Government Debt Securities Management

August 11th, 2017

Directorate of Government Debt Securities
Directorate General of Budget Financing and Risk Management
Ministry of Finance of The Republic of Indonesia
Outline

1. Introduction
2. Legal Framework of Government Debt Securities
3. Front Office Operations
4. Accessing International Capital Market
5. Developing Government Securities
Introduction
Directorate of Government Debt Securities

- Division
  - Government Debt Securities Portfolio Management
- Division
  - Government Debt Securities Market Development
- Division
  - Financial & Government Debt Securities Market Analysis
- Division
  - Government Debt Securities Regulation and Performance Evaluation

1 Director, 4 Deputy Director that each of Deputies has 4 Managers
Milestone of GDS Management

- Debt Management Office established (2001)
- Govt. Debt Securities Re-profiling on Recap Banks amounting IDR180 trillion (2002)
- 1st Primary Auction
- Regular monthly issuance
- Issued T-Bills for 1st time (2005)
- 1st Debt Switching Auction
- 1st Private Placement Issuance
- 1st Direct Transaction Through Dealing Room
- Subprime Mortgage Crisis
- 1st issuance of Samurai Bond
- 1st issuance of Samurai Bonds Ritel
- 1st issuance of Savings Bonds Ritel
- 1st issuance of Euro Bonds
- 1st issuance of Samurai Unguaranteed Bonds
- 1st issuance Pre-funding
- 1st issuance of Savings Bonds
- 1st dual currency Global Bond issuance
- On Progress:
  1. Electronic Trading Platform
  2. Staple Bond
Financing Trend, 2006 - 2017

Notes:

* Revised Budget 2016
** Budget 2017
## Government Budget FY 2016-2017

In trillion IDR

<table>
<thead>
<tr>
<th>Description (IDR Trillion)</th>
<th>2016</th>
<th></th>
<th>2017</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Audited Realization</td>
<td>Budget</td>
<td>R-Budget</td>
<td>Outlook</td>
</tr>
<tr>
<td>A. Revenues and Grants</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>I. Domestic Revenue</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1. Tax Revenue</td>
<td>1,284.9</td>
<td>1,498.9</td>
<td>1,472.7</td>
<td>1,472.7</td>
</tr>
<tr>
<td>2. Non Tax Revenue</td>
<td>262.0</td>
<td>250.0</td>
<td>260.2</td>
<td>260.2</td>
</tr>
<tr>
<td>II. Grants</td>
<td>9.0</td>
<td>1.4</td>
<td>3.1</td>
<td>3.1</td>
</tr>
<tr>
<td>B. Expenditure</td>
<td>1,864.3</td>
<td>2,080.5</td>
<td>2,133.3</td>
<td>2,098.9</td>
</tr>
<tr>
<td>I. Central Government Expenditure</td>
<td>1,154.0</td>
<td>1,315.5</td>
<td>1,367.3</td>
<td>1,343.1</td>
</tr>
<tr>
<td>1. Ministerial Spending</td>
<td>684.2</td>
<td>763.6</td>
<td>773.1</td>
<td>769.2</td>
</tr>
<tr>
<td>2. Non Ministerial Spending</td>
<td>469.8</td>
<td>552.0</td>
<td>593.9</td>
<td>573.9</td>
</tr>
<tr>
<td>II. Transfer to Region and Village Fund</td>
<td>710.3</td>
<td>764.9</td>
<td>766.3</td>
<td>755.9</td>
</tr>
<tr>
<td>1. Regional Transfer</td>
<td>663.6</td>
<td>704.9</td>
<td>706.3</td>
<td>697.7</td>
</tr>
<tr>
<td>2. Village Fund</td>
<td>46.7</td>
<td>60.0</td>
<td>60.0</td>
<td>58.2</td>
</tr>
<tr>
<td>C. Primary Balance</td>
<td>(125.6)</td>
<td>(109.0)</td>
<td>(178.0)</td>
<td>(144.3)</td>
</tr>
<tr>
<td>D. Surplus (Deficit)</td>
<td>(308.3)</td>
<td>(330.2)</td>
<td>(397.2)</td>
<td>(362.9)</td>
</tr>
<tr>
<td>% of GDP</td>
<td>(2.49)</td>
<td>(2.41)</td>
<td>(2.92)</td>
<td>(2.67)</td>
</tr>
<tr>
<td>E. Financing</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>I. Debt Financing</td>
<td>403.0</td>
<td>384.7</td>
<td>461.3</td>
<td>427.0</td>
</tr>
<tr>
<td>II. Investment Financing</td>
<td>(89.08)</td>
<td>(47.49)</td>
<td>(59.73)</td>
<td>(59.73)</td>
</tr>
<tr>
<td>III. Loan</td>
<td>1.7</td>
<td>(6.41)</td>
<td>(3.67)</td>
<td>(3.67)</td>
</tr>
<tr>
<td>IV. Guarantee</td>
<td>(0.65)</td>
<td>(0.92)</td>
<td>(1.0)</td>
<td>(1.0)</td>
</tr>
<tr>
<td>V. Others</td>
<td>19.56</td>
<td>0.3</td>
<td>0.3</td>
<td>0.3</td>
</tr>
</tbody>
</table>
Government Securities Indicative Financing Plan 2017

<table>
<thead>
<tr>
<th>Instruments</th>
<th>Indicative Target (IDR bn)</th>
<th>2017 Budget</th>
</tr>
</thead>
<tbody>
<tr>
<td>Government Securities (Net)</td>
<td>399,993</td>
<td></td>
</tr>
<tr>
<td>Redemption</td>
<td>162,842</td>
<td></td>
</tr>
<tr>
<td>Cash Management</td>
<td>119,000</td>
<td></td>
</tr>
<tr>
<td>Buyback</td>
<td>3,000</td>
<td></td>
</tr>
<tr>
<td><strong>Government Securities (Gross)</strong></td>
<td><strong>684,835</strong></td>
<td></td>
</tr>
</tbody>
</table>

**Domestic Issuance**

- **Weekly Auction:**
  - Conventional Securities: 24x
  - Islamic Securities: 24x
- **Non-Auction:**
  - Retail bonds
  - Private Placements: Based on request

**International Bonds Issuance (USD, EUR, JPY-denominated)**

- Issuance of International Bonds as complement to avoid crowding out in domestic market consists of USD, YEN or EURO global bonds;
- International bond issuance can be maximized up to 25% from gross target, depends on financing need.

