Appendix 1 – Press Release

Relaxing the Loan-to-Value (LTV) and Financing-to-Value (FTV) Ratios

1. Considerations underlying policy to relax the Loan-to-Value (LTV) and Financing-to-Value (FTV) ratios

a. Bank Indonesia has been adjusting the loan-to-value (LTV) ratio and financing-to-value (FTV) ratio since 2016, which has effectively stimulated growth of outstanding property credit/financing disbursed by the banking industry. The gains are not yet considered optimal, however, against a backdrop of increasing national economic growth momentum and contained risks.

b. The property credit cycle remains low but with abundant potential to accelerate based on:

   i. The nascent uptick in the supply and demand of property; and

   ii. Strong borrower capacity.

c. The property sector has a significant multiplier effect on the national economy.

2. Summary of the Loan-to-Value (LTV) and Financing-to-Value (FTV) Ratios Relaxation

The LTV/FTV relaxation is conducted while keeping into account aspects of prudential and consumer protection, through:

a. Increasing opportunities of first time buyers to fulfill their housing needs through housing loan, specifically by adjusting the LTV ratio for property loan and the FTV ratio for property financing for the 1st facility, 2nd facility, etc., making the largest LTV ratio for property credit and FTV ratio for property financing as shown in the table below:

PROPERTY LOAN & PROPERTY FINANCING BASED ON MURABAHAH & ISTISHNA DEEDS					
	Current Regulation			Relaxation	
PROPERTY TYPE (m²)	Property Loan & Financing			Property Loan & Financing	
	I	II	III etc	I	II etc
HOUSE					
Type >70m²	85%	80%	75%	-	80%
Type 22-70m²	-	85%	80%	-	85%
Type <=21m²	-	-	-	-	-
APARTMENT					
Type >70m²	85%	80%	75%	-	80%
Type 22-70m²	90%	85%	80%	-	85%
Type <=21m²	-	85%	80%	-	85%
SHOP/OFFICE HOUSE	-	85%	80%	-	85%

PROPERTY FINANCING BASED ON MMQ & IMBT DEEDS					
	Current Regulation			Relaxation	
PROPERTY TYPE (m²)	Property Financing			Property Financing	
	I	II	III etc	I	II etc
HOUSE					
Type >70m²	90%	85%	80%	-	85%
Type 22-70m²	-	90%	85%	-	90%
Type <=21m²	-	-	-	-	-
APARTMENT					
Type >70m²	90%	85%	80%	-	85%
Type 22-70m²	90%	85%	80%	-	85%
Type <=21m²	-	85%	80%	-	85%
SHOP/OFFICE HOUSE	-	85%	80%	-	85%

"-"= The LTV rate is leaved to each bank's risk management.

b. Relaxing the amount of loan/financing facility through indent mechanism to a maximum of 5 facilities without taking account of the orders.

c. Adjusting the arrangement of stages and amount of property loan/financing disbursement of indent property:

Current Regulation	
Stage and Disbursement Rate	**Conditions**
House/Office House/Shop	
Max. Cumulative disbursement up to 40% of ceiling	Footing finished
Max. Cumulative disbursement up to 80% of ceiling	Roof toop finished
Max. Cumulative disbursement up to 90% of ceiling	Letter of acceptance signing
Max. Cumulative disbursement up to 100% of ceiling	Letter of acceptance accompanied with deeds of purchase and mortgage deeds/authorization for the assignment of a mortgage
Apartment	
Max. Cumulative disbursement up to 40% of ceiling	Footing finished
Max. Cumulative disbursement up to 70% of ceiling	Roof toop finished
Max. Cumulative disbursement up to 90% of ceiling	Letter of acceptance signing
Max. Cumulative disbursement up to 100% of ceiling	Letter of acceptance accompanied with deeds of purchase and mortgage deeds/authorization for the assignment of a mortgage

Relaxation	
Stage and Disbursement Rate	**Conditions**
House/Office House/Shop House	
Max. Cumulative disbursement up to 30% of ceiling	After loan deeds
Max. Cumulative disbursement up to 50% of ceiling	Footing finished
Max. Cumulative disbursement up to 90% of ceiling	Roof toop finished
Max. Cumulative disbursement up to 100% of ceiling	Letter of acceptance accompanied with deeds of purchase and covernote

3. Prudential aspects of Relaxing the Loan-to-Value (LTV) and Financing-to-Value (FTV) Ratios
    a. The requirements of the LTV ratio for property credit and FTV ratio for property financing as referred to in 2.a above are as follows:
        i. The net ratio of NPL to total credit or NPF to total financing must not exceed 5%; and
        ii. The gross ratio of property NPL to total property credit or property NPF to total financing must not exceed 5%.
    b. Banks must make sure that there is no loan transfer to another borrower at the same bank or different bank for tenors of less than 1 year. The requirements are valid for banks that will disburse pre-order property loan/financing.
    c. The pre-order loans relaxations are valid only to banks that has policies which consider repayment capacity of the debitor.
    d. Banks are required to comply with prudential principles when disbursing loans.
    e. Gradual loan liquidation is only allowed for developers that comply with bank's risk management policy (e.g.the business feasibility of the developer).

f. Banks are required to ensure that transactions to disburse loans (including down payment) and gradual liquidation must be processed through the debitor and developer/seller's bank account.

