

24 October 2024

Financial Services | Banks

## Bank Central Asia (BCA IJ)

**Buy** (Maintained)

### Strong Performances All Around; Keep BUY

- **Keep BUY and IDR12,060 TP, 13% upside with c.3% yield.** 3Q24's results were broadly in line with our and consensus' expectations. We think markets may be going through a volatile period and believe Bank Central Asia could offer investors a defensive option premised on its strong deposit franchise and solid borrower quality.
- **3Q24 results in line**, with net profit of IDR14.2trn (+1% QoQ, +16% YoY), which brings 9M24 PATMI to IDR41trn (+13% YoY) – at 77-76% of our and Street's full-year figures. 4Q opex tends to be seasonally higher, which could dampen bottomline. At bank level, 9M24 ROE stood at 24.7% (FY23: 23.5%) while capital adequacy ratio was still a solid 29.3% (1H24: 27.8%). On the back of robust loans growth, management raised its FY24 loans growth guidance to 10-12% from 8-10%.
- **Results highlights.** 3Q24 PPOP grew 6% QoQ (+21% YoY) with a strong performance in both NII (+5% QoQ, +10% YoY) and non-II (+9% QoQ, +8% YoY), slightly offset by 7% higher opex QoQ (-4% YoY). With a CIR of 30.4%, management is keeping its 33-34% FY24 guidance – this is as the bulk of IT investment costs will kick in in 4Q24. NIM continued to expand by 10bps QoQ (+30bps YoY) from better loan volume and asset mix. 3Q recorded a higher loan impairment charge, which led to slower 2% QoQ PBT growth vs PPOP.
- **Raised loan growth guidance.** 3Q loan growth remained strong at 3.2% QoQ (+14.5% YoY). All segments recorded double-digit YoY loan growth, with higher loan facility utilisation rates in the corporate segment and higher SME loan growth in regions outside of Java. YTD growth was 8.2%, and management is raising its full-year guidance to 10-12%, expecting more bookings for consumer loans in 4Q following the second round of its Expoversary (this began in September). Management assures that NIM would be stable despite the interest rate cuts, as 53% of its interest earnings assets are at a fixed rate, with only 26% and 21% at floating/managed and benchmark rates. While deposit growth is lagging – ie flat QoQ (+3% YoY) as CASA grew 5% YoY while time deposits contracted by 4% YoY (both flat QoQ) – group CASA mix rose to 82% while LDR stood at 75.1% (3Q23: 67.4%).
- **Asset quality stable.** BBKA's liquidity adequacy requirements (LAR) ratio eased further to 6.1% of total loans (3Q23: 7.9%), with LAR coverage rising to 73.5% (3Q23: 66.4%). Special mention loans (-4% QoQ, +13% YoY) and NPLs (-1% QoQ, +16% YoY) eased sequentially after a sharp rise YoY, attributed to downgrades of some textile, mortgage, SME, and commercial accounts.
- **No changes to earnings forecast and TP.** Our IDR12,060 TP, which includes a 4% ESG premium, is based on a GGM-derived 5x P/BV.

Target Price (Return): IDR12,060 (13.2%)  
 Price (Market Cap): IDR10,650 (USD84,014m)  
 ESG score: 3.2 (out of 4)  
 Avg Daily Turnover (IDR/USD) 695,468m/44.7m

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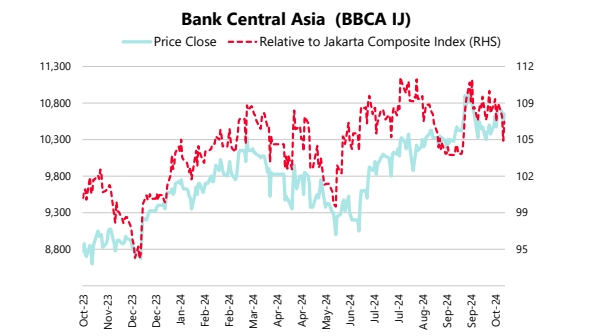


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#### Share Performance (%)

