

Bank Central Asia (BBCA ID)

Sound fundamentals amid rocky market

INDONESIA | BANKING | INITIATION

9 July 2015

Company Overview

- PT Bank Central Asia Tbk (BCA) is Indonesia's largest lender in terms of market capitalization and the third largest bank in Indonesia by assets.
- BCA is the leading transaction bank in Indonesia, provides both commercial and personal banking services to more than 13 million customers with 1,111 branches, 16,694 ATMs and hundreds of thousands of EDC machines, as well as robust internet and mobile banking services.
- BCA is partly controlled by the Djarum Group, one of Indonesia's largest conglomerates.
- Initiate with "Neutral" rating with price target of IDR 12,700.

Investment Merits

- The largest listed company in Indonesia.** BCA has the largest market capitalization with total market value of USD 26.6 billion (6.1% of IDX's total market capitalization).
- Second player in Indonesian mortgage market.** BCA has become the second largest lender in the mortgage market with 10.7% market share.
- Healthy LDR and NPL level.** BCA maintains its LDR and loan quality at healthy level of 76.8% and 0.6% (as of 1Q15), below banking industry averages.
- Leading transactional banking drove CASA ratio higher.** Supported by its preeminence in transaction banking, BCA is able to achieve a solid liquidity position through low-cost CASA with 75% contribution to the bank's total third party funds.
- Profitable company with high margin.** As of 1Q15, BCA booked NPM and OPM of 29% and 33%, the highest among its peers.

Risk Factor

- New tax regulation from DG of tax.** The new tax office regulation potentially increases BCA's NPL which now stands at 0.7%, to 0.9% or an addition of IDR 26 billion.
- Minimal impact of new LTV policy.** We are worry that the LTV policy fail to boost BCA's mortgage loan by 5-10% within the next 6 months.
- Lower-than-expected economic growth in 2015.** Weakening rupiah combined with sluggish export performance are expected to weigh on Indonesian economic growth this year.

Investment Action

We value BCA based on P/BV valuation method for the next 52 weeks, our price target valued at IDR 12,700 per share with cost of equity of 10.5% and sustainable growth rate at 8%. Our price target implies P/BV of 3.43x vs. 4.08x currently. Given the outstanding financial position and business performance, we believe BCA has a rich valuation at this moment.

NEUTRAL

CMP IDR 13,250

TARGET IDR 12,700 (-4.2%)

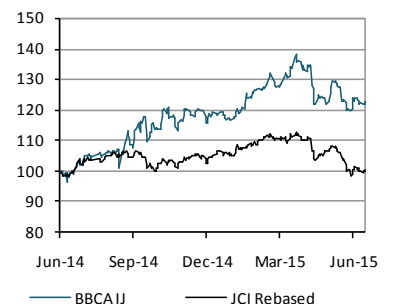
COMPANY DATA

O/S SHARES (BN) :	100.80
MARKET CAP (IDR TN) :	326.78
MARKET CAP (USDBN) :	24.59
52 - WK HI/LO (IDR) :	15,600/11,175
3M AVG. VOLUME (MN SHARES):	15.79
PAR VALUE (IDR) :	62.50

MAJOR SHAREHOLDERS, %

FARINDO INVESTMENTS LTD. :	47.15%
PUBLIC & OTHERS :	52.85%

PRICE VS. JCI



Source: Phillip Securities Indonesia Research

KEY FINANCIALS

IDR bn	FY14E	FY15E	FY16E	FY17E
NII	32,087	35,308	40,844	42,843
EBIT	20,505	23,928	27,415	29,565
Net Profit	16,512	19,225	22,001	23,842
EPS, IDR	669	780	893	967
P/BV, x	4.29	3.43	3.00	2.65
ROE, %	21.9	21.1	21.1	20.17
CAR, %	17.2	18.7	19.1	19.4
LDR, %	75.9	77.0	77.8	78.6

Source: Phillip Securities Indonesia Research Est.

Valuation Method: Price to Book Value (PBV Method)

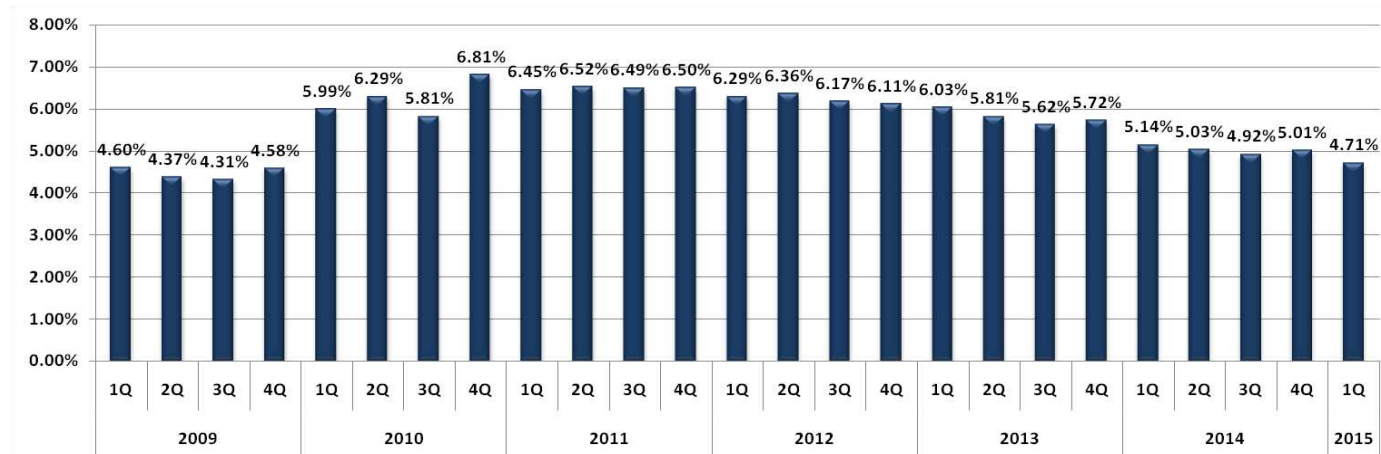
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Banking Industry in Indonesia

Indonesia's Slowing Economic Growth

Indonesia's economic growth in 1Q15 was recorded at its five-year low of 4.71% yoy due to several external and internal factors.

