



## ***A TURN AROUND STORY FOR SUSTAINABLE GROWTH***

### **ANALYST MEETING**

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

**29 July 2008**

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# Agenda

## ► **Management Focus & Progress to date**

- ☑ 2008 Strategic Policy
- ☑ Opportunity For Improvement
- ☑ Target vs Progress in IH-2008

## ► **Financial Performance**

- ☑ Progress on NPL, NIM, Loan & Deposits Growth
- ☑ Balance Sheet
- ☑ Profit & Loss
- ☑ Financial Ratio

## ► **Loan Quality**

## ► **Risk Management**

# Management Focus & Progress to date

# 2008 STRATEGIC POLICY

## 1<sup>st</sup> POLICY

Focus on Profitability  
without neglecting asset growth

## 5<sup>th</sup> POLICY

Sustainable Cost Structure :  
✓ Efficiency  
✓ Productivity  
✓ Good Cost

**Strengthening  
Financial  
Foundation**

## 2<sup>nd</sup> POLICY

Improving Asset Quality :  
✓ Asset Management  
✓ Robust NPL Management  
✓ Increase recovery  
✓ Prudent Lending

## 4<sup>th</sup> POLICY

Sustainable Business Model to  
increase recurring fee income

## 3<sup>rd</sup> POLICY

Provisioning Policy  
Target Coverage Ratio 100%

# Opportunity for Improvement

## Reflected in financial indicator :

- Profitability
- Productivity
- Asset Quality

- Net Interest Margin
- Cost-to-Income Ratio
- NPL level
- Coverage ratio
- Earning asset allocation

## Not-reflected in financial indicator :

- Business Focus & Segments
- Program vs execution
- Human Resources
- Systems & Policies

- “*Installed capacity*” of the bank’s infrastructure, resources and competencies have not been capitalized well
- Good Program, but lack of execution capability
- Strengthen coordination among units in the organization
- Improve cross-selling program, initiatives and proper execution
- Productivity
- Complex systems and ineffective bureaucratic procedures in the business process

## Target vs Progress in IH-2008

Areas for improvement	Initiatives	Target by end of 2008	Progress in IH 2008	Trend
<b>Profitability :</b> <ul style="list-style-type: none"> <li>• <b>Higher Net Interest Margin</b></li> <li>• <b>Increase recurring fee-based income</b></li> </ul>	<ul style="list-style-type: none"> <li>• Review the pricing policy on assets &amp; liabilities portfolio</li> <li>• Increase non interest income through better services in financial transactions</li> </ul>	<ul style="list-style-type: none"> <li>• NIM 5.8%</li> <li>• Increase CASA by <math>\pm 8\%</math></li> <li>• Overall loan growth <math>\pm 20\%</math></li> <li>• Increase recurring fee-based income</li> <li>• Interest income vs fee-based income = 70:30</li> </ul>	<ul style="list-style-type: none"> <li>• <b>NIM = 6.1%</b></li> <li>• CASA up by Rp 4.3 trillion or 5.4%</li> <li>• <b>Loan grew by +26.6%</b></li> <li>• <b>Composition of Interest Income vs FBI increase from 57% to 73%</b></li> </ul>	<div>+</div> <div>+</div> <div>+</div> <div>+</div>
<b>Productivity :</b> <ul style="list-style-type: none"> <li>• <b>Lower Cost Income Ratio</b></li> </ul>	<ul style="list-style-type: none"> <li>• Improve branch and employee productivity</li> <li>• Efficiency program across the board thru "bottom line" mindset</li> </ul>	<ul style="list-style-type: none"> <li>• Improve CIR to <math>\pm 55\%</math></li> <li>• Operating Income per employee <math>\pm</math> Rp 320 Million</li> </ul>	<ul style="list-style-type: none"> <li>• <b>CIR improved from 57.9% to 52.4%</b></li> <li>• Operating Income per employee as of June Rp 306 Million (annualized)</li> </ul>	<div>+</div> <div>+</div>

## 2008 Target vs Progress in Q2

Areas for improvement	Initiatives	Target by end of 2008	Progress in 1H 2008	Trend
<b>Asset Quality :</b> <ul style="list-style-type: none"> <li>• Lower NPL level</li> <li>• Higher coverage ratio</li> <li>• Yield Enhancement</li> </ul>	<ul style="list-style-type: none"> <li>• Implement Government Decree No 33 on haircut policy</li> <li>• Strengthen early warning system on loan portfolio</li> <li>• Disclose &amp; resolve Top 10 NPLs</li> </ul>	<ul style="list-style-type: none"> <li>• Gross NPL below 5%</li> <li>• Accelerated increase in coverage ratio to 100%</li> <li>• Targeted recovery Rp 500 billion</li> <li>• Increase LDR to <math>\pm 64\%</math></li> </ul>	<ul style="list-style-type: none"> <li>• Gross NPL improve from 9.0% to 7.5%</li> <li>• Coverage ratio increase from 56.2% to 99.5%</li> <li>• Recovery = Rp 208 billion (incl. Rp 38 Billion from PP33)</li> <li>• LDR increase from 55.3% to 69.6%</li> </ul>	-
	<ul style="list-style-type: none"> <li>• Increase provision</li> <li>• Increase recovery rate</li> </ul>			+
	<ul style="list-style-type: none"> <li>• Quick asset review with the aim to improve risk asset allocation</li> <li>• Yield enhancement program</li> </ul>			+

## Initiatives to strengthen financial performance in 2008

### Strategic Goals

### Strategic Initiatives

### Action Plan

### Strengthening financial performance

#### Profitability

NIM (target: 5.5%)  
FBI (target : Rp 3.5 trillion)

#### Productivity

CIR (target 58%)

#### Asset Quality

-NPL (target 5%)  
- Coverage ratio (target 100%)

#### Net Interest Margin (NIM)

- Expanding SME and Consumer loan
- Reducing *special rate* (Cost Reduction program)
- Optimize *secondary reserve strategy* (yield enhancement)
- Establish Representative Office (ROS) in 5 big cities
- Establish *Remote RM* for SME segment
- Increase Non-Rupiah funding
- Execute *call option* for Subordinated Debt amounted U\$100 million

#### Fee Based Income (FBI)

- Increase maintenance fee for saving account
- Recapture Trade Finance & Remittance business
- Launch *Intraday* facility to corporate customer
- Increase transaction through *e-Channel*
- Establish Treasury Remote Area in Makasar & Balikpapan.

- Managing cash limit through Cash Centers (reduce *Idle cash*)
- Efficiency in issuing business and acquiring business (Merchant/ EDC) in credit card business
- Relocate *Call Center*
- Efficiency in organizing *business review*
- *Back office centralization*
- Optimize and implement *electronic Loan Origination (e-LO)* system in consumer and small-size loan segment
- Efficient promotion expense
- Improve *Budget Monitoring System*

- Decentralize NPL management to each loan segment
- Accelerated provisioning to achieve targeted recovery 100% in Q2/2008
- Reduce collateral value as deductible factor in calculating provision amount for NPL
- Implement PP 33 on haircut policy to small-loan debtor
- Mapping potential NPL debtor in SME segment to be restructured.



## Progress of short term initiatives

Areas for improvement	Opportunity for Improvement	Initiatives	Progress in Q2/2008
Business Focus & segment	<i>"installed capacity"</i> of the bank's infrastructure, resources and competencies have not been capitalized	<ul style="list-style-type: none"> <li>Implement customer centric approach</li> </ul>	<ul style="list-style-type: none"> <li>Revitalize sales function in branches (increase <i>point of sales</i> : 11% of total 979 outlet)</li> <li>Preparation of launching of intraday facility for corporate customer (development of SOP)</li> <li>Establish Treasury Remote Area in Makassar and Balikpapan</li> </ul>
		<ul style="list-style-type: none"> <li>Recapture trade finance</li> </ul>	<ul style="list-style-type: none"> <li>Assign 27 Marketing Representative Officers (targeted 39 MRO at year-end)</li> <li>Review authority limit for export bills negotiation</li> <li>Assign staffs for handling international transactions in branches within Jabodetabek area</li> </ul>
		<ul style="list-style-type: none"> <li>Drive transactional banking business aggressively</li> </ul>	<ul style="list-style-type: none"> <li>Add ATM and E-channel features</li> <li>Aggressive promotional strategy (direct sales for e-banking, member get member, etc) .</li> <li>Implement Corporate i-Banking</li> </ul>
		<ul style="list-style-type: none"> <li>Re-design "go to market" strategy for all business unit by capitalizing on <i>"installed capacity"</i></li> </ul>	<ul style="list-style-type: none"> <li>Improve product features, pricing and loan policy to be flexible dan <i>"close to market"</i></li> <li>Refinement sales model in branches (customer centric)</li> </ul>

## Progress of Short-term Initiatives

Areas for improvement	Opportunity for Improvement	Initiatives	Progress
Program vs execution	• Good programs, but lack execution	• Establish Change Management Office	<ul style="list-style-type: none"> <li>• CMO established</li> <li>• Initiatives : revitalize sales function in branches, microfinance, improving business process with Six Sigma, Malcolm Baldrige Criteria for Performance Excellence, Performance Measurement System</li> </ul>
	• Strengthening coordination among units in the organization	• Improve communication quality along with alignment of organization	<ul style="list-style-type: none"> <li>• Redesign business review format</li> <li>• Establish corporate forum</li> <li>• Regular marketing forum in region office</li> <li>• Alignment of promotion expense budget among business units</li> <li>• Alignment of Planning &amp; Budgeting</li> <li>• Prepare to establish Asset-Liability Committee in region office</li> </ul>
	• Improve cross-selling program, initiatives and proper execution	• Establish portfolio and client profitability analysis	<ul style="list-style-type: none"> <li>• Customer Profitability Report (CPR) in corporate segment</li> <li>• Build database for Customer Relationship Management</li> </ul>

