

6 August 2020
Banking, Equity

Price **IDR. 750**
Target Price **IDR. 810**
JKSE Index **5127.05**

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Bank Cim Niaga Tbk, Indonesia, Jakarta:BNGA, M



Investment Consideration Continued CASA rise

The CASA ratio rose 97 bps QoQ to 61.03% in 2Q20 from 60.06% in 1Q20. This is a result of the large CASA obtained from consumer demand deposits because the digital platform is growing amid the pandemic. The corporate segments, and MSMEs also contributed. BNGA will reduce time deposits to manage funding costs lower. We raise our CASA estimate to 60.85%.

The Restructuring Process

The number of restructured loans amounted to IDR22.8tn or 12% of the total loans as of June 2020, BNGA guides that restructuring is expected to reach 18-20% of total loans of IDR. 37-40tn by the end of the year, which is lower than the previous range of 15-25%. Restructured loans from commercial are 32%, the SME 29%, and corporate 18%. Corporate restructuring is still ongoing.

High Credit Cost

Net profit was lower by 34.7% QoQ in 2Q20, due to the large provisioning charge which rose 65% or IDR. 2tn. Credit costs (CoC) are expected to rise by 2.5% this year to cover the impacts of COVID-19. However, NIM has been maintained at 5%, as the company continues to gain digital customers.

Valuation: 19% Upside, HOLD.

Based on our DDM Valuation, we have a target price within one year of IDR 810 or trading at 0.4x PBV which gives 19% potential upside, Hold.

Stock Code **BNGA IJ**
Bloomberg code **BNGA IJ**
Market cap (IDR.bn) **18848.7B**
52-Week High (IDR) **1110**
52-Week Low (IDR) **515**
6-m Avg Daily. Val (IDR) **722**

