

Bank Central Asia Tbk (BBCA)

9M20 Review: Solid Capital and PPOP

Although BBCA loans decreased by 0.6% YoY to IDR 581.8 trillion, corporate segment still grew 8.6% YoY to IDR 251.9 trillion. BBCA also booked IDR 20 trillion in net income, or down by 4.2% YoY amid the rising cost of reserves. Meanwhile, improved 3Q20 economic activity supported BBCA to book net interest income growth of 9% to IDR 40.8 trillion.

CASA Growth Suppresses LDR

BBCA maintained conservative credit growth, declining 0.6% YoY or 2.2% QoQ. This strategy was amid BBCA's high liquidity with loan to deposit ratio (LDR) that reached under 70% in 9M20 period compared to 80.6% in 9M19. Liquidity was supported by solid third party fund growth at 14.4% YoY with current account and saving account (CASA) each grew by 14.3% and 17.1%. Meanwhile, BBCA was able to reduce the higher interest time deposit which only increased by 8.8% YoY 9M20, or grew slower than last year's double-digit growth of 12% YoY 9M19. With a conservative credit strategy, we see BBCA utilizing excess liquidity for government bonds and market securities.

PPOP Solid Performance

BBCA reserves reached IDR 9.1 trillion in 9M20 or increased 160.6% YoY, amid the company effort to maintain asset quality. Previously, NPL (gross) increased by 30 bps to 1.9% 9M20 from 1.6% in the same period last year. The increase in provision pushed net profit down to IDR 20 trillion. Outside of provision, pre-provision operating profit (PPOP) BBCA grew by 13.5% to IDR 33.8 trillion. We see that BBCA's PPOP performance is better than most major banks which mostly booked a decline in PPOP.

Hold with Target Price of IDR 34,000

NH KSI Research maintains BBCA target price at level of IDR 34,000 with forward P/B assumption of 4.5x or above the 3-year average of 3.7x. Apart from being able to take advantage of excess liquidity, BBCA's corporate credit segment continued to grow among other credit segments. BBCA's CAR ratio reached 24.7% 9M20 or far above the Bank Indonesia (BI) minimum requirement of 8%. This indicates that BBCA has strong capital to face credit restructuring for loans affected by Covid-19.

Bank Central Asia Tbk | Summary (IDR bn)

	2018/12A	2019/12A	2020/12E	2021/12E
Interest Income	56,767	63,838	64,423	69,294
<i>Interest Income growth</i>	5.6%	12.5%	0.9%	7.6%
Operating Revenue	63,034	71,623	71,598	77,900
Net profit	25,848	28,565	27,548	28,434
EPS (IDR)	1,048	1,159	1,117	1,153
<i>EPS growth</i>	10.9%	10.5%	-3.6%	3.2%
BVPS (IDR)	6,155	7,063	7,593	8,573
Net Interest Margin	6.0%	6.1%	5.6%	5.5%
Loan/Deposits	86.0%	84.9%	82.7%	88.0%
NPL	1.4%	1.3%	2.0%	2.0%
ROE	18.3%	17.5%	15.2%	14.3%
ROA	3.3%	3.3%	2.9%	2.7%
Non-Int. Inc. /Op. Rev	28.1%	29.5%	27.9%	27.9%
P/E	24.8x	28.8x	30.4x	29.5x
P/BV	4.2x	4.7x	4.5x	4.0x
DPS (IDR)	340	555	458	473
<i>Dividend yield</i>	1.3%	1.7%	1.3%	1.4%

Source: Company Data, Bloomberg, NH KSI Research

Please consider the rating criteria & important disclaimer

Hold

Target Price (IDR)	34,000
Consensus Price (IDR)	34,108
TP to Consensus Price	-0.3%
vs. Last Price	+3.0%

