



# Analyst Meeting

## FY 2007

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

**Disclaimer:** This report has been prepared by **PT Bank Negara Indonesia (Persero) Tbk** (Bank BNI) independently and is circulated for the purpose of general information only. It is not intended to the specific person who may receive this report. The information in this report has been obtained from sources which we deem reliable. No warranty (expressed or implied) is made to the accuracy or completeness of the information. All opinions and estimations included in this report constitute our judgment as of this date and are subject to change without prior notice. We disclaim any responsibility or liability without prior notice of Bank BNI and/or their respective employees and/or agents whatsoever arising which may be brought against or suffered by any person as a result of acting in reliance upon the whole or any part of the contents of this report and neither Bank BNI and/or its affiliated companies and/or their respective employees and/or agents accepts liability for any errors, omissions, negligent or otherwise, in this report and any inaccuracy herein or omission here from which might otherwise arise.









# Agenda

- **Executive Summary**
- **Financial Performance**
- **Balance Sheet**
  - **Income Statement**
  - **Key Ratios**
  - **Asset Quality**
- **Going Forward**
- **Appendix**
  - **Strategy**
  - **Corporate Data**

# Executive Summary








# Key Financial highlights

**Some key financial indicators** are on the right track...

	<b>FY 2006</b>	<b>FY 2007</b>	<b>Changes</b>
Loans	Rp 66.46 trillion	Rp 88.65 trillion	 33%
Saving + Current Account	Rp 74.38 trillion	Rp 91.14 trillion	 23%
Equity	Rp 14.79 trillion	Rp 17.22 trillion	 16%
Fee-based Income	Rp 2.86 trillion	Rp 4.13 trillion	 44%
Gross NPL	10.5%	8.2%	 2.3%
Net NPL	6.6%	4.0%	 2.6%
Coverage Ratio	55.1%	71.9%	 16.8%
Loan-to-Deposit Ratio	49.0%	60.2%	 11.2%

## Key Financial highlights

While **other indicators** shows challenges...

	FY 2006	FY 2007	Changes
NPL Amount	Rp 6.98 trillion	Rp 7.56 trillion	 8,3%
Operating Expense	Rp 6,26 trillion	Rp 7.63 trillion	 21,9%
Provision Expenses	Rp 1.32 trillion	Rp 2.70 trillion	 104,5%
Net Income	Rp 1.93 trillion	Rp 898 billion	 (53,4%)
Return on Average Equity	14.4%	5,6%	 (8,8%)
Return on Average Asset	1.2%	0.5%	 (0.7%)
Net Interest Margin	5.2%	5,0%	 (0.2%)

# Financial Performance

**FY 2007**

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

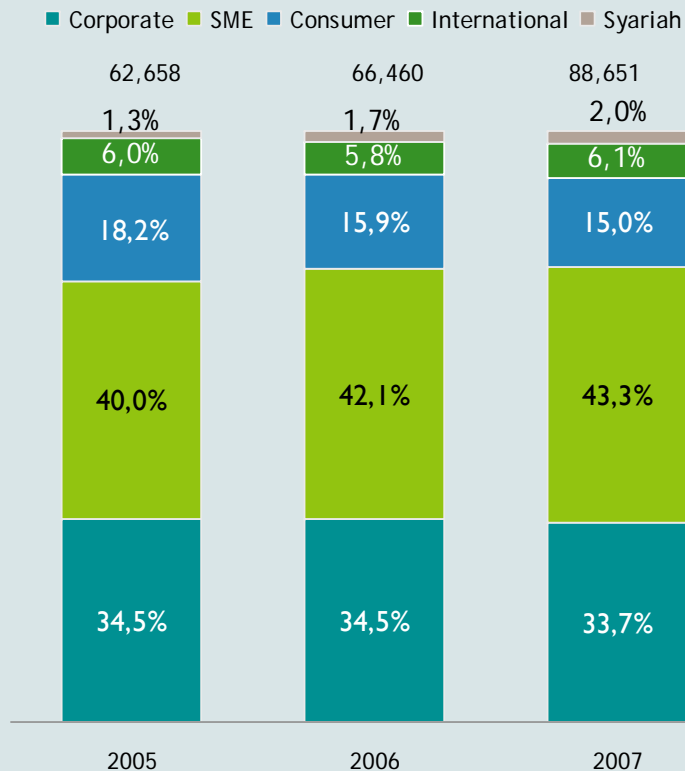
## Balance Sheet

[ Rp millions ]	2005	2006	2007	Growth
<b>Total Assets</b>	147.812	169.416	183.342	↑ 8,2%
<b>Gross Loans</b>	62.659	66.460	88.651	↑ 33,4%
<b>Placement with other banks and BI</b>	19.554	32.340	28.144	↓ -13,0%
<b>Marketable Securities</b>	3.773	3.932	4.498	↑ 14,4%
<b>Government Bonds</b>	37.444	41.227	36.701	↓ -11,0%
<b>Customer Deposits</b>	115.372	135.797	146.189	↑ 7,6%
<b>Borrowings</b>	4.796	4.009	6.309	↑ 57,4%
<b>Subordinated Debt</b>	2.433	2.239	933	↓ -58,3%
<b>Equity</b>	11.895	14.794	17.219	↑ 16,4%

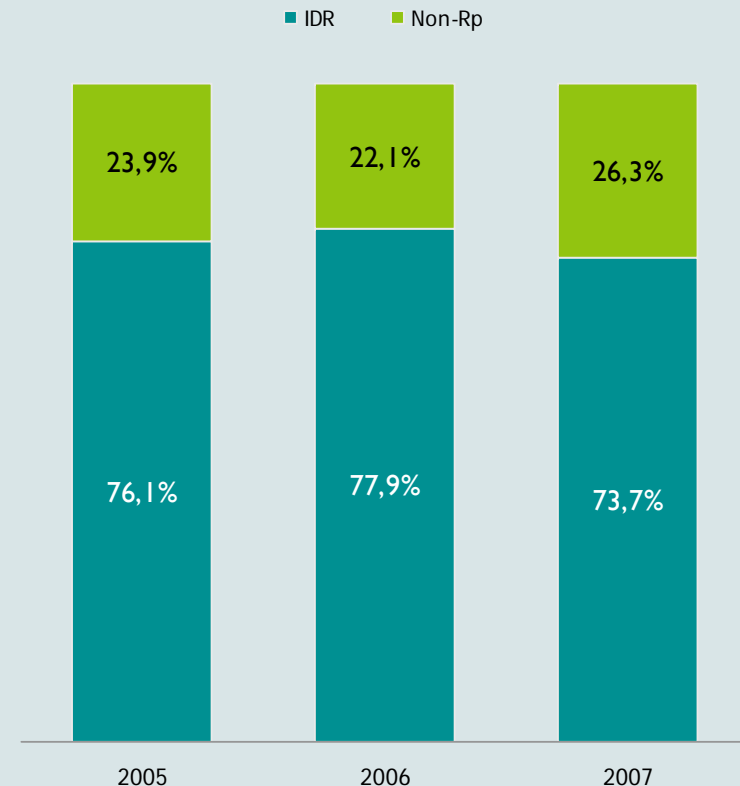
...Toward 30 : 70  
(corporate vs non-corporate)...

## Well-balanced loan portfolio composition

Increasing middle market focus (% , Rp bn)



Rp vs. non-Rp loans (%)



2003 2004

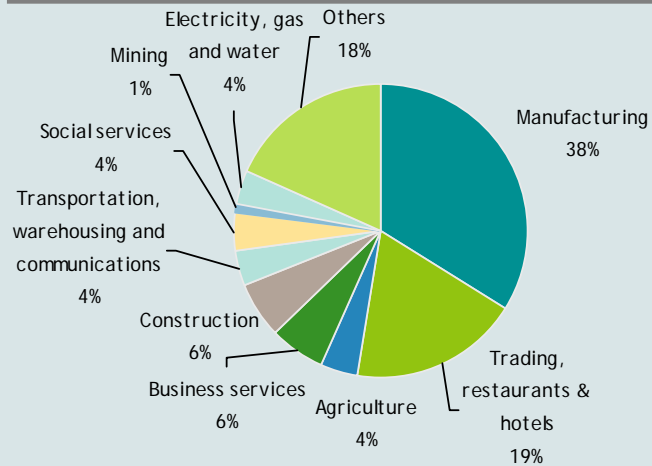
Branch:	907	950	950	972	978
Small Loan Center:	0	43	45	47	51
Medium Loan Center:	0	12	14	17	20
Consumer Loan Center:	0	2	12	12	12



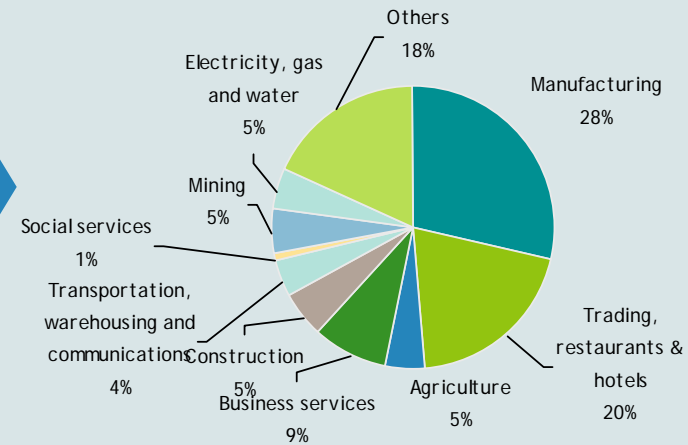
# Better loan distribution

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

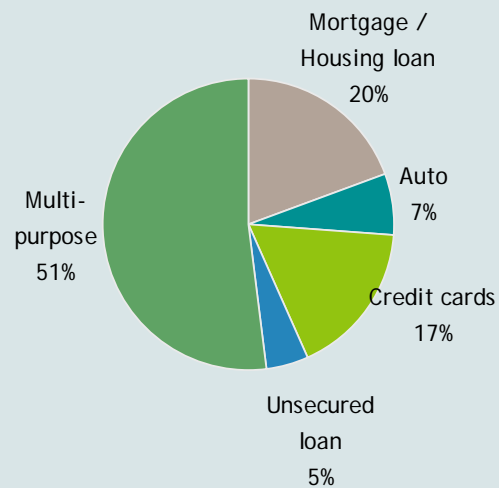
Loans by Economic Sector - December 31, 2005