Major Shareholders
CIMB Group **91.48%**
Public **7.73%**
Treasury **0.79%**

USD/IDR-YE
2019A **14,390**
2020F (6M Avg) **14,688**

Key Indicators
Non Performing Loan (%) **3.41**
Net Interest Margin (%) **5.00**

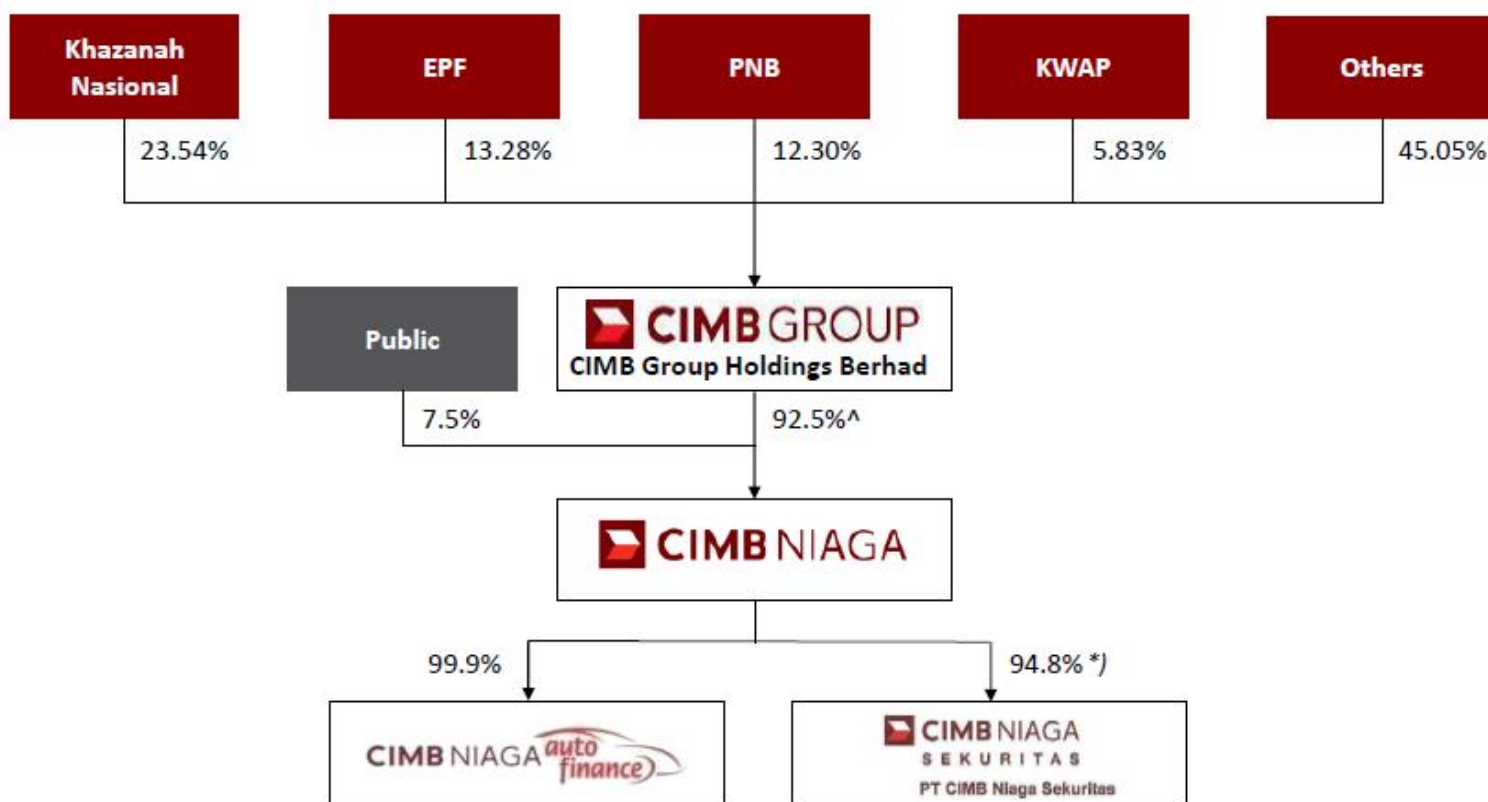
Income Statement (Idr bn)	2017A	2018A	2019A	2020F	2021F	2022F
Interest Income	20.403	20.293	21.689	21.271	21.679	23.217
Interest Expense	-8.000	-7.331	-9.121	-6.339	-7.417	-7.586
Net Interest Income	28.403	27.625	30.811	27.610	29.096	30.803
Net Operating Income	4.455	4.899	6.402	5.100	5.570	5.948
Operating Expense	-8.767	-9.059	-10.713	-9.645	-10.284	-11.041
PPOP	8.092	8.801	8.257	10.386	9.548	10.539
Provision Expense	-3.985	-3.057	-3.323	-4.921	-3.360	-3.504
Operating Profit	12.076	5.745	4.934	5.465	6.188	7.034
Profit Before Tax	4.155	5.801	4.954	5.485	6.209	7.055
Tax Expense	1.177	1.368	1.311	1.651	2.080	2.620
Net Profit	2.978	4.433	3.643	3.834	4.129	4.435
EPS (Rp/Share)	118,6	177,8	146,2	153,8	165,6	177,9

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Company Profile

PT Bank CIMB Niaga Tbk (“Bank CIMB Niaga” or the “Bank”) was established in accordance with laws applicable in Indonesia by Notarial Deed No. 90 made by Raden Meester Soewandi, Notary in Jakarta dated 26 September 1955, which was amended by deed No. 9 of the same notary dated 4 November 1955. These deeds were approved by the Minister of Justice of the Republic of Indonesia (currently Minister of Law and Human Rights) through decision letter No. J.A.5/110/15 dated 1 December 1955 and was published in Supplement No. 729/1956 to the State Gazette of the Republic of Indonesia No. 71 dated 4 September 1956. According to Article 3 of its Articles of Association, Bank CIMB Niaga’s scope of activities is to conduct general banking services in accordance with the prevailing laws and regulations, and to engage in other banking activities based on Sharia principles. Bank CIMB Niaga started its banking activities based on the Sharia principles on 27 September 2004.

