

PRESS RELEASE

BII Posts Net Operating Income of Rp 1.1 trillion for FY 2014

31 December 2014 Audited Consolidated Financial Highlights

Y-o-Y growth

- Total Loans portfolio grew by 4.2% to Rp106.3 trillion
- SME loans increased by 19% to Rp 16.4 trillion while maintaining overall gross NPL at 1.5%
- Assets increased by 1.9% to Rp143.4 trillion
- Customer Deposits stood at Rp102.5 trillion
- Total Shariah customer deposits increased by 36.7% to Rp4.16 trillion from Rp3.04 trillion.
- Total Financing Shariah Banking grew by 64.9% to Rp5.68 trillion in December 2014 from Rp3.44 trillion in December 2013
- Profit After Tax and Minority Interest (“PATAMI”) at Rp699 billion impacted by increasing provisions for selected corporate debtors and NIM compression
- Total Capital Adequacy Ratio (CAR) reached 15.72% with total capital of Rp18.1 trillion from Rp14.4 trillion in the previous year

Jakarta, 11 February 2015

PT Bank Internasional Indonesia Tbk (“BII” or the “Bank”) today reported that operating profit before provision reached Rp 2.87 trillion for the full year period ended 2014 compared with Rp 2.90 trillion for the full year period ended 2013, while Net profit after tax and minority Interest (PATAMI) stood at Rp 699 billion in December 2014 compared with Rp 1.5 trillion in the same period of the previous year. The results for the year were impacted by higher provisioning from a few corporate customers in certain industries which were heavily affected by the market conditions and increasing cost of funds throughout the year which pressured the net interest margin in 2014.

The Bank saw loans growth of 4.2% to Rp106.3 trillion as of 31 December 2014 from Rp102.0 trillion as of 31 December 2013 and continued to book strong loans growth in Business Banking and Retail Banking. Retail Banking loans recorded a 15.7% growth from Rp35.8 trillion to Rp41.5 trillion and Business Banking loans increased by 15.5% from Rp35.3 trillion to Rp40.8 trillion. However, the Bank’s total loans growth was impacted by the decreasing portfolio of Global Banking which reduced by 22.2% to Rp 24.0 trillion in December 2014 from Rp30.9 trillion in December 2013.

The Bank continued to witness positive development in the Business Banking segment. Under Business Banking, the Small and Medium Enterprises (SME) loan portfolio recorded 19.0% growth from Rp 13.8 trillion in December 2013 to Rp 16.4 trillion in December 2014 with sound asset quality. Aside from its strength in Financial Supply Chain Management (FSCM) which is the Bank's unique proposition in capturing the end-to-end needs of the business ecosystem, Business Banking has also established its distinctive micro financing product "PIJAR" (*Pilihan Bijak Mitra Usaha*). Through PIJAR, the Bank ventures to bring quality community empowerment approach not only by providing micro financing, but also conducting financial literacy program for the communities. As of December 2014, total micro finance portfolio recorded a significant growth of 548.7% reaching Rp948.5 billion compared with Rp146.2 billion in the previous year.

Retail Banking continued to post increasing profitability in 2014. Mortgage loan portfolio grew 20.4% accompanied by sound asset quality, while the Unsecured loans increased by 27.9% with credit card up by 9.9% and Personal Loan up by 89.4%. Electronic Banking has also shown robust development as the Bank's Electronic transaction continued to grow. Currently more than 82.4% retail transactions use the Bank's electronic channels.

The Bank is pleased to report that its Sharia Banking continued to show encouraging results following the implementation of Sharia First strategy across the branches and its revamped business model last year. Total Sharia financing grew 64.9% from Rp3.44 trillion in December 2013 to Rp5.68 trillion in December 2014, contributing 5.3% of the Bank's total loan portfolio. The increase in total Sharia financing was accompanied by improved asset quality which was reflected by the lowering of its non performing financing to 1.00% from previously 2.82%. Total deposits increased by 36.7% to Rp4.16 trillion in December 2014 from Rp 3.04 trillion in December 2013.

In 2014, the Bank decided to manage down some corporate loan portfolios in certain industries which were affected by challenging economic and market conditions. Furthermore, the Bank decided to re-profile its loan portfolio especially in the Global Banking segment to ensure the distribution of risks is in line with its risk appetite. The client re-profiling includes greater focus on the top tier local corporations and state owned enterprises.

