

# Bank Central Asia Tbk (BBCA)

Company Focus

Jan 22, 2021

## Manage the asset quality business and strengthening the digital services

**Background.** Bank BCA as the second largest bank in Indonesia in term of asset but it remains the largest transactional bank in Indonesia. The company also has a 12% share of the total national deposit and 10% of the total national loan. The company continuing strengthens its digital services during the pandemic and become the new behavior adopted by the client. The first in history, the company recorded the highest mobile banking and internet banking transaction value that outpaced the branch transaction value in the 1H of 2020. The transaction value through the mobile banking and internet contributes 47.4% of the total transaction while through the branch was 45.3%. The composition of transaction through the mobile and internet has been increased further to 48.3%.

**Customer deposit increases and the liquidity were abundant.** This was driven by the behavioral factor during the pandemic, as most of the people decide to increase their saving and postpone their spending as well as their loan for the precautionary reason. This is reflected in the third party fund that grows by 14.3%yoy to IDR780.67bn in the first nine month in 2020. CASA (current account saving account) as the source of low cost fund picks up by 16%yoy to IDR 596.55tn. The ample liquidity was also seen in the loan to deposit ratio that declined by 930bps to 85.45% from 94.4% in the beginning of 2020.

**Credit risk increase but remains contain at 3.2%.** The total liquidity at risk (LAR) in the nine month 2020 spiked by 366.5%ytd to IDR 105.5tn from IDR24.7tn in the beginning of 2020. This was driven by the increase of special mentioned by 11.2%ytd to IDR12.9tn and the non-performing loan that spike by 39.8%ytd to IDR11tn. The restructure loan during the pandemic has reached IDR90.7tn on which IDR81.6tn stemmed from current loan. This made the portion of the LAR to total loan mounted to 18.5% in Sep 2020 from 4.3% in the previous year. The NPL coverage mounted to 243.5% from 163% as the anticipation for the deterioration of the credit risk. Based on the company projection by the end of 2020 the demand for the restructuring loan would go up to IDR107tn or about 29% of the total loan or representing 90.8k borrowers due to the covid impact.

**Flattish loan growth during covid.** The covid, social restriction has also bring down transaction as well as the loan that slightly declined by 0.3%yoy or (-3.6%) ytd to IDR581.5tn. The positive loan growth came from the corporate loan that increased by 8.6%yoy to IDR251.9tn or representing 24.3%of the total loan while the commercial and consumer loan decreased by -9.9%yoy and -10.5%yoy respectively. The commercial loan contributes 31.4% while the consumer responsible 43.3% of the total loan.

**Valuation.** The expectation of the gradual improvement of the confidence and the vaccination has reflected in the recovery and we calculate the fair value of BBCA at IDR 37,400 or representing the 3.9x PBV of 2021 and of of the PBV that trade at 3.9x and 3.5x PBV of 2021F and 2022F respectively.

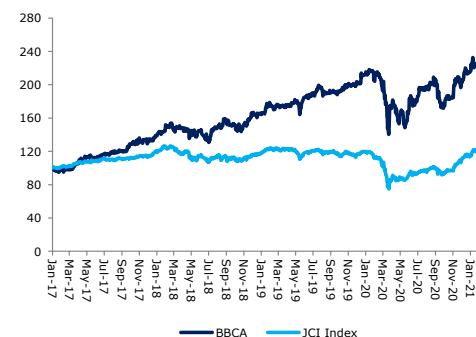
Year to Dec.	NII (bn IDR)	OP (bn IDR)	Pre-tax (bn IDR)	NP (bn IDR)	EPS (IDR)	Growth (%)	BVPS (IDR)	PER (x)	PBR (x)	ROAE (%)	CAR (%)
2017	41,826	29,403	29,159	23,321	957	13%	5,393	19.62	3.48	19%	24%
2018	45,291	34,421	32,706	25,852	1,061	11%	6,228	22.55	3.84	18%	24%
2019	50,477	37,775	36,289	28,570	1,173	11%	7,147	25.71	4.22	18%	25%
2020F	56,633	35,711	36,351	29,073	1,193	2%	8,295	28.37	4.08	15%	27%
2021F	60,261	39,844	40,612	32,482	1,333	12%	9,376	25.39	3.61	15%	29%