	YTD	1m	3m	6m	12m
Absolute	13.3	(2.7)	4.7	9.5	20.3
Relative	6.2	(2.9)	(1.8)	0.0	4.8
52-wk Price low/high (IDR)	8,600 – 10,950				



Source: Bloomberg

Forecasts and Valuation	Dec-22	Dec-23	Dec-24F	Dec-25F	Dec-26F
Reported net profit (IDRb)	40,736	48,639	53,544	57,679	61,981
Net profit growth (%)	29.6	19.4	10.1	7.7	7.5
Recurring net profit (IDRb)	40,736	48,639	53,544	57,679	61,981
Recurring EPS (IDR)	330.45	394.56	434.35	467.89	502.79
BVPS (IDR)	1,792.89	1,965.98	2,136.54	2,315.03	2,502.24
DPS (IDR)	205.00	270.00	295.00	320.00	342.00
Recurring P/E (x)	32.23	26.99	24.52	22.76	21.18
P/B (x)	5.94	5.42	4.98	4.60	4.26
Dividend Yield (%)	1.9	2.5	2.8	3.0	3.2
Return on average equity (%)	19.2	21.0	21.2	21.0	20.9

Source: Company data, RHB

#### Overall ESG Score: 3.2 (out of 4)

##### E: GOOD

BBKA has set out ESG policies for five sectors and begun integrating ESG risk assessments into financing for them. These are the palm oil, coal mining, toll road development, wood and forest products, as well as the cement and basic steel industry sectors. In 2023, sustainable business financing made up 25% of its total loans portfolio.

##### S: EXCELLENT

BBKA embraces gender diversity, with women making up 61% of the total workforce as well as managerial positions, and 16.7% of its board of directors. It is actively involved in financial literacy education, the provision of scholarships and gives assistance to schools.

##### G: EXCELLENT

It has not had any material data security or privacy issues over the past few years. BBKA actively provides education related to sustainability to stakeholders. Its board of directors comprises 12 directors, while the board of commissioners consists of a president commissioner, one commissioner, and three independent commissioners.