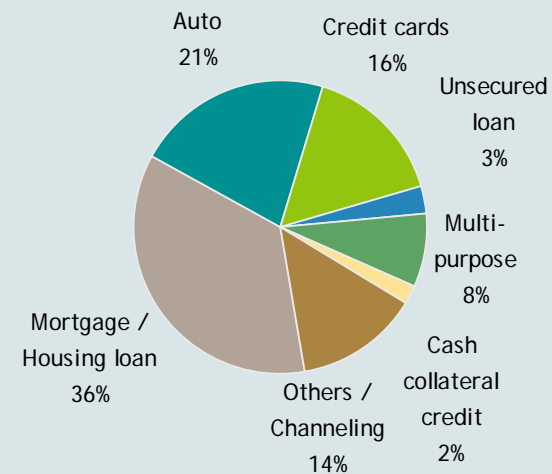
Loans by Economic Sector - December 31, 2007



Consumer Loan Composition - December 31, 2005

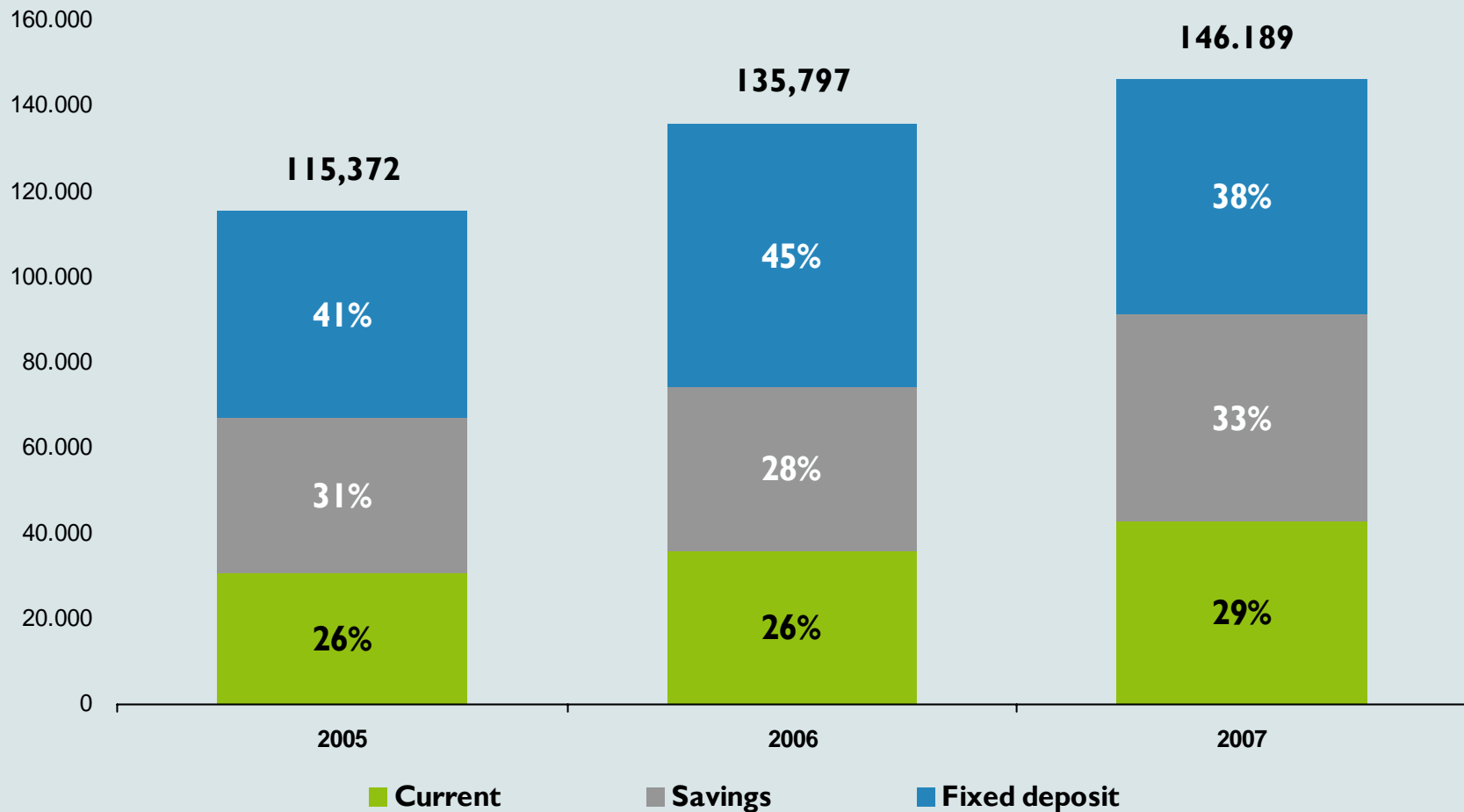


Consumer Loan Composition - December 31, 2007



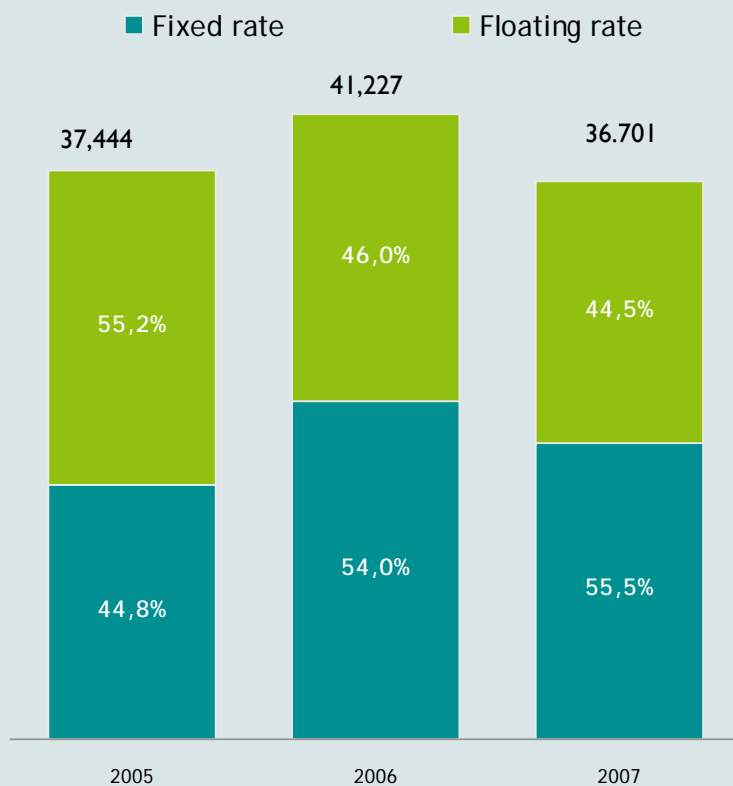
...Better **CASA** ratio from 54% to 62%  
(2006 -2007 YoY)...

## Breakdown of customer deposits

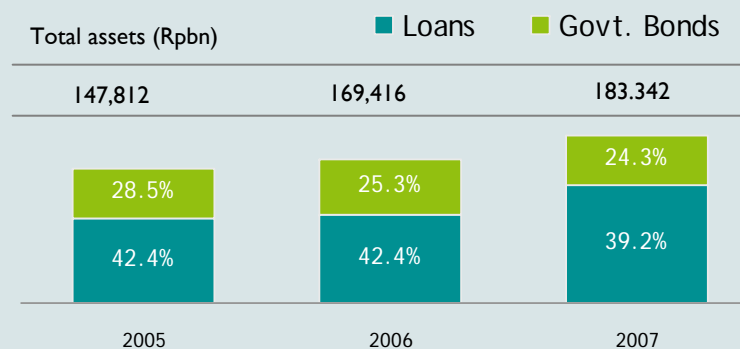


# Government Bonds

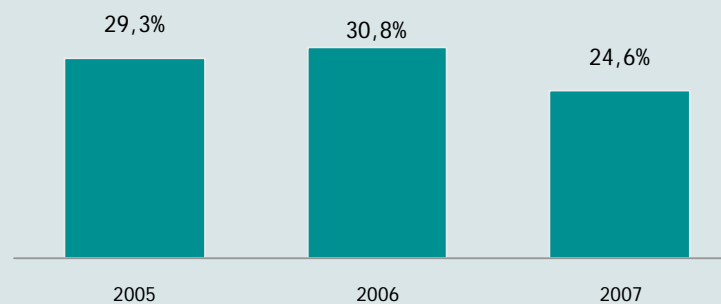
Fixed vs. floating rate government bonds (Rp bn)



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



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

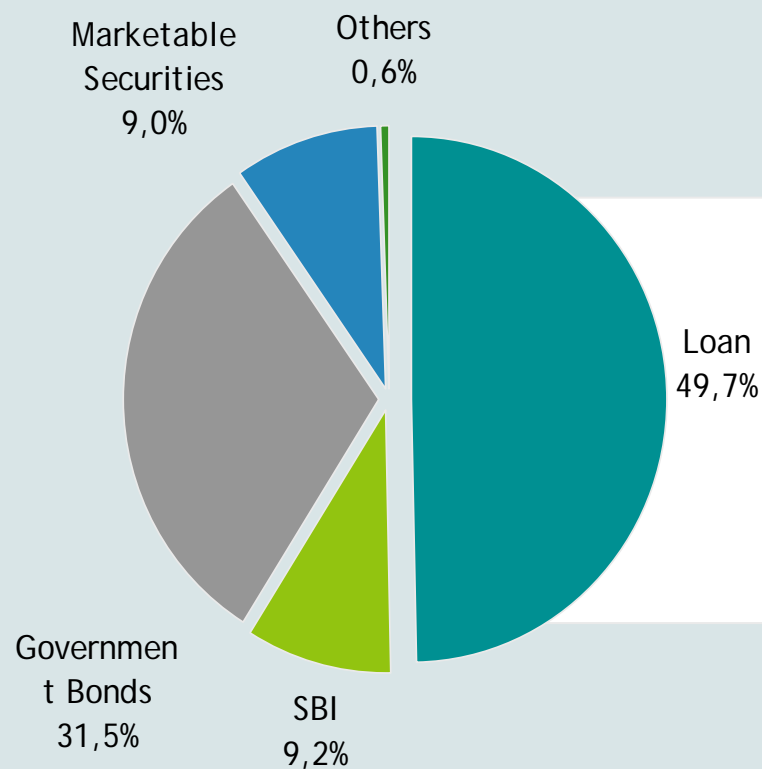


## Income Statement

[ Rp Billions ]	2005	2006	2007	Changes
Net Interest Income	7.172	7.377	7.467	↑ 1,2%
Fee Income	2.101	2.861	4.130	↑ 44,4%
Operating Income	9.273	10.238	11.597	↑ 13,3%
Operating Expense	(5.752)	(6.258)	(7.626)	↑ 21,8%
Net Non Operating Income/(Expense)	(10)	179	213	↑ 19,0%
Pre-Provision Operating Income	3.521	3.980	3.971	↓ -0,2%
Provisioning	(1.256)	(1.319)	(2.704)	↑ 105,0%
Net Income before Tax	2.256	2.840	1.481	↓ -47,8%
Net Income	1.415	1.926	898	↓ -53,4%
Net Income per share [ full amount / Rp ]	93	126	59	↓ -53,2%

