

Roadmap of Indonesian Islamic Banking 2015 - 2019

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Existance of Islamic Banking

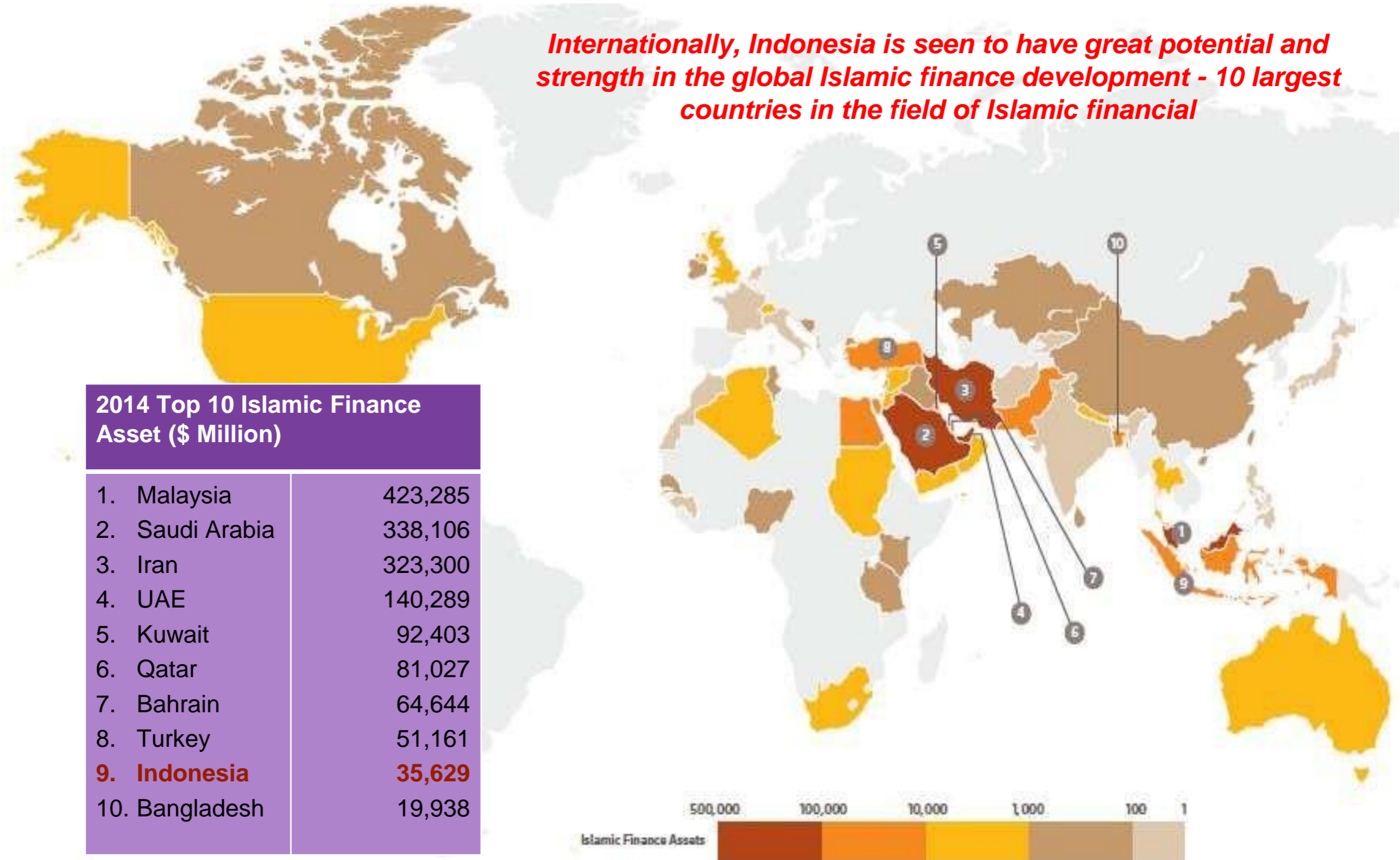
give more varied choices of banking instruments and services

