PT Bank Central Asia Tbk (BBCA IJ)

Banking Sector

Accelerated Loan Growth Drove Earnings, yet In-line with Our Estimate

HOLD

Target Price : IDR7,900

Stock Data

Current Price	:	IDR7,350
52Wk Range (H-L)	:	IDR5,960-8,200
Share Outstanding	:	123.28 bn
Free Float	:	45.06%
Mkt Capitalization (IDR Tn)	:	906.07

Major Shareholders

Dwimuria Investama Andalan	:	54.94%
Public	:	45.06%

2Q22 performance was in-line with our expectation

BBCA booked a net profit of IDR9.99tn in 2Q22 (+23.8% QoQ/+34.6% YoY) in 2Q22. The jump in bank's bottom line was driven by improving net interest income (+5.6% QoQ) and significantly lower provisioning expense (-67.7% QoQ). Net interest income growth was driven by loan growth (+6.0% QoQ/+13.8% YoY), whereas risk adjusted NIM rose by +140 QoQ bps on the back of CoC decline (-130 bps QoQ). Lower non-interest income (-12.1% QoQ) was largely driven by the decline in trading and other income (-48.0% QoQ). However fee and commissions still manage a +5.4% QoQ growth along with the increase in loan and transaction value amidst the implementation of BI-Fast. On the other hand, provisioning expense drop along with better asset quality as NPL becoming more normalized while LaR continued to show a downtrend. Cumulatively, BBCA booked a net profit of IDR18.05tn, in-line with our & consensus estimate implying 50.3%/49.9% run rate of FY22E bottom line.

Loan growth outpaced TPF increase

BBCA managed to record a double digit loan growth on an yearly basis (+13.8% YoY), outpacing TPF growth of (+12.9% YoY) as of Jun-22. Loan grew across the board, particularly in corporate segments (+8.1% QoQ/+19.1% YoY), along with improving economic activities. Furthermore, commercial & SME loan also increased by +4.6% QoQ/+10.9% YoY, whereas consumers loan booking +3.7% QoQ/+7.6% YoY largely driven by its mortgage business that grew +3.5% QoQ/+8.5% YoY.

In spite of TPF growth was outpaced by loan growth, CASA grew by +17.3% YoY and bringing CASA ratio to hit 80.9% as of Jun-22. Over a decade, BBCA successfully to record a CASA growth of 12% CAGR. However, despite the increasing CASA ratio, CoF has reached the bottom in our view, worth noting that BI decided to adjust monetary policy through raising banking reserves requirement to 9% by Sep-22. In our calculation, this should absorb banking liquidity by IDR234-315tn. In addition we also foreseeing that domestic CB to raise interest rate soon following the increase in inflation and lower interest rate differential to FFR that depreciate IDR.

BBCA's LDR improved and stood at 66.8% in Jun-22 (vs 63.9% in Mar-22 and 66.3% in Jun-21). Such figure reflecting that BBCA's liquidity remain to support >10% loan growth FY22E, in our view.

Asset quality continued to improve

A more normalized NPL at 2.2% as of Jun-22 coupled with lowering SML at 2.0% in Jun-22 (vs 2.8% in Jun-21) was a sign of improvement in bank's asset quality. Furthermore, LaR, which we see as the more conservative view on banking loan quality also improved significantly. Note that last Jun-21, BBCA's LaR stood at 19.1% and have reached the peak (vs 12.3% in Jun-22). Despite improving asset quality, BBCA maintain ample coverage which we see as a prudent risk management strategy. Under this circumstance, we believe BBCA could achieve 0.8-1.0% CoC, that would support its bottom line performance for FY22E.

HOLD with TP at IDR7,900/share

We maintain our HOLD call for BBCA with TP at IDR7,900/share (+7,5% potential upside) and implying 4.5/4.2x FY22E/FY23E P/B. Key upsides include : 1) ample liquidity to support loan growth and 2) low cost funding strategy. Key downsides : 1) outflows from heavy weight stock on JCI during Fed's tightening cycle; 2) deteriorating asset quality.

