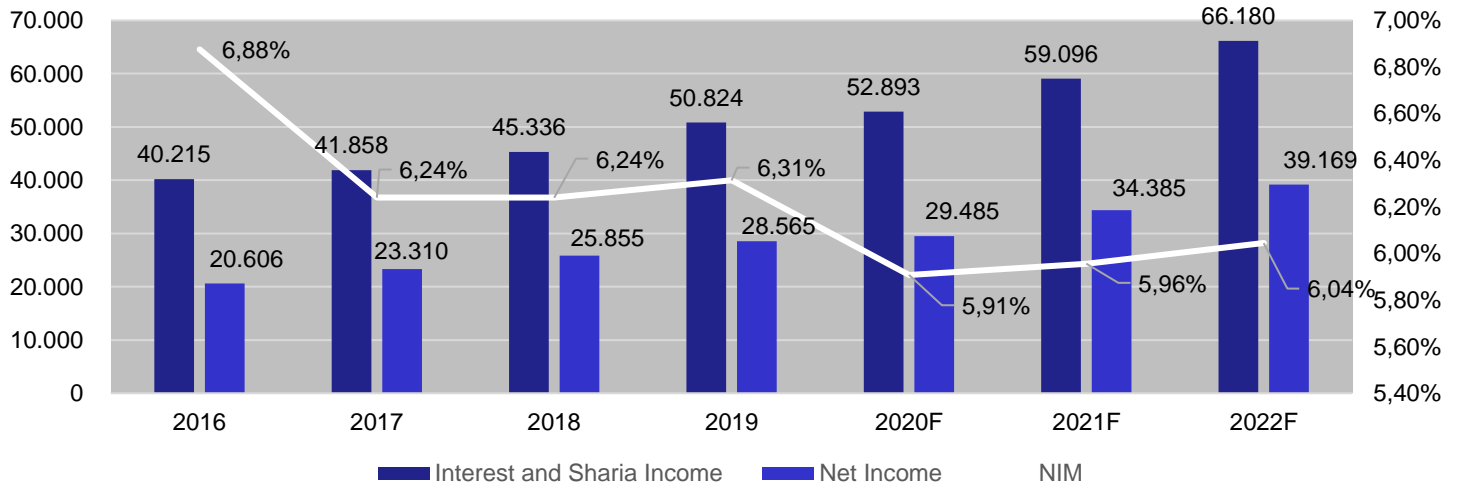
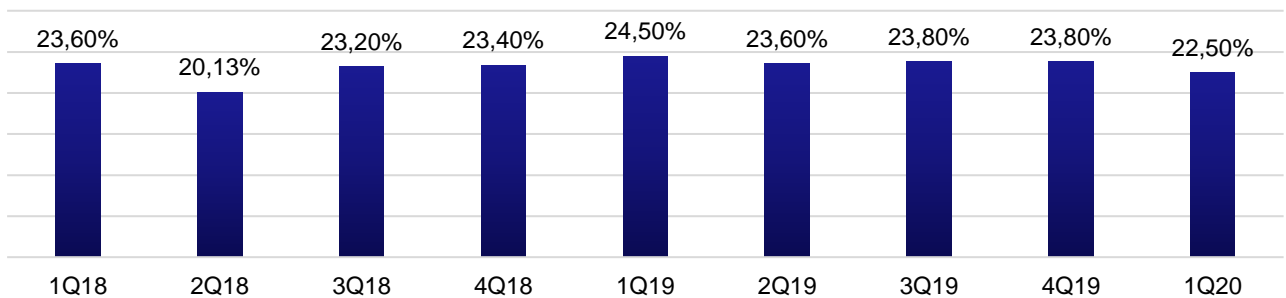


