

Bank Central Asia (BBCA IJ)

30 July 2015

Results Note

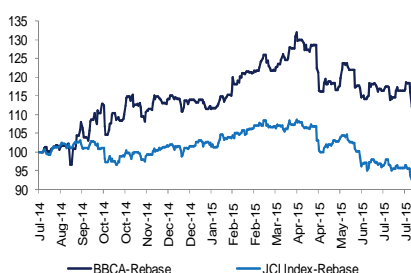
HOLD (Unchanged)

Stock Data

| | |
|----------------------------|----------|
| Target price (Rp) | Rp11,800 |
| Prior TP (Rp) | Rp11,800 |
| Share price (Rp) | Rp12,850 |
| Upside/downside (%) | (8.2) |
| Shares outstanding (m) | 24,456 |
| Market cap. (US\$ m) | 23,334 |
| Free float (%) | 49.6 |
| Avg. 6m daily T/O (US\$ m) | 14.9 |

Price Performance

| | 3M | 6M | 12M |
|-------------------|-----------------|------|------|
| Absolute (%) | -4.6 | -3.7 | 9.4 |
| Vs. JCI (%) | 2.5 | 6.8 | 16.0 |
| 52w high/low (Rp) | 12,850 - 11,200 | | |



Major Shareholders

| | |
|---------------------|-------|
| Farindo Investments | 47.2% |
|---------------------|-------|

Estimate Change; Vs. Consensus

| | 2015F | 2016F |
|-------------------|-------|-------|
| Latest EPS (Rp) | 770 | 845 |
| Vs. Prior EPS (%) | - | - |
| Vs. Consensus (%) | 3.1 | 0.6 |

Source: Bloomberg

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Slower growth, benign asset quality

- **Net profit grew 8.8% yoy in 1H15, still within expectations.**
- **Loan growth slowed but NIMs widened 20bps qoq in 2Q.**
- **Stable asset quality, NPL ratio maintained at a low 0.7%.**
- **Reiterate Hold rating (mainly due to premium valuation).**

Decent results. BBKA's net profit of Rp8.54tn in 1H15 (+8.8% yoy) was within expectations in light of its slower-than-expected credit growth of 8% yoy in 1H (vs. 12% guidance for 2015), with 1H profit accounting for 45% of our full year forecast. The bank's slowing earnings growth this year, after growing very rapidly in the prior two years, merely reflects an economic growth slowdown in Indonesia on the back of falling commodity prices and tighter monetary policies since 2013. In 2Q, BBKA's profit was up 10% qoq driven by stronger fee incomes, lower costs and despite its normalizing loan provisioning. As such, profitability metrics were sustained high, with ROAA of 3.05% and ROAE of 21.4% in 1H15 albeit this was lower than in prior year as its earnings growth was outpaced by strong internal capital generation arising from high ROAE and low dividend payout.

Slow credit growth. BBKA's loan growth slowed to 8% yoy in 1H15, slower than industry loan growth (10% yoy as of May) and its own guidance of 12% for 2015. The bank's loan growth slowdown occurred across corporate loans (+6.4% yoy), commercial & SMEs (+8.3%), and consumer portfolio (+9.2%). Within consumer loans, BBKA's home mortgage loans grew only 7.7% despite its relaunch of fixed-and-capped rate mortgage loans since 1Q, reflecting a property market slowdown in Indonesia since 2014. However, NIMs improved by 20bps qoq to 7.16% in 2Q due to lower cost of funds as the bank cut its highest rate on fixed deposits by 150bps to 6.25% and its savings rate by 20bps to 1.70%.

Stable asset quality. After a low provisioning in 1Q15 (due to loan recoveries), BBKA's credit cost normalised to 55bps in 2Q15 (FY14: 67bps) while its NPL ratio rose slightly to 0.7% (1Q: 0.6%). Compared to 1Q, BBKA's NPL ratios for its corporate loans (at 0.4%) and consumer portfolio (at 0.8%) were stable while its commercial & SME loans worsened slightly to 0.8% (1Q: 0.7%). Meanwhile, its provisions/NPL coverage was sustained high at 293%. As such, we believe asset quality remains a non-issue for BBKA, which has a proven strong track record of sustained good asset quality arising from the bank's conservative lending policy. Capital ratios also remained strong (CAR: 19.3%).

Reiterate Hold. Although we like BBKA as a defensive sector play in an environment of rising economic uncertainty in Indonesia, owing to the bank's strong and stable asset quality, the stock trades at a steep valuation premium to peer major banks in the country, hence our Hold rating on the stock.

