PROSPECT OF THE HOTEL INDUSTRY
(BANKING PERSPECTIVE)

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AGENDA

- Snapshot of BNI
- Overview of Indonesia’s Tourism Industry
- BNI Views Government Policy To Boost The Tourism Sector
- Lending Criteria in Hotel Financing
- Attractiveness of Tourism Industry for BNI
BNI has a strong presence and network in Indonesia. With 6,227 Atms and 1,364 branch network that spread out into 14 operating regions.

We also pursue international network by operating 5 overseas branch and reps in several countries.
BNI maintain a strong performance in the midst of favorable economic condition.

**Asset**

BNI continue to perform a strong balance sheet performance with 14.2% average annual growth for last 3 years.

**Net Profit**

Supported by a strong balance, BNI can contribute a higher Net Profit with average 70.1% for the last 3 years.

**ROA**

Solid board of management and choosing the right business strategy, BNI can optimise asset productivity year by year.

**ROE**

With a strong performance BNI able to contribute a significant return to the share holder.
• During 2006-2010, Total Number of Domestic + Foreign Tourists in Indonesia grew by 9.6%; Foreign Tourists increased higher than Domestic Tourists. However, the number of Domestic Tourists was much higher than that of Foreign; of the 53.5 million tourists in year 2010, 87.1% are Domestic Tourists.

• Provinces with largest number of tourists are West Java (16.0%), East Java (13.2%), and DKI Jakarta (11.8%). Domestic Tourists are concentrated at West Java, East Java, and DKI Jakarta, whereas Foreign are at Bali, DKI Jakarta, and Kepulauan Riau.

• However, provinces which grew the most during 2006-2010 was West Nusa Tenggara, Central Kalimantan, Gorontalo, Kepulauan Riau, and Bali.

• Foreign Tourists were dominated by Leisure travelers (59.2% of the total Foreign Tourists). However, MICE business travellers grew the most by 40.2% during 2006-2010.

• In the last 3 years, the number of Hotels in Indonesia grew by 4.8% in which Star Hotels increased higher than that of Non Star Hotel. 3 Star Hotel grew the highest with 15.9%, followed by 5 Star Hotel (11.9%), and 2 Star Hotel (7.1%). The Non Star Hotel grew relatively low i.e. around 3-5%.

• Air passenger both Domestic and International Flights increased 10.9% and 13.3% respectively.

• Number of Restaurants grew by 21.8%; Banten, West Java, South Sulawesi, Kepulauan Riau, and Bali rose highest.
• **Governments Policy considers is on the right track to boost the Tourism Industry.** Some of the policies are:

- Open ownership opportunities for foreign investments: up to 100% (for 3 - 5 Star Hotel, Resort, Golf, MICE, International Hotel Operator, and Tourism Consultant) and up to 50% (for 1 & 2 Star Hotel, Jasmine Hotel, Catering, Spa, Amusement Park, Bar, Resto, etc.

- Includes Tourism Industry on Master Plan for the Acceleration and Expansion of Indonesian Economic Development (MP3EI) 2011-2015. Some of the MP3EI policies are:
  - Make the Standard Operating Procedure (SOP) of licensing acceleration and provision of integrated and one roof services for all licenses to develop the tourism areas
  - Ease the expanding and issuance of Visa Entry, Visa on Arrivals and Visa on Board for tourists
  - Develop cruise terminal standard and marine as well as port of entry.
  - Simplify the application of CAIT (Clearance Approval for Indonesian Territory) for foreign tourists who are the user of yacht sailing boat.
  - Reduce or remove the temporary fee of import for foreigners of marine tourism (yacht sailing boat) that enter the Indonesian sea territory.
  - Review the Spatial and Regional Planning (RTRW) of Bali, West Nusa Tenggara (NTB) and East Nusa Tenggara (NTT) to support the tourism development plan of Bali.

