

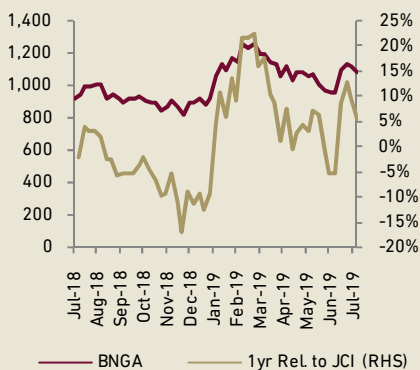
BUY

TP: 1,520 (+37.6%)

Sector Banking
Bloomberg Ticker BNGA IJ

Share Price Performance

Last Price(Rp)	1,105		
Avg. Daily T/O(Rpbn/USDmn)	7.3/0.5		
	3m	6m	12m
Absolute (%)	7.3	0.5	11.1
Relative to JCI (%)	7.1	-0.8	2.1
52w High/Low price(Rp)	1,290/805		



Outstanding Shrs (mn)	24,931
Mkt. Cap (Rpbn/USDmn)	27,549/1,958
Estimated Free Float (%)	n/a
Major Shareholders	
CIMB Group Sdn Bhd	91.5%

EPS Consensus

	Ciptadana	Cons.	% Diff
2019F	145.9	139.8	4.3
2020F	166.1	156.6	6.1
2021F	185.2	171.1	8.2

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Bank CIMB Niaga

Solid earnings in sight

Expecting an above estimates result for 1H19

Bank CIMB Niaga (BNGA) is among a few banks which posted a strong monthly result and among the highest bottom line growth in 5M19 despite the seasonally weaker semester in 1H19. BNGA's bank-only net income reached Rp1.6 tn in 5M19, up by 29% YoY and above expectations as it formed 43/44% of ours and consensus 2019F (vs. historical 35-37% in the first five months). The main driver of the strong result was net interest income, which grew by 7% YoY to Rp5.0 tn in 5M19 (vs. 3% YoY in 3M19), far stronger than our estimates. NIM improved accordingly by 25 bps to 5.5% in 5M19 (5.7% in May-19 only), stronger than industry NIM which declined by -20 bps YoY in 4M19. In addition, non-interest income grew by 19% YoY and boost PPOp growth to be 11% YoY. Another boost on bottom line was a slight decline in provision expense (-2% YoY) and lower effective tax rate in 5M19. Given the strong 5M19 result, we believe BNGA 1H19 result to beat estimates.

NIM should continue to benefit from policy rate

We believe BNGA will continue to benefit from benchmark rate cuts given their sensitiveness in cost of funding. BNGA's NIM historically moves in opposite direction to the benchmark rates (see exhibit 2). BNGA should be able to adjust the TD rates following the movement of 12-month SBI rate, which declined to 6.5% in Jun-19 from 7.0% in Jan-19. Going forward, the room for lower cost of funding remains as we expect BI to cut rate by 50 bps in 2H19 and continue to cut rate by 50 bps in 2020F. On the lending side, BNGA has performed selective upward yield adjustment in 1Q19 and we don't expect the yield to be adjusted down in near term. We expect the NIM upside should be reflected from 3Q19 onwards and positive NII growth in 2019F after a negative NII growth last year.

Loan growth to accelerate

BNGA has seen an uptick on their loan growth in the last few months, with loan growth accelerated to 5% YoY in 5M19. We expect the trend to continue as the auto loan recalibration in the last few years has been finished; hence the segment is expected to post positive loan growth from 2019F onwards. The relaxation on minimum reserve requirement (GWM) by BI recently should also give some help as their liquidity has been quite tight recently. LDR stood at 98.4% as of 5M19 (vs. industry at 94%) and liquid asset ratio at 6.0% as of 1Q19 (vs. industry at 16%). The relaxation on liquidity, coupled with easing funding pressure, should lead to higher loan growth in 2019/20F.