**Composition**

- **Domestic** 79%
- **Auction** 93%
- **Non-Auction** 7%

- **International Bond** 21%

**Front loading issuance for budget financing**

- Government Securities issuance in semester I:
  - Target: 57.4% from gross issuance target
  - Realization: 57.7% from gross issuance target
- **Rupiah** Government Securities issuance in semester I:
  - Target: 42.7% from gross issuance target
  - Realization: 43.1% from gross issuance target

**Issuance targets for GDS, Sukuk and ATM target**

- Government Debt Securities (SUN): 71 %;
- Sukuk : 29%
- ATM for Government Securities (SBN): 6-8 years.
## Securities Financing Realization 2017

(In Million IDR)

<table>
<thead>
<tr>
<th></th>
<th>Budget 2017</th>
<th>Budget Realization (as of Aug 1, 2017)</th>
<th>% Realization to Budget 2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Government Securities Net</td>
<td>399,992,586</td>
<td>314,321,445</td>
<td>78.58%</td>
</tr>
<tr>
<td>Government Securities Maturing in 2017 and Buyback</td>
<td>284,735,024</td>
<td>177,757,300</td>
<td>62.43%</td>
</tr>
<tr>
<td>Issuance Need for 2017*</td>
<td>684,727,610</td>
<td>492,078,745</td>
<td>71.86%</td>
</tr>
<tr>
<td>Government Debt Securities (GDS)</td>
<td>353,244,478</td>
<td></td>
<td></td>
</tr>
<tr>
<td>IDR Denominated GDS</td>
<td>251,223,000</td>
<td></td>
<td></td>
</tr>
<tr>
<td>- Coupon GDS</td>
<td>130,880,000</td>
<td></td>
<td></td>
</tr>
<tr>
<td>- Conventional T-Bills</td>
<td>119,950,000</td>
<td></td>
<td></td>
</tr>
<tr>
<td>- Private Placement</td>
<td>393,000</td>
<td></td>
<td></td>
</tr>
<tr>
<td>- Retail Bonds</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>International Bonds</td>
<td>102,021,478</td>
<td></td>
<td></td>
</tr>
<tr>
<td>- USD GMTN</td>
<td>73,825,500</td>
<td></td>
<td></td>
</tr>
<tr>
<td>- Euro GMTN</td>
<td>15,352,390</td>
<td></td>
<td></td>
</tr>
<tr>
<td>- Samurai Bonds</td>
<td>12,117,580</td>
<td></td>
<td></td>
</tr>
<tr>
<td>- Domestic Foreign Denominated Bonds</td>
<td>726,008</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Government Islamic Debt Securities</td>
<td>138,834,267</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Domestic Government Islamic Debt Securities</td>
<td>98,865,267</td>
<td></td>
<td></td>
</tr>
<tr>
<td>- IFR/PBS/T-Bills Sukuk (Islamic Fixed Rated Bond/Project Based Sukuk)</td>
<td>82,827,957</td>
<td></td>
<td></td>
</tr>
<tr>
<td>- Retail Sukuk</td>
<td>14,037,310</td>
<td></td>
<td></td>
</tr>
<tr>
<td>- Indonesia Hajj Fund Sukuk</td>
<td>2,000,000</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Global Sukuk</td>
<td>39,969,000</td>
<td></td>
<td></td>
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</tbody>
</table>

*Adjusted with issuance related to cash management realization.
## Outstanding Central Government Debt By Instrument

<table>
<thead>
<tr>
<th>Description</th>
<th>2011</th>
<th>2012</th>
<th>2013</th>
<th>2014</th>
<th>2015</th>
<th>2016*)</th>
<th>June 17</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Nominal</td>
<td>%</td>
<td>Nominal</td>
<td>%</td>
<td>Nominal</td>
<td>%</td>
<td>Nominal</td>
</tr>
<tr>
<td>a. Foreign Loan (in billion USD)</td>
<td>68.4</td>
<td>63.6</td>
<td>58.4</td>
<td>54.2</td>
<td>54.4</td>
<td>54.0</td>
<td>54.6</td>
</tr>
<tr>
<td>Bilateral</td>
<td>42.1</td>
<td>37.2</td>
<td>31.5</td>
<td>26.9</td>
<td>24.7</td>
<td>23.2</td>
<td>23.3</td>
</tr>
<tr>
<td>Multilateral</td>
<td>23.5</td>
<td>23.8</td>
<td>23.7</td>
<td>23.5</td>
<td>26.1</td>
<td>27.5</td>
<td>27.6</td>
</tr>
<tr>
<td>Commercial</td>
<td>2.8</td>
<td>2.5</td>
<td>3.3</td>
<td>3.8</td>
<td>3.6</td>
<td>3.3</td>
<td>3.2</td>
</tr>
<tr>
<td>Suppliers</td>
<td>0.1</td>
<td>0.0</td>
<td>0.0</td>
<td>0.0</td>
<td>0.0</td>
<td>0.0</td>
<td>0.0</td>
</tr>
<tr>
<td>b Domestic Loan (in billion USD)</td>
<td>0.1</td>
<td>0.19</td>
<td>0.2</td>
<td>0.3</td>
<td>0.3</td>
<td>0.4</td>
<td>0.4</td>
</tr>
<tr>
<td>c. Government Securities (in billion USD)</td>
<td>131.0</td>
<td>140.8</td>
<td>136.3</td>
<td>155.2</td>
<td>174.7</td>
<td>207.0</td>
<td>223.7</td>
</tr>
<tr>
<td>Foreign Currency Denominated</td>
<td>21.6</td>
<td>27.4</td>
<td>32.8</td>
<td>36.7</td>
<td>47.8</td>
<td>57.1</td>
<td>59.5</td>
</tr>
<tr>
<td>Rupiah Denominated</td>
<td>109.4</td>
<td>113.4</td>
<td>103.5</td>
<td>118.5</td>
<td>126.9</td>
<td>149.9</td>
<td>164.2</td>
</tr>
<tr>
<td>Total Central Government Debt (in billion USD)</td>
<td>199.5</td>
<td>204.5</td>
<td>194.9</td>
<td>209.7</td>
<td>229.4</td>
<td>261.3</td>
<td>278.7</td>
</tr>
<tr>
<td>Total Central Government Debt (in trillion IDR)</td>
<td>1,808.9</td>
<td>1,977.7</td>
<td>2,375.5</td>
<td>2,608.8</td>
<td>3,165.1</td>
<td>3,511.0</td>
<td>3,706.5</td>
</tr>
<tr>
<td>Exchange Rate Assumption (IDR/USD1)</td>
<td>9,068.0</td>
<td>9,670.0</td>
<td>12,189.0</td>
<td>12,440.0</td>
<td>13,795.0</td>
<td>13,436.0</td>
<td>13,319.0</td>
</tr>
<tr>
<td>GDP (in trillion IDR)</td>
<td>7,831.7</td>
<td>8,615.7</td>
<td>9,524.7</td>
<td>10,542.7</td>
<td>11,540.8</td>
<td>12,406.8</td>
<td></td>
</tr>
<tr>
<td>Debt to GDP Ratio</td>
<td>23.1%</td>
<td>23.0%</td>
<td>24.9%</td>
<td>24.7%</td>
<td>27.4%</td>
<td>28.3%</td>
<td></td>
</tr>
</tbody>
</table>

