

# 34<sup>th</sup> ECBC Plenary Meeting

## Access to Capital Market for Covered Bonds & Securitization in Indonesia



Reykjavik, Iceland  
16 May 2024

[www.smf-indonesia.co.id](http://www.smf-indonesia.co.id)

# TOPIC OF DISCUSSION

**1. INDONESIA HOUSING FINANCE HIGHLIGHTS**

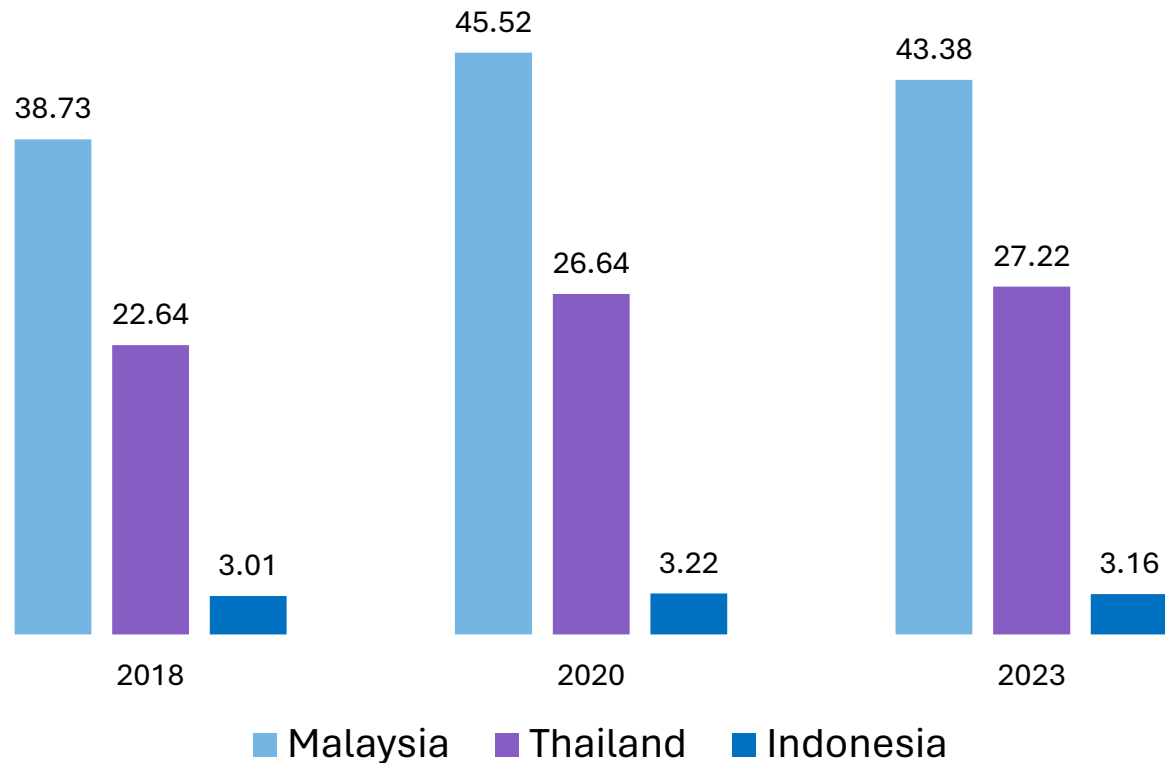
**2. SECURITIZATION IN INDONESIA**

# INDONESIA HOUSING FINANCE HIGHLIGHTS

---

# Still Trailing Far Behind Our Middle-Income Neighbors

## Mortgage to GDP Ratio



Source: CEIC

Note:

