

## PT Bank Central Asia, Tbk

**BUY**

### Investment Consideration Net Profit Increased

Net profit in 3Q20 increased significantly by 37.8% QoQ to IDR 7.8Tn from IDR 5.67tn in 2Q20, due to a significant decrease in provision expenses of 40.2%. But, besides that, pre-provision Operating Profit also increased significantly by 9.2% to IDR 12tn. Net Interest Income decreased slightly by 0.1% due to a decrease in Time Deposits.

### Restructuring Process update

As of 30 September 2020, the restructured loans reached IDR 80Tn or 14% of the total loans. Most of the restructuring was dominated by the corporate sector at 34%, the commercial segment by 26%, the consumer segment by 26%. Restructurings have been in the form of a tenor extension scheme, as well as deferred principal, and interest payments. By mid-October, BBCA has restructured loans amounting to IDR 107tn or 19% of the total loans. The end of the year target loan restructuring is IDR 108tn or 20% of the total loans.

### Credit quality strong

In 3Q20, NPLs decreased by 20 bps to 1.9%, from 2.1% in 2Q20, NPLs are dominated by the Trading, Restaurant & Hotel sectors, 4.4%, Manufacturing 1.5%, Mining 1%. Overall NPLs remain below the industry average. SML NPLs declined to 2.3% from 2.8% in 2Q20. SML NPLs are mostly from the Corporate Segment 37.5%, 34% Consumer Segments, and Commercial & SME 26.6%. We estimate a year-end gross NPL of 1.3% in FY2020.

### Valuation: 21% Upside, Buy.

Based on our DDM Valuation, we have a target price within one year of IDR 35,560, or trading at 3.7x PBV which gives 21% potential upside, Buy.

Income Statement (Idr bn)	2017A	2018A	2019A	2020F	2021F	2022F
Interest Income	53.799	56.812	64.352	55.641	59.369	65.195
Interest Expense	-11.941	-11.476	-13.528	-1.511	-1.674	-1.850
<b>Net Interest Income</b>	<b>41.858</b>	<b>45.336</b>	<b>50.824</b>	<b>54.129</b>	<b>57.696</b>	<b>63.345</b>
Net Operating Income	18.109	23.150	26.484	29.328	32.144	35.448
Operating Expense	-21.430	-30.659	-32.737	-36.554	-40.322	-44.560
<b>PPOP</b>	<b>38.537</b>	<b>37.826</b>	<b>44.571</b>	<b>46.904</b>	<b>49.517</b>	<b>54.234</b>
Provision Expense	-5.447	-5.740	-8.282	-8.500	-7.507	-7.507
Operating Profit	33.089	32.086	36.289	38.404	42.010	46.726
<b>Profit Before Tax</b>	<b>29.159</b>	<b>32.706</b>	<b>36.289</b>	<b>38.404</b>	<b>42.010</b>	<b>46.726</b>
Tax Expense	-5.838	-6.854	-7.719	-7.911	-8.701	-9.759
<b>Net Profit</b>	<b>23.321</b>	<b>25.852</b>	<b>28.570</b>	<b>30.493</b>	<b>33.309</b>	<b>36.967</b>
<b>EPS (Rp/Share)</b>	<b>945,4</b>	<b>1.048,3</b>	<b>1.158,1</b>	<b>1.236,3</b>	<b>1.350,3</b>	<b>1.498,7</b>

4 November 2020  
 Banking, Equity

Price IDR. 29,450  
 Target Price IDR. 35,560  
 JKSE Index 5,159.45

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



Stock Code  
 Bloomberg code **BBCA IJ**  
 Market cap (IDR.bn) **717,460.8B**  
 52-Week High (IDR) **35,300**  
 52-Week Low (IDR) **21,625**  
 6-m Avg Daily. Val (IDR) **29,104**

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

USD/IDR-YE  
 2019A **13,866**  
 2020F (6M Avg) **14,676**

Key Indicators  
 Non Performing Loan (%) **1.31**  
 Net Interest Margin (%) **6.07**

