



# Analyst Meeting

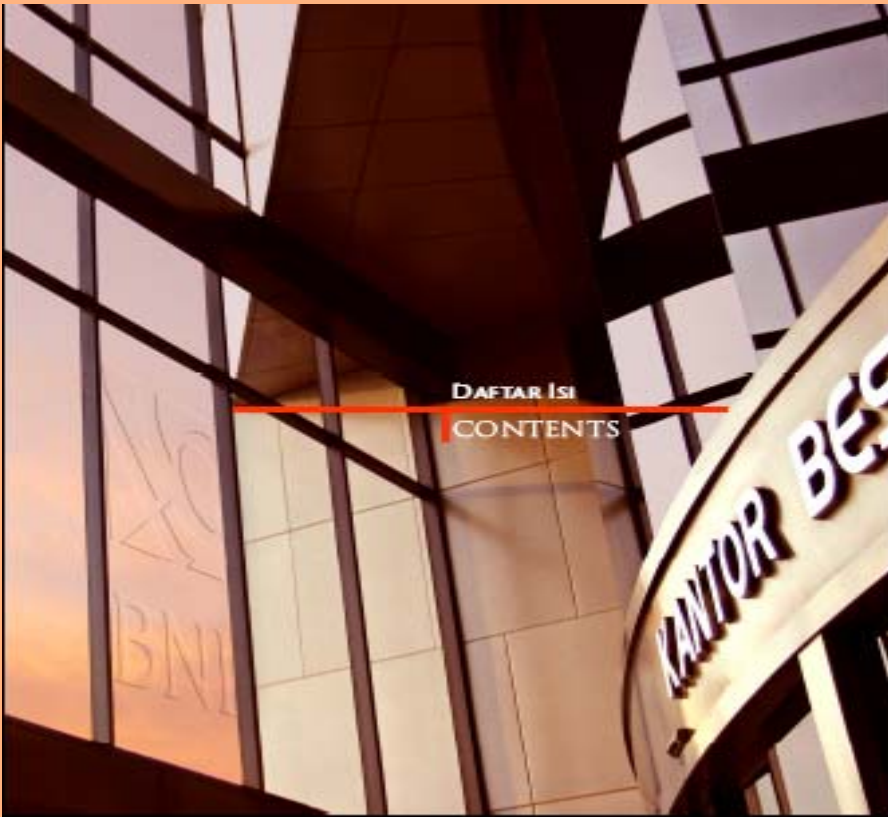
## Financial Performance – 3Q2007

PT Bank Negara Indonesia (Persero) Tbk  
October 25, 2007

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# Agenda

- I. Macro Economy Overview
- II. Strategy
- III. Progress & Achievement
- IV. Financial Performance
- V. Going forward



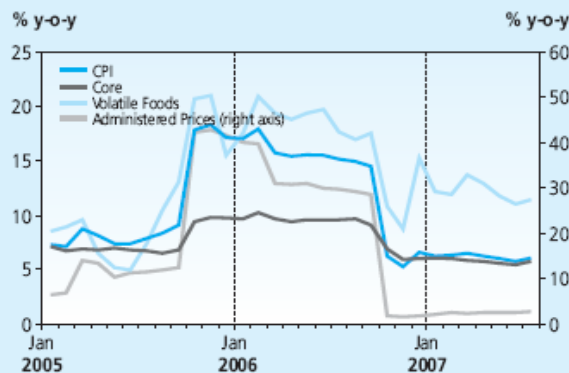
# Macro Overview



- I. Macro Indicators
- II. Banking Sector Overview

# Macro Overview

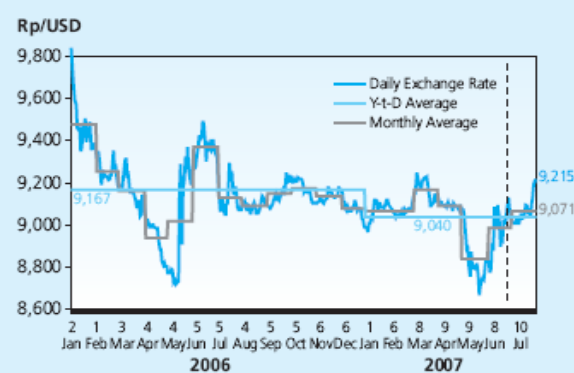
## CPI could be maintained in favorable level



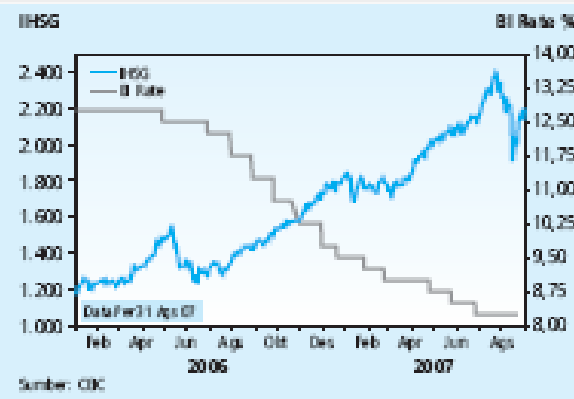
## The cut in the BI Rate to 8.25% started in July 2007



## Exchange rate stability - reinforced by the surplus in BoP



## JSX robust index performance was driven by foreign investor buying










- Indonesian economy was moving forward with steady expansion accompanied by relatively controlled levels of macroeconomic and financial system stability
- In Q3/2007, the economy is forecasted to achieve 6.2% growth on the strength of mounting exports and improved investment and private consumption
- Recent developments in the global economy, such as escalating oil prices, rising inflation in some countries in the region and deteriorating conditions in the US sub-prime mortgage market, have impacted regional economic conditions and financial markets

# Main Banking Industry Indicators until 30 September 2007

## Banking Sector Indicators

	2004	2005	2006	3Q07
Loan (in Rp tn)	559	696	792	893
Deposits (in Rp tn)	1,120	1,166	1,287	1,393
CAR (%)	19.42	19.30	21.27	20.57
NIM (%)	5.88	5.63	5.80	5.80
NPL (%)	3.31	7.96	5.62	5.48
ROA (%)	3.46	2.55	2.64	2.87
BOPO(%)	76.64	89.50	86.98	83.21
LDR (%)	49.95	59.66	61.56	64.16

Total Asset		Continue to grow, reaching Rp 1,820 T
Loan		Increase to Rp 893 trillion or grew by 12.76% year to date, along with Improving LDR up to 64.16%.
NPL		Still high (nominal value remain constant). % NPL slightly decreased due to increasing loan portfolio, Gross NPL 5.48% & Net NPL 4.96%.
Revenue		NIM relatively stable (around 5.80%) due to squeezing spread
Profitability		ROA tend to increase, averaging in 2.87%
Capital		CAR still sufficient, although slightly decreased from 21.27% to 20.57% (consider high in region)
Efficiency		Sideway trend of efficiency. Operating Expense to Operating Income (BOPO) still >80% (higher in region)

Management

# Board of Directors

## BNI Board of Directors



**Sigit Pramono**  
President Director/CEO

- Since Dec 2003
- Previously President Director of Bank International Indonesia



**Gatot Mudiantoro Suwondo**  
Vice President Director/ CFO

- Since May 2005
- Previously Director of Bank Danamon



**Fero Poerbonegoro**  
Managing Director (Treasury & Private Banking)

- Since Dec 2003
- Previously Director of Bank Central Asia



**Achmad Baiquni**  
Managing Director (Corporate)

- Since Dec 2003
- Previously Head of Personal Banking Business Development



**Bien Subiantoro**  
Managing Director (SME & Sharia)

- Since Dec 2003
- Previously Group Head of International Banking, Bank Mandiri



**I. Supomo**  
Managing Director (Risk Management)

- Since June 2003
- Previously SEVP of Bank Mandiri



**Suroto Moehadji**  
Managing Director (Operation)

- Since Dec 2003
- Previously Head of Operations



**Kemal Ranadireksa**  
Managing Director (Consumer)

- Since Dec 2003
- Previously Regional Head, Bank Mandiri, Bandung



**Achil Ridwan Djayadiningrat**  
Managing Director (Compliance and Human Resource)

- Since Dec 2003
- Previously a member of expert staff to Board of Governors, Bank Indonesia

