

Evan Lie Hadiwidjaja

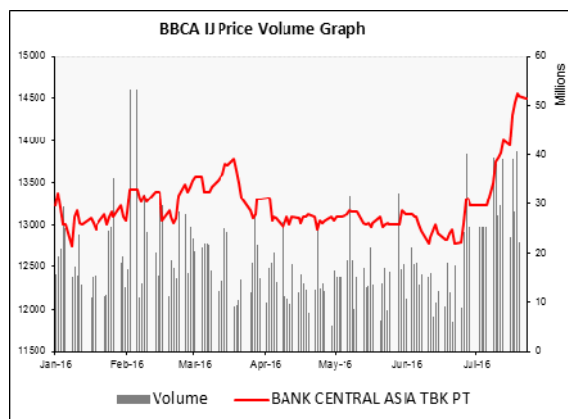
Senior Equity Analyst

evan.hadiwidjaja@sinarmassekuritas.co.id

(021) 392 5550 ext: 610



PT Bank Central Asia Tbk provides commercial banking activities and its related services. The bank also provides banking activities based on sharia principles.

Current Price: IDR 14,550
52-Week Target Price: IDR 15,470
Previous Target Price: IDR 14,035


Source: Bloomberg, Sinarmas Investment Research

Share Price Performance

Price (IDR)	14,550
52-Week High (04/01/15)	14,675
52-Week Low (09/29/15)	11,000
52-Week Beta	0.99
YTD Change/%	+1,250/+9.4%

Stock Information

Market Cap (IDR)	337,157.3 Bn
Shares Out/Float (M)	24,655.0/12,535.0

Company Update
PT Bank Central Asia Tbk (BBCA)
1H16 Earnings Review
NEUTRAL

We raise our 52-week target price to IDR 15,470, deriving via GGM, yet maintain NEUTRAL recommendation on PT Bank Central Asia Tbk (BBCA). As of June 2016, Bank Central Asia recorded NPAT of IDR 9.58 Tn (up 12.1% YoY), in line with our estimate for 1H16. Despite the upward trend in NPL (1.4% as of 1H16 or 70 bps YoY), we view the bank is less volatile than the industry, given high coverage ratio over the past few years which curbs the volatility in earnings.

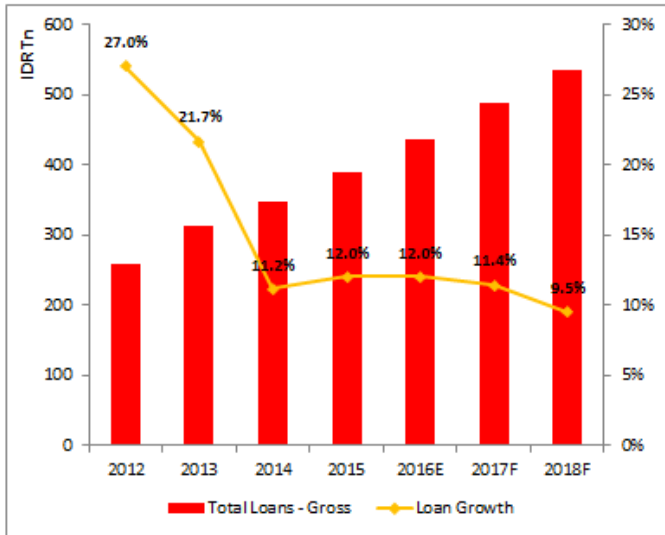
Bank's decision to lower TD rate by 250 bps in FY15 has paid off with net interest income growth being sustainable at 15.0% YoY, rejecting the impact of downward pressure in lending rates. As of 1H16, the bank reported net interest income of IDR 19.76 Tn (up by 15.0% YoY). While interest income only grew by a moderate pace of 7.6% YoY, bank spent less interest expense due to lower TD rate (dn 14.0% YoY).

