

# Portfolio Review Period 1Q21

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Investor Updates

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

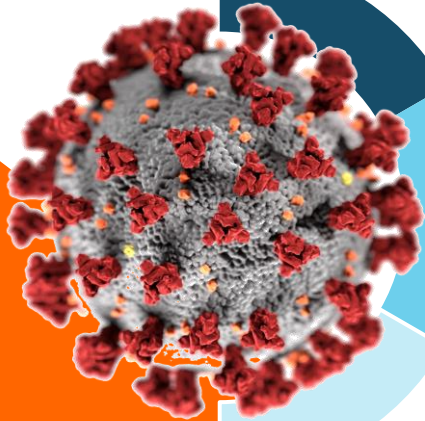
## Purposes:

- 1 Understanding 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)

## Review is conducted periodically every four months

October 2020  
1st Review

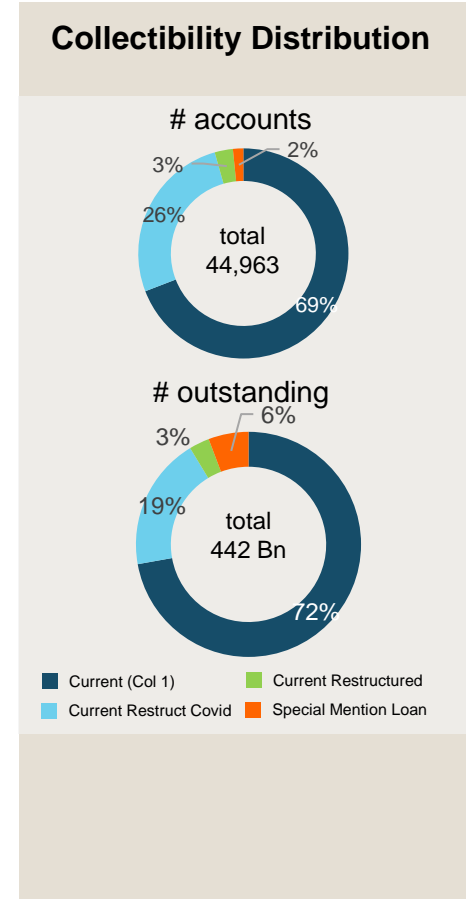
February 2021  
2nd Review



# Methodology: Comprehensive Assessment



Method	Respondent	
	# accounts	# outstanding
<p>Survey to &gt;90% loan account</p>	91.69%	93.59%
<p>Survey to debtors by sampling</p>	51.20%	48.52%
<p>Survey to debtors by sampling</p>	11.71%	12.48%
<p>Portfolio Based Analysis</p>	100.00%	100.00%



# 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.

		Corporate & Medium	Small > 1 Bn	Small ≤ 1 Bn [incl. KUR]
1	<b>Business Outlook</b> <ul style="list-style-type: none"> <li>• Potential for growth</li> <li>• Management Quality &amp; Manpower Issues</li> <li>• Market Conditions &amp; Debtor's positioning in Market</li> </ul>	15.08%	13.48%	15.24%
2	<b>Financial Performance</b> <ul style="list-style-type: none"> <li>• Cashflow</li> <li>• Profitability</li> <li>• Capital Structure</li> </ul>	29.90%	24.73%	22.52%
3	<b>Repayment Capacity</b> <ul style="list-style-type: none"> <li>• Debt Obligation (principal &amp; interest)</li> <li>• Suitability of use of fund</li> <li>• Source of repayment</li> <li>• Compliance with loan agreement</li> <li>• Accuracy of financial reports</li> </ul>	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)				Dependent variable (Y)	
	Regular debtors		Covid-affected debtors		
BNI Griya (Mortgage)	<ol style="list-style-type: none"> <li>Blocked Funds were not maintained in the last 3 months</li> <li>Month on Book</li> <li>Interest Rate</li> <li>Credit Limit</li> </ol>	<ol style="list-style-type: none"> <li>Debt Service Coverage (DSC)</li> <li>Purpose of Loan (New House or not)</li> <li>Employment Status (Private or others)</li> </ol>	<ol style="list-style-type: none"> <li>Interest Rate</li> <li>Blocked Funds were not maintained in the last 3 months</li> <li>Credit Limit</li> <li>Loan to Value (LTV)</li> </ol>	<ol style="list-style-type: none"> <li>Debt Service Coverage (DSC)</li> <li>Source of Income</li> <li>Employment Status (Private or others)</li> </ol>	
BNI Fleksi (Payroll Loan)	<ol style="list-style-type: none"> <li>Interest Rate</li> <li>Blocked Funds were not maintained in the last 3 months</li> <li>Month on Book</li> </ol>	<ol style="list-style-type: none"> <li>Credit Limit</li> <li>Age</li> <li>Employment Status (Private Company or others)</li> </ol>	<ol style="list-style-type: none"> <li>Interest Rate</li> <li>Credit Limit</li> <li>Debt Service Coverage (DSC)</li> <li>Income</li> </ol>		
Credit Card	<ol style="list-style-type: none"> <li>Month on Book (age of account since booking)</li> <li>Ever30+_L24M (Account has been past due for more than 30 days in the past 24 months)</li> <li>Ever XDays L6M (Account has been past due for more than 1 days in the past 6 months)</li> </ol>	<ol style="list-style-type: none"> <li>Usage_Ratio_L3M (Avg limit usage in the past 3 months)</li> <li>Max_XDays_L24M (Account has been past due for 1-29 days in the past 24 months)</li> <li>Payment_Ratio_L3M (Avg payment to bill ratio in the past 3 months)</li> </ol>	<ol style="list-style-type: none"> <li>Month on Book</li> <li>Ever30+_L24M</li> <li>Income</li> <li>Payment_Ratio_L3M</li> <li>Max_XDays_L24M</li> </ol>		