Maintain Buy with target price of Rp1,520/share

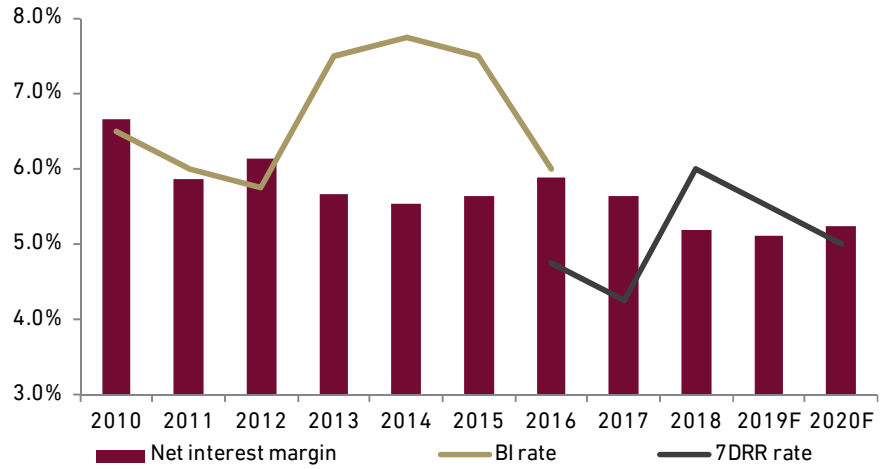
BNGA's valuation is very compelling at only 0.6x 2019-20F PBV, below its historical trading average at 0.8x and among the cheapest in small/mid-sized banks. We expect BNGA's ROE to improve to 9.1-9.3% in 2020/21F as we expect 14-12% earnings growth in 2020/21F, respectively. We also looking forward to review our earnings estimates post the 2Q19 result. We maintain our Buy recommendation on the stock with target price of Rp1,520/share, implying a fair 2019/20F PBV of 0.87/0.80x.

Exhibit 1 : Financial Highlights

Year to 31 Dec	2017A	2018A	2019F	2020F	2021F
Net Interest Income (Rpbn)	12,403	12,012	12,163	13,378	14,344
Net Profit (Rpbn)	2,978	3,482	3,637	4,140	4,617
EPS (Rp)	118.5	139.7	145.9	166.1	185.2
EPS growth (%)	43.1	17.9	4.4	13.9	11.5
BVPS (Rp)	1,470.5	1,587.6	1,738.1	1,909.5	2,076.8
PER (x)	9.3	7.9	7.6	6.7	6.0
PBV (x)	0.8	0.7	0.6	0.6	0.5
ROA (%)	1.2	1.3	1.3	1.4	1.5
ROE (%)	8.4	9.1	8.8	9.1	9.3
Dividend Yield (%)	0.0	2.2	2.5	2.6	3.0

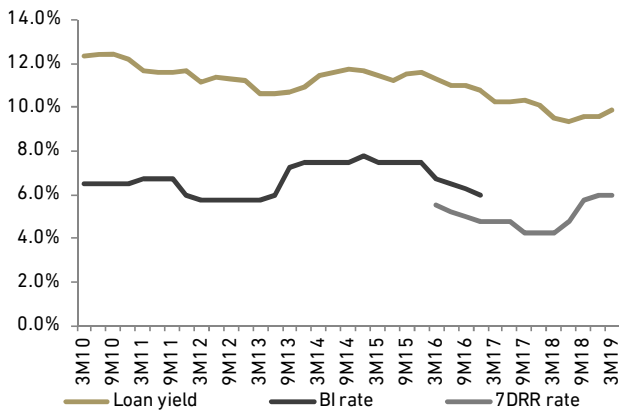
Source : BNGA, Ciptadana Estimates

Exhibit 2: BNGA NIM vs. policy rate movement



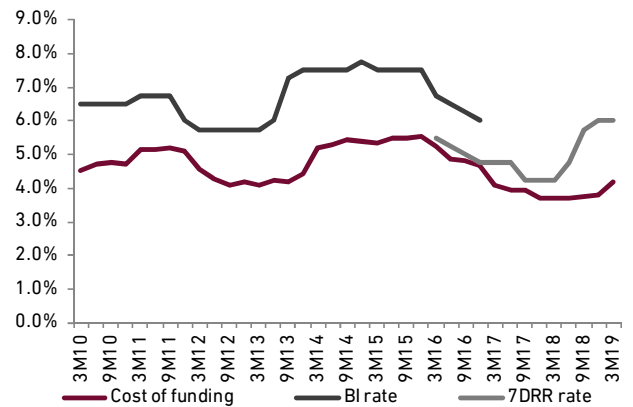
Source : Company and Ciptadana Sekuritas