# Board of Commissioners

## Board of Commissioners



**Zaki Baridwan**  
President Commissioner

- Since Feb 2000
- Active as professor in Gajah Mada Univ., Association of Indonesian Accountants



**Suwarsono**  
Vice President Commissioner  
(Independent)

- Since July 2005
- Previously Commissioner to PT Bank Kesejahteraan Ekonomi



**Effendi**  
Commissioner

- Since July 2005
- Assistant Deputy of Financial Services to Ministry of State Owned Enterprises



**H.M.S Latif**  
Commissioner

- Since May 2005
- Previously President Director of PT Bank Syariah Ikhwanul Ummah



**Felia Salim**  
Commissioner (Independent)

- Since July 2004
- Previously Vice Chairman of IBRA



**Achjar Iljas**  
Commissioner (Independent)

- Since January 2004
- Previously Deputy Governor of Bank Indonesia



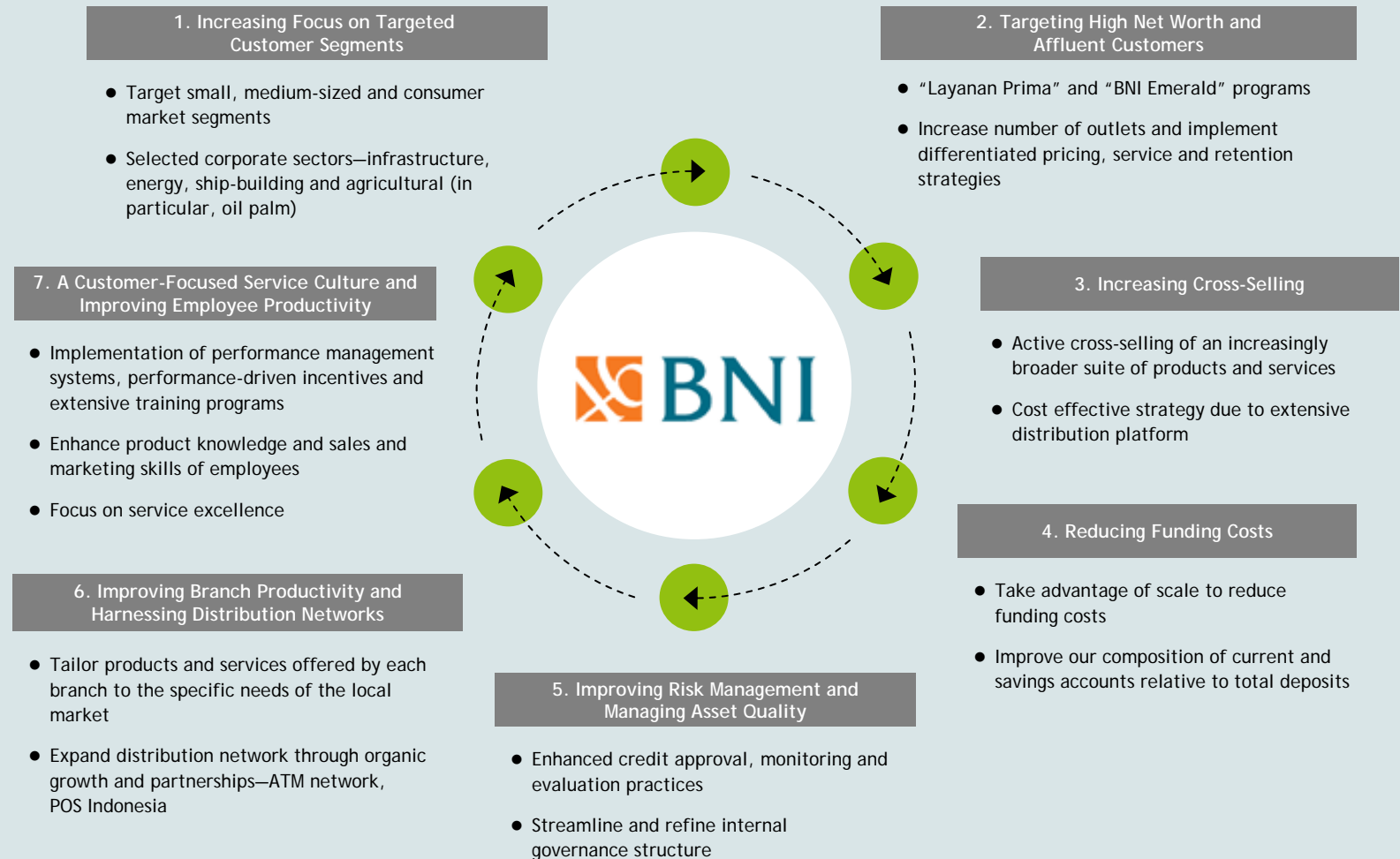
**Parikesit Suprpto**  
Commissioner

- Since May 2007
- Expert staff in area of Small Business Partnership, Ministry of State Owned Enterprises



## Strategy & Progress

# Key management strategies



# Strategy

## Key strategies

## Progress to date

### Increasing Focus on Targeted Customer Segments

- Target SME and consumer market segment (targeted composition of 40% corporate loan and 60% non-corporate loan). At the end of Q3/2007 the composition is 41% and 59%
- In SME segment, BNI product champion is BNI Wirausaha (launch in April 2007) with outstanding amount of Rp 866 billion at the end of September 2007
- In consumer segment, BNI product champion is BNI Griya amounted to Rp 4 trillion
- Large corporate loans served through syndication

### Targeting High Networth & Affluent Customers

- Launch of BNI Emerald in March 2007. As of September 2007, outstanding balance reached Rp 9.8 trillion with almost ten thousands Emerald customer
- Offer various product to BNI Emerald customer, in cooperation with other financial institutions (securities, mutual fund, insurance company) to generate fee income
- Merge bancassurance business to BNI Private Banking to serve wider customer base

### Reducing Funding Costs

- Maintain a healthy funding mix, with targeted composition of 40% time deposit and 60% current account + savings. As of Q3/2007 the composition is 43% : 57%
- Aggressive promotional campaign to increase number of customer and outstanding of BNI Taplus, anchor product for saving account

### Increasing cross selling

- Expand consumer loan by acquiring new customer from cross selling of corporate and SME loan to employees of borrowers company
- Include cross selling as parameter of key performance indicator

# Strategy

## Key strategies

## Progress to date

### Improving Risk Management & Managing Asset Quality

- Improve loan approval process by implementation of four eyes principles
- Improve loan monitoring process through loan centers.
- Close monitor to pre-NPL portfolio
- Restructure potential NPL and execute with settlement program for non-potential NPL. At the end of September 2007, NPL has decreased to Rp 6.6 trillion from Rp 10.2 trillion last year

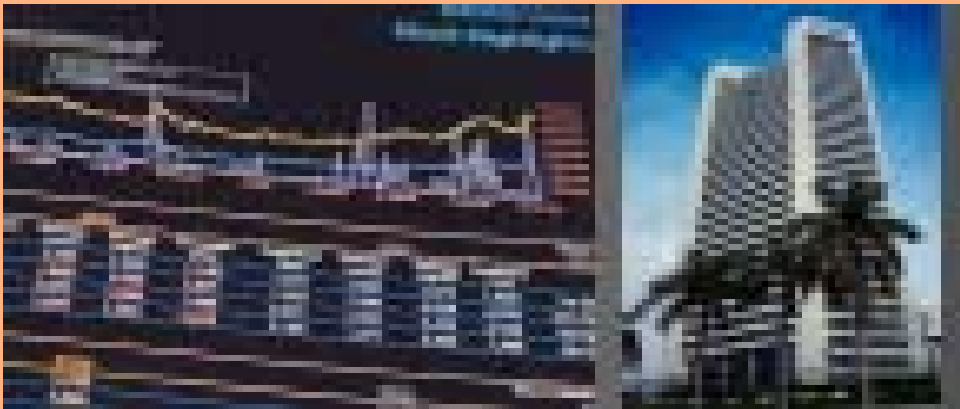
### Improving Branch Productivity & Harnessing Distribution Networks

