

BUY

(Maintained)

Bank Central Asia (BBCA IJ)

1H24 results: in-line earnings, supported by robust loan growth, resilient NIM, and stable LaR ratio

Last Price (Rp)	10,075
Target Price (Rp)	11,300
Previous Target Price (Rp)	11,300
Upside/Downside	+12.2%

No. of Shares (mn)	123,275
Mkt Cap (Rpbn/US\$m)	1,241,996/76,596
Avg, Daily T/O (Rpbn/US\$m)	900.0/55.5
Free Float (%)	42.4

Major Shareholder (%)	
PT Dwimura Investama	54.9

EPS Consensus (Rp)	2024F	2025F	2026F
BRIDS	429.8	470.1	503.5
Consensus	434.9	476.8	522.7
BRIDS/Cons (%)	(1.6)	(1.4)	(3.7)

- Amid tight liquidity condition, BBCA maintained its NIM flat at 7.4% in 1H24, supported by a higher LDR and higher contribution from loans.
- Despite the higher NPL ratio and lower coverage in 1H24, the bank's LaR ratio and coverage remained robust, suggesting still strong credit quality.
- We maintain our FY4F forecasts and TP of Rp11,300. We reiterate our Buy rating and preference on BBCA in the sector.

Inline 1H24 net profit, supported by high loan growth and robust NIM

BBCA reported a net profit of Rp14.0tr (+11% yoy, +9% qoq) in 2Q24, bringing 1H24 net profit to Rp26.9tr (+11% yoy), in line with our (at 51% of FY24F) and consensus (at 50%) estimates. The bank's 1H24 ROE improved to 22.7%, driven by strong loan growth, other income, and opex efficiencies. Loans reached Rp850tr (+15% yoy) while TPF rose 5%. The corporate segment drove loan growth with +20% yoy growth, followed by consumer (+14% yoy) and SME (+13% yoy). CIR improved to 34.4% in 1H24 from 35.6% in 1H23 as the higher NII growth (8% yoy) and other income growth (12% yoy) offset opex growth (5% yoy).

Steady NIM amid higher LDR

BBCA's NIM remained steady at 6.3% in 1H24 (flat yoy) with both loan yield and CoF also remaining relatively stable, despite the higher LDR (from 66% in 1H23 to 73% in 1H24). We note that the steady NIM was caused by the non-loan asset yield, which declined to 7.0% in 1H24 from 7.2% in 1H23 as a result of a lower yield of 6.8% in 2Q24 (2Q23/1Q24: 7.0%/7.2%).

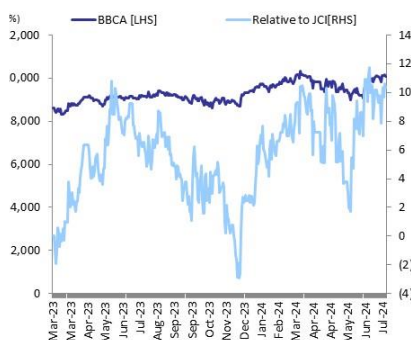
Lower provisions and higher NPL led to lower NPL coverage

BBCA's negligible provisions in Jun24 led to 2Q24 provisions of only Rp381bn (-63% qoq), resulting in a lower CoC of 0.2% in 2Q24 (from 0.5% in 1Q24). Coupled with a higher NPL of 2.1% in 2Q24 (from 1.9% in 1Q24), this led to a lower NPL coverage of 191% (from 221% in 1Q24). Yet, we see that the LaR ratio remained stable qoq at 6.3% in 2Q24 (from 6.6% in FY23), which offset the lower provisions, resulting in only a slight decline in LaR coverage.

Maintain BUY; robust loan growth, NIM and credit quality remain key drivers

We maintain our FY24-25F forecasts and Buy rating on BBCA with an unchanged TP of Rp11,300 based on GGM with a CoE of 6.4% (5-year average) and FY24F ROE of 20.9%, implying FV PBV of 5.3x. Risks to our view include a lower-than-expected asset yield, rising benchmark rate, and a higher NPL ratio. BBCA remains our top pick in the banking sector.

