ANALYZING PT. BANK KEB HANA INDONESIA HEALTH BEFORE AND AFTER MERGER USING RBBR APPROACH

(ANALISIS KESEHATAN PT. BANK KEB HANA INDONESIA SEBELUM DAN SESUDAH MERGER MENGGUNAKAN PENDEKATAN RBBR)

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Abstract: Bank has important roles in stabilizing financial, inflation control, and driving the economy in a country. That is why a bank has to manage their performance by staying '*healthy'* to support the economy in a country, and one way to assess bank health according to OJK is by using RBBR (Risk-Based Bank Rating) approach. One example of banks in Indonesia is PT. Bank KEB Hana Indonesia, who conducted a merger in 2014. This research aims to assess PT. Bank KEB Hana Indonesia health and to compare the health before and after merger. This research used quantitative descriptive approach to assess PT. Bank KEB Hana Indonesia health based on the RBBR approach that consists of RGEC factors; Risk Profile, GCG, Earnings by using NIM and ROA, and Capital by using CAR. The result shows that there is no major difference on RGEC variables and Bank Health of PT. Bank KEB Hana Indonesia before and after merger, since both periods were assessed as *'very healthy'*. It is suggested that PT. Bank KEB Hana Indonesia should improve their performance because there are still some weaknesses in the RGEC factors.

Keywords*: bank health, risk-based bank rating (rbbr) approach, risk profile, good corporate governance, earnings, nim, roa, capital, car, merger*

Abstrak: *Bank memiliki peran yang sangat penting dalam menstabilkan keuangan, mengontrol inflasi, dan mendorong perekonomian dalam negara. Itulah mengapa bank harus tetap 'sehat' untuk membantu perekonomian suatu negara, dan salah satu cara untuk menilai kesehatan bank menurut OJK adalah menggunakan pendekatan RBBR (Risk-Based Bank Rating). Salah satu contoh bank di Indonesia adalah PT. Bank KEB Hana Indonesia yang merger di tahun 2014. Penelitian ini bertujuan untuk menilai kesehatan PT. Bank KEB Hana Indonesia dan membandingkan kesehatannya sebelum dan sesudah merger. Penelitian ini menggunakan pendekatan kuantitatif deskriptif untuk menilai kesehatan PT. Bank KEB Hana Indonesia berdasarkan pendekatan RBBR yang terdiri atas faktor RGEC: Risk Profile, GCG, Earnings dengan menggunakan NIM dan ROA, dan Capital dengan menggunakan CAR. Hasil penelitian menunjukkan bahwa tidak ada perbedaan yang berarti pada variabel RGEC dan kesehatan bank sebelum dan sesudah merger karena kedua periode tersebut dinilai 'sangat sehat'. Dari hasil penelitian ini, disarankan bagi PT. Bank KEB Hana Indonesia untuk meningkatkan kinerjanya karena masih terdapat beberapa kelemahan dalam faktor RGEC.*

Kata Kunci: *kesehatan bank, pendekatan risk-based bank rating (rbbr), risk profile, good corporate governance, earnings, nim, roa, capital, car, merger*

INTRODUCTION

Research Background

A bank is well known as financial institution licensed to receive deposits and make loans. Generally, bank receives money from those who want to save in the form of deposits and it lends money to those who need it in the form of credit. Banks may also provide financial services, such as wealth management, currency exchange, and safe deposit boxes. Other than those activities, actually bank has very important roles in stabilize financial, inflation control, and driving the economy in a country. In accordance with Law No. 10 Year 1998, a bank has to do its activity to improve the standard of living of people in a country. This indicates that a bank has a big role in improving the welfare of a country and its people especially in economics aspect. That is why, if a bank does not operate well, it may affect the whole country negatively.

As stated in Financial Service Authority Regulation No.4/POJK.03/2016, commercial banks are required to self-assessment their Bank Health using risk-based bank rating (RBBR) approach, whether individually or consolidated, using several factors: Risk Profile, Good Corporate Governance (GCG), Earnings, and Capital or as known as RGEC. Risk Profile is the assessment of inherent risks and the quality of risk management that consists of eight risks (credit, market, liquidity, operational, legal, strategic, reputation, and compliance risk), Good Corporate Governance (GCG) is the assessment of the bank management towards the application of GCG principles, Earnings is the assessment of performance, sources, and the sustainability of bank's earnings, and Capital is the assessment of bank's capital adequacy and capital management.