the creation of financial market deepening and financial system stability

contribute in supporting financial inclusion

Indonesia's position in the Global Islamic Finance

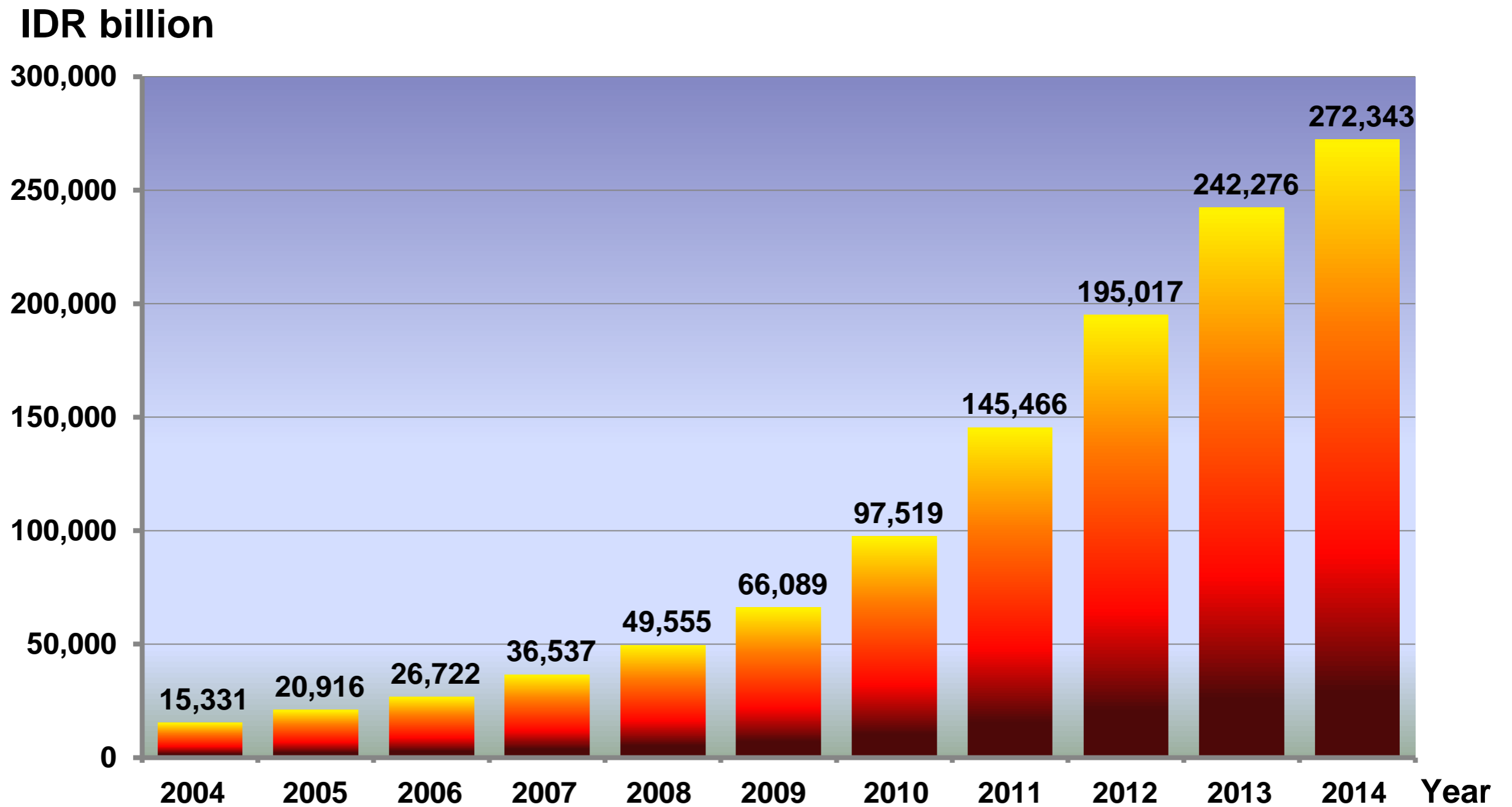
Internationally, Indonesia is seen to have great potential and strength in the global Islamic finance development - 10 largest countries in the field of Islamic financial



2014 Top 10 Islamic Finance Asset (\$ Million)

| | |
|---------------------|---------------|
| 1. Malaysia | 423,285 |
| 2. Saudi Arabia | 338,106 |
| 3. Iran | 323,300 |
| 4. UAE | 140,289 |
| 5. Kuwait | 92,403 |
| 6. Qatar | 81,027 |
| 7. Bahrain | 64,644 |
| 8. Turkey | 51,161 |
| 9. Indonesia | 35,629 |
| 10. Bangladesh | 19,938 |

