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Equity Research

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PT BANK CIMB NIAGA Tbk

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Recommendation: BUY

BNGA current price at 885 indicates a relatively undervalued stock with great upside potentials. Some of the factors to be considered:

- Strong and sustainable net income growth
- Improvements in both asset quality and capital
- Liquidity position is better than the industry average
- BNGA ability to adapt in Digital Banking Era by continuously launching new services
- Current share price is trading at the lower-end of 1-year range with attractive valuation

Strong and Sustainable Net Income Growth

Company net income for 2018 is estimated to keep growing which follows the trend from previous years. QIII/2018 net income has reached IDR 2,592 T compared to 2017FY of IDR 2,978 T. The main factors for this growth are an increase in non-Interest Income and lower interest expenses, both are huge positive points in order to reduce the bank's dependency on Interest as the main source of revenue. Furthermore, we are optimistic that the bank can maintain this growth based on two reasons: 1) The customer's growing awareness of investment and insurance products which leads to an increase in Bancassurance business (i.e: partnerships with insurance companies to sell products through the bank's database), and 2) The company's continuous improvement in its digital banking services which contributes to greater effiency and lower cost of funds.

Improved Asset Quality and Capital Structure

Non Performing Loan (NPL) ratio has improved to 3,41% from previous position at 3,75%. BNGA seems to have successfully implemented a prudent approach in its credit underwriting process. This contributes to lower bad debt provision which positively affect the bottom line. As for capital structure, BNGA recorded an increase in CAR (Capital Adequacy Ratio) to 19,41% or still way above the minimum limit of 8%. CAR is an indicator of a bank's available capital as a percentage of the credit exposures. A higher CAR percentage means the bank has lower insolvency risks.

Flexible Liquidity coupled by Increased Portion of Low Interest Accounts

Loan to Deposit (LDR) ratio is currently at 90,81% or still below its peers average of 107,61% which signals a potential opportunity for future credit expansion. LDR ratio is used to measure a bank's total Loans compared to its total Deposits. A higher LDR ratio means a bank is less liquid and can restrict its ability to disbure more loans.

Furthermore, Low Interest Accounts has also increased to the level of 54,24% from total third party funding. BNGA's strategy to keep improving its digital banking services has proven to be successful. The bank currently has several key channels, such as: CIMB Clicks, Go Mobile, and Rekening Ponsel which provide customers with easier access to banking tranasactions. This in turn gives customers more incentives to put their money in the form of low interest Accounts or more commonly known as Current Account & Savings Account (CASA).

Attractive Valuation compared to Peers

In terms of valuation, BNGA shares (PER 8,55x & PBV 0,58x) is still relatively cheap compared to other banks with similar size (PER 10,67x PBV 0,82x). Keep in mind that BNGA has become a BUKU IV category- bank (Banks with minimum equity of IDR 30 Trillion) along with big banks such as BMRI, BBNI, and BBCA where the valuations are considerably higher at PER 22,81x and PBV 2,43x.

BNGA stock is currently trading at the lower end of 1 year range of 830 to 1505.

Stock Information

Company Name	**PT Bank CIMB Niaga Tbk**
Stock Code	**BNGA**
Line of Business	**Financial Services / Banking**
Last Price	**IDR 885**
Shares Outstanding	**25.131.606.843**
Market Cap	**IDR 22.241 Trillion**
Sharholders	**CIMB Group Sdn Bhd - Malaysia 91,5%**
	Public 8,5%

Competitor Analysis

	BNGA	Avg Peers**
Asset Growth*	4,92%	7,45%
Equity Growth*	10,85%	9,93%
Sales Growth*	-3,34%	7,54%
Net Income Growth*	69,24%	9,22%
PER	8,55	10,67
PBV	0,58	0,82
Market Cap	22.241	22.911
ROA	0,99%	1,03%
ROE	6,74%	7,89%
NIM (Net Interest Margin)	5,12%	4,45%
CAR (Capital Adequacy Ratio)	19,41%	19,05%
NPL (Non Performing Loan)	3,41%	2,53%
LDR (Loan to Deposit Ratio)	90,81%	107,61%
CASA (Current Account Savings Account)	54,24%	40,19%

*Average 3 Years

** BBTN, NISP, PNBN

BNGA 1-year Stock Price



Risk Factors

- Numbers of floating shares are quite low which amounted to only 8,5% of total shares
- A recent increase in Interest Rate benchmark has the potential to put pressure on Net Interest Margin (NIM) which can negatively affect profitability
- In terms of Returns, BNGA is still relatively low at ROA of 0,99% and ROE of 6,74%

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