

Evan Lie Hadiwidjaja

Research Analyst

evan.hadiwidjaja@sinarmassekuritas.co.id

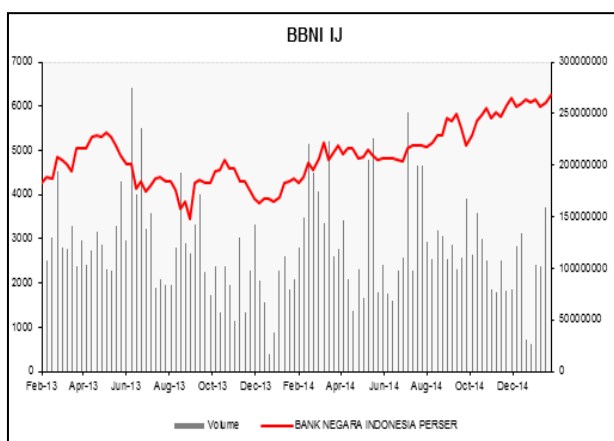
(021) 392 5550 ext: 610

PT Bank Negara Indonesia (Persero) Tbk provides commercial banking activities and its related services. The bank also provides banking activities based on shariah principles.

BBNI IJ

Price: IDR 6,400

Price Target: IDR 7,440



Source: Bloomberg, Sinarmas Investment Research

Sector	Financial
Bloomberg Ticker	BBNI IJ
52-Week Low	4,125
52-Week High	6,825
52-Week Return	54.5%
Shares Outstanding (mn)	18,648.7
Market Cap. (IDR bn)	120,283.8
Avg. Daily Value (IDR bn)	130.6

Source: Bloomberg, Sinarmas Investment Research

Bank Negara Indonesia

Dancing in the Rain

BUY

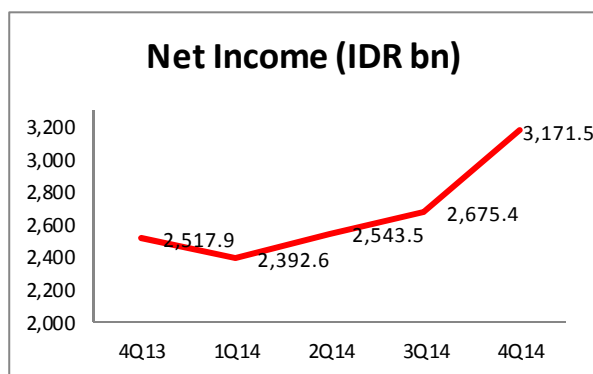
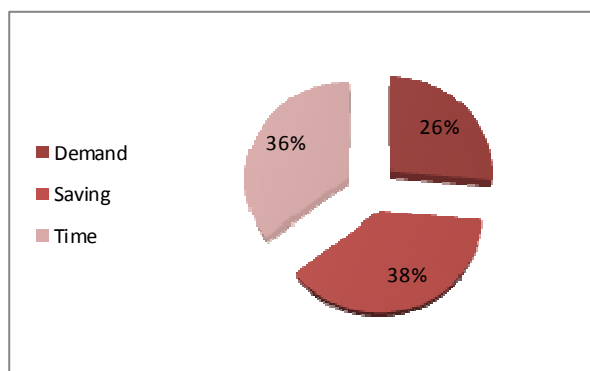
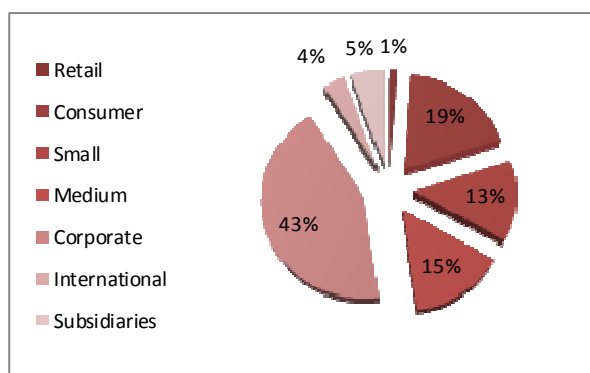
In the midst of tight liquidity condition and senseless TD rate war, Negara managed to book FY-14 net profit of Rp 10.8tn (up 19.1% YoY); possibly the highest among its peers. Despite rather slow growth in loans and third party funding, NIM went up by 33 bps and stood at 6.41%. In 2014, Loans grew by 10.8% YoY and deposits grew by 7.5% YoY—well below the industry growth of 11.9% and 13.8% respectively. While demand for loans still persists, the bank selectively built its portfolio in order to maintain asset quality, resulting NPL to drop by 21 bps to 1.96%—first time below 2.0%.