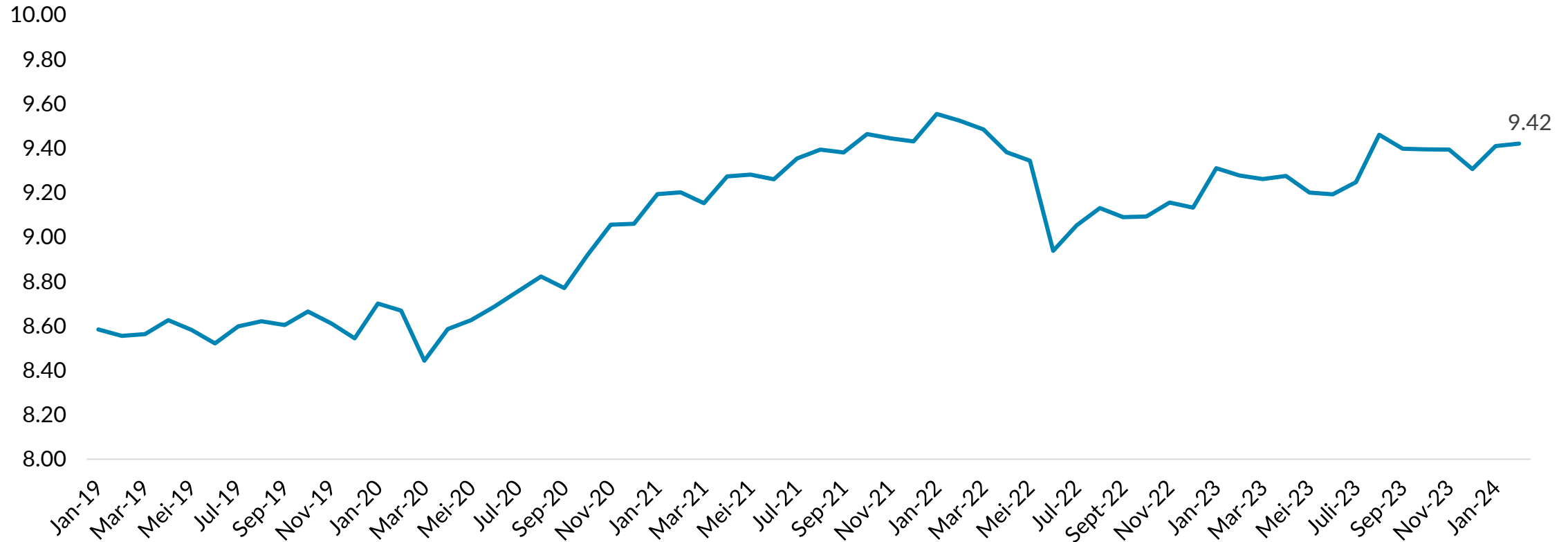
1. GDP Indonesia in 2023: USD1.37 Trillion.
2. GDP Thailand in 2023: USD515.28 Billion.
3. GDP Malaysia in 2023: USD399.99 Billion.

- Indonesia's mortgage-to-GDP ratio still **lags far behind** than Malaysia and Thailand.
- As of December 2023, Indonesia's mortgage-to-GDP ratio was **only 3.16%**. In contrast, Malaysia's ratio stood at 43.38%, while Thailand's was 27.22%.
- This **staggering difference** remains a concern for Indonesia's housing finance climate.

# Mortgage to Total Loan Ratio over the last 5 years: 8-9 percent

In the last 5 years, ratio of mortgage to total loan has been relatively small, only around 8-9 percent.

