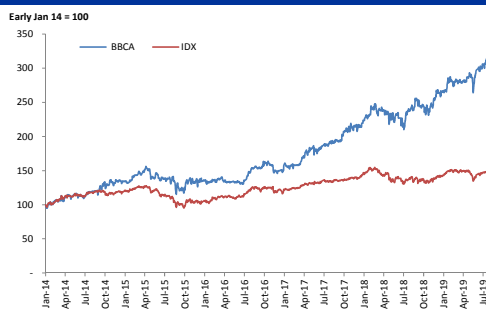


30 JULY 2019

COMPANY UPDATE
NEUTRAL
STOCK INFORMATION

Bloomberg Code	BBCA IJ
Sector	Bank
Current Price	Rp 30,950
Target Price	Rp 30,150
Previous Target Price	Rp 28,650
Upside/Downside	-3%
Share Out (bn shares)	24.7
Market Cap (Rp bn)	Rp 763,073
52 – w range (low-high)	Rp 20,600 – Rp 31,450
Average daily turnover (Rp bn)	
1 month	Rp 271.1
3 month	Rp 393.1
YTD 2019	Rp 388.8

PRICE CHART


Source: Bloomberg

SHAREHOLDERS INFORMATION, AS OF 30 JUNE 2019

PT Dwimuria Investama Andalan	54.9%
Anthoni Salim	1.8%
Public (below 5%)	43.3%

Source: Company data

FORWARD PBV BAND


Source: Bloomberg and Lotus Andalan Research

Theodorus ArielKristian
 theodorus.ariel@lotussekuritas.com
 (+62-21) 2395 1000 ext. 2050

PT BANK CENTRAL ASIA TBK
Good 1H19 Result – Strong Liquidity

BBKA's net interest income and net profit grew by 13.1% YoY and 12.6% YoY reaching to Rp 24.6 trillion (vs Rp 21.8 trillion in 1H18) and Rp 12.9 trillion (vs Rp 11.4 trillion in 1H18), respectively. Meanwhile, the company has a strong liquidity amid a tight liquidity in the banking industry (95.5% LDR in May 2019), in which the LDR was registered at the level of 79.0% in 1H19 thanks to the company's strategy to focuses on transaction payment system since 1990 and solid transaction in digitalization banking platform. Recently, BBKA's share price has rallied by 18% YTD 2019 and traded slightly below its 5 years average forward PBV +2 stdev of 4.13x. **Neutral rating.**

Booked a good result in 1H19

BBKA managed to book a good result in 1H19 where the company's net interest income grew by 13.1% YoY reaching to Rp 24.6 trillion (vs Rp 21.8 trillion in 1H18) triggered by 11.5% loan's growth (slightly above banking industry's growth of 11.1% YoY in May 19) and 60 bps increases in its earning assets yield. Meanwhile, the net profit during the same period increased by 12.6% YoY from Rp 11.4 trillion to Rp 12.9 trillion thanks to its strong fee based income growth of 24.5% YoY which was able to compensate a 3-fold surge in provision cost due to the implementation of PSAK 71 (refers to IFRS 9, will be officially implemented in 1 January 2020). This PSAK will manage the calculation of loan loss reserves based on the characteristics of contractual cash flows, expected credit loss impairment and financial forecast.

Strong liquidity within industry

We highlight that the company's LDR was at the level of 79.0% in 1H19 (vs 77.0% in 1H18) which translates into a strong liquidity amid tight liquidity in the banking industry (LDR industry was registered at 95.5% in May 19), hence, we foresee that the company has a more space to further expand its loan aggressively. This was supported by the company's strategy to focuses on transaction payment system since 1990 and solid transaction in digitalization banking platform (mainly in M-banking and Internet banking). Note that, the company's customer deposit grew by 8.6% YoY reached to Rp 673.9 trillion (vs Rp 620.4 trillion in 1H18), dominated by current and saving accounts (CASA) with a portion of 76%, while its loan increased by 11.1% YoY to Rp 560.3 trillion (vs Rp 502.4 trillion in 1H18).

