

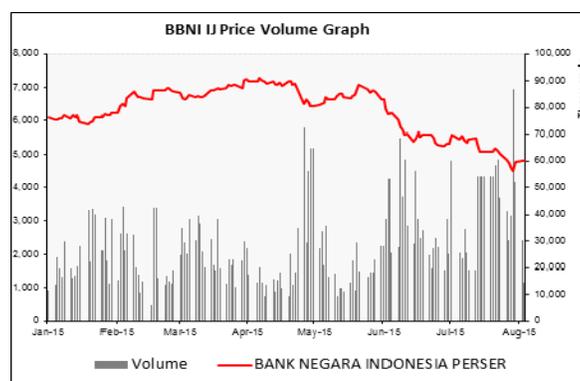
**Evan Lie Hadiwidjaja**  
Equity Analyst  
evan.hadiwidjaja@sinarmassekuritas.co.id  
(021) 392 5550 ext: 610



**PT Bank Negara Indonesia (Persero) Tbk is a state-owned bank that conducts commercial and consumer banking services.**

**Current Price: IDR 4,805**

**52-Week Target Price: IDR 5,490**



Source: Bloomberg, Sinarmas Investment Research

#### Share Price Performance

Price (IDR)	4,805
52-Week High (05/30/14)	7,275
52-Week Low (05/11/15)	4,450
52-Week Beta	1.61
YTD Change/%	-1,295.00/-21.23%

#### Stock Information

Market Cap (IDR)	89,606.8B
Shares Out/Float (IDR)	18,648.7M/7,425.3M
IPO	11/25/1996

Source: Bloomberg, Sinarmas Investment Research

#### Company Update

### PT Bank Negara Indonesia (Persero) Tbk

#### Cleaning Up Balance Sheet

**NEUTRAL**

**We downgraded BBNI to Neutral and cut our 52-Week TP to IDR 5,490.**

As of June 2015, Bank Negara reported Net Profit of IDR 2.43 tn, (dn 50.8% YoY). PPOP still grew strongly at 9.1% YoY, the highest among BUKU IV Banks. However, the company is undergoing change in the management, so that the existing loans will be restructured. As a result, Bank Negara opted to be pro-active in non-performing loans by increasing reserve, which can be seen from the coverage ratio up to June 2015.

**Total loans grew by 12.1% YoY, outperforming deposit collection, which was recorded at 4.2% YoY.** The growth in credit was driven by Credit Card (up 62.5% YoY), Medium (up 24.4% YoY), and SOE (23.9% YoY). Meanwhile, deposit growth of 4.2% YoY was primarily driven by Saving Deposit (up 11.7% YoY). Benefiting from smaller TD portion, the increase in CoF was maintained below the increase in assets yield.

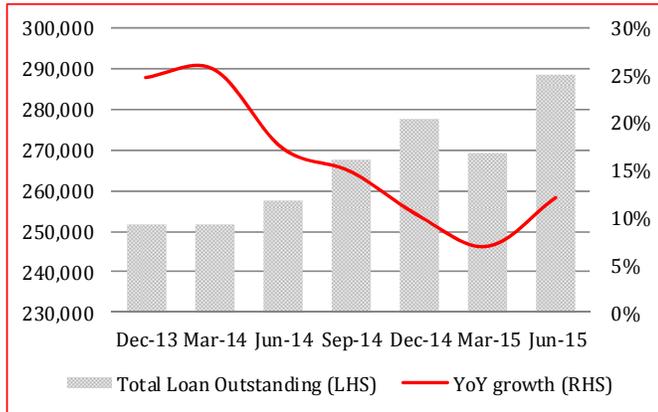
**While credit growth stood at a healthy level, NPL has been increasing as a part of BBNI's visions to be pro-active in handling category 2 loans.**

As of 1H15, gross NPL was recorded at 3.0% level, with major deteriorations were coming from Small, Middle, and Consumer sectors. Given that the bank is cleaning up its balance sheet, we can expect NPL will be no less than 3.0% by year-end, and bottom line will inevitably be trimmed.

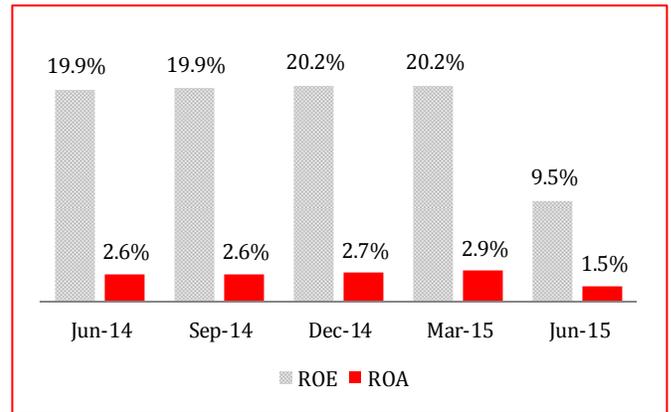
**Moving forward, Bank Negara plans to focus on PNS ("Pegawai Negeri Sipil") loans.** Seeing that PNS loans are able to offer high yields, and the fact that Bank Negara is the biggest bank that services Payrolls, we see a possibility of margin expansion, though it will take quite some time for the numbers to drive the NIM. We view with the current level of NPL, it will be hard for the bank to achieve positive growth in Net Profit for FY15E. We believe that this will just be cyclical as the bank still needs time to restructure its portfolio, thus, we stand neutral on the bank for the time being.