BBCA relative to JCI Index



Source: Bloomberg

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Key Financials

Year to 31 Dec	2022A	2023A	2024F	2025F	2026F
PPOP (Rpbn)	54,994	62,443	68,874	75,721	81,702
Net profit (Rpbn)	40,736	48,639	52,958	57,946	62,063
EPS (Rp)	330.4	394.6	429.6	470.1	503.5
EPS growth (%)	29.6	19.4	8.9	9.4	7.1
BVPS (Rp)	1,792.9	1,966.0	2,146.0	2,343.6	2,541.3
PER (x)	30.5	25.5	23.5	21.4	20.0
PBV (x)	5.6	5.1	4.7	4.3	4.0
Dividend yield (%)	2.0	2.4	2.6	3.0	3.3
ROAE (%)	19.2	21.0	20.9	20.9	20.6

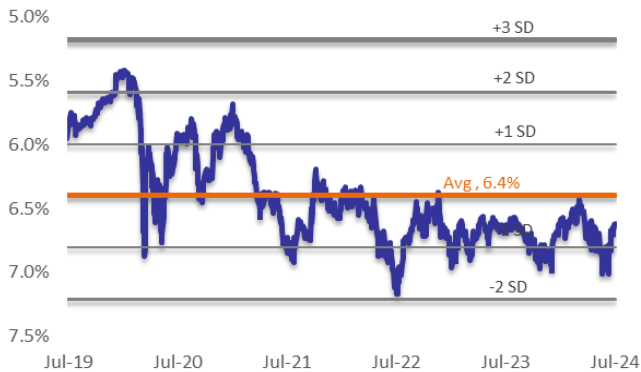
Source: BBCA, BRIDS Estimates

Exhibit 1. BBKA 1H24 earnings summary

Financial (Rpbn)	2Q23	1Q24	2Q24	qoq, %	yoy, %	1H23	1H24	yoy, %	FY24F	FY24C	A/F	A/C
Interest income	21,477	23,020	23,058	0%	7%	42,503	46,078	8%	94,125	95,931	49%	48%
Interest expense	3,059	3,197	2,985	-7%	-2%	5,603	6,183	10%	14,079	13,051	44%	47%
Net interest income	18,419	19,823	20,073	1%	9%	36,901	39,895	8%	87,806	81,352	45%	49%
Other operating income	4,955	6,590	6,188	-6%	25%	11,404	12,778	12%	26,922	27,317	47%	47%
Operating expenses	7,927	9,473	8,572	-10%	8%	17,178	18,045	5%	38,908	39,145	46%	46%
PPOP	15,446	16,940	17,688	4%	15%	31,126	34,628	11%	68,874	70,094	50%	49%
Provision	(217)	1,025	381	-63%	n/a	1,243	1,406	13%	3,351	3,141	42%	45%
Operating Profit	15,663	15,915	17,308	9%	10%	29,883	33,223	11%	65,523	66,517	51%	50%
Net profit	12,660	12,879	13,997	9%	11%	24,190	26,876	11%	52,958	53,913	51%	50%
Loans	735,939	835,685	849,783	2%	15%	735,939	849,783	15%	893,669	918,737	95%	92%
Customer deposits	1,071,237	1,120,757	1,125,333	0%	5%	1,071,237	1,125,333	5%	1,167,661	1,190,622	96%	95%
Key Ratio				qoq, bps	yoy, bps			yoy, bps				
Loan yield (%) - ann	7.5	7.4	7.4	➔	4	➔	7.3	7.4	➔	5		
Non-loan EA yield (%) - ann	7.0	7.2	6.8	⬇	(44)	⬇	7.2	7.0	⬇	(16)		
Cost of fund (%) - ann	1.1	1.1	1.1	➔	(9)	➔	1.1	1.1	➔	4		
NIM (%) - ann	6.3	6.3	6.3	➔	(4)	➔	6.3	6.3	➔	(3)		
CIR (%) - ann	33.9	35.9	32.6	⬆	(322)	⬆	35.6	34.3	⬆	(130)		
Cost of credit (%) - ann	(0.1)	0.5	0.2	⬆	(32)	⬆	0.3	0.3	➔	(1)		
ROE (%) - ann	23.2	21.9	23.9	⬆	199	⬆	22.1	22.7	⬆	61		
CASA ratio (%)	80.5	80.6	81.4	⬆	83	⬆	92					
LDR (%)	68.7	74.6	75.5	⬆	95	⬆	681					
NPL ratio (%)	1.9	1.9	2.1	⬆	26	⬆	26					
LaR ratio (%)	8.6	6.3	6.3	➔	(7)	⬆	(238)					

