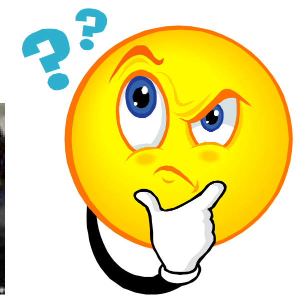
FACING THE FINANCIAL TSUNAMI

….and various business opportunities…



Arwin Rasyid
CEO Bank CIMB Niaga

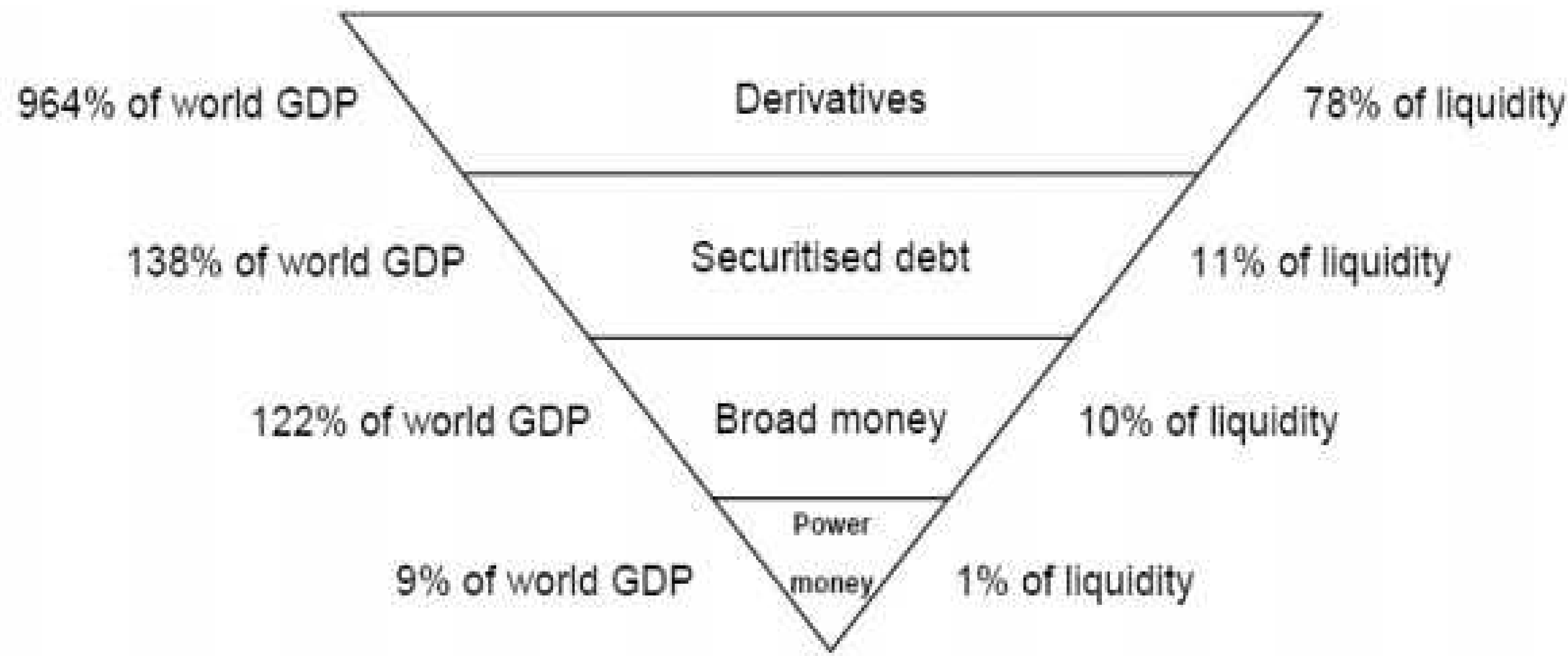
In-House Seminar KPMG,
Jakarta, 19 January 2009

Agenda

1. Background
2. Impact to Global Economy
3. Impact to Indonesia Economy
4. Opportunities in Indonesian Banking Industry
5. Opportunities in Financial Industry Services

Portrait of “Money Ocean”

Rise of Global Liquidity (1998 onwards): Where the Money is?



Definition:

- Power Money = Money In Real Sector
- Broad Money = Money Supply including M1+Savings +Time Deposit + Overnight Repo at Commercial Bank + Non-institutional Money Market Account
- Securitized-debt = Money in Securities Industry
- Derivatives = Money in Derivatives Market

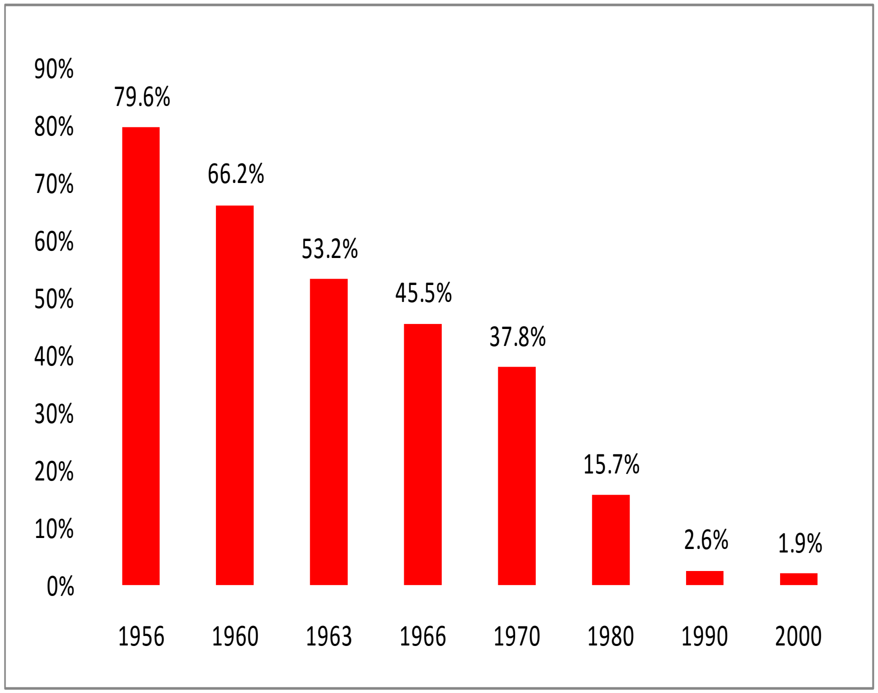
Source:http://www.rbnz.govt.nz/speeches/2968727.html

US as an "Epicentrum"

Financialization in the US Economy

Profit making occurs increasingly through financial channels rather than through trade and commodity production

US GDP as percent of financial turnover



Value of trading in US financial markets (USD billion)

Type	1960	1970	1980	1990	2000
Equity	47	136	522	1,671	14,222
Futures	165	330	5,584	152,717	343,136
Forex	47	111	5,449	36,000	60,960
Mortgage	n.a.	n.a.	n.a.	3,697	16,680

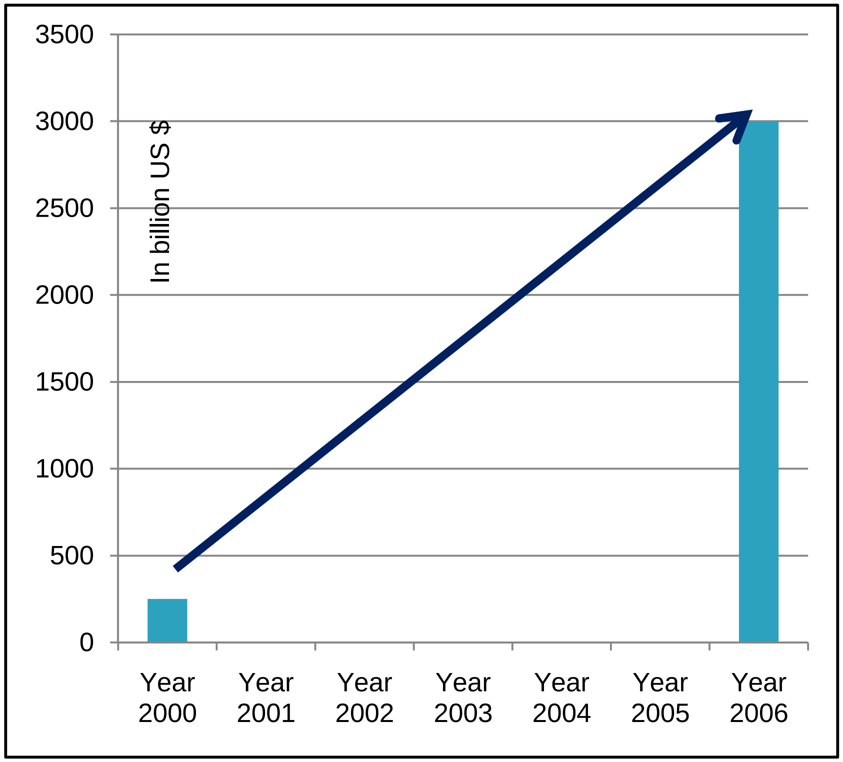
Source: Various publications

US Sub-prime Mortgage (1)

How Subprime became Global Financial Crisis?

How could problems with subprime mortgages, being such a small sector of global financial markets, provoke such dislocation?

- Industry data suggest that between 2000 and 2006, nominal global issuance of credit instruments(MBS/CDO) rose twelvefold, to $3,000bn a year from $250bn
- Became intense from 2004, partly because investors were searching for ways to boost returns after a long period in which central banks had kept interest rates low.
- “slicing and dicing” was fuelling a credit bubble, leading to artificially low borrowing costs, spiraling leverage and a collapse in lending standards

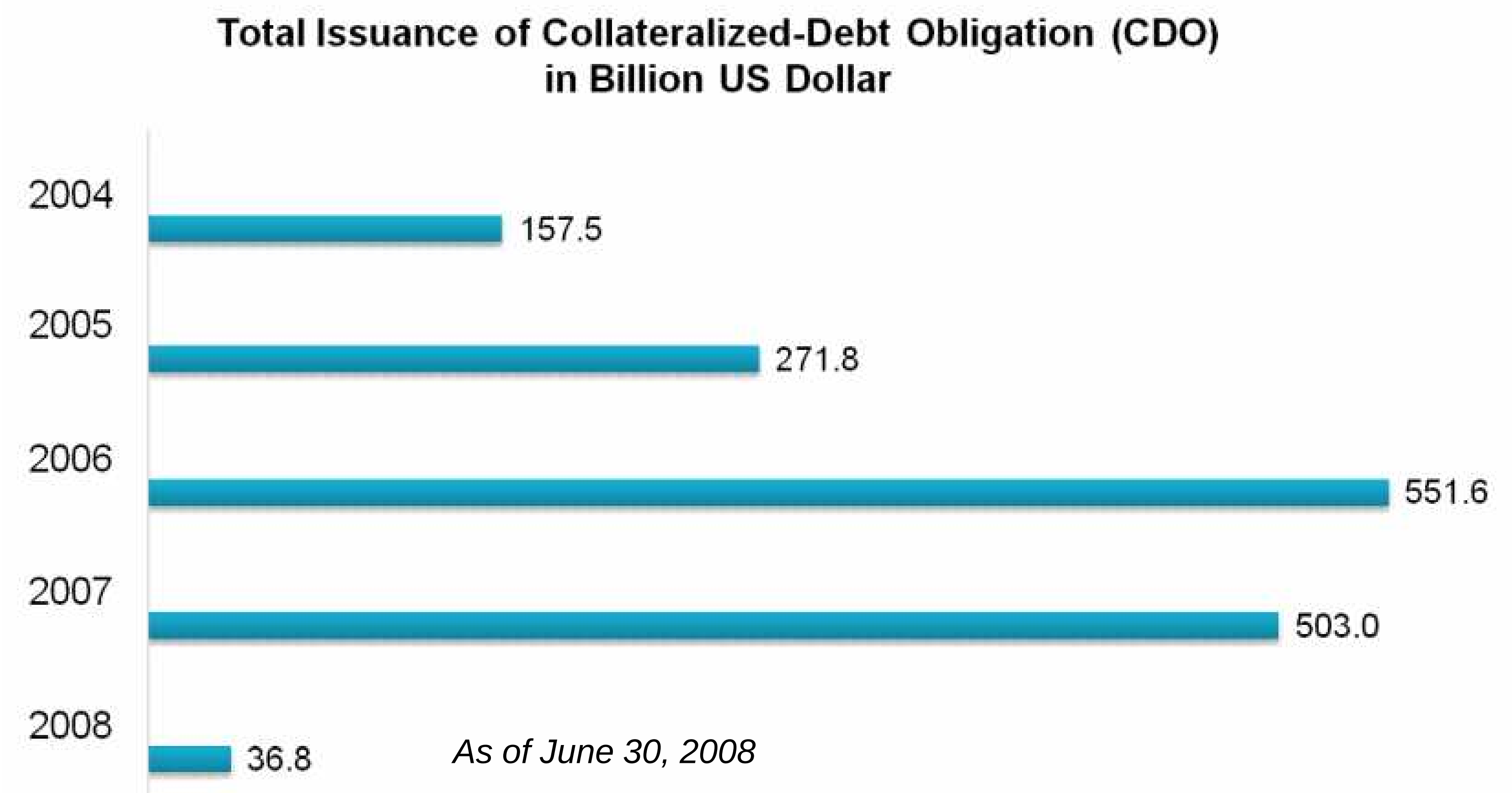


Source: Financial Times , http://www.ft.com/cms/s/0/a09f751e-6187-11dd-af94-000077b07658,dwp_uuid=698e638e-e39a-11dc-8799-0000779fd2ac.html

US Sub-prime Mortgage (2)

..Packaging Debt for Sale..

To satisfy Investor seeking high-yields, Wall Street created CDO, bundling a large number of Mortgage-backed Securities and other debts..

