

August 8<sup>th</sup>, 2023  
Banking, Equity

Price IDR 9,200  
Target Price IDR 12,000  
JKSE Index IDR 6,868.81

### Investment Consideration

#### Net Profit Up +34%

In 1H-2023, BBCA achieved a robust Net profit growth of +34.02% YoY, reaching IDR 24.19 trillion. This impressive performance was driven by a 24.66% YoY increase in net interest income, resulting in a NIM ratio improvement of 60 bps (bank-only), reaching 5.60%. Additionally, asset impairment expenses decreased significantly by -49.51%. Looking ahead, we forecast BBCA's Net profit to continue improving in 2023, with an expected YoY growth of 22.71% to reach IDR 49.985 trillion, while the NIM ratio is projected to increase to 6.20%.

#### Solid Loan Expansion

As of June 30th, 2023, BBCA reported a solid consolidated loan growth of 8.97% YoY. The consumer segment led the way with a growth of 14.55% YoY, followed by Commercial SME and Corporate loans, which grew by 10.95% YoY and 5.09% respectively. The Trading and Manufacturing sectors accounted for the highest proportion in the loan portfolio, representing 22.4% and 21.5% respectively. We anticipate BBCA to continue expanding its loan portfolio by another 9.06% YoY, with the consumer segment expected to have the highest growth of 12.23% YoY.

#### Improved Asset Quality

In Q2-23, BBCA demonstrated improved asset quality, as evidenced by a decreased gross NPL ratio by 30bps to 1.9%. Among the three segments, the Consumer segment stood out with not only the highest loan growth but also the best quality, with an NPL ratio of 1.45%, which decreased by 24 bps YoY. The NPL ratios for Corporate and Commercial & SME segments were 1.82% and 2.32% respectively. The Transportation, Electricity, Gas & Water, and Mining sectors performed well with NPLs at only 0.1% each. We expect BBCA to continue managing its asset quality and further decrease its NPL ratio to 1.60%.

#### Stellar Digital growth

In Q2-2023, BBCA demonstrated impressive digital transaction growth, with a 41% increase in the number of customers over two years, leading to a 3.6x growth in mobile banking transactions over three years. Mobile and internet transactions accounted for 91.5% of the total, growing by 30%, and representing 61.4% of the value composition.

#### Valuation: 30% Upside, Buy

Based on our DDM valuation, we set a target price of IDR 12,000 within one year, implying a trading price of 6.05x PBV and indicating a potential upside of 30%. Therefore, we maintain a Buy rating for BBCA.

Financial Highlights	2020A	2021A	2022A	2023F
Total Loan (IDR Bn)	588,672	636,987	711,262	767,374
Total Assets (IDR Bn)	1,075,570	1,228,345	1,314,732	1,403,962
Net Income (IDR Bn)	27,131	31,423	40,736	50,433
NIM	5.70%	5.10%	5.30%	6.20%
ROA	2.70%	2.80%	3.20%	3.71%
ROE	16.50%	18.30%	21.70%	23.85%
NPL (Consol)	1.80%	2.20%	1.70%	1.60%
CAR (Consol)	26.89%	26.85%	26.84%	30.13%

Stock Code  
Bloomberg code **BBCA IJ**  
Market Cap (IDR) **1,134.13 T**  
52-Week High (IDR) **9,400**  
52-Week Low (IDR) **7,725**  
6-m Avg Daily Val (IDR) **8,922**  
Free Float (%) **42.40**

Major Shareholders (%)  
DIA **54.94**  
Commissioner **0.10**  
Directors **0.05**  
Public **44.91**