NPL maintained at low level

On asset quality side, BBKA managed to maintain its NPL at low level of 1.4% in 2Q19 which was far below from NPL's banking industry at 2.6% as of May 2019, thanks to a write-off of Rp 1.3 trillion and Rp 8.1 trillion in restructured loan as well as NPL improvement from corporate segment to the level of 0.9% (vs 1.0% in 2Q18 and 1.1% in 1Q19). Meanwhile, the NPL from commercial & SME and consumer segments slightly deteriorated to the level of 2.0% (vs 1.9% in 2Q18 and 1.9% in 1Q19) and 1.5% (vs 1.4% in 2Q18 and 1.4% in 1Q19) due to the Eid holiday seasonal.

Neutral rating – new fair value Rp 30,150 per share

We cut 2019 net profit forecast by 2.5% to Rp 27.6 trillion (previously Rp 28.3 trillion) due to higher provision cost projection since the company started to implement PSAK 71. We also revise our Risk free rate assumption to 7.00% following the recent decline in 10 years government bond and BI 7-days RRR cut by 25 bps. Hence, we obtain new fair value at Rp 30,150 per share (previously at Rp 28,650 per share) implying with 3.86x PBV 2020F target. Recently, BBKA's share price has rallied by 18% YTD 2019 and traded slightly below its 5 years average forward PBV +2 stdev of 4.13x, hence, we recommend Neutral rating since our fair value offer 3% downside potential.

Financial Summary

(Rp billion)	2017A	2018A	2019F	2020F	2021F
Net interest income	41,826	45,291	49,383	54,561	59,619
PPOP	31,791	35,383	38,845	42,611	46,976
Net profit	23,310	25,855	27,600	30,575	34,672
EPS (Rp)	945	1,049	1,119	1,240	1,406
PER (x)	32.74	29.51	27.65	24.96	22.01
BVPS (Rp)	5,326	6,151	6,966	7,821	8,652
PBV (x)	5.81	5.03	4.44	3.96	3.58
Dividend yield (%)	0.82	0.97	1.21	1.74	2.27
RoAE (%)	19.13	18.27	17.07	16.77	17.07
NIM (%)	6.86	6.74	6.61	6.50	6.38

Source: Company data and Lotus Andalan Research

Interim Financial Result									
P/L (In Rp billion)	1H18	1H19	YoY	FY19F-old	cover	1Q19	2Q19	QoQ	The Comments
Net Interest Income	21,783	24,631	13.1%	49,383	50%	11,989	12,642	5.4%	Inline
Operating expenses	(14,348)	(15,649)	9.1%	(29,072)	54%	(8,084)	(7,565)	-6.4%	
PPOP	15,154	18,593	22.7%	38,845	48%	8,606	9,987	16.0%	Inline
Provision	(826)	(2,447)	196.2%	(3,029)	81%	(982)	(1,465)	49.2%	
Pre-tax profit	14,328	16,146	12.7%	35,817	45%	7,624	8,522	11.8%	
Net Profit	11,421	12,862	12.6%	28,295	45%	6,062	6,800	12.2%	Inline
BS (In Rp billion)									
Loan - gross	502,243	560,314	11.6%	617,537	91%	532,255	560,314	5.3%	
Customer deposit	620,423	673,872	8.6%	697,922	97%	629,570	673,872	7.0%	
Profitability									
Avg Loan Yield	7.5%	8.1%		8.7%		8.0%	8.1%		
Cost of Fund	1.7%	2.0%		2.3%		2.0%	2.0%		
NIM	6.1%	6.2%		6.6%		6.2%	6.2%		Slightly increase NIM in 1H19
BOPO	62.1%	62.6%		58.7%		65.2%	62.6%		
Capital & Assets Quality									
Total CAR	22.8%	23.6%		24.7%		24.5%	23.6%		
LDR	77.0%	79.0%		88.5%		81.0%	79.0%		Ample liquidity
CASA	77.7%	75.7%		76.9%		77.0%	75.7%		
NPL - gross	1.4%	1.4%		1.4%		1.5%	1.4%		Maintain at low level
Provisioning coverage	187.8%	183.7%		198.8%		171.4%	183.7%		