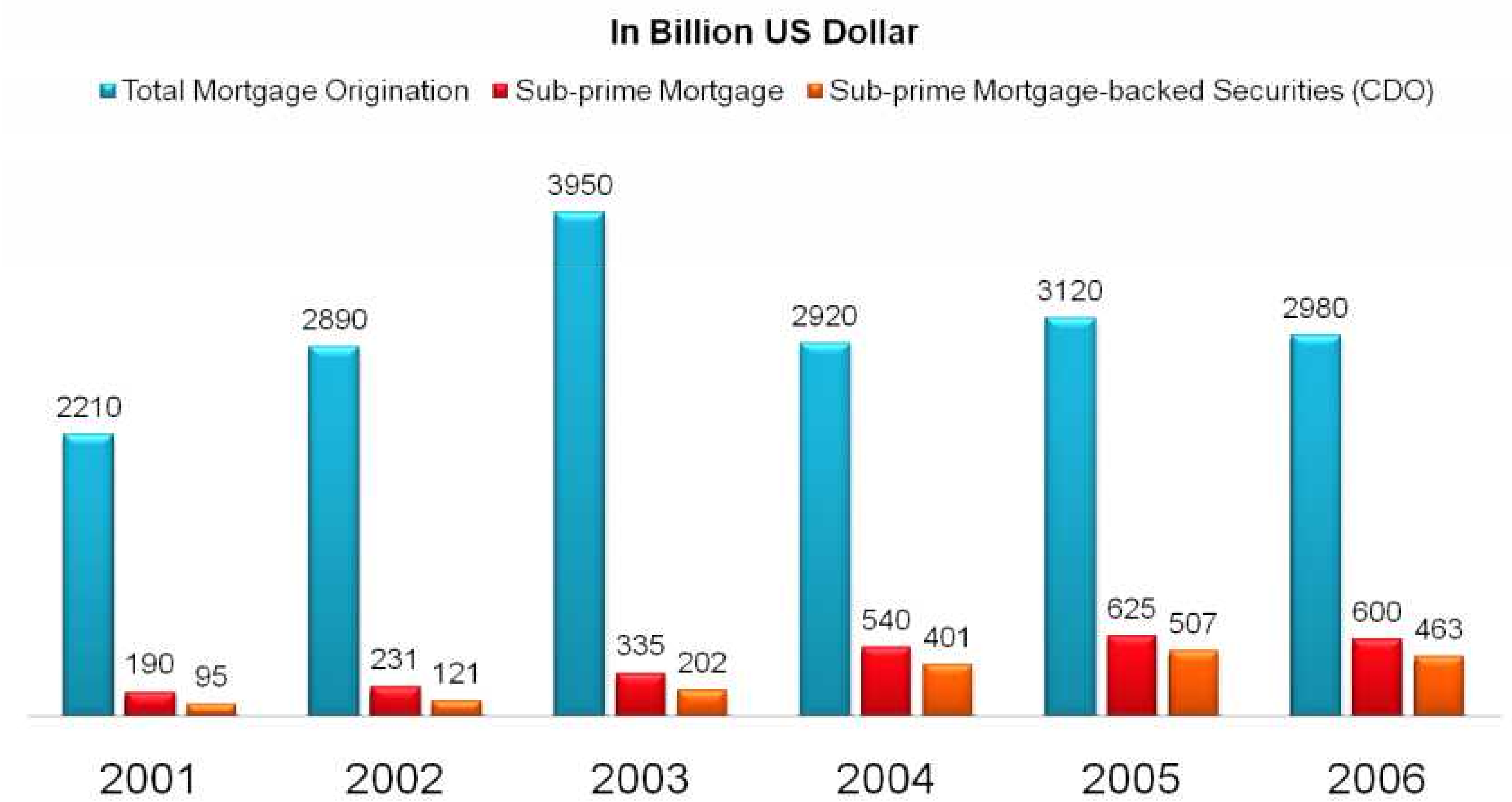


Source: The New York Times, 14 Oct 2008

US Sub-prime Mortgage (3)

..Created Demand for Mortgages..

New CDO needed new Mortgage loan pools, creating a big incentive to credit available to less credit-worthy home-buyers..

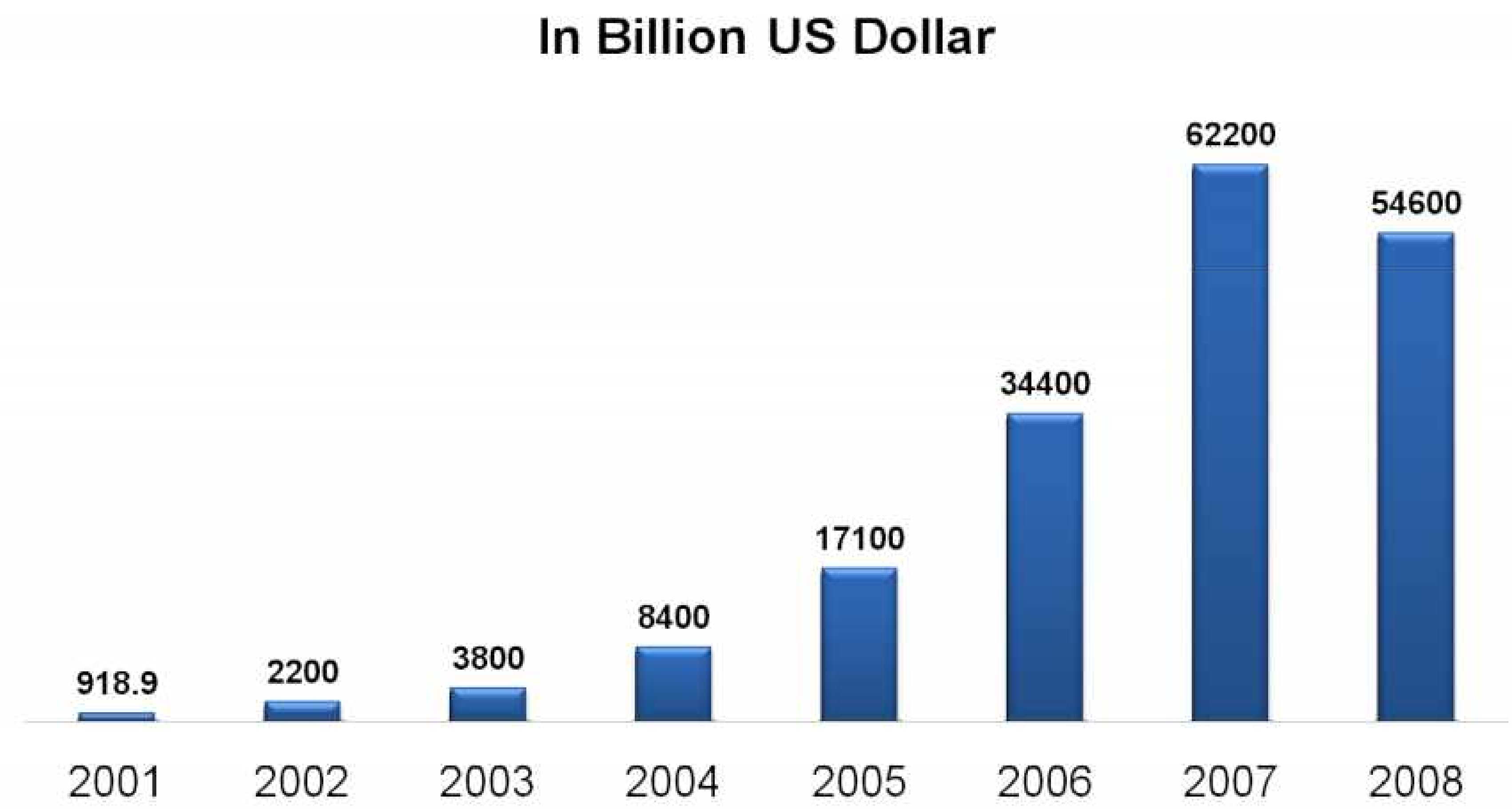


Source: The New York Times, 14 Oct 2008

US Sub-prime Mortgage (4)

..Created Demand for Protection against Losses..

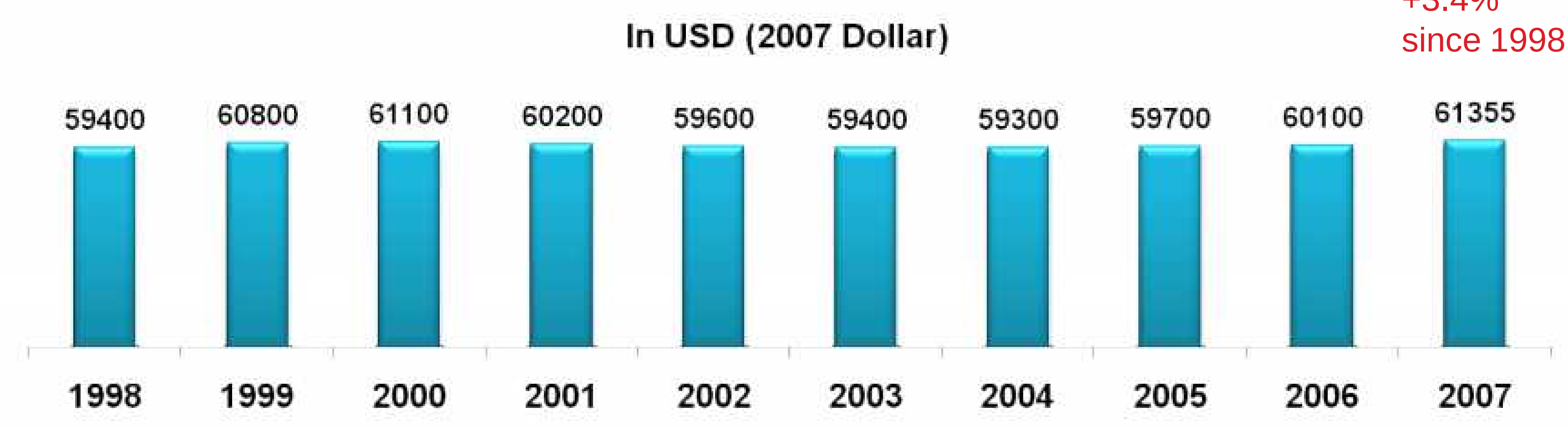
Large financial institution sold Credit=Default Swap (CDS), similar to an insurance policy that promises to pay investors if their bonds default…



Source: The New York Times, 14 Oct 2008

Meanwhile….

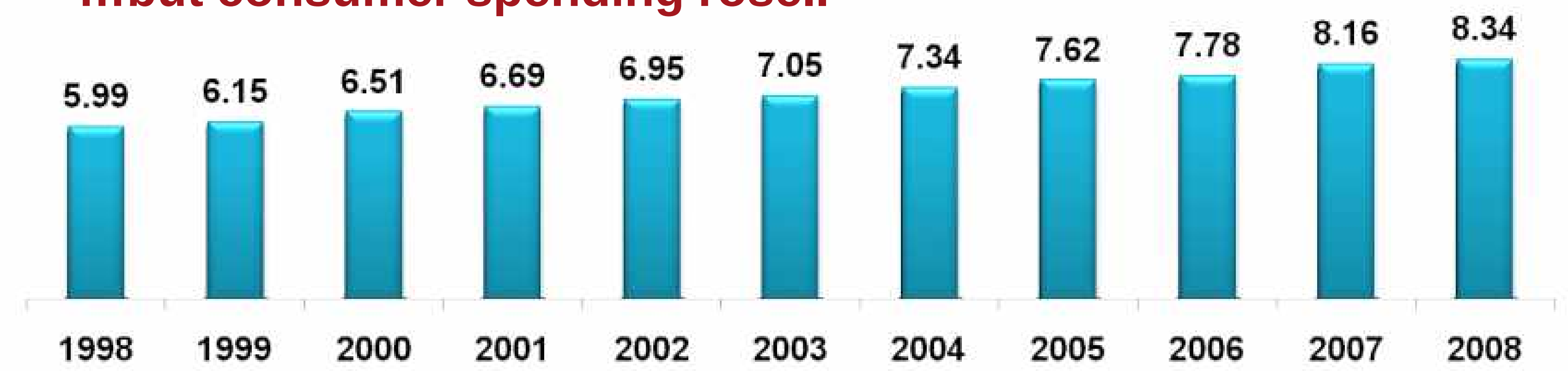
During the past 10 years, income stagnated for most US families…



+3.4% since 1998

…but consumer spending rose..

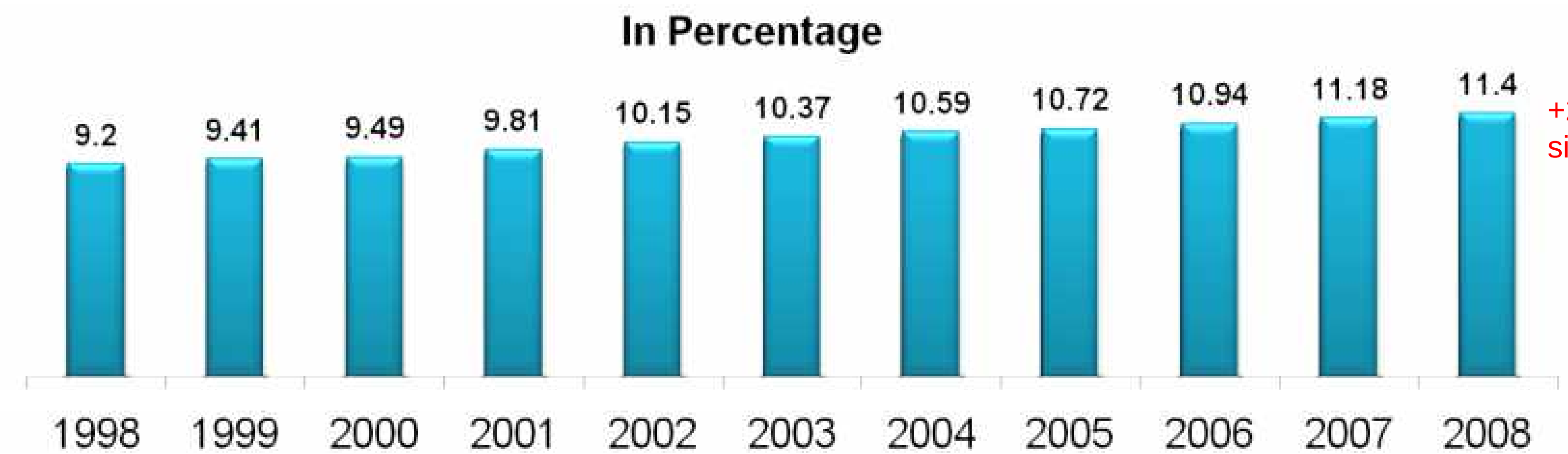
+39.2% since 1998



Source: The New York Times, 14 Oct 2008

Meanwhile…

…fueled by borrowed money mortgage payments become an ever heavier weight..



