Towards ASEAN Economic Community.

The Prospects and Challenges for Indonesian Banking Industry

Arwin Rasyid,

CEO Bank CIMB Niaga

Financial Club, March 8th 2011

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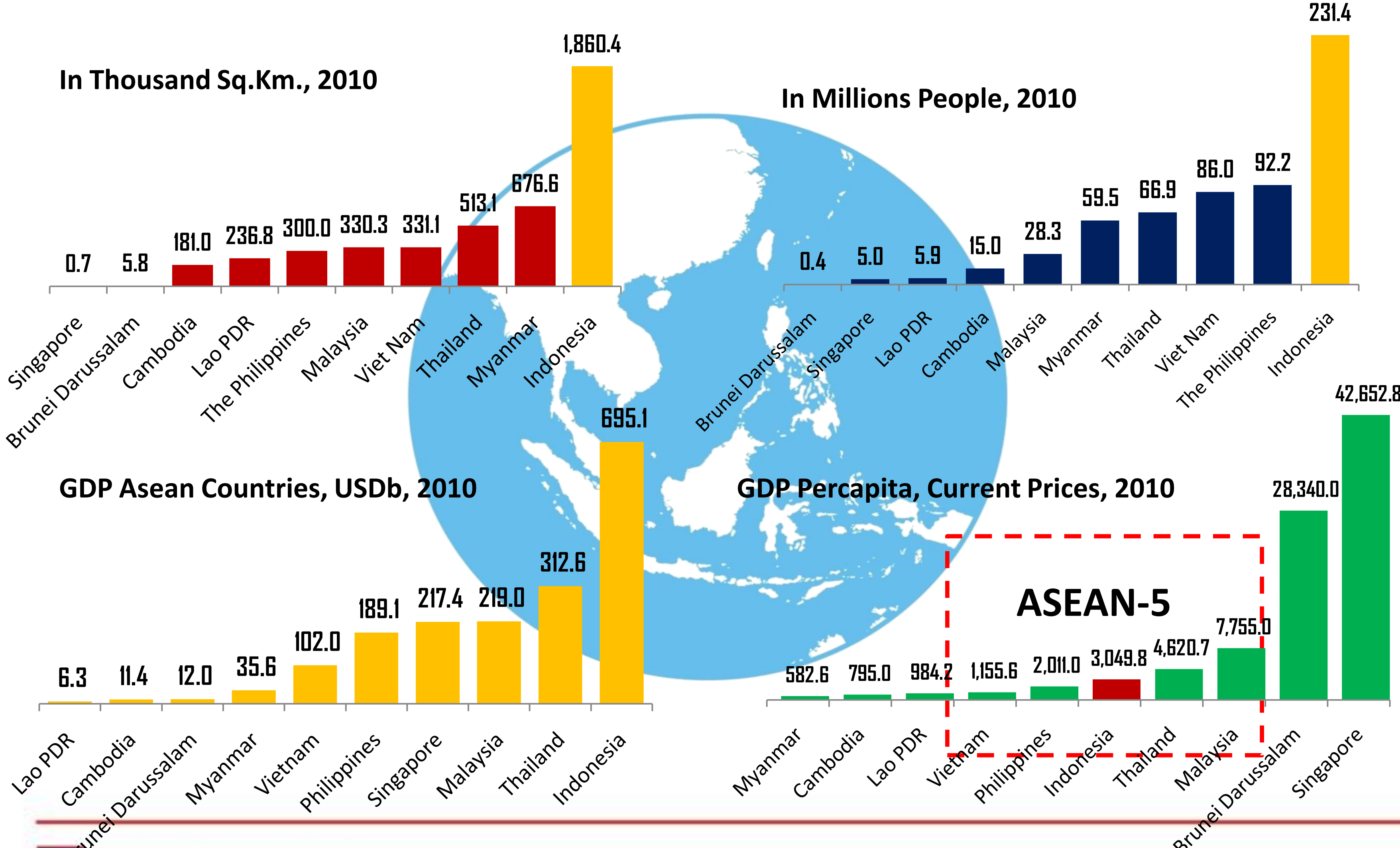
Agenda

1 **Towards ASEAN Economic Community**

2 ASEAN Banking Industry Landscape

3 The Challenges for Indonesian Banking

ASEAN spans over an area of 4.46 million km^2, 3% of the total land area of Earth, with a population of approximately 600 million people, 8.8% of the world population. In 2010, its combined nominal GDP had grown to USD $1.8 trillion. If ASEAN were a single country, it would rank as the 9th largest economy in the world and the 3rd largest in Asia in terms of nominal GDP.



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Due its potential to grow in term of GDP per capita, Our Dialogue will focus on ASEAN-5

Towards ASEAN Economic Community (AEC) 2015.

ASEAN GDP & Population

2010

US$1.8 trillion

600 million

2011

Indonesia to serve as ASEAN Chair and to host:

- ASEAN Summits
- East Asia Summit
- ASEAN Business and Investment Summits I & II

US$1.97 trillion

609 million

2012

US$2.13 trillion

618 million

Dec 31

Dr Pitsuwan ends 5-year term as ASEAN Sec-Gen

2013

Indonesia to host 21st APEC Summit

US$2.31 trillion

627 million

Jan 1

ASEAN appoints a new Secretary-General

2014

Sept 2014

President SBY ends second 5-year term

US$2.49 trillion

636 million

2015

Indonesia is lined up to host the G-20 Summit

US$2.69 trillion

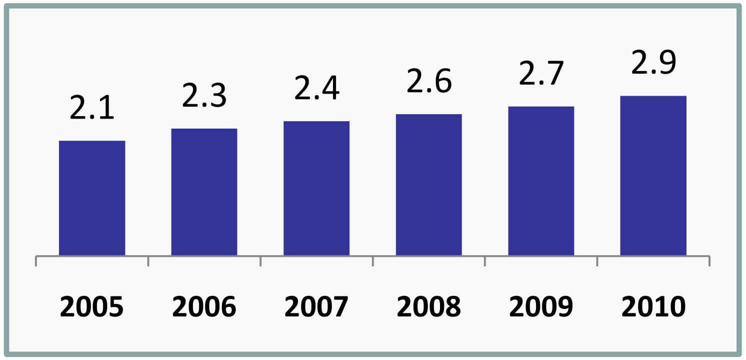
645 million

AEC

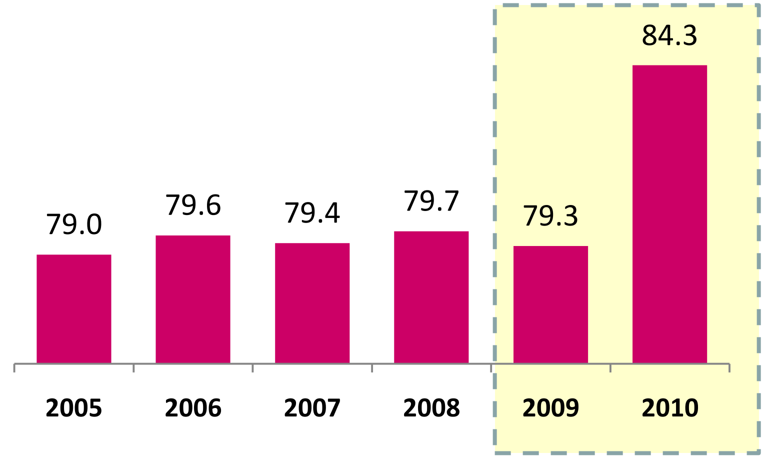
Source: IMF World Economic Outlook, October 2010

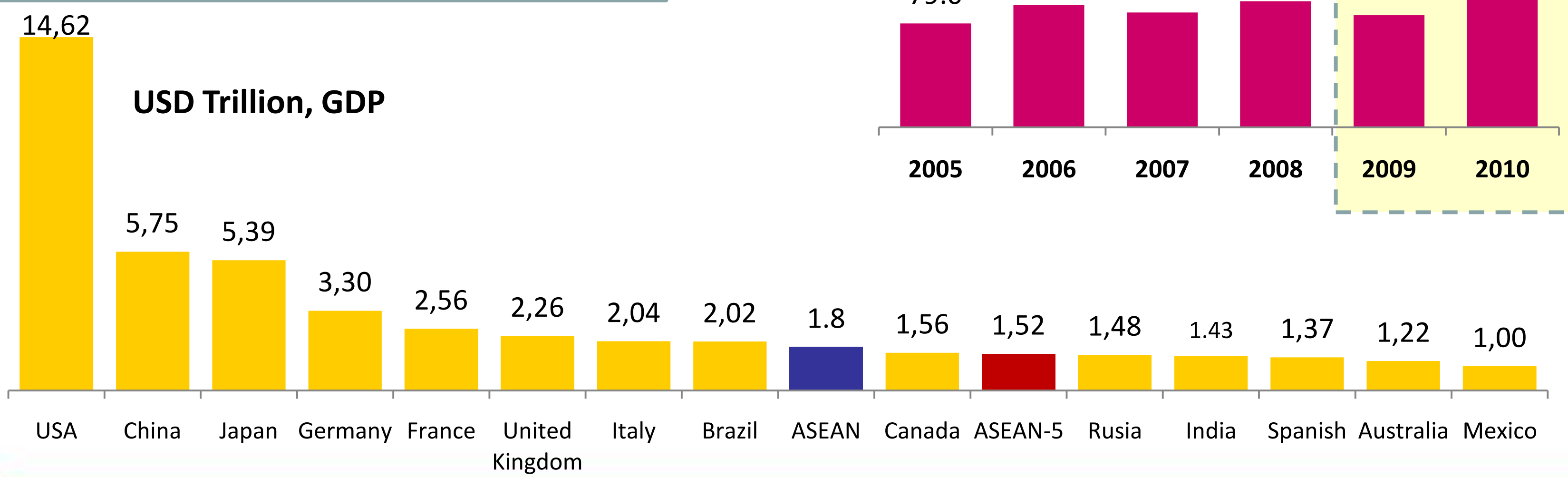
The ASEAN Economic Community (AEC) shall be the goal of regional economic integration by 2015. AEC envisages the following key characteristics: (a) a single market and production base, (b) a highly competitive economic region, (c) a region of equitable economic development, and (d) a region fully integrated into the global economy.

