Bank Central Asia (BBCA IJ)

Resilient Fundamentals, MSCI Overhang

Highlights

- **The recovery in NIM continues,** supporting bank-only net profit growth of 11% in Oct 26. However, elevated funding costs and limited repricing due to competition and caution on SME loan repricing could cap NIM expansion in 2027.
- **Funding quality is the moat.** Loans grew 12.5% vs deposits at 8%, with incremental CASA covering 88% of incremental loans. Substantial liquid placement allows BBCA to have greater funding flexibility.
- **Fundamentals intact, valuation de-rated**. Maintain BUY with a lower target price of Rp6,600 (2.5x 2027F P/B) after raising COE by 120bps. However, structural market risks could warrant additional CoE premiums.

Analysis

- **NIM recovery continues, but further repricing may be challenging**. Bank Central Asia (BBCA) posted bank-only net profit of Rp5.2t in Oct 26 (+3.8% mom/11.0% yoy), taking 10M26 net profit to Rp50.4t (+4.4% yoy). Net interest income (NII) rose 7.1% mom as monthly NIM recovered, supported by higher asset yields and lower cost of fund (CoF). During its 3Q26 results call, management stated that corporate loan yield had recovered by 80bps from its Apr 26 low to 7.5%. However, management acknowledged that further repricing could become more challenging amid competition from SOE banks while remaining cautious on repricing SME and commercial loans to preserve borrowers' repayment capacity. Therefore, we see limited room for further NIM expansion in 2027, given moderating loans repricing opportunities and elevated CoF.
- **Strong loan growth without compromising funding quality.** Loans grew 12.5% yoy in Oct 26, outpacing deposit growth of 8.0% yoy. Nevertheless, current account and savings account (CASA) rose 10.2% yoy while time deposits contracted 3.6% yoy, lifting the CASA ratio to 85.8% from 84.1% in Oct 25. Incremental CASA was equivalent to 88% of incremental loans over the past 12 months. Despite a higher loan-to-deposit ratio (LDR) of 81.5%, BBCA retains a substantial placement with BI and other banks. Its securities and reverse-repo assets total Rp492t (31% of total assets), providing greater flexibility to support loan growth without competing for expensive deposits.
- **Solid asset quality, but diminishing provision benefits**. LAR declined to 4.6% in Sep 26 from 5.5% a year earlier, while NPL stood at 1.8%. Bank-only provision charges fell 24.5% yoy in 10M26, while strong loan recoveries contributed to a 25.6% yoy decline in consolidated net provision expenses in 9M26. Given the already-low credit cost, we see limited scope for further provisioning-driven earnings growth. Nonetheless, healthy asset quality and strong capitalisation (CAR: 27.5%) position BBCA relatively well to navigate a more challenging operating environment in 2027.

Key Financials

Year to 31 Dec (Rpb)	2024	2025	2026F	2027F	2028F
Net interest income	82,264	85,548	87,341	91,601	96,713
Non-Interest Income	26,042	26,458	27,896	28,442	29,172
Net profit (rep./act.)	54,836	57,589	60,002	62,630	65,593
Net profit (adj.)	54,836	57,589	60,002	62,630	65,593
EPS (Rp)	444	467	486	507	531
PE (x)	13.1	12.4	11.9	11.4	10.9
P/B (x)	2.7	2.5	2.3	2.2	2.1
Dividend yield (%)	4.2	5.2	6.0	6.3	6.6
Net int margin (%)	5.8	5.8	5.5	5.4	5.4
Cost/income Ratio (%)	35.1	32.8	32.2	31.7	31.0
Loan loss cover (%)	209.4	184.7	171.5	165.2	163.7
Consensus net profit	-	-	60,172	65,263	71,098
UOBKH/Consensus (x)	-	-	1.00	0.96	0.92

Source: BBCA, Bloomberg, UOB Kay Hian

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BUY (Maintained)

Share Price	Rp5,800
Target Price	Rp6,600
Upside	+13.8%
Previous TP	Rp8,150

Stock Data

Sector	Financials
Bloomberg ticker	BBCA IJ
Shares issued (m)	123,275
Market cap (Rpb)	714,995
Market cap (US$m)	39,227
3-mth avg daily t'over (US$m)	65.6

Price Performance (%)

52-week high/low				Rp8,500/Rp4,740
1mth	3mth	6mth	1yr	YTD
15.4	(9.4)	(1.7)	(31.0)	(28.2)

