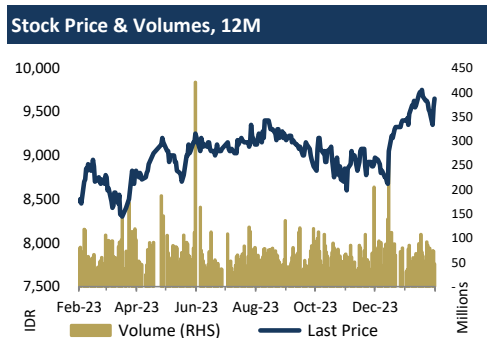


BUY (Maintain)

Target Price (IDR)	10,800
Potential Upside (%)	13.1
Price Comparison	
Cons. Target Price (IDR)	10,743
SSI vs. Cons. (%)	100.53

Stock Information	
Last Price (IDR)	9,550
Shares Issued (Mn)	123,275
Market Cap. (IDR Bn)	1,189,604
52-Weeks High/Low (IDR)	9,775/8,250
3M Avg. Daily Value (IDR Bn)	672.0
Free Float (%)	42.4
Shareholder Structure:	
PT Dwimuria Investama Andalan (%)	54.9
Public (%)	42.6
Others (%)	2.5

Stock Performance				
(%)	YTD	1M	3M	12M
Absolute	2.7	2.7	10.3	13.9
JCI Return	(0.8)	(0.8)	6.9	5.5
Relative	3.5	3.5	3.4	8.4



Company Background
PT Bank Central Asia Tbk provides banking and related services. The bank also provides custodianship, trusteeship, and management of pensions funds of financial institutions

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Conservative during election year

Conservative on loan growth in 2024F. BBKA delivered strong loan growth in FY23 (+13.9% YoY), supported by SME (+16.0% YoY), corporate (+15.0% YoY), and consumer segments (+14.8% YoY). Going into 2024F, the bank targets slower loan growth of 9-10%, given the possibility of slower demand for corporate investment loans during an election year. However, consumer loans and small and medium-sized enterprise (SME) loans are expected to experience double-digit growth in 2024F. We expect the SME loan facility's utilization rate to improve further in 2024F, and even exceed its pre-Covid level (64%).

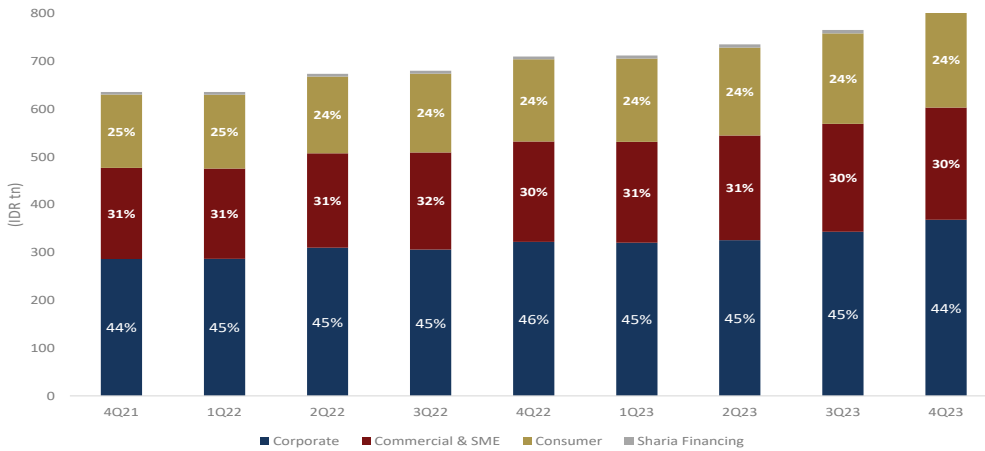
NIM to slightly improve amidst liquidity tightening. BBKA booked a NIM of 5.6% in 4Q23 (+10bps QoQ), with an FY23 NIM of 5.5% (+20bps YoY), driven mainly by loan yield repricing and the changes in its portfolio mix, which now mainly targets higher-yielding assets. BBKA expects NIM to range between 5.5%-5.6% in 2024F, as it still has the ability to reprice loans further at the start of this year, and the bank may reduce its TD rate by the end of the year in expectation of a 50bps Fed rate cut 2H24. It is worth highlighting that the bank still has very ample liquidity. Despite the increase in LDR to 70.2% in 4Q23 (vs. 67.4% in 3Q23 and 65.2% in 4Q22), BBKA intends to progressively improve LDR to above its pre-pandemic level of 80%.

