

Bank Central Asia Tbk. (BBCA)

Reaping the Sweet Fruit - Solid & Strong Performance in 3Q24

BBCA posted a solid performance growth by posting Net Profit of IDR 41.1T as of 9M24 (+12.8% YoY; 9M23: IDR 36.4T & +1.4% QoQ; 2Q24: IDR 14.0T). The increase in top line was supported by the increase in Net Interest Income (NII) which grew significantly by +9.5% YoY to IDR 61.1T as of 9M24 and quarterly growth of +4.9% QoQ (2Q24: IDR 20.2T). Non-interest income showed growth of +13.5% YoY to IDR 19T in 9M24 (9M23: IDR 16.7T & QoQ +6.9%, 2Q24: IDR 6.1T). The solid performance was supported by strong loan volume growth on a year-on-year basis (Loan Growth 9M24 YoY: 14.5%) as well as better yields from changes in BBCA's earning asset composition. This also drove BBCA's Net Interest Margin (NIM) performance to be more expansive as LDR increased due to relatively lower Cost of Fund (CoF).

Lending Remains Strong and High: Corporate & Business Banking Segments Remain Impressive

- As of 9M24, BBCA continued and posted impressive lending growth as total loans rose by +14.5% YoY and +3.2% QoQ to IDR 877T (1H23: IDR 766T; 1H24: IDR 850T). BBCA's lending growth was still robust with double-digit growth in almost all segments on YoY basis. Lending performance in the Corporate segment, which is the segment that contributes the largest portion of BBCA's lending, grew +15.6% YoY to IDR 395.9T (9M23: IDR 341.1T), which was largely contributed by lending to sectors related to downstream projects, such as smelters. As an implication of this strong loan growth, Management revised the loan growth guidance for BBCA, which for FY24 will be targeted to be in the range of 10-12% while also recognizing the potential for slower future loan growth in the coming quarters due to the high base effect.
- The non-corporate business banking segment also continued to post good year-on-year growth and a particularly solid quarterly growth. Despite the challenges of this segment, SME (Small Medium Enterprise) disbursements grew 14.2% YoY and +5.0% QoQ to IDR 120.1T in 9M24. The Commercial segment, which is a challenging segment that requires caution in its development, grew +11.8% YoY and +6.1% QoQ to IDR 135.3T as of 9M24.
- From other lending segments, strengthening lending growth such as individual consumer segment (KPR: Mortgage, KKB: Motor Vehicle and Personal Loan) grew +13.1% YoY & +2.9% QoQ to IDR 216.5T in 9M24. This growth was also supported by the effect of the BCA Expoversary. The segment continued its growth in 9M24 with KKB segment showing a growth of +3.2% QoQ (YoY +17.9%), KPR grew 2.7% QoQ (+10.7% YoY) and personal loan (Paylater, credit card) grew +2.7% QoQ (+15% YoY).

Implications of Loan & Relatively Stable Deposits: More Expansive NIM Performance

- BBCA's consistently rising LDR (Loan to Deposit Ratio) trend (supported by steady accelerated lending growth and flat QoQ deposits) coupled with BBCA's stable CoF and better earning asset yield composition caused BBCA's NIM (Bank Only) as of 3Q24 to grow +10 Bps to 5.9% (YoY basis +30 Bps, 9M24: 5.8%). As for total third-party funds (DPK), on a YoY basis it still grew 3.4%, but on a quarterly basis it was flat. When it comes to the composition of deposits, there was growth in savings deposits +0.2% QoQ, with current accounts declining -0.3% QoQ. As for high cost funds, Deposits were flat on a quarterly basis, but down -4% YoY, thus helping the CoF to be more stable and cheaper. Reflecting on this performance, Management also revised its guidance for the remainder of FY24, with the new guidance for NIM at 5.7-5.8% (Previous guidance: 5.5-5.6%).

BCA's Asset Quality: Remains Solid and LAR Continues to Trend Downward

- On the other side of credit, especially asset quality, BBCA's NPL (Non-Performing Loan) remained stable at 2.1% as of 9M24. In terms of BBCA's LAR (Loan at Risk), the figure as of 3Q24 stood at 5.9% and continued to show a downward trend, and was supported by LAR Coverage which began to rise. The achievement of the LAR figure is in accordance with the guidance from management, where expectations are at 6.0% for FY24.

