BANK INDONESIA
BANK SENTRAL REPUBLIK INDONESIA

Appendix of Press Release No. 28/126/DKom

Assessment of Policy Rate Transmission to Prime Lending Rates in the Banking Industry

June 2026

BANK INDONESIA

Prime Lending Rates (PLR) in the Banking Industry Declined Slightly in April 2026, Driven by a Lower Cost of Loanable Funds, while Higher Overhead Costs Squeezed Bank Profit Margins

- PLR in the banking industry in April 2026 declined, driven by a lower Cost of Loanable Funds (CoLF), despite higher overhead costs (OHC) limiting room for a further decrease in PLR.
- Interest rates on rupiah loans continued to decrease, while interest rates on new loans began increasing in line with adjustments to risk perception and funding conditions in the banking industry.
- Lending rates in most Macroprudential Liquidity Incentive Policy (KLM) priority sectors remained competitive with contained credit risk, supported by KLM support for priority sector financing.

Prime Lending Rate (PLR)[1] Developments in April 2026

[1] The Prime Lending Rate (PLR) is published by banks in accordance with OJK Regulation (POJK) No. 13 of 2024 concerning Lending Rate Transparency and Publication. The PLR is used as a benchmark for setting the interest rate charged by the bank to debtors but does not consider the individual borrower's risk premium component. Therefore, the interest rate that

The PLR in April 2026 was recorded lower, supported by adequate banking liquidity, although developments across bank groups indicated a mixed response. In April 2026, the PLR was recorded at 8.62%, edging down from 8.63% in the previous month. The decrease was in line with higher bank lending growth of 9.98% (yoy) in April 2026 from 9.49% (yoy) in March 2026 (**Graph 1**)[2]. Such developments indicate that the PLR remained competitive in terms of supporting demand for credit and strengthening banking intermediation. The ongoing decrease in funding costs provided banks with room to maintain lending rates at levels that support credit growth, although space for further PLR reductions became more limited due to higher operational costs. In general, the lower PLR reflected the ongoing transmission of lower funding costs to lending rates in the banking industry. Nevertheless, the magnitude of PLR adjustments varied across bank groups in line with differences in liquidity conditions, funding structures, business strategies and risk perception at each bank.

The PLR decreased at different speeds across bank groups, reflecting variations in liquidity conditions, fund mobilisation and credit disbursement strategies, as well as risk perception in each bank group. State-owned banks and national private

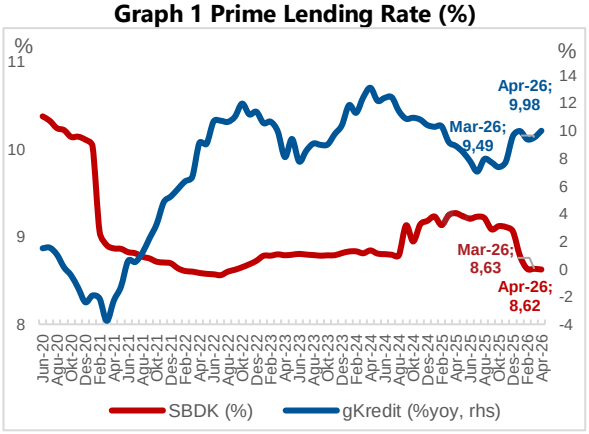
---

is charged to debtors is not necessarily equal to the PLR. The assessment period uses PLR data available until the publication of the report.

[2] In October 2024, the components of the PLR were adjusted in accordance with the provisions contained in OJK Regulation (POJK) No. 13 of 2024 concerning the Transparency and Publication of Prime Lending Rates. The PLR values in October 2024, November 2024 and December 2024 were restated in line with data corrections submitted by the reporting banks for the aforementioned periods.

commercial banks recorded lower PLRs of 8.78% and 8.43%, respectively, in April 2026 from 8.80% and 8.47% in March 2026 (Graph 2). On the other hand, regional government banks and foreign bank branches recorded higher PLRs of 9.09% and 5.19%, respectively, from 8.95% and 5.13% in March 2026. Bank groups with relatively lower funding costs and adequate liquidity tended to enjoy greater room to maintain or lower the PLR in order to preserve credit competitiveness. Conversely, bank groups facing higher funding and operational cost pressures tended to raise the PLR. Moving forward, developments in domestic liquidity conditions, fund mobilisation dynamics and global financial market uncertainty will continue to demand close vigilance due to their potential impact on bank funding costs.

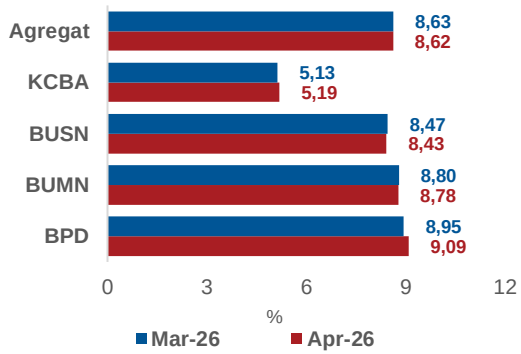
Graph 1 Prime Lending Rate (%)



*based on the new regulation with adjustments to bank revisions

Source: Financial Services Authority (OJK), processed

Graph 2 Prime Lending Rate in April 2026 by Bank Group



*based on the new regulation with adjustments to bank revisions

Source: Financial Services Authority (OJK), processed

PLR by Component[3]

