

REPORT

INDONESIA

FINANCIAL SECTOR

DEVELOPMENT

Q2 2023

Otoritas Jasa Keuangan | International Departement



ABOUT THIS REPORT

The Quarterly Report on Indonesia Financial Sector Development is published by the Investor Relations Unit of the Indonesia Financial Services Authority (IRU-OJK) to provide general views on the development of the global and Indonesian economy as well as the financial services sector.

This report consists of 4 (four) main sections, namely:

1. Recent Economic and Financial Development;
2. Special Topics;
3. Policy Update; and
4. Projects Undertaken by the International Department.

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IN THIS EDITION



INDONESIA'S PMI
52.5



NPL GROSS
2.44%



IHSG
1.18% YTD



BI7DRR
5.75%



BANKING CAR
25.41%



GENERAL INSURANCE RBC
314.08%

**compared to previous quarter*

ECONOMIC UPDATES

Indonesia's economy demonstrated a strong performance in the second quarter of 2023. Monetary indicators were relatively steady followed by notable investment realization and expansive manufacturing activities.

FINANCIAL DEVELOPMENT UPDATES

The financial services sector remained stable with a positive intermediation function supported by ample liquidity and robust capital.

SPECIAL TOPICS OF THIS QUARTER

This quarterly report raises two topics namely the growing use of Artificial Intelligence in the financial services and overview of bullion activities in the financial sector.



CHAPTER 01

RECENT ECONOMIC AND FINANCIAL DEVELOPMENT

The global economy growth is projected to improve in 2023, but the pace of recovery varies. Inflation is expected to moderate, even as monetary policy continues to tighten.

Meanwhile, the domestic economy showed solid performance with a consistent trade balance surplus, stable monetary indicators, high investment realization, and rising manufacturing activities. Indonesia's economy is also on track to strong and inclusive growth.

Likewise, the financial services industry recorded favorable growth in intermediation, supported by ample liquidity, substantial capital, and a manageable risk profile.

GLOBAL ECONOMIC UPDATES

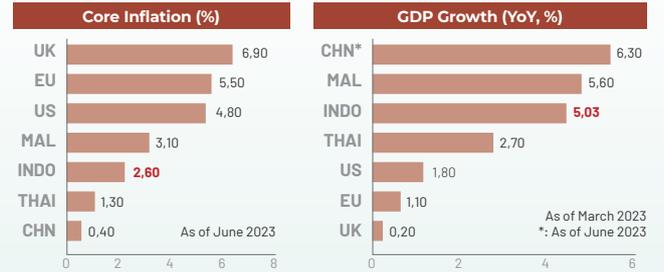
During the second quarter of 2023, the global economy remains uncertain with differences in recovery pace in major countries' economies.

Economic Growth and Ongoing Inflationary Pressures

	Global Economic Projection*			Δ from prev.**		
	2022F	2023F	2024F	2022F	2023F	2024F
GDP, % yoy						
IMF	3.5	3.0	3.0	0.1	0.2	0.0
World Bank	3.1	2.1	2.4	0.2	0.4	-0.3
OECD	3.3	2.7	2.9	0.1	0.1	0.0
Inflation, % yoy						
IMF	8.7	6.8	5.2	-0.1	-0.2	0.3

+ Recent updates: IMF (Jul-23), World Bank (Jun-23); OECD (Jun-23)
 ++ For The World Bank, the differences are from Jan-23 projections while for IMF and OECD are from Apr-23 and March-23, respectively.

Inflation pressures persist in most countries, but inflation is easing in the US and Europe.



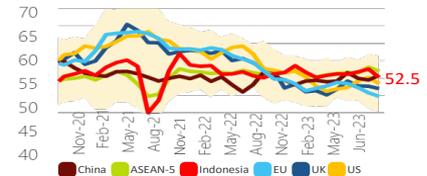
Rising Policy Rates

	Policy Rate (%)		Total Change (bps)
	Jan-23	Jun-23	
	4.50	5.25	▲ 75
	3.50	5.00	▲ 150
	2.00	3.50	▲ 150
	5.75	5.75	◀▶ 0
	1.50	2.00	▲ 50
	2.75	3.00	▲ 25
	2.75	3.55	▲ 80

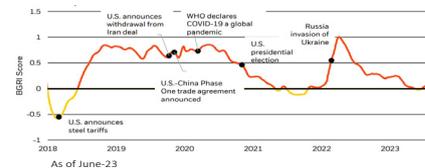
Improving Soft Commodity Prices

WHEAT	6.58%	LNG	3.69%
SOYBEAN	1.91%	COAL	1.23%
CORN	-1.48%	GOLD	-1.84%
CRUDE OIL WTI	-3.65%	CPO	-3.73%
NICKEL	-8.01%		

PMI Manufacturing is Improving



Geopolitical Risk is Declining



DOMESTIC ECONOMIC UPDATES

Indonesia's economy proved resilient as affirmed by global stakeholders with stable monetary indicators and increasing manufacturing activities. However, there are potential external headwinds that may disrupt domestic economic growth.

IMF's Article IV and Annual Sovereign Credit Rating Assessment: Indonesian economy performance continued to be positive



The IMF's 2023 Article IV Consultation concluded that Indonesia's forward-looking and well-coordinated policies in a highly challenging global environment of 2022 resulted in healthy growth, falling inflation, and a stable and profitable financial system.

IMF expectation from Indonesia:

- Indonesia is well-placed for **continued strong and inclusive growth**, supported by broad-based reforms.
- However, growth is projected to moderate slightly in 2023 amid tighter domestic policy settings and the normalization of commodity prices.

S&P Global Ratings

Affirmed the sovereign credit rating at **BBB/stable outlook on 4th July**, indicating Indonesia's stable economic growth prospects, improved external balance sheet, and expectation of maintained prudent fiscal stance.

S&P expectation from Indonesia:

- Real GDP growth rate will settle at about 5% through 2026, with support from gradual improvements in mineral ore processing and manufacturing.
- External position will likely stabilize** over the next one to two years, even as commodity prices cool.

R&I Rating and Investment Information, Inc.

Affirmed the sovereign credit rating at **BBB+** with an **upgraded outlook from stable to positive** on 25th July, supported by the country's robust economic performance and maintained financial stability.

S&P expectation from Indonesia:

- Solid economic performance to continue in 2023, with a projected growth rate of 5.0% to 5.3% and at the pace of 5% range from 2024 onwards.
- With the inflation rate that has fallen within the central bank's target (below 4%), R&I believes **the price stability will be maintained.**

Trade surplus trend continued and investment realization increased



Export (June 2023)

21.18% (yoy) ↓ 5.08% (mim) ↓

Import (June 2023)

18.35% (yoy) ↓ 19.40% (mim) ↓

Trade Balance (June 2023)

Non Oil & Gas +4.41 USD Billion | Oil & Gas -0.96 USD Billion | Surplus 3.45 USD Billion

Export growth decreased in line with the declining commodity price. However, Indonesia's trade balance has been recording a surplus for 38 consecutive months from May 2020 until June 2023.

Source: Bank Indonesia, BPS, Investment Coordinating Board (BPKM)

Total Investment Realization



Investment realization in the first semester of 2023 reached IDR678.7 trillion or grew by 16.1% yoy. The contribution of Foreign Investment reached 53.5% of total investment, or an increase of 17.1% yoy.

Top 5 Origin Country of Foreign Investment in Semester I 2023



DOMESTIC ECONOMIC UPDATES

Inflation



INFLATION
Jun-23
(Headline)

0.14%
(mtm)

3.52%
(yoy)

1.24%
(ytd)

The inflation rate in June declined as all the components that made up inflation showed a downward trend. Further, the increasing food stocks on a regular basis and Cheap Food Exhibitions had a significant impact on reducing volatile food inflation.

Monetary Indicators



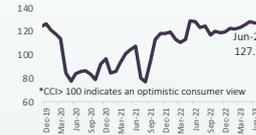
By the end of June 2023, monetary indicators were stable with adequate foreign currency reserves and BI7DRR remained at 5.75%. Moreover, the exchange rate was also strengthened though relatively fluctuating since the beginning of the year.

Manufacturing and Business activities

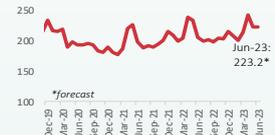
PMI Manufacturing



Consumer Confidence Index (CCI)



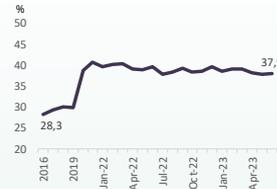
Retail Sales Index (RSI)



Business activities showed strong performance reflected by the increase in consumer confidence, sales index, and PMI Manufacturing.

Fiscal Soundness

Government Debt (%GDP)



Fiscal Deficit Realization (%GDP)



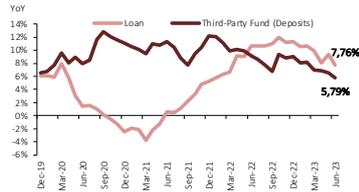
Fiscal remained sound as government debt to GDP ratio was consistently well-maintained (below the maximum limit of 60%) and budget deficit realization was recorded below the initial estimation in 2022.