Exhibit 3: BNGA loan yield vs. policy rate



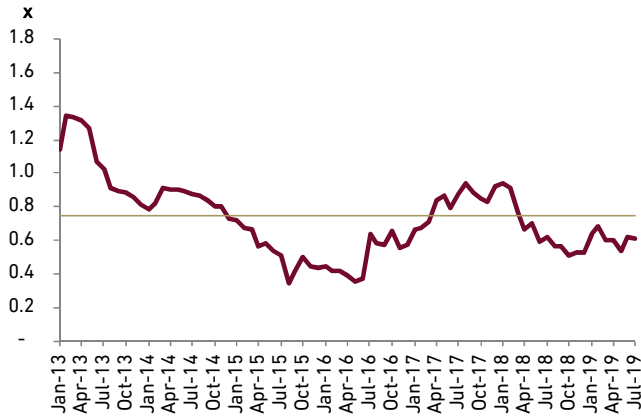
Source : Ciptadana Sekuritas

Exhibit 4: BNGA cost of funding vs. policy rate



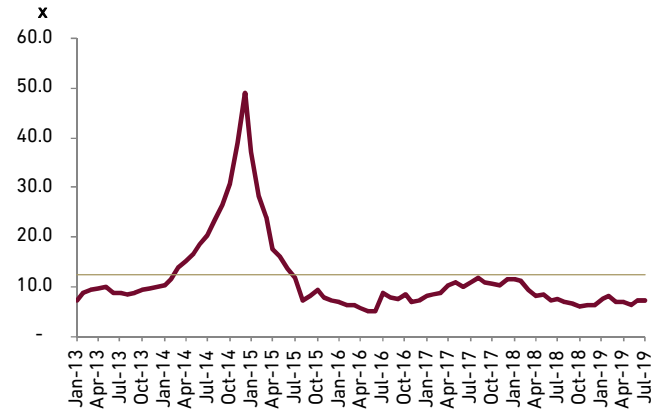
Source : Ciptadana Sekuritas

Exhibit 5: BNGA forward PBV



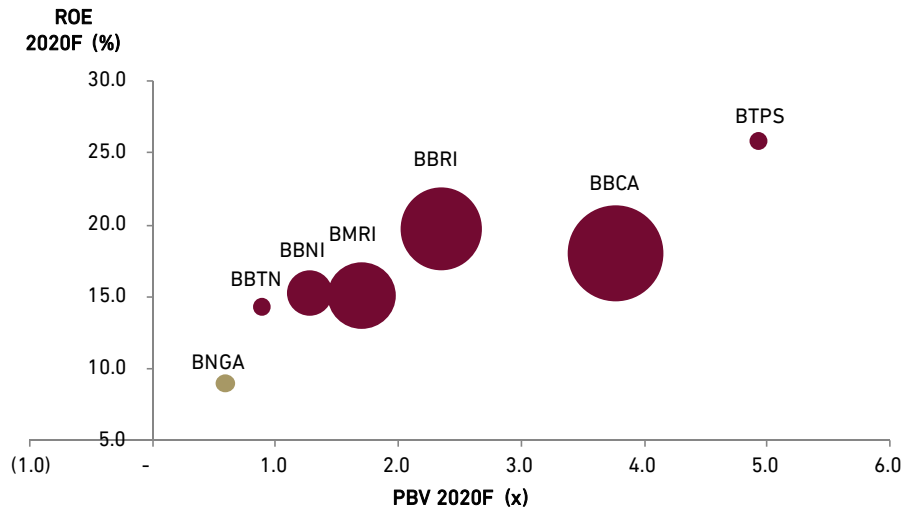
Source : Ciptadana Sekuritas

Exhibit 6: BNGA forward PE



Source : Ciptadana Sekuritas

Exhibit 7: Banking stocks mapping



Source : Company and Ciptadana Sekuritas

Exhibit 8: BNGA bank-only 5M19 results

Results summary (Rp bn)	5M18	5M19	5M19/		Feb-19	Mar-19	Apr-19	May-19	MoM
			YoY	FY19E					
Interest income	7,949	8,754	10%	41.3%	1,657	1,792	1,788	1,840	3%
Interest expense	3,247	3,736	15%	41.2%	678	772	757	772	2%
Net interest income	4,702	5,018	7%	41.3%	979	1,020	1,030	1,069	4%
Non interest income	1,444	1,719	19%	40.6%	230	397	285	395	38%
Operating expense	3,049	3,308	9%	39.4%	658	686	659	655	-1%
PPoP	3,097	3,428	11%	42.8%	550	731	656	808	23%
Provision expense	1,319	1,292	-2%	43.9%	191	253	208	343	65%
Operating profit	1,778	2,136	20%	42.2%	360	479	449	465	4%
Income tax	552	559	1%	39.1%	97	128	113	124	9%
Net income	1,226	1,577	29%	43.4%	263	351	335	341	2%
Total deposits	190,772	191,132	0%		191,215	190,680	192,703	191,132	-1%
- Demand	51,559	44,899	-13%		46,215	45,553	46,707	44,899	-4%
- Saving	48,900	48,281	-1%		48,777	48,166	48,167	48,281	0%
- Time	72,101	71,703	-1%		70,873	70,441	69,144	71,703	4%
- Sharia revenue sharing	18,212	26,249	44%		25,350	26,520	28,685	26,249	-8%
Total liabilities	219,526	224,678	2%		218,060	220,973	225,352	224,678	0%
Gross loans	178,534	188,038	5%		183,559	185,935	187,093	188,038	1%