Indonesia's Quarterly GDP Growth 2009-2015 (Annual % Change)



Source: Statistics Indonesia, PSI Research

A sluggish global economic growth has impacted Indonesian export performances. A particular slowdown in China's economy (one of Indonesia's main trading counterparts) has rendered a negative effect to the market and pressured commodities prices which resulted in a lower Indonesian export value. Moreover, there has been a high degree of uncertainty and volatility in global financial markets due to the Greek debt crisis in the Eurozone and the looming further monetary tightening policy in the US. Both cases can potentially cause major capital outflows from emerging economies, including Indonesia.

Domestically, the high interest rate environment (BI benchmark rate at 7.50%) has undermined people's purchasing power and resulted in slower domestic consumption. The high interest rate environment set by Bank Indonesia is expected to stay for a longer period as the institution is committed to higher rates in an effort to combat high inflation, curb the wide current account deficit, and limit capital outflows ahead of further monetary tightening in the US.

Revised GDP growth target

Several international institutions have revised down their outlook on Indonesian economic performances for 2015 to below the 5% yoy level as foreign investors have somewhat been disappointed with the performance of the new Indonesian government, while the global economic picture remains far from rosy.

Highly-anticipated government-led infrastructure spending has yet to be fully optimized. The delay in infrastructure developments combined with continued economic slowdown has questioned Jokowi's ambitious plans to accelerate the country's economic growth to 7% yoy by 2019. Both

the World Bank and the International Monetary Fund (IMF) forecasted Indonesian economy to grow by 4.7% yoy in 2015, while Asian Development Bank (ADB) revised Indonesian economic growth to 5% from 5.2% previously. Main reasons for these low projections has taken into account the weakening export performances combined with the curtailed domestic consumption caused by high interest rates.

Having said that, Bank Indonesia decided to keep its economic growth target at 5.1% yoy; slightly better than last year's GDP performance of 5.02% yoy. Having slowed to 4.71% yoy in 1Q15, the central bank predicts that the Indonesian economy would accelerate to 4.9% yoy in the first half of the year, boosted by government expenditure and construction activities driven by government-led infrastructure development projects. In 3Q15 and 4Q15 Indonesian economic growth is expected to accelerate further to 5.3% yoy and 5.4% yoy, respectively, driven by stronger consumptions and investments.

Industry Highlights

Alongside with the slowing economic growth, Bank Indonesia revised its loan growth target to 11-13% this year (vs. 15-17% previously). we expect that Bank Indonesia's loan growth target of 15-17% this year would hardly be reached. Up to May, Indonesian banks' loans only grew by 10% yoy while customer deposit have gone up to 16% yoy (higher than BI's target of 10-12% in FY15). As a result, most of Indonesian banks booked lower net profit due to the higher interest expense.

Furthermore, we do not see any possibility for BI to cut its interest rate significantly in the near term. On the one hand, its relatively high interest rate environment is partly responsible for the country's slowing economic growth as credit expansion is curtailed and economic activity declines. On the other hand, BI's high rate is needed to safeguard Indonesian financial stability as inflation is still above target, the current account deficit nearly unsustainable, and capital outflows loom.

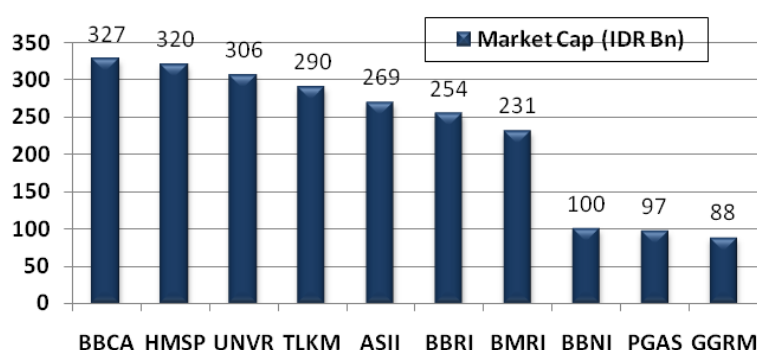
The best that BI can do to cushion the stumbling economic activity in Indonesia is by revising several regulations involving down payments for the purchases of cars and motorcycles as well as the maximum loan-to-value (LTV) ratios for first and/or more home purchases by local citizens. The minimum down payment for passenger cars was reduced to 25% vs. 30% previously, while down payment for motorcycle dropped to 20% vs. 25% previously. The maximum LTV ratio for the purchase of a first home has been raised to 80% vs. 70% previously, and so it does to second home (70% vs. 60% previously) and third home (60% vs. 50% previously).

Investment Thesis

The largest listed company in Indonesia

As of December 2014, BCA is the largest listed company on the Indonesia Stock Exchange (IDX) in terms of market capitalization with a total market value of IDR 320 trillion (USD 26.6 billion) or equals to 6.1% of IDX's total market capitalization. Despite the tough conditions in Indonesian financial sector, BCA's shares rose 36.7% in FY14.

