

2 May 2024

Financial Services | Banks

Bank CIMB Niaga (BNGA IJ)

Buy (Maintained)

Solid 1Q24, Strategy For Resilience; Reiterate BUY

Target Price (Return): IDR2,500 (+31%)
 Price (Market Cap): IDR1,910 (USD2,924m)
 ESG score: 3.3 (out of 4)
 Avg Daily Turnover (IDR/USD) 25,990m/1.64m

- **Maintain BUY and IDR2,500 TP, 31% upside with c.8% yield.** Bank CIMB Niaga's 1Q24 earnings grew by 6.9% YoY (ie in line) despite a dip in NIM. It is maintaining its guidance despite liquidity challenges from a Bank Indonesia (BI) rate hike, focusing on increasing CASA and managing CoF by shifting to cheaper time deposits. With a moderate loan growth strategy and a focus on asset quality, it reported a 6% YoY 1Q24 loan growth and strong impairment coverage, reflecting stability amidst market fluctuations. Additionally, its ESG score being above the median warrants a 6% premium on its intrinsic value.
- **A solid start: in-line 1Q24 results.** Earnings for 1Q24 grew to IDR1.7trn (+6.9% QoQ, +6.3% YoY), meeting 23% of our and consensus full-year estimates. PPOP came in at IDR2.7trn (+17.3% QoQ, -3.6% YoY). While 1Q24 NIM decreased to 4.2% (FY23: 4.4%, 1Q23: 4.7%), its CoC dropped to 0.82% (FY23: 1.03%, 1Q23: 1.5%) on improved asset quality. During the period, LAR fell to 10.9% at end-March (11.2% in Dec 2023 and 13.9% in Mar 2023). Note that, despite the limited liquidity, BNGA was able to enhance its CASA ratio to 64.6% at end-March (Dec 2023: 63.9%, Mar 2023: 61.2%), partly due to increasing digital app transactions, which boosted retail and non-retail CASA levels.
- **Still maintaining guidance despite possibly continued tight liquidity due to the BI rate hike.** While the impact of BI rate hikes is expected to be neutral-to-slightly negative on industry CoF, BNGA believes there is still potential to increase its CASA and shift to lower-rate time deposits (TDs) to manage CoF amid the recent interest rate hike. It is starting to reprice loans in 1Q24, with the exception of business banking, which is more selective. BNGA's 1Q24 CASA growth was higher than the industry average. It recorded ROE of 14.4% in 1Q24, which is ahead of its 2024 targets. Management estimates FY24 NIM at 4.2-4.4% (1Q24: 4.2%), which suggests flat-to-improving NIM in the quarters ahead.
- **Moderate loan growth strategy.** BNGA anticipates FY24 loan growth of 5-7% YoY (1Q24: 6% YoY). It began repricing loans before the BI rate increase. Currently, management is waiting to see if its peers follow suit but, with the BI rate hike, the industry may reprice their loans even further. While corporate loans are to focus on asset quality, the bank would be cautious in raising rates. The risk appetite for loan disbursements has not changed, but customers are still chosen on a case-by-case basis to bring CASA in as well. So far, there has been no deterioration in SME and consumer loans. BNGA has good impairment and LAR coverage ratios of 113.5% and 49.9% at the end of March (from 110% and 50.3% at the end of December last year), indicating that it has a buffer against any loan write-offs that may be required.
- **ESG.** Our TP includes a 6% ESG premium over its intrinsic value, since BNGA's ESG score is above the country median.