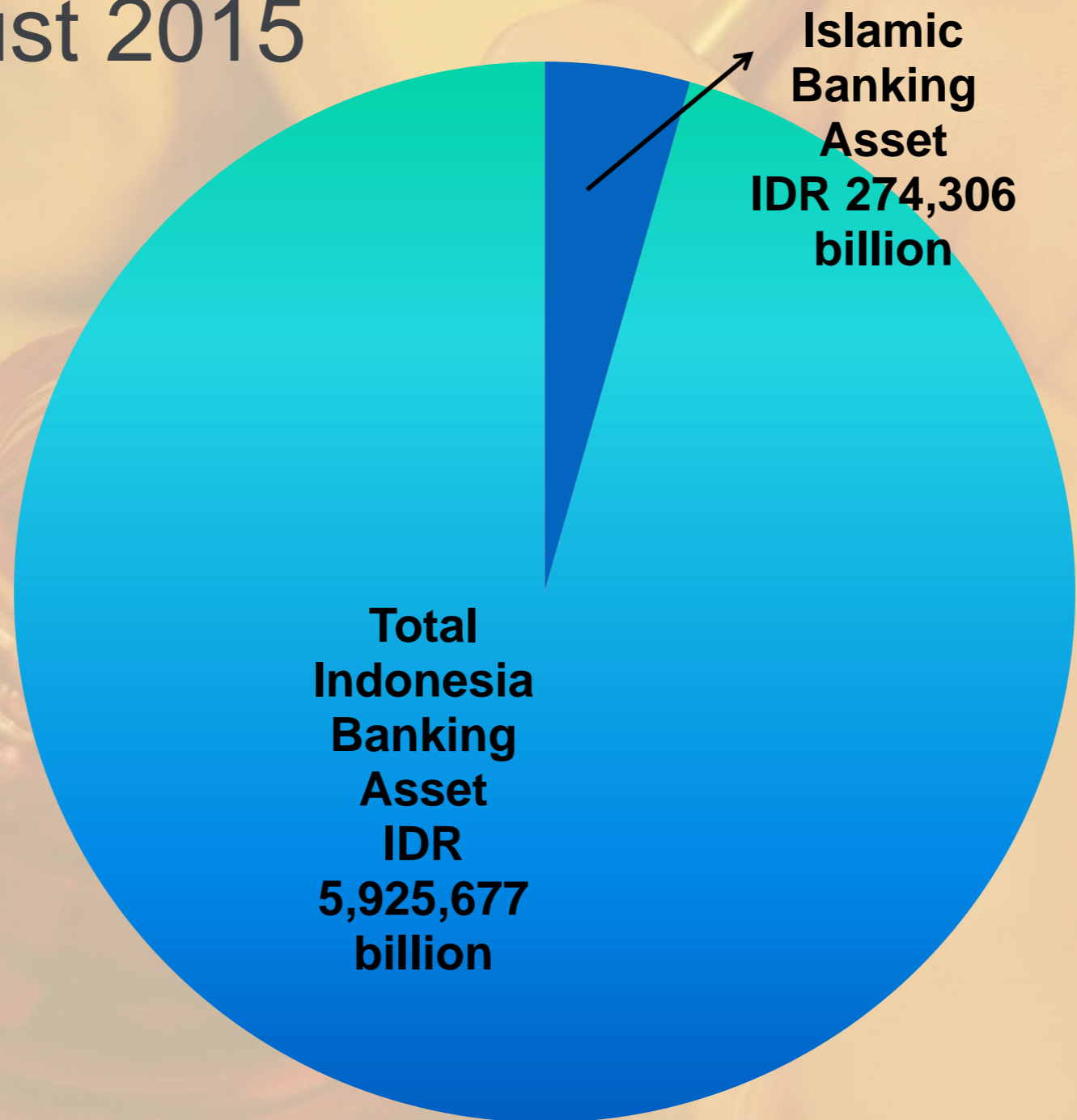
Indonesia Islamic Banking - Asset Growth



average asset growth of **33,2%**

Market Share of Indonesia Islamic Banking

August 2015



Challenges in Islamic Banking Development

STRATEGIC ISSUES

Misalignment in the visions and lack of coordination between the government and the authorities in Islamic banking development

Capital is still inadequate, industry scale and individual banks are still small, as well as low efficiency