Loan loss reserves	(6,473)	(5,794)	-10%		(6,260)	(6,267)	(5,577)	(5,794)	4%
Other earning assets	41,302	38,068	-8%		39,693	40,846	41,917	38,068	-9%
Total assets	256,276	264,938	3%		257,657	261,263	265,292	264,938	0%
Shareholders equity	36,750	40,260	10%		39,597	40,290	39,940	40,260	1%
Key ratios (%)									
Asset yield	8.9	9.6	0.7		9.2	9.8	9.7	10.0	0.3
Cost of funds	3.7	4.2	0.6		4.3	4.4	4.4	4.3	(0.1)
NIM	5.2	5.5	0.2		5.4	5.6	5.6	5.7	0.1
CASA ratio	58.2	56.5	(1.7)		57.3	57.1	57.8	56.5	(1.3)
Cost-to-income	49.6	49.1	(0.5)		54.5	48.4	50.1	44.8	(5.3)
Credit cost (%of avg loan)	1.8	1.7	(0.1)		1.3	1.6	1.3	2.2	0.9
Tax rate	31.0	26.2	(4.9)		26.8	26.6	25.2	26.6	1.4
LDR	93.6	98.4	4.8		96.0	97.5	97.1	98.4	1.3
ROA	1.1	1.4	0.3		1.2	1.6	1.5	1.5	0.0
ROE	8.1	9.6	1.4		8.0	10.5	10.0	10.2	0.2

Source : Company and Ciptadana Sekuritas Asia

Exhibit 9 - Income Statement

Year to 31 Dec (Rpbn)	2017A	2018A	2019F	2020F	2021F
Interest income	20,403	20,293	21,221	22,543	24,059
Interest expenses	-8,000	-8,282	-9,058	-9,165	-9,715
Net interest income	12,403	12,012	12,163	13,378	14,344
Other non-interest income	3,352	3,816	4,179	4,507	4,949
Total operating income	15,756	15,828	16,342	17,885	19,293
Operating expenses	-7,569	-8,004	-8,390	-8,836	-9,271
PPoP	8,186	7,824	7,953	9,049	10,023
Prov. expenses and others	-4,080	-3,030	-2,943	-3,338	-3,648
Operating profit	4,107	4,794	5,010	5,711	6,375
Non-operating income (exp.)	48	56	56	56	56
Pre-tax profit	4,155	4,851	5,066	5,768	6,431
Income tax	-1,177	-1,368	-1,429	-1,627	-1,814
Minority interest	0	0	0	0	0
Net profit	2,978	3,482	3,637	4,140	4,617

