

Thursday, 19 September 2019

**HOLD**  
**Maintain**

Last price (IDR) 30,200  
Target Price (IDR) 33,000  
Upside/Downside +9.3%  
Previous Target Price (IDR) 28,000

#### Stock Statistics

Sector Banking  
Bloomberg Ticker BBKA JJ  
No of Shrs (mn) 24,945  
Mkt. Cap (IDRbn/USDmn) 753,332/53,553  
Avg. daily T/O (IDRbn/USDmn) 367.6/26.1

#### Major shareholders (%)

PT Dwimuria Investama 54.9  
Anthony Salim 1.8  
Estimated free float 43.3

#### EPS Consensus (IDR)

	2019F	2020F	2021F
Danareksa	1,187.0	1,333.7	1,509.4
Consensus	1,179.6	1,336.4	1,517.7
Danareksa/Cons	0.6	(0.2)	(0.5)

#### BBCA relative to JCI Index



Source : Bloomberg



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## Bank Central Asia (BBKA JJ)

**Limited upside**

We reiterate our HOLD call on BBKA with a higher GGM-derived TP of IDR33,000 (implying 4.1x 2020F PBV) as we roll over our valuation to next year. BBKA's loans portfolio is dominated by floating rate loans with a 79.8% contribution to the total loans book as of June 2019. As such, we see only limited upside for its NIM, particularly with the recent 50bps policy rate cut. Meanwhile, the bank's market share in customer deposits is continuing to decline given its defensive strategy of maintaining a high level of CASA deposits. Its blended CoF is expected to touch 1.9% next year, flat compared to our assumption for this year.

**Limited upside for its NIM.** We expect BBKA's NIM to dip to 6.4% next year in view of its sizeable exposure to floating rates (79.8% of loans portfolio as of June 2019), the projection of 5.1% GDP growth next year and the recent 50bps policy rate cuts. Our projected NIM is based on the assumption of 15.8% yoy growth in the corporate segment, which carries lower lending rates than other segments. The bulk of the new corporate loans are expected to be channelled to finance infrastructure projects and a few financial institutions.

**Declining market share in customer deposits.** BBKA's market share in customer deposits has declined over the past ten years to 11.5% as of June 2019 from 12.4% as of 2009. A similar trend is also evident in its CASA deposits market share. We believe these trends reflect the BBKA's focus on maintaining a low blended CoF and the aggressive marketing strategies of its competitors. Notably, both BBRI and BBNI have successfully increased their market shares in customer deposits by leveraging their status as SOE banks. As such, we expect BBKA's market share in customer deposits and CASA deposits to decline to 11.0% and 15.0%, respectively, as of December 2020F.

**Little room for a lower blended CoF.** Given BBKA's status as the transactional bank of choice, the bank benefits from substantial CASA deposits in its funding structure. Its recent 25bps cut in the 1 month-TD rate to 5.5% in July 2019 should have only a minimal impact on its blended CoF going forward, particularly with a 24% TD contribution to customer deposits as of June 2019. As such, we project a flat blended CoF at 1.9% in FY20F.

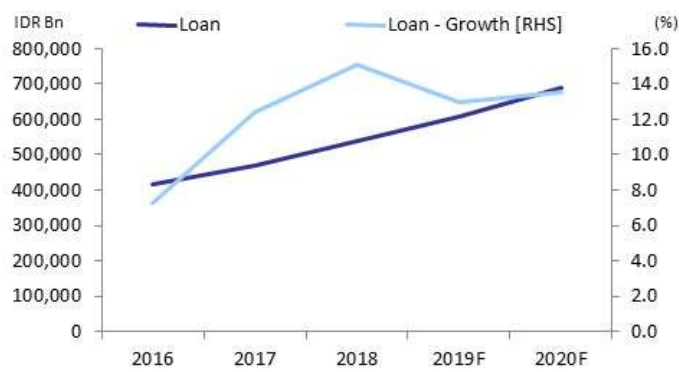
**Maintain HOLD, new TP of IDR33,000.** We reiterate our HOLD call on BBKA with a higher GGM-derived TP of IDR33,000 (implying 4.1x 2020F P/BV) assuming 6.7% CoE, 18.2% sustainable ROAE and 3% long-term growth.

