

Bank Central Asia Tbk (BBCA)

Low LDR Drives Credit Expansion

BBCA posted a net profit of IDR 8.06 trillion in 1Q22 (+14.6 YoY), supported by growth in Interest and Non-Interest Income. Meanwhile, the Company managed to reduce the Provision Fee by 13.4% YoY. Gross NPL slightly increased annually, while Net Interest Margin (NIM) was slightly depressed. With a low LDR, there is room for expansion for BBCA's credit growth.

Lower Provisions Boost Net Profit

- BBCA recorded revenue growth in 1Q22, with Net Interest Income recorded at IDR 14.48 trillion (up 2.5% YoY). Meanwhile, Non-Interest Income also grew significantly 19.5% to IDR 5.92 trillion; driven by Fee and Commission-based Income which rose to 15.8%.
- Provision expenses fell significantly to IDR 2.81 trillion; or a decrease of 13.4% YoY compared to the 1Q21 value of IDR 3.25 trillion. This provision improvement boosted BBCA's profitability, although revenue growth remained moderate. 1Q22 net profit rose 14.6% YoY to 8.06 trillion (Vs. IDR 7.04 trillion 1Q21).

Credit Growth supported by Low LDR

- Corporate loans led growth compared to other segments, with an increase of 9.2% compared to last year, and contributed 45% to BBCA's total loans. Gross NPL rose 2.3% in 1Q22 (vs. 1.8% in 1Q21). However, this figure is relatively well-maintained on a quarterly basis, having previously been recorded at 2.4% in 3Q21 and 2Q21.
- Third Party Funds continue to record excellent growth; recorded IDR 997.76 trillion in 1Q22 (+17.5% YoY). This figure was supported by the Current Account segment which jumped 21.7% YoY to IDR 798.15 trillion. Since FY21, LDR have declined to 62.0% (versus 65.8% in FY20). Currently, BBCA's LDR is at 60.5% in 1Q22 or down 470 bps YoY.

Conservative Credit Growth in 2022

- Transactions from digital channels continue to grow significantly; with transaction value from Mobile and Internet Banking increasing by 45.0% and 20.7% YoY, respectively. Meanwhile, Net Interest Margin (NIM) was relatively well-maintained at 4.9% in 1Q22 or the same level as the previous quarter.
- BBCA continues to set a moderate credit growth target of around 6%-8% in 2022. Several obstacles to credit this year include: the potential for interest rate hikes, and rising NPLs.

Overweight with TP Increased to IDR 9,000

- We maintain our Overweight recommendation for BBCA with TP increased to IDR 9,000, as BBCA's share price starts 2022 with a mild strengthening. Our TP implies FY22 PBV of 4.8x.

Bank Central Asia Tbk | Summary (IDR bn)

	2021/12A	2022/12E	2023/12E	2024/12E
Interest Income	65,627	78,819	87,141	96,441
<i>Interest Income growth</i>	0.3%	20.1%	10.6%	10.7%
Operating Revenue	78,473	90,790	99,797	110,161
Net profit	31,423	37,460	42,487	46,918
EPS (IDR)	255	304	345	381
<i>EPS growth</i>	15.8%	19.2%	13.4%	10.4%
BVPS (IDR)	1,645	1,893	2,150	2,393
Net Interest Margin	5.0%	5.1%	5.1%	5.1%
Loan/Deposits	64.6%	65.4%	66.3%	68.5%
NPL	1.7%	1.7%	1.7%	1.7%
ROE	16.2%	17.2%	17.0%	16.8%
ROA	2.7%	2.9%	3.0%	3.0%
Non-Int. Inc. /Op. Rev	28.5%	29.1%	29.5%	29.6%
P/E	28.6x	29.6x	29.6x	29.6x
P/BV	4.4x	4.8x	4.7x	4.7x
DPS (IDR)	111	79	120	116
<i>Dividend yield</i>	1.5%	0.9%	1.2%	1.0%

Source: Company Data, Bloomberg, NHKSI Research

Please consider the rating criteria & important disclaimer

Overweight

Target Price (IDR)	9,000
Consensus Price (IDR)	8,360
TP to Consensus Price	+7.6%
Potential Upside	+12.5%

Shares data

Last Price (IDR)	8,000
Price date as of	Apr. 25, 2022
52 wk range (Hi/Lo)	8,300 / 5,905
Free float (%)	44.9
Outstanding sh.(mn)	123,275
Market Cap (IDR bn)	955,382
Market Cap (USD mn)	66,441
Avg. Trd Vol - 3M (mn)	66.52
Avg. Trd Val - 3M (bn)	498.7
Foreign Ownership	26.8%