## Financial Exhibits

Asia	Financial summary (IDR)	Dec-22	Dec-23	Dec-24F	Dec-25F	Dec-26F
Indonesia	EPS	330.45	394.56	434.35	467.89	502.79
Financial Services	Recurring EPS	330.45	394.56	434.35	467.89	502.79
<b>Bank Central Asia</b>	DPS	205.00	270.00	295.00	320.00	342.00
BBCA IJ	BVPS	1,792.89	1,965.98	2,136.54	2,315.03	2,502.24
Buy						
	<b>Valuation metrics</b>	<b>Dec-22</b>	<b>Dec-23</b>	<b>Dec-24F</b>	<b>Dec-25F</b>	<b>Dec-26F</b>
<b>Valuation basis</b>	Recurring P/E (x)	32.23	26.99	24.52	22.76	21.18
GGM-derived intrinsic value with an ESG overlay. Key GGM assumptions:	P/B (x)	5.9	5.4	5.0	4.6	4.3
i. COE of 8.2%;	Dividend Yield (%)	1.9	2.5	2.8	3.0	3.2
ii. ROE of 21%;						
iii. Long-term growth of 5%.						
	<b>Income statement (IDRb)</b>	<b>Dec-22</b>	<b>Dec-23</b>	<b>Dec-24F</b>	<b>Dec-25F</b>	<b>Dec-26F</b>
<b>Key drivers</b>	Interest income	72,459	87,722	93,542	96,628	99,555
Our forecasts are most sensitive to changes in:	Interest expense	(8,315)	(12,353)	(12,258)	(9,469)	(6,163)
i. Credit costs;	<b>Net interest income</b>	<b>64,143</b>	<b>75,369</b>	<b>81,285</b>	<b>87,159</b>	<b>93,392</b>
ii. NIM;	Non interest income	22,673	23,911	25,290	26,828	28,460
iii. Volatility in trading and investment gains.	<b>Total operating income</b>	<b>86,817</b>	<b>99,280</b>	<b>106,574</b>	<b>113,987</b>	<b>121,852</b>
	Overheads	(31,851)	(36,675)	(37,408)	(39,508)	(41,735)
	<b>Pre-provision operating profit</b>	<b>54,966</b>	<b>62,605</b>	<b>69,166</b>	<b>74,479</b>	<b>80,117</b>
	Loan impairment allowances	(4,527)	(2,263)	(2,985)	(3,273)	(3,566)
	Other exceptional items	56	(325)	60	60	-
	<b>Pre-tax profit</b>	<b>50,467</b>	<b>60,180</b>	<b>66,212</b>	<b>71,236</b>	<b>76,551</b>
	Taxation	(9,711)	(11,522)	(12,646)	(13,535)	(14,545)
	Minority interests	(20)	(19)	(21)	(23)	(25)
	<b>Reported net profit</b>	<b>40,736</b>	<b>48,639</b>	<b>53,544</b>	<b>57,679</b>	<b>61,981</b>
	<b>Recurring net profit</b>	<b>40,736</b>	<b>48,639</b>	<b>53,544</b>	<b>57,679</b>	<b>61,981</b>
	<b>Profitability ratios</b>	<b>Dec-22</b>	<b>Dec-23</b>	<b>Dec-24F</b>	<b>Dec-25F</b>	<b>Dec-26F</b>
<b>Key risks</b>	Return on average assets (%)	3.2	3.6	3.7	3.6	3.6
Key downside risks are:	Return on average equity (%)	19.2	21.0	21.2	21.0	20.9
i. Macroeconomic headwinds from rising inflation and geopolitical tensions;	Return on IEAs (%)	5.9	6.7	6.6	6.3	6.0
ii. Hiccups in government stimulus programmes;	Cost of funds (%)	0.8	1.1	1.0	0.7	0.4
iii. Asset quality pressures.	Net interest spread (%)	5.1	5.6	5.6	5.6	5.6
	Net interest margin (%)	5.2	5.7	5.7	5.7	5.6
	Non-interest income / total income (%)	26.1	24.1	23.7	23.5	23.4
	Cost to income ratio (%)	36.7	36.9	35.1	34.7	34.3
	Credit cost (bps)	67.9	30.1	35.4	35.4	35.4
<b>Company Profile</b>						
BBCA is Indonesia's third-largest bank by assets and the leading consumer bank due to its unrivalled transactional banking franchise.						
	<b>Balance sheet (IDRb)</b>	<b>Dec-22</b>	<b>Dec-23</b>	<b>Dec-24F</b>	<b>Dec-25F</b>	<b>Dec-26F</b>
	Total gross loans	843,808	904,673	994,927	1,082,763	1,180,583
	Other interest earning assets	573,669	557,680	590,959	627,328	675,979
	Total gross IEAs	1,277,232	1,358,918	1,476,144	1,591,892	1,727,109
	Total provisions	(35,462)	(34,899)	(42,042)	(35,406)	(36,258)
	Net loans to customers	668,722	767,178	844,011	930,058	1,015,771
	Total net IEAs	1,241,769	1,324,019	1,434,101	1,556,487	1,690,851
	Total non-IEAs	72,962	84,088	85,591	90,412	95,367
	Total assets	1,314,732	1,408,107	1,519,692	1,646,899	1,786,218
	Customer deposits	1,039,718	1,101,673	1,188,785	1,290,039	1,399,946
	Other interest-bearing liabilities	53,832	63,897	67,351	71,290	77,605
	Total IBLs	1,093,550	1,165,569	1,256,136	1,361,329	1,477,551
	Total liabilities	1,093,550	1,165,569	1,256,136	1,361,329	1,477,551
	Share capital	7,090	7,090	7,090	7,090	7,090
	Shareholders' equity	221,019	242,356	263,383	285,385	308,464
	Minority interests	163	181	173	185	204
	<b>Asset quality and capital</b>	<b>Dec-22</b>	<b>Dec-23</b>	<b>Dec-24F</b>	<b>Dec-25F</b>	<b>Dec-26F</b>
	Reported NPLs / gross cust loans (%)	1.7	1.6	1.5	1.4	1.4
	Total provisions / reported NPLs (%)	279.5	259.9	252.9	252.8	237.7
	CET-1 ratio (%)	25.9	28.3	27.9	27.7	27.5
	Tier-1 ratio (%)	25.9	28.3	27.9	27.7	27.5
	Total capital ratio (%)	26.8	29.4	29.0	28.8	28.6

