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PRESS RELEASE

FINANCIAL SERVICES COMPANIES SHOW SOUND PERFORMANCE

Expected to See Lower Credit Risks and Better Intermediary Functions

Jakarta, February 17, 2017 — The meeting of the Board of Commissioners of the Financial Services Authority (OJK) on Thursday (Feb. 16) considered that Indonesia's financial services sectors were currently stable and normal in the face of manageable risks.

Although it has been predicted that the global economy will enjoy better growth in 2017—a projection that prompted positive sentiments on global financial markets' movements—concerns over Trump's policies apparently generated negative sentiments. Other than the downside risks of the new United States President's policies, global markets have also been exposed to other risks, including those from Brexit, Euroscepticism and capital outflow from China.

The Jakarta Composite Index (JCI) booked relatively stable performance, and only weakened by 0.05 percent from the level it achieved in 2016's last trading session. Although the index had suffered relatively heavy selling pressure during the first half of January owing to Trump's factor that triggered negative sentiments, the net sell pressure eventually lessened in the last week of the same month following reviving commodity prices and release of financial reports from the banking sector. As of the end of January 2017, foreign investors recorded a total net sell of IDR 1 trillion.

Unlike the stock market, the government bonds (SBN) market was seen to grow stronger. Yields of short, medium, as well as long-term government bonds fell by 54, 26, and 10 basis points respectively. As of the end of January 2017, foreign investors posted a total net buy of IDR 19.7 trillion.

The OJK found that for December 2016, most intermediary performance indicators of financial services sectors were better than before. In December 2016, third-party funds grew by 9.60 percent year on year (yoy), higher than November 2016's growth of 8.40 percent. The December figure was also higher compared to that of 2015, which stood at 7.26 percent.

However, in December 2016, credit growth fell to 7.87 percent yoy from 8.46 percent in the previous month. On the other hand, financing receivables kept growing to record an increase of 6.67 percent yoy in December 2016, which was higher than November 2016's growth of 5.48 percent. The

December figure was much better than that of 2015, which posted a contraction of 0.80 percent.

Whereas credit risks of financial services companies (LJK) were seen at manageable level. In December 2016, both gross and net non-performing loans (NPL) ratios went down to 2.93 percent and 1.24 percent, respectively from those of November 2016, which recorded gross NPL at 3.18 percent and net NPL at 1.43 percent. On the contrary, non-performing financing (NPF) ratio stood at 3.26 percent in December 2016, slightly up from the previous month's position at 3.20 percent.

In regard to liquidity and capitalization, financial services companies remained to be in good position. In the banking sector, the liquidity indicator showed that it had sufficient liquidity, even better than the previous month.

Capital wise, local financial services companies in general were highly adequate to anticipate potential risks. As of December 2016, the banking sector's capital adequacy ratio (CAR) reached 22.93 percent. In the insurance industry, life and general insurance companies recorded risk-based capital (RBC) ratios of 497 percent and 267 percent respectively, far above the minimum requirements.

Domestic economic growth is expected to rise in line with the projected infrastructure development and better commodity prices. The OJK will continue monitoring and coordinating with related parties when taking anticipatory steps to deal with global economic circumstances that could affect national financial services sectors, such as United States' policies, results of elections in European countries and possible Yuan devaluation.

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