Shares data

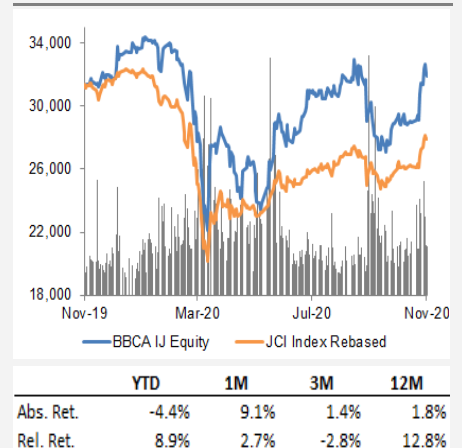
Last Price (IDR)	33,000
Price date as of	Nov. 20, 2020
52 wk range (Hi/Lo)	35,300 / 21,625
Free float (%)	44.8
Outstanding sh.(mn)	24,655
Market Cap (IDR bn)	764,922
Market Cap (USD mn)	51,687
Avg. Trd Vol - 3M (mn)	19.67
Avg. Trd Val - 3M (bn)	551.78
Foreign Ownership	25.3%

Finance

Bank

Bloomberg	BBCA IJ
Reuters	BBCA.JK

Share Price Performance

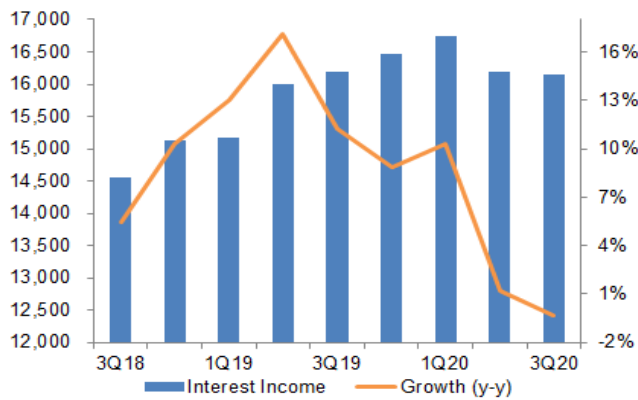


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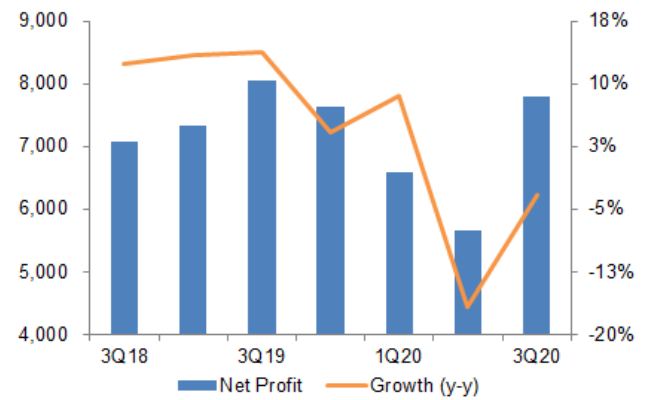
Performance Highlights

