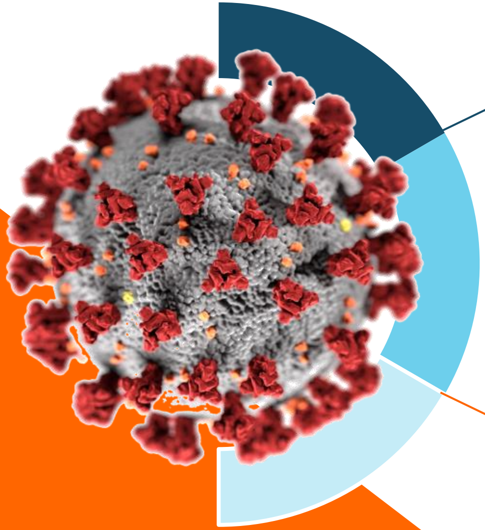
Portfolio Review
Period 2Q21

Investor Updates

PT. Bank Negara Indonesia (Persero) Tbk.
#BUMNUntukIndonesia

In-Depth View of Loan Portfolio in Response to the Pandemic



<u>Purposes:</u>

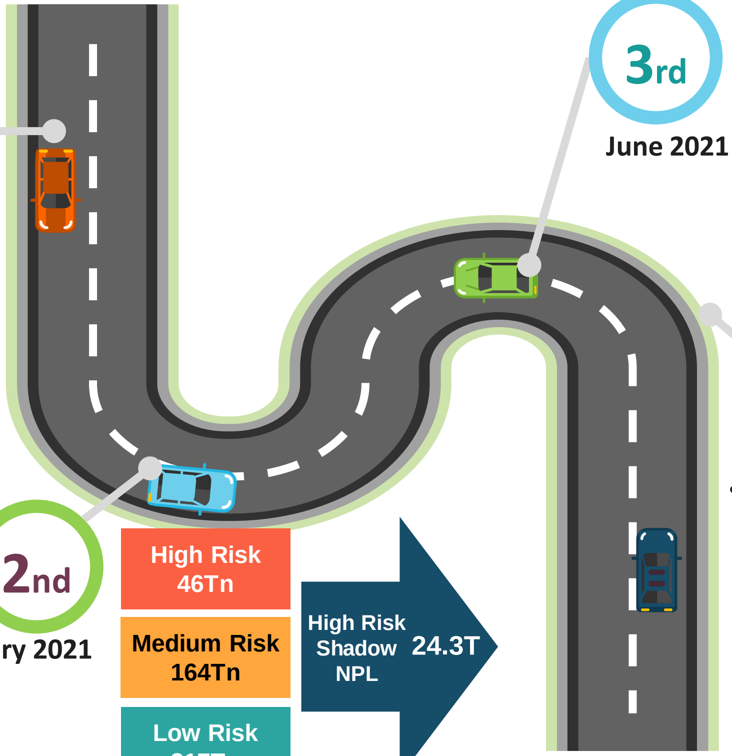
1. Understanding & Updating the impact of COVID-19 to our loan book
2. Classifying debtors based on potential credit risk categories (High, Medium & Low Risk) and formulate an appropriate portfolio strategy to manage loan quality.
3. Triggers for calculating additional Expected Credit Loss (ECL)

<u>Review is conducted periodically every four months</u>

October 2020	February 2021	June 2021
1st Review	2nd Review	3rd Review

Review is conducted periodically every four months

- We've carried out the assessment three times, first in October 2020, the second was conducted in February 2021, and the latest conducted in June 2021.
- From first review until third review, we see that improvement in the customer risk profile is continuing, inline with the gradual recovery of economy.