# Result: the 2nd portfolio review showed an improvement in risk profile



## 1<sup>st</sup> Review [October 2020]

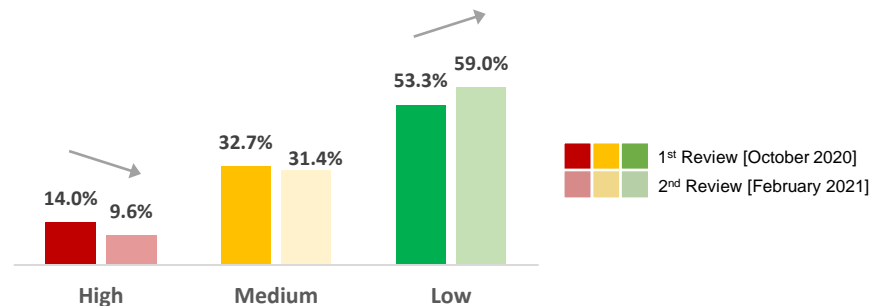
## 2<sup>nd</sup> Review [February 2021]

in Rp Tn

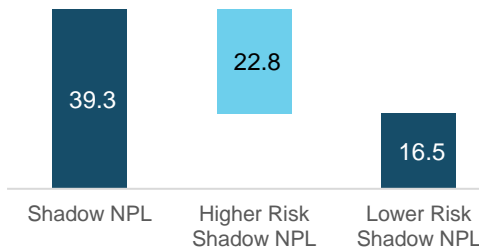
Collectibility Status	Total	High Risk	Medium Risk	Low Risk
Current – Normal	297.4	23.5	64.5	209.4
Current Restructured Covid	90.1	12.1	60.0	18.0
Current Restructured Non Covid	12.0	Total 40.8 4.0      7.4		0.6
Collectability 2 (SML)	30.2	20.7	8.7	0.9
<b>Total (excl. consumers loan)</b>	<b>429.6</b>	<b>60.2</b>	<b>140.6</b>	<b>228.8</b>

in Rp Tn

Collectibility Status	Total	High Risk	Medium Risk	Low Risk
Current – Normal	312.5	10.3	72.2	230.0
Current Restructured Covid	90.5	9.6	50.7	30.2
Current Restructured Non Covid	13.1	Total 39.3 7.2      4.8		1.1
Collectability 2 (SML)	28.8	15.6	11.7	1.5
<b>Total (excl. consumer loans)</b>	<b>444.9</b>	<b>42.8</b>	<b>139.6</b>	<b>262.5</b>



Compared to the 1<sup>st</sup> Review, there has been a shifting in distribution to a lower risk



Shadow NPL 39.3 Tn comprises of loan in SML and Current Restru Non Covid, which are considered to be medium to high risk bucket:

- Higher Risk shadow NPL: 22.8 Tn
- Lower Risk shadow NPL: 16.5 Tn

# 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		Stage 1*	
Corporate & Medium	Up to 3%	Corporate & Medium	Up to 6%
Small	Up to 30%	Small	Up to 30%
Consumer	Up to 18%	Consumer	Up to 18%

Stage 2		Stage 3	
Corporate & Medium	Up to 80%	Corporate & Medium	> 40%
Small	Up to 70%	Small	> 55%
Consumer	Up to 60%	Consumer	> 60%