Financial Services

Banking

Bloomberg	BBCA IJ
Reuters	BBCA.JK

Share Price Performance



	YTD	1M	3M	12M
Abs. Ret.	4.5%	-3.5%	-0.7%	21.6%
Rel. Ret.	-4.9%	-7.0%	-9.9%	2.7%

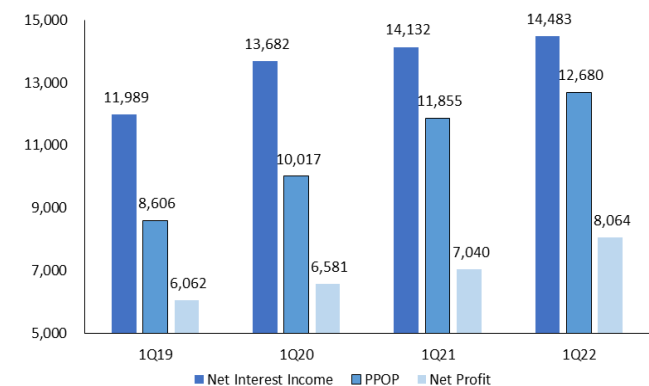
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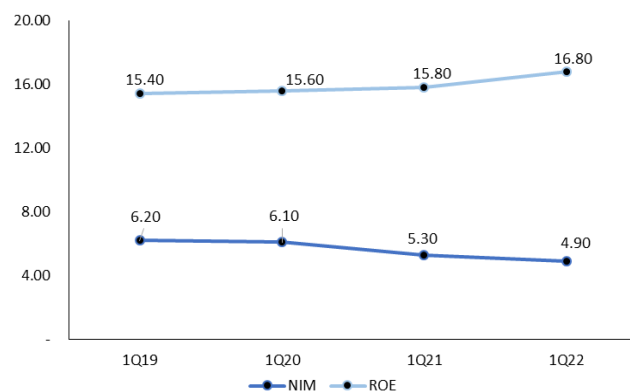
Performance Highlights

Financial Performance (IDR Billion)



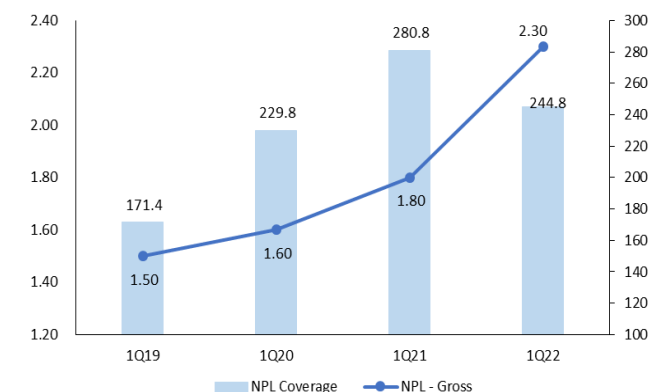
Source: Company, NHKSI Research

Profitability Ratios (%)



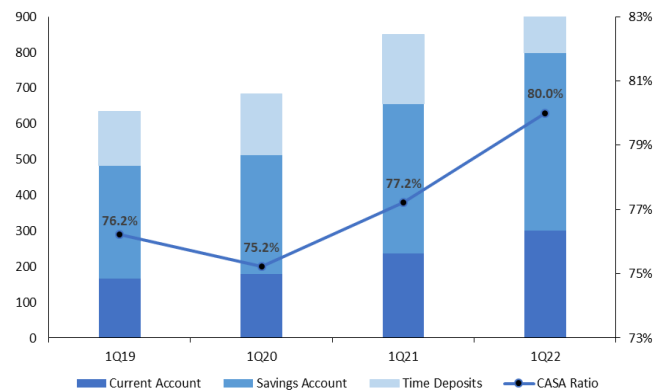
Source: Company, NHKSI Research

Asset Quality (%)



Source: Company, NHKSI Research

Third Party Fund (IDR Trn)