*) Preliminary Figures
Sound Government Debt Portfolio Management

- Stable Debt to GDP Ratio Over the Years

- Well Diversified Across Different Currencies

*) Using GDP assumption in 2017 Budget
Risk Indicators

* Preliminary figures ** Using GDP assumption in 2017 Budget

- Risk indicators are improving amidst pressure from rupiah depreciation
- Risk indicators show improvements in interest rate risk and stability in exchange and refinancing risks
Legal Framework of Government Debt Securities
Regulatory Framework

**LAW**

Law No. 24 Year 2004 concerning Government Debt Securities

**GOVERNMENT REGULATIONS**

Government Regulations No. 76 Year 2005 concerning Management, Responsibility, and Information Publication of Government Debt Securities Management

**REGULATIONS OF FINANCE MINISTER**

-- Issuance through auction --

-- Issuance through private placement mechanism --

-- Securities buyback --

-- Issuance of foreign currency denominated bonds --

-- Issuance of retail bonds --

**REGULATIONS OF DIRECTOR GENERAL**

-- Administrative requirements and registration for resident --

-- Guidance of the use of PDs trading infrastructure --
**Definition:** Government Debt Securities are financial securities in the form of letters of indebtedness from the government, in Rupiah as well as in foreign currencies, which payments of the principal and interests are guaranteed by the Republic of Indonesia, in accordance with validity period thereof.

**Types of Government Securities:**

- **T-Bills:** Government Debt Securities with a period of up to and including 12 (twelve) months, with the interest in the form of a discount.
- **Government Bonds:** Government Debt Securities with a period of more than 12 (twelve) months with coupons and/or with the interest in the form of a discount.
Objective
Government Securities shall be issued for the following purposes:

• Financing deficits of the State Budget;
• covering short-term cash shortfall due to the mismatch between the cash flows of revenues and expenditures in the State Cash Accounts within one fiscal year;
• managing the state debt portfolio;

Authorization to issue Government Securities is embedded and implemented by the Minister of Finance

• Consultation with Central Bank
• Should be approved by the parliament (on a net basis)

The fund for the payment of interests and principal amounts are provided annually in the Budget

Central Bank acts as central registry and Fiscal Agent (payment, clearing and settlement). Central Bank also acts as auction agent.
Front Office Operations
Primary Dealership and Establishing Benchmark Series

Strengthening the Government Debt Securities market by:
1. Helping to build stable, dependable source of demand for securities in the primary market.
2. Providing liquidity in the secondary market
3. Devoting capital resources for market making (as a proprietary buyer)
4. Building distribution channels
5. Providing market information including prices, volumes and spreads between bids and offer

Primary Dealership

Establishing Benchmark Series

1. To improve the government bond market liquidity
2. To provide a reference yield for private sector issuing corporate bonds
3. To support the overall yield curve
Government Securities 
Continuous efforts in providing diversified instruments

Government Securities (GS)*

Government Debt Securities (GDS)

Government Sharia Securities (SUUK)

Government Bonds (GB)

Treasury Bills

GB - Domestic USD

GB - Foreign Currency

GB – Rupiah

Samurai Bonds (JPY)

Global Bonds (USD)

Global Bonds (Euro)

Variable Rate (Rp)

Fixed Rate (Rp)

Variable Rate (Regular)

Fixed Rate (Regular)

Zero Coupon (Regular)

Savings Bond Ritel

Retail Bond

Notes: *) GS consist of Tradable and Non Tradable GS
Product Development

**FR**
- A fixed coupon
- First issuance in 1999
- Issued through auction
- Coupon is paid every 6 months

**VR**
- A variable coupon
- First issuance in 1999
- Issued through auction
- Rate determined every 3 months based on 3 months-T’Bills

**SPN**
- T’Bills (maturity less than 12 months)
- Government issues 12 months & 3 months T’Bills
- Issued through auction
- Discount paper
- First issuance in 2007

**ZC**
- First issuance in 2007
- No coupon payment schedule
- Sold at discount price and nominal will be paid at its maturity time.

**RITEL BONDS**
- Retail obligation, sold through a selling agent.
- Issued through book building
- Minimum order IDR5 million
- ORI, first issuance in 2006
- SBR, first issuance in 2014

**PRIVATE PLACEMENT**
- Non tradable securities
- First issued in 2009 to local government
Product Development (2)

**GLOBAL BOND**
- Issued in international capital market
- Dominated in US$, first issued in 2004
- Dominated in EUR, first issued in 2014

**DOMESTIC USD BOND**
- USD Bond issued in domestic market
- First issued in 2013

**SAMURAI BOND**
- Issued in Japan capital market
- Denominated in Yen Japan
- First issued in 2009 under JBIC guarantee
## Method of Issuance

1. **Auction**
2. **Private Placement**
3. **Book Building**
Auction Mechanism (IDR and USD in Domestic Market)

1. Investor bidding
2. Rules and Auction Monitoring
3. Bidding Data
4. Tabulation, Allocation
5. DSS-MoF (Decision Support System)
6. Auction results which are decided by the Minister of Finance
7. Settlement