Corporate Structure



^ Includes PT Commerce Kapital 1.02%
* Awaiting for OJK Capital Market approval



Chart: Gross Loan (x) YoY

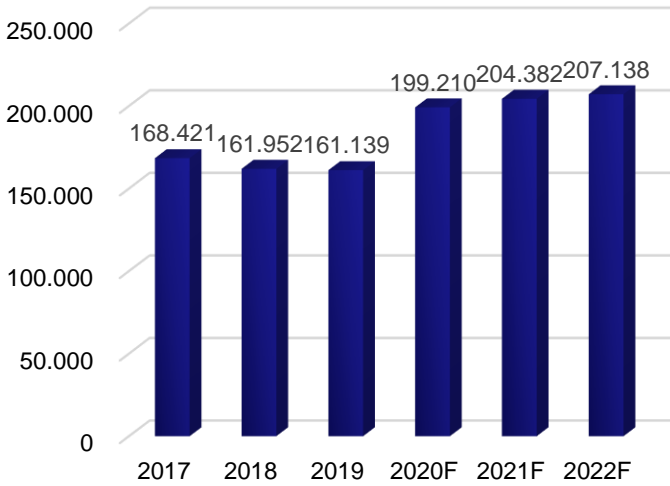


Chart: Customer Deposit (x) YoY

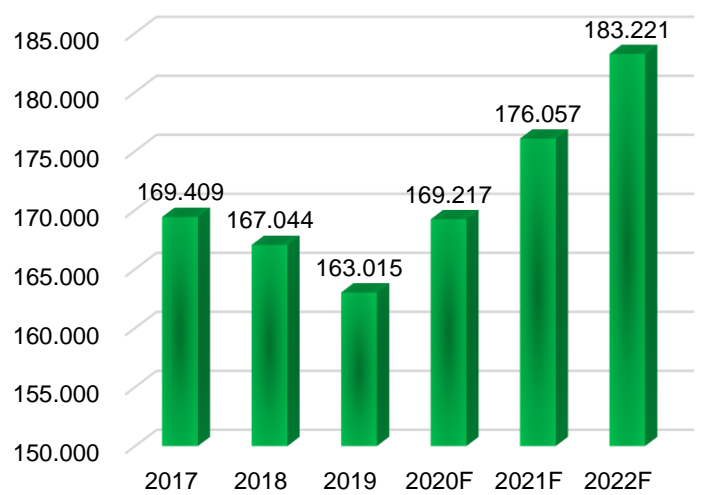