Interest Income (IDR bn) | 3Q18 - 3Q20



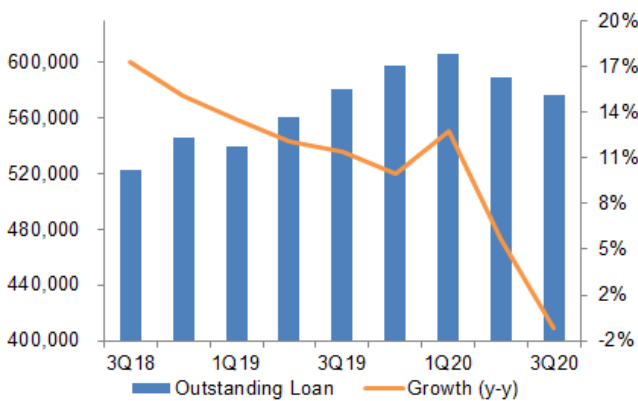
Source: Company, NHKSI Research

Net Profit (IDR bn) | 3Q18 - 3Q20



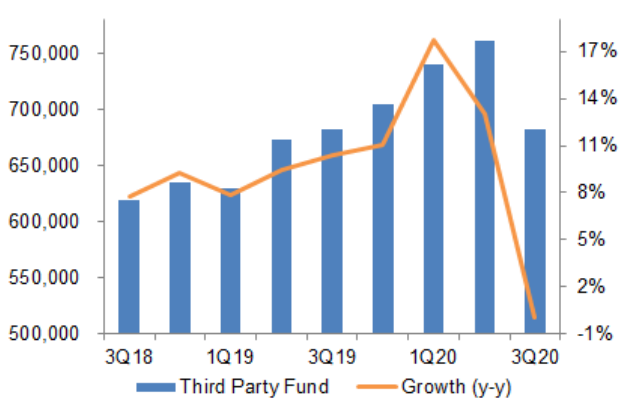
Source: Company, NHKSI Research

Outstanding Loan (IDR bn) | 3Q18 - 3Q20



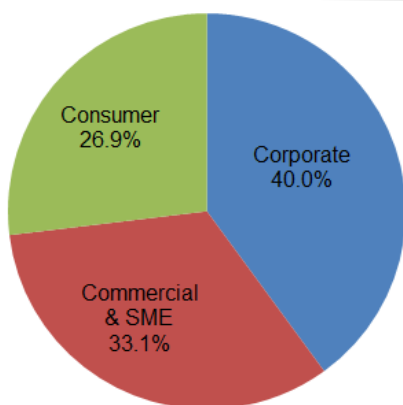
Source: Company, NHKSI Research

Third Party Fund (IDR bn) | 3Q18 - 3Q20



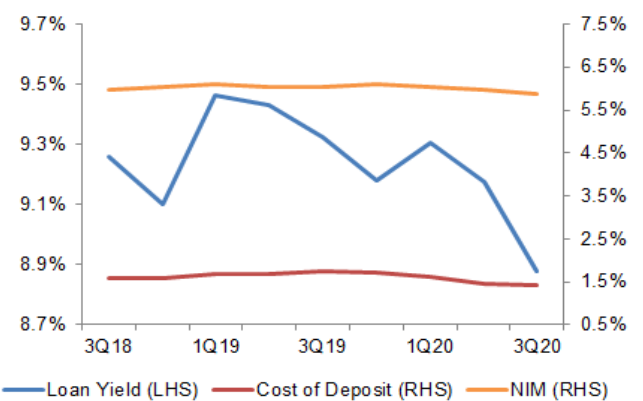
Source: Company, NHKSI Research

Deposit Composition



Source: Company, NHKS Research

Loan Yield, Cost of Deposit, NIM | 3Q18 - 3Q20



Source: Company, NHKS Research

3Q20 review (IDR bn)

	3Q19	4Q19	1Q20	2Q20	3Q20				4Q20
					Actual	Estimate	y-y	q-q	
Interest Income	16,190	16,470	16,741	16,196	16,139		-0.3%	-0.4%	
Interest Expense	(3,514)	(3,170)	(3,143)	(2,727)	(2,687)		-23.5%	-1.5%	
Net Interest Income	12,676	13,300	13,598	13,469	13,452		6.1%	-0.1%	
Operating Revenue	18,196	19,185	19,581	18,197	18,423		1.2%	1.2%	
Pre-Provisioning Operating Profit (PPOP)	11,239	11,049	10,107	11,424	12,318		9.6%	7.8%	
Loan loss provisions	(1,049)	(1,095)	(2,179)	(4,361)	(2,612)		149.0%	-40.1%	
Net Profit	8,060	7,644	6,581	5,659	7,796		-3.3%	37.7%	

Source: Bloomberg, NHKSI Research

Earnings revision (IDR bn)

		2019A	2020E	2021E
Interest Income	Revised Previous Change	63,838	64,423	69,294
Interest Expenses	Revised Previous Change	(13,360)	(12,766)	(13,089)
Net Interest Income	Revised Previous Change	50,477	51,658	56,205
Operating Revenue	Revised Previous Change	71,623	71,598	77,900
Pre-Provisioning OP	Revised Previous Change	40,880	43,542	47,374
Loan Loss Provision	Revised Previous Change	(4,591)	(9,192)	(12,569)
Net Profit	Revised Previous Change	28,565	27,548	28,434

Source: NHKSI Research

BBCA at A Glance

BBCA is the largest private bank in Indonesia. Nearly 40% of BBCA's total loans are channeled to the corporate segment. The contribution of lending to this segment recorded a significant increase from 35% in 2014. Meanwhile, the contribution of lending to the commercial and SME segments consistently decreased from 39% in 2014 to 34% in 2019. Supported by many branches, BBCA has a distribution network that is quite extensive in Indonesia. In terms of third party funds, the savings products contribute 49% more compared to total third party funds. This high contribution is supported by the fact that BBCA is the main private bank chosen by the Indonesians to save.

