

The Impact of Economic Turmoil in Asia

....with the focus on
Commercial Banking Landscape in Indonesia

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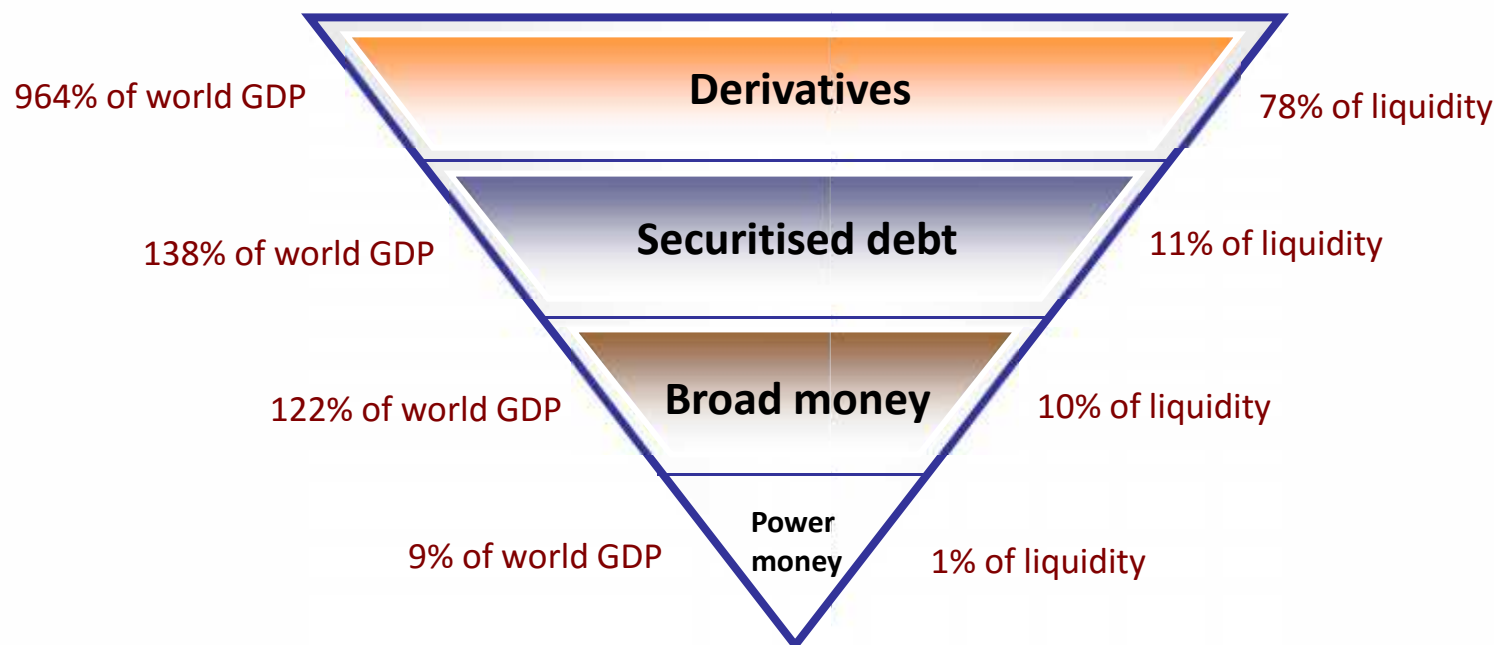


Agenda

- Background: The Story of Crises
 - Impact on Global Economy (Including Asia)
 - Impact on Indonesia

Portrait of “Money Ocean”

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



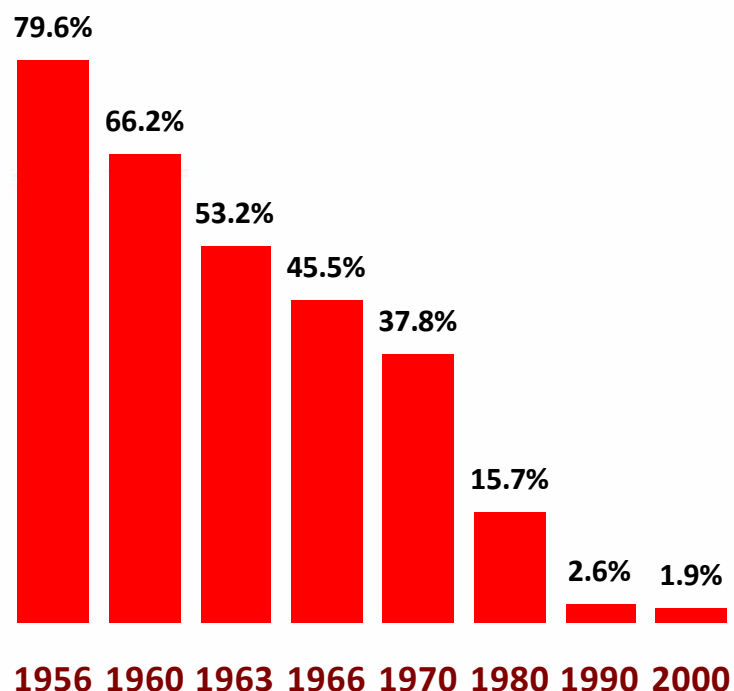
Definition

■ 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

US as an “Epicentrum”

US GDP

as percent of financial turnover



Financialization in the US Economy

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

Value of trading

in US financial markets (USD bio)

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

Crisis of Confidence in the Credit markets

Financial system provides funding for all the other sectors of the economy

Absence of confidence quickly led to:

- Decline in lending among banks setting off the credit crunch and drying up of inter-bank liquidity.
- In 2008, the crisis wiped out 40 percent of the stock value at the New York Stock Exchange.
- Accrued loss amounted to USD 7.3 trillion – equivalent to 53% of USA GDP

The effects promptly spread to other financial markets

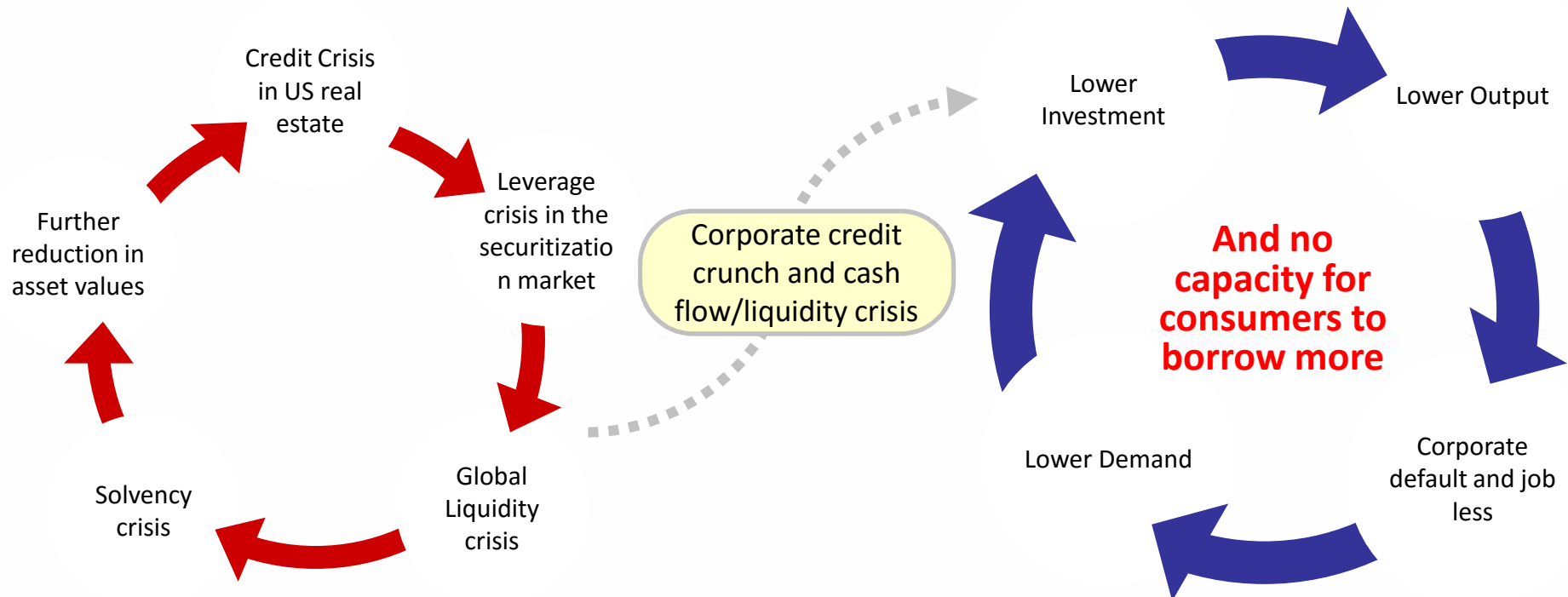


If we have a broken financial system, we have a broken economy

Credit crisis drove the real economy into a downturn

What began as a credit crisis...

