

Friday, 21 February 2020

HOLD
Maintain

Last price (IDR) 32,975
Target Price (IDR) 33,000
Upside/Downside +0.1%
Previous Target Price (IDR) 33,000

Stock Statistics

Sector Banking
Bloomberg Ticker BBKA IJ
No of Shrs (mn) 24,945
Mkt. Cap (IDRbn/USDmn) 822,554/59,822
Avg. daily T/O (IDRbn/USDmn) 428.8/31.2

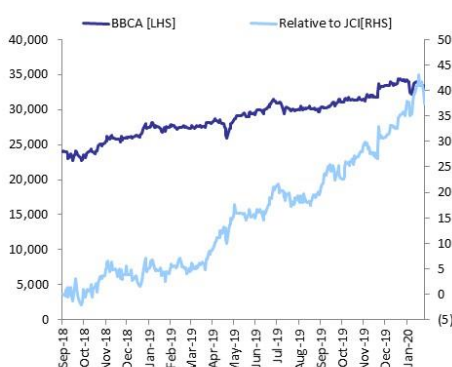
Major shareholders (%)

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	1,164.5	1,313.6	1,452.3
Danareksa/Cons	1.9	1.5	3.9

BBKA relative to JCI Index



Source : Bloomberg



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Bank Central Asia (BBKA IJ)

Maintaining its conservative style

Following the 25bps policy rate cut by BI and amid the coronavirus outbreak, BBKA is expected to grow its loans book by 5-7% yoy in 2020, although the real impact on its loans portfolio is difficult to ascertain. Meanwhile, PSAK 71 implementation with one-off provisions of IDR5.4-5.8tn should have minimal impact on its equity value going forward. Hence, ROAE will not increase significantly post PSAK 71 implementation. HOLD maintained with an unchanged GGM-derived TP of IDR33,000 (implying 4.1x 2020F PBV).

FY19 highlights. The IDR28.6tn of net profits are inline with our forecast/the consensus with 9.5% yoy loans growth driven by strong 14.6% yoy growth in the corporate segment. The NIM, meanwhile, ticked up slightly by c.10bps to 6.2% coming from higher asset yields by c.30bps. In addition, the credit cost rose to 80bps from FY18's figure of 53bps with a lower gross NPLs ratio of 1.3% as of December 2019 compared to the prior year's position.

Expect loans to grow by 5-7% this year. Amid the coronavirus outbreak, BBKA's management has stated that the real impact on its business is difficult to calculate. Moreover, based on discussions with some of the borrowers in various sectors, the effects will be mixed. For the pharmaceutical sector, the borrowers emphasised that alternative vendors from India already increased prices given the shortage of some raw materials (paracetamol, etc). While for industry with wheat as the main raw material, given that China is one of the main importers, the price has continued to decline due to oversupply. All in all, BBKA's management provided guidance for lower loans growth of 5-7% from previously 8-9%.

Minor impact from PSAK 71. For one-off provisions following PSAK 71 implementation, BBKA's management has allocated IDR5.4-5.8tn to be offset by its retained earnings. Based on that amount, the impact on its equity value should be relatively minimal (c. 3.3% dilution of its equity). Additionally, around 50% of this one-off provision is mainly contributed by the provisions for undrawn loan facilities. Looking ahead, we expect credit costs to remain manageable at 64bps for FY20F.

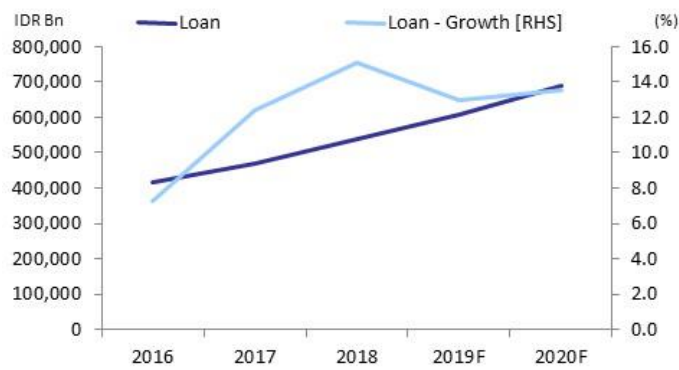
Maintain HOLD, TP of IDR33,000. We reiterate our HOLD call on BBKA with an unchanged GGM-derived TP of IDR33,000 (implying 4.1x 2020F P/BV) assuming 6.7% CoE, 18.2% sustainable ROAE and 3% long-term growth.

