

# Bank Central Asia Tbk (BBCA)

Company Focus

September 6, 2018

## Maintains sound asset quality

**Back ground.** Bank BCA is the prominent and positioning as the largest transaction bank in Indonesia. The positioning is buoyed by its nearly 18mn interconnected customer accounts which benefited by the multichannel platform. The company is continuing to enhance the digital services platform to complete the widespread of its ATM and branch network which will support its ability to raise the low cost third party fund. The company has 12% share of the total national deposit and 10% of the total national loan.

**Stable and decent earning power.** We overweight the company amid the modest loan growth and slightly hawkish tone in the monetary policy. The loan growth is moderate but slightly above the national average growth (10%yoy) which will provide the decent ppop and earnings growth. Lower credit cost and the improvement in the asset quality is expected would reduce the impact of the margin compression.

**Solid asset quality.** The company recorded a sizeable provisioning for the risk of the down grade assets quality as reflected in the loan loss reserve ratio at 187.8%. The company is also able to manage its loan risk at the low level as reflected in its NPL at 1,4% or 10bps lower than last year at 1,5%. The NPL is the lowest compares to its peers. Despite the higher policy rate, on the other side the central bank also has relaxed the loan to value (LTV) to give a room for the higher property loan. This could be a little bit a positive catalyst for the property and consumer loan. The solid CAR (>22%) and low LFR (<80%) would provide the capacity to increase the loan growth according to its risk appetite framework despite have an ample room to absorb the deterioration of the asset quality.

**Expecting 14%yoy of loan expansion.** The company recorded 14.2%yoy growth of its loan in 1H to IDR433.2tn while we expect the loan could be expanded by 14%yoy this year. The loan mix is balance as about 28% of the loan came from consumer loan, 35% from commercial and small medium enterprise while 37% is made up from corporate loan. The NIM is expected to be contained at 6% for this year while in the 1H, the company posted the NIM at 6.2%. The net profit has improved to IDR11.4tn or up by 8.4%yoy in the 1H or represent 43% of our full year estimation at IDR26.3tn.

**Risk.** The higher interest rate, slower GDP and loan growth couples with the unanticipated deterioration in the loan quality that could slash down the earning estimation.

**Valuation.** We drive our TP at IDR26,500 based on GGM which implying the PBV at 4.3 and 3.6 for 2018F and 2019F respectively.

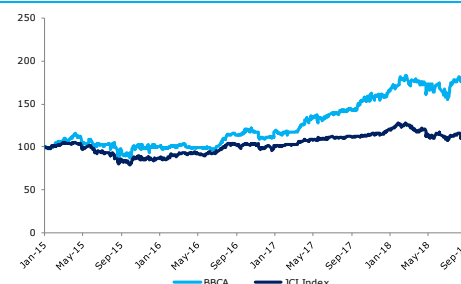
Year to Dec.	NII	OP	Pre-tax	NP	EPS	Growth	BVPS	PER	PBR	ROAE	CAR
	(bn IDR)	(bn IDR)	(bn IDR)	(bn IDR)	(IDR)	(%)	(IDR)	(x)	(x)	(%)	(%)
2015	35,869	22,657	22,657	18,036	740	9%	3,678.4	19.4	3.6	22%	19%
2016	40,079	25,594	25,839	20,632	847	14%	4,626.1	18.0	3.4	20%	22%
2017	41,826	29,403	29,159	23,321	957	13%	5,393.0	18.3	3.5	19%	24%
2018F	46,218	33,054	32,906	26,319	1,080	13%	6,399.7	19.6	3.7	18%	24%
2019F	50,445	36,452	36,423	29,131	1,196	11%	7,372.8	22.1	3.2	17%	25%

Source: Company, Shinhan Sekuritas Indonesia

## Overweight

Current Price (IDR) (31/7)	24.000
<b>Target price (IDR)</b>	26.500
Upside/Downside (%)	10,4%
52 Week High (IDR)	25.475
52 Week Low (IDR)	18.675
<b>Major Shareholders:</b>	
PT Dwimuria Investama	54,94%
Andalan	

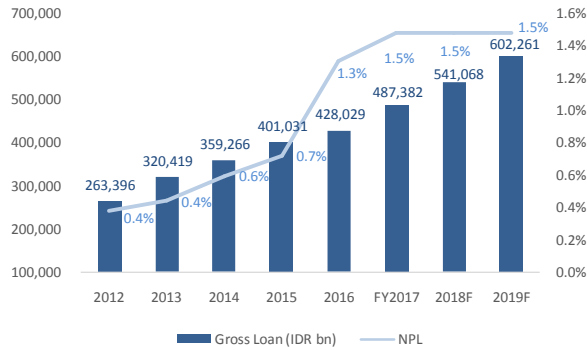
## Stock Price Movement



Source: Bloomberg, Shinhan Sekuritas Indonesia

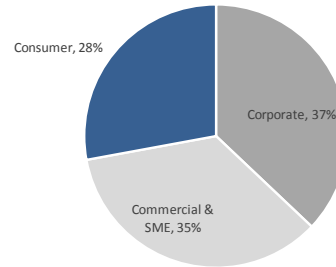
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### Loan expansion with satisfactory risk