1st – October 2020

High Risk 60Tn

Medium Risk 141Tn

Low Risk 229Tn

High Risk Shadow NPL 24.7T

2nd – February 2021

High Risk 46Tn

Medium Risk 164Tn

Low Risk 317Tn

High Risk Shadow NPL 24.3T

3rd – June 2021

High Risk 37Tn

Medium Risk 165Tn

Low Risk 323Tn

High Risk Shadow NPL 17.2T

ECL FY21
16.3Tn

4th

Management Plan

- In general, from the 3rd asset quality survey, we found that gradual improvement in client's risk profile is continuing.
- However, we still intend to have a management overlay to build **more loan loss reserve**, just to be conservative to anticipate **2nd Wave Covid impact**

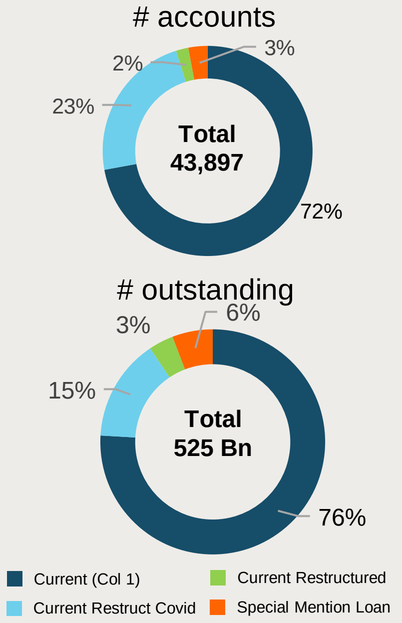
BBNI ECL Budget 2021
20Tn

inline with 2021 guidance of **3.3-3.6% CoC**

Methodology: Comprehensive Assessment

Segment	Method	Respondent # accounts	Respondent # outstanding
Corporate	Survey to >90% loan account	85.48%	86.92
Medium	Survey to >90% loan account	100.00%	100.00%
Small > 1 Bn	Survey to debtors by sampling	56.58%	49.11%
Small ≤ 1 Bn [incl. KUR]	Survey to debtors by sampling	9.81%	9.03%
Consumer	Portfolio Based Analysis	100.00%	100.00%

Collectibility Distribution



Methodology: Three pillars assessed in the survey

Each segments have different weighting factors according to business characteristics and determined using the Analytical Hierarchy Process (AHP) method.

Pillar	Aspects	Corporate & Medium	Small > 1 Bn	Small ≤ 1 Bn [incl. KUR]
1 Business Outlook	• Potential for growth • Management Quality & Manpower Issues • Market Conditions & Debtor's positioning in Market	**15.08%**	**13.48%**	**15.24%**
2 Financial Performance	• Cashflow • Profitability • Capital Structure	**29.90%**	**24.73%**	**22.52%**
3 Repayment Capacity	• Debt Obligation (principal & interest) • Suitability of use of fund • Source of repayment • Compliance with loan agreement • Accuracy of financial reports	**55.02%**	**61.79%**	**62.24%**
		100.00%	**100.00%**	**100.00%**

Methodology: Portfolio Based Analysis for Consumer Segment

Modeling is carried out to test impact of independent variable (X) to dependent variable (Y), designed separately for each product (Mortgage, Payroll Loan, and Credit Card) and differentiated for Covid-affected debtors and Regular debtors.

	Independent variable (X)	
	Regular debtors	**Covid-affected debtors**
BNI Griya (Mortgage)	1. Blocked Funds were not maintained in the last 3 months 2. Month on Book 3. Interest Rate 4. Credit Limit 5. Debt Service Coverage (DSC) 6. Purpose of Loan (New House or not) 7. Employment Status (Private or others)	1. Interest Rate 2. Blocked Funds were not maintained in the last 3 months 3. Credit Limit 4. Loan to Value (LTV) 5. Debt Service Coverage (DSC) 6. Source of Income 7. Employment Status (Private or others)
BNI Fleksi (Payroll Loan)	1. Interest Rate 2. Blocked Funds were not maintained in the last 3 months 3. Month on Book 4. Credit Limit 5. Age 6. Employment Status (Private Company or others)	1. Interest Rate 2. Credit Limit 3. Debt Service Coverage (DSC) 4. Income
Credit Card	1. Month on Book (age of account since booking) 2. Ever30+_L24M (Account has been past due for more than 30 days in the past 24 months) 3. Ever XDays L6M (Account has been past due for more than 1 days in the past 6 months) 4. Usage_Ratio_L3M (Avg limit usage in the past 3 months) 5. Max_XDays_L24M (Account has been past due for 1-29 days in the past 24 months) 6. Payment_Ratio_L3M (Avg payment to bill ratio in the past 3 months)	1. Month on Book 2. Ever30+_L24M 3. Income 4. Payment_Ratio_L3M 5. Max_XDays_L24M