Overweight Recommendation with TP at IDR 11,750 (+9.8% Upside)

- NHKSI Research recommends Overweight for BBCA, but by raising the TP at IDR 11,750 (+9.8% Upside) which reflects a P/BV of 5.2x FY24F. The catalysts that can justify BBCA's price are optimal and efficient operational performance supported by lending growth, healthier portfolio asset quality performance that leads to a more expansive NIM. Meanwhile, the potential downside risks include the macro situation that tends not to be conducive and stable, as well as the expectation of loan growth and performance that does not grow as expected.

Bank Central Asia Tbk | Summary (IDR Bn)

	2023/12A	2024/12F	2025/1F	2026/12F
Interest Income	87,398	97,400	106,383	114,255
Interest Income growth	21.0%	34.8%	9.2%	7.4%
Operating Revenue	99,286	114,977	125,294	134,598
Net profit	48,639	53,205	59,813	64,490
EPS (IDR)	395	432	485	523
EPS growth	19.4%	9.4%	12.4%	7.8%
BVPS (IDR)	1,967	2,035	2,261	2,554
Net Interest Margin	5.7%	5.7%	5.4%	5.3%
Loan/Deposits	72.8%	77.0%	81.5%	86.2%
NPL	1.8%	1.8%	1.8%	1.6%
ROE	21.0%	21.6%	22.6%	21.7%
ROA	3.6%	3.7%	3.8%	3.8%
Non-Int. Inc. /Op. Rev	24.3%	26.1%	25.4%	25.1%
P/E	27.1x	27.2x	27.2x	27.2x
P/BV	5.4x	5.8x	5.8x	5.6x
DPS (IDR)	270	216	243	262
Dividend yield	2.5%	1.8%	1.8%	1.8%

Source: Company Data, Bloomberg, NHKSI Research

Please consider the rating criteria & important disclaimer

NH Korindo Sekuritas Indonesia



Company Report | October 25, 2024

Overweight

Target Price (IDR)	11,750
Consensus Price (IDR)	11,835
TP to Consensus Price	-0.7%
Potential Upside	+9.8%

Shares data

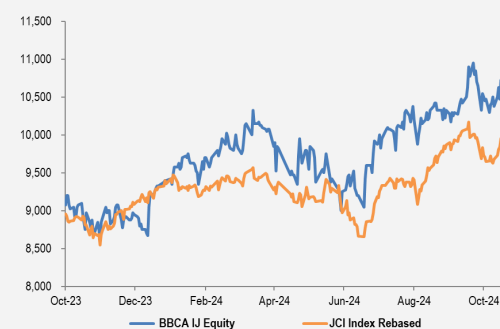
Last Price (IDR)	10,700
Price date as of	October 24, 2024
52 wk range (Hi/Lo)	10,950 / 8,600
Free float (%)	42.4
Outstanding sh. (mn)	123,275
Market Cap (IDR bn)	1,319,043
Market Cap (USD mn)	84,668
Avg. Trd Vol - 3M (mn)	67.68
Avg. Trd Val - 3M (bn)	705.63
Foreign Ownership	30.10%

Financial Services

Banking

Bloomberg	BBCA IJ
Reuters	BBCA.JK

Share Price Performance



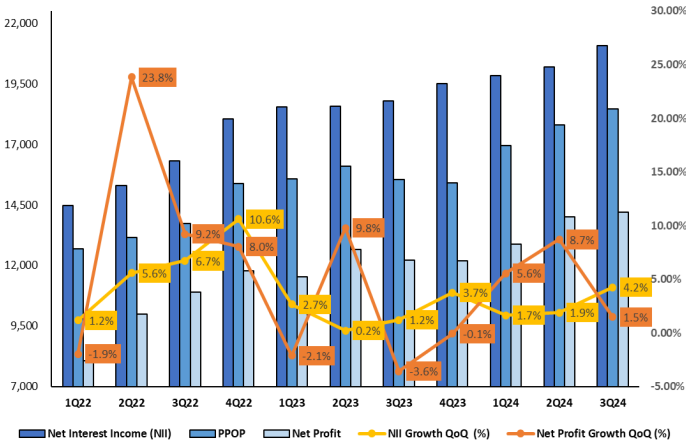
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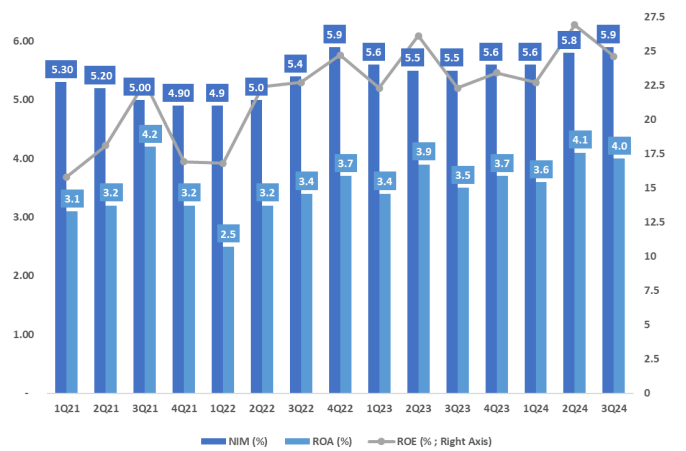
Performance Highlight for BBCA