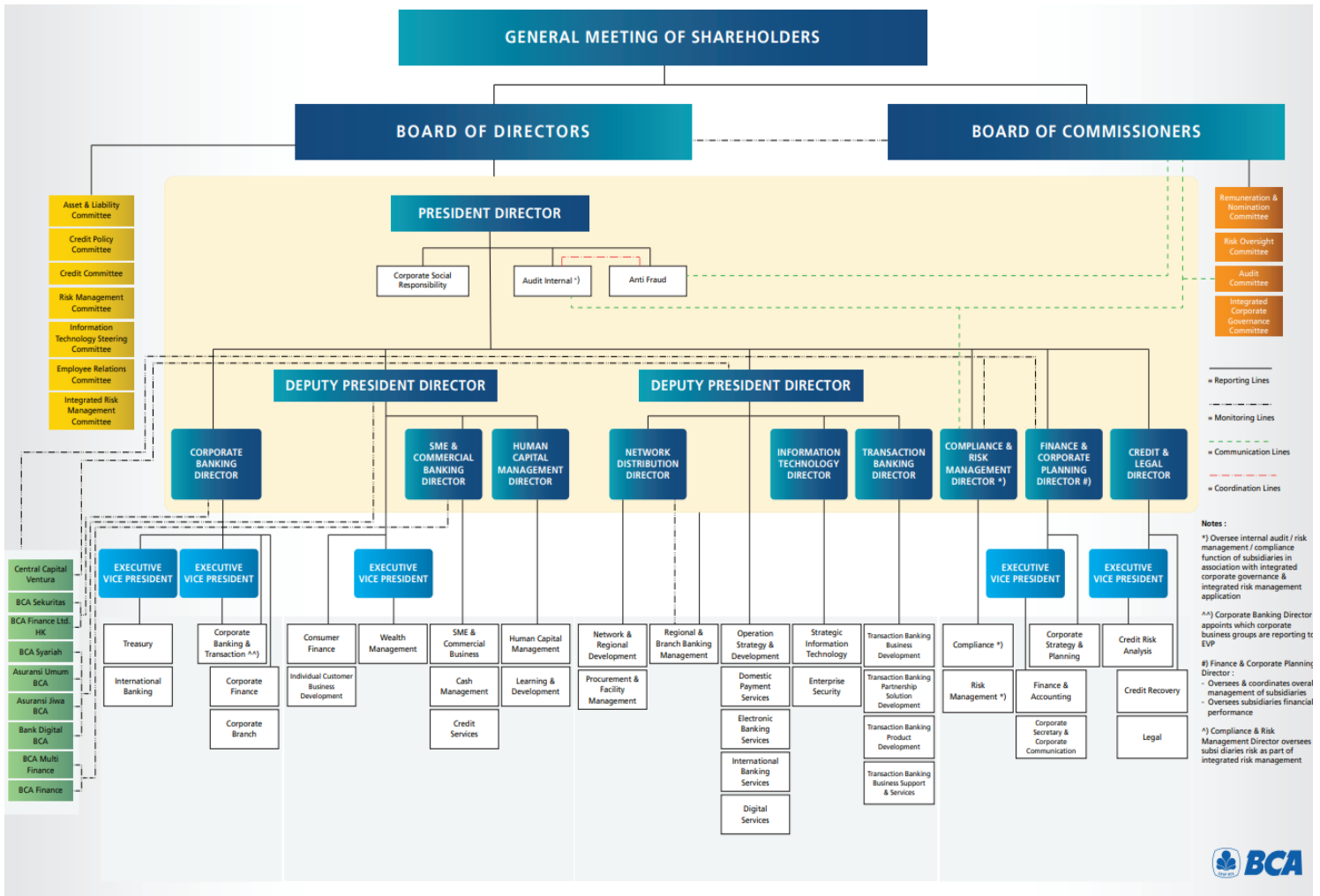
USD/IDR-YE  
2022A **14,871.00**  
2023F **14,975.11**

Key Indicators (%)  
Gross NPL (Bank-Only) **1.60**  
Net Interest Margin **6.20**



**Company Profile**

PT Bank Central Asia Tbk (the “Bank”) was established in Indonesia based on the Notary Deed No. 38 of Raden Mas Soeprpto dated 10 August 1955, originally named “N.V. Perseroan Dagang Dan Industrie Semarang Knitting Factory.” It started its banking operations on 12 October 1956. Currently known as PT Bank Central Asia, the Bank engages in banking activities and other financial services in accordance with the prevailing regulations in Indonesia.