...is driving a downturn on the real economy



“While the stock market is dominating the headlines, the more important story is the grim news about the real economy. Rescuing banks is just the beginning: the non-financial economy is also in desperate need for help” - *The New York Times*, October 17, 2008

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Scope and Scale of Crises..

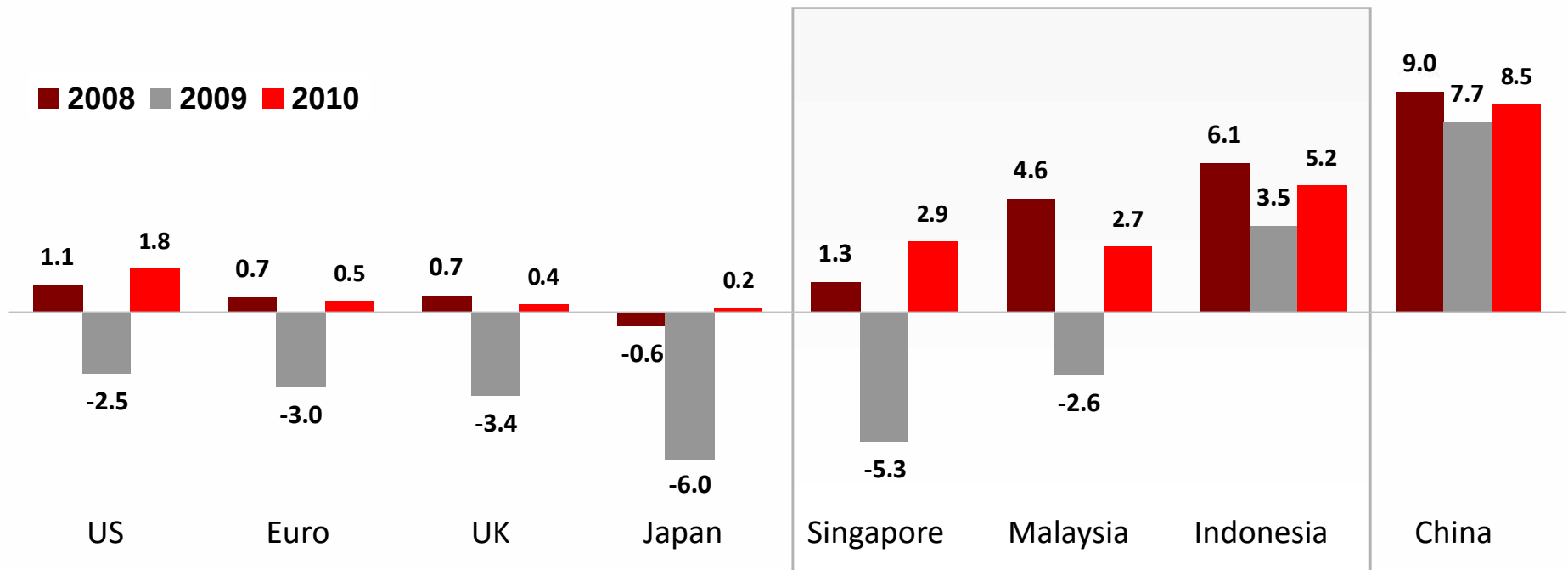
The current global financial crisis is unprecedented in scope and scale in recent times...

- Can only be compared with the Great Depression – 1929-33
- So far caused loss of wealth valued at more than US\$7.3 trillion (about 50% of USA GDP)
- Has forced governments in developed countries and some emerging markets to step in to rescue banks, other financial institutions and corporations – They have spent more than US\$ 4 trillion .
- Plans for further coordinated expenditure are underway in many countries to protect their economies from slipping into depression. Some are already in recession.

Global economic growth is weakening...

- The growth rate of the global economy is projected to shrink by 1.5% in 2009 from 3% in 2008
- Developed economies are projected to shrink by 2% in 2009
- The growth rate of the emerging market economies is projected to slowdown to 3.25% in 2009 from 6.25% in 2008.

Global Economic Growth (% YoY)



Global economic contraction deepens than predicted and may be longer...

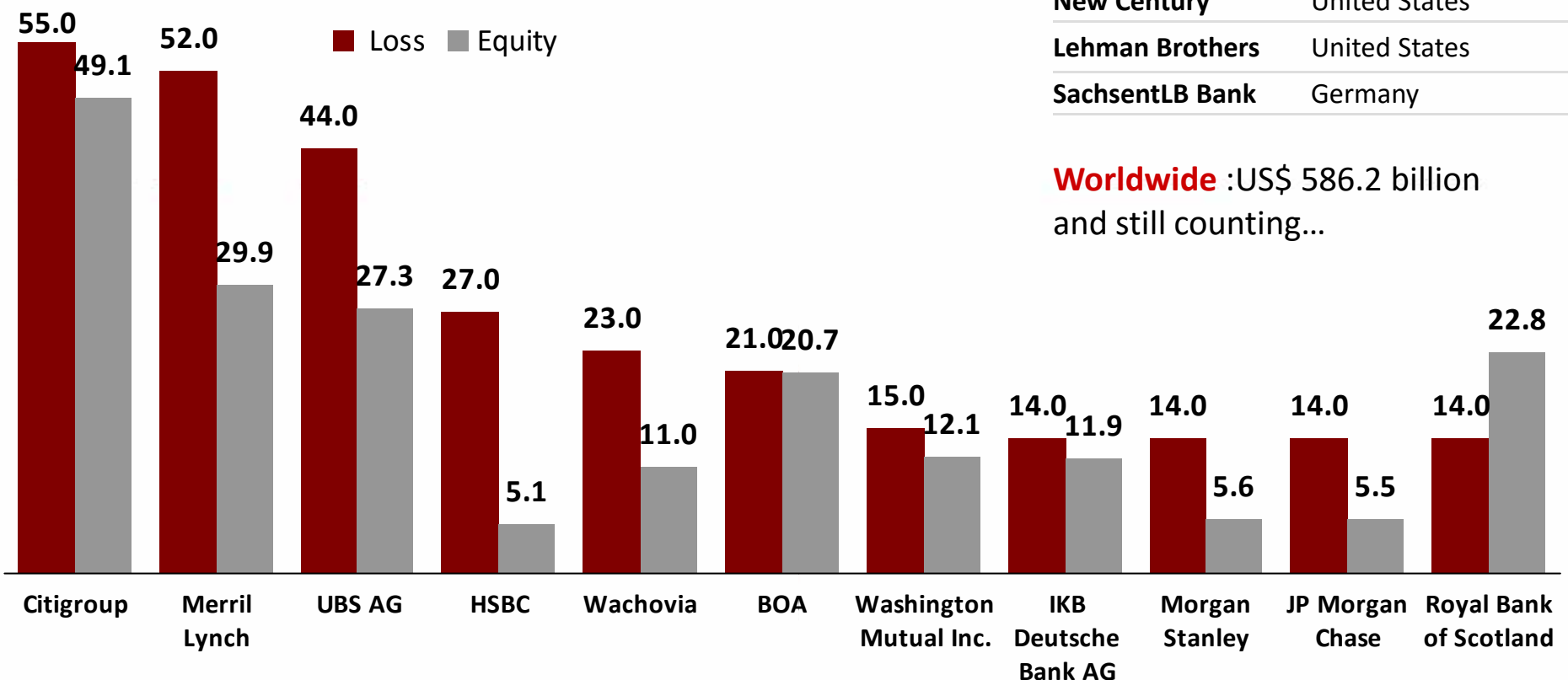
And, prediction changes overtime

	IMF Nov-08		IMF Jan-09		Change	
	2008	2009	2008	2009	2008	2009
World Output	4	2.2	3.4	0.5	-0.3	-1.7
Advanced economies	1	-0.3	1	-2	-0.4	-1.7
• United States	1	-0.7	1.1	-1.6	-0.3	-0.9
• Euro area	1	-0.5	1	-2	-0.2	-1.5
• Japan	1	-0.2	-0.3	-2.6	-0.8	-2.4
Emerging & developing economies	7	5.1	6.3	3.3	-0.3	-1.8
World Trade Volume	5	2.1	4.1	-2.8	-0.5	-4.9
Oil Price	100	68	97	50	-2.8	-18