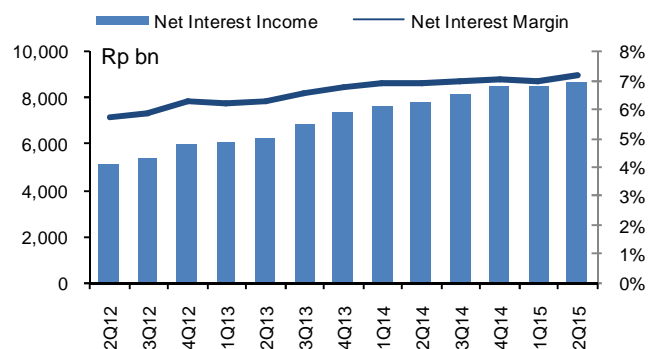
| Year To 31 Dec | 2013A | 2014A | 2015F | 2016F | 2017F |
|-------------------------|--------|--------|--------|--------|--------|
| Operating income (RpBn) | 34,372 | 41,051 | 45,792 | 50,694 | 57,678 |
| PPOP (RpBn) | 19,741 | 22,744 | 25,173 | 27,500 | 31,574 |
| Net profit (RpBn) | 14,254 | 16,486 | 18,820 | 20,677 | 23,693 |
| Net profit growth (%) | 21.6 | 15.7 | 14.2 | 9.9 | 14.6 |
| FD EPS (Rp) | 583 | 674 | 770 | 845 | 969 |
| P/E (x) | 22.0 | 19.1 | 16.7 | 15.2 | 13.3 |
| P/B (x) | 4.9 | 4.0 | 3.4 | 2.8 | 2.4 |
| Dividend yield (%) | 0.9 | 1.0 | 1.2 | 1.3 | 1.5 |
| ROAA (%) | 3.1 | 3.2 | 3.2 | 3.2 | 3.2 |
| ROAE (%) | 24.5 | 23.3 | 22.0 | 20.3 | 19.8 |

Source: BBKA, IndoPremier

Share Price Closing as of : 30-July-2015

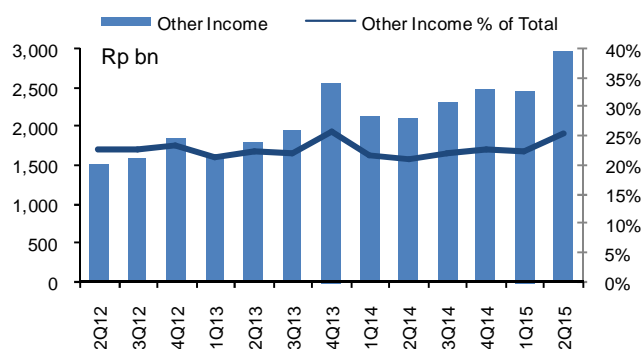
BBCA Results Note

Fig. 1: Net Interest Income (Rp bn) and NIMs (%)



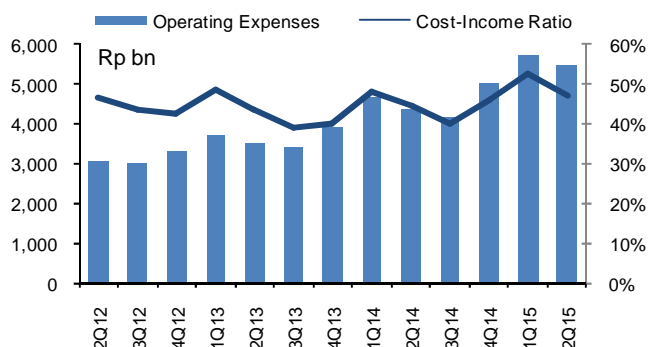
Source: Company, IndoPremier

Fig. 2: Non-Interest Income (Rp bn; % of Gross Income)



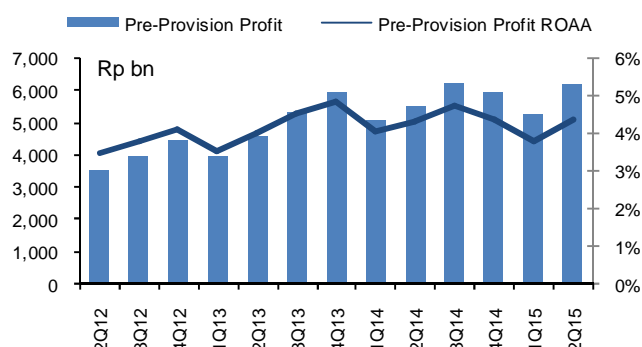
Source: Company, IndoPremier

Fig. 3: Operating Expense (Rp bn) and Cost/Income Ratio (%)