4. LTV/FTV Exemptions

Central government or local government loan/financing programs are exempt from this regulation.

Appendix 2 – Press Release

IMPLEMENTATION OF MACROPRUDENTIAL POLICY INSTRUMENTS: MACROPRUDENTIAL INTERMEDIATION RATIO (MIR) AND MACROPRUDENTIAL LIQUIDITY BUFFER (MLB)

1. Considerations underlying the Macroprudential Instruments: Macroprudential Intermediation Ratio (MIR) and Macroprudential Liquidity Buffer (MLB)
   a. Striving to stimulate the bank intermediation function and liquidity management, Bank Indonesia issued Bank Indonesia Regulation (PBI) No. 20/4/PBI/2018 and Board of Governors Regulation (PADG) No. 20/11/PADG/2018 concerning the Macroprudential Intermediation Ratio (MIR) and Macroprudential Liquidity Buffer (MLB) for Conventional Commercial Banks, Sharia Banks and Sharia Business Units.
   b. The regulation is effective for conventional commercial banks from 16th July 2018 and for sharia banks from 1st October 2018.
   c. The policy is expected to stimulate the bank intermediation function to the real sector congruent with sectoral capacity and the economic growth target in compliance with prudential principles, while also overcoming the issue of liquidity procyclicality.
   d. This macroprudential policy instrument is countercyclical and can be adjusted in line with prevailing economic and financial dynamics.

2. Provisions of the Macroprudential Regulation are as follows:
   a. Macroprudential Intermediation Ratio (MIR)

	Regulation	MIR (Conventional Commercial Bank)	MIR Sharia (Sharia Banks and Sharia Business Units)
1	MIR Accounting Formula	$\frac{\text{Credit + Owned Bond}}{\text{Deposit + Issued Bond}}$	$\frac{\text{Financing + Owned Sharia Bond}}{\text{Deposit + Issued Sharia Bond}}$
2	Rate and Parameters	• Ceiling 92% • Floor 80% • Minimum Capital Adequacy Requirement 14% • Upper disincentive parameter 0.2 • Lower disincentive parameter 0.1	• Ceiling 92% • Floor 80% • Minimum Capital Adequacy Requirement 14% • For Sharia business units, the Minimum Capital Adequacy Requirement is the same as that of the parent conventional commercial bank • Upper disincentive parameter 0.2 • Lower disincentive parameter 0.1
3	Scope of credit/financing and deposits to	• Credit: rupiah and foreign currency	• Financing: rupiah and foreign currency

	calculate MIR / MIR Sharia	• Deposits in rupiah and a foreign currency: (i) demand deposits, (ii) savings deposits; and (iii) term deposits, excluding interbank funds	• Deposits in rupiah and a foreign currency: (i) wadiah savings; and (ii) unrestricted investment funds, excluding interbank funds
4	Source of Data	Monthly Commercial Bank Reports	Monthly Sharia Bank Reports
5	Criteria for securities held	• Corporate bonds and/or corporate sukuk	Corporate bonds and/or corporate sukuk
		• Issued by a nonbank corporation and by a resident • Offered to the public through a public offering • Equivalent to investment grade rating affirmed by a rating agency • Administrated by an authorised securities institution	
6	Percentage of the securities held	100%	
	Criteria for securities issued	• medium-term notes (MTN), floating rate notes (FRN) and/or bonds other than subordinated bonds	• sharia-compliant medium-term notes (MTN) and/or sukuk other than subordinated sukuk
7		• Issued by a nonbank corporation and by a resident • Offered to the public through a public offering • Equivalent to investment grade rating affirmed by a rating agency • Administrated by an authorised securities institution	
8	Securities Reporting	Offline delivery mechanism (email)	
9	Scope of deposits to meet DD MIR /DD MIR Sharia	• Average daily total deposits in rupiah at all branch offices in Indonesia • Including rupiah liabilities to a resident and non-resident third-party nonbank, consisting of: (i) demand deposits, (ii) savings deposits; (iii) term deposits, and (iv) other liabilities	• Average daily total deposits in rupiah at all branch offices and sharia business units in Indonesia • Including rupiah liabilities to a resident and non-resident third-party nonbank, consisting of: (i) wadiah savings; (ii) unrestricted investment funds, and (iii) other liabilities
10	Relaxation of DD MIR/Sharia DD MIR	• Bank Indonesia may relax the provisions of the DD MIR/Sharia DD MIR based on credit/financing disbursement and fund accumulation • The provisions may be relaxed based on a request from a conventional commercial bank, Sharia bank or Sharia business unit or a recommendation from the Financial Services Authority (OJK) • Conventional commercial banks, Sharia banks or Sharia business units that receive the relaxed policy are exempt from sanctions	

b. Macroprudential Liquidity Buffer (MLB)