Source: Company, Shinhan Sekuritas Indonesia

## Overweight

Current Price (IDR) (1/22)	35,400
<b>Target price (IDR)</b>	<b>37,400</b>
Upside/Downside (%)	5.65%
52 Week High (IDR)	36,900
52 Week Low (IDR)	21,625
Major Shareholders:	
PT Dwimuria Investama Andalan	54.94%

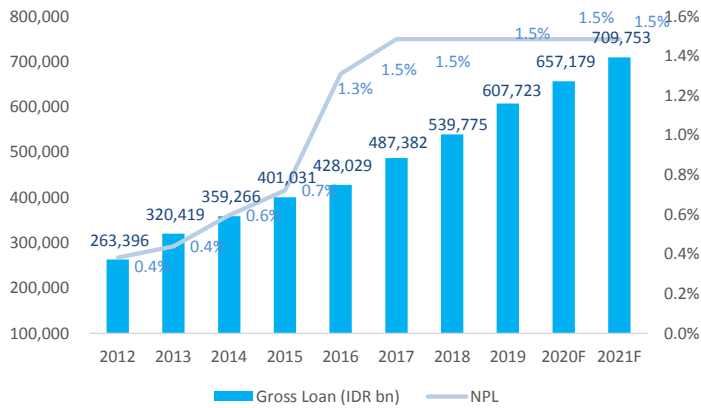
### Stock Price Movement



Source: Bloomberg, Shinhan Sekuritas Indonesia

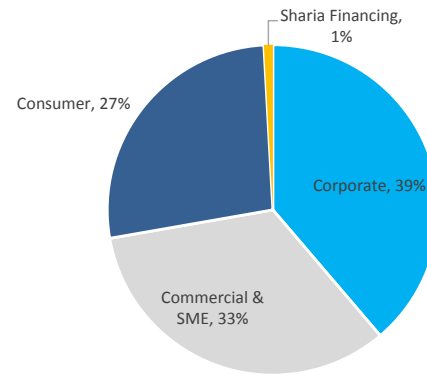
**Helmi Therik, FRM**  
**+6221 80869900**  
 helmi@shinhan.com

### Improving Revenue and manageable NPL



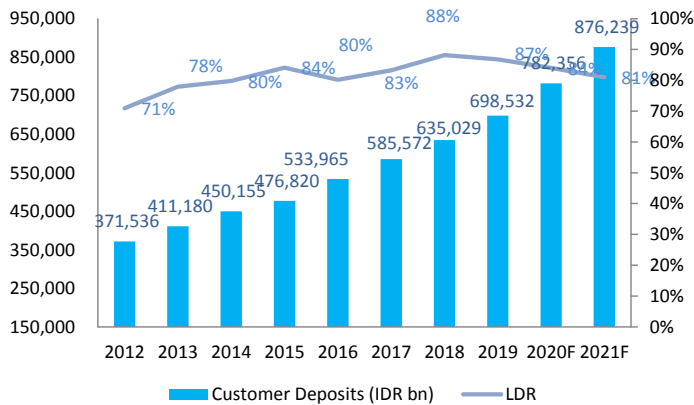
Source: Company, Shinhan Sekuritas Indonesia Estimates

### Revenue composition



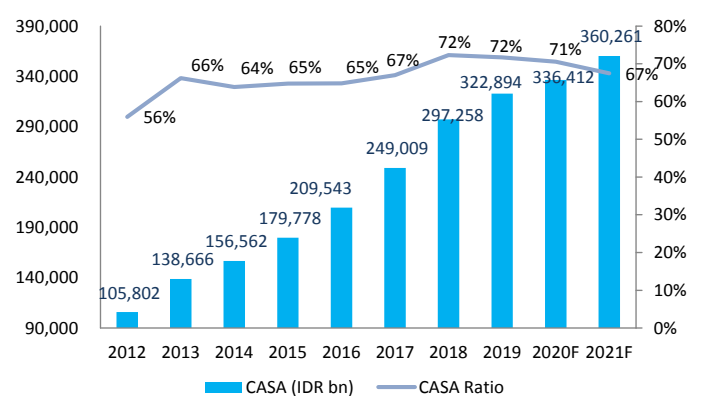
Source: Company, Shinhan Sekuritas Indonesia Estimates