## Progress of Short-term Initiatives

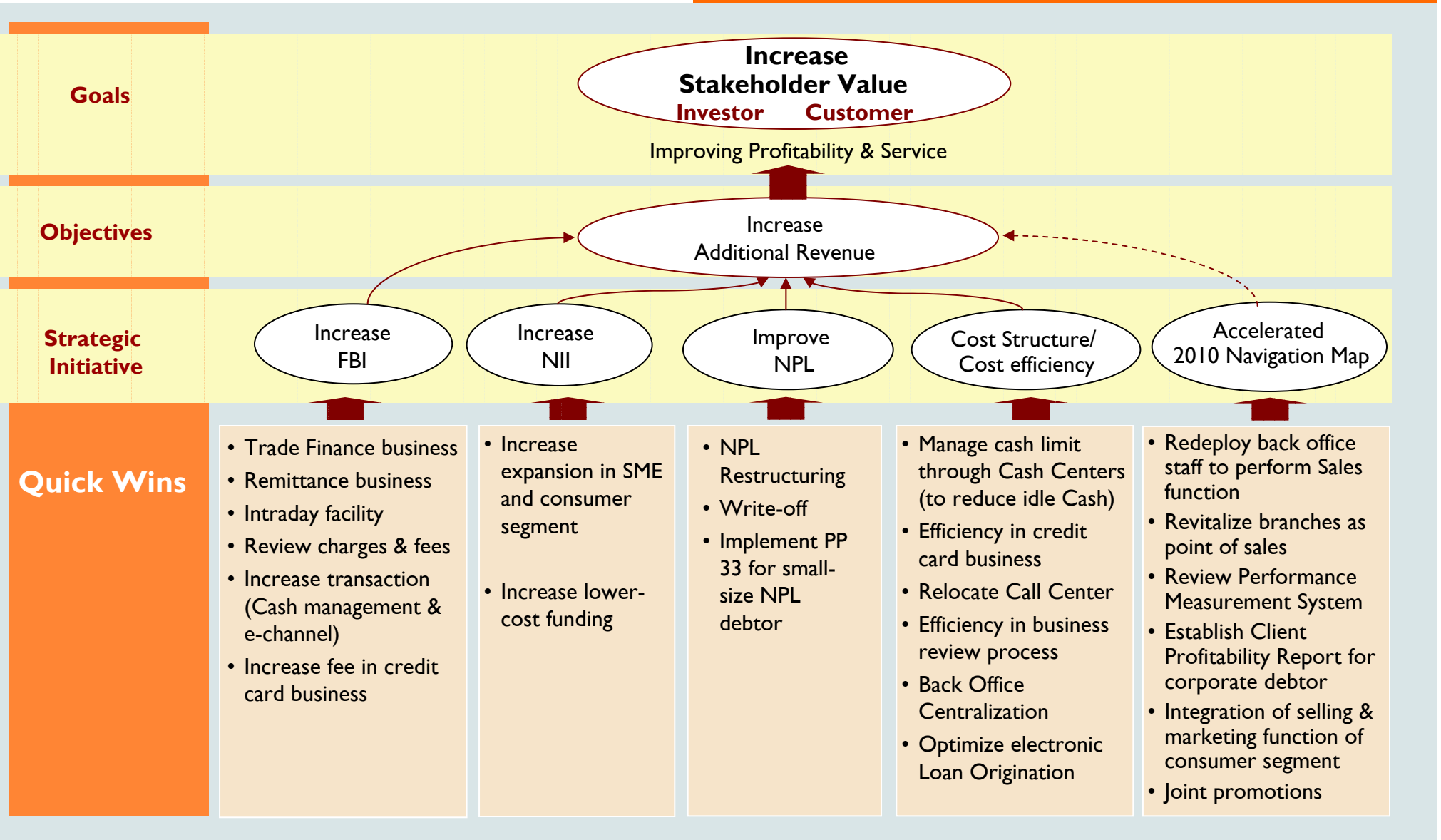
Areas for improvement	Opportunity for Improvement	Initiatives	Progress
Human Resources Issues	Productivity	Pay for Performance	<ul style="list-style-type: none"> <li>Review and launch pilot project of incentives system for consumer segment</li> </ul>
		Review and improve Man Power Planning,	<ul style="list-style-type: none"> <li>Fine tuning of new job grading system</li> </ul>
		Develop talent management	<ul style="list-style-type: none"> <li>AVP training has been completed.</li> <li>VP training is in progress, to be completed in Q3/2008</li> <li>Competency assessment for MGR level has been initiated, to be completed in Q3/2008</li> <li>Competency assessment for AMGR level will start in Q3/2008, expected to be completed in Q3/2008</li> </ul>
		Efficiency program across the board through " <i>bottom line</i> " mindset	<ul style="list-style-type: none"> <li>Traveling insurance for selected credit cardholder (Platinum &amp; Gold)</li> <li>Piloting of Em-Plus (electronic memo plus)</li> <li>Initiate the relocation of call center</li> </ul>
		Cultivate strong sales & services culture	<ul style="list-style-type: none"> <li>Redeploy non-business staffs to business unit (as sales officers)</li> <li>Assign MRO for trade finance and Remittance Representative for remittance business</li> <li>Set up sales task force for consumer segment</li> </ul>

## Progress of Short-term Initiatives

Areas for improvement	Opportunity for Improvement	Initiatives	Progress
Systems & Procedure	Complex systems and ineffective bureaucratic procedures in the business process	<ul style="list-style-type: none"> <li>• Simplify procedures to improve Business Process</li> </ul>	<ul style="list-style-type: none"> <li>• Revitalize loan process</li> <li>• Improve Credit Application Package</li> <li>• Implement E-Lo system in all stand-alone branches</li> <li>• Review loan approval authority limit</li> </ul>
		<ul style="list-style-type: none"> <li>• Establish Enterprise Risk Management (ERM) framework to improve risk &amp; governance environment</li> </ul>	<ul style="list-style-type: none"> <li>• Initiation of ERM (Enterprise Risk Management)</li> </ul>

# QUICK WINS FRAMEWORK

## 2008



## PROGRESS - QUICK WINS

No	TOP QUICK WINS	%	Progress status	Deliverables
1	Increase FBI from Trade Finance and remittance business	60	24 MRO has been posted in branches and loan centers Preparation of posting 9 Remittance Representative in Middle East area	Increase FBI from Trade Finance & Remittance
2	Increase loan growth in SME and Consumer segment	70	Implementation of E-lo system in Small Loan Centers	E-Lo system in place Repackaging of BNI Wirausaha & BNI KUR
3	Increase loan through implementation of e-LO system in stand alone branches	55	Install E-Lo system in 5 stand alone branches (Cilegon, Ponorogo, Samarinda, Bontang, & Balikpapan)	E-Lo system installed in 85 cabang STA
4	Increase FBI through intraday facility	62	Develop SOP Conduct authority limit review Prepare to launch Intraday facility	Launching of Intraday Facility in Q3/2008
5	Increase FBI through Treasury Remote Area (TRA)	39	Third party selection phase	TRA in Balikpapan opened
6	Increase FBI from Micropayment, Mobile banking and saving account	60	Increase promotion budget to increase deposit Review & increase administration fee of Taplus Review the pricing & interest rate	Increased FBI Increased Net Interest Income
7	Revitalize Sales function in branches	50	Implement Back Office Centralization in Jabodetabek area	Increased sales activities within branches
8	Reduce Idle Cash through Cash Center	40	Implement branch cash limit (pilot project in Jakarta area)	Reduced cash limit Cash center in place
9	Pricing review and launch unsecured loan product in credit card business	30	Develop IT	KTA (unsecured loan) launched
10	Relocation of Call Centers	10	Proposal of new location of BNI Call Center	Efficiency and relocation

## PROGRESS - QUICK WINS

No	TOP QUICK WINS	%	Progress status	Deliverables
11	Human capital: redeploy non-business staffs to business unit (as sales person)	55	In the process of fulfilling required number of employees Redeploy 75 staffs as Sales person	Employee in place Redeployment of staffs
12	Accelerated collectibility target of NPL debtor	55	In the process of improving KAK unit (Unit in charge for Medium-size NPL)	Target achieved
13	Increase syariah financing (productive & consumption purpose financing) in Syariah business	90	Add 5 Relationship Manager	Accelerated growth of BNI Griya Syariah and Flexi Syariah
14	Increase FBI through Bancassurance	71	Mapping potential areas	Increased fund from Bancassurance
15	Increase FBI with <i>corporate i-banking</i> through increasing institutional funding	60	<i>Client Profitability Report</i> Improve corporate I-banking business process (organization structure & SOP)	Corporate i-banking implemented
16	Increase FBI through increasing Pension Fund (DPLK) customer	33	Approach potential corporate customer Cooperate with BNILife In the process to develop SOP	Increased FBI
Total progress		53%		

# **Financial Performance**

**IH-2008**

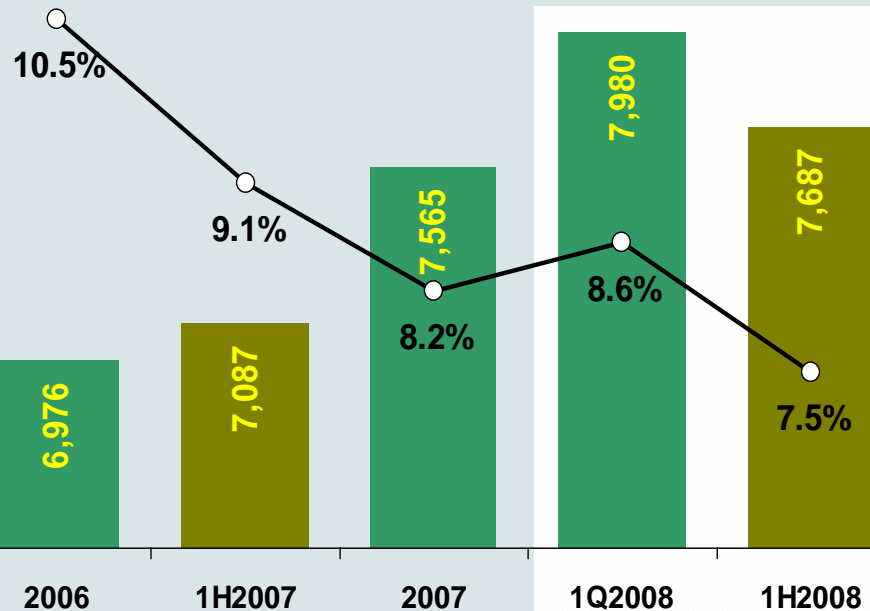
- I. Summary Focus**
- II. Balance Sheet**
- III. Profit & Loss**
- IV. Financial Ratio**



