

4 NOVEMBER 2019

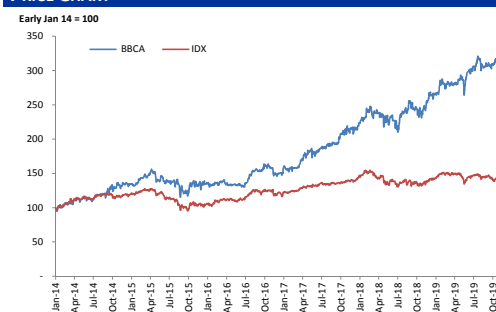
COMPANY UPDATE

NEUTRAL

STOCK INFORMATION

| | |
|--------------------------------|-----------------------|
| Bloomberg Code | BBCA IJ |
| Sector | Bank |
| Current Price | Rp 31,625 |
| Target Price | Rp 30,150 |
| Previous Target Price | Rp 30,150 |
| Upside/Downside | -5% |
| Share Out (bn shares) | 24.7 |
| Market Cap (Rp bn) | Rp 779,714 |
| 52 – w range (low-high) | Rp 23,700 – Rp 31,625 |
| Average daily turnover (Rp bn) | |
| 1 month | Rp 338.2 |
| 3 month | Rp 349.7 |
| YTD 2019 | Rp 381.5 |

PRICE CHART



Source: Bloomberg

SHAREHOLDERS INFORMATION, AS OF 30 SEPTEMBER 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

PT BANK CENTRAL ASIA TBK

Satisfied 9M19 Result – Ample Liquidity Ratio

BBCA's 9M19 result came in line with our expectation, in which the company's net interest income (NII) and net profit covered by 76% to our 2019F of Rp 49.4 trillion in NII and Rp 27.6 trillion in net profit. BBKA's NPL maintain to managed at low level of 1.6%, compared to the NPL's banking industry (at 2.6% as of August 2019) and other NPL's big banks during the same period (such as: BBRI at 3.08%, BMRI at 2.5% and BBNI at 1.8%). We see that BBKA's satisfied performance has reflected to its share price which rallied 21% YTD 2019 and traded close to its average 5-years forward PBV + 2 stdev of 4.15x. Maintain Neutral rating on the counter.

NPL managed at low level compared to the industry and other big banks

During the 3Q19, BBKA's NPL slightly deteriorated by 21 bps became to the level of 1.6% (vs 1.4% in 3Q18 and in 2Q19) due to the downgrade of Rp 900 billion corporate loan (i.e.: KRAS IJ) and Rp 1 trillion SME debtors in Palu into NPL category as well as PSAK 71 implementation. Nevertheless, we note that it was still managed at low level compared to the NPL's banking industry at 2.6% (as of August 2019) and other NPL's big banks during the same period (such as: BBRI at 3.08%, BMRI at 2.5% and BBNI at 1.8%).

Strong liquidity ratio amidst weakening industry loan's growth

From liquidity side, BBKA has a more space to further expand its loan aggressively supported by its 9M19 ample LDR at the level of 81% in the midst of tightening banking industry's liquidity (at the level of 95% as August 2019) due to weakening industry loan's growth (+8.6% YoY as of August 2019), in our view. Note that, the company's customer deposit grew by 10.4% YoY reached to Rp 683.1 trillion in 9M19 (vs Rp 618.9 trillion in 9M18), dominated by current and saving accounts (CASA) with a portion of 75%, while its loan increased by 10.9% YoY during the same period from Rp 527.9 trillion to Rp 585.5 trillion.

9M19 inline result

All in all, BBKA's 9M19 result came in line with our expectation, in which the company's net interest income (NII) and net profit covered by 76% to our 2019F of Rp 49.4 trillion in NII and Rp 27.6 trillion in net profit. We note that the NII increased by 12.2% YoY in 9M19 reach to Rp 37.4 trillion (vs Rp 33.4 trillion in 9M18) supported by 10.9% YoY loan growth (higher than banking industry's growth of 8.6% YoY as August 2019) and 50 bps increases in its earning asset yield. Meanwhile, BBKA's net profit was still able to improve by 13.0% YoY during the same period from Rp 18.5 trillion to Rp 20.9 trillion despite a significant 2-folds surge in provision cost, related to loan downgrade into NPL category (came from KRAS debtor and SME debtors in Palu) and PSAK 71 implementation.

Neutral rating – fair value Rp 30,150 per share

We foresee that BBKA's satisfied performance has reflected to its share price which rallied 21% YTD 2019 and traded close to its average 5-years forward PBV + 2 stdev of 4.15x. Hence, we maintain our Neutral rating since the share price already priced in with our fair value.

