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Indonesian Banking Outlook 2026

Time to Reap All the Efforts

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Nicholas Husni
Economist/Analyst

Gabriella Yolivia
Industry Analyst

Victor George Petrus Matindas
Head of Banking Research and Analytics

Executive Summary

- The year 2025 can be considered a period of planting. Bank Indonesia and the Ministry of Finance have tried every means through interest rate cuts, liquidity injections of IDR 201 trillion, additional KLM incentives, spending focused on enhancing domestic consumption, tax incentives, and more. However, all these efforts require time to truly bear fruit in the form of accelerated credit growth, which has not yet been significantly visible until the end of 2025. The question is, will we reap the rewards in 2026?
- Global interest rates are expected to remain supportive of liquidity growth, although risks such as trade tensions, geopolitical instability, and elevated long-term bond yields persist. While this environment could facilitate increased domestic liquidity, the limited recovery in commodity prices may constrain its impact. As a result, government spending will continue to play a pivotal role in driving liquidity, with fiscal and monetary policies remaining essential to translating this liquidity into loan growth.
- With signs of improvement in the real sector emerging in late 2025, the prospects for loan growth recovery are strengthening. Bank Indonesia's expanded mandate to support economic growth and job creation may lead to further policy measures aimed at stimulating lending, and potentially another 50-75bps cut to further support it. However, these efforts could be limited by the necessity of maintaining stability, particularly in managing rupiah depreciation. The improving liquidity conditions and recovering loan demand may also boost third-party fund growth in 2026, amidst the trade surplus moderates. Therefore, we may see both loan and deposits growth to remain resilient between 8-10% in 2026.
- The disparity in loan and deposit performance between large and small banks is increasingly pronounced due to intensified competition within a constrained market segment. The trend of lower cost of fund, along with asset diversification, has been crucial in sustaining profitability, particularly for small to medium-sized banks. Since the industry will face an era of declining interest rates at least for the next two years, banks will maintain profitability by increasing non-interest income through the expansion of digital products and services, pursuing market growth (some via acquisitions), and balancing dynamic preferences in asset composition (bonds vs loans). This will be the trend we see in 2026.

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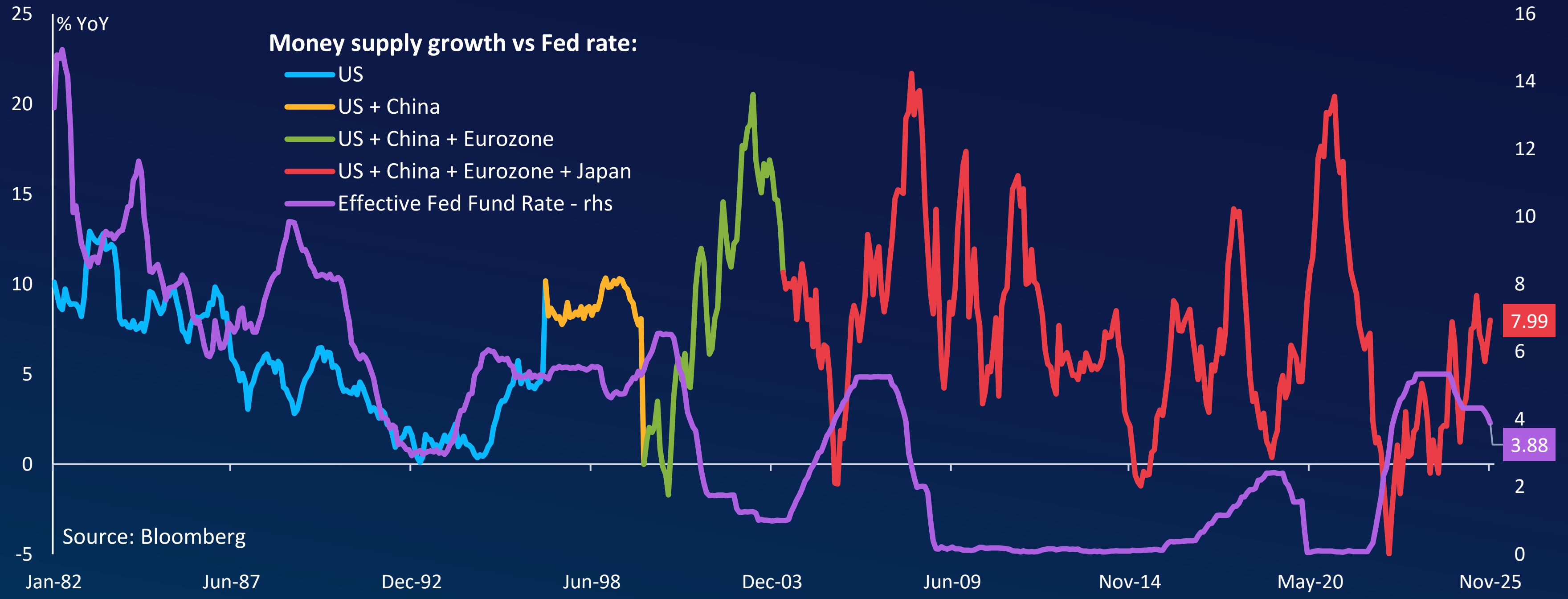
Liquidity: Limited improvement on horizon

- The direction of global interest rates and the trend of asset purchasing by central banks are actually leading towards conditions that are quite favorable for supporting global liquidity growth in 2026.
- The question is how this liquidity can flow into real sector demand, as there are still several obstacles. First, fiscal risks keep the outlook for long-term bond yields high. Second, trade war risks, inflation, and geopolitical tensions could hinder the prospects for recovery in the real sector and the effectiveness of the transmission of policy rate cuts to long-term interest rates.
- Support for domestic liquidity will come from government spending; however, this is constrained by limited fiscal space, especially considering that tax revenues in 2025 had underperformed. Additionally, the trade surplus is likely to shrink due to limited commodity price prospects. The key is how the government can direct spending to create a multiplier effect that stimulates private loan growth.

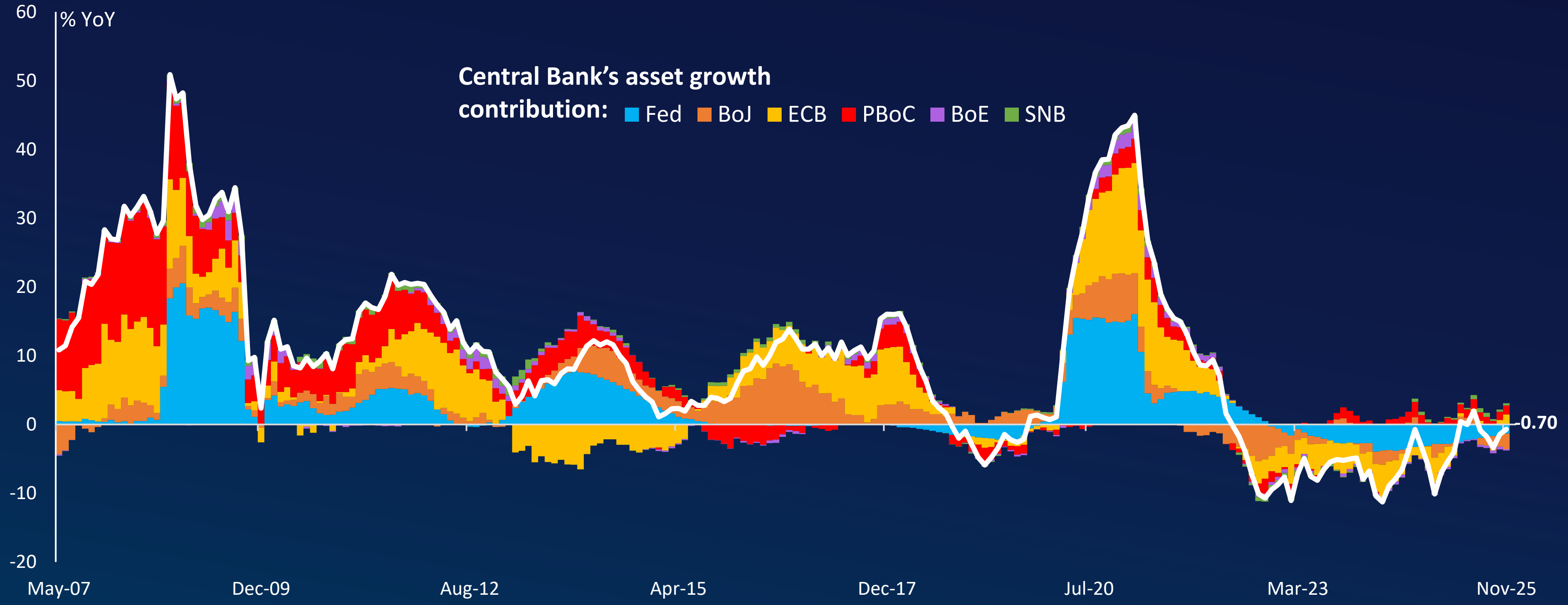
A quite beautiful beginning

Exhibit 1.1 Policy interest rates (especially the Fed) have a strong negative correlation with global liquidity, particularly since the Dot-Com bubble when the Fed consistently lowered rates to their lowest points during significant economic pressure. Currently, the market expects the possibility of the Fed cutting rates two more times in 2026 (with a probability above 70%, and we expect Bank Indonesia to follow suit), which means, ceteris paribus, there is an impetus for global liquidity to improve in 2026.



A shift towards asset purchases, except for one

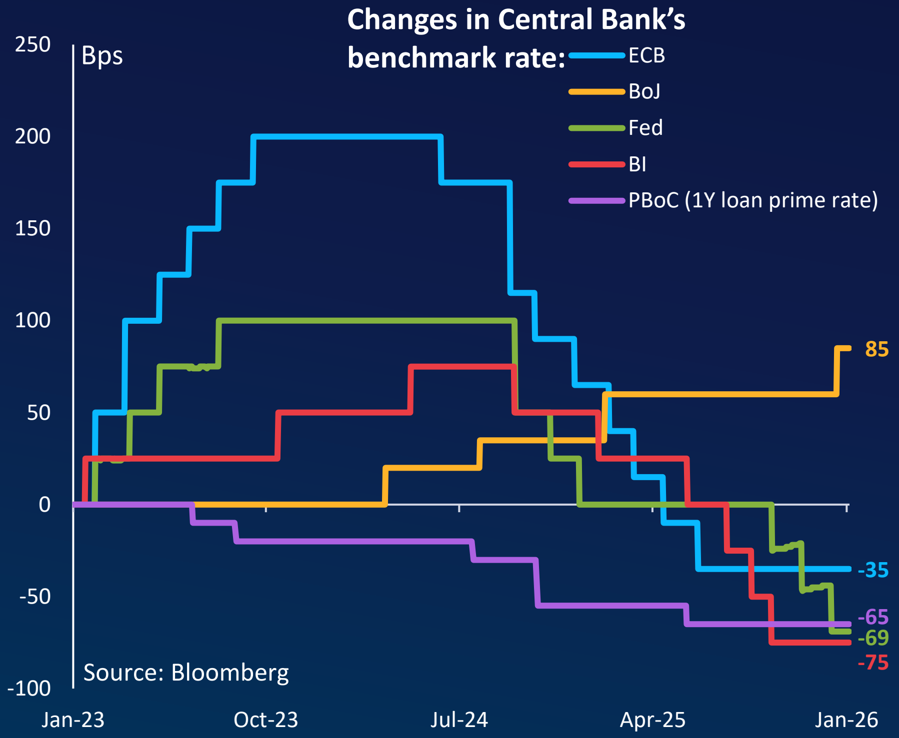
Exhibit 1.2 After the pandemic, almost all big central banks slowed down asset purchases (except for China), which has constrained economic growth. As economic activity slows, nearly all big central banks are now changing their policies to a more accommodative stance, except for BoJ. This trend is also positive for supporting global liquidity in 2026.

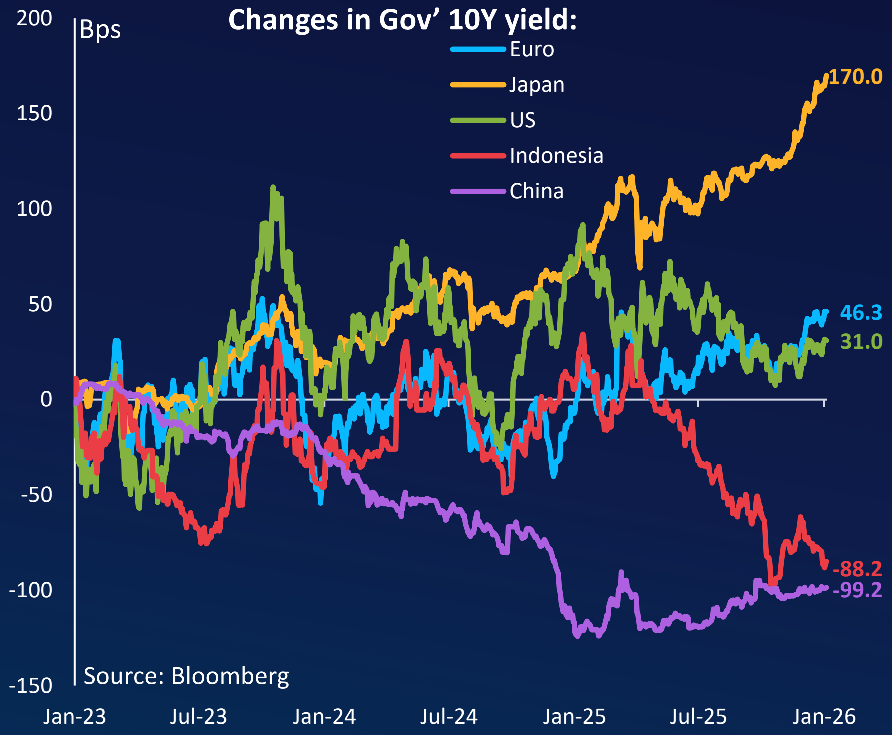


Source: Bloomberg

Divergence that hinders

Exhibit 1.3 The fiscal risks that have emerged in almost all countries post-pandemic and Japan carry trade unwind have led to a tendency for the transmission of policy interest rates to long-term bond yields to not occur. Global inflation risks and geopolitical tensions could keep long-term yields high in 2026, thereby limiting liquidity growth.





