

Bank Capital Indonesia Tbk (BACA)

Company Focus

Sep, 2021

Maintains asset quality and shifting portfolio to retail segment

Shifting the loan portfolio to retail segment. The company is aiming to shift its loan portfolio that currently dominated by corporate segment as of 90% to the retail segment with the target level of 60% while the corporate is expected to reduce to 40%. In 1H total loan was about Rp4.2tn or drop from Rp6.3tn at Dec, 2020. To achieve this target, the company has several initiatives to reach the retail segment, especially through its digital platform. The application currently is in the preparation and development stage. Bank Capital (BACA) is also focusing on developing new mobile banking and internet banking features, including opening online accounts, QRIS, payroll services and virtual accounts. The drop in the loan is caused by the economic factor during the pandemic that has dragging down the appetite of the corporate segment to make the additional loan. Most of the corporate is at the consolidating mode or at hold its expansion plan or maybe in the restructuring its financial burden.

Asset quality remains sound. The company was able to manage its asset quality at the low level or below the banking industry. The non performing loan at 1H'21 was zero or at 0,00011% while the banking sector's non-performing-loan hovered at 3.2%. The company strategy to manage the NPL is by implementing credit guarantee scheme. In one side this strategy could withhold the asset deterioration especially during the pandemic but the other side the credit guarantee scheme would reduce the profitability due to the lower interest income and higher provision expense.

However the special mention has been elevated. Despite the company is able to manage the non-performing-loan, however the credit risk could become the threat if the prolonged Covid-19 and social restriction would trigger the higher risk in corporate income which potentially disturb the asset quality. The special mention as a percentage of the total gross loan is at 50% in 1H21 or lower than Dec'21 at 60%. The flattening of the Covid-19 curve, relaxation of social restriction, higher people mobility is expected would bring the economy to grow as well as provide the room for the asset recovery.

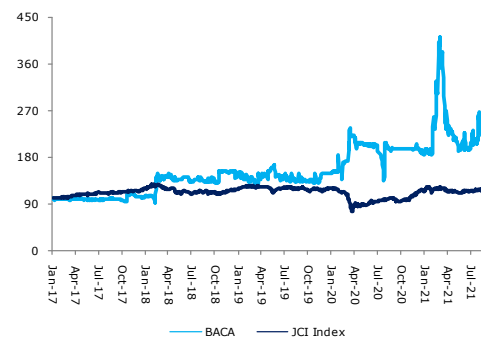
Well capitalized. The company manages the capital adequacy at the solid level or at 26.16%. This was as the result of the company's strategy to lower the credit risk exposure as reflected in the lower loan that implying the lower credit risk by -58%yoy in June to Rp5.25tn in 1H21 from Rp12.7tn. This could maintain the CAR at the adequate level. However changing economic situation, adverse economic that could weaken the borrower's capability repayment remains the risk ahead despite, we expect for the positive reopen economy as the positive supporting factor on the other side.

The lower profitability during covid-19. Interest income in the 1H21 by -40%to Rp460bn was caused by the drop of the loan amid the substantial business downturn that dragging down the demand for the new loan. On the other side the customer deposit keeps increase by 7% to Rp17.16tn that resulted in the higher interest expense by 37% to Rp699bn. This generated the negative interest income in 1H 21 to -Rp238.8bn. Even so, the company has compensated this negative interest income from other operating income that surged by 185%yoy to Rp474.4bn that resulted in the positive PPOP (pre-provision operating profit) at Rp166.1bn for the same period at previous year despite this achievement was lower than Rp173.7bn last year or (-4%yoy). At the bottom line the company posted the significant drop by -76%yoy to Rp11.6bn amid the higher operating and other non operating expenses.

Unrated

Current Price (IDR) (9/23)	372
Target price (IDR)	-
Upside/Downside (%)	-
52 Week High (IDR)	940
52 Week Low (IDR)	348
Major Shareholders:	
PT Inigo Global Capital	14.71%