+23.9% since 2006

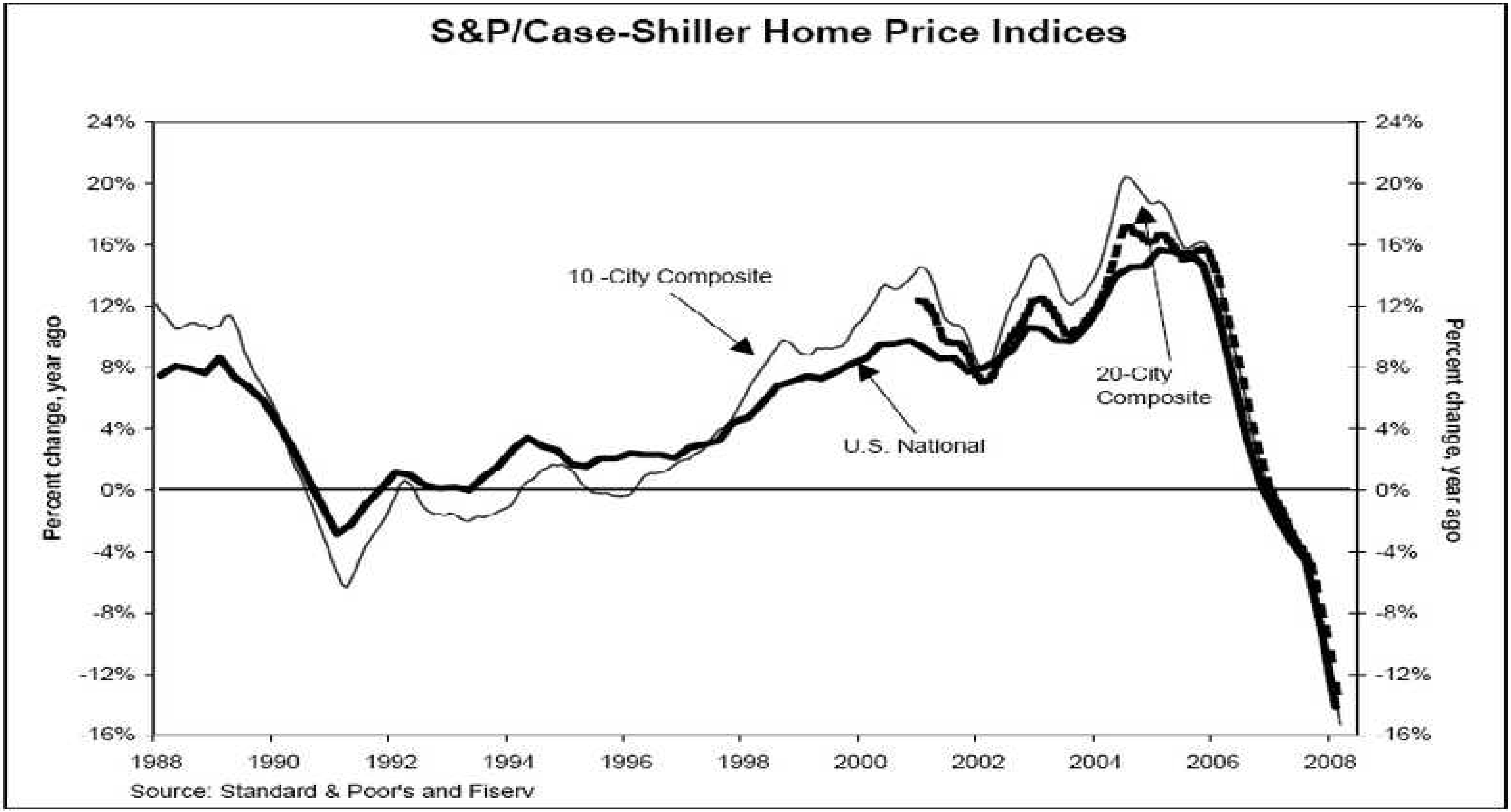
Housing value fell….

House Pricing Index in 20 Cities

-22.2% since 2006

Source: The New York Times, 14 Oct 2008

The Crash: Starting 2006 housing bubble busted



..And "The Tsunami" Comes..

Those good old days were gone now!!

Finance & Economy

- The collapse of an enormous financial institution stirs uncertainty, and uncertainty rattles Wall Street. Lenders are happiest when they are confident they will be repaid. If they think there’s a chance that borrowers will default, they simply don’t make loans. Their refusal, in turn, can shut down the economy and the financial system.
- Financial system is what provides the funding for all the other sectors of the economy, and if you have a broken financial system, you have a broken economy

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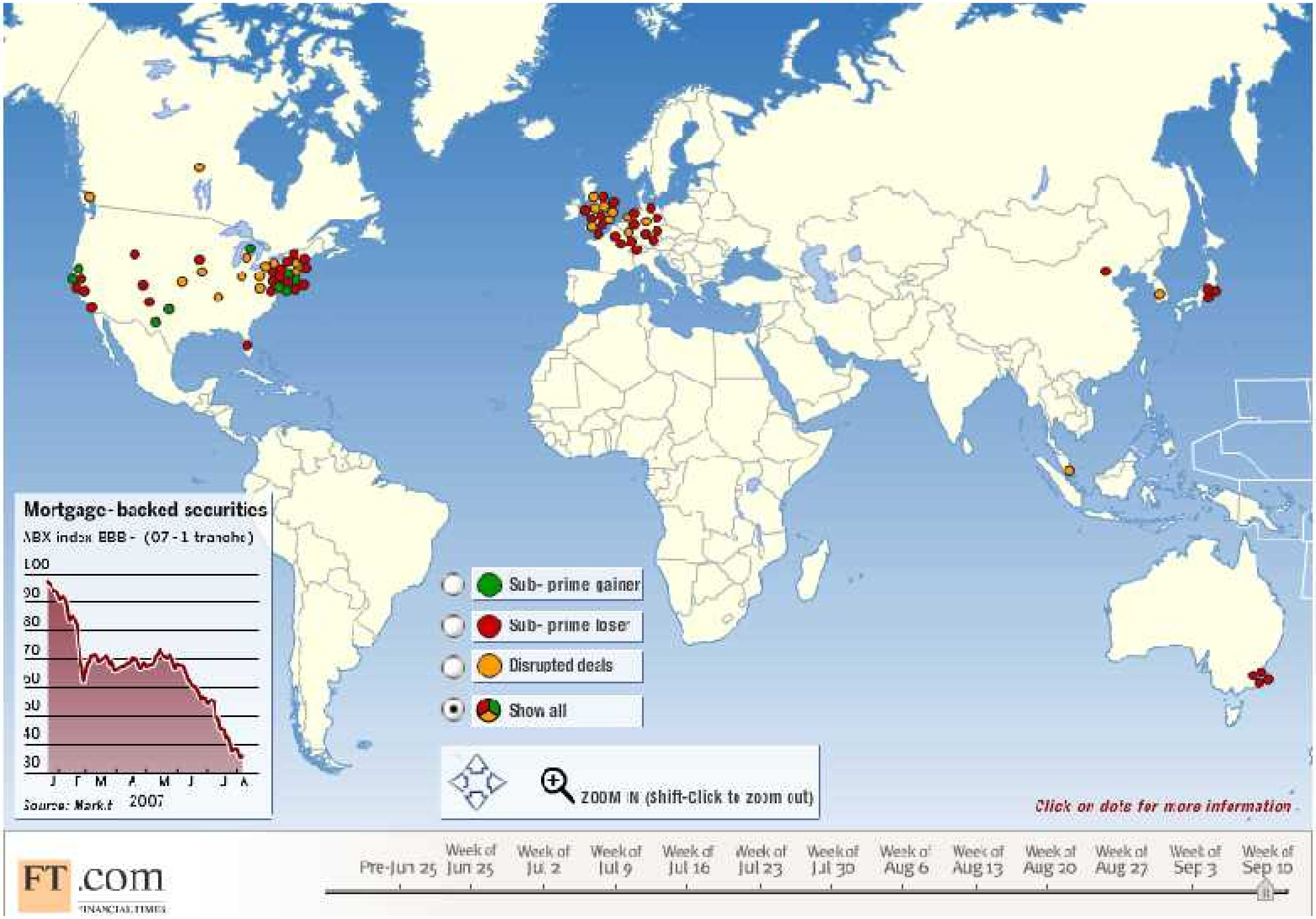
Investments devalued across the Globe

Source: BBC News, http://news.bbc.co.uk/2/hi/talking_point/7644574.stm

Subprime impact across globe



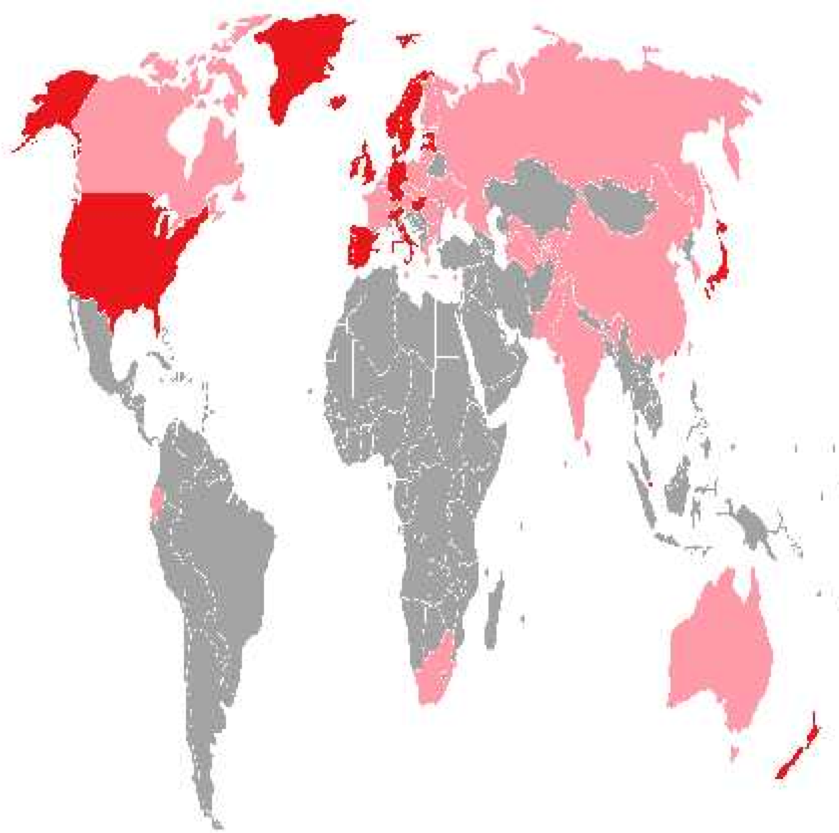
Source: Financial Times

Impact of Financial crisis-felt across the globe

Source: Reuters, http://www.reuters.com/news/globalcoverage/creditcrisis

Global economic growth is weakening…

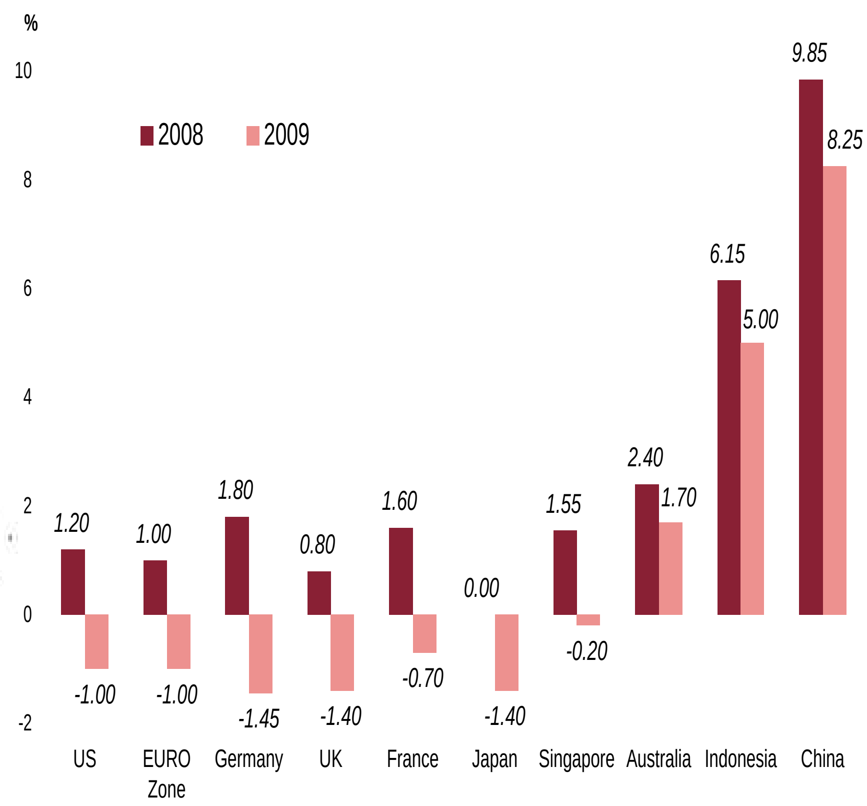
Global Economic Growth 2009: 1.2%



Color scheme: Countries in recession as of December 2008

Severely affected countries

Global Economic Growth (% YoY)

