

Bank Central Asia Tbk (BBCA)

Strong Growth in Credit, Shining Performance

As of the third quarter - 9M 2023 period, BBCA still delivered a solid and strong performance. The company managed to book an IDR 36.4 T Net Profit in 9M23, an increase of 25.8% YoY (9M22: IDR 29 T), and -3.4% QoQ (2Q23: IDR 12.7 T & 3Q23: IDR 12.2 T). As for NIM in 9M23 was recorded stable at 5.5% (YoY +40 Bps, 2Q23: 5.5%). The solid increase in Net Profit throughout 9M 2023 was supported by 21.3% increase in Net Interest Income (NII) to IDR 55.9 T YoY (+1.2% QoQ). In 9M 2023, Operating Expenses experienced a sharp increase (+16.6% YoY), due to an increase in employee expenses (+14.1% YoY), as well as a +18.7% increase in G&A expenses due to higher costs for telecommunications and IT infrastructure.

Lending Experienced Growth in All Segments as of 9M-2023

- As of the current period, 9M-2023, BBCA still recorded solid and steady growth in its lending, where total loans disbursed in the 9M-2023 period rose by +12.3% YoY and +4.1% QoQ to IDR 766.1T (9M22: IDR 682T; 2Q23 IDR 735.9T).
- From the lending segment, BBCA's credit growth is still thriving in all segments, especially with Corporate as the segment that contributes the largest portion of lending growing up to +12.2% YoY and +5.4% QoQ. In addition, one of the interesting things to note in this period is that the strengthening of lending growth occurred in all segments, both individual consumer segments (mortgages, motor vehicles, and CC) grew +14.4% YoY and +3.2% QoQ and non-individual segments (Business Banking) recorded a good growth in the Commercial Segment (+6.5% YoY and +2.7% QoQ) and SME (Small Medium Enterprise) which drastically grew by +16.4% YoY (+3.4% QoQ).
- One of the highlights of BCA's loan growth in the consumer credit segment is the BCA Expo, which has generated IDR 46T in total applications this year (+53% YoY growth), with more than 179,000 visitors. In the coming years, BCA will try to penetrate the small town market and grow the 4W (Car) segment for the mortgage segment and for Motor Vehicle Loans (KKB).
- Talking about the quality of BCA's loan portfolio in 9M23, NPLs fell by 20 Bps YoY, from 2.2% to 2.0% but increased by 10 Bps QoQ and remained stable at 2.0%. In terms of restructured loans, it decreased by 35.6% YoY to IDR 44.3 Trillion (QoQ -11.2%), causing LAR to decrease by 26.7% YoY (QoQ -8.2%) to IDR 56.9T, bringing BCA's LAR/Loans level down to 7.6% in 9M23.

Third Party Funds Still Growing & CASA Ratio Slightly Declines Due to Increase in Deposits

- During 9M23, CASA was still able to increase by +4.7% YoY and +0.6% QoQ to IDR 869.8T (9M22: IDR 830.4T; 2Q23: IDR 864.7T). This was supported by an increase in Current Account and Saving Account deposits by +6.1% and +3.9% YoY, respectively, while growing quarterly by +2.7% and -0.7%. For deposits, it rose by 12.3% YoY and 6.1% QoQ. Overall, total deposits still rose 6.0% YoY and 3.1% QoQ to IDR 1,071T (2Q22: IDR 1,011T; 1Q23: IDR 1,039T). Although the CASA Ratio experienced a slight decline due to the significant growth of deposits (high-cost fund) on a quarterly basis, the CASA Ratio remained stable at 80% (YoY -10 Bps and -80 Bps QoQ).

Buy Recommendation with TP at IDR 10,300 Level (+17.4% Upside)

- We, NHKSI Research, provide a Buy recommendation for BBCA with TP IDR 10,300 (+17.4% Upside) which reflects P/BV of 4.8x FY23F. The catalysts that can justify BBCA's price are the performance of loan disbursement growth and CoC decline. Meanwhile, the potential downside risks include unfavorable macro situations, high inflationary pressure, as well as unexpected loan growth and growth.