ASEAN GDP Contribution to the World GDP is increasing....



ASEAN-5 GDP dominates ASEAN GDP. It tends to increase significantly in 2009-2010....

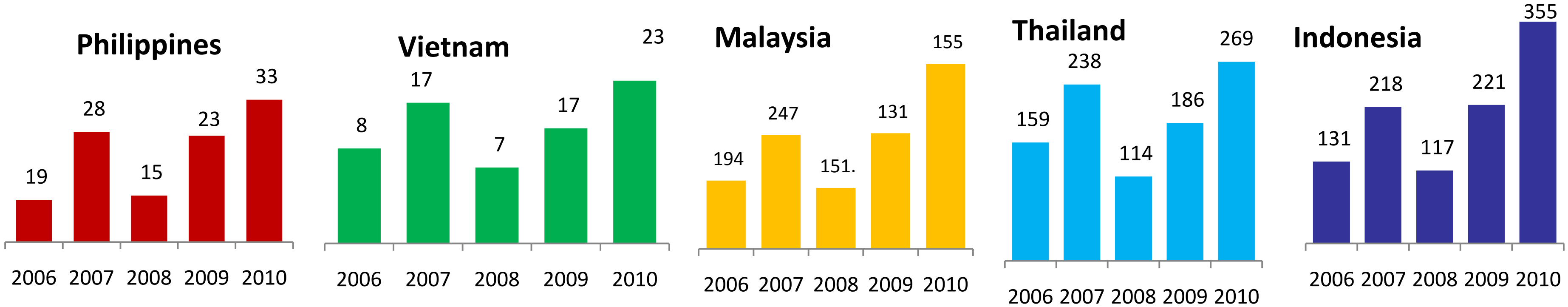


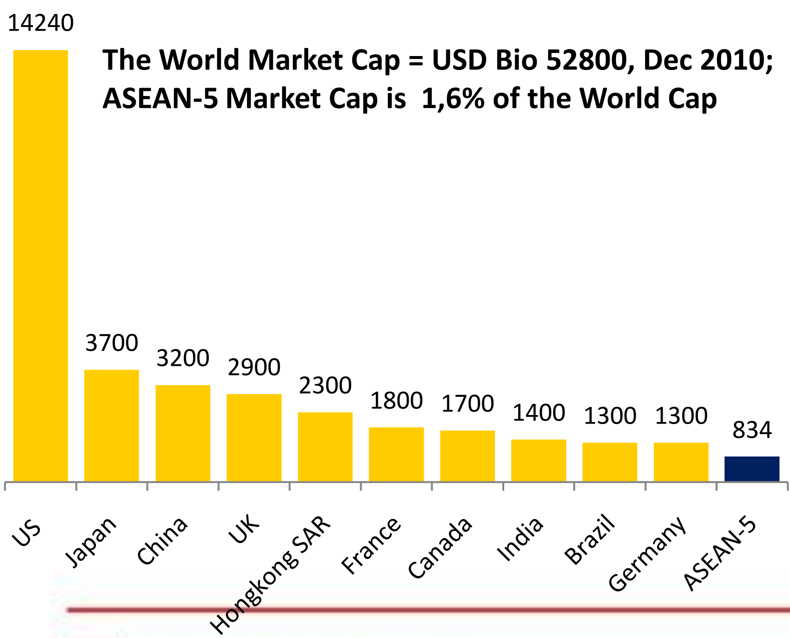


www.economywatch.com; staff calculation, 2010

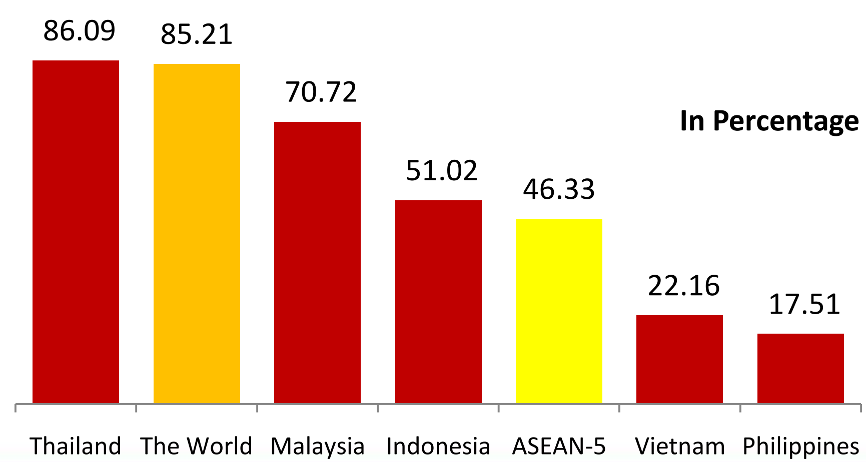
As a Single Market and Production Base, ASEAN-5 has been supported by their growing Market as individual country and it has classified as Emerging market. Their Market Capitalization shows their value…

Market Cap, USD Bio





Indonesia is Higher than ASEAN-5 (Ave) but still Below The World - in terms of Ratio Market Cap to GDP, 2010



Source: Bloomberg and Staff Calculation, 2010

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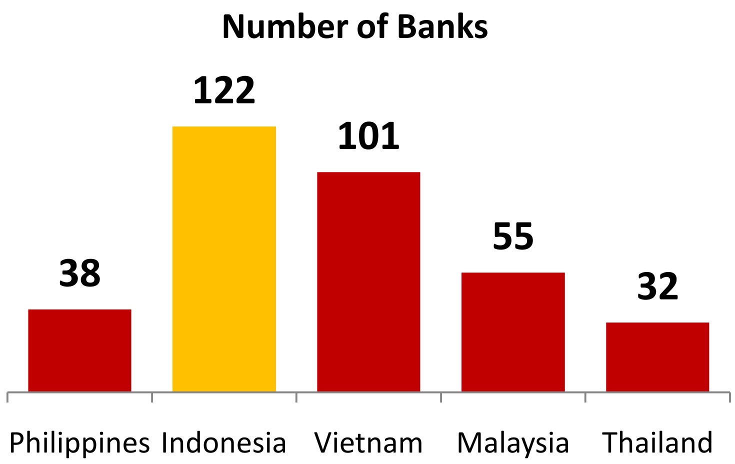
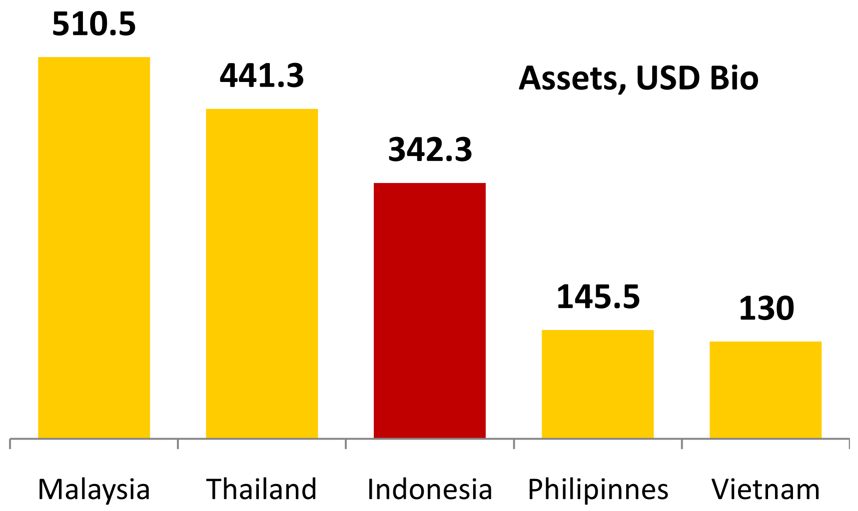
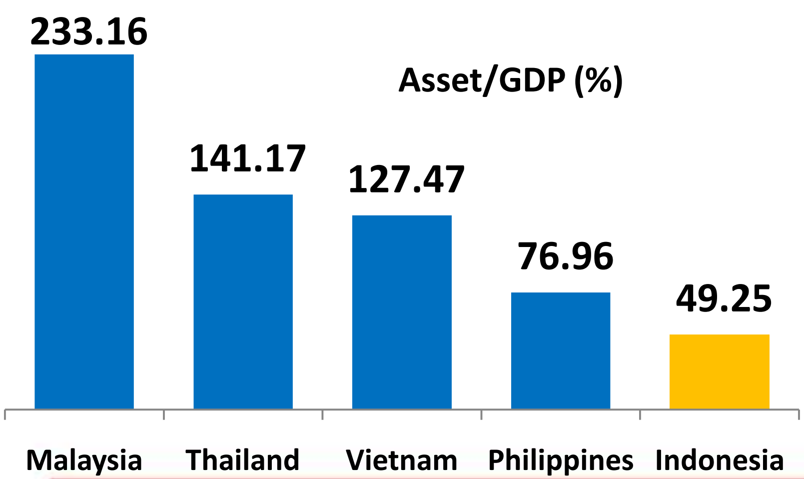
ASEAN-5 Banking Landscape to promote ASEAN Integration….
Indonesia is still the least penetrated economy in the region. The ratio of Asset per GDP is still the lowest…