Source: Kemenparekraf, 2012
Lending Criteria in Hotel Financing: Factors Addressed in Hotel Financing (Key Success Factors)*

In addition to financial aspects (financial report analysis, ratios, Feasibility Study) below are aspects need to be addressed in doing hotel financing:

- **Favorable and strong Economic and Industry Figures**
- **Government Regulation Support**: Regulation support will open more opportunity for business growth (e.g., ownership regulation, taxation etc)
- **Major Sponsor**: Hotel is a capital extensive business that need a strong financial back up also track record in Industry.
- **Hotel Operator / Management**: Hotel is a service sensitive industry, well recognise operator will ensure the best service is well delivered.
- **Service Quality**: A high quality and well diversified service will increase hotel attractiveness and enhance hotel revenue besides from the room rate. (e.g., Restaurant, amusement facilities etc)
- **Brand Image**: A well recognise and strong brand will be more attractive for visitors.
- **Marketing Strategy (positioning)**: The suitability of the hotel concept (e.g., target market, design etc), hotel location
- **Public infrastructure Readiness and Supporting Facilities** (e.g., Meeting, Incentive, Convention and Exhibition Facilities etc)
- **Credible Contractors** that handle hotel construction

*BNI’s Perspective*
Lending Criteria in Hotel Financing:
Risk Need to be addressed in Hotel Financing* (Key Risk Factors)

Doing business in hotel financing, **Bank will be expose to certain types of risks.** Some of those risks are:

- **Business Competition Risk:**
  Competitors Diversity, Entry barrier, Strong buyer bargaining position.

- **Risk of Social Upheaval and Security:**
  Local Culture and Favorable Security

- **Risk of Regulation Change:**
  Unstable regulation will create uncertainty

- **Risk of Exchange Rate:**
  Exchange rate fluctuation

- **Risk of Land Lease:**
  Changes on land ownership and lease regulation

- **Risk of Management:**
  The division of work and organizational structure

- **Risk of Market Position:**
  Image of company, Reputation of hotel industry

- **Risk of Operational Management:**
  Efficiency of operational cost, Renovation of Hotel Facility

- **Construction Risk:**
  Delay or fail in hotel construction

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* BNI’s Perspective
Indonesia Hospitality industry has **positive trend and BNI manage a prudent portfolio.**

- Although has a small share to bank wide portfolio, BNI hospitality exposure is increasing significantly with a manageable NPL (lower than bankwide). BNI’s portfolio growth on Hotel & Restaurant is higher than Industry.

- BNI Financing focus on star hotel (3 and above) in specific region such as Jakarta, Bali, Makassar, Surabaya in line with industri trend and fact.

- With a positive trend in hospitality industry, BNI will continue to expand in hospitality with a prudent banking practice.

### Loan of BNI by Economic Sectors, 2008-2011

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</thead>
<tbody>
<tr>
<td>Agriculture</td>
<td>4.77</td>
<td>7.50</td>
<td>9.33</td>
<td>10.89</td>
<td>31.71%</td>
<td>7.13%</td>
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<tr>
<td>Mining</td>
<td>3.10</td>
<td>3.69</td>
<td>7.23</td>
<td>11.63</td>
<td>55.42%</td>
<td>7.62%</td>
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<tr>
<td>Manufacturing Industry</td>
<td>28.19</td>
<td>27.50</td>
<td>27.02</td>
<td>29.96</td>
<td>2.05%</td>
<td>19.63%</td>
</tr>
<tr>
<td>Electricity, gas and water</td>
<td>6.06</td>
<td>6.44</td>
<td>6.67</td>
<td>7.38</td>
<td>6.83%</td>
<td>4.84%</td>
</tr>
<tr>
<td>Trade, Hotel and Restaurant</td>
<td>19.51</td>
<td>23.07</td>
<td>22.50</td>
<td>25.91</td>
<td>9.91%</td>
<td>16.98%</td>
</tr>
<tr>
<td>- Hotel and Restaurant</td>
<td>1.01</td>
<td>1.52</td>
<td>1.53</td>
<td>2.55</td>
<td>35.88%</td>
<td>1.67%</td>
</tr>
<tr>
<td>Construction</td>
<td>5.37</td>
<td>5.72</td>
<td>6.23</td>
<td>7.25</td>
<td>10.48%</td>
<td>4.75%</td>
</tr>
<tr>
<td>Transportation and Communication</td>
<td>6.83</td>
<td>8.39</td>
<td>9.26</td>
<td>9.26</td>
<td>10.68%</td>
<td>6.07%</td>
</tr>
<tr>
<td>Business Services</td>
<td>11.26</td>
<td>11.62</td>
<td>13.84</td>
<td>15.12</td>
<td>10.32%</td>
<td>9.91%</td>
</tr>
<tr>
<td>Social Services</td>
<td>0.94</td>
<td>1.38</td>
<td>1.31</td>
<td>1.31</td>
<td>11.91%</td>
<td>0.86%</td>
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<tr>
<td>Others</td>
<td>21.27</td>
<td>21.21</td>
<td>25.33</td>
<td>33.91</td>
<td>16.82%</td>
<td>22.22%</td>
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<tr>
<td><strong>TOTAL</strong></td>
<td>107.28</td>
<td>116.52</td>
<td>128.72</td>
<td>152.61</td>
<td>12.46%</td>
<td>100.00%</td>
</tr>
</tbody>
</table>