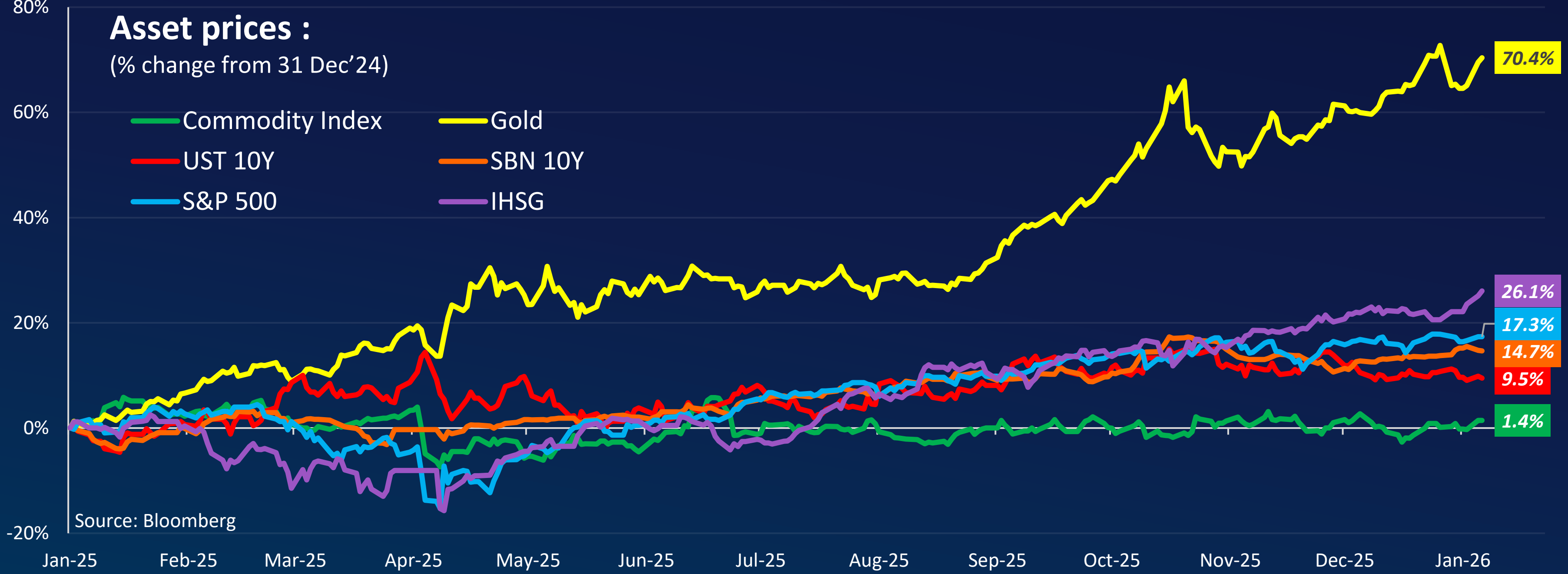
Domestic liquidity: Will it overperform or underperform?

Exhibit 1.4 The potential recovery of global liquidity implies the potential recovery of domestic liquidity in 2026. Additionally, commodity prices will specifically determine how quickly domestic liquidity recovers. Historical trends show that domestic liquidity (which also reflects domestic economic growth) can outperform the global average in several periods following an acceleration in commodity prices, partly due to the bullwhip effect. In this context, China's economic growth and its policy direction in 2026 (as one of the largest commodity importers) as well as developments in trade wars will be key factors. In a scenario where global liquidity increases but is not accompanied by global demand, Indonesia could underperform.

Source: Bloomberg, BI

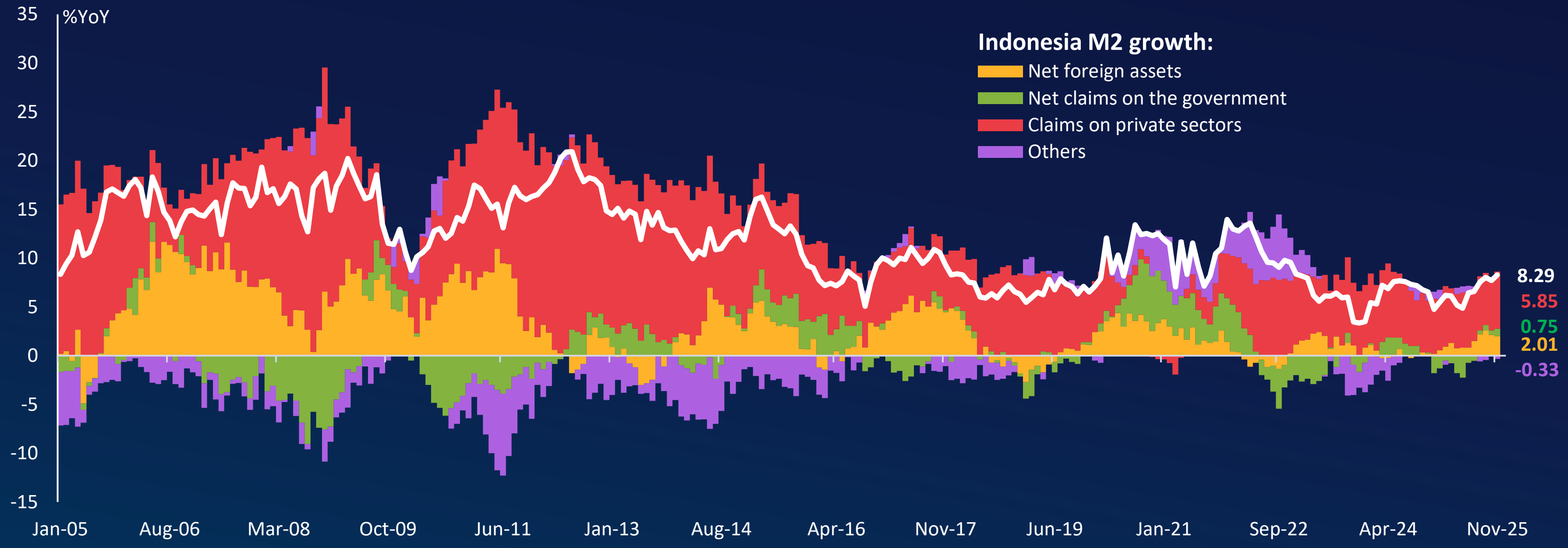
Not a bad start for the new year

Exhibit 1.5 Aside from gold with its astronomical growth, we are seeing a fairly positive flow of money for banking performance. Previously, in H1-25 (when the reciprocal tariff was first announced), money flowed into paper assets in the form of government bonds, which clearly exited the banking system directly (there is a cycle back to the real sector, but only if government spending can outpace this flow). Fortunately, this situation reversed at the beginning of 2026. Money is now flowing into equities, and there are signs of recovery in commodity prices, which is more positive for banking deposits.



Questioning the cohesion of the three liquidity drivers

Exhibit 1.6 Among the three main drivers, in the last six months, government spending and trade surplus have supported the liquidity while domestic loan had slowed. The outlook for 2026 for these three drivers will be somewhat tricky. The trade surplus in 2025 is significantly aided by the frontloading effect of tariffs, which will not occur again in 2026. Government spending will be the main driver, but under conditions of limited fiscal space. The key is how the government can stimulate private loan demand without creating the risk of crowding out.



Source: BI

Demand-side issues

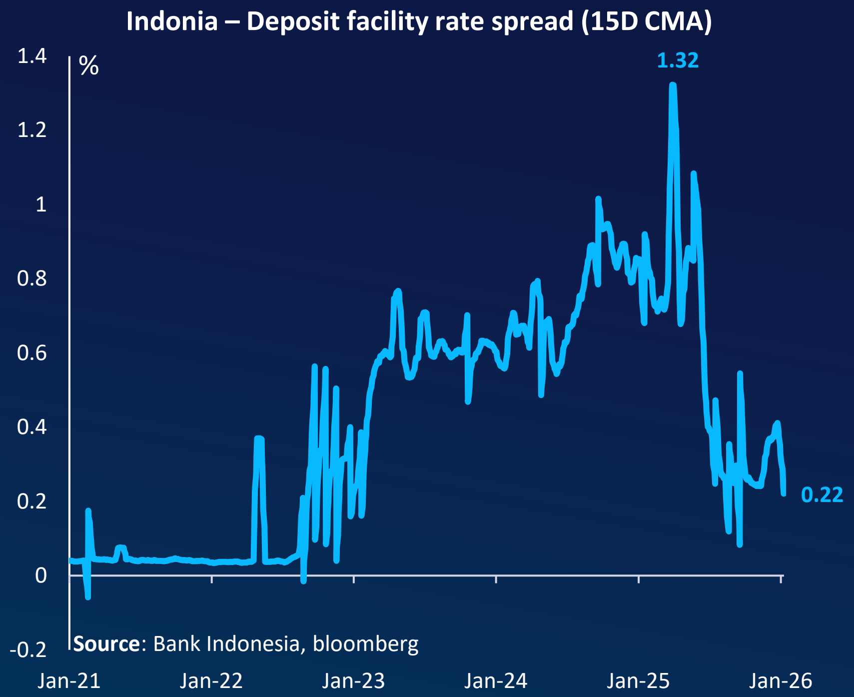
Exhibit 1.7 The government's policy to boost the supply side of liquidity through injections into bank accounts has not yet yielded maximum results. The injection of IDR 201 trillion has already shown its impact on the growth of the money base (M0), but the growth of the money supply (M2) has been relatively limited. This condition illustrates that the overall flow of liquidity in the system has not fully translated into loan (claim on private sectors) but has instead moved towards other substitute instruments. The answer lies again in the yields of bonds, which, if remain high, could potentially "steal" part of the liquidity flow in 2026.

Loan: Growth potential vs structural challenges

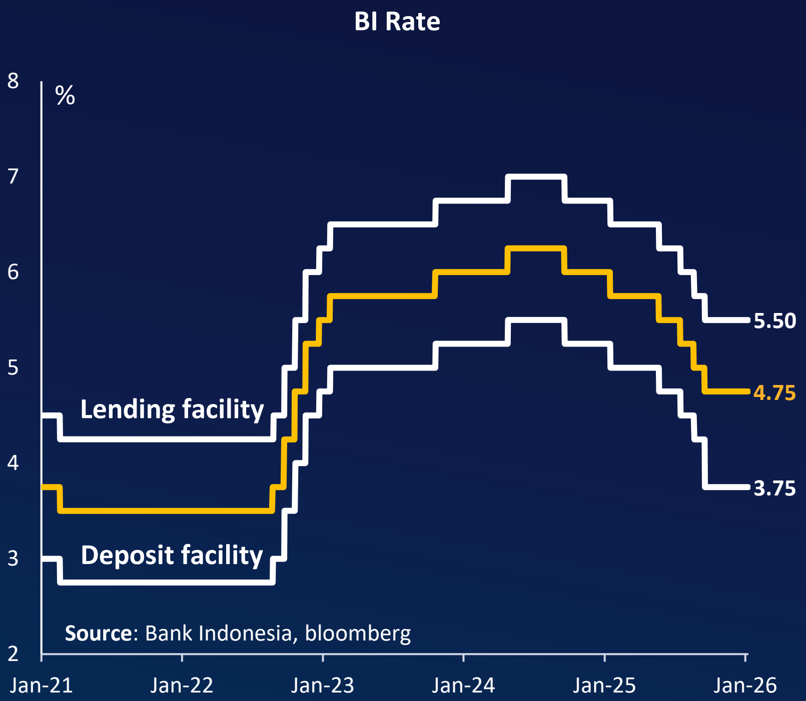
- With several indicators in the real sector improving and banking interest rates on a downward trend, loan has the potential to recover. However, competition with other investment instruments could limit credit prospects in 2026. We expect loan growth in 2026 to be in the range of 8-9% YoY.
- Loan growth in several major sectors such as trade, agriculture, and manufacturing tends to be limited relative to their sectoral GDP growth. This indicates that the issue is not solely about performance, but more about a wait-and-see approach, the use of retained earnings, and asset preferences.
- However, looking more closely, MSMEs are clearly facing more structural problems. Supply-side incentives (BI's KLM) are not sufficient. They need a roadmap that ensures an ecosystem and upgrades to be more competitive in the domestic market.
- With BI's additional mandate for job creation and growth, we can still expect accommodative policies in 2026. However, the need for BI to stabilize the rupiah is becoming increasingly costly relative to loan growth. The new tighter TD DHE FX policies may be implemented to partially address this dilemma, but it is still necessary to consider some potential side effects that may arise.

The interbank market is becoming more accommodative

Exhibit 2.1 With the decline in BI interest rates, which is predicted to decrease 2-3 more times in 2026, interest rates in the interbank market are also falling. Additional liquidity injections by the government are also supporting the decline in interest rates in the interbank market. This supports the loan growth outlook for 2026. (A more detailed discussion on banking liquidity in terms of LDR by bank category will be covered in the next subsection)



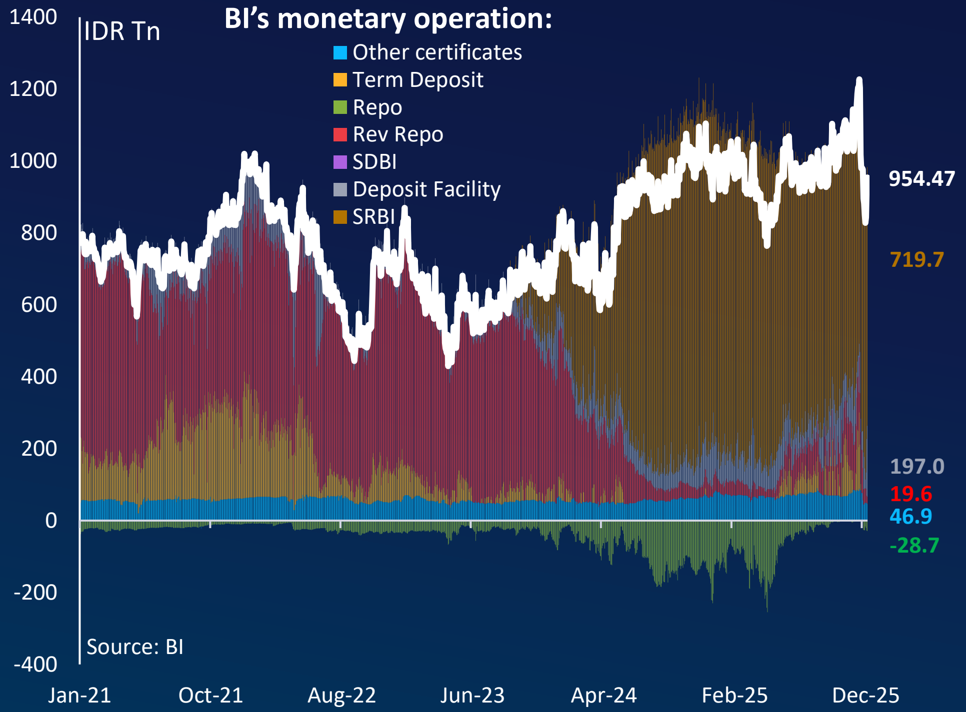
Source: Bank Indonesia, bloomberg

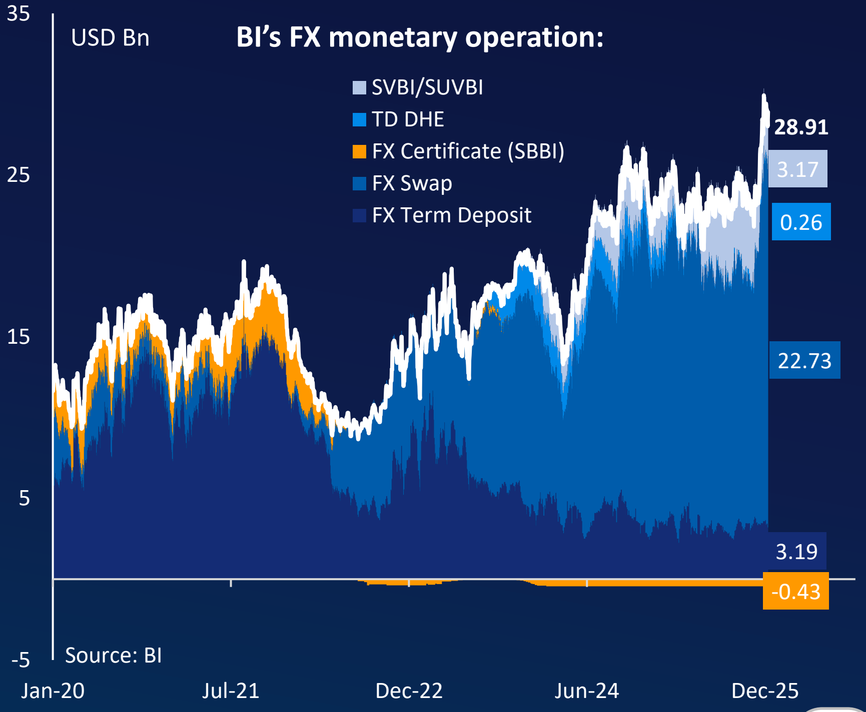


Source: Bank Indonesia, bloomberg

But BI's stance tends to be neutral

Exhibit 2.2 Previously, we saw SRBI as the main absorber of bank liquidity, due to the need for stabilizing the Rupiah, which kept BI overall net absorbing. In December 2025, we observed a sharp decline in total bank placements in these instruments, but some of this may be due to a shift to excess reserves at BI, given the 3.5% interest on this (previously nonexistent). This shift is reflected in the growth of demand deposits (adjusted) at Bank Indonesia, which increased by 35.1% YoY (Dec-25), a sharp acceleration from 24.2% YoY in Nov-25.