Stock Price Movement

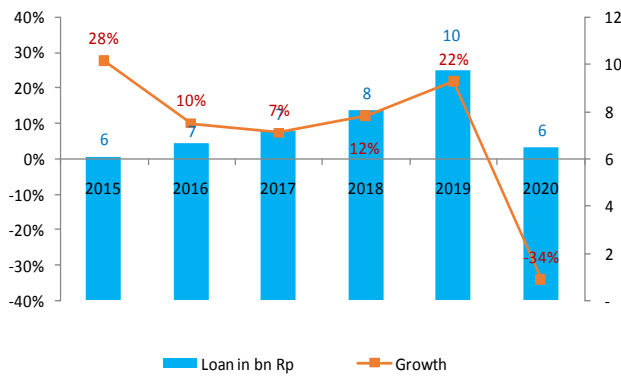


Source: Bloomberg, Shinhan Sekuritas Indonesia

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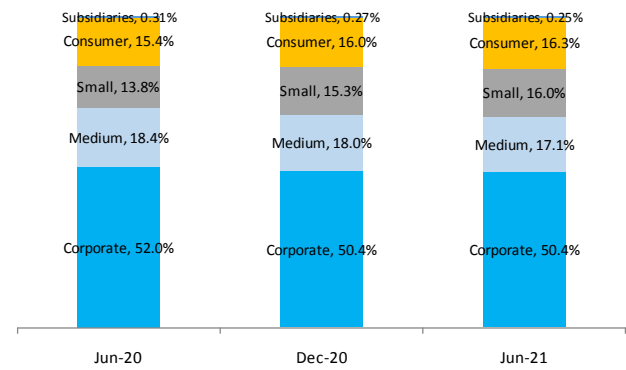
Valuation. The company is traded at 1.6x PBV or above its average PBV band at 1.28x. The digitalization and the company's plan to strengthen its capital structure through the right issue is one of the strategies to grow its business amid the challenges in the industry in the near future. If the transformation to be the digital bank is consistently applied as the new way, the valuation of the BACA compared to the other digital bank is far below the average digital bank. For example, ARTO is traded at 28xPBV, while AGRO is at 12.29x, followed by 7.89xPBV of BBYB, 4.08xPBV and AMAR at 2.21x. The reason of the higher PBV of digital bank compared to the conventional bank is based on the expectation of the ROA and ROE in the future that could be significantly above the conventional bank which still has to be proven ahead.

Loan in (IDR bn) and yoy growth



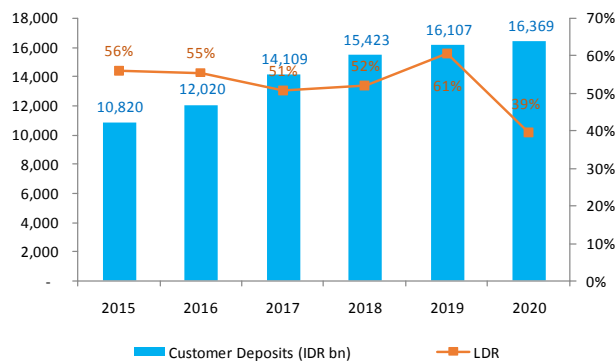
Source: Company, Shinhan Sekuritas Indonesia

Loan composition by segment



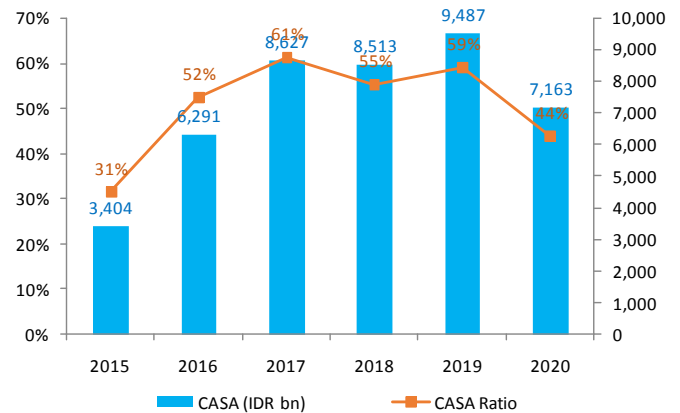
Source: Company, Shinhan Sekuritas Indonesia

Total customer deposit and LDR



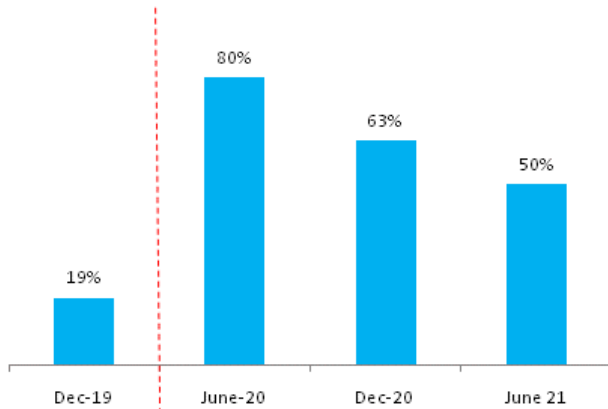
Source: Company, Shinhan Sekuritas Indonesia