Bank Central Asia Tbk | Summary (IDR bn)

| | 2022/12A | 2023/12F | 2024/12F | 2025/12F |
|-------------------------------|----------|----------|----------|----------|
| Interest Income | 72,241 | 87,820 | 95,023 | 104,906 |
| <i>Interest Income growth</i> | 10.1% | 21.6% | 8.2% | 10.4% |
| Operating Revenue | 86,817 | 106,661 | 116,595 | 129,123 |
| Net profit | 40,736 | 46,833 | 53,054 | 58,555 |
| EPS (IDR) | 330 | 380 | 430 | 475 |
| <i>EPS growth</i> | 29.6% | 15.0% | 13.3% | 10.4% |
| BVPS (IDR) | 1,794 | 2,126 | 2,346 | 2,567 |
| Net Interest Margin | 5.2% | 5.7% | 5.7% | 5.5% |
| Loan/Deposits | 67.7% | 72.2% | 73.7% | 74.1% |
| NPL | 1.7% | 1.6% | 1.5% | 1.4% |
| ROE | 19.2% | 19.4% | 19.2% | 19.3% |
| ROA | 3.2% | 3.4% | 3.6% | 3.6% |
| Non-Int. Inc. /Op. Rev | 26.3% | 28.2% | 28.0% | 28.1% |
| P/E | 26.7x | 27.1x | 27.1x | 27.1x |
| P/BV | 4.9x | 4.8x | 5.0x | 5.0x |
| DPS (IDR) | 205 | 200 | 247 | 261 |
| <i>Dividend yield</i> | 2.3% | 1.9% | 2.1% | 2.0% |

Source: Company Data, Bloomberg, NHKSI Research

Buy

| | |
|-----------------------|--------|
| Target Price (IDR) | 10,300 |
| Consensus Price (IDR) | 10,177 |
| TP to Consensus Price | +1.2% |
| Potential Upside | +17.4% |

Shares data

| | |
|------------------------|-------------------|
| Last Price (IDR) | 8,775 |
| Price date as of | Oktober. 24, 2023 |
| 52 wk range (Hi/Lo) | 9,400 / 7,250 |
| Free float (%) | 42.37 |
| Outstanding sh.(mn) | 123,275 |
| Market Cap (IDR bn) | 1,081,738 |
| Market Cap (USD mn) | 68,188 |
| Avg. Trd Vol - 3M (mn) | 69.66 |
| Avg. Trd Val - 3M (bn) | 635.62 |
| Foreign Ownership | 28.57% |

Financial Services

Banking

| | |
|-----------|---------|
| Bloomberg | BBCA IJ |
| Reuters | BBCA.JK |

Share Price Performance



| | YTD | 1M | 3M | 12M |
|-----------|------|-------|-------|-------|
| Abs. Ret. | 2.6% | -2.5% | -3.6% | -1.4% |
| Rel. Ret. | 3.3% | 0.2% | -2.7% | 2.1% |