Source: Company, BRIDS Estimates

Exhibit 2. BBKA's cost of equity band chart (5-year)



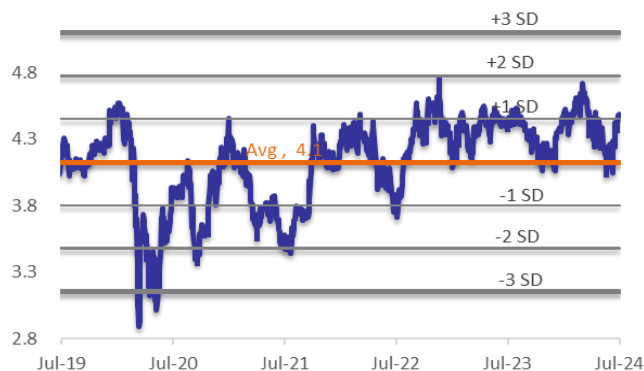
Source: Company, Bloomberg, BRIDS Estimates

Exhibit 3. Sector's cost of equity band chart (5-year)



Source: Company, Bloomberg, BRIDS Estimates

Exhibit 4. BBKA's PBV band chart (5-year)



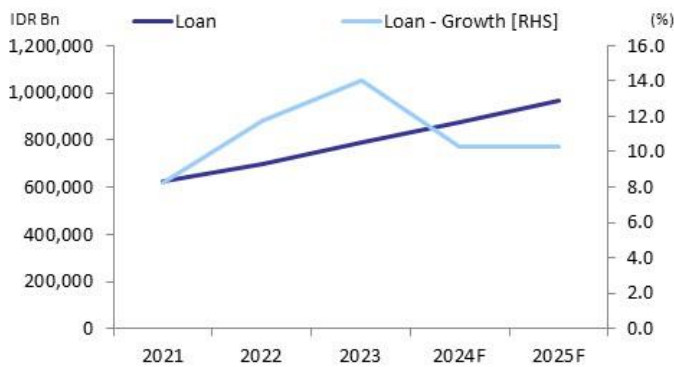
Source: Company, Bloomberg, BRIDS Estimates

Exhibit 5. BBKA's PE band chart (5-year)



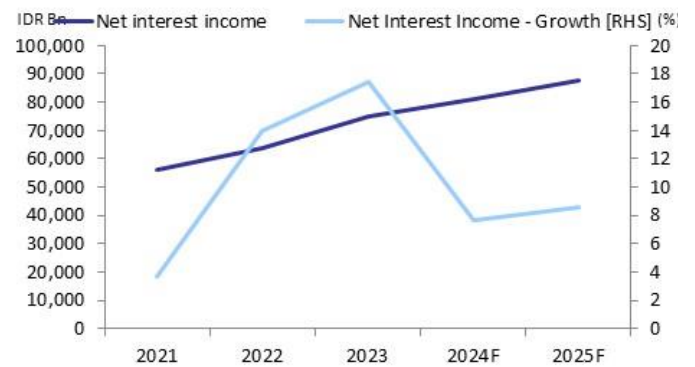
Source: Company, Bloomberg, BRIDS Estimates

