



A TURN AROUND STORY FOR SUSTAINABLE GROWTH

3Q-2008

Press Conference

**PT Bank Negara Indonesia (Persero) Tbk
Jakarta, 30 October 2008**

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Agenda

- ▶ **Management Focus & Progress to date**
 - ☑ 2008 Strategic Policy
 - ☑ Target vs Progress in 3Q-2008
- ▶ **Market Perception toward BNI**
- ▶ **Financial Performance**
 - ☑ Balance Sheet, Income Statement, Financial Ratio
- ▶ **Loan Quality**

Management Focus & Progress to date

2008 STRATEGIC POLICY

1st POLICY

Provisioning Policy
Target Coverage Ratio 100%

5th POLICY

Sustainable Cost Structure

- ✓ Efficiency
- ✓ Productivity
- ✓ Good Cost

Strengthening

Financial
Foundation

2nd POLICY

Improving Asset Quality

- ✓ Asset Management
- ✓ Robust NPL Management
- ✓ Increase recovery
- ✓ Prudent Lending

4th POLICY

Sustainable Business
Model to increase
recurring fee income

3rd POLICY

Focus on Profitability
without neglecting asset growth

2008 Target vs Progress in Q3

Areas for improvement	Initiatives	Target by end of 2008	Progress in 3Q 2008	Trend
Profitability : <ul style="list-style-type: none"> • Higher Net Interest Margin • Increase recurring fee-based income 	<ul style="list-style-type: none"> • Review the pricing policy on assets & liabilities portfolio • Increase non interest income through better services in financial transactions 	<ul style="list-style-type: none"> • NIM 5.8% • Increase CASA by $\pm 8\%$ • Overall loan growth $\pm 20\%$ • Increase recurring fee-based income • Interest income vs fee-based income = 70:30 	<ul style="list-style-type: none"> • NIM = 6.24% • CASA up by Rp 8.3 trillion or 10.9% • Loan grew by +34.3% • Composition of Interest Income vs FBI increase from 57% to 74% 	<ul style="list-style-type: none"> + + + -
Productivity : <ul style="list-style-type: none"> • Lower Cost Income Ratio 	<ul style="list-style-type: none"> • Improve branch and employee productivity • Efficiency program across the board through “bottom line” mindset 	<ul style="list-style-type: none"> • Improve CIR to $\pm 55\%$ • Operating Income per employee \pm Rp 320 million 	<ul style="list-style-type: none"> • CIR improved from 60.1% to 50.6% • Operating Income per employee from Rp 240 million to Rp 320 million 	<ul style="list-style-type: none"> + +

2008 Target vs Progress in Q3

Areas for improvement	Initiatives	Target by end of 2008	Progress in 3Q 2008	Trend
Asset Quality : <ul style="list-style-type: none"> • Lower NPL level • Higher coverage ratio • Yield Enhancement 	<ul style="list-style-type: none"> • Implement Government Decree No 33 on haircut policy • Strengthen early warning system on loan portfolio • Disclose & resolve Top 10 NPLs 	<ul style="list-style-type: none"> • Gross NPL below 5% • Accelerated increase in coverage ratio to 100% 	<ul style="list-style-type: none"> • Gross NPL improved from 8.31% to 6.53% • Coverage ratio increased from 62.3% to 104.02% 	-
	<ul style="list-style-type: none"> • Increase provision • Increase recovery rate 	<ul style="list-style-type: none"> • Targeted recovery Rp 500 billion 	<ul style="list-style-type: none"> • Recovery = Rp 340 billion 	+
	<ul style="list-style-type: none"> • Quick asset review with the aim to improve risk asset allocation • Yield enhancement program 	<ul style="list-style-type: none"> • Increase LDR to \pm 64% 	<ul style="list-style-type: none"> • LDR increase from 59.42% to 73.20% 	+

Market Perception toward BNI

Market Perception toward BNI

**DRIVEN BY
GLOBAL CRISIS**

Lehman Brothers?