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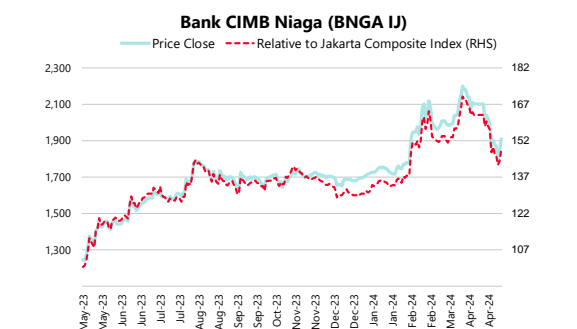


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Share Performance (%)

	YTD	1m	3m	6m	12m
Absolute	12.7	(12.4)	9.1	12.0	54.0
Relative	13.2	(11.6)	8.5	4.6	49.4
52-wk Price low/high (IDR)	1,240 - 2,200				



Source: Bloomberg

Forecasts and Valuation	Dec-22	Dec-23	Dec-24F	Dec-25F	Dec-26F
Reported net profit (IDRb)	5,042	6,474	7,414	8,248	9,178
Net profit growth (%)	23.0	28.4	14.5	11.2	11.3
Recurring net profit (IDRb)	5,042	6,474	7,414	8,248	9,178
Recurring EPS (IDR)	202.21	259.66	297.35	330.79	368.09
BVPS (IDR)	1,812.50	1,972.96	2,119.82	2,278.52	2,455.42
DPS (IDR)	94.08	115.18	147.90	169.37	188.42
Recurring P/E (x)	9.45	7.36	6.42	5.77	5.19
P/B (x)	1.05	0.97	0.90	0.84	0.78
Dividend Yield (%)	4.9	6.0	7.7	8.9	9.9
Return on average equity (%)	11.4	13.7	14.5	15.0	15.6

Source: Company data, RHB

Overall ESG Score: 3.3 (out of 4)

E: EXCELLENT

BNGA supports environmental preservation and the improvement of people's welfare. Although its business is not directly related to nature, financing provided to businesses can have a direct impact on the environment, and it is important that it encourages sustainable businesses. Environmental efforts are also implemented within its own operations, in terms of managing the paper and energy used in its banking activities.

S: EXCELLENT

As a company engaged in the banking industry, its CSR involves delivering financial literacy and inclusion.

G: EXCELLENT

The bank has included climate change and its mitigation measures in the job description for its Good Corporate Governance (GCG) & Sustainability Unit, supervised by the director responsible for sustainability. This unit, which is responsible for implementing sustainability activities, also ensures the implementation of climate change initiatives/studies and carries out mitigation actions.

