

It's more than extending reach...



It's about **service**



Bank Niaga

CONSUMER BANKING

The main thrust of the strategy adopted in a highly competitive market place during 2004 was to focus on three core product lines namely auto loans, housing loans and credit cards. Efforts were also directed towards cross selling other consumer products. Market segmentation was prevalent in initiating specific sales campaign of products such as deposit and insurance products as well as pension plan. During the year, there was the successful launch of Mini Visa Cards and Mini Debit Cards. Bank Niaga is now the second largest issuer of credit cards in this specific lifetime segment which is targeting at young professionals.

Bank Niaga's stated aim of becoming a premier retail bank is beginning to take shape as customer response has been overwhelming. Consumer loans and deposits now constitute 28 percent and 49 percent of the Bank's overall portfolio. Individual customers assets under management, largely focused on mutual funds, grew at a mammoth pace of 115 percent to IDR5 trillion. The Bank's customer base has also grown by 23 percent to 1.6 million customers.

There are no gaps in the range of individual customer products offered by Bank Niaga. With the successful launch of Niaga Pension Plan during the year, every key segment of financial services from day to day banking services to lifetime needs is available at Bank Niaga. Other products offered include life insurance, credit shield for credit cards and general insurance as well as investment linked products. During the year, Private Banking was reorganised with expanded products lines in both local and foreign currencies and new talents were recruited to focus on the affluent target market.

A key feature in 2004 was the expansion of the distribution network from 156 to 209 branches. The number of shared network ATMs available to Bank Niaga customers were doubled to 5,117 and the dedicated ATM network increased by 24 percent to 288 units. In the fourth quarter of 2004, self-service terminals (SST) were launched at 62 locations. Largely used for non-cash transactions, the SST is also linked to Garuda Indonesia to facilitate instant purchases of air tickets.

Improving customer service is a common feature in the banking industry. Bank Niaga stands out in having a long standing record of leadership in customer service excellence. We are pleased to report that Marketing Research Indonesia awarded the Bank as Second Overall in its annual service quality awards, the eight successive year that Bank Niaga has earned a top three position in these awards.

BUSINESS BANKING

This segment covers SME (Small and Medium Enterprises) and other medium-sized enterprises with assets or turnover up to IDR500 million. The Bank's network of individual and institutional business partners continued to grow throughout the year. These partners include Government institutions and cooperatives, rural banks and multi finance companies and large corporations through whom Bank Niaga offers financing to end users in agriculture, property, trading and local retailing.

Bank Niaga also continued to concentrate in sectors such as Palm Oil where it has built considerable industry and local knowledge. In July 2004, Bank Niaga signed an agreement with Koperasi Unit Desa in Banjarmasin to provide credit to 2,374 end users totaling IDR117 billion. Using industry expertise and the value chain approach, the Bank covers the business banking segment through a total of 34 branches and 20 commercial desks.

Knowledge and understanding of any business is a prerequisite to a successful lending relationship. This principle was extended up and down the value chain during 2004. This entailed capturing financing opportunities at every stage from manufacturer through distributor, dealer and ultimately to the end consumer through close cooperation with the Consumer Banking Division. Channel financing as it is known at Bank Niaga was used effectively in a number of sectors in 2004 including plantation, agriculture, automotive, heavy equipment, commercial property and electronics equipment.

CORPORATE BANKING

This segment covers companies or groups that have an annual turnover above IDR500 billion. The activities in this segment cover corporate lending, trade finance, cash management, money market and foreign exchange services. Investment services including custodial services, is a growing contributor to fee income.

Corporate sector loan represented 30 percent of the Bank's total lending base in 2004 and saw a growth of 31 percent year on year. This growth was achieved without sacrificing quality. Fee income increased significantly primarily due to trade finance, investment services commissions and custodial fees. In cooperation with CIMB Niaga Securities, Bank Niaga assisted companies to make effective use of commercial lending, equity and debt capital markets. Growth in lending was well spread across both primary resource-based sectors as well as general manufacturing, retailing and consumer goods. Trade finance volume continued to grow to over USD840 million. Warehouse financing, pioneered by the Bank has continued to be an area of success.

In a year in which the Rupiah depreciated, foreign exchange activities increased significantly and Bank Niaga was one of the market leaders in this sector. Exchange earnings also benefited from the increase in trade finance business and fee income from treasury operation also increased year on year. Investments in Information Technology during the year included enhancements to cash management service and improvements to the treasury dealing systems will contribute to expand the Bank's capabilities.

Bank Niaga was voted the most active custodial bank in 2003 and 2004 by Bursa Efek Surabaya. The Bank is a leading local custodial bank in Indonesia with a market share of almost 40 percent in the local bond trustee agency services market and a 40 percent share among the pension fund custodial client market. During the year, investment services commission income was up 40 percent and custodial fees grew by 45 percent. Together with BCB, the Financial Institutions Group continued to develop the CashLaju remittance service launched in 2003. There was also collaboration with BCB on new trade finance arrangements.

SYARIAH BANKING

Syariah Banking services were launched in September 2004. Within a short period of its launch, we have witnessed a modest yet encouraging start with almost 1,000 customers to date and deposits of IDR16 Billion. The Syariah banking market is expected to grow at about 45 percent annually over the next few years. In accordance with central bank regulations, the Syariah Banking operation is completely segregated from conventional banking with a separate IT system in place. All Syariah Banking customers can benefit from access to the full range of E-Banking service including ATM, phone banking and access via the internet. Indonesia's total Islamic Banking assets in 2004 were less than 1 percent of total banking assets. Bank Niaga expects to play a significant role in the future of this market.