

Friday, 09 March 2018

HOLD
Maintain

Last price (IDR)	23,300
Target Price (IDR)	21,000
Upside/Downside	-9.9%
Previous Target Price (IDR)	21,000

Stock Statistics

Sector	Banking
Bloomberg Ticker	BBCA JJ
No of Shrs (mn)	24,945
Mkt. Cap (IDRbn/USDmn)	581,213/42,068
Avg. daily T/O (IDRbn/USDmn)	344.6/24.9

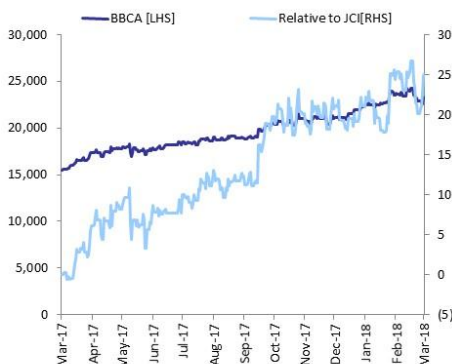
Major shareholders (%)

PT Dwimuria Investama	54.9
Anthony Salim	1.8
Estimated free float	43.3

EPS Consensus (IDR)

	2017F	2018F	2019F
Danareksa	958.0	1,097.9	1,285.0
Consensus	936.4	1,052.5	1,202.6
Danareksa/Cons	2.3	4.3	6.8

BBCA relative to JCI Index



Source : Bloomberg



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Bank Central Asia(BBCA JJ)

Unjustified valuation

We reiterate our HOLD call on BBCA, noting its premium valuation at 3.6x 2018F P/BV post an inline result with IDR23.3tn FY17 net profit. At the same time, we also foresee limited room for a lower blended CoF going forward as its TD rate already stands at 4.5%, far below its peers. While we expect infrastructure lending (with government-guaranteed or own substantial commercial value) and mortgages will be two key drivers for its loans growth this year. All in, we assume a 13.1% yoy loans growth for this year.

2017: At a glance. IDR23.3tn net profit were mainly supported by: 1) 12.4% yoy loans growth driven by a strong 14.5% growth in corporate segment, 2) manageable operating expenses that only grew 7.8% yoy to IDR25.2tn, and 3) a major drop in credit costs to 60bps (FY16: 71bps) on the back stabilised pressure in asset quality. Gross NPLs ratio was slightly elevated to 1.5% by end of 2017 given there was one corporate account (oil and gas contractor) that downgraded to NPL.

Limited room for a lower blended CoF. Given BBCA's status as the transactional bank of choice, the bank benefits from substantial CASA deposits in its funding structure. In addition, its current maximum TD rate is currently 4.5%, giving the bank the lowest blended CoF in the industry at 2.0% in FY17. As a result, we view limited room for further declines in its blended CoF going forward. We thus project a stable blended CoF of 1.9% this year with a 78% CASA deposits proportion of total customer deposits by the end of year.

Infra-related and mortgages should be the main growth driver. BBCA seeks to participate in several infrastructure projects that match with its risk appetite, either with government-guaranteed/subsidy or sizeable commercial value. With IDR13-15tn infrastructure lending currently in the pipeline and ready to be channeled, this sector will be the main growth driver for this year. In addition, mortgages will also be another growth driver given that BBCA can offer one of the lowest rates in the market through its fix and cap program.

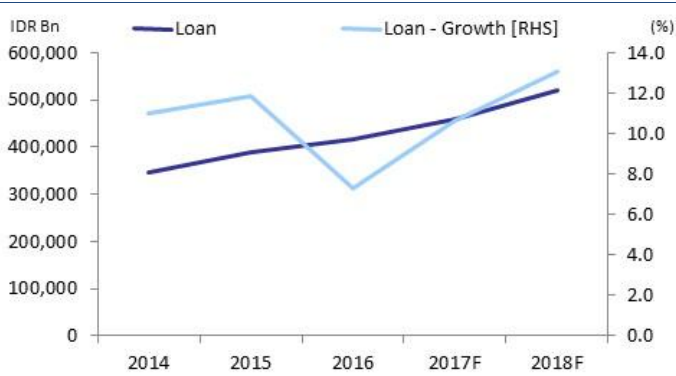
HOLD maintained with a TP of IDR21,000. We reiterate our HOLD call on BBCA with an unchanged GGM-derived TP of IDR21,000 assuming 7.8% CoE, 19% sustainable ROAE and 3% long-term growth. Our TP implies 3.3x 2018F P/BV multiple, its 14-years mean forward P/BV.