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Chart: Gross Loan (x) QoQ

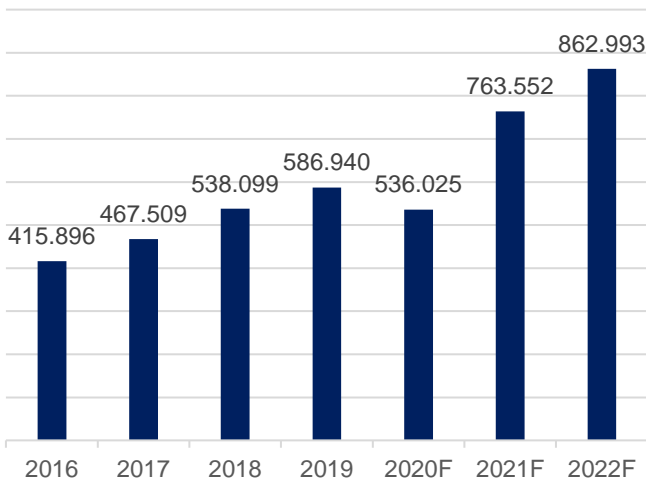


Chart: Non Performing Loan (x) QoQ

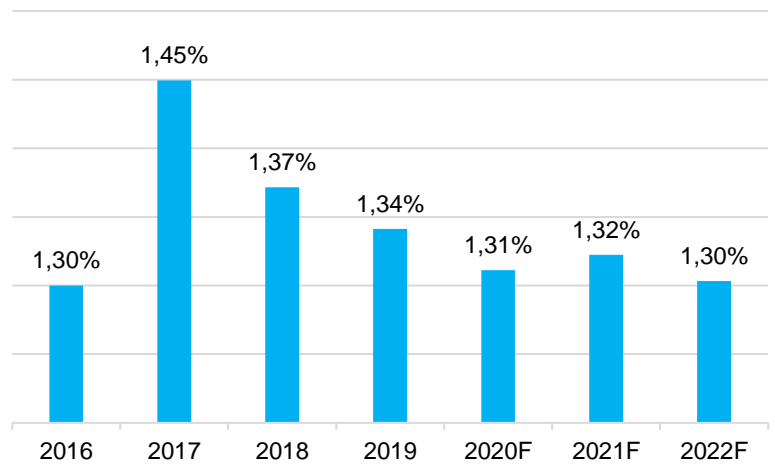


Chart: Profitability Ratio (x) yoy

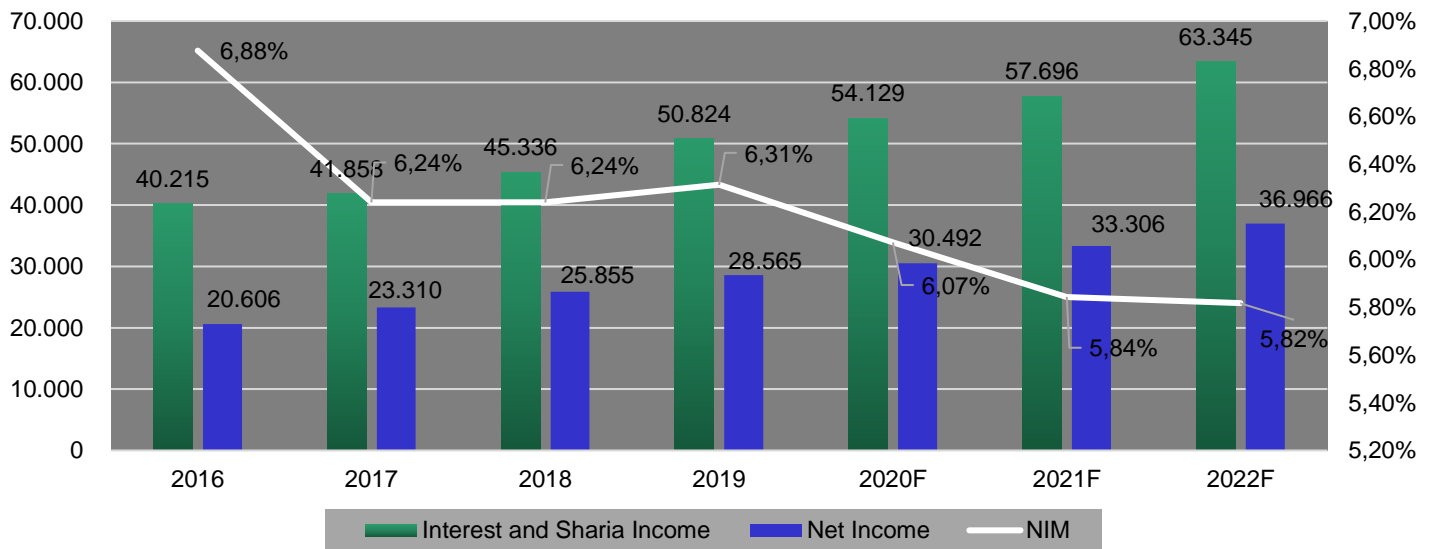
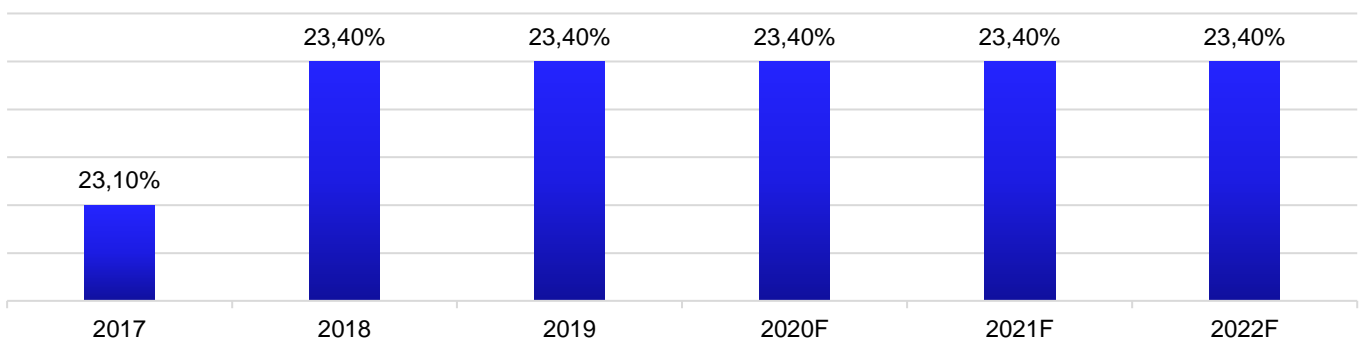