Chart: Profitability (x) YoY

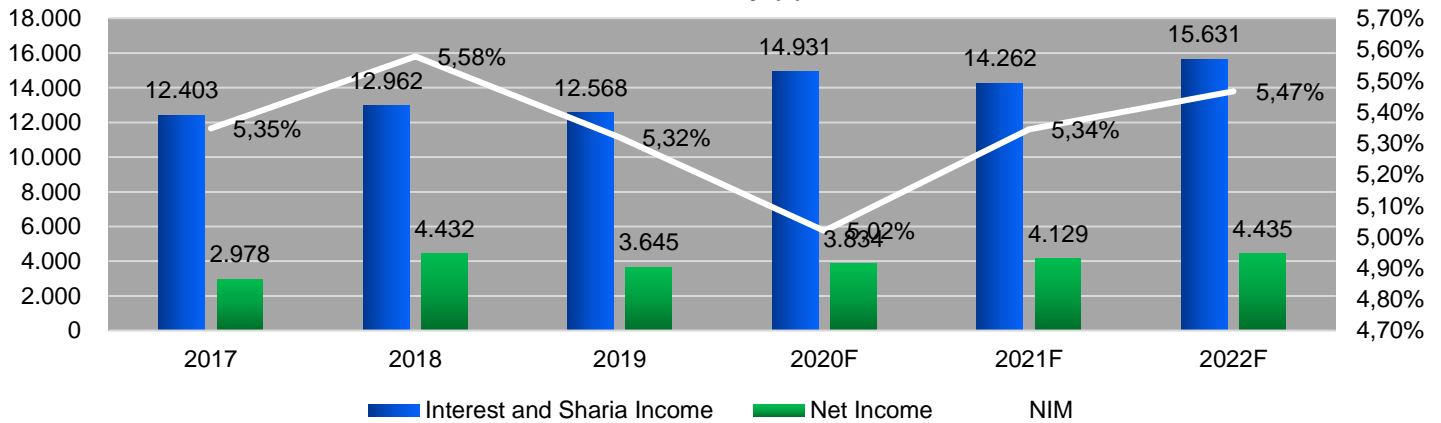


Chart: Net Interest Margin (x) YoY

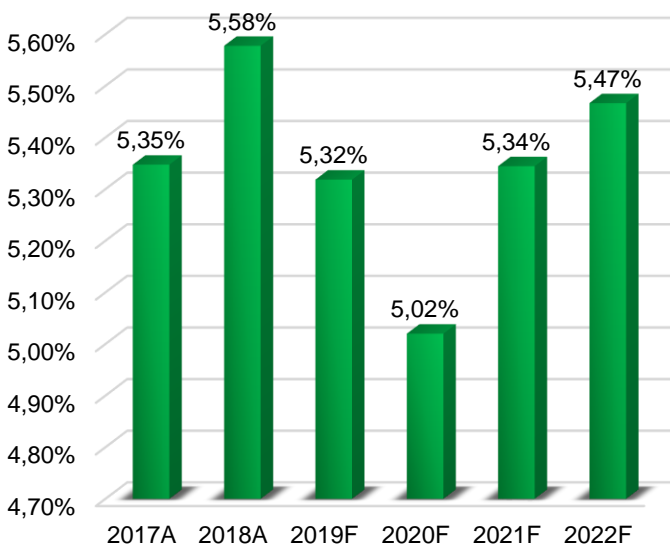


Chart: Net Interest Margin (x) YoY

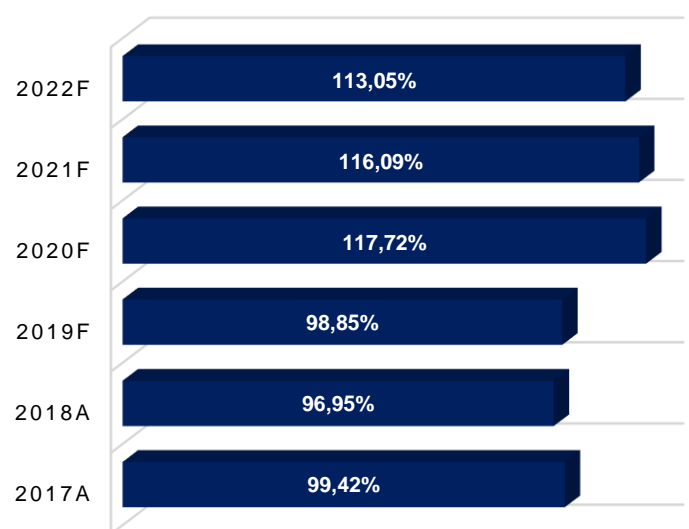


Chart: Gross Loan (x) QoQ