Source: Company

Chart: Gross Loan (IDR Bn) YoY

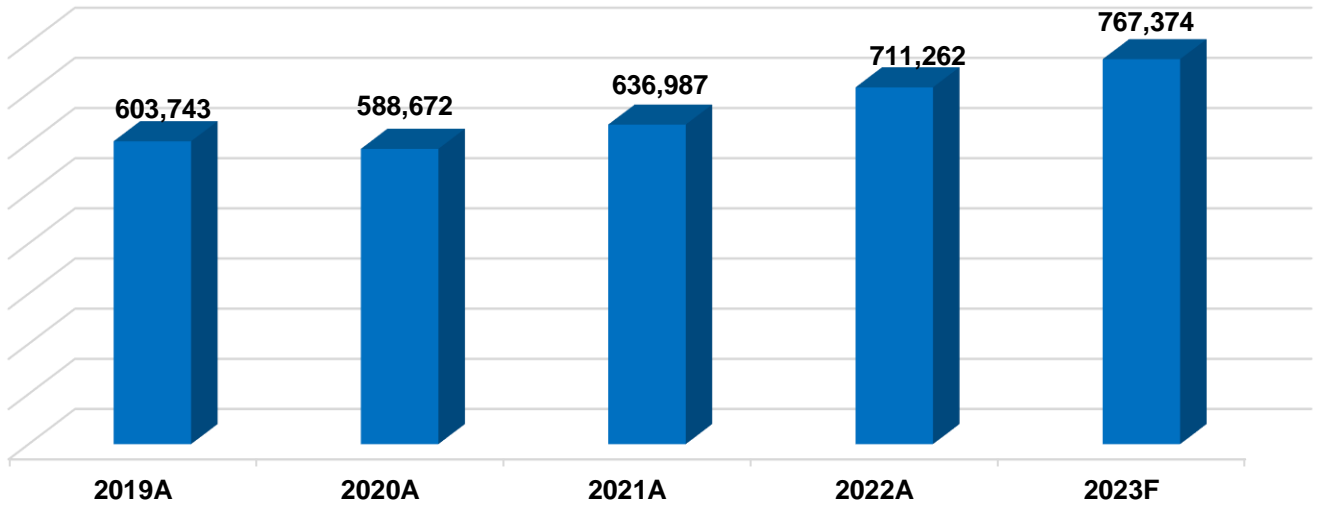


Chart: Profitability Ratio YoY

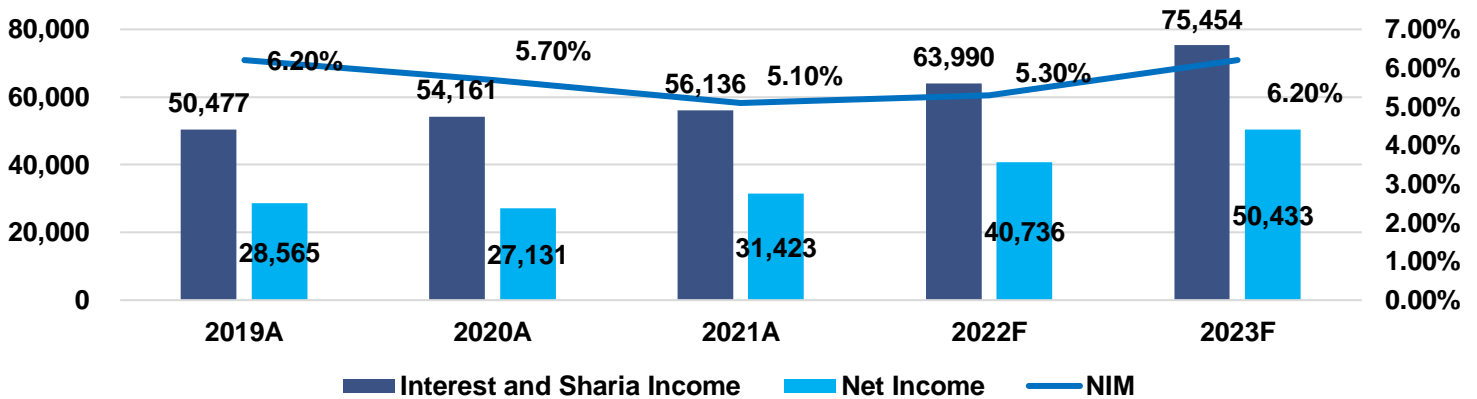


