

Thursday, 28 May 2020

**BUY**  
**Maintain**

Last price (IDR) 24,825  
Target Price (IDR) 30,200  
Upside/Downside +21.7%  
Previous Target Price (IDR) 31,000

**Stock Statistics**

Sector Banking  
Bloomberg Ticker BBKA IJ  
No of Shrs (mn) 24,945  
Mkt. Cap (IDRbn/USDmn) 619,254/42,097  
Avg. daily T/O (IDRbn/USDmn) 634.7/43.1

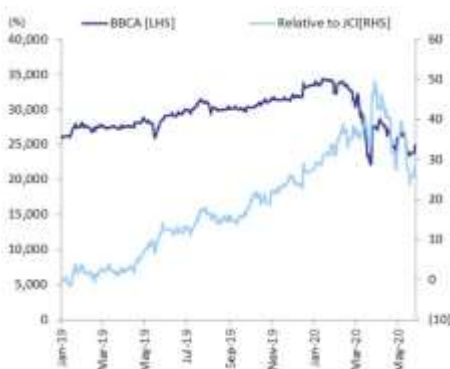
**Major shareholders (%)**

PT Dwimuria Investama 54.9  
Anthony Salim 1.8  
Estimated free float 43.3

**EPS Consensus (IDR)**

	2020F	2021F	2022F
Danareksa	850.0	1,241.0	1,500.6
Consensus	1,190.1	1,344.4	1,466.6
Danareksa/Cons	(28.6)	(7.7)	2.3

**BBKA relative to JCI Index**



Source : Bloomberg



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# Bank Central Asia (BBKA IJ)

## Still at a better position

After the bank booked net profits of IDR6.6tn in 1Q20, we expect flat loans growth this year driven by a 10% contraction in consumer loans. In addition, with estimated restructured loans at around 22% of its loans book, we assume the NIM will reach 5.5% this year. The gross NPLs ratio is expected to elevate to 2% with higher credit costs of 204bps. This should result in a 26.6% drop in earnings to IDR20.9tn in FY20F. BUY maintained with a lower GGM-derived TP of IDR30,200 (implying 3.8x 2020F PBV, +0.25SD of its mean).

**1Q20 highlights.** The IDR6.6tn of net profits are inline with our forecast/the consensus with 12.3% yoy loans growth driven by strong 25.4% yoy growth in the corporate segment. The NIM, meanwhile, dipped by c.10bps to 6.1% coming from 40bps lower loan yields and a 30bps reduction in the blended CoF. In addition, the credit costs rose to 143bps from 1Q19's figure of 73bps with a higher gross NPLs ratio of 1.6% as of March 2020.

**Better risk management policy to shield the bank in the current climate.** Amid the COVID-19 outbreak and dimmer outlook for global and domestic economic growth, BBKA's management has stated that there might be changes to its business on a daily basis. However, with a well-balanced loans mix among corporate, commercial SME and consumer loans, BBKA should be better placed to navigate the challenges than other big banks. Of note is the bank's appetite to provide loans for the top tier corporate names in each sector and its requirement for a lower Loan-To-Value (LTV) for mortgages and other consumer loans. This strict policy can mitigate downside risks in our view.

**Lower earnings due to higher credit costs.** Being known for its conservative style, BBKA's management emphasised that potential loans to be restructured should be around 22% of its loans book. This amount may be dominated by vehicle loans, both 2W and 4W. Yet for this segment, BBKA only provides longer tenor schemes. We thus expect the NIM to decline to 5.5% with a higher gross NPLs ratio of 2.0% by December 2020F and credit costs of 204bps. This would lead to a 26.6% drop in earnings to IDR20.9tn in FY20F.