Indover Bank?

Exposure to distressed securities (global institutions)?



Liquidity & Price war

Deteriorating NPL?

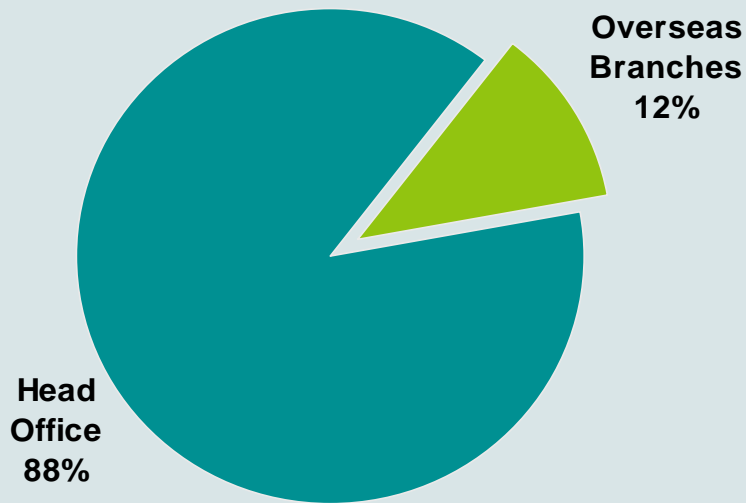
Exposure to 'distressed' local group companies?

**DRIVEN BY DOMESTIC
CONDITION**

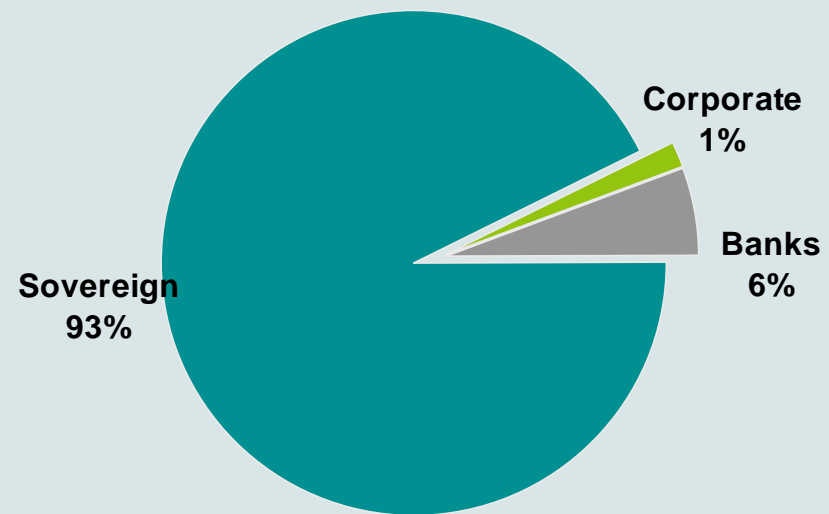
BNI exposure to '*distressed securities*' are relatively manageable

Marketable Securities

Head Office vs Overseas Branches



Issuers



Total Marketable Securities = Rp 38 trillion

BNI marketable securities dominated by sovereign bonds, accounted for 93% of the total portfolio.

Issues driven by global crisis

Lehman Brothers :

- ☑ Direct exposure **eqv. USD 7.8 million**, consist of USD 5 million (FRN) and JPY 3 million (Samurai Bond, eqv USD 2.8 million)
- ☑ Indirect exposure to Zircon CDO : USD 5 million

Provision : 100% in Q3/2008

- ☑ Unsettled SWAP transaction through HSBC for GBP 1 million

Indover Bank :

- ☑ Total exposure **eqv. USD 27 million**, consist of
 - Loan: USD 24 million,
 - Certificate of Deposit : EUR 2 million
 - Nostro Account : EUR 545 thousand

Provision : to be determined (cooperation with related parties to pursue recovery)