Indonesian Banking Competitiveness in ASEAN

The banking industry in Indonesia is a top investment priority in ASEAN because it offers higher lending rates compared to those offered by other banks in ASEAN. It is a major excellence factor of the banking industry in Indonesia. The majority of banks in Indonesia are still able to maintain NIM above 5% despite facing challenges in downward trend of loan interest rates. This NIM superiority can be translated into a higher ROE.

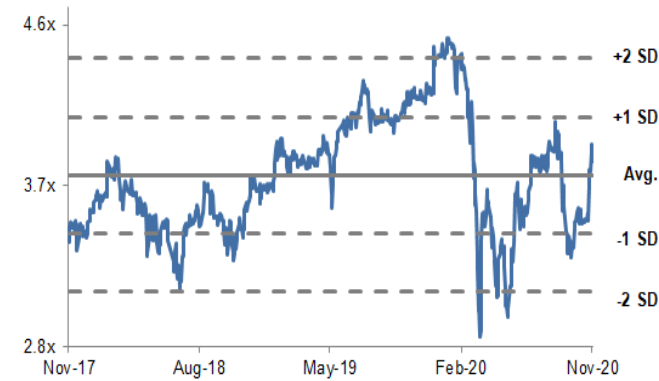
ASEAN Banking Sector

	Market Cap (USD mn)	Asset (USD mn)	Int. Income LTM (USD mn)	Net Profit LTM (USD mn)	Net Profit Growth LTM	ROE (LTM)	P/E LTM	P/BV
Indonesia								
BBCA	50,196	66,367	4,074	2,054	10.1%	17.6%	24.9x	4.2x
BBRI	26,182	102,315	8,049	2,428	3.8%	18.6%	10.9x	2.1x
BMRI	16,186	95,201	6,063	1,989	6.7%	15.5%	8.3x	1.3x
BBNI	5,938	61,068	3,839	1,099	0.8%	14.1%	5.5x	0.8x
Singapore								
Oversea-Chinese Banking	29,024	365,678	6,625	3,162	-6.0%	9.5%	6.3x	0.8x
Malaysia								
CIMB Group	8,542	140,141	4,826	931	-29.1%	7.2%	9.3x	0.7x
Malayan Banking	19,983	203,988	4,360	2,027	4.8%	10.8%	10.1x	1.1x
Hong Leong Financial	3,489	57,497	1,275	433	-5.5%	9.2%	8.3x	0.7x
Thailand								
Bangkok Bank	6,727	108,104	3,307	1,114	-2.5%	8.2%	6.1x	0.5x
Siam Commercial Bank	8,251	99,602	3,997	1,310	7.1%	10.3%	6.3x	0.6x
Bank of Ayudhya	5,492	79,298	3,573	874	-13.7%	10.3%	6.3x	0.6x
Philippines								
BDO Unibank	8,868	62,894	2,840	840	18.0%	12.3%	10.2x	1.2x
Metropolitan Bank & Trust	3,549	48,338	1,893	534	19.7%	9.2%	6.8x	0.6x
Bank of the Philippine Island	6,814	43,490	1,732	554	20.9%	10.7%	11.9x	1.2x