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Financial Exhibits

Asia	Financial summary (IDR)	Dec-22	Dec-23	Dec-24F	Dec-25F	Dec-26F
Indonesia	EPS	202.21	259.66	297.35	330.79	368.09
Financial Services	Recurring EPS	202.21	259.66	297.35	330.79	368.09
Bank CIMB Niaga	DPS	94.08	115.18	147.90	169.37	188.42
BNGA IJ	BVPS	1,812.50	1,972.96	2,119.82	2,278.52	2,455.42
Buy						
Valuation basis	Valuation metrics	Dec-22	Dec-23	Dec-24F	Dec-25F	Dec-26F
P/BV backed by GGM. Assumptions include:	Recurring P/E (x)	9.45	7.36	6.42	5.77	5.19
i. COE of 10.5%;	P/B (x)	1.1	1.0	0.9	0.8	0.8
ii. ROE of 12%;	Dividend Yield (%)	4.9	6.0	7.7	8.9	9.9
iii. 3% long-term growth.						
Key drivers	Income statement (IDRb)	Dec-22	Dec-23	Dec-24F	Dec-25F	Dec-26F
i. Promising CASA outlook for better CoF;	Interest income	19,114	22,306	24,797	26,329	28,013
ii. Higher NIM trend;	Interest expense	(5,638)	(8,954)	(9,854)	(10,129)	(10,413)
iii. Improving asset quality.	Net interest income	13,476	13,352	14,943	16,200	17,599
	Non interest income	5,390	5,433	5,433	5,433	5,433
	Total operating income	18,866	18,786	20,376	21,633	23,033
	Overheads	(8,484)	(8,584)	(8,584)	(8,584)	(8,584)
	Pre-provision operating profit	10,382	10,202	11,792	13,050	14,449
	Loan impairment allowances	(3,814)	(2,007)	(2,216)	(2,379)	(2,558)
	Other exceptional items	11	162	162	162	162
	Pre-tax profit	6,579	8,357	9,739	10,833	12,052
	Taxation	(1,483)	(1,806)	(2,240)	(2,492)	(2,772)
	Minority interests	(55)	(77)	(85)	(93)	(103)
	Reported net profit	5,042	6,474	7,414	8,248	9,178
	Recurring net profit	5,042	6,474	7,414	8,248	9,178
Key risks	Profitability ratios	Dec-22	Dec-23	Dec-24F	Dec-25F	Dec-26F
i. Lower-than-expected loan growth;	Return on average assets (%)	1.6	2.0	2.2	2.3	2.5
ii. Deteriorating asset quality;	Return on average equity (%)	11.4	13.7	14.5	15.0	15.6
iii. Higher-than-expected cost of funds (CoF).	Return on IEAs (%)	6.5	7.3	7.7	8.1	8.5
	Cost of funds (%)	2.3	3.5	3.6	3.6	3.6
	Net interest spread (%)	4.3	3.8	4.1	4.4	4.8
	Net interest margin (%)	4.6	4.4	4.7	5.0	5.3
	Non-interest income / total income (%)	28.6	28.9	26.7	25.1	23.6
	Cost to income ratio (%)	45.0	45.7	42.1	39.7	37.3
	Credit cost (bps)	207	101	101	99	98
Company Profile	Balance sheet (IDRb)	Dec-22	Dec-23	Dec-24F	Dec-25F	Dec-26F
Bank CIMB Niaga is majority-owned by Malaysia-based CIMB Group (91.5% stake). Its loan book largely comprises corporate and consumer loans. The bank is ramping up the development of its digital channels to improve efficiency.	Total gross loans	190,692	205,917	231,265	250,928	272,551
	Other interest earning assets	98,069	113,038	92,276	77,073	60,670
	Total gross IEAs	288,761	318,954	323,540	328,000	333,221
	Total provisions	(13,225)	(12,095)	(9,838)	(7,418)	(5,636)
	Net loans to customers	177,605	194,011	221,640	243,750	267,185
	Total net IEAs	275,536	306,859	313,702	320,583	327,585
	Total non-IEAs	31,218	27,511	31,539	36,160	41,460
	Total assets	306,754	334,369	345,241	356,743	369,045
	Customer deposits	227,189	235,862	244,041	252,533	261,351
	Other interest-bearing liabilities	13,927	30,929	30,311	29,704	29,110
	Total IBLs	241,116	266,791	274,351	282,237	290,461
	Total non-IBLs	20,362	18,241	17,876	17,519	17,168
	Total liabilities	261,478	285,032	292,228	299,756	307,630
	Share capital	8,646	8,681	8,681	8,681	8,681
	Shareholders' equity	45,192	49,193	52,854	56,811	61,222
	Minority interests	84	145	159	175	193
	Asset quality and capital	Dec-22	Dec-23	Dec-24F	Dec-25F	Dec-26F
	Reported NPLs / gross cust loans (%)	2.8	2.0	2.7	2.7	2.7
	Total provisions / reported NPLs (%)	245.1	295.5	0.0	0.0	0.0
	CET-1 ratio (%)	20.0	21.8	17.8	17.6	9.2
	Tier-1 ratio (%)	20.0	21.8	17.8	17.6	9.2
	Total capital ratio (%)	21.4	23.1	19.1	18.9	10.4