The RBBR approach is applied to every commercial bank in Indonesia, whether domestic bank or foreign bank. One example of commercial foreign bank is PT. Bank KEB Hana Indonesia, which is a subsidiary of Hana Financial Group, one of the largest bank holding companies in South Korea. PT. Hana Bank entered Indonesia by acquiring PT. Bank Bintang Manunggal in 2007, and later in 2014 it officially merged with PT. KEB Bank and become PT. Bank KEB Hana Indonesia. Entering the bank industry in Indonesia is promising since Indonesia is ranked fourth in most populous country in the world which means there are a lot of potential costumers but also a lot of competitors, both from domestic and foreign banks.

Many large foreign banks entered Indonesia by expecting to gain profit, but in fact there are some foreign banks that reported to experience financial decline or even loss. This indicated that foreign banks do not always at safe state in other countries. As a newcomer in Indonesia, PT. Bank KEB Hana Indonesia conducted a merger in order to compete with previous existed banks, but it is unknown whether the overall performance of PT. Bank KEB Hana Indonesia after the merger is better compared to their performance before merger because there are several banks that did not perform well or even decline after they conducted a merger.

That is why, by conducting this research, it is expected that the researcher, the bank, and other parties will know the result of PT. Bank KEB Hana Indonesia's health assessment and performance by comparing two periods which are before merger (2010 - 2013) and after merger (2014 - 2017). The result may show what is the main strength of PT. Bank KEB Hana Indonesia, and also show what is lacking therefore needed more attention and improvement in that part. If the bank only focuses on their strength and keeps ignoring the weakness, it may cause imbalance in their business, declining business growth, and gain an unsatisfied result from the assessment of the bank health because every variables have roles in determining the bank's overall health, which may later cause the bank to be shut down due the unsatisfied result.

Research Objectives

The main objectives of this research are:

1. To identify the difference in Risk Profile of PT. Bank KEB Hana Indonesia before and after merger
2. To identify the difference in GCG of PT. Bank KEB Hana Indonesia before and after merger
3. To identify the difference in Earnings of PT. Bank KEB Hana Indonesia before and after merger
4. To identify the difference in Capital of PT. Bank KEB Hana Indonesia before and after merger
5. To identify the difference in Bank Health of PT. Bank KEB Hana Indonesia before and after merger

THEORETICAL REVIEW

Financial Management

Financial management is an integral part of overall management. It is concerned with the duties of the financial managers in the business firm. Thus, Financial Management is mainly concerned with the effective funds management in the business. In simple words, Financial Management as practiced by business firms can be called as Corporation Finance or Business Finance (Paramasivan and Subramanian, 2009). In addition, according to Brigham and Houston (2009), Financial Management focuses on decisions relating to how much and what types of assets to acquire, how to raise the capital needed to buy assets, and how to run the firm so as to maximize its value.

Financial Statement

A financial statement is an official document of the firm, which explores the entire financial information of the firm. Financial statement is the summary of the accounting process that provides useful information to both internal and external parties. The main aim of the financial statement is to provide information and understand the financial aspects of the firm. Hence, preparation of the financial statement is important as much as the financial decisions (Paramasivan and Subramanian, 2009). There are four basic financial statements, which are balance sheet, income statement, statement of cash flow, and statement of stockholders' equity.

Bank

In accordance with Law No. 10 Year 1998, a bank is a business entity that collects funds from the public in the form of deposits and distributes it to the public in the form of credit and / or other forms in order to improve the standard of living of the people. In addition, according to Rose and Hudgins (2008), a bank can be defined in terms of the economic function it serves, the services it offers its customers, or the legal basis for its existence. Certainly, banks can be identified by the functions they perform in the economy. They are involved in transferring funds from savers to borrowers and paying for goods and services. Banks are the principal source of credit for millions of individuals and families and for many units of government.

Merger

A merger is a combination of two corporations in which only one corporation survives and the merged corporation goes out of existence. In a merger, the acquiring company assumes the assets and liabilities of the merged company. A merger differs from consolidation, which is a business combination whereby two or more companies join to form an entirely new company. All of the combining companies are dissolved and only the new entity continues to operate. In general, when the combining firms are approximately the same size, the term consolidation applies; when the two firms differ significantly by size, merger is the more appropriate term (Gaughan, 2007).