Issues driven by global crisis

Exposure to distressed securities (in overseas branches) :

- ☑ Total exposure held by BNI overseas branches ~ **USD 461.72 million** (12% of total portfolio).
- ☑ Marked-to-market value of securities held by overseas branches is 69% (as of 24 October 2008) with average coupon rate 6.35%.
- ☑ Investment grade exposures are already marked-to-market and recorded at fair value
- ☑ For non-investment grade exposure, BNI already set up provision in accordance with BI regulation

Issues driven by domestic condition

Liquidity issue :

- ☑ BNI always maintained Secondary Reserve (SR) both in Rupiah and USD at sufficient level, above Ideal SR (IDR 3,65 trillion & USD 460 million).
- ☑ As of 28 October 2008, Rupiah-SR position is Rp 13.63 trillion while USD-SR is USD 669 million.
- ☑ Under tight liquidity condition, BNI still managed to increase its customer deposit through several program (such as loyalty program to institutional customer, new customer acquisition program, reward & prizes program to individual customer, etc.)

Exposure to distressed local group company :

- ☑ BNI participated in syndication of infrastructure project (two toll-road project) :
 - A. Kanci-Pejagan toll-road, disbursed amount : Rp 44 billion
 - B. Ciawi-Sukabumi toll-road project, no disbursement to date

4Q-2008 Policy Response



CORPORATE INITIATIVES

Loans

- ★ Lead Arranger of loan syndication for Ciawi - Sukabumi toll road project (24 July 2008)
- ★ Extending loan for USD 144,28 juta (eqv. Rp 1,37 trillion) for financing power plant project (PLTU) Batubara Labuan (29 July 2008)
- ★ As lead arranger of loan syndication amounted Rp 2,4 trillion for PT TELKOM (29 July 2008)
- ★ *Non cash loan* financing for PT Krakatau Steel amounted USD 75 million (eqv Rp 712 billion) & Rp 750 billion (31 July 2008)
- ★ Cooperation with PT Mandiri Cipta Gemilang, BNI Griya / mortgage loan to finance apartment at St. Moritz Penthouse & Residences (4 September 2008).

Network & Services

- ★ Opening of BNI Syariah outlet in Mahkamah Agung/Supreme Court, Jakarta (11 July 2008).
- ★ Launching of Pajak Bumi & Bangunan (PBB) payment via *e-Banking* (15 July 2008).
- ★ Official ceremony of re-opening of Banda Aceh branch by Minister of State-owned Enterprise (28 July 2008).
- ★ Launching of BNI Emerald Card to improve banking services for *priority dan private banking* customer (1 August 2008).

Financial Performance











3Q-2008

- I. **Balance Sheet**
- II. **Profit & Loss**
- III. **Financial Ratio**
- IV. **Loan Quality**

Balance Sheet Highlight

[Rp Billions]	3Q2007	2007	1Q-2008	2Q-2008	3Q2008	Growth vs 3Q2007
Total Assets	172.484	183.342	162.267	176.047	179.644	↑ 4.2%
Current Account with BI	13.704	17.573	11.974	12.095	12.675	↓ -7.5%
Placement with other banks & BI	9.084	28.144	7.895	12.872	12.722	↑ 40,0%
Marketable Securities	22.799	4.498	9.800	9.564	4.135	↓ -81,9%
Loans	79.518	88.651	89.171	99.023	106.850	↑ 34.4%
Government Bonds	37.625	36.701	36.384	34.281	33.978	↓ -9.7%
Customer Deposits	133.976	146.189	126.425	140.257	143.249	↑ 6.9%
Borrowings	3.986	6.309	6.435	3.817	2.614	↓ -34.4%
Subordinated Debt	2.280	933	915	917	--	↓ -100%
Equity	18.824	17.219	14.923	14.665	14.896	↓ -20.9%