Source: Bloomberg

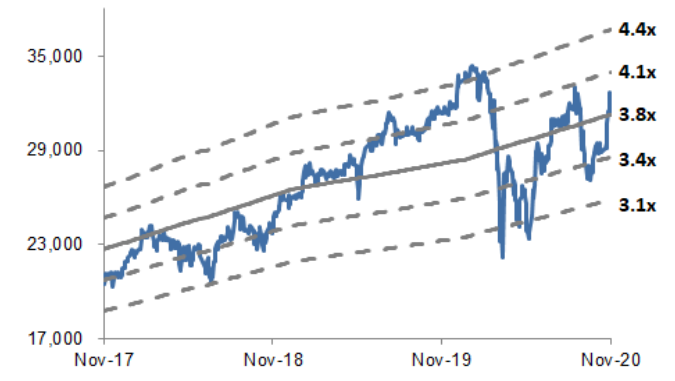
Multiple Valuation

Forward P/B band | Last 3 years



Source: NHKSI research

Dynamic Forward P/B band | Last 3 years



Source: NHKSI research

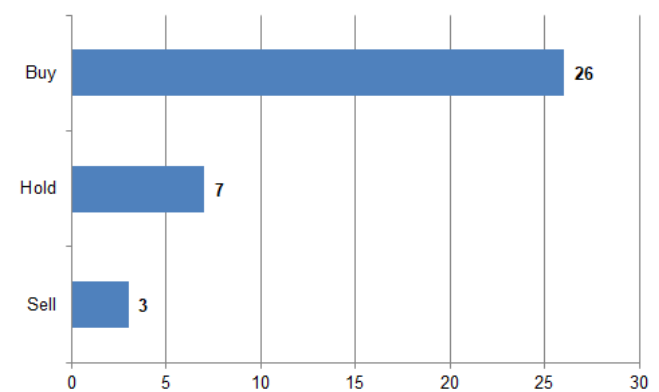
Rating and Target Price Update

Target Price Revision

Date	Rating	Target Price	Last Price	Consensus	vs Last Price	vs Consensus
8/23/2018	Buy	27,650 (Dec 2018)	23,900	24,500	+15.7%	+12.9%
11/14/2018	Buy	28,825 (Dec 2019)	24,075	25,201	+19.7%	+14.4%
07/03/2020	Hold	30,100 (12 Month)	28,475	30,057	+5.7%	+0.1%
07/12/2020	Hold	34,000 (12 Month)	30,900	32,464	+10.0%	+4.7%
11/13/2020	Hold	34,000 (12 Month)	33,000	34,108	+3.0%	-0.3%