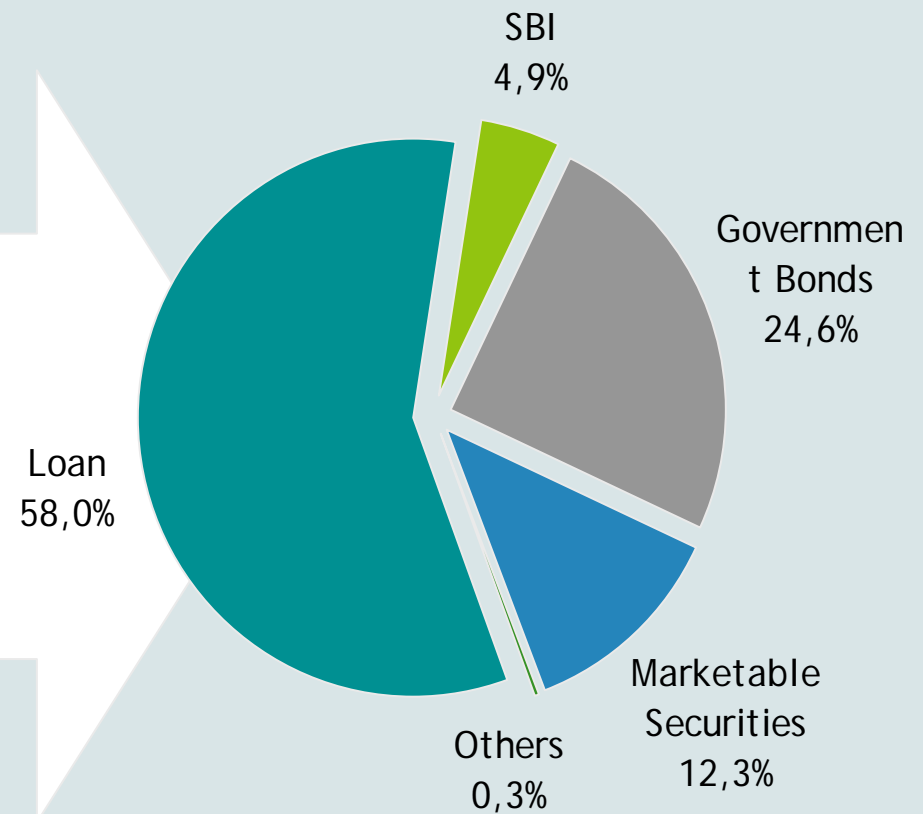
# Improving Interest Income Composition

Breakdown of interest income (as of December 2006)



**Total = Rp 14.704 bn**

Breakdown of interest income (as of December 2007)

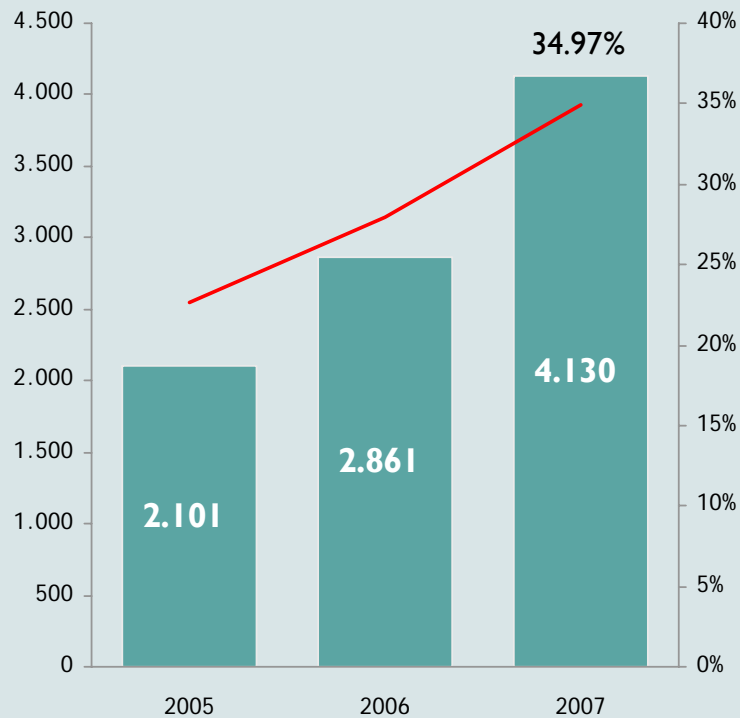


**Total = Rp 14.455 bn**

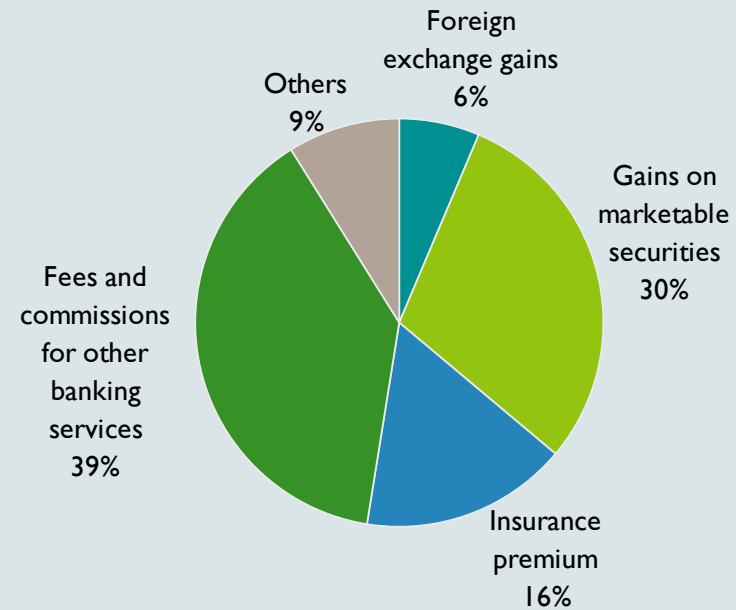
# Non-interest income

## Key highlights of non-interest income

Non-interest income (Rpbn) ■ Non-interest income as % of total revenue —



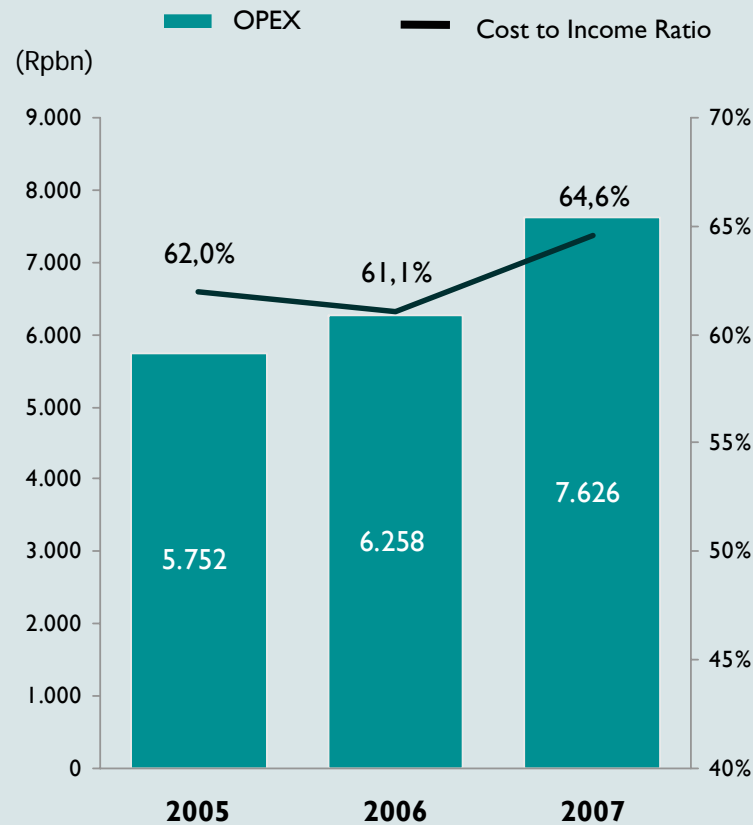
## Breakdown of non-interest income (as of December 2007)