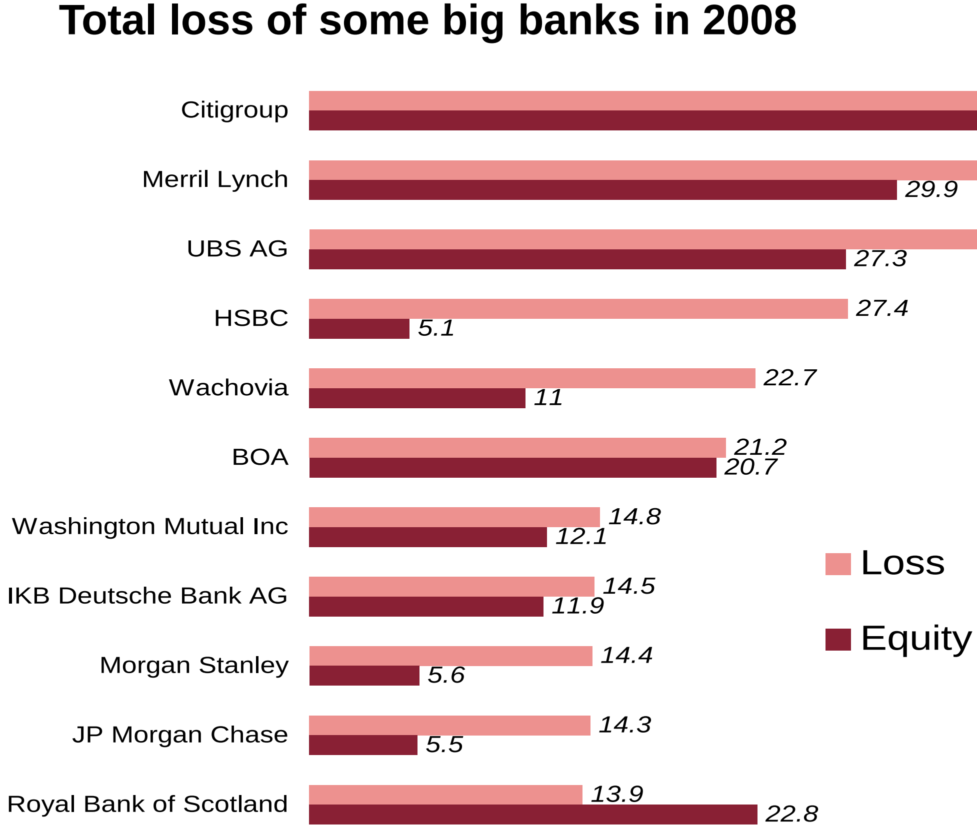


Source: Bloomberg

Impact of Sub-prime Mortgage Crisis

The impact was widespread and some have to file for bankruptcy

Total loss of some big banks in 2008



Filed for Bankruptcy

Bank	Country
New Century	United States
Lehman Brothers	United States
SachsentLB Bank	Germany

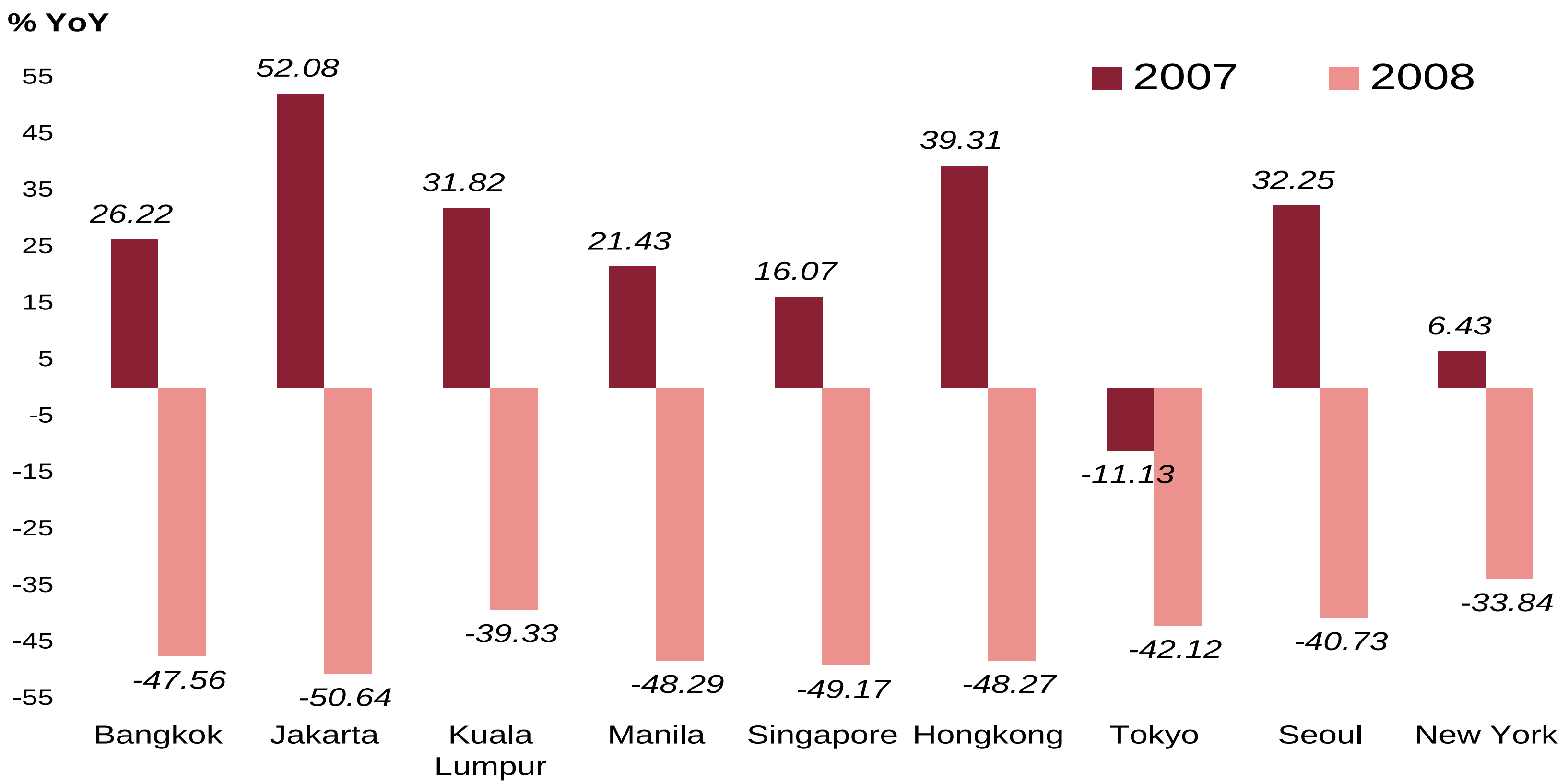
Worldwide :US$ 586.2 billion and still counting

Source: Various publications

Capital market is melting down

As banks need cash, liquidity is pulling out from capital market

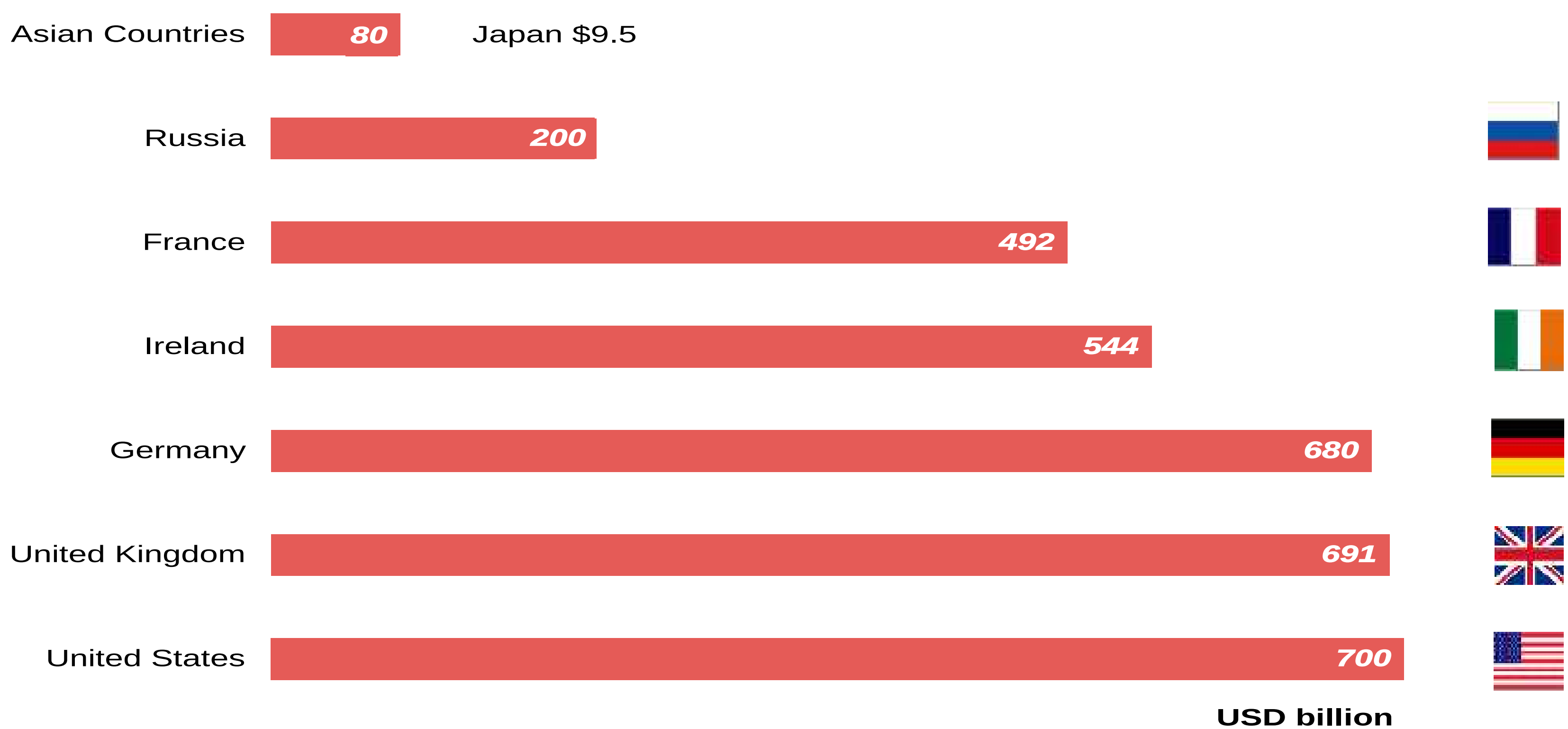
Capital market index (% YoY)



Source: Bloomberg

Central Banks and Government injected liquidity

Banking sector faced liquidity problem, that's why some Central Banks and Government poured money to the market



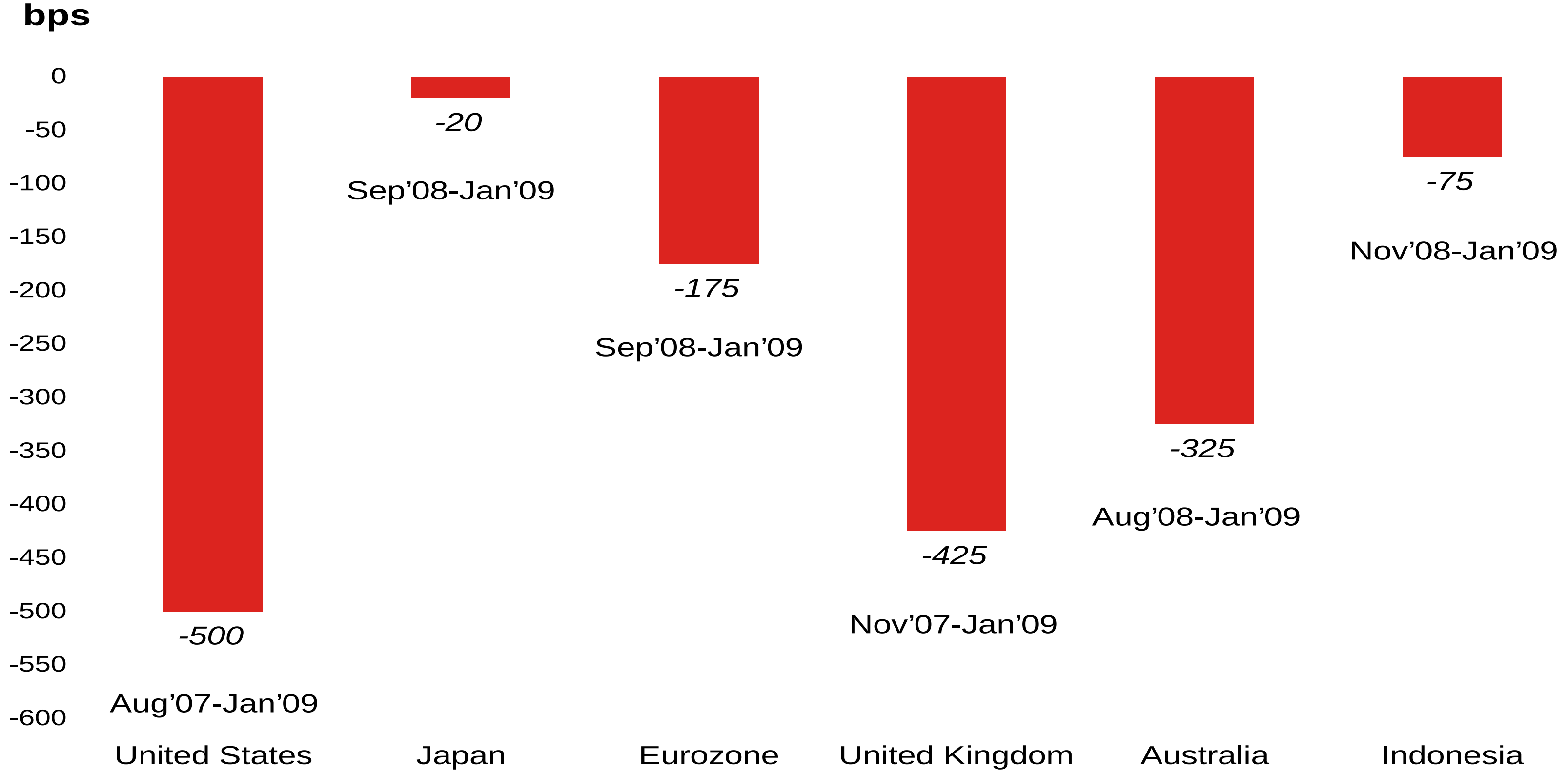
Total "Bail-Out" = USD 3387 Bio and still Counting…
(only some countries, Obama plan to add USD 850 Bio in 2009)

