

October 26th, 2022
Banking, Equity

Price **IDR 8,550**
Target Price **IDR 10,670**
JKSE Index **IDR 7,043.94**



Stock Code **BBCA IJ**
Bloomberg code **1,061.77 T**
Market Cap (IDR.bn) **8,900**
52-Week High (IDR) **7,000**
52-Week Low (IDR) **7,830**
6-m Avg Daily. Val (IDR) **42.41**
Free Float (%) **42.41**

Major Shareholders (%)
DIA **54.94**
Public **44.96**

USD/IDR-YE
2021A **14,278**
2022F (6M Avg) **14,876**

Key Indicators
Non-Performing Loan (%) **1.92**
Net Interest Margin (%) **5.27**

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Investment Consideration

Net Profit up +25%

BBCA recorded a Net Profit of IDR 28.95 trillion in 9M22, up +24.81% YoY from IDR 23.20 trillion in 9M21. The growth was driven by well-managed interest expenses which decreased -15.51% and an +19.59% upsurge of non-interest income. We forecast that BBCA will grow Net Profit +30% from IDR 31.42 trillion in FY21 to IDR 40.71 trillion in FY22.

Strong Loan Growth

In 9M22, BBCA reported strong loan growth of +12.56% YoY. The growth was driven by consumer lending, which grew +14.03%, helped by the growth of mortgages. Other loans like Corporate and Commercial/SME grew too, by +13.40% and +9.76% respectively. We project Consolidated Total Gross Loans will grow +10.41% YoY in FY2022.

Asset Quality Improvement

There was an improvement in BBCA's gross NPL ratio in 9M22 which declined -20 bps to 2.20% YoY but remains stagnant on a QoQ basis. Of the three types of loans, only Commercial/SME had a higher NPL ratio, from 2.36% in 9M21 to 2.46% in 9M22. Consumer lending had the biggest improvement with a -44bps decline to 1.47%, while Corporate NPLs were down -27 bps to 1.34%. We predict BBCA will be able to decrease its NPL ratio further to 1.92% in FY2022.