Source: Company data, RHB

## Results At a Glance

Figure 1: BBKA - summary of 3Q24 and 9MFY24 results

INCOME STATEMENT (IDRbn)	3Q23	2Q24	3Q24	QoQ	YoY	9M23	9M24	YoY	% of RHB	% of Cons.
Interest income	22,116	23,085	24,309	5.3%	9.9%	64,885	70,436	8.6%		
Interest expense	(3,313)	(2,983)	(3,173)	6.4%	-4.2%	(8,978)	(9,355)	4.2%		
<b>NII</b>	<b>18,803</b>	<b>20,103</b>	<b>21,136</b>	<b>5.1%</b>	<b>12.4%</b>	<b>55,907</b>	<b>61,081</b>	<b>9.3%</b>		
Non-II	6,105	6,030	6,561	8.8%	7.5%	18,271	18,998	4.0%		
<b>Total operating income</b>	<b>24,908</b>	<b>26,133</b>	<b>27,697</b>	<b>6.0%</b>	<b>11.2%</b>	<b>74,178</b>	<b>80,079</b>	<b>8.0%</b>		
Operating expense	(9,420)	(8,452)	(9,040)	7.0%	-4.0%	(27,020)	(26,837)	-0.7%		
<b>PPOP</b>	<b>15,488</b>	<b>17,681</b>	<b>18,657</b>	<b>5.5%</b>	<b>20.5%</b>	<b>47,158</b>	<b>53,242</b>	<b>12.9%</b>		
Provision expense	(410)	(381)	(961)	152.4%	134.7%	(2,292)	(2,367)	3.3%		
<b>Operating profit</b>	<b>15,078</b>	<b>17,300</b>	<b>17,696</b>	<b>2.3%</b>	<b>17.4%</b>	<b>44,867</b>	<b>50,875</b>	<b>13.4%</b>		
<b>Pre-tax profit</b>	<b>15,078</b>	<b>17,300</b>	<b>17,696</b>	<b>2.3%</b>	<b>17.4%</b>	<b>44,867</b>	<b>50,875</b>	<b>13.4%</b>		
<b>Net profit</b>	<b>12,230</b>	<b>13,997</b>	<b>14,198</b>	<b>1.4%</b>	<b>16.1%</b>	<b>36,420</b>	<b>41,074</b>	<b>12.8%</b>	<b>77%</b>	<b>76%</b>
<b>BALANCE SHEET (IDRbn)</b>	<b>3Q23</b>	<b>2Q24</b>	<b>3Q24</b>	<b>QoQ</b>	<b>YoY</b>					
Loan	765,905	849,694	877,110	3.2%	14.5%					
Deposit	1,088,773	1,125,133	1,125,582	0.0%	3.4%					
CASA	869,768	915,192	915,331	0.0%	5.2%					
Time deposits	219,005	209,940	210,251	0.1%	-4.0%					
<b>RATIOS</b>	<b>9M23</b>	<b>6Q24</b>	<b>9M24</b>							
ROAA	3.6%	3.8%	3.9%							
ROAE (%)	23.5%	24.8%	24.7%							
NIM (%)	5.5%	5.7%	5.8%							
CoC (%)	0.4%	0.2%	0.4%							
CASA (%)	79.9%	82.2%	82.2%							
LDR (%)	70.3%	75.5%	77.9%							
CIR (%)	33.6%	29.1%	30.4%							
NPL (%)	2.0%	2.2%	2.1%							
CAR (%)	29.5%	27.8%	29.3%							

Source: Company data, RHB

Figure 2: BBCA's guidance for FY24

	FY23 achieved	9M24 achieved	FY24F guidance	Comments
Loans growth	13.9%	14.5%	10-12% (from 8-10%)	YoY growth expected to slow down in 4Q24 given base effect. That said, with annualised loan growth at 11%, BBCA raised its guidance from the previous 8-10%
NIM	5.5%	5.8%	5.6-5.8%	Likely to end up at the higher end of its guided range.
Cost-to-income ratio (consolidated)	36.9%	30.4%	33-34%	Guidance unchanged as opex such as that relating to IT tends to pick up in 4Q.
Credit cost	0.3%	0.4%	0.3-0.4%	Quarterly fluctuations may not be representative of full year.