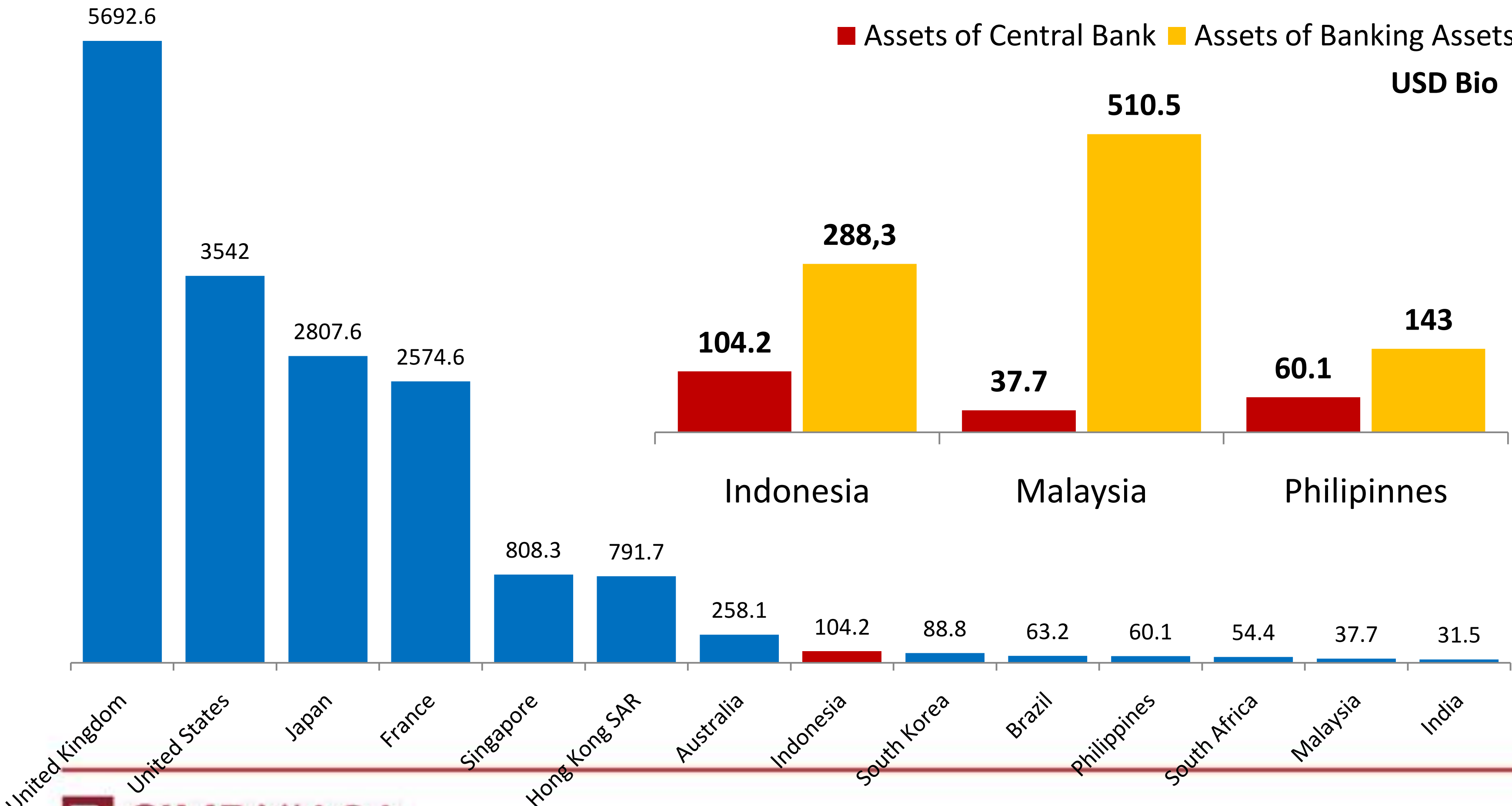






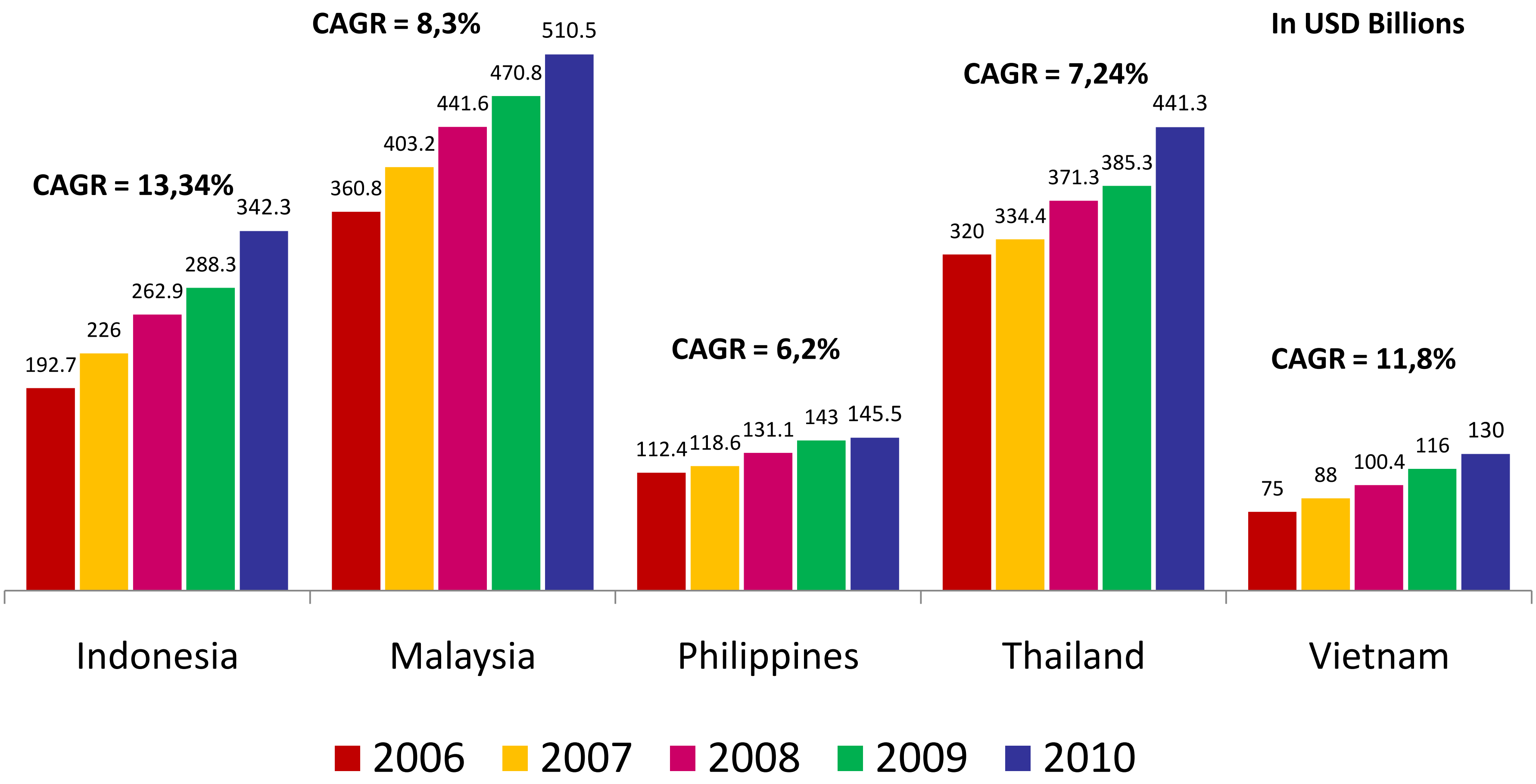
Source: Central Bank of ASEAN-5 Countries Websites, 2011

The Strong Bank needs a Strong Supervisory. Central banks have a wide range of responsibilities, from overseeing monetary policy to implementing specific goals such as currency stability, low inflation and full employment. Central banks also generally issue currency, function as the bank of the government, regulate the credit system, oversee commercial banks, manage exchange reserves and act as a lender of last resort….