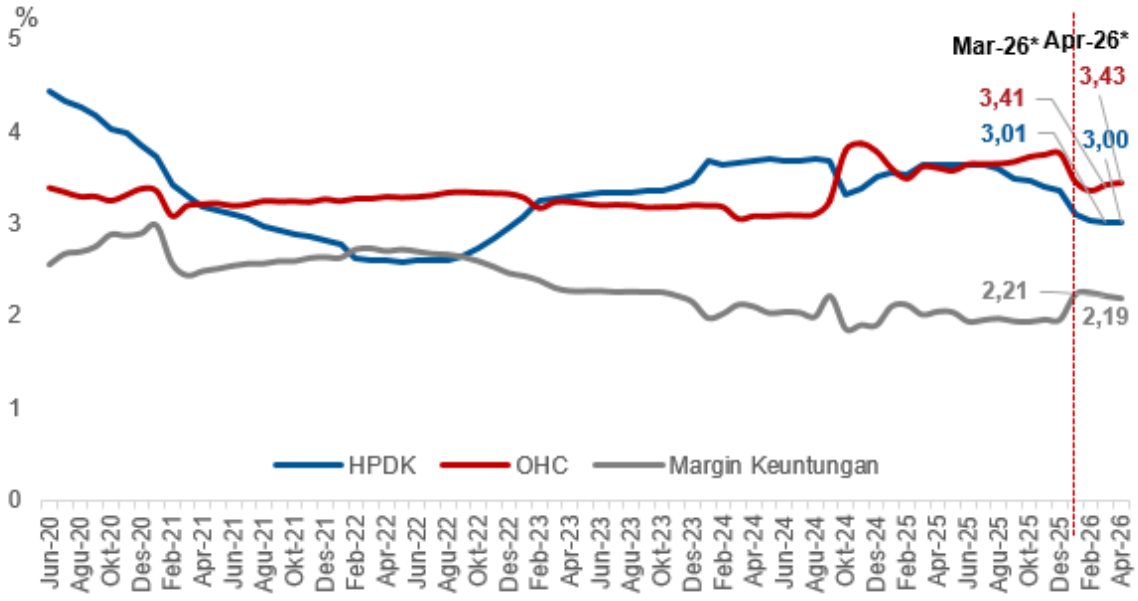
[3] PLR consists of 3 (three) subcomponents, namely: (i) Cost of Loanable Funds (CoLF), comprising third-party funds (Cost of TPF, cost of reserve balances, cost of LPS premium) and cost of non-TPF (cost of liabilities to Bank Indonesia and other banks, cost of securities issued,

The lower PLR in April 2026 was supported by the ongoing decrease in the Cost of Loanable Funds (CoLF) in line with adequate banking liquidity amid higher operational costs due to procurement expenditures on goods and services. On a monthly basis, the CoLF was recorded lower at 3.00% in April 2026 from 3.01% in March 2026. The decrease reflected bank funding costs that remained under control in line with adequate banking liquidity conditions. On the other hand, OHC increased to 3.43% in April 2026 from 3.41% in the previous period, primarily influenced by other expenses, particularly higher spending on goods and services as well as non-operational expenses. The combination of lower funding costs and higher operational costs caused bank profit margins to decline to 2.19% in April 2026 from 2.21% in the previous month (Graph 3). Such developments indicate that the transmission of lower funding costs to the PLR is continuing. Lower funding costs provided banks with room to reduce the PLR further, although higher operational costs limited space to lower PLR. Consequently, banks tended to absorb some of the cost pressures through adjustments to profit margins in order to maintain credit competitiveness and support intermediation.

---

cost of loans received, and others), (ii) overhead costs (OHC), comprising changes in the fair value of liabilities, operational risk loss, commissions/provisions/fees and administration, depreciation/amortisation, impairment of non-financial assets, labour cost, promotion cost, foreign exchange conversion loss, other expenses and other overheads, (iii) profit margin, which is set by the bank when disbursing new loans.

Graph 3 Components of PLR* (%)



*based on the new regulation with adjustments to bank revisions

Source: OJK, processed

The lower CoLF in April 2026 was supported by adequate banking liquidity, primarily stemming from Government fund placements, thereby limiting the mobilisation of high-cost funds. Such developments indicate that the transmission of policy rate reductions to bank funding costs is continuing. By bank group, state-owned banks and national private commercial banks recorded limited decreases in the CoLF to 2.77% and 3.23%, respectively, in April 2026 from 2.78% and 3.24% in March 2026 (**Graph 4**). The decreases were primarily influenced by Government deposits, which supported a relatively efficient and competitive funding structure, particularly deposits from Government Agencies and Institutions as well as Ministries. The decrease in the PLR at state-owned banks was more limited due to the withdrawal of Rp100 trillion in accumulated budget surplus (SAL) funds in April 2026. Meanwhile, foreign bank branches and regional

