



Macro Economy

Facing slowdown global growth, yet resilient domestic consumption

Slow down of global economy is reflected in declining energy and commodity prices, and slower China growth. IMF latest forecast showed a global growth of 3.3% by the end of 2015.

Uncertainty because of the expectation of increasing FFR also brings more noise to the financial sector. Yuan devaluation and stronger USD has shown impact to lower index in emerging market.

Domestic Economy

During 2015, Indonesian economy experienced slower growth with 4.73% real growth in 9M15 and expectation of 4.7%-4.8% by end of 2015, compared to 5.01% by end of 2014.

Description	2012	2013	2014	9M15
GDP (IDR trillion)	8,229	9,084	10,095	8,574
GDP growth (%)	6.23	5.78	5.01	4.73
Inflation (%)	4.30	8.38	8.36	6.83
Export (USD billion)	189.95	183.55	176.30	115.13
Import (USD billion)	192.04	186.63	178.22	107.99
Trade Balance (USD billion)	(2.09)	(3.08)	(1.92)	7.14

In 2015, Indonesia experienced a resilient household consumption with stable growth of 5.0% since December 2014 and expectations of higher government spending of 3.0 to 5.2%, a proof of resiliency in domestic demand.

GDP Components	2012	2013	2014	2015	2016E
Household Consumption	5.5	5.4	5.1	5.0 to 5.0	5.1
Non-Government Institutions Spending	6.7	8.2	12.4	-1.1 to -1.1	2.0
Government Spending	4.5	6.9	2.0	3.0 to 5.2	5.7
Investment	9.1	5.3	4.1	4.4 to 4.5	6.2
Export	1.6	4.2	1.0	-0.5 to -0.4	2.2
Import	8.0	1.9	2.2	-5.1 to -4.6	2.0
GDP	6.0	5.6	5.0	4.7 to 4.8	5.3

Government Stimulus Packages

Some influential stimulus packages to the banking industry are:

- Improve ease of doing business by streamlining SOP, especially for FDI
- Lower tax on export proceed kept in domestic banks
- New KUR Program
- Tax incentives on Asset Revaluation

Bank Rakyat Indonesia

Investor Relations

Ninis K Adriani

Head of IR – 021 575 2006

Ety Yuniarti

IR Manager – 021 575 2016

Hardani P Hapsari

IR Team – 021 575 2009

Riskha D Puspitasari

IR Team – 021 575 2017

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2016 Macro Economy Outlook

Commodity prices will remain low and global economy to be on the similar growth pace.

With some improvement in government spending and its trickled down to the real sector, we expect a slight increase in domestic economy with GDP growth at **5.0% - 5.2%**.



Banking Industry

Adjusting toward the new 'normal'

Adjusting toward the new 'normal' growth rate, industry loan growth has moderated to 11.1%(yoy) and NPL slowly increased to 2.7% by September 2015. Liquidity situation has improved compared to that of 2014 with deposit growth at 11.7%(yoy), although LDR remained at 88.5% level.

Facing such dynamic condition, banking industry remain strong with CAR level at 20.6% with majority in the form of Tier-1. Adjusting to worsening loan quality, most banks booked higher loan loss provisions and restructured loans. Therefore, industry loan loss reserve increase from 2.27% to 2.73%, and written-off loans increased from 5.10% to 5.36% of total loan in December 2014 and September 2015.

2016 BI Rate Outlook

In the last Board of Governor's Meeting, Bank Indonesia kept its benchmark interest rate (BI rate) at 7.5% after lowering 25bps in February 2015. However, BI maintains easing outlook by lowering Minimum Reserve Requirement by 50 bps to 7.5%.

For 2016, we still expect that BI Rate might lower by 25 to 50 bps, on the back of expectation on FFR increase by 25 bps and domestic inflation at 3% by end of 2015.

BBRI

Financial Highlights

Description	2014	1Q'15	1H'15	3Q'15
Asset/Liabilities				
Total Asset (IDR Bn)	778,046	781,181	747,478	775,816
Total Loans (IDR Bn)	490,403	472,915	503,594	518,952
Total Deposits (IDR Bn)	600,404	587,727	573,117	611,325
Asset Quality				
NPL (gross)	1.69%	2.17%	2.33%	2.24%
NPL (nett)	0.36%	0.60%	0.66%	0.59%
Liquidity				
LDR	81.68%	80.47%	87.87%	84.89%
Profitability				
Net Profit (IDR Bn)	24,176	6,101	11,861	18,285
NIM	8.51%	7.57%	7.88%	8.08%
ROE	31.20%	29.84%	29.22%	29.60%
ROA before tax	4.74%	3.99%	3.91%	3.95%
Capital				
Tier1 CAR	17.54%	15.97%	16.43%	16.68%
Total CAR	18.31%	20.08%	20.41%	20.59%

As of September 2015, our loan grew 11.8%(yoy) and still dominated by Micro segment. On the liabilities side, our deposit grew 12.3%(yoy), with CASA ratio improved to 56.2% from 53.5% in December 2014. Therefore, NIM has increased by 50bps from 7.57% in March 2015 to 8.08% in September 2015.

Loan Quality : Benign increase in NPL

Currently, loan quality is the main issue in the banking industry. In order to maintain profitability, yet improve loan loss reserve, the new management has set a target of minimum NPL Coverage of 120%. Therefore, we will optimize proactive restructuring, especially in the Small Commercial segment, where we see sticky NPL since the Global Financial Crisis.

NPL (%)	2009	9M14	2014	1Q15	1H15	9M15
Micro	1.40	1.38	1.12	1.56	1.60	1.44
Consumer	1.35	1.49	1.21	1.44	1.64	1.61
Small Commercial	4.21	4.05	3.21	4.13	4.14	3.87
Mesium	12.31	6.46	5.91	7.50	7.71	7.26
Corporate	7.83	1.05	1.78	1.92	3.28	3.62
SoE	0.23	-	-	-	-	-

2016 Outlook : Facing challenges and embracing new opportunities

Going into 2016, we remain cautious with expectation of loan quality issue to remain, due to weak commodity demand and expectation of strengthening USD. However, we still have some optimism from result of government stimulus on second semester 2015, especially related to infrastructure projects.

Moreover, there are ample of growth opportunities in Indonesian banking industry, considering significant portion of unbanked population and low bank loan to GDP ratio of 35% level. With rumors of the new Micro KUR rate in 2016 of 9% and bigger quota of Rp 100 tn, the impact to the grass root economy should be significant.

Responding to KUR 2016 issue, we hope to maximize the business potentials by grabbing majority of the Micro KUR target segment. Not only to faster our micro loan growth, but also broadening our deposit base, thus will give us stronger domination in the Micro segment.