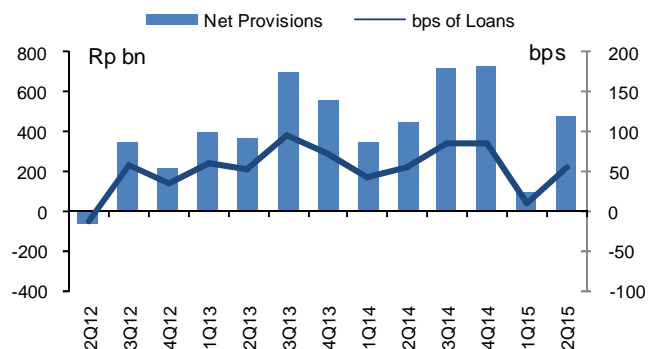
Source: Company, IndoPremier

Fig. 4: Pre-Provision Profit (Rp bn; % of Average Assets)



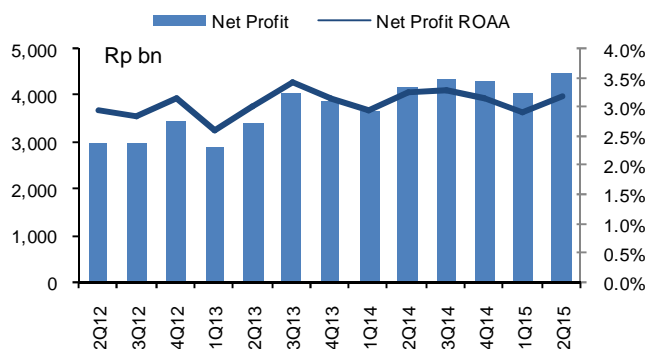
Source: Company, IndoPremier

Fig. 5: Net Loan Provisioning (Rp bn; bps of Average Loans)



Source: Company, IndoPremier

Fig. 6: Net Profit (Rp bn) and ROAA (%)



Source: Company, IndoPremier

BBCA Results Note

| 1H15 Results (Rp Bn) | 1H15 | 1H14 | % Y-Y | 2Q15 | 1Q15 | % Q-Q |
|---------------------------------|----------------|----------------|-------------|----------------|----------------|-------------|
| Net Interest Income | 17,177 | 15,416 | 11.4 | 8,684 | 8,493 | 2.2 |
| Fees & Commissions | 4,050 | 3,488 | 16.1 | 2,113 | 1,937 | 9.1 |
| Insurance & Other Incomes | 760 | 400 | 89.9 | 414 | 346 | 19.9 |
| Trading Income | 634 | 337 | 87.9 | 447 | 187 | 138.7 |
| Operating Income | 22,621 | 19,641 | 15.2 | 11,659 | 10,962 | 6.4 |
| Operating Expenses | -11,248 | -9,078 | 23.9 | -5,504 | -5,744 | -4.2 |
| Pre-Provision Profit | 11,373 | 10,563 | 7.7 | 6,155 | 5,218 | 18.0 |
| Provision for Impairment/Losses | -574 | -786 | -26.9 | -480 | -94 | 408.4 |
| Operating Profit | 10,799 | 9,777 | 10.5 | 5,675 | 5,124 | 10.8 |
| Other Non Operating Items | 0 | 141 | n.m. | 0 | 0 | n.m. |
| Pre-Tax Profit | 10,799 | 9,918 | 8.9 | 5,675 | 5,124 | 10.8 |
| Tax | -2,246 | -2,056 | 9.2 | -1,186 | -1,060 | 11.8 |
| Minorities | -11 | -10 | 12.7 | -5 | -6 | -9.7 |
| Net Profit | 8,541 | 7,852 | 8.8 | 4,484 | 4,057 | 10.5 |
| | | | | | | |
| Gross Loans | 357,115 | 330,246 | 8.1 | 357,115 | 345,703 | 3.3 |
| Customer Deposits | 457,648 | 421,511 | 8.6 | 457,648 | 445,401 | 2.7 |
| Non-Performing Loans (NPL) | 2,374 | 1,600 | 48.4 | 2,374 | 2,203 | 7.8 |
| Special Mention Loans | 6,315 | 4,803 | 31.5 | 6,315 | 5,222 | 20.9 |
| Loan Loss Reserves (LLR) | 6,950 | 5,889 | 18.0 | 6,950 | 6,553 | 6.1 |
| Total Assets | 571,643 | 522,714 | 9.4 | 571,643 | 557,439 | 2.5 |
| Risk-Weighted Assets | 439,682 | 459,488 | -4.3 | 439,682 | 421,256 | 4.4 |
| Shareholders' Funds | 81,504 | 70,191 | 16.1 | 81,504 | 79,775 | 2.2 |
| BV Per Share | 3,333 | 2,870 | 16.1 | 3,333 | 3,262 | 2.2 |