1.a Bidding
1.b Bidding
6.a Awarded Bid
6.b Awarded Bid

Bidder

DSUN-MoF

Auction Plan Announcement

Fund Payment
Securities Transfer (ON)
Private Placement Mechanism

1. Government Debt Sec. purchase plays
2a. Rejection Letter
2b. Notification oral / written
3. DSUN - MoF
   - Examining Offering documents & Internal Review
4a. Rejection Letter
4b. Agreement Document
   - 4b Ya
5. The agreement results determined by the Director General of Debt Management on behalf of the Minister of Finance
6. Settlement
7. Transaction Result Announcement

Steps:
1. Government Debt Sec. purchase offers
2. Rejection Letter or Notification oral / written
3. DSUN - MoF Examining Offering documents & Internal Review
4. Rejection Letter or Agreement Document
5. The agreement results determined by the Director General of Debt Management on behalf of the Minister of Finance
6. Settlement
7. Transaction Result Announcement

Fund Payment: BI SSRS vs BI-RTGS
Securities Transfer (ON)
Retail Bond Issuance Process - Book Building Mechanism

1. SBR/ORI Issuance Plan
2. Request for Proposal Selling Agent
3. Selling Agent Selection Process
   - Coupon Determination
4. Allotment & Settlement
5. Marketing
Objectives

Debt Switch

Debt management program to reduce the refinancing risk, smoothening maturity (redemption) profile, as well as maintaining liquid series.

- Exchange of illiquid short dated series, with liquid long dated benchmark.

Buyback

Debt management program to stabilize market, debt portfolio management (reducing high coupon and illiquid series), and to reduce refinancing risk (short dated debt securities).

- The amount is flexible, as long as the net issuance target is achieved.
Debt Switch & Buyback Mechanism

**DSUN - MoF**

1. **Auction Registration**
2. **Offering**
3. **Rules and Monitoring on auction**
4. **Data Offering**
5. **Tabulation, allocation**
6. **Auction results, Determined by MoF**
7. **Awarded Offers**
8. **Settlement**

**MOFiDS**
Ministry of Finance Dealing System

**DSS-MoF**
Decision Support System

**Settlement**

**BI-SSSS v.s. BI-RTGS**

**Primary Dealers**

**Auction Plan Announcement**
1 day before
Direct transaction is a transaction (buy or sell) of government securities between government and eligible parties (Primary Dealers, Central Bank, Deposit Insurance Corporation), through Dealing Room facility.

Objectives:

• Stabilizing the government securities market.
• Managing the portfolio of government securities.
• Achieving net government securities target.
Accessing International Capital Market
Objectives & Strategy

Objectives:

- Raise capital to meet financing needs
- Diversify financing sources
- Creating a benchmark for valuation of sovereign credit risk and facilitate future issuance by sovereign, local government, public enterprises
- Reduce crowding out effect in domestic bond market
- Promote credit story of Indonesia

Global Bond Issuance Strategy:

1. Volume: less than 30% of total gross issuance target
2. Timing: considering financial market condition e.g. interest rate and market liquidity
3. Instruments’ composition: based on cost calculation, potential demand, risk management and prioritizing global bond in USD (more than 50%)
4. Currency: USD, EUR, JPY
Risk Entailed and Issuance Format

Risk Entailed

1. Foreign Exchange Risk
   - the probability to adjust prices and costs to offset changes in exchange rate.

2. Rollover Risk
   - when debt is about to mature and needs to be rolled over into new debt. If interest rates rise adversely, countries would have to refinance their debt at a higher rate and incur more interest charges in the future.

Issuance Format

Global Medium Term Notes

Benefits:
1) High flexibility in global bond issuance since the time required for the transaction is shorter
2) Issuance costs and documentation are relatively cheaper than stand alone issuance
3) Effectively achieves global distribution including Qualified Institutional Buyers (QIBs at USA)
4) Less onerous documentation requirements

Stand Alone Issuance

Drawback:
1) Less flexibility, since the time required for the transaction is relatively longer
2) Full documentation is required for each issuance
Global Medium Term Note (GMTN) Process

**Preparation**
- MoF Decision
- Selection Committee
- Request For Proposal and TOR

**Selection**
- Technical proposal evaluation
- Beauty Contest
- Expenses Negotiation
- Appointment of Panel, JLM and LC
- Engagement Letter

**Documentation**
- Offering circular
- Listing requirement
- Legal document
- Rating confirmation
- Due diligence
- Road show (optional)

**Execution**
- Bring down due diligence
- Pricing
- Settlement
- Listing
- Signing
- Closing

**Notes:**
- Total amount of GMTN program: USD 50 billion (up to 2017)
- Current balance of GMTN program: USD 9.97 billion

Samurai Bond Process – Private Placement with JBIC Guarantee

**Preparation**
- Selection Committee
- TOR and RFP
- Preliminary discussion with JBIC:
  - Program Agreement
  - Draft Indemnity Agreement
  - JBIC guarantee fee
- Preparation for Underlying Transaction

**Selection**
- Panel Appointment
- Appointment of JLM & LC
- Appointment of CCB and IPAA
- Engagement Letter

**Documentation**
- Private Placement Memorandum
- Non Deal road show presentation
- Other Legal Documents

**Execution**
- Price Guidance
- Bookbuilding
- Single spread and maximum yield
- Pricing
- Settlement/Closing

**Notes:**
- CCB: Commissioned Companies for Bondholders
- IPAA: Issuing and Paying Agent and Administrative
International Bonds
Issuance Process

Samurai Bond Process – Private Placement without JBIC Guarantee

**Preparation**
- Selection Committee
- TOR and RfP

**Selection**
- Panel Appointment
- Appointment of JLM & LC
- Appointment of IPAA (Fiscal Agent)
- Engagement Letter

**Documentation**
- Private Placement Memorandum
- Non Deal road show presentation
- Other Legal Documents

**Execution**
- Price Guidance
- Bookbuilding
- Single spread and maximum yield
- Pricing
- Settlement/Closing

Samurai Bond Process – Public Offering

**Preparation**
- Selection Committee
- TOR and RfP

**Selection**
- Panel Appointment
- Appointment of JLM & LC
- Appointment of IPAA (Fiscal Agent)
- Engagement Letter

**Documentation**
- Securities Registration Statement (SRS)
- Non Deal road show presentation
- Other Legal Documents

**Execution**
- Price Guidance
- Bookbuilding
- Single spread and maximum yield
- Pricing
- Settlement/Closing
Investor Relations Programs

The role of investor relations programs:

1. Provide economic data and information on economic policies, either directly or through a website.
2. Explain the context behind data releases and, therefore, actively shape investor sentiment in line with fundamentals.
3. Correct inaccurate information and dispel false rumors.
4. Supply information on international and domestic government securities.
5. Provide answers to questions of both retail and institutional investors either directly or through e-mail.
7. Help policymakers interpret evolving market techniques, practices, and sentiment.