Chart: NPL Consolidated (%) YoY

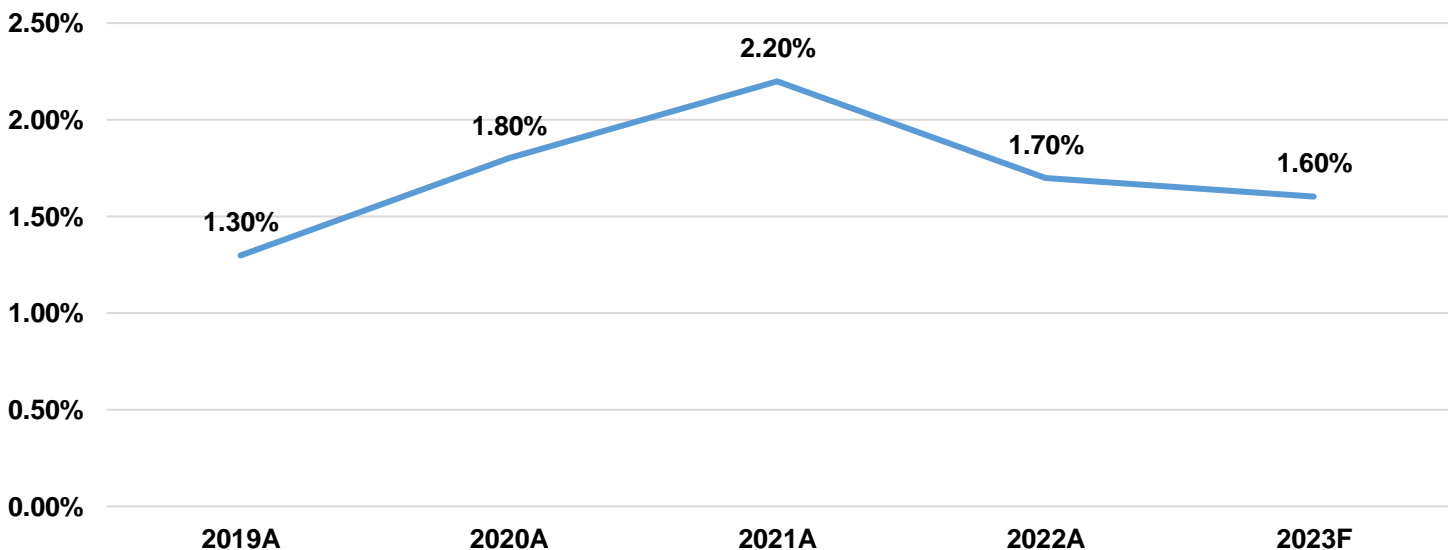


Chart: Gross Loan (IDR Bn) QoQ

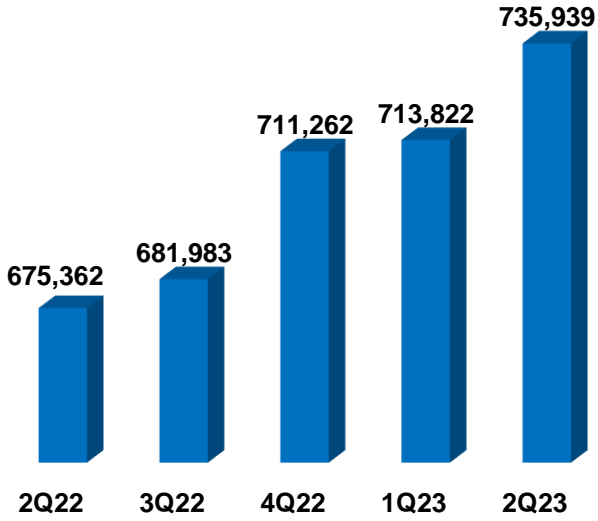


Chart: Customer Deposit (IDR Tn) QoQ