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)	34.9	31.4	27.8	24.7	21.8
PBV (x)	6.2	5.4	4.7	4.2	3.6
Dividend yield (%)	0.8	1.0	1.1	1.1	1.1
ROAE (%)	19.1	18.3	18.1	17.9	17.8

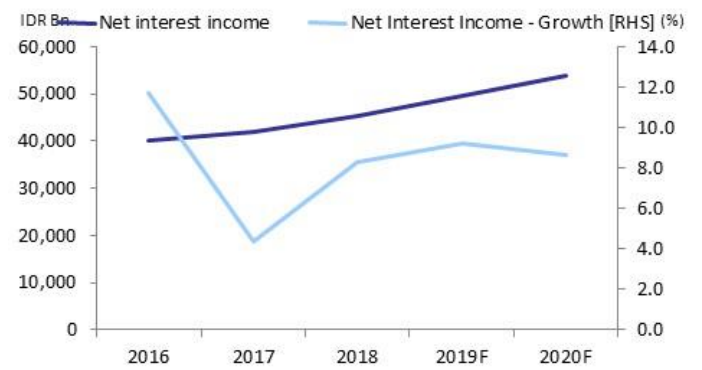
Source : BBKA, Danareksa Estimates

Exhibit 1. Loans and Growth



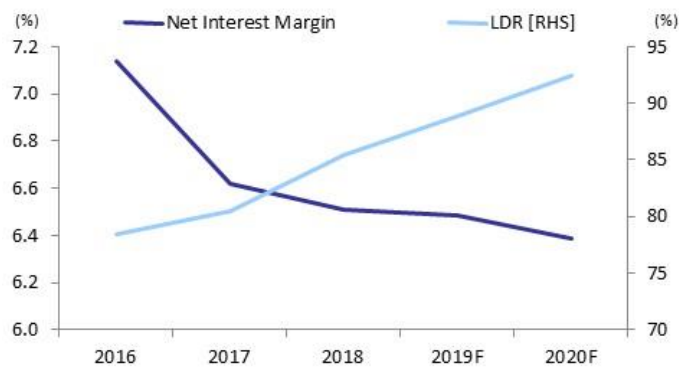
Source: Company, Danareksa Sekuritas estimates

Exhibit 2. Net Interest Income and Growth



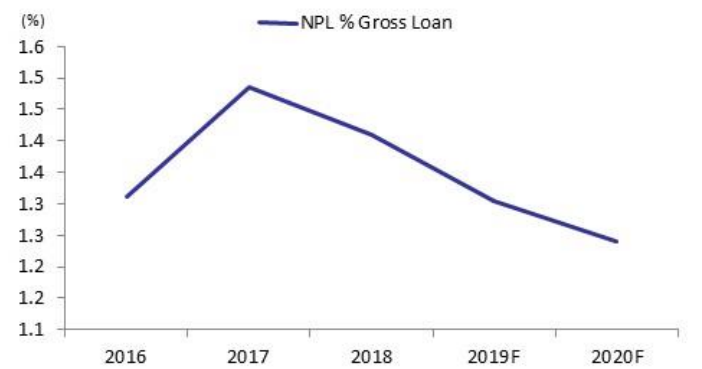
Source: Company, Danareksa Sekuritas estimates

Exhibit 3. NIM and LDR



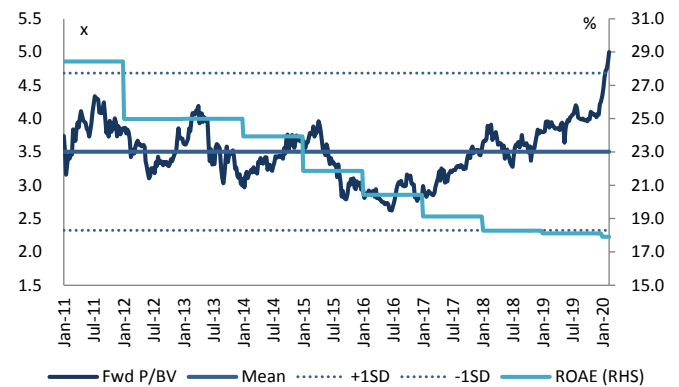
Source: Company, Danareksa Sekuritas estimates

Exhibit 4. NPLs



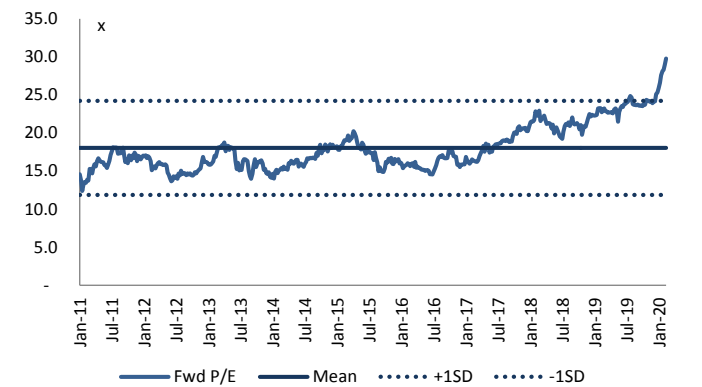
Source: Company, Danareksa Sekuritas estimates