Top 10 market capitalization in Indonesia

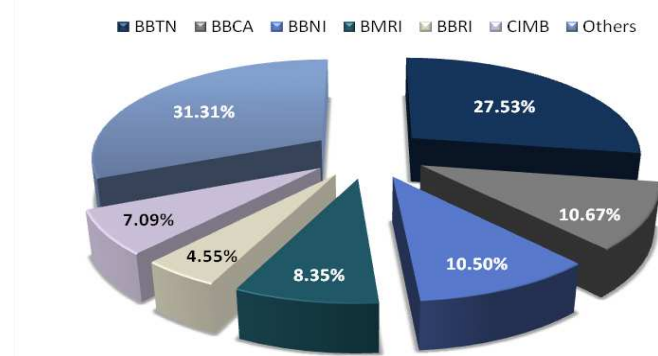


Source: PSI Research

Second player in Indonesian mortgage loan market

BCA has become the second largest player in the Indonesian mortgage market with 10.7% market share. In FY14, the bank's mortgage portfolio reached IDR 54.7 trillion, a 32% CAGR growth since FY07, and contributing 59% to BCA's total consumer loans. With low penetration rates and rising middle class households, mortgage business is seen as a growth factor to the company. Going forward, BCA is expected to maintain its position as the second largest mortgage lender.

Market share in Indonesian mortgage loan segment (as of FY14)



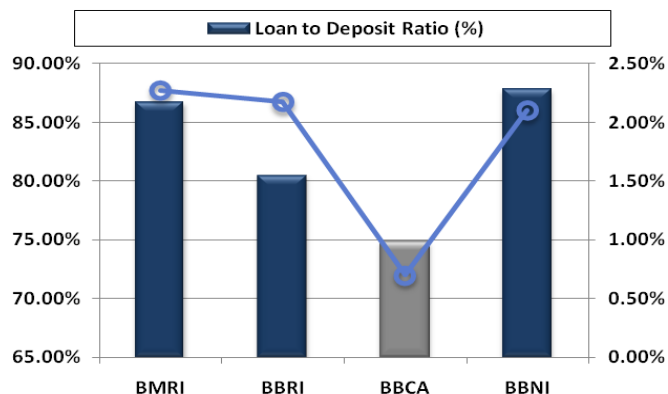
Source: PSI Research

Healthy LDR and NPL level

The management always maintains its Loan to Deposit Ratio (LDR) and loan quality at healthy level of 74.9% and 0.7% (as of 1Q15) respectively, below the Indonesian banking industry averages. Lower LDR will provide higher flexibilities for BCA to disburse higher loans in the future, especially after the Indonesian government plans to stretch

its maximum 92% LDR policy to 94% LFR (Loan to Funding) ratio which includes marketable securities. Furthermore, in the last 10 years, BCA has recorded a significant loan growth with relatively low NPL ratios while maintaining its provision to NPL ratio at 324.2% in FY14.

BCA has the lowest LDR and NPL ratio among peers

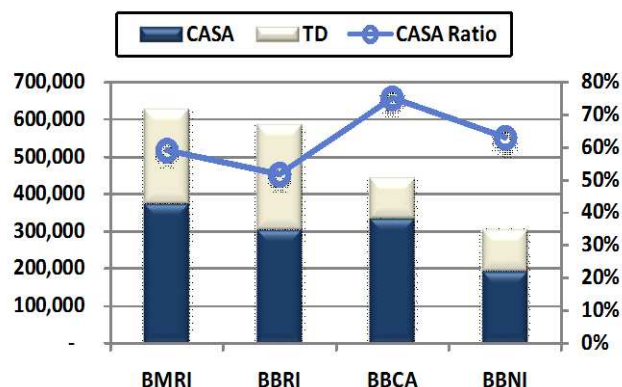
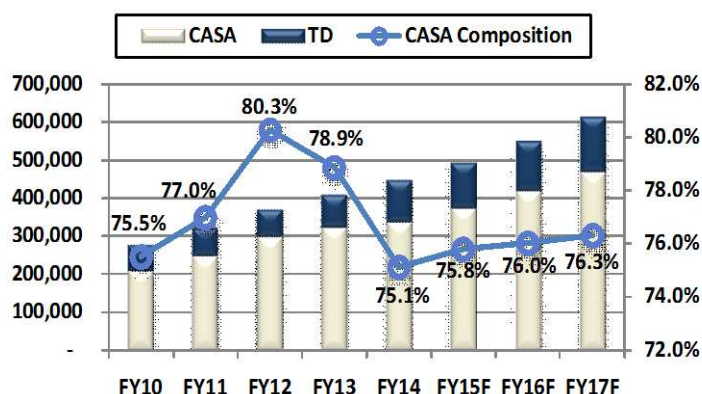


Source: Company, PSI Research Est.

Leading transactional banking drove CASA ratio higher

Supported by its preeminence in transaction banking, BCA is able to achieve a solid liquidity position through low-cost current accounts and saving accounts (CASA). The combined CASA contributes more than 75% of the bank's total third party funds. With this higher low cost funds, it should allow BCA to book higher net interest margin of more than 6.5% and to keep its profit margins sustainable amid the high interest rate environment. In FY14, BCA used an aggressive strategy to obtain deposits by offering higher time deposit rate of 9.25%. Given the recent BCA's strategy to cut its TD rate to 7.25%, we expect that CASA's contribution to only increase to 75.8% and 76% in FY15 and FY16 respectively.

