Appendix of Press Release No. 28/142/DKom

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

July 2026

BANK INDONESIA

Prime Lending Rates (PLR) in the Banking Industry Increased Slightly in May 2026 in line with Higher Funding Costs and Overhead Costs

- **The Prime Lending Rate (PLR) in the banking industry increased in May 2026 in line with higher Cost of Loanable Funds (CoLF) and overhead costs (OHC), while banks continued to absorb some of the cost pressures through adjustments to profit margins.**
- **Interest rates on rupiah loans increased in line with higher interest rates on new loans, driven by rising funding costs and risk-pricing adjustments. Nevertheless, credit growth remained strong, thereby maintaining the bank intermediation function.**
- **Lending rates in Macroprudential Liquidity Incentive Policy (KLM) priority sectors remained below the banking industry average, accompanied by maintained credit quality, reflecting KLM liquidity support in sustaining financing to priority sectors amid rising funding costs.**

Prime Lending Rate (PLR)[1] Developments in May 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 the banking industry increased moderately in May 2026, driven by higher funding costs and operational costs, as well as adjustments to bank pricing strategies amid increasing funding requirements and declining liquidity conditions. The continued transmission of monetary policy through the higher BI-Rate affected funding costs, although the magnitude of PLR adjustments varied across bank groups according to the characteristics of their funding structures, liquidity conditions and respective business strategies. In May 2026, the PLR was recorded at 8.65%, up from 8.62% in the previous period in line with the increase in the BI-Rate to 5.25% in May 2026 from 4.75% in April 2026 (**Graph 1**).[2] The increase reflected emerging upward pressure on fund mobilisation costs due to competition for third-party funds (TPF), as well as funding requirements to support credit growth. The higher funding costs subsequently began to be transmitted gradually to credit costs through PLR adjustments. Nevertheless, the PLR remained relatively competitive, and the increase did not impede banking intermediation. This was reflected in credit growth, which accelerated to 11.51% (yoy) in May 2026 from 9.98% (yoy) in April 2026. Such developments indicate that the transmission of higher funding costs to lending rates has remained gradual as banks continued to consider financing competitiveness and the outlook for credit demand.

---

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.

In general, PLR adjustments reflected the banking industry's response to higher funding costs, operational costs and liquidity dynamics, with the increase in the BI-Rate representing one factor that strengthened the transmission process. Consequently, the magnitude of PLR adjustments was mixed and depended on funding structures, as well as the operational efficiency, risk profile and business strategy of each bank.

By bank group, the increase in the aggregate PLR in May 2026 was driven by state-owned banks, while other bank groups recorded mixed developments in line with their respective liquidity conditions, funding structures and business strategies. In May 2026, the PLR at state-owned banks increased to 8.84% from 8.78% in April 2026 (**Graph 2**). Meanwhile, regional government banks and national private commercial banks maintained their respective PLR at 9.09% and 8.43%, while foreign bank branches lowered their PLR to 5.16% from 5.19% in the previous period. Such heterogenous developments indicate that higher funding costs were influenced not only by changes in the BI-Rate but also by the funding structures, operational costs, liquidity conditions, risk profiles and lending strategies of each bank group. Bank groups facing greater funding cost pressures tended to raise their PLR, while banks with a higher share of low-cost funds, or current accounts and savings accounts (CASA), and adequate liquidity enjoyed greater room to maintain or lower their PLR to preserve credit competitiveness.

Moving forward, room for PLR adjustments will be influenced by developments in funding costs, liquidity conditions, fund mobilisation dynamics and global financial market uncertainty, which could affect bank funding costs. If funding cost pressures continue to increase, while room for efficiency becomes increasingly limited, PLR adjustments could continue incrementally.