Leonardo Lijuwardi

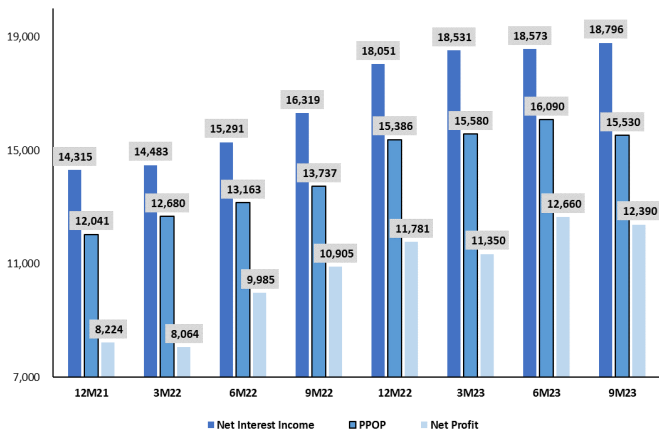
(021) 5088 9127

Leonardo.lijuwardi@nhsec.co.id

Please consider the rating criteria & important disclaimer

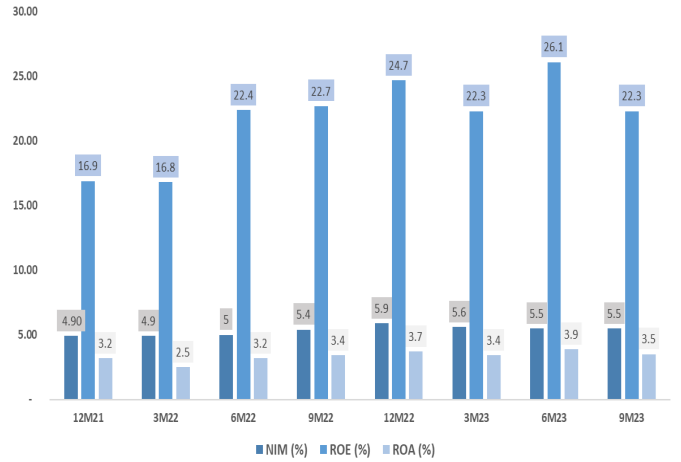
Performance Highlights

Quarterly Financial Performance (IDR Billion)



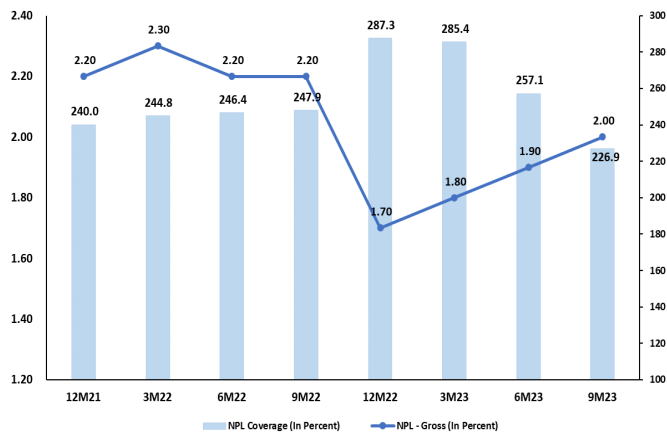
Source: Company, NHKSI Research

Profitability Ratios (%)



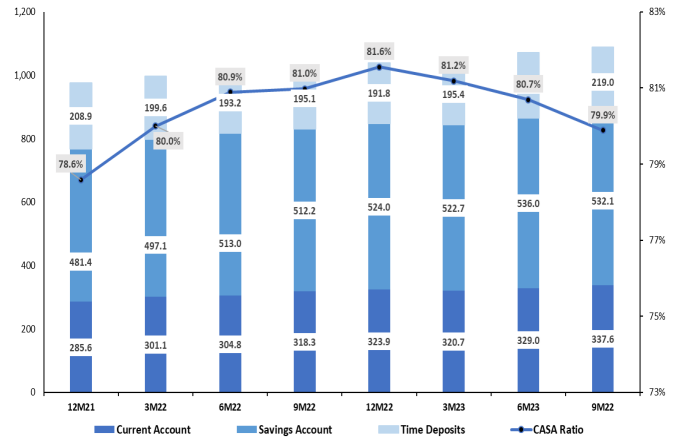
Source: Company, NHKSI Research

Asset Quality (%)



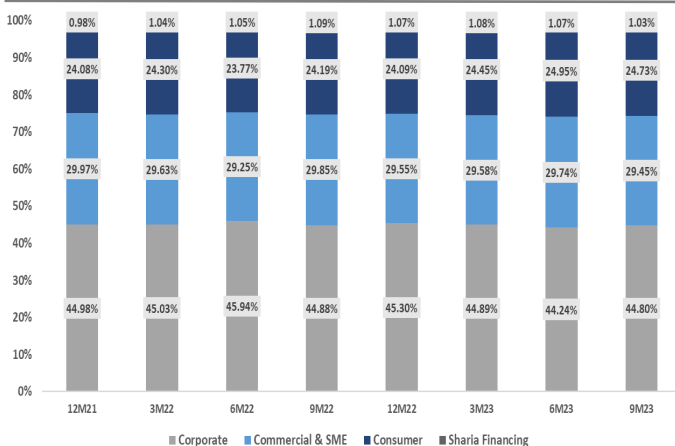
Source: Company, NHKSI Research

Third Party Fund Composition (IDR Tn)