#### Key Financials

Year to 31 Dec	2017A	2018A	2019F	2020F	2021F
PPOP (IDRbn)	31,791	35,383	40,082	44,936	50,214
Net profit (IDRbn)	23,310	25,855	29,265	32,883	37,215
EPS (IDR)	945.4	1,048.7	1,187.0	1,333.7	1,509.4
EPS growth (%)	13.1	10.9	13.2	12.4	13.2
BVPS (IDR)	5,325.6	6,151.3	6,960.4	7,938.3	9,064.9
PER (x)	31.9	28.8	25.4	22.6	20.0
PBV (x)	5.7	4.9	4.3	3.8	3.3
Dividend yield (%)	0.9	1.1	1.2	1.2	1.2
ROAE (%)	19.1	18.3	18.1	17.9	17.8

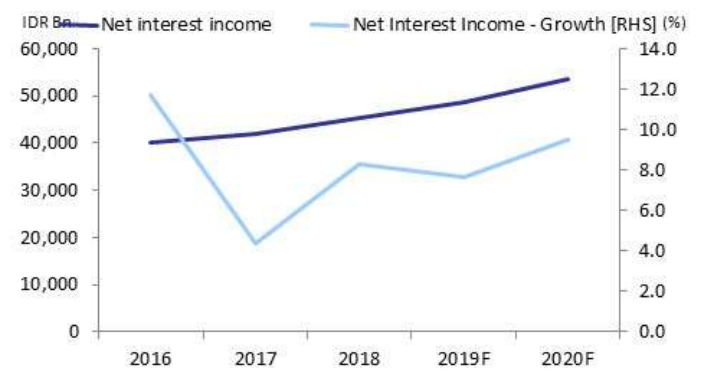
Source : BBKA, Danareksa Estimates

**Exhibit 1. Loans and Growth**



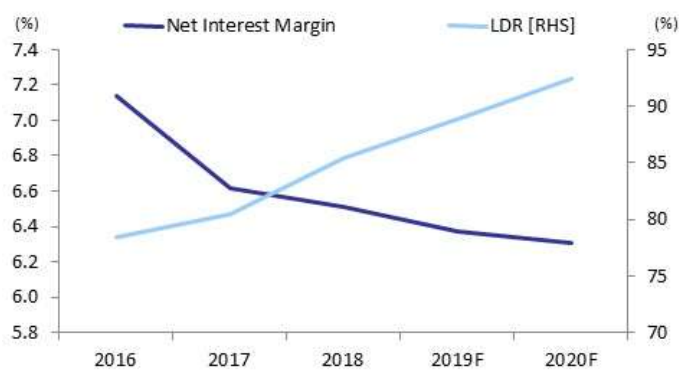
Source: Company, Danareksa Sekuritas estimates

**Exhibit 2. Net Interest Income and Growth**



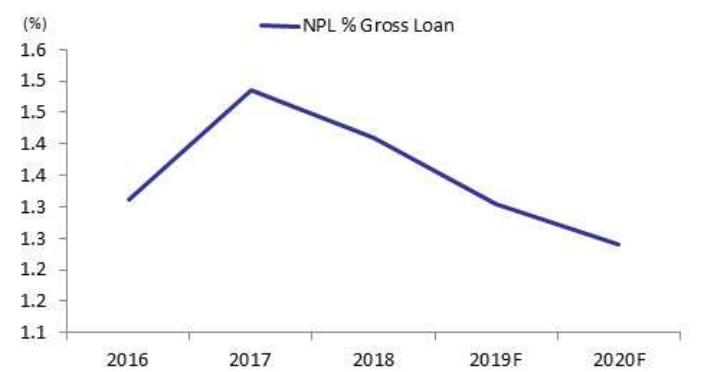
Source: Company, Danareksa Sekuritas estimates