Mortgage to Total Loan Ratio in Indonesia (%)

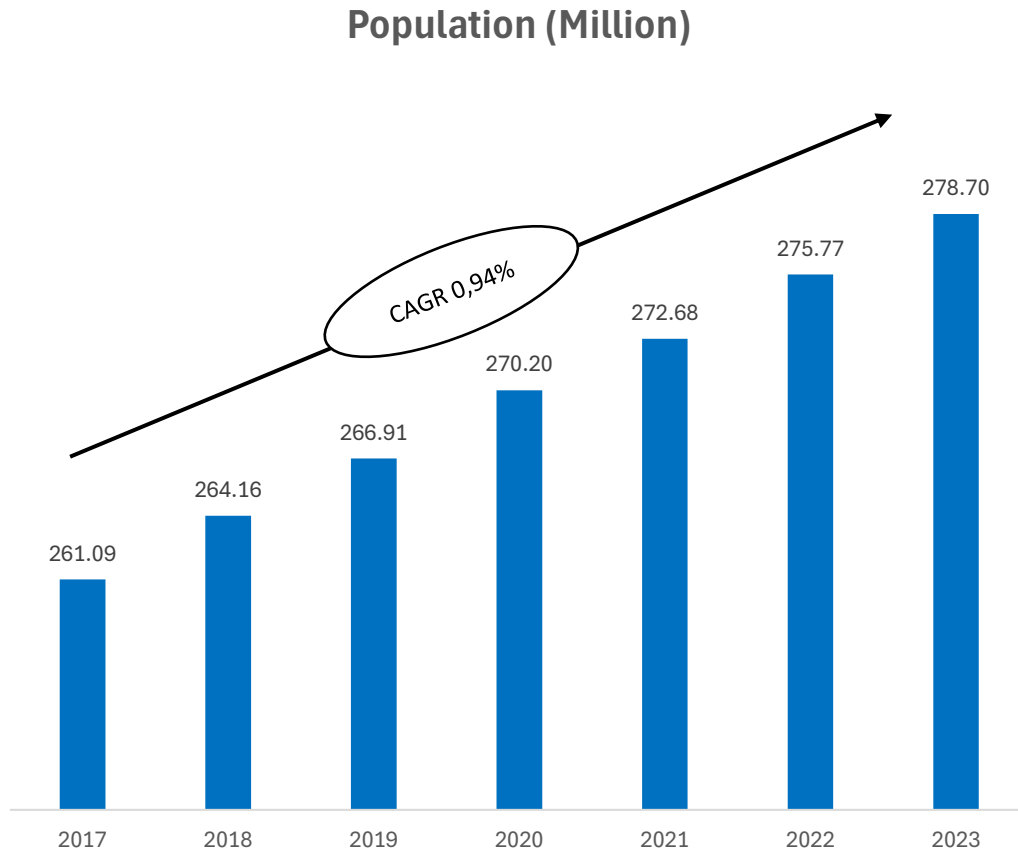


Source: CEIC

Note:

1. Mortgage to Total Loan Ratio in Malaysia, as of Jan 2024: 37.24%
2. Mortgage to Total Loan Ratio in Thailand, as of Nov 2023: 26.76%

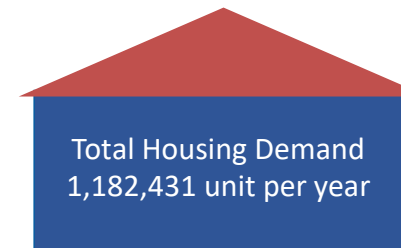
# Housing Demand and Supply In Indonesia



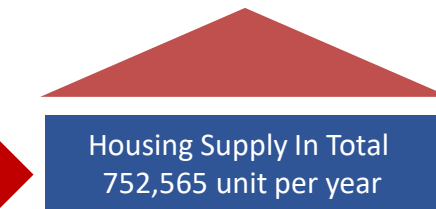
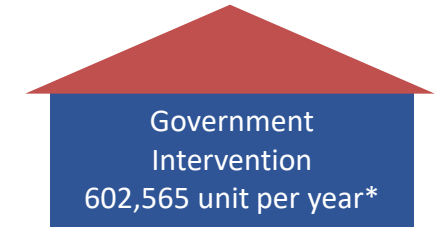
## Housing Demand

Households (2023)	73.1 Million
Population Growth	0.94 % per year
Estimated Housing Demand per Year	687,140 unit per year

Existing Backlog (2023)	9.91 Million
Housing Needed to Eradicate Existing Backlog in 20 Years	495,291 unit per year



## Housing Supply



The demand-supply housing gap is around 429,866 unit. To fulfill this gap, it would require housing financing of USD4.94 billion per year (Assuming a house price of USD11,485/unit).