## Ready to Compete with 100% Coverage Ratio

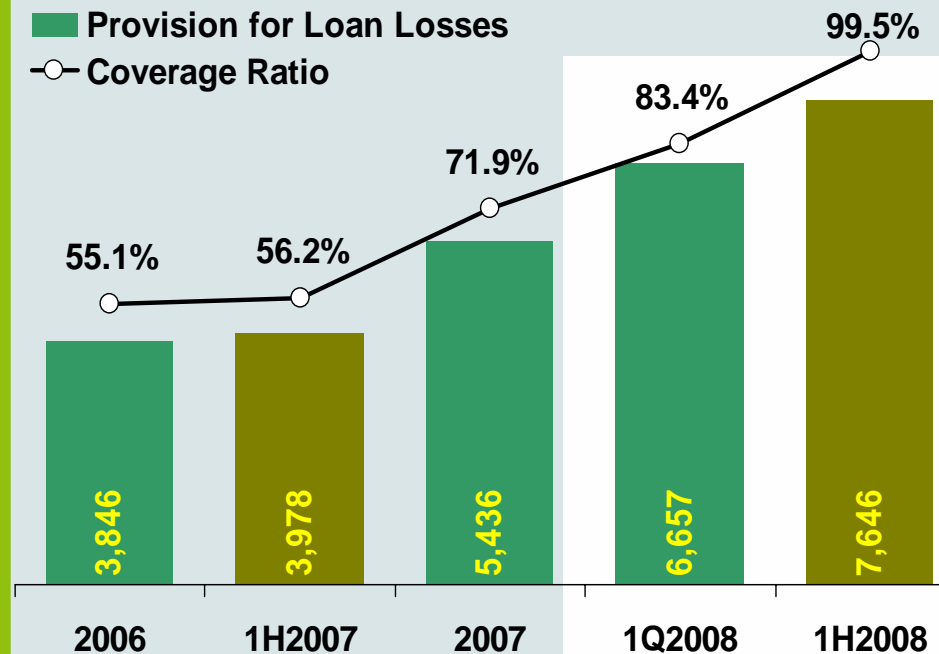
### Decreasing Non Performing Loan

■ NPL [Rp]    ○ NPL [%]



### Increasing Coverage Ratio

■ Provision for Loan Losses  
○ Coverage Ratio



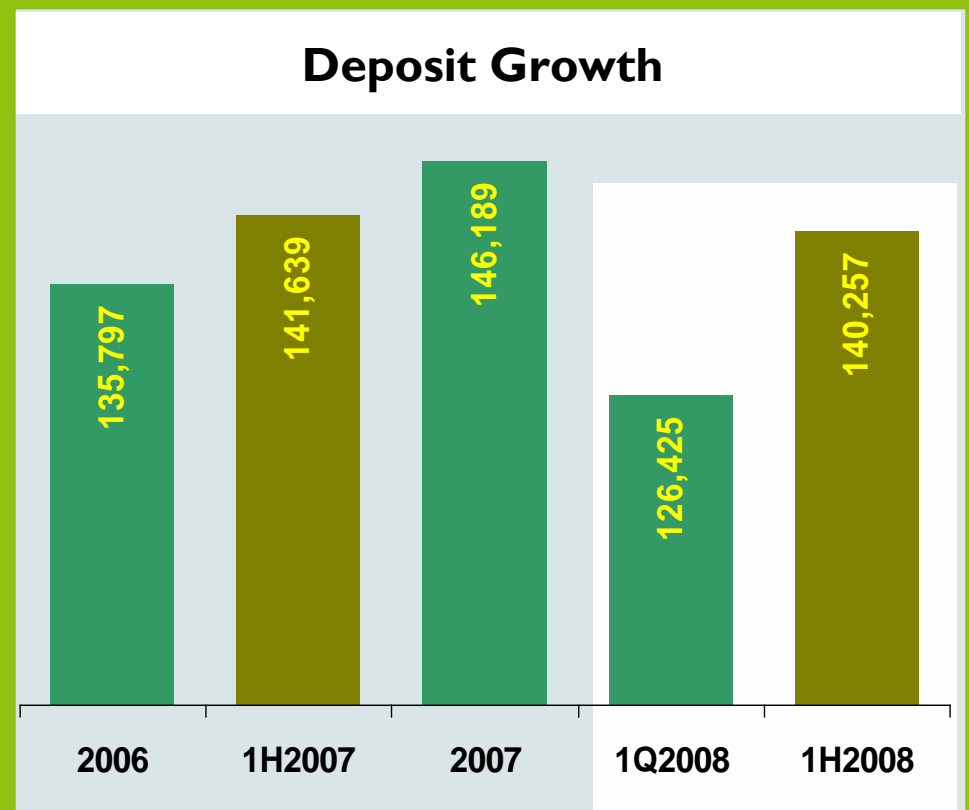
NPL management showed a better result with decreasing NPL amount and increasing coverage ratio

## Loan & Deposit Growth

### Loan Growth

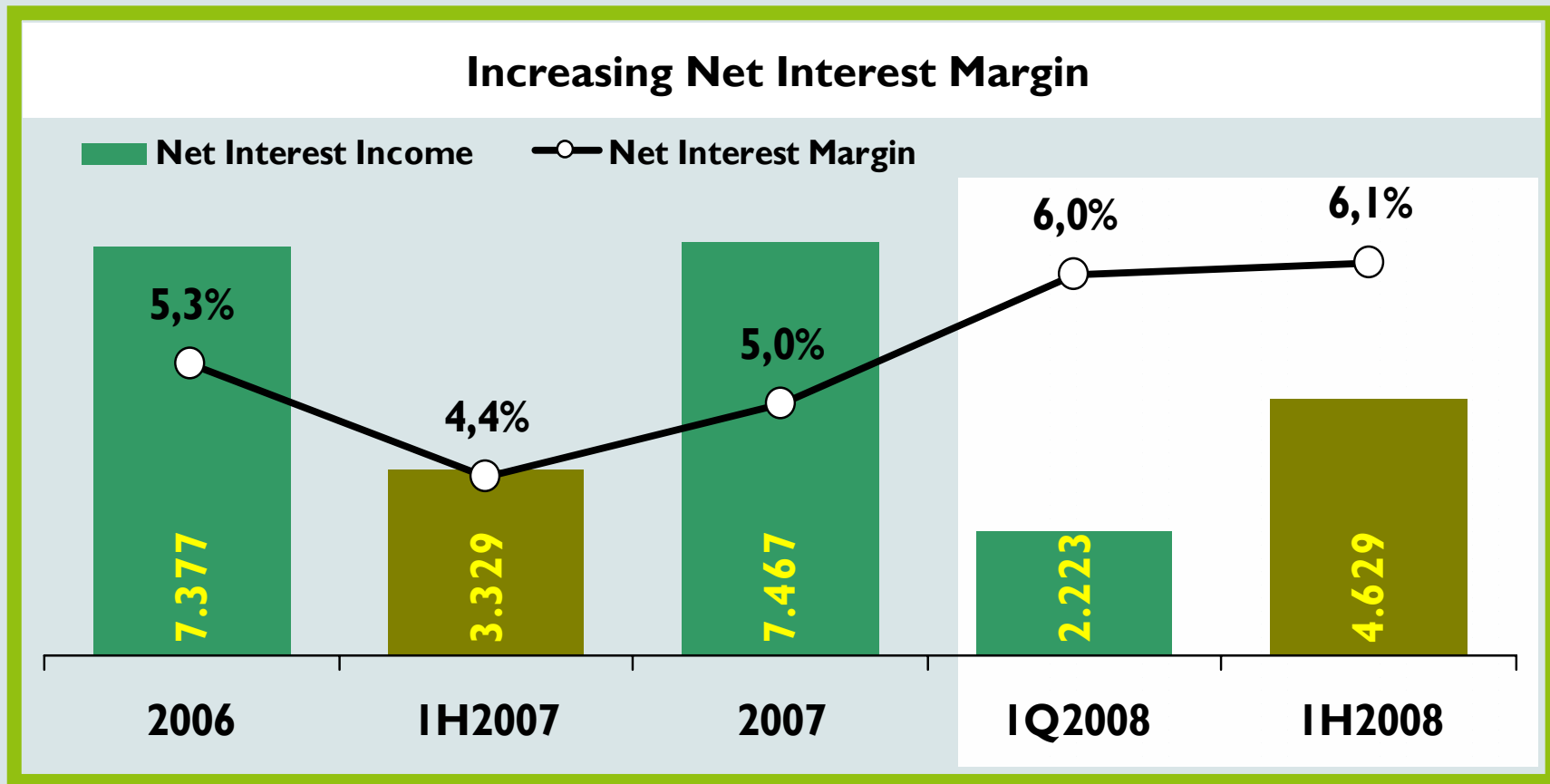


### Deposit Growth



Loan grew consistently and customer deposits increased from 1Q2008

## Net Interest Margin



Net Interest Margin increased, as the result of lowering cost of fund and increasing of net interest income

