



BUY

Target Price : IDR9,900

Stock Data

Current Price	:	IDR8,700
52Wk Range (H-L)	:	IDR7,000-9,300
Share Outstanding	:	123.28 bn
Free Float	:	45.06%
Mkt Capitalization (IDR Tn)	:	1,072.49

Major Shareholders

Dwimuria Investama Andalan	:	54.94%
Public	:	45.06%

PT Bank Central Asia Tbk (BBCA IJ)

Banking Sector

Upgrading to BUY on the possibility of margin expansion

Quarterly earnings still expanding...

BBCA 4Q22 net income increased +8.0% QoQ to IDR11.78tn. Opex growth (+6.8% QoQ) and jumping provisioning expense (+218.5% QoQ) could still be offset by NIM expansion (+50 bps QoQ) as CASA hit 81.6%. Lower CoF driven by TD contraction (-1.7% QoQ), while CASA remained growing at +2.1% QoQ. In addition, with a loan growth of +4.3% QoQ amidst rising interest rate has bolstered NII to increase by +10.6% QoQ.

...actual FY22 solid results came above market expectation...

BBCA reported a FY22 net income of IDR40.74tn (+29.6% YoY) implying +105% consensus estimate. PPOP grew +13.4% YoY to IDR54.97tn largely driven by: 1) double digit loan growth (+11.7% YoY); 2) lower CoF (-20 bps YoY); 3) asset quality improvement (NPL -50 bps YoY/LaR -460 bps YoY) as well as 4) manageable CIR (-100 bps YoY). Strong loan growth which came slightly above industry (+11.4% YoY) came after broad based loan increase (corporate +12.5% YoY/commercial & SME +10.1% YoY/consumer +11.7% YoY/sharia financing +21.3% YoY). Interestingly, in spite of BI-Fast roll-out, BBCA's fee & commissions income expanded +13.0% YoY as bank successfully managed to increase transaction volume.

Outlook : low LDR & high CASA to lead NIM expansion going forward

Despite having a double digit loan and moderating funding expansion, BBCA's liquidity remaining ample with LDR stood at 67.4%, far below peers average which already hit above 80%. Note that since Covid-19 crisis, BBCA is flooded with liquidity primarily coming from low-cost fund. Management has said to focus on liquidity utilization, yet in our view, improving LDR to vis a vis to industry peers is still long way to go. Even after taking into account the upper management guidance for loan growth of +12% FY23F, the bank's LDR would still around 70-72%. However, on the other hand, the excess liquidity could still have a positive impact as we expect CASA ratio to remain elevated to at least 82.5% FY23F. Furthermore, BBCA's strong growth was fueled by low-risk segment. The possible continuation of asset quality improvement will also favor BBCA to have a manageable CoC. The likelihood for CoC to be brought back to pre-pandemic level is quite high in our view. As such, management guidance for NIM to be at 5.7-5.8% for FY23F looks conservative. We expect BBCA's NIM to hit 5.9%/6.1% FY23F/FY24F and bringing risk adjusted NIM to >5%. Such scenario would result in +14.6%/+10.0% FY23F/FY24F EPS growth.

Sizeable dividend to be a positive catalyst for the stock price

With the bank's bottom line jumping to an all-time-high record and management promise to continue increase DPR, investors may keep an eye on dividend payment policy. Note that BBCA has already disbursed interim dividend of IDR35/share in Nov-22. Historically, BBCA's DPR more than double from only 27.0% in FY17 to 56.9% FY21. The increase in DPR amidst a record high of profit would cast a positive catalyst for BBCA's stock price at least in 1Q23.