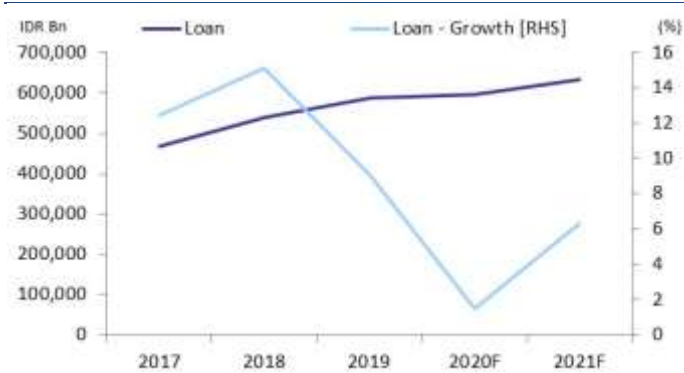
**Maintain BUY, new TP of IDR30,200.** We maintain our BUY call on BBKA with a new GGM-derived TP of IDR30,200 (implying 3.8x 2020F P/BV) assuming 6.7% CoE, 17.0% sustainable ROAE and 3% long-term growth

**Key Financials**

Year to 31 Dec	2018A	2019A	2020F	2021F	2022F
PPOP (IDRbn)	35,383	40,880	38,012	43,873	50,403
Net profit (IDRbn)	25,855	28,565	20,956	30,597	36,996
EPS (IDR)	1,048.7	1,158.6	850.0	1,241.0	1,500.6
EPS growth (%)	10.9	10.5	(26.6)	46.0	20.9
BVPS (IDR)	6,151.3	7,059.1	7,367.1	8,016.3	8,752.2
PER (x)	23.7	21.4	29.2	20.0	16.5
PBV (x)	4.0	3.5	3.4	3.1	2.8
Dividend yield (%)	1.4	2.3	2.0	2.5	3.0
ROAE (%)	18.3	17.5	11.8	16.1	17.9

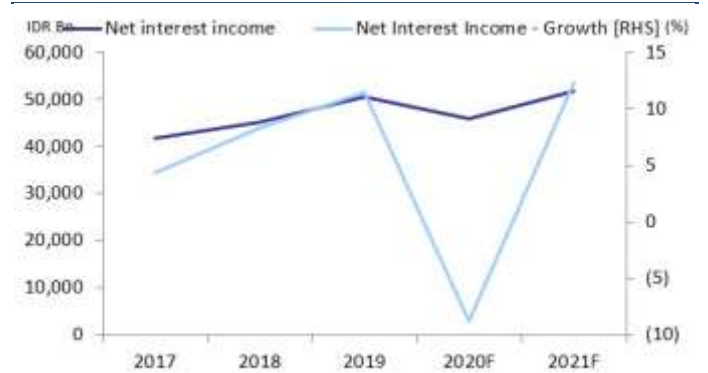
Source : BBKA, Danareksa Estimates

**Exhibit 1. Loans and Growth**



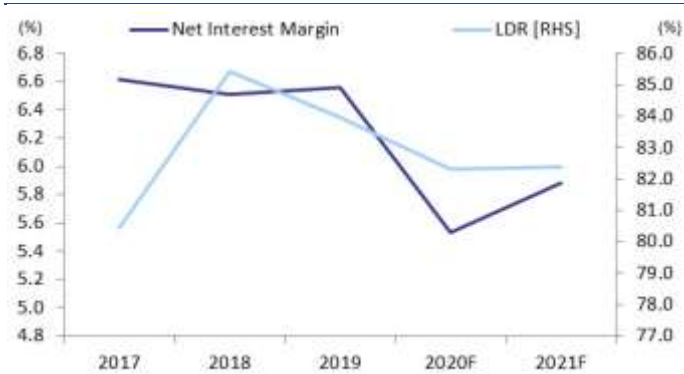
Source: Company, Danareksa Sekuritas estimates

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



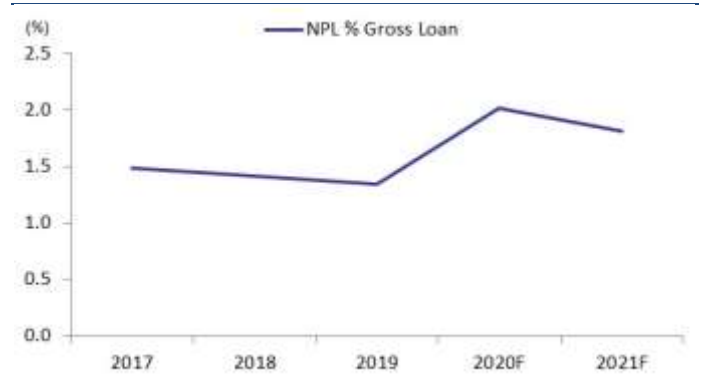
Source: Company, Danareksa Sekuritas estimates