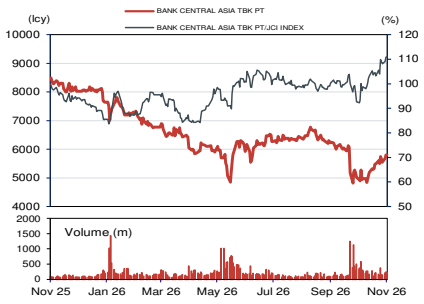
Major Shareholders (%)

Dwimuria Investama Andalan	54.9

Balance Sheet Metrics

FY26 NAV/Share (Rp)	2,520
FY26 Net Debt/Share (Rp)	28.6

Price Chart



Source: Bloomberg

Company Description

BBCA is the largest private bank in Indonesia.

10M26 Results

Profit & Loss (Rpt)	10M26	10M25	yoy	Oct-26	Sep-26	mom	yoy
Interest income	79.4	76.8	3.4%	8.5	8.0	5.6%	9.1%
Interest expense	11.3	10.3	9.8%	1.1	1.1	-3.5%	7.5%
Net Interest Income	**68.1**	**66.5**	**2.4%**	**7.4**	**6.9**	**7.1%**	**9.3%**
Other Opr Income	23.5	22.5	4.7%	2.1	2.2	-2.4%	-2.5%
Other Opr Expenses	27.2	26.2	3.8%	2.9	2.8	2.3%	2.2%
PPOP	**64.4**	**62.8**	**2.6%**	**6.6**	**6.3**	**5.9%**	**8.3%**
Provision Expenses	2.4	3.1	-24.5%	0.2	0.0	2628.5%	-40.6%
Pre-tax Income	61.6	59.2	4.0%	6.4	6.2	3.7%	10.9%
Income After Tax	**50.4**	**48.3**	**4.4%**	**5.2**	**5.0**	**3.8%**	**11.1%**
Balance Sheet (Rpt)	**Oct-26**	**Sep-26**	**Oct-25**	**Dec-25**	**mom**	**yoy**	**ytd**
Loan	1,039	1,031	924	962	0.8%	12.5%	8.0%
Allowance Impairment	30	30	31	29	-0.6%	-2.5%	3.1%
Deposit	1,274	1,270	1,180	1,220	0.3%	8.0%	4.5%
Current Account	462	459	401	431	0.6%	15.2%	7.2%
Saving	631	628	590	601	0.4%	6.8%	5.0%
Time Deposit	181	182	188	188	-0.6%	-3.6%	-3.5%
CASA	1,093	1,088	992	1,032	0.5%	10.2%	5.9%
Ratios	**Oct-26**	**Sep-26**	**Oct-25**	**Dec-25**	**mom**	**yoy**	**ytd**
LDR	81.5%	81.2%	78.3%	78.9%	0.4%	3.2%	2.6%
CASA	85.8%	85.6%	84.1%	84.6%	0.1%	1.7%	1.2%
Loan/CASA	95.0%	94.8%	93.1%	93.2%	0.3%	1.9%	1.8%

Source: BBCA, UOB Kay Hian

Valuation/Recommendation

- **Maintain BUY with a lower target price of Rp6,600** from (Rp8,150) as we raise our CoE assumption by 120bps (from 11.9%). We arrived at a fair P/B of 2.5x, assuming ROE of 20.5%, 8% growth and 13.1% CoE. We believe BBCA's superior balance sheet warrants a valuation over its peers, particularly in an environment where funding quality, capital flexibility, and asset quality are becoming increasingly important. A prospective dividend yield of around 6% provides additional support to potential shareholder returns. Despite its operating resilience, BBCA is not insulated from Indonesia's structural equity market risks, particularly given its relatively large foreign investor exposure (about 67% of scripless shares). Therefore, we recognise the near-term share price performances could remain disconnected from the bank's underlying fundamentals.
- Beyond potential forced selling, reduced institutional participation and weaker market accessibility could warrant a higher CoE. Our historical analysis, adjusting for changes in forward ROE, indicates that BBCA's implied CoE increased by around 170bps following the MSCI's Standalone consultation, with a cumulative increase of approximately 300bp from its pre-January MSCI announcement level to its October peak. For comparison, implied CoE increased around 240bp during the 2008 global financial crisis. Against this backdrop, we calculate valuation sensitivity with additional CoE premium of 150-300bp, representing heightened uncertainty and more severe structural market stress. These scenarios are historically informed rather than precise estimates.