Fig 1. Quarterly Financial Performance (In IDR Billion)



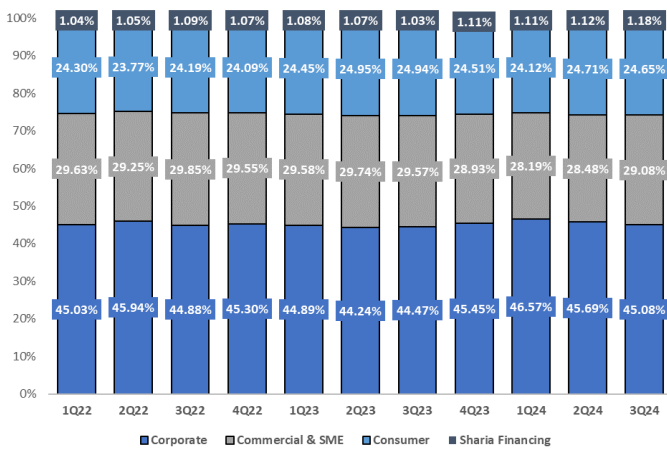
Source: Company, NHKSI Research

Fig 2. Profitability Ratios (In %)



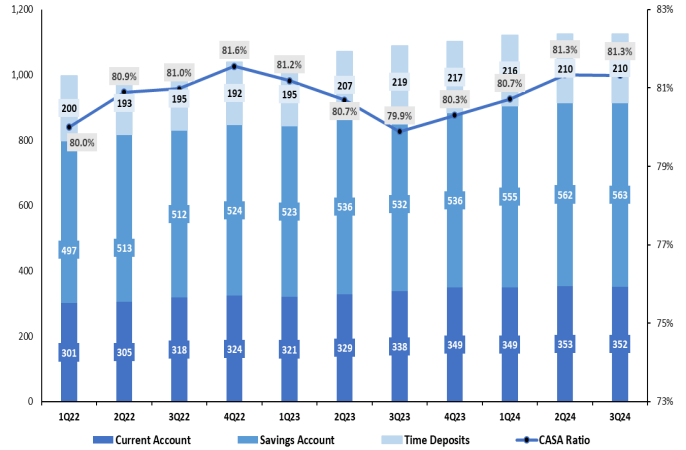
Source: Company, NHKSI Research

Fig 3. Loan Segmentation Breakdown (In %)



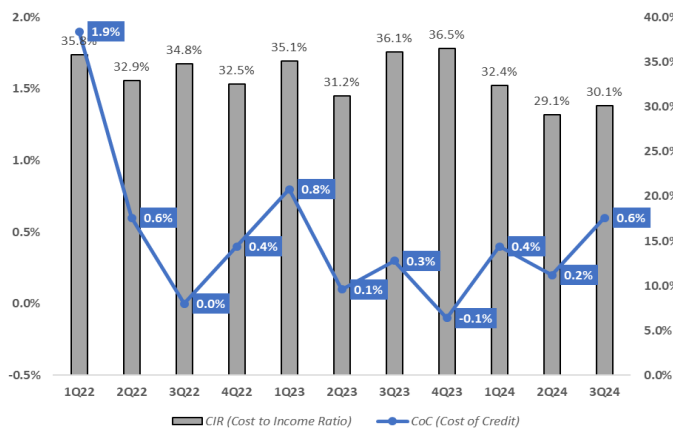
Source: Company, NHKSI Research

Fig 4. Third Party Fund Composition (IDR Tn) & CASA Ratio (In %)