FINANCIAL INDUSTRY STAYS RESILIENT AMIDST PANDEMIC

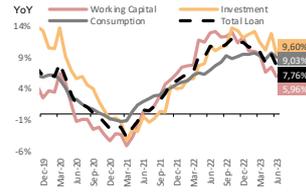
Banking Industry

The banking industry remained solid with strong intermediation growth, mainly driven by investment loans. The mining sector experienced the highest growth in line with the trend of commodity export. The banking industry was also supported with ample liquidity and substantial capital.

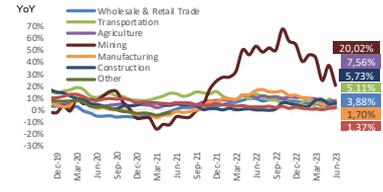
Intermediation



Loan Growth by Use



Loan Growth by Sectors



CAR



NPL



NIM



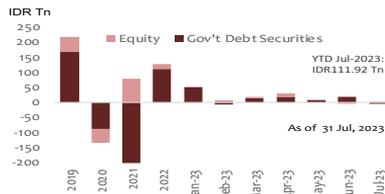
ROA



Capital Market

The domestic capital market maintained its performance indicated by positive capital netflow, growing fundraising, and a rising number of investors.

Capital Netflow



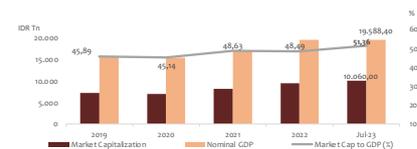
Stock and Bond Index



Public Offering

TYPE	As of Jul-23	
	No. of Issuers	Norm (IDR T)
IPO	55	48.05
Rights Issue	19	37.00
Corp Bonds / Sukuk	63	77.05
TOTAL	137	162.09

Market Capitalization to GDP



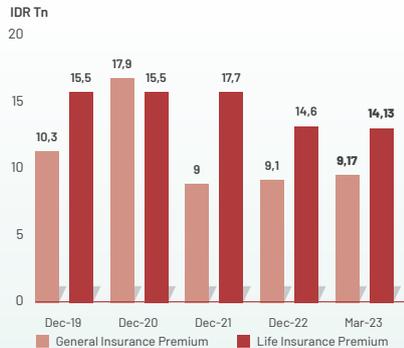
Source: OJK, Securities Depository and Settlement Institution (KSEI)

FINANCIAL INDUSTRY STAYS RESILIENT AMIDST PANDEMIC

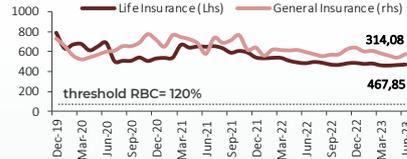
Insurance

Risk-based capital of general and life insurance remained well above the thresholds with relatively small added insurance premiums.

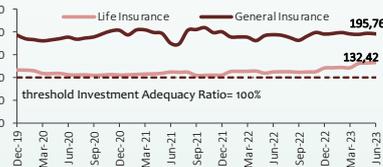
Added Insurance Premium



Risk Based Capital (%)



Investment Adequacy Ratio (%)



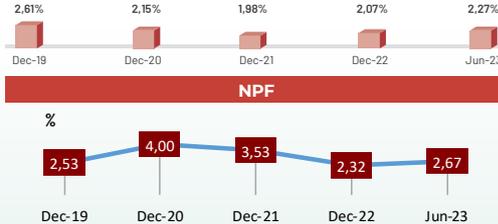
Multifinance

In the second quarter of 2023, financing intermediation continued to grow while the gearing ratio and NPF remained steady below the threshold.

Intermediation Growth



Gearing Ratio



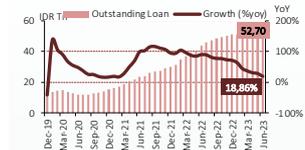
NPF



Fintech

P2PL Fintech intermediation grows with a manageable NPL ratio and SCF Fundraising continues to rise.

P2PL Outstanding Loan



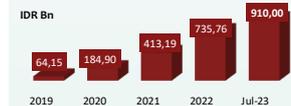
P2PL NPL



SCF Issuers and Investors



SCF Fundraising*



*YTD/accumulated numbers

Source: OJK



CHAPTER 02

SPECIAL TOPICS OF THIS QUARTER

1. The Growing Use of Artificial Intelligence in Financial Services

The growing use of Artificial Intelligence (AI) in financial services has become a prominent goal for many countries. AI-powered tools are being used to automate tasks, improve decision-making, and personalize customer experiences. What is the current development of the AI and how will AI scale up Indonesia's financial services?

2. The Role of Bullion Activities in the Gold Market

Bullion activities plays a significant role in the global economy, serving as a key indicator of financial stability and acting as a safe-haven investment option. The development of the gold market is closely linked to the role of bullion activities. How does the bullion activities impact the domestic gold market?

THE GROWING USE OF ARTIFICIAL INTELLIGENCE

The financial sector has seen an increasing trend in the adoption of artificial intelligence (AI). This development is relevant to global policymakers as AI applications may create financial and non-financial risks if not mitigated properly.

What is Artificial Intelligence?

AI systems are machine-based systems with varying levels of autonomy that can, for a given set of human-defined objectives, make predictions, recommendations, or decisions using big data (OECD, 2021).

Such data feed Machine Learning (ML) to learn from data sets to 'self-improve' without being explicitly programmed by humans.

Facts and Figures



Increasing Global Spending on AI

Global spending on software, hardware, and services for AI-centric systems is expected to reach USD154 billion in 2023 and surpass USD300 billion in 2026.



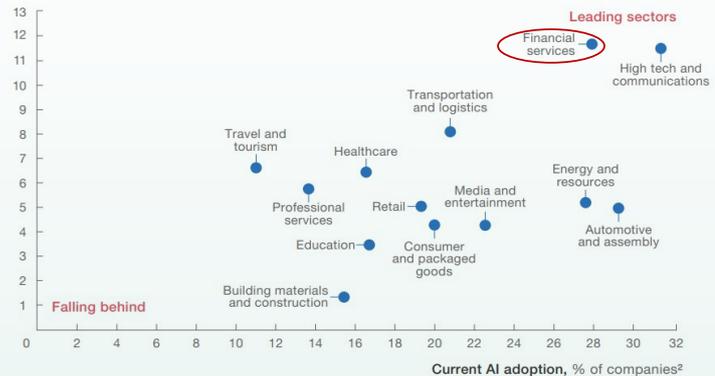
Banks: Largest Investment in AI

Based on a forecast from the International Data Corporation, Banking and Retail will deliver the largest AI investments in 2023 with 13.4% and 12.8% of market shares, respectively.

The financial services sector has been a leading sector and is projected to be the front runner in terms of AI adoption.

AI Adoption: By Sectors

Future AI demand trajectory, % change in AI spending over next 3 years¹



What Drives the Growth of AI in the Financial Sector?

Supply Factors

Technology

Improvements in computing power, data availability, algorithms, costs, etc.

Infrastructure

Availability of infrastructure and data to apply new techniques

Demand Factors

Profitability

Potential for cost reduction, revenue gains, improved risk management

Competition

Competition with other financial institutions and firms, including the emergence of new players

Regulatory Requirements

Prudential regulations, data reporting, AML CFT, etc.

AI IN THE FINANCIAL SERVICES SECTOR

The Use of AI in the Financial Services Sector

Mobile and API-Centric Banking



A shift from branches to mobile banking. Application Programming Interface (API) helps create a more seamless user experience for customers.

Increasing Access to Finance through Automation



AI automation, like chatbots, may provide access to financial services for people who may have been discouraged from using financial products because they couldn't transact in their native tongue or physically visit a branch or banking agent.

Credit Decisioning



AI can assist in evaluating a consumer's behavior and their capacity to repay a loan by leveraging alternative data sources, such as public data or social media.

Forecasting



AI/ML systems are used to forecast macroeconomic and financial variables, satisfy consumer expectations, enable payment capability, and keep track of operational situations.

Fraud Detection & Prevention



AI-powered compliance technology can lower the price of meeting KYC regulations and find indications of criminal activity or abnormalities. AI-algorithms are estimated help reduce the number of false reports by 20 to 30 percent.

Supervision



Supervisory technology applications that leverage AI can provide predictive analyses, with the potential to improve the quality of supervision.

Potential Risks from the Use of AI in Finance

Embedded Bias

Data biases may result from incomplete or unrepresentative data, e.g. predictive algorithms favor groups that are better represented in the training data.

Impact on Financial Stability

AI could potentially bring about new sources and transmission channels of systemic risks:

- Higher concentration of AI service providers who could become systemically important.
- An incorrect risk assessment and response could grow and spread in the financial system very quickly.
- Greater interconnectedness could spread the impact of extreme shocks.

Cybersecurity and Data Privacy

- Traditional cyber threats from human or software failures.
- Novel attacks, such as data poisoning attacks to influence a machine learning algorithm.
- Data breaches, which threaten public confidence.