Key Financials

Year to 31 Dec	2015A	2016A	2017F	2018F	2019F
PPOP (IDRbn)	26,162	30,400	34,155	37,878	43,267
Net profit (IDRbn)	18,019	20,606	23,620	27,068	31,682
EPS (IDR)	730.8	835.8	958.0	1,097.9	1,285.0
EPS growth (%)	9.3	14.4	14.6	14.6	17.0
BVPS (IDR)	3,624.8	4,560.3	5,371.7	6,310.6	7,429.3
PER (x)	31.9	27.9	24.3	21.2	18.1
PBV (x)	6.4	5.1	4.3	3.7	3.1
Dividend yield (%)	0.6	0.6	0.6	0.7	0.7
ROAE (%)	21.9	20.4	19.3	18.8	18.7

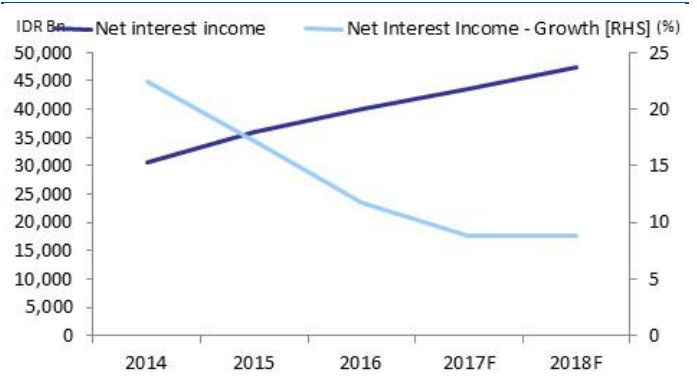
Source : BBCA, Danareksa Estimates

Exhibit 1. Loan and Growth



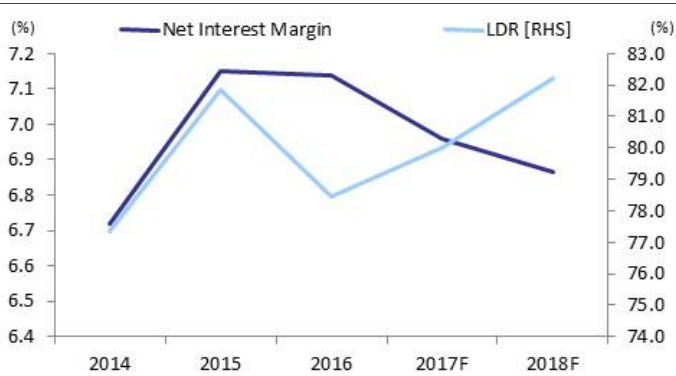
Source: Company, Danareksa Sekuritas estimates

Exhibit 2. Net Interest Income and Growth



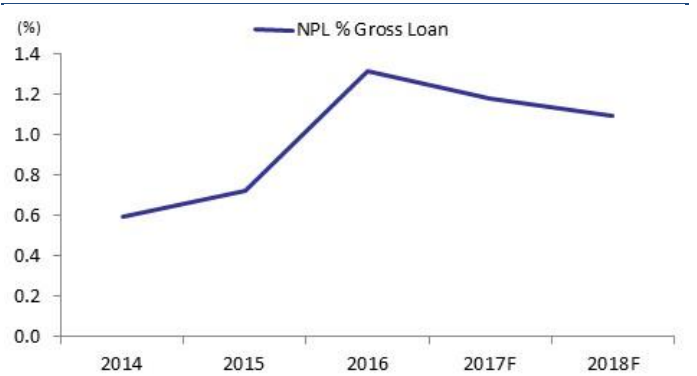
Source: Company, Danareksa Sekuritas estimates

Exhibit 3. NIM and LDR



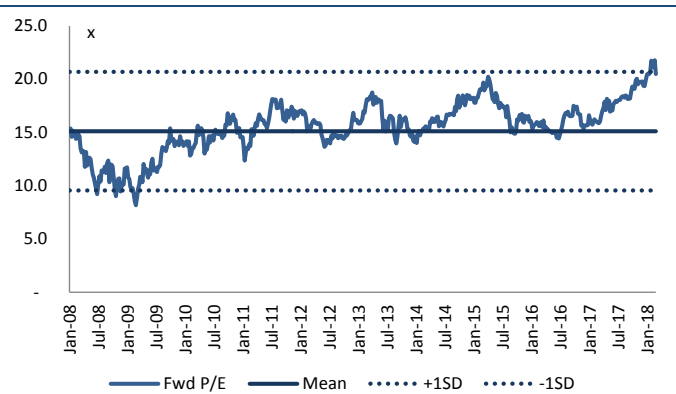
Source: Company, Danareksa Sekuritas estimates