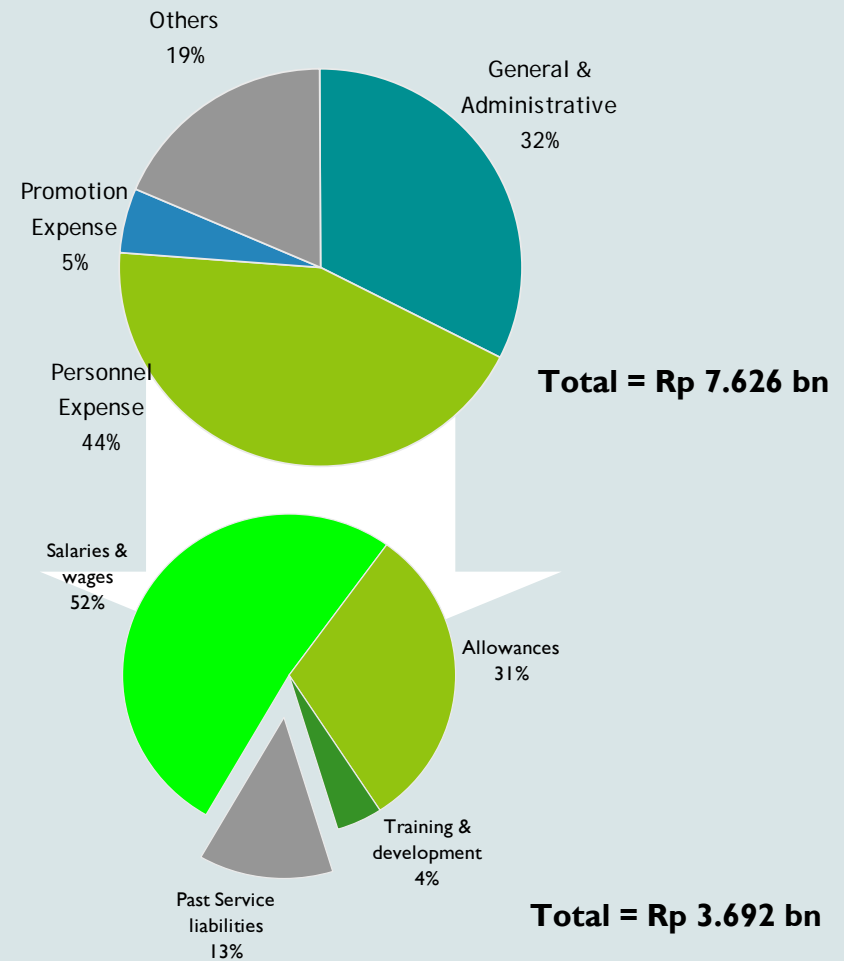
**Total = Rp 4,130 bn**

# Operating Expense

## Key highlights of OPEX compare to CIR

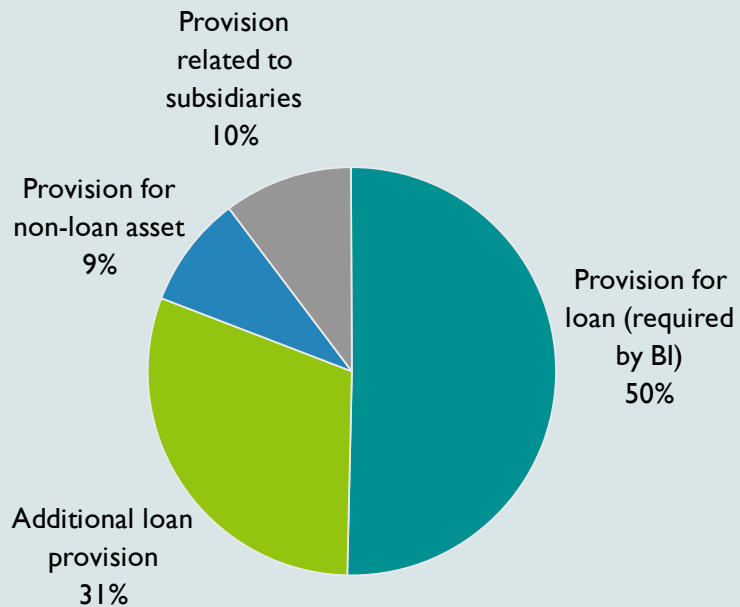


## Breakdown of OPEX (as of Desember 2007)



# Provisioning

## Breakdown of provision



Total = Rp 2.70 trillion

✓ Conservative

✓ Reassessment of earning assets

✓ Provisions provided exceeds BI minimum requirements



## Financial Ratio

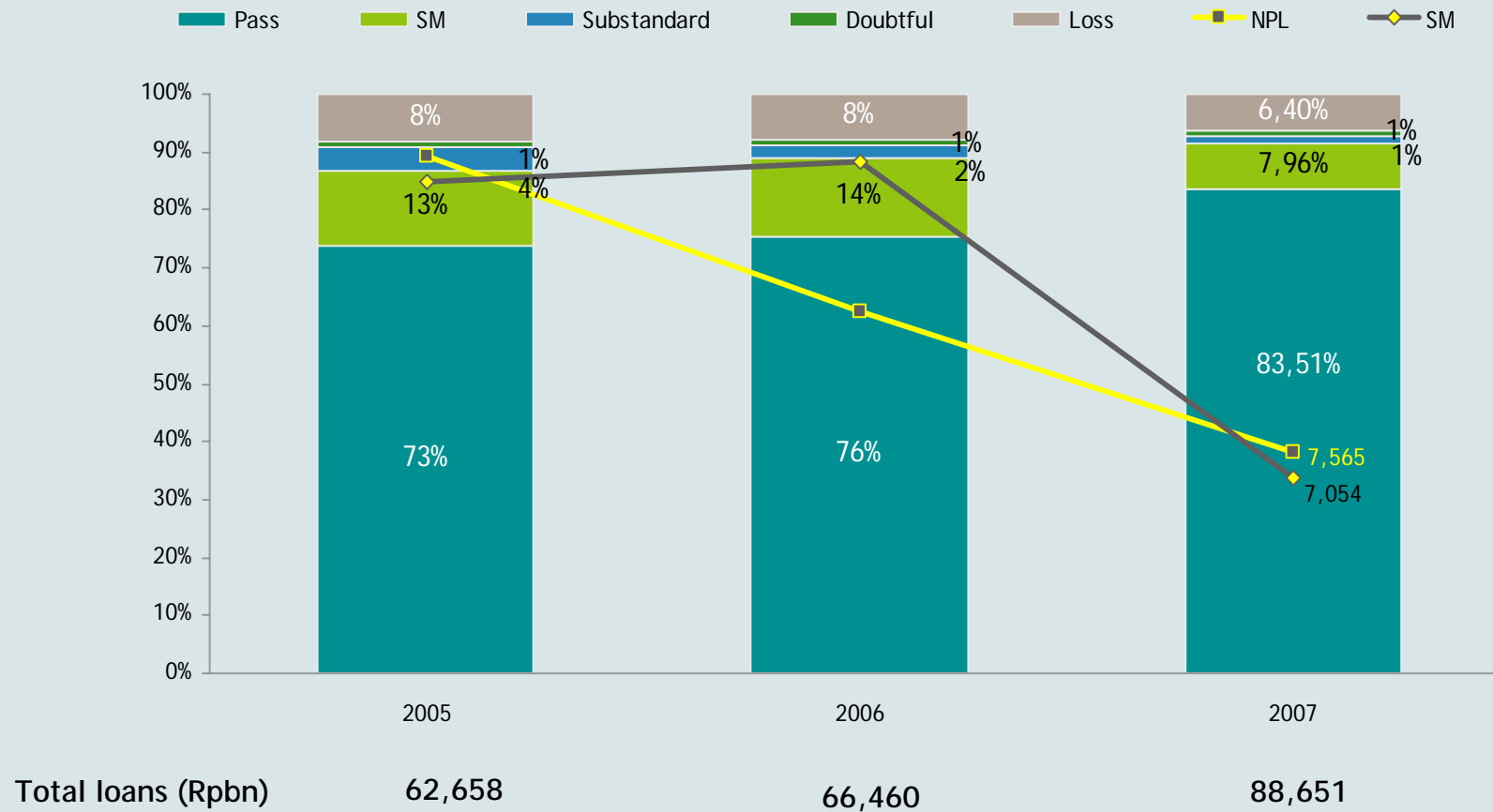
	2005	2006	2007
<b>Capital</b>			
Shareholders equity to total assets	8,1%	8,7%	9,4%
Tier I - CAR	8,5%	10,0%	11,7%
Tier II - CAR	8,3%	6,1%	4,6%
CAR [After Adjustment for Market Risk]	16,0%	15,3%	15,7%
<b>Asset Quality</b>			
Net NPL	8,4%	6,6%	4,0%
Gross NPL	13,7%	10,5%	8,2%
Allowance for Possible Loan Losses to Gross NPL	50,4%	59,6%	71,9%

## Ratio's continue...

	2005	2006	2007
<b>Rentability <i>[bank only]</i></b>			
ROAA	1,0%	1,2%	0,5%
ROAE	11,2%	14,4%	5,6%
NIM	5,8%	5,2%	5,0%
<b>Efficiency</b>			
BOPO	84,7%	84,8%	93,0%
CIR	62,0%	60,1%	64,6%
<b>Liquidity</b>			
LDR	54,2%	49,0%	60,2%
<b>Compliance</b>			
Statuary Reserve Requirement (Rupiah)	11,4%	13,0%	14,7%
NOP [Net Open Position]	8,2%	6,8%	5,9%