Many Banks suffered huge losses due to the crisis

The impact was widespread and some have to file for bankruptcy

Total loss of some big banks in 2008 (in USD bio)



Bank : Filed for Bankruptcy

New Century United States

Lehman Brothers United States

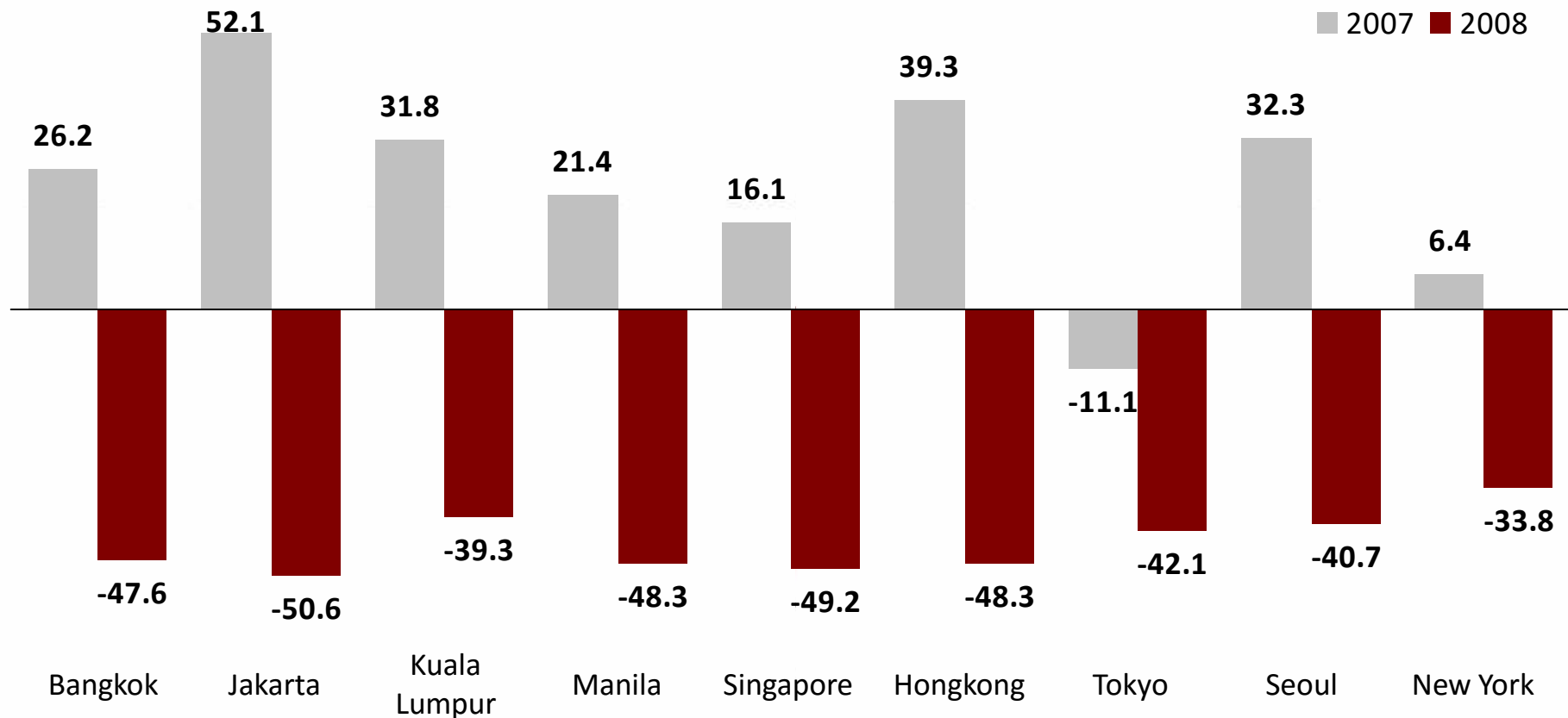
SachsentLB Bank Germany

Worldwide :US\$ 586.2 billion
and still counting...

Capital market is melting down..

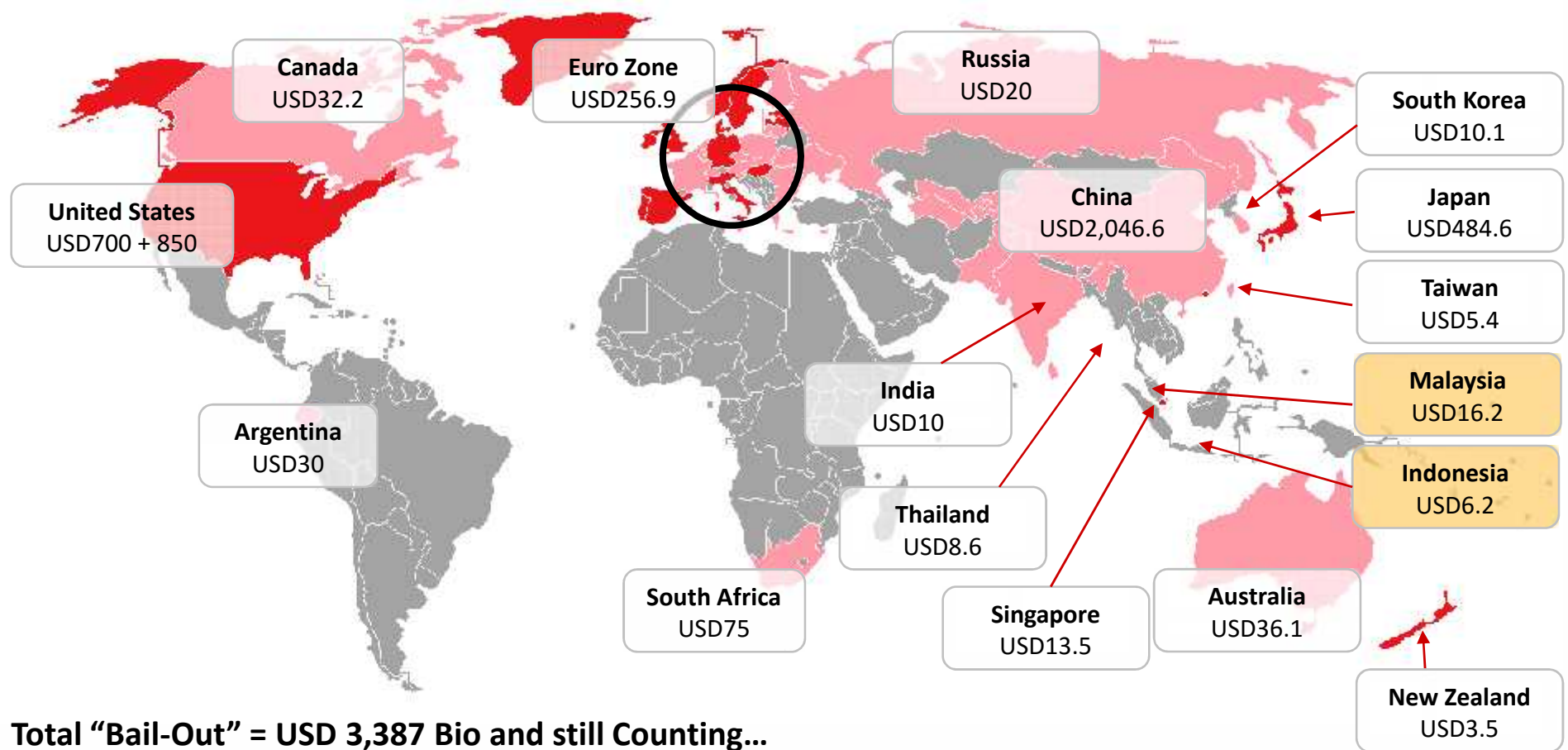
As banks need cash, liquidity is pulling out from capital market

Capital market index (% YoY)



To stimulate the economy, Central Banks and Governments poured money into the market ...

