September 27th, 2016

FLASH NOTE: RGM Has Finally Settled With a Payment of $71.8 Mn to BBNI

We recently met PT Bank Negara Indonesia (Persero) Tbk and were informed that RGM group had paid a total of $71.8 Mn for repayment of loans and interest to BNI. Approximately $8 Mn has been allocated to settle the repayment, whereas $63.8 Mn has been used to pay arrears interest. RGM group no longer has debt nor liabilities at BNI. We see upside in the net interest margin by roughly 25 bps and FY16E net income by 8% from this event.

On another note, Bank Negara had released its 8M16 results. Credit growth remained strong in August at 23.0% YoY. Nonetheless, judging from the LDR, we see a possibility for BBNI to hold back credit disbursement for the rest of the year. We view credit growth to be somewhere around 18% YoY by year end. As of 8M16, LDR reached 96.5%, the highest level in the bank's history. As for the funding, there was a net outflow of IDR 9.0 Tn from July to August 2016, which caused the liquidity scarcity. Nevertheless, Bank Negara still managed to keep its loan-coverage ratio (LCR) above 200%, thanks to $1 Bn CDB injection last year.

As for asset quality, gross NPL stood at 3.1% and is expected to reach its peak in September 2016 (~3.2%) and start to improve afterwards. Bank Negara expects NPL to drop below 3.0% by year end and plans to use reserves it had saved in previous years to clean up the book. **We maintain our NEUTRAL recommendation on PT Bank Negara Indonesia (Persero) Tbk (BBNI), though any major correction can be taken as buying opportunity.**

PT Bank Negara Indonesia (Persero) Tbk (BBNI)

(in IDR Bn)	8M15	8M16	% YoY
Total Loans	278,409,241	342,514,752	23.0%
Demand Deposit	84,272,296	90,270,799	7.1%
Saving Deposit	110,416,794	127,704,337	15.7%
Time Deposit	122,696,560	136,859,511	11.5%
Total Customer Deposit	317,385,650	354,834,647	11.8%
Net Interest Income	15,318,816	17,335,547	13.2%
Operating Income	5,401,401	6,445,252	19.3%
Provision	6,152,622	6,173,729	0.3%
Other Operating Expense	9,365,965	10,319,822	10.2%
Net Income	4,410,068	5,716,981	29.6%
Loan-to-Deposit Ratio	87.7%	96.5%	8.8%

Source: Company Data, Sinarmas Investment Research

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