As of 1H16, both loan and deposit portfolios are showing positive trajectories. Though YTD growth in deposit portfolio is merely 3.6% and loan portfolio still remains flat-ish, compared to 1Q16, the trajectories have been very positive. If we flash back to 1Q16, loan and deposit portfolios reported negative YTD growth, despite the 11.4% YoY and 5.7% YoY growth respectively. Thus we view the pace will be much better in 2H16, especially with market being relieved from tax amnesty and consumer confidence index will be better than the first semester of 2016. Nevertheless, we believe asset quality deterioration will continue to persist until year end, though the impact on earnings will be minimum as coverage ratio over the past few years was maintained above 200%.

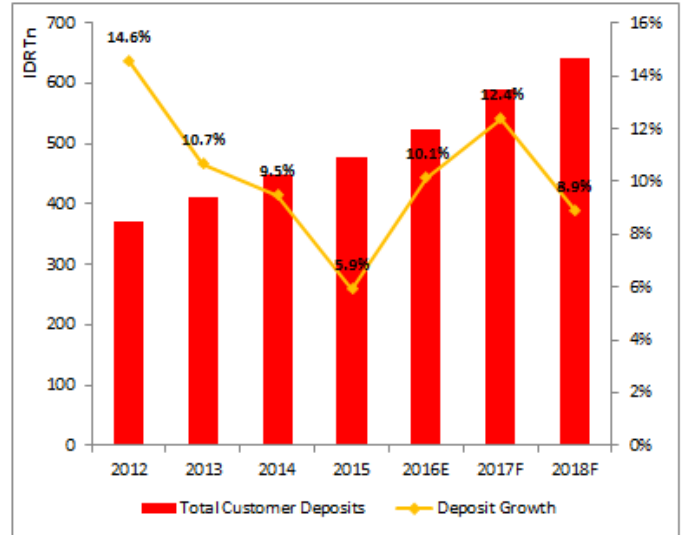
We rate BBKA as NEUTRAL with 52-week target price of IDR 15,470, which represents FY16E P/BV of 3.5x. With expertise in consumer segment, the bank will enjoy rising credit demand, especially for automotive and mortgages. At the same time, we view the bank's ample liquidity will protect the bank from potential outflow as tax amnesty participants will have to pay taxes by the end of September (phase 1). If anything, it will strengthen net interest income collection.

Highlights (in IDR Bn)	1H15	1H16	% YoY	FY15	FY16E	% YoY
Total Loans	347,101	387,042	11.5%	390,618	437,682	12.0%
Total Deposits	454,981	490,558	7.8%	476,820	525,197	10.1%
Net Interest Income	17,184	19,758	15.0%	35,869	40,954	14.2%
Other Op. Income	5,442	6,370	17.1%	12,007	14,332	19.4%
Op. Expense	11,827	14,079	19.0%	25,219	30,457	20.8%
Net Income	8,541	9,576	12.1%	18,036	19,863	10.1%
LDR (%)	76.3%	78.9%	2.6%	81.9%	83.3%	1.4%
NPL (%)	0.7%	1.4%	0.7%	0.7%	1.2%	0.5%
NIM (%)	6.6%	7.0%	0.4%	7.1%	7.3%	0.2%

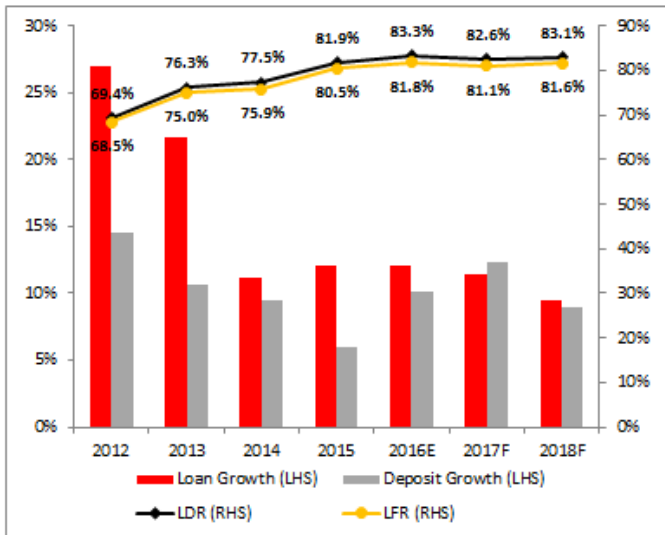
Source: Company Data, Sinarmas Investment Research