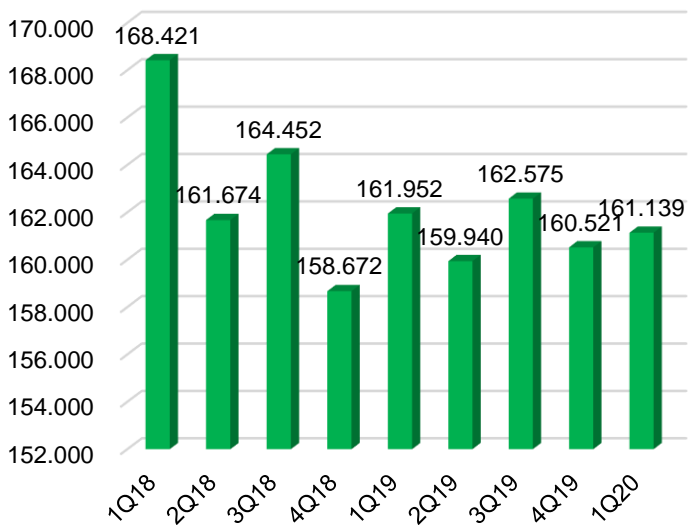


Chart: Customer Deposit (x) QoQ

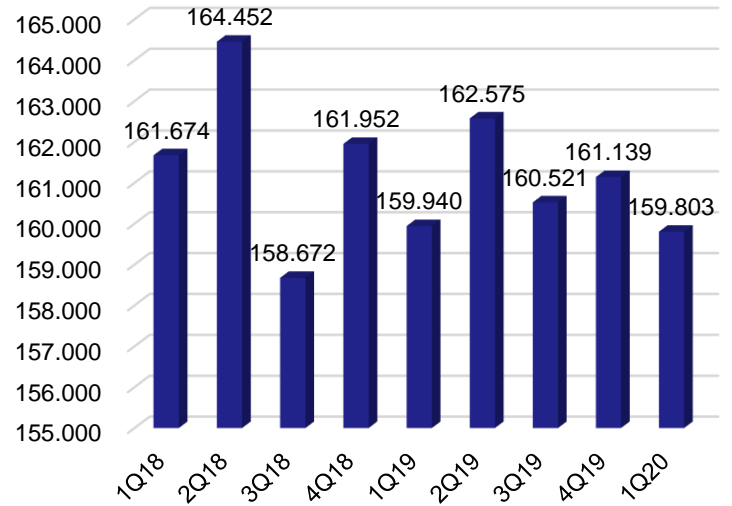


Chart: Non Performing Loan (x) QoQ

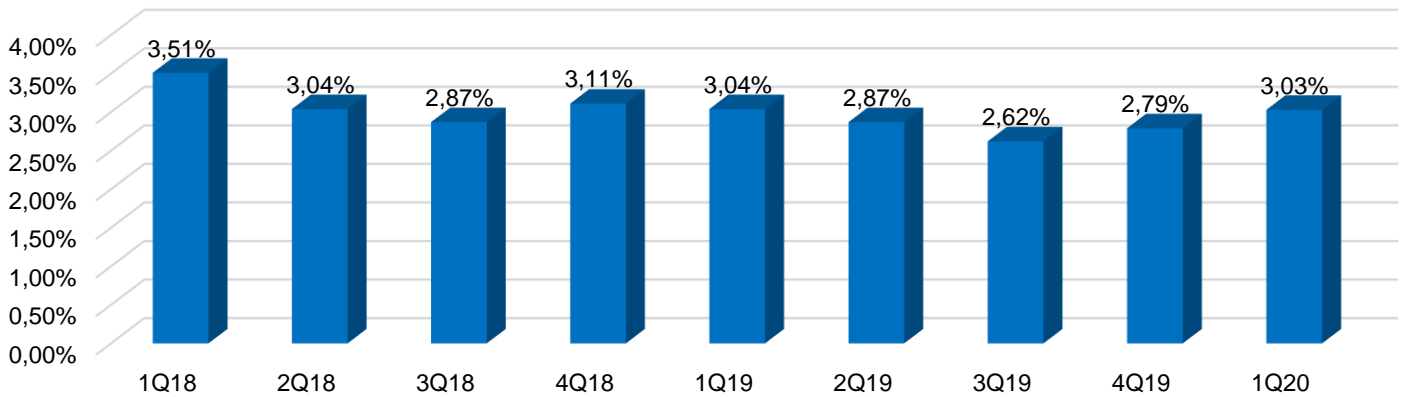
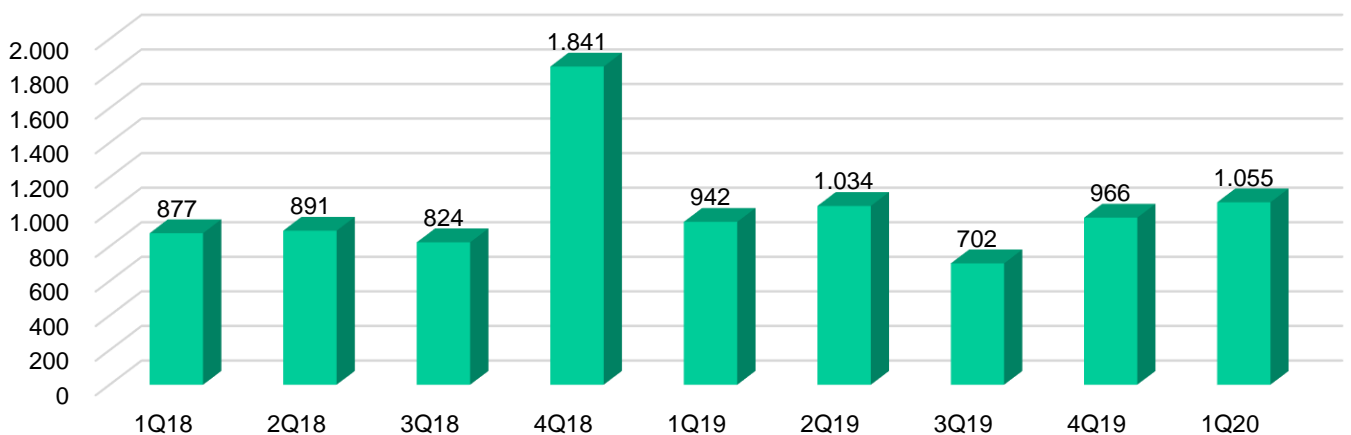