Chart: CAR (x) YoY



**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	92.722	85.102	78.180
Interbank Placement	124	1.040	1.936	1.771	1.442	1.525
Marketable Securities	143.679	121.862	153.720	243.317	151.608	155.315
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	355.373	223.829	225.889
Non Earning Asset	23.107	25.395	27.934	31.045	34.326	37.889
<b>Total Asset</b>	<b>750.320</b>	<b>824.788</b>	<b>918.989</b>	<b>1.008.760</b>	<b>1.107.911</b>	<b>1.213.560</b>
Deposit:						
Current Account	151.250	166.822	184.918	205.259	227.251	251.600
Saving Account	292.417	316.182	345.634	376.741	410.648	447.606
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
<b>Total Liabilities</b>	<b>618.918</b>	<b>673.035</b>	<b>744.846</b>	<b>824.488</b>	<b>912.589</b>	<b>1.005.992</b>
<b>Total Shareholder's Equity</b>	<b>131.402</b>	<b>151.753</b>	<b>174.143</b>	<b>184.271</b>	<b>195.322</b>	<b>207.569</b>

**Income Statement (IDR.bn)**

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<b>PPOP</b>	<b>38.537</b>	<b>37.826</b>	<b>44.571</b>	<b>46.904</b>	<b>49.517</b>	<b>54.234</b>
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Operating Profit	33.089	32.086	36.289	38.404	42.010	46.726
<b>Profit Before Tax</b>	<b>29.159</b>	<b>32.706</b>	<b>36.289</b>	<b>38.404</b>	<b>42.010</b>	<b>46.726</b>
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**Ratio Highlights**