Total Loans & Loan Growth


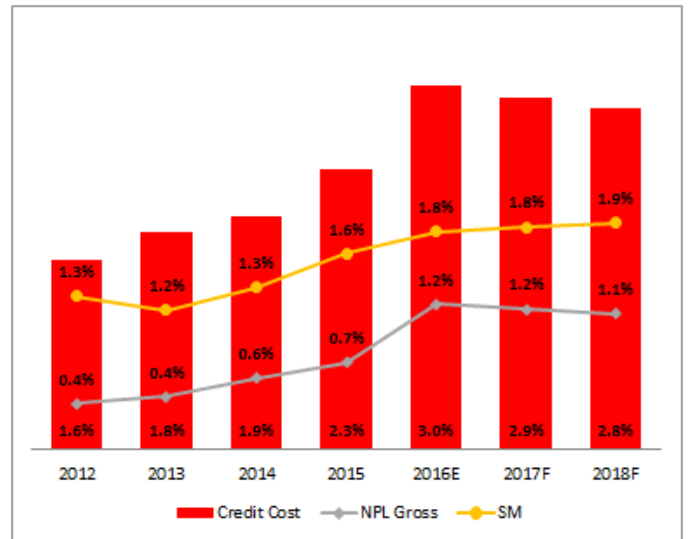
Source: Company Data, Sinarmas Investment Research

Total Deposits & Deposit Growth


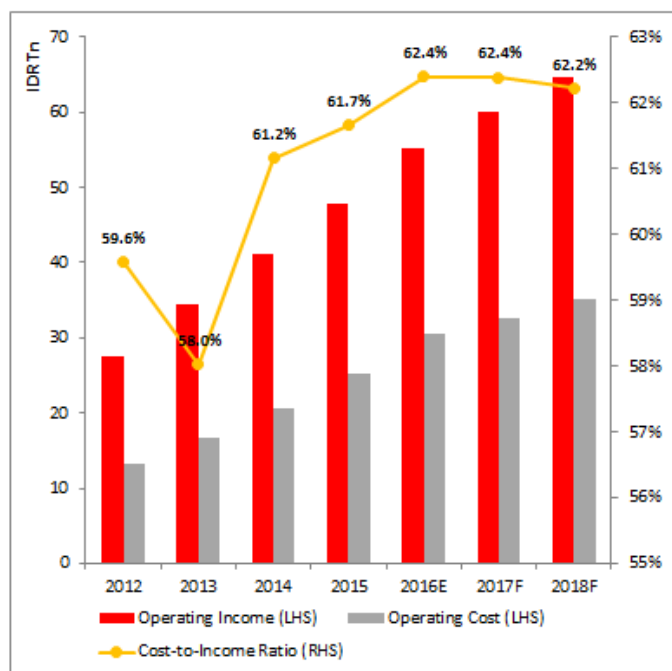
Source: Company Data, Sinarmas Investment Research