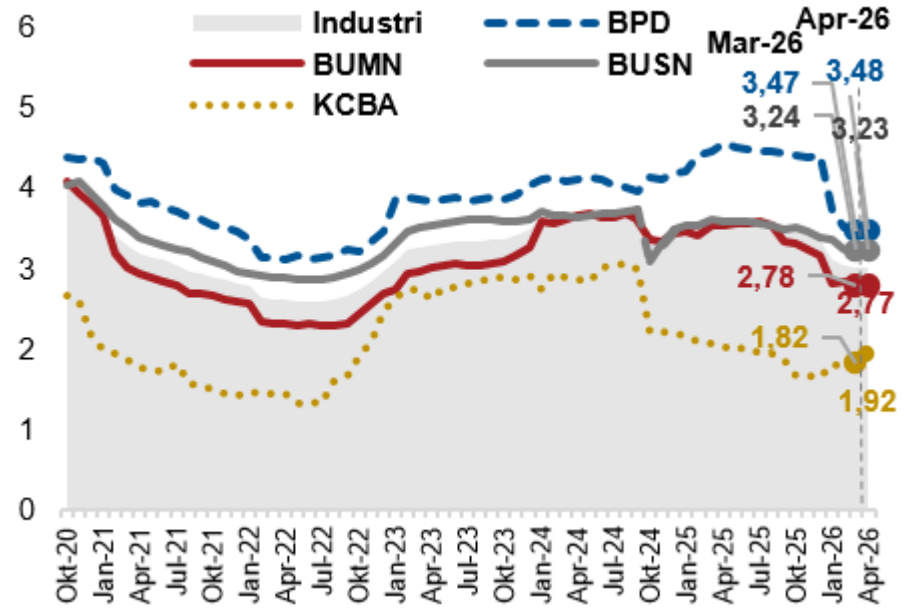
government banks recorded higher CoLF at 1.92% and 3.48%, respectively, from 1.82% and 3.47% in the previous month. The increases reflected funding cost adjustments influenced by fund mobilisation dynamics and changes in the funding source structure at each bank group. Based on these developments, CoLF conditions generally indicate that funding conditions were relatively maintained in the banking industry. Adequate liquidity helped contain pressures on funding costs and created room for the ongoing transmission of policy rates. Nevertheless, financial market conditions moving forward will continue to demand close vigilance due to their potential impact on bank funding costs.

On a monthly basis, OHC in the banking industry increased in April 2026 across most bank groups, except national private commercial banks, primarily due to higher other expenses for procurement expenditures on goods and services as well as higher labour costs. At the industry level, OHC increased to 3.43% in April 2026 from 3.41% in the previous period (Graph 5). The largest increase was recorded at regional government banks, rising to 3.64% from 3.48% in March 2026. State-owned banks and foreign bank branches also recorded higher OHC at 3.66% and 1.73%, respectively, from 3.62% and 1.68% in the previous month. Meanwhile, national private commercial banks were the only bank group to record a lower OHC in April 2026, decreasing to 3.15% from 3.19% in March 2026.

Bank profit margins in April 2026 declined across most bank groups in line with higher operational costs. At the industry level, profit margins declined to 2.19% in April 2026 from 2.21% in the previous period (Graph 6). By bank group, profit margins at regional government banks, state-owned banks and foreign bank branches decreased respectively to 1.98%, 2.35% and 1.55% from 2.00%, 2.40% and 1.64% in March 2026. The declines were caused by higher operational costs that exceeded the decreases

observed in funding costs. On the other hand, profit margins at national private commercial banks remained stable at 2.04% in April 2026, supported by operational efficiency from lower other expenses and labour costs. In general, such developments indicate that banks continued to maintain lending rate competitiveness through adjustments to profit margins amid higher operational costs. Moving forward, the ability of banks to maintain operational efficiency will be a factor influencing room for further lending rate adjustments.

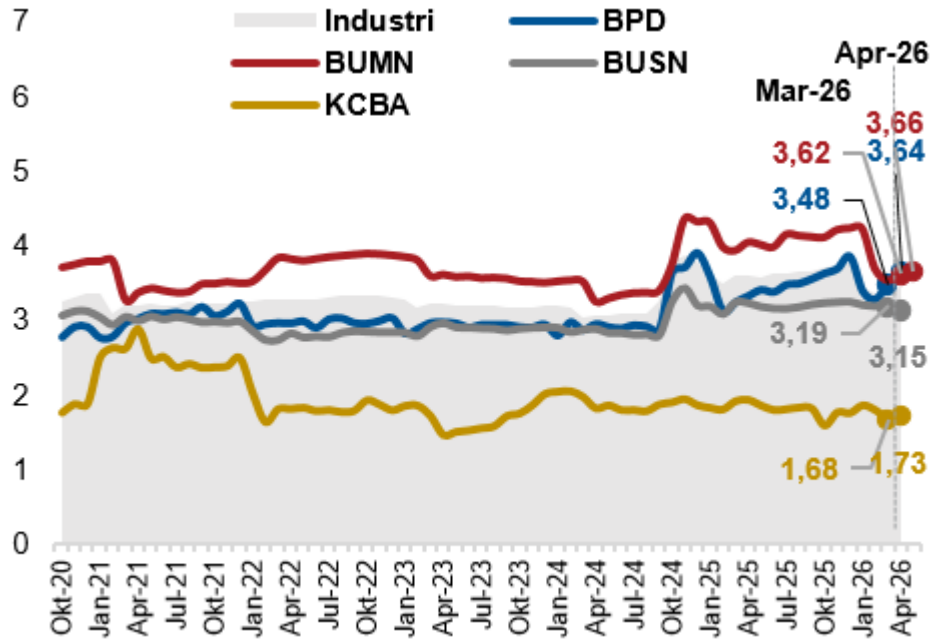
Graph 4 CoLF* Component by Bank Group (%)