Continuous LAR improvement. On the asset quality side, we have seen continuous improvements in BBKA's LAR ratio over the past year. LAR came in at 6.9% in Dec-23 vs. 7.9% in 3Q23 and 10.4% in Dec-22, and the bank expects its LAR to continue to improve (2024F target: <5%). In line with the improvement in LAR ratio, BBKA was able to lower cost of credit (CoC) to 30bps in FY23 vs. 70bps in FY22, and to target a CoC of 30-40bps in FY24. Even though it plans to grow its SME segment going forward, we believe BBKA will be able to maintain loan quality, as the bank will be very selective in giving out new SME loans, and most of them will be disbursed to existing CASA depositors.

Maintain BUY rating and TP of IDR 10,800 based on 5x PBV. We continue to view BBKA favorably, considering its low credit risk and the fact that it is one of the best liability franchises in Asia as reflected by above-average FY23 ROAE of 21.0% (Sector: 19.2%). However, in our view, its valuation is quite expensive (BBKA is currently trading at premiums to historical valuations (PBV: +1.5 SD). We maintain our BUY rating for BBKA and TP of IDR 10,800/share, implying 2024F PBV of 5.0x. Downside risks: Worse-than-expected NPL downgrade and lower NIM.

Forecast and Valuation (at closing price IDR 9,550 per share)					
Y/E Dec (IDR Bn)	21A	22A	23A	24F	25F
Net Interest Income (IDR Bn)	56,471	64,143	75,369	84,071	90,476
Pre Provision Profit (IDR Bn)	48,555	52,627	62,560	71,490	77,563
Operating Profit (IDR Bn)	39,231	48,100	60,297	68,265	73,826
Net Profit (IDR Bn)	31,423	40,736	48,639	53,122	57,443
EPS (IDR)	255	330	395	431	466
EPS Growth (%)	15.8	29.6	19.4	9.2	8.1
P/E Ratio (x)	38.0	29.3	24.5	22.5	20.8
BVPS (IDR)	1,644	1,793	1,966	2,152	2,363
P/BV Ratio (x)	5.9	5.4	4.9	4.5	4.1
DPS (IDR)	145	205	240	250	260
Dividend Yield (%)	1.5	2.1	2.5	2.6	2.7

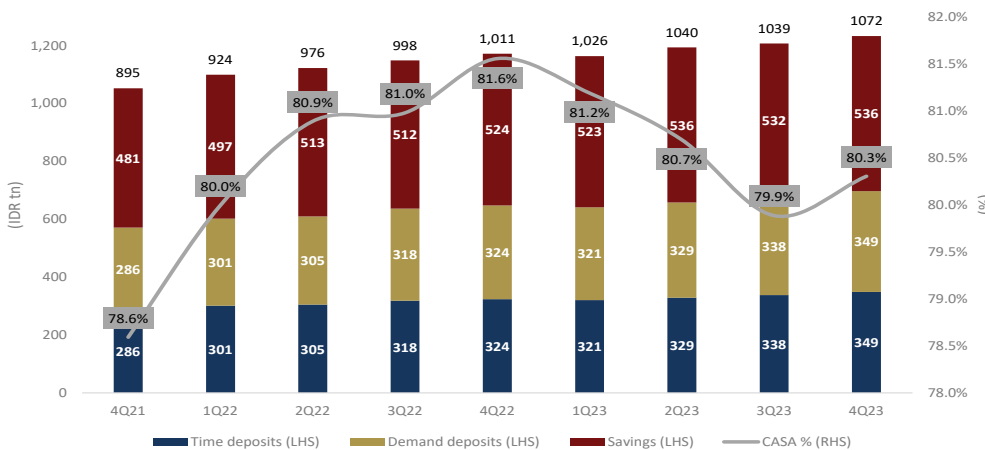
Figure 1. BBKA's loan portfolio



In FY23, BBKA exhibited robust loan growth (+13.9% YoY), driven by SME (+16.0% YoY), corporate (+15.0% YoY), and consumer segments (+14.8% YoY)