Upgrading to BUY with TP of IDR9,900/share

We upgraded rating for BBCA from HOLD to BUY with the new TP of IDR9,900 (vs IDR9,000/share previously) implying +13.8% potential upside and 4.9x/4.5x FY23F/FY24F P/B. We employed the DDM to derive at BBCA's fair value using risk free rate at 7.09% and terminal growth rate at 7%. Key downside risks : 1) higher CoC due to weakening asset quality and 2) stock heavy weight on JCI as well as exposure to foreign fund flows during uncertain economic condition and volatile market. Key upsides to our call : 1) the success to deliver higher NIM; 2) better liquidity utilization and manageable CoF during the possibility of higher for longer monetary policy.

Key Financial Highlight

Financial Projections	FY20	FY21	FY22	FY23F	FY24F
Net Interest Income (IDR bn)	54,161	56,136	63,990	73,342	81,096
Net Income (IDR bn)	27,131	31,423	40,736	46,681	51,362
EPS (IDR)	220	255	330	379	417
BVS (IDR)	1,498	1,645	1,794	2,010	2,179
P/E (X)	39.5	34.1	26.3	23.0	20.9
P/B (X)	5.8	5.3	4.8	4.3	4.0
ROAE (%)	15.1%	16.2%	19.2%	19.9%	19.9%
ROAA (%)	2.7%	2.7%	3.2%	3.4%	3.5%

Sources : Bloomberg, MNCS Research



Research Analyst

Tirta Citradi

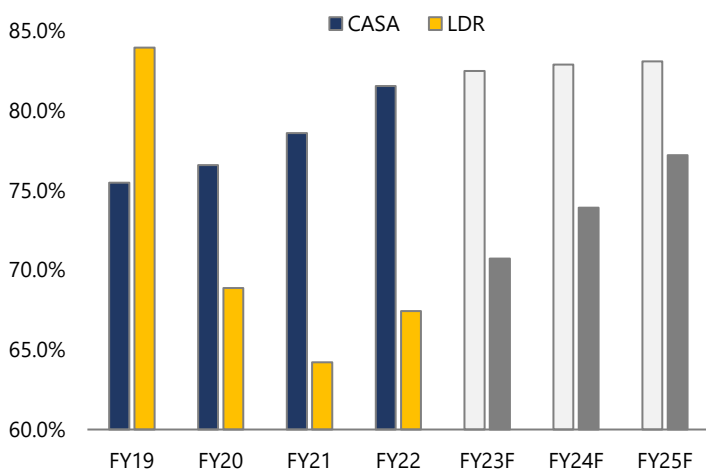
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Exhibit 1. Net income jumped +29.6% YoY beating consensus estimate

(IDR billion)	FY-20	FY-21	FY-22	YoY	1Q-22	2Q-22	3Q-22	4Q-22	QoQ
Operating Income	74,757	77,897	86,817	11.5%	20,402	20,494	21,859	24,061	10.1%
Net Interest Income	54,547	56,471	64,143	13.6%	14,483	15,291	16,319	18,051	10.6%
Non Interest Income	20,210	21,427	22,673	5.8%	5,920	5,203	5,540	6,011	8.5%
Fees and Commissions	13,161	14,680	16,584	13.0%	3,977	4,194	4,146	4,267	2.9%
Trading Income	3,917	2,437	1,134	-53.5%	614	(164)	300	383	27.5%
Others	3,132	4,310	4,956	15.0%	1,328	1,174	1,094	1,360	24.3%
Operating Expenses	29,337	29,434	31,851	8.2%	7,722	7,331	8,123	8,675	6.8%
Manpower	13,350	13,487	13,651	1.2%	3,907	3,290	3,510	2,946	-16.1%
General & Administrative	15,987	15,947	18,200	14.1%	3,816	4,042	4,613	5,729	24.2%
PPOP	45,420	48,464	54,966	13.4%	12,680	13,163	13,737	15,386	12.0%
Provision	(11,599)	(9,324)	(4,527)	-51.5%	(2,818)	(909)	(191)	(609)	218.5%
Net Profit	27,131	31,423	40,736	29.6%	8,064	9,985	10,905	11,781	8.0%