*based on the new regulation with adjustments to bank revisions

Source: Financial Services Authority (OJK), processed

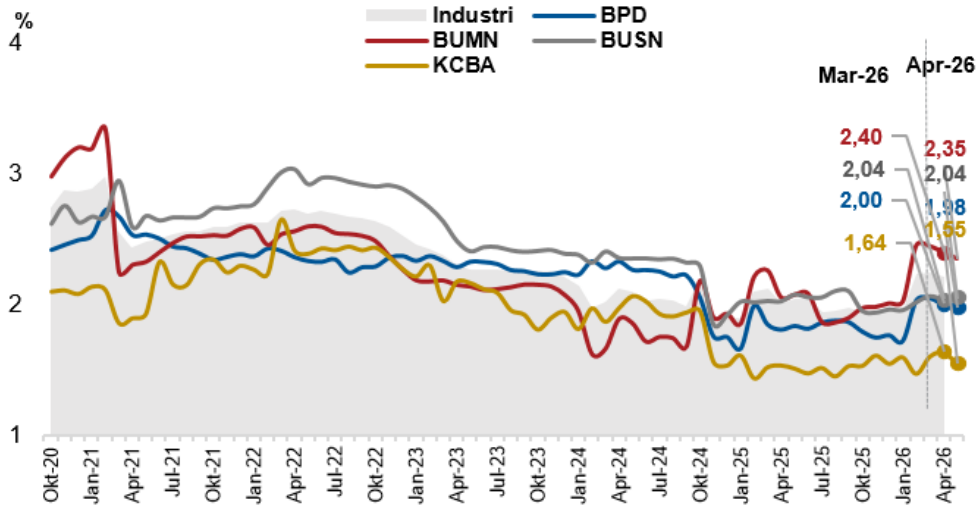
Graph 5 OHC* Component by Bank Group (%)



*based on the new regulation with adjustments to bank revisions

Source: Financial Services Authority (OJK), processed

Graph 6 Profit Margin* Component by Bank Group (%)



*based on the new regulation with adjustments to bank revisions

Source: Financial Services Authority (OJK), processed

Lending Rates

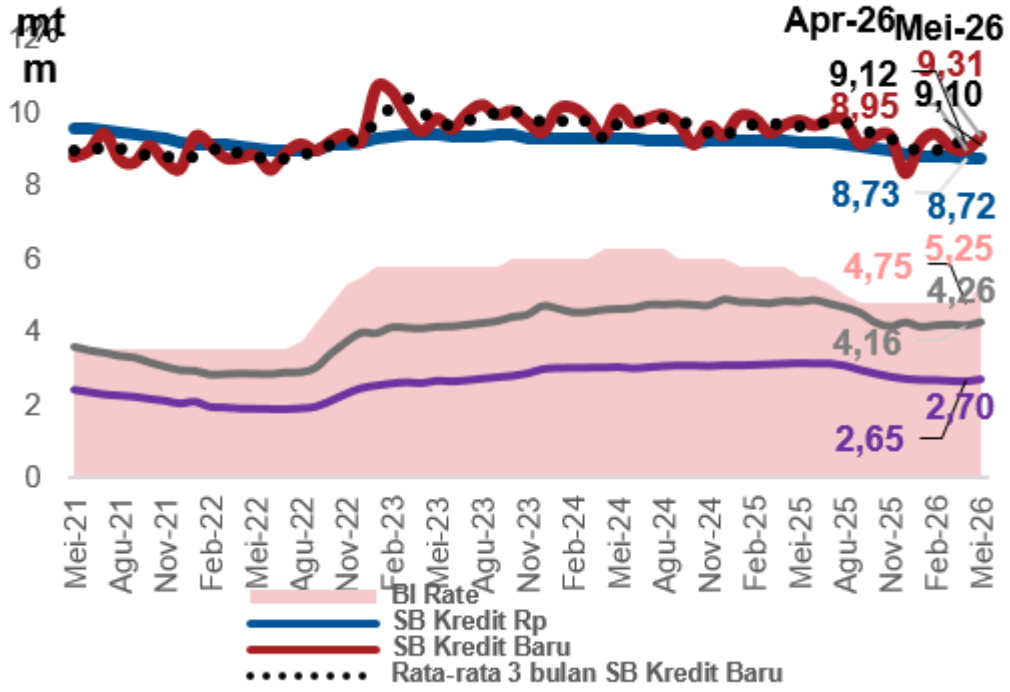
Interest rates on rupiah loans declined in May 2026, while interest rates on new loans increased in line with adjustments to funding conditions and risk perception.[4] In May 2026, the weighted average interest rate on rupiah loans was recorded lower at 8.72% from 8.73% in April 2026 (**Graph 7**). On the other hand, interest rates on new loans increased to 9.31% from 8.95% in April 2026. The divergence reflected a lag effect in policy rate transmission. Interest rates on rupiah loans were still influenced by the repricing of outstanding loans, while interest rates on new loans already reflected current funding conditions and risk perception. Such developments indicate that despite credit costs generally remaining competitive, banks have begun adjusting new loan pricing in response to changing market conditions and risk dynamics. This situation could potentially limit credit growth momentum moving forward. By bank group, developments in interest rates on new loans indicated variation, reflecting differences in liquidity conditions, funding structures and credit disbursement strategies at each bank group. In May 2026, state-owned banks recorded higher interest rates on new loans at 7.65% from 7.31% in April 2026 (**Graph 8**). On the other hand, regional government banks, national private commercial banks and foreign bank branches recorded lower interest rates on new loans at 9.18%, 10.88% and 7.64%, respectively, in May 2026 from 9.54%, 10.94% and 8.35% in the previous period.

In terms of fund mobilisation, the monthly increase in interest rates on rupiah third-party funds (TPF) indicated competition for funding amid limited low-cost funding sources and increasing funding needs to support credit growth. Interest rates on rupiah TPF were recorded at 2.70% in May 2026, up from 2.65% in April 2026 (**Graph**

[4] Interest rates on new loans are the prices set by lenders on new credit facilities.