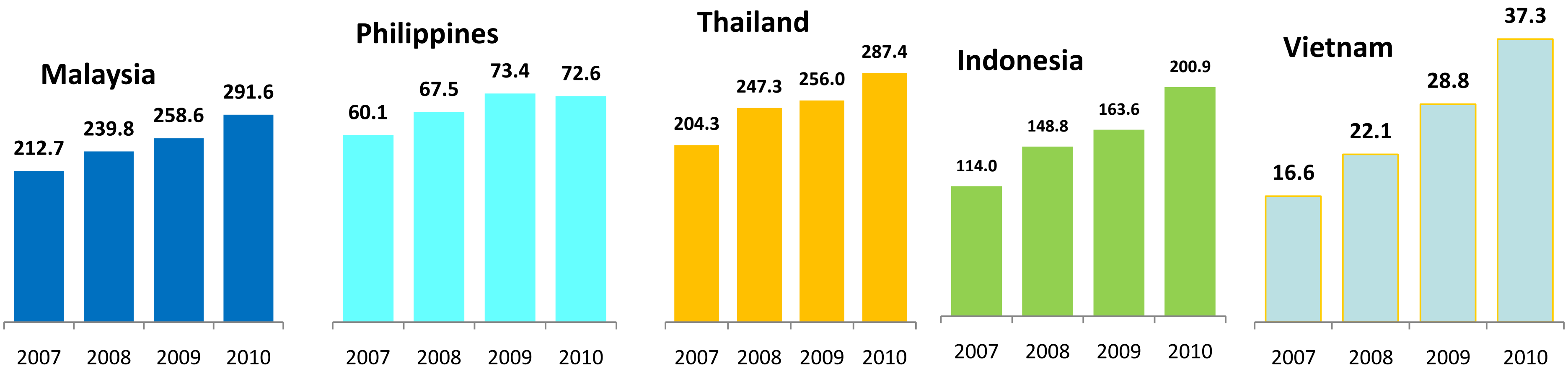
Source: Bank for International Settlement, 2011

Banking Assets Growth in ASEAN-5…
Although Total Banking Assets in Indonesia is below Malaysia and Thailand, but the growth of the assets is the fastest growing among others…

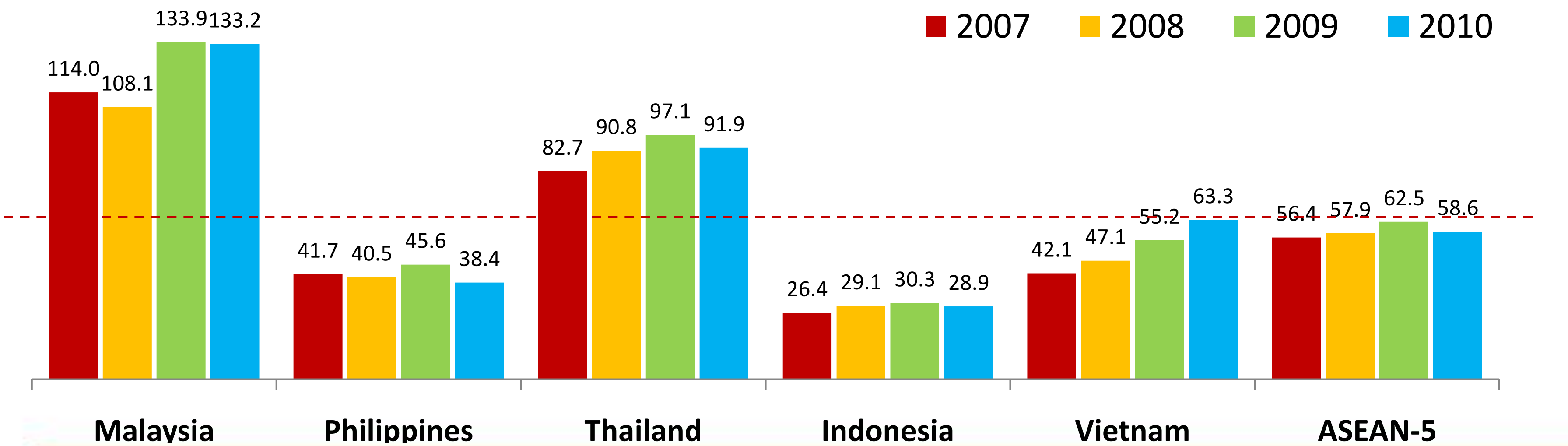


Source: Publication from Central Banks throughout ASEAN, Dec 2010;

Banking Loan Growth in ASEAN-5



Banking Loan Growth per GDP in ASEAN-5



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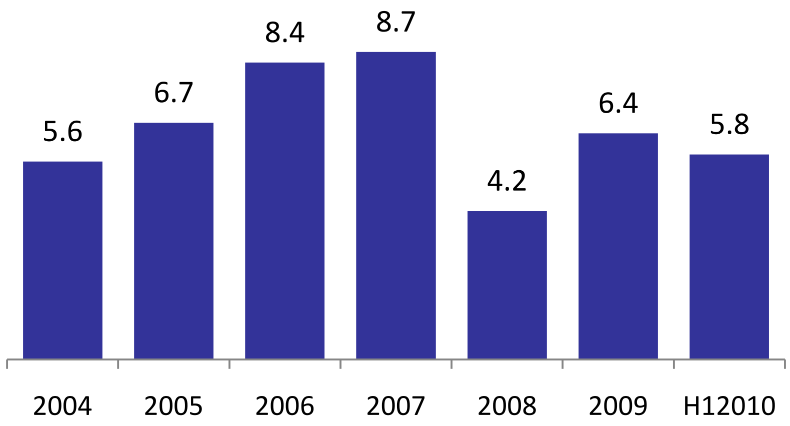
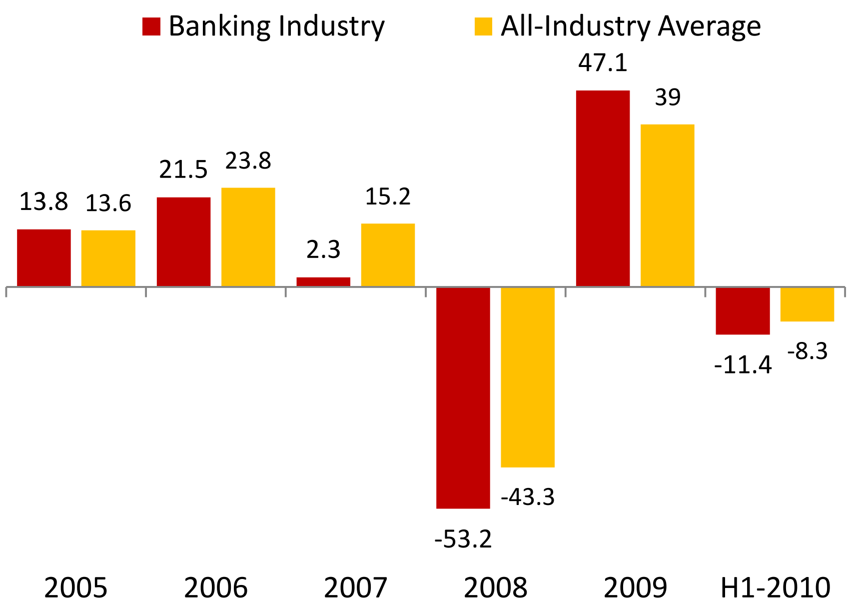
Source: Publication from Central Banks throughout ASEAN, Dec 2010;

Total Market Capitalization, Global Banking Industry, in USD Trillion

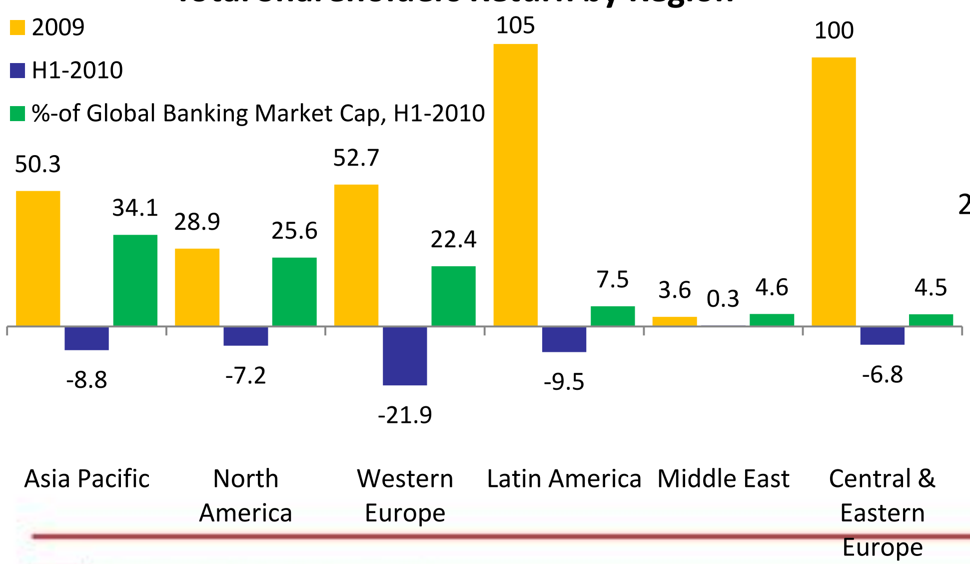


Total Shareholders Return, in % [Percentage]