- Optimize IT network & system performance after implementation of new IT platform (centralized system) in 2006 at all branches to increase cost efficiency
- Expand distribution network, especially ATMs and loan centers
- Extensive distribution network allows BNI to penetrate broader market and respond to specific local needs

### Customer-focused Service Culture & Improving Employee Productivity

- Enhance employees product knowledge and sales skills through extensive training program (including massive training in service excellence)
- Create a performance driven culture with implementation of performance management system which linked to reward & incentives policy
- Reducing number of employees in back-office function to be assign to marketing function, along with improvement in IT system and efficiency program

# Achievement



- I. Highlight of SBU's
- II. Highlight of BNI Corporate Social Responsibility Program

# Highlight of SBU's achievement

## CORPORATE & SYNDICATION BUSINESS

- Corporate loan as of 3Q/2007 recorded at Rp 26.78 trillion, an increase by 27% from Rp 21.12 trillion last year. Of which, infrastructure-related project contributes Rp 15.92 trillion, consist of : power plant (28%), toll-road & construction (26%), oil & gas (26%), telecommunication (11%) & transportation (8%)
- All toll-road project are syndication. During 2007, BNI has engaged in syndication to finance 9 toll-road project worth Rp 20 trillion, where BNI portion amounted to Rp 6.67 trillion and expected to be disbursed within 3 years.
- Top 10 corporate borrower with outstanding loan of Rp12.30 trillion, all classified as current loan.
- Completion of restructuring of corporate NPL during January – September 2007, which contribute to bring down corporate NPL from Rp 2.89 trillion to Rp 1.92 trillion.

## SME BUSINESS

- Medium-size loan grew by 28 % from Rp 13.7 trillion in 2006 to Rp 17.57 trillion which extended to 1073 borrower (from 896 borrower last year).
- BNI market share of medium-size loan increase from 8.41% (December 2006) to 8.94% (September 2007).
- Small-size loan grew by 26.3% from Rp.12.75 trillion to Rp 16.09 trillion (Q3/2007). With intensive marketing of BNI Wirausaha and BNI Tunas Usaha, this segment is expected to grow 28% until the end of 2007.
- During January – September 2007, BNI has established 3 Small-loan Center and 2 Medium Loan Center to capture potential market and speed-up penetration to SME segment to become 50 Small Loan Center and 19 Medium Loan Center. In addition, BNI also established 63 Unit Loan Center during the year.

# Highlight of SBU's achievement

## CONSUMER LOAN

- Total consumer loan at the end of September 2007 reached Rp 12.03 trillion from Rp 9.65 trillion, an increase of 25% from September 2006.
- Source of growth is BNI Griya, as product champion which grew significantly from Rp.2.62 trillion to Rp.4.05 trillion, which accounted for 40% of total consumer loan (previously only 30% of total consumer loan).
- In addition, BNI credit card business maintain its position as market leader (ranked 2nd after Citibank) with outstanding amount of Rp 2.00 trillion.
- To boost consumer loan, all 12 Consumer Loan Centers has electronic Loan Origination (e-LO) system in place to speed up loan approval process

## CONSUMER FUNDING

- BNI Taplus, as the key driver of savings account has increased significantly to Rp 42 trillion (September 2007) with approximately 7.85 million account.
- Launched BNI SMS banking and internet banking. Until September 2007 SMS Banking already processed 6 million transaction from 281 thousand active user. BNI SMS banking is the only one which could be accessed with all cellular provider.
- Consumer funding has benefited from extensive distribution network with 2.325 ATMs (ranked 3<sup>rd</sup> after BCA and Bank Mandiri).
- ATM service level continue to improve, from 98.59% (June 2007) to 98.83 (September 2007)
- As member of ATM-Link, the usage of BNI ATM has reached 39% of total ATM-Link transactions which is the highest among ATM-Link member

## Highlight of BNI CSR Program (July – September 2007)



BNI launch “Indonesia Menabung” minivan (for West Jawa & Central Jawa areas) in connection with national campaign to educate student on saving culture

Build and operates 12 health care clinic in cooperation with MER-C, as part of BNI program to build 60 BNI health clinic nationwide



BNI build hygienic water processing facility for village people in Pacitan, East Jawa

Rejuvenation and rehabilitation of National Park in Bromo, East Jawa



Contribution to support rehabilitation of Taman Kali Malang, Jakarta

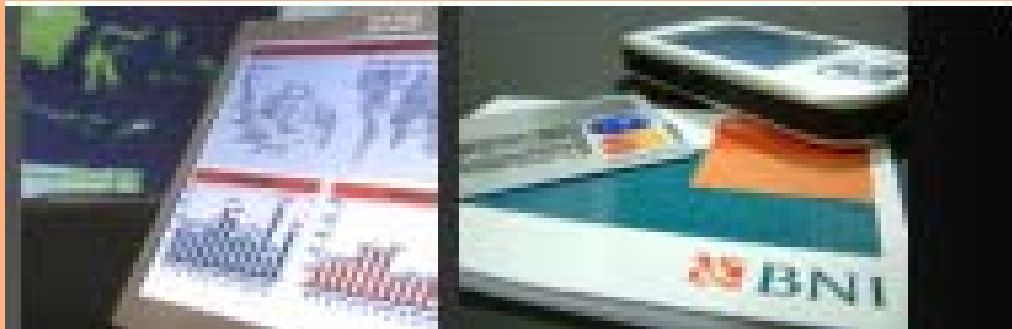
Outstanding of Partnership Loan at the end of September 2007 amounted Rp 69.5 billion\*) allocated to 3.377 entrepreneurs [*mitra binaan*].

\*) In 2007, allocation of partnership loan is Rp 28 billion, and Rp 38 billion for community development (up to September 2007, Rp 31 billion has been disbursed for community development program)



# Financial Performance

3Q-2007



- I. Balance Sheet
- II. Profit & Loss
- III. Key Ratios
- IV. Asset Quality

## Balance sheet highlights

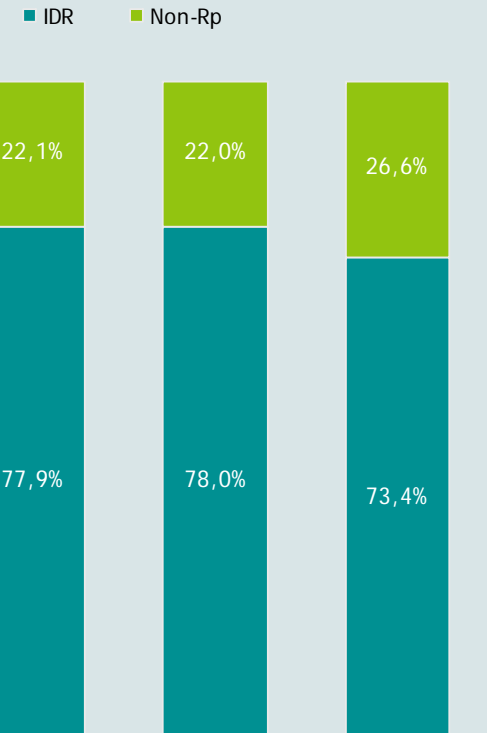
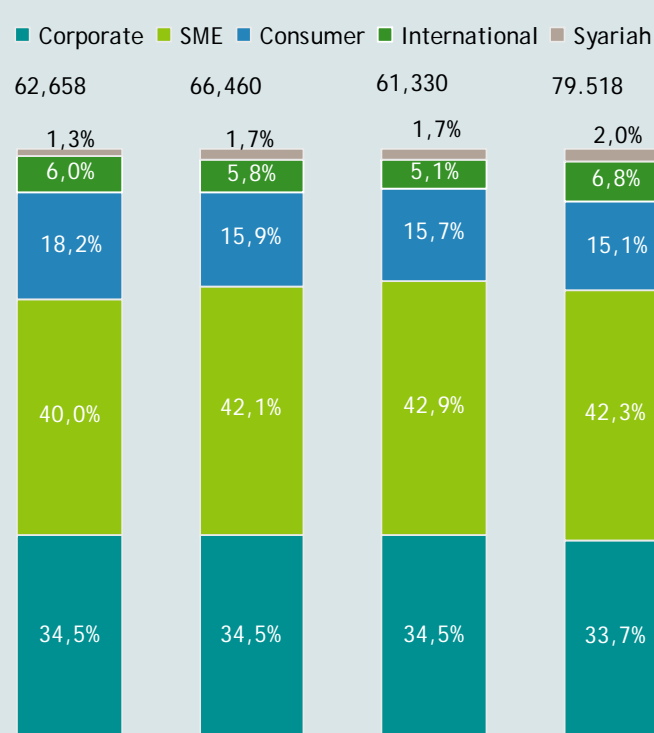
Balance sheet highlights					
Rpbn	2005	2006	3Q2006	3Q2007	Growth
Total assets	147,812	169,416	157,513	172,484	9.5%
Cash	2,844	2,695	2,777	2,708	-2.5%
Placement with other banks and Bank Indonesia	19,554	30,327	25,774	27,455	6.5%
Marketable Securities	3,773	4,956	4,420	5,268	19.2%
Government bonds	37,444	41,227	41,958	37,625	-10.3%
Total loans	62,659	66,460	61,330	79,518	29.7%
Customer deposits	115,372	135,797	126,322	133,976	6.1%
Total liabilities	135,891	154,597	144,362	153,635	6.4%
Total equity	11,895	14,794	13,127	18,824	43.4%