Financial Summary

| (Rp billion) | 2017A | 2018A | 2019F | 2020F | 2021F |
|---------------------|--------|--------|--------|--------|--------|
| Net interest income | 41,826 | 45,291 | 49,383 | 54,561 | 59,619 |
| NPOP | 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) | 33.45 | 30.16 | 28.25 | 25.50 | 22.49 |
| BVPS (Rp) | 5,326 | 6,151 | 6,966 | 7,821 | 8,652 |
| PBV (x) | 5.94 | 5.14 | 4.54 | 4.04 | 3.66 |
| Dividend yield (%) | 0.81 | 0.95 | 1.19 | 1.71 | 2.22 |
| 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

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| Interim Financial Result | | | | | | | | | |
|-------------------------------------|----------|----------|--------|----------|-------|---------|---------|--------|-----------------------|
| | 9M18 | 9M19 | YoY | FY19F | cover | 2Q19 | 3Q19 | QoQ | The Comments |
| P/L (In Rp billion) | | | | | | | | | |
| Net Interest Income | 33,359 | 37,431 | 12.2% | 49,383 | 76% | 12,642 | 12,800 | 1.2% | Inline |
| Operating expenses | (20,876) | (22,607) | 8.3% | (29,072) | 78% | (7,565) | (6,958) | -8.0% | |
| PPOP | 25,059 | 29,831 | 19.0% | 38,845 | 77% | 9,987 | 11,238 | 12.5% | Inline |
| Provision | (1,747) | (3,497) | 100.2% | (4,327) | 81% | (1,465) | (1,050) | -28.3% | |
| Pre-tax profit | 23,312 | 26,334 | 13.0% | 34,519 | 76% | 8,522 | 10,188 | 19.5% | |
| Net Profit | 18,508 | 20,921 | 13.0% | 27,600 | 76% | 6,800 | 8,059 | 18.5% | Inline |
| BS (In Rp billion) | | | | | | | | | |
| Loan - gross | 527,880 | 585,491 | 10.9% | 617,537 | 95% | 560,314 | 585,491 | 4.5% | |
| Customer deposit | 618,863 | 683,053 | 10.4% | 692,637 | 99% | 673,872 | 683,053 | 1.4% | |
| Profitability | | | | | | | | | |
| Avg Loan Yield | 7.5% | 8.0% | | 8.7% | | 8.1% | 8.0% | | |
| Cost of Fund | 1.8% | 2.0% | | 2.3% | | 2.0% | 2.0% | | |
| NIM | 6.1% | 6.2% | | 6.6% | | 6.2% | 6.2% | | Stable NIM |
| BOPO | 60.2% | 59.8% | | 58.7% | | 62.6% | 59.8% | | |
| Capital & Assets Quality | | | | | | | | | |
| Total CAR | 23.2% | 23.8% | | 24.6% | | 23.6% | 23.8% | | |
| LDR | 80.9% | 80.6% | | 88.5% | | 79.0% | 80.6% | | Ample liquidity |
| CASA | 77.7% | 75.2% | | 76.9% | | 75.7% | 75.2% | | |
| NPL - gross | 1.4% | 1.6% | | 1.4% | | 1.4% | 1.6% | | Maintain at low level |
| Provisioning coverage | 187.0% | 163.8% | | 198.8% | | 183.7% | 163.8% | | |

Source: Company data and Lotus Andalan Research

| Loan (In billion Rp) | | | | | | | | | | | | |
|-----------------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|--------------|
| | 1Q17 | 2Q17 | 3Q17 | 4Q17 | 1Q18 | 2Q18 | 3Q18 | 4Q18 | 1Q19 | 2Q19 | 3Q19 | YoY |
| Loan Segment | | | | | | | | | | | | |
| Corporate | 152,566 | 160,744 | 161,527 | 177,277 | 179,409 | 191,433 | 199,217 | 213,274 | 207,786 | 219,160 | 231,996 | 16.5% |
| Commercial & SME | 144,670 | 151,906 | 150,025 | 162,047 | 166,707 | 168,199 | 173,829 | 181,107 | 184,674 | 189,183 | 192,154 | 10.5% |
| Consumer | 111,674 | 120,956 | 128,332 | 128,296 | 123,939 | 142,776 | 154,834 | 156,774 | 139,664 | 151,971 | 161,341 | 4.2% |
| Total | 408,910 | 433,606 | 439,884 | 467,620 | 470,055 | 502,408 | 527,880 | 551,155 | 532,124 | 560,314 | 585,491 | 10.9% |
| Loan - QoQ | | | | | | | | | | | | |
| Corporate | -1.5% | 5.4% | 0.5% | 9.8% | 1.2% | 6.7% | 4.1% | 7.1% | -2.6% | 5.5% | 5.9% | |
| Commercial & SME | -4.7% | 5.0% | -1.2% | 8.0% | 2.9% | 0.9% | 3.3% | 4.2% | 0.3% | 2.4% | 1.6% | |
| Consumer | 1.9% | 8.3% | 6.1% | 0.0% | -3.4% | 15.2% | 8.4% | 1.3% | -6.2% | 8.8% | 6.2% | |
| Total | -1.8% | 6.0% | 1.4% | 6.3% | 0.5% | 6.9% | 5.1% | 4.4% | -2.6% | 5.3% | 4.5% | |
| Loan - Portion | | | | | | | | | | | | |
| Corporate | 37% | 37% | 37% | 38% | 38% | 38% | 38% | 39% | 39% | 39% | 40% | |
| Commercial & SME | 35% | 35% | 34% | 35% | 35% | 33% | 33% | 33% | 35% | 34% | 33% | |
| Consumer | 27% | 28% | 29% | 27% | 26% | 28% | 29% | 28% | 26% | 27% | 28% | |
| Total | 100% | 100% | 100% | 100% | 100% | 100% | 100% | 100% | 100% | 100% | 100% | |