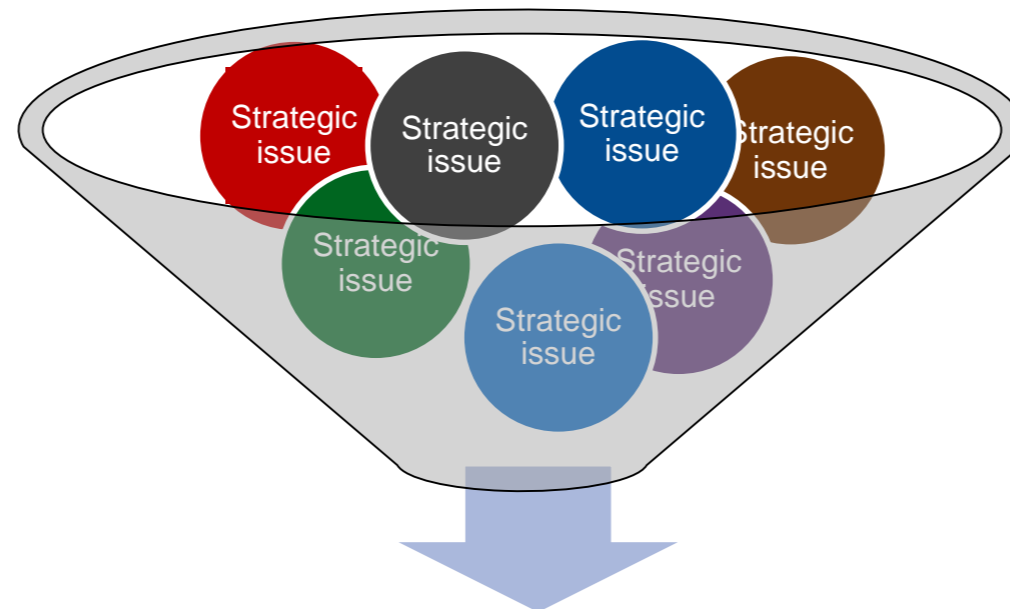
High cost of fund that causes limited financing segment

Unvaried products and services that do not yet meet public expectation

Quantity and quality of Human Resources (HR) is not yet adequate and Information Technology (IT) is not yet capable of supporting product and service development

Public understanding and awareness that are still low

Regulation and supervision which are not yet optimal



Roadmap of Indonesian Islamic Banking 2015 - 2019

Vision

To Establish Islamic banking that provides significant contributions to sustainable economic growth, equitable development, financial system stability, and has high competitiveness

7 Policy Directions

41 Priority Programs

7 Policy Directions

- 1. Strengthening synergies between the authorities and government and other stakeholders in context of policy development;**
- 2. Strengthen capital and business scale as well as enhance efficiency;**
- 3. Improve funding structure to support expansion in financing segment;**
- 4. Improve service quality and product diversity**
- 5. Improvement of the quantity and quality of HR & IT as well as other infrastructure**
- 6. Enhancement of public literacy and preference**
- 7. Strengthening and harmonizing regulations and supervision**

1. Priority programs to strengthen synergies for policy development between banking authority with government and other stakeholders, including:

The establishment of KNKS: representatives from government, the FSA and central bank in Indonesia; Management of government funds; Placement of SUKUK funds in Islamic banking

Forums of cooperation and coordination with the judiciary, universities and deposit insurance agency as well as the establishment of a research and development center of Islamic banking

Initiate and develop Islamic investment banks, particularly for the purpose of financing government projects

2. Priority programs to enhance competitiveness of Islamic Banking, such as:

Strengthening capital and business scale of Islamic banking through additional paid-up capital; Establishment of state-owned/district government-owned Islamic Bank; Leveraging; Spin off sharia windows

Improve funding structure and expand financing segment through incentive framework for expansion of productive financing in infrastructure and corporate sectors

Optimization of haj fund management through Islamic banking as well as waqaf, zakat, infaq and Shadaqah

2. Priority programs to enhance competitiveness....., continued:

Involvement of Islamic banks in the management of government's fund and government-owned enterprises's funds

Promote placements of funds, resulting from sukuk emissions, at Islamic banks

Improve service quality and product diversity
Improve service quality and product diversity

Improvement of the quantity and quality of HR & IT as well as other infrastructure

3. Priority programs to enhance public literacy and preference of Islamic banking & its products, such as:

Islamic Banking (iB) campaign program on Islamic banking products and strengthening of Islamic banking positioning, differentiation, branding

Enhance Islamic financial literacy through education and socialization

4. Priority programs to improve the quality of regulation and supervision of Islamic banking, such as:

improving the institutional regulations and policies related to Financing to Value (FTV)

guidelines of the resilience of Islamic banks stress test and taxonomic system of regulation related to Islamic banking

Thank you



Link Roadmap: bit.do/rpsi2015