**Exhibit 3. NIM and LDR**



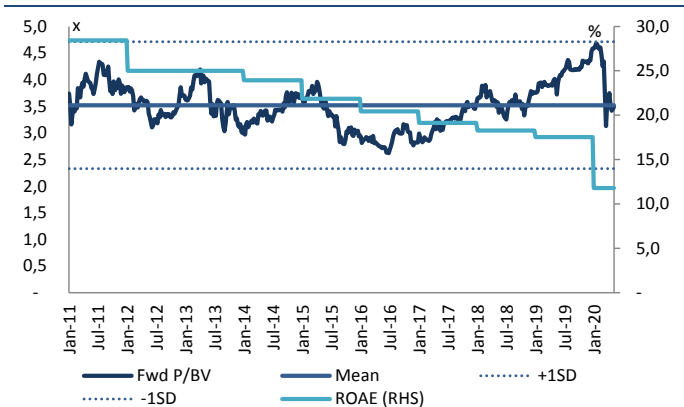
Source: Company, Danareksa Sekuritas estimates

**Exhibit 4. NPLs**



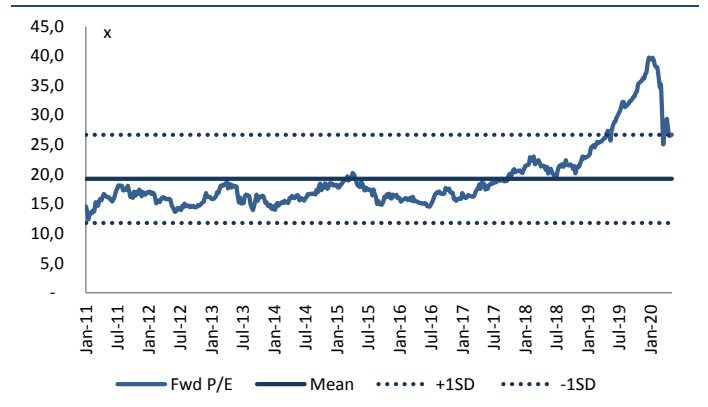
Source: Company, Danareksa Sekuritas estimates

**Exhibit 5. PBV ROAE Band Chart**



Source: Bloomberg, Danareksa Sekuritas estimates

**Exhibit 6. PE Band Chart**



Source: Bloomberg, Danareksa Sekuritas estimates

### Exhibit 7. BBCA's results

(IDRbn)	1Q19	4Q19	1Q20	QoQ (%)	YoY (%)
Net interest income	11,923	13,300	13,682	2.9	14.7
Net interest margin (%)	6.2	6.1	6.1		
Non-interest income	4,766	5,886	5,899	0.2	23.8
<b>Operating income</b>	<b>16,689</b>	<b>19,186</b>	<b>19,581</b>	<b>2.1</b>	<b>17.3</b>
Overhead expenses	(8,084)	(8,136)	(9,474)	16.4	17.2
Cost-Income Ratio (%)	48.4	42.4	48.4		
<b>Pre-provisions profit</b>	<b>8,605</b>	<b>11,050</b>	<b>10,107</b>	<b>(8.5)</b>	<b>17.5</b>
Provisions allowance	(983)	(1,262)	(2,179)	72.7	121.6
Credit cost - annualised (bps)	73.5	87.2	143.4		
<b>Pretax profit</b>	<b>7,622</b>	<b>9,788</b>	<b>7,928</b>	<b>(19.0)</b>	<b>4.0</b>
Tax	(1,562)	(2,308)	(1,347)	(41.7)	(13.8)
Effective tax rate (%)	20.5	23.6	17.0		
<b>Net Profit</b>	<b>6,060</b>	<b>7,478</b>	<b>6,581</b>	<b>(12.0)</b>	<b>8.6</b>