Exhibit 5. PBV ROAE Band Chart



Source: Bloomberg, Danareksa Sekuritas estimates

Exhibit 6. PE Band Chart



Source: Bloomberg, Danareksa Sekuritas estimates

Exhibit 7. BBKA's result

FYE Dec (IDRbn)	4Q18	3Q19	4Q19	QoQ (%)	YoY (%)	FY18	FY19	YoY (%)
Net interest income	11,971	12,676	13,646	7.7	14.0	45,291	50,824	12.2
<i>Net interest margin (%)</i>	6.1	6.2	6.2			6.1	6.2	
Non-interest income	5,130	5,520	5,541	0.4	8.0	17,744	20,800	17.2
<i>Non-Interest/Total income (%)</i>	30.0	30.3	28.9			28.1	29.0	
Operating income	17,100	18,195	19,187	5.5	12.2	63,034	71,624	13.6
Overhead expenses	(6,777)	(6,958)	(8,138)	17.0	20.1	(27,652)	(30,744)	11.2
<i>Cost-Income Ratio (%)</i>	39.6	38.2	42.4			43.9	42.9	
Pre-provisions profit	10,324	11,238	11,049	(1.7)	7.0	35,383	40,880	15.5
Provisions allowance	(929)	(1,049)	(1,095)	4.3	17.8	(2,677)	(4,591)	71.5
<i>Credit cost - annualised (bps)</i>	70.5	74.7	74.5			53.2	80.4	
Pretax profit	9,394	10,189	9,955	(2.3)	6.0	32,706	36,289	11.0
Tax	(2,052)	(2,128)	(2,308)	8.5	12.4	(6,854)	(7,719)	12.6
<i>Effective tax rate (%)</i>	21.8	20.9	23.2			21.0	21.3	
Profit after tax	7,342	8,061	7,647	(5.1)	4.2	25,852	28,570	10.5
Minority Interest	5	(2)	(3)	37.2	(146.3)	3	(5)	(240.8)
Net Profit	7,347	8,059	7,644	(5.1)	4.0	25,855	28,565	10.5
Other Key Data and Ratios								
Gross loans	551,155	585,491	603,743	3.1	9.5	551,155	603,743	9.5
Customer deposits	634,928	683,053	704,791	3.2	11.0	634,928	704,791	11.0
Gross NPL ratio	7,592	9,238	7,849	(15.0)	3.4	7,592	7,849	3.4
Total assets	824,788	893,594	918,989	2.8	11.4	824,788	918,989	11.4
Shareholders' funds	151,660	167,885	174,143	3.7	14.8	151,660	174,143	14.8
ROAA (%)	3.6	3.7	3.4			3.3	3.3	
ROAE (%)	19.9	19.7	17.9			18.3	17.5	
LDR (%)	85.4	84.3	85.7			85.4	85.7	
Gross NPL ratio (%)	1.4	1.6	1.3			1.4	1.3	
Loan loss coverage (%)	178.7	163.9	189.2			178.7	189.2	
CAR (%)	24.0	24.5	23.8			24.0	23.8	

Source : Company, Danareksa Sekuritas estimates

Exhibit 8. 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)
Net Interest Income	41,826	45,291	49,474	53,747	58,936
Non-Interest Income (NII)	15,155	17,744	20,307	23,390	26,509
Oper. Income	56,982	63,034	69,781	77,137	85,444
Oper. Expenses	(25,190)	(27,652)	(29,699)	(32,201)	(35,230)
Pre-provisions profit	31,791	35,383	40,082	44,936	50,214
Provisions & Allowances	(2,633)	(2,677)	(3,506)	(3,837)	(3,701)
Operating Profits	29,159	32,706	36,577	41,099	46,513
Non-Operating Income	0	0	0	0	0
Exceptionals	0	0	0	0	0
Pre-tax Profit	29,159	32,706	36,577	41,099	46,513
Income Tax	(5,838)	(6,854)	(7,315)	(8,220)	(9,303)
Minorities	(11)	3	4	4	4
Net Profit	23,310	25,855	29,265	32,883	37,215

Exhibit 9. 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)
Net Loans	454,265	524,530	593,965	675,515	772,522
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
Total Earnings Assets	664,651	726,610	799,584	883,217	978,497
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
Total Assets	750,320	824,788	896,469	985,942	1,084,780
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
Total Liabilities	618,918	673,035	724,765	790,131	861,191
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
Shareholders' Funds	131,304	151,660	171,610	195,718	223,495
Minority interests	98	94	94	94	94
Total Equity & Liabilities	750,320	824,788	896,469	985,942	1,084,780

Exhibit 10. 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 11. Dupont and growth

Year to 31 Dec	2017A	2018A	2019F	2020F	2021F
Dupont					
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
Growth (%)					
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 : BBKA, Danareksa Estimates

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