Source: SMF, Statistics Indonesia 2024

\*National Medium and Long-Term Plan ("RPJMN") as of 2024

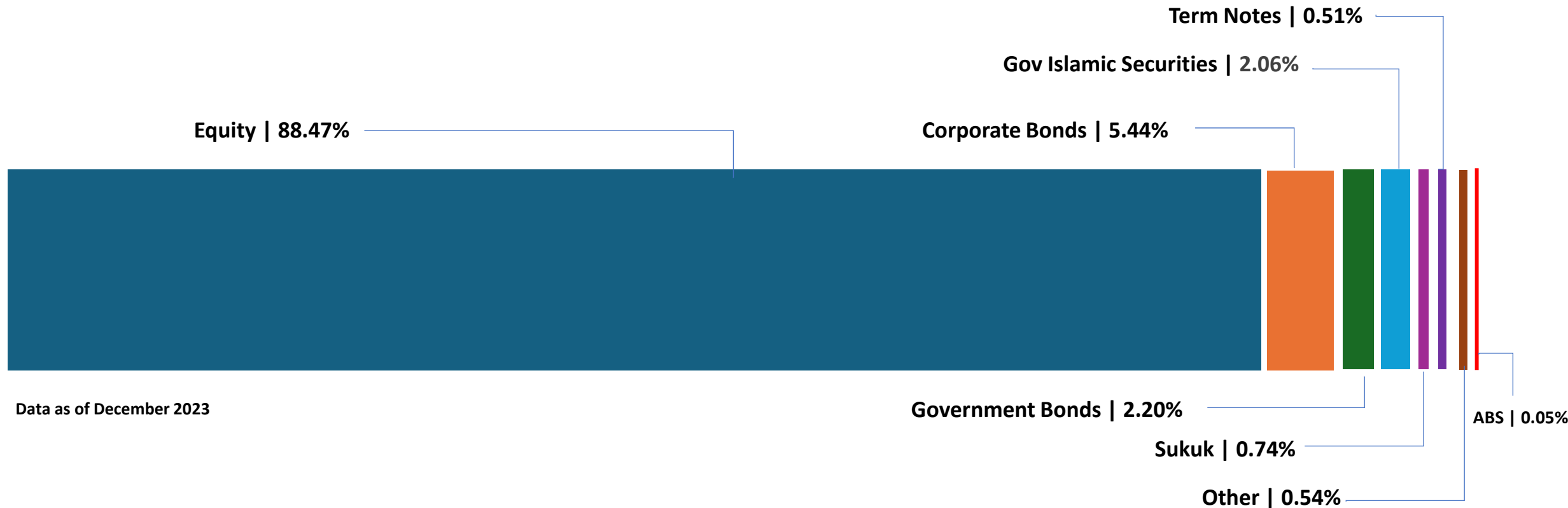
Exchange Rate : USD as of 29 December 2023 IDR 15,237

# SECURITIZATION IN INDONESIA

---

# Capital Market Composition in Indonesia

Indonesia's capital market total is USD508.236 billion, dominated by equities at 88.47%, followed by Corporate Bonds at 5.44%, Government Bonds at 2.2%, and Government Islamic Securities at 2.06%. Indonesia's Asset Backed Securities (ABS) accounts for only 0.05% of the entire capital market in Indonesia



Data as of December 2023

Source: The Indonesia Central Securities Depository



# SMF Mortgage-Backed Securities Milestone

SMF has facilitated **17** MBS  
Issuance in total of

**IDR 14.21 T**

≈USD 932.59 MILLION

All of the issuances has  
**AAA (Triple A) Rating**  
until matured

MBS Outstanding  
as of Q1 2024

**IDR 2.05 T**

≈USD 134.54 MILLION

Exchange Rate : IDR 15,237/USD (PPP yearly rate)