#### Other Key Data and Ratios

Gross loans	544,892	603,743	612,164	1.4	12.3
Customer deposits	634,656	704,791	741,023	5.1	16.8
Gross non-performing loans	7,847	7,877	9,795	24.3	24.8
Total assets	830,550	918,989	972,930	5.9	17.1
Shareholders' funds	158,743	174,043	171,611	(1.4)	8.1
ROAA (%)	2.9	3.3	2.8		
ROAE (%)	15.6	17.5	15.2		
LDR (%)	85.9	85.7	82.6		
Gross NPL ratio (%)	1.5	1.3	1.6		
LLC ratio (%)	171.4	189.2	225.1		
CAR (%)	25.0	23.8	22.5		

Source : Company, Danareksa Sekuritas estimates

### Exhibit 8. Changes in forecast

Key assumptions	2019	Old			New			Changes (ppt)		
		2020F	2021F	2022F	2020F	2021F	2022F	2020F	2021F	2022F
Loans growth (%)	9.1	6.8	8.1	10.5	1.5	6.3	9.5	(5.3)	(1.8)	(1.0)
Deposits growth (%)	10.9	4.1	6.0	6.3	3.6	6.1	6.3	(0.5)	0.1	-
NIMs (%)	6.2	6.2	6.3	6.3	5.5	5.9	6.1	(0.7)	(0.4)	(0.2)
Gross NPLs ratio (%)	1.3	1.5	1.5	1.4	2.0	1.8	1.6	0.5	0.3	0.2
Credit costs (bps)	84	82	74	65	204	102	84	122.0	28.0	19.0
Net int. inc. growth (%)	11.5	10.3	7.3	8.6	(8.8)	12.3	11.5	(19.1)	5.0	2.9
Net profit growth (%)	10.5	10.2	12.8	13.5	(26.6)	46.0	20.9	(36.8)	33.2	7.4
ROAE (%)	17.5	17.0	17.0	17.0	11.8	16.1	17.9	(5.2)	(0.9)	0.9

Source : Company, Danareksa Sekuritas estimates

### Exhibit 9. Income Statement

Year to 31 Dec (IDRbn)	2018A	2019A	2020F	2021F	2022F
Interest Income	56,767	63,838	59,535	65,406	71,687
Interest Expense	(11,476)	(13,360)	(13,501)	(13,699)	(14,047)
<b>Net Interest Income</b>	<b>45,291</b>	<b>50,477</b>	<b>46,034</b>	<b>51,707</b>	<b>57,640</b>
Non-Interest Income (NII)	17,744	21,145	21,921	24,694	28,049
<b>Oper. Income</b>	<b>63,034</b>	<b>71,623</b>	<b>67,955</b>	<b>76,401</b>	<b>85,689</b>
Oper. Expenses	(27,652)	(30,742)	(29,943)	(32,528)	(35,285)
<b>Pre-provisions profit</b>	<b>35,383</b>	<b>40,880</b>	<b>38,012</b>	<b>43,873</b>	<b>50,403</b>
Provisions & Allowances	(2,677)	(4,591)	(11,811)	(5,857)	(5,001)
<b>Operating Profits</b>	<b>32,706</b>	<b>36,289</b>	<b>26,201</b>	<b>38,016</b>	<b>45,402</b>
Non-Operating Income	0	0	0	0	0
Exceptionals	0	0	0	0	0
<b>Pre-tax Profit</b>	<b>32,706</b>	<b>36,289</b>	<b>26,201</b>	<b>38,016</b>	<b>45,402</b>
Income Tax	(6,854)	(7,719)	(5,240)	(7,413)	(8,399)
Minorities	3	(5)	(5)	(6)	(6)
<b>Net Profit</b>	<b>25,855</b>	<b>28,565</b>	<b>20,956</b>	<b>30,597</b>	<b>36,996</b>