Graph 1 Prime Lending Rate (%)

PLR; Credit Growth (rhs)

* based on OJK regulations

Source: Financial Services Authority (OJK), processed

Graph 2 Prime Lending Rate in May 2026 by Bank Group

Aggregate; Foreign Bank Branches; National Private Commercial Banks; State-Owned Banks; Regional Government Banks;

* based on OJK regulations

Source: Financial Services Authority (OJK), processed

PLR by Component[3]

The increase in the PLR in May 2026 was driven by higher Cost of Loanable Funds (CoLF) and operational costs in line with higher promotional costs and procurement costs on goods and services. In May 2026, the CoLF increased to 3.03% from 3.00% in the previous period. The increase reflected higher fund mobilisation costs due to funding competition amid

---

[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, 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 costs, promotional costs, foreign exchange conversion loss, other expenses and other overheads, (iii) profit margin, which is set by the bank when disbursing new loans.

declining bank liquidity conditions. Meanwhile, OHC increased to 3.49% in May 2026 from 3.43% in April 2026, primarily influenced by promotional costs, procurement costs on goods and services, and estimated current-year tax expenses. The accumulated increase in CoLF and OHC squeezed bank profit margins to 2.13% in May 2026 from 2.19% in the previous period (**Graph 3**). The narrower profit margin indicated that banks had not fully passed on higher costs to borrowers and continued to absorb some of the costs to maintain competitive lending rates and support sustainable intermediation.

Overall, the performance of PLR components indicates that higher funding and operational costs were the main factors driving lending rate adjustments. Nevertheless, the ability of each bank to maintain operational efficiency, strengthen its funding structure and manage profitability will determine the magnitude of PLR adjustments moving forward.

Graph 3 Components of PLR* (%)

CoLF; OHC; Profit Margin

* based on OJK regulations

Source: Financial Services Authority (OJK), processed

The higher CoLF in May 2026 was primarily attributable to higher funding costs at state-owned banks. By bank group, the CoLF at state-owned banks increased from 2.77% in April 2026 to 2.84% in May 2026 (**Graph 4**). The increase was influenced, among other factors, by changes in the funding structure following an additional placement of Rp110 trillion in Government accumulated budget surplus (SAL) funds at the end of May 2026, most of which was placed in term deposits. This increased fund mobilisation costs, thereby driving the higher CoLF. On the other hand, regional government banks maintained their CoLF at 3.48%, reflecting relatively stable funding costs. Meanwhile, the CoLF at national private commercial banks and foreign bank branches was recorded at 3.22% and 1.88%, respectively, down from 3.23% and 1.88% in the previous month. Such developments were supported by lower savings deposit costs at national private commercial banks and a higher share of low-cost funds (CASA) at foreign bank branches, which increased from 79.87% in April 2026 to 81.28% in May 2026. In general, CoLF developments indicate that the banks' ability to manage their funding structures is an important factor. Banks with a high CASA share and more stable funding sources tend to enjoy greater room to contain increases in funding costs, while banks that are more dependent on high-cost funds will face greater pressure on credit costs.

OHC in the banking industry increased in May 2026 across almost all bank groups, driven by higher promotional costs and other overheads. Differences in the operational efficiency of each bank group resulted in varying increases in OHC. As an aggregate, OHC was recorded at 3.49% in May 2026, up from 3.43% in April 2026 (**Graph 5**). The increase was primarily influenced by higher promotional costs and other overheads, including procurement costs on goods and services and estimated current-year tax expenses. State-owned banks recorded the largest increase in OHC, rising to 3.76% from 3.66%, followed by foreign bank branches, where OHC increased to 1.76% from 1.73%, and national private commercial banks, where OHC increased to 3.16% from 3.15%. Conversely, regional government banks were the only bank group to record lower OHC, declining to 3.62% from 3.64%, indicating operational cost efficiency. Such developments demonstrate that, in addition to funding costs, operational efficiency plays an important role in determining room for lending rate adjustments. Banks that maintain operational efficiency have greater flexibility to preserve competitive lending rates despite upward funding cost pressures.

The narrower profit margin in May 2026 reflected efforts by banks to maintain lending rate competitiveness amid higher funding and operational costs, particularly at state-owned banks and foreign bank branches. At the industry level, profit margin declined to 2.13% in May 2026 from 2.19% in the previous month (**Graph 6**). The decline in June 2026 was primarily attributable to state-owned banks and foreign bank branches, where profit margins decreased to 2.24% and 1.52%, respectively, from 2.35% and 1.55% in April 2026. At state-owned banks, the lower margin was influenced by a combination of higher funding and operational costs, while at foreign bank branches it was primarily influenced by higher operational costs. Conversely, profit margins at national private commercial banks and regional government banks edged up to 2.05% and 1.99%, respectively, from 2.04% and 1.98% in the previous period. This was supported by funding cost efficiency at national private commercial banks and operational efficiency through lower promotional costs at regional government banks. Such developments indicate that the ability to maintain efficiency is an important factor in preserving profitability without significantly increasing lending rates.