Profit & Loss

[Rp Billions]	3Q-2007	2007	1Q-2008	2Q-2008	3Q-2008	Growth vs 3Q2007
Net Interest Income	5.383	7.467	2.233	4.629	7.163	 33.1%
Fee Income	3.089	4.130	839	1.699	2.538	 -17,8%
- Recurring Fee	2.142	2.907	842	1.720	2.580	
- Non Recurring Fee	947	1.233	(3)	(21)	(42)	
Operating Income	8.472	11.597	3.072	6.328	9.700	 14,5%
Operating Expense	(5.088)	(7.626)	(1.650)	(3.559)	(5.266)	 3,5%
Net Non Operating Income/(Expense)	46	213	(13)	27	26	 -43.5%
Pre-Provision Operating Income	3.430	3.971	1.409	2.796	4.460	 30,0%
Provisioning	(1.173)	(2.704)	(1.199)	(2.154)	(3.258)	 177,7%
Net Income before Tax	2.257	1.481	210	642	1.202	 -46.7%
Net Income	1.556	898	153	439	832	 -46.5%
Net Income per share [full amount]	102	59	10	28	54	 -47.1%

Financial Ratios [%]

	3Q2007	2007	1Q2008	2Q2008	3Q2008
CAPITAL					
Shareholders equity to total assets	10,91	9,4	9,2	8,3	8,29
Tier I – CAR	13,0	11,7	12,1	10,8	10,3
Tier II – CAR	5,2	4,6	4,6	4,3	4,0
CAR [after adjustment for credit & market risk]	17,6	15,7	16,3	14,5	13,9
ASSET QUALITY					
Net Non Performing Loan	4,7	4,0	3,2	1,7	1,1
Gross Non Performing Loan	8,3	8,2	8,6	7,5	6,5
Allowance for possible loan losses to gross NPL	62,3	71,9	83,4	99,5	104,0
Requirement for provision of Earning Assets	117,6	116,5	141,2	144,7	121,9