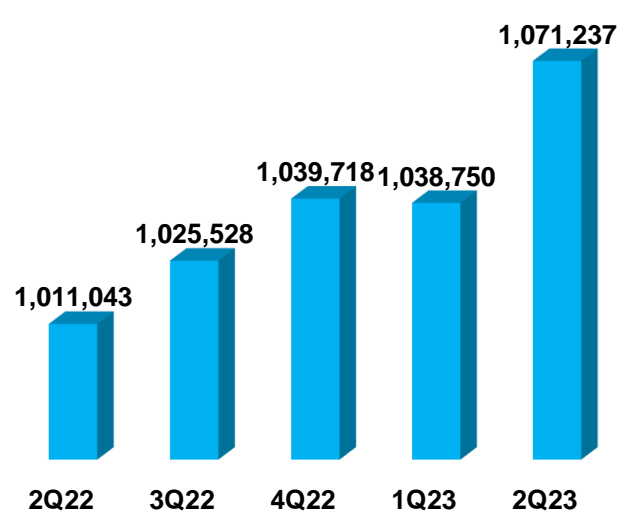


Chart: NPL Ratio Consol (%) QoQ

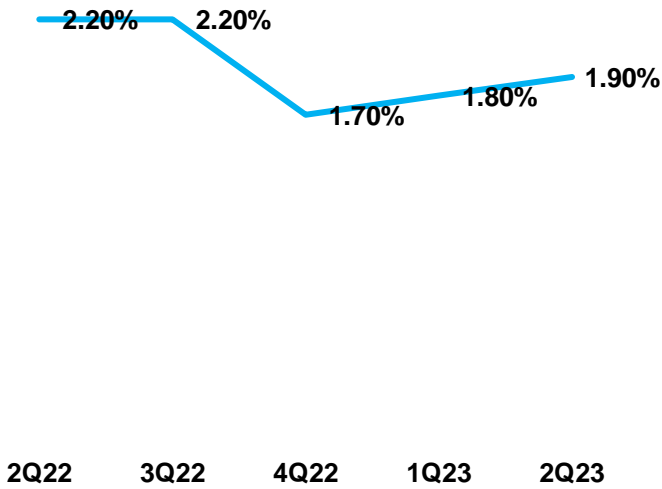
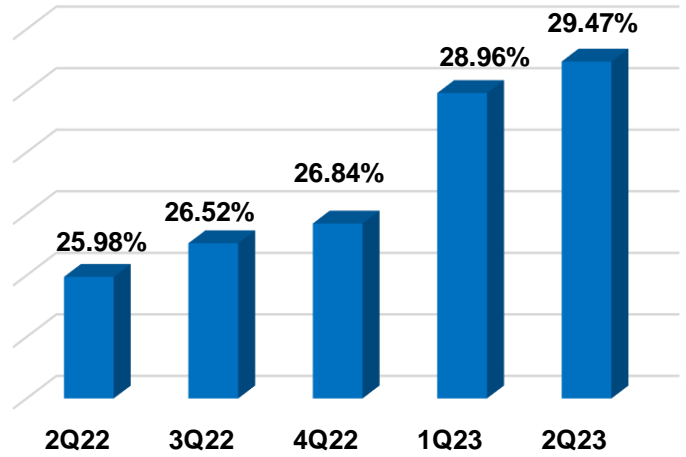


