

Solid 3Q21 performance despite tightening NIM. New disbursed loans have outweighed loan repayment in 3Q21 with loan and corporate bonds (blended) growing by 4.5% YoY (7.1% YoY corporate loans—driven by CPO and pulp and paper sector—and 16.1% YoY corporate bonds growth). Mortgage loan also showed a strong growth of 6.5% YoY. BBKA maintained ample liquidity as CASA composed 78.1% of total third party fund, giving room for disbursing more loan at low cost. Special mention loan remained flat vs. 1H21 at 2.8% with higher contribution from corporate segment (related to property and construction) in contrast to lower percentage from commercial & SME. Prudent 3Q21/9M21 NPATMI of IDR 8.7 tn (+17.9% QoQ, +12.2% YoY) / IDR 23.2 tn (+60.5% QoQ, +15.8% YoY) was mainly supported by lower provision expense (-66.5% QoQ), accounting for 71%/78% of our/consensus' FY21E earnings. 9M21 NIM, which remains on a declining trend since Covid-19, was recorded at 5.17% (-8 bps QoQ, -66% YoY), despite being in line with management guidance at 5.1%-5.3%. The slippage in NIM resulted in declining NII/PPOP by 1.9% QoQ/1.5% QoQ.

Expect digitalization and better LAR, NIM, and credit cost. While current LAR coverage (including restructured loans) is slightly down to 17.1% (-2% QoQ, -1.4% YoY), management is still targeting it to come down to 15%-16% by end of 2021. Loan growth is expected to be stronger in 4Q21, with management targeting to lift NIM to 5.4% by FY21E. While 9M21 credit cost was recorded at 1.7%, it is targeted to reach 1.3% as economy recovers. As for BBKA's digital performance, online account opening reached ~4.4 mn accounts since 2Q21 launch and is currently performing at 11k-12k account openings on a daily basis. Blu has organic acquisition of more than 250k users, with average daily transactions at around 100k since its launch on Jul-21. Currently, only 30% of BBKA's existing customers are Blu users, dominated by millennial. BBKA also increased subsidiary's (Bank Digital BBKA) capital by IDR 2.7 tn.

We reiterate our call on PT Bank Central Asia Tbk. (BBKA) to ADD (and rollover our target price to FY22F of IDR 8,390) based on 4.5x FY22F P/BV. We believe that BBKA has competitive banking business among peers and thus we look forward to its positive outlook ahead, especially on the back of Blu's contribution and economy reopening. We believe BBKA could further reduce funding costs, as it has strong CASA deposits. That being said, the downside risks to our call are: 1) higher NPL or SML on corporate debt and 2) global effect of US Tapering on bond yield, as BBKA's asset portion in securities reached 20% as of Sep-21.

Highlights (IDR tn)	2019	2020	2021E	2022F	2023F
Total Loans	603.7	588.7	631.0	683.7	749.4
Total Deposits	699.0	834.3	943.0	1,009.6	1,094.1
Net Interest Income	50.5	54.2	59.0	63.3	69.3
Pre-provision Op. Profit	40.9	45.2	50.0	53.9	59.0
Net Income	28.6	27.1	32.8	38.7	42.7
Net Interest Margin	6.2%	5.8%	5.5%	5.4%	5.5%
Gross NPL	1.3%	1.8%	2.1%	1.6%	1.6%
Credit Cost	0.8%	1.7%	1.3%	0.7%	0.7%
Return on Equity	17.5%	15.1%	16.8%	17.7%	17.6%
Return on Asset	3.3%	2.7%	2.9%	3.1%	3.1%

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Sector	Bank
Bloomberg Ticker	BBKA IJ
Market Cap. (IDR tn)	927.6
Share Out./Float (mn)	123,275/55,326
Current Price	7,525
FY21E Target Price	8,390
Upside	11.5%