Exhibit 4. NPL



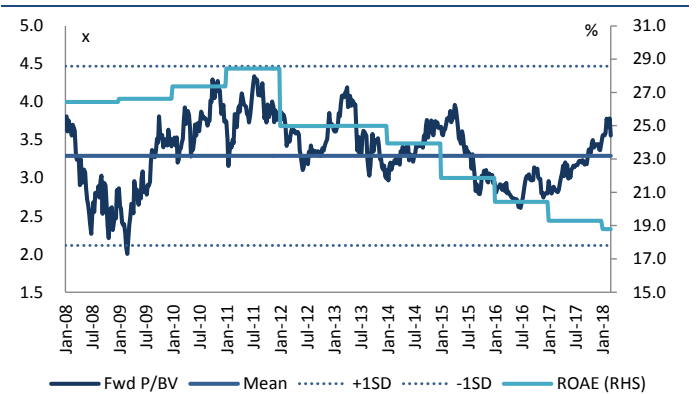
Source: Company, Danareksa Sekuritas estimates

Exhibit 5. PE BAND CHART



Source: Company, Danareksa Sekuritas estimates

Exhibit 6. PBV BAND CHART



Source: Company, Danareksa Sekuritas estimates

Exhibit 7. BBCA's result

FYE Dec (IDRbn)	4Q17	3Q17	4Q17	QoQ (%)	YoY (%)	FY16	FY17	YoY (%)	Comments YoY
Net interest income	10,228	10,591	10,910	3.0	6.7	40,079	41,858	4.4	
Net interest margin (%)	6.9	6.2	6.2			6.8	6.2		
Non-interest income	3,882	3,710	4,353	17.3	12.1	13,700	15,126	10.4	
Non-Il/Total income (%)	27.5	25.9	28.5			25.5	26.5		
Operating income	14,110	14,301	15,263	6.7	8.2	53,779	56,984	6.0	
Overhead expenses	(5,847)	(5,539)	(6,407)	15.7	9.6	(23,379)	(25,192)	7.8	
Cost-Income Ratio (%)	41.4	38.7	42.0			43.5	44.2		
Pre-provisions profit	8,263	8,762	8,856	1.1	7.2	30,400	31,792	4.6	
Provisions allowance	(1,423)	(894)	(804)	(10.1)	(43.5)	(4,561)	(2,633)	(42.3)	
Credit cost - annualised (bps)	142.0	81.9	70.9			117.7	59.6		
Pretax profit	6,840	7,869	8,052	2.3	17.7	25,839	29,159	12.8	
Tax	(1,345)	(1,555)	(1,582)	1.7	17.6	(5,207)	(5,838)	12.1	
Effective tax rate (%)	19.7	19.8	19.6			20.2	20.0		
Net Profit	5,479	6,307	6,459	2.4	17.9	20,606	23,310	13.1	
Other Key Data and Ratios									
Gross loans	415,896	439,657	467,509	6.3	12.4	415,896	467,509	12.4	Supported by +14.5% and +12.1% YoY growth in corporate and consumer lending, respectively.
Customer deposits	530,134	574,387	581,115	1.2	9.6	530,134	581,115	9.6	
Gross NPL ratio	5,082	6,729	7,013	4.2	38.0	5,082	7,013	38.0	
Total assets	676,739	739,883	750,320	1.4	10.9	676,739	750,320	10.9	
Shareholders' funds	112,433	127,317	131,304	3.1	16.8	112,433	131,304	16.8	
ROAA (%)	3.3	3.4	3.5			3.2	4.4		
ROAE (%)	19.8	20.4	20.0			20.4	25.5		
LDR (%)	78.5	76.5	80.5			78.5	80.5		
Gross NPL ratio (%)	1.3	1.5	1.5			1.3	1.5		
Loan loss coverage (%)	246.1	190.8	190.7			246.1	190.7		
CAR (%)	22.2	24.0	23.1			22.2	23.1		

Source : Company, Danareksa Sekuritas estimates

Exhibit 8. Income Statement

Year to 31 Dec (IDRbn)	2015A	2016A	2017F	2018F	2019F
Interest Income	47,082	50,426	54,789	59,512	65,961
Interest Expense	(11,213)	(10,347)	(11,159)	(12,020)	(12,962)
Net Interest Income	35,869	40,079	43,630	47,492	53,000
Non-Interest Income (NII)	12,007	13,700	15,532	17,909	21,085
Oper. Income	47,876	53,779	59,163	65,402	74,085
Oper. Expenses	(21,714)	(23,379)	(25,008)	(27,524)	(30,818)
Pre-provisions profit	26,162	30,400	34,155	37,878	43,267
Provisions & Allowances	(3,505)	(4,561)	(4,672)	(4,030)	(3,650)
Operating Profits	22,657	25,839	29,483	33,848	39,617
Non-Operating Income	0	0	79	26	28
Exceptionals	0	0	0	0	0
Pre-tax Profit	22,657	25,839	29,561	33,874	39,645
Income Tax	(4,621)	(5,207)	(5,912)	(6,775)	(7,929)
Minorities	(17)	(27)	(29)	(31)	(34)
Net Profit	18,019	20,606	23,620	27,068	31,682