Bank's Health

According to Triandaru and Budisantoso (2006), a bank is considered as '*healthy'* when it is able to perform normal banking operations and fulfilled all of its obligations properly in ways that comply with applicable regulations.

RBBR (Risk-Based Bank Rating) Approach

As stated in Financial Service Authority Regulation No.4/POJK.03/2016, a bank is obliged to maintain its soundness according to Law No. 10 year 1998. Bank soundness is a reflection of bank's condition and performance, which constitute a vehicle for supervisory authorities in determining supervision strategy and focus for the bank. In addition, in Financial Service Authority Circular Letter No.14/SEOJK.03/2017 stated that the experiences from the global financial crisis increased the awareness of the importance of effective risk management and corporate governance. This became the reason why Bank Indonesia revised the assessment method for Bank Health from CAMELS to RBBR approach.

According to Financial Service Authority Regulation No.4/POJK.03/2016, banks are required to self-assessment their Bank Health using Risk-Based Bank Rating (RBBR) approach, whether individually or consolidated, using several factors: Risk Profile, Good Corporate Governance GCG, Earnings, and Capital or as known as RGEC. The Bank Soundness level, bank management, and the continuity of bank business are the full responsibilities of bank management, therefore, bank is required to maintain and improve their soundness by applying prudential principles, Good Corporate Governance (GCG), and Risk Management in conducting their business activities in order the Bank to be able to identify problems earlier and faster in applying appropriate follow ups, so the bank is more resilient to face crisis.

Previous Research

Ahmed, Manwani, and Ahmed (2018) analyzed 10 Pakistan banks' financial performance before and after merger and / or acquisition using statistic descriptive approach to find out if there is any the difference especially in term of profitability and leverage. The result concluded that the merger and acquisition of Pakistan banks was considered as unsuccessful due the banks had better performance before they conducted merger and acquisition.

Christian, Tommy, and Tulung (2017) aimed to find out and compare the bank health of BRI bank and Mandiri Bank using the RGEC factors on period 2012 – 2015. The result showed that the BRI Bank was assessed as *'healthy'* and Mandiri Bank as *'very healthy'*, and as for comparison, there was no significant difference between BRI bank and Mandiri Bank performance.

Conceptual Framework

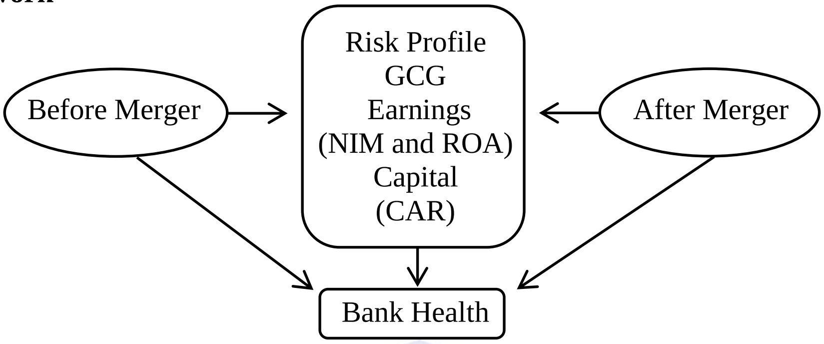

Figure 1. Conceptual Framework
Source: Data Processed (2018)

Conceptual Framework outlines the process of this research. The variables used based on RBBR Approach to assess bank's health are Risk Profile, Good Corporate Governance (GCG), Earnings by using Net Interest Margin (NIM) and Return on Asset (ROA), and Capital by using Adequacy Ratio (CAR). After assessing those variables, the overall health of the bank can be analyzed. The result of the RGEC variables and bank health will be compared later between the result before merger and the result after merger to find out if there is any difference in both periods.

RESEARCH METHOD

Research Approach

This research is classified as a descriptive research with quantitative approach to assess several aspects of PT. Bank KEB Hana Indonesia before and after merger based on the RBBR approach that consists of RGEC (Risk Profile, Good Corporate Governance, Earnings, and Capital) assessment. The variables will be analyzed and compared between two periods; before (2010 - 2013) and after (2014 - 2017) merger to find out if there is any difference in PT. Bank KEB Hana Indonesia Risk Profile, GCG, Earnings, Capital, and Health.

Population, Sample, and Sampling Technique

The population of this research is PT. Bank KEB Hana Indonesia, and the sample is PT. Bank KEB Hana Indonesia's annual reports from year 2010 to 2017. In this research, the sampling technique used is judgement sampling, which according to Sekaran (2013) it involves the choice of subjects who are most advantageously placed or in the best position to provide the information required.