Source: Company data, RHB

## Valuation And TP

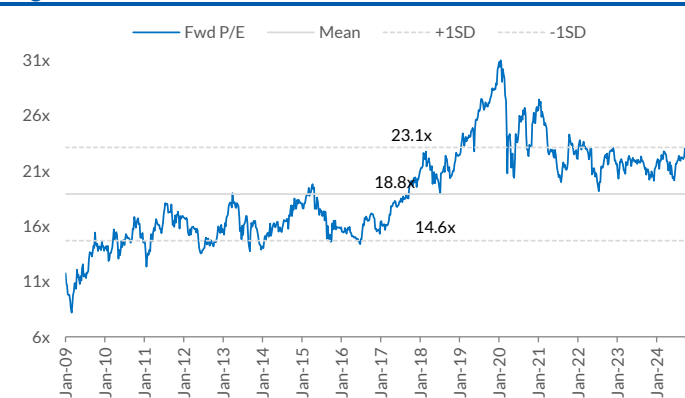
There is no change to our IDR12,060 TP. This is based on an intrinsic value of IDR11,593, which is derived from our GGM-based P/BV of 5x. Our TP includes an unchanged 4% ESG premium, given BBCA's ESG score of 3.2 (out of 4.0) vs the country median of 3.0.

Figure 3: BBCA – GGM valuation with ESG overlay

<b>Cost of equity (COE) computation:</b>		Sustainable ROE (%)	21.0
Risk free rate (%)	6.7	COE (%)	8.2
Equity premium (%)	1.3	Long-term growth (g)	5.0
Beta (x)	1.2	Implied P/BV (x)	5.0
Cost of equity - CAPM (%)	8.2	BVPS - FY25F	IDR2,315
		Intrinsic value	IDR11,593
<b>ESG premium/(discount) (%)</b>	4.0	ESG premium/(discount)	IDR464
		<b>TP (rounded)</b>	<b>IDR12,060</b>

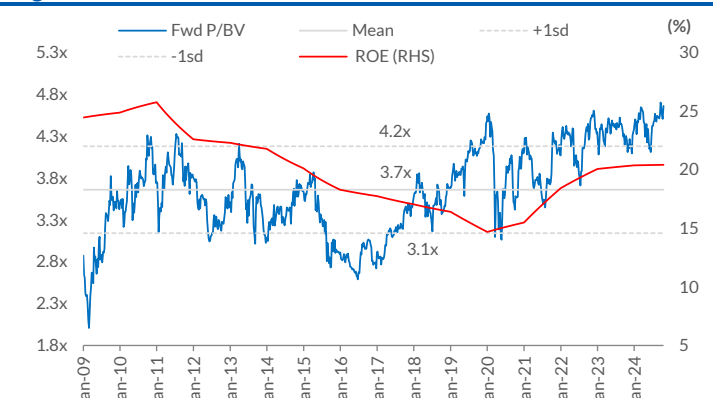
Source: Company data, RHB

Figure 4: BBCA's 12-month forward consensus P/E



Source: Bloomberg, RHB

Figure 5: BBCA's 12-month forward consensus P/BV



Source: Bloomberg, RHB

## Emissions And ESG

### Trend analysis

The increase in BBCA's total emissions reflects the broadening in calculation scope for various emissions over the years, ie the number of its branches and Scope 3 emissions.