Key Financial Highlight

Financial Projections	FY20	FY21	FY22F	FY23F
Net Interest Income (IDR Bn)	54,161	56,136	60,419	65,301
Net Profit (IDR Bn)	27,131	31,423	35,865	39,005
EPS (IDR)	220	255	291	316
BVS (IDR)	1,498	1,645	1,753	1,860
P/E (x)	33.4	28.8	25.3	23.3
P/B (x)	4.9	4.5	4.2	4.1
ROAE (%)	15.1%	16.2%	17.1%	17.5%
ROAA (%)	2.7%	2.7%	2.8%	2.8%

Sources : Bloomberg, MNCS

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Exhibit 01. BBCA 1H22 performance is in line with our projection

Income Statement (IDR Bn)	1Q22	2Q22	QoQ	1H21	1H22	YoY	FY22E	Run Rate
Net Interest Income	14,483	15,291	5.6%	28,278	29,774	5.3%	60,419	49.28%
Non Interest Income	5,920	5,203	-12.1%	10,210	11,123	8.9%	23,242	47.86%
Operating Income	20,403	20,494	0.4%	38,488	40,897	6.3%	83,661	48.88%
Operating Expense	(7,722)	(7,331)	-5.1%	(14,224)	(15,053)	5.8%	(32,126)	46.86%
PPOP	12,681	13,163	3.8%	24,264	25,844	6.5%	51,535	50.15%
Provision Expense	(2,818)	(909)	-67.7%	(6,546)	(3,727)	-43.1%	(6,780)	54.97%
Attributable Net Profit	8,064	9,985	23.8%	14,456	18,049	24.9%	35,865	50.32%

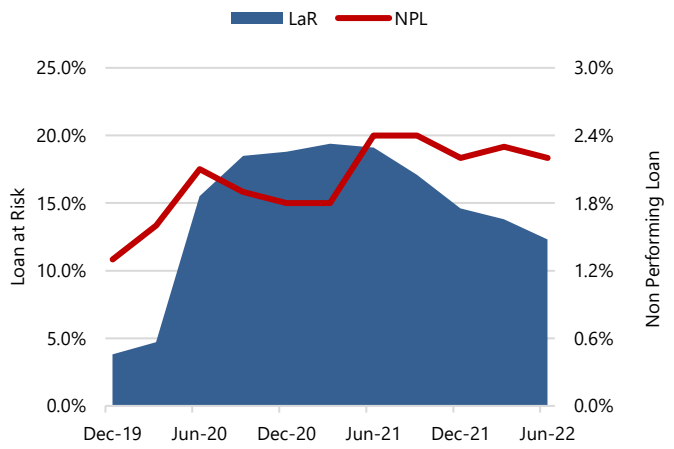
Sources : BBCA Financial Statement, MNCS Research

Exhibit 02. BBCA loan growth driven by corporate segment

Loan Segments	Value (IDR bn)		Proportion to O/S		YoY
	1H21	1H22	1H21	1H22	
Corporate	260,446	310,232	44%	46%	19.1%
Commercial & SME	182,787	197,549	31%	29%	8.1%
Consumer	144,440	160,508	24%	24%	11.1%
Sharia Financing	5,912	7,073	1%	1%	19.6%
Total Outstanding	593,585	675,362	100%	100%	13.8%

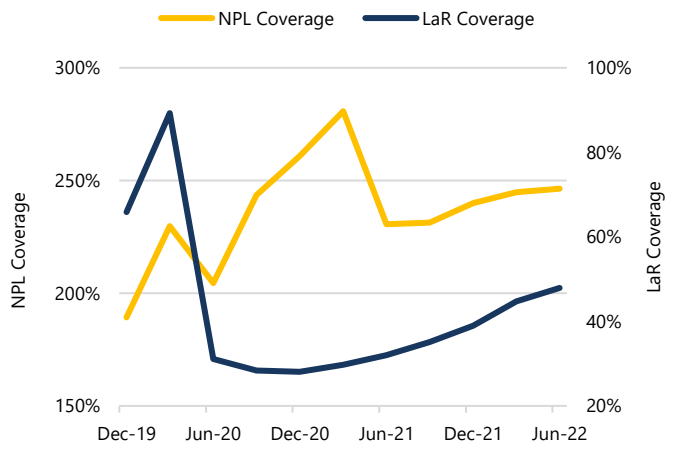
Sources : BBCA Financial Statement, MNCS Research