Source: BBCA, IndoPremier

| Key Ratios (%) | 1H15 | 1H14 | % Y-Y | 2Q15 | 1Q15 | % Q-Q |
|------------------------------|-------------|-------------|-------------|-------------|-------------|------------|
| ROAA (annualized) | 3.05 | 3.10 | -1.7 | 3.18 | 2.92 | 8.6 |
| ROAE (annualized) | 21.4 | 23.3 | -7.9 | 22.2 | 20.6 | 7.9 |
| Net Interest Margin (bps) | 705 | 689 | 2.4 | 716 | 695 | 3.0 |
| Credit Cost (bps) | 33 | 48 | -32.3 | 55 | 11 | 407.5 |
| Fee Inc/Operating Income | 17.9 | 17.8 | 0.8 | 18.1 | 17.7 | 2.6 |
| Non Int Inc/Operating Income | 24.1 | 21.5 | 11.9 | 25.5 | 22.5 | 13.3 |
| Op. Cost/ Operating Income | 49.7 | 46.2 | 7.6 | 47.2 | 52.4 | -9.9 |
| Loan-to-Deposit Ratio (LDR) | 78.0 | 78.3 | -0.4 | 78.0 | 77.6 | 0.5 |
| NPL/Loan Ratio | 0.7 | 0.5 | 37.2 | 0.7 | 0.6 | 4.4 |
| LLR/NPL Ratio | 292.7 | 368.0 | -20.5 | 292.7 | 297.5 | -1.6 |
| Tier-1 Capital Ratio | 18.4 | 13.9 | 32.4 | 18.4 | 18.7 | -1.9 |
| Total Capital Ratio | 19.3 | 14.8 | 30.7 | 19.3 | 19.6 | -1.8 |