All stars must align

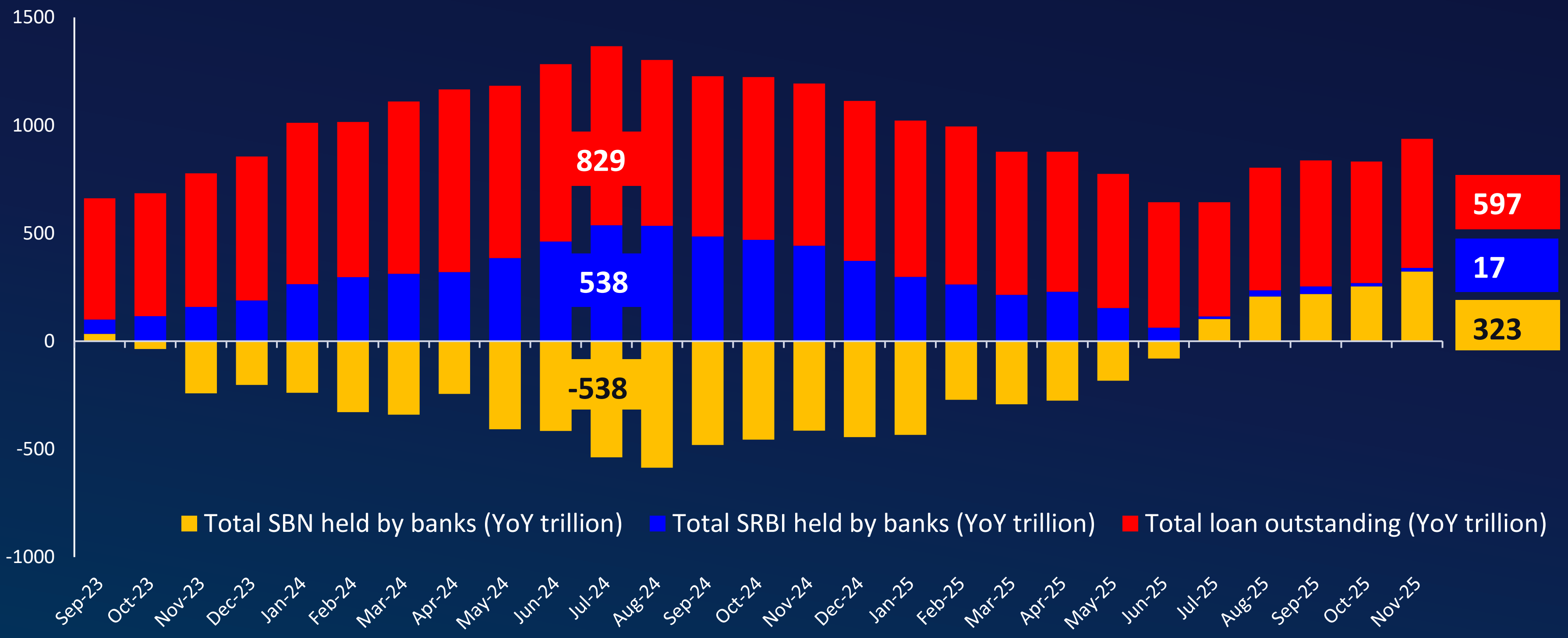
Exhibit 2.3 It is somewhat conflicting for loan growth if the decline in banking interest rates occurs in parallel with rising rates in other assets. On the other hand, some of our leading indicators for loan have actually improved in the fourth quarter, particularly for businesses. This combination limits the outlook for credit growth in 2026.

Type	Index	Lag	Q1-25 YoY	Q2-25 YoY	Q3-25 YoY	Q4-25 YoY
Household	Consumer confidence Index*	2-3 month	0.92	-6.41 ↓	-7.05 ↓	-0.89 ↑
	BCA Confidence Index	1-4 month	-7.32	-12.86 ↓	-21.35 ↓	-7.75 ↑
Business needs to expand	PMI	2-5 month	-0.63	-4.90 ↓	1.23 ↑	1.87 ↑
	BI PMI labor	1 quarter	-0.18	-1.04 ↓	-0.84 ↑	1.27 ↑
	Capacity Utilization	1 quarter	-2.83	-1.03 ↑	-0.18 ↑	
Asset price	JCI Index	2 month	-7.08	-3.07 ↑	2.17 ↑	13.57 ↑
	Core inflation	not significant	2.48	2.37 ↓	2.19 ↓	2.36 ↑
	Property residential	not significant	1.07	0.90 ↓	0.84 ↓	

Source: BI, Bloomberg, *up to Nov-25
Note: Arrow indicates improvement from previous quarter

The trade-off is now bigger

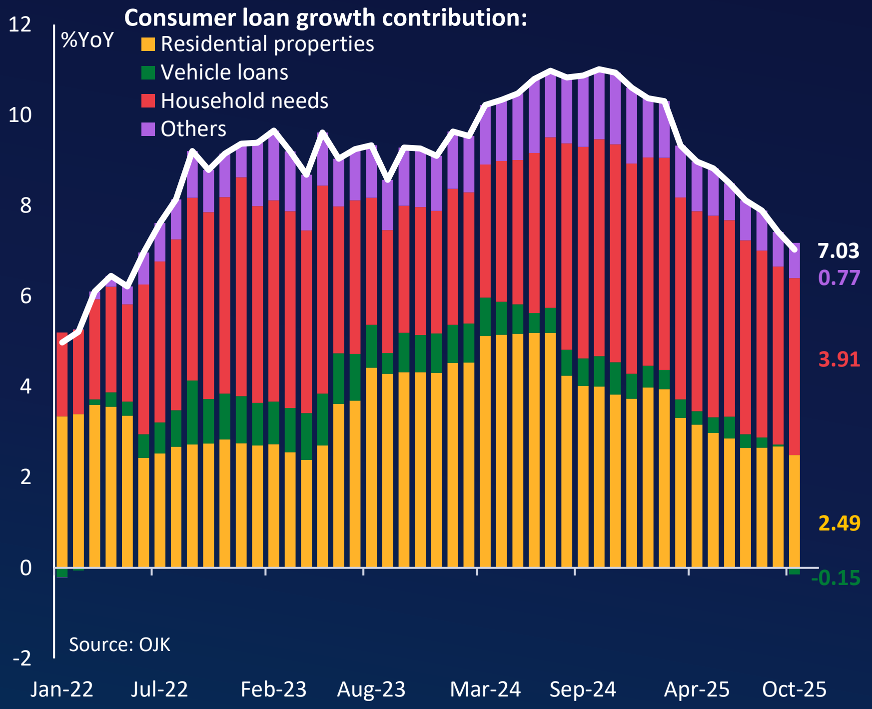
Exhibit 2.4 If the government issues more government bonds (or BI with SRBI), then the absorption by banks has the potential to disrupt credit growth more than in 2024 (when banks were shifting from government bonds to SRBI, resulting in a smaller trade-off to credit at that time). As of Dec-25, the portion of bank ownership in government bonds is 20.2% (IDR 1,329 trillion), while the portion of bank ownership in SRBI as of Nov-25 is 85.5% (IDR 618 trillion).



Source: BI

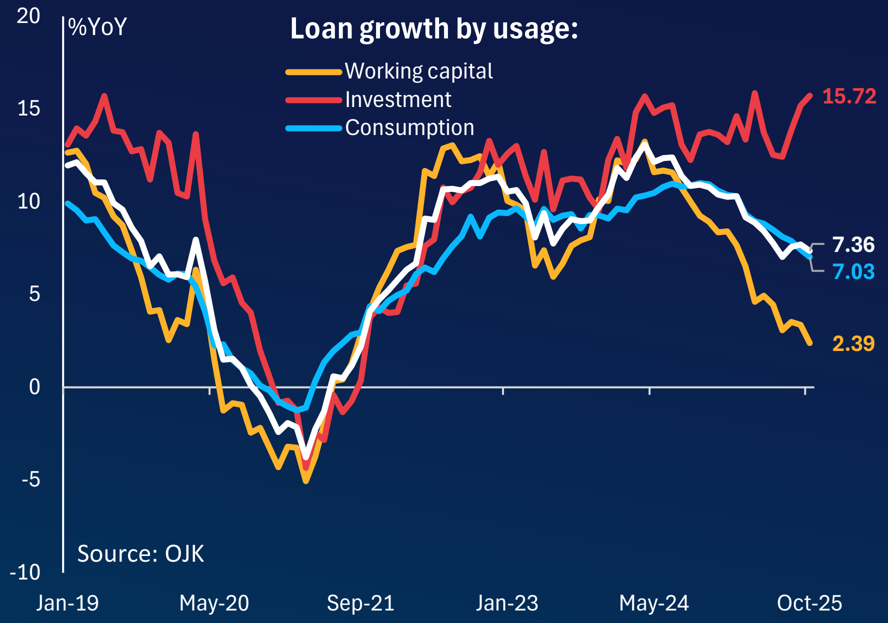
Consumer confidence returns

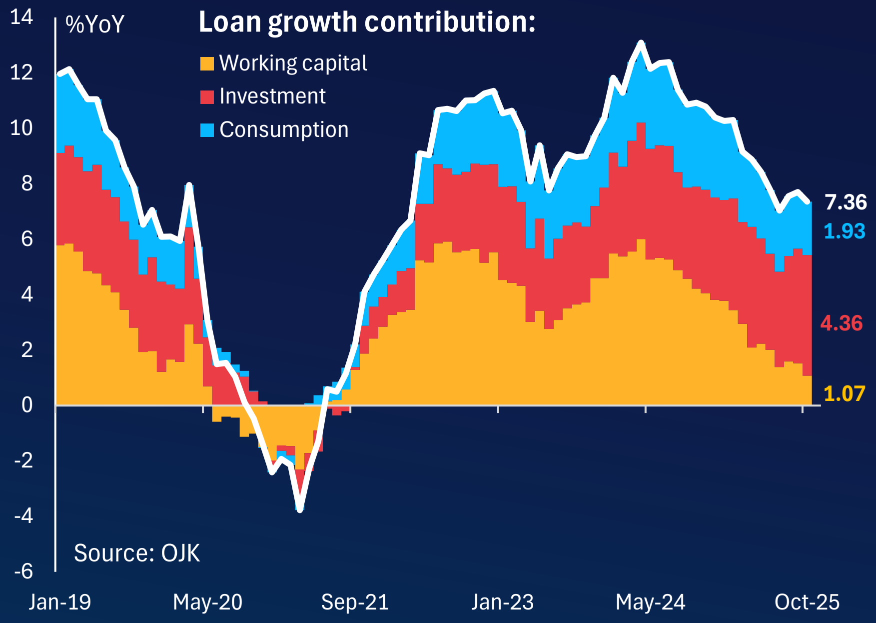
Exhibit 2.5 Consumer loans have faced challenges in 2025, most notably in vehicle loans due to falling car sales. However, as consumer confidence begins to recover, this may signal a potential rebound in consumer loans, encouraging individuals to feel more comfortable taking out new loans. Nevertheless, there are several other factors that also play a role. The decline in car prices, especially due to the influx of Chinese EVs, could reduce the ticket size in vehicle loans.



K-shaped on business loans

Exhibit 2.6 Investment loan growth has become the main driver of productive loan, while working capital loans continue to slow down. This indicates that productive loan is driven more by long-term projects or new projects rather than operational financing needs. This divergence can be explained by two factors: first, 2025 is a transition year with many incentives coming from government-related projects; while second, the private sector is using retained earnings or corporate bonds to finance their operations. This means that when looking at individual banks, the "pie" of productive loan is relatively limited. However, we see potential for a recovery in working capital loans in 2026, provided that: (1) Commodity prices also improve, and (2) the multiplier effect of government projects on private sector performance begins to materialize.





Government-driven performance

Exhibit 2.7 Loan growth is primarily driven by state-owned enterprises (SOEs) as private corporations slow down. This has also resulted in state banks performing better than national private banks. On the other hand, foreign banks are expected to recover from a low base in 2024 alongside export growth. The issue here is that the strength of this government-driven growth is limited, thus requiring a recovery in private corporations in 2026 to maintain momentum.