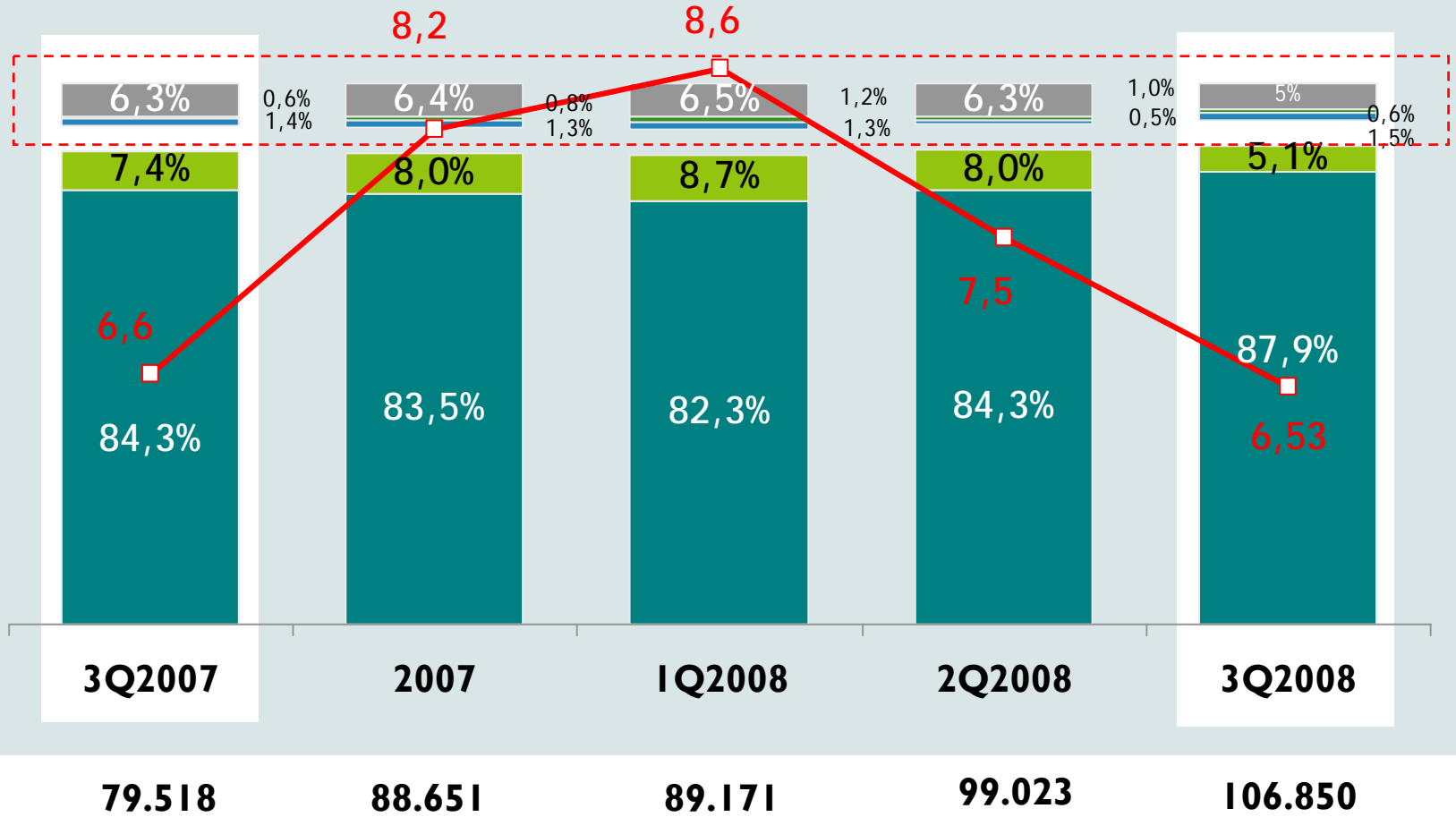
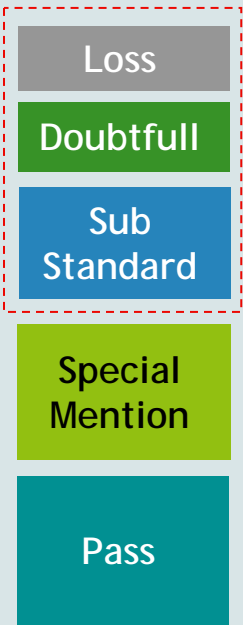
Financial Ratios [%]

	3Q-2007	2007	1Q-2008	2Q-2008	3Q-2008
RENTABILITY					
ROA	1,7	0,5	0,4	0,5	0,9
ROE	19,8	5,6	3,3	6,2	8,1
Net Interest Margin	4,9	5,0	6,0	6,1	6,2
EFFICIENCY					
BOPO	83,9	93,0	95,1	93,2	91,5
Cost to Income Ratio	60,1	64,6	53,8	52,4	50,6
LIQUIDITY					
Loan to Deposit Ratio	59,4	60,2	70,5	69,6	73,2
COMPLIANCE					
Statuary Reserve Requirement (Rupiah)	11,1	14,7	12,1	10,0	10,0
Net Open Position	5,0	5,9	6,0	6,6	4,3