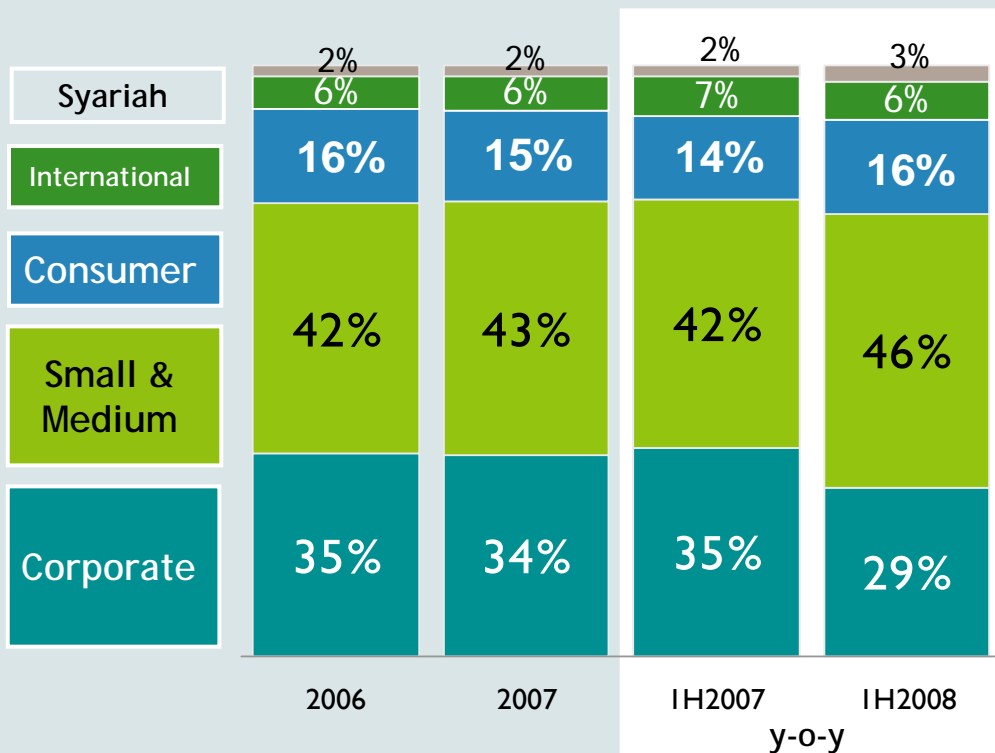
## Balance Sheet Highlight

[ Rp millions ]	2006	2007	IH-2007	IH-2008	Growth
Total Assets	169.416	183.342	176.427	176.047	↓ -0.2%
Current Account with BI	15.160	17.573	15.125	12.095	↓ -20.0%
Placement with other banks and BI	32.340	28.144	11.859	12.872	↑ 8.5%
Marketable Securities	3.932	4.498	24.049	9.564	↓ -60.2%
Loans	66.460	88.651	78.247	99.023	↑ 26.6%
Government Bonds	41.227	36.701	35.316	34.281	↓ -2.9%
Customer Deposits	135.797	146.189	141.639	140.257	↓ -1.0%
Borrowings	4.009	6.309	4.094	3.817	↓ -6,8%
Subordinated Debt	2.239	933	2.254	917	↓ -59.3%
Equity	14.794	17.219	14.699	14.665	↓ -0.23%

# Loan Composition

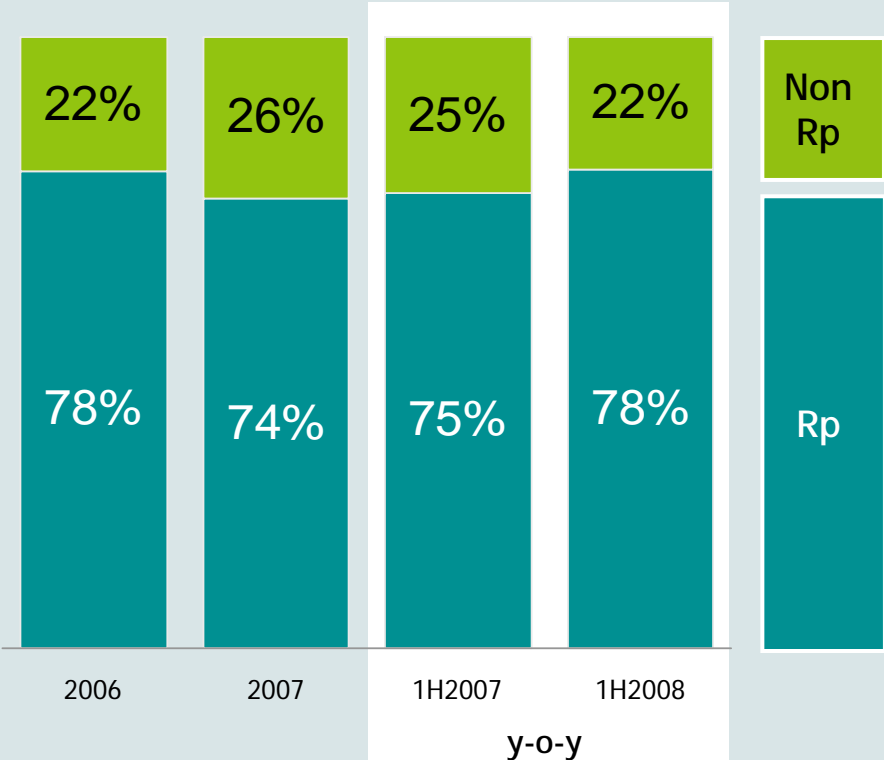
Expanding SME & Consumer segment (% , Rp bn)

66,460 88,651 78.247 99.023



Rp vs. non-Rp loans (%)

66,460 88,651 78.247 99.023



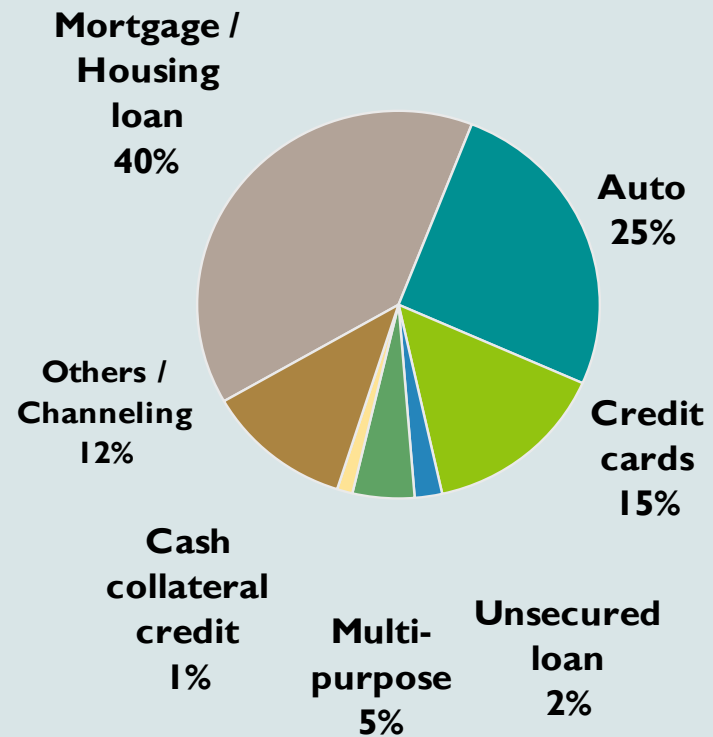
Continue to expand in SME & Consumer loan segment

# Loan diversifications

Loans by Economic Sector [1H-2008]

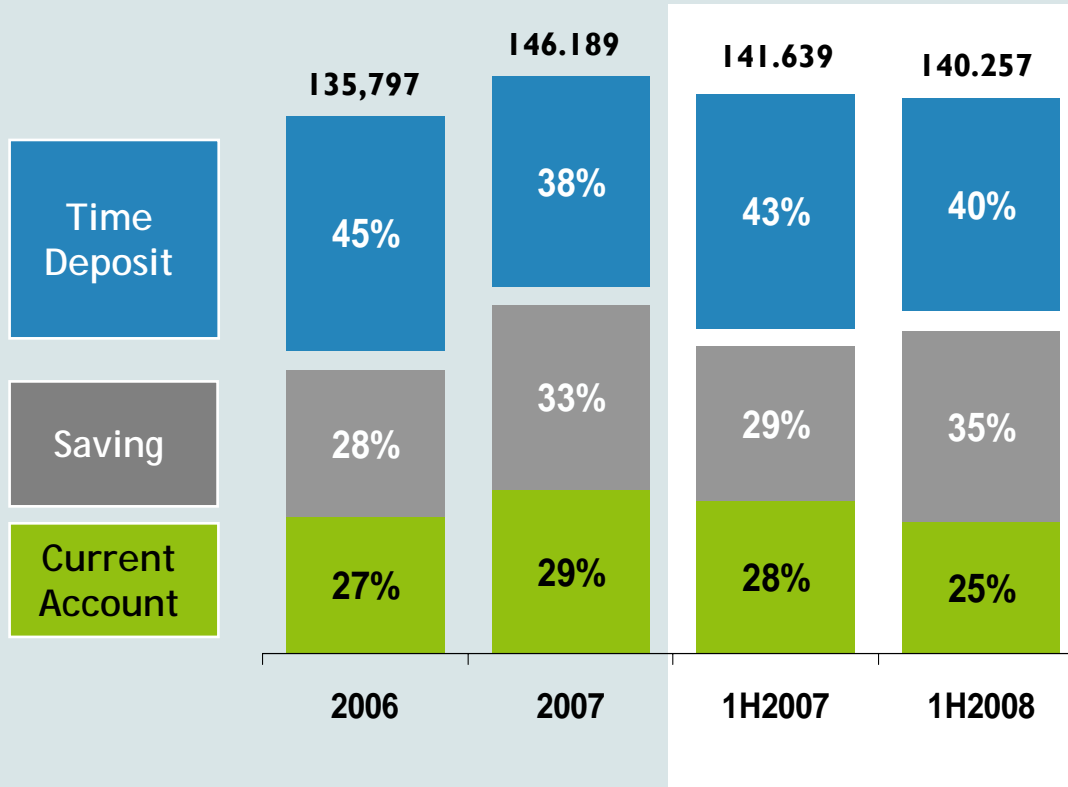
Sectors	IH-2007	IH-2008
Manufacturing	31.2%	28.1%
Trading, Resto & Hotel	19.8%	20.6%
Agriculture	4.0%	4.7%
Business Service	9.2%	9.5%
Constructions	7.1%	5.9%
Transportation & Comm	4.3%	3.5%
Social Services	1.0%	0.8%
Mining	4.7%	2.6%
Electricity, Gas & Water	2.7%	4.2%
Others	16.0%	20.1%