YoY% loan growth by receiver	Oct-24	Nov-24	Dec-24	Jan-25	Feb-25	Mar-25	Apr-25	May-25	Jun-25	Jul-25	Aug-25	Sep-25	Oct-25
SOE	10.36	10.87	6.31	4.44	2.38	2.65	8.22	5.76	3.81	-0.30	1.63	9.60	14.69
Corporations	13.74	13.38	13.79	14.23	15.14	13.34	12.01	11.84	11.28	10.57	11.07	11.12	9.85
NBFI	36.76	34.84	34.57	33.53	26.75	22.06	21.05	15.56	12.76	10.80	9.87	7.41	8.91
Households	5.07	3.16	4.12	1.99	4.97	5.68	5.02	5.47	5.57	4.93	5.19	5.30	5.20
SME	4.76	4.02	3.37	2.88	2.51	1.95	2.60	2.17	2.18	1.82	1.35	0.58	0.28

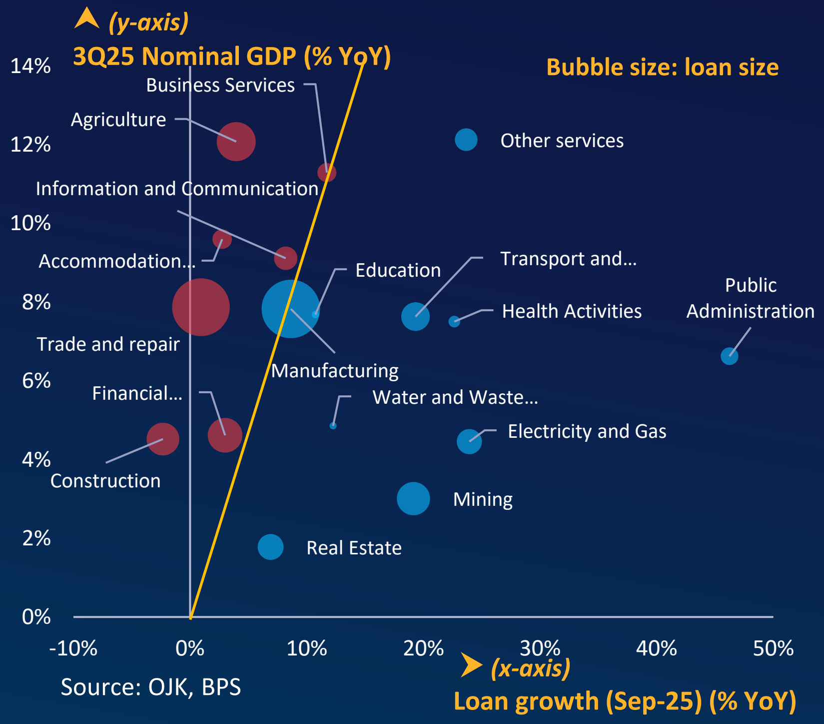
Source: BI, OJK

YoY% loan growth by banks	Oct-24	Nov-24	Dec-24	Jan-25	Feb-25	Mar-25	Apr-25	May-25	Jun-25	Jul-25	Aug-25	Sep-25	Oct-25
State banks	12.64	12.41	12.10	10.98	10.93	9.54	8.82	8.19	7.35	7.09	7.92	8.62	8.42
Regional gov't banks	7.55	7.01	6.44	6.76	7.17	6.01	5.09	4.64	3.80	3.70	3.45	2.24	2.35
Private national banks	10.75	10.42	9.78	10.42	10.43	9.65	9.57	9.24	8.97	7.46	7.43	6.88	6.31
Foreign banks	-5.96	0.18	3.22	6.22	7.02	4.43	10.88	11.61	8.46	9.90	17.98	25.94	24.86
Total	10.92	10.79	10.39	10.27	10.30	9.16	8.88	8.43	7.77	7.03	7.56	7.70	7.36

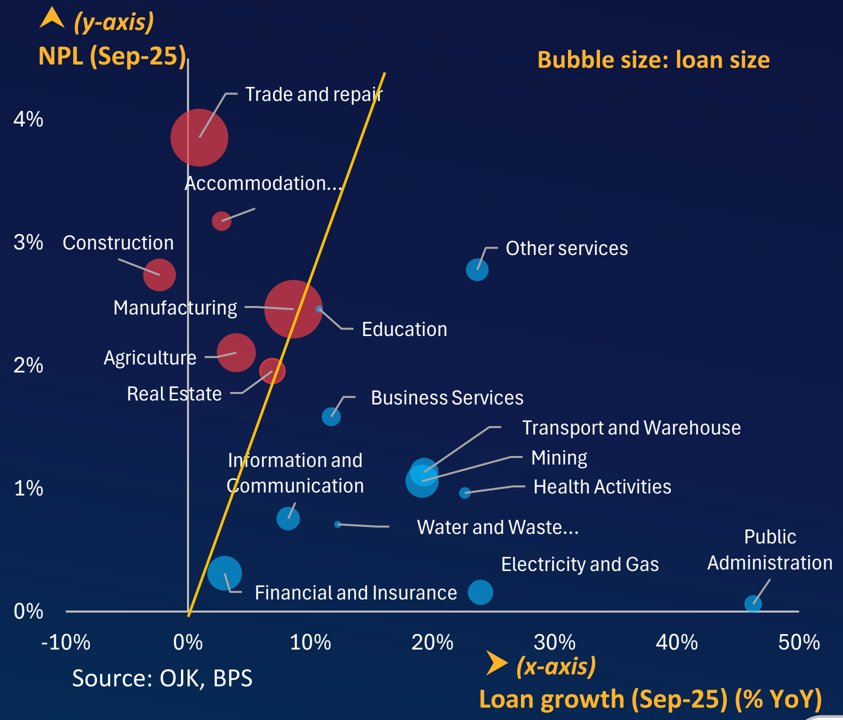
Source: OJK

Big pies still wait and see

Exhibit 2.8 Sectors with significant credit contributions, such as trade, agriculture, and manufacturing, tend to be more deleveraging compared to smaller ones. On one hand, there is the factor of using retained earnings, while on the other hand, some indeed have relatively higher non-performing loans (NPLs). For 2026, Bank Indonesia's KLM incentive could slightly assist credit growth in the agricultural sector, downstream industries, construction, and others (see Appendix 1), but overall macro factors will have a greater influence on the demand for loans.



Source: OJK, BPS



Source: OJK, BPS

Still on capital intensive industry

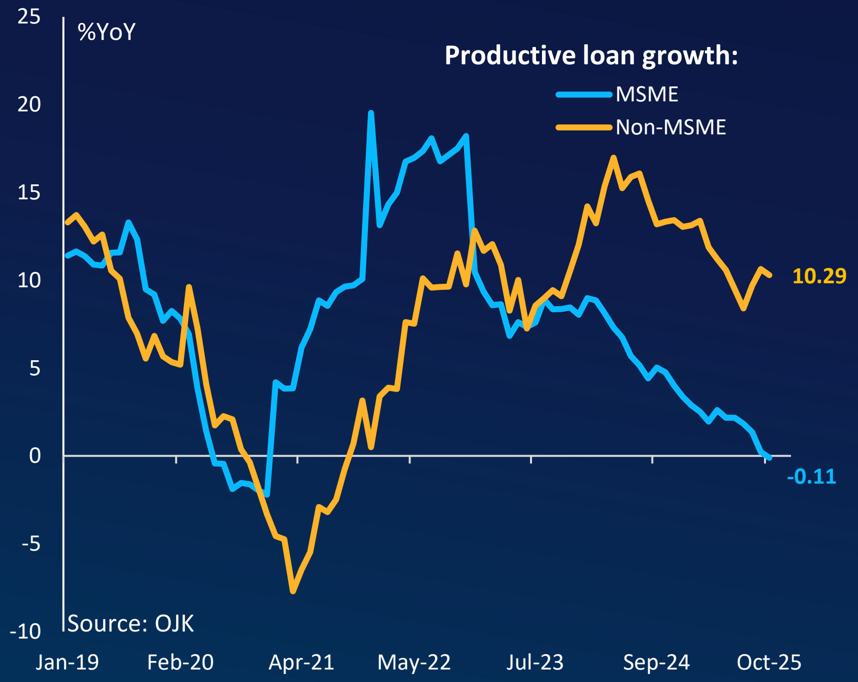
Exhibit 2.9 Loan growth remain focused on capital intensive industry while several labor-intensive industry are deleveraging. With less investment and expansion toward the labor-intensive sector, the job creation and purchasing power impact are more limited, impacting on a slower money circulation.

Sub-sector industry	Investment loan (Oct-25)		Working capital loan (Oct-25)	
	Growth %YoY	Contribution %YoY	Growth %YoY	Contribution %YoY
Non-metallic mineral products industry	-23.8	-1.54	-18.33	-0.59
Mining industry	34.02	0.98	300.77	1.75
Recycling industry	-13.55	-0.07	12.37	0.01
Furniture industry	-2.89	-0.14	-8.68	-0.33
Rubber and plastic industry	49.96	1.56	-2.67	-0.15
Wood industry	2.81	0.06	-8.10	-0.17
Paper industry	14.02	2.1	-2.99	-0.29
Chemical industry	23.28	2.49	9.14	0.64
Leather & footwear industry	2.79	0.03	3.75	0.07
Metal industry	59.39	6.25	6.06	0.65
Food and beverage industry	11.01	3.03	9.00	2.99
Machinery industry	-30.54	-1.57	-11.59	-0.43
Automotive industry	13.01	0.3	6.2	0.17
Garment industry	-5.52	-0.05	-7.75	-0.2
Medical equipment industry	20.23	0.04	39.01	0.09
Printing industry	-4.09	-0.03	-6.75	-0.03
Textile industry	-20.58	-0.63	-9.02	-0.5
Telecommunications industry	33.05	0.17	19.86	0.07
Tobacco industry	3.09	0.01	72.69	1.06
Transportation industry	-0.55	-0.01	22.06	0.41

Source: BI

MSME: Need better ecosystem

Exhibit 2.10 Loan growth has slowed for both MSME and non-MSME businesses, but MSME loan growth is declining at a sharper rate due to a faster rise in NPLs. This indicates that the KLM incentive support for the MSME sector has not been enough as it targets only the supply side. Unfortunately, the demand side is somewhat tricky to stimulate. There are disruptions from imported products, shifting trends, and consumer purchasing power. Incentives from the government are needed to create an ecosystem between big and small players that ensures consistent demand in this sector.



Urgently need an upgrade

Exhibit 2.11 Many MSME sectors are experiencing negative loan growth with NPLs above 3%. This means that the issues are not limited to specific sectors, but rather a tendency for the majority of small businesses to face problems. Two factors currently driving business performance, namely government spending and exports, appear to have a limited impact on the MSME segment. Additionally, the current global trend towards automation makes it difficult for low-capital and traditional businesses to compete. Perhaps the key here is not just to keep them classified as small businesses, but to find ways for them to upgrade (for example, through technology) so that their markets can also expand in parallel.

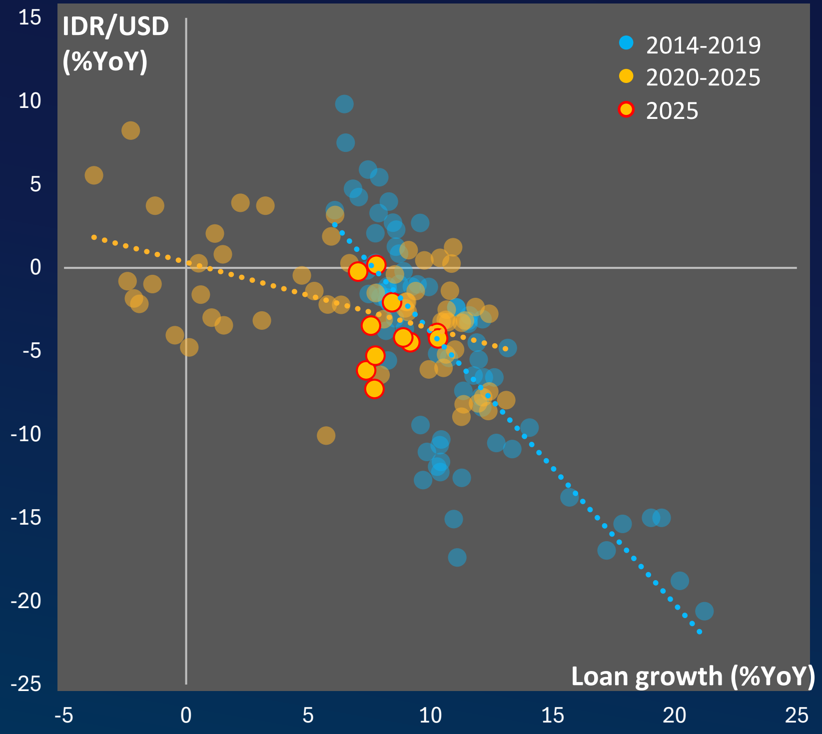
Loan Growth (Oct-25)	MSME	Non-MSME	Total
Agriculture, Forestry & Fishing	4.1%	3.0%	3.5%
Mining	4.4%	14.9%	14.6%
Manufacturing	-1.9%	8.9%	7.5%
Electricity, Gas, Steam	-16.7%	27.2%	26.4%
Water, Sewerage, Waste Management	-5.5%	7.0%	5.3%
Construction	-5.4%	1.1%	0.2%
Wholesale & Retail; Vehicle Repair	-3.7%	6.1%	0.5%
Transportation & Storage	3.1%	21.4%	17.9%
Accommodation & Food Services	2.6%	1.3%	1.9%
Information & Communication	-2.6%	10.4%	9.9%
Financial & Insurance	63.6%	3.0%	4.6%
Real Estate	10.1%	7.7%	7.9%
Professional, Scientific & Technical Activities	10.8%	30.6%	25.3%
Rental, Travel Services	8.8%	11.6%	10.6%
Public Administration	5.1%	36.9%	36.8%
Education	3.6%	21.5%	11.6%
Human Health & Social Work Activities	13.5%	27.0%	22.2%
Arts, Entertainment & Recreation	10.0%	-2.8%	1.6%
Other Service Activities	0.7%	47.3%	22.8%
Total	**-0.1%**	**10.3%**	**7.5%**

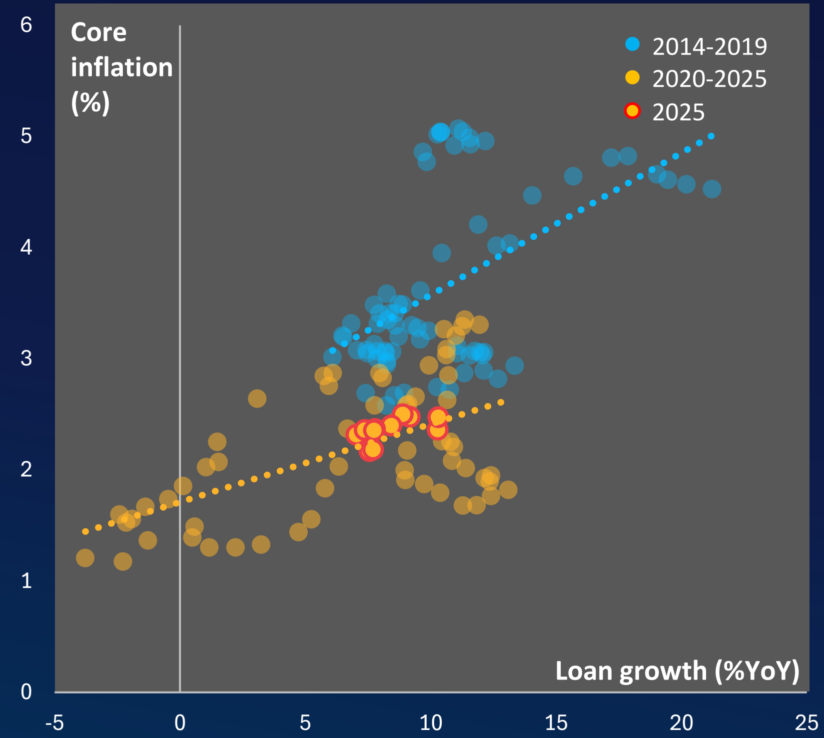
NPL (Oct-25)	MSME	Non-MSME	Total
Agriculture, Forestry & Fishing	3.13%	1.31%	2.25%
Mining	3.61%	1.25%	1.31%
Manufacturing	4.94%	2.07%	2.39%
Electricity, Gas, Steam	3.69%	0.16%	0.20%
Water, Sewerage, Waste Management	4.42%	0.17%	0.70%
Construction	10.19%	1.64%	2.78%
Wholesale & Retail; Vehicle Repair	4.95%	2.55%	3.87%
Transportation & Storage	3.59%	0.63%	1.13%
Accommodation & Food Services	3.33%	2.88%	3.12%
Information & Communication	4.33%	0.62%	0.74%
Financial & Insurance	3.93%	0.11%	0.26%
Real Estate	5.58%	1.56%	1.90%
Professional, Scientific & Technical Activities	2.79%	0.89%	1.34%
Rental, Travel Services	4.40%	0.60%	1.87%
Public Administration	0.45%	0.06%	0.06%
Education	3.34%	1.48%	2.44%
Human Health & Social Work Activities	2.25%	0.30%	0.94%
Arts, Entertainment & Recreation	3.52%	15.80%	11.27%
Other Service Activities	4.04%	1.99%	2.87%
Total	**4.51%**	**1.44%**	**2.21%**

Source: OJK

More expensive prices to have both

Exhibit 2.12 The revision of the P2SK Law provides Bank Indonesia with an additional mandate to support economic growth and job creation. However, statistically, Bank Indonesia's efforts to maintain the stability of the rupiah (such as the issuance of SRBI) have come at a higher cost to credit growth compared to the period before the pandemic (left chart). With depreciation risks still present next year, Bank Indonesia is likely to review other incentive measures to alleviate pressure on credit growth.