Policy Framework

Potential incompatibilities with existing legal or regulatory frameworks.

WHICH DIRECTIONS ARE REGULATORS GOING?

To make sure the public benefits from the development of this breakthrough technology, regulators have begun to set policies or regulations on AI.

European Union



On 14 June 2023, the European Parliament passed its version of the Artificial Intelligence Act, setting the stage for a final negotiation (called the 'trilogue') between the European Commission, Council, and Parliament.

The AI Act sets out four levels of risk:

- 1. Unacceptable Risk:** considered a threat to people and will be banned, such as social scoring (classifying people based on behavior or socio-economic status).
- 2. High Risk:** systems that pose significant harm to people's health, safety, fundamental rights or the environment.
- 3. Limited Risk:** must meet specific transparency obligations, such as informing the user that they are chatting with a machine.
- 4. Minimal Risk:** already widely deployed.

Canada



On 16 June 2022, Canada introduced the Artificial Intelligence and Data Act (AIDA) as part of Bill C-27. AIDA uses a risk-based approach to protect individuals from the adverse impacts associated with 'high impact' AI systems.

People's Republic of China



In September 2022, Shanghai's municipal legislature passed the country's first provincial-level law, which seeks to promote overall innovation and breakthroughs in the AI industry.

Singapore



In June 2023, the Monetary Authority of Singapore launched Veritas Toolkit 2.0, which will enable financial institutions and FinTech firms to effectively assess their AI use cases in line with Fairness, Ethics, Accountability, and Transparency principles.

Indonesia's Regulatory Approach

The development of AI has become increasingly important for Indonesia.

- President Jokowi underlined the significance of collaboration among all stakeholders to use AI to maximize Indonesia's potential.
- The Indonesian National AI Strategy was introduced by the government in 2020, which focuses on four key areas for AI development: creating rules and ethics for its usage, improving human resources preparation, constructing data and infrastructure, and developing research.

What About the Financial Services Sector?

- Act No. 4/2023 on the Development and Strengthening of the Financial Sector (PPSK Act) mandated that financial services providers preserve consumer protection in their operations. This entails, among other things, guarding the privacy of consumers and securing their data.
- OJK Regulation 6/2022 lays out provisions for financial services providers to strengthen the protection of assets, privacy, and consumer data.
- OJK has also enacted regulations concerning risk management for the use of information technology in the bank and non-bank sectors. As an illustration, OJK Regulation Number 11/2022 stated that banks must maintain cyber-security by performing at the very least the processes of identifying threats and vulnerabilities, asset protection, cyber incident detection, and cyber incident response.

The government also put high attention to personal data protection.

Law No. 27/2022 on Personal Data Protection, effective on 20 September 2022, stipulates key principles of data governance, among others:

- Personal data processes should guarantee the rights of the data subject, and be accurate, complete, current, accountable, clearly proven, and fit for purpose.
- Data controllers must obtain explicit consent from the data subject before transferring personal data to any other data controller located within or outside Indonesia in accordance to some criteria.

THE ROLE OF BULLION ACTIVITIES IN THE GOLD MARKET

Overview

What is Bullion Activity?

A bullion activity refers to a business activity related to gold in the form of deposits, financing, trading, custody, and/or other related activities conducted by financial services institutions.*

Classification of Gold in Financial Services

Gold in financial services is classified into two types: allocated and unallocated gold accounts.

- **Allocated Gold Account** ► Investors have physical possession of the gold. Allocated gold may involve higher fees or premiums due to the added security for physical storage.
- **Unallocated Gold Account** ► Investors hold investment contracts linked or backed up by the gold, but they do not have physical possession of the gold. In general, the gold remains the property of the FIs. Unallocated gold has lower fees as there is no physical gold held or stored. London Bullion Market Association (LBMA) stated that unallocated gold accounts are the most common form of gold investment worldwide. For example: Gold ETF and Gold saving accounts.

Gold Trading Forms in Wholesale Market

The two primary forms of gold trading in the wholesale market are over-the-counter (OTC) and On-exchange.

Over-The-Counter (OTC)	On-exchange Trading
Market participants trade bilaterally with agreed price and obligations	Trading on regulated platforms
Higher flexibility, however lack of transparency	Higher transparency e.g. price
Market participants are exposed to credit counterparty risks	Counterparty risks are transferred to a central counterparty through clearing

*Referring to Act No 4 Year 2023 concerning the Development and Strengthening of the Financial Sector

The Development of Global Gold Market

Top 10 Gold Reserves (In Tonnes)

	MINE PRODUCTION		
	2021	2022	Reserves
Australia	315	320	8,400
Russia	320	320	6,800
South Africa	107	110	5,900
US	187	170	3,000
Peru	97	100	2,900
Indonesia	66	70	2,600
Brazil	61	60	2,400
Canada	223	220	2,300
China	329	330	1,900
Uzbekistan	100	100	1,800
World Total (rounded)	3,090	3,100	52,000

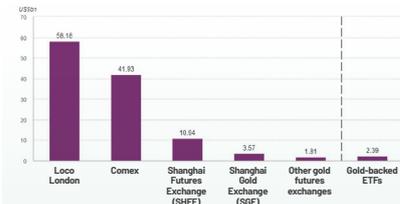
Indonesia's gold mine reserves ranked 6th among the largest countries with approximately 5% of the total world gold mine reserves.

Value of Financial Gold



Fabrication, especially jewellery, continues to dominate the value of gold, followed by investment and derivatives.

Daily Notional Gold Volume



The key trading centers are the London OTC market, the US futures market, and the Shanghai Gold Exchange (SGE). These centers account for over 90% of global trading.

THE REGULATION OF BULLION BANKS

Bullion Regulations in Selected Countries

Turkey



- Borsa Istanbul has implemented a series of regulations to oversee the functioning of the Precious Metals and Diamond Market, which covers commodity and trading markets.
- Capital Markets Board of Türkiye (CMB) is the regulatory and supervisory authority in charge of the gold derivatives market.

Malaysia



- Bank Negara Malaysia oversees the regulation of gold trade deposit-taking by financial institutions operating under the purview of the Financial Services Act 2013 and the Islamic Financial Services Act 2013.
- Securities Commission Malaysia and Bursa Malaysia regulate capital market products linked to gold, such as gold futures and gold funds.

Pakistan



- Gold commodity brokers are required to undergo registration with the Pakistan Mercantile Exchange (PMEX).
- The Securities and Exchange Commission of Pakistan (SECP) regulates the investments linked to gold.

Indonesia's Approach on Bullion

- BAPPEPTI serves as the regulatory authority with the responsibility of commodity exchange including in gold trading.
- In early 2023, the government enacted Act No. 4/2023, which regulates bullion activities provided by financial services institutions. The Act regulates that all financial services institutions providing bullion activities must have approval from OJK.
- Act No. 4/2023 regulate certain aspects of the bullion activities, including business stages, governance, risk management, prudential principles, as well as administrative sanctions.
- Currently, OJK is drafting the OJK Regulation on bullion activities by engaging in active coordination with internal work units and other related ministries.

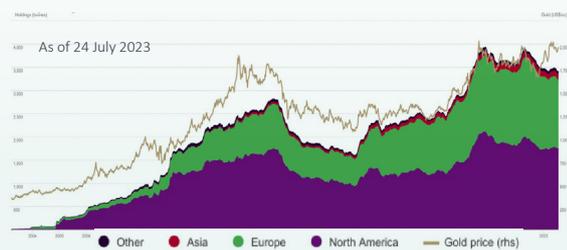
Gold ETF

Bullion activities encompass several investment products, such as Gold Exchange-Traded Funds (ETFs), Gold Fund of Funds (FoFs), Gold Futures, and Gold Bonds.

What is Gold ETF?

Gold ETFs are exchange-traded funds that track the domestic physical gold price. They represent physical gold in paper or dematerialized form. With each ETF unit backed up by physical gold.

Gold ETFs holdings by region



Gold ETFs holdings are most substantial in North America, at 107.4 US\$ (bn), followed by Europe, Asia, and other regions. The gold price trend has shown an increase since end of 2022.

How Sustainable is Gold Mining?

In line with the development of sustainability, World Gold Council (WGC) develop 10 responsible gold mining principles for WGC's members, among others:

1. Ethical conduct – Transparency & accountability
2. Understanding the impacts – Risk management & due diligence
3. Supply chain – Local procurement & market access
4. Safety and health – Management systems & wellbeing
5. Human right and conflict – Security & avoiding complicity
6. Labor rights – Wages and benefit & discrimination
7. Working with communities – Local benefits & cultural
8. Environmental responsibility – Waste & hazardous materials
9. Biodiversity, land use, and mine closure
10. Water, energy, and climate change



CHAPTER 03

POLICY UPDATE

OJK plays a crucial role in supporting and maintaining economic recovery and stability through effective policy transmission, adequate supervision, and a supportive regulatory framework.

During the second quarter of 2023, OJK issued 4 Regulations.