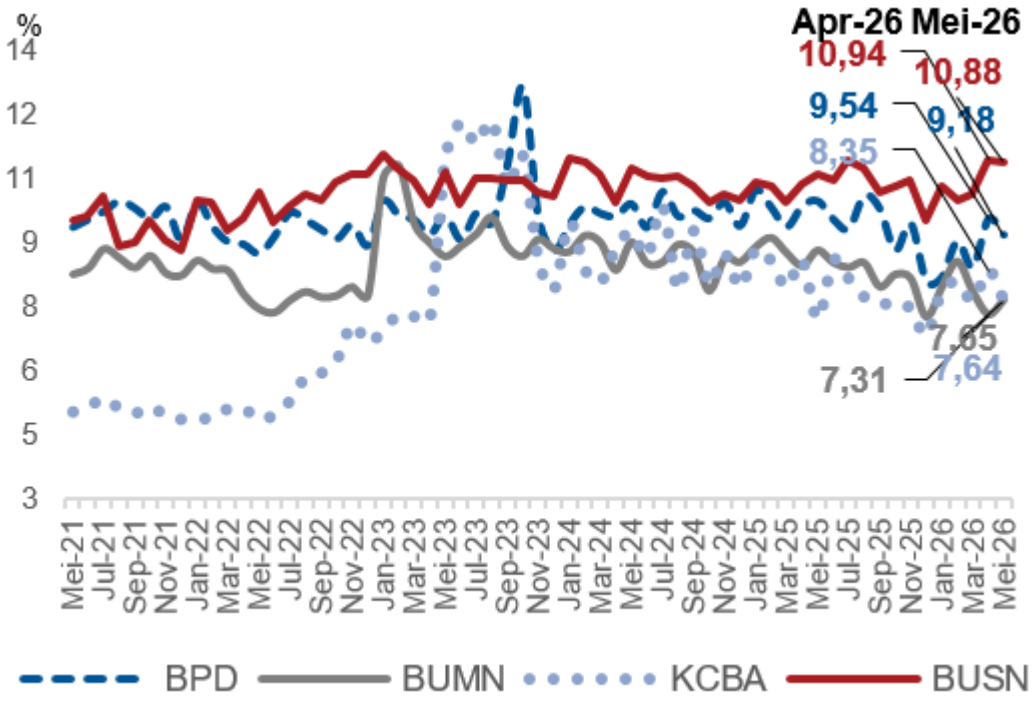
7). Although banks acknowledged emerging funding cost pressures, banking liquidity conditions were generally maintained, thus limiting the increase in funding costs. Liquidity support through the Bank Indonesia policy mix also helped maintain banking funding stability and reduce greater upward pressure on funding costs. Such developments indicate that the potential for higher funding costs will continue to demand close attention because it could affect room for future lending rate adjustments. In general, the dynamics of lending rates and TPF rates indicate that the policy rate transmission process is still ongoing amid adjustments to funding conditions and the risks faced by banks. This reflects a banking sector response that continues to support intermediation, while maintaining banking sector resilience.

Graph 7 Interest Rates on Rupiah Loans and Rupiah Third-Party Funds (%)



Source: Integrated Commercial Bank Reports (Antasena), processed

Graph 8 Interest Rates on New Loans by Bank Group (%)



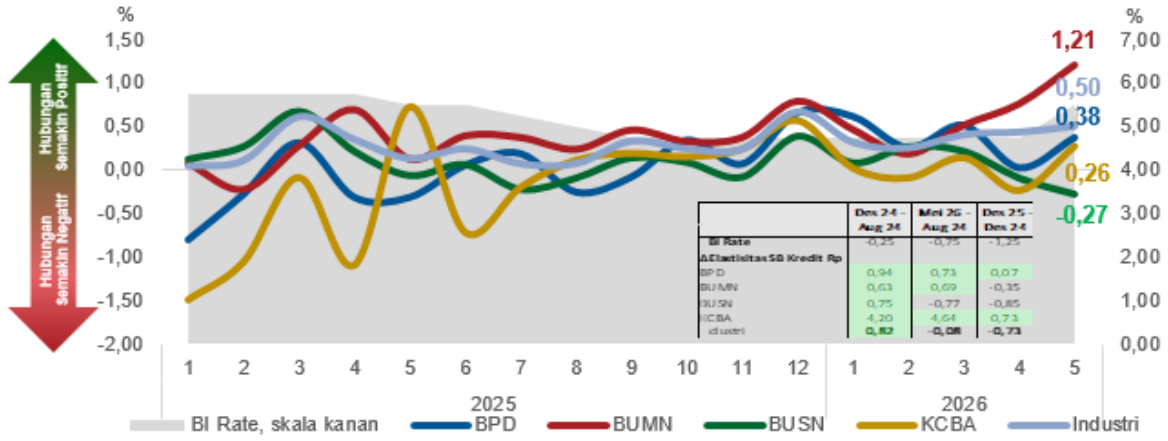
Source: Integrated Commercial Bank Reports (Antasena), processed

Elasticity of Interest Rates on New Loans

The elasticity of interest rates on new loans to the policy rate indicated pricing adjustments. The industrywide elasticity coefficient increased to 0.50 in May 2026 from 0.43 in April 2026 (**Graph 9**), which was also higher than the 0.13 recorded in the same period of the previous year. The increase in the elasticity coefficient reflected that the sensitivity of changes in the policy rate to interest rates on new loans became more responsive compared with the previous period. By bank group, the increase in banking industry elasticity was primarily influenced by adjustments to interest rates on new loans by state-owned banks amid the withdrawal of accumulated budget surplus funds and higher credit risk in May 2026. Such conditions drove higher interest rates on new consumer loans and working capital loans. Meanwhile, higher elasticity at regional government banks was influenced by higher interest rates on investment loans. At foreign

bank branches, the increase in the elasticity coefficient was influenced by higher interest rates on working capital loans. On the other hand, national private commercial banks showed a relatively more limited response due to higher risk on consumer loans, which limited annual growth of consumer loans. This restrained the response of interest rates on new consumer loans in that bank group. In general, such developments indicate that policy rate transmission through the lending rate channel has strengthened. Nevertheless, differences in responses across bank groups indicate that liquidity conditions, funding structures and risk levels are factors influencing the speed and magnitude of policy rate transmission to lending rates in the banking industry.