Type of Data and Data Source

The data needed in this research are the data provided by PT. Bank KEB Hana Indonesia on their annual report that will be processed further. Therefore, the data is categorized as secondary data which means the data have already been collected for some other purpose. Secondary data include both raw data and published summaries (Saunders, Lewis, and Thornhill, 2009). In this research, the data needed are PT. Bank KEB Hana Indonesia Risk Profile Report, GCG Report, and Financial Report from year 2010 to 2017. Risk Profile Report, GCG Report, and financial report can be found on their annual report which can be accessed from their website www.hanabank.co.id

RESULT AND DISCUSSION

Result

Risk Profile

Below is PT. Bank KEB Hana Indonesia's self-assessment of Risk Profile Composite Rating that taken from their annual reports from year 2010 to 2017.

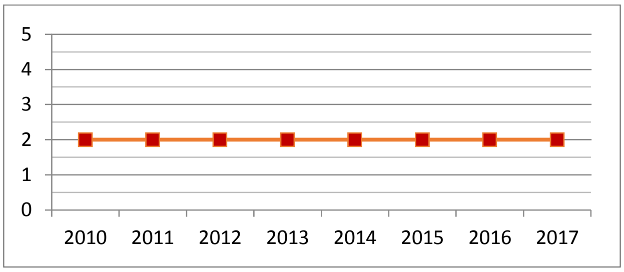

Figure 2. Composite Rating of Risk Profile

Source: Data Processed from PT. Bank KEB Hana Indonesia Annual Report

PT. Bank KEB Hana Indonesia's Self-Assessment of Risk Profile had a composite rate 2 which indicated a '*low to moderate*' risk from year 2010 to 2017. Risks cannot be avoided and it will increase every day when running a business, and bank has to face the risks in order to survive and compete in the market by manage the risks.

Good Corporate Governance

Below is PT. Bank KEB Hana Indonesia's self-assessment of Good Corporate Governance Composite Rating that taken from their annual reports from year 2010 to 2017.

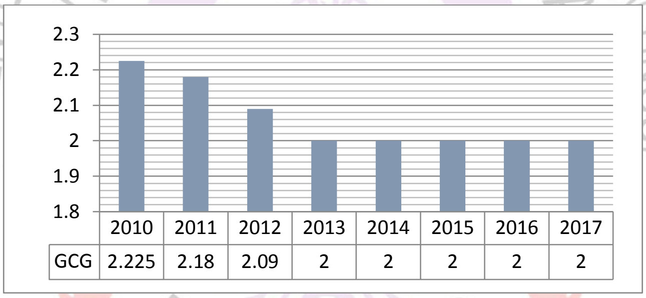

Figure 3. Composite Rating of GCG

Source: Data Processed from PT. Bank KEB Hana Indonesia Annual Report

There were some changes made in term of assessing the GCG implementation from year 2013 according to Bank Indonesia Circular Letter No. 15/15/DPNP, which explains the different results of the composite rating. However, in accordance to the old assessment, the GCG Composite Rating of year 2010 to 2012 were assessed as *'good'* since they were on range $1.5 \leq CR < 2.5$ of Composite Rating that indicated a '*good*' performance, while the GCG Composite Rating of year 2013 to 2017 were 2 which assessed as *'good'*.

Earnings

Earnings can be assessed by using Net Interest Margin (NIM) and Return on Asset (ROA) ratio. Below is PT. Bank KEB Hana Indonesia's NIM and ROA that taken from their annual reports from year 2010 to 2017.

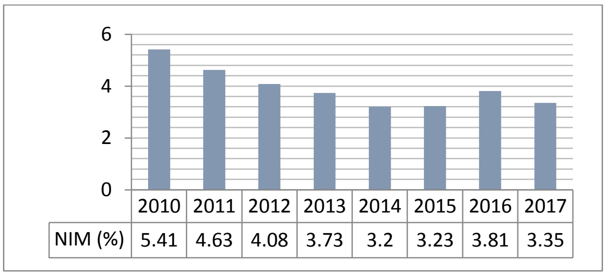

Figure 4. NIM Year 2010 – 2017

Source: Data Processed from PT. Bank KEB Hana Indonesia Annual Report

PT. Bank KEB Hana Indonesia NIM in 2010 was recorded at 5.41%, and gradually decreased in year 2011 to year 2014 from 4.63%, 4.08%, 3.73%, and 3.20% respectively. The NIM increased in 2015 to 2016 from 3.23% to 3.81%, but it decreased again in 2017 to 3.35%. The average NIM before merger was 4.46% while the average NIM after merger was 3.40%.