This section highlights OJK policies to maintain financial stability and resilience. There is a highlight of OJK Regulation regarding Governance and Institutional Arrangements for Insurance Companies In the Form of Mutual Companies and OJK Regulation regarding Program Implementation of Anti-Money Laundering, Countermeasure Financing for Terrorism, and Countermeasure Financing for the Proliferation of Weapons of Mass Destruction in the Financial Services Sector.

OJK POLICY DIRECTIONS

OJK has undertaken measured policies actions to ensure that financial sector stability is maintained and the financial services sector continues to serve as a positive catalyst for national economic growth

Maintaining Financial System Stability

1. Closely monitoring the process of Business Plans adjustments among Financial Institutions that put forward a balance between optimizing potential growth and maintaining the FI's risk profile.
2. Supporting the implementation of Government Regulation No. 36 of 2023 on Export Proceeds from Natural Resources Business Operations, Management, and/or Processing (DHE SDA) for the purpose of increasing the country's foreign exchange reserves.
3. Planning to issue a regulation to deal with significantly fluctuating conditions in the capital market.
4. Monitoring and further reviewing the developments in insurance claim ratios and the normalization of life insurance premiums.

Strengthening OJK's Governance

1. Preparing OJK's resilience in facing potential disasters through a series of business continuity management including improved guidelines, strengthened competence, and disaster simulation.
2. Coordinating with the government in the Inter-Ministerial Committee (PAK) and other stakeholders in preparing the Draft Government Regulation (RPP) on Fees in the Financial Services Sector and OJK's Work and Budget Plan.
3. Developing and strengthening special audit functions in implementing anti-fraud management and upholding OJK's internal integrity in line with standards and best practices.
4. Strengthening risk management and internal control, as well as coordinating the plan to develop RQOs at OJK Offices.
5. Strengthening competence in special audit and investigation functions, both in the supervision of the financial services sector and internally within OJK.

Strengthening the Financial Sector and Market Infrastructure

1. Issuing POJK on the Spin-off of Sharia Business Units (UUS) and POJK on Carbon Trading through the Carbon Exchange, as mandated by the Act on the Development of and Strengthening of the Financial Sector (UU P2SK).
2. Issuing POJK on the use of Public Accountants and Public Accounting Firms to strengthen the integrity of the financial statements of Financial Institutions (FIs).
3. Revising the provisions on the administration of Products of Sharia Rural Banks (BPRS) as well as aligning with the laws and regulations to support the development of Sharia Rural Banks' products.
4. Enforcing the requirement for insurance and reinsurance companies to have an appointed (in-house) actuary.
5. Encouraging stronger supervision of supporting professionals in the financial services sector.
6. Encouraging the Indonesian Society of Actuaries (PAI) to take an active role in supporting the availability of qualified actuarial experts.
7. Engaging with the World Bank in the self-assessment of International Organization of Pension Supervisors (IOPS) principles of private pension supervision as a benchmarking exercise.

Handling Financial Institutions under Special Mention

1. OJK investigators had completed a total of 108 cases from 2014 to 28 July 2023:
 -  **83 cases** in the banking sector
 -  **5 cases** in the capital market sector
 -  **20 cases** in the non-bank sector
2. 89 cases have been brought to the court:
 -  **71 cases** had been decided with a final and binding decision (*in kracht*)
 -  **2 cases** on appeal with the appellate court
 -  **16 cases** on appeal with the Supreme Court

Financial Literacy, Inclusion, and Consumer Protection

1. Expanding the adoption of the Generic Model of Inclusive Financial Ecosystem (GM EKI) in the Rural Areas under the coordination of the Regional Financial Access Acceleration Teams (TPAKDs).
2. Strengthening cooperation with the Ministry of Foreign Affairs, Ministry of Social Affairs, and the Indonesian Migrant Workers' Protection Agency (BP2MI) to increase financial literacy and inclusion of Indonesian Migrant Workers (PMI) and other vulnerable segments of society.
3. Expediting the finalization of technical regulations on the Alternative Dispute Resolution Agency for the Financial Services Sector (LAPS SJK) as an implementing regulation of OJK Regulation (POJK) No. 6 of 2020 on LAPS SJK.
4. Optimizing the performance of the Taskforce for Eradicating Illegal Financial Activities (SWI/ The Investment Alert Taskforce) by increasing coordination with the relevant Ministries/Agencies.
5. Strengthening the monitoring of Financial Institutions (FIs) to meet their obligation to conduct a Self-Assessment on Compliance with the Regulatory Provisions regarding Public and Consumer Protection in the Financial Services Sector.

OJK REGULATION NUMBER 07/2023 CONCERNING GOVERNANCE AND INSTITUTIONAL ARRANGEMENTS FOR INSURANCE COMPANIES IN THE FORM OF MUTUAL COMPANIES*

Background

In order to establish a sound, reliable, trustworthy, and competitive mutual insurance company, strengthening the regulatory and supervisory aspects is needed. As mandated by Law Number 4 of 2023 concerning the Development and Strengthening of the Financial Sector, this OJK Regulation was enacted to improve the performance of mutual insurance, protect stakeholders' interests, as well as enhance compliance in accordance with the provisions of the statutory regulations.

Some Main Provisions

Utilization of Profits and Allocation of Losses

- In conducting its business activities, the Mutual Company is obliged to calculate profits or losses for each fiscal year based on the profit or loss reflected in the audited annual financial statements by a public accountant registered with OJK.
- The profits received by the Mutual Company are prohibited from being utilized for purposes other than:
 1. Formation or addition to reserve funds; and/or
 2. Distribution to the Members
- The Mutual Company is prohibited from distributing profit utilization to Members, if:
 1. The Mutual Company fails to meet the internal solvency target and/or liquidity level; or
 2. It will result in the failure to achieve the internal solvency and/or liquidity target.
- Losses for the Mutual Company are first charged against reserve funds. If the reserve funds are insufficient, the losses shall be borne by Members who hold active insurance policies with the Mutual Company during the loss calculation period.
- The utilization of profits and the allocation of losses to each Member shall be determined proportionally, fairly, and according to the actuarial calculation of the Mutual Company during the loss calculation period.

Good Corporate Governance for Mutual Companies

- The Mutual Company is required to implement good corporate governance principles, including investment management, risk management, and internal controls.
- In determining and managing premiums, the Mutual Company must assess the risks and benefits to be received by the policyholders or insured parties to ensure that the Mutual Company can satisfy its obligations to policyholders or insured parties.
- Members of the Mutual Company have the right to be:
 1. Selected as participants in the General Meeting of Members
 2. Receive all profits from business activities according to laws
- Members of the Mutual Company are obliged to:
 1. Comply with the Articles of Association and decisions agreed upon in the General Meeting of Members
 2. Bear all losses from business activities according laws
- The Board of Directors of the Mutual Company shall:
 - establish investment, insurance product development, audit, and risk oversight committees.
 - prepare an annual investment management plan that includes:
 - ◆ Investment allocation plan
 - ◆ Estimated investment returns for each type of investment
 - ◆ Underlying considerations of the investment allocation plan
- The Mutual Company shall periodically assess its corporate governance and report to OJK, annually.
- If the Mutual Company has been imposed administrative sanctions by OJK due to non-compliance, the OJK may:
 1. downgrade the level of soundness
 2. reassess the main parties

Dissolution, Liquidation, and Bankruptcy

- The dissolution of the Mutual Company shall be carried out when the business license is revoked by OJK.
- If the General Meeting of Members approves the discontinuation of business activities, the Mutual Company shall submit a discontinuation plan of business activities to OJK for approval.
- If the settlement of obligations to policyholders or insured parties is carried out by transferring the insurance portfolio to another company, the Mutual Company shall inform the policyholders or insured parties about the plan for transferring the insurance portfolio.
- The rights of policyholders, insured parties, and beneficiaries regarding the distribution of assets take precedence over the rights of other parties. The Mutual Company's assets should be mainly allocated to fulfill obligations to policyholders, insured parties, and beneficiaries.

Transitional Provisions

- If the Mutual Company accumulates losses in its financial statements, it must settle these accumulated losses by charging them to the Members. The Mutual Company shall establish a mechanism for charging these losses to the Members regarding the accumulated losses.
- If the General Meeting of Members fails to establish the mechanism for charging accumulated losses as required, OJK may take appropriate supervisory actions.

Closing Provisions

Upon the enactment of this Regulation, Article 31-33 of OJK Regulation 67/2016 are not applicable.

*Please refer to the OJK Regulation for details of the provisions

OJK REGULATION NUMBER 8/2023 CONCERNING PROGRAM IMPLEMENTATION OF ANTI-MONEY LAUNDERING, COUNTERMEASURE FINANCING FOR TERRORISM, AND COUNTERMEASURE FINANCING FOR THE PROLIFERATION OF WEAPONS OF MASS DESTRUCTION IN THE FINANCIAL SERVICES SECTOR*

Background

This OJK regulation was enacted to realize the commitment to implement the program of anti-money laundering (AML), countermeasure financing for terrorism (CFT), and countermeasure financing for the proliferation of weapons of mass destruction (CPF). This regulation takes into account the development of international principles and the rapid and dynamic development of innovation and technology in the financial services sector.