**Exhibit 3. NIM and LDR**



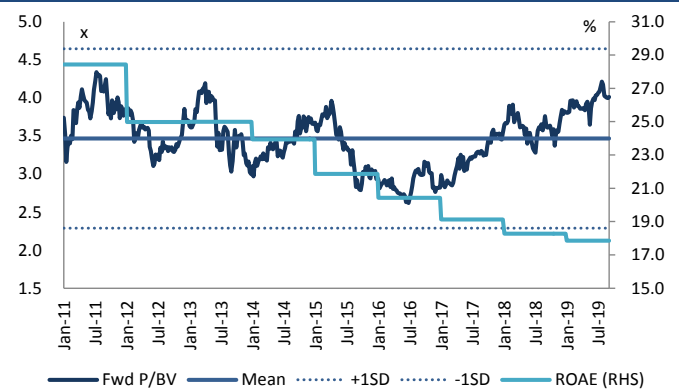
Source: Company, Danareksa Sekuritas estimates

**Exhibit 4. NPLs**



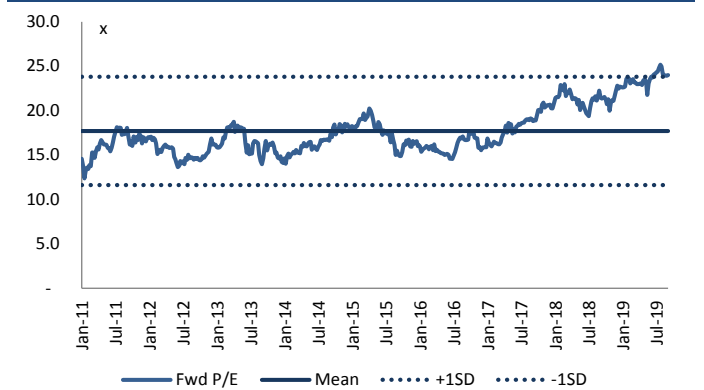
Source: Company, Danareksa Sekuritas estimates

**Exhibit 5. PBV ROAE Band Chart**



Source: Bloomberg, Danareksa Sekuritas estimates

**Exhibit 6. PE Band Chart**



Source: Bloomberg, Danareksa Sekuritas estimates

### Exhibit 7. Income Statement

Year to 31 Dec (IDRbn)	2017A	2018A	2019F	2020F	2021F
Interest Income	53,768	56,767	62,465	67,924	74,230
Interest Expense	(11,941)	(11,476)	(12,991)	(14,177)	(15,294)
<b>Net Interest Income</b>	<b>41,826</b>	<b>45,291</b>	<b>49,474</b>	<b>53,747</b>	<b>58,936</b>
Non-Interest Income (NII)	15,155	17,744	20,307	23,390	26,509
<b>Oper. Income</b>	<b>56,982</b>	<b>63,034</b>	<b>69,781</b>	<b>77,137</b>	<b>85,444</b>
Oper. Expenses	(25,190)	(27,652)	(29,699)	(32,201)	(35,230)
<b>Pre-provisions profit</b>	<b>31,791</b>	<b>35,383</b>	<b>40,082</b>	<b>44,936</b>	<b>50,214</b>
Provisions & Allowances	(2,633)	(2,677)	(3,506)	(3,837)	(3,701)
<b>Operating Profits</b>	<b>29,159</b>	<b>32,706</b>	<b>36,577</b>	<b>41,099</b>	<b>46,513</b>
Non-Operating Income	0	0	0	0	0
Exceptionals	0	0	0	0	0
<b>Pre-tax Profit</b>	<b>29,159</b>	<b>32,706</b>	<b>36,577</b>	<b>41,099</b>	<b>46,513</b>
Income Tax	(5,838)	(6,854)	(7,315)	(8,220)	(9,303)
Minorities	(11)	3	4	4	4
<b>Net Profit</b>	<b>23,310</b>	<b>25,855</b>	<b>29,265</b>	<b>32,883</b>	<b>37,215</b>