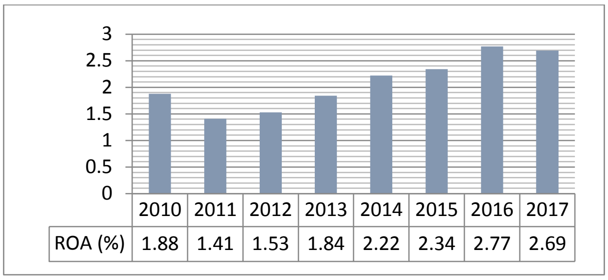

Figure 5. ROA Year 2010 - 2017

Source: Data Processed from PT. Bank KEB Hana Indonesia Annual Report

PT. Bank KEB Hana Indonesia ROA in 2010 was recorded at 1.88% and decreased to 1.41% in 2011. However, the ROA was gradually increased in year 2012 to 2016 from 1.53%, 1.84%, 2.22%, 2.34%, to 2.77% respectively. In 2017, the ROA decreased to 2.69%. The average ROA before merger was 1.67% while the average ROA after merger was 2.5%.

Capital

Capital can be assessed by using Capital Adequacy Ratio (CAR). Below is PT. Bank KEB Hana Indonesia's CAR that taken from their annual reports from year 2010 to 2017.

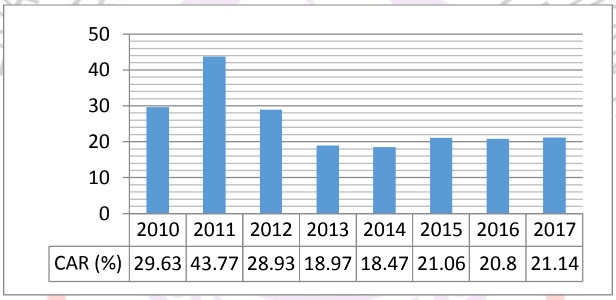

Figure 6. CAR Year 2010 - 2017

Source: Data Processed from PT. Bank KEB Hana Indonesia Annual Report

From the data above, it is shown in 2010, the CAR was recorded at 29.63% and in 2011 the CAR increased to 43.77%. From year 2012 to 2014, the CAR was gradually decreased from 28.93%, 18.97%, and 18.47% respectively. In 2015, the CAR was increased to 21.06% but decreased to 20.8% in 2016, then increased again to 21.14% in 2017. The average CAR before merger was 30.33% while the average CAR after merger was 20.37%.

Bank Health

PT. Bank KEB Hana Indonesia's overall health can be assessed using the several variables that already been analyzed before in accordance to RBBR approach (Risk Profile, Good Corporate Governance, Earnings, and Capital). Below is the overall assessment of PT. Bank KEB Hana Indonesia health before and after merger.

Table. 1 PT. HANA BANK (BEFORE MERGER)

PT. HANA BANK (BEFORE MERGER)								
	2010		2011		2012		2013	
RBBR APPROACH	COMPOSITE		COMPOSITE		COMPOSITE		COMPOSITE	
	RATE/RANK	SCORE	RATE/RANK	SCORE	RATE/RANK	SCORE	RATE/RANK	SCORE

RISK PROFILE		2	4	2	4	2	4	2	4
GCG		2.225 (2)	4	2.18 (2)	4	2.09 (2)	4	2	4
EARNINGS	NIM	5.41 (1)	5	4.63 (1)	5	4.08 (1)	5	3.73 (1)	5
	ROA	1.88 (1)	5	1.41 (2)	4	1.53 (1)	5	1.84 (1)	5
CAPITAL	CAR	29.63 (1)	5	43.77 (1)	5	28.93 (1)	5	29.24 (1)	5
TOTAL COMPOSITE SCORE			**23**		**22**		**23**		**23**

Table. 2 PT. BANK KEB HANA INDONESIA (AFTER MERGER)