Dependent variable (Y)

- High Risk
- Medium Risk
- Low Risk

Result: the 3rd portfolio review showed an improvement in risk profile

BNI

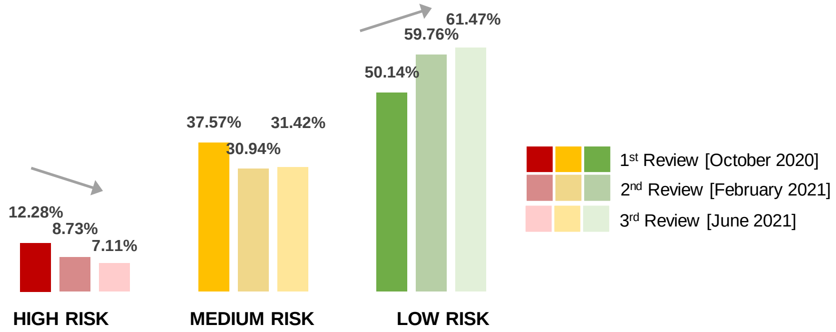
2nd Review [Mar 2021]*

*The figures are restated now to also include Consumer Loan

Rp Tn

Collectibility Status	Total	High Risk	Medium Risk	Low Risk
Current – Normal	**384.13**	11.83	91.49	280.80
Current Restructured Covid	**97.26**	10.15	54.50	32.61
Current Restructured Non Covid	**14.02**	7.32	5.41	1.29
Collectability 2 (SML)	**31.42**	16.93	12.55	1.94
Total (Incl Consumers Loan)	**526.82**	**46.23**	**163.95**	**316.64**

Total 24.3



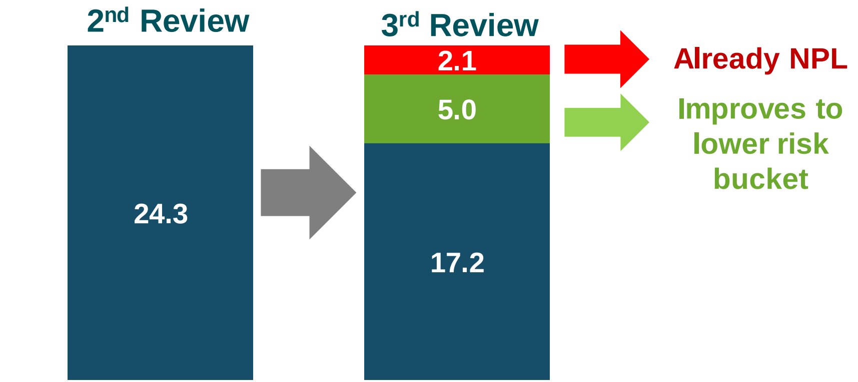
Compared to the 2nd Review, there has been a shifting in distribution to a lower risk

3rd Review [Jun 2021]

Rp Tn

Collectibility Status	Total	High Risk	Medium Risk	Low Risk
Current – Normal	**398.51**	11.69	93.01	293.81
Current Restructured Covid	**77.20**	7.80	43.25	26.15
Current Restructured Non Covid	**18.76**	4.21	10.73	3.82
Collectability 2 (SML)	**30.56**	12.96	16.46	1.13
Total (Incl Consumers Loan)	**525.03**	**37.35**	**164.94**	**322.74**

Total 17.2



Higher risk shadow NPL from 2nd review vs higher risk shadow NPL from 3rd review

Action Plan: to build sufficient provision coverage for each risk bucket

The determination of the risk category (High, Medium to Low Risk) is then used in preparing the stage shift scenario which becomes the basis for calculating the ECL projection