CASA and its composition



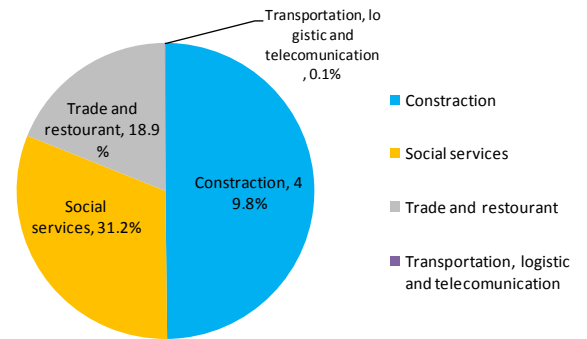
Source: Company, Shinhan Sekuritas Indonesia

Special mention as % of total loan



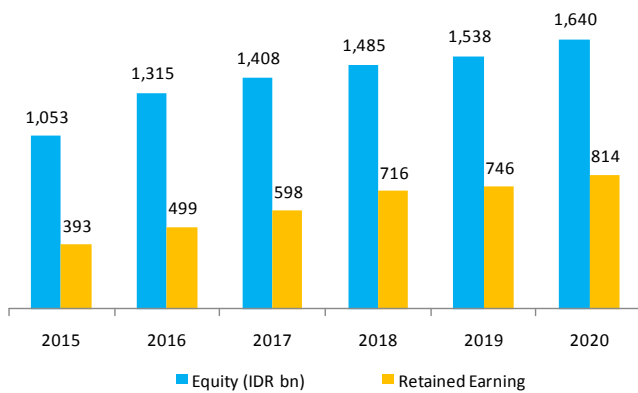
Source: Company, Shinhan Sekuritas Indonesia

Special mention loan composition by sector



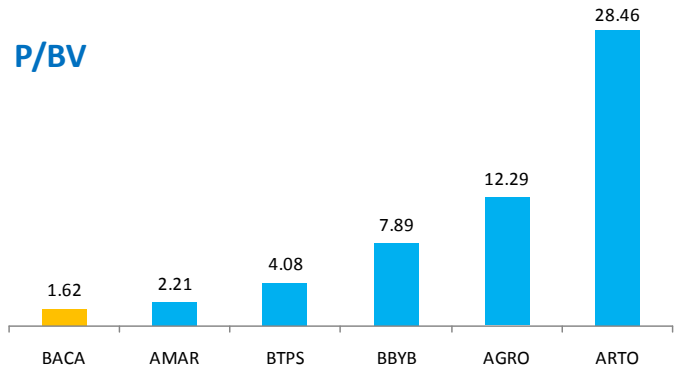
Source: Company, Shinhan Sekuritas Indonesia

Special mention as % of total loan



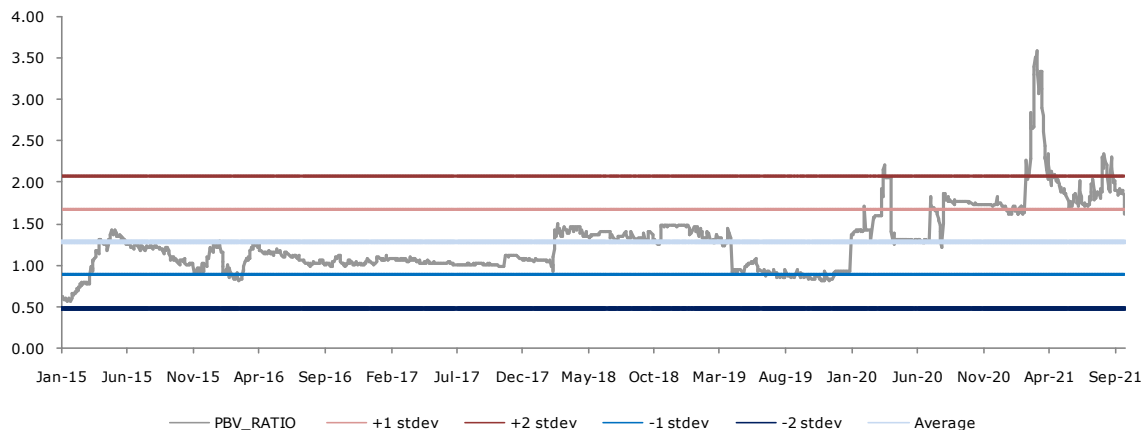
Source: Company, Shinhan Sekuritas Indonesia