Exhibit 9. Balance Sheet

Year to 31 Dec (IDRbn)	2015A	2016A	2017F	2018F	2019F
Gross Loans	387,643	415,896	460,163	520,253	598,289
Provisions	(9,026)	(12,505)	(15,115)	(15,881)	(17,267)
Net Loans	378,616	403,391	445,048	504,372	581,022
Govt. Bonds	0	0	69	35	17
Securities	52,937	113,836	127,839	139,811	159,201
Other Earnings Assets	10,516	11,788	11,769	12,838	13,817
Total Earnings Assets	523,676	599,065	654,695	728,773	829,101
Fixed Assets	16,758	25,234	27,801	30,474	33,516
Non-Earnings Assets	11,161	13,099	11,540	11,933	12,191
Total Assets	594,373	676,739	743,602	825,787	928,840
Customer Deposits	473,666	530,134	574,955	632,664	706,846
Banks Deposits	4,156	4,901	5,585	5,380	5,318
Int. Bearing Liab. - Others	490,028	548,431	595,303	654,059	729,522
Total Liabilities	504,748	564,024	610,880	669,918	745,388
Share capital & Reserves	7,374	13,930	13,977	13,981	14,001
Retained Earnings	81,995	98,503	118,462	141,606	169,169
Shareholders' Funds	89,369	112,433	132,440	155,587	183,170
Minority interests	256	282	282	282	282
Total Equity & Liabilities	594,373	676,739	743,602	825,787	928,840

Exhibit 10. Ratios

Year to 31 Dec (IDRbn)	2015A	2016A	2017F	2018F	2019F
Yield on Earning Assets	9.4	9.0	8.7	8.6	8.5
Cost of funds	2.4	2.0	2.0	1.9	1.9
Interest Spread	7.0	7.0	6.8	6.7	6.6
Net Interest Margin	7.2	7.1	7.0	6.9	6.8
Cost/Income Ratio	45.4	43.5	42.3	42.1	41.6
Oper. Exp./Oper. Gross Inc.	61.7	59.7	58.1	56.3	54.5
Gross NPL Ratio	0.7	1.3	1.2	1.1	1.0
LLP/Gross NPL	322.2	229.4	278.4	279.7	285.9
Cost of Credit	1.0	1.1	1.1	0.8	0.7
Loan to Deposit Ratio	81.8	78.5	80.0	82.2	84.6
Loan to Funding Ratio	79.8	76.4	78.0	80.3	82.8
CASA Mix	75.4	76.3	76.9	78.0	78.5
ROAE	21.9	20.4	19.3	18.8	18.7
ROAA	3.1	3.2	3.3	3.4	3.6
CAR	19.0	22.2	23.7	24.9	26.2

Exhibit 11. Dupont and growth

Year to 31 Dec	2015A	2016A	2017F	2018F	2019F
Dupont					
Pre-Tax ROAA	3.9	4.1	4.2	4.3	4.5
Tax Retention rate	79.6	79.8	80.0	80.0	80.0
Post-Tax ROAA	3.1	3.2	3.3	3.5	3.6
Goodwil, Assoc& Min	0.0	0.0	0.0	0.0	0.0
Leverage	7.0	6.3	5.8	5.4	5.2
ROAE	21.9	20.4	19.3	18.8	18.7
Growth (%)					
Interest income	11.2	7.1	8.7	8.6	10.8
Net Interest Income	17.2	11.7	8.9	8.9	11.6
Other Oper. Expenses	18.6	7.7	7.0	10.1	12.0
Fee Based Income	14.7	12.5	17.1	13.7	13.6
Pre-Provision Oper. Profit	15.0	16.2	12.3	10.9	14.2
Net Profit	9.3	14.4	14.6	14.6	17.0
Shareholders' Equity	18.4	25.8	17.8	17.5	17.7
Loan	11.9	7.3	10.6	13.1	15.0
Earnings Asset	9.2	14.4	9.3	11.3	13.8
Deposit	5.8	12.0	8.5	9.9	11.6
Int. Bearing Liab.	5.6	11.9	8.5	9.9	11.5
CASA	7.1	13.3	9.4	11.5	12.3
Total Asset	7.5	13.9	9.9	11.1	12.5

Source : BBCA, Danareksa Estimates

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