

Bank Central Asia Tbk (BBCA)

Genuine Real Credit Starts to Expand

The easing of mobility restrictions pushed BBCA's consolidated loans to grow 13.8% YoY to IDR 675.4 trillion in 1H22, but offset by improvement in asset quality. Gross NPL and 1H22 LAR fell 20 Bps to 2.2% and fell 680 Bps to 12.3% respectively. NHKSI Research projects that BBCA will be able to suppress NPLs below the 2% FY22 level, as the Company is still extending the relaxation of restructuring affected by Covid-19.

Investment Credit Increases for the Same Production Capacity

- Corporate segment, as the largest portion of total outstanding loans, grew 19.1% YoY to IDR 310.2 trillion. Then, followed by Commercial and SME which grew 10.9% to IDR 197.5 trillion. The increasing demand for credit was supported by Back to Normal conditions, in line with the demand for investment credit or Genuine Real Credit, supported by a number of sectors that have begun to expand.
- The same thing happened to working capital loans, which is supported by increased trade and higher production costs and raw materials, creating greater need for funds for relatively the same production capacity.
- This continuous demand for credit from a number of sectors has driven the growth of BBCA's portfolio by 21.8% YoY to IDR 169.5 trillion (1H22 Vs. 1H21). NHKSI Research sees that the Company is able to meet the double digit loan growth target, or grow up to 10% FY22.

Credit Growth Supported by Low LFR

- BBCA 1H22 LFR position was at 63.5% or up 110 bps on an annual basis. NHKSI Research sees this relatively low LFR position, provides room for BBCA to further expand lending amid the gradual recovery of the domestic economy.
- We project that BBCA will be able to increase LFR to above 65% FY22, taking advantage of the low BI 7DRRR benchmark interest rate and the potential for increased credit demand.
- Credit disbursement was supported by solid growth in deposits of up to 12.9%. Milestone reached a value of IDR 1.011 trillion, as CASA grew by 17.3% or reached a value of IDR 817.8 trillion. Meanwhile, the CASA Ratio which is at the level of 80.9% shows that BBCA is able to suppress CoF amid double-digit credit growth.

Recommend Buy with TP at IDR 9,000

- NHKSI Research raised its recommendation to Buy for BBCA with a TP of IDR 9,000. Our TP reflects a 22F P/BV of 4.8x or above the 3-year average of 4.4x. Our recommendation is supported by low Credit Cost.
- We also see that improving NIM and low LFR give BBCA room for credit expansion. Meanwhile, we also continue to monitor the challenges of rising inflation and geopolitical tensions, which in turn may affect asset quality.

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

Buy

Target Price (IDR)	9,000
Consensus Price (IDR)	8,299
TP to Consensus Price	+8.4%
Potential Upside	+18.0%

Shares data

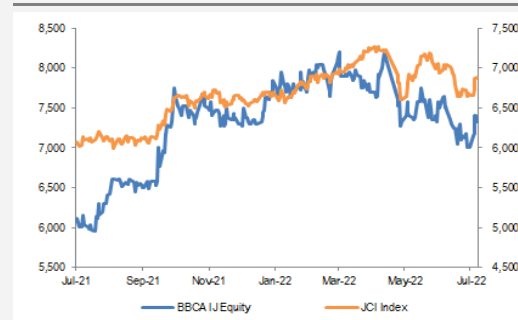
Last Price (IDR)	7,625
Price date as of	Aug. 3, 2022
52 wk range (Hi/Lo)	8,300 / 5,905
Free float (%)	44.9
Outstanding sh.(mn)	123,275
Market Cap (IDR bn)	906,071
Market Cap (USD mn)	60,969
Avg. Trd Vol - 3M (mn)	105.70
Avg. Trd Val - 3M (bn)	785.2
Foreign Ownership	26.8%