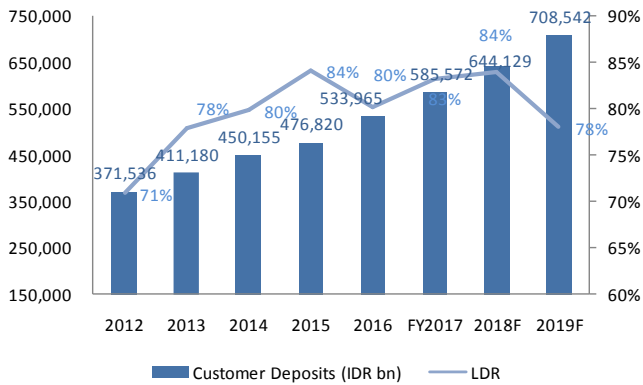
Source: Company, Shinhan Sekuritas Indonesia Estimates

### Well diversify of loan portfolio



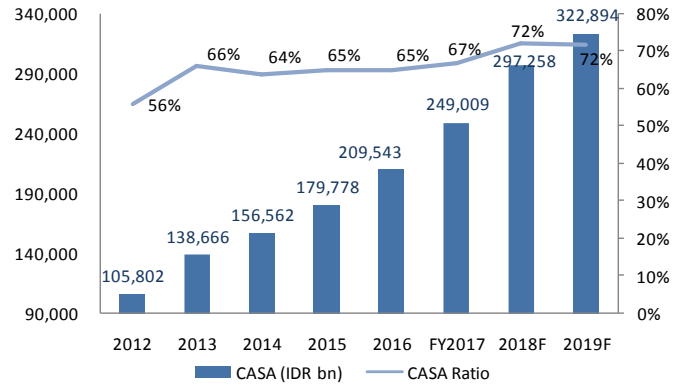
Source: Company, Shinhan Sekuritas Indonesia Estimates

### Strong liquidity position



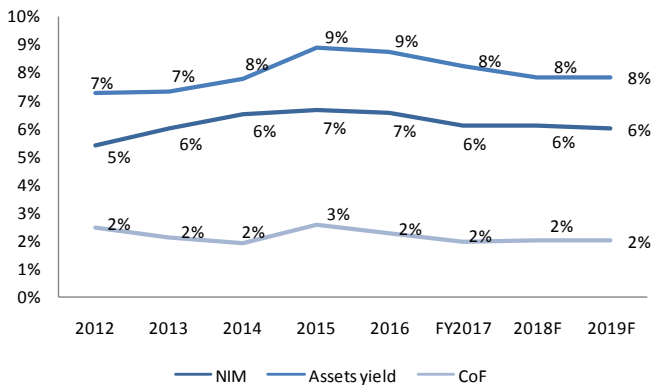
Source: Company, Shinhan Sekuritas Indonesia Estimates

### Dominated by low cost of fund (CASA ratio at 72%)



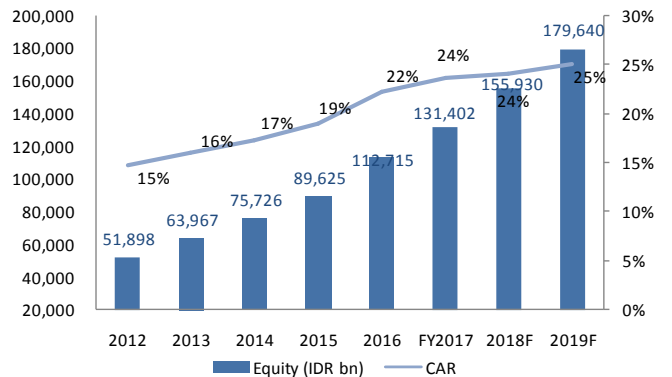
Source: Company, Shinhan Sekuritas Indonesia Estimates