Graph 9 Elasticity of Interest Rates on New Rupiah Loans by Bank Group



Notes:

- Elasticity is calculated based on the following formula = (percent change in interest rates on new rupiah loans) / (percent change in BI-Rate)
- Base period used when calculating elasticity is August 2024, namely when the BI-Rate reductions began.

Source: Integrated Commercial Bank Reports (Antasena), processed

Lending Rates in Macroprudential Liquidity Incentive Policy (KLM) Priority Sectors[5]

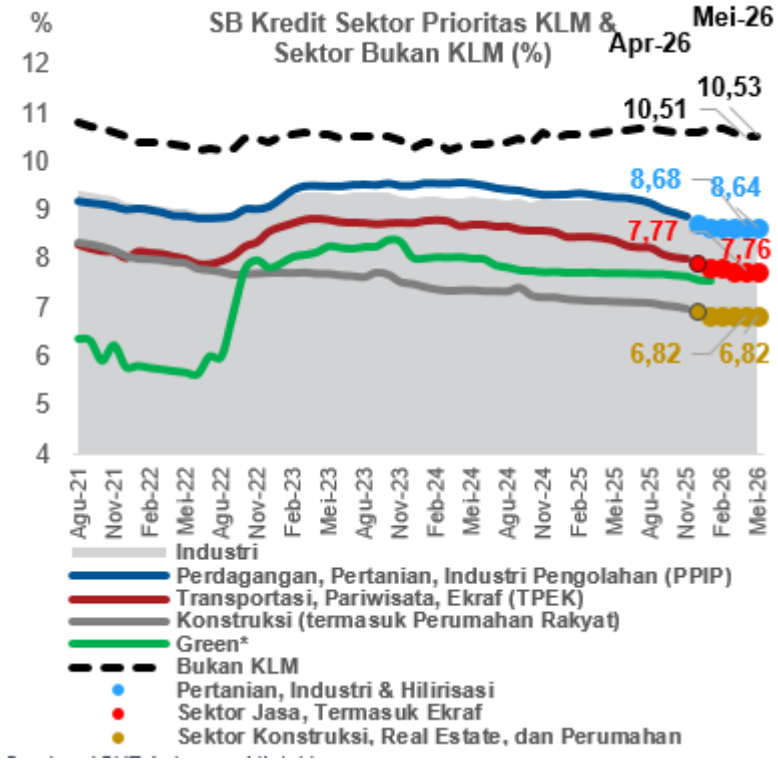
The forward-looking, performance-based Macroprudential Liquidity Incentive Policy (KLM Forward Looking) helped maintain competitive lending rates in KLM priority sectors amid upward pressure on funding costs and policy rate adjustments. Such developments indicate that liquidity support through KLM policy was able to maintain the effectiveness of policy rate transmission to priority sectors despite policy rate adjustments. In May 2026, lending rates across all KLM priority sectors were recorded below the banking industry average and declined in most priority sectors (Graph 10). Lending rates decreased in the Agriculture, Manufacturing and Downstreaming sector to 8.64% in May 2026 from 8.68% in April 2026. In the same period, lending rates in the Services sector, including the Creative Economy, decreased to 7.76% from 7.77%, while the Construction, Real Estate and Housing sector remained relatively stable at 6.82%. Such developments indicate that liquidity support through KLM helped strengthen banking funding capacity, thereby maintaining room for credit disbursement to priority

[5] Macroprudential Liquidity Incentive (KLM) policy is a set of incentives determined by Bank Indonesia to stimulate balanced, quality and sustainable intermediation by reducing the reserve balances required to be held at Bank Indonesia to meet the average reserve requirement. In accordance with Board of Governors Regulation (PADG) No. 7 of 2025, as the third amendment to Board of Governors Regulation (PADG) No. 11 of 2023 concerning the implementation regulations for Macroprudential Liquidity Incentive Policy (KLM), the priority sectors were reclassified on 1st December 2025 to strengthen KLM implementation as follows: (i) agriculture, manufacturing, and downstream sectors, (ii) services, including the creative economy, and (iii) construction, real estate and housing. In addition to the priority sectors, KLM policy also targets the MSME segment and micro enterprises.

sectors. Disbursements of macroprudential liquidity incentives, amounting to Rp424.7 trillion as of the first week of May 2026, also supported liquidity availability in the banking industry, thereby helping maintain competitive lending rates in priority sectors and accelerating financing. Lower lending rates in most KLM priority sectors were also consistent with contained credit risk, as reflected by NPL ratios remaining below the 5% threshold in all priority sectors (**Graph 11**). Maintained credit quality provided banks with room to hold lending rates at competitive levels. Moving forward, however, banks must continue monitoring borrower quality in priority sectors, particularly amid global uncertainty and geopolitical dynamics that could affect business performance and repayment capacity. Meanwhile, in the MSME segment, lending rates remained stable at 10.47% amid an increase in the NPL ratio to 4.68% in May 2026 from 4.62% in April 2026. Such developments indicate that banks maintained MSME access to finance, while managing credit risk more selectively in accordance with the risk profile of each borrower.