Source: BBCA, IndoPremier

BBCA Results Note

| Year To 31 Dec (RpBn) | 2013A | 2014A | 2015F | 2016F | 2017F |
|--------------------------------|---------|----------|----------|----------|----------|
| Income Statement | | | | | |
| Interest income | 34,277 | 43,771 | 49,076 | 55,355 | 64,011 |
| Interest expense | (7,852) | (11,745) | (13,503) | (16,462) | (19,719) |
| Net interest income | 26,425 | 32,027 | 35,572 | 38,893 | 44,292 |
| Fees and commissions | 6,310 | 7,285 | 8,378 | 9,634 | 11,080 |
| Trading income | 1,166 | 833 | 800 | 1,000 | 1,000 |
| Other operating income | 471 | 906 | 1,042 | 1,167 | 1,307 |
| Total operating income | 34,372 | 41,051 | 45,792 | 50,694 | 57,678 |
| Personnel expenses | (6,865) | (8,671) | (9,538) | (10,492) | (11,541) |
| G&A expenses | (7,386) | (8,931) | (10,271) | (11,812) | (13,583) |
| Other operating expenses | (381) | (704) | (810) | (891) | (980) |
| Pre-provision operating profit | 19,741 | 22,744 | 25,173 | 27,500 | 31,574 |
| Provisions | (2,016) | (2,240) | (1,811) | (1,811) | (2,109) |
| Loan recovery income | 0 | 0 | 0 | 0 | 0 |
| Operating profit | 17,725 | 20,505 | 23,362 | 25,689 | 29,465 |
| Non-operating profit | 91 | 236 | 200 | 200 | 200 |
| Exceptional items | 0 | 0 | 0 | 0 | 0 |
| Pre-tax profit | 17,816 | 20,741 | 23,562 | 25,889 | 29,665 |
| Income tax | (3,559) | (4,229) | (4,712) | (5,178) | (5,933) |
| Minority interests | (2) | (26) | (30) | (34) | (39) |
| Reported net profit | 14,254 | 16,486 | 18,820 | 20,677 | 23,693 |
| Balance Sheet | | | | | |
| Cash | 16,284 | 19,578 | 18,771 | 20,938 | 23,966 |
| Current account with BI | 35,269 | 38,875 | 40,179 | 44,678 | 50,917 |
| Placements at BI & other banks | 15,701 | 16,116 | 17,728 | 19,501 | 20,907 |
| Short-term investments | 50,252 | 67,088 | 73,797 | 71,726 | 71,848 |
| Government bonds | 40,450 | 32,919 | 26,394 | 21,477 | 16,560 |
| Gross loans | 319,021 | 355,869 | 411,401 | 483,389 | 577,229 |
| Loan provisions | (5,707) | (7,677) | (7,766) | (8,826) | (10,185) |
| Other assets | 25,034 | 29,656 | 26,826 | 27,918 | 29,825 |
| Total Assets | 496,305 | 552,424 | 607,329 | 680,801 | 781,066 |
| Customer deposits | 409,736 | 447,906 | 489,915 | 546,149 | 624,130 |
| Deposits from other banks | 3,301 | 3,754 | 4,130 | 4,828 | 5,654 |
| Securities and borrowings | 3,634 | 5,585 | 6,702 | 8,042 | 10,455 |
| Other liabilities | 15,667 | 16,962 | 13,092 | 11,320 | 10,740 |
| Total Liabilities | 432,338 | 474,206 | 513,838 | 570,339 | 650,979 |
| Share capital | 7,105 | 7,105 | 7,105 | 7,105 | 7,105 |
| Reserves and others | (168) | 246 | 246 | 246 | 246 |
| Retained earnings | 56,928 | 70,332 | 85,855 | 102,768 | 122,325 |
| Shareholders' equity | 63,866 | 77,683 | 93,206 | 110,119 | 129,677 |
| Minority interest | 101 | 238 | 285 | 342 | 410 |
| Total Liabilities & Equity | 496,305 | 552,127 | 607,329 | 680,801 | 781,066 |

Source: BBCA, IndoPremier

BBCA Results Note

| Year To 31 Dec | 2013A | 2014A | 2015F | 2016F | 2017F |
|------------------------------|-------|-------|-------|-------|-------|
| Growth Ratios (% yoy) | | | | | |
| Gross loans | 21.6 | 11.6 | 15.6 | 17.5 | 19.4 |
| Total assets | 12.0 | 11.3 | 9.9 | 12.1 | 14.7 |
| Customer deposits | 10.6 | 9.3 | 9.4 | 11.5 | 14.3 |
| Net interest income | 24.4 | 21.2 | 11.1 | 9.3 | 13.9 |
| Non-interest income | 24.6 | 13.6 | 13.3 | 15.5 | 13.4 |
| Total operating income | 24.3 | 15.7 | 13.9 | 10.0 | 14.7 |
| Operating expense | 13.8 | 25.1 | 12.6 | 12.5 | 12.5 |
| PPOP | 33.8 | 15.2 | 10.7 | 9.2 | 14.8 |
| Net profit | 21.6 | 15.7 | 14.2 | 9.9 | 14.6 |
| Profitability Ratios | | | | | |
| ROAA (%) | 3.06 | 3.16 | 3.25 | 3.21 | 3.24 |
| ROAE (%) | 24.5 | 23.3 | 22.0 | 20.3 | 19.8 |
| NIM (%) | 6.44 | 6.94 | 6.93 | 6.74 | 6.74 |
| Credit cost (bps) | 70.0 | 67.2 | 47.2 | 40.5 | 39.8 |
| Cost/income (%) | 42.6 | 44.6 | 45.0 | 45.8 | 45.3 |
| LDR (%) | 77.9 | 79.5 | 84.0 | 88.5 | 92.5 |
| CAR (%) | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| NPL ratio (%) | 0.4 | 0.6 | 0.7 | 0.7 | 0.8 |
| Provisions/NPL (%) | 415.7 | 371.2 | 276.3 | 248.4 | 224.1 |

Source: BBCA, IndoPremier

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INVESTMENT RATINGS

BUY : Expected total return of 10% or more within a 12-month period
HOLD : Expected total return between -10% and 10% within a 12-month period
SELL : Expected total return of -10% or worse within a 12-month period

ANALYSTS CERTIFICATION.

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