CAGR TSR – Global Banking Industry = -2,4%
CAGR TSR – All Industry = 2,7%



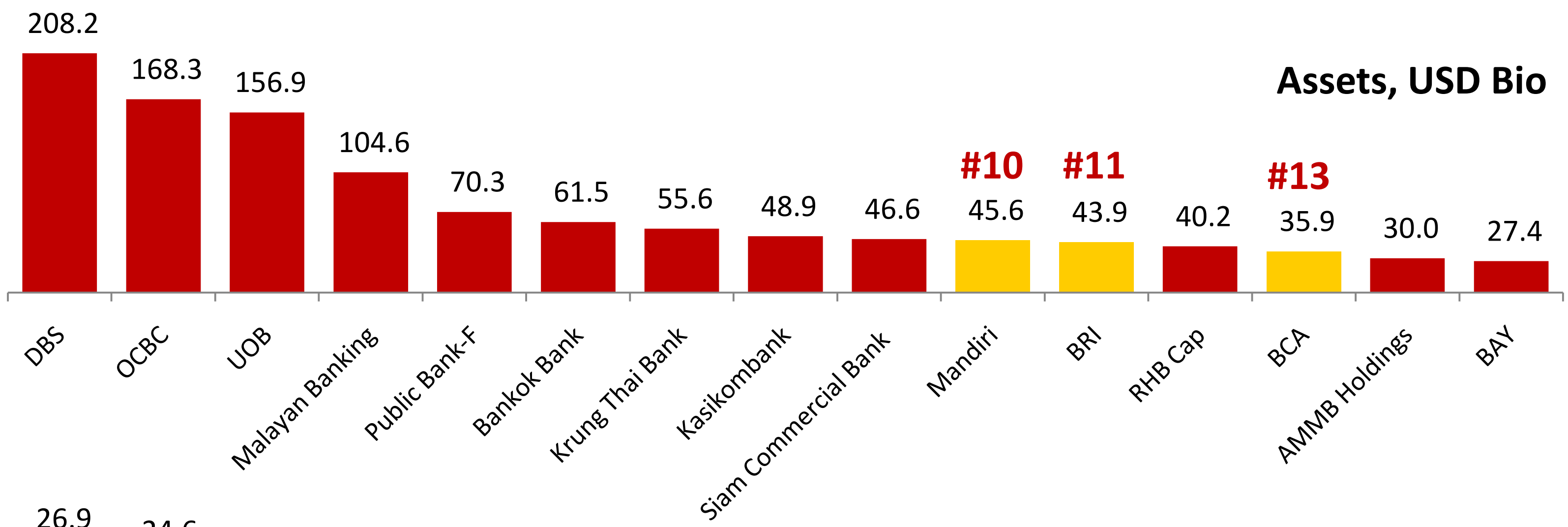
Total Shareholders Return by Region

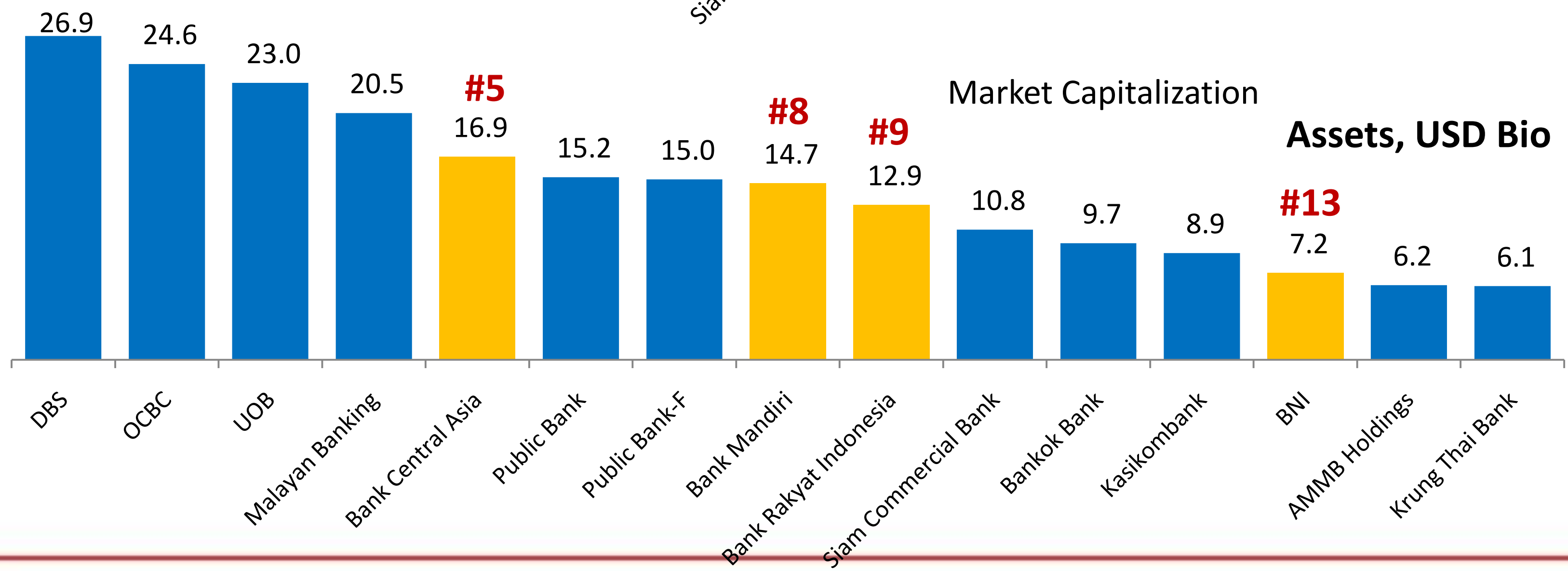


Asia Pacific: Australia, Hong Kong, China, India, Indonesia, Japan, Malaysia, Pakistan, Philippines, Singapore, South Korea, Sri Lanka, Taiwan, Thailand

Source: Boston Consulting Group, 2010

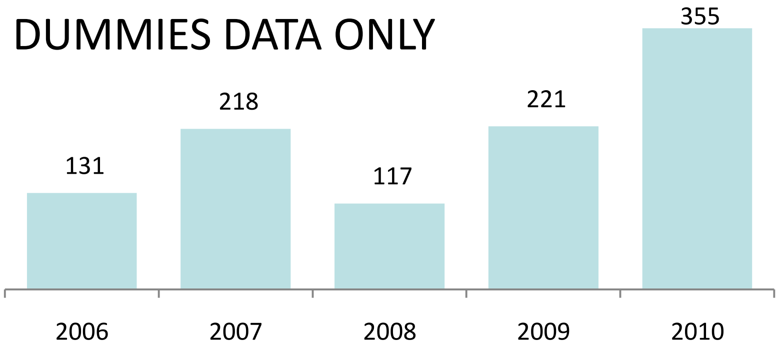
Top 15 Ranking of Banks in ASEAN in terms of Assets and Market Capitalization