Source: Company data and Lotus Andalan Research

Forecast Revision						
P/L (In Rp billion)	Old		New		Change	
	2019F	2020F	2019F	2020F	2019F	2020F
Net Interest Income	49,383	54,458	49,383	54,561	0.0%	0.2%
Operating expenses	(29,072)	(32,702)	(29,072)	(32,764)	0.0%	0.2%
PPOP	38,845	42,530	38,845	42,611	0.0%	0.2%
Provision	(3,029)	(3,408)	(4,327)	(4,381)	42.9%	28.6%
Pre-tax profit	35,817	39,123	34,519	38,230	-3.6%	-2.3%
Income tax	(7,506)	(8,199)	(6,904)	(7,646)	-8.0%	-6.7%
Net Profit	28,295	30,914	27,600	30,575	-2.5%	-1.1%

Source: Lotus Andalan Research

Loan (In billion Rp)											
Loan Segment	1Q17	2Q17	3Q17	4Q17	1Q18	2Q18	3Q18	4Q18	1Q19	2Q19	YoY
Corporate	152,566	160,744	161,527	177,277	179,409	191,433	199,217	213,274	207,786	219,160	14.5%
Commercial & SME	144,670	151,906	150,025	162,047	166,707	168,199	176,412	184,034	184,674	189,183	12.5%
Consumer	111,674	120,956	128,332	128,296	123,939	142,776	139,934	148,947	139,664	151,971	6.4%
Total	408,910	433,606	439,884	467,620	470,055	502,408	515,563	546,255	532,124	560,314	11.5%
Loan - QoQ											
Corporate	-1.5%	5.4%	0.5%	9.8%	1.2%	6.7%	4.1%	7.1%	-2.6%	5.5%	
Commercial & SME	-4.7%	5.0%	-1.2%	8.0%	2.9%	0.9%	4.9%	4.3%	0.3%	2.4%	
Consumer	1.9%	8.3%	6.1%	0.0%	-3.4%	15.2%	-2.0%	6.4%	-6.2%	8.8%	
Total	-1.8%	6.0%	1.4%	6.3%	0.5%	6.9%	2.6%	6.0%	-2.6%	5.3%	
Loan - Portion											
Corporate	37%	37%	37%	38%	38%	38%	39%	39%	39%	39%	
Commercial & SME	35%	35%	34%	35%	35%	33%	34%	34%	35%	34%	
Consumer	27%	28%	29%	27%	26%	28%	27%	27%	26%	27%	
Total	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	

Source: Company data and Lotus Andalan Research

Customer Deposit											
	1Q17	2Q17	3Q17	4Q17	1Q18	2Q18	3Q18	4Q18	1Q19	2Q19	YoY
Deposit (In Rp billion)											
Current Account	137,126	148,654	144,716	151,250	153,813	166,528	163,074	167,268	164,719	172,644	3.7%
Saving Account	268,294	278,301	283,281	292,416	297,247	315,495	313,741	316,665	319,015	337,766	7.1%
Time Deposits	129,725	145,292	146,390	137,449	132,459	138,400	137,078	150,995	145,836	163,462	18.1%
Total	535,145	572,247	574,387	581,115	583,519	620,423	613,893	634,928	629,570	673,872	8.6%
Deposit - QoQ											
Current Account	-0.5%	8.4%	-2.6%	4.5%	1.7%	8.3%	-2.1%	2.6%	-1.5%	4.8%	
Saving Account	-0.8%	3.7%	1.8%	3.2%	1.7%	6.1%	-0.6%	0.9%	0.7%	5.9%	
Time Deposits	6.4%	12.0%	0.8%	-6.1%	-3.6%	4.5%	-1.0%	10.2%	-3.4%	12.1%	
Total	0.9%	6.9%	0.4%	1.2%	0.4%	6.3%	-1.1%	3.4%	-0.8%	7.0%	
Portion											
CASA ratio	76%	75%	75%	76%	77%	78%	78%	76%	77%	76%	
Time deposit	24%	25%	25%	24%	23%	22%	22%	24%	23%	24%	
Total	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	