The programs include:

- Non Deal Road show
- Investor Teleconference
- Investor Mailing List
- Information/Data Dissemination through website
Credit rating is measurement of willingness and ability of debtor to service its obligations.

Credit ratings allow the issuer to tap a wide investor base as most fund managers are required to invest only in rated securities.

The role of credit ratings:

- To overcome the asymmetry of information or lack of familiarity with a given country.
- To indicate that a country’s investment climate, creditworthiness, and capacity to service existing debt.
- To provide an independent mechanism to validate and encourage the pursuit of appropriate macroeconomic policies and the government’s commitment to the adoption of market-friendly economic reform.
- To promote good governance and foster transparency in government decision-making and in the collection and dissemination of information.
- To promote investments by institutional and retail investors in mature markets.
<table>
<thead>
<tr>
<th>Issuer</th>
<th>RI0122</th>
<th>RI0127</th>
<th>RI0147</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Issuer</strong></td>
<td>Republic of Indonesia</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Issuer Rating</strong></td>
<td>Baa3 (Moody’s) / BBB- (Fitch)</td>
<td>Baa3 (Moody’s) / BBB- (Fitch)</td>
<td></td>
</tr>
<tr>
<td><strong>Issue Rating</strong></td>
<td>Baa3 (Moody’s) / BBB- (Fitch)</td>
<td>Baa3 (Moody’s) / BBB- (Fitch)</td>
<td></td>
</tr>
<tr>
<td><strong>Issue</strong></td>
<td>USD Fixed Rate</td>
<td>USD Fixed Rate</td>
<td>USD Fixed rate</td>
</tr>
<tr>
<td><strong>Size</strong></td>
<td>USD$0.75bn</td>
<td>USD$1.25bn</td>
<td>USD$1.50bn</td>
</tr>
<tr>
<td><strong>Pricing/Settlement Date</strong></td>
<td>December 1, 2016 / December 8, 2016</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Maturity</strong></td>
<td>January 8, 2022</td>
<td>January 8, 2027</td>
<td>January 8, 2047</td>
</tr>
<tr>
<td><strong>Coupon</strong></td>
<td>3.700%</td>
<td>4.350%</td>
<td>5.250%</td>
</tr>
<tr>
<td><strong>Re-offer Yield/Price</strong></td>
<td>3.750%/99.767%</td>
<td>4.400%/99.592%</td>
<td>5.300%/99.246%</td>
</tr>
<tr>
<td><strong>Format</strong></td>
<td>Rule 144 A / Reg S</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Listing</strong></td>
<td>SGX-ST and Frankfurt Stock Exchange</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Total Book Order</strong></td>
<td>USD5.20bn</td>
<td>USD3.50bn</td>
<td>USD3.30bn</td>
</tr>
</tbody>
</table>
Primary Market Performance 2017
Global Bonds (USD)

Allocation by Geography

RI0147

RI0122

RI0127

Allocation by Investor Type

RI0122

RI0127

RI0147
<table>
<thead>
<tr>
<th>Issuer</th>
<th>Republic of Indonesia</th>
</tr>
</thead>
<tbody>
<tr>
<td>Issuer Rating</td>
<td>Baa3 (Moody’s) / BBB- (S&amp;P) / BBB- (Fitch) / BBB- (R&amp;I) / BBB- (JCR)</td>
</tr>
<tr>
<td>Format</td>
<td>Samurai Bonds</td>
</tr>
<tr>
<td>Type of Notes</td>
<td>Senior Unsecured</td>
</tr>
<tr>
<td>Bond Rating</td>
<td>Baa3 (Moody’s) / BBB- (Fitch) / BBB- (R&amp;I)</td>
</tr>
<tr>
<td>Pricing Date</td>
<td>May 31, 2017</td>
</tr>
<tr>
<td>Settlement Date</td>
<td>June 8, 2017</td>
</tr>
<tr>
<td>Total Issue amount</td>
<td>JPY 100bn</td>
</tr>
<tr>
<td>Series</td>
<td>#1</td>
</tr>
<tr>
<td>Tenor</td>
<td>3yr FIX</td>
</tr>
<tr>
<td>Trance Size</td>
<td>JPY 40bn</td>
</tr>
<tr>
<td>Coupon</td>
<td>0.65%</td>
</tr>
<tr>
<td>Re-offer Spread</td>
<td>+55bps</td>
</tr>
</tbody>
</table>
Primary Market Performance 2017: Samurai Bonds (JPY)

Allocation by Geography
RIJPY0620

100%

Asia

Allocation by Investor Type

RIJPY0620

26.0%
25.0%
15.8%
11.3%
9.3%
6.8%
4.0%
2.0%

City Banks
Trust Banks
Life Insurance
Asset Managers
Specialized Banks
Regional Banks
Others

RIJPY0622

18.0%
18.0%
23.4%
23.4%
8.8%
8.8%
52.0%
52.0%

Trust Banks
Life Insurance
Asset Managers
Regional Banks
Shinkins
Others

RIJPY0624

20.0%
8.0%
15.0%
5.0%

Life Insurance
Asset Managers
Regional Banks
Shinkins
Others
## Primary Market Performance 2017: Dual Currency (EUR & USD)