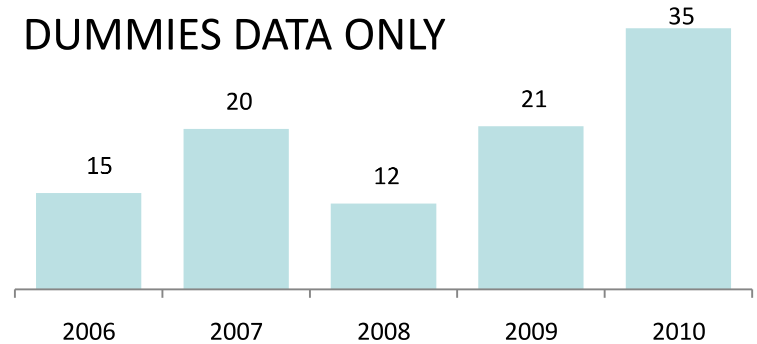


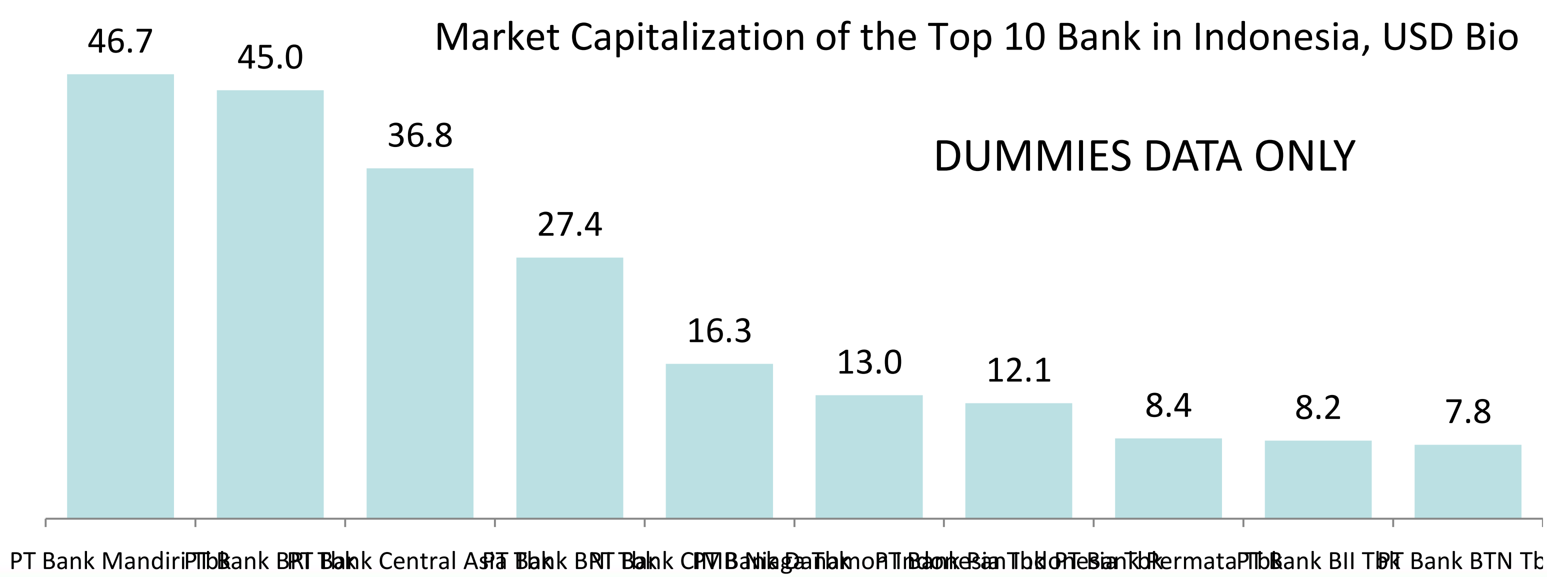
Source: Internal Staff Calculation, 2011

Total Market Capitalization, Indonesian Banking Industry, in USD Trillion

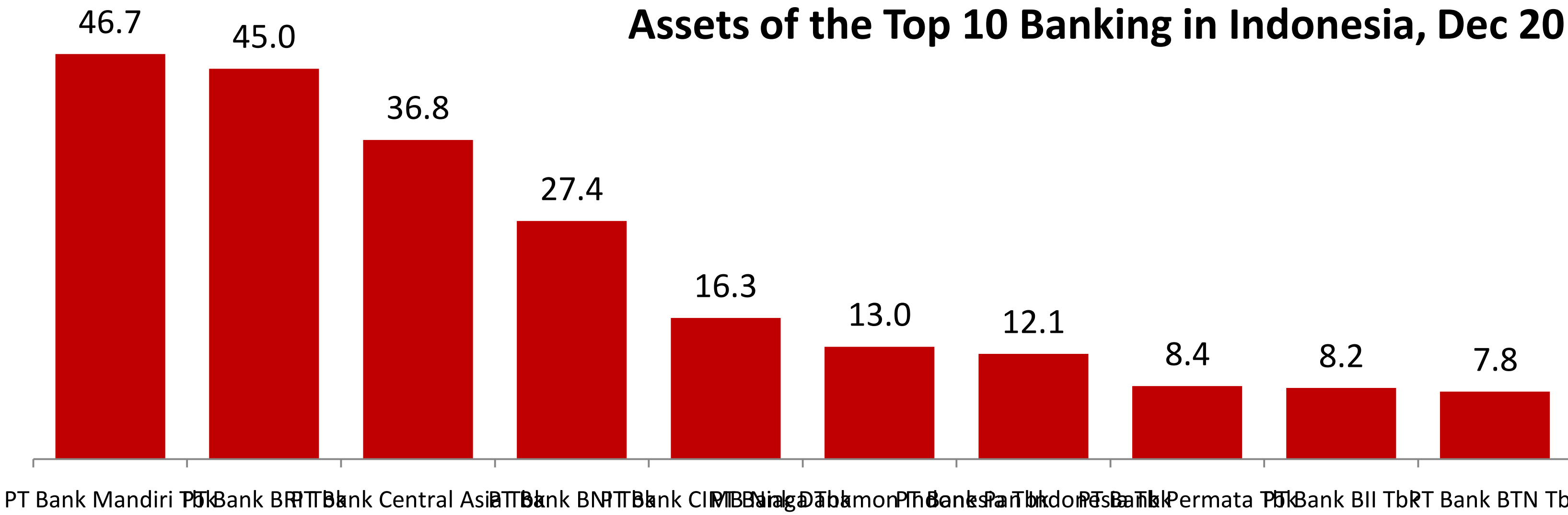


Total Market Capitalization, Indonesian Banking Industry, as-% of Total Indonesia Market Cap

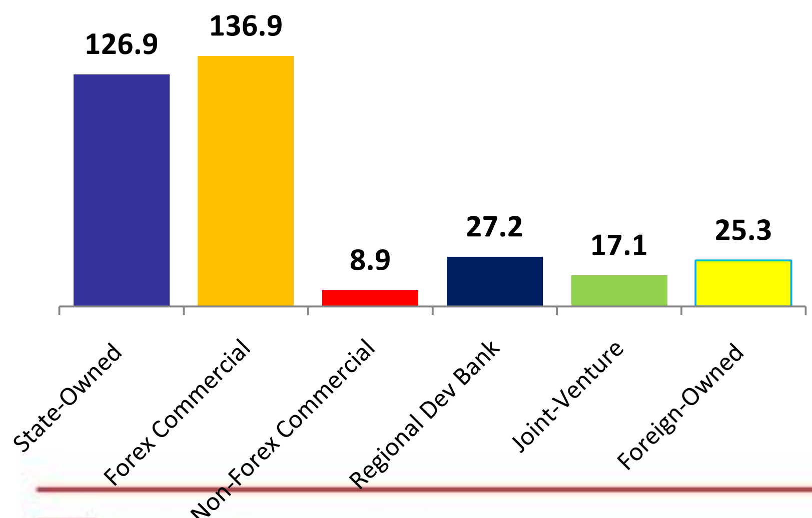


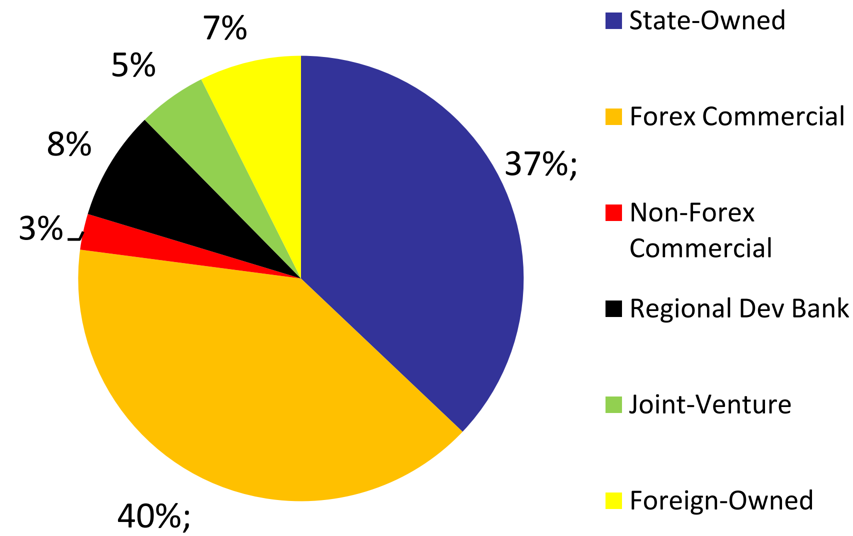


Assets of the Top 10 Banking in Indonesia, Dec 2010



Asset Commercial Bank in Indonesia, Dec 2010





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Source: Statistik Perbankan Indonesia, Dec 2010

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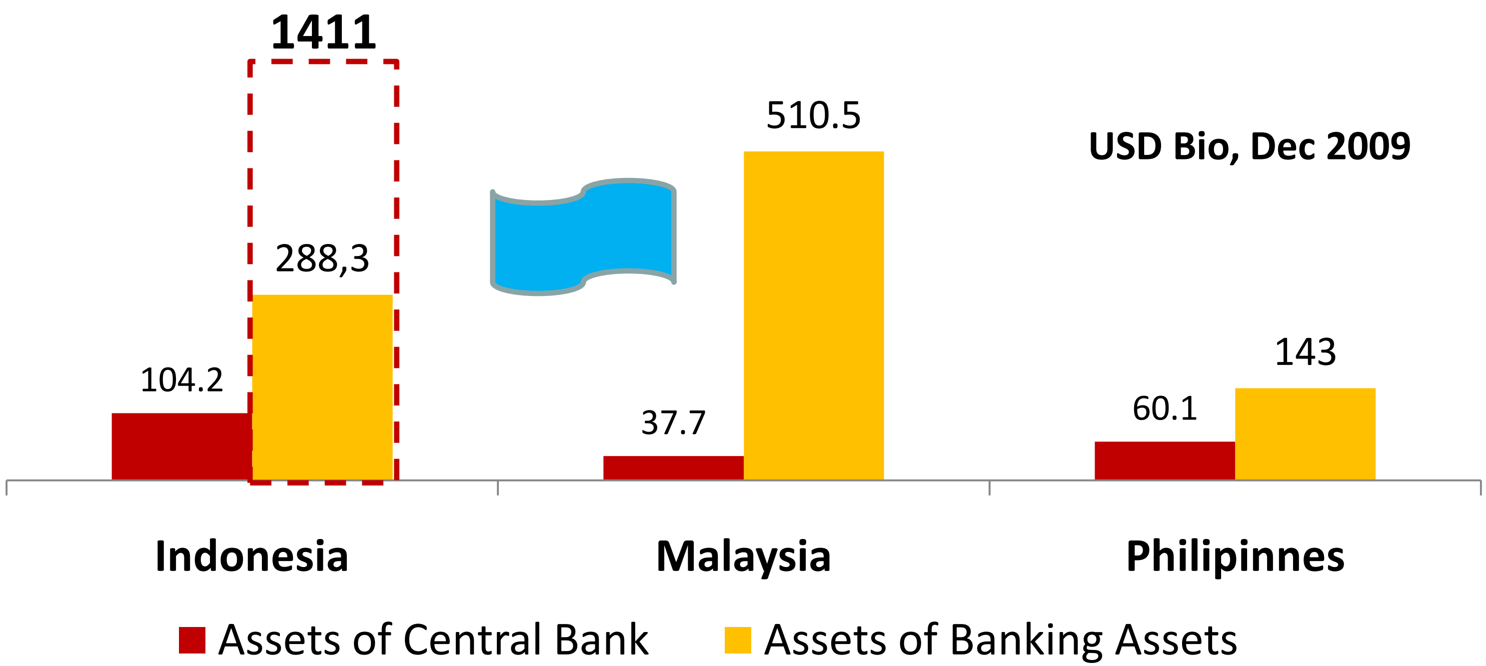
1