Chart: CAR (%) QoQ



**Balance Sheet (IDR bn)**

Balance sheet	2019A	2020A	2021A	2022A	2023F
Cash and CA with BI	73,326	51,805	89,401	125,470	125,596
Interbank Placement	30,948	47,456	87,153	31,383	29,813
Marketable Securities	143,053	192,753	224,512	249,186	263,498
Gross Loan	603,743	588,672	636,987	711,262	767,374
Allowance for Loans	(15,528)	(27,914)	(33,240)	(34,841)	(34,619)
Loans-net	588,215	560,758	603,747	676,421	732,755
Other Earning Asset	217,340	417,968	489,751	462,318	492,387
Non-Earning Asset	40,108	45,040	45,445	50,523	53,224
<b>Total Asset</b>	<b>918,989</b>	<b>1,075,570</b>	<b>1,228,345</b>	<b>1,314,732</b>	<b>1,403,962</b>
Deposit:					
Current Account	184,918	229,821	285,640	323,924	351,381
Saving Account	345,634	414,041	481,373	524,014	566,441
Time Deposits	168,428	196,890	208,937	191,780	204,910
Other Interest-Bearing Liabilities	18,073	15,529	17,729	19,366	14,122
Non-Interest-Bearing Liabilities	27,793	34,575	31,818	34,466	21,082
<b>Total Liabilities</b>	<b>744,846</b>	<b>890,856</b>	<b>1,025,496</b>	<b>1,093,550</b>	<b>1,157,936</b>
<b>Total Shareholder's Equity</b>	<b>174,143</b>	<b>184,715</b>	<b>202,849</b>	<b>221,182</b>	<b>246,025</b>

**Income Statement (IDR Bn)**

Balance sheet	2019A	2020A	2021A	2022A	2023F
Interest Income	63,838	65,403	65,627	72,241	84,402
Interest Expense	(13,360)	(11,242)	(9,491)	(8,252)	(8,948)
<b>Net Interest Income</b>	<b>50,477</b>	<b>54,161</b>	<b>56,136</b>	<b>63,990</b>	<b>75,454</b>
Net Operating Income	21,145	21,004	22,338	23,487	25,621
Operating Expense	(30,742)	(29,969)	(30,308)	(32,483)	(33,903)
<b>PPOP</b>	<b>40,880</b>	<b>45,197</b>	<b>48,165</b>	<b>54,994</b>	<b>67,172</b>
Provision Expense	(4,591)	(11,628)	(9,324)	(4,527)	(4,109)
<b>Profit Before Tax</b>	<b>36,289</b>	<b>33,569</b>	<b>38,841</b>	<b>50,467</b>	<b>63,063</b>
Tax Expense	(7,719)	(6,421)	(7,401)	(9,711)	(12,613)
<b>Earning After Tax</b>	<b>28,570</b>	<b>27,147</b>	<b>31,440</b>	<b>40,756</b>	<b>50,450</b>
Income for The Year Attributable to - NCI	5	16	17	20	17
<b>Net Income</b>	<b>28,565</b>	<b>27,131</b>	<b>31,423</b>	<b>40,736</b>	<b>50,433</b>

**Ratio Highlights**

Ratio Analysis	2019A	2020A	2021A	2022A	2023F
<b>Profitability &amp; Efficiency</b>					
NIM	6.20%	5.70%	5.10%	5.30%	6.20%
Cost-to-Income Ratio	43.70%	37.40%	34.90%	33.90%	33.54%
ROAE	18.00%	16.50%	18.30%	21.70%	23.85%
ROAA	4.00%	2.70%	2.80%	3.20%	3.71%
BOPO	59.10%	63.50%	54.20%	46.50%	38.95%
Cost of Credit	0.80%	1.70%	1.60%	0.70%	0.54%
<b>Liquidity</b>					
LDR	80.50%	65.80%	62.00%	65.20%	68.35%
CASA (Consol)	75.50%	76.60%	78.60%	81.60%	81.75%
<b>Asset Quality</b>					
Gross NPL	1.30%	1.80%	2.20%	1.70%	1.60%
Gross NPL (Bank-Only)	1.30%	1.80%	2.20%	1.70%	1.60%
Provision Coverage	189.20%	260.90%	240.00%	287.30%	278.59%
<b>Capital</b>					
CAR (Consol)	24.64%	26.89%	26.85%	26.84%	30.13%
<b>Growth</b>					
Loan Growth	9.54%	-2.50%	8.21%	11.66%	7.89%
Deposit Growth	10.98%	20.28%	16.08%	6.53%	7.98%
CASA Growth	9.84%	21.36%	19.13%	10.55%	8.24%
Net Income Growth	10.48%	-5.02%	15.82%	29.64%	23.81%