<table>
<thead>
<tr>
<th>Issuer</th>
<th>RIEUR0724</th>
<th>RI0727</th>
<th>RI0747</th>
</tr>
</thead>
<tbody>
<tr>
<td>Issuer</td>
<td>Republic of Indonesia</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Issuer Rating</td>
<td>Baa3 (Moody’s) / BBB- (Fitch)</td>
<td>Baa3 (Moody’s) / BBB- (Fitch)</td>
<td></td>
</tr>
<tr>
<td>Issue Rating</td>
<td>EUR Fixed Rate</td>
<td>USD Fixed Rate</td>
<td>USD Fixed rate</td>
</tr>
<tr>
<td>Issue</td>
<td>EUR€1.00bn</td>
<td>USD$1.00bn</td>
<td>USD$1.00bn</td>
</tr>
<tr>
<td>Pricing/Settlement Date</td>
<td>July 11, 2017 / July 18, 2017</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Maturity</td>
<td>July 18, 2024</td>
<td>July 18, 2027</td>
<td>July 18, 2047</td>
</tr>
<tr>
<td>Coupon</td>
<td>2.150%</td>
<td>3.850%</td>
<td>4.750%</td>
</tr>
<tr>
<td>Re-offer Yield/Price</td>
<td>2.178%/ 99.820%</td>
<td>3.900%/ 99.589%</td>
<td>4.800%/ 99.209%</td>
</tr>
<tr>
<td>Re-offer Spread</td>
<td>+158bps</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Format</td>
<td>Rule 144 A / Reg S</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Listing</td>
<td>SGX-ST and Frankfurt Open Market</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total Book Order</td>
<td>EUR4.3bn</td>
<td>USD4.1bn</td>
<td>USD3.2bn</td>
</tr>
</tbody>
</table>
Developing Government Securities
DEEP, ACTIVE, AND LIQUID MARKET
Sufficient market capacity to absorb and efficient price/yield

MARKET INFRASTRUCTURE

PRIMARY MARKET

- **Activities**: Regular issuance (auction, book building), private placement
- **Infrastructure**: Auction system for domestic and global issuance, settlement system for retail bonds

SECONDARY MARKET

- **Activities**: Buyback, debt switch, securities lending facility
- **Infrastructure**:
  - Primary dealers quotation system
  - Trading system through IDX
  - INDOBeX
  - *Electronic Trading Platform* (ETP): for retail bonds (under development)
- **Price Discovery Mechanism**:
  - IBPA (Indonesia Bond Pricing Agency)
  - PLTE (Penerima Laporan Transaksi Efek)
  - Yield curve for benchmark series.
- **Repo Instruments and Derivatives**: MRA, GMRA & Indonesia Government Bond Futures

REGULATION, SUPERVISION, INSTITUTIONAL SUPPORT, AND MARKET COMMUNICATION

DEMAND
- Banks
- Central Banks
- Foreign Investors
- Insurance
- Pension Funds
- Mutual Funds
- Corporates
- Securities Houses
- Retail Investors
- LPS (Indonesia Deposit Insurance Corporation)
- BLU (Public Service Agency)
- SOE (State Owned Enterprise)
- Others

SUPPLY
- GOVERNMENT BOND:
  - Local Currency Bonds
- Foreign Currency Denominated Bonds
- TREASURY BILLS
Improving market infrastructure

PRICE DISCOVERY MECHANISM

- Establishment of IBPA (Indonesia Bond Pricing Agency)
- Centralised transaction report through PLTE
- Yield curve for benchmark series and all tenors

MARKET MECHANISM

- Establishment of BI-SSSS
- Establishment of primary dealers system for govt debt securities & PDs quotation system
- Establishment of MoFIDs
- Development of INDOBeX (Indonesia Government Bond Index)
- Debt switch through many-to-many and staple bonds mechanism
- GMRA as a standard master agreement for repo transactions
- Implementation of SID (Single Investor Identification)

UNDER DEVELOPMENT

- ETP (Electronic Trading Platform) for secondary market
- Developing IGBF (Indonesia Government Bond Futures)

BI-SSSS = Bank Indonesia – Scripless Securities Settlement System
MoFIDS = Ministry of Finance Dealing System
Coordination among Authorities

Ministry of Finance

Bank Indonesia

Indonesia Financial Services Authority (OJK)

Indonesia Deposit Insurance Corporation (LPS)

FINANCIAL MARKET STABILISATION

FINANCIAL MARKET DEVELOPMENT

Indonesia Financial Services Authority (OJK)

Bank Indonesia
Average incoming bids 2017 = IDR36.7T/auction
Average awarded bids 2017 = IDR16.7T/auction
Average incoming bids 2016 = IDR25.55T/auction
Average awarded bids 2016 = IDR13.37T/auction

as of Aug 2, 2017

Average Incoming Bid 2016 = IDR25.55T while Average Awarded Bid 2016 = IDR13.37T

*) Surat Utang Negara (SUN)
GDS Secondary Market Performance

Yield of Benchmark Series

As of Aug 1, 2017

5Y: 6.68%, 6.88%, 7.33%, 7.56%
10Y: 6.88%, 7.91%, 9.38%, 9.54%
15Y: 7.33%, 9.49%, 10.15%
20Y: 7.56%, 9.71%, 10.54%

Average Daily Trading

As of Aug 1, 2017

Quotation of Benchmark Series (as of Aug 1, 2017)

<table>
<thead>
<tr>
<th>SERIES/ TENOR</th>
<th>PRICE/ YIELD</th>
<th>TODAY</th>
<th>A DAY BEFORE</th>
<th>5 DAYS BEFORE</th>
<th>MONTH TO DATE</th>
<th>YEAR TO DATE</th>
<th>A DAY BEFORE</th>
<th>5 DAYS BEFORE</th>
<th>MTD</th>
<th>YTD</th>
</tr>
</thead>
<tbody>
<tr>
<td>FR0061 PRICE</td>
<td>101.28</td>
<td>101.13</td>
<td>100.99</td>
<td>101.13</td>
<td>97.96</td>
<td>15</td>
<td>29</td>
<td>15</td>
<td>332</td>
<td></td>
</tr>
<tr>
<td>5Y YIELD</td>
<td>6.68%</td>
<td>6.72%</td>
<td>6.75%</td>
<td>6.72%</td>
<td>7.47%</td>
<td>(4)</td>
<td>(7)</td>
<td>(4)</td>
<td>(79)</td>
<td></td>
</tr>
<tr>
<td>FR0059 PRICE</td>
<td>100.80</td>
<td>100.48</td>
<td>100.60</td>
<td>100.48</td>
<td>94.98</td>
<td>32</td>
<td>20</td>
<td>32</td>
<td>582</td>
<td></td>
</tr>
<tr>
<td>10Y YIELD</td>
<td>6.88%</td>
<td>6.93%</td>
<td>6.91%</td>
<td>6.93%</td>
<td>7.71%</td>
<td>(5)</td>
<td>(3)</td>
<td>(5)</td>
<td>(83)</td>
<td></td>
</tr>
<tr>
<td>FR0074 PRICE</td>
<td>101.50</td>
<td>101.26</td>
<td>101.75</td>
<td>101.26</td>
<td>101.18</td>
<td>24</td>
<td>(25)</td>
<td>24</td>
<td>32</td>
<td></td>
</tr>
<tr>
<td>15Y YIELD</td>
<td>7.33%</td>
<td>7.36%</td>
<td>7.31%</td>
<td>7.36%</td>
<td>8.13%</td>
<td>(3)</td>
<td>2</td>
<td>(3)</td>
<td>(80)</td>
<td></td>
</tr>
<tr>
<td>FR0072 PRICE</td>
<td>106.88</td>
<td>106.26</td>
<td>106.96</td>
<td>106.26</td>
<td>97.19</td>
<td>62</td>
<td>(8)</td>
<td>62</td>
<td>969</td>
<td></td>
</tr>
<tr>
<td>20Y YIELD</td>
<td>7.56%</td>
<td>7.62%</td>
<td>7.55%</td>
<td>7.62%</td>
<td>7.81%</td>
<td>(6)</td>
<td>1</td>
<td>(6)</td>
<td>(25)</td>
<td></td>
</tr>
</tbody>
</table>