Some Main Provisions

Obligations to Implement the AML, CFT, and CPF Programs

- Financial institutions (FIs) must implement the AML, CFT, and CPF programs effectively by taking into account the risks of Money Laundering (ML), Terrorism Financing (TF), and/or Proliferation of Weapons of Mass Destruction (PWMD) as well as the activities, business scale, business complexity, and/or business characteristics of the FIs, which include:
 -  Management information system
 -  Policies and procedures
 -  Internal control
 -  Active supervision of the Board of Directors and Board of Commissioners
 -  Human resources and training
- FIs must identify, assess, and understand the risks of ML, TF, and/or PWMD to Customers, countries or geographic areas, products, services, transactions or distribution networks.

Active Supervision

- Active supervision of the Board of Directors, among others, includes proposing AML, CFT, CPF written policies to the Board of Commissioners, ensuring the AML, CFT, CPF implementation is in accordance with such written policies, and establishing a special work unit and/or officials responsible for AML, CFT, CPF program implementation.
- Active supervision of the Board of Commissioner, among others, includes giving approval for the AML, CFT, CPF policies and procedures, evaluate such policies and procedures, and supervising the implementation of the responsibilities of the Board of Directors.

Policies and Procedures

- FIs must have written policies and procedures to manage and mitigate the risks of ML, TF, and/or PWMD identified according to the risk assessment and review such policies and procedures once a year.
- Such policies and procedures include, among others:
 - Identification and verification of the Customer and Beneficial Owners,
 - Transaction rejection and business relationship closure,
 - Sustainable ML, TF, and/or PWMD risk management for Customers, countries, products, services, and distribution networks,
 - Reporting to senior officials, Board of Directors and Commissioners, and the Center for Financial Transaction Reports and Analysis.
- FIs must carry out the Customer Due Diligence (CDD) procedure when conducting business relations with Prospective Customers, if there is a financial transaction of at least or equal to IDR100 million, if there are indications of Suspicious Financial Transactions, or if the FI doubts the correctness of the information provided by Customers, attorneys, and/or Beneficial Owners.
- FIs must have an adequate risk management system to include a Potential Customer, Customer, WIC, or Beneficial Owner in the High-Risk criteria, by taking into account factors, among others:
 -  Background and profile
 -  High-risk financial products
 -  High-Risk countries
 -  Politically Exposed Person (PEP)
- FIs must carry out Enhanced Due Diligence (EDD) to a Prospective Customer, Customer, WIC, or Beneficial Owner in the High-Risk criteria.

Implementation in Office Network and Subsidiaries

The Financial Conglomerate must implement the AML, CFT and CPF programs to all office networks and domestic and overseas subsidiaries.

Supervision and Monitoring by OJK

The Financial Services Authority (OJK) carries out direct or indirect risk-based supervision and monitoring and ensures compliance.

Closing Provisions

Implementing regulations deriving from the previous OJK Regulation 12/2017 and OJK Regulation 23/2019 remain valid as long as they do not contradict with this OJK Regulation.

*Please refer to the OJK Regulation for details of the provisions



CHAPTER 04

PROJECTS UNDERTAKEN BY INTERNATIONAL DEPARTMENT

OJK, through the International Department, is actively engaged in numerous bilateral discussions and international forums discussing reforms in the financial services sector, among others.

In synergy with relevant ministries and institutions, OJK consistently disseminates information to maintain a positive perception of the Indonesian economy and the financial services sector. In addition, OJK also performs active communication regarding Technical Assistance programs.

During the second quarter of 2023, OJK maintained active communication and coordination with other ministries/agencies and stakeholders for the Scoping Mission of the Financial Sector Assessment Program (FSAP) 2023/2024.

INVESTOR RELATIONS UNIT

As part of the national Investor Relations Unit (IRU), IRU OJK closely coordinates and communicates with relevant government bodies and stakeholders to maintain investors' confidence in Indonesia's economy and the financial services sector, through:

Facilitating meetings with credit rating agencies and foreign investors/stakeholders

Meetings	
Global Rating Agency	

1. Standard and Poor's (S&P)

OJK Chairman led OJK delegates during a meeting with representatives from S&P as part of Indonesia's sovereign credit annual assessment. The topics discussed were:

Indonesia's banking amidst the dynamics in the US and Europe	Banking Asset Quality
Covid-19 Restructured Credit Policy	PPSK Act Implementation

2. Rating & Investment, Inc. (R&I)

A meeting was held between OJK Chairman and R&I delegates to discuss several issues as part of Indonesia's sovereign credit annual assessment, including:

The financial services sector's performance	OJK's Policy Directions
Banking sector's risk profile	PPSK Act Implementation

Other Foreign Stakeholders

1. US Embassy Jakarta

The topics discussed were about the latest performance of the financial services industry, digitalization, as well as the development of a carbon exchange in Indonesia.

2. US-ASEAN Business Council (US-ABC)

OJK Chairman met with representatives from US-ABC to provide information on the enactment of PPSK Act, carbon exchange, as well as the use of technology in the financial sector.

3. US-ASEAN Business Council (US-ABC)

The meeting discussed on OJK's priority in further developing the insurance sector.

In addition, OJK also received meeting requests from UBS Indonesia, Government of Singapore Investment Corporation, and Franklin Templeton Investments to discuss the latest development in Indonesia's financial sector.

Providing the latest information on the performance of financial institutions and OJK policies/regulations

Information Dissemination

IRU OJK uses several means of communication to disseminate updated information on the financial services sector's performance and OJK policies/regulations:

Republic of Indonesia Presentation Book

IRU OJK contributed to drafting the Republic of Indonesia Presentation Book, published monthly by the national IRU to provide information on the development of Indonesia's economy.

IRU Newsletter

Email blast about OJK's recent policies/regulations and critical issues in the financial sector to around 80 institutions/organizations.

OJK International Information Hub (OJK IIH)

An information hub for foreign investors/stakeholders to get updated information on the financial services sector's data, OJK policies, summaries of some OJK Regulations, publications, and etc.

OJK IIH can be accessed through <https://ojk.go.id/iru>

Non-Deal Roadshow in London and Frankfurt

- As a proactive measure to provide the latest updates on Indonesia's financial sector and OJK policies, OJK conducted a non-deal roadshow in London and Frankfurt in April and June 2023, respectively.
- During the London visit, OJK Vice Chairman met with institutional investors, carbon market operators, and some banks to exchange views on the Indonesian economy, the carbon market, as well as environmental, social, and governance (ESG) aspects.
- As part of the Frankfurt roadshow, OJK Vice Chairman met with BaFin, the financial regulator in Germany to discuss potential cooperation between the two authorities. OJK also arranged a meeting with institutional investors and Deutsche Bank on transition finance.

BILATERAL AND REGIONAL AFFAIRS

International Trade Agreement

Regional

1. ASEAN-Canada Free Trade Agreement (ACAFTA)

OJK participated in the 4th round of Working Group Trade in Services/Cross Border Trade In Services as well as the 3rd Meeting of the ACAFTA Sub-Working Group on Financial Services (SWG- Fin) in May 2023.

2. Working-Committee on ASEAN Banking Integration Framework (WC-ABIF)

OJK maintained active communication to prepare for the WC-ABIF series of events to be held in Yogyakarta in July 2023.

Bilateral

1. Indonesia-European Union Comprehensive Economic Partnership Agreement (IEU-CEPA)

From April to June 2023, OJK together with the Indonesian Ministry of Investment prepared and attended the 14th IEU-CEPA negotiations regarding the investment chapter.

OJK participated in discussions related to market access and domestic regulation in the Working Group on Trade in Services and Digital Trade/E-Commerce.

2. Indonesia-Canada Comprehensive Economic Partnership Agreement (ICA-CEPA)

OJK carried out various internal and external coordination to prepare for Indonesia's positions and participated in the 5th round of ICAEPA negotiations in May - June 2023 in the discussion of the Working Group on Trade in Services (WGTS), Working Group on Investment (WGI), and Sub-WG on Financial Services (SWG FS).

A Comprehensive Economic Partnership Agreement or CEPA is related to tariff reduction, market access, capacity building and trade facilitation, as well as investment. The objectives of each regulation are to eliminate tariffs and deal with non-tariff barriers, maintain market access and ensure conducive conditions for service product providers, as well as protect and encourage investment.

Others

1. Indo-Pacific Economic Framework for Prosperity (IPEF)

OJK is involved in discussing Pillar I (Trade) of IPEF, particularly in relation to several clusters relating to the financial services sector such as the Digital Economy and Services Domestic Regulation (SDR), Pillar III (Clean Economy), and Pillar IV (Fair Economy).

2. Preparation of the Initial Draft of Non-Conforming Measures (NCM) Financial Services for ASEAN Trade in Services Agreement (ATISA)

OJK was preparing to draft the Non-Conforming Measures (NCM) of Indonesian Financial Services Sector Commitments according to the provisions of the ASEAN Trade in Services Agreement (ATISA). Together with relevant ministries, OJK successfully held the consulting meeting and completed the preliminary drafting of the NCM FS ATISA in June 2023.