Ratio Analysis	2017A	2018A	2019A	2020F	2021F	2022F
<b>Profitability &amp; Efficiency</b>						
NIM	6,24%	6,24%	6,31%	6,07%	5,84%	5,82%
Cost-to-Income Ratio	42,29%	43,86%	42,35%	43,80%	44,88%	45,10%
ROE	17,75%	17,05%	16,41%	16,56%	17,06%	17,82%
ROA	3,11%	3,13%	3,11%	3,02%	3,01%	3,05%
ROAE		17,40%	16,73%	16,48%	16,81%	17,44%
BOPO	44,30%	44,74%	41,81%	34,79%	37,69%	38,65%
Cost of Credit	1,17%	1,07%	1,41%	1,59%	0,98%	0,87%
<b>Liquidity</b>						
LDR	80,45%	85,44%	83,97%	69,10%	88,72%	90,78%
CASA	76,35%	76,69%	75,90%	75,03%	74,12%	73,55%
<b>Asset Quality</b>						
Gross NPL	1,45%	1,37%	1,34%	1,31%	1,32%	1,30%
Provision Coverage	142,93%	125,83%	131,76%	128,79%	130,28%	129,54%
<b>Capital</b>						
CAR	23,10%	23,40%	23,40%	23,40%	23,40%	23,40%
<b>Growth</b>						
Loan Growth	14,48%	14,62%	9,49%	12,56%	13,42%	13,02%
Deposit Growth	9,62%	8,38%	10,98%	10,97%	10,95%	10,46%
CASA Growth		8,69%	8,87%	9,84%	9,70%	9,60%
Net Income Growth	13,12%	10,92%	10,48%	6,75%	9,23%	10,99%

**QoQ Result**

Balance Sheet	3Q19	2Q20	3Q20	%QoQ	%YoY
Loan	532.255	580.987	576.274	-0,81%	8,27%
Loan Loss Reserves	-13.449	-24.819	-27.914	12,47%	107,56%
NPL	16.252	17.683	17.868	1,05%	9,94%
Deposit					
Demand	164.719	194.516	205.424	5,61%	24,71%
Savings	319.015	380.207	391.134	2,87%	22,61%
Time Deposit	145.836	181.168	184.120	1,63%	26,25%
<b>Total Asset</b>	<b>830.550</b>	<b>975.076</b>	<b>1.003.638</b>	<b>2,93%</b>	<b>20,84%</b>
<b>Shareholder Equity</b>	<b>158.743</b>	<b>169.170</b>	<b>179.029</b>	<b>5,83%</b>	<b>12,78%</b>

Income Statement	3Q19	2Q20	3Q20	%QoQ	%YoY
Interest Income	16.362	16.318	16.258	-0,37%	-0,63%
Interest Expense	3.562	2.752	2.704	-1,74%	-24,09%
<b>Net Interest Income</b>	<b>12.800</b>	<b>13.566</b>	<b>13.554</b>	<b>-0,09%</b>	<b>5,90%</b>
Net Operating Income	6.618	-3.088	3.877	-225,58%	-41,41%
Operating Expense	7.050	-1.369	5.646	-512,28%	-19,91%
<b>PPOP</b>	<b>12.368</b>	<b>11.848</b>	<b>11.786</b>	<b>-0,53%</b>	<b>-4,71%</b>
Provision Expense	-2.179	-4.786	-2.080	-56,55%	-4,58%
Operating Profit	14.547	16.635	13.865	-16,65%	-4,69%
<b>Profit Before Tax</b>	<b>10.189</b>	<b>7.062</b>	<b>9.706</b>	<b>37,44%</b>	<b>-4,74%</b>
Tax Expense	-2.128	-1.400	-1.905	36,09%	-10,49%
<b>Net Profit</b>	<b>8.061</b>	<b>5.662</b>	<b>7.801</b>	<b>37,78%</b>	<b>-3,22%</b>

Ratio	3Q19	2Q20	3Q20	QoQ	YoY
<b>Profitability &amp; Efficiency</b>					
NIM	6,20%	5,80%	5,60%	(0,20)	(0,60)
CIR	37,30%	37,20%	32,10%	(5,10)	(5,20)
ROE	16,80%	15,70%	19,30%	3,60	2,50
ROA	3,70%	3,10%	3,90%	0,80	0,20
BOPO	55,66%	46,63%	51,80%	5,17	(3,87)
Cost of Credit	0,40%	2,50%	1,80%	(0,70)	1,40
<b>Liquidity</b>					
LDR	79,00%	73,30%	69,60%	(3,70)	(9,40)
CASA	75,20%	75,60%	76,40%	0,80	1,20
<b>Asset Quality</b>					
Gross NPL (Bank only)	1,40%	2,10%	1,90%	(0,20)	0,50
Provision Coverage	118%	205%	244%	39,00	125,91
<b>Capital</b>					
CAR	23,80%	22,90%	24,70%	1,80	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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