Earnings Revision/Risk

- **We reduce our 2027 net profit estimate by 4.2%** as we lower our NIM assumption by 10bps, factoring in elevated funding costs and limited room for further loan repricing. We also assume tighter liquidity with LDR rising to 82%. We now forecast 2026 net profit of Rp60t (+4.2% yoy) and Rp62.6t in 2027.
- Risks include: a) adverse macro development(s); b) rupiah instability that could impact rate cuts and SRBI issuances; c) uncertainty in geopolitical issues; d) a slowing economy, which would affect loan growth and worsen asset quality; e) NIM compression, and f) government policy uncertainties and interventions.

Earnings Revisions

	New		Old		Diff	
Key Assumptions	**2026F**	**2027F**	**2026F**	**2027F**	**2026F**	**2027F**
Loan Growth	8.0%	8.0%	7.0%	8.0%	1.0%	0.0%
LDR	81.0%	82.0%	79.1%	79.3%	1.9%	2.7%
NIM	5.5%	5.4%	5.5%	5.5%	-0.1%	-0.1%
CoC	0.45%	0.45%	0.50%	0.45%	-0.1%	0.0%
(Rpb)						
Operating Income	115,237	120,043	118,847	126,974	-3.0%	-5.5%
PPOP	78,116	81,990	79,938	85,789	-2.3%	-4.4%
Net Profit	60,002	62,630	60,479	65,343	-0.8%	-4.2%

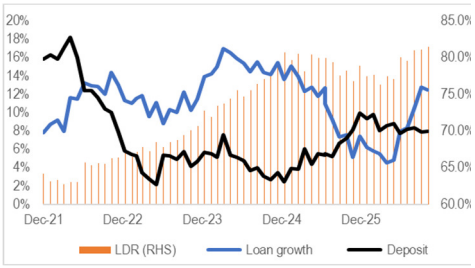
Source: UOB Kay Hian

Loan Breakdown And Growth

(Rpt)	Sep 26	% yoy	% ytd	% of loans
Corporate	528.1	20.9	9.7	49.7
Commercial	154.1	7.8	6.8	14.5
SME	149.2	15.4	14.0	14.0
Consumer	218.7	-2.2	-2.4	20.6
Mortgage	143.7	3.6	1.0	13.5
Vehicles	48.7	-20.6	-13.9	4.6
Personal	26.3	11.5	3.8	2.5
Sharia	14.0	14.3	5.9	1.3
Total	**1,063.1**	**12.6**	**7.1**	**100.0**

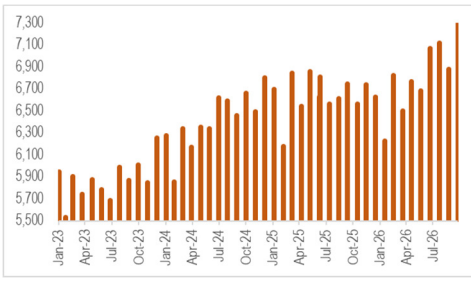
Source: BBCA

Yoy Loan And Deposit Growth



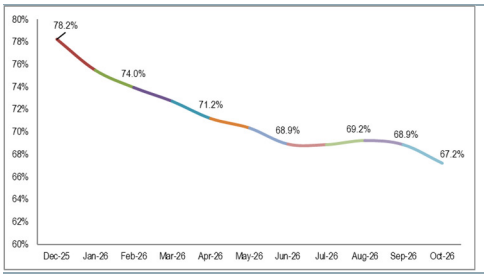
Source: BBCA

Monthly Net Interest Income Trend



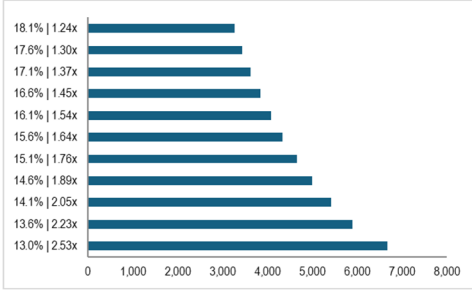
Source: BBCA

Foreign %Of BBCA's Scripless Split



Source: KSEI

Valuation Sensitivity To CoE



Implied CoE is calculated using GGM, using Bloomberg's historical forward ROE and forward P/B data, with growth rate 8%
Source: UOB Kay Hian

