

PRESS RELEASE
EVALUATION ON DEVELOPMENT AND RISK PROFILE OF
FINANCIAL SERVICES INDUSTRY

(Jakarta, July 17, 2014). Financial Services Authority (OJK) on Wednesday (July 16) conducted OJK Board of Commissioners' monthly meeting to evaluate development and risk profile of financial services industry. Financial services industry was generally in good condition. National financial market weakened in June as investors waited in their respond to domestic political development. However, the condition of financial market got better again during the first two weeks of July.

Indonesian Composite Index (IHSG) recorded the highest growth in the region at 17.7% year to date and was closed at 5,032.6. Rupiah exchange rate also appreciated by 4.9% and was closed at Rp 11,580 per US dollar. Additionally, market performance of government bonds (SBN) also strengthened by 31 bps in average.

Financial industry's capability in dealing with pressure also seemed quite well. Banking capital was high, with capital adequacy ratio (CAR) reaching 19.5%. Rentability was stable and adequate, with return on assets (ROA) at around 2.9%. In capital market sector, net asset value (NAV) of mutual fund indicated an increase to reach Rp 210 trillion, generated by reasonably major net subscriptions. Apart from that, in non-bank financial industry, investment value of pension fund and insurance companies also indicated an improvement, although there was a deceleration in finance companies' credit growth.

Whereas the condition of banking liquidity, indicated by liquid assets/non-core deposit at threshold of 50%, was adequate to anticipate potential withdrawal of third party fund, especially ahead of Lebaran holidays. In capital market sector, trading activities increased again, supported by fairly conducive political condition. While in non-bank financial industry sector, finance distribution reached 88.4% and gearing ratio of finance companies increased to 3.70 times as of May 2014.

Risk factors that required attention were possible inversion in the direction of monetary policy in the United States and oil price increase due to political escalation in Middle East and Ukraine.

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