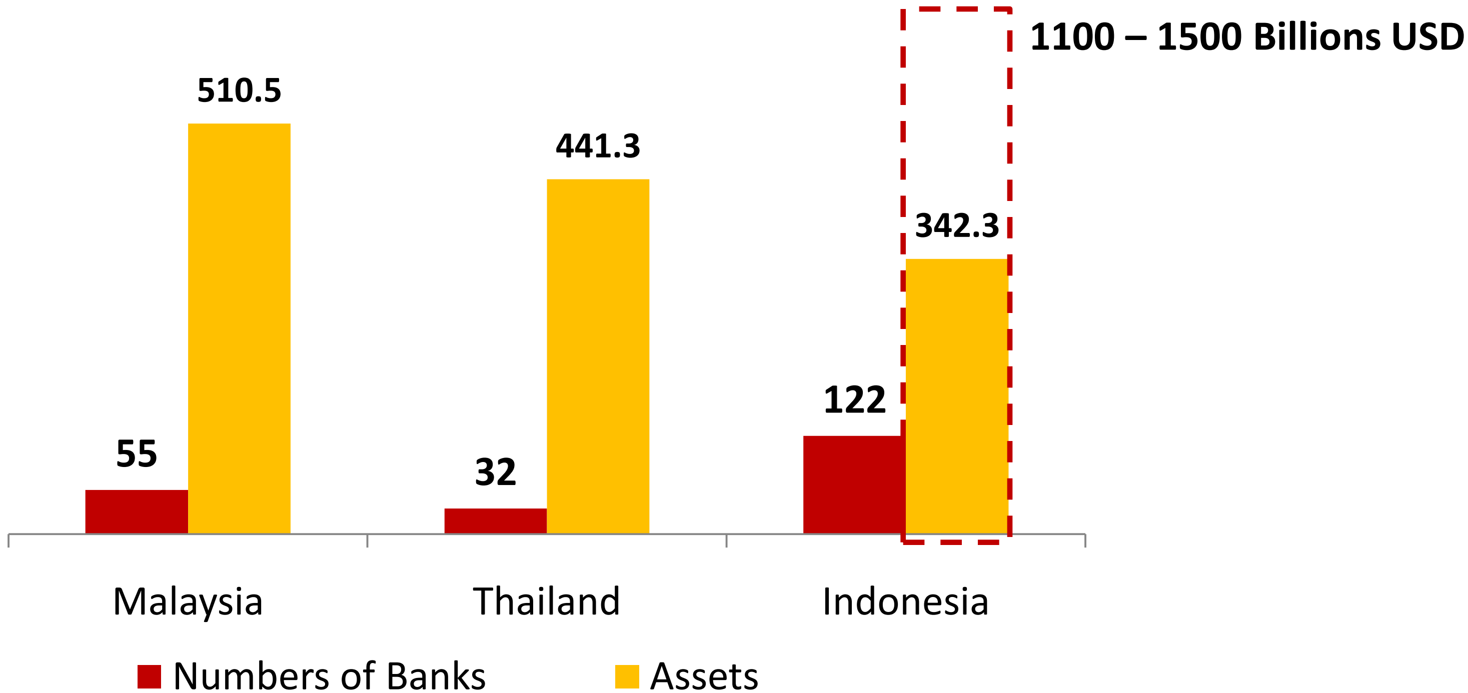
Compare to Malaysia, Bank Indonesia as a Central Bank needs to promote the increased of Indonesia's Banking Assets. With their assets of USD 37,7 Billion, they supervised the Malaysian's Banking Assets of USD 510,5 Billions.. With this Equivalence, Bank Indonesia with their assets of USD 104,2 Billion has their potentials to supervise an amount of USD 1411 Billions of Indonesian Banking Assets…



With regards to ASEAN Economic Community, Indonesia needs a Bigger and Stronger Banks!

2

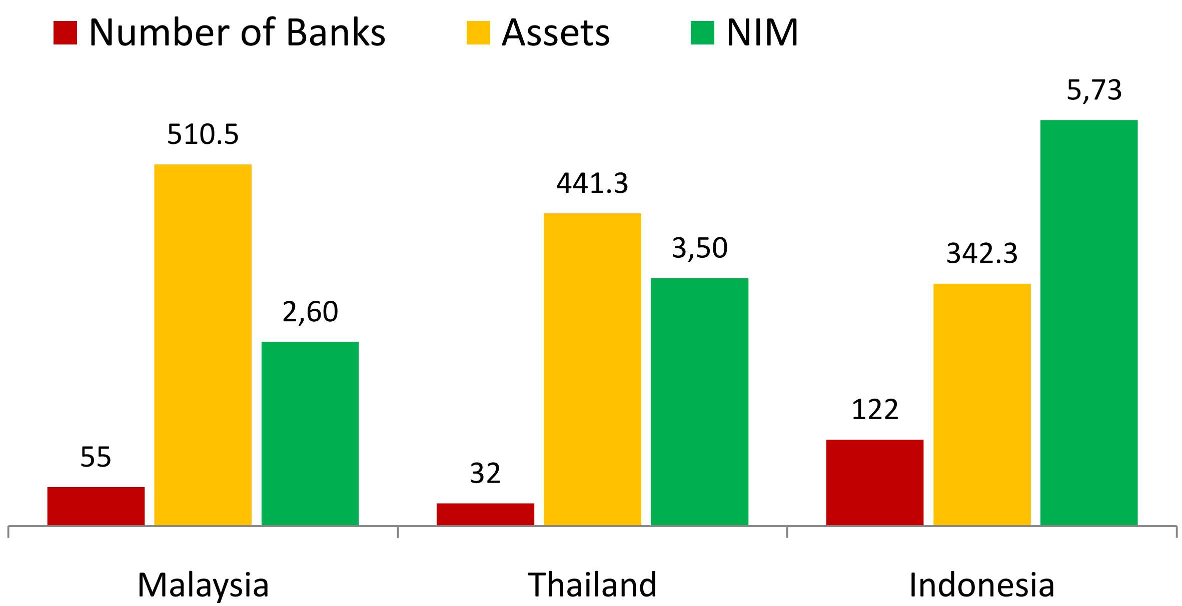
Compare to Malaysia and Thailand, in terms of Numbers of Banks and theirs Assets, Number of Banks in Indonesia are too many – 122 Banks (commercial banks only) while their Assets "only" USD 342,3 Billions.
Meanwhile, Malaysia with 55 Banks own their Assets of USD 510,5 Billions – and Thailand with the Numbers of Bank – 32 Banks, their Assets were USD 441,3 Billions.



INDONESIAN BANKS should raise their Capital and increase their Assets !!

3

It's time to stop "Indonesian Banking Paradox": Although Assets of Banks are smaller than Malaysia dan Thailand (may be other countries) and Number of Banks are more than of those countries, but The Profit/The Margin are much higher than others. It means Banking business in Indonesia is "Small Capital but Big Profit" – or "Modal Kecil, Untung Besar".



Our New Paradigm: We should inject More Capital to Indonesian Banks to get More Profit from their Business!