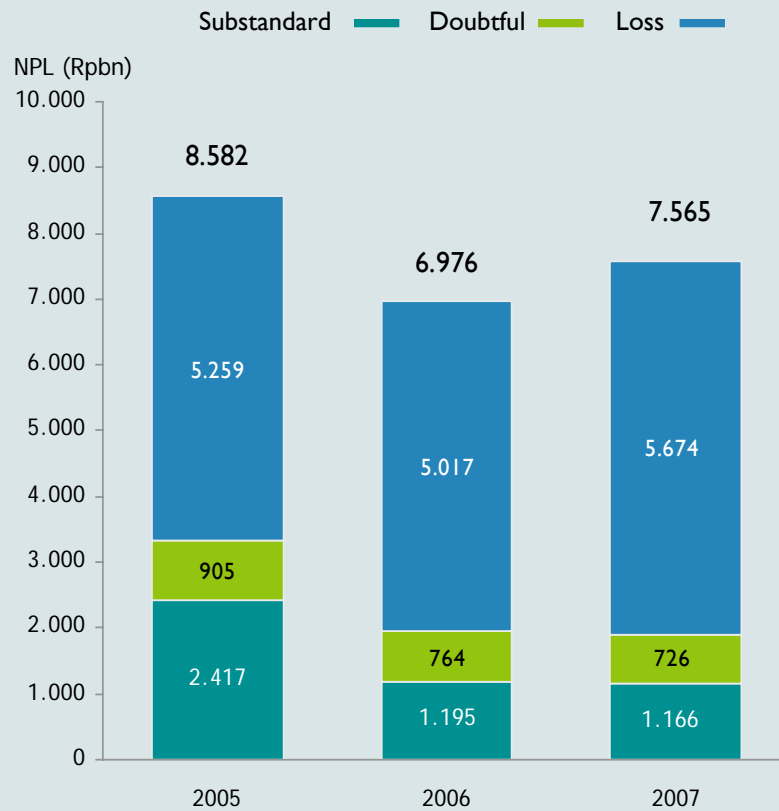
# Asset Quality

# Loans collectibility

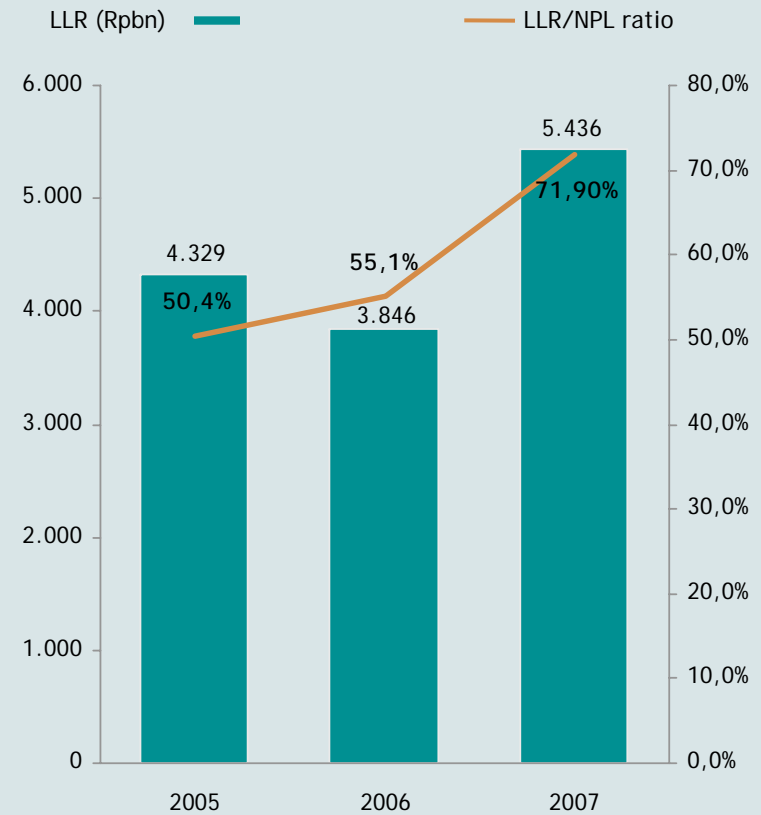


# Managing loan quality

## Non-performing loans



## LLR/NPLs

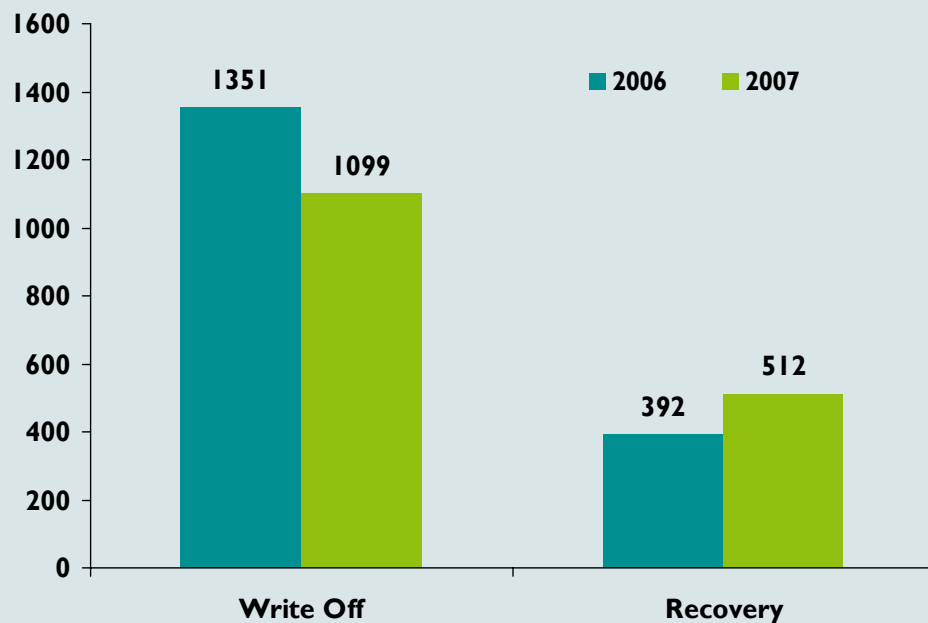


## Top 10 NPLs

No	Industry	Type of banking arrangement	Total outstanding principal balance of loans (Rp bn)	Loan classification
1	Semen Bosowa Maros, Manufacturing	Investment	584	5
2	Prima Inreksa, Manufacturing	Working Capital	350	5
3	Perwita Karya, Construction	Working Capital	187	5
4	Jakarana Tama, Food & Beverage	Working capital	144	5
5	Zidon Indonesia, Manufacturing	Working capital	122	5
6	Damai Indah Kaca, Manufacturing	Working capital	109	5
7	Citra Insulindo, Chemical	Working capital	109	5
8	Tunas Prima Cemerlang Agung, Trading	Working capital	80	5
9	Gusher Tarakan, Construction	Investment Loan	78	5
10	Hamparan Pancaran Chemindo, Manufacturing	Investment Loan	59	5
<b>Total</b>			<b>1.820</b>	
<b>% of total NPLs</b>			<b>24.1%</b>	
<b>% of total loans</b>			<b>2.1%</b>	

# Asset Recovery

## Write Off & Recovery



	2006	2007	%
Write-off (Rp billion)	1.351	1.099	-18,6%
Recovery (Rp billion)	392	512	30.6%

- In 2007, BNI has not yet implement Government Decree No 33
- As of 17 January 2008, BNI was released from “Bank Under Intensive Supervision”
- Total write-off loans as of December 2007 was Rp 1.1 Trillion
- Proceed from recovery was used to increase provision and not accrued as income

## Going Forward



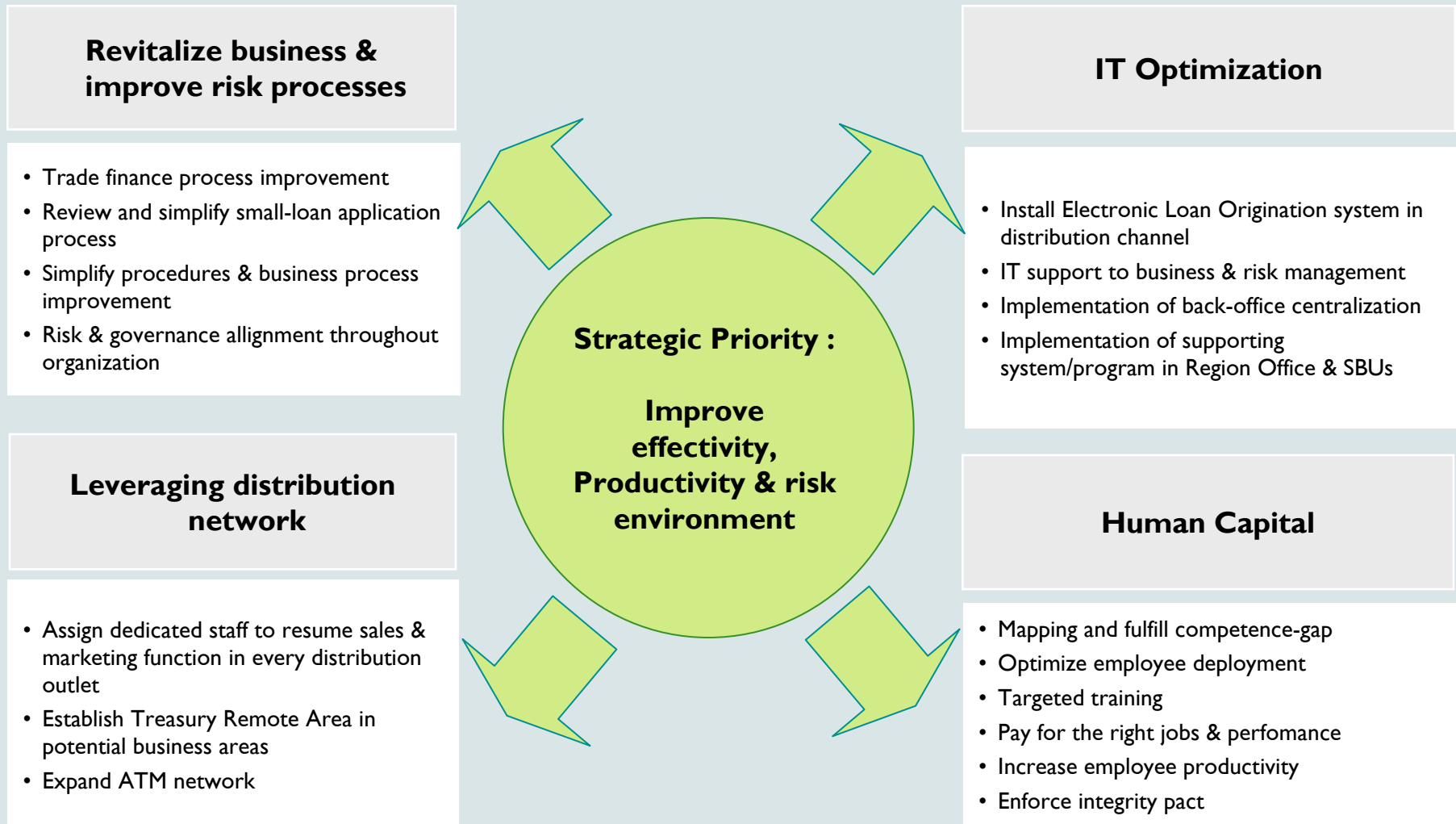
## 2008 Financial target

Areas for improvement	Short-term Initiatives	Target by end of 2008
<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 lower cost funding source (CASA)</li> <li>• Higher growth in SME &amp; Consumer loan</li> <li>• Increase non-interest income through better services in financial transactions &amp; new product features</li> </ul>	<ul style="list-style-type: none"> <li>• Improve NIM &gt; 5.5%</li> <li>• Increase CASA by <math>\pm 20\%</math></li> <li>• Overall loan growth <math>\pm 20\%</math> : <ul style="list-style-type: none"> <li>• SME loan growth 22%-25%</li> <li>• Consumer loan growth 20%-22%</li> </ul> </li> <li>• Increase recurring fee-based income 25%</li> <li>• Interest income vs fee-based income = 70:30</li> </ul>
<b>Productivity :</b> <b>Lower Cost Income Ratio</b>	<ul style="list-style-type: none"> <li>• Improve branch &amp; employee productivity</li> <li>• Efficiency program across the board</li> </ul>	<ul style="list-style-type: none"> <li>• Improve CIR to <math>\pm 55\%</math></li> <li>• Increase Operating Income per employee</li> </ul>