Foreign Ownership V. 10Y Yield Movement

Source: IBPA
## Ownership of Tradable Domestic Government Securities

(in trillion IDR)

<table>
<thead>
<tr>
<th>Description</th>
<th>Dec-14</th>
<th>Dec-15</th>
<th>Dec-16</th>
<th>Jan-17</th>
<th>Jun-17</th>
<th>01-Aug-17</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Banks</strong>*</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>375.55</td>
<td>30.98%</td>
<td>350.07</td>
<td>23.95%</td>
<td>399.46</td>
<td>22.53%</td>
<td>27.95%</td>
</tr>
<tr>
<td><strong>Govt Institutions (Bank Indonesia</strong>)**</td>
<td>41.63</td>
<td>3.43%</td>
<td>148.91</td>
<td>10.19%</td>
<td>134.25</td>
<td>7.57%</td>
</tr>
<tr>
<td><strong>Bank Indonesia (gross)</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>157.88</td>
<td>8.90%</td>
<td>163.63</td>
<td>9.03%</td>
<td>180.28</td>
<td>9.23%</td>
<td>180.25</td>
</tr>
<tr>
<td><strong>GS used for Monetary Operation</strong></td>
<td>23.63</td>
<td>1.33%</td>
<td>110.32</td>
<td>6.09%</td>
<td>4.39</td>
<td>0.22%</td>
</tr>
<tr>
<td><strong>Non-Banks</strong></td>
<td>795.17</td>
<td>65.59%</td>
<td>962.86</td>
<td>65.87%</td>
<td>1239.57</td>
<td>69.90%</td>
</tr>
<tr>
<td><strong>Foreign Holders</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>461.35</td>
<td>38.05%</td>
<td>558.52</td>
<td>38.21%</td>
<td>665.81</td>
<td>37.55%</td>
<td>39.47%</td>
</tr>
<tr>
<td><strong>Foreign Govt’s &amp; Central Banks</strong></td>
<td>103.41</td>
<td>8.53%</td>
<td>110.32</td>
<td>7.55%</td>
<td>120.84</td>
<td>6.81%</td>
</tr>
<tr>
<td><strong>Insurance Company</strong></td>
<td>150.60</td>
<td>12.42%</td>
<td>171.62</td>
<td>11.74%</td>
<td>238.24</td>
<td>13.43%</td>
</tr>
<tr>
<td><strong>Mutual Funds</strong></td>
<td>45.79</td>
<td>3.78%</td>
<td>61.60</td>
<td>4.21%</td>
<td>85.66</td>
<td>4.83%</td>
</tr>
<tr>
<td><strong>Pension Fund</strong></td>
<td>43.30</td>
<td>3.57%</td>
<td>49.83</td>
<td>3.41%</td>
<td>87.28</td>
<td>4.92%</td>
</tr>
<tr>
<td><strong>Individual</strong></td>
<td>32.80</td>
<td>2.71%</td>
<td>42.53</td>
<td>2.91%</td>
<td>57.75</td>
<td>3.26%</td>
</tr>
<tr>
<td><strong>Others</strong></td>
<td>61.32</td>
<td>5.06%</td>
<td>78.50</td>
<td>5.37%</td>
<td>104.84</td>
<td>5.91%</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>1,212.35</td>
<td>100%</td>
<td>1,461.85</td>
<td>100%</td>
<td>1,773.28</td>
<td>100%</td>
</tr>
</tbody>
</table>

2) Others such as Securities Company, Corporation, and Foundation.
* Including the Government Securities used in monetary operation with Bank Indonesia.
** net, excluding Government Securities used in monetary operation with Banks.
Yield of Govt Bonds on Peers’ Market

<table>
<thead>
<tr>
<th>LCY 10 Year Government Bonds</th>
<th>Latest Yield (%)</th>
<th>YTD Change (BP)</th>
<th>MTD Change (BP)</th>
</tr>
</thead>
<tbody>
<tr>
<td>HK</td>
<td>1.542</td>
<td>-43.2</td>
<td>+2.4</td>
</tr>
<tr>
<td>ID</td>
<td>6.925</td>
<td>-104.8</td>
<td>-2.6</td>
</tr>
<tr>
<td>JP</td>
<td>0.078</td>
<td>+3.2</td>
<td>-0.5</td>
</tr>
<tr>
<td>KR</td>
<td>2.260</td>
<td>+16.8</td>
<td>+3.3</td>
</tr>
<tr>
<td>MY</td>
<td>3.988</td>
<td>-24.0</td>
<td>-0.5</td>
</tr>
<tr>
<td>PH</td>
<td>4.989</td>
<td>+36.1</td>
<td>+31.5</td>
</tr>
<tr>
<td>SG</td>
<td>2.130</td>
<td>-34.4</td>
<td>+3.4</td>
</tr>
<tr>
<td>TH</td>
<td>2.413</td>
<td>-23.5</td>
<td>-1.8</td>
</tr>
<tr>
<td>US</td>
<td>2.253</td>
<td>-19.1</td>
<td>-4.1</td>
</tr>
<tr>
<td>VN</td>
<td>5.456</td>
<td>-91.9</td>
<td>+1.0</td>
</tr>
</tbody>
</table>