...Toward 40 : 60  
(corporate vs non-corporate)...

## Well-balanced loan portfolio composition

Increasing middle market focus (% , Rp bn)

Rp vs. non-Rp loans (%)



2003 2004

2005

2006

3Q2006

3Q2007

2005

2006

3Q2006

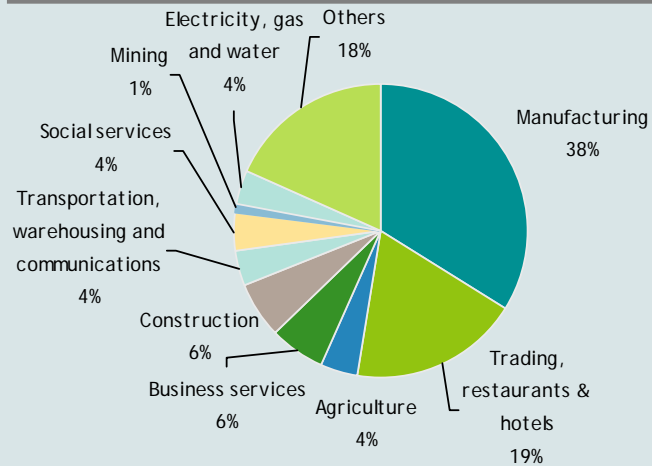
3Q2007

Branch:	907	950	950	972	972	972
Small Loan Center:	0	43	45	47	47	50
Medium Loan Center:	0	12	14	17	17	19
Consumer Loan Center:	0	2	12	120	12	12

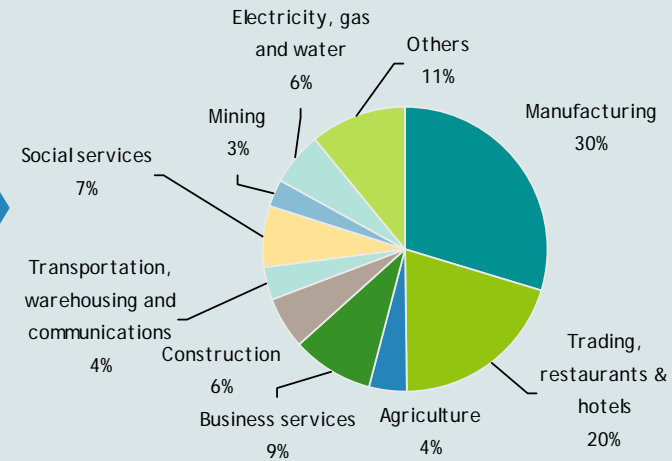
...moving to better loan concentration  
since December 2005...

## Reduced loan concentration

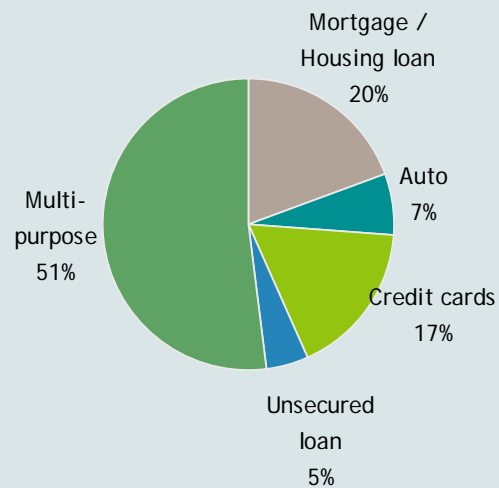
Loans by Economic Sector - December 31, 2005



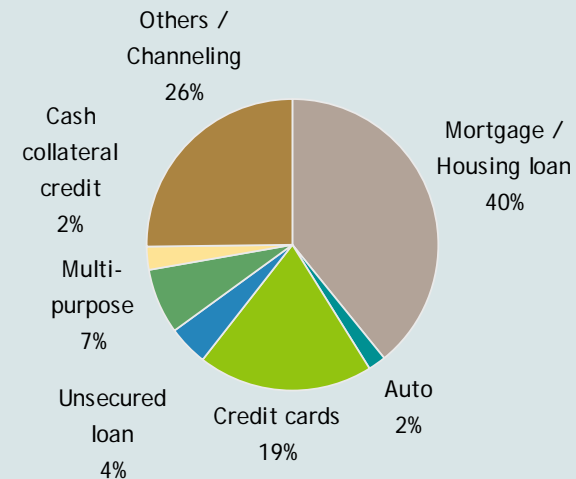
Loans by Economic Sector - September 30, 2007



Consumer Loan Composition - December 31, 2005



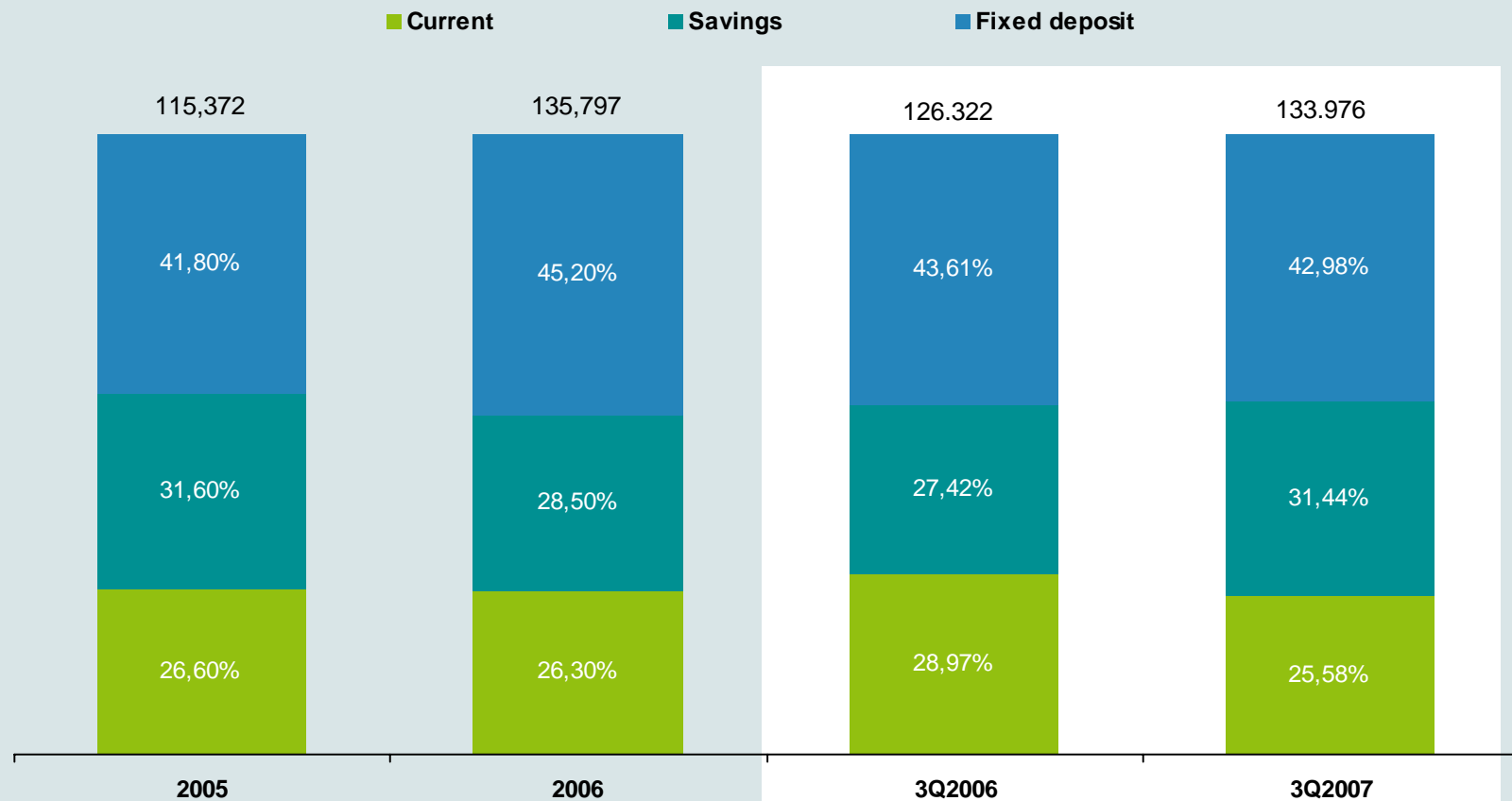
Consumer Loan Composition - September 30, 2007