RBBR APPROACH		**2014 COMPOSITE**		**2015 COMPOSITE**		**2016 COMPOSITE**		**2017 COMPOSITE**	
		RATE/RANK	**SCORE**	**RATE/RANK**	**SCORE**	**RATE/RANK**	**SCORE**	**RATE/RANK**	**SCORE**
RISK PROFILE		2	4	2	4	2	4	2	4
GCG		2	4	2	4	2	4	2	4
EARNINGS	NIM	3.20 (1)	5	3.23 (1)	5	3.81 (1)	5	3.35 (1)	5
	ROA	2.22 (1)	5	2.34 (1)	5	2.77 (1)	5	2.69 (1)	5
CAPITAL	CAR	18.47 (1)	5	21.06 (1)	5	20.80 (1)	5	21.14 (1)	5
TOTAL COMPOSITE SCORE			**23**		**23**		**23**		**23**

Table 3. Bank Health Assessment Using RBBR Approach
OVERALL HEALTH ASSESSMENT

	YEAR	**COMPOSITE SCORE**	**COMPOSITE VALUE**	**COMPOSITE RATING**	**DESCRIPTION**
PT. HANA BANK (BEFORE MERGER)	2010	23	92 %	1	VERY HEALTHY
	2011	22	88 %	1	VERY HEALTHY
	2012	23	92 %	1	VERY HEALTHY
	2013	23	92 %	1	VERY HEALTHY
PT. BANK KEB HANA INDONESIA (AFTER MERGER)	2014	23	92 %	1	VERY HEALTHY
	2015	23	92 %	1	VERY HEALTHY
	2016	23	92 %	1	VERY HEALTHY
	2017	23	92 %	1	VERY HEALTHY

*Composite value is calculated by dividing total composite score with total achievable composite score x 100%.
*Total achievable composite score is 25 (5 variables with maximum 5 composite score each)
Source: Data Processed

Based from the assessment of bank health using RBBR approach above, it is shown that PT. Bank KEB Hana Indonesia gained '*very healthy'* result for scoring higher than 86% from year 2010 to year 2017 on its bank health assessment using RBBR approach. Even though in 2011 the assessment was lower than the others due the ROA only had Composite Rank 2, but other variables increased the composite value therefore affected the overall assessment.

Discussion

Risk Profile

Risk Profile is associated with bank risk-taking behavior. When confronted with increased competition and the market became more concentrated, banks chose to become more risky (Boyd and Nicolo, 2005). In addition, Chen, *et al*., (2017) found out that foreign banks took more risks than domestic banks due several factors, namely foreign banks' informational disadvantages, agency problems, the contagious effect of parent banks' financial conditions and the disparity between home and host markets. As shown on Figure 2, PT. Bank KEB Hana Indonesia Risk Profile rating from year 2010 – 2017 concluded that there is no major difference before and after merger since the result was the same from year 2010 to 2017, which was '*low to moderate*'. According to the assessment matrix of Risk Profile, a '*low to moderate'* result indicated the bank possibility to face loss in inherent risk is considered low, and the managements of the eight risks are considered sufficient. The same result of Risk Profile does not mean it is a bad result, but actually it indicates that PT. Bank KEB Hana Indonesia is getting better in term of managing their risks because the tighter the competition in the business, especially after they merged, then higher risks are inevitable, but PT. Bank KEB Hana Indonesia could manage the increasing risks well by staying '*low to moderate'* every year.

Good Corporate Governance

A Good Corporate Governance is governance of a bank that applied transparency, accountability, responsibility, independency, and fairness principles in their banking activity in order to improve the Bank's performance, protect the importance of stakeholders, and improve the obedience towards laws, regulations, and ethical values. Bank Indonesia's decision to revise CAMELS into RBBR to emphasize the application of GCG principles in bank is in line with Yeh (2017), where she found out that government had a big role in establishing mechanism to increase corporate governance, and a good corporate governance increased firm performance towards succession. As shown on Figure 3, there is no major difference in term of GCG implementation before and after PT. Bank KEB Hana Indonesia merger because both periods were assessed as '*good*'. However, according to the old assessment, the Composite Rating of GCG was decreased from year 2010 to 2012. The decreased Composite Rating in 2010 to 2012 indicated that the Composite Rating before merger is higher than the Composite Rating after merger, which means PT. Bank KEB Hana Indonesia is managed to apply the GCG provisions better after they merge. According to the assessment matrix of GCG, a *'good'* result indicated the bank had implied corporate governance provisions well, and if there is a weakness in the implementation, it is considered as insignificant weakness and can be handled with normal action by the bank management.