Chart: Net Income (x) QoQ



Balance Sheet (IDR.bn)

Balance sheet (Idr bn)	2017A	2018A	2019A	2020F	2021F	2022F
Cash and CA with BI	27.910	23.506	27.983	36.773	43.615	52.023
Interbank Placement	4.407	3.557	3.402	2.267	2.827	3.565
Marketable Securities	38.452	34.715	34.161	22.771	28.389	35.807
Gross Loan	168.421	161.952	161.139	199.210	204.382	207.138
Allowance for Loans	-7.308	-6.098	-6.060	-7.264	-7.135	-7.111
Loans-net	161.113	155.853	155.079	191.946	197.246	200.027
Other Earning Asset	63.527	70.430	75.171	50.108	62.469	78.793
Non Earning Asset	13.756	16.991	16.234	17.369	18.130	19.673
Total Asset	266.305	266.781	274.467	296.196	321.460	350.517
Deposit:						
Current Account	47.442	43.117	46.127	48.434	50.856	53.398
Saving Account	45.457	48.838	51.937	54.534	57.627	60.896
Time Deposits	76.510	75.088	64.950	66.249	67.574	68.926
Other Interest Bearing Liabilities	26.903	27.319	34.425	40.547	48.015	57.190
Non Interest Bearing Liabilities	33.042	32.838	33.733	40.339	48.248	57.699
Total Liabilities	229.354	227.201	231.173	250.103	272.321	298.110
Total Shareholder's Equity	36.951	39.581	43.294	46.094	49.139	52.407

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Operating Profit	12.076	5.745	4.934	5.465	6.188	7.034
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Ratio Highlights