LDR & LFR


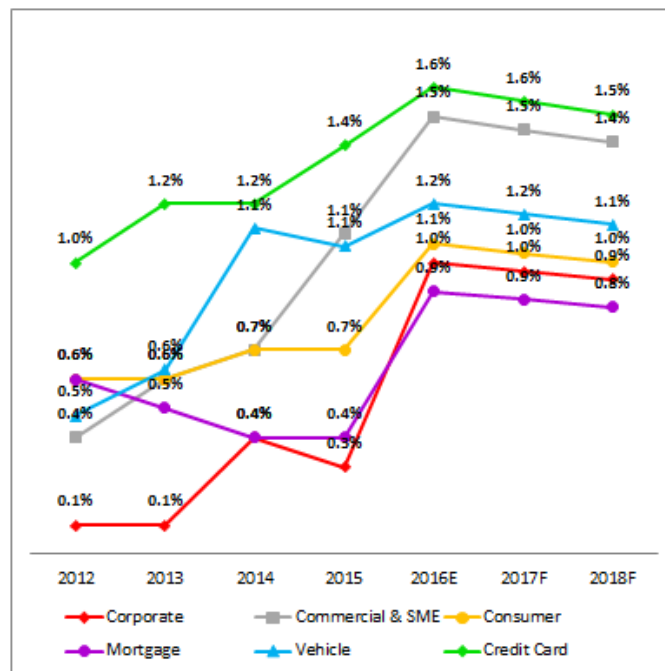
Source: Company Data, Sinarmas Investment Research

Credit Cost, NPL, and Special Mentions


Source: Company Data, Sinarmas Investment Research

Operating Income, Operating Cost, and CIR (BOPO)


Source: Company Data, Sinarmas Investment Research

NPL per Segment


Source: Company Data, Sinarmas Investment Research

Key Ratios (%)	2014	2015	2016E	2017F	2018F
LDR	77.5%	81.9%	83.3%	82.6%	83.1%
LFR	75.9%	80.5%	81.8%	81.1%	81.6%
CASA	74.8%	75.6%	75.3%	75.4%	75.0%
NIM	7.3%	7.1%	7.3%	7.0%	6.6%
Avg. Loan Yield	10.4%	10.3%	10.1%	9.6%	8.9%
Avg. Deposit CoF	2.4%	2.1%	1.8%	1.9%	1.8%
NPL Gross	0.6%	0.7%	1.2%	1.2%	1.1%
NPL Net	0.2%	0.2%	0.4%	0.4%	0.4%
Credit Cost	1.9%	2.3%	3.0%	2.9%	2.8%
Coverage Ratio	324.2%	322.2%	249.7%	250.3%	250.9%
CIR	61.2%	61.7%	62.4%	62.4%	62.2%
CER	50.1%	52.7%	55.1%	54.4%	54.5%
ROA	3.1%	3.1%	3.2%	3.1%	3.0%
ROE	23.3%	21.5%	19.9%	18.4%	17.2%

Source: Company Data, Sinarmas Investment Research

B/S (IDR Bn)	2014	2015	2016E	2017F	2018F
Cash and Equivalents	19,578	17,849	28,274	52,226	67,133
CA w/ Central Banks	38,875	37,775	39,411	40,939	42,494
CA w/ Other Banks	4,614	8,439	9,705	11,160	12,835
Interbank Placement	11,502	56,259	61,885	68,074	74,881
Total Loans - Net	341,971	381,552	424,552	473,593	519,168
Marketable Securities	72,045	51,153	50,938	51,888	52,796
Government Bonds	-	-	-	-	-
Fixed Assets	8,845	9,712	17,016	17,867	18,760
Total Assets	552,424	594,373	664,384	749,161	821,958
Demand Deposits	107,419	115,653	128,444	144,499	157,202
Saving Deposits	229,290	244,960	267,160	300,554	324,941
Time Deposits	113,446	116,207	129,594	145,165	160,632
Total Customer Deposits	450,155	476,820	525,197	590,219	642,775
Deposits From Other Banks	3,754	4,156	4,349	5,083	5,662
Marketable Securities	2,504	2,821	3,314	3,548	3,660
Fund Borrowings	3,081	1,743	2,005	2,306	2,651
Sub Debts	-	-	-	-	-
Total Liabilities	474,503	504,748	554,238	621,662	675,866
Total Equity	77,921	89,625	110,145	127,499	146,092