Consumer Loan Composition [1H-2008]

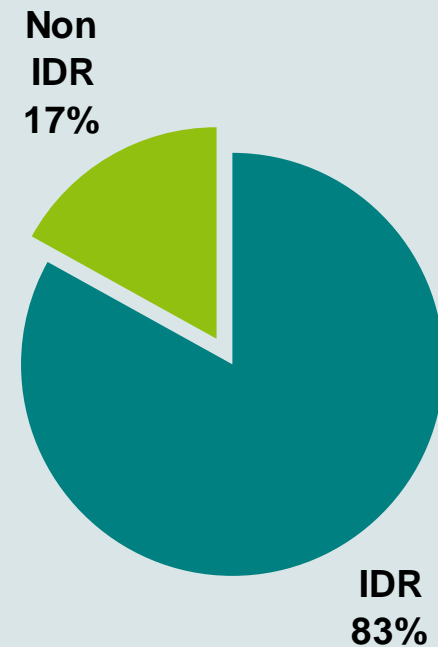


# Customer Deposit

## Breakdown by Type



## Breakdown by Currencies

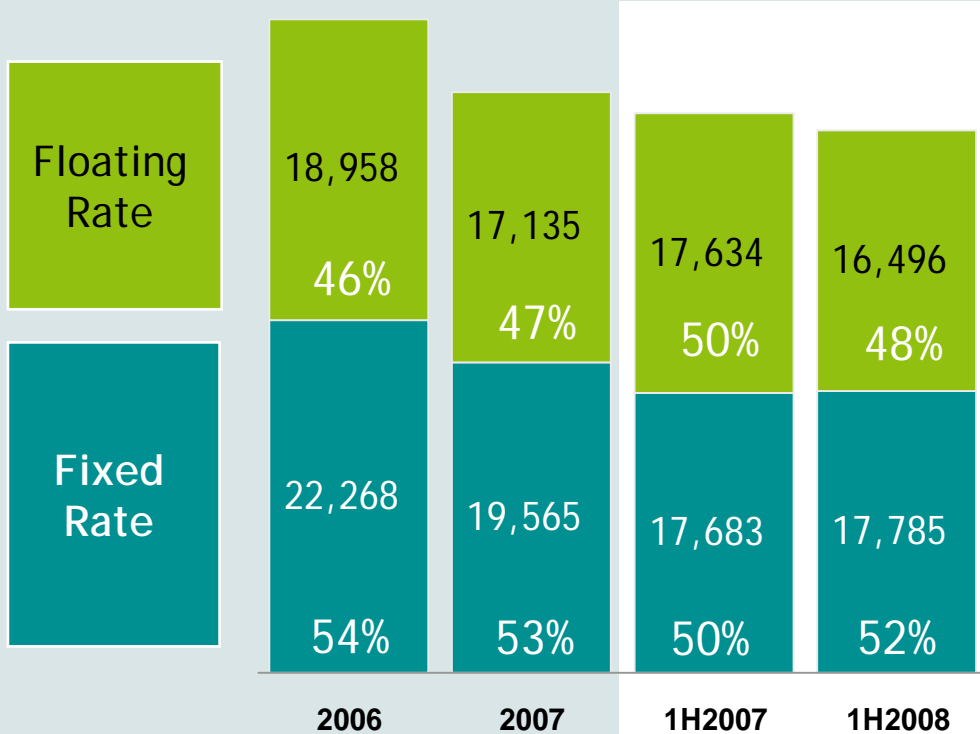


**CASA increased from 57% to 60% (1H-2007 to 1H-2008)**

# Government Bonds

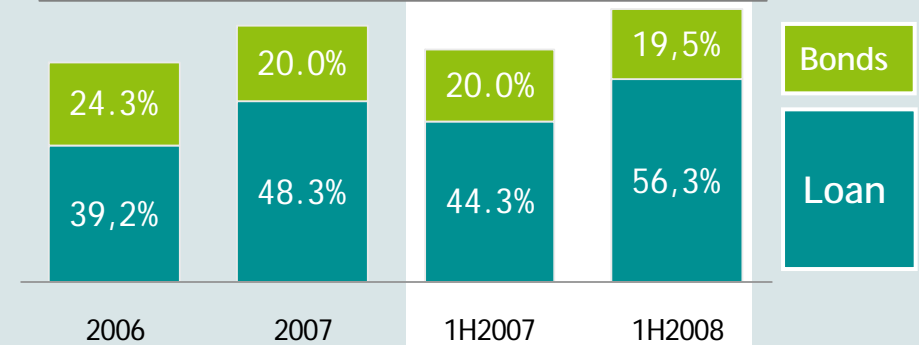
Fixed vs. floating rate government bonds (Rp bn)

41,227    36,701    35,316    34,281

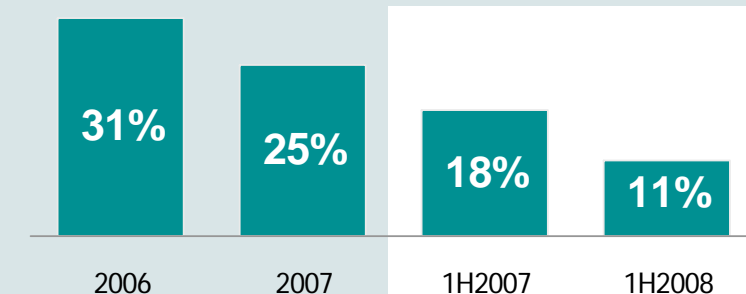


Government bond vs. loans comparison as % of total assets (%)

169,416    183,342    176,427    176,047



Income from Govt. bonds as % of total interest income (%)



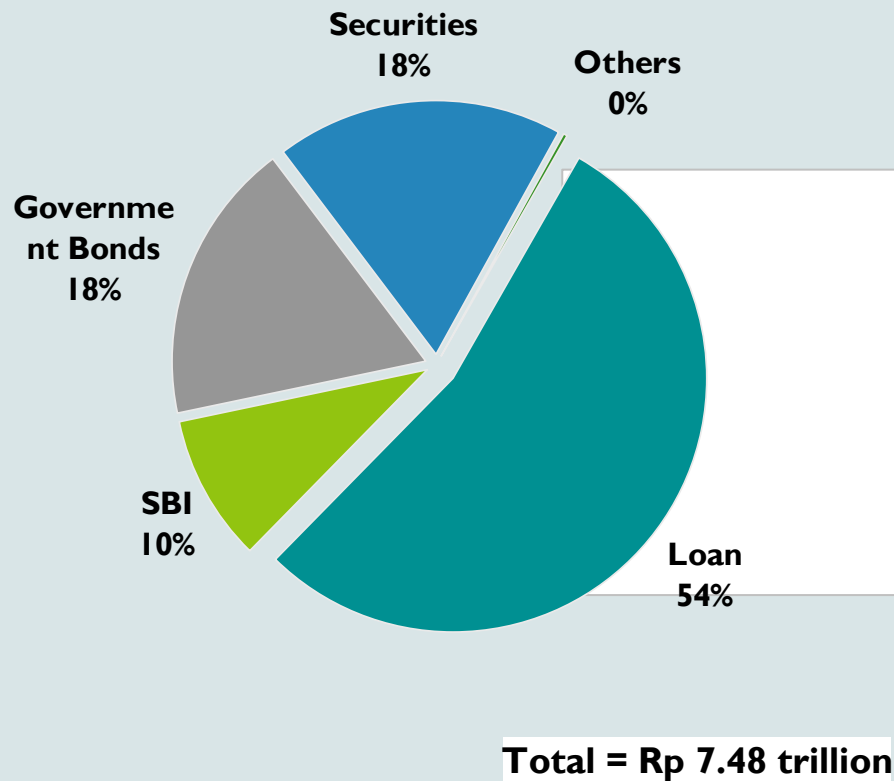


## Profit & Loss

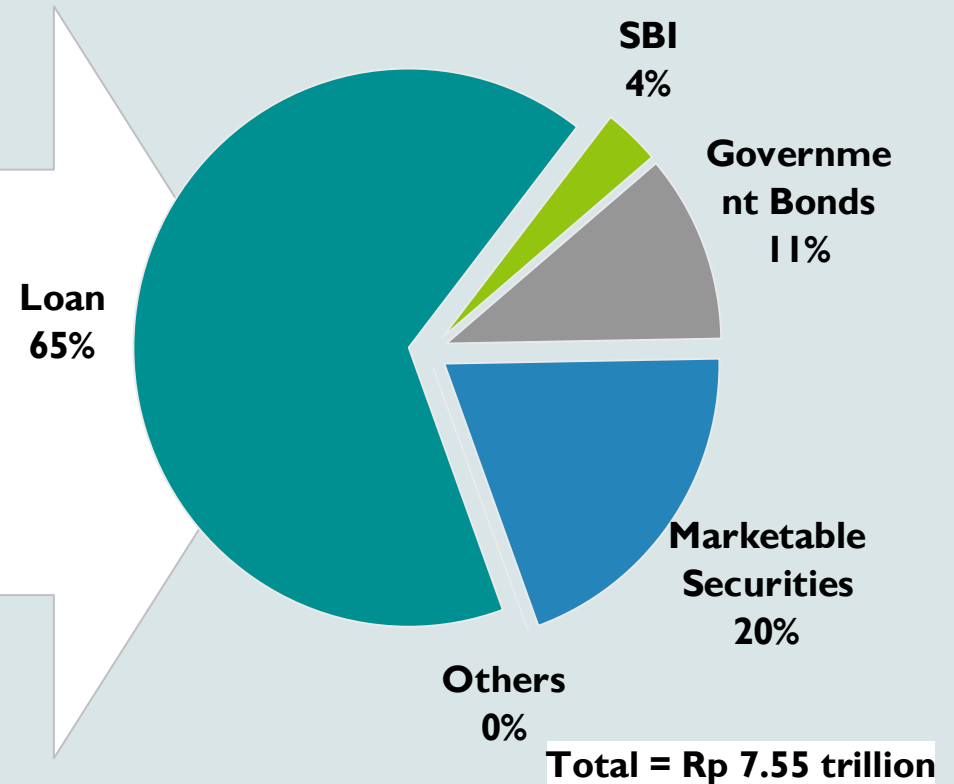
[ Rp Billions ]	2006	2007	1H-2007	1H-2008	Changes
Net Interest Income	7.377	7.467	3.326	4.629	↑ 39.2%
Fee Income	2.861	4.130	2.327	1.699	↓ -27.0%
Operating Income	10.238	11.597	5.653	6.328	↑ 11.9%
Operating Expense	(6.258)	(7.626)	(3.271)	(3.559)	↑ 8.8%
Net Non Operating Income/(Expense)	179	213	137	27	↓ -80.5%
Pre-Provision Operating Income	3.980	3.971	2.519	2.796	↑ 11%
Provisioning	(1.319)	(2.704)	(998)	(2.154)	↑ 115.9%
Net Income before Tax	2.840	1.481	1.522	642	↓ -57.8%
Net Income	1.926	898	1.020	439	↓ -56.9%
Net Income per share [ full amount / Rp ]	126	59	67	28	↓ -57.3%