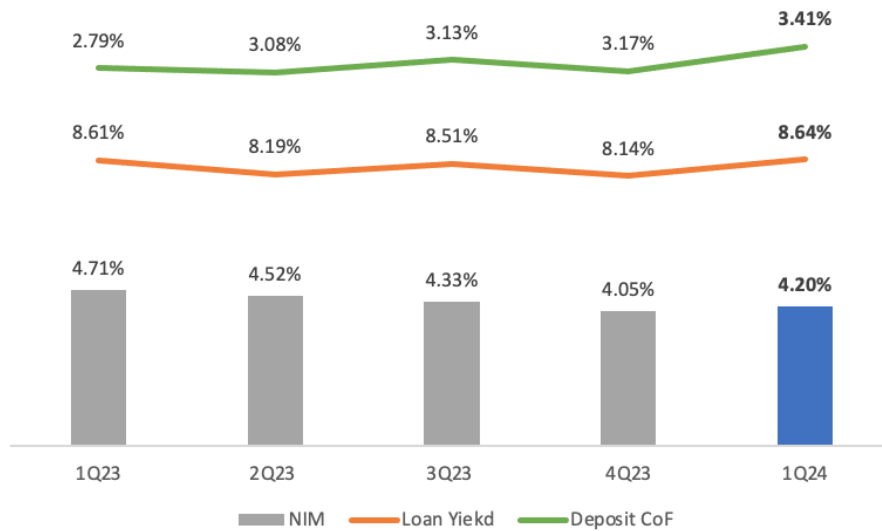
Source: Company data, RHB

Figure 1: BNGA 1Q24 results highlight

INCOME STATEMENT (IDRbn)	1Q23	4Q23	1Q24	QoQ	YoY	FY22	FY23	YoY	1Q24 / FY24F RHB	1Q24 / FY24F Cons.
Interest Income	5,359	5,592	5,845	4.5%	9.1%	19,114	22,306	16.7%	24%	
Interest Expense	1,952	2,427	2,560	5.5%	31.1%	5,638	8,954	58.8%	26%	
Net Interest Income	3,407	3,165	3,285	3.8%	-3.6%	13,476	13,352	-0.9%	22%	
Non-Interest Income	1,576	1,114	1,515	36.0%	-3.9%	5,390	5,433	0.8%	28%	
Total Operating Income	4,983	4,279	4,800	12.2%	-3.7%	18,866	18,785	-0.4%	24%	
Operating Expense	2,219	2,008	2,135	6.3%	-3.8%	8,473	8,422	-0.6%	25%	
PPOP	2,764	2,271	2,665	17.3%	-3.6%	10,393	10,363	-0.3%	23%	
Provision Expense	749	228	490	114.9%	-34.6%	3,814	2,007	-47.4%	22%	
Operating Profit	2,015	2,043	2,175	6.5%	7.9%	6,579	8,356	27.0%	23%	
Net Profit	1,581	1,572	1,681	6.9%	6.3%	5,042	6,474	28.4%	23%	23%
BALANCE SHEET (IDRbn)	3M23	4Q23	3M24	QoQ	YoY					
Loan	199,550	213,370	211,590	-0.8%	6.0%					
Deposit	240,140	235,860	248,030	5.2%	3.3%					
CASA	147,040	150,630	160,110	6.3%	8.9%					
Time Deposits	93,100	85,230	87,920	3.2%	-5.6%					
RATIOS	3M23	FY23	3M24							
ROAE (%)	15.10%	15.00%	14.40%							
NIM (%)	4.71%	4.40%	4.20%							
CoC (%)	1.50%	1.03%	0.82%							
CASA (%)	61.23%	63.90%	64.55%							
LDR (%)	83.10%	89.30%	84.20%							
CIR (%)	44.53%	44.80%	44.48%							
NPL (%)	2.60%	2.00%	2.10%							
Tier-1 CAR	20.30%	22.90%	23.40%							
Coverage (%)	253.50%	292.10%	257.40%							

Source: Company data, RHB

Figure 2: 1Q23-1Q24 – loan yields, deposit CoF and NIM (%)



