

1Q20: strong set of results. As of 1Q20, total loan portfolio grew by 12.3% YoY, while customer deposits grew by 16.8% YoY. Strong growth in loan portfolio was primarily attributable to Corporate segment which grew by 25.4% YoY. Subsequently, strong growth in deposit collection was driven by CASA which grew by 17.3% YoY. Supported by strong CASA performance, NIM was maintained relatively flat at 6.1% (dn 10 bps YoY, dn 10 bps YTD). From asset quality, NPL was recorded at 1.6% in 1Q20 (up 10 bps YoY, up 30 bps YTD). To anticipate the increase in NPL and potential default risks related to Covid-19, management raised CoC from 0.8% in FY19 to 1.1% in 1Q20. Meanwhile, consolidated NII, PPOP, and NPAT were recorded at IDR 13.7tn (up 14.1% YoY), IDR 10.1tn (up 17.4% YoY), and IDR 6.6tn (up 8.6% YoY) respectively. To note, Non Interest Income collected in 1Q20 grew by 25.5% YoY supported by Trading Income.

Potential impact from Covid-19. Management forward guidance estimates ~22% of total loans to be restructured by the end of this year due to Covid-19 with more detailed breakdown as follows: 1) 18% of Corporate loans, 2) 30% of Commercial loans, 3) 21% of SME loans, and 4) 34% of Auto financing (KKB). As of mid May-20, BBKA had IDR 65tn - 83tn under their loan restructuring pipeline which accounted for 10%-14% of the total loans or 45%-64% of management FY20 guidance. Assuming restructured loans stand at 20%-30% of total loans, FY20E NIM compression is expected to be around 50-70 bps. Meanwhile, CoC is expected to be within 190-225 bps, relatively lower compared to its peers which guided ~300 bps FY20E CoC.

We reiterate our ADD rating on PT Bank Central Asia Tbk (BBKA) with 52-week TP of IDR 32,350, implying 4.1x FY21F P/BV. At current, BBKA is traded at 3.6x FY21F P/BV, -0.1 SD from its mean. While valuation is premium compared to its peers, we view BBKA's robust balance sheet and strong CASA franchise will make it a quality pick for investors especially amid this period of volatility. NIM and CoC are expected to deteriorate, however, we view bank's borrower profile to be relatively more resilient compared to other banks. In addition, as BBKA expects to finish the acquisition process of Bank Royal Indonesia and Rabobank in 2H20, dividend payout ratio may be kept high going forward as CAR is well above the regulatory requirement of 18.5% for systemic bank. As of 1Q20, BBKA's total CAR was recorded at 22.5% following IDR 6.7tn equity adjustment from IFRS 9 implementation.

Highlights (IDR bn)	2018	2019	2020E	2021F	2022F
Total Loans	542,999	592,585	616,288	678,553	743,127
Total Deposits	635,029	704,795	736,570	813,811	894,205
Net Interest Income	45,291	50,477	51,144	55,343	61,098
Pre-provision Op. Profit	35,383	40,880	43,615	47,672	54,401
Net Income	25,855	28,565	22,437	29,881	34,429
Net Interest Margin	6.5%	6.6%	6.1%	6.2%	6.3%
Gross NPL	1.4%	1.3%	2.0%	1.6%	1.5%
Credit Cost	0.5%	0.8%	2.5%	1.5%	1.5%
Return on Equity	18.3%	17.5%	12.8%	16.1%	16.8%
Return on Asset	3.3%	3.3%	2.4%	3.0%	3.1%

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Stock Information

Sector	Banking
Bloomberg Ticker	BBKA JJ
Market Cap. (IDR tn)	700.2
Share Out./Float (mn)	24,665/10,629
Current Price	28,400
52-week Target Price	32,350
Upside (%)	13.9%

Share Price Performance

52W High (01/15/20)	35,300
52W Low (03/20/20)	21,625
52W Beta	0.95
YTD Change (%)	-15.0%