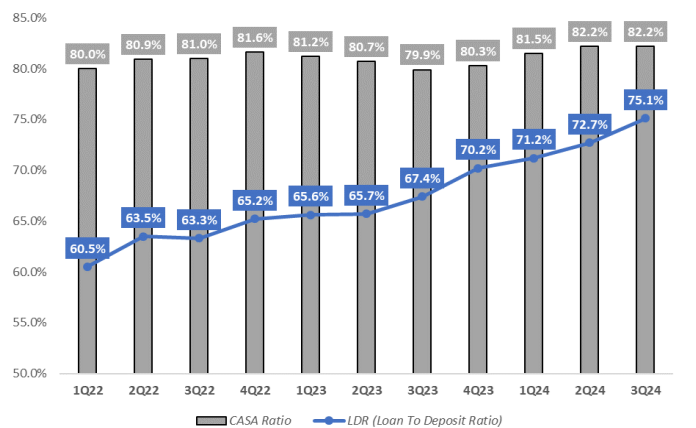
Source: Company, NHKSI Research

Fig 5. Cost of Credit (CoC) and CIR (Cost To Income Ratio) (Bank Only)



Source: Company, NHKSI Research

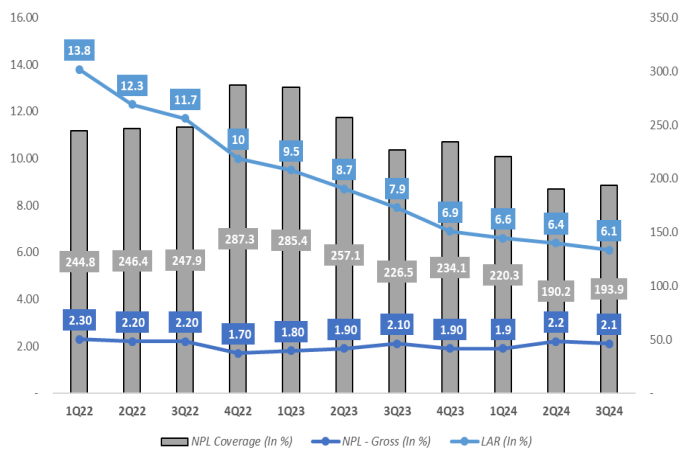
Fig 6. CASA Ratio vs Loan To Deposit (LDR) Ratio (In % & Bank Only)



Source: Company, NHKSI Research

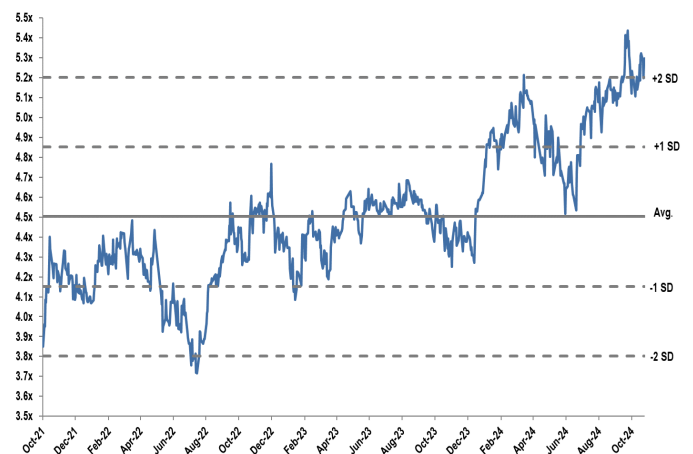
Performance Highlight for BBKA

Fig 7. Asset Quality (In %)



Source: Company, NHKSI Research

Fig 8. BBKA F-PBV (x) | Latest 3 Years



Source: Company, NHKSI Research

Summary of Financials

INCOME STATEMENT

(IDR bn)	2023/12A	2024/12F	2025/1F	2026/12F
Interest Income	87,398	97,400	106,383	114,255
Growth (% y/y)	21.0%	34.8%	9.2%	7.4%
Interest Expenses	12,269	12,482	12,939	13,411
Net Interest Income	75,282	84,918	93,444	100,845
Net Interest Margin	5.7%	5.7%	5.4%	5.3%
Net Fee Income	16,652	21,012	22,683	23,928
Trading Income	1,735	2,679	2,392	2,765
Other Operating Income	5,769	6,369	6,775	7,059
Operating Revenue	99,286	114,977	125,294	134,598
Operating Expenses	(36,871)	(43,415)	(46,950)	(50,588)
Pre-provisioning OP	62,415	71,562	78,344	84,009
Provision for Impairment	(2,263)	(5,744)	(4,319)	(4,217)
EBT	60,180	65,818	74,024	79,792
Income Tax	(11,522)	(12,603)	(14,197)	(15,286)
Non-controlling Interest	(19)	(10)	(15)	(16)
Net Profit	48,639	53,205	59,813	64,490
Growth (% y/y)	19.4%	9.4%	12.4%	7.8%

