

Bank Central Asia (BBCA)

Solid results underpinned by recovery momentum

25 October 2022



BBCA IJ	HOLD
Sector	Banks
Price at 24 October 2022 (IDR)	8,900
Price target (IDR)	8,700
Upside/Downside (%)	-2.2

Stock Information

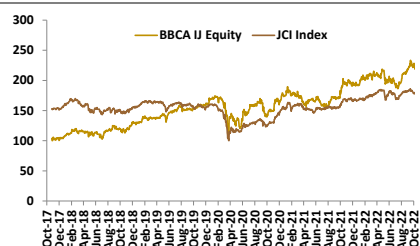
PT Bank Central Asia Tbk has positioned itself as one of the largest transaction banks in Indonesia. The bank provides custodianship, cash management, facilitation for exports and imports, as well as foreign exchange services. Through its subsidiaries, the bank also offers leasing and consumer financing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

Market cap (IDR bn)	1,097,147
Shares outstanding (mn)	123,275
52-week range (IDR)	7,000-8,900
3M average daily vol. ('000)	91,374
3M average daily val. (IDR mn)	746,448

Shareholders (%)

PT Dwimuria Invest. Andalan	54.9
Public	45.1

Stock Performance



Source: Bloomberg

	1M	3M	12M
Performance (%)	6.3	21.5	18.3

Analyst(s)

Akhmad Nurcahyadi

- 3Q22 net profit surpassing ours and consensus forecasts amid strong loan growth and solid CASA.
- Management forecasts 2022F loan growth at 8%-10% while 2023F figure will be similar to 9M12 growth rate.
- Despite solid 9M22 result and NIM should continue to strengthen in 4Q22, valuation is already stretched at 4.3x '23F PBV hence limit the upside. Downgrade to HOLD, with target price of IDR8,700/share.

3Q22 earnings beats on NIM expansion and lower provisioning

BBKA's 3Q22 net profit reached IDR10.9 tn or surged by 24.7% yoy (9.2% qoq) and translated into 9M22 earnings of IDR28.9 tn (+24.8% yoy) to IDR10.9 tn, beating ours and consensus' forecasts at (83%/82% of ours and consensus' vs 3yr average: 74%). 3Q22 net interest income grew 6.7% qoq and 17.6% yoy to IDR16.3t and brought 9M22 figure at IDR46.1 tn (+9.3% yoy) amid NIM expansion solid loan growth. 3Q22 bottom line was also boosted by a sharp drop in provisions to only IDR191 bn from IDR909 bn (-79.0% qoq).

Robust 3Q22 loan growth of 12.6% yoy, surpassing ours and management's guidance

3Q22 loans reached IDR681.9 tn implying a robust growth of 12.6% yoy (+7.1% ytd), mainly driven by corporate segment loans which surged by 13.4% yoy (+6.8% ytd). The consumer segment also saw solid loan growth at 10.4% yoy (+7.6% ytd), supported by the continuing recovery from mortgage loans which increased by 10.4% yoy (+7.7% ytd) to IDR105.0 tn. We believe that the strong growth in mortgage was the result of its initiative in conducting housing expo (new bookings in 3Q22 grew 10.4% yoy to IDR10.5 tn vs. 3Q21 of only 6.5% yoy). We expect robust loan growth to continue as business momentum recovery remains intact and underpin loan demand. We maintain our FY22F loan growth for BBKA at 10% or within the range of management guidance at 8%-10%.

3Q22 NIM expanded by 40bps qoq with solid asset quality

NIM was expanded by 40bps qoq to 5.4% and brought the 9M22 figure to 5.1%, thanks to strong loan growth and expanded CASA ratio (81% in 9M22 vs 78.1% in 9M21). We expect NIM to improve further in 4Q22 and maintain our 2022F forecast at 5.3%, still within FY22F management guidance of 5.2%-5.3%. BBKA continue to record solid asset quality with improving gross NPL to 2.2% in 3Q22 from 2.4% in 3Q21 and stronger coverage ratio from 246.4% to 247.9% in 3Q22. LAR inc. covid also improving, stood at 11.7% in Sept '22 (-5.4% yoy, -0.6% qoq), with better restructured loans at approximately 7.7% (Sept '22) of total loans compared to 8.1% in Jun '22 and 12% in Sept '21.