Source: BNI unaudited, 2011
Prospects: Attractiveness of Tourism Industry for BNI

- Focus Kemenparekraf (Tourism & Creative Economy Minister) program called “Bali & Beyond”.

- Those areas to be segmented into **7 Special Interest** i.e.:
  - Cultural & Historical,
  - Nature & Ecotourism,
  - Sport (diving, surfing, etc),
  - Cruise,
  - Shopping & Culinary,
  - Health, and
  - MICE.

- Open ownership opportunities for foreign investments: up to 100% (for 3 - 5 Star Hotel, Resort, Golf, MICE, International Hotel Operator, and Tourism Consultant) and up to 50% (for 1 & 2 Star Hotel, Jasmine Hotel, Catering, Spa, Amusement Park, Bar, Resto, etc).

- PEMDA support quick observation Medan, Palembang, Pekanbaru, Surabaya, Jakarta.

- Increased number of hotels, MICE, and growth rates of domestic travelers.

- A notable observation Accor already operate 50 hotels and will operate another 50 in the next 3 years outside of Java.
Prospect: 15 DMO Destination

15 LOKASI DESTINATION MANAGEMENT ORGANIZATION (DMO)
Prospect: 50 Major Tourism Destination

50 Major Tourism Destination, 88 National Tourism Region, and 222 Tourism Development Region
TOURISM DESTINATION DEVELOPMENT PLAN (NEXT 3 YEARS)

7 Special Interest
1. Cultural & Historical,
2. Nature & Ecotourism,
3. Sport (diving, surfing, etc),
4. Cruise,
5. Shopping & Culinary,
6. Health, and
7. MICE.

Criterias of Destination Location Focus:

Location Spatial
Cooperative Local Authorities (PEMDA)
Part of MP3EI programme
Has DMO
Easily Developed

UPAYA PENGEMBANGAN PADA FOKUS LOKASI DESTINASI YANG DIKEMBANGKAN

- Fasilitas Pariwisata
- Prasarana Umum
- Aksesibilitas
- Daya Tarik Wisata
- Investasi Pariwisata
- Industri Pariwisata
- Pemberdayaan Masyarakat
- Pencitaraan Destinasi Wisata
- Kebijakan dan Regulasi

Pemetaan dan Perancangan
Fasilitasi pembangunan fisik
Fasilitasi tatakelola
Fasilitasi pengembangan profil dan promosi investasi
Sertifikasi, standarisasi, pola perjalanan, paket wisata
Sadar wisata, desa wisata, gerakan Indonesia Indah dan Bersih, Aktivasi ekonomi kreatif
Modus komunikasi dan modus promosi
RIPPARDA dan Turunan PP No.50 Tahun 2011
• In 2011, number of Middle Class Segment in Indonesia is accounted to 134 million or 56.2% of the population with 7% annual growth. This is the very potential customer to support tourism industry due to their increase of personal income and consumption behavior.

• Middle Class spent approximately 13.1% of their total income for leisure-related activities.
Good Prospects: Concluding Remarks

- Strong Domestic Economy
- Social and Political Stability
- Growing Middle class
- Growing Mobility
- Accessibility: Increase in domestic travels by land, air and sea
- The obvious needs for more hotels
- MICE
- National and Regional Government focus and policy support
- BNI’s tracking & execution of Parekraf’s DMO.
- Managable risks
THANK YOU