...Better CASA ratio from 56.4% to 57.0%  
(September 2006 - 2007 YoY)...

## Breakdown of deposits

Breakdown of BNI deposits (Rp bn) + Cost Of Fund (%)



# Income statement highlights

## Income statement highlights

Rpbn	2005	2006	3Q2006	3Q2007	Growth
Interest income <sup>1</sup>	12,707	15,044	11,339	11,291	-0.4%
Interest expense <sup>1</sup>	(5,536)	(7,667)	(5,723)	(5,909)	3.3%
Net interest income	7,172	7,377	5,617	5,383	-4.2%
Non-interest income	2,101	2,861	1,862	3,089	65.9%
Operating income	9,273	10,238	7,479	8,472	13.3%
Operating expenses <sup>2</sup>	5,752	6,258	4,359	5,088	16.7%
Annual loan loss provisions	(1,256)	(1,319)	(1,058)	(1,173)	10.9%
Net income before tax and minority interest	2,256	2,840	2,022	2,257	11.7%
Net income	1,415	1,926	1,405	1,556	10.7%
Net Income Per Share [Rp] <sup>3</sup>	93	126	92	102	10.7%

<sup>1</sup> Includes fee and commission income/expense

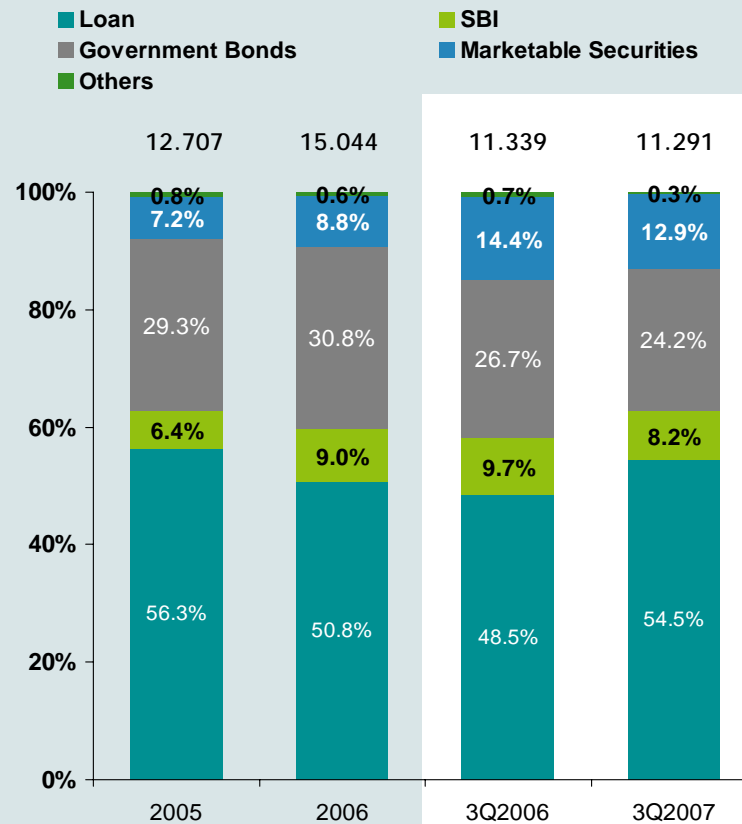
<sup>2</sup> Operating expenses exclude annual loan loss provisions

<sup>3</sup> Adjusted plus new issued shares

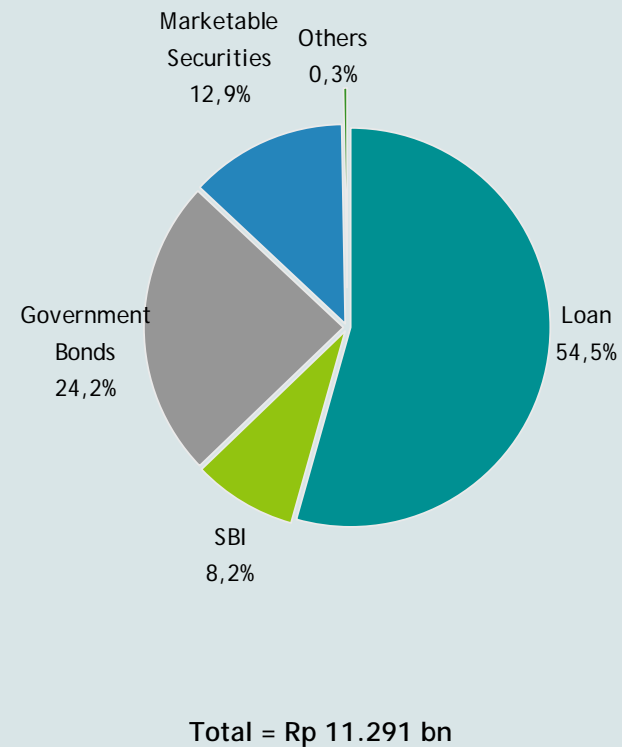
...Steady increase of Interest Loan contribution,  
Better Intermediaries Function...

## Well balanced interest income composition

Key highlights of interest income



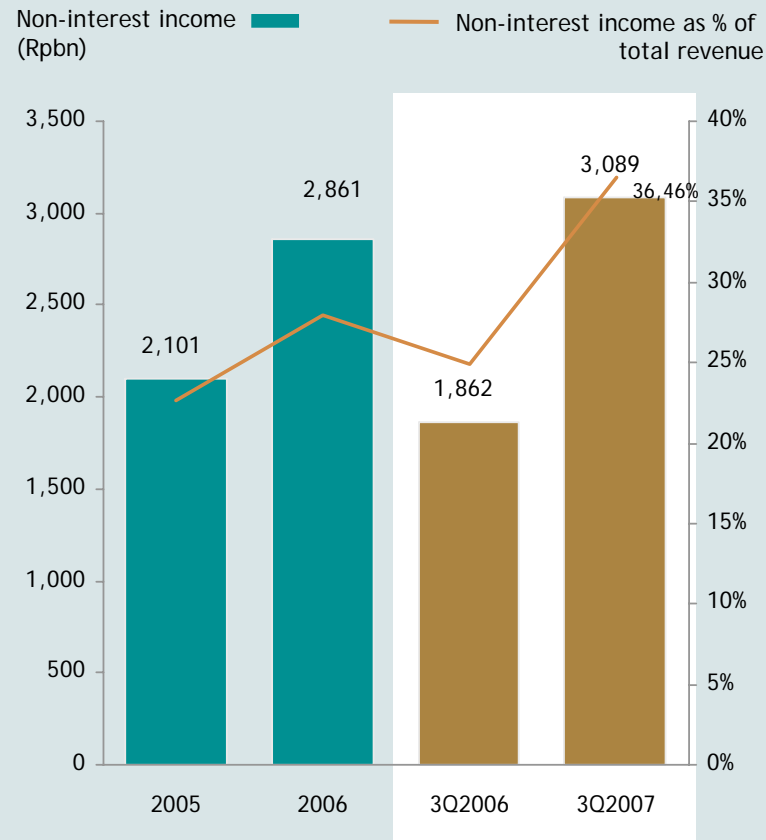
Breakdown of interest income (as of September 2007)