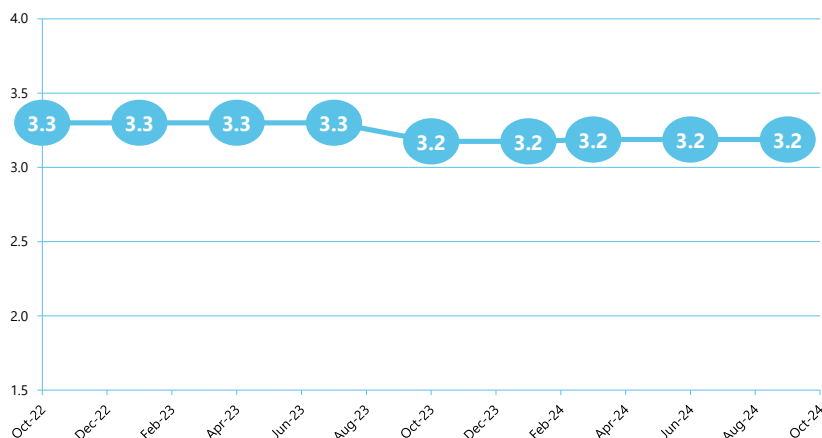
Emissions (tCO2e)	Dec-21	Dec-22	Dec-23
Scope 1	401	806	4,840
Scope 2	102,516	137,019	143,260
Scope 3	1,538	4,918	160,924
Total emissions	104,455	142,743	309,024

Source: Company data, RHB

## Latest ESG-Related Developments

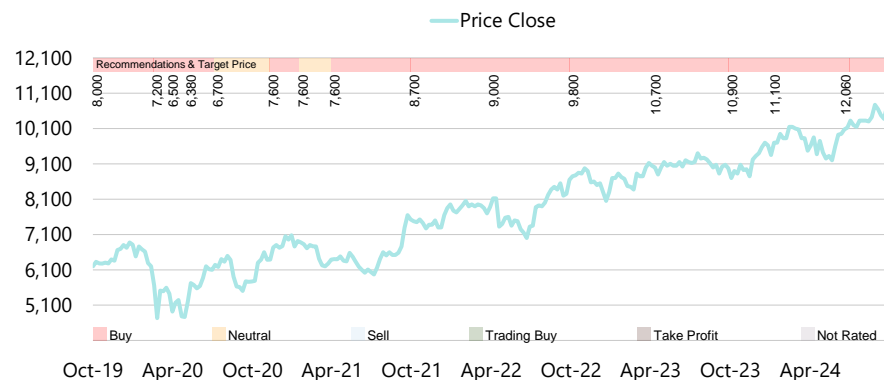
- **Developed Sustainable Finance Action Plan Phase 2 for 2024-2028, which includes three priority areas:** i) Continued sustainable financing growth, ii) internal capacity building, and iii) organisation-wide improvement in efficiency and effectiveness for the implementation of sustainable finance.
- **Expanding emission calculations:** BBCA intends to include greenhouse gas or GHG from investment activities by 2025.
- **Climate Resilience:** As part of its 2026-2030 roadmap, BBCA plans to develop a climate change risk management framework.

## ESG Rating History



Source: RHB

## Recommendation Chart



Source: RHB, Bloomberg

Date	Recommendation	Target Price	Price
2024-07-24	Buy	12,060	10,075
2024-04-05	Buy	11,100	9,825
2024-03-21	Buy	11,100	10,125
2024-01-25	Buy	11,100	9,500
2023-10-20	Buy	10,900	8,975
2023-04-27	Buy	10,700	9,150
2023-01-27	Buy	9,800	8,700
2022-10-21	Buy	9,800	8,650
2022-07-28	Buy	9,000	7,350
2022-04-22	Buy	9,000	7,875
2021-10-22	Buy	8,700	7,525
2021-04-23	Buy	7,600	6,390
2021-02-09	Neutral	7,600	6,980
2020-12-02	Buy	7,600	6,450
2020-07-28	Neutral	6,700	6,185

Source: RHB, Bloomberg

## RHB Guide to Investment Ratings

<b>Buy:</b>	Share price may exceed 10% over the next 12 months
<b>Trading Buy:</b>	Share price may exceed 15% over the next 3 months, however longer-term outlook remains uncertain
<b>Neutral:</b>	Share price may fall within the range of +/- 10% over the next 12 months
<b>Take Profit:</b>	Target price has been attained. Look to accumulate at lower levels
<b>Sell:</b>	Share price may fall by more than 10% over the next 12 months
<b>Not Rated:</b>	Stock is not within regular research coverage

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