Source: Company, NHKSI Research

Loan Composition Breakdown



Source: Bloomberg, NHKSI Research

F-PBV | Last 3 Years



Source: Bloomberg, NHKSI Research

Summary of Financials

INCOME STATEMENT

| (IDR bn) | 2022/12A | 2023/12F | 2024/12F | 2025/12F |
|----------------------------|---------------|----------------|----------------|----------------|
| Interest Income | 72,241 | 87,820 | 95,023 | 104,906 |
| Growth (% y/y) | 10.1% | 21.6% | 8.2% | 10.4% |
| Interest Expenses | 8,252 | 11,207 | 11,121 | 12,062 |
| Net Interest Income | 64,143 | 76,613 | 83,901 | 92,844 |
| Net Interest Margin | 5.2% | 5.7% | 5.7% | 5.5% |
| Net Fee Income | 16,584 | 20,111 | 22,234 | 25,068 |
| Trading Income | 1,134 | 3,804 | 3,332 | 3,388 |
| Other Operating Income | 5,109 | 6,134 | 7,128 | 7,823 |
| Operating Revenue | 86,817 | 106,661 | 116,595 | 129,123 |
| Operating Expenses | (31,851) | (41,109) | (44,422) | (48,970) |
| Pre-provisioning OP | 54,966 | 65,552 | 72,174 | 80,154 |
| Provision for Impairment | (4,527) | (7,618) | (6,539) | (7,686) |
| EBT | 50,467 | 57,933 | 65,635 | 72,468 |
| Income Tax | (9,711) | (11,090) | (12,567) | (13,897) |
| Non-controlling Interest | (20) | (10) | (14) | (16) |
| Net Profit | 40,736 | 46,833 | 53,054 | 58,555 |
| Growth (% y/y) | 29.6% | 15.0% | 13.3% | 10.4% |

BALANCE SHEET

| (IDR bn) | 2022/12A | 2023/12F | 2024/12F | 2025/12F |
|-----------------------------|------------------|------------------|------------------|------------------|
| Cash | 21,360 | 26,014 | 24,145 | 30,974 |
| Placement in Banks | 140,239 | 133,915 | 151,009 | 171,185 |
| Net Loans | 669,326 | 749,675 | 840,223 | 942,174 |
| Investment | 405,972 | 424,833 | 447,347 | 479,692 |
| Fixed Asset | 26,276 | 29,782 | 31,295 | 32,078 |
| Other Assets | 51,558 | 54,860 | 63,235 | 70,278 |
| Total Assets | 1,314,732 | 1,419,078 | 1,557,254 | 1,726,381 |
| Deposits | 1,047,654 | 1,106,733 | 1,211,327 | 1,346,899 |
| Debt | 1,956 | 2,083 | 2,384 | 2,634 |
| Other liabilities | 43,940 | 48,159 | 54,313 | 60,450 |
| Total Liabilities | 1,093,550 | 1,156,974 | 1,268,023 | 1,409,983 |
| Capital Stock & APIC | 1,541 | 1,541 | 1,541 | 1,541 |
| Retained Earnings | 200,959 | 239,498 | 267,144 | 294,706 |
| Shareholders' Equity | 221,182 | 262,105 | 289,231 | 316,398 |

CASH FLOW STATEMENT

| (IDR bn) | 2022/12A | 2023/12F | 2024/12F | 2025/12F |
|----------------------------|-----------------|--------------|----------------|--------------|
| Operating Cash Flow | 53,068 | 60,949 | 66,439 | 75,631 |
| Investing Cash Flow | (106,703) | (108,354) | (123,464) | (129,255) |
| Financing Cash Flow | 35,915 | 52,059 | 55,156 | 60,453 |
| Net Changes in Cash | (17,720) | 4,654 | (1,869) | 6,829 |