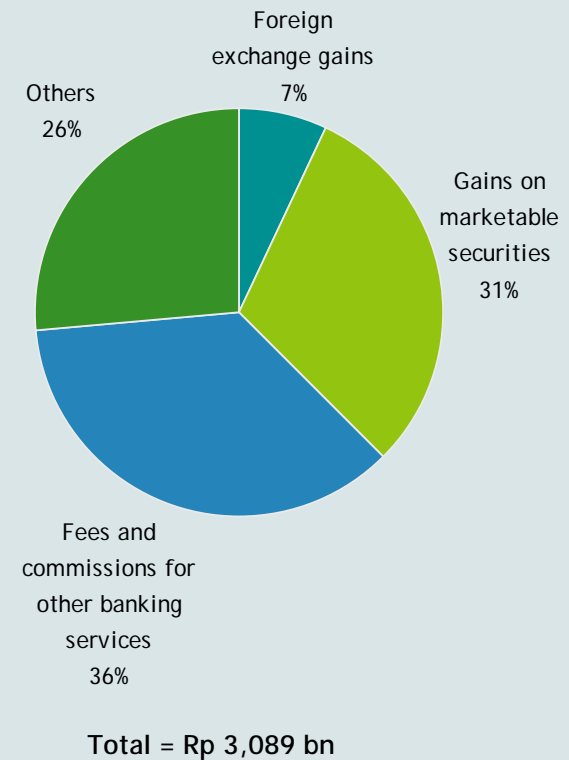
# Growing non-interest income

...Robust Fee Based Income Sources...

Key highlights of non-interest income



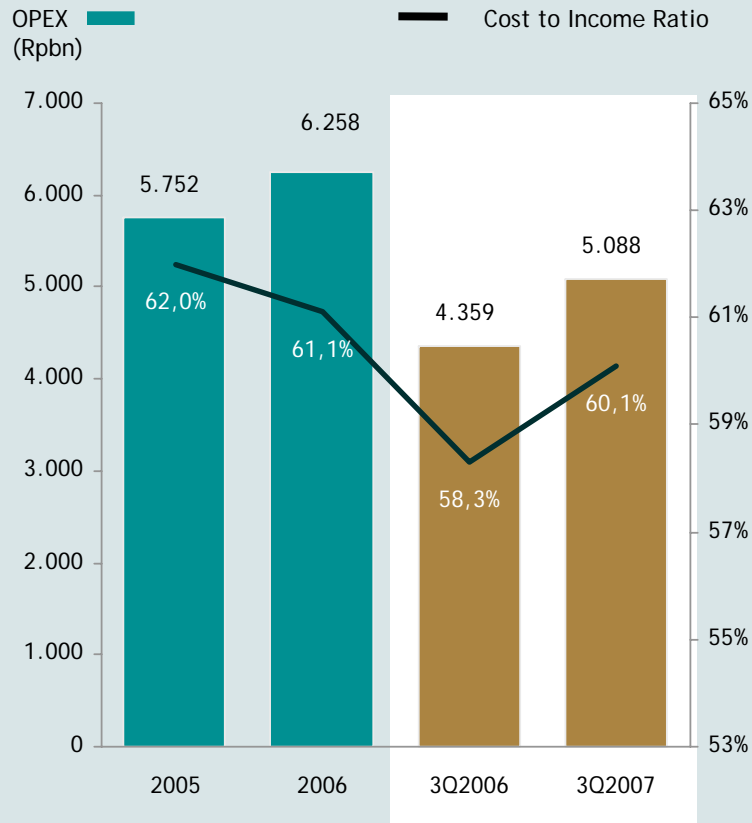
Breakdown of non-interest income (as of September 2007)



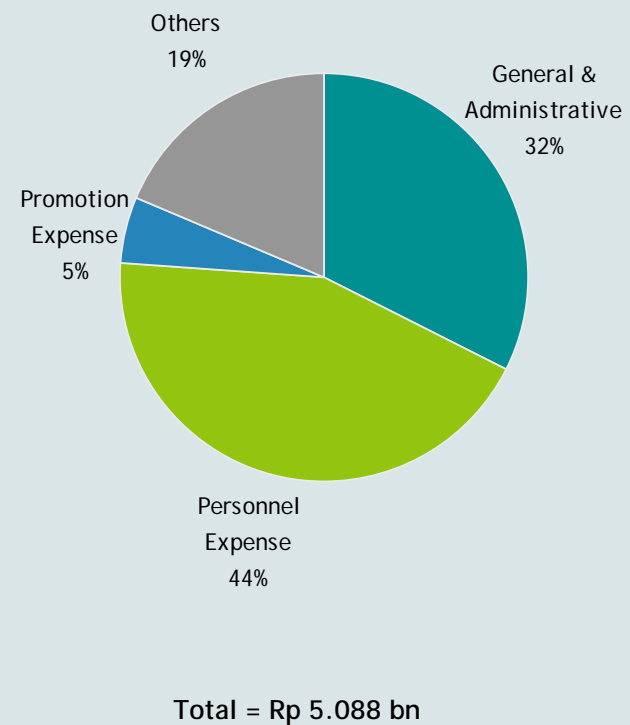


# Operating Expense

Key highlights of OPEX compare to CIR



Breakdown of OPEX (as of September 2007)



## Financial Ratio

	2005	2006	3Q-2006	3Q-2007
<b>Capital</b>				
Shareholders equity to total assets	8,1%	8,7%	8,33%	10,91%
Tier I - CAR	8,5%	10,0%	10,44%	12,97%
Tier II - CAR	8,3%	6,1%	6,84%	5,21%
CAR [After Adjustment for Market Risk]	16,0%	15,3%	16,5%	17,6%
<b>Asset Quality</b>				
Net NPL	8,4%	6,6%	11,6%	4,7%
Gross NPL	13,7%	10,5%	16,6%	8,3%
Allowance for Possible Loan Losses to Gross NPL	50,4%	55,1%	40,0%	62,3%
Requirement for Provision of Earning Assets	102,3%	100,0%	136,9%	117,6%

## Ratio's continue...

	2005	2006	3Q-2006	3Q-2007
<b>Rentability <i>[bank only]</i></b>				
ROA	1,6%	1,8%	1,81%	1,74%
ROAA	1,0%	1,2%	1,30%	1,20%
ROE	12,6%	22,4%	22,20%	19,81%
ROAE	11,2%	14,4%	14,30%	13,60%
NIM	5,8%	5,3%	5,46%	4,86%
<b>Efficiency</b>				
BOPO	84,7%	85,1%	84,38%	83,88%
CIR	62,0%	61,1%	58,28%	60,05%
<b>Liquidity</b>				
LDR	54,2%	49,0%	48,55%	59,42%
<b>Compliance</b>				
Statuary Reserve Requirement (Rupiah)	11,4%	13,0%	12,08%	11,13%
NOP [Net Open Position]	8,2%	6,8%	5,58%	5,05%