International Institutional Cooperation

Memorandum of Understanding and Exchange of Letter Implementation

1. Courtesy Visit to the Embassy of Japan in Indonesia

OJK paid a visit to discuss the implementation of capacity-building programs, facilitated by the Japan Financial Services Agency (JFSA) through the Global Financial Partnership Center (GLOPAC) in 2023. Moreover, OJK also discussed on secondment program arrangement between OJK and JFSA including a plan to hold a courtesy meeting between OJK Chairman and JFSA Commissioner in the second semester.

2. Courtesy Visit of the Financial Supervisory Services Korea (FSS)

To strengthen the supervision of the financial services industry and market access of both countries, the FSS Governor along with the Ambassador of Indonesia for the Republic of Korea paid a courtesy visit to the OJK Chairman and Vice Chairman on 12 May 2023. During this visit, the FSS and OJK also signed a Memorandum of Agreement (MoA) concerning a secondment program on capacity building in the field of supervision for both authorities' employees.



Others

1. Study Visit of Bank of Tanzania

The purpose of the visit was to exchange OJK and Bank of Tanzania's best practices concerning supervision and regulation on microfinance and the fintech sector including Peer-to-Peer Lending companies.

INTERNATIONAL COOPERATION

OJK actively participates in multiple international forums and standard-setting bodies to contribute to the global reform of the financial sector. Collaborative efforts have been established with international organizations, leveraging Technical Assistance to escalate the effective implementation of OJK's programs and initiatives.

Global Financial Sector Reform

Financial Stability Board



1. The Standing Committee on Supervisory and Regulatory Cooperation (SRC) held a meeting on 9th May 2023 about the SRC's next steps on recent banking turmoil, third-party risk management and oversight enhancement, as well as addressing non-bank financial institutions (NBFI) leverage, and a meeting on 12th June 2023 about BCBS draft report, LIBOR transition, Official Sector Steering Group (OSSG) and wind down, crypto-assets, open-ended funds liquidity mismatch, as well as liquidity preparedness for margin and collateral calls.
2. SRC Working Group Virtual Information Sharing on 7th June 2023 about the SRC's next steps to follow up on the recent banking turmoil, third-party risk management and oversight enhancement, as well as addressing NBFI leverage.
3. Regional Consultative Groups (RCG) Asia meeting, which discussed the updated FSB work programs and G20 deliverables, the role of NBFI in Asia, crypto-assets, and recent financial stability developments in Asia.
4. Non-Bank Monitoring Experts Group (NMEG) meeting, which discussed the interconnectedness data template, fintech credit data, economic functions classifications, risk metric and leverage, and Global Monitoring Report (GMR) survey takeaways.

Basel Committee on Banking Supervision (BCBS)



BCBS meeting proposed to establish a head of supervision group and roundtable session on current issues in the global financial sector.

Cooperation in Technical Assistance

In the second quarter of 2023, there were several Technical Assistance (TA) programs following six OJK TA's area priorities:

1. TA on Non-Bank Financial Institutions (NBFI)

- Self-Assessment on Insurance Core Principles (ICPs) IAIS
- Self-Assessment on International Organization of Pension Supervisors (IOPS) Principles
- NBFI Roadmaps Quality Assurance
- Insurance's Regulatory Impact Analysis (RIA)
- A review of Sustainable Finance Implementation Guidelines for NBFI

2. PROSPERA assistance for Project Management Officer (PMO) PROSPERA opened the path to holding sharing knowledge session to support OJK's reformation effort in simplifying the current OJK's business process.

3. TA on Capital Market (CM)

- TA on CM Development – Strengthening Regulation concerning Exit Policy of Public Company for the Protection of Public Shareholders, Implementation of Shares without Nominal Value, Streamline IPO Process, the Use of Public Offering proceeds and its monitoring/supervision
- CM's Digital Assets Regulation Study
- Inspection Tools/Working Paper on Public Accountants and Public Accounting Firms

Upcoming TA Programs in 2023

1. TA on Market Conduct – Capacity Building
2. TA on Carbon Trading – Regulation and Dissemination (workshop/seminar)

Financial Sector Assessment Program (FSAP) Indonesia 2023/2024

- On 8-11 May 2023, the Scoping Mission for FSAP was conducted as an initial phase to discuss the scope and depth of the assessment.
- The FSAP assessment covers 3 Pillars (Risk Analysis, Oversight, and Financial Safety Net & Systemic Liquidity) as well as Development areas, such as access to finance, fintech and financial digitalization, etc. The assessment will be divided into two missions in September 2023 and November 2023.



CHAPTER 05

APPENDIX

LIST OF NEW REGULATIONS IN Q2 2023

No	Regulation	Regarding	Effective Date
1.	OJK Regulation Number 05/2023	Second Amendment to OJK Regulation Number 71/POJK.05/2016 concerning the Financial Soundness of Insurance and Reinsurance Companies	06 April 2023
2.	OJK Regulation Number 06/2023	Second Amendment to OJK Regulation Number 72/POJK.05/2016 concerning the Financial Soundness of Sharia Insurance and Reinsurance Companies	06 April 2023
3.	OJK Regulation Number 07/2023	Governance and Institutional Arrangements for Insurance Companies in the Form of Mutual Companies	11 May 2023
4.	OJK Regulation Number 08/2023	Program Implementation of Anti-Money Laundering, Countermeasure Financing for Terrorism, and Countermeasure Financing for the Proliferation of Weapons of Mass Destruction in the Financial Services Sector.	14 June 2023

HIGHLIGHTS OF THE CAPITAL MARKET SECTOR

IHSG/JCI

(31 JUL'23)

6,931.36 ▲ 1.18% (YTD)

(30 DEC '22)

6,850.62 ▲ 4.09% (YTD)

ICBI

(31 JUL'23)

369.17 ▲ 7.07% (YTD)

(30 DEC '22)

344.78 ▲ 3.60% (YTD)

CAPITAL INFLOW/OUTFLOW

	2019	2020	2021	2022	Jul-23
Equity (IDR T)	49.20	-47.81	37.97	60.58	18.92
Government Bond (IDR T)	168.61	-87.95	-82.57	-128.98	93.00

LOCAL INVESTOR DEVELOPMENT

	2019	2020	2021	2022	Jul-23
No. of Capital Market Investor (Mn)	2.48	3.9	7.5	10.31	11.42
Growth (% yoy)	53	56.21	92.99	37.68	22.53
Local % of Equity Ownership	46.88	50.79	54.15	54.4	51.99

SECURITIES CROWD FUNDING (SCF)*

	2019	2020	2021	2022	Jul-23
No. of Issuer	49	127	195	304	429
No. of Investors	5,063	51,414	93,777	127,810	156,916
Fundraising (IDR Bn)	64.14	184.89	413.18	640.57	910.00

Cumulative since 2018. There were 16 SCF Providers, data as of 31 Jul'23

PUBLIC OFFERING

TYPE	2019	2020	2021		2022		2023**	
	Nom (IDR T)	Nom (IDR T)	No. of Issuers	Nom (IDR T)	No. of Issuers	Nom (IDR T)	No. of Issuers	Nom (IDR T)
IPO	14.7	6.1	52	61.66	65	33.03	55	48.05
Rights Issue	29.17	20.3	44	197.27	45	78.37	19	37.00
Corp Bonds /Sukuk	122.98	92.3	96	104.4	123	156.33	63	77.05
TOTAL	166.85	118.7	192	363.29	233	267.73	137	162.09

Data as of 31 Jul'23

HIGHLIGHTS OF THE BANKING SECTOR

INTERMEDIATION

	Dec-19	Dec-20	Dec-21	Dec-22	Jun-23
Loan (IDR T)	5,617	5,482	5,769	6,423	6,656
<i>Mtm (%)</i>	1.68	0.63	1.02	1.20	1.20
<i>Yoy (%)</i>	6.08	-2.41	5.24	11.35	7.76
<i>Ytd (%)</i>	8.3	-2.41	5.24	11.35	3.62
Deposits (IDR T)	5,999	6,665	7,479	8,153	8,042
<i>Mtm (%)</i>	0.85	0.46	2.03	2.25	0.43
<i>Yoy (%)</i>	6.54	11.11	12.21	9.01	5.79
<i>Ytd (%)</i>	6.54	11.11	12.21	9.01	-1.37
LDR	93.64	82.24	77.13	78.78	82.76

PROFITABILITY

	Dec-19	Dec-20	Dec-21	Dec-22	Jun-23
NIM (%)	4.8	4.32	4.51	4.71	4.80
ROA (%)	2.33	1.59	1.84	2.43	2.73

RISK PROFILE

	Dec-19	Dec-20	Dec-21	Dec-22	Jun-23
Credit Risk					
Gross NPL (%)	2.53	3.06	3	2.44	2.44
Net NPL (%)	1.18	0.98	0.88	0.71	0.77
Loan at Risk (%)	9.93	23.38	19.48	14.05	13.17
Market Risk					
NOP (%)	1.63	1.58	1.23	1.23	1.50
Liquidity Risk					
Liquid Asset (IDR T)	1,251	2,111	2,627	2,543	2,150
LA/Deposits (%)	20.86	31.67	35.12	31.20	26.73
LA/NCD (%)	97.61	146.7	157.9	137.67	119.05
LCR (%)	209.16	267.91	257.79	242.58	230.24
NSFR (%)	128.65	140.57	142.50	140.42	