Exhibit 10 - Balance Sheet

Year to 31 Dec (Rpbn)	2017A	2018A	2019F	2020F	2021F
Cash	3,896	4,293	4,293	4,293	4,293
Current acct, with BI	11,523	10,435	14,766	16,086	17,526
Interbank placement	16,888	12,321	12,321	12,321	12,321
Mkt, securities	13,442	11,270	12,159	13,137	14,213
Govt. Bonds	24,971	24,000	26,400	29,040	31,944
Loans	174,421	180,311	192,530	207,293	223,558
Fixed assets	6,660	7,050	7,261	7,479	7,703
Other assets	11,106	15,047	15,047	15,047	15,047
Total Asset	266,305	266,781	286,983	306,901	328,811
Deposits from customer	189,317	190,750	208,017	226,866	247,444
Borrowings	22,189	21,149	20,329	17,126	14,286
Other liabilities	10,964	12,373	12,373	12,373	12,373
Total liabilities	229,354	227,201	243,648	259,294	277,032
Shareholder equity	36,950	39,580	43,333	47,606	51,778
Minority interest	1	1	1	1	1
Total liab + SHE	266,305	266,781	286,983	306,901	328,811

Exhibit 11 - Per Share Data

Year to 31 Dec (Rp)	2017A	2018A	2019F	2020F	2021F
EPS	118.5	139.7	145.9	166.1	185.2
BVPS	1,470.5	1,587.6	1,738.1	1,909.5	2,076.8
DPS	0.0	23.9	27.9	29.2	33.2

Source : BNGA, Ciptadana Estimates

Exhibit 12 - Key Ratios

Year to 31 Dec	2017A	2018A	2019F	2020F	2021F
Ratios					
ROA (%)	1.2	1.3	1.3	1.4	1.5
ROE (%)	8.4	9.1	8.8	9.1	9.3
Net interest margin (%)	5.6	5.2	5.1	5.3	5.2
Yield on earnings asset (%)	9.3	8.8	8.9	8.8	8.8
Average cost of fund (%)	3.9	3.8	4.1	3.8	3.8
Cost to income ratio (%)	48.0	50.6	51.3	49.4	48.1
Cost of credit (%)	1.9	1.3	1.2	1.3	1.3
Non-performing loan (%)	3.7	3.1	2.8	2.8	2.8
Coverage ratio (%)	103.1	104.3	107.6	107.3	107.1
Loan to deposit ratio (%)	95.8	97.6	95.5	94.2	93.2
CASA ratio (%)	52.6	52.6	53.1	53.5	54.0
Equity to Asset (%)	13.9	14.8	15.1	15.5	15.7
Capital adequacy ratio (%)	21.0	21.5	22.3	22.5	22.6
Tier-1 CAR	17.0	18.0	17.7	17.9	18.0
PER (x)	9.3	7.9	7.6	6.7	6.0
PBV (x)	0.8	0.7	0.6	0.6	0.5
Dividend yield (%)	0.0	2.2	2.5	2.6	3.0
Growth (%)					
Total assets growth	10.2	0.2	7.6	6.9	7.1
Loan growth	4.5	2.7	6.6	7.7	7.8
Deposit growth	4.8	0.8	9.1	9.1	9.1
NPL growth	-0.2	-15.8	-1.9	7.6	7.6
SHE growth	8.0	7.1	9.5	9.9	8.8
Net interest income growth	2.6	-3.2	1.3	10.0	7.2
Non-interest income growth	9.4	13.8	9.5	7.8	9.8
Provision expense growth	-18.0	-25.7	-2.8	13.4	9.3
Net profit growth	43.0	16.9	4.4	13.9	11.5

Source : BNGA, Ciptadana Estimates

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