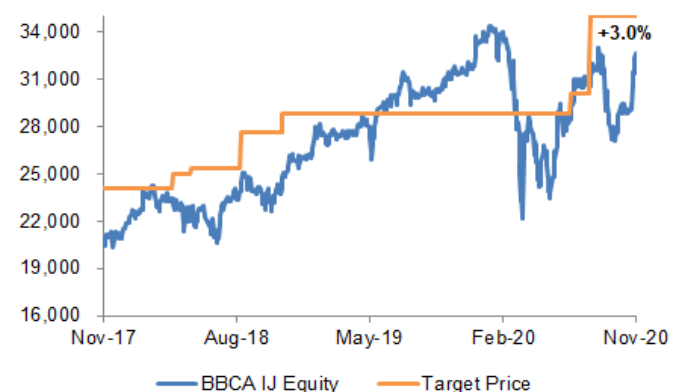
Source: NHKS research, Bloomberg

Analyst Coverage Rating



Source: Bloomberg

Closing and Target Price



Source: NHKS research

Summary of Financials

INCOME STATEMENT					PROFITABILITY & STABILITY				
(IDR bn)	2018/12A	2019/12A	2020/12E	2021/12E		2018/12A	2019/12A	2020/12E	2021/12E
Interest Income	56,767	63,838	64,423	69,294	ROE	18.3%	17.5%	15.2%	14.3%
<i>Growth (% y/y)</i>	5.6%	12.5%	0.9%	7.6%	ROA	3.3%	3.3%	2.9%	2.7%
Interest Expenses	11,476	13,360	12,766	13,089	Non-Int. Inc. /Op. Rev	28.1%	29.5%	27.9%	27.9%
Net Interest Income	45,291	50,477	51,658	56,205	Cost/Income	43.9%	42.9%	39.2%	39.2%
<i>Net Interest Margin</i>	6.0%	6.1%	5.6%	5.5%	Cash Dividend (IDR bn)	8,383	13,684	11,295	11,658
Net Fee Income	11,996	13,608	12,541	13,645	Dividend Yield (%)	1.3%	1.7%	1.3%	1.4%
Trading Income	2,807	3,456	4,227	4,599	Payout Ratio (%)	32.4%	47.9%	41.0%	41.0%
Other Operating Income	2,940	4,080	3,173	3,452	Loan/Deposits	86.0%	84.9%	82.7%	88.0%
Operating Revenue	63,034	71,623	71,598	77,900	Loan/Assets	66.2%	65.1%	64.5%	66.3%
Operating Expenses	(27,652)	(30,742)	(28,057)	(30,526)	NPL	1.4%	1.3%	2.0%	2.0%
Pre-provisioning OP	35,383	40,880	43,542	47,374	Loan Loss Res./Loan	2.6%	2.6%	4.7%	4.6%
Provision for Impairment	(2,677)	(4,591)	(9,192)	(12,569)	CASA/Deposits	76.2%	75.5%	74.5%	74.6%
EBT	32,706	36,289	34,350	34,806	Time Deposits/Deposits	23.8%	24.5%	25.5%	25.4%
Income Tax	(6,854)	(7,719)	(6,794)	(6,365)	Par Value (IDR)	63	63	63	63
Non-controlling Interest	(3)	(5)	(8)	(7)	Total Shares (mn)	24,655	24,655	24,655	24,655
Net Profit	25,848	28,565	27,548	28,434	Share Price (IDR)	26,000	33,425	34,000	34,000
<i>Growth (% y/y)</i>	10.9%	10.5%	-3.6%	3.2%	Market Cap (IDR tn)	641.0	824.1	838.3	838.3

BALANCE SHEET					VALUATION INDEX				
(IDR bn)	2018/12A	2019/12A	2020/12E	2021/12E		2018/12A	2019/12A	2020/12E	2021/12E
Cash	21,691	25,421	19,046	20,546	Price /Earnings	24.8x	28.8x	30.4x	29.5x
Placement in Banks	83,729	89,375	89,756	88,834	Price /Book Value	4.2x	4.7x	4.5x	4.0x
Net Loans	532,318	582,716	614,645	682,414	Price/Op. Revenue	10.2x	11.5x	11.7x	10.8x
Investment	126,196	161,390	219,301	222,092	PE/EPS Growth	2.3x	2.7x	-8.5x	9.2x
Fixed Asset	19,337	20,852	22,973	24,504	EV/Operating Revenue	9.9x	11.2x	11.5x	10.6x
Other Assets	41,517	39,236	34,010	40,534	EV/PPOP	17.6x	19.7x	18.9x	17.4x
Total Assets	824,788	918,990	999,730	1,078,922	EV (IDR bn)	622,925	803,773	821,273	823,574
Deposits	641,524	711,512	787,997	817,475	Op. Rev. CAGR (3-Yr)	9.6%	10.0%	7.9%	7.3%
Debt	3,493	5,000	1,936	5,723	EPS CAGR (3-Yr)	12.8%	11.5%	5.7%	3.2%
Other liabilities	28,018	28,334	22,586	44,354	Basic EPS (IDR)	1,048	1,159	1,117	1,153
Total Liabilities	673,034	744,846	812,518	867,552	Diluted EPS (IDR)	1,048	1,159	1,117	1,153
Capital Stock & APIC	1,541	1,541	1,541	1,541	BVPS (IDR)	6,155	7,063	7,593	8,573
Retained Earnings	135,569	155,114	160,745	145,074	Op. Revenue PS (IDR)	2,557	2,905	2,904	3,160
Shareholders' Equity	151,754	174,144	187,212	211,370	DPS (IDR)	340	555	458	473

Source: NHKSI research

NH Korindo Sekuritas Indonesia (NHKSI) Stock Ratings

1. Based on a stock's forecasted absolute return over a period of 12 months from the date of publication.
2. Rating system based on a stock's potential upside from the date of publication
 - Buy : Greater than +15%
 - Overweight : +5% to 15%
 - Hold : -5% to +5%
 - Underweight : -5% to -15%
 - Sell : Less than -15%

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