Share Price Performance

52W High (10/13/21)	8,250
52W Low (11/02/20)	5,720
52W Beta	1.1
YTD Change	11.5%

Relative Valuations

Trailing P/E	29.2x
Forward P/E	27.7x
Trailing P/BV	4.5x
Forward P/BV	4.0x

BBCA 3Q21 Earnings Summary

(IDR bn)	3Q20	2Q21	3Q21	QoQ	YoY	9M20	9M21	YoY	%DH	%Cons
Interest income	16,258	16,514	16,268	-1.5%	0.1%	49,444	49,392	-0.1%		
Interest expense	2,704	2,368	2,390	0.9%	-11.6%	8,641	7,236	-16.3%		
Net interest income	13,554	14,146	13,878	-1.9%	2.4%	40,803	42,156	3.3%		
Non interest income	4,036	5,256	5,240	-0.3%	29.8%	15,092	15,451	2.4%		
Total Operating Income	17,590	19,402	19,118	-1.5%	8.7%	55,895	57,606	3.1%		
Opex (excl. provision)	5,823	6,993	6,960	-0.5%	19.5%	22,088	21,184	-4.1%		
PPOP	11,767	12,409	12,158	-2.0%	3.3%	33,807	36,422	7.7%		
Provisions	2,080	3,292	1,103	-66.5%	-47.0%	9,129	7,649	-16.2%		
Net Profit	7,795	7,416	8,743	17.9%	12.2%	20,035	23,199	15.8%	70.7%	77.7%
NIM						5.8%	5.2%	(66)		
LDR						74.5%	65.6%	(894)		
CASA						76.4%	78.1%	172		
NPL (gross)						1.9%	2.4%	43		
Cost of credit						2.0%	1.7%	(26)		
Coverage ratio						253.5%	237.5%	(1,602)		
CAR						25.7%	27.4%	163		
Loan & Financing	581,739	593,501	605,796	2.1%	4.1%					
Deposits	780,678	895,238	923,736	3.2%	18.3%					

Source: Company data, Sinarmas Investment Research

Forecast Changes

(IDR bn)	Old			New		
	2021E	2022F	2023F	2021E	2022F	2023F
Interest Income	69,731	75,185	82,330	71,395	77,486	85,195
% growth	6.6%	7.8%	9.5%	9.2%	8.5%	9.9%
Interest Expense	12,097	13,509	15,130	12,438	14,198	15,916
% growth	7.6%	11.7%	12.0%	10.6%	14.1%	12.1%
Net Interest Income	57,634	61,675	67,200	58,957	63,288	69,280
% growth	6.4%	7.0%	9.0%	8.9%	7.3%	9.5%
Other Operating Income	23,005	25,083	27,374	23,200	25,276	27,261
% growth	9.5%	9.0%	9.1%	10.5%	8.9%	7.9%
Other Operating Expense	32,229	34,739	37,462	41,133	40,232	43,152
% growth	7.5%	7.8%	7.8%	-1.1%	-2.2%	7.3%
Pre-provision Operating Profit	48,409	52,019	57,112	50,039	53,928	59,030
% growth	7.1%	7.5%	9.8%	10.7%	7.8%	9.5%
Net Operating Income	39,394	46,423	51,469	41,024	48,332	53,388
% growth	17.4%	17.8%	10.9%	22.2%	17.8%	10.5%
Income Before Tax Expense	39,394	46,423	51,469	41,024	48,332	53,388
% growth	17.4%	17.8%	10.9%	22.2%	17.8%	10.5%
Net Income	31,502	37,123	41,157	32,819	38,666	42,710
% growth	16.1%	17.8%	10.9%	20.9%	17.8%	10.5%