Ratio Analysis	2017A	2018A	2019A	2020F	2021F	2022F
Profitability & Efficiency						
NIM	5,35%	5,58%	5,32%	5,02%	5,34%	5,47%
Cost-to-Income Ratio	52,00%	50,72%	56,47%	48,15%	51,86%	51,16%
ROE	8,06%	11,20%	8,42%	8,32%	8,40%	8,47%
ROA	1,12%	1,66%	1,33%	1,29%	1,28%	1,27%
ROAE		9,63%	9,81%	8,37%	8,36%	8,43%
BOPO	19,11%	18,99%	17,50%	31,20%	22,85%	23,86%
Cost of Credit	2,37%	1,89%	2,06%	2,47%	1,64%	1,69%
Liquidity						
LDR	99,42%	96,95%	98,85%	117,72%	116,09%	113,05%
CASA	54,84%	55,05%	60,16%	60,85%	61,62%	62,38%
Asset Quality						
Gross NPL	3,67%	3,07%	2,88%	3,41%	3,21%	3,14%
Provision Coverage	77,61%	76,17%	76,89%	76,53%	76,71%	76,62%
Capital						
CAR	18,60%	19,66%	21,47%	19,91%	20,35%	20,58%
Growth						
Loan Growth	2,75%	1,81%	3,07%	2,56%	2,60%	1,35%
Deposit Growth		-1,40%	-2,41%	3,80%	4,04%	4,07%
Net Income Growth		48,85%	-17,76%	5,18%	7,69%	7,42%

QoQ Result

Balance Sheet	2Q19	1Q20	2Q20	%QoQ	%YoY
Loan	162.575	159.803	151.466	-5,2%	-6,8%
Loan Loss Reserves	-5.446	-10.355	-10.804	4,3%	98,4%
NPL	5.309	5.830	7.147	22,6%	34,6%
Deposit					
Demand	48.373	52.541	52.462	-0,1%	8,5%
Savings	49.175	57.467	56.956	-0,9%	15,8%
Time Deposit	73.130	62.221	62.041	-0,3%	-15,2%
Total Asset	271.860	274.518	274.419	0,0%	0,9%
Shareholder Equity	41.522	40.014	39.705	-0,8%	-4,4%

Income Statement	2Q19	1Q20	2Q20	%QoQ	%YoY
Interest Income	5.573	5.291	5.209	-1,5%	-6,5%
Interest Expense	2.295	2.223	2.075	-6,6%	-9,6%
Net Interest Income	3.279	3.068	3.134	2,1%	-4,4%
Net Operating Income	1.440	2.193	1.346	-38,6%	-6,6%
Operating Expense	-2.469	-3.145	-1.698	-46,0%	-31,2%
PPOP	2.250	2.116	2.781	31,4%	23,6%
Provision Expense	845	748	1.964	162,4%	132,4%
Operating Profit	-10	61	23	-62,8%	-330,2%
Profit Before Tax	1.395	1.429	840	-41,2%	-39,8%
Tax Expense	361	374	151	-59,7%	-58,2%
Net Profit	1.034	1.055	689	-34,7%	-33,3%

Ratio	2Q19	1Q20	2Q20	QoQ	YoY
Profitability & Efficiency					
NIM	5,02%	5,02%	5,08%	0,06	0,06
Cost-to-Income Ratio	47,78%	47,78%	48,17%	0,39	0,39
ROE	10,58%	10,58%	6,91%	(3,67)	(3,67)
ROA	1,55%	1,55%	1,02%	(0,53)	(0,53)
Cost of Credit	1,51%	1,51%	3,01%	1,50	1,50
Liquidity					
LDR	94,30%	94,30%	89,84%	(4,46)	(4,46)
CASA	60,06%	60,06%	61,03%	0,97	0,97
Asset Quality					
Gross NPL (Bank only)	3,03%	3,03%	3,89%	0,86	0,86
Provision Coverage	191%	191%	159%	(31,76)	(31,76)
Capital					
CAR	20,59%	19,39%	19,97%	0,58	(0,62)

Stock Ratings:

Buy: a recommendation to purchase the security with upside potential of 20% or greater

Hold: a recommendation to neither buy nor sell a security with upside potential of 0-19%.

Sell: a recommendation to close out a long position in a security with upside potential below 0% or negative.

**RESEARCH TEAM
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