Source: Company data and Lotus Andalan Research

NPL											
Period	1Q17	2Q17	3Q17	4Q17	1Q18	2Q18	3Q18	4Q18	1Q19	2Q19	YoY*
Segment											
Corporate	1.1%	1.0%	1.2%	1.4%	1.4%	1.0%	1.0%	1.3%	1.1%	0.9%	-7
Commercial & SME	2.1%	2.2%	2.3%	1.9%	1.9%	1.9%	2.0%	1.6%	1.9%	2.0%	5
Consumer	1.0%	1.0%	1.1%	1.0%	1.2%	1.4%	1.3%	1.2%	1.4%	1.5%	7
Total	1.5%	1.5%	1.5%	1.5%	1.5%	1.4%	1.4%	1.4%	1.5%	1.4%	0
QoQ*											
Corporate	30	-10	20	20	0	-40	0	30	-20	-17	
Commercial & SME	0	10	10	-40	0	0	10	-40	30	5	
Consumer	20	0	10	-10	20	20	-10	-10	20	8	
Total	20	0	0	0	0	-10	0	0	10	-10	

*) In bps

Source: Company data and Lotus Andalan Research

Financial Highlights of PT Bank Central Asia Tbk

In Rp Billion									
BALANCE SHEET	2017A	2018A	2019F	2020F	INCOME STATEMENT	2017A	2018A	2019F	2020F
ASSETS					Interest income	53,768	56,767	65,024	75,803
Cash and cash equivalent	16,754	21,691	20,516	24,338	Interest expenses	(11,941)	(11,476)	(15,641)	(21,242)
Current account with BI and others bank	52,566	52,046	53,751	60,058	Net Interest income	41,826	45,291	49,383	54,561
Placement with BI and others bank	18,970	31,683	36,145	39,037	Net premium income	-	-	-	-
Marketable securities	131,091	109,081	116,292	118,831	Other non-interest income	15,155	17,744	18,534	20,814
Gross loans	467,509	538,099	617,537	703,609	Total net operating income	56,982	63,034	67,918	75,375
Loan provisions	(13,244)	(13,569)	(17,205)	(19,089)	Salaries expenses	(11,335)	(12,143)	(12,993)	(14,590)
Fixed assets	16,869	19,337	19,358	19,245	G&A expenses	(12,306)	(13,027)	(13,942)	(15,717)
Others	59,804	66,419	60,827	68,431	Other expenses	(1,550)	(2,482)	(2,136)	(2,457)
TOTAL ASSETS	750,320	824,788	907,221	1,014,460	Pre Provision Operating profit (PPOP)	31,791	35,383	38,845	42,611
					Provision	(2,633)	(2,677)	(4,327)	(4,381)
LIABILITIES & EQUITY					Operating profit	29,159	32,706	34,519	38,230
Customers deposits	585,093	634,408	697,922	783,496	Non - operating income	-	-	-	-
Other banks deposits	5,758	6,494	7,527	8,676	Profit before tax	29,159	32,706	34,519	38,230
Fund borrowings	3,041	2,093	2,905	2,010	Tax expense	(5,838)	(6,854)	(6,904)	(7,646)
Subordinated borrowings	-	500	944	481	Net profit before non-controlling interest	23,321	25,852	27,615	30,584
Others	25,026	29,539	26,023	26,862	Non-controlling interest	11	(3)	15	9
Total Liabilities	618,918	673,035	735,321	821,525	Net profit	23,310	25,855	27,600	30,575
Capital stock	1,541	1,541	1,541	1,541	EPS (Rp)	945	1,049	1,119	1,240
Additional paid in capital	5,549	5,549	5,549	5,549					