Source: Company Data, Bloomberg, NHKSI Research

PROFITABILITY & STABILITY

| | 2022/12A | 2023/12F | 2024/12F | 2025/12F |
|------------------------|----------|----------|----------|----------|
| ROE | 19.2% | 19.4% | 19.2% | 19.3% |
| ROA | 3.2% | 3.4% | 3.6% | 3.6% |
| Non-Int. Inc. /Op. Rev | 26.3% | 28.2% | 28.0% | 28.1% |
| Cost/Income | 36.7% | 38.5% | 38.1% | 37.9% |
| Cash Dividend (IDR bn) | 25,271 | 24,687 | 30,440 | 32,231 |
| Dividend Yield (%) | 2.3% | 1.9% | 2.1% | 2.0% |
| Payout Ratio (%) | 62.0% | 52.7% | 57.4% | 55.0% |
| Loan/Deposits | 67.7% | 72.2% | 73.7% | 74.1% |
| Loan/Assets | 53.5% | 55.4% | 56.4% | 56.9% |
| NPL | 1.7% | 1.6% | 1.5% | 1.4% |
| Loan Loss Res./Loan | 4.9% | 4.6% | 4.3% | 4.0% |
| CASA/Deposits | 81.6% | 81.0% | 83.4% | 85.5% |
| Time Deposits/Deposits | 18.4% | 19.0% | 16.6% | 14.5% |
| Par Value (IDR) | 63 | 63 | 63 | 63 |
| Total Shares (mn) | 123,275 | 123,275 | 123,275 | 123,275 |
| Share Price (IDR) | 8,775 | 10,300 | 11,668 | 12,878 |
| Market Cap (IDR tn) | 1,081.7 | 1,269.7 | 1,438.4 | 1,587.5 |

VALUATION INDEX

| | 2022/12A | 2023/12F | 2024/12F | 2025/12F |
|----------------------|-----------|-----------|-----------|-----------|
| Price /Earnings | 26.6x | 27.1x | 27.1x | 27.1x |
| Price /Book Value | 4.9x | 4.8x | 5.0x | 5.0x |
| Price/Op. Revenue | 12.5x | 11.9x | 12.3x | 12.3x |
| PE/EPS Growth | 0.9x | 1.8x | 2.0x | 2.6x |
| EV/Operating Revenue | 12.2x | 11.7x | 12.2x | 12.1x |
| EV/PPOP | 19.3x | 19.0x | 19.6x | 19.5x |
| EV (IDR bn) | 1,059,849 | 1,245,992 | 1,416,844 | 1,559,437 |
| Op. Rev. CAGR (3-Yr) | 6.9% | 12.4% | 14.1% | 13.9% |
| EPS CAGR (3-Yr) | 12.6% | 20.0% | 19.1% | 12.9% |
| Basic EPS (IDR) | 330 | 380 | 430 | 475 |
| Diluted EPS (IDR) | 330 | 380 | 430 | 475 |
| BVPS (IDR) | 1,794 | 2,126 | 2,346 | 2,567 |
| Op. Revenue PS (IDR) | 704 | 865 | 946 | 1,047 |
| DPS (IDR) | 205 | 200 | 247 | 261 |

OWNERSHIP

| By Geography | % Shareholders | % |
|---------------|----------------------------------|-------|
| Indonesia | 71.43 Dwimuria Investama Andalan | 54.94 |
| United States | 13.22 Affiliated Parties | 2.46 |
| Luxembourg | 3.87 Vanguard | 2.09 |
| Others | 11.48 Others | 40.51 |

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%

DISCLAIMER

This document is strictly confidential and is being supplied to you solely for your information. The recipients of this report must make their own independent decisions regarding any securities or financial instruments mentioned herein. This document may not be quoted, reproduced, exhibited, redistributed, transmitted, edited, translated, or published, in whole or in part, for any purpose without notice. Any failure to comply with this restriction may constitute a violation of civil or criminal laws.

This report and any electronic access hereto are restricted and intended only for the clients and related entities of PT NH Korindo Sekuritas Indonesia. This report is only for information and recipient use. It is not reproduced, copied, or made available for others. Under no circumstances is it considered as a selling offer or solicitation of securities buying. Any recommendation contained herein may not be suitable for all investors. Although the information hereof is obtained from reliable sources, its accuracy and completeness cannot be guaranteed. PT NH Korindo Sekuritas Indonesia, its affiliated companies, employees, and agents are held harmless from any responsibility and liability for claims, proceedings, action, losses, expenses, damages, or costs filed against or suffered by any person as a result of acting pursuant to the contents hereof. Neither is PT NH Korindo Sekuritas Indonesia, its affiliated companies, employees, nor agents are liable for errors, omissions, misstatements, negligence, inaccuracy contained herein. All rights reserved by PT NH Korindo Sekuritas Indonesia.