Financial Highlights	2Q14	3Q14	4Q14	1Q15	2Q15
NIM	6.0	6.1	6.2	6.5	6.5
Net Profit (IDR Bn)	2,543	2,675	3,172	2,817	-387
Total Assets (IDR Bn)	407,817	408,047	416,574	407,215	430,966
Total Loans (IDR Bn)	257,529	267,942	277,622	269,513	288,723
Total Deposits (IDR Bn)	314,196	308,327	313,893	305,150	327,260
CASA Ratio	61.1	62.0	64.5	63.1	63.2
Cost of Fund	2.9	3.2	3.2	3.2	3.2
LDR	80.3	85.7	87.8	87.8	87.6
NPL Ratio (gross)	2.2	2.2	2.0	2.1	3.0
NPL Ratio (net)	0.6	0.5	0.4	0.5	0.8

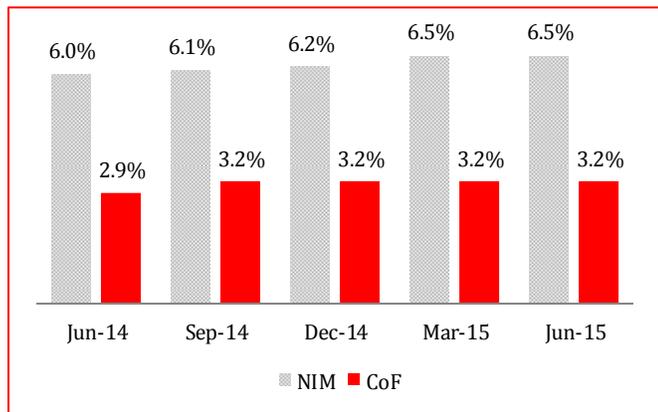
Source: Company Data, Sinarmas Investment Research

**Total Loan VS YoY Growth**


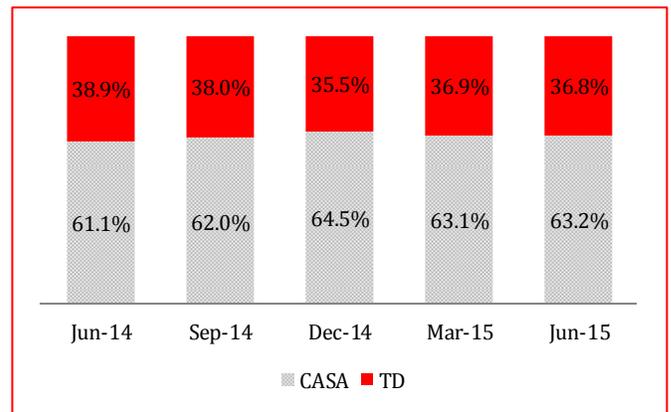
Source: Company Data, Sinarmas Investment Research

**ROE VS ROA**


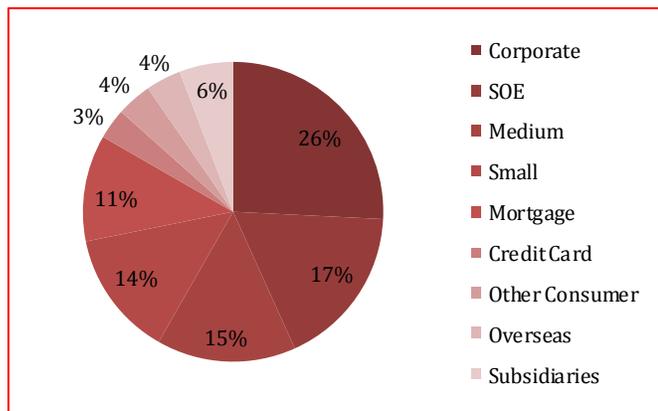
Source: Company Data, Sinarmas Investment Research

**NIM VS CoF**


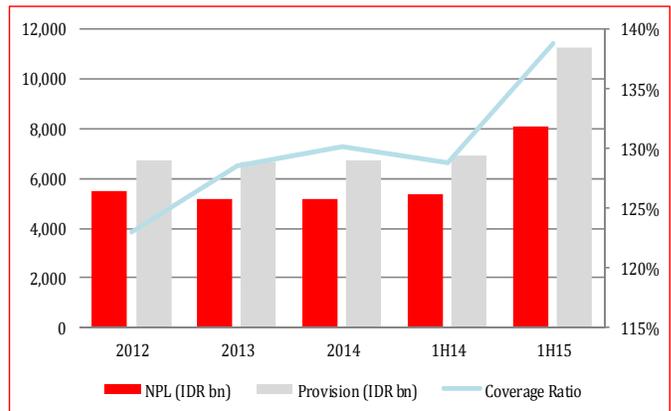
Source: Company Data, Sinarmas Investment Research

**CASA Position**


Source: Company Data, Sinarmas Investment Research

**Loan Portfolio**


Source: Company Data, Sinarmas Investment Research

**NPL VS Coverage Ratio**


Source: Company Data, Sinarmas Investment Research

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