Valuation: 25% Upside, Buy

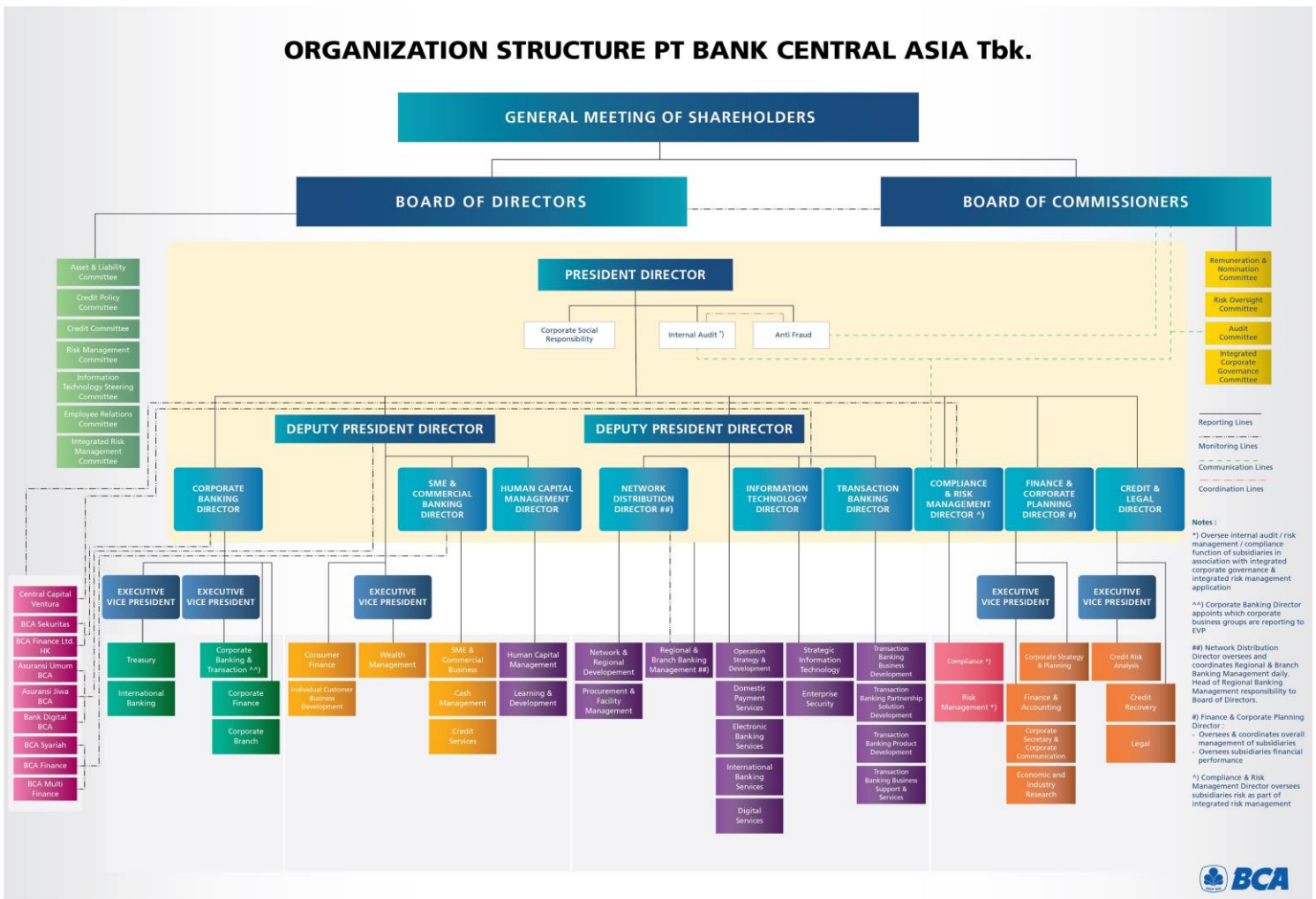
Based on our DDM Valuation, we have a target price within one year of IDR 10,670 or trading at 5.9x PBV which gives 25% potential upside, Buy.

Income Statement (IDR bn)	2018A	2019A	2020A	2021A	2022F
Interest Income	53,799	64,352	65,875	65,980	70,969
Interest Expense	(11,941)	(13,528)	(11,329)	(9,509)	(8,442)
Net Interest Income	41,858	50,824	54,547	56,471	62,527
Net Operating Income	18,109	21,121	21,101	21,518	24,116
Operating Expense	(25,361)	(31,096)	(30,228)	(29,525)	(30,452)
PPOP	34,606	40,849	45,420	48,464	56,191
Provision Expense	(5,447)	(4,598)	(11,599)	(9,324)	(4,982)
Operating Profit	29,159	36,251	33,820	39,140	51,209
Non Operating Income - net	0	38	(252)	(298)	(301)
Profit Before Tax	29,159	36,289	33,569	38,841	50,907
Tax Expense	(5,838)	(7,719)	(6,421)	(7,401)	(10,181)
Earning After Tax	23,321	28,570	27,147	31,440	40,726
Income for The Year Attributable to - NCI	11	5	16	17	14
Net Income	23,310	28,565	27,131	31,423	40,712