BCA's CASA composition in FY10-17F among peers

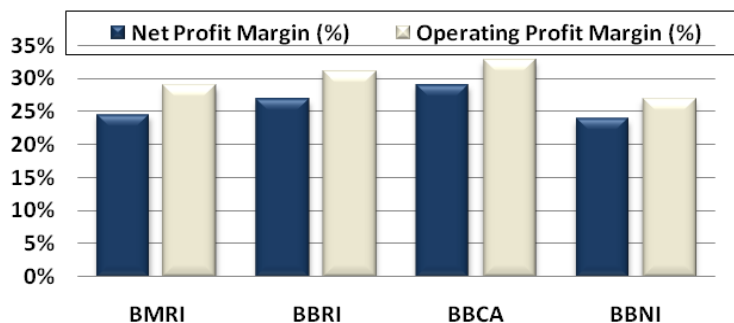


Source: Company, PSI Research Est.

Profitable company with high margin

As of 1Q15, BCA booked net profit margin and operating margin of 29% and 33% respectively, the highest compared to its peers namely Bank Mandiri, Bank Rakyat, and Bank Negara. Its 29% net profit margin, however, is in its lowest level over the past 5 years, as it tends to consistently book NPM of above 30%.

BCA's 1Q15 margin among the 4 biggest banks in Indonesia



Source: PSI Research

Focus on domestic market

BCA allocates IDR 1.5 trillion for its 2015 capital expenditure. 75% of these funds will be injected into existing subsidiaries, while the remaining 25% will be used to acquire small Indonesian banks. BCA eyes to acquire several local small banks that have good financial positions and PBV of between 1 and 2 times as part of its unorganic business growth strategy for this year. We like its strategy to stay focus on capitalizing the domestic market while other big banks are eager to expand their business by opening branches in other countries. Prior to the acquisitions, we expect BCA's asset to grow by IDR 1-5 trillion.

Risk Factor

New regulations from DG of tax

Several Indonesian banks have started to receive demand letters from the tax authority for the underpayment of the past 5 years taxes since 2010. New regulations by Directorate General of taxes will prohibit banks to write-off loans whose borrowers do not have tax payer IDs (NPWP). Historically, the financial services authority (OJK) only requires borrowers' tax IDs for loans of over IDR 50 million, hence banks do not routinely collect these data. As such, this new regulation would only impact lenders that distribute loans to consumer and micro segments. As we know, 27% of BCA's total loan is allocated to consumer segment, as such, this new DG of tax regulation would potentially increase BCA's non performing loan which now stands at 0.7%, to 0.9% level or about IDR 26 billion, and in turn will weigh on BCA's net profit.

Minimal impact of new LTV policy

Bank Indonesia issued a new policy on setting higher loan-to-value (LTV) ratios for both property and automotive loans. Borrowers now have lower down-payment requirements and the policy is expected to

trigger higher houses and vehicles purchases. This would give a positive headway for the banking industry, especially for BCA as it is the biggest player in the property and automotive loan segments. However, we worry that this new LTV policy would only provide minimal impact to the banks and fail to boost BCA's full-year performance on the back of the current high interest rate environment and slower economic growth. We conservatively expect LTV policy will boost BCA's mortgage by 5-10% within the next 6 months.

Lower-than-expected economic growth in 2015

The weakening rupiah and lackluster export performances are expected to weigh on Indonesian economic growth this year. Rupiah has been the worst performing currency in emerging Asia, having depreciated 7% against the greenback so far. Indonesian exports in FY15 are also expected to decline by 14% to USD 151.6 billion (vs. the earlier projection of 11% negative export growth). Weakening exports are particularly caused by an economic slowdown in China and also the decline in commodities prices. Overall, we expect Indonesia's economy to grow 5.1% this year hence we believe that the lower-than-expected economic growth would impact BCA's loan performance and also our valuation.

Financial Review and Forecast

Earnings Forecast

In line with BI estimation for a slower national loan growth target of 11-13% in FY15, we assume BCA's loans to only grow by 11.4% in FY15, supported by higher demand in consumer and corporate loans. Considering the bank's optimistic 12% loan growth target, we believe our assumption was quite conservative. Moreover, we expect BCA to book customer deposits growth of 10%, or in line with BCA's target of 8-11% this year while low-cost funding dominates by 75.8%.

We do not expect to see significant growth in interest income in FY15F. We estimate interest income to only grow to IDR 47 trillion from IDR 44 trillion in FY14, but we still expect to see 16.4% earnings growth in FY15F. FY15 earnings will mainly come from: (1) lower interest expense of -0.2%, (2) 15% growth in fee-based income, and (3) lower operating expenses growth on the back of more stable inflation rate.

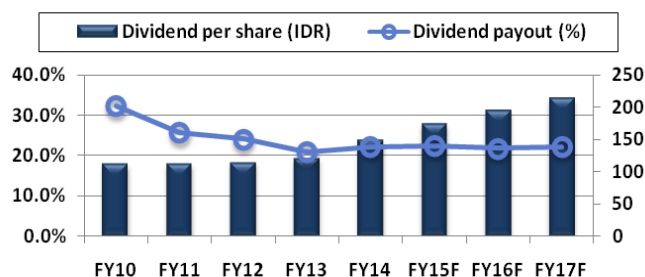
Management target for FY15:

- (1) Loans to grow 12-15% in FY15 or slightly higher than 11% in FY14.
- (2) Third-party funds to grow 8-11% this year.
- (3) LDR to stabilize between 74-80% (vs. 75% currently).
- (4) Cost of fund to press below 50% (vs. 53% currently).
- (5) Allocated IDR 1.5 trillion in capital expenditure, where 75% of which will be injected in existing subsidiaries, while the remaining 25% will be used to support inorganic expansion.

Dividend

From FY10 till date, the management has kept their dividend payout ratio at above 20% level. As the company is still aggressive in expanding and growing its domestic market, we believe that it is very likely that dividend payout ratio will be kept at 20-22% level as the management remains confident in exploring new profitable ventures.

BCA's dividend and payout ratio over FY10-15F



Source: PSI Research Est.