The tight liquidity faced by banking industry throughout 2014 impacted the Bank's customer deposits which experienced a 4.4% contraction to Rp 102.5 trillion by end of December 2014. The Bank's strategy to implement strict pricing discipline for deposits throughout the year has also contributed to the reduction of the total customer deposits. The Loan-to-Deposit ratio (Bank only, excluding subsidiaries) remained at a healthy level, reaching 92.67% as of 31 December 2014, while the Bank's modified consolidated LDR (i.e. Loan to Funding Ratio) which includes borrowing, securities issued, sub debt and customer deposits stood at 85.18%.

The Bank's Net Interests income increased 7.5% from Rp5.5 trillion in December 2013 to Rp5.9 trillion in December 2014. The tight liquidity experienced by banking industry throughout the year which led to the increasing cost of fund had impacted the Bank's Net Interest Margin (NIM), which declined from 4.94% to 4.76%. To improve its NIM, the Bank will continue to prioritize portfolio growth with strict pricing discipline for both loan and liquidity.

In 2014, the Bank experienced some asset quality deterioration in a few of its past Global Banking borrowers. Impact from the restructuring of the bank's Structured Trade and Commodity Finance (STCF) portfolio combined with challenges faced by certain borrowers in the oil & gas and mining

sectors as well as business downturn experienced by customers due to the export ban have been the main reasons for the increase in the bank's provisions. The Bank's provisions increased by 126.2% to Rp 1,789 billion in December 2014 from Rp 791 billion last year.

Asset quality was maintained at the level of 2.23% (gross NPL) and 1.48% (net NPL) as of 31 December 2014 compared to 2.11% (gross NPL) and 1.55% (net NPL) as of 31 December 2013. The Bank has further tightened credit approval procedures and instituted new approval matrixes and limits to ensure tighter control over loan approvals and closer monitoring of its existing portfolio. Furthermore, the Bank continues to closely monitor market conditions that may adversely impact corporate borrowers while intensifying its portfolio early alert mechanism.

The Bank 's Strategic Cost Management Program (SCMP) was launched in 2013. The program has started to bear fruits especially during the current challenging times. The Bank has shown a significant progress in addressing the productivity by improving its cost structure. As of a result, the Bank's operating expenses increased only by 2% despite the challenging conditions and rising price experience.

During the year, the Bank conducted several corporate actions to strengthen its funding structure and capital base. In July 2014 the Bank successfully issued Rp. 1.5 trillion of its first tranche of the Shelf Registration Subordinated Debt II Bank BII 2014 and Rp 300 billion of Shelf Registration Sukuk Mudharabah I Bank BII 2014.

In December 2014, the Bank completed Rights Issue VII to further strengthen its capital base. The Bank's Rights Issue VII has increased its Tier 1 capital by Rp 1.5 trillion and brought the Bank's total capital to Rp 18.1 trillion as of end of December 2014. Upon the completion of the Rights Issue, the Bank's Capital Adequacy Ratio increased to 15.72%; it is well above the regulatory requirement.

The Bank's subsidiaries namely PT BII Finance and PT Wahana Ottomitra Multiartha Tbk (WOM) also recorded improved performance for the full year 2014 despite the reduction in fee income from insurance as a result of the regulation

BII Finance recorded strong growth of 27.5% in profit before tax (stand alone) to Rp353.4 billion in December 2014 from Rp277.3 billion in December 2013 while its profit after tax (stand alone) registered a 28.1% increase to Rp266.7 billion in December 2014 from Rp208.2 billion in the previous year. Asset quality remained solid with gross NPL only at 0.18% and net NPL at 0.15%.

Positive traction also continued at WOM. Implementation of prudent risk management practice has resulted in improved asset quality with net NPL level standing at 1.07% in December 2014 compared to 1.63% in December 2013. WOM's profit before tax was recorded at Rp50 billion with total two wheel financing (consolidated) at Rp 8.9 trillion.

Comments by BII President Director, Taswin Zakaria:

“Despite the challenging economic conditions, our top line continued to show improvement as reflected by solid growth of 23% in gross interest income. Our Retail Banking and Business Banking continued to have positive tractions, while we managed down our Corporate exposure in certain industries impacted by current market condition and focused on re-profiling our portfolio.”

“The year 2014 was a period when we embarked our transformation journey where we focused on consolidation, client segmentation, and sharpening fundamentals as our efforts to build better quality and sustainable portfolios as well as adopting new thrusts to support future growth.”

Comments from President Commissioner BII, Tan Sri Dato’ Megat Zaharuddin bin Megat Mohd Nor:

“Last year, as the business environment conditions affected players in the Indonesian banking industry, BII too had to re-sharpen its focus on a few fundamentals in its transformation journey, Key initiatives will be enhancing personnel productivity through proper risk-reward activities coupled with strategic cost re-structuring across the organizations”