Loan Quality

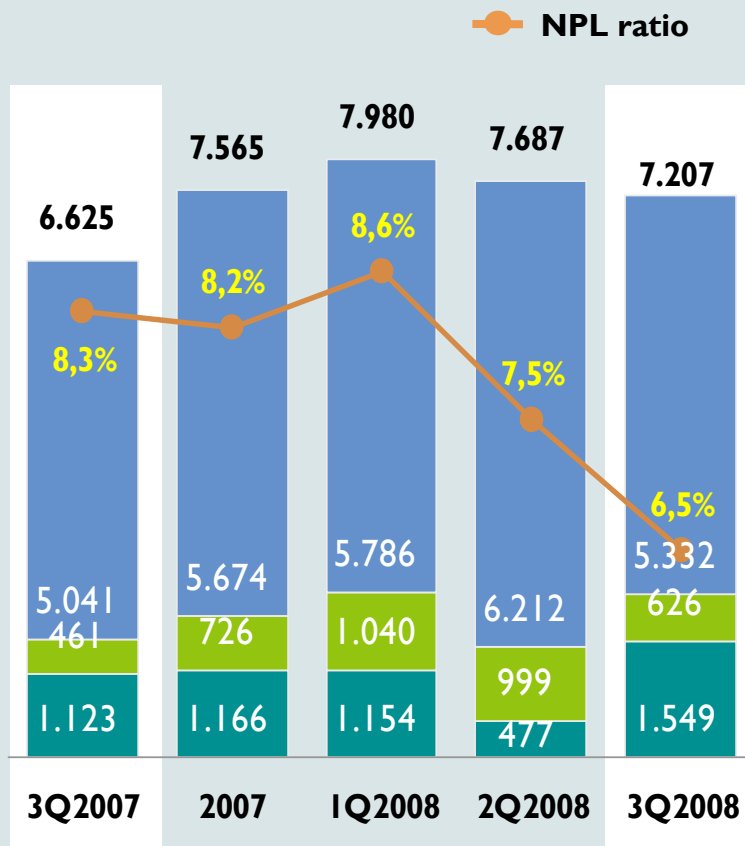
Healthier Loan Collectibility

—■— : NPL %

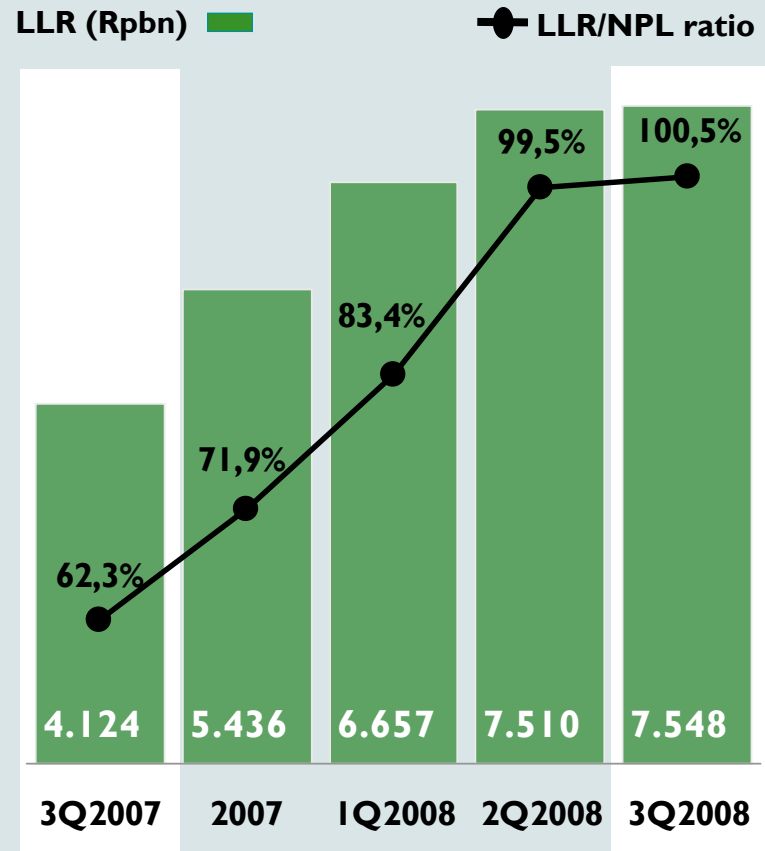


Lower NPL and 100% Coverage Ratio Indicates BNI's Commitment to be a Prudent Bank

Non-performing loans [Rp Bn]



LLR/NPLs



Coverage Ratio [LLR/NPL] increased from 62,3% to 100,5% after new provisioning policy adopted



Thank you

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