**QoQ Result**
**PT Bank Central Asia Tbk  
Key Ratios**

Balance Sheet	2Q22	3Q22	4Q22	1Q23	2Q23	%QoQ	%YoY
Loan	675,362	681,983	711,262	713,822	735,939	3.10%	8.97%
Loan Loss Reserves	(36,907)	(36,694)	(34,841)	(35,816)	(35,625)	-0.53%	-3.47%
NPL	14,711	14,483	11,991	12,400	13,690	10.40%	-6.94%
Deposit							
Demand	304,808	318,274	323,924	320,660	328,879	2.56%	7.90%
Savings	513,003	512,174	524,014	522,673	535,849	2.52%	4.45%
Time Deposit	193,231	195,081	191,780	195,416	206,509	5.68%	6.87%
Total Asset	1,264,468	1,288,723	1,314,732	1,321,723	1,356,757	2.65%	7.30%
Shareholder Equity	202,987	211,940	221,019	211,261	224,599	6.31%	10.65%

Income Statement	2Q22	3Q22	4Q22	1Q23	2Q23	%QoQ	%YoY
Interest Income	17,234	18,407	20,203	21,026	21,559	2.54%	25.10%
Interest Expense	(1,988)	(2,118)	(2,169)	(2,544)	(3,059)	20.24%	53.87%
<b>Net Interest Income</b>	<b>15,246</b>	<b>16,289</b>	<b>18,033</b>	<b>18,482</b>	<b>18,501</b>	<b>0.10%</b>	<b>21.35%</b>
Net Operating Income	5,402	5,737	6,215	6,449	6,109	-5.28%	13.08%
Operating Expense	(7,394)	(8,328)	(8,978)	(9,251)	(8,525)	-7.85%	15.28%
<b>PPOP</b>	<b>13,254</b>	<b>13,698</b>	<b>15,270</b>	<b>15,680</b>	<b>16,085</b>	<b>2.58%</b>	<b>21.36%</b>
Provision Expense	(909)	(191)	(609)	(1,460)	(422)	-71.12%	-53.61%
<b>Profit Before Tax</b>	<b>12,345</b>	<b>13,507</b>	<b>14,662</b>	<b>14,220</b>	<b>15,663</b>	<b>10.15%</b>	<b>26.88%</b>
Tax Expense	(2,356)	(2,593)	(2,876)	(2,687)	(2,996)	11.51%	27.14%
<b>Earning After Tax</b>	<b>9,989</b>	<b>10,914</b>	<b>11,786</b>	<b>11,533</b>	<b>12,667</b>	<b>9.83%</b>	<b>26.82%</b>
Income for The Year Attributable to - NCI	4	8	4	3	7	115.05%	84.96%
<b>Net Income</b>	<b>9,985</b>	<b>10,905</b>	<b>11,781</b>	<b>11,530</b>	<b>12,660</b>	<b>9.81%</b>	<b>26.79%</b>
	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>		

Ratio (Bank-Only)	2Q22	3Q22	4Q22	1Q23	2Q23	%QoQ	%YoY
<b>Profitability &amp; Efficiency</b>							
NIM	5.00%	5.40%	5.90%	5.60%	5.50%	(0.10)	0.50
CIR	32.90%	34.80%	32.50%	35.10%	31.20%	(3.90)	(1.70)
ROE	22.40%	22.70%	24.70%	22.30%	26.10%	3.80	3.70
ROA	3.90%	3.40%	3.70%	3.40%	3.90%	0.50	0.00
Cost of Credit	0.60%	0.00%	0.40%	0.80%	0.10%	(0.70)	(0.50)
<b>Liquidity</b>							
LDR	63.50%	63.30%	65.20%	65.60%	65.70%	0.10	2.20
CASA	80.90%	81.00%	81.60%	81.20%	80.70%	(0.50)	(0.20)
<b>Asset Quality</b>							
Gross NPL	2.20%	2.20%	1.70%	1.80%	1.90%	0.10	(0.30)
Provision Coverage	246.40%	247.90%	287.30%	285.40%	257.10%	(28.30)	10.70
<b>Capital</b>							
CAR	24.70%	25.40%	25.80%	28.90%	29.50%	0.60	4.80

**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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