Exhibit 6. Loan and Growth



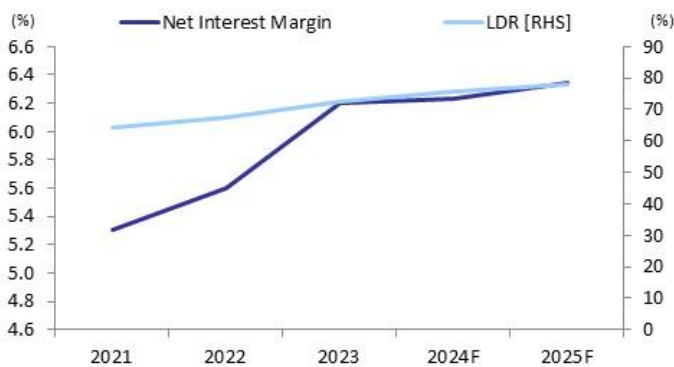
Source: Company, BRIDS Estimates

Exhibit 7. Net Interest Income and Growth



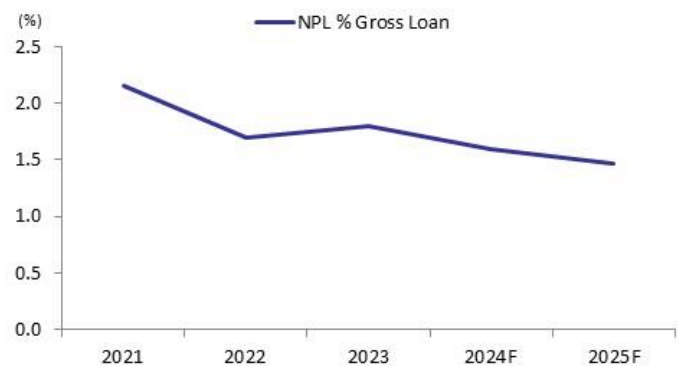
Source: Company, BRIDS Estimates

Exhibit 8. NIM and LDR



Source: Company, BRIDS Estimates

Exhibit 9. NPL



Source: Company, BRIDS Estimates

Exhibit 10. Income Statement

Year to 31 Dec (Rpbn)	2022A	2023A	2024F	2025F	2026F
Interest Income	72,241	87,398	94,125	101,885	108,600
Interest Expense	(8,252)	(12,269)	(13,264)	(14,079)	(14,350)
Net Interest Income	63,990	75,129	80,860	87,806	94,250
Non-Interest Income (NII)	23,487	24,817	26,922	30,068	32,495
Oper. Income	87,476	99,945	107,782	117,874	126,746
Oper. Expenses	(32,483)	(37,503)	(38,908)	(42,153)	(45,044)
Pre-provisions profit	54,994	62,443	68,874	75,721	81,702
Provisions & Allowances	(4,527)	(2,263)	(3,351)	(4,027)	(4,913)
Operating Profits	50,467	60,180	65,523	71,694	76,788
Non-Operating Income	0	0	0	0	0
Exceptionals	0	0	0	0	0
Pre-tax Profit	50,467	60,180	65,523	71,694	76,788
Income Tax	(9,711)	(11,522)	(12,545)	(13,726)	(14,701)
Minorities	(19)	(19)	(20)	(22)	(24)
Net Profit	40,736	48,639	52,958	57,946	62,063