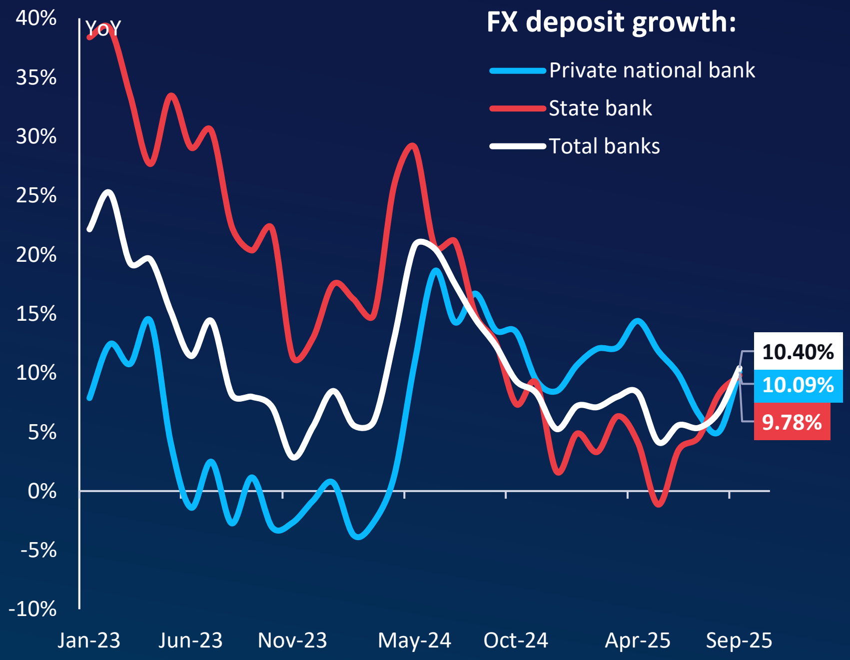


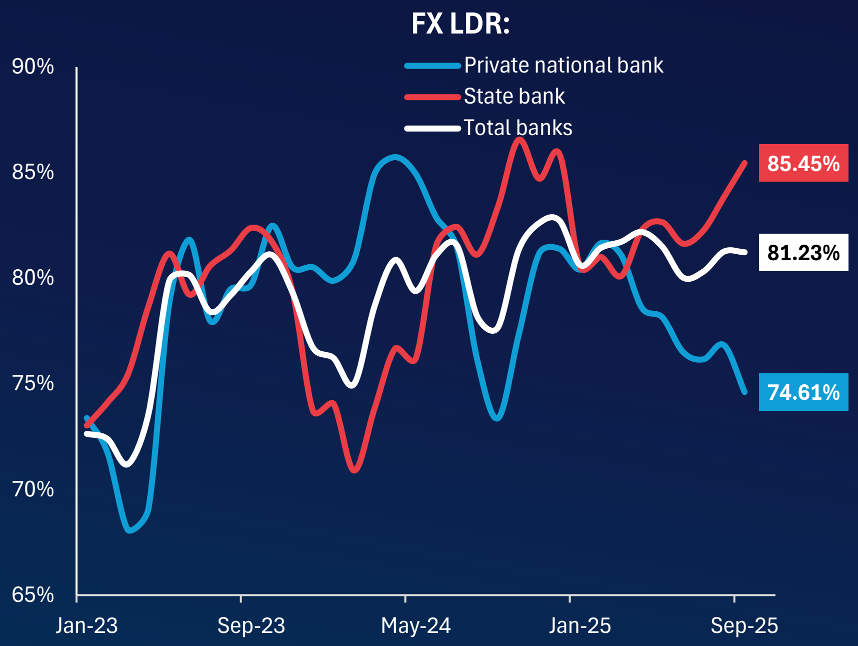


Source: OJK, BPS, Bloomberg

When you try to direct the flow...

Exhibit 2.13 Depreciation risk may be one of the reasons the government is tightening regulations regarding foreign currency time deposits (TD DHE), requiring that they be placed entirely in state-owned banks (SOEs). This not only makes it easier for the government to control but also helps reduce pressure on the foreign currency loan-to-deposit ratio (LDR) of SOEs. However, this policy transition may not be quick, There is still a need for a transition process on the side of exporter clients, private banks, and SOE banks. It is also necessary to monitor potential risks across all parties, for example, whether the reduction in FX liquidity in private banks could disrupt intermediation or lead to sunk costs.

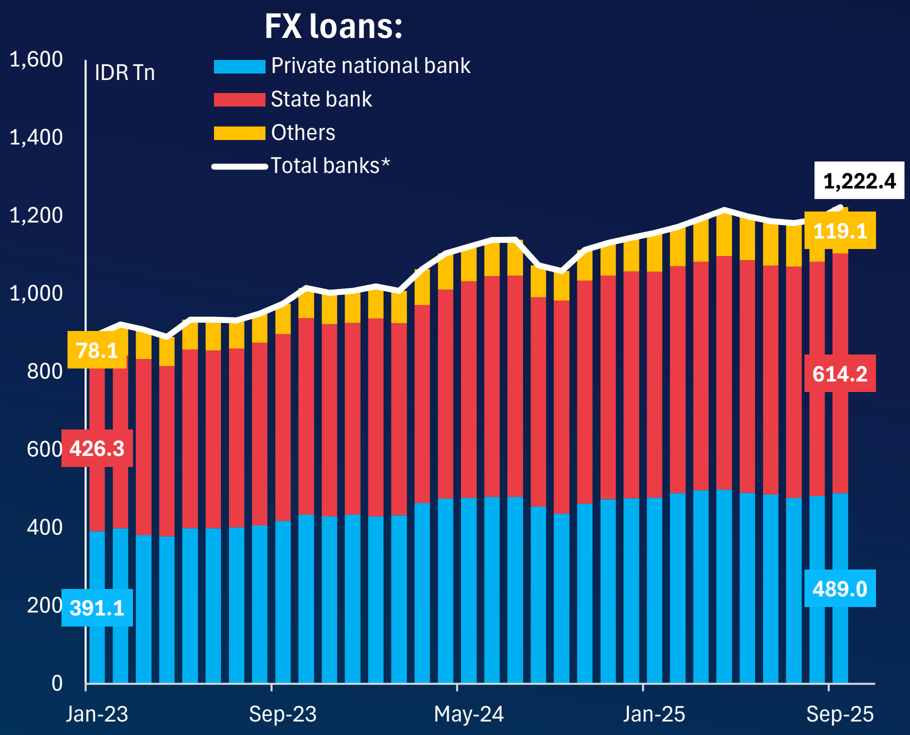


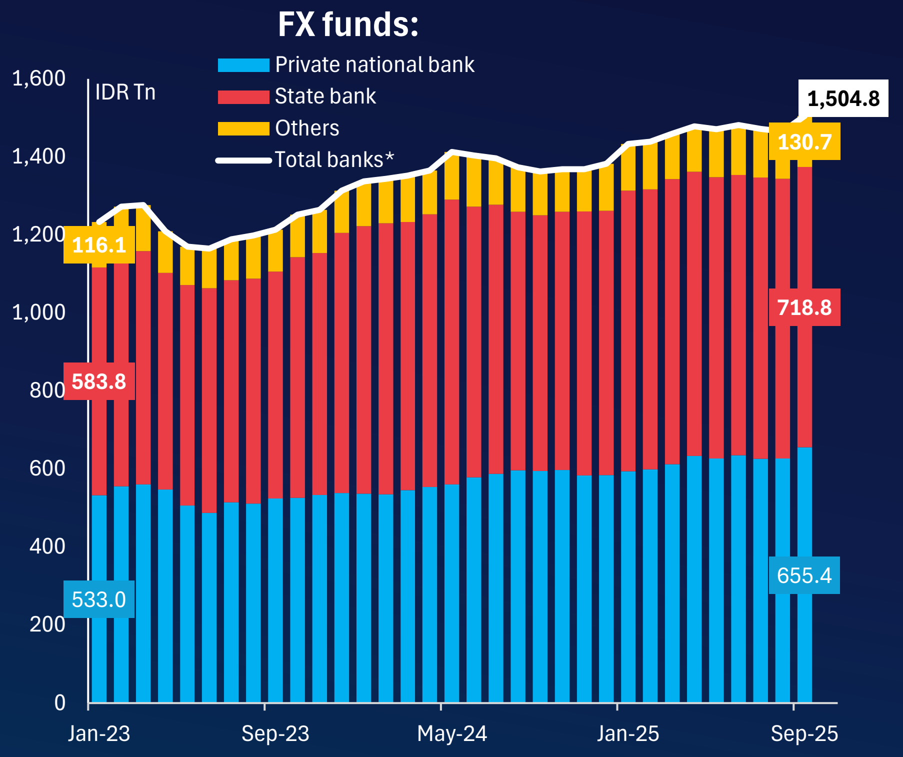


Source: OJK, *total banks include foreign and regional banks

Despite smaller, still a big contribution

Exhibit 2.14 Despite having a smaller contribution, nominally private banks still contribute around IDR 489 Tn (FX loan) or equivalent toward 10.2% of total import in 2024.





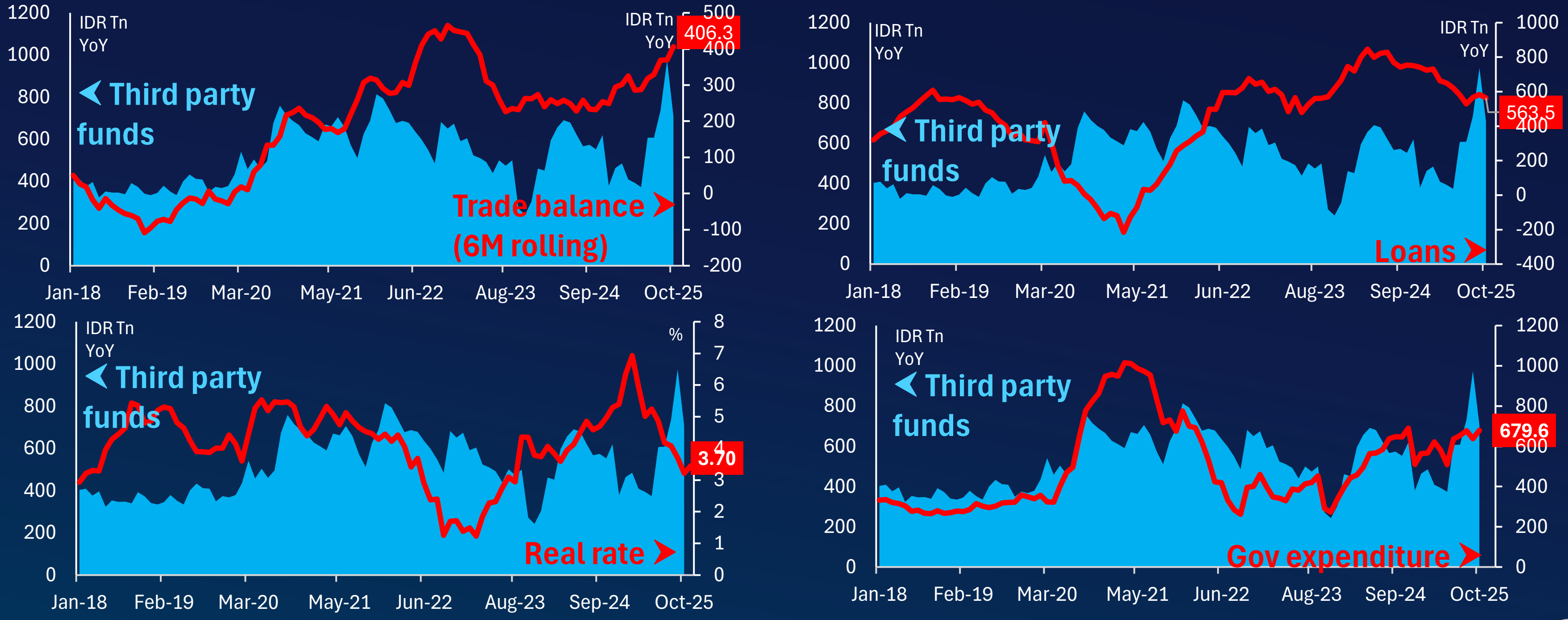
Source: OJK, *total banks include foreign and regional banks

Third-party fund: Clearing the clogged pipe

- Asking about the outlook for third-party fund (deposits) growth in 2026 is somewhat tricky. First, the trade surplus is likely to shrink, but on the other hand, loan growth could improve (money creation increases) while government spending is also predicted to rise. The tricky part is that in 2025, deposits growth has already been closed with additional liquidity injections from government accounts. If there are withdrawals of government deposits back to Bank Indonesia, then deposits growth could slow down.
- Aside from the factors mentioned above, overall funding growth is improving in almost all segments and nearly all product categories by the end of 2025. This means we can expect deposits growth to be maintained at least at the level of 8-10% YoY. It may slow slightly in H2-26 due to the high base effect from liquidity injections in Aug-25.
- The “drag” on deposits growth in 2025 is the MSME segment, as seen from the negative growth in individual checking accounts. On the other hand, deposit growth for lower-middle (nominal value per account) accounts is also limited. In terms of net bank balance, recovery in the individual segment is not as fast as in corporations and SOEs.
- That trend may be related to the liquidity flow being “clogged” in the system. Business income has relatively improved, and government spending has been focused on boosting consumption; however, this flow does not extend far enough after being spent by individuals. We hope that improvements in the real sector and a better global environment in 2026 will help eliminate this bottleneck.

Brief recap on the engines of funding

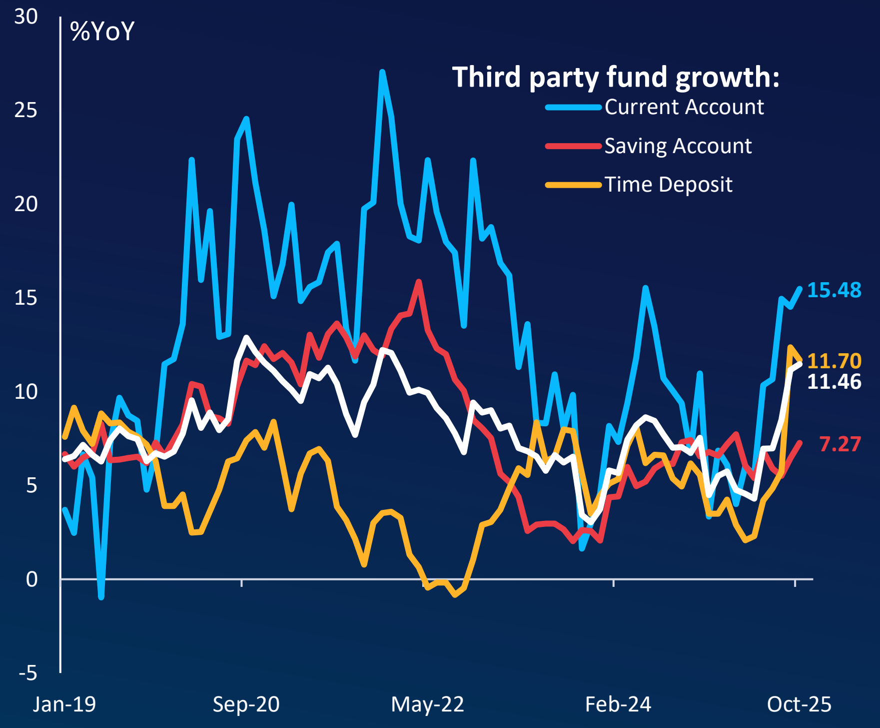
Exhibit 3.1 Trade surplus and government spending are the stories for the growth of third-party funds in 2025. However, the movements of both may not align in 2026. Government spending has a positive correlation with imports, while the front-loading tariff factor will no longer occur in 2026. The government's injection of IDR 201 trillion has artificially driven third-party fund growth to double digits, but on the other hand, this poses a scenario of slower growth if the government later reallocates its funds back to Bank Indonesia for financing needs. As happened with the second injection of IDR 75 trillion, which ultimately had to be withdrawn by the government.