Source: Various publications

Policies taken to boost domestic spending

Central banks cut their benchmark rate in order to boost domestic spending

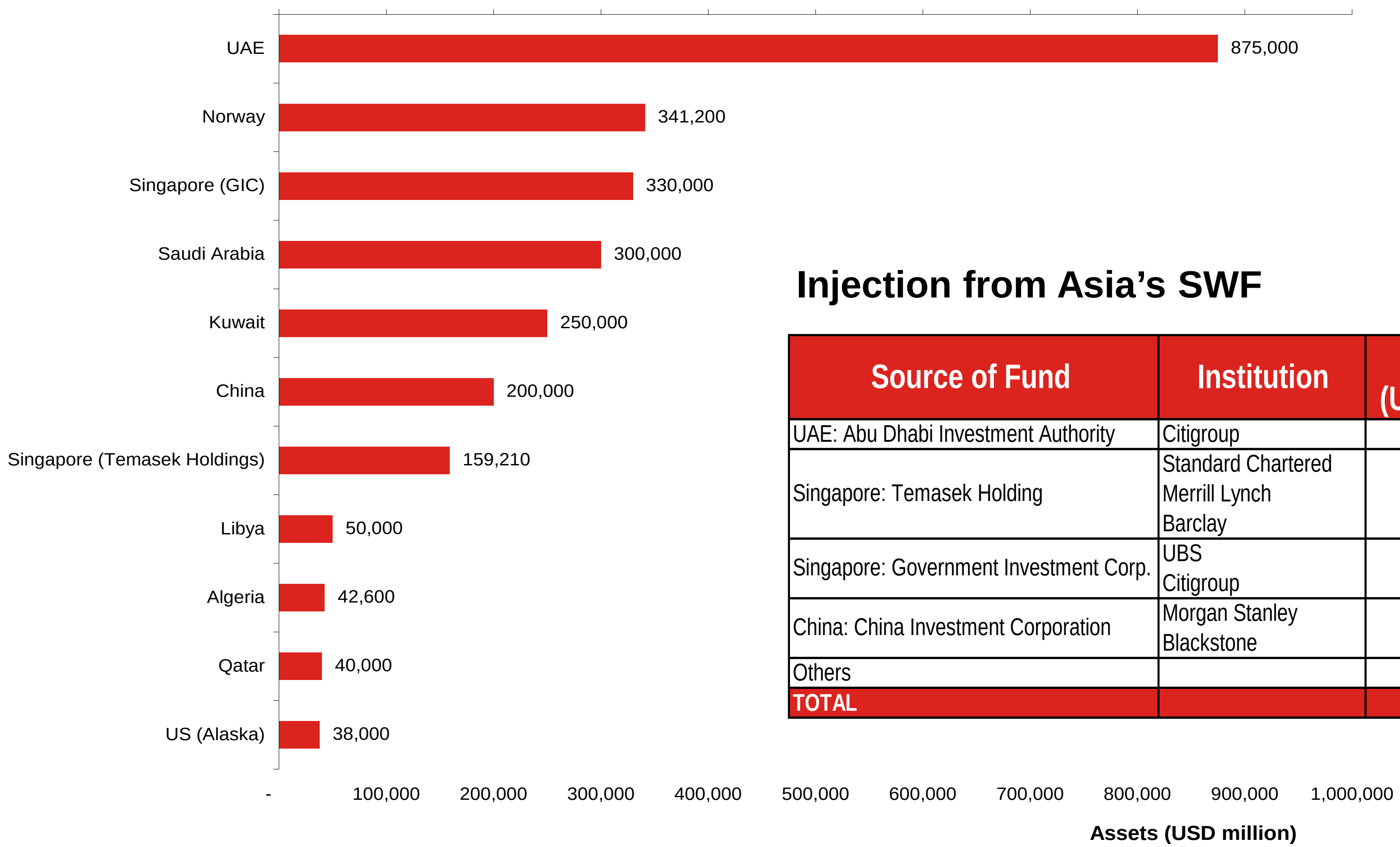
Global Benchmark Rate, delta bps from peak



Source: Bloomberg

Sovereign Wealth Funds become the guardian angels

Largest Sovereign Wealth Funds



Injection from Asia's SWF

Source of Fund	Institution	Value (USD billion)
UAE: Abu Dhabi Investment Authority	Citigroup	7.50
Singapore: Temasek Holding	Standard Chartered	9.20
	Merrill Lynch	7.20
	Barclay	2.00
Singapore: Government Investment Corp.	UBS	11.94
	Citigroup	6.90
China: China Investment Corporation	Morgan Stanley	5.00
	Blackstone	3.00
Others		13.86
TOTAL		66.60

Source: Various publications

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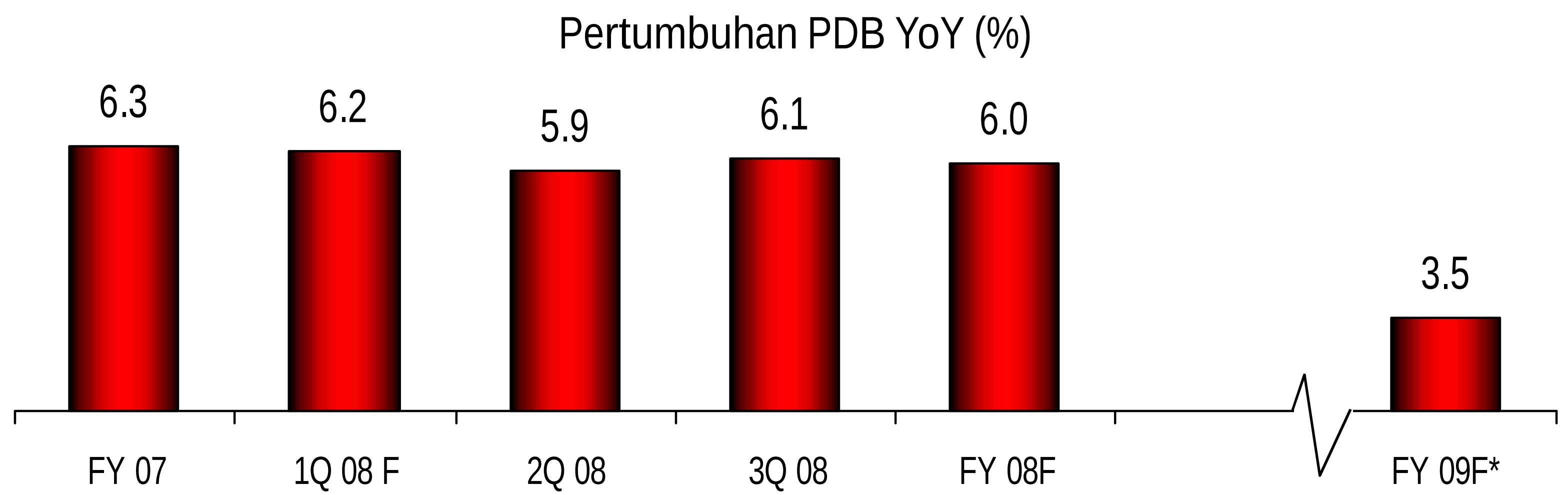
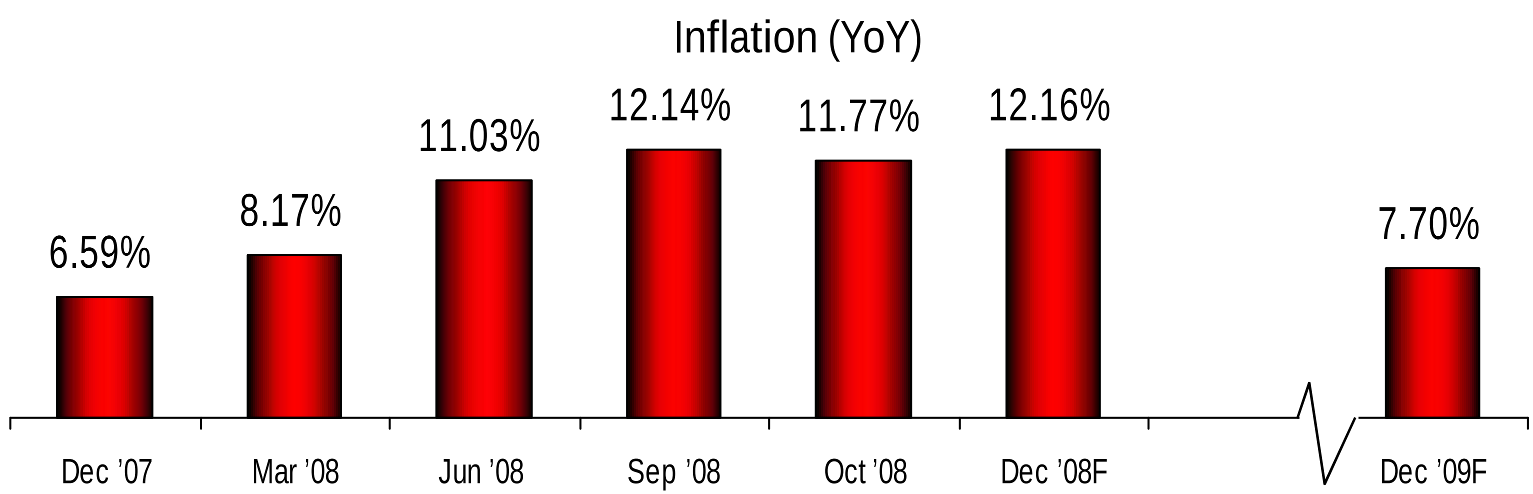
Projection of Indonesia GDP Growth has been revised down due to global economy crisis ... but inflation is projected single digit

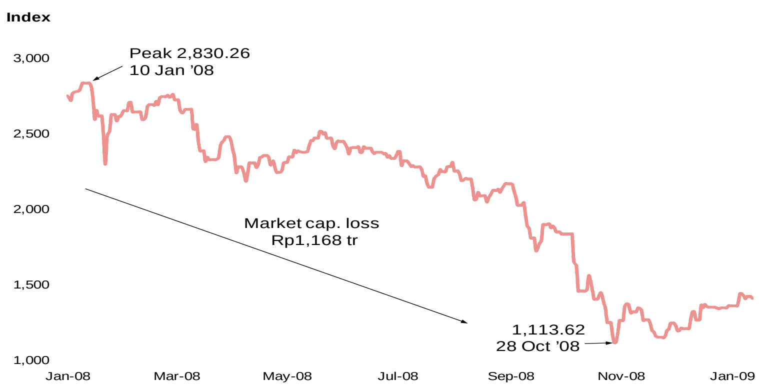




*Pertumbuhan PDB – Forecast CIMB-GK Securities 3.5%; Citigroup 4.8%; Morgan Stanley 3%

Impact to Indonesian Market

Jakarta Composite Index



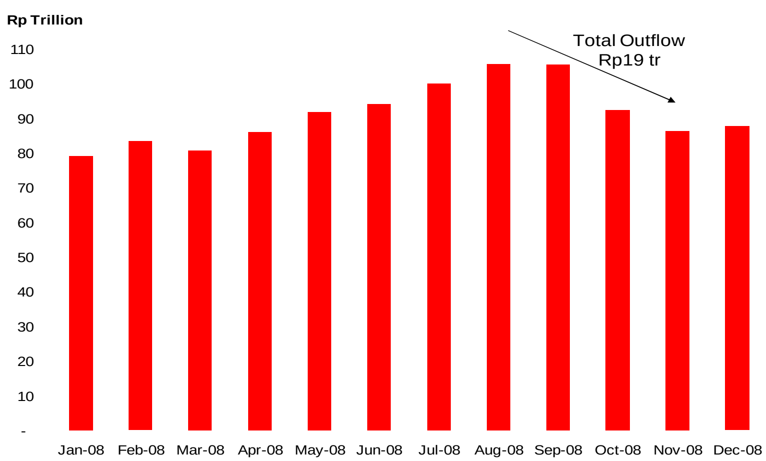
As foreign funds pulled out, Indonesian market is dissolving:

-Total loss in Equity: Rp1,168 tr

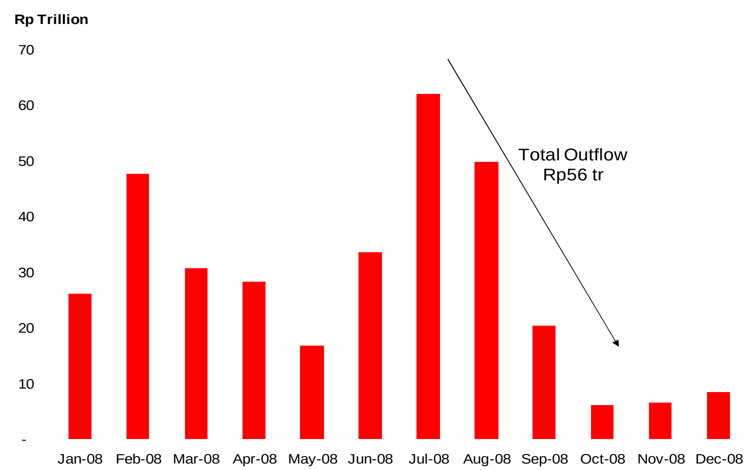
-Outflow from Gov't bonds: Rp19 tr

-Outflow from SBI: Rp56 tr

Foreign Ownership on Gov't Bonds

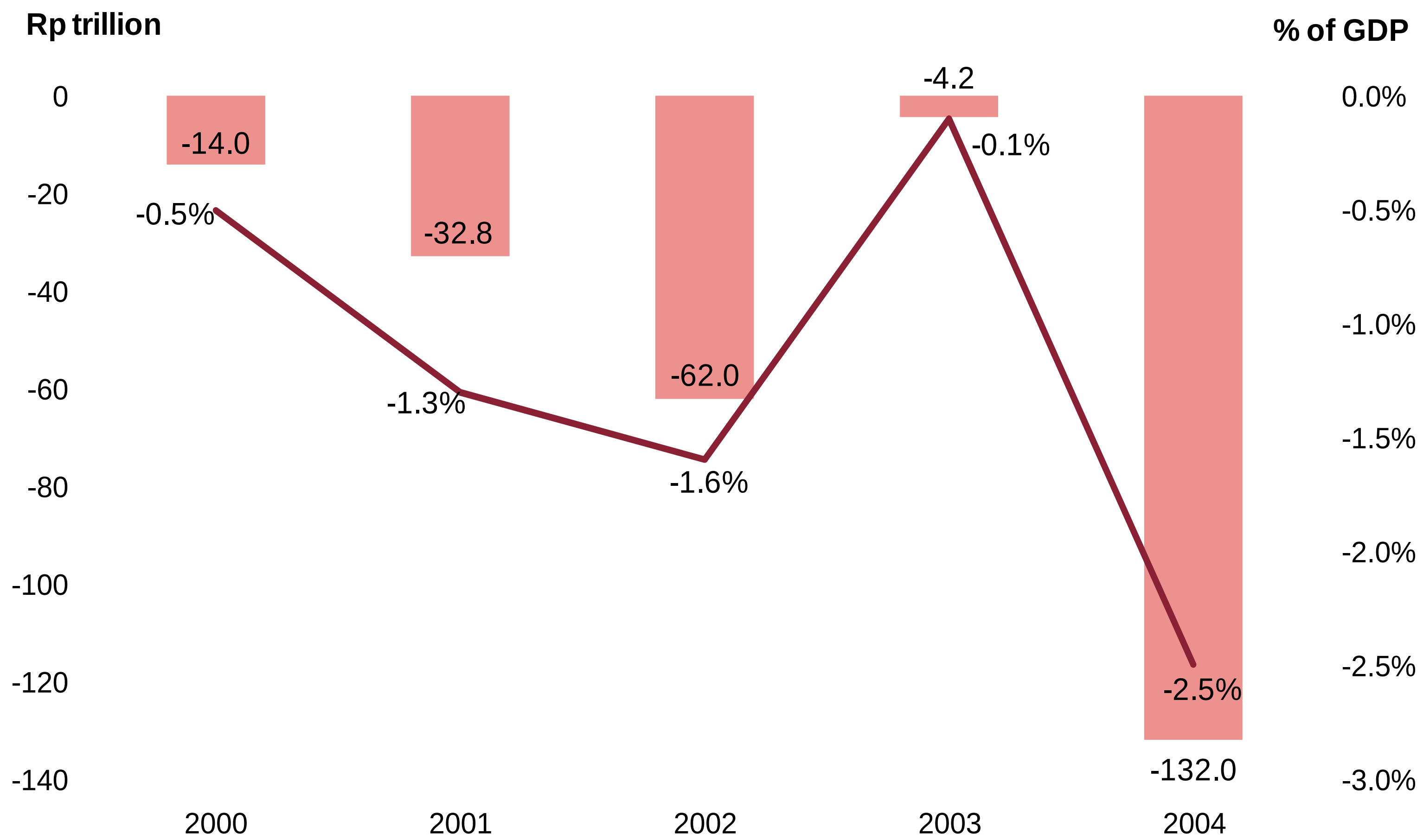


Foreign Ownership on SBI



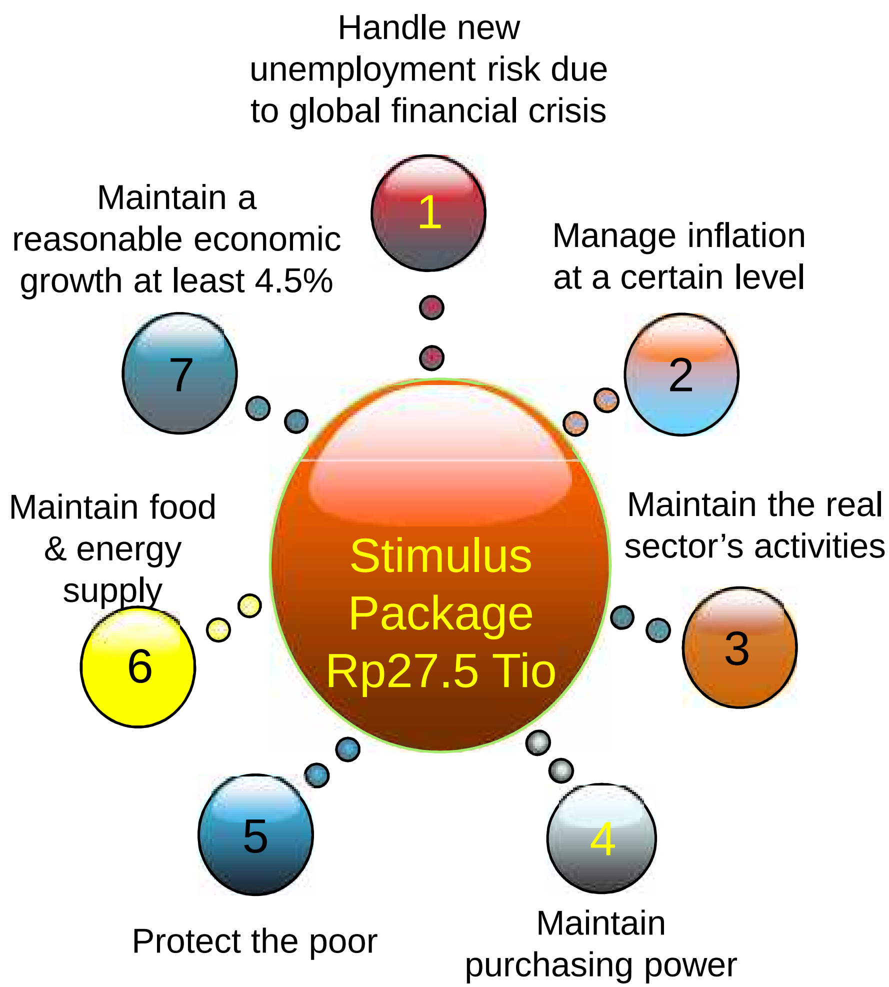
Source: Bloomberg & Bank Indonesia

Budget deficit is expanded to boost domestic spending

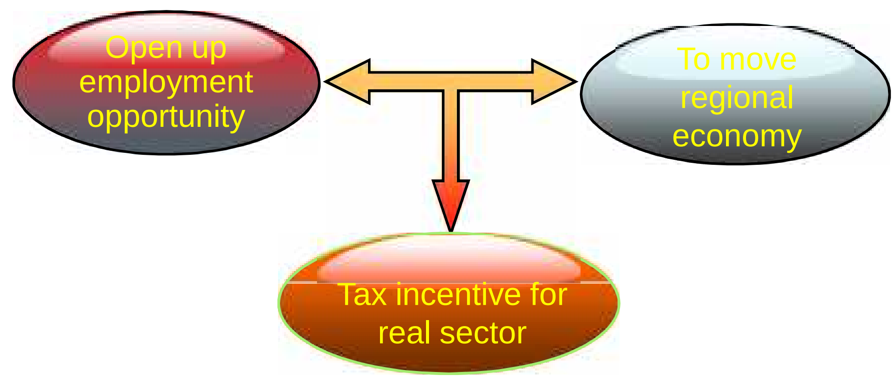


Source: Ministry of Finance

7 Main Agenda of the 2009 Indonesian Economy



3 Policy Scenarios anticipating global crisis effect



1. Food & Beverages
2. Electronics
3. El. Components
4. Automotive & Components
5. Telecomm & IT
6. Shipping Components
7. Chemicals
8. Steel
9. Heavy Equipments
10. Small Scale Power Plant Component

Source: Ministry of Finance

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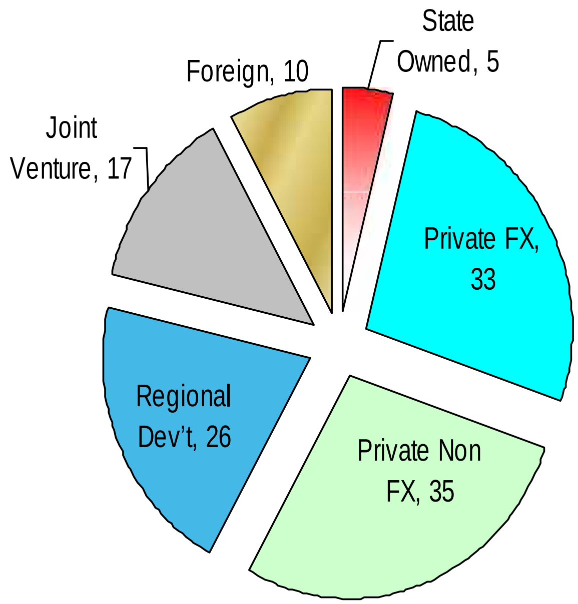
Indonesian Banking Landscape

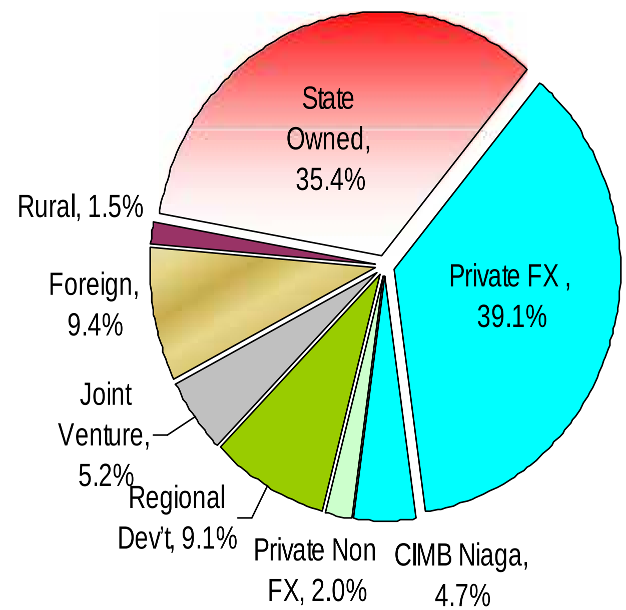
As of October 2008, Indonesia has 126 Commercial Banks and 1,768 Rural Banks…

Total assets of banking industry as of Oct 2008: Rp 2,235 Trillion

Number of Commercial Banks

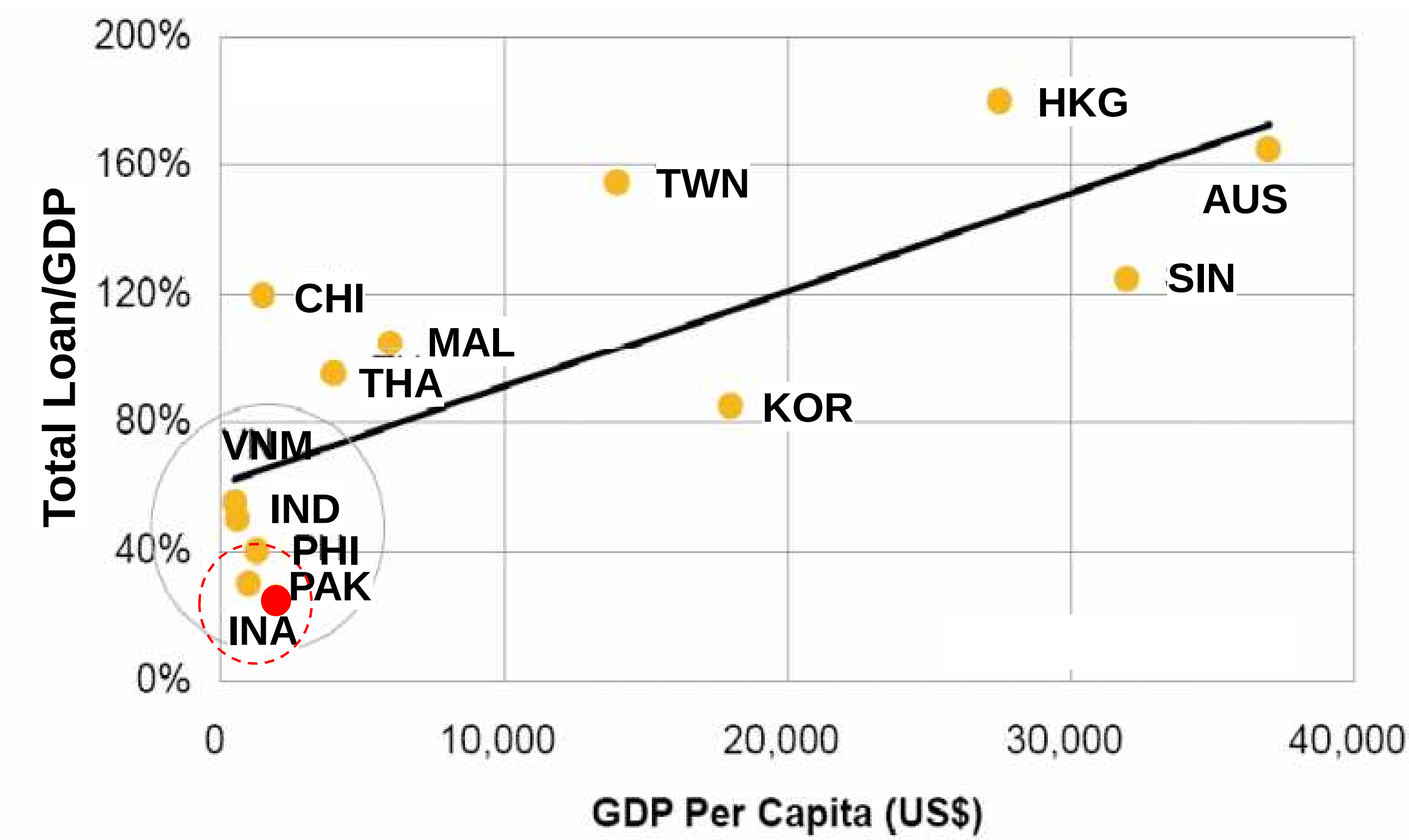


Market Share by Total Assets (%)