Valuation and Sensitivity Analysis

We value BCA based on our Price to Book Value valuation method for the next 52 weeks at IDR 12,700 per share with cost of equity at 10.5% and sustainable growth rate at 8%. Our price target implies P/BV 3.43x vs. 4.08x currently. Given the outstanding financial position and business performance, we believe BCA has a rich valuation at this moment.

Our TP of IDR 12,700 implies P/BV of 3.43x with cost of equity of 10.5% and sustainable growth rate of 8%.

BCA's PBV valuation and Cost of Equity calculations

	2013	2014	2015F	2016F	2017F	2018F	2019F
Net profit	14,256	16,512	19,270	22,053	23,882	26,113	28,548
Total shareholder equity	62,231	75,488	91,309	104,388	118,399	139,224	161,991
ROAE	25.0%	24.0%	23.1%	22.5%	21.4%	20.3%	19.0%
Equity Value	1Q16F	CoE Components					
Sustainable ROE	16.01%	Real interest rate					7.5%
Sustainable growth rate	8.0%	Risk Free Rate					8.4%
Cost of Equity	10.5%	Risk premium					2%
PBV	3.43	Beta					1.0
BV 1Q16	3,703	Cost of Equity					10.5%
TP	12,715						

Source: Company, PSI Research Est.

P/BV Fair Value Sensitivity

		Cost of Equity						
		9.0%	9.5%	10.0%	10.5%	11.0%	11.5%	12.0%
Sustainable ROE	17.5%	38,111	25,379	19,024	15,088	12,676	10,863	9,504
	17.0%	36,105	24,043	18,022	14,294	12,008	10,291	9,004
	16.5%	34,098	22,702	17,021	13,499	11,341	9,719	8,503
	16.0%	32,092	21,371	16,019	12,715	10,674	9,147	8,003
	15.5%	30,085	20,035	15,018	11,910	10,006	8,575	7,503
	15.0%	18,078	18,698	14,016	11,116	9,339	8,003	7,002
	14.5%	26,072	14,362	13,014	10,322	8,671	7,432	6,502

Source: PSI Research Est.

We compare BCA with its banking peers regionally and globally. The industry average P/BV currently stands at 2.04x. BCA currently trades at 3.43x PBV FY15F, or 168.3% premium compared to its peers. Our price target of IDR 12,700 shows a downside potential of 4.7% which might be a matter of concern for investors.

Peer group valuation comparison

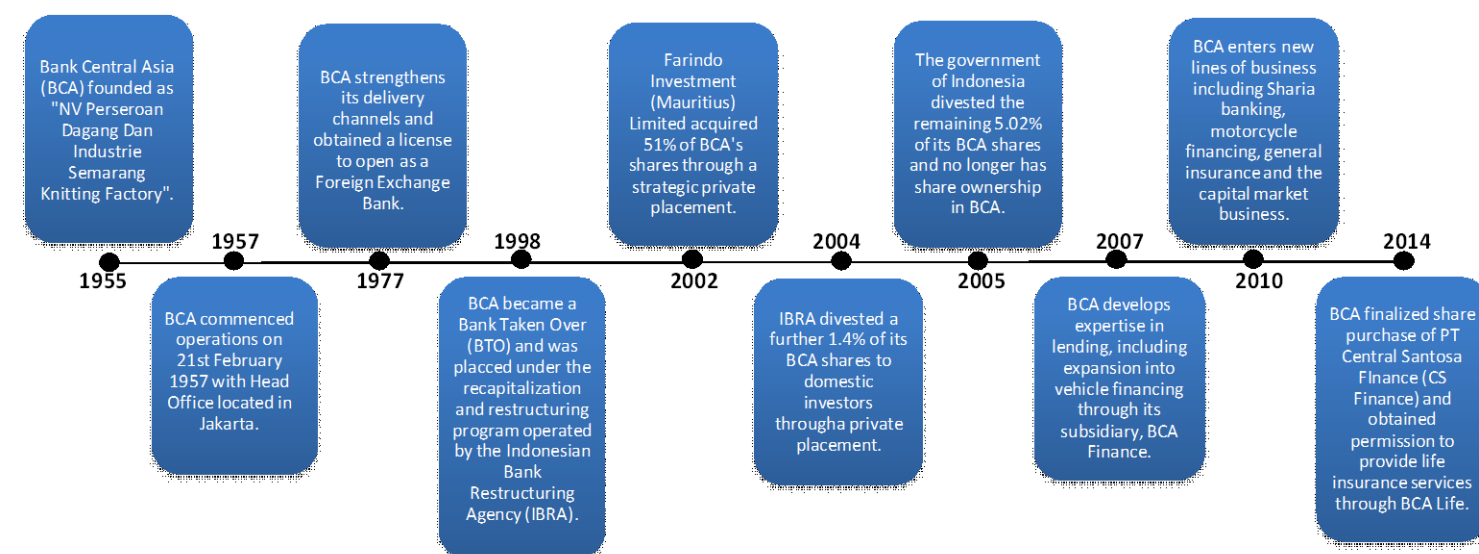
Company	Ticker	Market Cap (USD Bn)	P/B (x)			ROE			ROA			Div. Yield		
			2015F 15y	2016F 16y	2017F 17y	2015F 15y	2016F 16y	2017F 17y	2015F 15y	2016F 16y	2017F 17y	2015F 15y	2016F 16y	2017F 17y
Bank Central Asia	BBCA IJ	24.59	3.43	3.00	2.65	21.32	21.23	20.18	3.18	3.24	3.13	1.34	1.49	1.63
Indonesia														
Bank Mandiri	BMRI IJ	17.38	1.97	1.69	1.46	19.67	19.31	19.14	2.44	2.50	2.56	2.27	2.53	2.97
Bank Rakyat Indonesia	BBRI IJ	18.88	2.19	1.83	1.56	24.23	23.08	21.78	3.09	3.11	3.10	2.69	3.06	3.72
Bank Negara Indonesia	BBNI IJ	7.54	1.46	1.26	1.09	18.32	18.27	18.31	2.70	2.78	2.89	2.96	3.32	3.86
Bank Danamon	BDMN IJ	3.01	1.16	1.07	0.98	9.65	10.9	12.07	1.66	1.85	2.01	2.44	3.07	3.54
Mean			2.04	1.77	1.55	18.64	18.56	18.30	2.61	2.70	2.74	2.34	2.69	3.14
Median			1.97	1.69	1.46	19.67	19.31	19.14	2.7	2.78	2.89	2.44	3.06	3.54
Malaysia														
CIMB	CIMB MK	11.83	1.17	1.09	1.03	9.48	10.67	10.99	0.88	0.96	0.96	3.37	3.95	4.41
Maybank	MAY MK	22.86	1.52	1.44	1.38	12.55	12.56	12.58	1.05	1.06	1.04	6.02	6.09	6.38
Public Bank	PBK MK	18.96	2.37	2.17	1.98	16.13	16.02	16.03	1.32	1.32	1.32	3.00	3.21	3.43
Mean			1.69	1.57	1.46	12.72	13.08	13.20	1.08	1.11	1.11	4.13	4.42	4.74
Median			1.52	1.44	1.38	12.55	12.56	12.58	1.05	1.06	1.04	3.37	3.95	4.41
Singapore														
United Overseas Bank	UOB SP	27.11	1.23	1.15	1.07	11.35	11.49	11.45	1.05	1.06	1.06	3.37	3.57	3.72
DBS Group	DBS SP	38.24	1.29	1.19	1.11	11.15	11.41	11.64	0.95	1.01	1.01	2.96	3.11	3.37
OCBC	OCBC SP	30.31	1.25	1.16	1.08	12.17	12.2	12.22	1.00	1.02	1.04	3.65	3.84	4.09
Mean			1.26	1.17	1.09	11.56	11.70	11.77	1.00	1.03	1.04	3.33	3.51	3.73
Median			1.25	1.16	1.08	11.35	11.49	11.64	1.00	1.02	1.04	3.37	3.57	3.72
Overall industry mean			1.73	1.55	1.40	15.09	15.19	15.13	1.76	1.81	1.83	3.10	3.39	3.74
Overall industry median			1.46	1.26	1.11	12.55	12.56	12.58	1.32	1.32	1.32	2.96	3.21	3.72