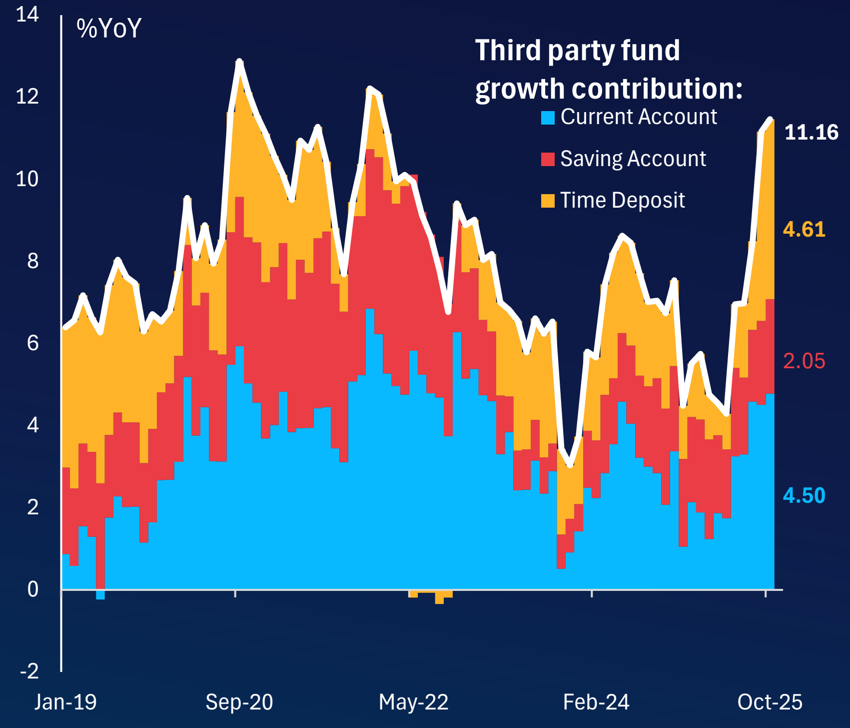


Source: OJK, BPS, Bloomberg, MoF

Saving account is still growing sideways

Exhibit 3.2 Current accounts have become the main driver of third-party fund growth, as they are most directly affected by trade surpluses and investment loan. Government liquidity injections are boosting the growth of time deposits (placed in deposit on call instruments). The relatively flat growth of savings accounts indicates that household income growth has not yet recovered.





Source: OJK

Mostly greens, different reasons

Exhibit 3.3 Growth in current accounts is most felt by private and foreign banks, indicating the impact of trade surpluses. Growth in savings accounts is most pronounced in state banks (due to government social assistance). Regional banks tend to perform the least due to pressures on MSME performance.

%YoY		Jan-25	Feb-25	Mar-25	Apr-25	May-25	Jun-25	Jul-25	Aug-25	Sep-25	Oct-25
State Bank	Total Deposits	3.37	6.71	5.57	3.41	2.75	7.38	7.45	8.73	13.63	12.42
	Current Acc	7.87	12.70	13.02	7.11	2.67	8.15	6.64	6.85	7.53	7.36
	Saving Acc	-0.90	2.78	1.59	1.30	3.35	8.76	8.63	9.00	20.02	18.64
	Time Deposit	0.01	-7.66	-17.64	-7.30	-0.36	-5.72	5.72	19.20	15.65	9.47
Regional Gov Bank	Total Deposits	6.73	4.54	0.29	1.39	1.26	2.36	6.04	8.16	6.32	2.48
	Current Acc	0.01	-7.66	-17.64	-7.30	-0.36	-5.72	5.72	19.20	15.65	9.47
	Saving Acc	10.02	13.19	17.70	7.64	1.55	4.81	3.71	1.01	1.99	2.58
	Time Deposit	8.48	6.27	-0.24	2.53	2.01	5.48	7.81	6.68	3.52	-1.84
Private national banks	Total Deposits	5.53	7.29	6.95	4.52	-15.47	4.77	4.82	6.64	10.43	11.40
	Current Acc	6.05	6.27	5.45	6.88	4.38	9.07	8.57	13.81	17.67	17.23
	Saving Acc	4.83	11.29	11.33	4.84	-4.23	6.08	5.74	5.21	6.38	8.29
	Time Deposit	5.73	4.98	4.63	2.91	-29.92	1.29	1.99	3.62	9.21	10.27
Foreign banks and joint banks	Total Deposits	7.44	6.40	-0.98	-0.26	2.21	0.23	2.04	4.67	11.78	9.91
	Current Acc	10.63	9.47	-0.14	3.13	5.48	4.81	5.61	9.08	16.80	16.22
	Saving Acc	-21.02	-24.67	-14.12	-18.14	-23.55	-21.44	-18.45	-19.89	-19.80	-20.68
	Time Deposit	2.87	2.34	-1.67	-8.17	-3.40	-10.01	-5.79	-4.76	1.11	-3.28

Source: OJK

MSMEs drag the growth

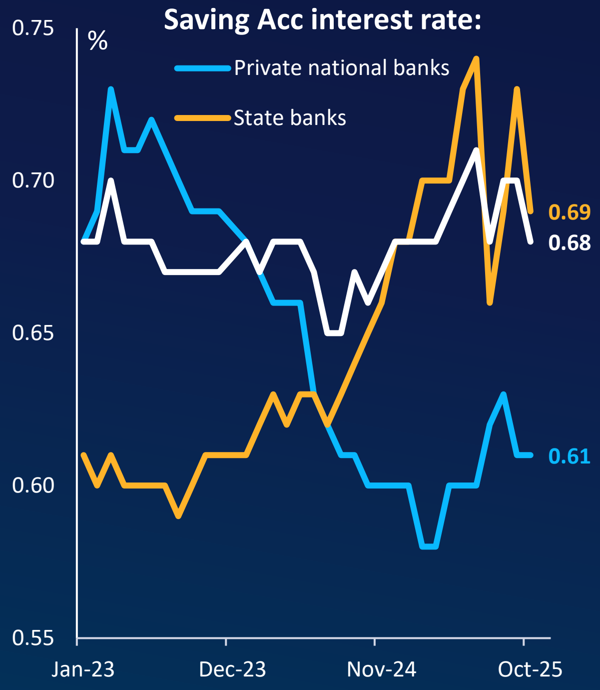
Exhibit 3.4 The individual segment has shown relatively poor performance, particularly in current accounts, indicating that the issues lie within the MSME segment. On the other hand, the growth in funding held by business players (both SOEs and privates) is growing relatively quickly, suggesting that some businesses have liquidity ammunition ready to be directed towards spending if conditions in 2026 are favorable enough.

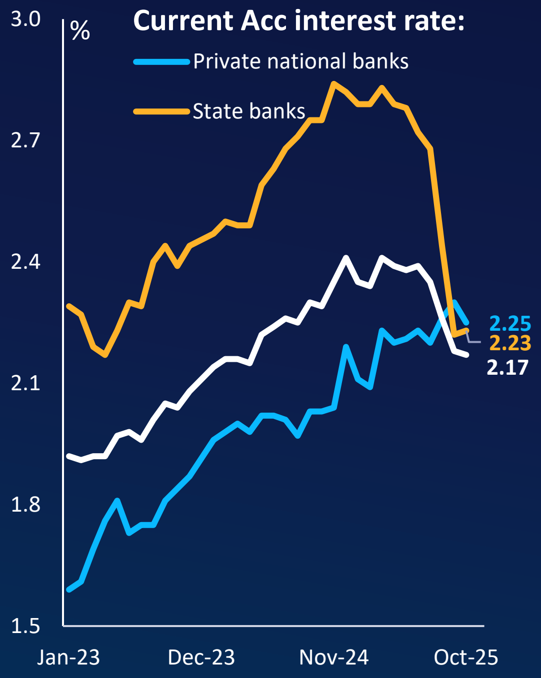
%YoY		Jan-25	Feb-25	Mar-25	Apr-25	May-25	Jun-25	Jul-25	Aug-25	Sep-25	Oct-25
Banks liabilities to Gov		-0.92	-6.08	0.95	13.95	24.45	0.01	7.83	-0.86	3.95	14.26
Regional Gov	Total	-4.45	-7.63	-16.69	-3.98	9.49	5.01	18.17	28.48	23.09	10.09
	Current Acc	-0.42	-9.50	-21.44	-7.27	4.64	-2.43	16.22	37.23	30.15	19.23
	Saving Acc	-1.11	-7.19	10.65	8.65	6.52	8.01	-1.50	-0.53	5.48	2.85
	Time deposit	-27.96	0.29	-1.62	6.38	25.49	29.30	26.63	10.01	5.30	-13.43
SOE	Total	2.90	11.63	12.39	3.22	-4.03	8.64	14.91	16.65	26.79	19.34
	Current Acc	8.79	19.31	25.06	8.35	2.88	25.61	31.26	28.85	35.94	25.62
	Saving Acc	81.92	93.51	130.42	25.21	16.75	32.62	30.15	46.96	50.27	-21.15
	Time deposit	-16.47	-8.31	-17.87	-12.04	-23.73	-31.72	-24.61	-13.85	1.27	5.02
Corporation	Total	12.92	11.71	9.30	10.67	9.54	11.52	11.35	12.98	13.95	13.03
	Current Acc	10.33	8.93	6.72	10.38	8.53	11.82	11.59	14.51	15.53	14.74
	Saving Acc	19.55	26.93	20.28	22.04	19.73	22.11	16.81	22.41	20.52	24.85
	Time deposit	15.92	13.19	11.31	8.79	9.12	8.73	9.79	8.59	9.88	7.68
NBFI	Total	29.37	19.63	10.30	7.63	6.09	17.50	17.50	26.20	16.80	28.38
	Current Acc	69.16	22.41	16.42	1.96	4.90	5.65	9.54	30.58	1.86	30.73
	Saving Acc	44.41	34.36	35.82	36.33	29.67	31.90	32.72	34.27	37.47	33.18
	Time deposit	18.58	17.62	6.68	8.03	5.09	21.43	19.65	23.91	21.67	27.19
Individual	Total	-3.39	-0.93	1.11	-0.05	-0.10	1.14	0.84	0.25	1.04	0.75
	Current Acc	-50.71	-46.46	-45.11	-37.06	-34.90	-30.81	-33.11	-30.63	-26.87	-34.80
	Saving Acc	4.36	5.21	6.31	4.52	3.83	5.40	4.82	3.56	4.54	5.24
	Time deposit	-8.16	-4.33	-1.27	-2.95	-2.42	-2.20	-1.92	-1.77	-1.84	-2.70

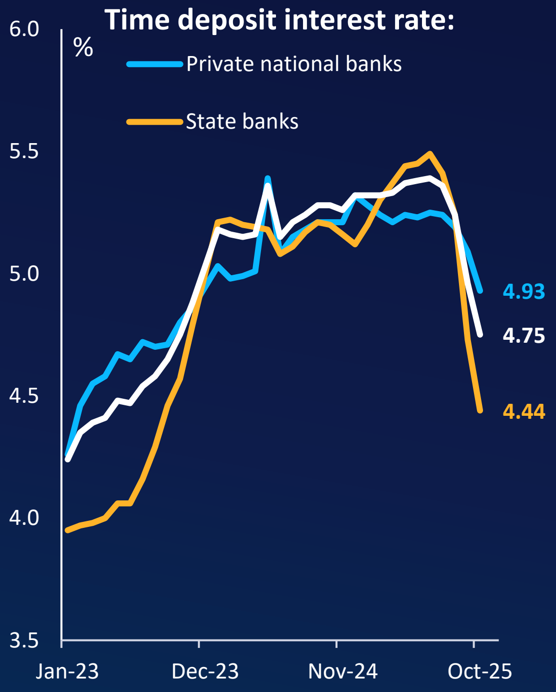
Source: OJK

No more need for special rates?

Exhibit 3.5 Interest rates on third-party funds have been observed to decline in most categories, while current account rate for private banks are little bit lagged (*further discussed in exhibit 4.6*). Overall trend is in line with Bank Indonesia's interest rates and the government's efforts to keep banking liquidity ample. This decrease could help improve bank profitability as lending rates decline.



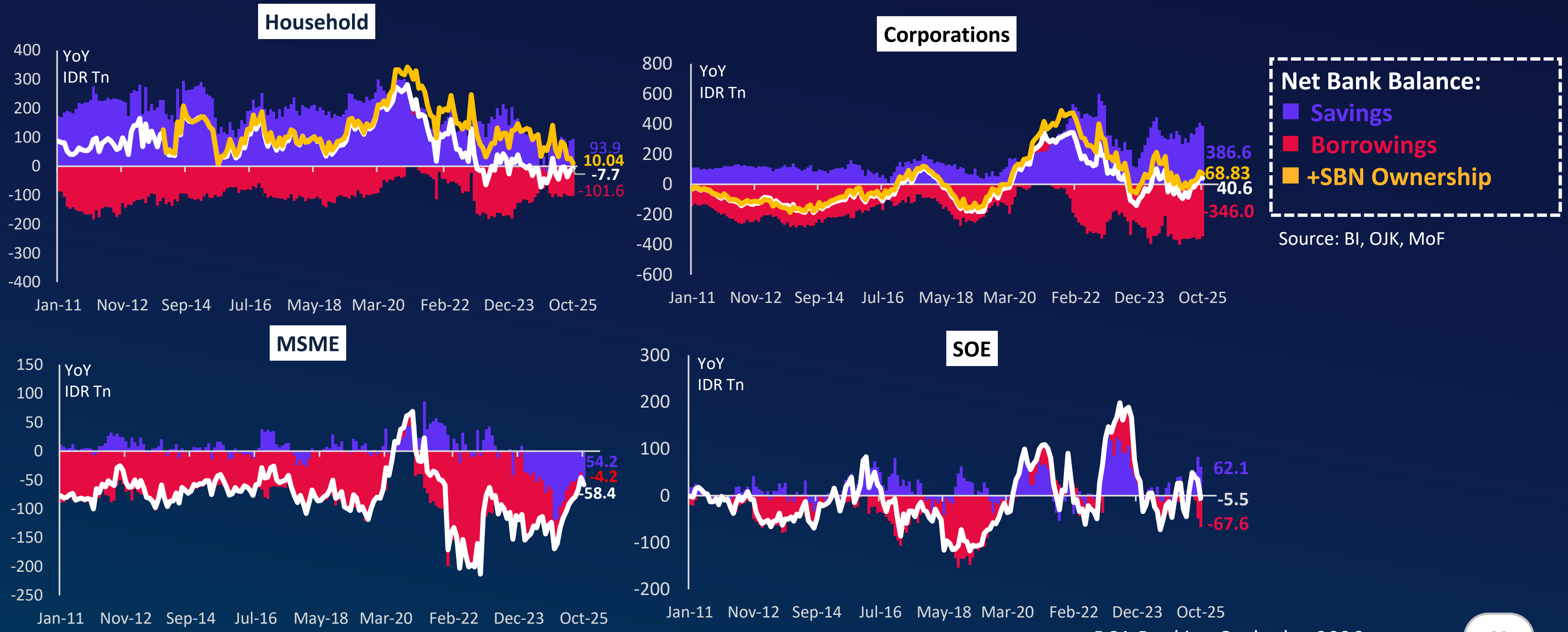




Source: OJK

Uneven recovery of net liquidity

Exhibit 3.6 Net bank balance (total funding growth minus total loan growth) tends to improve across all segments, but at an uneven pace. State-owned enterprises (SOEs) and corporations are recovering more quickly, while households and MSMEs are relatively limited. This may also indicate a structural trend related to jobless growth, where business income improves without corresponding increases in individual income (or workforce recruitment).