## BNI ratings

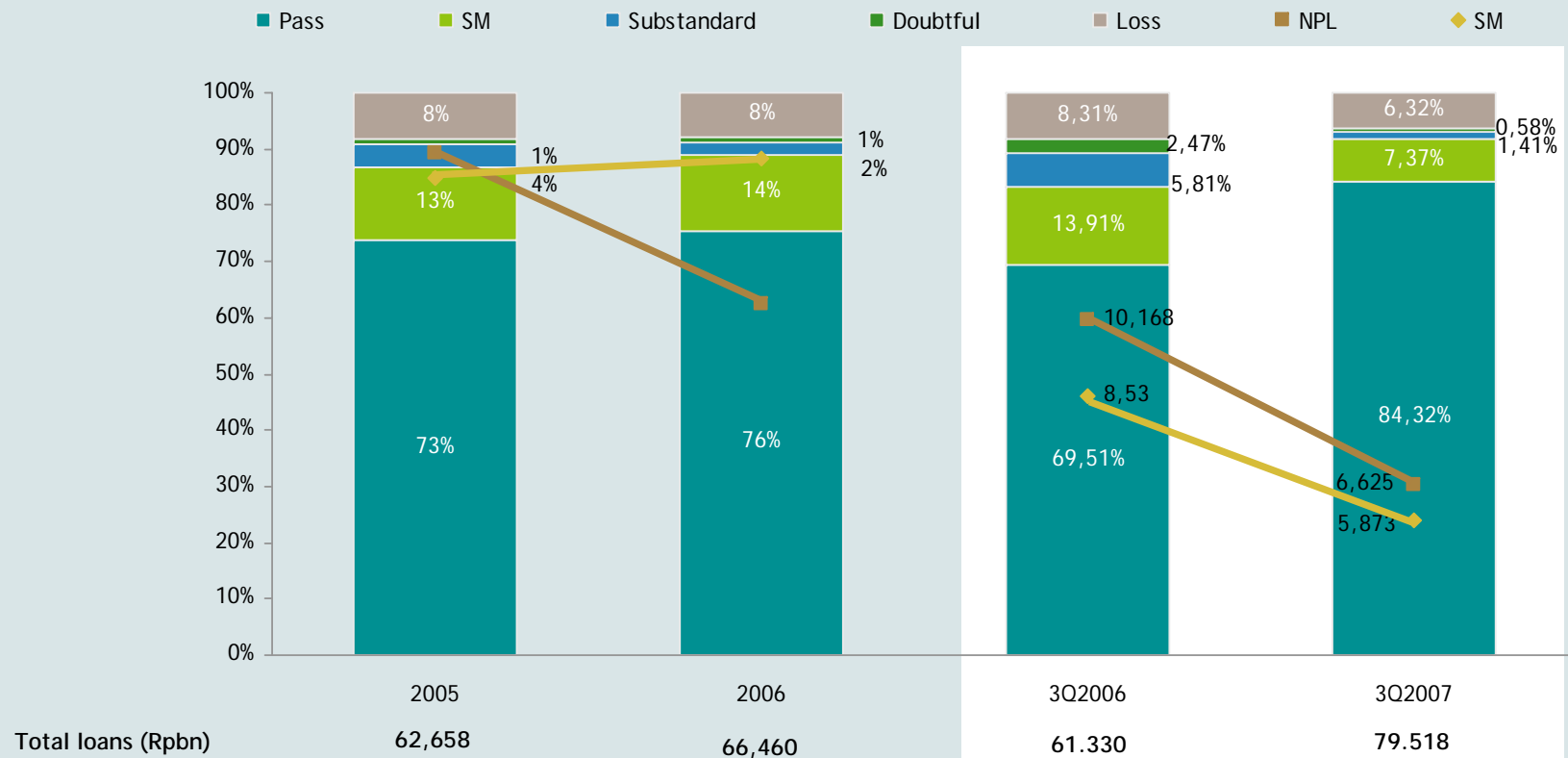
...Improving Market Confidence...

		1Q-2007	3Q-2007
<b>Fitch Rating</b>	National long term rating Long term foreign & local currency Short term foreign & local currency Individual rating Outlook	A+ (idn) BB- B D Stable	A+ (idn) BB/Positive B D Positive
<b>Standard &amp; Poor's</b>	Credit rating Senior unsecured rating Subordinated rating	B+/Stable/B B+ B-	B+/Stable/B B+ B-
<b>Moody's</b>	Long term subordinated debt rating Deposit rating Bank Financial Strength Rating Outlook	Ba3 B2 D- Stable	Ba2 B1 D- Stable
<b>Pefindo</b>	Corporate rating Bond 1 Subordinated	<sub>id</sub> A/Stable <sub>id</sub> A/Stable <sub>id</sub> A-/Stable	<sub>id</sub> AA-/Stable <sub>id</sub> AA-/Stable <sub>id</sub> A+/Stable

# Asset Quality

# Loan collectibility of BNI

Loan collectibility of BNI (%)



Loan Quality Improvement

# Tackling loan quality issues

## Non-performing loans

Substandard — Doubtful — Loss — NPL ratio

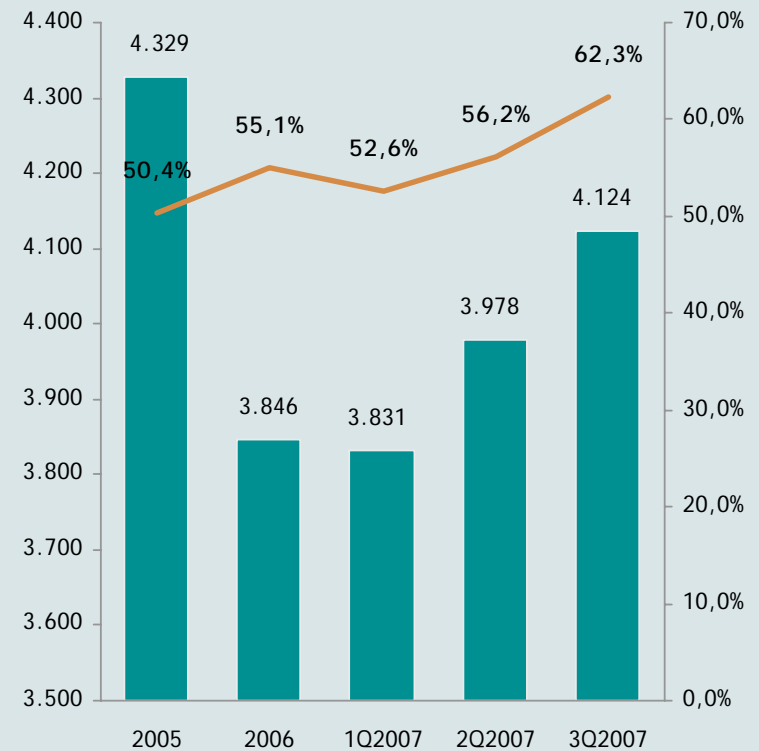
NPL (Rpbn)



## LLR/NPLs

LLR (Rpbn)

LLR/NPL ratio

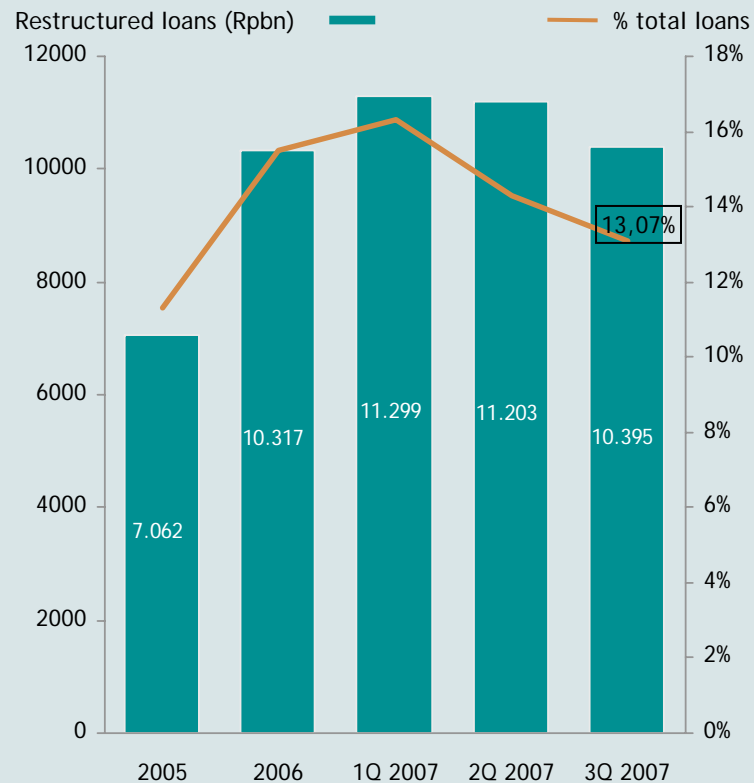


Better loan quality & Improve prudentiality

Source: Company data

# Restructured loans

Movement of restructured loans



Key highlights

- Rp10,395bn in restructured loans as of September 2007, compared to Rp10,317bn as of Dec 2006
  - Equivalent to 13.07% of total loans as of September 2007 and 15.50% as of Dec 2006
- Restructured loans as of September 2007
  - 43.05% are classified as Performing
  - 24,15% are classified as Special Mention
  - Primary sectors are still in manufacturing and trading, restaurant and hotels
- Restructuring involves
  - Extending tenure of loan
  - Waiving past-due interest
  - Interest rate adjustment
- NPLs restructured on a case-by-case basis for debtors with good operating prospects to ensure value maximization
- Prohibition from giving “haircuts” result in non “apples-to-apples” comparison with private banks