PBV – Digital Bank in Indonesia



Source: Bloomberg, Shinhan Sekuritas Indonesia

BACA-PBV Band



Source: Bloomberg, Shinhan Sekuritas Indonesia

Balance Sheet

Year-end 31 Dec (Rp bn)	2016	2017	2018	2019	2020
Cash	1,107	1,179	1,314	1,397	743
Interbanking Assets	2,311	3,504	4,754	3,333	3,142
Short-Term & LT. Investments	3,739	4,082	3,218	3,780	1,605
Loan - gross	6,653	7,141	8,013	9,753	6,438
Allowance for Losses	16	25	40	164	56
Net Loans	6,637	7,115	7,973	9,589	6,382
Net Fixed Assets	319	328	553	571	614
Other Assets	94	141	207	290	7,738
Total Assets	14,207	16,349	18,020	18,960	20,224
Customer Deposits	12,020	14,109	15,423	16,107	16,369
ST Borrowings & Repos	362	7	280	493	1,282
Long-Term Borrowings	0	683	686	689	693
Other Liabilities	511	142	146	133	240
Total Liabilities	12,892	14,941	16,535	17,422	18,583
Minority Interest	0	0	0	0	0
Shareholders' Equity	1,315	1,408	1,485	1,538	1,640
Total Liabilities & Equity	14,207	16,349	18,020	18,960	20,224

Source: Company, Shinhan Sekuritas Indonesia

Income Statement

Year-end 31 Dec (Rp bn)	2016	2017	2018	2019	2020
Interest Income	1,238	1,290	1,362	1,513	1,150
Interest Expense	878	923	931	1,166	1,103
Net Interest Income	360	368	431	347	47
Other Operating Income	71	73	149	211	314
Net Revenue	431	441	580	558	361
Provision for loan losses	36	27	91	159	(104)
Net Revenue after provision	395	414	490	399	466
Non interest expense	262	291	332	366	384
Operating Income	133	123	158	33	82
Net Non-Operating Losses (Gains)	(7)	(9)	(15)	(9)	(3)
Income before tax	126	115	142	24	79
Tax	33	29	36	8	18
Net Income	93	86	107	16	61

Source: Company, Shinhan Sekuritas Indonesia

Key Ratio

Year-end 31 Dec (%)	2016	2017	2018	2019	2020
Growth					
Assets	17%	15%	10%	5%	7%
Loans	10%	7%	12%	22%	-34%
Customer Deposits	11%	17%	9%	4%	2%
Net Interest Income	25%	2%	17%	-19%	-86%
PPOP	42%	-12%	66%	-23%	-112%
Net Income	3%	-8%	24%	-85%	287%
Profitability					
Asset Yield	11%	11%	9%	10%	7%
Cost of Fund	7%	7%	6%	7%	6%
Net Interest Margin	3%	3%	3%	2%	0%
ROAA	1%	1%	1%	0%	0%
ROAE	8%	6%	7%	1%	4%
Operational Efficiency Ratio (OER)	90%	91%	90%	98%	94%
CIR	61%	66%	57%	66%	106%
Liquidity					
LDR	55%	51%	52%	61%	39%
CASA Ratio	52%	61%	55%	59%	44%
Capital					
CAR-Bank Only	19%	19%	19%	20%	17%
Assets Quality					
NPL	3.2%	2.5%	2.0%	2.3%	4.3%
Coverage Ratio	0%	0%	0%	1%	0%

Source: Company, Shinhan Sekuritas Indonesia

Dupont (as % of average assets)	2016	2017	2018	2019	2020
Net Interest Income	3%	2%	3%	2%	0%
Net Revenue	3%	3%	3%	3%	2%
Net Revenue after provision	3%	3%	3%	2%	2%
Operating Income	1%	1%	1%	0%	0%
Net Income	1%	1%	1%	0%	0%
ROAA	1%	1%	1%	0%	0%
multiplier	11	11	12	12	12
ROAE	8%	6%	7%	1%	4%

Source: Company, Shinhan Sekuritas Indonesia



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