Collectibility [as of Dec 20]	High Risk	Medium Risk	Low Risk	
			Not Upgrade	Upgrade
Current – Normal	**Stage 2**	**Stage 1**	**Stage 1**	**Stage 1**
Current Restructured Covid	**Stage 2**	**Stage 1**	**Stage 1**	**Stage 1**
Current Restructured Non Covid	**Stage 3**	**Stage 2**	**Stage 2**	**Stage 1**
Collectability 2 (SML)	**Stage 3**	**Stage 2**	**Stage 2**	**Stage 1**

Shadow NPL

Range of %ECL calculation

Stage 1

Corporate & Medium	Up to 3%
Small	Up to 30%
Consumer	Up to 18%

Stage 1*

Corporate & Medium	Up to 6%
Small	Up to 30%
Consumer	Up to 18%

Stage 2

Corporate & Medium	Up to 80%
Small	Up to 70%
Consumer	Up to 60%

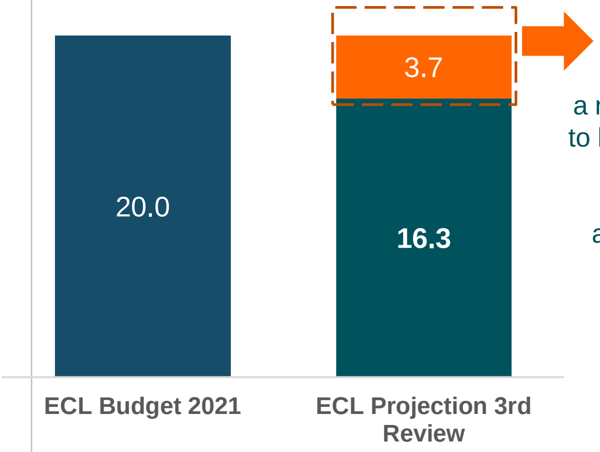
Stage 3

Corporate & Medium	> 40%
Small	> 55%
Consumer	> 60%

Note:
%ECL will be calculated per debtor according to the debtor's rating and tenor

Sufficient Provision Coverage Within This Year 2021

ECL budget vs ECL 3rd Survey Projection



Rp3.7Tn

a management overlay to build **more loan loss reserve**, just to be conservative to anticipate **2nd Wave Covid impact**

LLR % [Loan Loss Reserve] per risk bucket if we booked ECL Rp16.32 Tn

Collectibility Status	Total	High Risk	Medium Risk	Low Risk
Current – Normal	**2.1%**	5.5%	4.2%	1.4%
Current Restructured Covid	**4.7%**	21.8%	2.6%	3.0%
Current Restructured Non Covid	**41.1%**	66.7%	41.5%	11.9%
Collectability 2 (SML)	**63.3%**	86.8%	46.8%	34.7%
Total (Inc. consumer loans)	**7.5%**	**43.2%**	**10.3%**	**1.9%**

Assuming **Rp16.3Tn FY21 ECL booking,** the provision coverage for high risk shadow NPL will be quite elevated at 81.8%. . This should minimize CoC risk in subsequent years when actual downgrade to NPL happen.

Our approach for building a sustainable risk culture and improving credit quality

Risk Culture

1 *Loan Portfolio Guidance*

Review and set up Credit Risk Appetite:

- Industry Sectors
- Clients Criteria
- Financing Type
- Financial References
- Cashflow
- Management
- Collateral

2 *Pipeline Management*

Selective names in resilient sectors:

- Top tier clients in market
- Target & Strategy
- Risk Acceptance Criteria
- Prospect & Pipeline
- Clearance Principle

3 *Stress Loan Management*

Set up dedicated task force for LAR (Loan at Risk) Management

- Focus in Corporate, Medium & Small segment, so that business team could focus on expanding good quality portfolio.
- Identification/mapping, restructuring, deep dive & updating

4 *Underwriting Process & Monitoring*

- Fine tune credit approval authority across segments
- Improve origination process through standardized credit assessment tool (SMART CA & eLO) and automated bank statement analysis (PACE)
- Rigorous monitoring process through Watch Lists, Credit Risk Review (CRR), and Predictive Model (Early Warning System)

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Thank You