Exhibit 03. BBCA LaR & NPL Trend



Sources : BBCA Financial Statement, MNCS Research

Exhibit 04. BBCA LaR & NPL Coverage



Sources : BBCA Financial Statement, MNCS Research

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Exhibit 05. BBCA Financial Projection

Income Statement (IDR bn)	FY20	FY21	FY22E	FY23E
Interest Income	65,403	65,627	71,559	79,825
Interest Expense	(11,242)	(9,491)	(11,139)	(14,524)
Net Interest Income	**54,161**	**56,136**	**60,419**	**65,301**
Net Fee Income	13,160	14,680	15,077	16,398
Other Operating Income	7,844	7,658	8,164	8,835
Opex	(29,969)	(30,308)	(32,126)	(34,403)
PPOP	**45,420**	**48,165**	**51,535**	**56,131**
Provision	(11,628)	(9,324)	(6,780)	(7,458)
PBT	33,792	38,841	44,755	48,673
Tax	(6,421)	(7,401)	(8,870)	(9,646)
Net Income	**27,131**	**31,423**	**35,865**	**39,005**

Balance Sheet (IDR bn)	FY20	FY21	FY22E	FY23E
CA with BI	27,482	65,785	96,932	105,423
CA & Placement	59,423	98,754	66,971	75,521
Securities & Government Bond	339,372	371,297	416,853	438,556
Loans	547,644	589,814	657,411	725,999
Other IEA	32,286	33,634	35,536	37,372
IEA	**1,006,208**	**1,159,284**	**1,273,703**	**1,382,871**
Non IEA	47,447	46,891	47,654	48,110
Fixed Assets	21,915	22,169	23,740	24,796
Total Assets	**1,075,570**	**1,228,345**	**1,345,096**	**1,455,777**
CA	228,985	284,594	322,546	350,769
SA	413,161	480,000	537,577	584,615
TD	192,138	204,013	215,031	233,846
Sharia	1,152	1,620	1,863	2,143
Cutomer Deposit	**835,435**	**970,227**	**1,077,017**	**1,171,372**
Deposit from other Banks	10,163	10,017	8,966	9,715
Securities & Borrowing	2,398	1,958	2,124	2,041
Other IBL	4,539	6,776	5,641	5,664
IBL	**852,536**	**988,979**	**1,093,747**	**1,188,793**
Non IBL	38,320	36,517	35,288	37,670
Total Liabilities	**890,856**	**1,025,496**	**1,129,035**	**1,226,463**
Paid & Add Capital	7,090	7,090	7,090	7,090
Retained Earnings	160,540	179,580	192,769	205,050
Others	17,085	16,179	16,202	17,174
Shareholder Equity	**184,715**	**202,849**	**216,061**	**229,313**
Total Liabilities & Equity	**1,075,570**	**1,228,345**	**1,345,096**	**1,455,777**

Financial Ratios	FY20	FY21	FY22E	FY23E
IEA Yields	6.5%	5.7%	5.6%	5.8%
CoF	1.3%	1.0%	1.0%	1.2%
NIM	5.8%	5.2%	5.1%	5.2%
CIR	39.9%	38.6%	38.4%	38.0%
ROAA	2.7%	2.7%	2.8%	2.8%
ROA	2.5%	2.6%	2.7%	2.7%
ROAE	15.1%	16.2%	17.1%	17.5%
ROE	14.7%	15.5%	16.6%	17.0%
LDR	65.6%	60.9%	60.8%	62.1%
Gross NPL	1.8%	2.2%	2.1%	2.0%
CoC	2.0%	1.5%	1.0%	1.0%

Sources : BBCA Financial Statement, MNCS

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MNC Research Industry Ratings Guidance

OVERWEIGHT: Stock's total return is estimated to be above the average total return of our industry coverage universe over next 6-12 months

NEUTRAL: Stock's total return is estimated to be in line with the average total return of our industry coverage universe over next 6-12 months

UNDERWEIGHT: Stock's total return is estimated to be below the average total return of our industry coverage universe over next 6-12 months

MNC Research Investment Ratings Guidance

BUY : Share price may exceed 10% over the next 12 months

HOLD : Share price may fall within the range of +/- 10% of the next 12 months

SELL : Share price may fall by more than 10% over the next 12 months

Not Rated : Stock is not within regular research coverage

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