Maintaining 2022 solid outlook

The management forecasts 2022 loan growth to hover within the range of 8%-10% and expect 2023 figure to arrive at around the similar rate of 9M12 result. Despite the continuing macroeconomic challenge and high interest rate environment, we still believe that loan growth could reach management's upper 2022 guidance. We forecast BBKA's loan growth to reach 10% in 2022F and 10.5% in 2023F. We also expect BBKA to continuously reporting solid asset quality with 2022F gross NPL at 2.2% (9M21 2.4%), or within the range of management guidance at 2.2%-2.4%.

Risk to our call

Risks to our call are: a) lower-than-expected loan growth, NIM and loan yield, b) higher-than-expected credit cost.

Key Statistics

Year-end Dec	2020A	2021A	2022F	2023F	2024F
Net interest income (IDR bn)	54,161	56,136	61,606	68,127	73,772
Non-interest income (IDR bn)	21,004	22,338	23,014	24,893	25,682
Income from operations (IDR bn)	75,165	78,473	84,621	93,020	99,454
Pre-Provision Profit (IDR bn)	45,197	48,165	53,123	59,887	64,464
Net income (IDR bn)	27,131	31,423	35,040	39,928	43,183
EPS (IDR)	220	255	284	324	350
EPS growth (%)	(5.0)	15.8	11.5	14.0	8.2
PER (x)	40.4	34.9	31.3	27.5	25.4
PBV (x)	5.9	5.4	5.0	4.6	4.2
Div. Yield (%)	1.2	1.6	1.8	2.1	2.2
ROE (%)	15.1	16.2	16.6	17.4	17.3

Source: Company, KB Valbury Sekuritas

Bank Central Asia (BBCA)

BBCA's Financial Overview

Income Statements (IDR bn)	9M22	9M21	YoY (%)	3Q22	3Q21	YoY (%)	2Q22	QoQ (%)	2022F	Achievement
Net interest income	46,093	42,156	9.3	16,319	13,878	17.6	15,291	6.7	61,606	74.8
Non-interest income	16,663	15,451	7.8	5,540	5,241	5.7	5,203	6.5	23,014	72.4
Total operating income	62,756	57,607	8.9	21,859	19,119	14.3	20,494	6.7	84,621	74.2
Total operating expenses	23,176	21,184	9.4	8,123	6,960	16.7	7,331	10.8	-31,498	-73.6
PPoP	39,579	36,422	8.7	13,737	12,158	13.0	13,163	4.4	53,123	74.5
Loan loss provisions	-3,918	-7,649	-48.8	-191	-1,103	-82.7	-909	-79.0	-9,813	39.9
Net profit	28,955	23,199	24.8	13,546	11,055	22.5	12,254	10.5	35,040	82.6

Source: Company

Balance Sheet (IDR bn)	9M22	9M21	YoY (%)	3Q22	3Q21	YoY (%)	2Q22	QoQ (%)
Gross loans	681,983	605,874	12.6	681,983	605,874	12.6	675,362	1.0
Current accounts	318,274	263,375	20.8	318,274	263,375	20.8	304,808	4.4
Saving deposits	512,174	458,424	11.7	512,174	458,424	11.7	513,003	-0.2
Time deposits	195,081	201,936	-3.4	195,081	201,936	-3.4	193,231	1.0
Total equity	211,940	197,815	7.1	211,940	197,815	7.1	202,987	4.4

Source: Company

Financial Ratios (Bank Only)	9M22	9M21	YoY (%)	3Q22	3Q21	YoY (%)	2Q22	QoQ (%)
LDR	63.3	62.0	1.3	63.3	62.0	1.3	63.5	-0.2
CASA	81.0	78.1	2.9	81.0	78.1	2.9	80.9	0.1
NPL gross	2.2	2.4	-0.2	2.2	2.4	-0.2	2.2	0.0
NIM	5.1	5.2	-0.1	5.4	5.0	0.4	5.0	0.4
CIR	34.5	33.3	1.2	34.8	31.4	3.4	32.9	1.9
ROE	20.6	18.7	1.9	22.7	22.7	0.0	22.4	0.3
ROA	3.0	2.9	0.1	3.4	4.2	-0.8	3.2	0.2

Source: Company

Bank Central Asia (BBCA)