CAPITAL

	Dec-19	Dec-20	Dec-21	Dec-22	Jun-23
CAR (%)	23.31	23.81	25.67	25.63	25.41

HIGHLIGHTS OF THE NON-BANKING SECTOR

INSURANCE

	Dec-19	Dec-20	Dec-21	Dec-22	Jun-23
Insurance Premium Income (IDR T)*	281.2	293.29	308.11	311.48	150.09**
RBC Gen. Insurance (%)	345.3	343.47	327.3	326.99	314.08
RBC Life Insurance (%)	789.4	528.59	539.8	484.22	467.85
Investment Adequacy Ratio Gen. Insurance (%)	203.3	200.15	195.29	195.29	195.76
Investment Adequacy Ratio Life Insurance (%)	105.7	105.7	120.64	120.64	132.42

PENSION FUND

	Dec-19	Dec-20	Dec-21	Dec-22	Jun-23
Investment Value (IDR T)	277.34	307.74	316.86	333.49	346.37
Asset Value (IDR T)	291.65	314.67	329.55	342.64	358.66

MULTI-FINANCE COMPANY

	Dec-19	Dec-20	Dec-21	Dec-22	Jun-23
Financing (IDR T)	452.2	369.76	364.23	415.8	444.5
Growth Yoy (%)	3.66	-18.23	-1.49	14.18	16.37
Gross NPF (%)	2.4	4.01	3.53	2.32	2.67
Gearing Ratio (x)	2.61	2.15	1.98	2.07	2.27

FINTECH P2P LENDING

	Dec-19	Dec-20	Dec-21	Dec-22	Jun-23
Outstanding Loan (IDR T)	13.16	15.32	29.88	51.12	52.70
Growth Yoy (%)	-41.95	16.43	95.05	71.1	18.86
P2P NPL (%)***	3.65	4.78	2.29	2.78	3.29

* : Including General Insurance, Life Insurance and Reinsurance

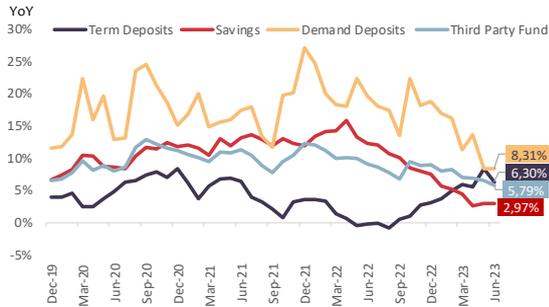
** : accumulated yearly

*** : Default rate for loan payment > 90 days

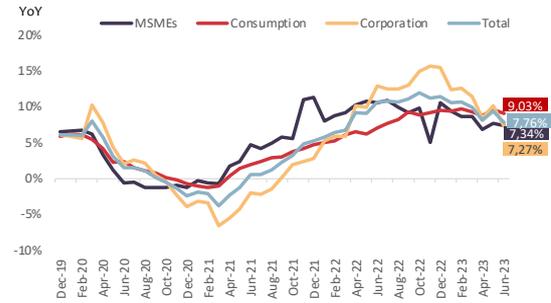
Thresholds of RBC (120%) and Investment Adequacy Ratio (100%)

OTHER BANKING INDUSTRY INDICATORS

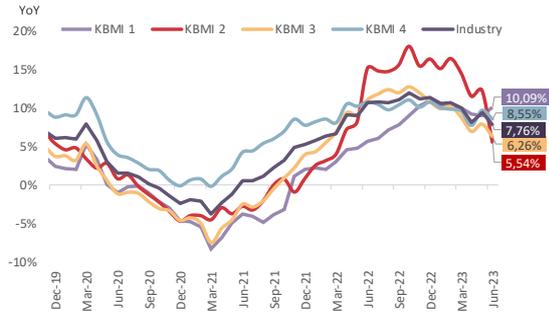
Third-Party Fund Growth



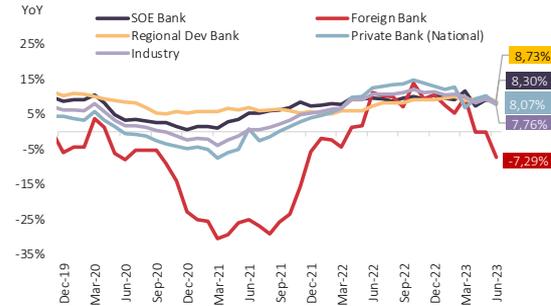
Credit Growth by Segment



Credit Growth by KBMI



Credit Growth by Ownership

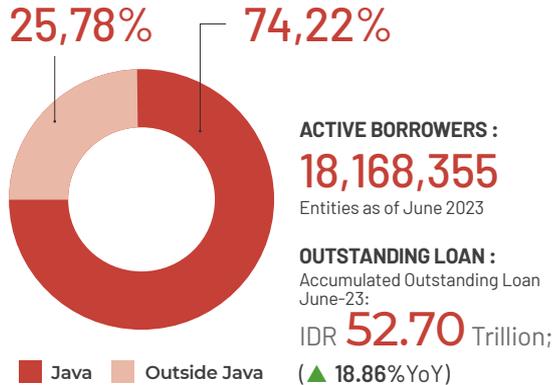


DEVELOPMENT OF FINTECH LENDING

REGISTERED/ LICENSED COMPANIES

Total:	Conventional:	Sharia:
102	95	7 (As of June 2023)

ACTIVE BORROWERS

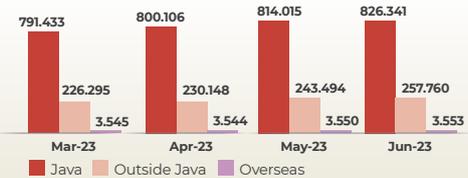


Success rate for ≤ 90 days loan payment (TKB90):

June-23
(96.71%)

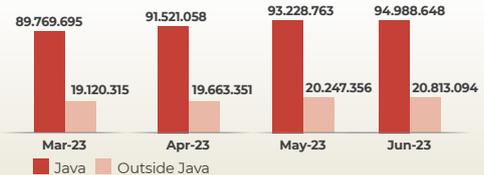
LENDER ACCOUNT

TOTAL ACCOUNT
ACCUMULATION:
1,087,654
entities (June-23)
(▲ 20.49% YoY)



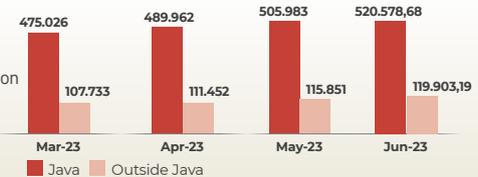
BORROWER ACCOUNT

TOTAL ACCOUNT
ACCUMULATION:
115,801,742
entities (June-23)
(▲ 35.93% YoY)



LENDING DISTRIBUTION

TOTAL LOAN
ACCUMULATION:
IDR **640.481** Trillion
(June-23)
(▲ 59.95% YoY)