In USD bio

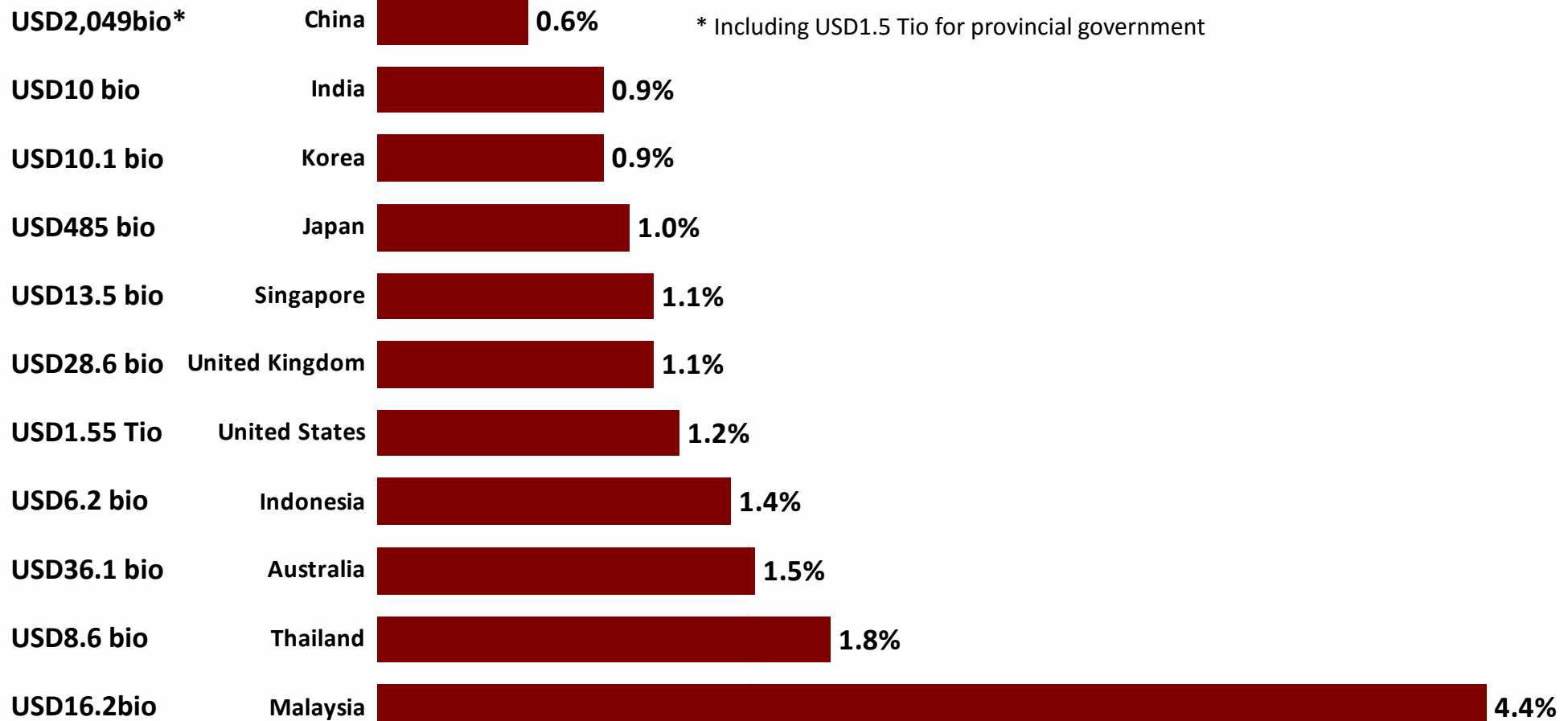


Total "Bail-Out" = USD 3,387 Bio and still Counting...
(only some countries, Obama plan to add USD 850 Bio in 2009)

Stimulus packages in some countries

(as % of GDP)

Stimulus Amount



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Quick facts on Indonesia – Demographic



Covers an area of 1.9 million Sq. Km. with **17,504 islands**, about 6,000 of which are inhabited.

The five main island are **Sumatra, Java, Kalimantan, Sulawesi** and **Papua**

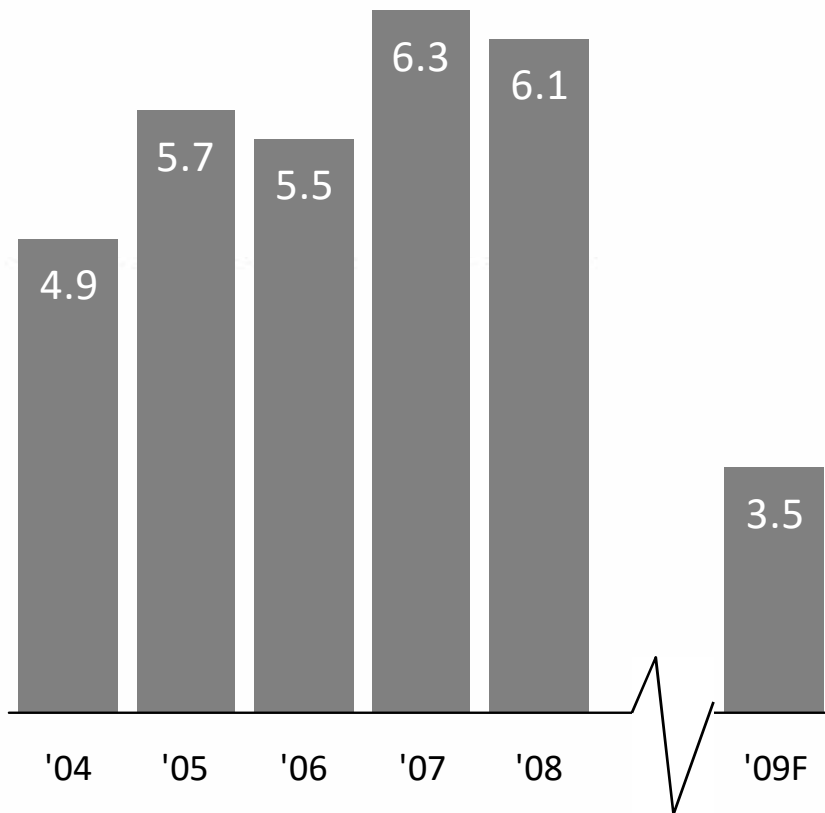
Major cities: **Jakarta** (Capital city), **Medan, Surabaya, Semarang**, and **Bandung**.

Indonesia, with 243 million people, is **the world's fourth most populous** nation after China, India, & the United States

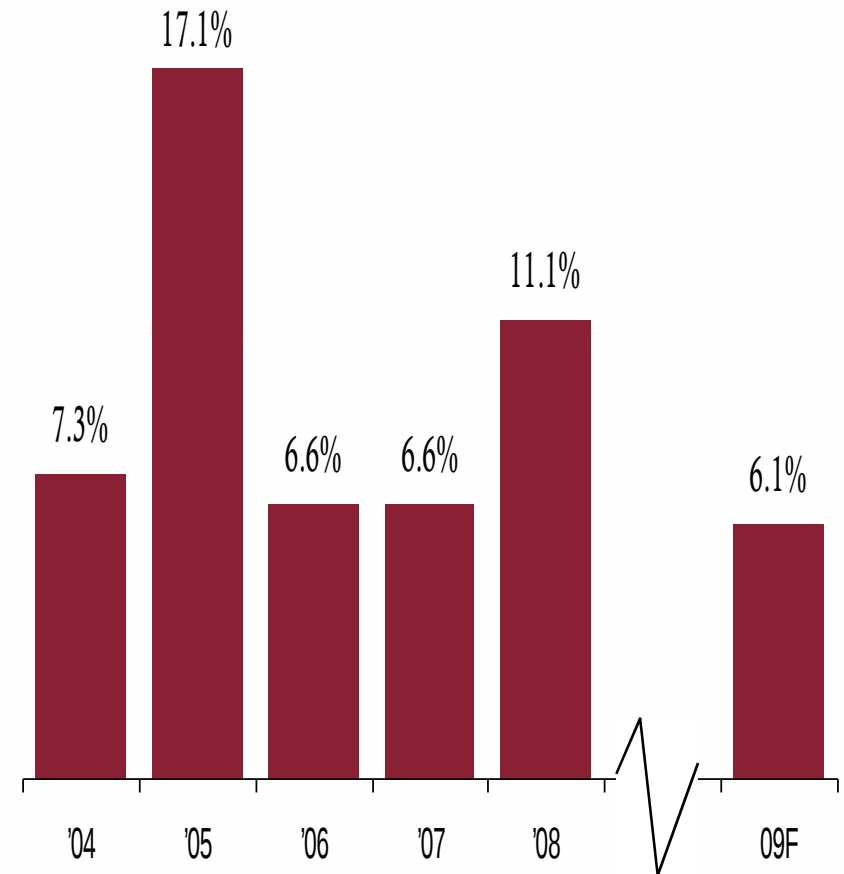
Indonesia is populated with a diverse array of cultures influenced to varying degrees by **Islam, Catholic, Christian, Hinduism, Buddhism**, and **indigenous beliefs**.