Source: Bloomberg, PSI Research Est.

Company Profile

History

BCA Milestones



Source: Company, PSI reasearch

Company Overview

PT Bank Central Asia Tbk (BCA) is Indonesia's largest lender in terms of market capitalizations and the third largest bank in Indonesia by assets. BCA is also the leading transaction bank in Indonesia, provides both commercial and personal banking services to more than 13 million customer accounts with 1,111 branches, 16,694 ATMs and hundreds of thousands of EDC machines, as well as robust internet and mobile banking services. BCA is partly controlled by the Djarum Group, one of Indonesia's largest conglomerates.

Business Model and Business Segment

Purposes: BCA's vision is to be the bank of choice and a major pillar of the Indonesian economy. To achieve its vision, BCA commits: 1) To build centers of excellence in payment settlements and financial solutions for businesses and individuals, 2) To understand diverse customer needs and provide the right financial services to optimize customer satisfaction, and 3) To enhance its corporate franchise and stakeholders value.

Business Concept

BCA offers both individual and business products and services. Its individual products and services consist of saving accounts, electronic banking, credit cards, bank assurance, investment products, consumer credit products, remittance, collection and safe deposit facilities. Its business products and services consist of BCA trade, saving accounts, working capital loans, investment loans, and bank guarantee for small and medium sized enterprises (SME) as well as for corporate customers.

BCA's transaction banking product and services

Products&Services	Description
KlikBCA	An internet banking platform which can be accessed via mobile phone app and desktop. Transactions are safe due to token verifications and are able to conduct all non-cash transactions.
m-BCA	A mobile banking platform which directly accessed via mobile phone. Able to conduct banking transactions anywhere and anytime. This combines BCA mobile application as well as the SMS service to platform day-to-day banking.
Flazz BCA	Convenient pre-paid cash cards using RFID chips to perform cashless payments.
ATM/Debit/Tunai BCA	ATM cards (BCA Paspur card) can be used for cash withdrawal, deposits, purchases and payments. BCA Paspur cards can also be used for debit card payments as well. BCA also offers cash withdrawals from merchants through Tunai BCA.
SMS BCA	Banking solely through SMS. Available to both GSM and CDMA networks.
BCA by phone	Banking call center for financial transactions.

Source: Company Website, PSI Research

BCA is also diversifying its financial services portfolio, offering a wider range of financial products and services, including the development of new business lines through subsidiaries in the fields of Sharia banking, securities, general insurance, 2-wheeler financing, and life insurance.

1) PT BCA Finance

Established in 1981 and a subsidiary of BCA since 2001, BCA Finance, a wholly owned subsidiary and a leading financing company in Indonesia, engaged in 4-wheeler financing, both for new and used automotives. As of 2014, BCA Finance operates with the support from 3,102 employees and 58 branches in cities across Indonesia.

2) PT Central Santosa Finance

CS Finance was established in 2010 with a business focus on 2-wheeler financing. Currently, BCA has a 70% stake in CS Finance, both directly and indirectly. As of 2014, CS Finance has 78 branches in various parts of Java, Sumatra, and others.