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



Source: Company

Chart: Gross Loan (IDR bn) YoY

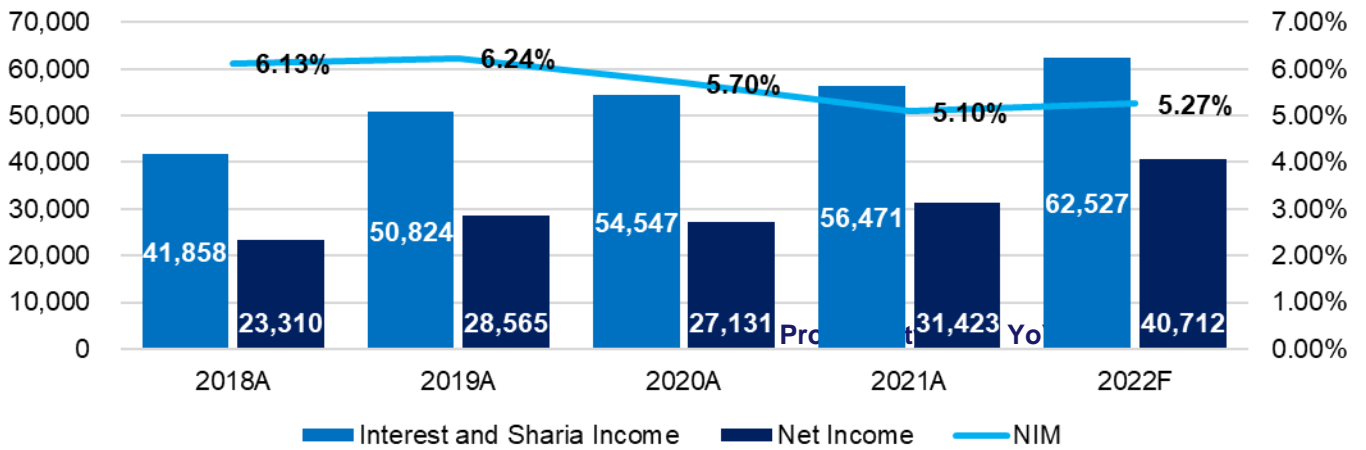
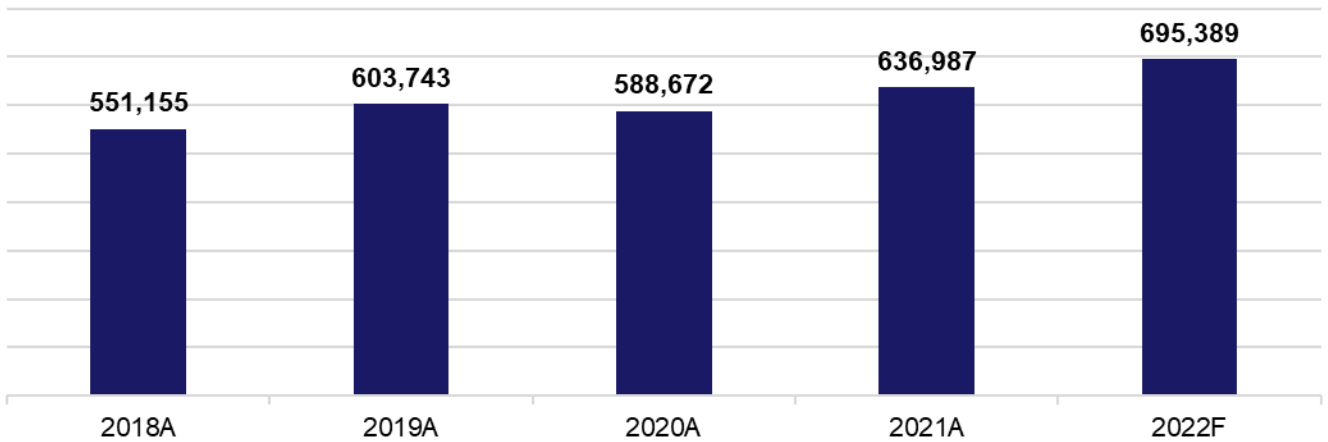


