



RATING ACTION COMMENTARY

Fitch Affirms CIMB Niaga's Rupiah Subordinated Bonds at 'AA-(idn)'

Mon 31 Aug, 2020 - 5:29 AM ET

Fitch Ratings - Jakarta - 31 Aug 2020: Fitch Ratings Indonesia has affirmed the National Rating of 'AA-(idn)' on PT Bank CIMB Niaga Tbk's (CIMB Niaga, BBB-/AA+(idn)/Negative/bb) legacy rupiah subordinated bonds. The bonds, issued in 2010, are in the amount of IDR1.6 trillion and mature on 23 December 2020.

The affirmation of the rating on the bonds follows a review of the National Ratings assigned to the issuance of Tier 2 debt by Indonesian banks, following the publication of our updated Bank Rating Criteria on 28 February 2020. For details, see "Fitch Ratings to Review Indonesian National Ratings Assigned to Tier 2 Debt", published on 12 March 2020 at www.fitchratings.com/site/pr/10113967.

'AA' National Long-Term Ratings denote expectations of low default risk relative to other issuers or obligations in the same country. However, changes in circumstances or economic conditions may affect the capacity for timely repayment to a greater degree than is the case for financial commitments denoted by a higher rated category.

KEY RATING DRIVERS

CIMB Niaga's legacy subordinated bonds are rated two notches below its National Long-Term Rating. Both notches are for loss severity to reflect their subordination and our view of the bonds' poor recovery prospects compared to senior unsecured obligations. We have widened the notching for loss severity to two notches, from one notch previously, reflecting the changes in Fitch's latest criteria on the baseline notching for banks' subordinated debt to two notches below the anchor rating, from the previous base case of one notch.

Fitch narrowed the notching for non-performance to zero notch, from one notch previously, for foreign-owned banks with institutional support from their parents - as in the case of CIMB Niaga. We believe that non-performance is neutralised by potential parental support. The bonds incorporate features that allow coupons and principal to be deferred and accumulated if the bank's capital position falls below its minimum requirements, or if profitability and reserves are not adequate to pay the obligations. However, we believe that these triggers would not be easily activated, particularly in light of the bank's current performance and the short remaining tenor on the bond.

CIMB Niaga's National Long-Term Rating is support-driven, reflecting Fitch's expectation that the bank would be highly likely to receive extraordinary support from parent CIMB Group Holdings Berhad (CIMB), if needed. For more details, see "Fitch Affirms Indonesia's Bank CIMB Niaga and Subsidiary; Outlook Revised to Negative", published on 11 May 2020 at www.fitchratings.com/site/pr/10121722.

RATING SENSITIVITIES

Factors that could, individually or collectively, lead to negative rating action/downgrade:

A downgrade of CIMB Niaga's National Long-Term Rating would lead to a corresponding downgrade of the rating on its subordinated debt issue. Developments that lead to heightened non-performance risk or loss severity would also result in a downgrade, however we view this as unlikely given the remaining term of the issue.

Please refer to the rating action commentary in the link above for rating sensitivities on CIMB Niaga's National Long-Term Rating.

Factors that could, individually or collectively, lead to positive rating action/upgrade:

An upgrade of CIMB Niaga's National Long-Term Rating would likely lead to an upgrade of the rating on its subordinated debt issue.

However, positive rating action on CIMB Niaga's National Long-Term Rating is unlikely in the near term, as reflected in the Negative Outlook.

REFERENCES FOR SUBSTANTIALLY MATERIAL SOURCE CITED AS KEY DRIVER OF RATING

The principal sources of information used in the analysis are described in the Applicable Criteria.

PUBLIC RATINGS WITH CREDIT LINKAGE TO OTHER RATINGS

The rating on CIMB Niaga's subordinated bond is notched from its support-driven National Long-Term Rating, which is based on potential extraordinary support from parent CIMB.

RATING ACTIONS

ENTITY/DEBT	RATING			PRIOR
PT Bank CIMB Niaga Tbk				
● subordinated	Natl LT	AA-(idn)	Affirmed	AA- (idn)

[VIEW ADDITIONAL RATING DETAILS](#)

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Additional information is available on www.fitchratings.com

APPLICABLE CRITERIA

[Bank Rating Criteria \(pub. 28 Feb 2020\) \(including rating assumption sensitivity\)](#)

[National Scale Rating Criteria \(pub. 08 Jun 2020\)](#)

ADDITIONAL DISCLOSURES

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PT Bank CIMB Niaga Tbk

EU Endorsed

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Banks Asia-Pacific Indonesia
