

Bank Central Asia (BBCA)

Solid 1Q23 results, pricey valuations

8 May 2023



BBCA II	HOLD
Sector	Banks
Price at 5 May 2023 (IDR)	9,000
Price target (Rp)	8,920
Upside/Downside (%)	(0.9)

Stock Information

PT Bank Central Asia Tbk has positioned itself as one of the largest transaction banks in Indonesia. The bank provides custodianship, cash management, facilitation for exports and imports, as well as foreign exchange services. Through its subsidiaries, the bank also offers leasing and consumer financing services.

Market cap (IDR bn)	1,106,394
Shares outstanding (mn)	123,275
52-week range (IDR)	7,000 - 9,400
3M average daily vol. ('000)	76,313
3M average daily val. (IDR mn)	667,551

Shareholders (%)

PT Dwimuria Invest. Andalan	54.9
Public	45.1

Stock Performance



Source: Bloomberg

	1M	3M	12M
Performance (%)	2.9	3.2	10.5

Analyst(s)

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BBCA's 1Q23 PATMI grew strong at 43.0%yoy beating both ours and street estimates by 3.7%/3.0%. Loans growth stood at healthy level (12.0%yoy) and came in within the upper range guidance of BBKA's 23F loan growth (KBVS: 9.7%yoy). Key profitability metrics finished in a solid shape year on year (NIM +110bps) with asset quality improvement remain on track (NPL 50bps higher and LAR 132bps better). In all, BBKA deserves premium valuation, yet traded at its +2SD made the stocks seem have price in its fundamental strength, in our view. Maintain HOLD for BBKA, with TP of IDR8,920 (4.4x '23F P/B). BBKA is currently trading at 4.6x '23F P/B, or at its +2SD 10-year historical.

1Q23 earnings beating KBV's and street estimates by 2.7%/3.0%.

BBKA's 1Q23 earnings at IDR11.53tn grew strongly by 43.0%yoy driven mainly by strong net interest income growth (28.0%yoy), solid PPOP which recorded 22.9%yoy higher and coupled with sharp drop in provisions expense by 48.2%yoy. On quarterly basis, top line noted flattish growth as historically 1Q tend to have lower growth than the remaining quarter on the year. Net interest income growth came in at 2.7%qoq with PPOP inched up by 1.3%qoq, while PATMI dropped 2.1%qoq as provisions more than doubled qoq. In all, BBKA's 1Q23 net profit arrives above KBV's and street forecast at 3.7%/3.0%, whereas in historically first quarter contributes an average (5yr) of 21.8% to its full year.

Loans growth surpassing our '23F and meets BBKA's upper guidance

BBKA become as one of banking industry recovery momentum beneficiaries. 1Q23 loans grew 12.0%yoy beating industry and (1Q23: 9.9%yoy) our '23F loan growth for BBKA at 9.7%yoy. Corporate loans and sharia financing grew strongly by 11.7%yoy and 16.2%yoy, while the highest growth was recorded by consumer segment (automotive) at 15.2%. The bank is guiding loan growth within the range of 10%-12%yoy, or similar to Bank Indonesia expectation for domestic banking industry (KBVS '23F at 9.7%yoy).

Expecting margin expansion in the remaining quarter

On liquidity side, we like BBKA's TPF growth at 4.1%yoy to IDR1038,75tn supported by strong CA and SA growth by 6.5%yoy and 5.2%yoy, respectively. With strong CASA growth remains (5.7%yoy), we believe liquidity will remain moves within the uphill track and thus will provide enough room for any TPF rate adjustment, aside from it will create better margin expansion.

Solid key performance metrics across the boards

Aside from continuous CASA improvement, the bank also noted higher NIM to 5.6% from 4.9% in 1Q22, while asset quality also recorded healthier by 50bp to 1.8% in 1Q23 from 2.3% a year earlier with another better cost of credit which declined by 110bps to 0.8% vs 1.9% in 1Q22. Coverage ratio remain strong and surged more than 400bps from 244.8% to 285.4%. We expect to witness BBKA's 23F NPL to record another better figure ('23F 1.6%) than FY22 at 1.7%, while on COC, the bank is guiding within the range of 0.70%-0.80% or inline within our forecast for BBKA's CoC of 0.76%.

LAR consistent improvement

LAR continue to improves to 9.5% from 13.8% in 1Q22 and 50bps better vs 4Q22 at 10.0% as reopening economy has triggered recovery momentum which led to stronger repayment. Restructured loans on Coll.1 even record a stronger amount from 9.5% to 5.8% of total loans in 1Q23 and improves by 31.6%yoy and 12.8%qoq, thanks to consumer, SME and commercial segment.