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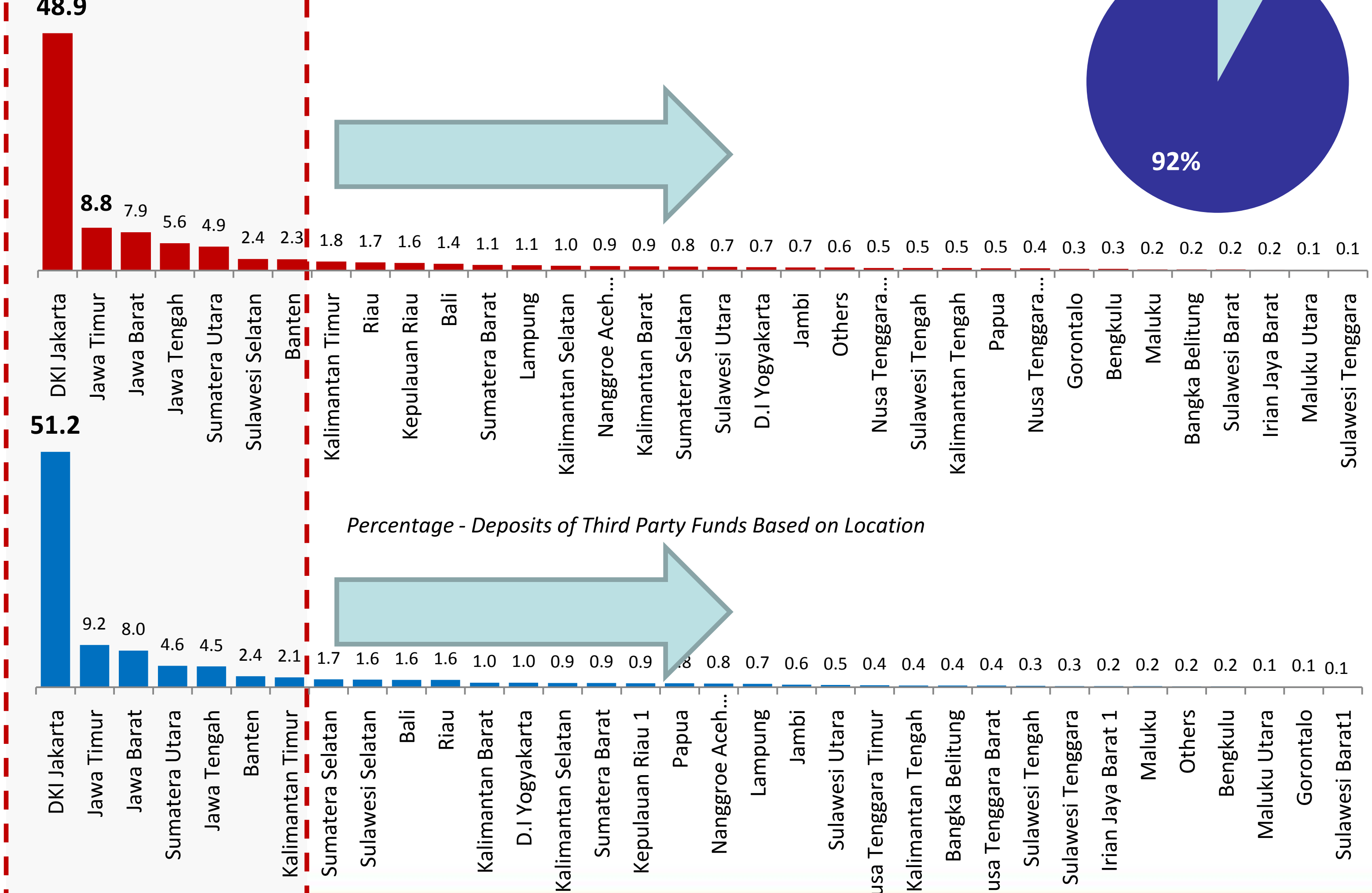
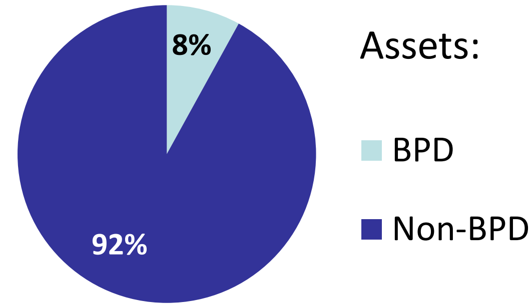
4

Another Challenge of Indonesian Bank: Promoting Regional Bank to Decentralization

Percentage - Credit of Commercial Bank Based on Location

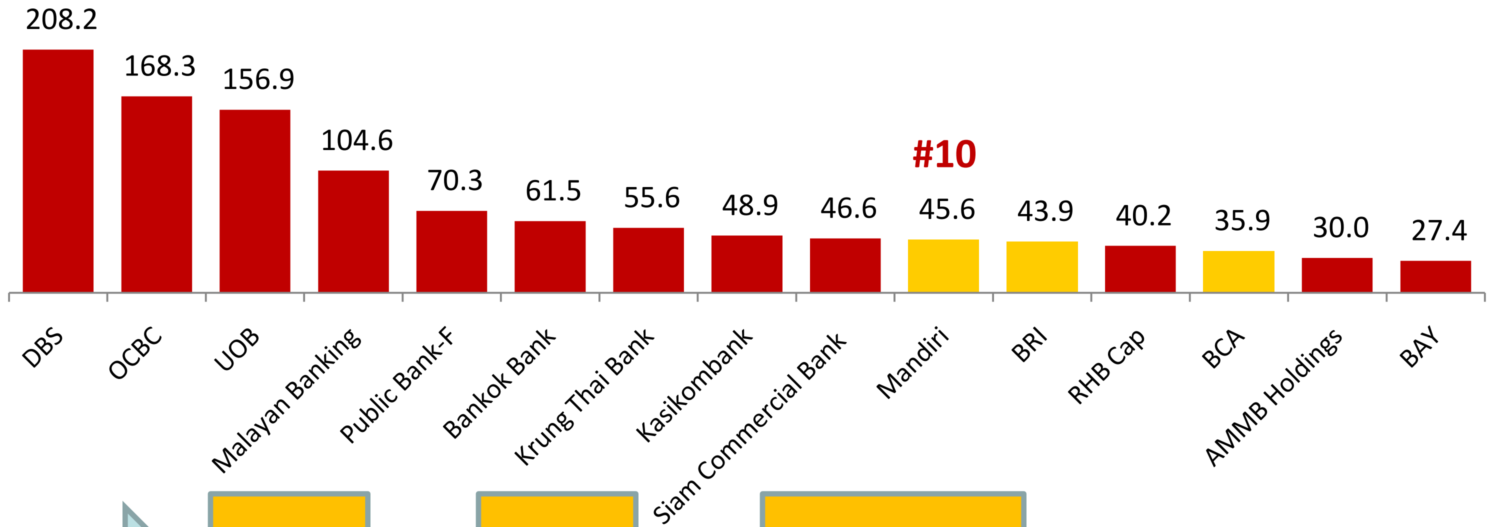
Percentage - Deposits of Third Party Funds Based on Location



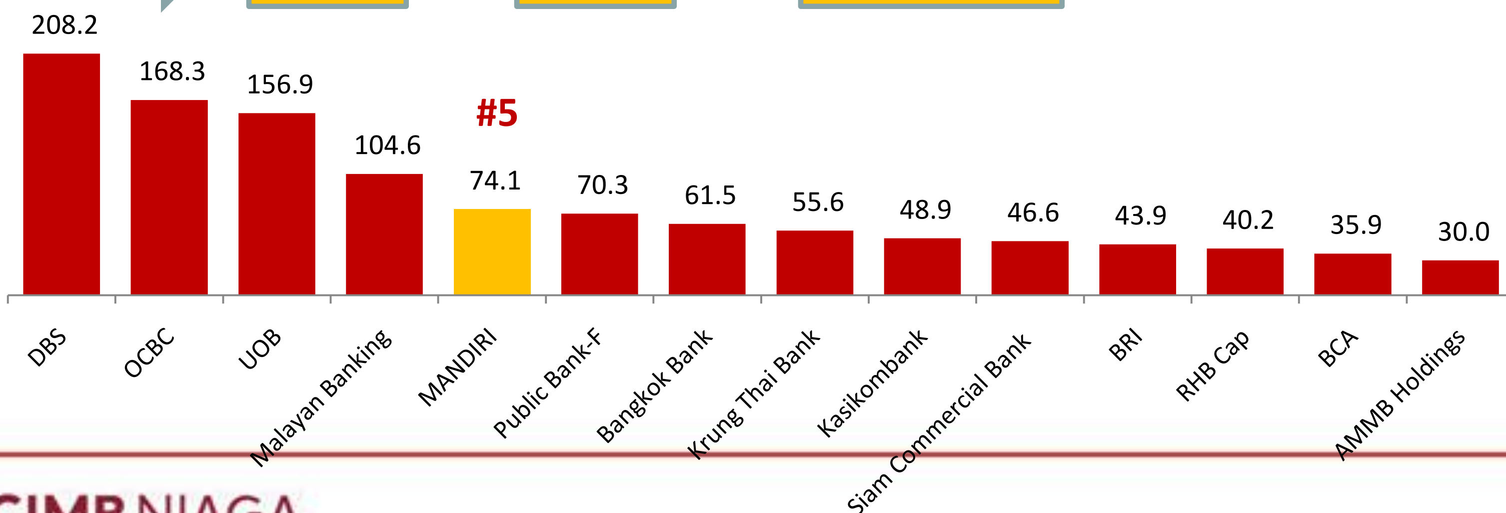


4

To stay ahead on competition at ASEAN Banking, some ideas need to be exercised: What if Bank Mandiri merged with Bank BNI?



Mandiri 45,6 + **BNI 28,5** = **MANDIRI 74,1**



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Thank You