Source: Company Data, Sinarmas Investment Research

I/S (IDR Bn)	2014	2015	2016E	2017F	2018F
Interest Income	43,771	47,082	51,688	55,543	57,812
% growth		7.6%	9.8%	7.5%	4.1%
Interest Expense	11,745	11,213	10,735	12,683	13,289
% growth		-4.5%	-4.3%	18.2%	4.8%
Net Interest Income	32,027	35,869	40,954	42,859	44,523
% growth		12.0%	14.2%	4.7%	3.9%
Other Operating Income	9,024	12,007	14,332	17,109	20,129
% growth		33.1%	19.4%	19.4%	17.7%
Provision Expense	2,240	3,505	6,544	6,211	5,983
% growth		56.5%	86.7%	-5.1%	-3.7%
Other Operating Expense	18,306	21,714	23,913	26,430	29,222
% growth		18.6%	10.1%	10.5%	10.6%
Net Operating Income	20,505	22,657	24,828	27,328	29,447
% growth		10.5%	9.6%	10.1%	7.8%
Income Before Tax Expense	20,741	22,657	24,828	27,328	29,447
% growth		9.2%	9.6%	10.1%	7.8%
Tax Expense (%)	20%	20%	20%	20%	20%
Net Income	16,512	18,036	19,863	21,863	23,557
% growth		9.2%	10.1%	10.1%	7.8%

Source: Company Data, Sinarmas Investment Research

DISCLAIMER

This report has been prepared by PT Sinarmas Sekuritas, an affiliate of Sinarmas Group.

This material is: (i) created based on information that we consider reliable, but we do not represent that it is accurate or complete, and it should not be relied upon as such; (ii) for your private information, and we are not soliciting any action based upon it; (iii) not to be construed as an offer to sell or a solicitation of an offer to buy any security.

Opinions expressed are current opinions as of original publication date appearing on this material and the information, including the opinions contained herein, is subjected to change without notice. The analysis contained herein is based on numerous assumptions. Different assumptions could result in materially different results. The analyst(s) responsible for the preparation of this publication may interact with trading desk personnel, sales personnel and other constituencies for the purpose of gathering, integrating and interpreting market information. Research will initiate, update and cease coverage solely at the discretion of Sinarmas Research department. If and as applicable, Sinarmas Sekuritas' investment banking relationships, investment banking and non-investment banking compensation and securities ownership, if any, are specified in disclaimers and related disclosures in this report. In addition, other members of Sinarmas Group may from time to time perform investment banking or other services (including acting as advisor, manager or lender) for, or solicit investment banking or other business from companies under our research coverage. Further, the Sinarmas Group, and/or its officers, directors and employees, including persons, without limitation, involved in the preparation or issuance of this material may, to the extent permitted by law and/or regulation, have long or short positions in, and buy or sell, the securities (including ownership by Sinarmas Group), or derivatives (including options) thereof, of companies under our coverage, or related securities or derivatives. In addition, the Sinarmas Group, including Sinarmas Sekuritas, may act as market maker and principal, willing to buy and sell certain of the securities of companies under our coverage. Further, the Sinarmas Group may buy and sell certain of the securities of companies under our coverage, as agent for its clients.

Investors should consider this report as only a single factor in making their investment decision and, as such, the report should not be viewed as identifying or suggesting all risks, direct or indirect, that may be associated with any investment decision. Recipients should not regard this report as substitute for exercise of their own judgment. Past performance is not necessarily a guide to future performance. The value of any investments may go down as well as up and you may not get back the full amount invested.

Sinarmas Sekuritas specifically prohibits the redistribution of this material in whole or in part without the written permission of Sinarmas Sekuritas and Sinarmas Sekuritas accepts no liability whatsoever for the actions of third parties in this respect. If publication has been distributed by electronic transmission, such as e-mail, then such transmission cannot be guaranteed to be secure or error-free as information could be intercepted, corrupted, lost, destroyed, arrive late or incomplete, or contain viruses. The sender therefore does not accept liability for any errors or omissions in the contents of this publication, which may arise as a result of electronic transmission. If verification is required, please request a hard-copy version.

Additional information is available upon request.

Images may depict objects or elements which are protected by third party copyright, trademarks and other intellectual properties.

©Sinarmas Sekuritas(2016). All rights reserved.