Earnings

As shown on Figure 4 and Figure 5, PT. Bank KEB Hana Indonesia NIM is decreased after they merged, while ROA increased after the merger. Saksonova (2014) found out that NIM had a tendency to decline prior to the difficulties in the banking sector due to greater competition or financial and technological innovations that increase productivity. Furthermore, Saksonova added that declining profitability may be an inevitable process for the moment but it determines the need to increase the volume of profit generating activities. The NIM of PT. Bank KEB Hana Indonesia is decreasing, but on the other hand the ROA is increasing. This indicated that even though PT. Bank KEB Hana Indonesia was not able to maximize their interest income, they were able to generate more profit from operating and non-operating activities each year. Even though there is no major difference in NIM and ROA based on the RBBR approach because both periods were categorized as '*very healthy'* except the ROA in 2011 where it was assessed as '*healthy'*, but there was a decrease in NIM around 1.06% and increase in ROA around 0.84% after PT. Bank KEB Hana Indonesia conducted merger. This indicated that PT. Bank KEB Hana Indonesia's asset after merger has lower profitability but PT. Bank KEB Hana Indonesia has better asset management after they merged. According to assessment matrix of Earnings, '*very healthy'* result indicated that the ability of the bank to generate profit was very good, profit exceeded the target, and had a very high prospect in the future.

Capital

According to Bastan, Mazraeh, and Ahmadvand (2016), CAR had a negative relationship with ROA. This statement is in line with PT. Bank KEB Hana Indonesia case, where their ROA was increased because the growth of their assets, but their CAR was decreased due the increased in RWA (risk-weighted asset). As shown on Figure 6, the CAR of PT. Bank KEB Hana Indonesia decreased around 9.96% after they merged, but PT. Bank KEB Hana Indonesia is still able to surpass the standard CAR of 9% (for banks that have Risk Profile Rank 2) and even able to maintain their CAR higher than 12% to be rated as *'very healthy'* every year. According to Murni and Sabijono (2018), CAR is one of variables that affect company's value positively, therefore it is needed to manage the CAR very well, in this case; by staying healthy. In general, there is no major difference in PT. KEB Hana Bank Capital before and after merger because both periods were assessed as '*very healthy'*. According to the assessment matrix of capital, '*very healthy'* result indicated the bank had a very good quality and capital adequacy, very capable in anticipating every risk which also supported the bank for future expansion, could absorbed possible losses, and had a very good access to the capital and/or had capital support from business group or holding company.

Bank Health

Based from the assessment of bank health using RBBR approach in Table 7, it is shown that PT. Bank KEB Hana Indonesia gained '*very healthy'* result from year 2010 to year 2017. There may be some changes in the five factors through year 2010-2017, but they did not affect or only had small impacts on the whole assessment. Even though there was no major change in PT. Bank KEB Hana Indonesia health based on RBBR approach before and after merger, the decreased assessment of Composite Value in year 2011 indicated that PT. Bank KEB Hana Indonesia had better bank health after they merged. In general, PT. Bank KEB Hana Indonesia had gained a '*very healthy'* result which according to the assessment matrix of RBBR approach is considered as very capable to deal with significant negative effects of change in business conditions and other external factors, and if there is a weakness, it will be considered as an insignificant weakness.

CONCLUSION AND RECOMMENDATIONS

Conclusion

Based from the result of this research, it is concluded that there is no major difference in PT. Bank KEB Hana Bank Indonesia Risk Profile, Good Corporate Governance, Earnings, Capital, and Bank Health before and after merger because most of the assessments were assessed as *'very healthy'*, except for ROA variable in 2011 that assessed as '*healthy*'. The change was minor and did not have a major impact to the overall assessment of bank health. Even though the result of assessment according to the RBBR approach are the same, but there are some differences in the value of the variables assessed: Risk Profile, GCG, and ROA had better result after PT. Bank KEB Hana Indonesia merged, while NIM and CAR decreased after PT. Bank KEB Hana Indonesia merged, but in general PT. Bank KEB Hana Indonesia is indicated as *'very healthy'* bank and considered as very capable to deal with a significant negative effect of changes in business conditions and other external factors.

Recommendations

1. It is suggested PT. Bank KEB Hana Indonesia should improve their performance because there are still some weaknesses found on the RGEC factors.
2. It also suggested for Financial Service Authority (OJK) to make different assessment of bank health for foreign bank because foreign bank tends to have differences in several aspects with domestic banks.

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