3) PT Bank BCA Syariah

PT Bank BCA Syariah is a company engaged in Sharia banking. In 2009, BCA acquired an independent commercial bank, which was subsequently converted into a Sharia bank under the name BCA Syariah. BCA has 100% direct and indirect ownership of BCA Syariah. BCA facilitates the needs of customers for banking products in the field of payment settlement, funding and the provision of financing facilities for individuals and micro, small and medium size business. At the end of 2014, BCA Syariah has 45 branches in a network consisting of 8 main branches, 2 sub branches offices, 4 sub branches and 8 functional branches for micro business development, and 23 Sharia services units across Java.

4) PT BCA Sekuritas

BCA owns a 75% stake in PT BCA Sekuritas, a company engaged in securities brokerage and underwriting.

5) PT Asuransi Umum BCA

PT Asuransi Umum BCA is engaged in the general insurance industry. BCA has 100% direct and indirect ownership in BCA Insurance. Apart from being present in Java and Bali, BCA Insurance is also expanding its network into Sumatra and Kalimantan in 2014. BCA Insurance works with BCA Finance's vehicle loans and BCA's mortgage businesses as a main source of business for BCA Insurance.

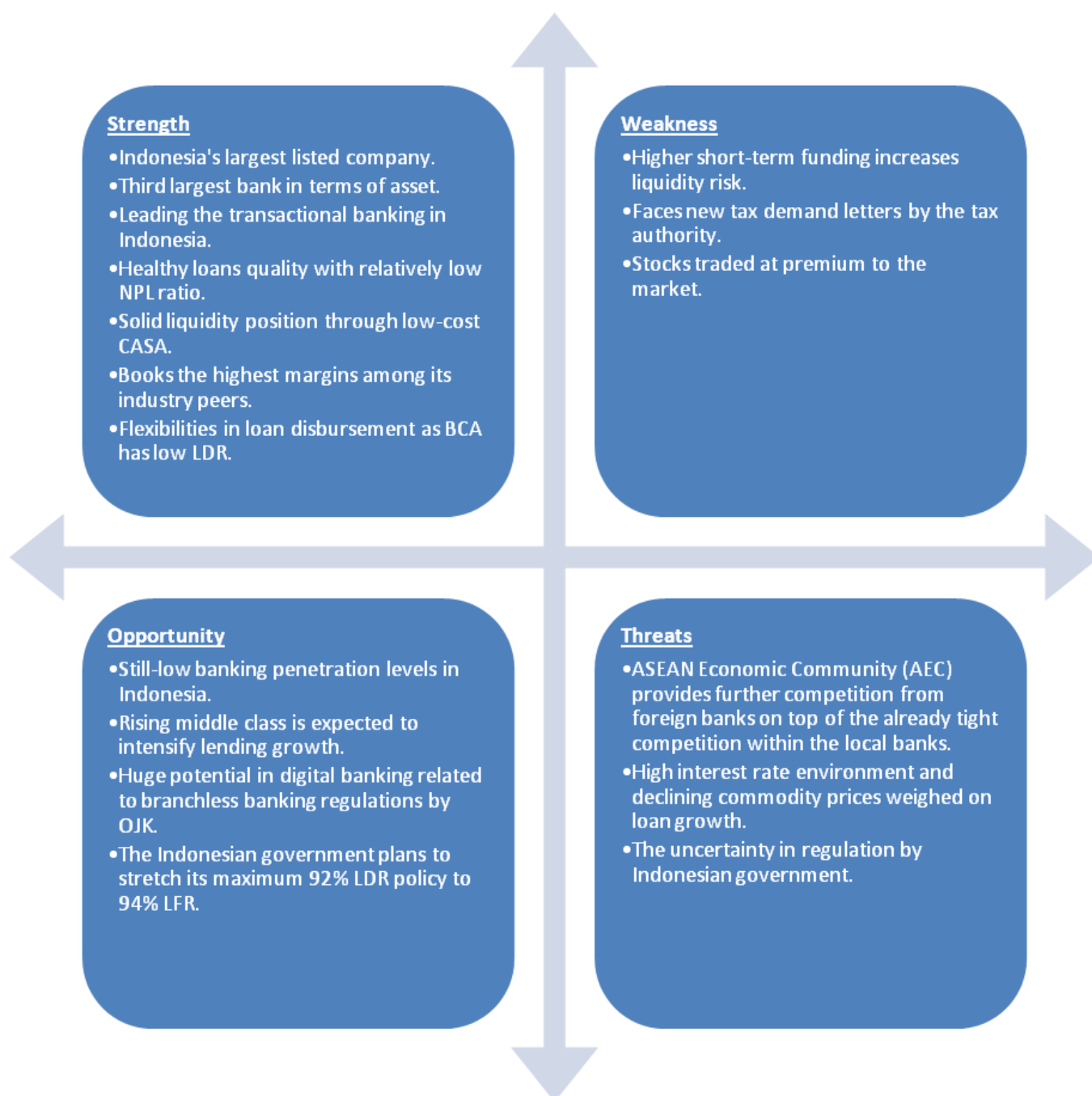
6) PT Asuransi Jiwa BCA

PT Asuransi Jiwa BCA (BCA Life) is a business entity that provides life insurance services. BCA Life is owned by BCA Sekuritas, which has a majority stake of 99% where the remaining shares are owned by BCA Insurance. BCA Life commenced commercial operation in the 4Q14 after receiving its license of establishment and operation in July 2014.

7) PT Finance Limited

BCA Finance Limited is wholly owned by BCA and domiciled in Hong Kong. BCA Finance Limited is engaged in the remittance business and has a business license as a money lender.