Chart: NPL (%) YoY

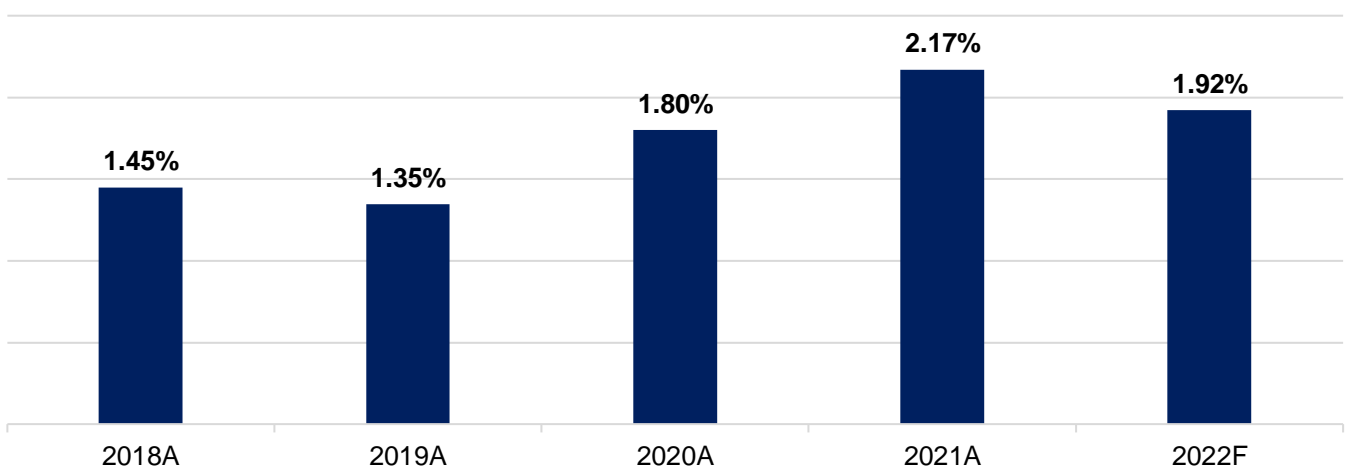


Chart: Gross Loan (IDR Tn) QoQ

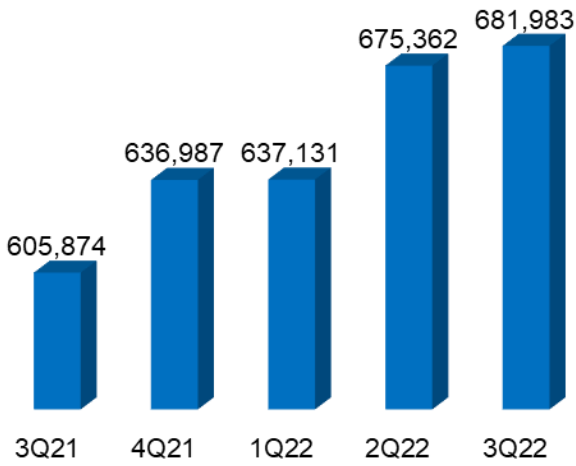


Chart: Customer Deposit (IDR Tn) QoQ

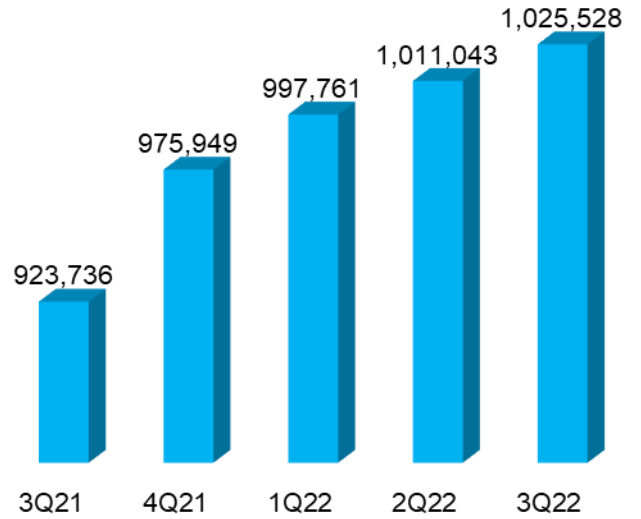


Chart: Non Performing Loan (%) QoQ

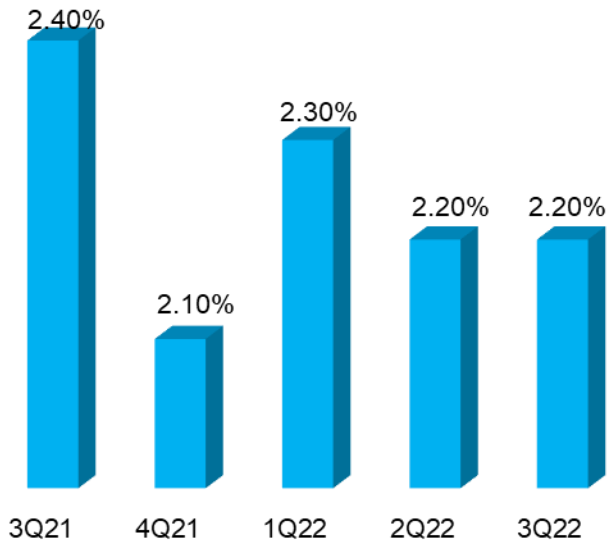
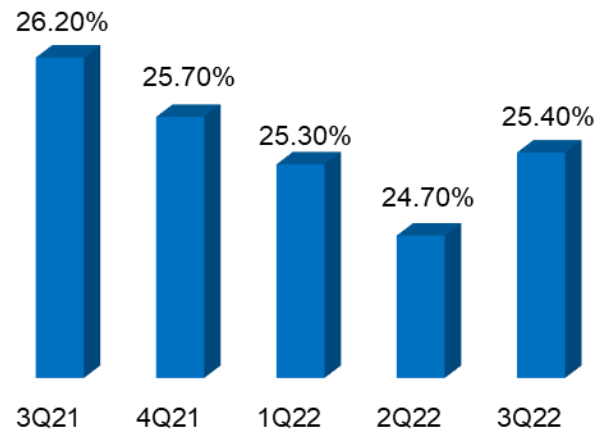


Chart: CAR (%) QoQ



Balance Sheet (IDR.bn)

Balance sheet (Idr bn)	2018A	2019A	2020A	2021A	2022F
Cash and CA with BI	65,240	73,326	51,805	89,401	121,394
Interbank Placement	8,498	10,522	11,972	11,605	19,831
Marketable Securities	4,802	3,975	1,856	1,117	8,781
Gross Loan	551,155	603,743	588,672	636,987	695,389
Allowance for Loans	(14,012)	(15,528)	(27,914)	(33,240)	(29,807)
Loans-net	537,142	588,215	560,758	603,747	665,582
Other Earning Asset	184,499	217,340	417,968	489,751	540,320
Non Earning Asset	37,907	40,108	45,040	45,445	43,726
Total Asset	824,788	918,989	1,075,570	1,228,345	1,371,022
Deposit:					
Current Account	166,822	184,918	229,821	285,640	344,845
Saving Account	316,182	345,634	414,041	481,373	543,562
Time Deposits	146,808	168,428	196,890	208,937	205,631