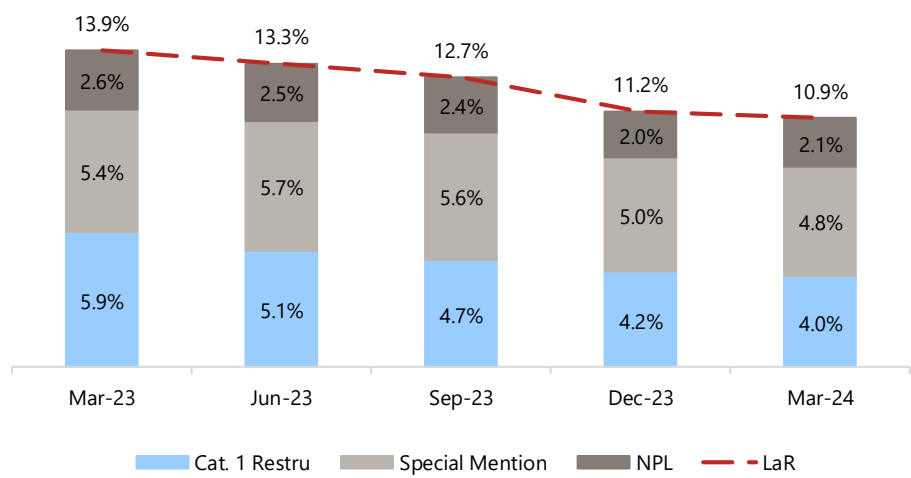
Source: Company data, RHB

Figure 3: Loan growth by segment

(IDRtrn)	Mar-23	Dec-23	Mar-24	QoQ	YoY
Consumer	68.16	71.85	72.87	1.4%	6.9%
Mortgages	41.95	42.74	42.94	0.5%	2.4%
Auto loans	12.28	13.61	14.22	4.5%	15.8%
Credit cards, PL, & Others	13.93	15.50	15.71	1.3%	12.8%
Corporate	77.08	83.43	80.49	-3.5%	4.4%
Commercial	31.48	33.14	33.26	0.3%	5.6%
SME	22.82	24.95	24.97	0.1%	9.4%
Total Loans	199.55	213.37	211.59	-0.8%	6.0%
Sharia Financing	48.71	52.24	56.21	1.8%	15.4%

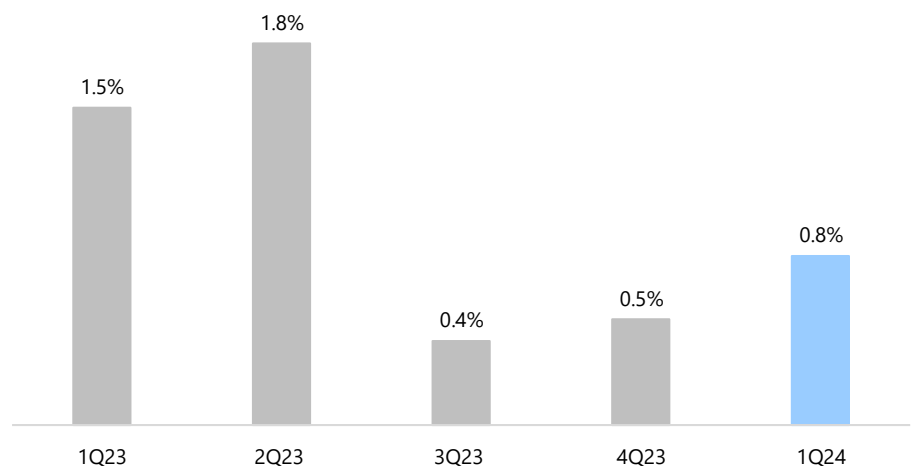
Source: Company data, RHB

Figure 4: Loans at risk (LAR) trends (%)



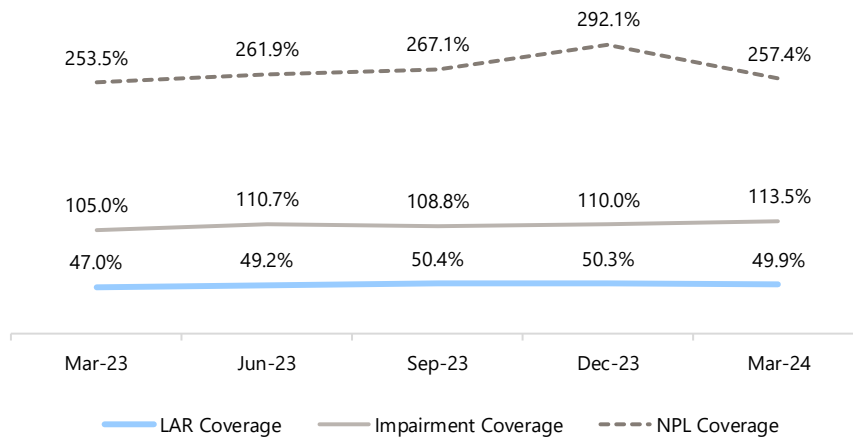
Source: Company data, RHB

Figure 5: Credit cost trend for 1Q23-1Q24 (%)