### Exhibit 10. Balance Sheet

Year to 31 Dec (IDRbn)	2018A	2019A	2020F	2021F	2022F
Gross Loans	538,099	586,940	595,815	633,521	693,597
Provisions	(13,569)	(14,906)	(24,285)	(25,360)	(24,863)
<b>Net Loans</b>	<b>524,530</b>	<b>572,034</b>	<b>571,530</b>	<b>608,161</b>	<b>668,734</b>
Govt. Bonds	0	0	0	0	0
Securities	114,922	148,893	177,179	191,893	194,819
Other Earnings Assets	12,612	16,181	13,395	14,502	14,447
<b>Total Earnings Assets</b>	<b>726,610</b>	<b>812,552</b>	<b>850,787</b>	<b>906,607</b>	<b>972,134</b>
Fixed Assets	29,453	31,874	33,198	34,485	35,859
Non-Earnings Assets	24,023	23,980	22,200	23,401	23,194
<b>Total Assets</b>	<b>824,788</b>	<b>918,989</b>	<b>950,744</b>	<b>1,012,760</b>	<b>1,081,413</b>
Customer Deposits	629,812	698,980	723,955	768,852	817,938
Banks Deposits	6,494	6,717	6,898	6,749	6,845
Int. Bearing Liab. - Others	5,217	5,815	6,014	6,387	6,812
<b>Total Liabilities</b>	<b>673,035</b>	<b>744,846</b>	<b>769,008</b>	<b>815,016</b>	<b>865,527</b>
Share capital & Reserves	16,091	18,929	17,510	18,219	17,865
Retained Earnings	135,569	155,114	164,125	179,424	197,922
<b>Shareholders' Funds</b>	<b>151,660</b>	<b>174,043</b>	<b>181,635</b>	<b>197,643</b>	<b>215,786</b>
Minority interests	94	100	100	100	100
<b>Total Equity &amp; Liabilities</b>	<b>824,788</b>	<b>918,989</b>	<b>950,744</b>	<b>1,012,760</b>	<b>1,081,413</b>

### Exhibit 11. Ratios

Year to 31 Dec (IDRbn)	2018A	2019A	2020F	2021F	2022F
Yield on Earning Assets	8.2	8.3	7.2	7.4	7.6
Cost of funds	1.8	1.9	1.8	1.8	1.7
Interest Spread	6.3	6.3	5.3	5.7	5.9
Net Interest Margin	6.1	6.2	5.5	5.9	6.1
Cost/Income Ratio	43.9	42.9	44.1	42.6	41.2
Oper. Exp./Oper. Gross Inc.	56.1	57.3	67.8	57.8	54.5
Gross NPL Ratio	1.4	1.3	2.0	1.8	1.6
LLP/Gross NPL	178.7	189.2	202.5	220.9	219.8
Cost of Credit	0.5	0.8	2.0	1.0	0.8
Loan to Deposit Ratio	85.4	84.0	82.3	82.4	84.8
Loan to Funding Ratio	85.4	83.8	82.1	82.3	84.7
CASA Mix	75.9	75.2	75.3	75.7	76.0
ROAE	18.3	17.5	11.8	16.1	17.9
ROAA	3.3	3.3	2.2	3.1	3.5
CAR	24.6	22.6	22.7	23.7	22.9

### Exhibit 12. Dupont and growth

Year to 31 Dec	2018A	2019A	2020F	2021F	2022F
<b>Dupont</b>					
Pre-Tax ROAA	4.2	4.2	2.8	3.9	4.3
Tax Retention rate	79.0	78.7	80.0	80.5	81.5
Post-Tax ROAA	3.3	3.3	2.2	3.1	3.5
Goodwil, Assoc& Min	0.0	0.0	0.0	0.0	0.0
Leverage	5.6	5.4	5.3	5.2	5.1
ROAE	18.3	17.5	11.8	16.1	17.9
<b>Growth (%)</b>					
Interest income	5.6	12.5	(6.7)	9.9	9.6
Net Interest Income	8.3	11.5	(8.8)	12.3	11.5
Other Oper. Expenses	9.8	11.2	(2.6)	8.6	8.5
Fee Based Income	15.5	13.4	10.7	11.5	13.8
Pre-Provision Oper. Profit	11.3	15.5	(7.0)	15.4	14.9
Net Profit	10.9	10.5	(26.6)	46.0	20.9
Shareholders' Equity	15.5	14.8	4.4	8.8	9.2
Loan	15.1	9.1	1.5	6.3	9.5
Earnings Asset	9.3	11.8	4.7	6.6	7.2
Deposit	8.4	10.9	3.6	6.1	6.3
Int. Bearing Liab.	8.2	10.9	3.5	6.1	6.4
CASA	8.9	9.8	3.8	6.6	6.8
Total Asset	9.9	11.4	3.5	6.5	6.8

Source : BBCA, Danareksa Estimates

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