In general, performance of the CoLF, OHC and profit margin components indicated that the transmission of higher funding costs to lending rates is ongoing but with a lag to borrowers. Some cost pressures continued to be offset through profit-margin adjustments, thereby limiting the increase in the PLR. Moving forward, if funding cost pressures persist while room for efficiency becomes increasingly limited, the potential for further adjustments to the PLR and lending rates will require close vigilance.

Graph 4 CoLF* Component by Bank Group (%)

Industry; Regional Government Banks; State-Owned Banks; National Private Commercial Banks; Foreign Bank Branches

*based on OJK regulations

Source: Financial Services Authority (OJK), processed

Graph 5 OHC* Component by Bank Group (%)

Industry; Regional Government Banks; State-Owned Banks; National Private Commercial Banks; Foreign Bank Branches

* based on OJK regulations

Source: Financial Services Authority (OJK), processed

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

Industry; Regional Government Banks; State-Owned Banks; National Private Commercial Banks; Foreign Bank Branches

* based on OJK regulations

Source: Financial Services Authority (OJK), processed

Lending Rates

Interest rates on rupiah loans increased in June 2026 due to higher funding costs and changes in bank risk perception. In June 2026, the weighted average interest rate on rupiah loans increased to 8.81% from 8.72% in May 2026 (**Graph 7**). The increase in lending rates was reflected in higher interest rates on new loans,[4] which rose to 9.49% from 9.31% in the previous month. The increase was influenced by intensifying competition in the funding market amid persistently strong credit growth, declining liquidity conditions and transmission of the higher BI-Rate. On the other hand, lending rate adjustments also reflected bank efforts to maintain a balance between higher funding costs, credit risk management and sustainable profitability. By bank group, foreign bank branches recorded the largest increase in interest rates on new loans in June 2026, rising to 8.45% from 7.64% in May 2026 (**Graph 8**), primarily

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

influenced by pricing adjustments to consumer loans in line with heightened risk perception in that segment. State-owned banks and national private commercial banks also recorded higher interest rates on new loans, increasing to 8.03% and 10.99%, respectively, from 7.65% and 10.88% in the previous month, driven by lending rate adjustments across most credit segments in response to higher funding costs. Conversely, regional government banks lowered interest rates on new loans to 8.62% from 9.18% in May 2026, supported by operational cost efficiency that provided room to maintain credit competitiveness. The mixed responses indicate that credit-pricing strategies were influenced not only by higher funding costs but also by the liquidity conditions, funding structures, operational efficiency, risk profiles and business focus of each bank group.

In terms of fund mobilisation, the monthly increase in interest rates on rupiah TPF indicated competition for funding, among others, to support persistently strong credit growth. Interest rates on rupiah TPF increased to 2.92% in June 2026 from 2.70% in May 2026 (**Graph 7**). Such conditions indicate that banks began facing funding cost pressures in line with the higher policy rate, persistently strong credit growth and intensifying competition for funding amid declining liquidity conditions. Nevertheless, liquidity support through the Bank Indonesia policy mix helped maintain adequate banking liquidity, thereby containing greater upward funding cost pressures. Consequently, lending rate increases remained gradual and did not yet fully reflect the magnitude of the higher funding costs. Moving forward, such conditions will be influenced by liquidity dynamics, the intensity of competition for funding, the banks' ability to maintain cost efficiency, and the outlook for credit demand and asset quality.