2009

2010-2014

2015

2016

2017

2018

2019

2020

2022

2023

Total Issuance  
IDR 500 Billion  
(USD 32.82 Million)

Total Issuance  
IDR 4.95 Trillion  
(USD 324.87 Million)

Total Issuance  
IDR 200 Billion  
(USD 13.12  
Million)

Total Issuance  
IDR 1.5 Trillion  
(USD 98.44  
Million)

Total Issuance  
IDR 1 Trillion  
(USD 65.63  
Million)

Total Issuance  
IDR 2 Trillion  
(USD 131.26  
Million)

Total Issuance  
IDR 2 Trillion  
(USD 131.26  
Million)

Total Issuance  
IDR 631 Billion  
(USD 41.41  
Million)

Total Issuance  
IDR 500 Billion  
(USD 32.81  
Million)

Total Issuance  
IDR 925  
Billion  
(USD 60.71  
Million)

- SMF MBS are all rated by PEFINDO, the first independent credit rating agency in Indonesia which affiliated with S&P Global Asian Holdings Pte Ltd. as one of its major shareholders. From 2009 to 2024, all securitizations have experienced **no defaults** and have consistently held an **AAA rating**
- Securitization transaction can only be carried out on assets with good performance credit portfolio.
- Based on the Financial Services Authority of Indonesia (OJK) regulation (POJK 23/2014), the submission on public offer documents should be performed at the latest of 45 days of calendar. At this process, all information including the coupon rate requested should already been provided. Furthermore, public offering can only be performed once OJK provided the effective statement which is after the 45 calendar days.
- Mainly, the investors are insurance company and pension fund.

# Sharia Mortgage Backed Securities



2023

Transaction Amount  
**IDR 325 billion /  
USD 21.3 million**

EBAS-SP SMF-BRIS01

\*Senior class rating: AAA, effective date May 31<sup>st</sup>, 2023

Originator

**BSI** BANK SYARIAH  
INDONESIA

SMF and BSI had issued the first Sharia MBS and/or the first Sharia ABS in Indonesia with an underlying asset of BSI Islamic Bank Mortgage (KPR iB). This also aims to encourage the inclusion of financial markets and Sharia capital markets in Indonesia.

# Current Challenges in Indonesia's Securitization Transaction

## CURRENT CHALLENGES

- A) Banks are reluctant to offload their best assets portfolio from their books. This condition is triggered by the fact that currently Banks are still high in financial liquidity, relatively the current condition of LDR are still below 100% (84.25% as of February 2024, FSA).
- B) Banks are not really considering the risk of mismatched funding, thus they consider securitization as an alternative funding and chose to favor short-term funding from customers deposits which provided higher interest margin.
- C) The issuance cost of MBS are relatively high since it involves many different parties, and MBS process in FSA took more than 45 calendar days, which is longer compared to the Bonds Issuance process.
- D) Investors prefer to purchase government bonds instead of MBS product. This condition risen due to MBS payment cycle which aren't as common as the government bond, specifically the early redemption which reduces the amount of time before an investor can receive the repayment principal and hence considered unfavourable.
- E) Upon submission to the Financial Services Authority of Indonesia (OJK), all information including the fixed coupon rate requested should already been provided. Furthermore, public offering can only be performed once OJK provided the effective statement which is after the 45 calendar days.



THANK  
YOU



**PT SARANA MULTIGRIYA FINANSIAL (PERSERO)**

📍 Grha SMF  
Jl. Panglima Polim I No 1 Melawai  
Kebayoran Baru Jakarta 12160

🌐 [www.smf-Indonesia.co.id](http://www.smf-Indonesia.co.id)