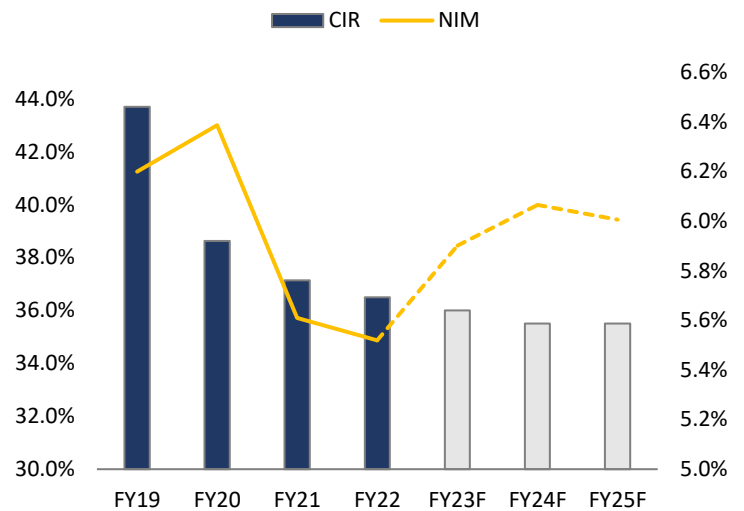
Sources : BBCA Financial Statement, MNCS Research

Exhibit 2. Ample liquidity & strong low-cost funding is positive for NIM



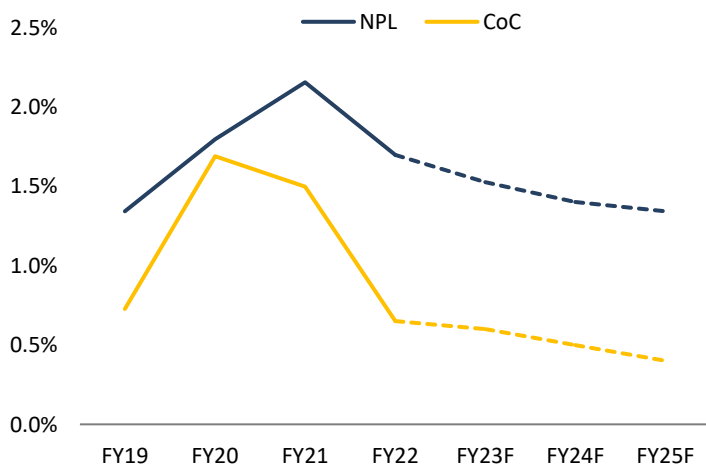
Sources : BBCA Financial Statement, MNCS Research

Exhibit 3. Possible lower CIR going forward



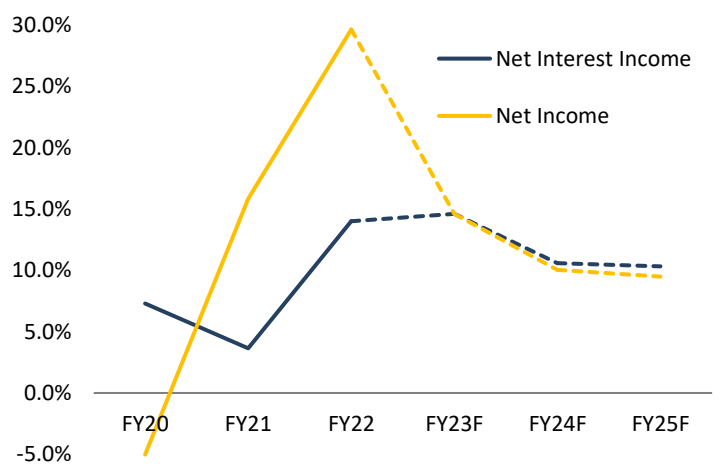
Sources : BBCA Financial Statement, MNCS Research