# Interest Income Composition

Breakdown of interest income (IH-2007)



Breakdown of interest income (IH-2008)

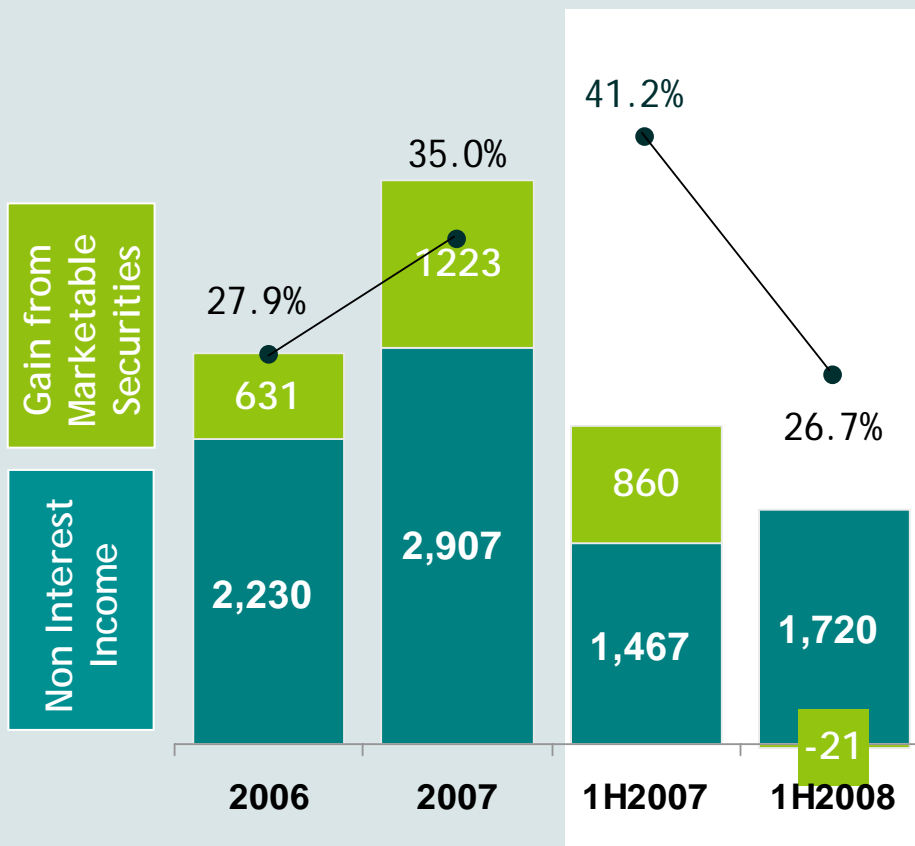


Much better Interest Income composition. Loan is the main generator of interest income and therefore is more sustainable.

# Non Interest Income

## Key highlights of non-interest income

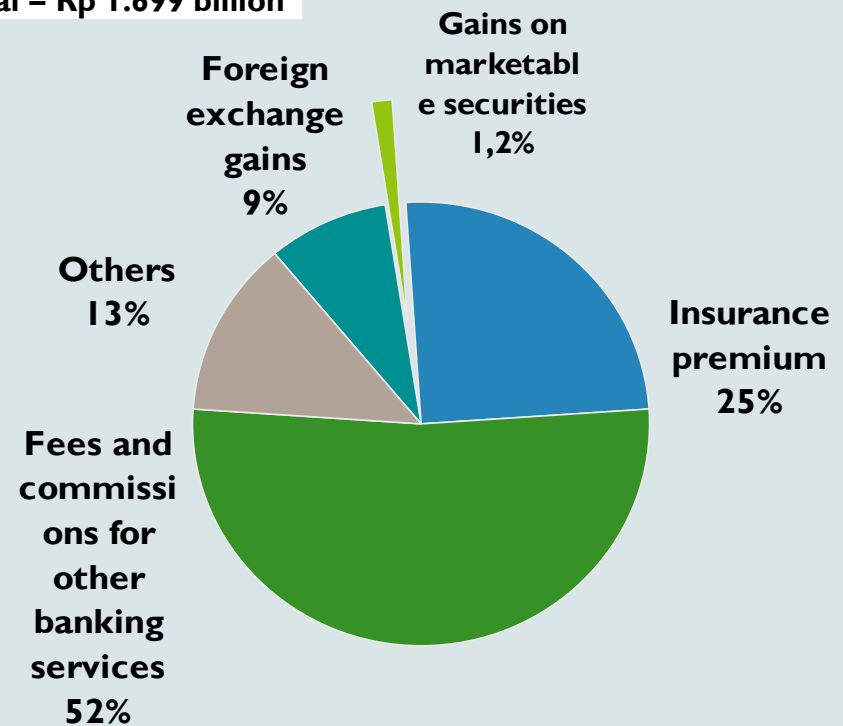
● Non-interest income as % of total revenue



## Breakdown of non-interest income (1H-2008)

1H2008

Total = Rp 1.699 billion

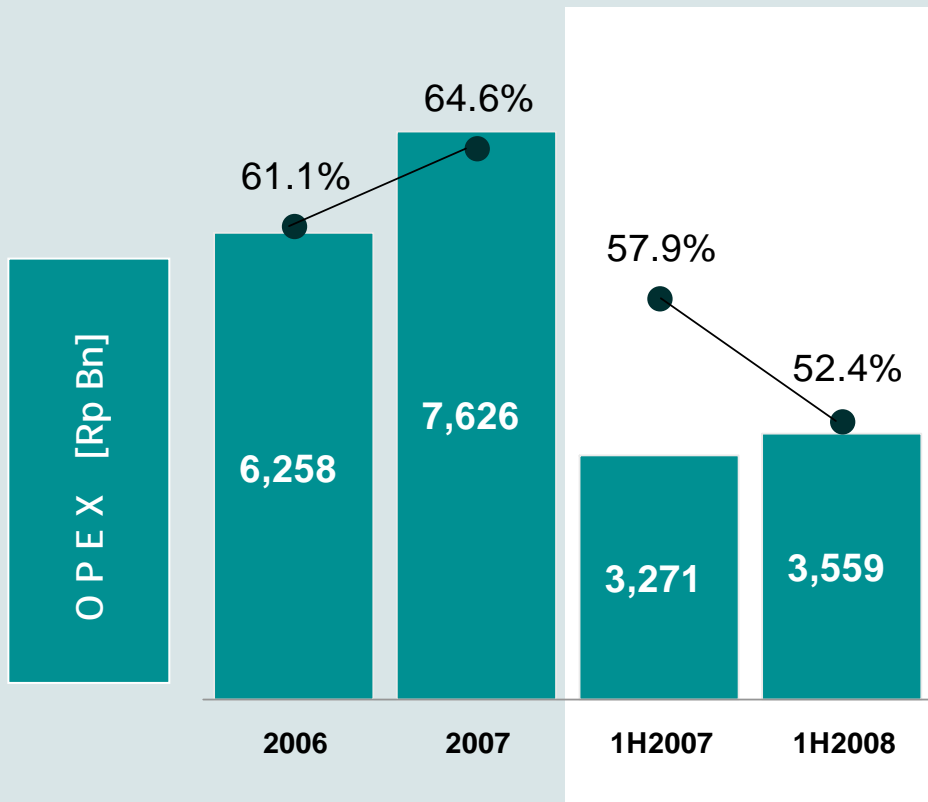


Fee from banking services was dominant and will become the source of sustainable non-interest income in the future