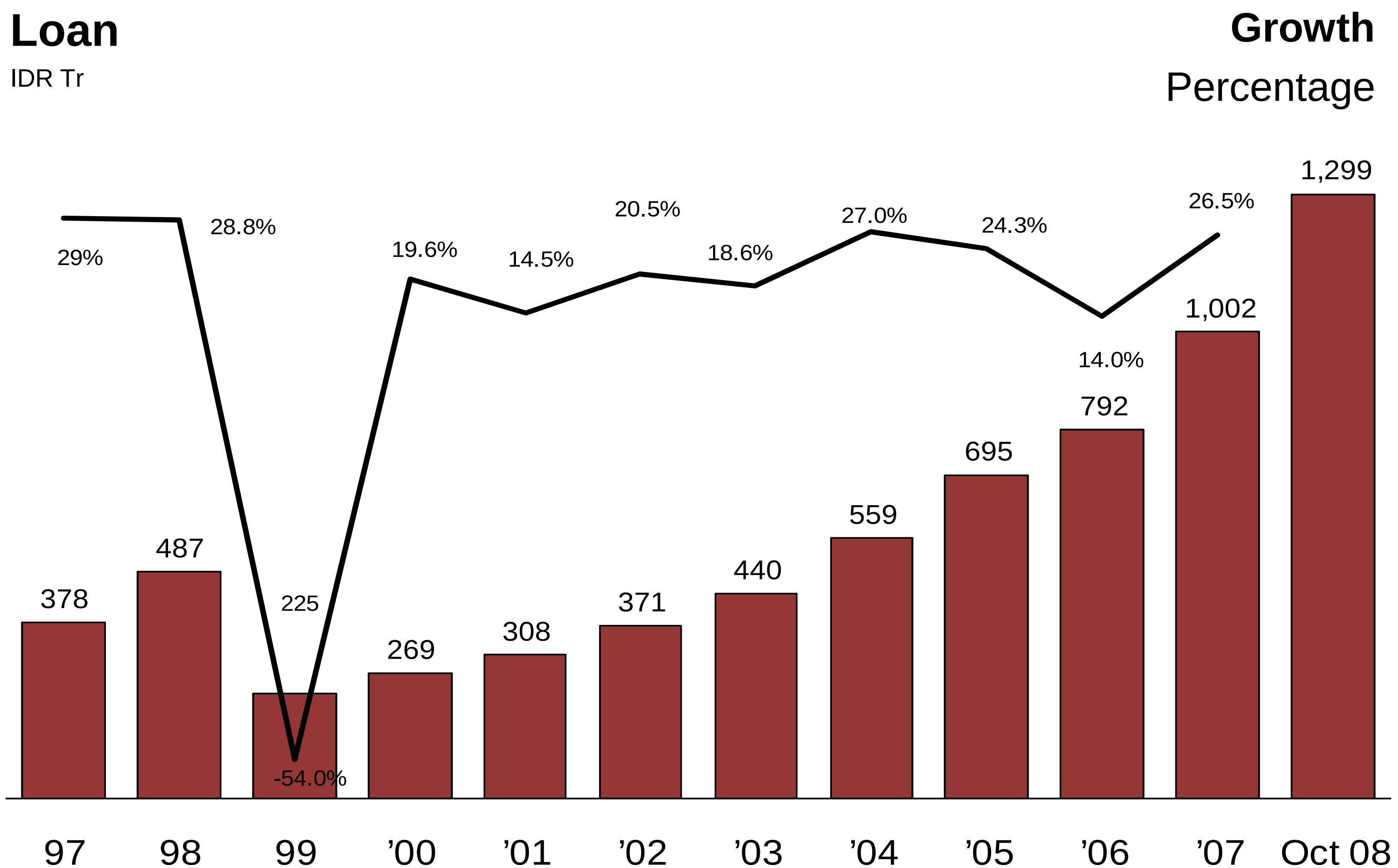
Source: Indonesian Banking Statistic as of Oct'08

There is still opportunities in the banking sector as reflected by the comparatively low Loan/GDP



Source: Analyst Report, Nov 2008

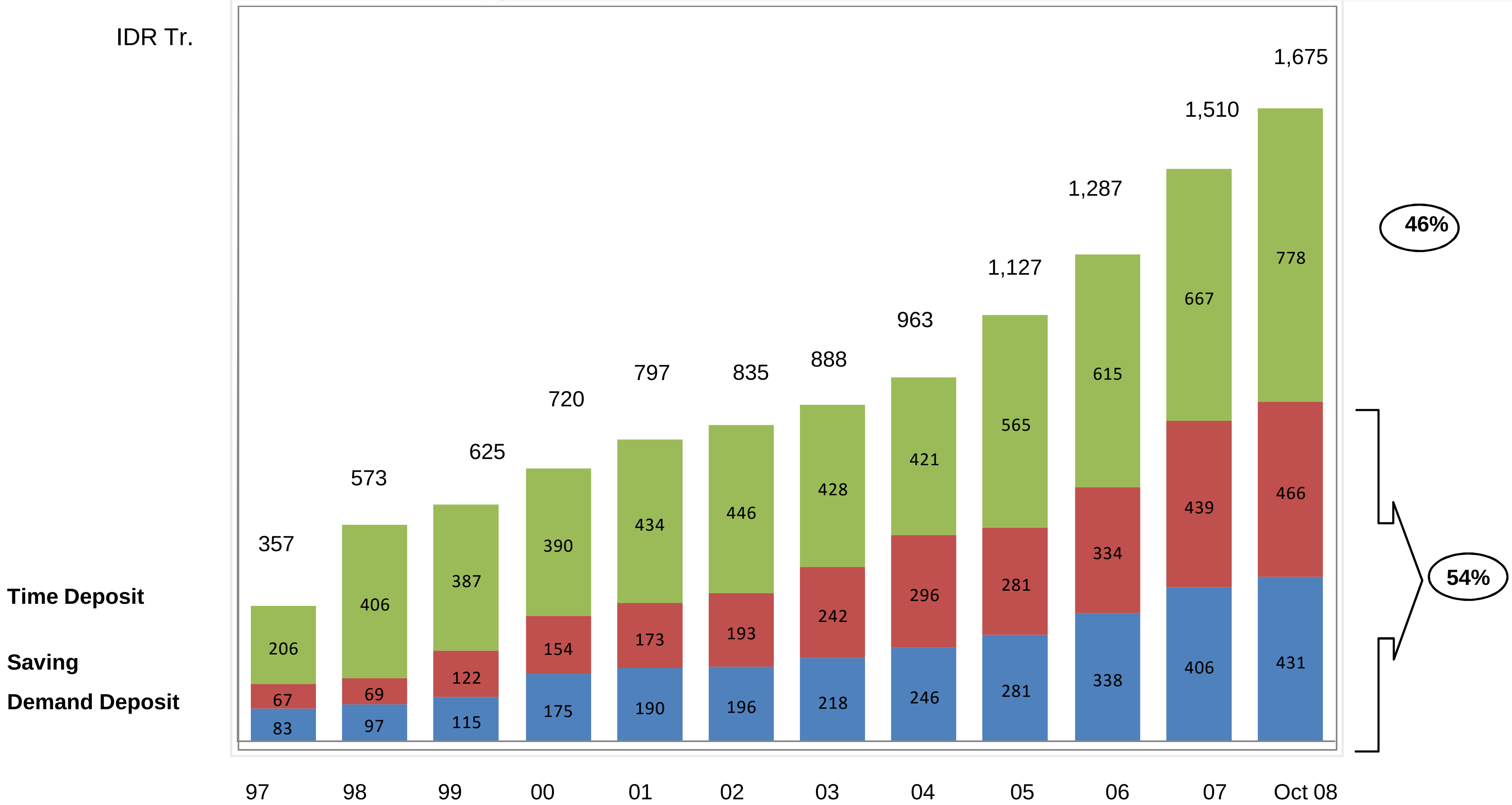
Indonesian banking landscape
Loans has been increasing steadily over the years



Source: Statistik Perbankan Indonesia, Oct 2008

Indonesian banking landscape

CASA are still a majority of third party funds as per Oct'08 (54%)

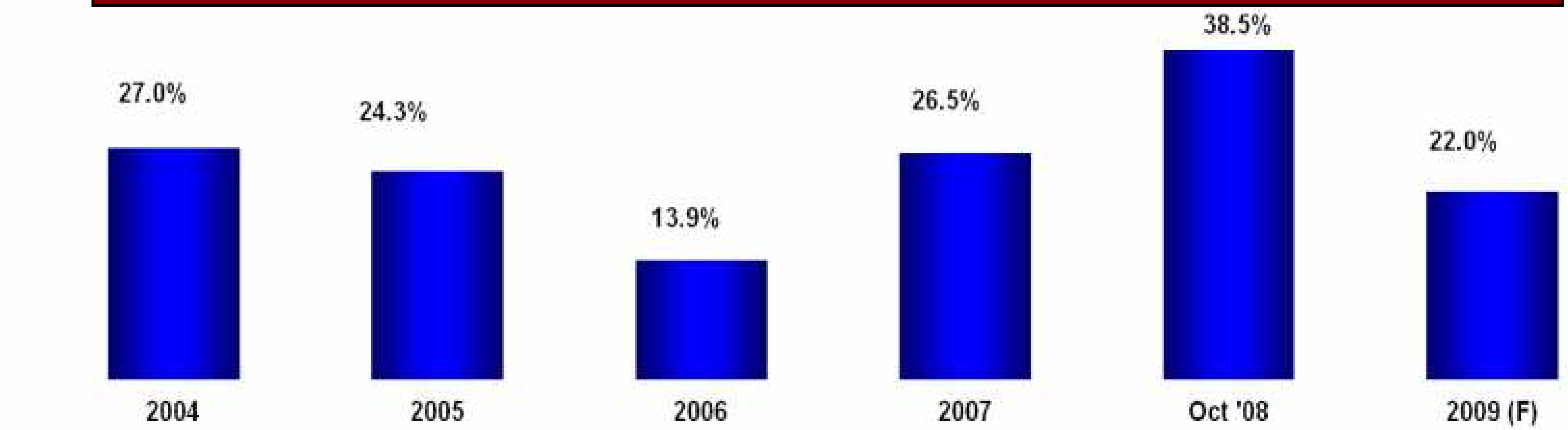


Source: Statistik Perbankan Indonesia, Oct 2008

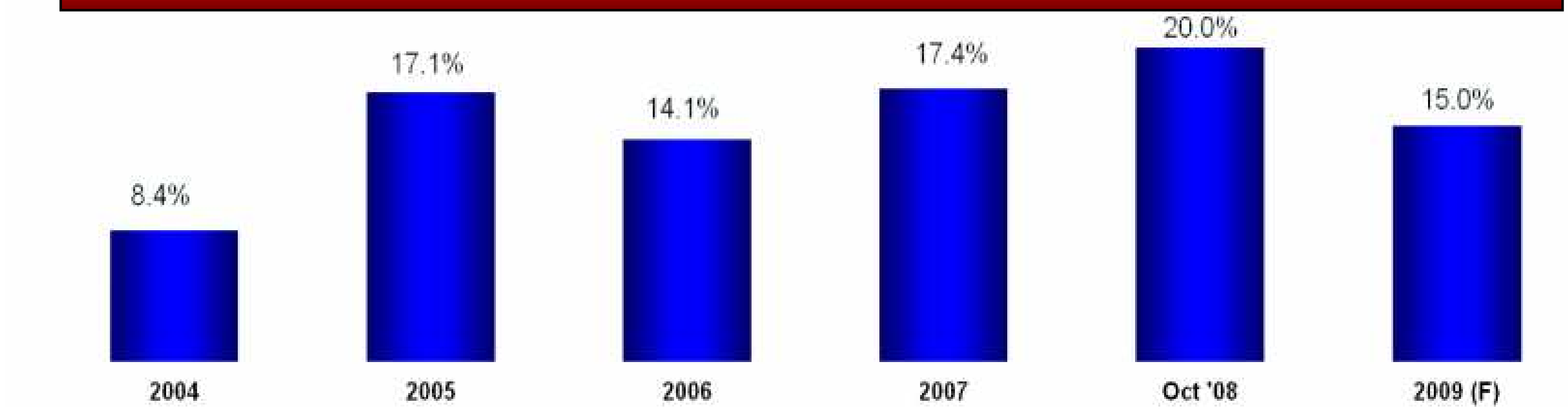
Indonesian Banking Landscape

Current Condition of Indonesian banks

Loan Growth (% YoY)



Deposit Growth (% YoY)