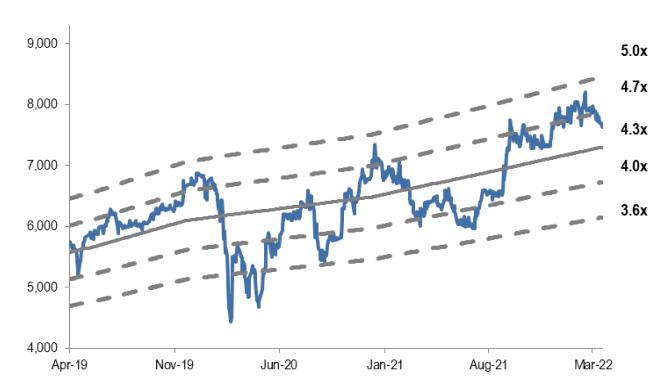
Source: Company, NHKSI Research

Forward P/B Band | Last 3 Years



Source: Bloomberg, NHKSI Research

Dynamic Forward P/B Band | Last 3 Years



Source: Bloomberg, NHKSI Research

Summary of Financials

INCOME STATEMENT					PROFITABILITY & STABILITY				
(IDR bn)	2021/12A	2022/12E	2023/12E	2024/12E		2021/12A	2022/12E	2023/12E	2024/12E
Interest Income	65,627	78,819	87,141	96,441	ROE	16.2%	17.2%	17.0%	16.8%
<i>Growth (% y/y)</i>	<i>0.3%</i>	<i>20.1%</i>	<i>10.6%</i>	<i>10.7%</i>	ROA	2.7%	2.9%	3.0%	3.0%
Interest Expenses	9,491	14,457	16,788	18,839	Non-Int. Inc. /Op. Rev	28.5%	29.1%	29.5%	29.6%
Net Interest Income	56,136	64,362	70,353	77,602	Cost/Income	38.6%	39.2%	38.9%	39.1%
<i>Net Interest Margin</i>	<i>5.0%</i>	<i>5.1%</i>	<i>5.1%</i>	<i>5.1%</i>	Cash Dividend (IDR bn)	13,634	9,795	14,772	14,290
Net Fee Income	14,680	17,378	19,699	21,728	Dividend Yield (%)	1.5%	0.9%	1.2%	1.0%
Trading Income	2,772	4,146	4,003	4,707	Payout Ratio (%)	43.4%	26.1%	34.8%	30.5%
Other Operating Income	4,886	4,905	5,742	6,124	Loan/Deposits	64.6%	65.4%	66.3%	68.5%
Operating Revenue	78,473	90,790	99,797	110,161	Loan/Assets	51.3%	51.5%	51.7%	53.3%
Operating Expenses	(30,308)	(35,632)	(38,855)	(43,062)	NPL	1.7%	1.7%	1.7%	1.7%
Pre-provisioning OP	48,165	55,158	60,942	67,099	Loan Loss Res./Loan	5.2%	5.2%	5.1%	4.9%
Provision for Impairment	(9,324)	(8,911)	(8,535)	(9,279)	CASA/Deposits	78.6%	79.2%	79.8%	80.3%
EBT	38,841	46,248	52,407	57,819	Time Deposits/Deposits	21.4%	20.8%	20.2%	19.7%
Income Tax	(7,401)	(8,778)	(9,908)	(10,888)	Par Value (IDR)	63	63	63	63
Non-controlling Interest	(17)	(10)	(12)	(14)	Total Shares (mn)	123,275	123,275	123,275	123,275
Net Profit	31,423	37,460	42,487	46,918	Share Price (IDR)	7,300	9,000	10,208	11,272
<i>Growth (% y/y)</i>	<i>15.8%</i>	<i>19.2%</i>	<i>13.4%</i>	<i>10.4%</i>	Market Cap (IDR tn)	899.9	1,109.5	1,258.4	1,389.6

BALANCE SHEET					VALUATION INDEX				
(IDR bn)	2021/12A	2022/12E	2023/12E	2024/12E		2021/12A	2022/12E	2023/12E	2024/12E
Cash	23,616	22,734	25,417	30,296	Price /Earnings	28.6x	29.6x	29.6x	29.6x
Placement in Banks	164,539	181,859	201,150	178,405	Price /Book Value	4.4x	4.8x	4.7x	4.7x
Net Loans	597,754	661,060	731,747	827,528	Price/Op. Revenue	11.5x	12.2x	12.6x	12.6x
Investment	374,405	411,982	456,673	514,965	PE/EPS Growth	1.8x	1.5x	2.2x	2.8x
Fixed Asset	23,752	23,035	20,728	19,064	EV/Operating Revenue	11.2x	12.0x	12.4x	12.4x
Other Assets	44,280	52,081	56,638	64,105	EV/PPOP	18.2x	19.7x	20.3x	20.3x
Total Assets	1,228,345	1,352,751	1,492,354	1,634,364	EV (IDR bn)	878,019	1,088,992	1,235,272	1,362,006
Deposits	985,966	1,084,231	1,183,776	1,292,785	Op. Rev. CAGR (3-Yr)	11.3%	12.9%	11.7%	13.6%
Debt	1,591	2,097	2,132	2,512	EPS CAGR (3-Yr)	10.5%	13.2%	14.1%	20.0%
Other liabilities	37,939	33,025	41,455	44,017	Basic EPS (IDR)	255	304	345	381
Total Liabilities	1,025,496	1,119,353	1,227,363	1,339,314	Diluted EPS (IDR)	255	304	345	381
Capital Stock & APIC	1,541	1,541	1,541	1,541	BVPS (IDR)	1,645	1,893	2,150	2,393
Retained Earnings	179,580	211,035	243,535	274,500	Op. Revenue PS (IDR)	637	736	810	894
Shareholders' Equity	202,849	233,398	264,991	295,050	DPS (IDR)	111	79	120	116

CASH FLOW STATEMENT					OWNERSHIP			
(IDR bn)	2021/12A	2022/12E	2023/12E	2024/12E	By Geography	% Shareholders	%	
Operating Cash Flow	42,525	28,790	50,696	46,783	Indonesia	73.1	Dwimuria Investama And	54.9
Investing Cash Flow	(91,765)	(121,533)	(136,699)	(134,434)	United States	11.6	JP Morgan Chase & Co	2.1
Financing Cash Flow	120,080	91,861	88,686	92,530	Luxembourg	5.3	Vanguard Group Inc	1.5
Net Changes in Cash	70,840	(882)	2,683	4,879	Others	10.1	Others	41.4

Source: Bloomberg, 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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