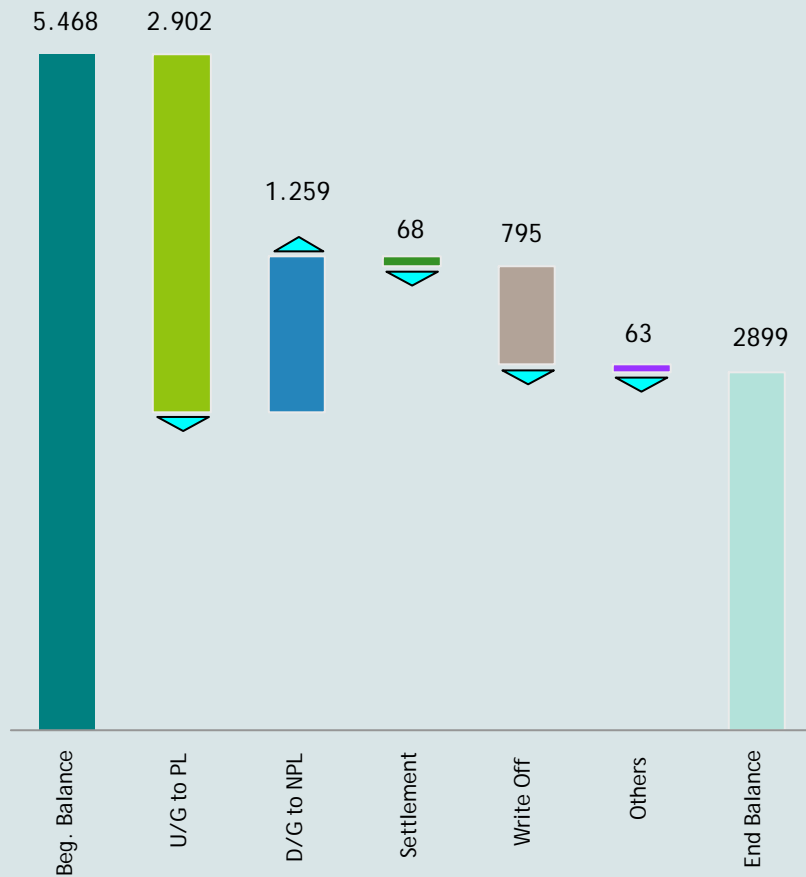
More aggressive & comprehensive measures on NPLs handling

Source: Company data

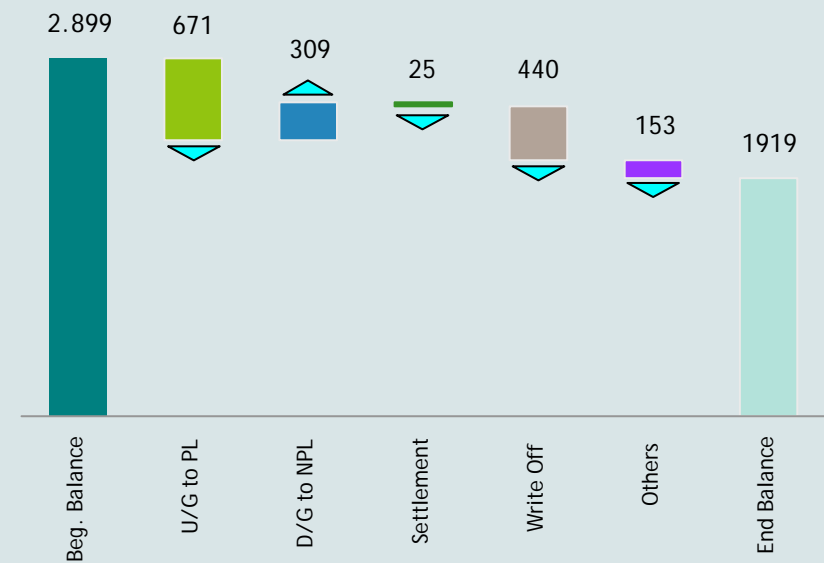


# NPL MOVEMENT — CORPORATE LOANS

Corporate NPL movement for Dec 2005 - Dec 2006 (Rp bn)



Corporate NPL movement for Dec 2006 - Sep 2007 (Rp bn)



# Top 10 loans and NPLs

## Top 10 Loans

No	Industry	Total Balance (Rp mm)	Total Non-funded (Rp mm)	Total Funded and Non-funded (Rp mm)	Maximum Total Funded and Non-funded (Rp mm)	Loan Classification
1	Mining <sup>1</sup>	1.189	1.297	2.486	3.475	1
2	Electricity, water and gas <sup>2</sup>	2.286		2.286	2.286	1
3	Electricity, water and gas <sup>1</sup>	1,513	—	1,513	1,513	1
4	Business Services	1.378	—	1,378	1,379	1
5	Gas	399	914	1.314	2.246	1
6	Telecommunication	1.180	-	1.180	1.600	1
7	Manufacturing	701	215	917	1.151	1
8	Construction <sup>1</sup>	371	489	859	1.225	1
9	Manufacturing, Paper	739	-	739	829	1
10	Electricity, Gas, & Water	716	-	716	830	1
<b>Total</b>		<b>10.473</b>	<b>2.915</b>	<b>13.389</b>	<b>16.537</b>	
<b>% of total loans</b>				<b>16,8%</b>		

## Top 10 NPLs

No	Industry	Type of banking arrangement	Total outstanding principal balance of loans (Rp bn)	Loan classification
1	Manufacturing	Investment	584	5
2	Construction	Working Capital	186	5
3	Food & Beverage	Working capital	144	5
4	Leasing	Working capital	109	3
5	Chemical	Working capital	109	5
6	Transportation	Working capital	108	5
7	Manufacturing	Working capital	107	5
8	Textile	Working Capital	102	3
9	Textile	Investment, Working capital	93	3
10	Manufacturing	Working capital	85	5
<b>Total</b>			<b>1.628</b>	
<b>% of total NPLs</b>			<b>24,57%</b>	
<b>% of total loans</b>			<b>2.05%</b>	

Source: Company reports

<sup>1</sup> Individual corporate borrowers

<sup>2</sup> Corporate group borrowers

## Going Forward

# Major Achievement



# Going forward

## ❑ **LOAN EXPANSION**

- Focus loan expansion to segments with higher margin :
  - SME segment (through BNI Wirausaha & BNI Tunas Usaha)
  - Consumer segment (through BNI Griya)
- Grow corporate loan in selected infrastructure project through syndication

## ❑ **ASSET QUALITY IMPROVEMENT**

- Continue NPL restructuring program to potential borrower
- Litigation to uncooperative NPL borrower

## ❑ **REDUCE FUNDING COST**

- Increase savings & current account, through aggressive promotion program, product development, adding new features to ATMs, and cross selling effort.
- Leverage BNI extensive distribution network by increasing efficiency in each distribution channel

## ❑ **BUILD PERFORMANCE CULTURE**

- Next phase of Performance Measurement System & implementation of advanced management tools (Malcolm Baldrige Criteria for Performance Excellence, Six Sigma, etc)
- Improve service level and service quality

## ❑ **SOURCE OF FUTURE GROWTH**

- Accelerate business growth by organic and non-organic growth



Thank you

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