Source: Indonesian Banking Statistic Oct 08
Forecast : BI Governor Speech

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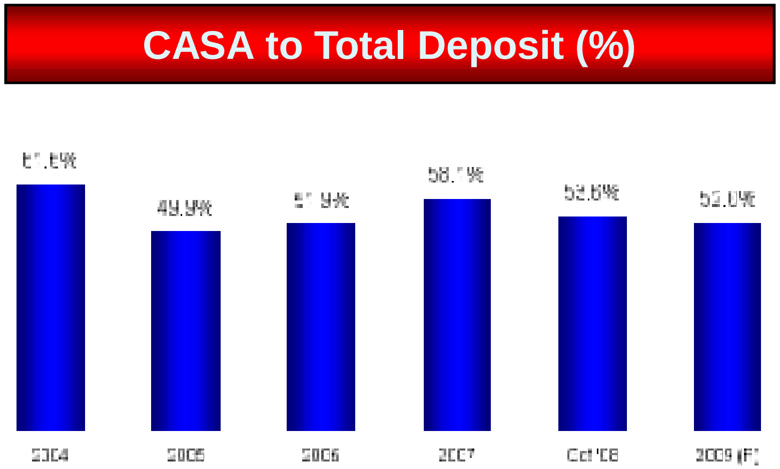
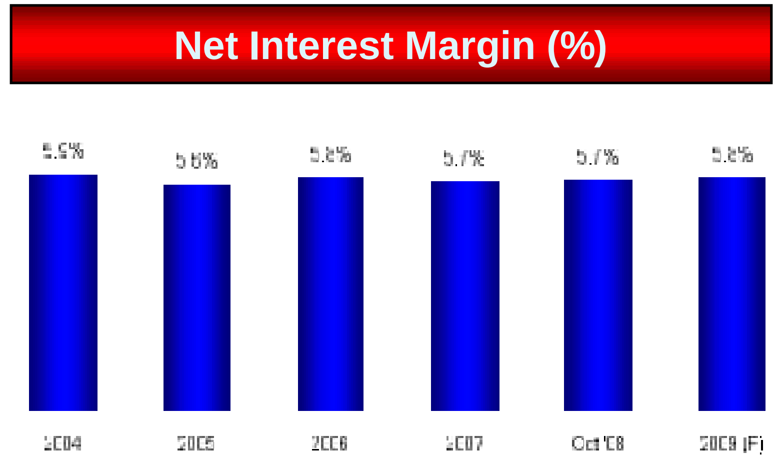
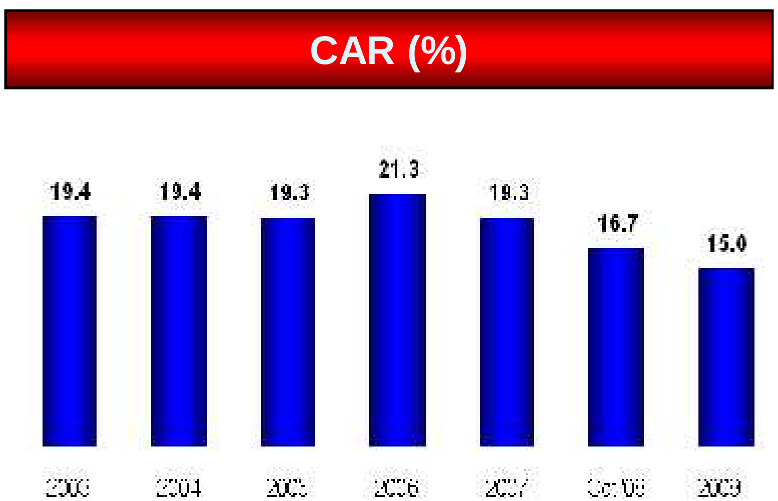
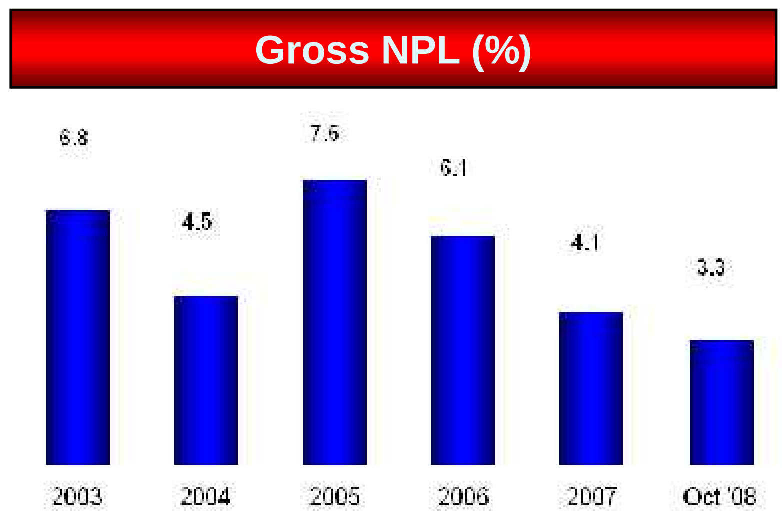
Indonesian Banking Landscape

Current Condition of Indonesian banks







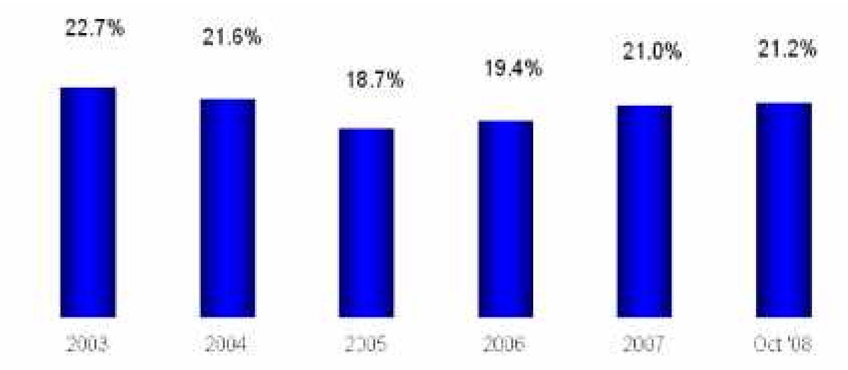


Sumber: Statistik Perbankan Indonesia Oct 08
Forecast : Pidato Gubernur BI

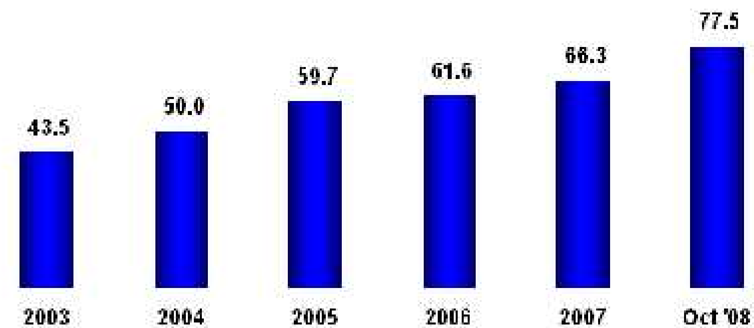
Indonesian Banking Landscape

Current Condition of Indonesian banks

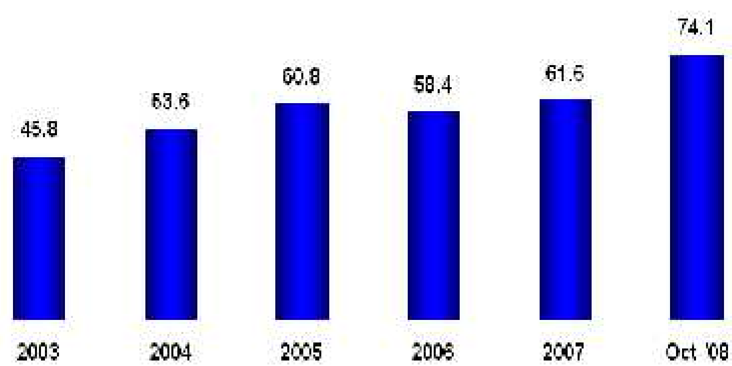
Forex Loan / Total Loan (%)



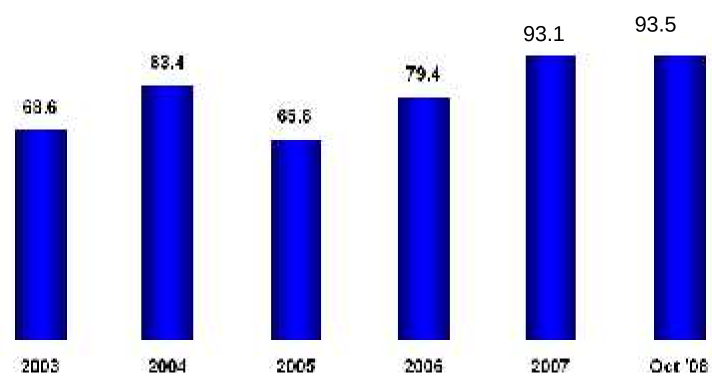
LDR (%)



LDR - Rupiah (%)



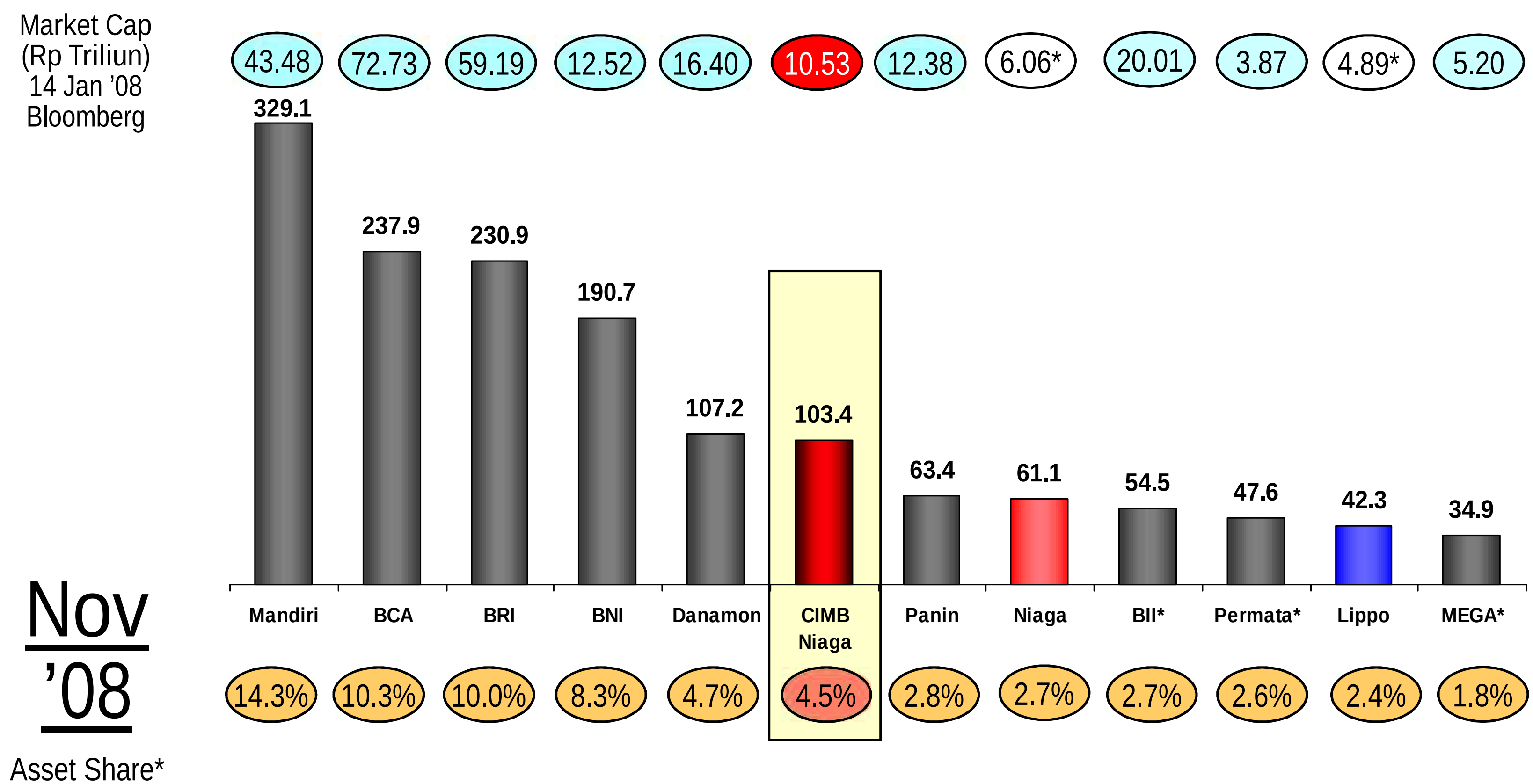
LDR – Valas (%)



Sumber: Statistik Perbankan Indonesia Sep 08

Indonesian Top 10 Banks – by Assets and Market Capitalization

Top 10 Banks control 60.95% of Industry's assets



* Per 31 Oct '08

Source : Statistik Perbankan Indonesia per November 2008

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Merger & Acquisition (M & A)

- The world financial crisis, increased opportunities for foreign investor to participate in and benefit from the restructuring banking sector

- In crisis markets, banking need capital, are offering foreign player equity shares, and governments are relaxing foreign ownership restrictions – creating opportunities for control by foreign ownership

As a result M&A activity is accelerating. Nonetheless there are still opportunities left in Asia market for foreign investor

Acquisition activity in banking has been rising over time

Acquisition target	Acquirer	Stake acquired (%)	Assets size at acquisition (IDR Bio)
Bank Haga & Haga Kita	Rabobank	NA	3,898
Bank Artha Niaga Kencana	Commonwealth	83	1,312
Bank Swadeshi	Bank of India	76	974
Bank Halim	ICBC	90	517
Bank Jasa Artha	BRI	100	215
Bank Nusantara Parahyangan	ACOM & Bank of Tokyo Mit	75.4	3,773
Sinar Harapan Bali	Mandiri	80	309
Harfa	Panin	100	260
BTPN	TPG	71.6	11,756
BII	Maybank	55.6	54,757

Source: Lit-search

Business Opportunities

Learning from past experiences, during / post crisis, there are lots of potential business in the area of asset management, i.e.:

- Merger & Acquisition (M & A)
- Debt Restructuring Services
- Distressed Asset Management
- Discounted Asset Sales
- Bankruptcy Attorneys Services
- Turnaround Business Consultancy
- Financial Management Advisory

Estimated Value of Global Business Opportunities..

- Total Estimated “Bail Out” Worldwide = Total Cost of Financial Tsunami
  = **USD 7723,2 Billion**
  (data until 31 Oct 2008, for 40 countries)
  = **USD 7,72 Trillion**

- If Consulting Services Fee = 1% up to 5%

- Estimated Business Opportunities Value =
  USD 77,23 Bio
  up to
  USD 386 Bio

Source: AWSJ, Website and staff calculation

Thank You

Disclaimer:

Presentasi ini tidak bertujuan untuk mempengaruhi investasi atau kebijakan bisnis, tidak juga mewakili sebuah institusi. Bila terdapat perbedaan dalam hal data dan informasi dalam slide ini, maka sesungguhnya semua data dan informasi tersebut disajikan untuk keperluan diskusi dan tukar pikiran, mengingat beberapa data bersifat sekunder dan berasal sumber-sumber media massa.