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

GDP Growth YoY (%)

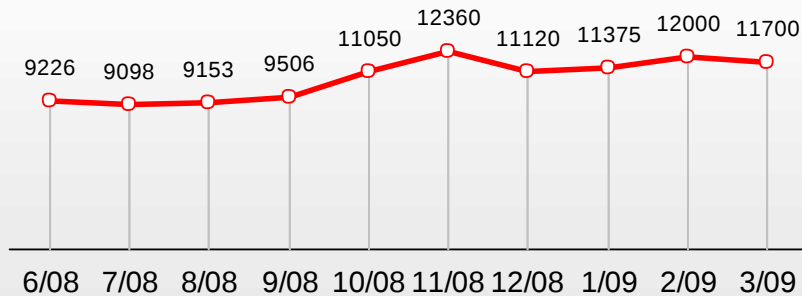


Inflation (YoY)

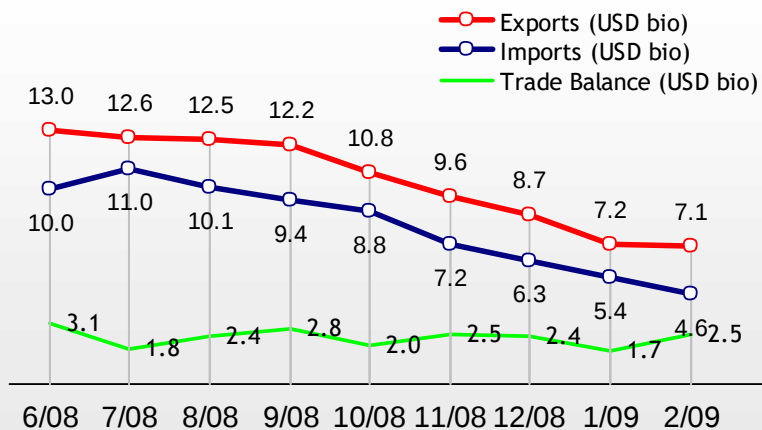


Some indicators show that Indonesia has to anticipate the crisis

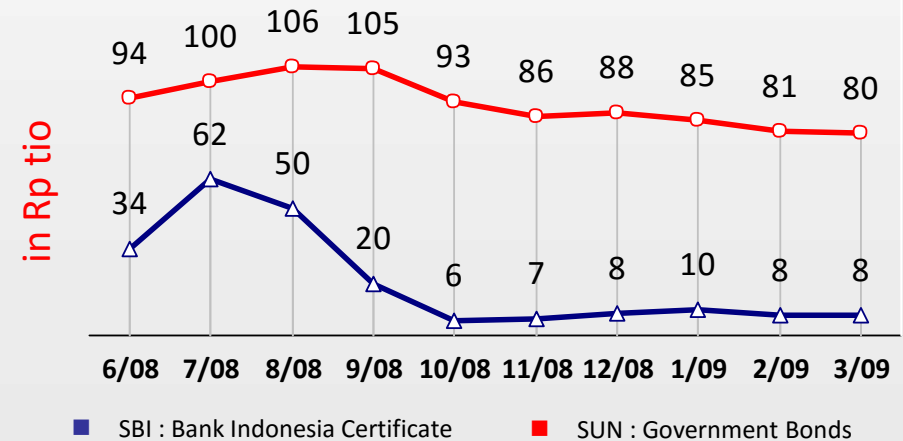
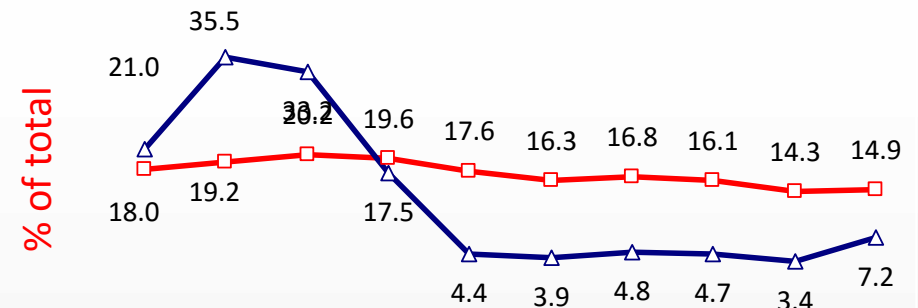
USD/IDR



Exports & Import (USD bio)



Foreign Ownership on SBI & SUN

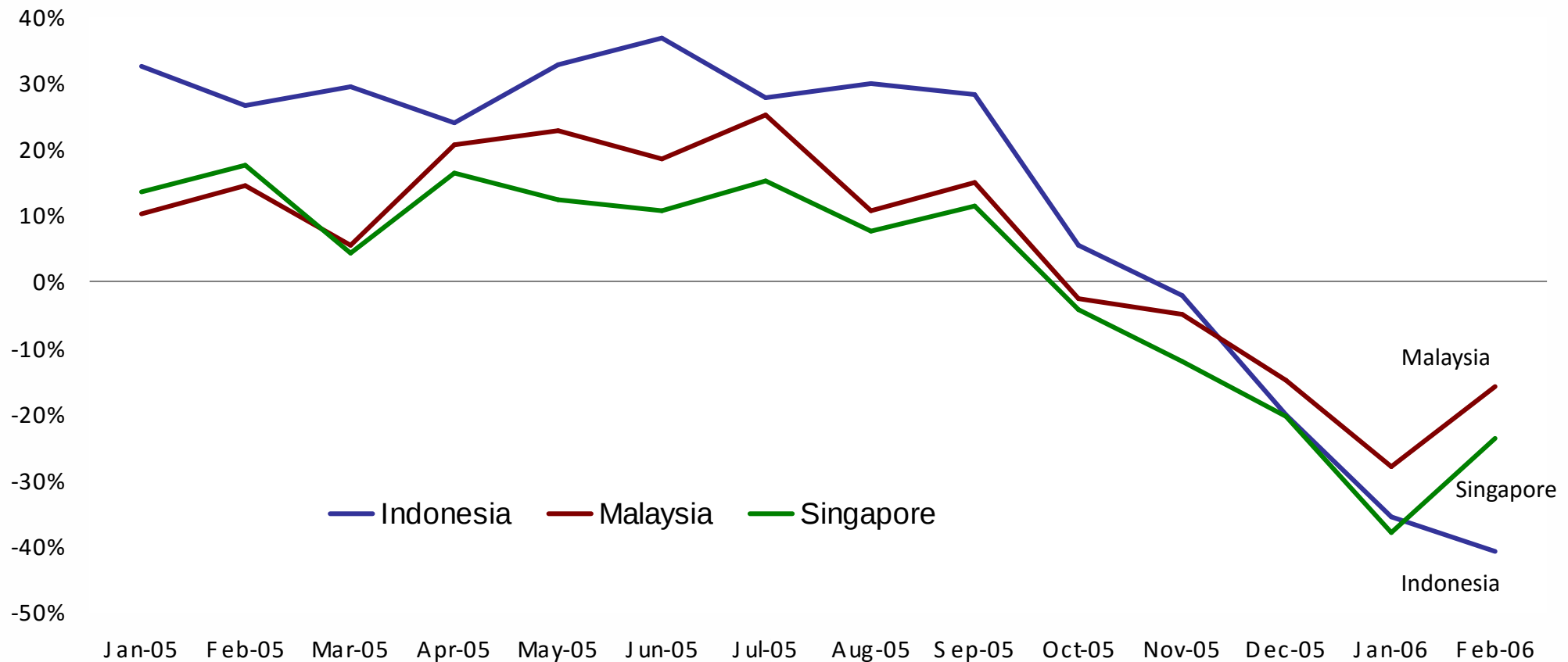


■ SBI : Bank Indonesia Certificate ■ SUN : Government Bonds

Indonesia Export Growth has been declining since mid last year

Comparison with Singapore and Malaysia

in percentage (%)