# Operating Expense

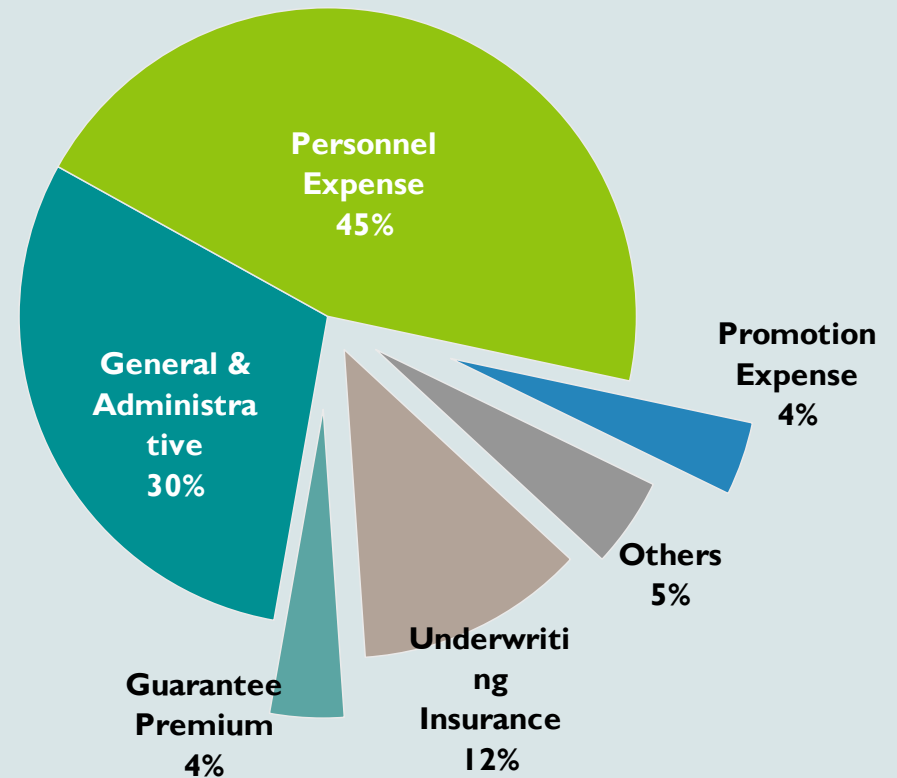
## Key highlights of OPEX compare to CIR

● Cost to Income Ratio



## Breakdown of OPEX (as of June 30, 2008)

Total = Rp 3.56 trillion



## Financial Ratios [%]

	2006	2007	IH2007	IH2008
<b>CAPITAL</b>				
Shareholders equity to total assets	8,7	9,4	8,3	8,3
Tier I – CAR	10,0	11,7	8,9	10,8
Tier II – CAR	6,1	4,6	6,0	4,3
CAR [after adjustment for market risk]	15,3	15,7	14,3	14,5
<b>ASSET QUALITY</b>				
Net Non Performing Loan	6,6	4,0	5,4	1,7
Gross Non Performing Loan	10,5	8,2	9,0	7,5
Allowance for possible loan losses to gross NPL	55,1	71,9	56,2	99,5
Requirement for provision of Earning Assets	108,6	116,5	129,0	144,7

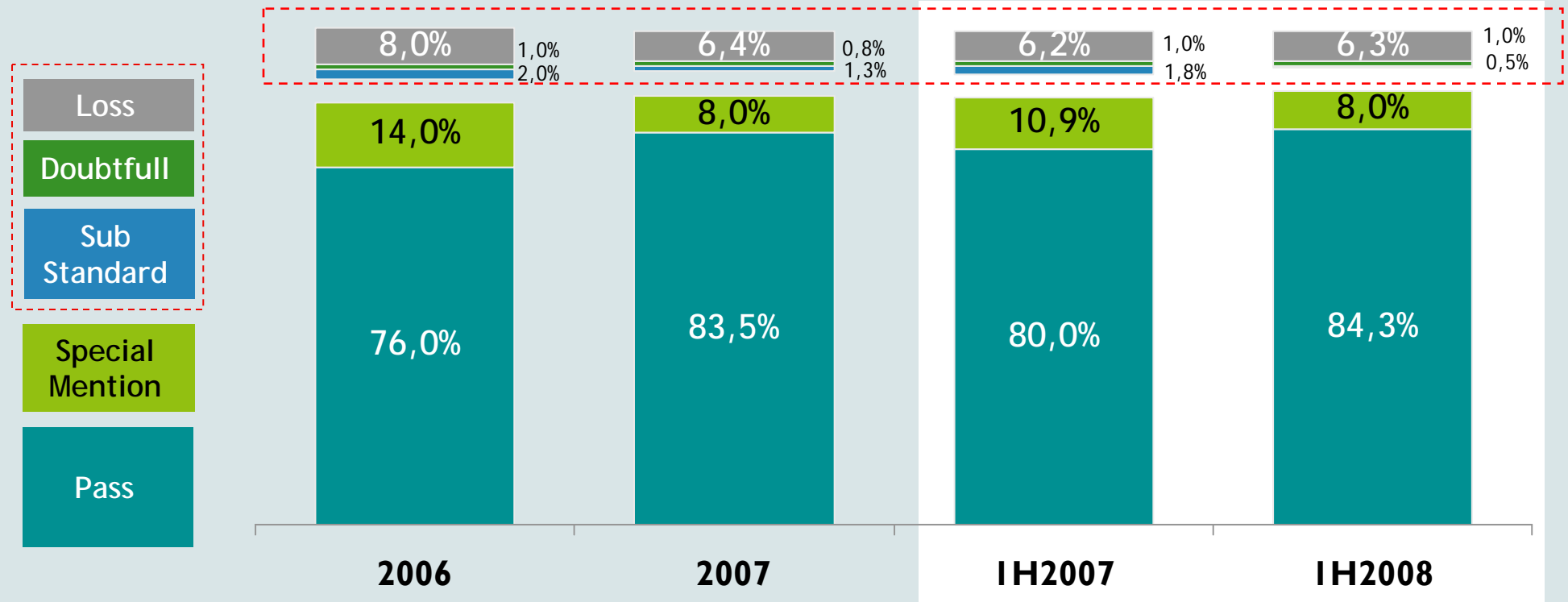
## Financial Ratios [%]

	2006	2007	IH2007	IH2008
<b>RENTABILITY</b>				
ROAA	1,2	0,5	1,2	0,5
ROAE	14,4	5,6	13,2	6,2
Net Interest Margin	5,2	5,0	4,4	6,1
<b>EFFICIENCY</b>				
BOPO	84,8	93,0	85,2	93,2
Cost to Income Ratio	60,1	64,6	57,9	52,4
<b>LIQUIDITY</b>				
Loan to Deposit Ratio	49,0	60,2	55,3	69,6
<b>COMPLIANCE</b>				
Statuary Reserve Requirement (Rupiah)	13,0	14,7	12,1	10,0
Net Open Position	6,8	5,9	6,4	6,6

# Loan Quality

# Healthier Loan Collectibility

■ Pass ■ Special Mention ■ Substandard ■ Doubtful ■ Loss

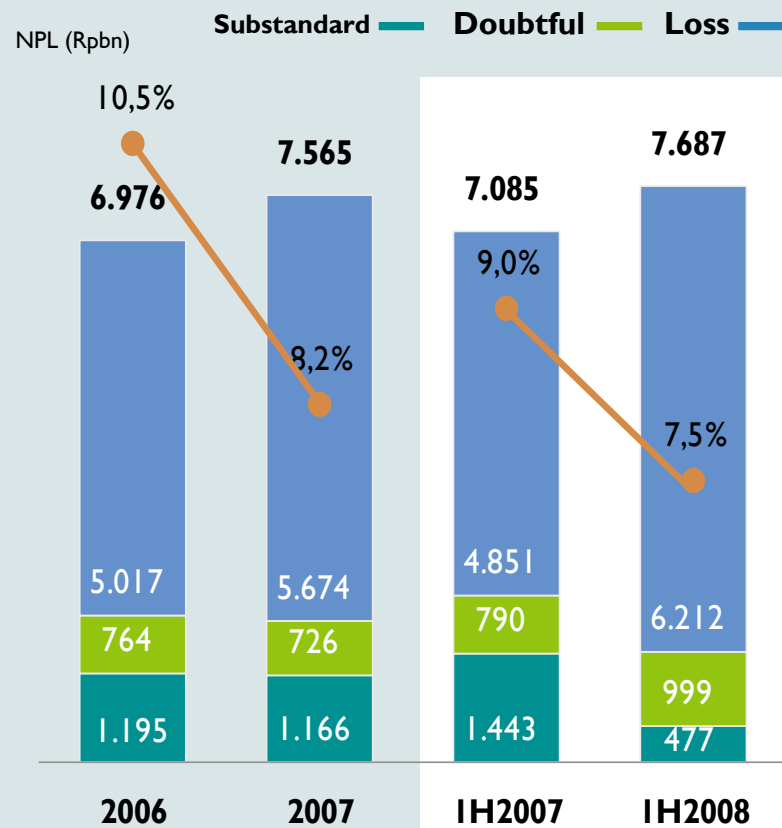


Total loans (Rp bn)	66.460	88.651	78.247	99.023

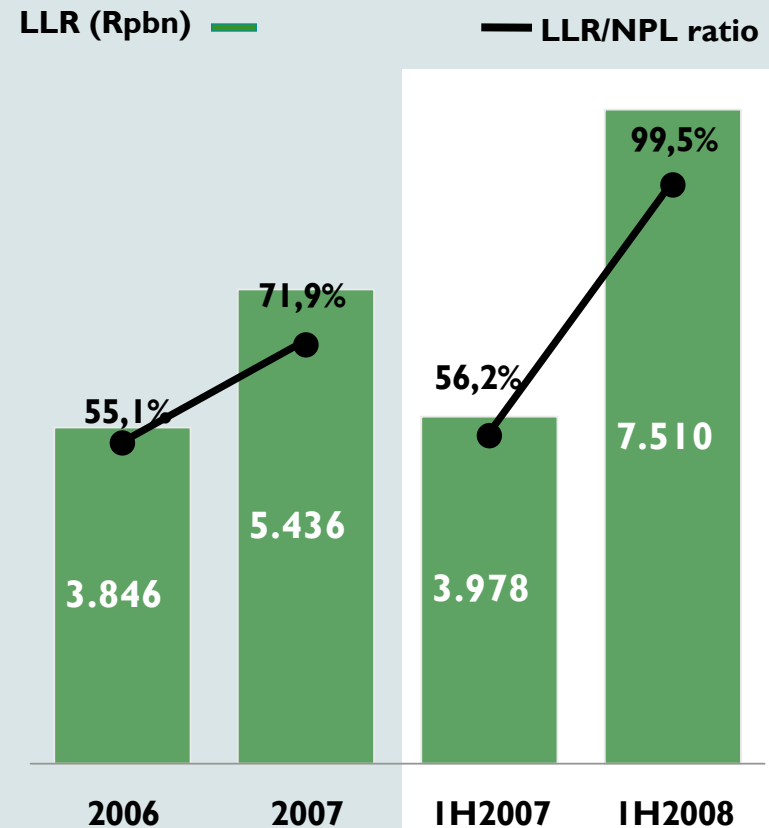


## Lower NPL and 100% Coverage Ratio Indicates BNI's Commitment to be a Prudent Bank

### Non-performing loans



### LLR/NPLs



Coverage Ratio [LLR/NPL] increased from 56,2% to 99,5% after new provisioning policy adopted