Maintain HOLD, with target price of IDR8,920

In all, BBKA deserved to trade at premium and its solid result signaling the ability to remain resilient in this cautiously optimistic year. Nevertheless, we think at 4.6x '23F P/B (5 May 2023 closing price), the stocks seem has price in all its fundamental value. Our GGM Model-derived fair P/B of 4.4x, equal to target price at IDR 8,920, while currently trading at 4.6x '23F P/B. Maintain our HOLD stance for BBKA. Risks to our call are: a) lower-than-expected loan growth, NIM and loan yield, b) higher than expected CoC and c) higher inflation, slowing economic activity and d) deteriorating asset quality.

Key Statistics

Year-end Dec	2021A	2022A	2023F	2024F	2025F
Net interest income	56,136	63,990	72,500	83,475	96,852
Non-interest income	22,338	23,487	25,137	26,691	28,844
Total operating income	78,473	87,476	97,637	110,166	125,696
Pre-provision operating profit	48,165	54,994	61,729	70,260	81,353
Net income	31,423	40,736	45,162	51,500	59,896
EPS (IDR)	255	330	366	418	486
EPS growth (%)	15.8	29.6	10.9	14.0	16.3
PER (x)	35.3	27.2	24.6	21.5	18.5
PBV (x)	5.5	5.0	4.6	4.1	3.7
Div. Yield (%)	1.6	1.7	1.9	2.2	2.5
ROE (%)	16.2	19.2	19.5	20.1	21.0

Source: Company, KB Valbury Sekuritas

Bank Central Asia (BBCA)

Figure 1: BBKA's Financial Overview

Income Statements (Rpbn)	3M22	3M23	YoY (%)	1Q22	1Q23	YoY (%)	4Q22	QoQ (%)	KBVS '23F	% to '23F	Cons' '23F	% to Cons'
Net interest income	14,483	18,531	28.0	14,483	18,531	28.0	18,051	2.7	72,500			
Non-interest income	5,920	6,253	5.6	5,920	6,253	5.6	6,011	4.0	25,137			
Total operating income	20,403	24,784	21.5	20,403	24,784	21.5	24,062	3.0	97,637			
Total operating expenses	(7,722)	(9,204)	19.2	(7,722)	(9,204)	19.2	8,675	(206.1)	(35,908)			
PPoP	12,681	15,580	22.9	12,681	15,580	22.9	15,386	1.3	61,729			
Provision	(2,818)	(1,460)	(48.2)	(2,818)	(1,460)	(48.2)	(609)	139.7	(5,911)			
Operating Profit	9,863	14,120	43.2	9,863	14,120	43.2	14,777	(4.4)	55,817			
Net profit	8,064	11,530	43.0	8,064	11,530	43.0	11,781	(2.1)	45,162	25.5	46,500	24.80

Source : Company, KB Valbury Sekuritas

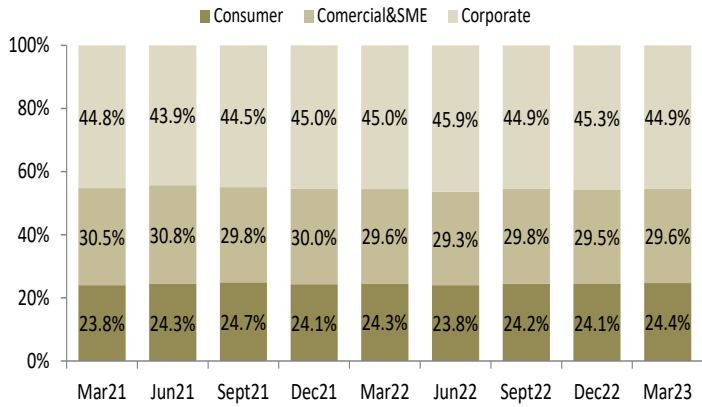
Balance Sheet (Rpbn)	3M22	3M23	YoY (%)	1Q22	1Q23	YoY (%)	4Q22	QoQ (%)
Gross loans	637,131	713,822	12.0	637,131	713,822	12.0	711,262	0.4
Current accounts	301,098	320,660	6.5	301,098	320,660	6.5	323,924	(1.0)
Saving deposits	497,061	522,674	5.2	497,061	522,674	5.2	524,014	(0.3)
Time deposits	199,602	195,416	(2.1)	199,602	195,416	(2.1)	191,780	1.9
Total equity	194,689	211,261	8.5	194,689	211,261	8.5	221,019	(4.4)