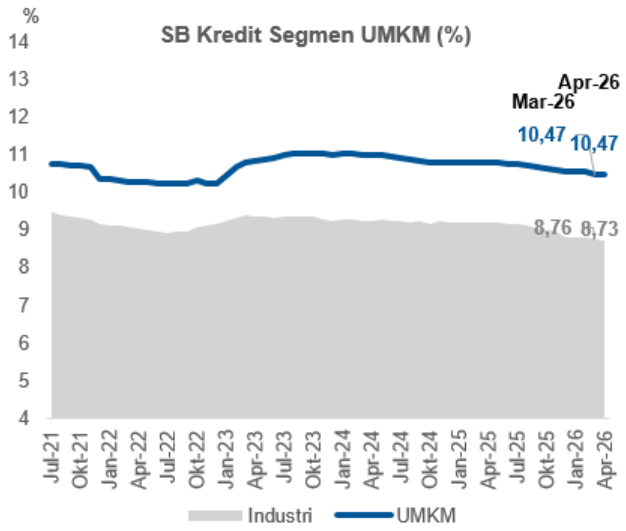
Graph 10 Lending Rates in KLM Priority Sectors and MSME Segment

Lending Rates in Priority Sectors and Non-KLM Sectors (%)



Source: Integrated Commercial Bank Reports (Antasena), processed

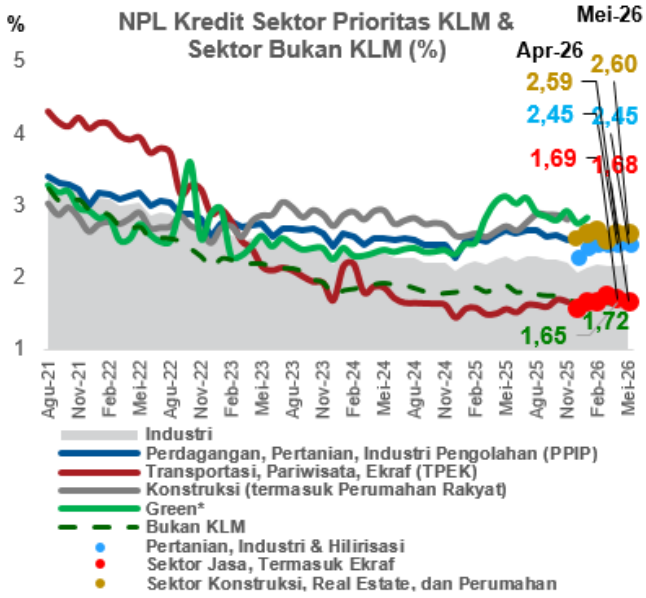
Lending Rates in MSME Segment (%)



Source: Integrated Commercial Bank Reports (Antasena), processed

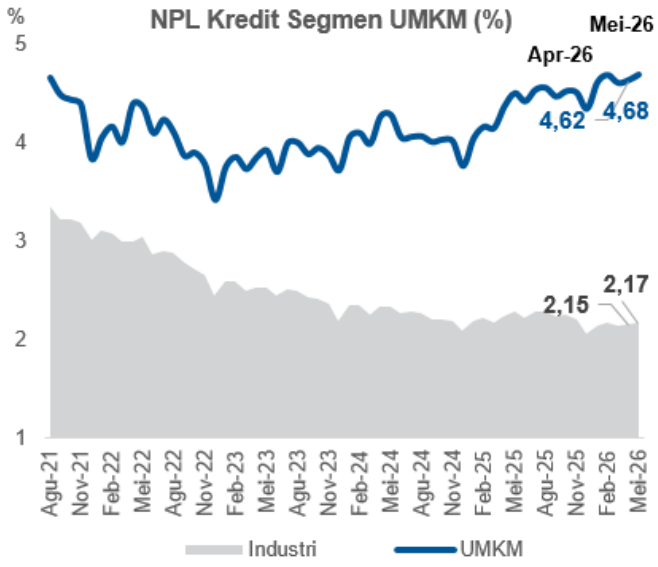
Graph 11 NPL in KLM Priority Sectors and MSME Segment

NPL in Priority Sectors and Non-KLM Sectors (%)



Source: Integrated Commercial Bank Reports (Antasena), processed

NPL in MSME Segment (%)