SWOT Analysis



FYE Dec	FY13	FY14	FY15F	FY16F	FY17F	FYE Dec	FY13	FY14	FY15F	FY16F	FY17F
Income Statement (IDR bn)						Valuation Ratios					
Net interest income	26,425	32,027	35,308	40,844	42,843	P/E (X), adj.	16.58	19.63	16.29	14.24	13.15
Non interest income	7,301	9,028	10,945	12,559	14,610	P/B (X)	3.80	4.29	3.43	3.00	2.65
Total operating income	33,726	41,055	46,253	53,403	57,453	Dividend Yield (%)	1.2%	1.1%	1.4%	1.5%	1.7%
Operating expenses	(14,631)	(18,311)	(19,781)	(23,139)	(24,699)						
Provisions	(2,016)	(2,240)	(2,544)	(2,850)	(3,189)						
Operating profit	17,079	20,505	23,928	27,415	29,565						
Non operating income	737	236	-	-	-	Growth & Margins (%)					
Taxation	(3,559)	(4,229)	(4,703)	(5,413)	(5,723)	Growth					
Profit after tax	14,256	16,512	19,225	22,001	23,842	Assets	12.0%	11.3%	11.2%	11.5%	11.7%
Non-controlling interest	2	26	29	33	22	Loan	21.3%	10.8%	11.7%	12.4%	12.8%
Net income	14,254	16,486	19,196	21,969	23,820	Deposit	10.6%	9.4%	10.0%	11.3%	11.7%
						Equity	23.3%	21.8%	17.5%	14.3%	13.5%
						Net interest income	24.4%	21.2%	10.2%	15.7%	4.9%
						Non interest income	14.5%	23.7%	21.2%	14.8%	16.3%
						Operating income	22.1%	21.7%	12.7%	15.5%	7.6%
						Net income	21.6%	15.7%	16.4%	14.4%	8.4%
						Margins					
						Net interest margin	6.4%	7.0%	7.1%	7.4%	6.9%
						Operating profit margin	41.1%	38.8%	41.3%	41.0%	41.4%
						Net profit margin	34.3%	31.2%	33.1%	32.9%	33.4%
						Key Ratios (%)					
						ROE	22.9%	21.9%	21.1%	21.1%	20.2%
						ROA	2.9%	3.0%	3.1%	3.2%	3.1%
						Non-interest/total income ratio	21.6%	22.0%	23.7%	23.5%	25.4%
						Cost/income ratio	59.6%	62.2%	60.6%	60.8%	61.2%
						Loan/deposit ratio	74.9%	75.9%	77.0%	77.8%	78.6%
						Capital Adequacy Ratio	17.6%	19.9%	21.7%	22.1%	22.4%
FYE Dec	FY13	FY14	FY15F	FY16F	FY17F	FYE Dec	FY13	FY14	FY15F	FY16F	FY17F
Balance Sheet (IDR bn)						Per share data (IDR)					
Cash	16,284	19,578	26,283	30,137	33,282	EPS, adj.	579	669	780	893	967
Current account with BI&other banks	38,716	43,489	47,709	52,994	59,176	DPS	120	148	174	194	213
Placement with BI&other banks	12,254	11,502	12,077	12,681	13,315	BVPS	2,524	3,062	3,703	4,234	4,802
Acceptance receivables	6,434	7,569	8,086	8,527	9,158						
Securities Purchased	41,056	26,290	23,661	24,844	26,086						
Loans	306,679	339,859	379,582	426,767	481,538						
Investment Securities	48,407	72,045	80,271	88,299	97,055						
Fixed assets	7,440	6,222	7,349	8,630	10,101						
Others	19,033	25,870	29,548	32,555	36,141						
Total Assets	496,305	552,424	614,567	685,433	765,853						
Deposits from customers	409,486	447,906	492,852	548,593	612,558						
Deposits from other banks	3,301	3,754	3,024	3,386	3,457						
Acceptances payable	4,539	4,698	4,257	3,857	3,661						
Debt securities issued	3,133	2,504	2,629	2,761	2,899						
Obligation for employment	3,526	3,784	7,047	7,399	7,769						
Others	6,909	9,905	10,531	11,207	11,935						
Total liabilities	430,894	472,551	520,340	577,203	642,279						
Temporary Syirkah Deposits	1,444	1,952	2,640	3,570	4,828						
Shareholder's equity	63,866	77,683	91,309	104,388	118,399						
Non-controlling interest	101	238	279	272	348						
Total equity	63,967	77,921	91,587	104,660	118,747						

Important Information

Rating for Sectors:

Overweight	: We expect the industry to perform better than the primary market index (JCI) over the next 12 months.
Neutral	: We expect the industry to perform in line with the primary market index (JCI) over the next 12 months.
Underweight	: We expect the industry to under-perform the primary market index (JCI) over the next 12 months.

Rating for Stocks:

Buy	: The stock is expected to give total return (price appreciation + dividend yield) of > +20% over the next 12 months.
Accumulate	: The stock is expected to give total return (price appreciation + dividend yield) of +5% to +20% over the next 12 months.
Neutral	: The stock is expected to give total return of between -5% and +5% over the next 12 months.
Reduce	: The stock is expected to give total return of between -5% and -20% over the next 12 months.
Sell	: The stock is expected to give total return of -20% or lower over the next 12 months.
Outperform	: The stock is expected to do slightly better than the market return. Equal to "accumulate" or "moderate buy"
Underperform	: The stock is expected to do slightly worse than the market return. Equal to "weak hold" or "moderate sell"

Analyst Certification

The research analyst(s) primarily responsible for the preparation of this research report hereby certify that all of the views expressed in this research report accurately reflect their personal views about any and all of the subject securities or issuers. The research analyst(s) also certify that no part of their compensation was, is, or will be, directly or indirectly, related to the specific recommendations or views expressed in this research report.

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