### Liquidity ratio



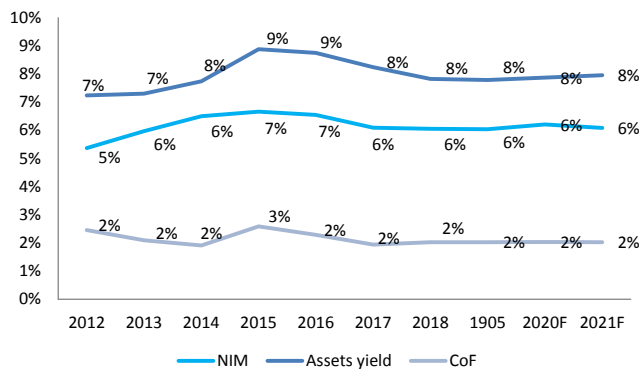
Source: Company, Shinhan Sekuritas Indonesia Estimates

### CASA and CASA Ratio



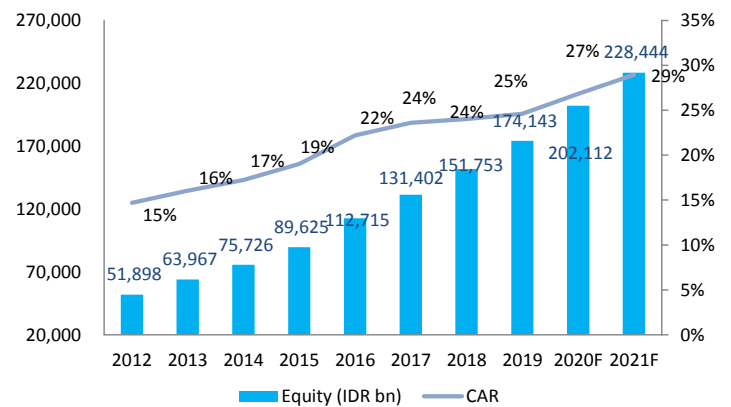
Source: Company, Shinhan Sekuritas Indonesia Estimates

### Asset yield, NIM and CoF



Source: Company, Shinhan Sekuritas Indonesia Estimates

### Equity and CAR



Source: Company, Shinhan Sekuritas Indonesia Estimates

### Balance Sheet

Year-end 31 Dec (IDR bn)	2018	2019	2020F	2021F
Cash	65,240	73,326	117,090	170,560
Inter-banking Assets	49,393	51,046	59,284	64,711
Short-Term Investments	114,922	148,893	163,448	187,008
Loan gross	559,755	611,652	657,179	709,753
Allowance for Losses	(14,012)	(15,528)	(18,533)	(26,077)
Net Loans	545,743	596,124	638,645	683,676
Net Fixed Assets	19,337	20,852	22,573	24,979
Other Assets	30,152	28,748	32,115	28,633
<b>Total Assets</b>	<b>824,788</b>	<b>918,989</b>	<b>1,033,155</b>	<b>1,159,566</b>
Customer Deposits	635,029	704,795	782,356	876,239
ST Borrowings & Repos	8,834	9,778	12,720	15,264
Long-Term Borrowings	731	1,339	1,067	957
Other Liabilities	28,441	28,934	34,900	38,662
<b>Total Liabilities</b>	<b>673,035</b>	<b>744,846</b>	<b>831,043</b>	<b>931,122</b>
Minority Interest	94	100	4,337	4,684
<b>Shareholders' Equity</b>	<b>151,753</b>	<b>174,143</b>	<b>202,112</b>	<b>228,444</b>
<b>Total Liabilities &amp; Equity</b>	<b>824,788</b>	<b>918,989</b>	<b>1,033,155</b>	<b>1,159,566</b>