HISTORY OF INDONESIA SOVEREIGN CREDIT RATINGS

STANDARD & POOR'S		MOODY'S		FITCH		RATING AND INVESTMENT		JAPAN CREDIT RATING AGENCY	
July 7, 1992	BBB-	March 14, 1994	Baa3	June 1, 1997	BBB-	May 14, 1998	B	October 25, 2002	B
April 18, 1995	BBB	December 21, 1997	Ba1	December 23, 1997	BB+	September 28, 1999	B-	May 26, 2004	B+
October 10, 1997	BBB-	January 9, 1998	B2	January 8, 1998	BB-	June 8, 2004	B	September 21, 2006	BB-
December 31, 1997	BB+	March 20, 1998	B3	January 21, 1998	B+	July 22, 2005	BB-	September 7, 2007	BB
January 9, 1998	BB	September 30, 2003	B2	March 16, 1998	B-	October 12, 2006	BB-	September 25, 2008	BB*
January 27, 1998	B	May 19, 2006	B1	August 1, 2002	B	October 31, 2007	BB+	February 5, 2009	BB**
March 11, 1998	B-	October 22, 2007	Ba3	November 20, 2003	B+	January, 2009	BB+ *	July 7, 2009	BB+
May 15, 1998	CCC+	December 23, 2008	Ba3*	January 27, 2005	BB-	October 7, 2009	BB+ *	July 13, 2010	BBB-
March 29, 1999	SD	June 11, 2009	Ba3***	February 14, 2008	BB	October 14, 2010	BB+ ***	August 24, 2011	BBB-*
March 30, 1999	CCC+	September 16, 2009	Ba2	January 21, 2009	BB*	November 14, 2011	BB+ *	November 13, 2012	BBB-*
September 12, 1999	CCC+	June 21, 2010	Ba2***	January 25, 2010	BB+	October 18, 2012	BBB-	July 22, 2013	BBB-*
October 2, 2000	B-	January 17, 2011	Ba1	February 24, 2011	BB+ ***	October 11, 2013	BBB-*	October 22, 2014	BBB-*
May 21, 2001	CCC+	January 18, 2012	Baa3	December 15, 2011	BBB-	March 18, 2015	BBB-*	February 1, 2016	BBB-*
November 2, 2001	CCC	January 28, 2016	Baa3*	November 22, 2012	BBB-*	April 4, 2016	BBB-*	March 7, 2017	BBB-***
April 23, 2002	SD	February 8, 2017	Baa3***	November 15, 2013	BBB-*	April 5, 2017	BBB-***	February 8, 2018	BBB
September 5, 2002	CCC+	April 13, 2018	Baa2	November 13, 2014	BBB-*	March 7, 2018	BBB	April 26, 2019	BBB***
May 12, 2003	B-	February 10, 2020	Baa2*	November 6, 2015	BBB-*	April 26, 2019	BBB*	January 31, 2020	BBB+
October 8, 2003	B	February 10, 2022	Baa2*	May 23, 2016	BBB-*	March 17, 2020	BBB+	December 22, 2020	BBB+*
December 22, 2004	B+			December 21, 2016	BBB-***	April 22, 2021	BBB+*	July 27, 2022	BBB+*
July 26, 2006	BB-			July 19, 2017	BBB-*	July 4, 2022	BBB+*		
November 7, 2008	BB-*			December 20, 2017	BBB	July 25, 2023	BBB+***		
October 23, 2009	BB-***			September 2, 2018	BBB*				
March 12, 2010	BB			March 14, 2019	BBB*				
April 8, 2011	BB+			January 24, 2020	BBB*				
April 23, 2012	BB+ *			March 22, 2021	BBB*				
May 2, 2013	BB+ **			November 23, 2021	BBB*				
April 28, 2014	BB+ *			June 28, 2022	BBB*				
May 21, 2015	BB+ ***			December 14, 2022	BBB*				
June 1, 2016	BB+ *								
May 19, 2017	BBB-								
May 31, 2018	BBB-*								
May 31, 2019	BBB								
April 17, 2020	BBB***								
April 22, 2021	BBB*								
April 27, 2022	BBB****								
July 10, 2023	BBB*								

* rating affirmation

** outlook revised from positive to stable

*** outlook revised from stable to positive

**** outlook revised from stable to negative

***** outlook revised from negative to stable

Note: Foreign Currency Long Term Debt

MACROECONOMIC INDICATORS (GDP)

	Dec-19	Dec-20	Dec-21	Dec-22	Jan-23	Feb-23	Mar-23	Apr-23	May-23	Jun-23
FX Reserves (Bn USD)	129.18	135.9	144.9	137.2	139.4	140.3	145.2	144.20	139.30	137.50
BI7DDR (%)	5	3.75	3.5	5.5	5.75	5.75	5.75	5.75	5.75	5.75
Exchange Rate (USD/IDR)	13,901	14,105	14,278	15,592	14,992	15,240	14,977	14,661	15,003	15,000
Trade Balance (Bn USD)	-0.08	2.10	1.01	3.96	3.88	5.48	2.91	3.93	0.42	3.45
Oil and Gas (Bn USD)	-1	-0.46	-2.31	-1.72	-1.41	-1.22	-1.67	-1.69	-1.82	-0.96
Non Oil and Gas (Bn USD)	0.92	2.56	3.32	5.61	5.29	6.68	4.5	5.63	2.25	4.41
Consumer Confidence Index (%)	126.37	96.5	118.3	119.9	123	122.4	123.3	126.10	128.30	127.10
Retail Sales Index (%)	235.1	190.06	216.3	217.8	208.2	201.2	215.3	242.90	223.50	223.20
Inflation (% YoY)										
Headline	2.72	1.68	1.87	5.51	5.28	5.47	4.97	4.33	4.00	3.52
Core	3.02	1.6	1.56	3.36	3.27	3.09	2.94	2.83	2.66	2.58
Administered Price	0.51	0.25	1.79	13.34	12.28	12.24	11.56	10.32	9.52	9.21
Volatile Food	4.3	3.62	3.2	5.61	5.71	7.62	5.83	3.74	3.28	1.20
Unemployment Rate (%)										
	Feb-19	Aug-19	Feb-20	Aug-20	Feb-21	Aug-21	Feb-22	Aug-22	Feb-23	
Unemployment Rate (%)	4.98	5.23	4.94	7.07	6.26	6.49	5.83	5.86	5.45	

GLOSSARY

ACAFTA	ASEAN-Canada Free Trade Agreement	ICBI	Indonesia Composite Bond Index	OTC	Over The Counter
AI	Artificial Intelligence	ICP	Insurance Core Principles	P2PL	Peer-to-peer Lending
AIDA	Artificial Intelligence and Data Act	IEU-CEPA	Indonesia-European Union Comprehensive Economic Partnership Agreement	PAI	Persatuan Aktuaris Indonesia (Society of Actuaries of Indonesia)
AML	Anti-Money Laundering	IHSG	Indeks Harga Saham Gabungan (Jakarta Composite Index)	PAYDI	Produk Asuransi Yang Dikaitkan dengan Investasi (Investment-Linked Insurance Products)
API	Application Programming Interface	IMF	International Monetary Fund	PEP	Politically Exposed Person
ASEAN	Association of Southeast Asian Nations	IOPS	International Organization of Pension Supervisors	PMEX	Pakistan Mercantile Exchange
ATISA	ASEAN Trade in Services Agreement	IPEF	Indo-Pacific Economic Framework for Prosperity	PMI	Purchasing Managers' Index
BaFin	German Federal Financial Supervisory Authority	IPO	Initial Public Offering	PMO	Project Management Officer
BAPPEPTI	Badan Pengawas Perdagangan Berjangka Komoditi (Indonesia's Commodity Futures Trading Regulatory Agency)	IRU	Investor Relations Unit	PPSK Act	Act No. 4/2023 on the Development and Strengthening of the Financial Sector
BCBS	Basel Committee on Banking Supervision	JCI	Jakarta Composite Index	PWMD	Proliferation of Weapons of Mass Destruction
BI7DRR	Bank Indonesia-7 Days Reverse Repo Rate	JFSA	Japan Financial Services Agency	R&I	Rating & Investment, Inc.
BPS	Badan Pusat Statistik (Central Bureau of Statistics)	KBMI	Kelompok Bank Berdasarkan Modal Inti (Bank Groups based on Core Capital)	RBC	Risk-Based Capital
BKPM	Badan Koordinasi Penanaman Modal (Investment Coordinating Board)	KYC	Know Your Customer	RCG	Regional Consultative Groups
CAR	Capital Adequacy Ratio	LA	Liquid Asset	RIA	Regulatory Impact Analysis
CCI	Consumer Confidence Index	LBMA	London Bullion Market Association	ROA	Return on Assets
CDD	Customer Due Diligence	LCR	Liquidity Coverage Ratio	RSI	Retail Sales Index
CFT	Countermeasure Financing for Terrorism	LNG	Liquefied Natural Gas	S&P	Standard & Poor's
CM	Capital Market	ML	Machine Learning	SCF	Securities Crowdfunding
CMB	Capital Markets Board of Türkiye	ML	Money Laundering	SDR	Services Domestic Regulation
CPF	Counter-Proliferation Financing of Weapons of Mass Destruction	MoEF	Ministry of Environment and Forestry	SECP	Securities and Exchange Commission of Pakistan
CPO	Crude Palm Oil	MoU	Memorandum of Understanding	SGE	Shanghai Gold Exchange
EDD	Enhanced Due Diligence	MSME	Micro, Small, and Medium Enterprise	SOE	State-Owned Enterprise
ESG	Environmental, Social and Governance	NBFI	Non-Bank Financial Institution	SRC	Supervisory and Regulatory Cooperation
ETF	Exchange-Traded Funds	NCD	Non-Core Deposit	SWG FS	Sub Working Group on Financial Services
FI	Financial Institution	NCM	Non-Conforming Measures	TA	Technical Assistance
FinTech	Financial Technology	NIM	Net Interest Margin	TF	Terrorism Financing
FoF	Fund of Funds	NMEG	Non-Bank Monitoring Experts Group	US-ABC	US-ASEAN Business Council
FSAP	Financial Sector Assessment Program	NOP	Net Open Position	WC-ABIF	Working-Committee on ASEAN Banking Integration Framework
FSS	Financial Supervisory Services	NPF	Non-Performing Financing	WGC	World Gold Council
GDP	Gross Domestic Product	NPL	Non-Performing Loans	WGI	Working Group on Investment
GLOPAC	Global Financial Partnership Center	NSFR	Net Stable Funding Ratio	WGTIS	Working Group on Trade in Services
GMR	Global Monitoring Report	OEDC	The Organization for Economic Cooperation and Development	WIC	Women, Infants and Children
ICA-CEPA	Indonesia-Canada Comprehensive Economic Partnership Agreement	OJK IIH	OJK International Information Hub	WTI	West Texas Intermediate
		OSSG	Official Sector Steering Group		