Source : Company, KB Valbury Sekuritas

Financial Ratios	3M22	3M23	YoY (%)	1Q22	1Q23	YoY (%)	4Q22	QoQ (%)
LDR	60.5%	65.6%	5.1%	60.5%	65.6%	5.1%	65.2%	0.4%
CASA	80.0%	81.2%	1.2%	80.0%	81.2%	1.2%	81.6%	-0.4%
NPL gross	2.3%	1.8%	-0.5%	2.3%	1.8%	-0.5%	1.7%	0.1%
NIM	4.9%	5.6%	0.7%	4.9%	5.6%	0.7%	5.9%	-0.3%
CIR	35.8%	35.1%	-0.7%	35.8%	35.1%	-0.7%	32.5%	2.6%
ROE	16.8%	22.3%	5.5%	16.8%	22.3%	5.5%	24.7%	-2.4%
ROA	2.5%	3.4%	0.9%	2.5%	3.4%	0.9%	3.7%	-0.3%

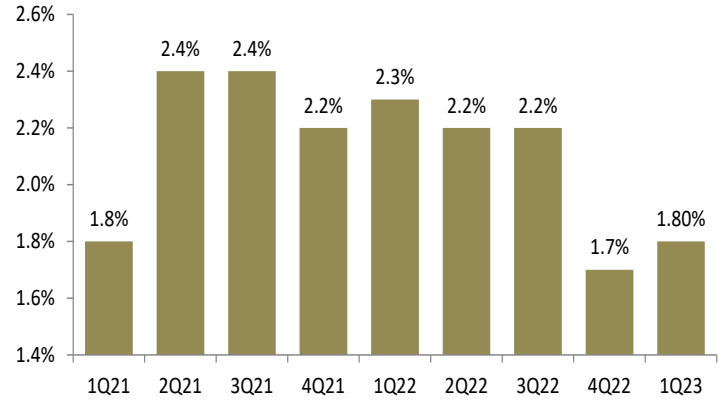
Source : Company, KB Valbury Sekuritas

Figure 2: Corporate segment will remain as the main engine



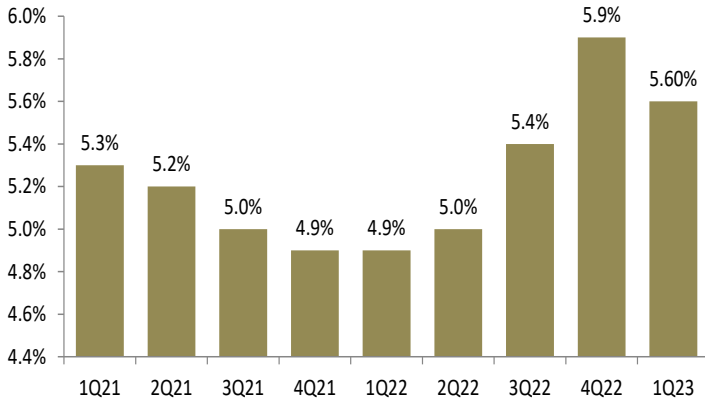
Source: Company, KB Valbury Sekuritas

Figure 3: Continuing gross NPL improvement



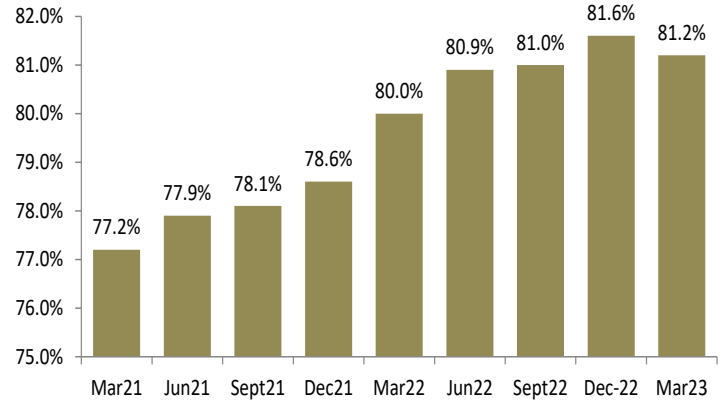
Source: Company, KB Valbury Sekuritas

Figure 4: NIM recovery momentum has continued



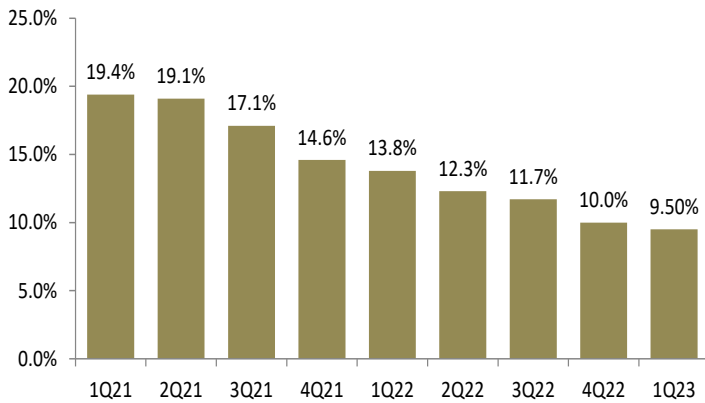
Source: Company, KB Valbury Sekuritas

Figure 5: Consistency on CASA uptrend



Source: Company, KB Valbury Sekuritas

Figure 6: LAR continue arrived within the down track path



Source: Company, KB Valbury Sekuritas

Figure 7: Currently trading at 4.6x '23F P/B, at +2SD 10-year historical



Source: Company, KB Valbury Sekuritas

Bank Central Asia (BBCA)

FINANCIAL TABLES

CONSOLIDATED STATEMENTS OF PROFIT OR LOSS

Year End Dec (IDR bn)	2021A	2022A	2023F	2024F	2025F
Interest income	65,627	72,241	82,183	94,442	109,344
Interest expenses	-9,491	-8,252	-9,683	-10,967	-12,492
Net interest income	56,136	63,990	72,500	83,475	96,852
Non-interest income	22,338	23,487	25,137	26,691	28,844
Total operating income	78,473	87,476	97,637	110,166	125,696
Operating expenses	-30,308	-32,483	-35,908	-39,906	-44,343
Pre-provision operating profit	48,165	54,994	61,729	70,260	81,353
Loan loss provision	-9,324	-4,527	-5,911	-6,613	-7,333
Pretax profit	38,841	50,467	55,817	63,648	74,020
Tax Expenses	-7,401	-9,711	-10,636	-12,128	-14,104