### Exhibit 8. Balance Sheet

Year to 31 Dec (IDRbn)	2017A	2018A	2019F	2020F	2021F
Gross Loans	467,509	538,099	607,690	690,034	788,656
Provisions	(13,244)	(13,569)	(13,725)	(14,519)	(16,134)
<b>Net Loans</b>	<b>454,265</b>	<b>524,530</b>	<b>593,965</b>	<b>675,515</b>	<b>772,522</b>
Govt. Bonds	0	0	0	0	0
Securities	137,106	114,922	116,796	115,436	111,274
Other Earnings Assets	12,815	12,612	14,027	14,756	15,929
<b>Total Earnings Assets</b>	<b>664,651</b>	<b>726,610</b>	<b>799,584</b>	<b>883,217</b>	<b>978,497</b>
Fixed Assets	25,949	29,453	31,193	32,693	34,197
Non-Earnings Assets	18,597	24,023	18,573	20,398	20,998
<b>Total Assets</b>	<b>750,320</b>	<b>824,788</b>	<b>896,469</b>	<b>985,942</b>	<b>1,084,780</b>
Customer Deposits	581,115	629,812	684,134	746,830	817,047
Banks Deposits	5,758	6,494	5,951	6,623	6,397
Int. Bearing Liab. - Others	4,456	5,217	5,470	6,066	6,617
<b>Total Liabilities</b>	<b>618,918</b>	<b>673,035</b>	<b>724,765</b>	<b>790,131</b>	<b>861,191</b>
Share capital & Reserves	15,305	16,091	15,555	15,823	15,689
Retained Earnings	115,998	135,569	156,054	179,895	207,806
<b>Shareholders' Funds</b>	<b>131,304</b>	<b>151,660</b>	<b>171,610</b>	<b>195,718</b>	<b>223,495</b>
Minority interests	98	94	94	94	94
<b>Total Equity &amp; Liabilities</b>	<b>750,320</b>	<b>824,788</b>	<b>896,469</b>	<b>985,942</b>	<b>1,084,780</b>

### Exhibit 9. Ratios

Year to 31 Dec (IDRbn)	2017A	2018A	2019F	2020F	2021F
Yield on Earning Assets	8.5	8.2	8.2	8.1	8.0
Cost of funds	2.1	1.8	1.9	1.9	1.9
Interest Spread	6.4	6.3	6.3	6.1	6.1
Net Interest Margin	6.6	6.5	6.5	6.4	6.3
Cost/Income Ratio	44.2	43.9	42.6	41.7	41.2
Oper. Exp./Oper. Gross Inc.	57.7	56.1	55.8	55.0	53.8
Gross NPL Ratio	1.5	1.4	1.3	1.2	1.2
LLP/Gross NPL	190.7	178.7	173.1	169.7	165.0
Cost of Credit	0.6	0.5	0.6	0.6	0.5
Loan to Deposit Ratio	80.5	85.4	88.8	92.4	96.5
Loan to Funding Ratio	80.4	85.4	88.8	92.4	96.5
CASA Mix	75.6	75.9	76.0	75.8	76.1
ROAE	19.1	18.3	18.1	17.9	17.8
ROAA	3.3	3.3	3.4	3.5	3.6
CAR	23.6	24.6	24.4	24.0	24.2

### Exhibit 10. Dupont and growth

Year to 31 Dec	2017A	2018A	2019F	2020F	2021F
<b>Dupont</b>					
Pre-Tax ROAA	4.1	4.2	4.3	4.4	4.5
Tax Retention rate	80.0	79.0	80.0	80.0	80.0
Post-Tax ROAA	3.3	3.3	3.4	3.5	3.6
Goodwil, Assoc& Min	0.0	0.0	0.0	0.0	0.0
Leverage	5.9	5.6	5.3	5.1	4.9
ROAE	19.1	18.3	18.1	17.9	17.8
<b>Growth (%)</b>					
Interest income	6.6	5.6	10.0	8.7	9.3
Net Interest Income	4.4	8.3	9.2	8.6	9.7
Other Oper. Expenses	7.7	9.8	7.4	8.4	9.4
Fee Based Income	10.5	15.5	11.5	12.4	12.3
Pre-Provision Oper. Profit	4.6	11.3	13.3	12.1	11.7
Net Profit	13.1	10.9	13.2	12.4	13.2
Shareholders' Equity	16.8	15.5	13.2	14.0	14.2
Loan	12.4	15.1	12.9	13.6	14.3
Earnings Asset	10.9	9.3	10.0	10.5	10.8
Deposit	9.7	8.4	8.5	9.2	9.3
Int. Bearing Liab.	9.6	8.2	8.3	9.1	9.3
CASA	8.7	8.9	8.6	8.8	9.8
Total Asset	10.9	9.9	8.7	10.0	10.0

Source : BBCA, Danareksa Estimates

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