FINANCIAL TABLES

CONSOLIDATED STATEMENTS OF PROFIT OR LOSS

Year End Dec (IDR bn)	2020A	2021A	2022F	2023F	2024F
Interest income	65,403	65,627	76,149	87,187	94,837
Interest expenses	-11,242	-9,491	-14,543	-19,061	-21,065
Net interest income	54,161	56,136	61,606	68,127	73,772
Total Non-Interest Income	21,004	22,338	23,014	24,893	25,682
Total Income	75,165	78,473	84,621	93,020	99,454
Operating expenses	-29,969	-30,308	-31,498	-33,133	-34,990
Pre-Provision Operating Profit	45,197	48,165	53,123	59,887	64,464
Loan Loss Provision	-11,628	-9,324	-9,813	-10,538	-11,093
Pretax Profit	33,569	38,841	43,310	49,349	53,370
Income Tax Expenses	-6,421	-7,401	-8,252	-9,403	-10,170
Minorities	-16	-17	-17	-17	-17
Net Profit	27,131	31,423	35,040	39,928	43,183

Source: Company, KB Valbury Sekuritas

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

Year End Dec (IDR bn)	2020A	2021A	2022F	2023F	2024F
Assets					
Cash	24,322	23,616	24,074	25,320	26,189
Current Account BI	27,482	65,785	67,994	69,418	74,014
Interbank	59,423	98,754	107,504	117,073	120,271
Govt Treas Bills & Sec	163,673	189,806	204,890	221,390	234,444
Investment Securities	30,737	35,543	38,511	41,763	44,358
Loans	560,758	603,747	663,256	732,192	794,490
Fixed assets	21,915	22,169	22,436	22,717	23,011
Other assets	187,260	188,924	206,172	222,371	235,339
Total Asset	1,075,570	1,228,345	1,334,837	1,452,245	1,552,117
Liabilities					
Interbank Deposit	10,163	10,017	10,905	11,875	12,661
Deposits from customer	840,753	975,949	1,062,410	1,156,967	1,233,570
Debts Sec and Subordinates	1,091	982	982	982	982
Other Liabilities	38,848	38,548	40,903	43,282	45,598
Total liabilities	890,856	1,025,496	1,115,200	1,213,107	1,292,811
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	160,540	179,580	196,390	215,907	236,057
Other Equity	16,967	16,043	16,004	15,970	15,970
Shareholder's Equity	184,596	202,713	219,484	238,967	259,117
Non-controlling Interest	118	136	154	171	189
Total Equity	184,715	202,849	219,637	239,138	259,306

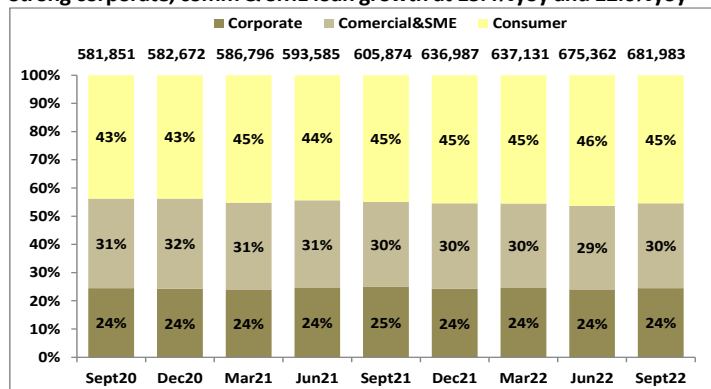
Source: Company, KB Valbury Sekuritas

RATIO ANALYSIS

Year End Dec	2020A	2021A	2022F	2023F	2024F
NIM	5.7%	5.3%	5.3%	5.2%	5.2%
LDR	70%	65%	66%	67%	68%
CASA	77%	79%	79%	79%	79%
NPL (gross)	1.8%	2.2%	2.2%	2.3%	2.4%
ROE	14.7%	15.5%	16.0%	16.7%	16.7%
ROA	2.5%	2.6%	2.6%	2.7%	2.8%
CAR	27%	27%	27%	27%	27%
BVPS	1,497	1,644	1,780	1,938	2,102
PER (x)	40.4	34.9	31.3	27.5	25.4
PBV (x)	5.9	5.4	5.0	4.6	4.2
Div. Yield (%)	1.2%	1.6%	1.8%	2.1%	2.2%