Chart: CAR (x) QoQ



Balance Sheet (IDR.bn)

| Balance sheet (Idr bn) | 2017A | 2018A | 2019A | 2020F | 2021F | 2022F |
|------------------------------------|----------------|----------------|----------------|------------------|------------------|------------------|
| Cash and CA with BI | 69.639 | 86.410 | 99.640 | 91.842 | 84.426 | 78.047 |
| Interbank Placement | 124 | 1.040 | 1.936 | 1.791 | 1.473 | 1.565 |
| Marketable Securities | 143.679 | 121.862 | 153.720 | 245.973 | 154.899 | 159.428 |
| Gross Loan | 467.509 | 538.099 | 586.940 | 536.025 | 763.552 | 862.993 |
| Allowance for Loans | -13.244 | -13.569 | -14.906 | -6.406 | 1.102 | 8.609 |
| Loans-net | 454.265 | 524.530 | 572.034 | 529.619 | 764.654 | 871.602 |
| Other Earning Asset | 203.309 | 188.452 | 219.382 | 359.253 | 228.687 | 231.870 |
| Non Earning Asset | 23.107 | 25.395 | 27.934 | 31.180 | 34.495 | 38.097 |
| Total Asset | 750.320 | 824.788 | 918.989 | 1.011.894 | 1.112.262 | 1.219.617 |
| Deposit: | | | | | | |
| Current Account | 151.250 | 166.822 | 184.918 | 205.259 | 227.251 | 251.600 |
| Saving Account | 292.417 | 316.182 | 345.634 | 380.198 | 414.976 | 452.935 |
| Time Deposits | 137.449 | 146.808 | 168.428 | 193.692 | 222.746 | 251.444 |
| Other Interest Bearing Liabilities | 16.166 | 17.693 | 18.073 | 18.540 | 19.006 | 19.484 |
| Non Interest Bearing Liabilities | 21.637 | 25.530 | 27.793 | 30.256 | 32.938 | 35.857 |
| Total Liabilities | 618.918 | 673.035 | 744.846 | 827.945 | 916.917 | 1.011.320 |
| Total Shareholder's Equity | 131.402 | 151.753 | 174.143 | 183.949 | 195.345 | 208.297 |

Income Statement (IDR.bn)

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| Operating Expense | -21.430 | -30.659 | -32.737 | -36.713 | -40.521 | -44.804 |
| PPOP | 38.537 | 37.826 | 44.571 | 45.636 | 50.878 | 57.019 |
| Provision Expense | -5.447 | -5.740 | -8.282 | -8.500 | -7.507 | -7.507 |
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| Net Profit | 23.321 | 25.852 | 28.570 | 29.486 | 34.387 | 39.171 |
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Ratio Highlights

| Ratio Analysis | 2017A | 2018A | 2019A | 2020F | 2021F | 2022F |
|---------------------------------------|---------|---------|---------|---------|---------|---------|
| Profitability & Efficiency | | | | | | |
| NIM | 6,24% | 6,24% | 6,31% | 5,91% | 5,96% | 6,04% |
| Cost-to-Income Ratio | 42,29% | 43,86% | 42,35% | 44,58% | 44,33% | 44,00% |
| ROE | 17,75% | 17,05% | 16,41% | 16,04% | 17,61% | 18,81% |
| ROA | 3,11% | 3,13% | 3,11% | 2,91% | 3,09% | 3,21% |
| ROAE | | 17,40% | 16,73% | 16,23% | 16,82% | 18,21% |
| BOPO | 44,30% | 44,74% | 41,81% | 35,45% | 37,27% | 37,77% |
| Cost of Credit | 1,17% | 1,07% | 1,41% | 1,59% | 0,98% | 0,87% |
| Liquidity | | | | | | |
| LDR | 80,45% | 85,44% | 83,97% | 68,80% | 88,27% | 90,27% |
| CASA | 76,35% | 76,69% | 75,90% | 75,14% | 74,25% | 73,70% |
| Asset Quality | | | | | | |
| Gross NPL | 1,45% | 1,37% | 1,34% | 1,37% | 1,34% | 1,33% |
| Provision Coverage | 142,93% | 125,83% | 131,76% | 128,79% | 130,28% | 129,54% |
| Capital | | | | | | |
| CAR | 23,10% | 23,40% | 23,40% | 23,40% | 23,40% | 23,40% |
| Growth | | | | | | |
| Loan Growth | 14,48% | 14,62% | 9,49% | 12,56% | 13,42% | 13,02% |
| Deposit Growth | 9,62% | 8,38% | 10,98% | 11,47% | 11,02% | 10,52% |
| CASA Growth | | 8,69% | 8,87% | 9,84% | 10,35% | 9,70% |
| Net Income Growth | 13,12% | 10,92% | 10,48% | 3,22% | 16,62% | 13,91% |