Source: Company data and Lotus Andalan Research

| Customer Deposit (in billion Rp) | | | | | | | | | | | | |
|----------------------------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|--------------|
| | 1Q17 | 2Q17 | 3Q17 | 4Q17 | 1Q18 | 2Q18 | 3Q18 | 4Q18 | 1Q19 | 2Q19 | 3Q19 | YoY |
| Deposit | | | | | | | | | | | | |
| Current Account | 137,126 | 148,654 | 144,716 | 151,250 | 153,813 | 166,528 | 163,370 | 167,268 | 164,719 | 172,644 | 179,735 | 10.0% |
| Saving Account | 268,294 | 278,301 | 283,281 | 292,416 | 297,247 | 315,495 | 314,163 | 316,665 | 319,015 | 337,766 | 334,149 | 6.4% |
| Time Deposits | 129,725 | 145,292 | 146,390 | 137,449 | 132,459 | 138,400 | 141,330 | 150,995 | 145,836 | 163,462 | 169,169 | 19.7% |
| Total | 535,145 | 572,247 | 574,387 | 581,115 | 583,519 | 620,423 | 618,863 | 634,928 | 629,570 | 673,872 | 683,053 | 10.4% |
| Deposit - QoQ | | | | | | | | | | | | |
| Current Account | -0.5% | 8.4% | -2.6% | 4.5% | 1.7% | 8.3% | -1.9% | 2.6% | -1.5% | 4.8% | 4.1% | |
| Saving Account | -0.8% | 3.7% | 1.8% | 3.2% | 1.7% | 6.1% | -0.4% | 0.9% | 0.7% | 5.9% | -1.1% | |
| Time Deposits | 6.4% | 12.0% | 0.8% | -6.1% | -3.6% | 4.5% | 2.1% | 10.2% | -3.4% | 12.1% | 3.5% | |
| Total | 0.9% | 6.9% | 0.4% | 1.2% | 0.4% | 6.3% | -0.3% | 3.4% | -0.8% | 7.0% | 1.4% | |
| Portion | | | | | | | | | | | | |
| CASA ratio | 76% | 75% | 75% | 76% | 77% | 78% | 77% | 76% | 77% | 76% | 75% | |
| Time deposit | 24% | 25% | 25% | 24% | 23% | 22% | 23% | 24% | 23% | 24% | 25% | |
| Total | 100% | 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 | 3Q19 | YoY* |
| Segment | | | | | | | | | | | | |
| Corporate | 1.1% | 1.0% | 1.2% | 1.4% | 1.4% | 1.0% | 1.0% | 1.3% | 1.1% | 0.9% | 1.5% | 49 |
| Commercial & SME | 2.1% | 2.2% | 2.3% | 1.9% | 1.9% | 1.9% | 2.0% | 1.6% | 1.9% | 2.0% | 1.9% | -9 |
| Consumer | 1.0% | 1.0% | 1.1% | 1.0% | 1.2% | 1.4% | 1.3% | 1.2% | 1.4% | 1.5% | 1.4% | 12 |
| Total | 1.5% | 1.5% | 1.5% | 1.5% | 1.5% | 1.4% | 1.4% | 1.4% | 1.5% | 1.4% | 1.6% | 21 |
| QoQ* | | | | | | | | | | | | |
| Corporate | 30 | -10 | 20 | 20 | 0 | -40 | 0 | 30 | -20 | -17 | 56 | |
| Commercial & SME | 0 | 10 | 10 | -40 | 0 | 0 | 10 | -40 | 30 | 5 | -4 | |
| Consumer | 20 | 0 | 10 | -10 | 20 | 20 | -10 | -10 | 20 | 8 | -6 | |
| Total | 20 | 0 | 0 | 0 | 0 | -10 | 0 | 0 | 10 | -10 | 21 | |

*) 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) | 33.45 | 30.16 | 28.25 | 25.50 |
| Total assets | 10.87 | 9.92 | 9.99 | 11.82 | PBV (x) | 5.94 | 5.14 | 4.54 | 4.04 |
| 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 (%) | 0.81 | 0.95 | 1.19 | 1.71 |
| 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

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