

PRESS RELEASE

OJK`S PERFORMANCE FOR FIRST QUARTER OF 2014

(Jakarta June 23rd, 2014). Financial Services Authority (OJK) has been established since January 1st, 2013 pursuant to the mandate of Law No. 21 of 2011 on OJK. Some of OJK`s work performance in supervising and regulating the fields of capital market, non-bank financial industry, banking, and education and consumer protection are, among others:

Generally, the condition of domestic financial market for first quarter of 2014 (Q1 2014) showed a significant strength. Some of the indicators included Indonesian composite index (IHSG), non-bank financial industry, banking, Rupiah exchange rate, and government bond yield that showed improvement. Until recently, OJK has issued 14 OJK regulations, 8 OJK Board of Commissioners decisions, and 12 OJK circular letters. Whereas drafts that are still in completion are: 3 OJK regulations drafts (for banking); 33 OJK circular letter drafts and 19 OJK regulation drafts (capital market); 5 OJK circular letter drafts, 13 OJK regulation drafts and 3 drafts of OJK Board of Commissioners decision (non-bank financial industry).

Financial sector in Indonesia showed a positive development. In government bond market, the government bond yield for Q1 2014 recorded a decrease of 42 basis points in average. This growth was accompanied with low volatility, reflecting a well maintained stability despite the fact that a transfer of regulatory and supervisory function has taken place from Bank Indonesia to OJK at the beginning of this year.

In capital market, Indonesian composite index increased by 11.6% with a closing at 4,768.28. Net buy by foreign investors throughout Q1-2014 amounted to Rp24.6 trillion. Stock market capitalization rate also increased by 11.8% compared to previous quarter. Daily average trade value decreased by 4.6%, but daily average stock trading frequency increased by 38.7%.

Performance of non-bank financial industry during Q1 2014 generally showed a positive progress. Total assets of non-bank financial industry in the end of Q1 2014 increased by around 2.9% compared to previous quarter. Financial services sectors in the coverage of non-bank financial industry that experienced performance escalation were pension fund, finance institutions and other financial services institutions. In term of assets, insurance was the industry with the biggest assets, followed by finance institutions, pension fund, other financial services institutions, and supporting services industry in non-bank financial industry. In term of number of practitioners, financing industry had the biggest number, followed by pension fund, supporting services industry in non-bank financial industry, and insurance.

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Banking industry had a tight liquidity condition. However, capital adequacy ratio (CAR) showed a quite good performance, which was at 19.8%. Gross non-performing loan (NPL) ratio was relatively low at 1.9% in average, with net NPL ratio at 0.9%. Performance of Sharia banking industry experienced a slow down compared to previous quarter, but Sharia banking market share increased by 4.9%.

OJK continually put efforts into implementing its main function and duties in order to ensure that financial system stability is well maintained. OJK has set 10 strategic targets that encompass: (i) to realize financial services sector that is tough, contributive, and inclusive; to secure a stable and sustainable financial system, and to protect the interests of consumers and society, (ii) to improve regulation on financial services sector that is aligned and integrated, (iii) to develop a stable and sustainable financial services sector, (iv) to optimize an effectively integrated and coordinated supervision over financial services sector, (v) to optimize education and consumer protection, (vi) to improve surveillance over financial system and effective coordination, (vii) To improve effective management, (viii) to optimize accountable financial management, (ix) to develop an efficient and effective organization that is supported by professional human resources, and (x) to develop information system as well as sufficient facilities and infrastructures. These strategic targets are guidelines for OJK to implement its duties. Information system technology is continually developed so that existing supervision system over financial services sector can be well integrated.

In a bid to achieve the goal of realizing a healthy, sustainable and stable financial system, OJK has the interest to build communications and effective coordination with various domestic and international institutions. Some established cooperation involve National Sharia Board - Indonesian Ulema Council (DSN MUI), State Ministry for Development of Disadvantaged Regions (KPDT), National Intelligence Agency (BIN), National Population and Family Planning Agency (BKKBN), Agency for the Placement and Protection of Indonesian Migrant Workers (BNP2TKI), and some universities in the framework of consumer protection. In efforts to develop microfinance institutions, OJK also cooperated with Indonesia Sharia Insurance Association (AASI), and Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ).

At multilateral level, OJK is now listed as member of Working Group on Banking Supervision (WG/BS) in Executive Meeting of East Asia Pacific Central Banks (EMEAP), which comprises 11 central banks and banking supervisory authorities (Non Central Bank Supervision/NCBS) in Asia Pacific region. OJK is also a full member of Islamic Financial Services Board (IFSB). In January 2014, OJK was officially accepted as the 100th signatory to sign the Multilateral Memorandum of Understanding on Concerning Consultation and Cooperation and the Exchange of Information (MMoU) IOSCO. At regional level, OJK continually involves and actively roles in the continuance of ASEAN Capital Market Forum (ACMF) initiative.

Pursuant to the mandate of Law No. 21 of 2011 on OJK, as of December 31st, 2013, the regulatory and supervisory function has been transferred from Bank Indonesia to OJK.

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In order to implement the mandate, to carry out regulatory and supervisory function over banking, capital market, non-bank financial industry, and to perform the duty on education and consumer protection, OJK has since early in January 2014 opened 35 offices, which comprise 6 OJK regional offices and 29 OJK offices throughout regions in Indonesia. All those offices are located at Bank Indonesia regional offices.

In line with the implementation of duty on consumer education, OJK is also mandated to implement consumer protection so that OJK offices in regional areas can function as centers of information and complaint. It is expected that through improvement in financial literacy the society can become more convinced in making investment decision and in relating with financial institutions.

In accordance with Law Number 1 of 2013 on microfinance institutions, OJK is given mandate to foster, regulate and supervise microfinance institutions starting in 2015. In the framework of fostering, regulating and supervising microfinance institutions, OJK builds close coordination with regional government, Ministry of Home Affairs, and State Ministry for Cooperatives and Small and Medium Enterprises.

Additionally, in order to implement duties in regional areas, OJK is actively initiate cooperation with regional government, Bank Indonesia and components of society.

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