Minorities interest	-17	-20	-20	-20	-20
Net income	31,423	40,736	45,162	51,500	59,896

Source: Company, KB Valbury Sekuritas

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

Year End Dec (IDR bn)	2021A	2022A	2023F	2024F	2025F
Assets					
Cash	23,616	21,360	20,089	22,153	23,475
Current Account BI	65,785	104,110	106,495	108,226	114,150
Interbank	98,754	36,129	38,952	40,360	42,239
Marketable Securities	189,806	211,181	227,890	235,872	235,923
Gov Bond	35,543	39,847	41,917	44,326	47,211
Loan	603,747	676,421	743,337	824,322	924,407
Fixed assets	22,169	24,709	27,376	30,177	33,117
Other assets	188,924	200,974	215,162	226,711	241,240
Total Asset	1,228,345	1,314,731	1,421,219	1,532,148	1,661,762
Liabilities					
Interbank Deposit	10,017	7,936	8,557	9,179	9,901
Deposit from customer	975,949	1,039,718	1,121,000	1,202,513	1,297,164
Debts Sec and Subordinates	982	500	500	500	500
Other Liabilities	38,548	45,396	47,941	50,621	53,536
Total liabilities	1,025,496	1,093,550	1,177,998	1,262,813	1,361,101
Equity					
Capital Stock	1,541	1,541	1,541	1,541	1,541
Additional Paid-in Capital	5,549	5,549	5,549	5,549	5,549
Retained Earnings	179,580	200,959	226,655	256,459	291,519
Other Equity	16,043	12,970	9,293	5,584	1,830
Shareholder's Equity	202,713	221,019	243,038	269,133	300,439
Non-controlling Interest	136	163	183	203	223
Total Equity	202,849	221,182	243,221	269,336	300,662

Source: Company, KB Valbury Sekuritas

RATIO ANALYSIS

Year End Dec	2021A	2022A	2023F	2024F	2025F
NIM (%)	5.1	5.3	5.7	5.8	5.9
LDR (%)	65.3	68.4	69.6	71.9	74.6
CASA (%)	78.6	81.6	82.0	82.2	82.7
NPL (%)	2.2	1.7	1.6	1.5	1.4
ROE (%)	16.2	19.2	19.5	20.1	21.0
ROA (%)	2.7	3.2	3.3	3.5	3.8
CAR (%)	26.9	27.4	27.8	28.6	29.4
BVPS (IDR)	1,644	1,793	1,972	2,183	2,437
PER (x)	35.3	27.2	24.6	21.5	18.5
PBV (x)	5.5	5.0	4.6	4.1	3.7
Div. Yield (%)	1.6	1.7	1.9	2.2	2.5

Source: Company, KB Valbury Sekuritas

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