Source: Company, Shinhan Sekuritas Indonesia Estimates

### Income Statement

Year-end 31 Dec (IDR bn)	2018	2019	2020F	2021F
Interest Income	56,767	63,838	72,568	78,113
Interest Expense	(11,476)	(13,360)	(15,934)	(17,851)
<b>Net Interest Income</b>	<b>45,291</b>	<b>50,477</b>	<b>56,633</b>	<b>60,261</b>
Other Operating Income	17,936	21,126	20,280	22,659
<b>Net Revenue</b>	<b>63,226</b>	<b>71,604</b>	<b>76,913</b>	<b>82,920</b>
Provision for loan losses	(2,953)	(4,738)	(7,544)	(5,378)
<b>Net Revenue after provision</b>	<b>60,273</b>	<b>66,865</b>	<b>69,369</b>	<b>77,542</b>
Non-interest expense	(25,852)	(29,090)	(33,659)	(37,698)
<b>Operating Income</b>	<b>34,421</b>	<b>37,775</b>	<b>35,711</b>	<b>39,844</b>
Net Non-Operating Losses (Gains)	1,715	1,486	640	768
<b>Income before tax</b>	<b>32,706</b>	<b>36,289</b>	<b>36,351</b>	<b>40,612</b>
Tax	(6,854)	(7,719)	(7,277)	(8,131)
<b>Net Income</b>	<b>25,852</b>	<b>28,570</b>	<b>29,073</b>	<b>32,482</b>

Source: Company, Shinhan Sekuritas Indonesia Estimates

### Key Ratio

Year-end 31 Dec (%)	2018	2019	2020F	2021F
<b>Growth</b>				
Assets	10%	11%	12%	12%
Loans	18%	12%	10%	11%
Customer Deposits	8%	11%	11%	12%
Net Interest Income	8%	11%	12%	6%
PPOP	11%	13%	7%	8%
Net Income	11%	11%	2%	12%
<b>Profitability</b>				
Asset Yield	8%	8%	8%	8%
Cost of Fund	2%	2%	2%	2%
Net Interest Margin	6%	6%	6%	6%
ROAA	3%	3%	3%	3%
ROAE	18%	18%	15%	15%
Cost Efficiency Ratio	41%	41%	44%	45%
<b>Liquidity</b>				
LDR	88%	87%	84%	81%
CASA Ratio	72%	72%	71%	67%
<b>Capital</b>				
CAR - without market risk	28%	29%	31%	34%
CAR - considering market risk	24%	25%	27%	29%
<b>Assets Quality</b>				
NPL	1.5%	1.5%	1.5%	1.5%
Coverage Ratio	182%	184%	190%	247%

Source: Company, Shinhan Sekuritas Indonesia Estimates

Dupont	2018	2019	2020F	2021F
Net Interest Income	7%	7%	7%	7%
Net Revenue	8%	8%	8%	8%
Net Revenue after provision	8%	8%	7%	7%
Operating Income	4%	4%	4%	4%
Net Income	3%	3%	3%	3%
ROAA	3%	3%	3%	3%
Multiplier	6	5	5	5
ROAE	18%	18%	15%	15%

Source: Company, Shinhan Sekuritas Indonesia Estimates



Research Team		
<b>Helmi Therik, FRM</b>	Head of Research	helmi@shinhan.com
<b>Billy Ibrahim Djaya</b>	Research Analyst	billy.ibrahim@shinhan.com
Office		
<b>PT. Shinhan Sekuritas Indonesia</b> Member of Indonesia Stock Exchange		
<b>Head Office :</b> International Finance Center 2 Floor. 30 Jl. Jendral Sudirman Kav. 22-23 Karet Jakarta 12920 Indonesia Telp.: (+62-21) 80869900 Fax : (+62-21) 22057925		

**Disclaimer :** All opinions and estimates included in this report constitute our judgments as of the date of this report and are subject to changes without notice. This information has been compiled from sources we believe to be reliable, but we do not hold ourselves responsible for its completeness or accuracy. It is not an offer to sell or solicitation of an offer to buy any securities. Clients should consider whether it is suitable for their particular circumstances before acting on any opinions and recommendations in this report. This report is distributed to our clients only, and any unauthorized use, duplication, or redistribution of this report is prohibited.