Exhibit 4. Expect asset quality improvement to continue



Sources : BBCA Financial Statement, MNCS Research

Exhibit 5. Expect double digit growth in top & bottom-line



Sources : BBCA Financial Statement, MNCS Research

Exhibit 6. BBCA's financial projection & key ratio

Income Statement (IDR bn)	FY20	FY21	FY22	FY23F	FY24F
Interest Income	65,403	65,627	72,241	82,470	90,844
Interest Expense	(11,242)	(9,491)	(8,252)	(9,128)	(9,748)
Net Interest Income	54,161	56,136	63,990	73,342	81,096
Net Fee Income	13,160	14,680	16,584	17,608	17,663
Other Operating Income	7,844	7,658	6,903	7,486	7,473
Opex	(29,969)	(30,308)	(32,483)	(35,929)	(38,243)
PPOP	45,420	48,165	54,994	62,507	67,988
Provision	(11,628)	(9,324)	(4,527)	(4,670)	(4,352)
Income Before Tax	33,569	38,841	50,467	57,837	63,636
Tax	(6,421)	(7,401)	(9,711)	(11,130)	(12,246)
Net Income	27,131	31,423	40,736	46,681	51,362
Balance Sheet (IDR bn)	FY20	FY21	FY22	FY23F	FY24F
CA with BI	27,482	65,785	104,110	104,550	109,513
CA & Placement	59,423	98,754	36,129	58,944	63,313
Securities & Government Bond	339,372	371,297	402,860	391,970	393,317
Loans	547,644	589,814	660,989	743,491	834,500
Other IEA	32,286	33,634	38,761	38,002	37,535
IEA	1,006,208	1,159,284	1,242,849	1,336,957	1,438,177
Non IEA	47,447	46,891	47,173	52,062	52,882
Fixed Assets	21,915	22,169	24,709	25,945	26,983
Total Assets	1,075,570	1,228,345	1,314,732	1,414,964	1,518,042
CA	228,985	284,594	321,859	356,096	390,680
SA	413,161	480,000	522,458	551,835	585,517
TD	192,138	204,013	186,136	192,591	201,363
Customer Deposits	840,753	975,949	1,039,718	1,111,295	1,189,786
Deposit from other Banks	10,163	10,017	7,936	8,709	9,206
Securities & Borrowing	2,398	1,958	1,817	2,507	2,291
Other IBL	4,539	6,776	10,306	7,480	8,268
IBL	857,853	994,701	1,059,777	1,129,990	1,209,552
Non IBL	33,002	30,795	33,773	37,150	39,825
Total Liabilities	890,856	1,025,496	1,093,550	1,167,140	1,249,376
Paid & Add Capital	7,090	7,090	7,090	7,090	7,090
Retained Earnings	160,540	179,580	200,959	229,838	250,665
Others	17,085	16,179	13,133	10,896	10,911
Shareholder Equity	184,715	202,849	221,182	247,823	268,666
Total Liabilities & Equity	1,075,570	1,228,345	1,314,732	1,414,964	1,518,042
Key Ratio	FY20	FY21	FY22	FY23F	FY24F
IEA Yields	6.9%	5.9%	5.8%	6.2%	6.4%
CoF	1.4%	1.0%	0.8%	0.8%	0.8%
NIM	6.4%	5.6%	5.5%	5.9%	6.1%
CIR	38.6%	37.1%	36.5%	36.0%	35.5%
ROAA	2.7%	2.7%	3.2%	3.4%	3.5%
ROA	2.5%	2.6%	3.1%	3.3%	3.4%
ROAE	15.1%	16.2%	19.2%	19.9%	19.9%
ROE	14.7%	15.5%	18.4%	18.8%	19.1%
LDR	68.9%	64.2%	67.4%	70.7%	73.9%
Gross NPL	1.8%	2.2%	1.7%	1.5%	1.4%
CoC	1.7%	1.6%	0.7%	0.6%	0.5%

Sources : BBCA Financial Statement, MNCS Research

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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