Source: Company, SSI Research

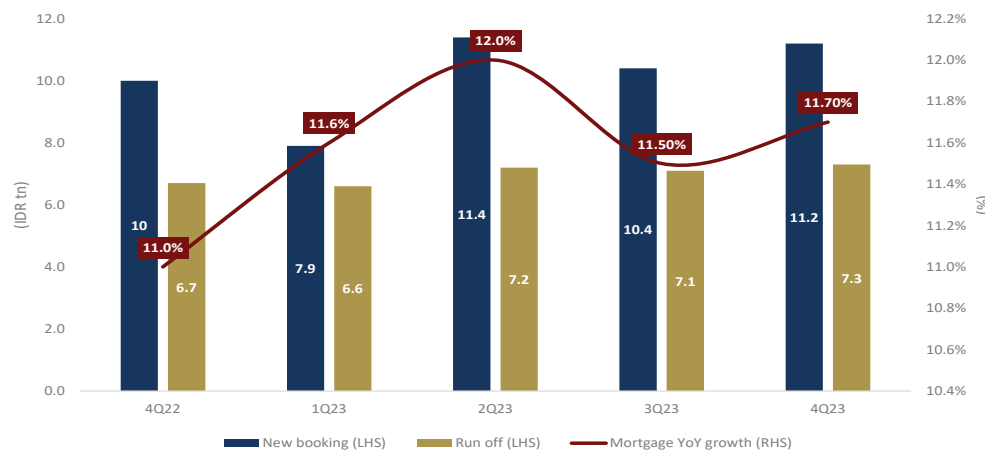
Figure 2. BBKA's CASA ratio



BBKA has the highest CASA ratio amongst Indonesian banks

Source: Company, SSI Research

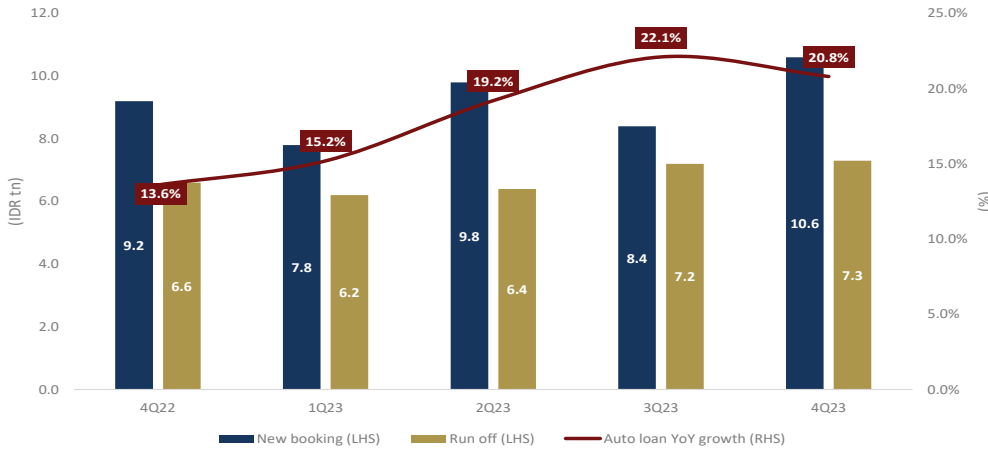
Figure 3. New mortgage loan trends



BBKA's mortgage portfolio received a significant boost from government incentives, surpassing industry averages; additionally, new mortgage bookings surged 2.3x over the past three years