Source: BI, OJK, MoF

Another attraction

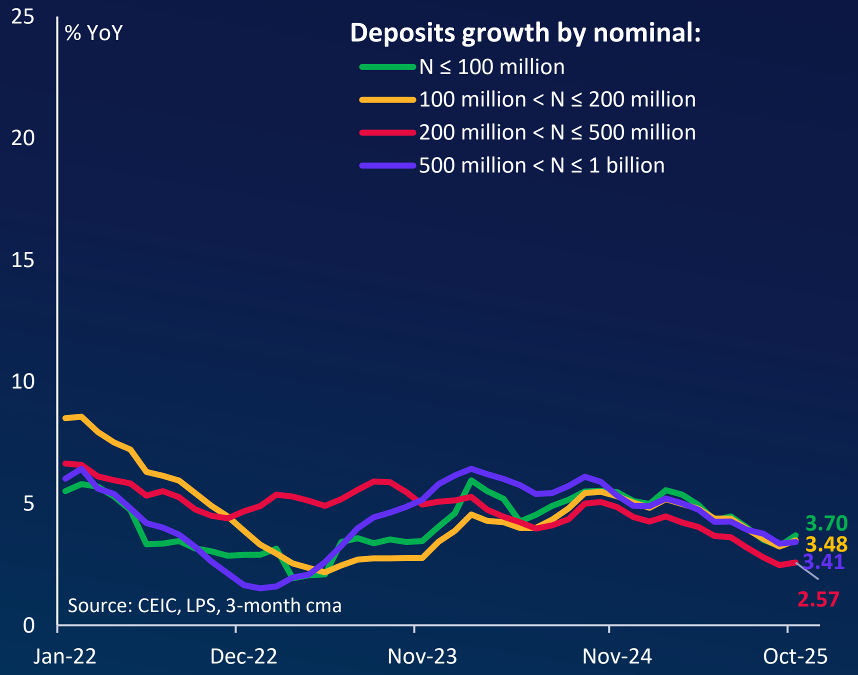
Exhibit 3.7 For the individual segment, ownership of government bonds (SBN) has started to slow down, indicating that either the upper class is beginning to shift spending to the real sector or that the slowdown in income has begun to affect the upper-middle class. Similar trend could be observed for corporations, though not as sharp as individuals, as ownership of government bonds remains a preference for some corporates, which limits the potential for credit and third-party funds from this segment.

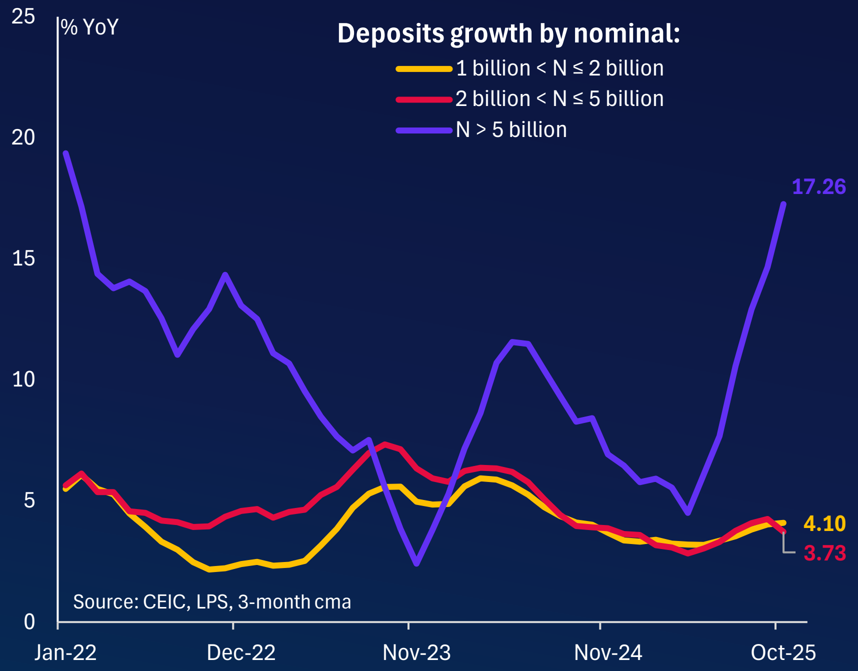
Source: BI, MoF

Source: BI, MoF

Widening disparity

Exhibit 3.8 High net worth individuals still experience significant growth in their deposits, while the middle to lower classes are seeing a slowdown in their deposit growth. This results in relatively limited potential for consumer credit. The problem here is that social assistance from the government to the lower segment will still flow to the upper segment (businesess) through spending. This means that there is still a need for a flow back from the upper segment to the lower segment (for example, through employee recruitment) to make this growth more even.



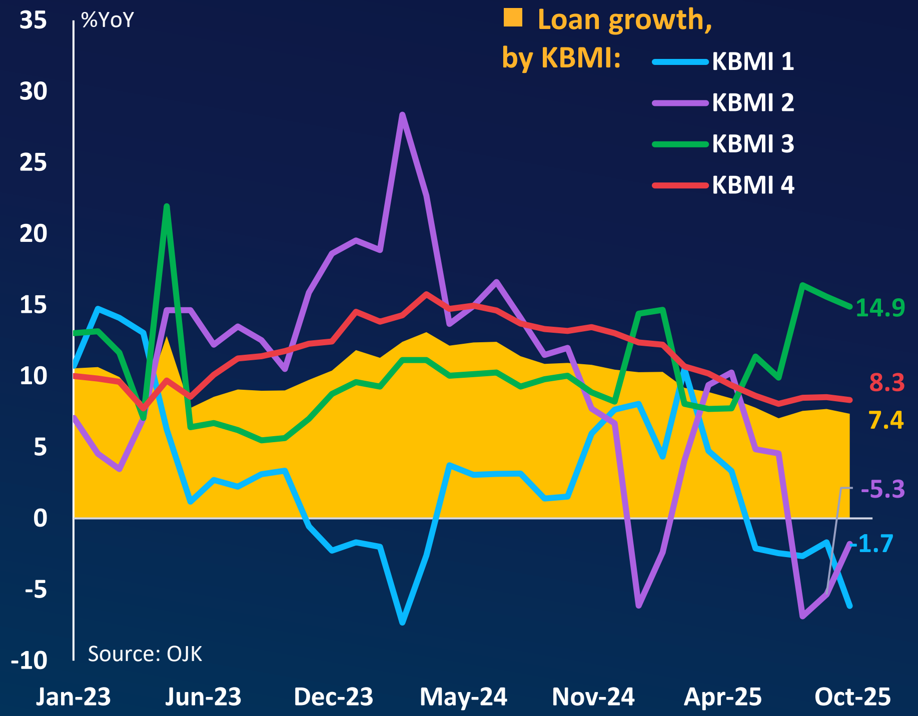


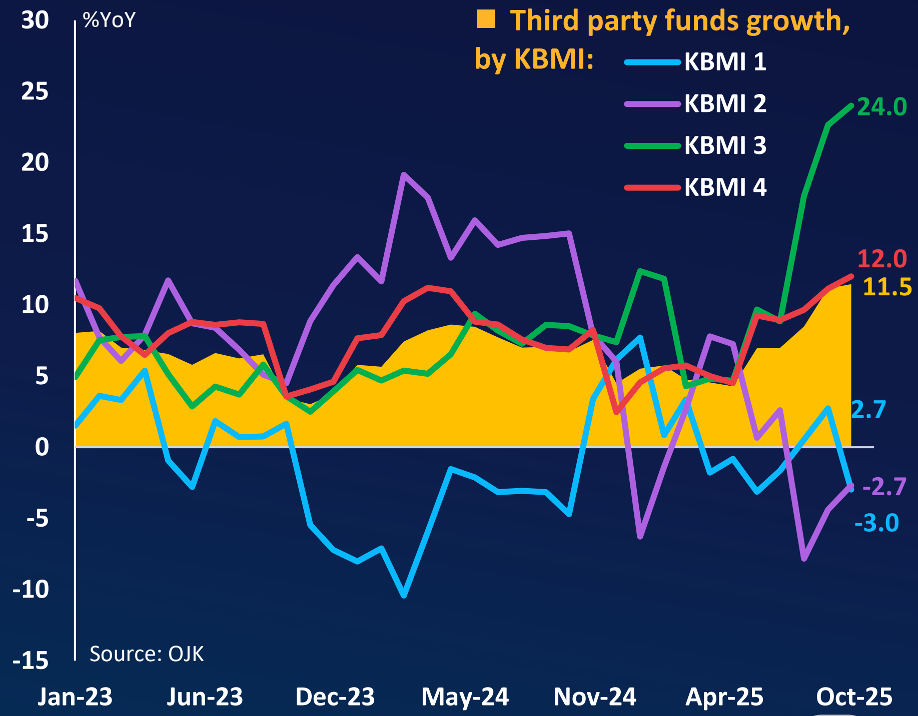
Performance of each bank category: Competition in a limited segment

- The performance gap in credit and deposits between large and small banks continues to widen, indicating increased competition in a limited contested segment. A closer look at the trend in interest rates on deposits shows where liquidity is currently concentrated within a limited population, which is in corporations (current account holders).
- This has led to an overall improvement in liquidity levels, but for different reasons. Three banks in KBMI 4 (and two in KBMI 2) received government liquidity injections, while other medium and small banks may have experienced a sharper decline in credit growth compared to deposit growth.
- The increased CAR level in 2025 indicates a reduction in loan exposure and a shift towards safer assets. This may normalize in 2026 if banks expand their credit portfolios. Meanwhile, a decrease in the percentage of operating expenses to operating income suggests improved efficiency across banks.
- Lower deposit interest rates and increased interest income from diversification into other instruments, such as government bonds, have helped maintain profitability, especially for small to medium banks. This trend of preferring bonds over credit may continue into 2026 for some banks if credit growth remains uneven. Meanwhile, banks with substantial capital can also rely on increased non-interest income through the volume of digital products and services and/or market expansion via acquisitions, two trends we may see from 2026 onward to offset the effect of declining rates on banks' revenue.

The year when performance disparity widens

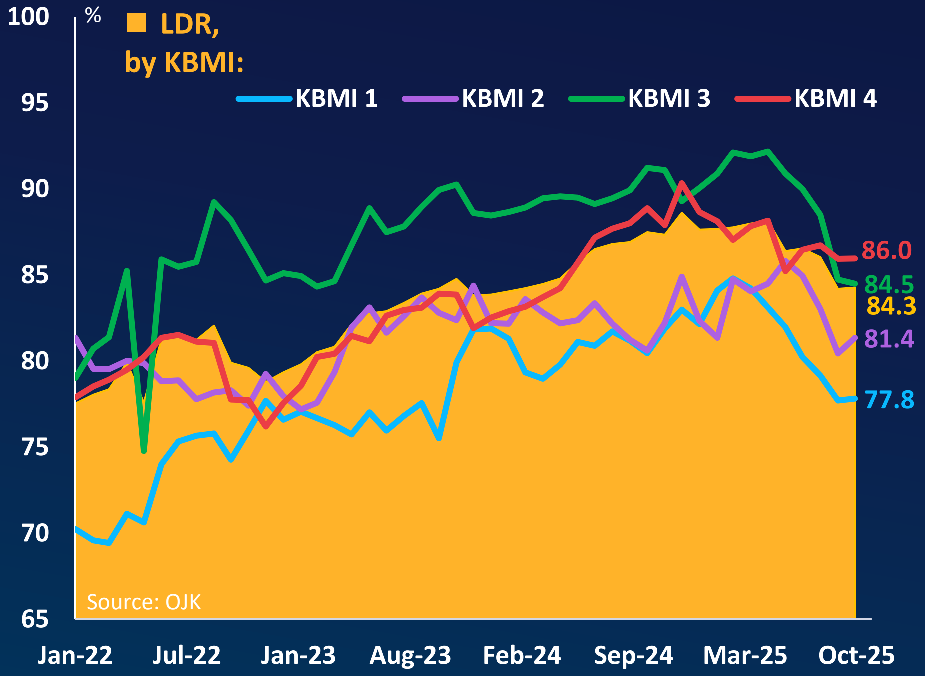
Exhibit 4.1 The year 2025 marks a time when the disparity in loan and third-party funds (deposits) performance between large and small banks continues to widen. This indicates increased competition, with the volume of the contested segment tending to be limited. Customers with satisfactory deposits and loan performance are primarily found in medium to large banks, while small banks tend to miss out. For deposit growth, some of KBMI 4 have received liquidity injections from the government, while some of KBMI 3 are still offering high interest rates (which will be explained further in the next slides).