## 2008 Financial target

Opportunity for improvement	Initiatives	Target by end of 2008
<b>Asset Quality :</b> - <b>Lower NPL level</b>  - <b>Higher coverage ratio</b>  - <b>Yield Enhancement</b>	<ul style="list-style-type: none"> <li>• Implement Government Decree No 33</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>• Policy only applicable for SME debtor below Rp 5 billion with targeted proceed of Rp 180 billion from Rp 455 billion outstanding NPL.</li> </ul>
	<ul style="list-style-type: none"> <li>• Establish provision policy that exceed minimum requirement</li> <li>• Increase recovery rate</li> </ul>	<ul style="list-style-type: none"> <li>• Accelerated increase in coverage <math>\pm 100\%</math></li> <li>• Targeted recovery : Rp 500 billion</li> </ul>
	<ul style="list-style-type: none"> <li>• Decrease composition of lower yield asset (cash, placement to Bank Indonesia, etc)</li> </ul>	<ul style="list-style-type: none"> <li>• Increase LDR to <math>\pm 64\%</math></li> </ul>

# Alignment & Integration



# Appendix: Strategy

# Vision & Mission

## Vision

- ☑ **To be a leading bank with excellent services & performance**

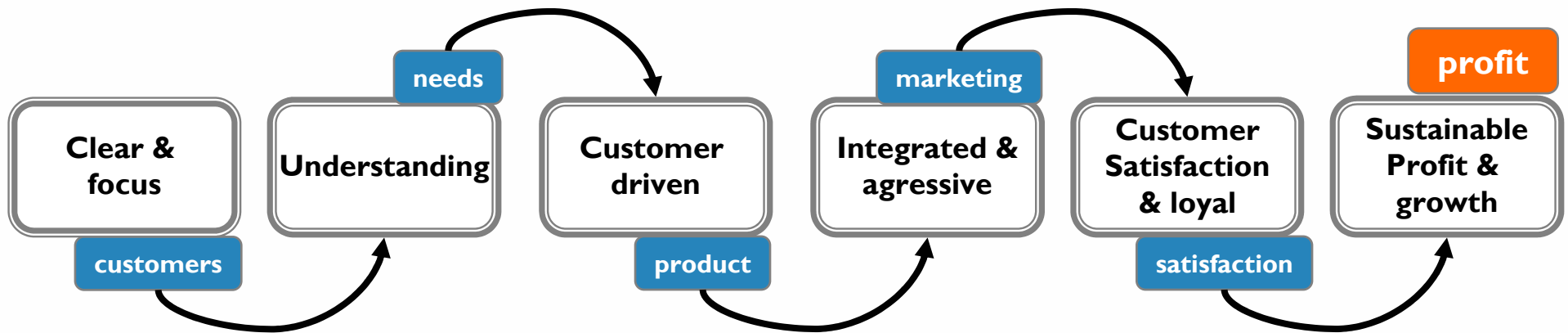
## Mission

- ☑ Becoming a bank-of-choice, providing excellence service and value-added solution to all customer
- ☑ Deliver investment value to shareholder
- ☑ Creating a performance-driven environment as the best place to work and deliver the best result;
- ☑ Improving responsibility & fostering community development;
- ☑ Become the best-practices for implementation of good corporate governance.

# Business Approach

## Customer Centric Process

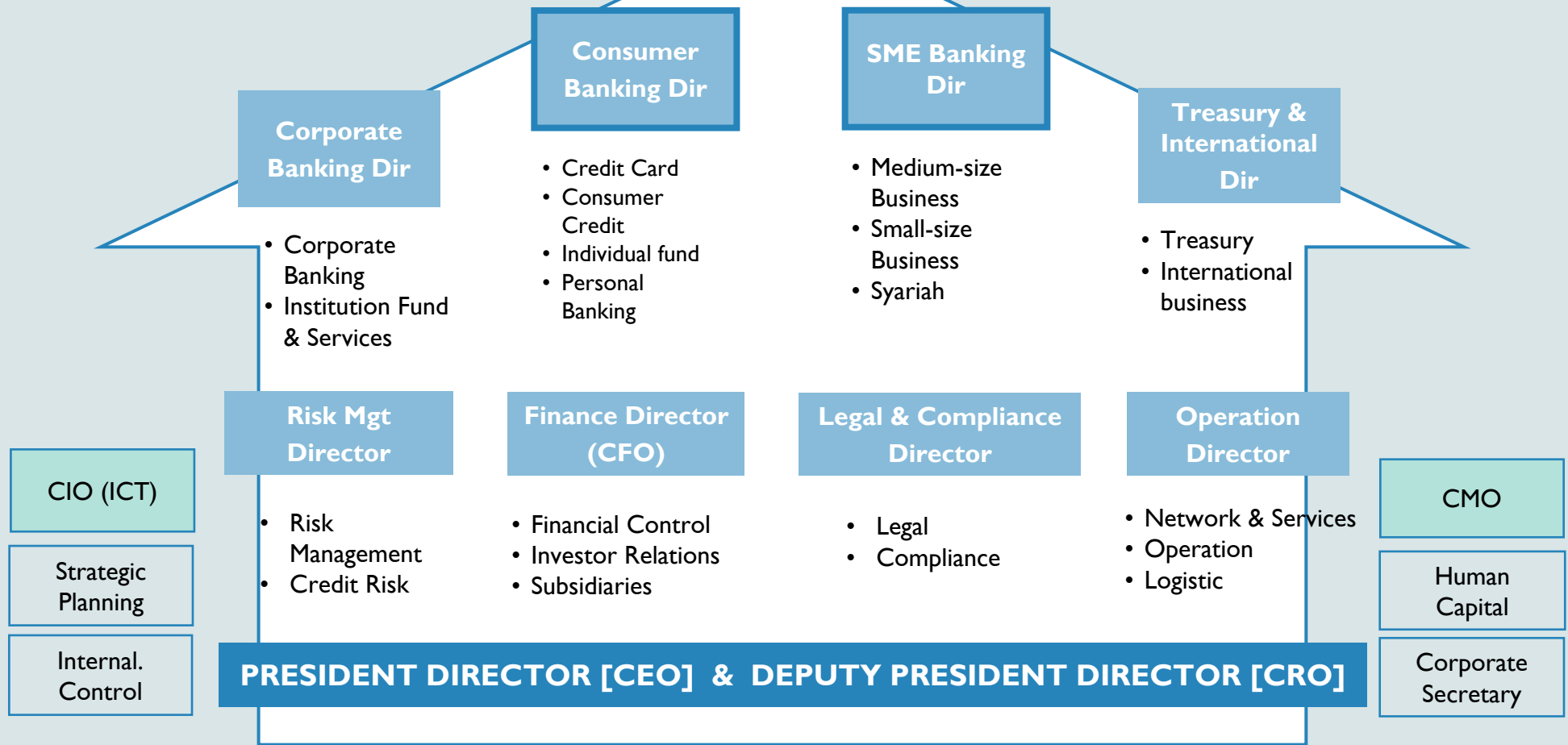
- ✓ Customer Value,
- ✓ Cost to Customer,
- ✓ Convenience to Customer,
- ✓ Customer Intimacy



“ Change from product driven to customer centric process “

# Organization and Structure Approach

To be a leading bank with excellent services & performance



# 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



## Short-term Initiatives

Areas for improvement	Opportunity for improvement	Initiatives
Profitability	Net Interest Margin	<ul style="list-style-type: none"> <li>• Review the pricing policy on assets &amp; liabilities portfolio</li> <li>• Increase non interest income thru better services in financial transactions</li> </ul>
	Cost to Income Ratio	<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>
Asset Quality	NPL level	<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>
	Coverage ratio	<ul style="list-style-type: none"> <li>• Increase provision</li> <li>• Increase recovery rate</li> </ul>
	Earning Asset allocation	<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>

## Short-term Initiatives

Areas for improvement	Opportunity for improvement	Initiatives
<b>Business Focus &amp; Segments</b>	“ <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> <li>• Re-design “go to market” strategy for all business unit thru capitalizing on “<i>installed capacity</i>”</li> <li>• Recapture trade finance</li> <li>• Drive transactional banking business aggressively</li> </ul>
<b>Program vs execution</b>	<ul style="list-style-type: none"> <li>▪ Good programs, but lack execution</li> <li>▪ Strengthening coordination among units in the organization</li> <li>▪ Improve cross-selling program, initiatives and proper execution</li> </ul>	<ul style="list-style-type: none"> <li>• Establish Change Management Office</li> <li>• Improve communication quality along with alignment of organization</li> <li>• Establish portfolio and client profitability analysis</li> </ul>
<b>Human Resources Issues</b>	Productivity	<ul style="list-style-type: none"> <li>• Pay for Performance</li> <li>• Review and improve Man Power Planning,</li> <li>• Develop talent management</li> <li>• Efficiency program across the board through “<i>bottom line</i>” mindset</li> <li>• Cultivate strong sales &amp; services culture</li> </ul>
<b>Systems &amp; Procedure</b>	Complex systems and ineffective bureaucratic procedures in the business process	<ul style="list-style-type: none"> <li>• Simplify procedures to improve Business Process</li> <li>• Establish Enterprise Risk Management (ERM) framework to improve risk &amp; governance environment</li> </ul>

# Long-term Plan

## Build a Platform for Sustainable Growth

### Trust Improvement

1. Gather support and acquire trust from all stakeholders :
  - Open two-way communication, to external and internal stakeholder
  - Full Disclosure
2. Review Corporate Vision & Mission
3. Redesign “go-to market “ strategy; SME, Consumer & Corporate business model
4. Build Performance-based organization
5. Identify the 2008 Quick-wins
6. Improving data security system