## Top 10 Debtors

No	Debtors by Industry	Type of banking arrangement	Total outstanding of loans (Rp bn)	Loan Classifications
1	Oil & Gas	Working Capital/ Investment	1.489	I
2	Electricity	Working Capital/ Investment	1.415	I
3	Oil & Gas	Investment	1.316	I
4	Chemical	Working Capital	1.316	I
5	Property	Investment	1.160	I
6	Telecommunication	Investment	1.020	I
7	Manufacture	Working Capital/ Investment	953	I
8	Construction	Working Capital/ Investment	764	I
9	Oil & Gas	Investment	738	I
10	Pulp & Paper	Working Capital/ Investment	669	2
<b>Total</b>			<b>10.906</b>	
<b>% of total loans</b>			<b>11,0%</b>	

## Top 10 NPL Debtors

No	Company, Industry	Type of banking arrangement	Total outstanding of loans (Rp bn)	Loan Classifications
1	Semen Bosowa Maros, Manufacturing	Investment	584	5
2	Prima Inreksa, Manufacturing	Working Capital	343	5
3	Duta Rendamulya, Plywood	Working Capital	191	4
4	Perwita Karya, Construction	Working capital	186	5
5	Himalaya Tunas, Textiles	Working capital	172	4
6	Jakarana Tama, Food industry	Working capital	141	5
7	Radiance, Food & Beverage	Working capital	132	4
8	Griya Pesona Mentari, Property	Working capital	120	4
9	Zidon Indonesia, Electronic	Investment Loan	118	5
10	Citra Insulindo Abadi, Construction	Investment Loan	109	5
			<b>2.097</b>	
			<b>% of total NPL</b>	<b>27,3%</b>
			<b>% of total loans</b>	<b>2,1%</b>

## Progress on selected NPL debtor

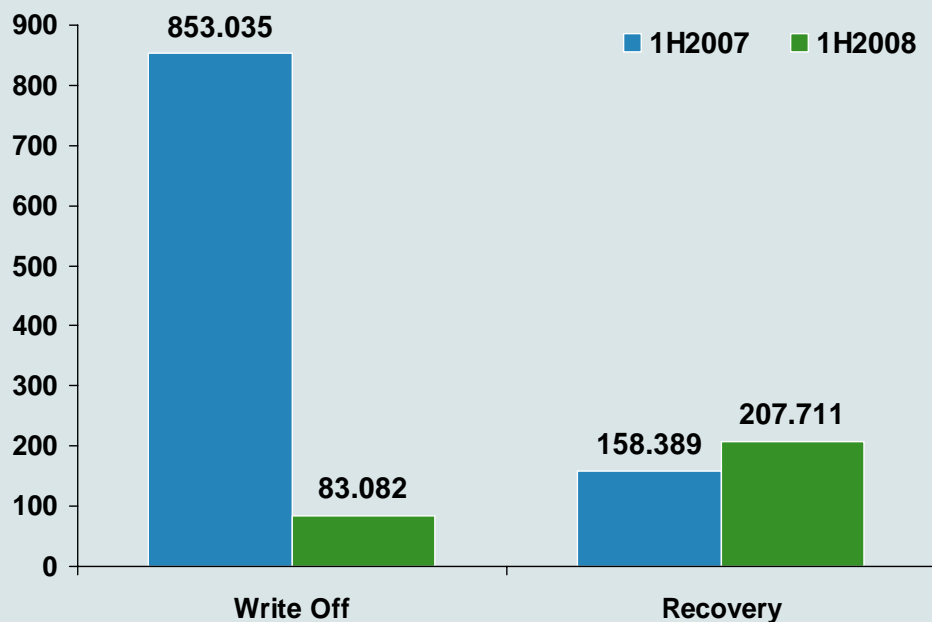
	Strategy	Action Plan
<b>Semen Bosowa Maros (Cement Industry)</b>	<b>Restructuring and an option to invite new investor or lender</b>	<ul style="list-style-type: none"> <li>• Loan restructuring scheme approved</li> <li>• Restructured Agreement to be signed in August 2008</li> </ul>
<b>Prima Inreksa (Textile Industry)</b>	<b>Loan restructuring</b>	<ul style="list-style-type: none"> <li>• Negotiation process with Adidas for 1 year contract</li> <li>• Seek partnership with other brand : Converse ( Nike Group), Puma (Germany) &amp; footwear manufacturer from Turkey</li> </ul>
<b>Duta Rendra Mulia ( Wood Industry )</b>	<b>Loan restructuring</b>	<ul style="list-style-type: none"> <li>• Assessment for restructuring process</li> <li>• Collateral valuation by Appraisal</li> </ul>
<b>Perwita Karya ( Construction )</b>	<b>Collateral execution</b>	<ul style="list-style-type: none"> <li>• Selling collateral amounted Rp. 22.5 billion, expected to be completed in December 2008.</li> </ul>
<b>Himalaya Tunas Texindo ( Textile Industry )</b>	<b>Loan restructuring</b>	<ul style="list-style-type: none"> <li>• As of June 2008 has settled arrears (ex-unpaid LC) amounted <math>\pm</math> USD 1.1 million. Remaining arrears (ex- unpaid LC) for USD 800 thousands will be settled in August 2008</li> <li>• Repayment of interest-due will be settled in Q3/ 2008</li> </ul>

## Progress on selected NPL debtor

	Strategy	Action Plan
Jakarana Tama (Instant noodle industry)	Sale of Collateral	<ul style="list-style-type: none"> <li>• Send <i>summons letter</i> to debtor</li> <li>• Selling collateral</li> </ul>
Griya Pesona Mentari (Property, Mall)	Loan restructuring	<ul style="list-style-type: none"> <li>• As of June 2008, debtor repaid <math>\pm</math> Rp.1.6 billion to reduce outstanding amount</li> <li>• Will seek new strategic investor.</li> </ul>
Zidon Indonesia (Industri Perakitan Elektronik)	Voluntary sale of asset	<ul style="list-style-type: none"> <li>• Asset sale to reduce loan outstanding</li> </ul>
Damai Indah Kaca tipis (Glass Industry )	Strategic Investor	<ul style="list-style-type: none"> <li>• Seek new Strategic Investor to continue the process of building the factory</li> </ul>
Citra Insulindo Abadi (Construction)	Sale of asset on voluntary basis & auction	<ul style="list-style-type: none"> <li>• Re-appraisal of collateral value.</li> </ul>

# Asset Recovery

## Write off & Recovery



	1H2007	1H2008	%
Write-off (Rp billion)	853,03	83,08	-90,3%
Recovery (Rp billion)	158,39	207,71	31,1%

- In 2007, BNI has not yet implement Government Decree No 33 on haircut policy.
- First phase implementation will be applied only to small-size debtor with NPL amount less than Rp 5 billion.
- Significant reduction on write-off loan in 1H2008 compared to last year.
- Proceed from recovery was used to increase provision and not accrued as income

# Risk Management

## Composite Risk Rating Profile

As of June 2008

Type of Risk	Inherent Risk		Risk Control System		Composite Risk
	Total Score	Risk Level	Total Score	Control Level	
<b>Loan :</b> <b>Loan portfolio            96%</b> <b>Treasury &amp; investment</b> <b>portfolio                    4%</b>	<b>65.52</b> <b>82.76</b> <b>66.20</b>	<b>Moderate</b>	<b>68.32</b>	<b>Strong</b>	<b>Moderate to Low</b>
<b>Market</b>	<b>59.99</b>	<b>Moderate</b>	<b>74.47</b>	<b>Strong</b>	<b>Moderate to Low</b>
<b>Liquidity</b>	<b>52.20</b>	<b>Moderate</b>	<b>77.38</b>	<b>Strong</b>	<b>Moderate to Low</b>
<b>Operational</b>	<b>68.55</b>	<b>Low</b>	<b>74.85</b>	<b>Strong</b>	<b>Low</b>
<b>Legal</b>	<b>92.04</b>	<b>Low</b>	<b>64.42</b>	<b>Acceptable</b>	<b>Low</b>
<b>Reputation</b>	<b>54.69</b>	<b>Moderate</b>	<b>77.75</b>	<b>Strong</b>	<b>Moderate to Low</b>
<b>Strategic</b>	<b>66.67</b>	<b>Moderate</b>	<b>66.86</b>	<b>Strong</b>	<b>Moderate to Low</b>
<b>Compliance</b>	<b>71.65</b>	<b>Low</b>	<b>75.27</b>	<b>Strong</b>	<b>Low</b>
<b>Overall Risk Rating</b>	<b>66.50</b>	<b>Moderate</b>	<b>72.41</b>	<b>Strong</b>	<b>Moderate to Low</b>

⑩ Skor improved from 63,65 (in Q1/2008) to 66,50 in Q2/2008.

⑩ Composite Risk Profile in June 2008 is "Moderate to Low"



# Bank Soundness

No	Factor	Rating					Brief Explanation
		1	2	3	4	5	
1	Capital		2				Capital is considered Good.
2	Asset Quality		2				Asset Quality is deemed Good.
3	Management		2				Management is considered Good.
4	Rentability		2				Rentability is considered Good.
5	Liquidity		2				Liquidity is Good
6	Sensitivity to market risk	1					Sensitivity to market risk is Very Good
COMPOSITE RATING			2				GOOD / HEALTHY



Thank you

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