



MINISTER OF FINANCE II

MALAYSIA

The 19th Malaysian Banking Summit: Banking in a New Regional Landscape with ASEAN Economic Integration

“ASEAN Financial Integration and Challenges Facing Malaysian Banks”

17th June 2015, Royale Chulan, Kuala Lumpur

YBhg. Tan Sri Michael Yeoh, CEO of ASLI,

YBhg. Tan Sri Ramon Navaratnam – Director of ASLI & Chairman ASLI-CPPS,

Distinguished speaker panellists,

Those in attendance from the banking and financial services sector

Members of the media, distinguished guests, ladies and gentlemen

1. It is a great honour for me to be here today to deliver this opening address at the 19th Malaysian Banking Summit.
2. The summit has been held for 19 years and continues to be an important platform in shaping the future direction of the banking and financial services industry in Malaysia.

Ladies and Gentlemen,

3. The focus of this year summit is none other than our own backyard the ASEAN region. 48 years ago, ASEAN started with the goal of promoting peace, stability, security and prosperity through regional cooperation. Now in 2015 we are embarking on our first step of forming an integrated regional economy known as ASEAN Economic Community.
4. The magnitude of this integration is astounding and we are part of history in the making. If ASEAN were one economy, we would be the seventh largest economy in the world with US\$2.4 trillion GDP in 2013. By 2018 we would surpass mature economies such as the United States, European Union and Japan. By 2050, we would be the fourth largest economy in the world.
5. 600 million people live in ASEAN that make up 10% of the world total population. This would make us the third largest labour force in the world, ahead of North America or European Union and allowing us to stand next to China and India.
6. Through ASEAN's five key members of Indonesia, Malaysia, Philippines, Singapore

and Thailand alone, more foreign direct investment of US\$128 billion were attracted compared to China's US\$117 billion in 2013.

7. Through ASEAN Economic Community, per capita income were projected to tripled by 2030, producing the possibility of raising our quality of live to levels parallel to the members of Organization for Economic Co-Operation and Developments.
8. To benefit from potential of the regional integration, we need to strengthen our foundation and ready ourselves to grab the opportunity as it present itself.

Ladies and Gentlemen

9. Three weeks ago the Prime Minister tabled the 11th Malaysian Plan. The Plan is a broad strategic policy for the direction in which the Government wishes to develop our economy as we approach the year 2020. The 11th Malaysian Plan will be operationalised by the next five annual budgets.
10. Certainly, if we are too concerned with matters of perception and sentiments, we would be extremely cautious of our way forward. The diverging monetary policies of the developed countries, the lethargic economic recovery in Europe and the softening Chinese economy as well as the relatively weak commodity prices seems to cause clouds hanging over us in the external sector.
11. Notwithstanding these challenges, our GDP growth remains among the highest in the region. We have wisely diversified our economy so as to be less reliant on exports while widening and deepening our domestic activities to promote growth. In the first quarter of this year, it is worthwhile to note that Malaysia recorded RM57.4 billion of approved investments in the first quarter (Q1) of 2015, up 18.8% from the same period last year. It is more worthwhile to note that 82.6% or RM47.4 billion of the total investments were sourced from domestic investors. We are indeed pleased that we seeing this strong level of confidence of Malaysians in Malaysia.
12. Our economic fundamentals are strong, sustainable and intact. While we have prudently revised our budget deficit target for 2015 to 3.2%, we remain confident that we will achieve our target of having a balanced budget in the year 2020. Our fiscal reforms are on track. The country's fiscal position is stable and I emphasise, sustainable.
13. I also wish to emphasize that as at June 6th last week, our international reserve stood at RM394.3 billion, sufficient to finance 8.2 months of retained imports and covers 1.1 times of total short-term external debt.
14. Our Central Bank has conducted rigorous stress tests on financial institutions and a deep and sufficiently wide capital markets.
15. The indicators I mentioned is not comprehensive and if I were to take all the material indicators into consideration, I am in the position to state that our economy is on a firm footing, and adequately primed to serve as a foundation base for the incoming high-income economy.

Ladies and gentlemen

16. We need to leverage on our strong economic fundamentals to give greater economic empowerment for all. It is important for us to ensure that the economic prosperity is inclusive. It is essential for us, as we begin on our final lap toward reaching high-income nation status in 2020, to assist the bottom 40% of our income-earners, and

provide a a more level playing field for women to fully participate in wealth creation activities.

17. In this regard, our banking sector needs to provide the right mix of financial products to cater to non-traditional market segments and complement the various transformation programmes that the Government has embarked upon. This is the way you can contribute in bringing about more equitable and inclusive development.
18. This alignment of public and private will strengthen the long-term interest of our country and serve as the best guarantee for the future profitability of the banking sector.

Ladies and Gentlemen,

19. ASEAN, a market of over 600 million people that makes up 10% of the world population would foster uncountable number of business opportunities and development projects that requires the services of financial markets.
20. It is the seventh largest economy in the world with GDP of US\$2.4 trillion. Organization of Economic Co-operation and Development predicts that is ASEAN experience overall annual GDP growth of 5% to 6% yearly and by 2050 ASEAN would be the 4th largest economy in the world.
21. Service liberalization has started and continued in the ASEAN region. For the financial services sector, it is even more challenging as it involves the removal of restrictions on ASEAN banks, insurance companies, investment companies, and capital accounts while adhering to adequate safety standards and requirements of each nations. In addition, there is a need for harmonization of domestic laws, regulations and linkages of market infrastructure and payment and settlement systems. This is all done while ensuring that each countries' national interest is preserved.
22. In addition, we should be exploring ways to increase our understanding of doing business in this region, as well as gain from the very exciting growth prospect here.

Ladies and Gentlemen,

23. The banking sector will always be one of the primary pillars of our economy. It is in the country's interest to ensure that our banking sector to remain robust. We believe that each market player will find its role and niche in the ever-evolving market. Some may remain as the primary provider of retail products, while others may specialize in small and medium-sized industries. Whichever direction one may take, it is important to scale-up one's specialized knowledge in the chosen sub-sector of specialization.
24. I believe this year's Banking Summit will go some way to provide some ideas and discussion towards this development, a development that I think is necessary for the continued prosperity of our banking sector, as well as the strengthening of the financial environment of our country.
25. On that note, I leave you here today. I wish you all a fruitful, engaging and intellectually stimulating conference.

Thank you