Other Interest Bearing Liabilities	17,693	18,073	15,529	17,729	17,987
Non Interest Bearing Liabilities	25,530	27,793	34,575	31,818	34,035
Total Liabilities	673,035	744,846	890,856	1,025,496	1,146,060
Total Shareholder's Equity	151,753	174,143	184,715	202,849	224,962

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Ratio Highlights

Ratio Analysis	2018A	2019A	2020A	2021A	2022F
Profitability & Efficiency					
NIM	6.13%	6.24%	5.70%	5.10%	5.27%
Cost-to-Income Ratio	42.29%	43.22%	39.96%	37.86%	35.15%
ROE	15.37%	16.41%	14.70%	15.50%	18.11%
ROA	2.83%	3.11%	2.52%	2.56%	2.97%
ROAE		15.89%	15.56%	15.10%	16.80%
BOPO	59.45%	57.59%	61.12%	55.27%	46.14%
Cost of Credit	0.99%	0.76%	1.97%	1.46%	0.72%
Liquidity					
LDR	87.51%	86.37%	70.02%	65.27%	63.56%
CASA	76.69%	75.90%	76.58%	78.59%	81.20%
Asset Quality					
Gross NPL	1.45%	1.35%	1.82%	2.20%	1.92%
Provision Coverage	124.99%	129.76%	202.59%	187.82%	181.21%
Capital					
CAR	23.40%	23.80%	25.80%	25.70%	26.04%
Growth					
Loan Growth		9.54%	-2.50%	8.21%	9.17%
Deposit Growth		7.95%	17.25%	13.98%	10.10%
CASA Growth		9.84%	21.36%	19.13%	15.83%
Net Income Growth		22.54%	-5.02%	15.82%	29.56%