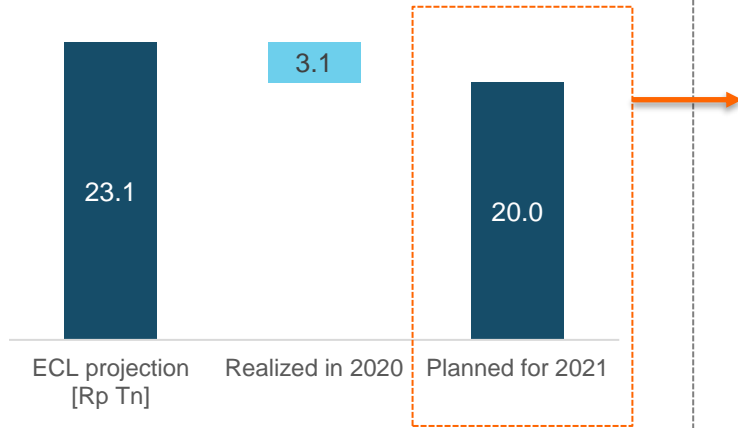
Note:  
%ECL will be calculated per debtor according to the debtor's rating and tenor

# Provisioning Strategy: Rp9.2 Tn of additional ECL for all risk buckets



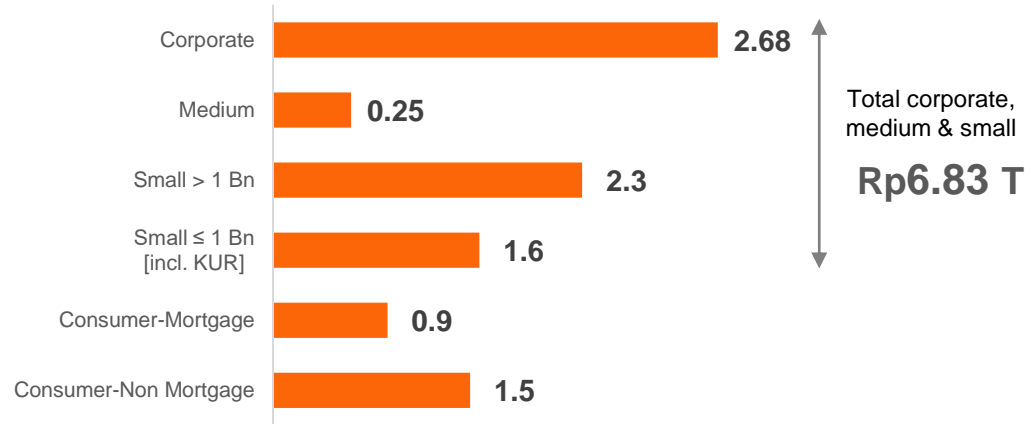
1<sup>st</sup> Review [October 2020]

2<sup>nd</sup> Review [February 2021]



projections of additional ECL requirements from recent review

**Rp. 9.23 T**



We plan to continue building up provisioning coverage in 2021 and this 20Tn was the reference for provisioning scenario on top of the existing Rp 43 Tn Loan Loss Reserve as of Dec 20



# Sufficient Provision Coverage Within This Year 2021

Distribution of Portfolio by risk bucket

Collectibility Status	in Rp Tn			
	Total	High Risk	Medium Risk	Low Risk
Current – Normal	312.5	10.3	72.2	230.0
Current Restructured Covid	90.5	9.6	50.7	30.2
Current Restructured Non Covid	13.1	7.2	4.8	1.1
Collectability 2 (SML)	28.8	15.6	11.7	1.5
<b>Total (excl. consumer loans)</b>	<b>444.9</b>	<b>42.8</b>	<b>139.6</b>	<b>262.5</b>

LLR % [Loan Loss Reserve] per risk bucket

Collectibility Status	Total	High Risk	Medium Risk	Low Risk
Current – Normal	1.4%	1.3%	2.8%	0.9%
Current Restructured Covid	2.6%	6.8%	2.1%	3.1%
Current Restructured Non Covid	37.0%	45.2%	25.5%	33.6%
Collectability 2 (SML)	54.2%	53.1%	61.0%	8.4%
<b>Total (excl. consumer loans)</b>	<b>6.3%</b>	<b>29.4%</b>	<b>8.5%</b>	<b>1.4%</b>

## Blended (specific) Provision Coverage for Shadow NPL (red box) by end of 2021:

- **50%**, if we book Rp 9.2 Tn ECL on 2021, NPL Coverage will be around **1.8x**
- **75%**, if we book Rp 20.0 Tn ECL (inline with 2021 guidance of 3.3-3.6% CoC), NPL Coverage will be around **2.4x**

# 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)

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

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Thank You