Feb-Jun 2008

### Fit in Infrastructure

Building a strong platform to support sustainable growth

1. Achieve financial aspiration (Profitability, Liquidity and Solvability/Capital)
2. Ensure implementation of Performance-based Organization Structure
3. Productivity enhancement & capacity planning
4. Build supporting infrastructure
5. Realize the 2008 Quick-wins

June-Dec 2008

## Maintain Momentum and Excellence Performance

### Sharpening Business

Sharpening business focus & segment, with aggressive growth

1. Expand distribution network in selected segment
2. Become a leader in key segments and products – in transactional banking thru IT driven
3. Increase market share and improve franchise value
4. Establish strong BNI Incorporated

2009

### Sustainable Superior Performance

1. Maintain aggressive growth momentum
2. Maintain market share (consumer & SME)
3. Leading in profitability
4. Excellence service, especially in transaction settlement

2010-forward

# Appendix: Corporate Data

# Board of Directors

## Board of Directors



**Gatot Mudiantoro Suwondo**  
President Director/ CEO

- Since February 2008
- Previously
  - Vice President Director of BNI
  - Managing Director of Bank Danamon



**Felia Salim**  
Vice President Director & Chief Risk Officer

- Since February 2008
- Previously
  - Independent Commissioner of BNI
  - Deputy Chairman, Indonesian Banking Restructuring Agency
  - Director, Jakarta Stock Exchange



**Yap Tjay Soen**  
Managing Director / CFO

- Since February 2008
- Previously
  - Commissioner of Bank Mandiri
  - Commissioner of BNI
  - CFO, Bank Int'l Indonesia



**Achmad Baiquni**  
Managing Director (SME & Sharia)

- Since Dec 2003
- Previously
  - MD of Corporate Banking
  - MD of Consumer Banking
  - Head of Personal Banking Business Development



**Bien Subianto**  
Managing Director (Intl. & Treasury)

- Since Dec 2003
- Previously
  - MD of SME & Sharia Business
  - MD of Risk Management
  - Group Head of Overseas Network Bank Mandiri



**Krishna R Suprpto**  
Managing Director (Corporate)

- Since February 2008
- Previously
  - President Director of Barclays Securities
  - Managing Director of Bank Danamon



**Ahdi Jumhari Luddin**  
Managing Director (Compliance)

- Since February 2008
- Previously Director, Banking Supervisory, Bank Indonesia



**Darwin Suzandi**  
Managing Director (Consumer)

- Since February 2008
- Previously
  - GM of Network Distribution
  - GM of HR Division



**Suwoko Singoasto**  
Managing Director (Operation)

- Since February 2008
- Previously
  - EVP Network & Operation
  - GM of Network Distribution Division

# Board of Commissioners

## Board of Commissioners



**Erry Riyana Hardjapamekas**  
President Commissioner (Independent)

- Since February 2008
- Previously Vice Chairman of Corruption Eradication Commission



**Suwarsono**  
Vice President Commissioner (Independent)

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



**Achil Ridwan Djayadiningrat**  
Commissioner

- Since February 2008
- Previously Managing Director of BNI (Compliance and Human Resource)



**H.M.S Latif**  
Commissioner

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



**Achjar Iljas**  
Commissioner (Independent)

- Since January 2004
- Previously Deputy Governor of Bank Indonesia



**Parikesit Suprpto**  
Commissioner

- Since May 2007
- Currently Deputy Minister for Banking, Financial Services and Construction Sector, Ministry of SOE



**Fero Poerbonegoro**  
Commissioner

- Since February 2008
- Previously Managing Director of BNI [Treasury & Private Banking]

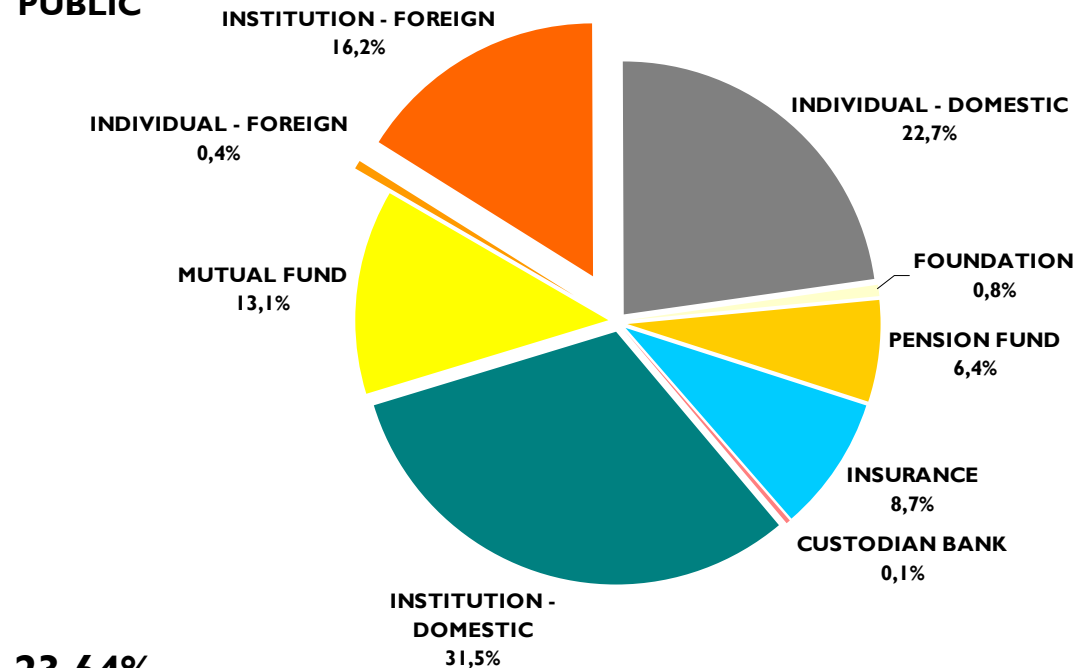
# BNI Ownerships

As of 29 February 2008



**76,36%**

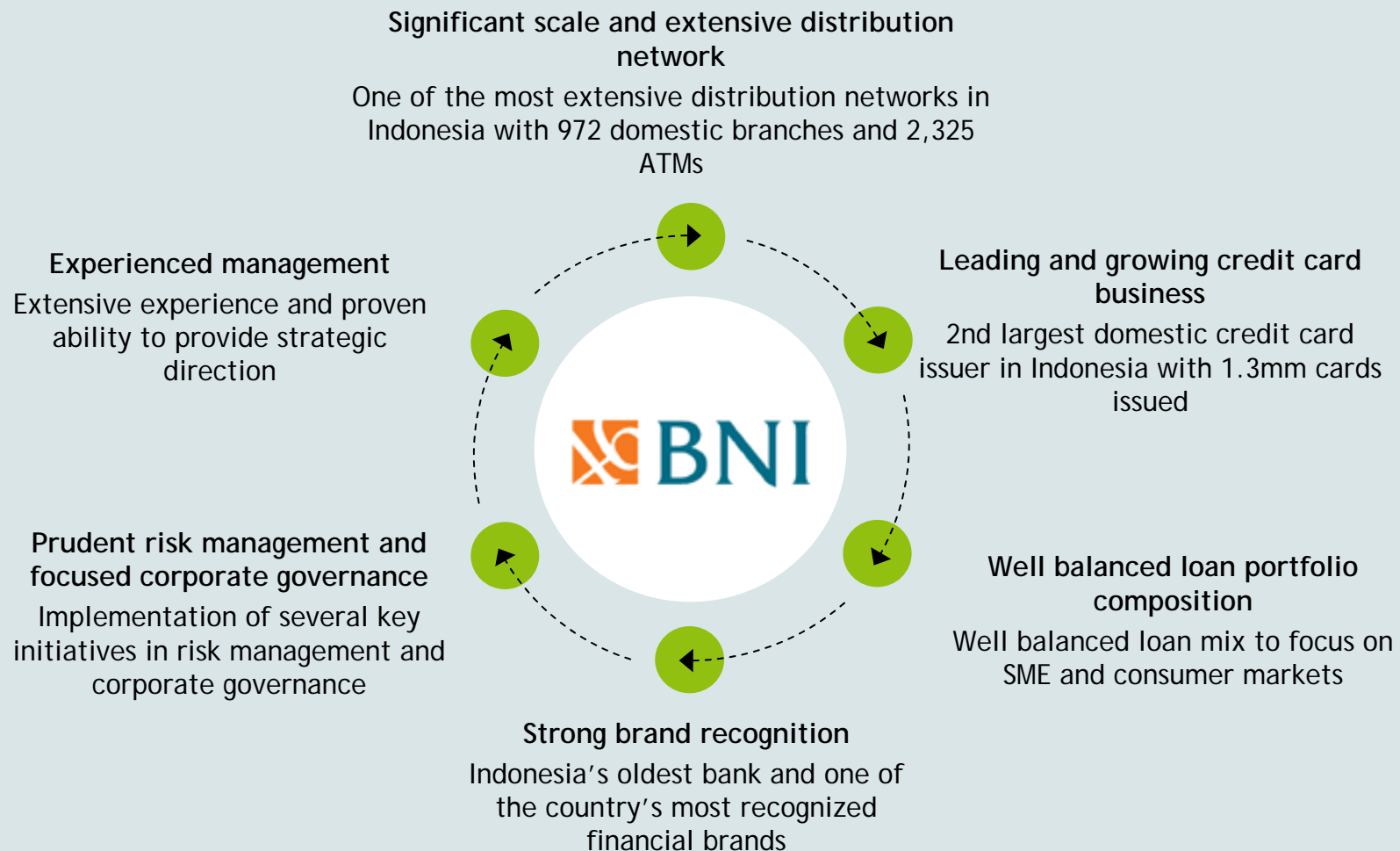
## PUBLIC



**23,64%**

- Total number of BNI Shares 15.273.940.510 shares
- Price per shares [per 27 March 2008] : Rp 1.440,-
- Market Capitalization : Rp. 22 trillions