### Manageable NIM



Source: Company, Shinhan Sekuritas Indonesia Estimates

### Well capitalized with the strong CAR



Source: Company, Shinhan Sekuritas Indonesia Estimates

## Balance Sheet

Year-end 31 Dec (IDRbn)	2016	2017	2018F	2019F
Cash	60,367	60,227	73,522	84,843
Inter-banking Assets	50,377	37,322	51,289	50,962
Short-Term Investments	86,882	113,321	115,587	132,658
Loan gross	428,029	487,382	541,068	602,261
Allowance for Losses	(12,850)	(13,688)	(14,029)	(16,110)
Net Loans	415,179	473,694	527,040	586,150
Net Fixed Assets	16,991	16,869	20,370	21,848
Other Assets	46,943	48,887	50,913	55,295
<b>Total Assets</b>	<b>676,739</b>	<b>750,320</b>	<b>838,721</b>	<b>931,756</b>
Customer Deposits	533,965	585,572	644,129	708,542
ST Borrowings & Repos	9,215	8,967	10,760	12,912
Long-Term Borrowings	1,064	593	1,563	1,499
Other Liabilities	19,780	23,787	26,338	29,164
<b>Total Liabilities</b>	<b>564,024</b>	<b>618,918</b>	<b>682,791</b>	<b>752,117</b>
<b>Minority Interest</b>	<b>282</b>	<b>98</b>	<b>3,571</b>	<b>3,975</b>
<b>Shareholders' Equity</b>	<b>112,715</b>	<b>131,402</b>	<b>155,930</b>	<b>179,640</b>
<b>Total Liabilities &amp; Equity</b>	<b>676,739</b>	<b>750,320</b>	<b>838,721</b>	<b>931,756</b>

Source: Company, Shinhan Sekuritas Indonesia Estimates

## Income Statement

Year-end 31 Dec (IDRbn)	2016	2017	2018F	2019F
Interest Income	50,426	53,768	59,366	64,926
Interest Expense	(10,347)	(11,941)	(13,149)	(14,481)
<b>Net Interest Income</b>	<b>40,079</b>	<b>41,826</b>	<b>46,218</b>	<b>50,445</b>
Other Operating Income	13,704	14,960	16,629	18,221
<b>Net Revenue</b>	<b>53,783</b>	<b>56,787</b>	<b>62,847</b>	<b>68,667</b>
Provision for loan losses	(4,807)	(2,191)	(2,081)	(1,731)
<b>Net Revenue after provision</b>	<b>48,976</b>	<b>54,596</b>	<b>60,766</b>	<b>66,935</b>
Non-interest expense	(23,383)	(25,192)	(27,712)	(30,483)
<b>Operating Income</b>	<b>25,594</b>	<b>29,403</b>	<b>33,054</b>	<b>36,452</b>
Net Non-Operating Losses (Gains)	(246)	244	(148)	(30)
<b>Income before tax</b>	<b>25,839</b>	<b>29,159</b>	<b>32,906</b>	<b>36,423</b>
Tax	(5,207)	(5,838)	(6,588)	(7,292)
<b>Net Income</b>	<b>20,632</b>	<b>23,321</b>	<b>26,319</b>	<b>29,131</b>

Source: Company, Shinhan Sekuritas Indonesia Estimates

## Key Ratio

Year-end 31 Dec (%)	2016	2017	2018F	2019F
<b>Growth</b>				
Assets	14%	11%	12%	11%
Loans	9%	17%	14%	14%
Customer Deposits	12%	10%	10%	10%
Net Interest Income	12%	4%	10%	9%
PPOP	12%	6%	11%	9%
Net Income	14%	13%	13%	11%
<b>Profitability</b>				
Asset Yield	8%	8%	8%	8%
Cost of Fund	2%	2%	2%	2%
Net Interest Margin	7%	6%	6%	6%
ROAA	3%	3%	3%	3%
ROAE	20%	19%	18%	17%
Cost Efficiency Ratio	43%	44%	44%	44%
<b>Liquidity</b>				
LDR	80%	83%	84%	78%
CASA Ratio	65%	67%	72%	72%
<b>Capital</b>				
CAR - without market risk	26%	28%	28%	29%
CAR - considering market risk	22%	24%	24%	25%
<b>Assets Quality</b>				
NPL	1.3%	1.5%	1.5%	1.5%
Coverage Ratio	229%	191%	175%	180%

Source: Company, Shinhan Sekuritas Indonesia Estimates

Dupont	2016	2017	2018F	2019F
Net Interest Income	8%	8%	7%	7%
Net Revenue	8%	8%	8%	8%
Net Revenue after provision	8%	8%	8%	8%
Operating Income	4%	4%	4%	4%
Net Income	3%	3%	3%	3%
ROAA	3%	3%	3%	3%
Multiplier	6	6	6	5
<b>ROAE</b>	<b>20%</b>	<b>19%</b>	<b>18%</b>	<b>17%</b>

Source: Company, Shinhan Sekuritas Indonesia Estimates



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