Paralleling loans and deposits, LDR surged to 89.2% (up 214 bps YoY). In 2H14, BBNI decided to exclude itself from TD rate war among Indonesian banks, which held back the deposit collection. Going further into details, LDR in Rupiah is still recorded at healthy level of 87% (up 1% YoY). However, the bank's LDR cumulatively went up due to loans and deposits exposure in foreign currency (95%, up 11% YoY). The bank relocated its portfolio in foreign currency to longer period of maturity. Given that LDR is reasonably high, BBNI is optimistic that liquidity would be eased once TD rate is raised.

We maintain our BUY call on BBNI with 52-week TP of IDR 7,440; 16.2% upside potential from the current price. Be that as it may, while the bank is fundamentally rock solid, market sentiment will rely upon new people who will be chosen to replace the management. Meanwhile, BBNI recorded remarkable performance in 2014 for all segments—interest bearing, fee-based and other operational, and Syariah-oriented portfolio. Hence, we maintain our positive view on BBNI.

Financial Highlights	2012	2013	2014	2015E	2016F
NIM	5.58%	6.08%	6.41%	6.16%	6.33%
CASA	67%	69%	65%	65%	65%
Net Profit	7,048	9,058	10,829	11,963	13,424
Total Loans	193,835	243,758	270,652	316,663	368,912
Customer Deposits	257,661	291,890	313,893	360,977	418,733
LDR	79.01%	87.04%	89.18%	88.32%	88.52%
NPL	2.57%	2.05%	1.97%	1.94%	1.94%
CoF	2.78%	2.49%	3.36%	3.39%	3.35%

Source: Bloomberg, Company Data, Sinarmas Investment Research



Source: Sinarmas Investment Research

Balance Sheet	2012	2013	2014	2015E	2016F
Cash	7,969	10,090	11,436	16,730	23,166
Current Accounts w/ BI	22,422	23,130	24,598	26,907	28,601
Interbank Placement	32,617	23,473	14,527	9,684	6,473
Loans	193,835	243,758	270,652	316,663	368,912
Marketable Securities	9,801	13,862	18,976	26,407	36,448
Premises and Equipments	4,592	5,514	6,222	7,181	8,338
Assets	333,304	386,655	416,574	478,309	551,424
Customer Deposits	257,661	291,890	313,893	360,977	418,733
Deposits From Oth. Banks	3,245	3,185	2,402	2,762	2,900
Marketable Securities	4,769	6,037	6,158	7,082	8,144
Fund Borrowings	8,750	18,951	11,212	12,894	13,539
Liabilities and Equities	333,304	389,690	416,574	478,309	551,424

Loans and Deposits	2012	2013	2014	2015E	2016F
Retail	2,738	3,177	3,314	3,247	3,783
Consumer	41,153	47,532	52,024	60,581	70,577
Small	34,873	38,405	37,060	42,968	50,058
Medium	35,730	30,722	40,324	46,810	54,533
Corporate	72,235	112,234	119,715	144,761	168,646
International	6,194	7,234	10,082	11,213	13,064
Subsidiaries	7,819	11,334	15,103	17,123	19,949
Total Loans	200,742	250,638	277,622	326,704	380,610
<i>growth</i>	24%	26%	11%	17%	17%
Demand Deposits	73,366	88,183	82,868	95,298	110,546
Saving Deposits	100,083	111,800	119,593	137,532	159,537
Time Deposits	84,212	91,907	111,432	128,147	148,650
Total Deposits	257,661	291,890	313,893	360,977	418,733
<i>growth</i>	11%	13%	8%	15%	16%