Source: Company, SSI Research

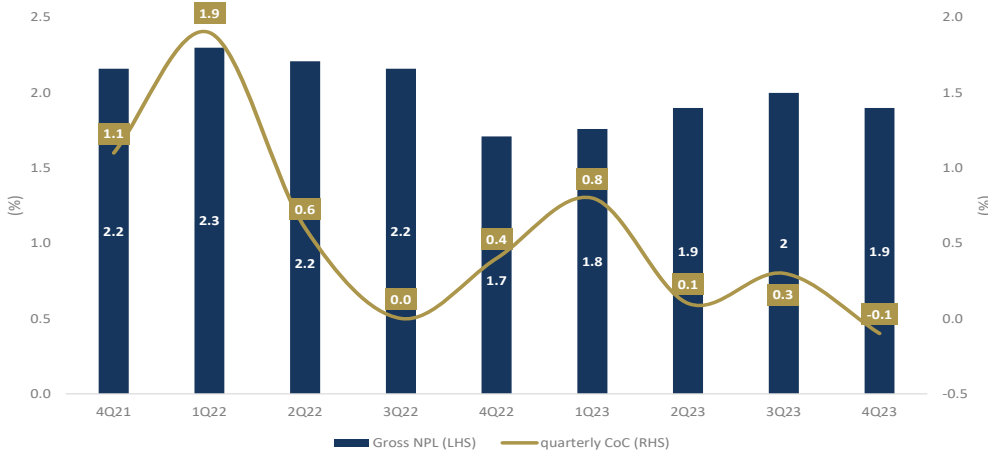
Figure 4. New auto loan trend



New auto loans saw steady improvements throughout 2023

Source: Company, SSI Research

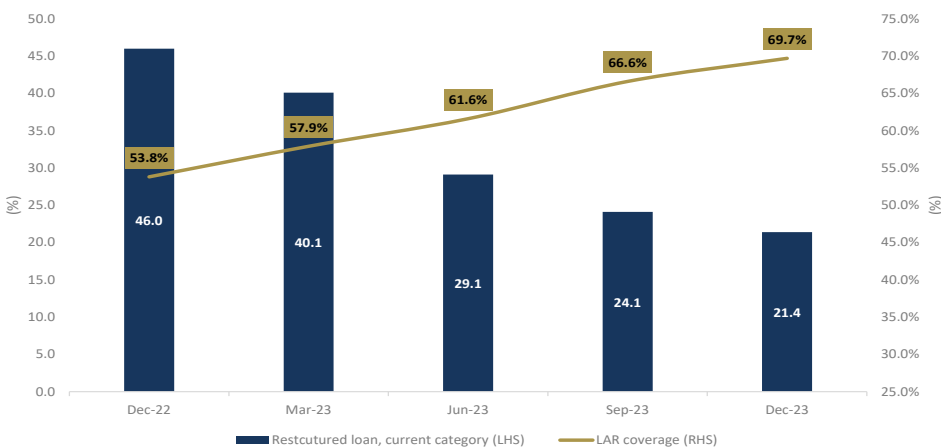
Figure 5. BBCA's credit cost



In recent quarters, BBCA effectively controlled its credit costs (FY23: 30bps, FY22: 70bps), thanks to improved LAR ratio

Source: Company, SSI Research

Figure 6. BBCA's LAR coverage



Despite lower CoC, NPL coverage remained high at 234%, and LaR coverage (69.7%) was higher than pre-COVID-19 levels

Source: Company, SSI Research

Figure 7. BBCA's 4Q23 results

(IDRbn)	4Q22	3Q23	4Q23	q-q (%)	Y-Y (%)	12M22	12M23	Y-Y (%)	12M23/2023F	12M23/cons
Interest Income	20,252	22,116	22,836	3.3	12.8	72,459	87,722	21.1		
Interest expense	2,201	3,313	3,375	1.9	53.3	8,315	12,353	48.6		
Net interest income	18,051	18,803	19,462	3.5	7.8	64,143	75,369	17.5		
Non-interest income	6,037	6,134	5,600	(8.7)	(7.2)	22,700	23,900	5.3		
Total operating income	24,088	24,937	25,062	0.5	4.0	86,843	99,269	14.3	100.8	99.1
Operating expense	8,701	9,449	9,615	1.8	10.5	31,878	36,663	15.0		
Impairment of fin. assets	609	410	-29	(107.0)	(104.7)	4,527	2,263	(50.0)		
Operating profit	14,778	15,078	15,475	2.6	4.7	50,439	60,342	19.6		
Pretax profit	14,662	15,127	15,170	0.3	3.5	50,467	60,180	19.2		
Net profit	11,781	12,230	12,219	(0.1)	3.7	40,736	48,639	19.4	101.0	99.4
BS & ratio analysis	4Q22	3Q23	4Q23	QoQ	YoY	12M22	12M23			
Gross loans (IDRbn)	711,139	765,905	810,252	5.8	13.9	711,139	810,252			
Third party funding (IDRbn)	1,039,718	1,088,773	1,101,673	1.2	6.0	1,039,718	1,101,673			
Key ratios										
Net interest margin (%)	5.3	5.5	5.5			5.3	5.5			
Cost efficiency (%)	36.1	37.9	38.4			36.7	36.9			
Cost to income (%)	43.8	46.6	45.6			47.0	45.9			
Loan/deposit (%)	68.4	70.3	73.5			68.4	73.5			
Loan/funding (%)	67.0	69.2	72.1			67.0	72.1			
Capital adequacy (%)	25.8	29.5	29.4			25.8	29.4			
Gross NPL (%)	1.71	2.04	1.86			1.7	1.9			
LLP/NPL (%)	291.6	231.7	231.6			291.6	231.6			
ROAE (%)	22.2	21.9	21.1			19.2	21.0			

NII improved to IDR 19.4tn (+3.5% QoQ, +7.8% YoY) in 4Q23, supported by robust loan growth (13.9% as of Dec-23) and relatively better NIM (5.6%)