Exhibit 11. Balance Sheet

Year to 31 Dec (Rpbn)	2022A	2023A	2024F	2025F	2026F
Gross Loans	694,937	792,197	873,604	963,643	1,063,249
Provisions	(33,948)	(33,309)	(33,427)	(34,243)	(35,649)
Net Loans	660,989	758,888	840,176	929,400	1,027,600
Govt. Bonds	0	0	0	0	0
Securities	251,128	327,112	328,581	325,499	344,379
Other Earnings Assets	15,432	17,443	19,181	21,186	23,361
Total Earnings Assets	1,166,791	1,255,324	1,338,070	1,429,454	1,553,886
Fixed Assets	34,781	36,925	37,539	39,339	40,834
Non-Earnings Assets	24,388	37,497	28,649	30,178	32,108
Total Assets	1,314,732	1,408,107	1,495,362	1,610,943	1,747,033
Customer Deposits	1,030,452	1,090,767	1,155,251	1,237,206	1,342,529
Banks Deposits	7,936	10,071	12,780	16,217	20,579
Int. Bearing Liab. - Others	9,266	11,096	12,410	13,881	15,525
Total Liabilities	1,093,550	1,165,569	1,230,632	1,321,850	1,433,571
Share capital & Reserves	20,060	19,399	19,399	19,399	19,399
Retained Earnings	200,959	222,957	245,150	269,513	293,882
Shareholders' Funds	221,019	242,356	264,549	288,912	313,281
Minority interests	163	181	181	181	181
Total Equity & Liabilities	1,314,732	1,408,107	1,495,362	1,610,943	1,747,033

Exhibit 12. Key Ratios

Year to 31 Dec	2022A	2023A	2024F	2025F	2026F
Yield on Earning Assets	6.3	7.2	7.3	7.4	7.3
Cost of funds	0.8	1.1	1.1	1.1	1.1
Interest Spread	5.5	6.1	6.1	6.2	6.2
Net Interest Margin	5.6	6.2	6.2	6.3	6.3
Cost/Income Ratio	37.1	37.5	36.1	35.8	35.5
Oper. Exp./Oper. Gross Inc.	47.3	46.4	45.9	45.7	45.6
Gross NPL Ratio	1.7	1.8	1.6	1.5	1.5
LLP/Gross NPL	287.7	234.6	240.8	241.4	227.8
Cost of Credit	0.7	0.3	0.4	0.4	0.5
Loan to Deposit Ratio	67.4	72.6	75.6	77.9	79.2
Loan to Funding Ratio	67.4	72.6	75.6	77.9	79.2
CASA Mix	81.3	80.0	80.2	80.3	80.5
ROAE	19.2	21.0	20.9	20.9	20.6
ROAA	3.2	3.6	3.6	3.7	3.7
CAR	25.6	25.9	26.8	25.3	25.3

Exhibit 13. Dupont and Growth

Year to 31 Dec	2022A	2023A	2024F	2025F	2026F
Dupont					
Pre-Tax ROAA	4.0	4.4	4.5	4.6	4.6
Tax Retention rate	80.8	80.9	80.9	80.9	80.9
Post-Tax ROAA	3.2	3.6	3.6	3.7	3.7
Goodwil, Assoc& Min	0.0	0.0	0.0	0.0	0.0
Leverage	6.0	5.9	5.7	5.6	5.6
ROAE	19.2	21.0	20.9	20.9	20.6
Growth (%)					
Interest income	10.1	21.0	7.7	8.2	6.6
Net Interest Income	14.0	17.4	7.6	8.6	7.3
Other Oper. Expenses	7.2	15.5	3.7	8.3	6.9
Fee Based Income	13.0	0.4	12.0	13.5	10.9
Pre-Provision Oper. Profit	14.2	13.5	10.3	9.9	7.9
Net Profit	29.6	19.4	8.9	9.4	7.1
Shareholders' Equity	9.0	9.7	9.2	9.2	8.4
Loan	11.7	14.0	10.3	10.3	10.3
Earnings Asset	4.2	7.6	6.6	6.8	8.7
Deposit	6.1	6.0	6.1	7.3	8.8
Int. Bearing Liab.	6.5	5.9	6.1	7.4	8.8
CASA	10.4	4.3	6.3	7.5	8.9
Total Asset	7.0	7.1	6.2	7.7	8.4

Source: BBCA, BRIDS Estimates

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INVESTMENT RATING

BUY	Expected total return of 10% or more within a 12-month period
HOLD	Expected total return between -10% and 10% within a 12-month period
SELL	Expected total return of -10% or worse within a 12-month period

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