Income Statement	2012	2013	2014	2015E	2016F
Interest Income	22,705	26,451	33,365	35,619	41,489
Interest Expense	(7,246)	(7,392)	(10,989)	(12,166)	(13,844)
Net Interest Income	15,459	19,058	22,376	23,453	27,645
Total Operational Income	23,905	28,499	33,092	36,435	42,644
Operational Expense	(15,264)	(17,280)	(19,745)	(21,686)	(26,099)
Net Operational Income	8,641	11,219	13,346	14,749	16,545
Income Before Tax	8,900	11,278	13,524	14,954	16,780
Tax Expense	(1,851)	(2,220)	(2,695)	(2,991)	(3,356)
Net Income	7,048	9,058	10,783	11,963	13,424

Source: Bloomberg, Company Data, Sinarmas Investment Research

DISCLAIMER

This report has been prepared by PT Sinarmas Sekuritas, an affiliate of Sinarmas Group.

This material is: (i) created based on information that we consider reliable, but we do not represent that it is accurate or complete, and it should not be relied upon as such; (ii) for your private information, and we are not soliciting any action based upon it; (iii) not to be construed as an offer to sell or a solicitation of an offer to buy any security.

Opinions expressed are current opinions as of original publication date appearing on this material and the information, including the opinions contained herein, is subjected to change without notice. The analysis contained herein is based on numerous assumptions. Different assumptions could result in materially different results. The analyst(s) responsible for the preparation of this publication may interact with trading desk personnel, sales personnel and other constituencies for the purpose of gathering, integrating and interpreting market information. Research will initiate, update and cease coverage solely at the discretion of Sinarmas Research department. If and as applicable, Sinarmas Sekuritas' investment banking relationships, investment banking and non-investment banking compensation and securities ownership, if any, are specified in disclaimers and related disclosures in this report. In addition, other members of Sinarmas Group may from time to time perform investment banking or other services (including acting as advisor, manager or lender) for, or solicit investment banking or other business from companies under our research coverage. Further, the Sinarmas Group, and/or its officers, directors and employees, including persons, without limitation, involved in the preparation or issuance of this material may, to the extent permitted by law and/or regulation, have long or short positions in, and buy or sell, the securities (including ownership by Sinarmas Group), or derivatives (including options) thereof, of companies under our coverage, or related securities or derivatives. In addition, the Sinarmas Group, including Sinarmas Sekuritas, may act as market maker and principal, willing to buy and sell certain of the securities of companies under our coverage. Further, the Sinarmas Group may buy and sell certain of the securities of companies under our coverage, as agent for its clients.

Investors should consider this report as only a single factor in making their investment decision and, as such, the report should not be viewed as identifying or suggesting all risks, direct or indirect, that may be associated with any investment decision. Recipients should not regard this report as substitute for exercise of their own judgment. Past performance is not necessarily a guide to future performance. The value of any investments may go down as well as up and you may not get back the full amount invested.

Sinarmas Sekuritas specifically prohibits the redistribution of this material in whole or in part without the written permission of Sinarmas Sekuritas and Sinarmas Sekuritas accepts no liability whatsoever for the actions of third parties in this respect. If publication has been distributed by electronic transmission, such as e-mail, then such transmission cannot be guaranteed to be secure or error-free as information could be intercepted, corrupted, lost, destroyed, arrive late or incomplete, or contain viruses. The sender therefore does not accept liability for any errors or omissions in the contents of this publication, which may arise as a result of electronic transmission. If verification is required, please request a hard-copy version.

Additional information is available upon request.

Images may depict objects or elements which are protected by third party copyright, trademarks and other intellectual properties.

©Sinarmas Sekuritas(2014). All rights reserved.