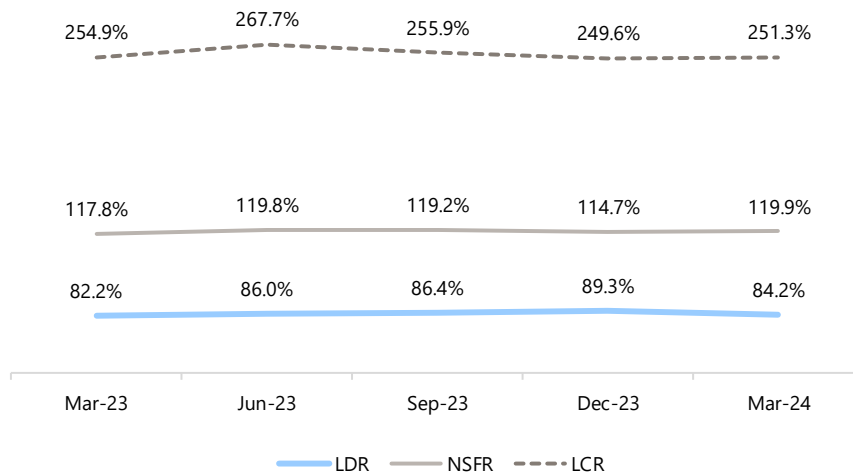
Source: Company data, RHB

Figure 6: NPL coverage, and LAR coverage



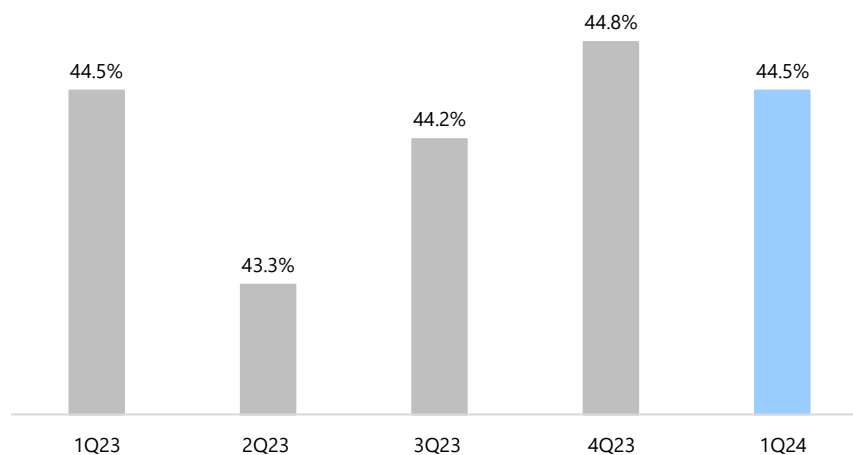
Source: Company data, RHB

Figure 7: Solid funding and liquidity positions (%)



Source: Company data, RHB

Figure 8: BNGA's CIR trend for 1Q23-1Q24 (%)



Source: Company data, RHB

Emissions And ESG

Trend analysis
CIMB Niaga is committed to integrating and harmonising ESG factors into its business activities, as well as promoting the Sustainable Development Goals (SDGs). Total gas emissions under Scope 1, 2, and 3 fell 16% YoY in 2023.

