

**BUY**  
(Unchanged)

**TP: IDR37,500**  
(Unchanged)

## Bank Central Asia

Indonesia Banks

**PX: IDR34,600**

JCI: **6,209**

TP/consensus: **100.8%**

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### 4Q20 results: Booked lower CoC than the guidance

#### Results above our forecast and consensus

BBCA reported 4Q20 net profit of IDR7.1tn, -9.0% QoQ and -7.2% YoY. This brought 12M20 net profit to IDR27.1tn, -5.0% YoY, above our expectation (106.1% of our full-year forecast) and the consensus forecast (113.6%). NII increased by 7.3% YoY in FY20, caused by the significant drop in interest expense (-16.3% YoY), as BBCA has the lowest TD rate at the moment of 3.0% amongst other banks and the bank plans to reduce it further, while NIM was down slightly to 5.7% in 12M20 vs. 5.83% in 3Q20. Loan growth was mainly driven by the corporate segment, which booked 7.7% YoY growth as of Dec-20, while the other segments booked negative growth YoY. Even though BBCA still booked higher provision in 4Q20, the CoC for 12M20 only reached 1.7% which was below the guidance of 1.8%-2.25%, while its NPL reached 1.79% in 4Q20 vs. 1.93% in previous quarter. It is worth noting that the company still has ample liquidity at the moment. BBCA's LDR ratio improved to 70.0% in 4Q20 vs. 74.5% in the previous quarter, and during the current low loan demand environment, the company has put excess liquidity in government bonds.

#### Loan restructuring in FY2020

As of 31 December 2020, outstanding restructured loans totalled IDR88.0tn, which is equivalent to 15% of total loans. The restructuring schemes include tenor extension, and deferred principal and interest payments, while the mortgage and auto loan restructuring is mostly through tenor extension. Out of the total loans restructured, 37.6% came from the corporate segment, 27% from the commercial segment, 24.6% from the consumer segment and 10.8% from SMEs. The company implied that ~10-15% of total loans at risk need an extension in the restructuring period, and some of them will need to be downgraded to stage 2 or stage 3 within this year, which resulted in higher NPL guidance of 2.4%-2.7% in 2021.

#### Conservative guidance in 2021

During the analyst meeting, the company guided that loans could grow by 4%-6% in 2021, supported by corporate segment as the company will concentrate to disburse loans in this segment, especially to several sectors which are not directly impacted by Covid-19. NIM guidance is at 5.1%-5.4% for 2021, which is lower than FY20 of 5.7%, as the company has little room to lower TD rates further, while the company expects some of the interest income will still need to be deferred until next year, with the target of IDR1.6tn of total interest income deferred by the end of 2021 (up from IDR946bn in FY20). In terms of cost of credit (CoC), BBCA expects it to be lower at 1.3%-1.5% in 2021, vs. 1.7% in 2020, even though it expects its NPLs to slightly increase in 2021, which resulted in lower LAR coverage ratio guidance of ~14% in 2021 vs. 18% in 2020.

#### We maintain our BUY rating for BBCA with a TP of IDR37,500

We continue to view BBCA favourably, as it has low credit risk and a more stable asset quality outlook going forward than other big banks, and as the bank has one of the best liability franchises in Asia; hence it can get cheaper funding more easily than other banks and therefore has higher CASA ratio than its peers. We maintain our BUY rating with a 12-month TP of IDR37,500/share, implying a 2021F PBV of 4.3x. Key downside risks to our call would be a higher-than-expected CoC and more loan restructuring that lower the NIM even further.

#### Exhibit 1. Company information

Bloomberg ticker	: BBCA IJ
Current price (IDR)	: 34,600
Target price (IDR)	: 37,500
Upside/downside (%)	: 8.4
Market cap (IDRtn/USDbn)	: 853 / 60.8
3M avg. daily t.o. (IDRbn/USDmn)	: 697.9 / 49.8

#### Exhibit 2. Shareholders information

PT Dwimuria Investama (%)	: 54.9
Anthoni Salim (%)	: 1.7
Est. free float (%)	: 43.3