QoQ Result

Balance Sheet	3Q21	4Q21	1Q22	2Q22	3Q22	%QoQ	%YoY
Loan	605,874	636,987	637,131	675,362	681,983	0.98%	12.56%
Loan Loss Reserves	(33,171)	(33,240)	(36,080)	(36,907)	(36,694)	-0.57%	10.62%
NPL	14,227	13,690	14,566	14,836	14,663	-1.16%	3.07%
Deposit							
Demand	263,375	285,640	301,097	304,808	318,274	4.42%	20.84%
Savings	458,424	481,373	497,061	513,003	512,174	-0.16%	11.72%
Time Deposit	201,936	208,937	199,602	193,231	195,081	0.96%	-3.40%
Total Asset	1,169,296	1,228,345	1,259,435	1,264,468	1,288,723	1.92%	10.21%
Shareholder Equity	197,815	202,713	194,689	202,987	211,940	4.41%	7.14%

Income Statement	3Q21	4Q21	1Q22	2Q22	3Q22	%QoQ	%YoY
Interest Income	16,268	16,588	16,462	17,288	18,457	6.76%	13.46%
Interest Expense	(2,390)	(2,273)	(1,979)	(1,997)	(2,138)	7.01%	-10.54%
Net Interest Income	13,878	14,315	14,483	15,291	16,319	6.73%	17.59%
Net Operating Income	4,391	6,014	6,521	6,900	5,120	-25.81%	16.59%
Operating Expense	(6,111)	(8,287)	(8,324)	(9,029)	(7,702)	-14.69%	26.04%
PPOP	12,158	12,041	12,680	13,163	13,737	4.36%	12.98%
Provision Expense	(1,103)	(1,675)	(2,818)	(909)	(191)	-78.98%	-82.67%
Operating Profit	11,056	10,366	9,862	12,254	13,546	10.54%	22.52%
Non Operating Income - net	(290)	(166)	91	91	(39)	-142.30%	-86.65%
Profit Before Tax	10,766	10,200	9,953	12,345	13,507	9.41%	25.46%
Tax Expense	(2,018)	(1,972)	(1,886)	(2,356)	(2,593)	10.05%	28.51%
Earning After Tax	8,748	8,228	8,068	9,989	10,914	9.26%	24.76%
Income for The Year Attributable to - NCI	5	4	3	4	8	132.93%	66.78%
Net Income	8,743	8,224	8,064	9,985	10,905	9.21%	24.73%

Ratio	3Q21	4Q21	1Q22	2Q22	3Q22	%QoQ	%YoY
Profitability & Efficiency							
NIM	5.00%	4.90%	4.90%	5.00%	5.40%	0.40	0.40
CIR	31.40%	39.40%	35.80%	32.90%	34.80%	1.90	3.40
ROE	22.70%	16.90%	16.80%	22.40%	22.70%	0.30	0.00
ROA	4.20%	3.20%	3.10%	3.90%	3.40%	(0.50)	(0.80)
Cost of Credit	0.80%	1.10%	1.90%	0.60%	0.00%	(0.60)	(0.80)
Liquidity							
LDR	62.00%	62.00%	60.50%	63.50%	63.30%	(0.20)	1.10
CASA	78.10%	78.60%	80.00%	80.90%	81.00%	0.10	3.00
Asset Quality							
Gross NPL (Bank only)	2.40%	2.20%	2.30%	2.20%	2.20%	(0.00)	(0.20)
Provision Coverage	231.30%	240.00%	244.80%	246.40%	247.90%	1.50	15.80
Capital							
CAR	26.20%	25.70%	23.90%	24.70%	25.40%	0.70	(0.60)

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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