Financial Services

Banking

Bloomberg	BBCA IJ
Reuters	BBCA.JK

Share Price Performance



	YTD	1M	3M	12M
Abs. Ret.	0.3%	-2.3%	-7.0%	19.0%
Rel. Ret.	-4.3%	-0.9%	-2.3%	6.8%

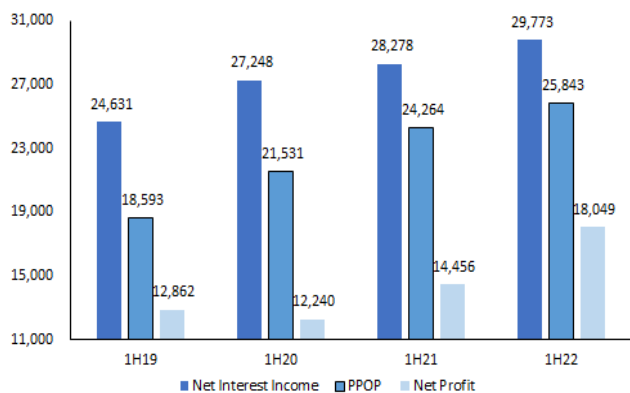
Arief Machrus

(021) 5088 9127

arief.machrus@nhsec.co.id

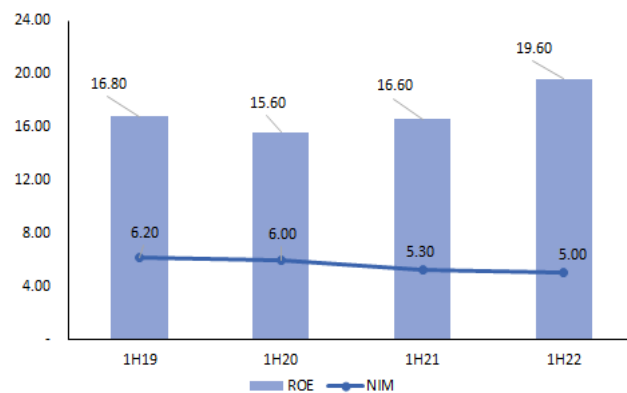
Performance Highlights

Financial Performance (IDR Billion)



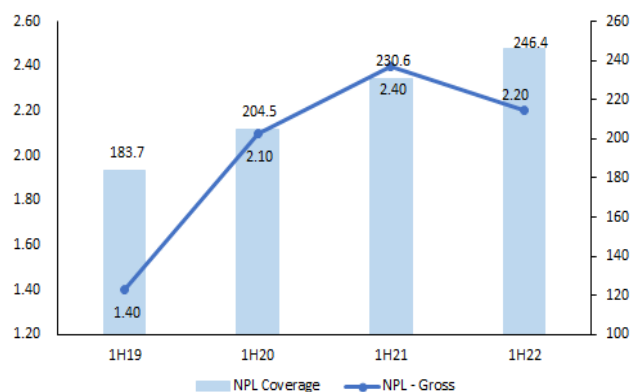
Source: Company, NHKSI Research

Profitability Ratios (%)



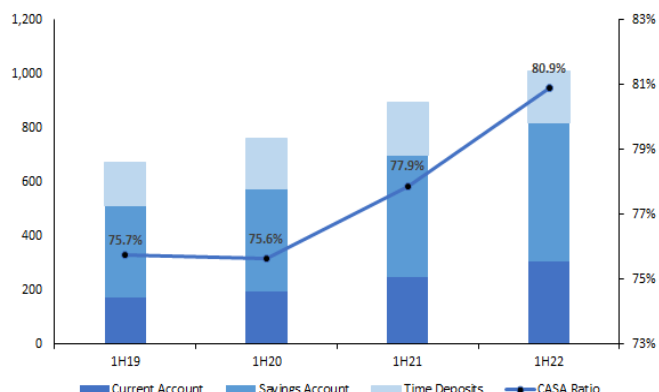
Source: Company, NHKSI Research

Asset Quality (%)



Source: Company, NHKSI Research

Third Party Fund (IDR Trn)



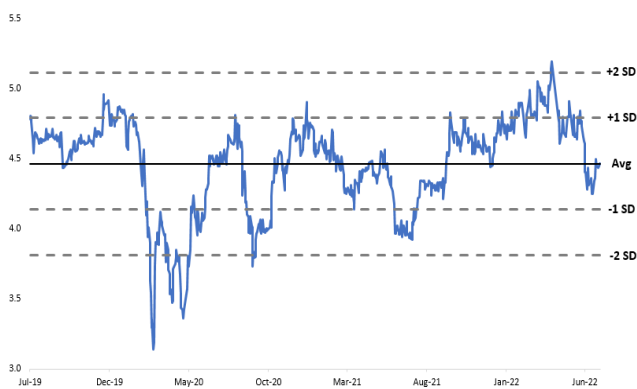
Source: Company, NHKSI Research

PER | Last 3 Years



Source: Bloomberg, NHKSI Research

PBV | 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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