	Regulation	MLB (Conventional Commercial Bank)	MLB Sharia (Sharia Banks)
1	Rate	4% of rupiah deposits (including Sharia Business Units deposits)	4% of rupiah deposits
2	Components	• Securities denominated in rupiah held by a conventional commercial bank that may be used for monetary operations (including SBI/SDBI/SBN); and • Sharia-complaint securities denominated in rupiah held by an Sharia business unit that may be used for sharia-compliant monetary operations (including SBIS/SBSN)	• Sharia-complaint securities denominated in rupiah held by an Sharia bank that may be used for sharia-compliant monetary operations (including SBIS/SBSN)
3	Calculation Formula	Percentage of rupiah securities held by a conventional commercial bank to rupiah deposits	Percentage of sharia-compliant rupiah securities held by an Sharia bank to rupiah deposits
4	Flexibility	Under certain conditions, the securities used to meet the MLB may be used for repo transactions to Bank Indonesia for open market operations, totalling no more than 2% of rupiah deposits	Under certain conditions, the securities used to meet the sharia MLB may be used for repo transactions to Bank Indonesia for open market operations, totalling no more than 2% of rupiah deposits
5	Sources of Data on Deposits	• Monthly Commercial Bank Reports • Rupiah deposits to calculate MLB are the average daily total deposits at all branches in Indonesia • Rupiah deposits include: (i) demand deposits, (ii) savings deposits; (iii) term deposits, and (iv) other liabilities	• Monthly Sharia Bank Reports • Rupiah deposits to calculate sharia MLB are the average daily total deposits at all branches in Indonesia • Rupiah deposits include: (i) wadiah savings; (ii) unrestricted investment funds, and (iii) other liabilities

Appendix 3 – Press Release

POLICY IMPLEMENTATION TO ADJUST THE AVERAGE RESERVE REQUIREMENTS

1. Refining the average reserve requirements is a follow-up action to reformulation of the monetary policy operational framework implemented by Bank Indonesia since 2016. Reformulation began in August 2016, when the BI 7-Day (Reverse) Repo Rate was introduced as the policy rate to replace the BI Rate. The reformulation was subsequently strengthened through implementation of the average rupiah reserve requirement for conventional commercial banks at 1.5% of the total 6.5% reserve requirement on 1st July 2017.
2. Since implementation on 1st July 2017, the advantages of the average reserve requirements have increased in line with growing demand for liquidity and tighter liquidity in the money market. The average reserve requirements have been exploited gradually by the banking industry. In 2018, the use of the average reserve requirements increased as liquidity pressures in the banking industry intensified, peaking in the Maintenance Period (MP) in May 2018. During that period, 77 out of 102 conventional banks were applying average reserve requirements with an average daily volume of Rp7.22 trillion (10.81% of available liquidity under the average reserve requirements). Such developments helped to stabilise interest rates in the money market.
3. Increasing the portion of the average rupiah reserve requirement from 1.5% to 2.0% (of a total rupiah reserve requirement of 6.5%) for conventional commercial banks on 16th July 2018 and extending the policy to Sharia banks (1% of total rupiah reserve requirement of 5%) on 1st October 2018 will increase bank flexibility in terms of liquidity management.
4. The current adjustment to the average reserve requirements aims to increase bank flexibility in terms of liquidity management, stimulate the bank intermediation function and support financial market deepening, which will increase the effectiveness of monetary policy transmission in terms of maintaining economic stability.

Provisions of the Average Reserve Requirement Policy

Substance	Old	New	Effective Date
a. Additional average rupiah RR for conventional commercial banks	Fixed RR: 5% Average RR: 1.5% RR: 6.5%	Fixed RR: 4.5% Average RR: 2% RR: 6.5%	16th July 2018
b. Suspension of DD services	2.5% (of the 1.5% RR)	0%	16th July 2018
c. Implementation of average foreign currency RR for	Fixed RR: 8% Average RR: 0% RR: 8%	Fixed RR: 6% Average RR: 2% RR: 8%*	1st October 2018

conventional commercial banks			
d. Implementation of average rupiah RR for Sharia banks	**Fixed RR: 5%** **Average RR: 0%** RR: 5%	**Fixed RR: 3%** **Average RR: 2%** RR: 5%*	1st October 2018

*Complemented with feature harmonisation to align with the average rupiah reserve requirement for conventional commercial banks (including the calculation period, lag period and 2-week maintenance period).