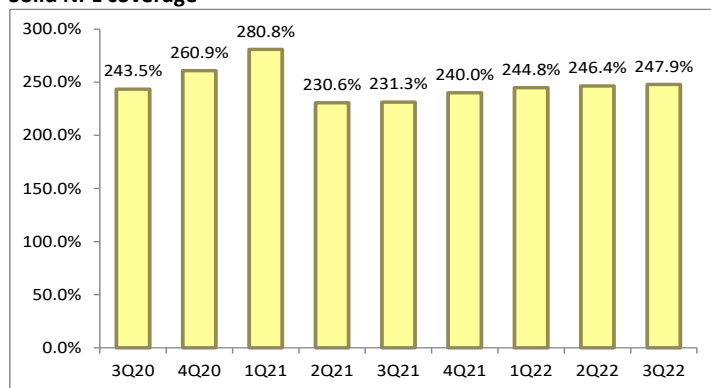
Source: Company, KB Valbury Sekuritas

Strong corporate, comm & SME loan growth at 13.4%yoy and 12.6%yoy



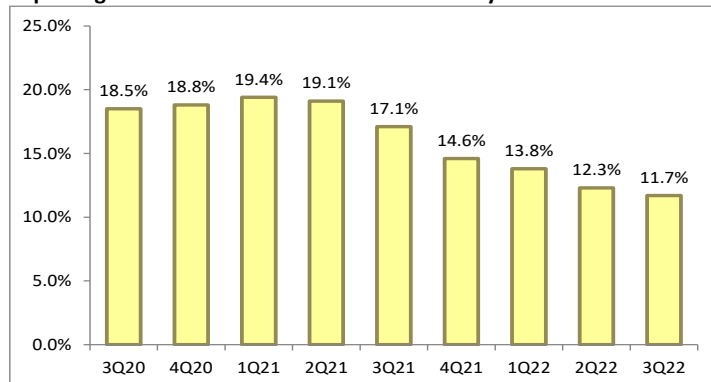
Source: Company

Solid NPL coverage



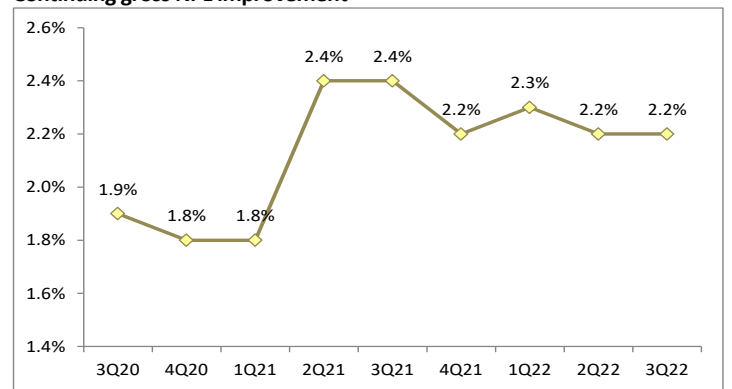
Source: Company

Improving LAR as business has recover and mobility restrictions normalized



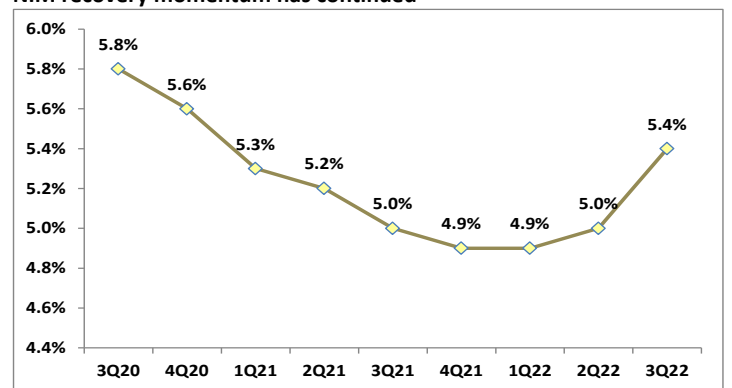
Source: Company

Continuing gross NPL improvement



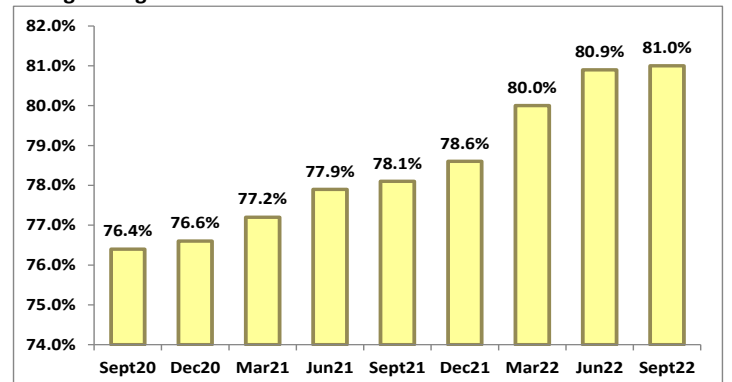
Source: Company

NIM recovery momentum has continued



Source: Company

Strong CASA growth



Source: Company


Bank Central Asia (BCA)

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