QoQ Result

| Balance Sheet | 2Q19 | 1Q20 | 2Q20 | %QoQ | %YoY |
|---------------------------|----------------|----------------|----------------|---------------|---------------|
| Loan | 551.922 | 596.410 | 580.987 | -2,59% | 5,27% |
| Loan Loss Reserves | -14.272 | -22.046 | -24.819 | 12,58% | 73,90% |
| NPL | 7.844 | 9.704 | 12.378 | 27,56% | 57,79% |
| Deposit | | | | | |
| Demand | 172.011 | 201.616 | 194.516 | -3,52% | 13,08% |
| Savings | 337.195 | 365.656 | 380.207 | 3,98% | 12,76% |
| Time Deposit | 159.300 | 168.095 | 181.168 | 7,78% | 13,73% |
| Total Asset | 870.457 | 972.930 | 975.076 | 0,22% | 12,02% |
| Shareholder Equity | 159.589 | 171.611 | 169.170 | -1,42% | 6,00% |

| Income Statement | 2Q19 | 1Q20 | 2Q20 | %QoQ | %YoY |
|----------------------------|---------------|---------------|---------------|----------------|----------------|
| Interest Income | 16.103 | 16.867 | 16.318 | -3,26% | 1,34% |
| Interest Expense | 3.460 | 3.185 | 2.752 | -13,61% | -20,47% |
| Net Interest Income | 12.643 | 13.682 | 13.566 | -0,85% | 7,31% |
| Net Operating Income | 6.239 | 17.045 | -3.088 | -118,11% | -149,49% |
| Operating Expense | 8.147 | 20.536 | -1.369 | -106,67% | -116,81% |
| PPOP | 10.735 | 10.191 | 11.848 | 16,26% | 10,37% |
| Provision Expense | -2.213 | -2.263 | -4.786 | 111,50% | 116,27% |
| Operating Profit | 12.948 | 12.455 | 16.635 | 33,56% | 28,47% |
| Profit Before Tax | 8.522 | 7.928 | 7.062 | -10,93% | -17,14% |
| Tax Expense | -1.721 | -1.347 | -1.400 | 3,95% | -18,68% |
| Net Profit | 6.801 | 6.582 | 5.662 | -13,97% | -16,74% |

| Ratio | 2Q19 | 1Q20 | 2Q20 | QoQ | YoY |
|---------------------------------------|--------|--------|---------|---------|---------|
| Profitability & Efficiency | | | | | |
| NIM | 6,20% | 6,10% | 5,80% | (0,30) | (0,40) |
| Cost-to-Income Ratio | 43,15% | 66,83% | -13,07% | (79,90) | (56,21) |
| ROE | 16,80% | 15,60% | 15,70% | 0,10 | (1,10) |
| ROA | 3,70% | 3,20% | 3,10% | (0,10) | (0,60) |
| BOPO | 61,86% | 76,62% | 46,63% | (30,00) | (15,23) |
| Cost of Credit | 0,40% | 0,38% | 0,82% | 0,44 | 0,42 |
| Liquidity | | | | | |
| LDR | 79,00% | 77,60% | 73,30% | (4,30) | (5,70) |
| CASA | 76,17% | 77,14% | 76,03% | (1,11) | (0,14) |
| Asset Quality | | | | | |
| Gross NPL (Bank only) | 1,40% | 1,60% | 2,10% | 0,50 | 0,70 |
| Provision Coverage | 118% | 148% | 140% | (7,88) | 22,25 |
| Capital | | | | | |
| CAR | 23,60% | 22,50% | 22,90% | 0,40 | (0,70) |

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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