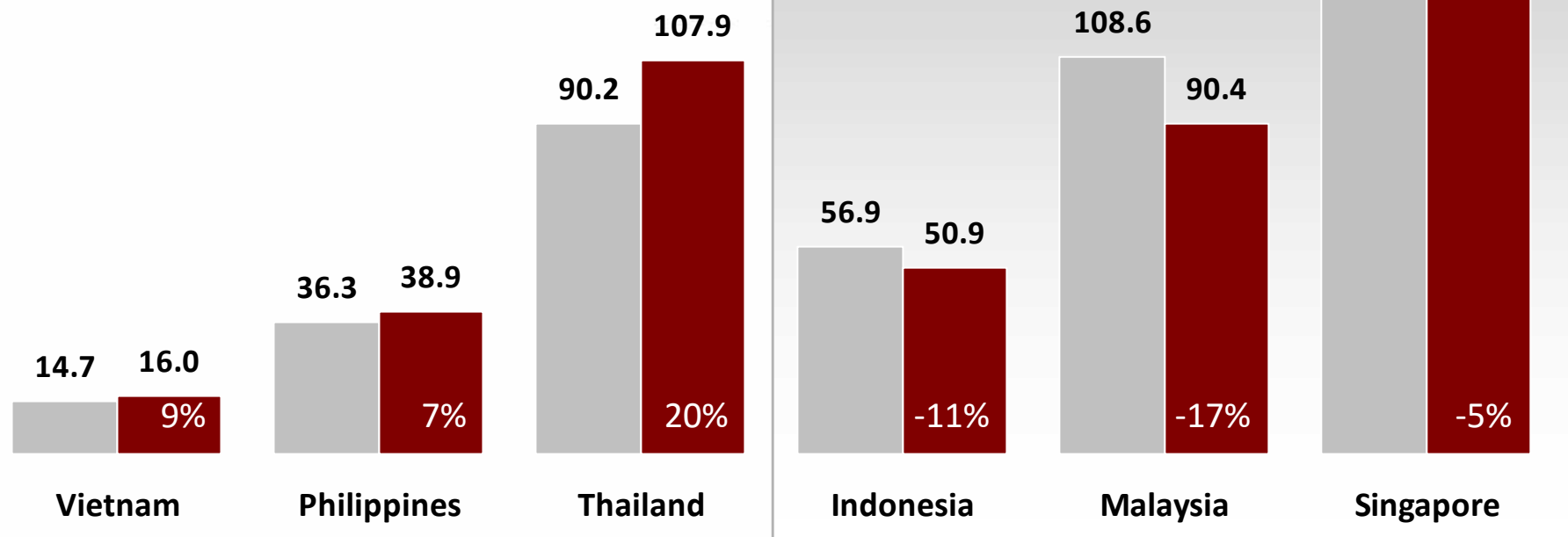


Forex Reserves are depleting ...

Forex Reserves

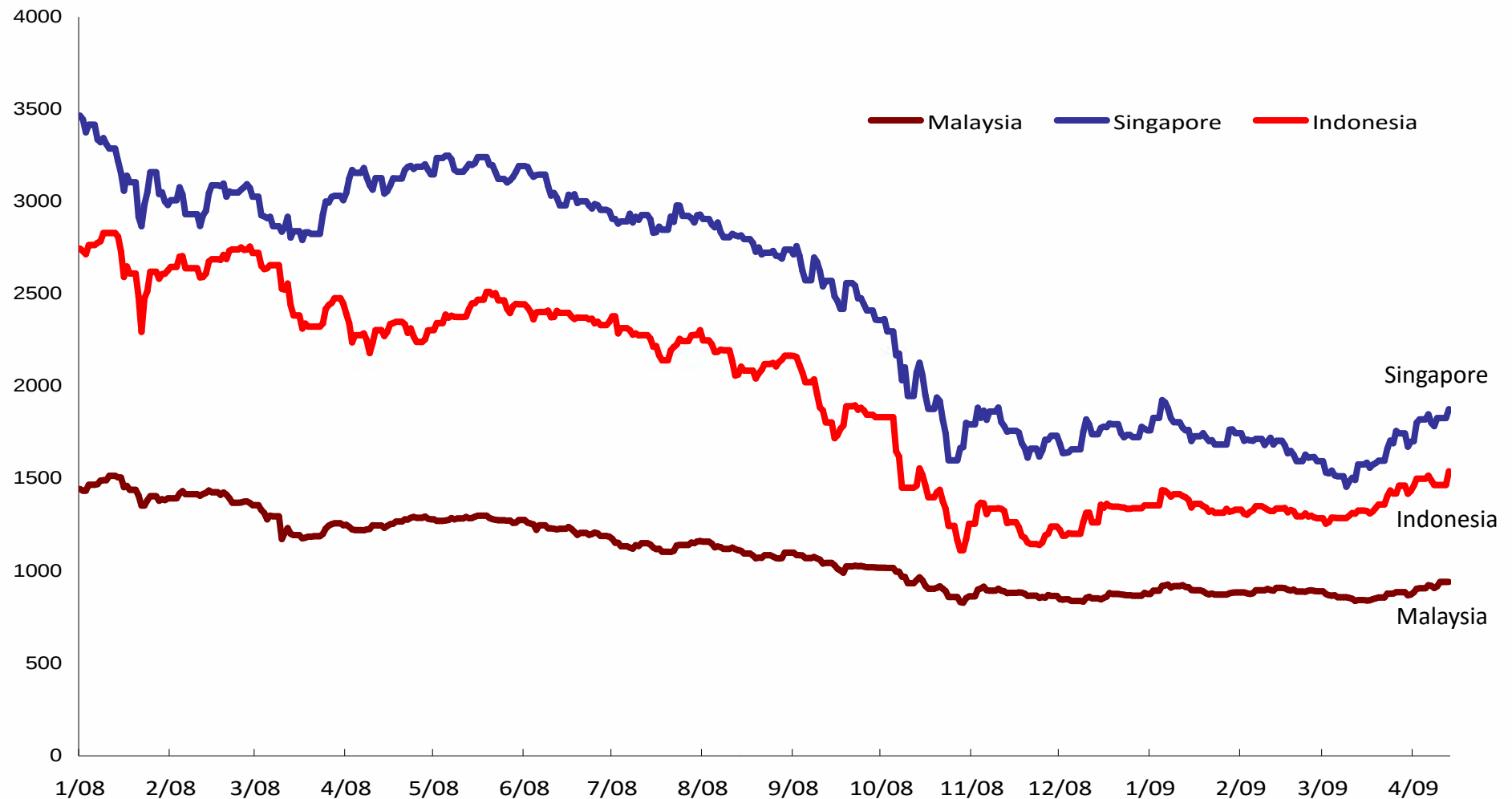
in USD bio

■ 'Feb 08 ■ 'Feb 09



Indonesia Stock Market Index has declined by 49% (Jan 08 – Apr 09)

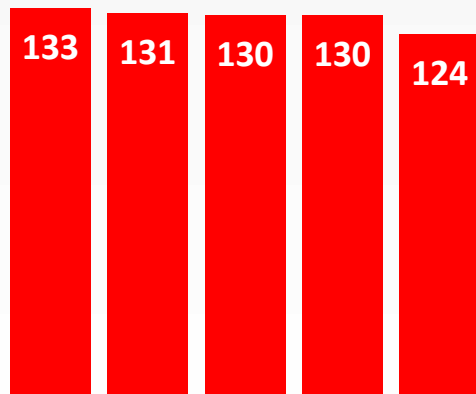
Comparison to Malaysia & Singapore



The number of Indonesian banks has declined due to merger and acquisition activities

Comparison to Malaysia & Singapore

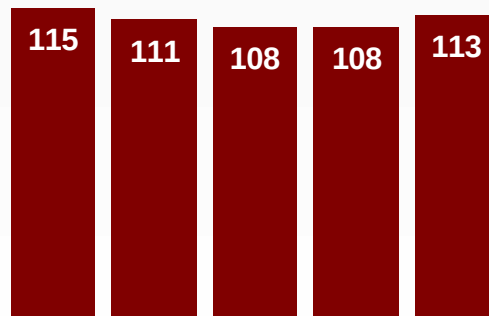
Number of Commercial Banks



Indonesia

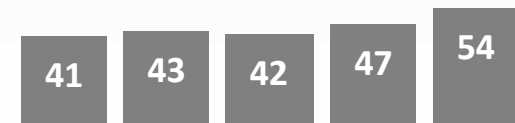
Total Asset Rp. 2,340 Tio
(USD 210 bio) as of Jan'09 *