Relative Valuations

Trailing P/E	24.1x
Forward P/E	23.4x
Trailing P/BV	4.0x
Forward P/BV	3.6x

Income Statement (IDR bn)	2018	2019	2020E	2021F	2022F
Interest Income	56,767	63,838	64,122	69,485	76,877
% growth		12.5%	0.4%	8.4%	10.6%
Interest Expense	11,476	13,360	12,978	14,142	15,778
% growth		16.4%	-2.9%	9.0%	11.6%
Net Interest Income	45,291	50,477	51,144	55,343	61,098
% growth		11.5%	1.3%	8.2%	10.4%
Other Operating Income	17,744	21,145	23,213	25,126	27,719
% growth		19.2%	9.8%	8.2%	10.3%
Operating Expense	30,328	35,334	45,853	42,509	45,079
% growth		16.5%	29.8%	-7.3%	6.0%
Pre-provision Operating Profit	35,383	40,880	43,615	47,672	54,401
% growth		15.5%	6.7%	9.3%	14.1%
Net Operating Income	32,706	36,289	28,504	37,961	43,738
% growth		11.0%	-21.5%	33.2%	15.2%
Income Before Tax Expense	32,706	36,289	28,504	37,961	43,738
% growth		11.0%	-21.5%	33.2%	15.2%
Net Income	25,855	28,565	22,437	29,881	34,429
% growth		10.5%	-21.5%	33.2%	15.2%

Balance Sheet (IDR bn)	2018	2019	2020E	2021F	2022F
Cash and Equivalents	21,691	25,421	20,092	24,518	26,261
CA w/ Central Bank	43,548	47,905	50,836	53,777	56,714
CA w/ Other Banks	8,498	10,522	11,166	11,811	12,456
Interbank Placement	31,683	30,948	33,269	34,131	35,853
Total Loans - Net	529,354	577,533	593,910	654,593	719,415
Marketable Securities	109,081	142,983	164,430	180,560	194,102
Government Bonds	-	-	-	-	-
Fixed Assets	19,337	20,852	20,852	21,895	22,990
Total Assets	824,788	918,989	952,916	1,049,283	1,150,067
Demand Deposits	166,822	184,918	196,428	219,156	243,640
Saving Deposits	316,803	346,670	362,391	396,654	432,580
Time Deposits	151,404	173,207	177,750	198,001	217,985
Total Customer Deposits	635,029	704,795	736,570	813,811	894,205
Deposits From Other Banks	6,494	6,717	6,932	7,559	8,091
Marketable Securities	240	1,348	1,348	1,348	1,348
Fund Borrowings	2,093	2,333	2,391	2,511	2,636
Subordinated Debts	-	-	-	-	-
Total Liabilities	673,035	744,846	776,741	853,964	934,621
Total Equity	151,753	174,143	176,174	195,319	215,446

Source: Company Data, Sinarmas Investment Research

Financial Ratio (%)	2018	2019	2020E	2021F	2022F
Loan to Deposit Ratio	85.5%	84.1%	83.7%	83.4%	83.1%
Loan to Funding Ratio	84.3%	82.9%	82.5%	82.2%	82.0%
CASA Ratio	76.2%	75.4%	75.9%	75.7%	75.6%
Net Interest Margin	6.5%	6.6%	6.1%	6.2%	6.3%
Average Loan Yield	8.9%	9.1%	8.3%	8.4%	8.5%
Average Deposit CoF	1.6%	1.7%	1.6%	1.6%	1.6%
Gross NPL	1.4%	1.3%	2.0%	1.6%	1.5%
Net NPL	0.4%	0.5%	0.6%	0.5%	0.5%
Credit Cost	0.5%	0.8%	2.5%	1.5%	1.5%
Coverage Ratio	178.7%	189.2%	182.9%	215.4%	215.6%
Cost to Income Ratio	56.1%	57.3%	67.4%	59.9%	58.2%
Cost Efficiency Ratio	48.1%	49.3%	61.7%	52.8%	50.8%
Return on Equity	18.3%	17.5%	12.8%	16.1%	16.8%
Return on Asset	3.3%	3.3%	2.4%	3.0%	3.1%
EPS	1,048.5	1,158.8	910.2	1,212.2	1,396.7
BVPS	6,151.3	7,059.1	7,141.5	7,917.5	8,733.4

Source: Company Data, Sinarmas Investment Research

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