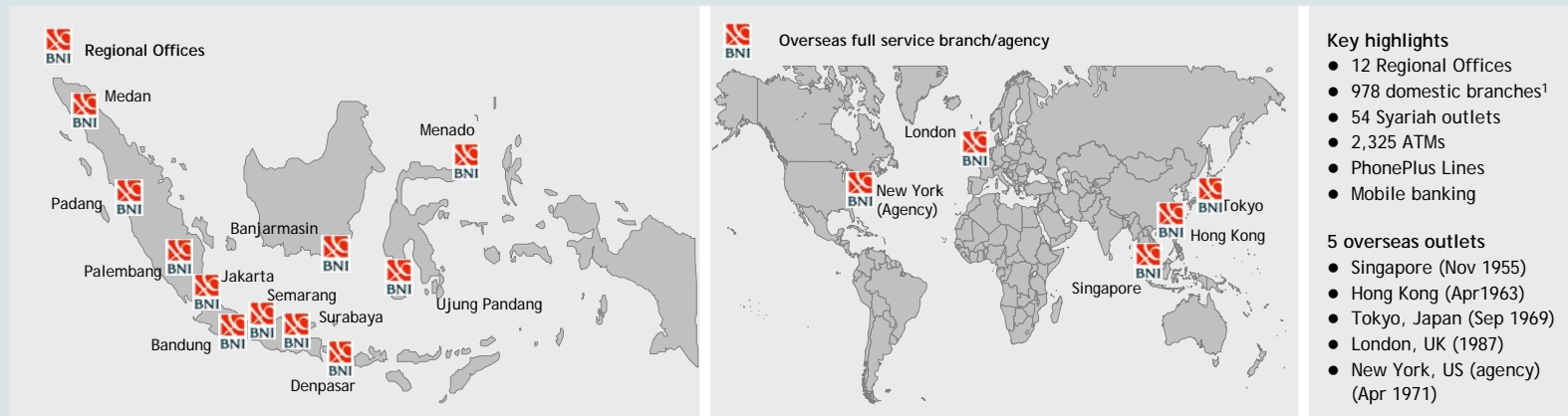
# Key strengths of the BNI franchise



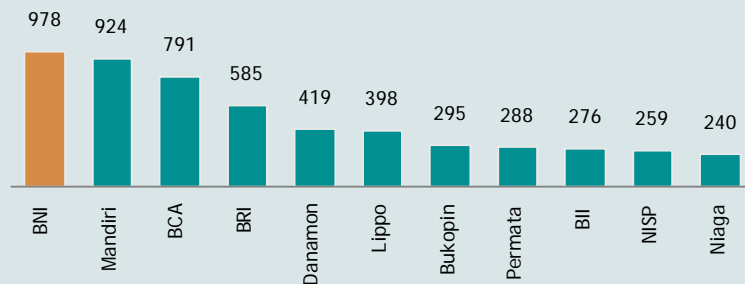


# Extensive distribution network

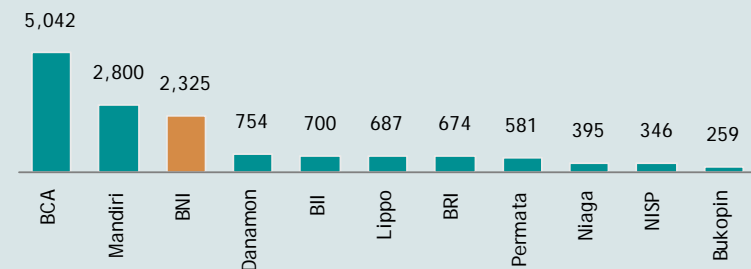
## Nationwide spread of regional offices



## Branches<sup>2</sup>



## ATMs<sup>3</sup>



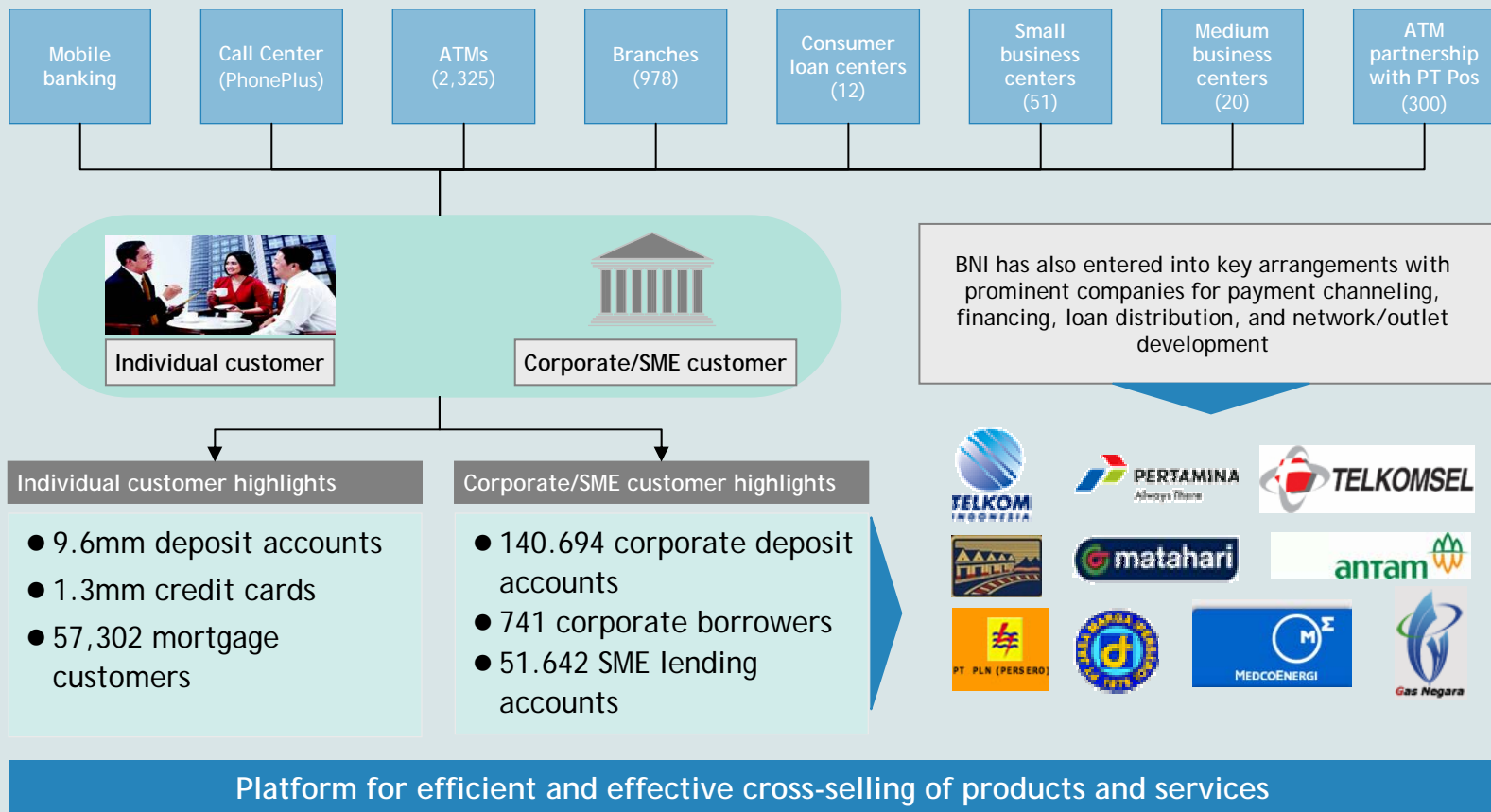
<sup>1</sup> Includes domestic branches and sub branches, Syariah branches and sub-branches

<sup>2</sup> Excluding microfinance units

<sup>3</sup> ATMs data are based on Company Annual Report and company websites

# Multiple touch-points to ensure maximum customer penetration

## BNI's multiple touch points for individual and corporate customers



## BNI ratings

...Improving Market Confident...

		2006	2007
Fitch Rating	National long term rating	A+ (idn)	AA- (idn)
	Long term foreign & local currency	BB-/positive	BB/stable
	Short term foreign & local currency	B	B
	Individual rating	D	D
	Subordinated debt	B+	BB-
Standard & Poor's	Credit rating	B+/Stable/B	BB-/Stable/B
	Senior unsecured rating	B+	BB-
	Subordinated rating	B-	B
Moody's	Long term subordinated debt rating	Ba3	Ba2
	Deposit rating	B2	B1
	Bank Financial Strength Rating	D-	D-
	Outlook	Stable	Stable
Pefindo	Corporate rating	<sub>id</sub> A/Stable	<sub>id</sub> AA-/Stable
	Bond 1	<sub>id</sub> A/Stable	<sub>id</sub> AA-/Stable
	Subordinated	<sub>id</sub> A-/Stable	<sub>id</sub> A+/Stable

# Award & Accolades



- ▶ **TOP BRAND AWARD** from Frontier Consulting Group and Marketing Magazine (February 2007)
- ▶ **Century Era Award** in Gold category, in recognition of quality, leadership, technology and innovation based on QC100 TQM, International Business Initiatives Directions (B.I.D) Quality Convention, Geneva (April 2007)
- ▶ **Service Quality Award**, banking service domestic category, Marketing magazine.
- ▶ **2nd rising star bank in service excellence**, MRI (Marketing Research Indonesia) and Info Bank magazine
- ▶ **ISO Certificate 9001:2000** for IT System Development Life Cycle, IT Operation Services and IT Security Management (August 2007)
- ▶ **IT Excellence Award** from MIS Asia as Top 3 Finalist in Asia's Best Change Management (August 2007)
- ▶ **Banking Efficiency Award** : 2nd rank for The Most Efficient Bank in Jakarta Stock Exchange, 2nd rank for The Most Efficient State-owned Bank, 3rd rank for The Most Efficient Bank from Bisnis Indonesia Daily (October 2007).
- ▶ **Consumer Banking Excellence Award** from Perbanas (Indonesian Associations of Banks), SWA Magazine and Synovate as 3rd Winner - Best in Mobile Banking, 3rd Winner - Best in Internet Banking, 4th Overall Winner in Saving and Deposits Access Product (October 2007)
- ▶ **Gold Achievement Award** for The Performance Excellence Growth in Indonesia Quality Award 2007 (December 2007)





Thank you

PT Bank Negara Indonesia (Persero) Tbk  
Corporate Secretary,  
Investor Relations Group  
BNi Building, 24th Floor  
Jl Jend Sudirman kav. 1 Jakarta 10220  
T: 62-21-5728868  
F: 62-21-5728053  
E: [investor.relations@bni.co.id](mailto:investor.relations@bni.co.id)