*) incl. assets of 1,767 rural banks and
163 Islamic banks



Singapore

Total Asset S\$ 662 bio
(USD 439 bio)



Malaysia**

Total Asset RM 2,580 bio
(USD 722 bio)

**) incl. investment banks, commercial banks & Islamic
banks

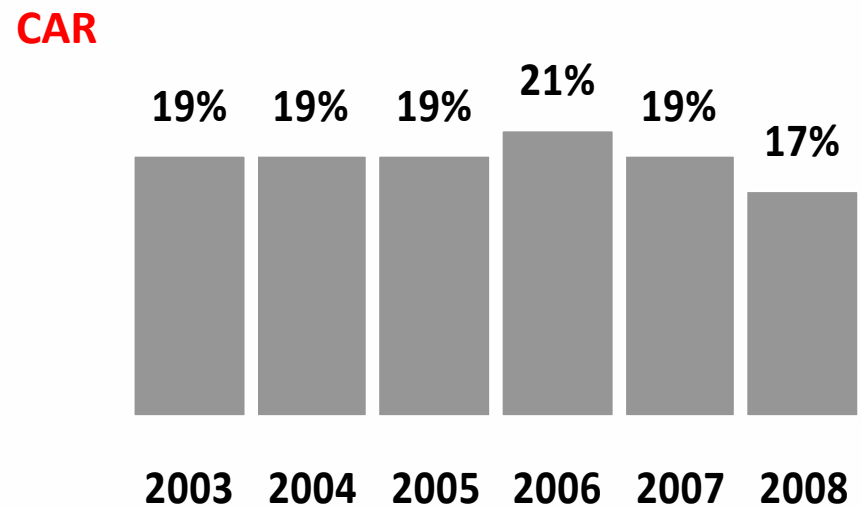
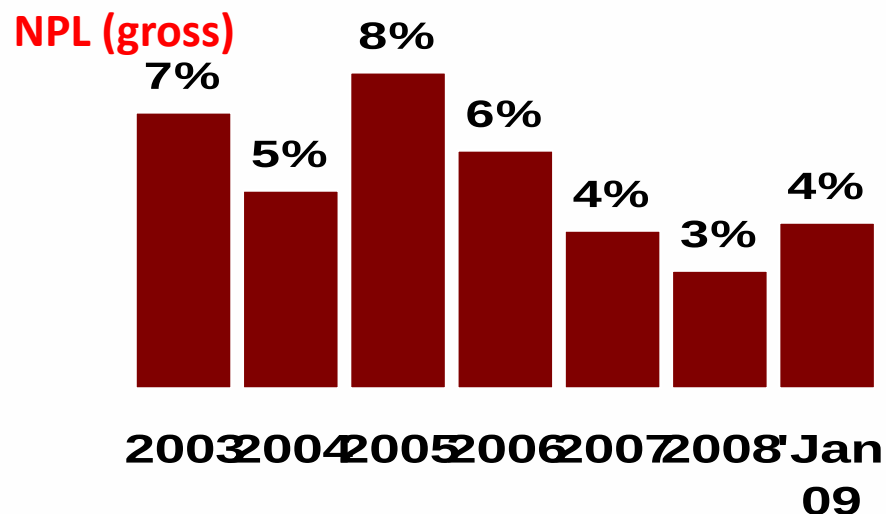
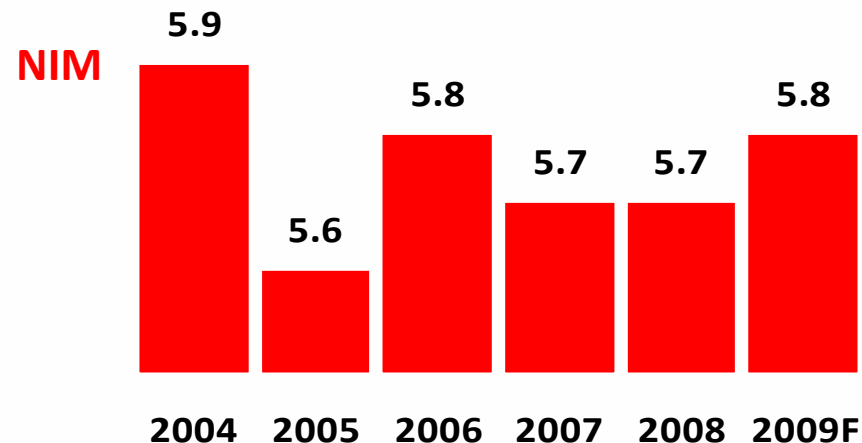
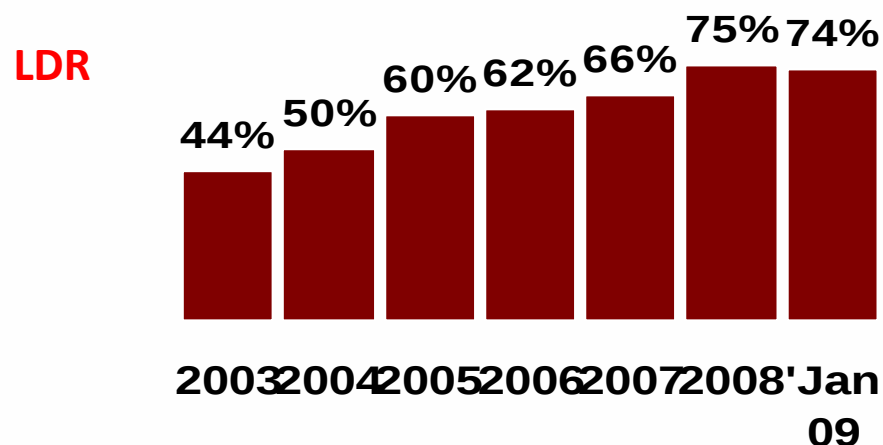
Total Asset as of December 2008

Key Economic and Banking indicators are much better than 1998 crises...

Despite larger number of players, the banking industry is still smaller compare to its neighbour albeit healthy one...

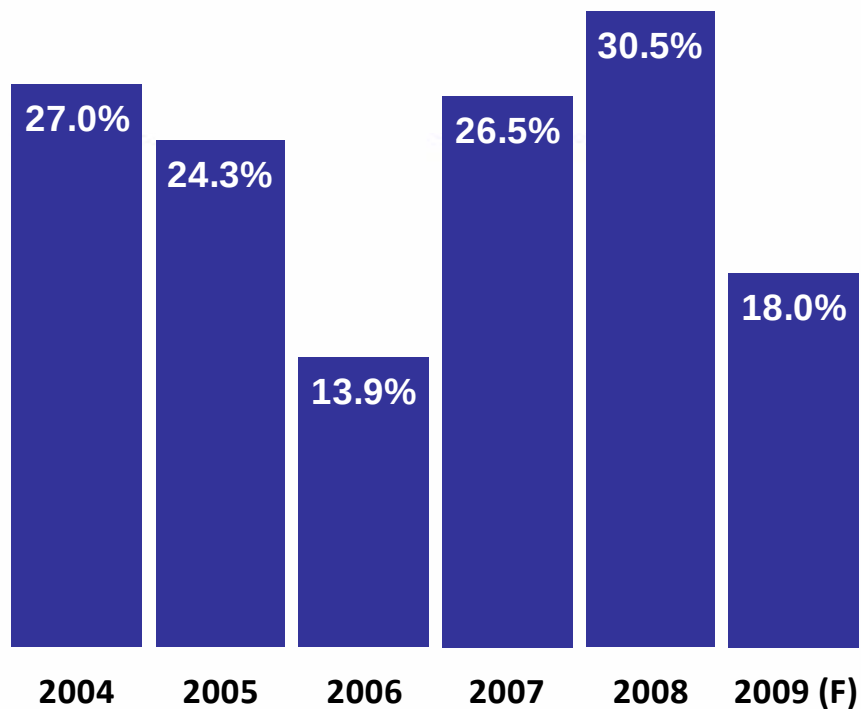
	INDONESIA		MALAYSIA
	1998	Dec 2008	Dec 2008
Economic growth (%)	-13.0	6.1	4.6
Exchange rate (US\$1)	Rp15,000	Rp11,200	RM3.60
Central bank rate (%)	±70	8.75	2.0
Total loans (US\$)	36 bio	118 bio	201 bio
Total deposit (US\$)	38 bio	157 bio	270 bio
Non-performing loan (US\$)	19 bio	41 mio	-
NPL %	53.0%	3.6%	2.2%
Capital adequacy ratio (%)	-15.7	17.82	12.7%
Loan to deposit ratio	73%	74%	74%

