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PRESS RELEASE

CONDITION OF FINANCIAL SERVICES INDUSTRY MANAGEABLE AND STABLE

Jakarta, March 12, 2015**.** Financial Services Authority (OJK) considered that condition of financial services sector remained manageable in general, with adequate stability indicated by domestic stock market and bond market that continued to strengthen.

That is the conclusion of OJK Board of Commissioners` monthly meeting held on Wednesday (March 3, 2015) in order to evaluate the development and risk profile of financial services industry. Financial performance and risk profile in financial services institutions were also in normal condition.

Domestic capital market in February 2015 resumed its tendency to strengthen. This was indicated by increase of the Indonesian Composite Index (IHSG) and decrease of yield of treasury notes (SBN), along with net buy by non-resident investors in stock market and SBN market.

Some of the factors that supported this reinforcement in domestic stock market and bond market were, among others, were global sentiment influence, namely the Fed`s normalization policy, which is yet to be implemented in the near future, bailout agreement for Greece, quantitative easing in euro zone, and the bettering condition of domestic economic indicated by data on inflation, trade balance and ongoing transaction.

Financial condition of financial services institutions remained in well condition. In financial services industry, year-on-year (yoy) growth of banking credit and accounts receivable financing as of January 2015 was 11.55 percent and 4.68 percent respectively, a deceleration compared to previous month`s figures (of 11.58 percent and 5.22 percent) in correlation with adjustment process in domestic economy.

Capital adequacy ratio (CAR) in banking sector as of January 2015 was reasonably high at 21.01 percent, an increase compared to December`s figure of 19.57 percent. Rentability and banking efficiency were also stable. In line with better projection on domestic economic growth, growth of banking credit and accounts receivable financing are estimated to increase in 2015.

In the insurance industry, adequacy ratios in life insurance investment and damage insurance to cover payment for policyholders were also considered adequate. Liquidity in banking and insurance industries was in stable condition.

Liquidity in banking sector remained manageable. Banking sector had adequate liquidity instruments to anticipate potential third party fund withdrawal. Adequate resilience in banking liquidity was indicated by ratio of asset liquidity to non-core deposit (AL/NCD) and ratio of asset liquidity to third party fund (AL/TPF), respectively at 89.84 percent and 18.18 percent as of end of February 2015. These figures were way above respective threshold of 50 percent and 10 percent.

Whereas in stock exchange, average bid-ask spread (the difference in price between ask price and the bid in a particular time) in February 2015 showed constraint compared to the average figure in previous month, this was also driven by increase of daily average in stock transaction value.

Credit risk in financial services industry was at a relatively low level. The quality of banking credit was reasonably well despite having a slight increase, indicated by gross non-performing loan (NPL) as of January at 2.23 percent and net NPL of 1.15 percent, compared to December`s figures of 2.04 percent and 1.01 percent respectively.

Non-performing financing (NPF) in financing companies was relatively low at 1.48 percent as of January 2015. Both NPL and NPF remained manageable with rates far below the 5 percent threshold.

Generally, market risk in financial services industry was relatively low and still could be managed well. Net open position (NOP) ratio as of January 2015 was 1.68 percent, indicating positive development compared to previous month`s ratio of 2.16 percent. Meanwhile, in insurance and pension fund industries, market risk tended to decrease as market strengthened during January to February 2015.

In finance companies, gearing ratio (level of debt) of financing companies was 3.54 times, far below maximum stipulation of 10 times. Foreign exchange exposure of financing companies as of January 2015 increased when compared to previous month`s, influenced by a weakening Rupiah exchange rate. However, finance companies generally have hedged their foreign debt through natural hedging.

In the future, OJK will continue to consider major development in global and domestic economy that will potentially bring impact to financial services sector and stability of national financial system. Global development to be considered include, among others, implementation of the Federal Reserve’s monetary policy normalization, economic development in Japan and Europe, economic deceleration in developing countries, particularly in China, and fluctuation in global commodity prices.

Nationally, OJK observes some developments, such as fluctuation of Rupiah exchange rate and its impact on financial services sector, and also condition of domestic macroeconomic fundamentals. OJK continues to prepare various measures to anticipate so that those risk factors will not hinder national financial system’s stability. OJK also reinforce coordination with related institutions, including the Financial System Stability Coordination Forum (FKSSK).

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