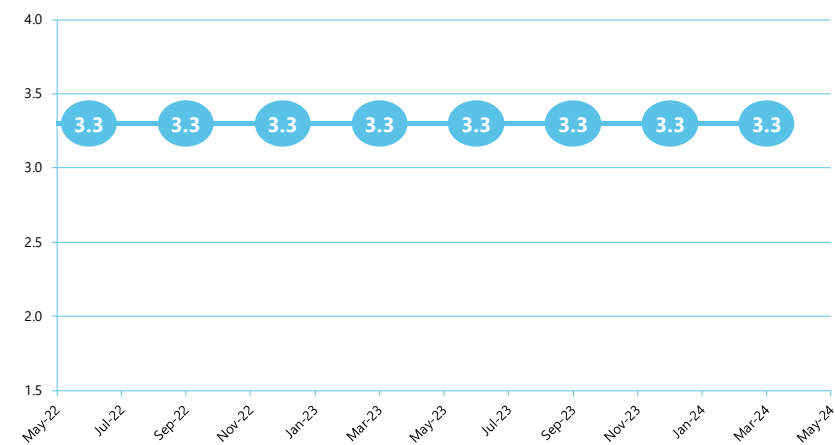
Emissions (tCO2e)	Dec-21	Dec-22	Dec-23
Scope 1	39,091	36,507	30,004
Scope 2	na	na	na
Scope 3	635	1,017	1,476
Total emissions	39,726	37,524	31,481

Source: Company data, RHB

Latest ESG-Related Developments

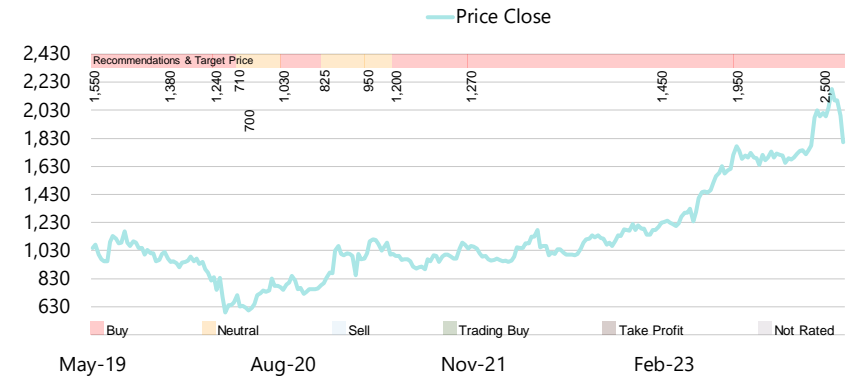
- It achieved a c.18% YoY reduction in total Scope 1 and 2 greenhouse gas emissions in 2023. The management of BNGA's sustainable financial portfolio is in line with the Green, Social, Sustainable Impact Products and Services or GSSIPS framework established by CIMB Group.
- Results of the debtor identification process according to the Indonesian Green Taxonomy showed that 18% of BNGA's top 450 debtors are classified as green or yellow, based on their outstanding loans.
- The bank continues to implement its sustainable financial product and programme initiatives developed previously, such as the Mapan iB savings programme with *waqf*, green mortgage and solar panel financing.

ESG Rating History



Source: RHB

Recommendation Chart



Source: RHB, Bloomberg

Date	Recommendation	Target Price	Price
2024-04-05	Buy	2,500	2,100
2024-03-21	Buy	2,500	2,040
2024-02-27	Buy	2,500	2,120
2023-08-01	Buy	1,950	1,670
2023-02-19	Buy	1,450	1,235
2023-01-30	Buy	1,450	1,180
2022-10-27	Buy	1,270	1,140
2021-10-28	Buy	1,270	1,030
2021-04-30	Buy	1,200	1,005
2021-02-22	Neutral	950	970
2020-11-08	Neutral	825	785
2020-08-02	Buy	1,030	770
2020-05-11	Neutral	700	640
2020-04-16	Neutral	710	700
2020-02-20	Buy	1,240	870

Source: RHB, Bloomberg

RHB Guide to Investment Ratings

Buy:	Share price may exceed 10% over the next 12 months
Trading Buy:	Share price may exceed 15% over the next 3 months, however longer-term outlook remains uncertain
Neutral:	Share price may fall within the range of +/- 10% over the next 12 months
Take Profit:	Target price has been attained. Look to accumulate at lower levels
Sell:	Share price may fall by more than 10% over the next 12 months
Not Rated:	Stock is not within regular research coverage

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