Others	8,215	9,001	9,001	9,001					
Retained Earnings	115,998	135,569	155,652	176,728					
Total Equity	131,304	151,660	171,742	192,818					
Non-Controlling Interest	98	94	158	117					
TOTAL LIABILITIES & EQUITY	750,320	824,788	907,221	1,014,460					
KEY FINANCIAL RATIO	2017A	2018A	2019F	2020F	MARKET RATIO	2017A	2018A	2019F	2020F
Growth (%)					PER (x)	32.74	29.51	27.65	24.96
Total assets	10.87	9.92	9.99	11.82	PBV (x)	5.81	5.03	4.44	3.96
Gross loans	12.41	15.10	14.76	13.94	BVPS (Rp)	5,326	6,151	6,966	7,821
Customer deposits	10.29	8.43	10.01	12.26	Dividend yield (%)	0.82	0.97	1.21	1.74
Risk weighted assets	10.17	14.21	10.08	12.38					
Net interest income	4.36	8.28	9.04	10.49					
PPOP	4.58	11.30	9.79	9.69					
Net profit	13.12	10.92	6.75	10.78					
Profitability (%)									
Earning Asset Yield	8.82	8.45	8.71	9.03					
Cost of Fund	2.11	1.85	2.31	2.82					
NIM	6.86	6.74	6.61	6.50					
ROAA	3.27	3.28	3.19	3.18					
ROAE	19.13	18.27	17.07	16.77					
Cost to Income Ratio	44.21	43.87	42.81	43.47					
Op. exp to Op. inc (BOPO)	57.69	56.11	58.69	60.43					
Capital & Quality Assets (%)									
CAR	23.60	23.95	24.60	24.61					
LDR	79.90	84.82	88.48	89.80					
CASA to Deposits	76.51	76.86	76.88	77.36					
NPL - gross	1.49	1.41	1.40	1.38					
Provisioning coverage	190.12	178.84	198.82	196.06					

Source: Company data and Lotus Andalan Research

Notes:

The definitions of Lotus Andalan Research for Investment Ratings:

- **BUY** : +15% and above, over the next 12 months
- **Neutral** : -15% to +15%, over the next 12 months
- **SELL** : -15% and worse, over the next 12 months

PT Lotus Andalan Sekuritas

The City Tower Lt 7
Jl. MH Thamrin No. 81 Kav. 3
Jakarta Pusat 10310
Tel : +6221 2395 1000
Fax : +6221 2395 1099

BRANCH OFFICE

Pluit

Kawasan CBD Pluit Blok A No.20
Jl. Pluit Selatan Raya No.1
Jakarta 14440
Tel : +6221 6667 5345
Fax : +6221 6667 5234

Kelapa Gading

Sentra Bisnis Artha Gading
Jl. Boulevard Artha Gading Blok A6B No. 7
Jakarta Utara 14240
Tel : +6221 4585 6402
Fax : +6221 4587 3961

Bandung

Komplek Paskal Hyper Square Blok C No. 15
Jl. Pasir Kaliki No. 25 - 27
Bandung 40181
Tel : +6222 8606 1027
Fax : +6222 8606 0684

Puri

Rukan Grand Taman Aries Niaga
Blok G 1 No. 1 | Jl. Taman Aries – Kembangan
Jakarta Barat 11620
Tel : +6221 2931 9515
Fax : +6221 2931 9516

Surabaya

Ruko Permata Bintoro
Jl. Ketampon Kav 1-2
Surabaya
Tel : +6231 562 2555
Fax : +6231 567 1398

Medan

Jl. Cut Mutia No. 15 B
Medan 20152
Tel : +6261 451 8855
Fax : +6261 455 1833

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