Source: Company, SSI Research

Key Financial Figures

Profit and Loss					
Y/E (IDRbn)	21A	22A	23A	24F	25F
Interest income	65,980	72,459	87,722	99,164	106,182
Interest expense	9,509	8,315	12,353	15,093	15,706
Net interest income	56,471	64,143	75,369	84,071	90,476
Non interest income	21,518	21,886	23,866	26,102	28,410
Total operating income	77,988	86,029	99,235	110,173	118,886
Operating expenses	29,434	33,403	36,675	38,682	41,323
Loan loss provisions	9,324	4,527	2,263	3,225	3,737
Operating profit	39,231	48,100	60,297	68,265	73,826
Non-operating inc./(exp.)	-390	2,367	-118	-133	-150
Pre-tax profit	38,841	50,467	60,180	68,132	73,676
Corporate tax	-7,401	-9,711	-11,522	-14,988	-16,208
Minorities	-17	-20	-19	-22	-25
Net profit	31,423	40,736	48,639	53,122	57,443

We expect BBKA to book 9.2% EPS growth in FY24, supported by solid loan growth, manageable NIM, and continuous improvement in asset quality

Balance Sheet					
Y/E (IDRbn)	21A	22A	23A	24F	25F
Placement with other banks	29,524	17,453	10,066	10,670	11,310
Loans	636,902	711,139	810,252	902,060	1,004,522
Government bonds	187,246	208,344	264,598	256,598	254,598
Other interest bearing assets	338,696	339,992	272,886	292,129	318,681
Impairment in financial assets	-34,094	-35,462	-34,899	-45,943	-49,652
Net earnings assets	1,158,274	1,241,466	1,322,902	1,415,514	1,539,458
Cash on hand	23,616	21,360	21,702	22,787	23,926
Fixed assets	22,169	24,709	26,825	32,695	39,814
Other assets	24,285	27,197	36,679	40,565	44,873
Total assets	1,228,345	1,314,732	1,408,107	1,511,560	1,648,071
Customer deposits	976,884	1,040,842	1,102,913	1,177,156	1,258,587
Deposits from other banks	10,017	7,936	10,071	10,824	11,634
Borrowing and subordinated debts	976	1,316	1,629	1,678	1,728
Other liabilities	37,619	43,456	50,956	56,423	84,610
Total liabilities	1,025,496	1,093,550	1,165,569	1,246,081	1,356,559
Minorities	136	163	181	203	228
Equity	202,713	221,019	242,356	265,276	291,284
Total liabilities and equity	1,228,345	1,314,732	1,408,107	1,511,560	1,648,071

SME segment will be BBKA's main focus this year

Key Ratios (%)					
	21A	22A	23A	24F	25F
ROA	2.7	3.2	3.6	3.6	3.6
ROE	16.2	19.2	21.0	20.9	20.6
NIM	5.1	5.2	5.7	5.7	5.7
Loan to deposit ratio	65.2	68.3	73.5	76.6	79.8
Loan to funding ratio	64.5	67.7	72.7	75.8	79.0
Cost efficiency ratio	37.7	38.8	37.0	35.1	34.8
CIR	55.2	49.0	46.0	45.5	45.1
Gross NPL	2.2	1.7	1.9	1.8	1.7
NPL coverage	241.6	286.5	226.0	230.4	236.6
LLR to total loans	0.0	0.0	0.0	0.0	0.0
CAR-total	22.9	23.0	26.8	29.6	30.1
CAR-tier I	22.1	22.1	25.8	28.6	29.0

BBKA intends to progressively improve its LDR to surpass the pre-pandemic level of 80%

Major Assumptions (%)					
	21A	22A	23A	24F	25F
Net interest income growth	3.5	13.6	17.5	11.5	7.6
Operating income growth	6.5	10.3	15.3	11.0	7.9
Operating profit growth	25.0	22.6	25.4	13.2	8.1
Net profit growth	15.8	29.6	19.4	9.2	8.1
Loan growth	8.2	11.7	13.9	11.3	11.4
Deposit growth	16.1	6.5	6.0	6.7	6.9
Non-int. inc./opt. inc.	27.6	25.4	24.1	23.7	23.9
Corporate tax rate	19.1	19.2	19.1	22.0	22.0
Payout ratio	56.9	62.0	60.8	58.0	55.8

Even though BBKA plans to grow its SME segment going forward, we believe it would be able to maintain its loan quality as the bank will be very selective in giving out new SME loans

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