BALANCE SHEET

(IDR bn)	2023/12A	2024/12F	2025/1F	2026/12F
Cash	21,702	17,065	23,830	24,193
Placement in Banks	103,434	123,055	118,477	111,200
Net Loans	767,740	871,955	985,429	1,111,506
Investment	421,272	383,558	368,337	357,975
Fixed Asset	28,390	29,775	31,523	33,409
Other Assets	65,570	81,000	91,732	103,874
Total Assets	1,408,107	1,506,407	1,619,327	1,742,156
Deposits	1,111,933	1,196,964	1,273,666	1,352,707
Debt	2,807	2,403	3,038	3,226
Other liabilities	43,940	56,212	63,897	71,431
Total Liabilities	1,165,569	1,255,578	1,340,601	1,427,364
Capital Stock & APIC	1,541	1,541	1,541	1,541
Retained Earnings	222,957	230,009	256,525	291,076
Shareholders' Equity	242,538	250,828	278,726	314,793

CASH FLOW STATEMENT

(IDR bn)	2023/12A	2024/12F	2025/1F	2026/12F
Operating Cash Flow	100,389	136,751	88,361	89,822
Investing Cash Flow	(177,128)	(227,178)	(157,018)	(170,265)
Financing Cash Flow	44,986	85,791	75,422	80,806
Net Changes in Cash	(36,752)	(4,637)	6,765	363

Source: Company Data, Bloomberg, NHKSI Research

PROFITABILITY & STABILITY

	2023/12A	2024/12F	2025/1F	2026/12F
ROE	21.0%	21.6%	22.6%	21.7%
ROA	3.6%	3.7%	3.8%	3.8%
Non-Int. Inc. /Op. Rev	24.3%	26.1%	25.4%	25.1%
Cost/Income	37.1%	37.8%	37.5%	37.6%
Cash Dividend (IDR bn)	33,269	26,602	29,906	32,245
Dividend Yield (%)	2.5%	1.8%	1.8%	1.9%
Payout Ratio (%)	68.4%	50.0%	50.0%	50.0%
Loan/Deposits	72.8%	77.0%	81.5%	86.2%
Loan/Assets	56.9%	60.2%	63.0%	65.8%
NPL	1.77%	1.82%	1.76%	1.64%
Loan Loss Res./Loan	4.2%	3.8%	3.4%	3.0%
CASA/Deposits	80.9%	81.9%	82.8%	83.5%
Time Deposits/Deposits	19.1%	18.1%	17.2%	16.5%
Par Value (IDR)	63	63	63	63
Total Shares (mn)	123,275	123,275	123,275	123,275
Share Price (IDR)	10,700	11,750	13,200	13,700
Market Cap (IDR tn)	1,319.0	1,448.5	1,627.2	1,688.9

VALUATION INDEX

	2023/12A	2024/12F	2025/1F	2026/12F
Price /Earnings	27.1x	27.2x	27.2x	26.2x
Price /Book Value	5.4x	5.8x	5.8x	5.4x
Price/Op. Revenue	13.3x	12.6x	13.0x	12.5x
PE/EPS Growth	1.4x	2.9x	2.2x	3.3x
EV/Operating Revenue	13.1x	12.5x	12.8x	12.4x
EV/PPOP	20.8x	20.0x	20.5x	19.9x
EV (IDR bn)	1,300,330	1,434,010	1,606,656	1,668,145
Op. Rev. CAGR (3-Yr)	11.7%	15.2%	16.9%	15.4%
EPS CAGR (3-Yr)	19.4%	25.2%	23.9%	16.5%
Basic EPS (IDR)	395	432	485	523
Diluted EPS (IDR)	395	432	485	523
BVPS (IDR)	1,967	2,035	2,261	2,554
Op. Revenue PS (IDR)	805	933	1,016	1,092
DPS (IDR)	270	216	243	262

OWNERSHIP

By Geography	% Shareholders	%
Indonesia	69.90 Dwimuria Investama A.	54.94
United States	14.91 FMR LLC.	2.56
Luxembourg	3.29 Vanguard Group Inc.	2.13
Others	11.90 Others	40.37

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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