Source: Company data, Sinarmas Investment Research

Income Statement (IDR bn)	2019	2020	2021E	2022F	2023F
Interest Income	63,838	65,403	71,395	77,486	85,195
<i>% growth</i>	12.5%	2.5%	9.2%	8.5%	9.9%
Interest Expense	13,360	11,242	12,438	14,198	15,916
<i>% growth</i>	16.4%	-15.9%	10.6%	14.1%	12.1%
Net Interest Income	50,477	54,161	58,957	63,288	69,280
<i>% growth</i>	11.5%	7.3%	8.9%	7.3%	9.5%
Other Operating Income	21,145	21,004	23,200	25,276	27,261
<i>% growth</i>	19.2%	-0.7%	10.5%	8.9%	7.9%
Other Operating Expense	35,334	41,597	41,133	40,232	43,152
<i>% growth</i>	16.5%	17.7%	-1.1%	-2.2%	7.3%
Pre-provision Operating Profit	40,880	45,197	50,039	53,928	59,030
<i>% growth</i>	15.5%	10.6%	10.7%	7.8%	9.5%
Net Operating Income	36,289	33,569	41,024	48,332	53,388
<i>% growth</i>	11.0%	-7.5%	22.2%	17.8%	10.5%
Income Before Tax Expense	36,289	33,569	41,024	48,332	53,388
<i>% growth</i>	11.0%	-7.5%	22.2%	17.8%	10.5%
Net Income	28,570	27,147	32,819	38,666	42,710
<i>% growth</i>	10.5%	-5.0%	20.9%	17.8%	10.5%

Balance Sheet (IDR bn)	2019	2020	2021E	2022F	2023F
Cash and Equivalents	25,421	24,322	20,876	23,948	29,023
CA w/ Central Bank	47,905	27,482	37,693	37,693	34,290
CA w/ Other Banks	10,522	11,972	13,170	13,828	14,520
Interbank Placement	30,948	47,451	52,337	57,725	63,669
Total Loans - Net	572,034	547,644	589,542	639,361	702,167
Marketable Securities	9,576	146,819	148,287	149,770	151,268
Fixed Assets	20,852	21,915	23,352	24,937	26,678
Total Assets	918,989	1,075,570	1,206,801	1,303,757	1,419,281
Demand Deposits	184,918	228,985	270,202	293,169	322,486
Saving Deposits	345,634	413,161	471,004	501,619	541,749
Time Deposits	168,428	192,138	201,745	214,858	229,898
Total Customer Deposits	698,980	834,284	942,951	1,009,646	1,094,133
Deposits From Other Banks	6,717	10,163	10,671	11,205	11,765
Marketable Securities	1,348	591	561	558	556
Fund Borrowings	2,333	1,307	1,301	1,294	1,288
Subordinated Debts	500	500	500	500	500
Total Liabilities	740,067	885,538	995,181	1,067,185	1,156,248
Total Equity	174,143	184,715	205,706	229,995	255,718

Source: Company data, Sinarmas Investment Research

Financial Ratio (%)	2019	2020	2021E	2022F	2023F
Loan to Deposit Ratio	84.0%	68.9%	65.3%	66.1%	66.8%
Loan to Funding Ratio	81.4%	67.0%	63.6%	64.4%	65.1%
CASA Ratio	75.9%	77.0%	78.6%	78.7%	79.0%
Net Interest Margin	6.2%	5.8%	5.5%	5.4%	5.5%
Average Loan Yield	9.4%	8.7%	8.9%	8.8%	8.8%
Average Deposit CoF	1.7%	1.2%	1.2%	1.2%	1.3%
Gross NPL	1.3%	1.8%	2.1%	1.6%	1.6%
Net NPL	0.5%	0.5%	0.6%	0.5%	0.5%
Credit Cost	0.8%	1.7%	1.3%	0.7%	0.7%
Coverage Ratio	189.2%	260.9%	246.2%	317.6%	306.1%
Cost to Income Ratio	57.3%	61.2%	56.6%	53.0%	52.5%
Cost Efficiency Ratio	49.3%	55.3%	50.1%	45.4%	44.7%
Capital Adequacy Ratio	24.6%	26.9%	24.9%	23.9%	22.9%
Return on Equity	17.5%	15.1%	16.8%	17.7%	17.6%
Return on Asset	3.3%	2.7%	2.9%	3.1%	3.1%
EPS*	1,158.8	220.2	266.2	313.7	346.5
BVPS*	1,411.8	1,497.4	1,667.7	1,864.6	2,073.3

*adjusted to stocksplit 1:5

Source: Company data, Sinarmas Investment Research

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