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

BI-Rate; Lending Rates on Rupiah Loans; Lending Rates on New Loans; 3-Month Moving Average of Lending Rates on New Loans; Interest Rates on Rupiah Deposits; 1-month Term Deposit Rate

Source: Integrated Commercial Bank Reports (Antasena), processed

Graph 8 Interest Rates on New Loans by Bank Group

Regional Government Banks; State-Owned Banks; Foreign Bank Branches; National Private Commercial Banks;

Source: Integrated Commercial Bank Reports (Antasena), processed

Elasticity of Interest Rates on New Loans

The elasticity of interest rates on new loans to the BI-Rate increased in June 2026, indicating that monetary policy transmission through the interest rate channel continued gradually. Nevertheless, the magnitude of transmission continued to vary across bank groups in line with the characteristics of their respective funding structures, liquidity conditions and risk perception. The banking industry elasticity coefficient increased to 0.98 in June 2026 (**Graph 9**), higher than 0.24 in the corresponding period of the previous year. The higher elasticity coefficient reflected greater responsiveness in the sensitivity of interest rates on new loans to changes in the policy rate compared with the previous period. By bank group, policy rate transmission responses varied, reflecting the influence of funding structures, liquidity conditions, business strategies and risk perception on the speed and magnitude of adjustments to interest rates on new loans. State-owned banks recorded the highest elasticity, driven by increases in interest rates on new loans across almost all credit segments in response to higher funding costs. Such conditions indicate that funding cost pressures at state-owned banks were passed on to credit pricing relatively more quickly. At regional government banks, the higher elasticity was primarily influenced by lending rate adjustments on longer-tenor loans, taking into consideration higher credit risk and the need to maintain a balance between risk and returns. Meanwhile, national private commercial banks recorded negative elasticity due to lower interest rates on new short-term loans with tenors of 3-12 months, which accounted for a relatively large share of disbursements. This indicates that some national private commercial banks continued to prioritise strategies to maintain market competitiveness rather than fully passing on the increase in funding costs. Moving forward, developments in funding costs, liquidity conditions, asset quality and competition for funding are expected to remain the dominant 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

BI-Rate (rhs); Regional Government Banks; State-Owned Banks; National Private Commercial Banks; Foreign Bank Branches; Industry

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]

[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

The forward-looking, performance-based incentive policy (KLM Forward Looking) helped maintain competitive lending rates in KLM priority sectors amid higher funding costs and policy rate adjustments. Such developments indicate that liquidity support through KLM helped alleviate funding cost pressures, thereby providing banks with room to maintain credit costs in priority sectors below the industry average. In June 2026, lending rates across all KLM priority sectors remained below the banking industry average, despite monthly increases in all priority sector groups (**Graph 10**). Lending rates in the Agriculture, Manufacturing and Downstreaming sector increased to 8.71% in June 2026 from 8.64% in May 2026. In the same period, lending rates in the Services sector, including the Creative Economy, were recorded at 7.89%, up from 7.76%. Meanwhile, lending rates in the Construction, Real Estate and Housing sector increased to 6.86% from 6.82%. Nevertheless, the lending rates remained below the aggregate rate of 8.81%. Such developments indicate that additional liquidity through the KLM incentives helped strengthen bank funding capacity, thereby ensuring that some of the pressure from higher funding costs was not passed on fully to borrowers in priority sectors.

The continued increase in KLM incentive disbursements strengthened bank capacity to finance priority sectors without compromising prudential principles. As of the first week

---

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.

of June 2026, KLM incentive disbursements amounted to approximately Rp418.1 trillion, thereby strengthening banking liquidity and expanding lending capacity to priority sectors. This support provided banks with room to maintain competitive lending rates despite funding cost pressures. Meanwhile, credit quality in priority sectors remained sound, providing banks with room to maintain financing to priority sectors. NPL ratios across all priority sectors remained below 5% (**Graph 11**), indicating that the higher lending rates had not been accompanied by increasing credit risk. These conditions reflect the relatively sound resilience of borrowers in priority sectors, thereby supporting sustainable intermediation. Moving forward, banks must continue monitoring business prospects, borrower repayment capacity and sectoral risk dynamics, given that global uncertainty could still affect real sector performance. Stronger risk management and prudent lending will be important factors in maintaining credit quality without reducing support for priority sectors.