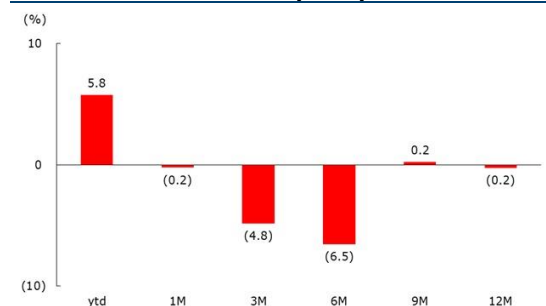
Source: Bloomberg, Bahana

#### Exhibit 3. Key forecasts & valuations

Year	2018	2019	2020E	2021E	2022E
Net interest income (IDRbn)	45,336	50,824	50,851	54,148	59,751
Pre-prov. op. profit (IDRbn)	38,446	44,571	44,430	48,008	53,899
Net profit (IDRbn)	25,855	28,565	25,568	29,422	34,478
Bahana/Consensus (%)	n.a.	n.a.	n.a.	98.7	96.8
EPS (IDR)	1,049	1,159	1,037	1,193	1,398
EPS growth (%)	11.0	10.5	(10.5)	15.1	17.2
P/E (x)	33.0	29.9	33.4	29.0	24.7
BVPS (IDR)	6,151	7,059	7,836	8,740	9,818
P/B (x)	5.6	4.9	4.4	4.0	3.5
DPS (IDR)	255	255	285	315	345
Dividend Yield (%)	0.7	0.7	0.8	0.9	1.0
ROAE (%)	18.3	17.5	13.9	14.4	15.1

Source: Bloomberg, Bahana forecasts (Pricing as of close on 08 February 2021)

#### Exhibit 4. Relative share price performance



Source: Bloomberg, Bahana

**Exhibit 5. 4Q20 results summary**

(IDRbn)	4Q19	3Q20	4Q20	QoQ (%)	YoY (%)	12M19	12M20	y-y (%)	FY20/2020F	FY20/cons
Interest Income	16,604	16,258	16,432	1.1	(1.0)	64,352	65,875	2.4		
Interest expense	3,211	2,704	2,688	(0.6)	(16.3)	13,528	11,329	(16.3)		
<b>Net interest income</b>	<b>13,393</b>	<b>13,554</b>	<b>13,744</b>	<b>1.4</b>	<b>2.6</b>	<b>50,824</b>	<b>54,547</b>	<b>7.3</b>		
Non-interest income	5,655	4,560	5,119	12.3	(9.5)	20,304	20,210	(0.5)		
<b>Total operating income</b>	<b>19,048</b>	<b>18,114</b>	<b>18,863</b>	<b>4.1</b>	<b>(1.0)</b>	<b>71,128</b>	<b>74,757</b>	<b>5.1</b>	<b>94.7</b>	<b>101.4</b>
Operating expense	7,637	6,329	7,520	18.8	(1.5)	26,557	29,589	11.4		
Impairment of fin. assets	1,456	2,080	2,470	18.8	69.7	8,282	11,599	40.1		
<b>Operating profit</b>	<b>9,955</b>	<b>9,706</b>	<b>8,872</b>	<b>(8.6)</b>	<b>(10.9)</b>	<b>36,289</b>	<b>33,569</b>	<b>(7.5)</b>	<b>105.0</b>	<b>104.7</b>
<b>Pretax profit</b>	<b>9,955</b>	<b>9,706</b>	<b>8,872</b>	<b>(8.6)</b>	<b>(10.9)</b>	<b>36,289</b>	<b>33,569</b>	<b>(7.5)</b>		
<b>Net profit</b>	<b>7,644</b>	<b>7,795</b>	<b>7,096</b>	<b>(9.0)</b>	<b>(7.2)</b>	<b>28,565</b>	<b>27,131</b>	<b>(5.0)</b>	<b>106.1</b>	<b>113.6</b>
<b>BS &amp; ratio analysis</b>	<b>4Q19</b>	<b>3Q20</b>	<b>4Q20</b>	<b>QoQ</b>	<b>YoY</b>	<b>12M19</b>	<b>12M20</b>			
Gross loans (IDRbn)	603,743	581,851	588,672	1.2	(2.5)	603,743	588,672			
Third party funding (IDRbn)	698,980	780,678	840,752	7.7	20.3	698,980	840,752			
<b>Key ratios</b>										
Net interest margin (%)	6.2	5.83	5.70			6.2	5.7			
Cost efficiency (%)	40.1	34.9	39.9			37.3	39.6			
Cost to income (%)	55.3	53.4	58.8			57.1	61.0			
Loan/deposit (%)	86.4	74.5	70.0			86.4	70.0			
Loan/funding (%)	83.7	73.1	68.5			83.7	68.5			
Capital adequacy (%)	23.8	24.7	25.8			23.8	25.8			
Gross NPL (%)	1.34	1.93	1.79			1.3	1.8			
LLP/NPL (%)	195.1	251.3	271.1			195.1	271.1			
ROAE (%)	18.8	18.0	15.8			17.5	15.1			

Source: Company, Bloomberg, Bahana estimates

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