Profit & loss

Year to 31 Dec (Rpb)	2025	2026F	2027F	2028F
Interest income	98,913	101,152	107,840	114,274
Interest expense	(13,364)	(13,811)	(16,239)	(17,561)
Net interest income/(expense)	**85,548**	**87,341**	**91,601**	**96,713**
Fees & Commissions	19,660	21,430	23,358	24,760
Net Trading Income	6,798	6,466	5,084	4,413
Non-Interest Income	26,458	27,896	28,442	29,172
Total Income	**112,006**	**115,237**	**120,043**	**125,886**
Staff Costs	(17,781)	(18,124)	(18,486)	(18,856)
Other Operating Expense	(18,954)	(18,997)	(19,567)	(20,154)
Pre-Provision Profit	**75,272**	**78,116**	**81,990**	**86,876**
Loan Loss Provision	(4,011)	(4,076)	(4,711)	(5,945)
Pre-tax profit	**71,261**	**74,040**	**77,279**	**80,930**
Tax	(13,698)	(14,068)	(14,683)	(15,377)
Minorities	26	30	34	39
Net profit	**57,589**	**60,002**	**62,630**	**65,593**
Net profit (adj.)	57,589	60,002	62,630	65,593

Balance Sheet

Year to 31 Dec (Rpb)	2025	2026F	2027F	2028F
Cash With Central Bank	25,305	25,305	25,305	25,305
Govt Treasury Bills & Securities	106,449	104,123	105,400	109,613
Interbank Loans	62,913	68,274	71,808	75,580
Customer Loans	962,733	1,040,445	1,124,356	1,203,055
Investment Securities	302,972	296,351	299,986	311,976
Derivative Receivables	74,624	85,025	96,986	110,741
Properties & Other Fixed Assets	28,474	29,328	30,208	31,114
Other Assets	23,358	28,440	28,854	28,570
Total assets	**1,586,829**	**1,677,292**	**1,782,903**	**1,895,955**
Interbank Deposits	3,966	3,966	3,966	3,966
Customer Deposits	1,249,044	1,324,255	1,412,599	1,506,907
Debts Securities Issued	2,210	2,210	2,210	2,210
Other Liabilities	39,288	37,794	37,794	37,794
Total liabilities	1,294,508	1,368,225	1,456,568	1,550,876
Shareholders' funds	292,099	308,846	326,114	344,858
Minority interest	221	221	221	221
Total Equity & Liabilities	**1,586,829**	**1,677,292**	**1,782,903**	**1,895,955**

Operating Ratios

Year to 31 Dec (%)	2025	2026F	2027F	2028F
Capital Adequacy				
Tier-1 CAR	29.3	28.5	28.1	27.9
Total CAR	30.5	29.8	29.3	29.1
Total Assets/Equity	5.4	5.4	5.5	5.5
Tangible Assets/Tangible Common Equity	5.4	5.4	5.5	5.5
Asset Quality				
NPL Ratio	1.7	1.7	1.8	1.8
Loan Loss Coverage	184.7	171.5	165.2	163.7
Loan Loss Reserve/Gross Loans	3.0	3.0	2.9	2.9
Increase in NPLs	5.2	13.9	9.1	8.0
Credit Cost (bp)	40	45	45	50
Liquidity				
Loan/Deposit Ratio	79.5	81.0	82.0	82.2
Liquid Assets/Short-Term Liabilities	15.5	14.9	14.3	13.9
Liquid Assets/Total Assets	12.3	11.8	11.4	11.1

Key Metric

Year to 31 Dec (%)	2025	2026F	2027F	2028F
Growth				
Net Interest Income, yoy Chg	4.0	2.1	4.9	5.6
Fees & Commissions, yoy Chg	9.3	9.0	9.0	6.0
Pre-Provision Profit, yoy Chg	7.1	3.8	5.0	6.0
Net Profit, yoy Chg	5.0	4.2	4.4	4.7
Customer Loans, yoy Chg	5.0	4.2	4.4	4.7
Customer Deposits, yoy Chg	8.3	8.1	8.1	7.0
Profitability				
Net Interest Margin	5.8	5.5	5.4	5.4
Cost/Income Ratio	32.8	32.2	31.7	31.0
Adjusted ROA	3.8	3.7	3.6	3.6
Reported ROE	20.8	20.0	19.7	19.6
Adjusted ROE	20.8	20.0	19.7	19.6
Valuation				
P/BV	2.5	2.3	2.2	2.1
P/NTA	2.5	2.3	2.2	2.1
Adjusted P/E	12.4	11.9	11.4	10.9
Dividend Yield	5.2	6.0	6.3	6.6

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