- Market Watch as of August 2, 2017
- Source: Asian Bonds Online

Source: IDMA, Bloomberg, as of Nov. 22 2016
Crisis Management Protocol & Bond Stabilization Framework
Implement Measures to Manage External Volatility

**Pre-emptive Measures**
- Implementing Crisis Management Protocol (CMP)
- Implementing Bond Stabilization Framework (BSF)
- Enhancing coordination between government institutions and continuous dialogue with market participants
- Specific policies in place to address crises enacted in 2015 budget law

**Crisis Management Protocol**
- Indicators to determine crisis level of Government Securities Market condition (normal, aware, alert, crisis)
- Several market indicators that are monitored daily:
  - Yield of benchmark series;
  - Exchange rate;
  - Jakarta Composite Index;
  - Foreign ownership in government securities
- Policies to address the crisis at every level:
  - Repurchase the government securities at secondary market
  - Postpone or stop the issuance

**Bond Stabilization Framework**

<table>
<thead>
<tr>
<th>First Line of Defense</th>
<th>Second Line of Defense</th>
</tr>
</thead>
<tbody>
<tr>
<td>State’s Budget</td>
<td>State General Treasury Account</td>
</tr>
<tr>
<td></td>
<td>(Rekening KUN) (min. level Alert)</td>
</tr>
<tr>
<td>State Owned Enterprises (BUMN)’s Budget</td>
<td>Accumulated cash surplus (SAL) (min.</td>
</tr>
<tr>
<td></td>
<td>Level Crisis)</td>
</tr>
<tr>
<td>Social Security Organizing Agency’s (BPJS)’s</td>
<td>Related BUMNs (min. level Alert)</td>
</tr>
<tr>
<td>Budget</td>
<td>BPJS (min. level Alert)</td>
</tr>
</tbody>
</table>

- Buyback fund at DG of Budget Financing and Risk Management
- Investment fund at Public Service Agency (BLU) (min. level Aware)
- Related BUMNs (min. level Aware)
- BPJS (min. level Aware)
Foreign Investor Activity
Dominated By High Quality Long Term Investors

Foreign Ownership - Proportion by Tenor

Monthly Net Buyer (Seller) - Non Resident

[In Trillion IDR ]

Net Inflows [LHS]  Net Inflows Over Total Foreign Holdings [RHS]

As of July 17, 2017

%Foreign Ownership of Total

0-1  ≥1-2  ≥2-5  ≥5-10  ≥10
Domestic Institutional Investors

FSA (OJK) Regulation No 1/POJK.05/2016* on Investment in Government Securities for Non-Bank Financial Institution

- **Life Insurance Company**
  - Min. 20% of total investment (by Dec. 31 2016).
  - Min. 30% of total investment (by Dec. 31 2017).

- **General Insurance, Reinsurance & Guarantee Company**
  - Min. 10% of total investment (by Dec. 31 2016).

- **Employer Pension Fund**
  - Min. 20% of total investment (by Dec. 31 2016).
  - Min 30% of total investment (by Dec. 31 2017).

- **BPJS Ketenagakerjaan (The Social Security Administration Body for Employment)**
  - Min. 50% of total investment of Employment Social Security Fund (by Dec. 31 2016).

- **BPJS Kesehatan (Healthcare Social Security Agency)**
  - Min. 30% of total investment of BPJS Kesehatan (by Dec. 31 2016).
  - Min. 30% of total portfolio investment of BPJS Ketenagakerjaan (by Dec. 31 2016).

*Since November 14, 2016 this regulation is revised to be FSA (OJK) Regulation No.36/POJK.05/2016. The revised regulation has added SOE infrastructure bonds as instrument other than Gov’t Securities that can be utilized to fulfill the minimum investment requirement.
Domestic Investor Activity
Increasing Demand From Non-bank Institutional

- **Banks***
- **Bank Indonesia**
- **Mutual Fund**
- **Insurance Company**
- **Foreign Holders**
- **Individual**
- **Pension Fund**
- **Others**

NET BUY 2016
NET BUY 2015

IDR In

<table>
<thead>
<tr>
<th>Category</th>
<th>NET BUY 2016</th>
<th>NET BUY 2015</th>
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<tr>
<td>Others</td>
<td>26.08</td>
<td>17.44</td>
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<td>Individual</td>
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<td>Pension Fund</td>
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<td>Banks*</td>
<td>63.17</td>
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Challenges

• How to mitigate risk resulted from high foreign participation in the domestic market

• How to improve liquidity of govt securities: Benchmark; Non-benchmark series; and 3M SPN (Treasury Bills)

• How to increase repo transactions among market players
END OF PRESENTATION

Directorate General of Budget Financing and Risk Management
Ministry of Finance of Republic of Indonesia

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Financing Strategy 2017
General Objective & Policy

To support market development

To meet financing needs at optimum cost and tolerable risk

To enhance public accountability as part of transparent Government debt management

General Policy

To manage debt-to-GDP ratio
To increase debt management efficiency
To optimize currency mix of issuance
To achieve optimal participation of society
To conduct active debt portfolio
To direct debt use to productive activities
To optimize the use of external and domestic loans
To strengthen the function of Investor Relations Unit

Financing Strategy 2017 General Objective & Policy
In February 2017, Moody’s changed its outlook on Indonesia to positive (Baa3). The positive outlook reflects:
- Improved policy effectiveness (as evidenced by positive improvements in institutions, track record of macrostability and fiscal stability)
- Expected reduction in vulnerability to external shocks due to narrowing current account deficits and a slower growth in private sector external debt

In May 2017, S&P upgraded Indonesia’s long-term sovereign credit ratings to an investment grade rating of ‘BBB-‘ with stable outlook, from ‘BB+‘. This reflects:
- Reduced risks to Indonesia’s fiscal metrics
- More realistic revenue targets
- Effective expenditure management
- Increased predictability of economic and financial policy
S&P stated that long-term ratings could be raised if there are significant improvements in the external and fiscal balance

In July 19, 2017, Fitch affirms Indonesia as BBB- with outlook Positive. The positive rating reflects:
- Al low government debt burden
- Strong macroeconomic policy with focus on macro stability and sustainable growth
- Further increase in foreign exchange buffers
- Improving business environment