Whilst recent NPL has increased, Banking sector in Indonesia remains sound and safe as shown by healthy CAR, NIM and LDR

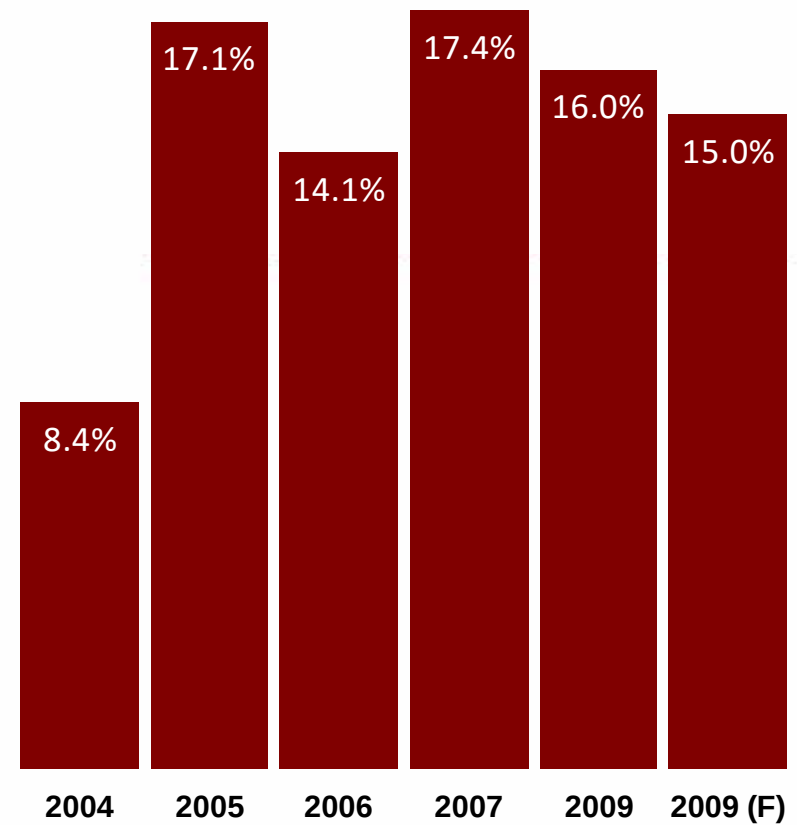


Banks' loan and deposit growth are slowing down...

Loan Growth (% YoY)

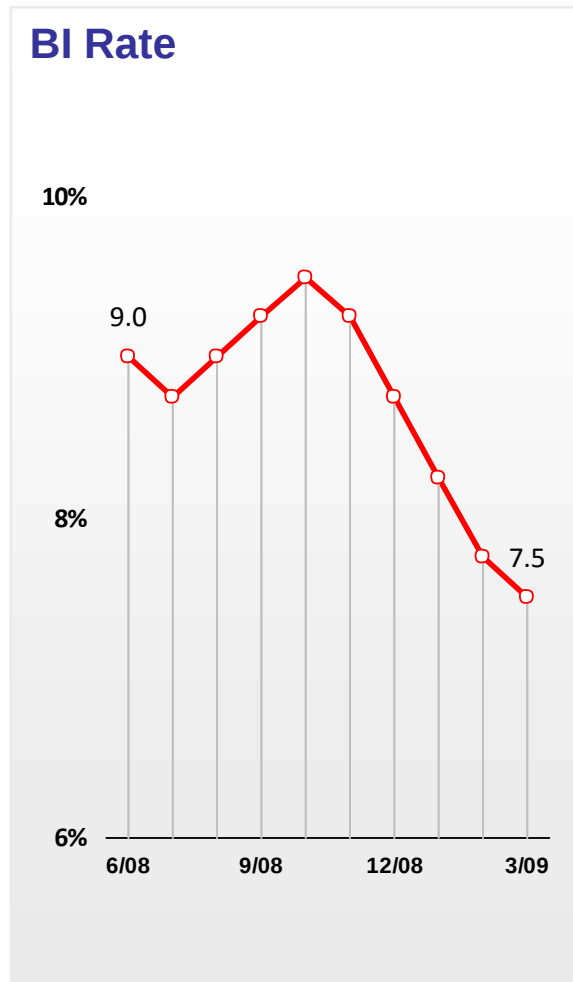


Deposit Growth (% YoY)

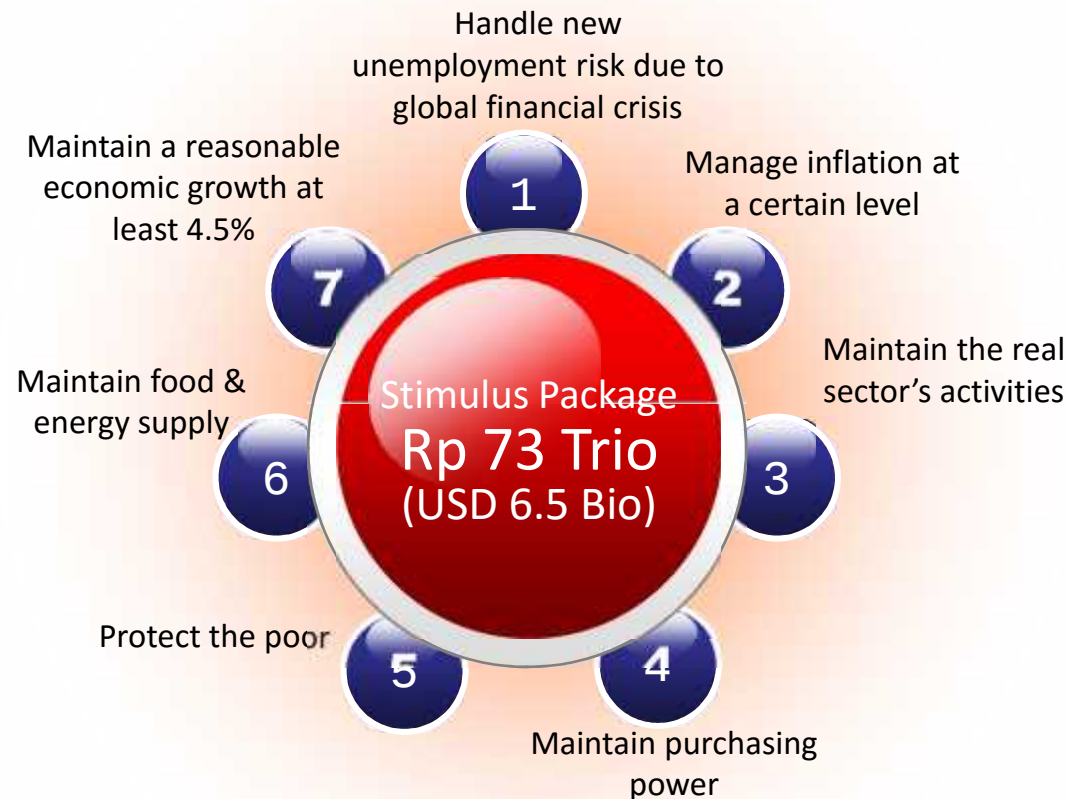


To boost domestic economy, Bank Indonesia has cut the BI rate 6 times since Oct 08 reducing the rate from a peak of 9.5% to 7.5%

BI has also been successful in maintaining a low inflation environment...



In anticipation of the challenging time ahead, the Gov't of Indonesia has announced a stimulus package



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

There are still opportunities for banks...

1. There is still room for further cut in interest rate by the central bank. Opportunity for banks to lower their lending rate.
2. There are large infrastructure projects in areas such as power generation, toll road and telecommunication that will be the leading sectors that generate economic growth
3. Government is seriously managing the growth momentum through stimulus package and implementation of fiscal policies. This will provide incentives to boost the real sector
4. Relaxation of policies from fiscal and monetary authorities supported by a low level of oil prices is expected to boost real sector
5. Successful electoral process and stable political climate will give opportunities in several economic sectors such as telecommunication, transportation, trading and hotels, service and advertising industry etc.

Thank You