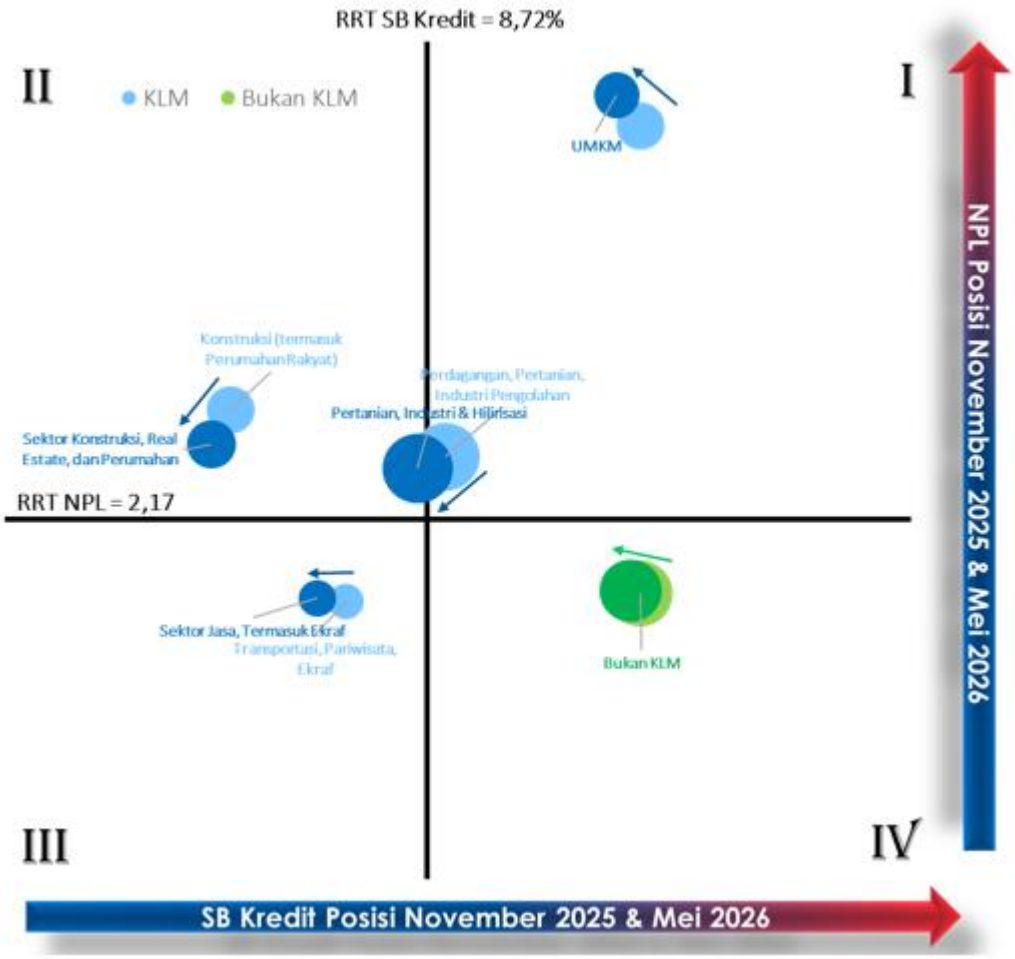


Source: Integrated Commercial Bank Reports (Antasena), processed

Based on a longer-term perspective, namely the past six months, lending rates across all KLM priority sectors have declined. The reclassification of priority sectors through disbursements of Forward-Looking KLM also supported lending to KLM priority sectors, thereby underpinning banking credit growth. Lower lending rates in priority sectors positioned KLM priority sectors in Quadrants II and III (**Graph 12**), reflecting a combination of lower lending rates and relatively contained credit risk. In aggregate terms, average lending rates in KLM priority sectors remained below the banking industry average, indicating that KLM policy can maintain competitive lending rates in priority sectors, while supporting policy rate transmission effectiveness and banking intermediation. Meanwhile, in the same period, namely the past six months, non-KLM sectors recorded lower lending rates at 10.53% in May 2026 from 10.61% in November 2025, despite higher credit risk as reflected by a slight increase in the NPL ratio from 1.71% to 1.72% (Quadrant IV). In the MSME segment, lower lending rates amid rising credit risk indicate that banks maintained MSME access to finance, but with more

selective risk management. Therefore, strengthening credit quality and borrower business capacity among MSMEs is an important factor in maintaining financing sustainability in the MSME segment.

Graph 12 Mapping Lending Rates and NPL in KLM Priority Sectors and Segments



Quadrant I: high interest rate, high NPL

Quadrant II: low interest rate, high NPL

Quadrant III: low interest rate, low NPL

Quadrant IV: high interest rate, low NPL

Notes:

Size of bubble indicates credit share.

Direction of arrow indicates movement of bubble from July 2025 to January 2026.

Source: Integrated Commercial Bank Reports (Antasena), processed

Box: Overview of Prime Lending Rate Transparency Policy in the Banking Industry

The objective of the prime lending rate transparency assessment is to strengthen Bank Indonesia monetary and macroprudential policy transmission. Through transparency, the public and corporate sector can compare the PLR published by different banks. Faster policy rate transmission to interest rates in the banking industry in the form of competitive and efficient lending rates is expected to revive demand for loans and help drive the domestic economy.

As part of this effort, Bank Indonesia (BI) is publishing the "Assessment of Policy Rate Transmission to Prime Lending Rates in the Banking Industry." Several factors influence the determination of the prime lending rate at each bank, namely the Cost of Loanable Funds (CoLF), overhead costs (OHC), and profit margin. This publication is expected to enhance public understanding of prime lending rates in the banking industry in Indonesia, including information on the mapping of such rates. In addition to expediting more effective monetary policy transmission, Bank Indonesia also strives to increase the dissemination of information to corporate and household borrowers through this publication. Furthermore, this assessment aims to increase governance, market discipline and competition when setting prime lending rates in the banking industry to ensure more competitive rates, boost the demand for loans and accelerate national economic momentum.

Similar publications are a common international practice. Central banks in other jurisdictions, including Malaysia, India, and China, also promote PLR transparency through

publications such as the External Benchmark Rate, Loan Prime Rate and Base Rate. Moreover, the International Monetary Fund (IMF) requires members countries to submit a Reference Lending Rate and Reference Deposit Rate for publication as a reference spread between lending rates and deposit rates as one of the Financial Soundness Indicators (FSI).