Meanwhile, the MSME segment recorded lower lending rates of 10.34% in June 2026, down from 10.40% in the previous month. This was consistent with an improvement in the NPL ratio to 4.54% in June 2026 from 4.68% in May 2026. This indicates that banks continued supporting MSME financing, while managing credit risk more selectively in accordance with the risk profile of each borrower.

In general, liquidity support through KLM policy helped reduce funding cost pressures, thereby providing banks with room to maintain competitive credit costs in priority sectors, while sound credit quality strengthened the sustainability of lending to priority sectors.

Graph 10 Lending Rates in KLM Priority Sectors and MSME Segment

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

Industry; Trade, Agriculture, Manufacturing Industry (PPIP); Transportation, Tourism and Creative Economy (TPEK); Construction (including Public Housing); Green; Non-KLM Agriculture, Manufacturing and Downstream Sectors; Services Sector, including the Creative Economy; Construction, Real Estate and Housing Sector*

Source: Integrated Commercial Bank Reports (Antasena), processed

Lending Rates in MSME Segment (%)

Industry; MSMEs

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 (%)

Industry; Trade, Agriculture, Manufacturing Industry (PPIP); Transportation, Tourism and Creative Economy (TPEK); Construction (including Public Housing); Green; Non-KLM Agriculture, Manufacturing and Downstream Sectors; Services Sector, including the Creative Economy; Construction, Real Estate and Housing Sector*

Source: Integrated Commercial Bank Reports (Antasena), processed

NPL in MSME Segment (%)

Industry; MSMEs

Source: Integrated Commercial Bank Reports (Antasena), processed

From a six-month perspective, lending rates in most KLM priority sectors declined. The reclassification of priority sectors through disbursements of Forward-Looking KLM also supported lending to KLM priority sectors, thereby underpinning credit growth in the banking industry. 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 were below the banking industry average, indicating that KLM policy successfully maintained competitive lending rates in priority sectors and supported banking intermediation. Meanwhile, over the same period, non-KLM sectors began shifting towards Quadrant IV, reflecting higher lending rates in response to rising funding costs. In the MSME segment, lower lending rates amid higher credit risk indicate that banks continued striving to maintain MSME access to finance, albeit with more selective risk management. Moving forward, improving credit quality and strengthening the business capacity of MSME borrowers will be important factors in maintaining sustainable financing in the MSME segment.

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

KLM; Non-KLM;

MSMEs; Construction (including Public Housing); Trade, Agriculture, Manufacturing Industry; Construction, Real Estate and Housing Sector; Agriculture, Manufacturing and Downstream Sectors; Transportation, Tourism, Creative Economy; Services Sector, including the Creative Economy; Non-KLM

Lending Rates September 2025 and March 2026 Positions

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 PLR transparency assessment is to strengthen Bank Indonesia monetary and macroprudential policy transmission. Through transparency, the public and corporate sector can obtain information concerning developments in prime lending rates and the lending rates offered by banks. More effective transmission of the policy rate to lending rates through competitive and efficient lending rate setting is expected to support credit demand and the economy.

As part of this effort, Bank Indonesia publishes the “Assessment of Policy Rate Transmission to Prime Lending Rates in the Banking Industry”. Several factors influence the determination of prime lending rates in the banking industry, namely the Cost of Loanable Funds (CoLF), overhead costs (OHC) and profit margins. This publication is expected to enhance public understanding of prime lending rates in the Indonesian banking industry. In addition to strengthening monetary policy transmission, Bank Indonesia also strives through this publication to expand the dissemination of information to the public, including corporate and household borrowers. Furthermore, the publication aims to improve governance, market discipline and competition in determining prime lending rates in the banking industry, thereby ensuring that the rates offered by banks become more competitive to stimulate credit demand and support the national economy.

PLR publications represent international best practice. Central banks in other jurisdictions, including Malaysia, India and China, also implement lending rate transparency policies through publications, such as the External Benchmark Rate, Loan Prime Rate and Base Rate. Meanwhile, the International Monetary Fund (IMF) requires each member country to submit a Reference Lending Rate and Reference Deposit Rate for publication as a reference spread between lending and deposit rates, which constitutes one of the Financial Soundness Indicators (FSI).