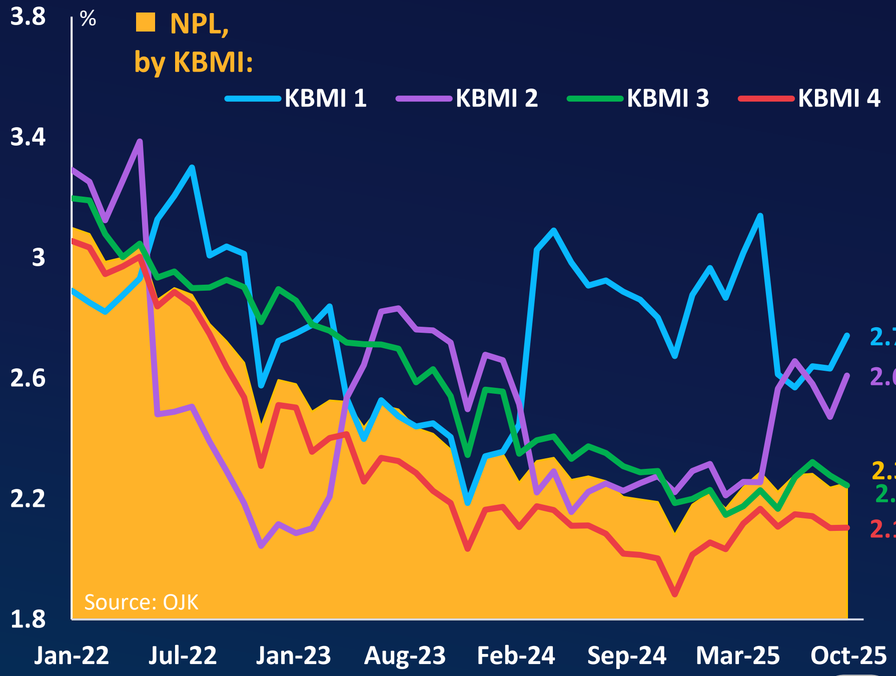




Better liquidity levels, but for different reasons

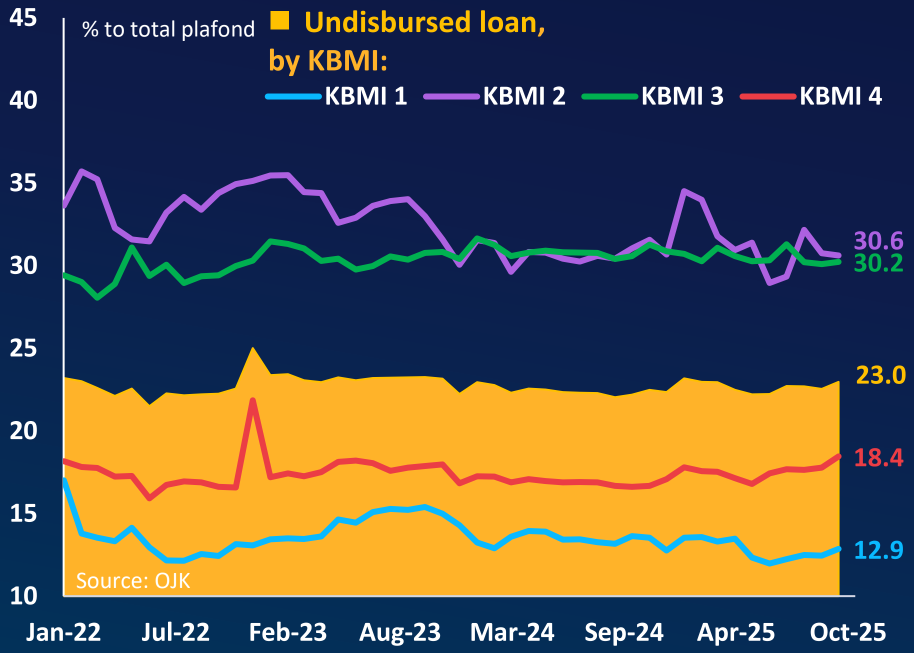
Exhibit 4.2 The LDR level has improved across all categories of banks, though for somewhat opposing reasons. Three banks in KBMI 4 and two banks in KBMI 2 received IDR 201 trillion liquidity injections from the government. Meanwhile, other medium and small banks may have seen a sharper decline in credit growth compared to the slowdown in deposit growth. In addition to the ‘wait and see’ factor in the real sector that has been discussed previously, the average increase in NPLs (compared to 2024) may also contribute to the tightening of lending standards in several banks.

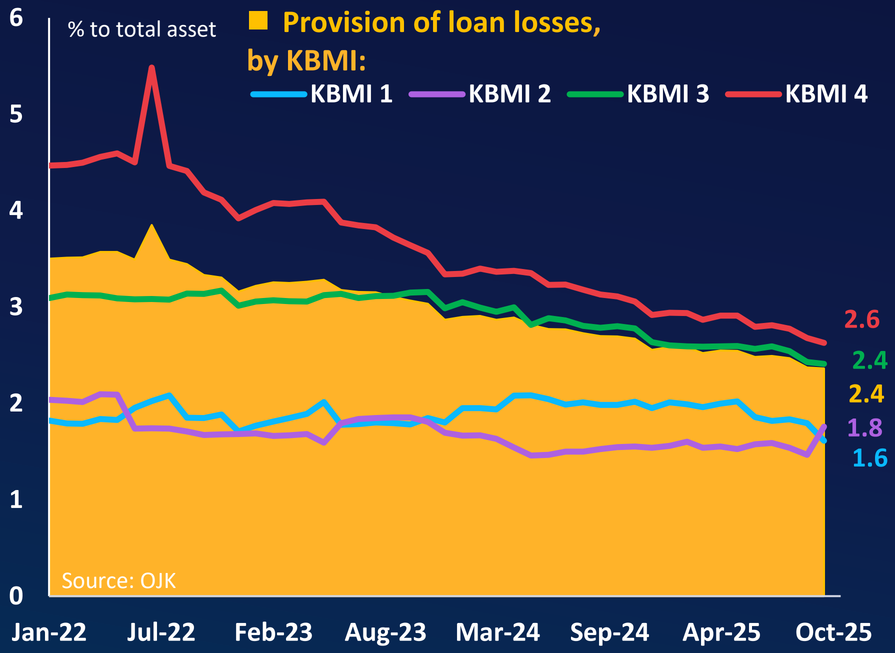




Difference in confidence

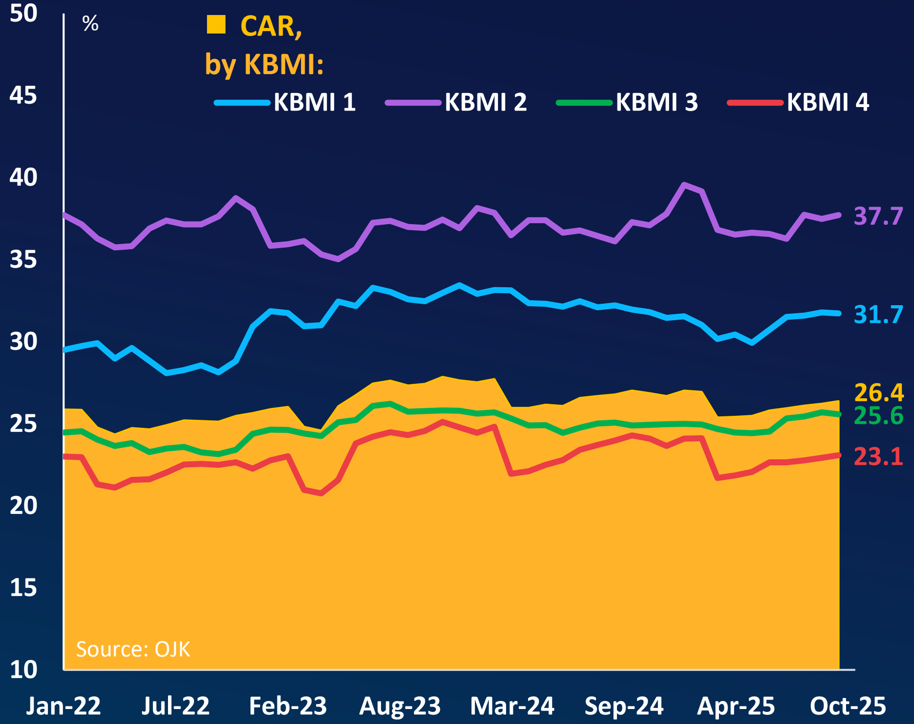
Exhibit 4.3 For large banks (KBMI 4), the increasing percentage of undisbursed loans indicates that the bank is in the process of providing more approved loans that have not yet been disbursed. This is also supported by a decrease in the provisions for loan losses set aside by the bank (across all categories), suggesting that the bank feels more confident about the quality of existing loans. However, the increase in the percentage of undisbursed loans may also indicate that borrowers do not share the same level of confidence. For small to medium-sized banks, the level of undisbursed loans remains relatively stagnant, indicating that the ceilings provided are already optimal (relative to available liquidity).

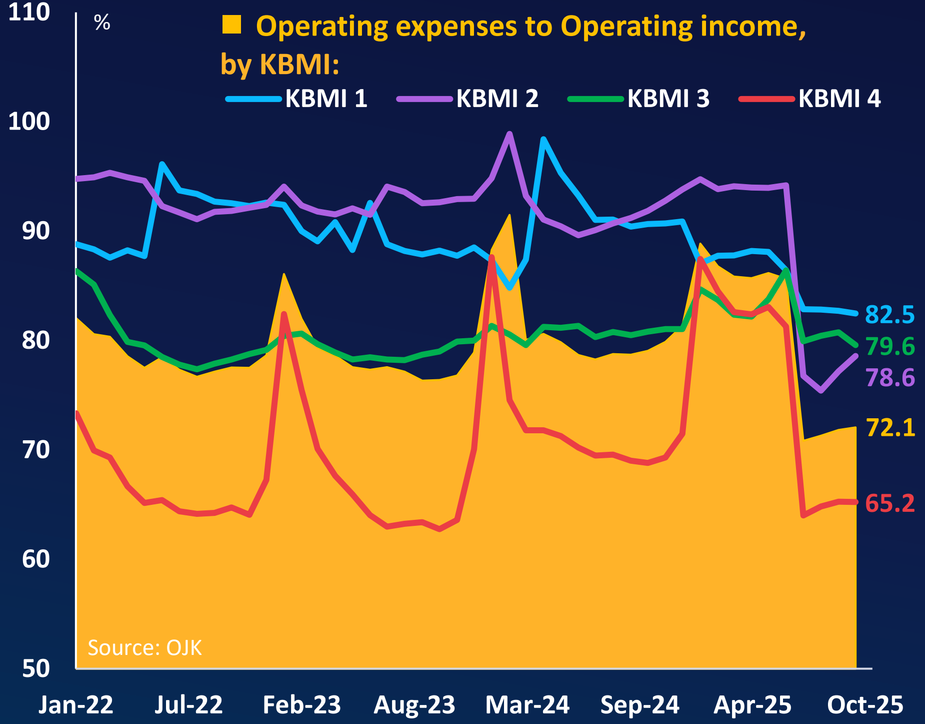




Better ammunition

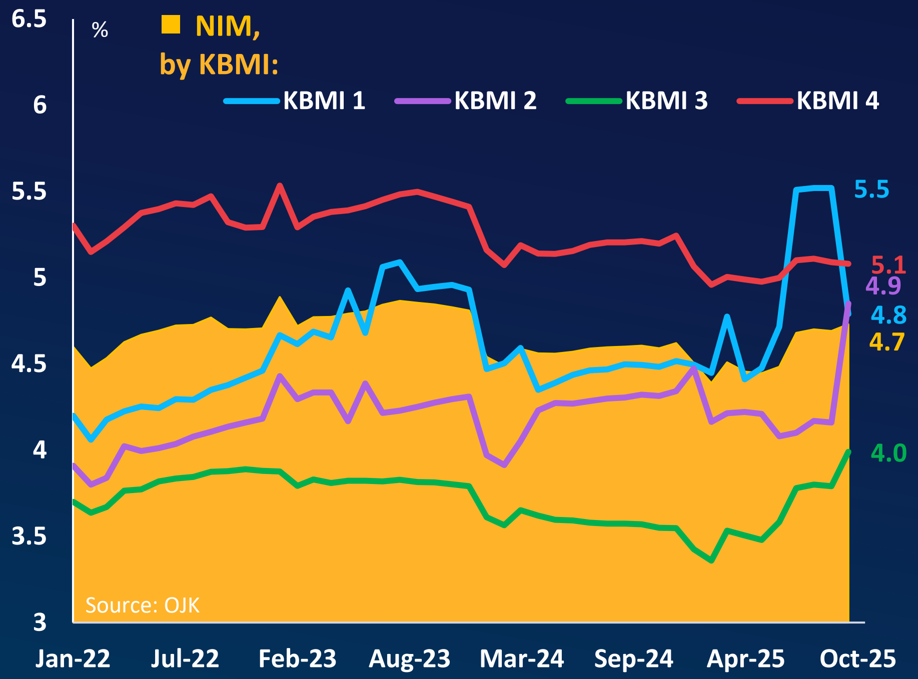
Exhibit 4.4 The increased CAR level in 2025 (across all categories) indicates two things: (1) Banks are reducing their exposure to loans and (2) there is a shift in the loan portfolio to safer assets or diversification. This means that in 2026, CAR could normalize if banks expand their credit portfolios. On the other hand, the decrease in the percentage of operating expenses to operating income indicates increased efficiency.

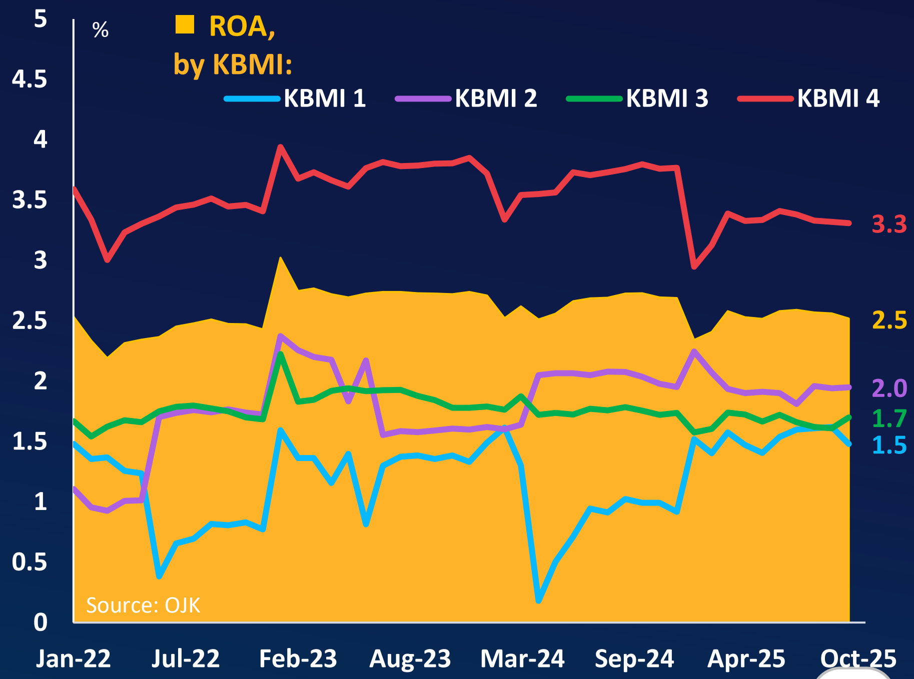




Diversification and lower CoF maintain the profitability

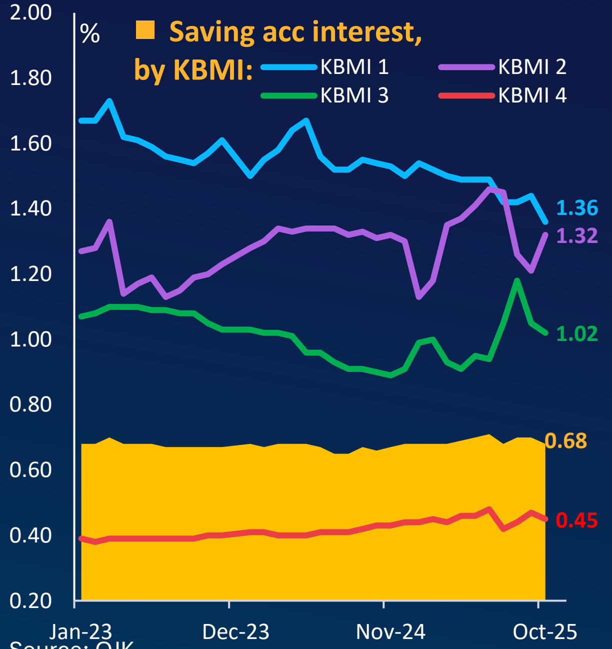
Exhibit 4.5 NIM in 2025 increased sharply for KBMI 1 - 3, while KBMI 4 experienced only a slight increase in the second half. This is due to: (1) A decrease in deposit interest rates, which reduces interest expenses, and (2) an increase in interest income amid a slowdown in credit (for small to medium banks) derived from diversification into other instruments (such as government bonds). The same applies to the relatively safe CAR levels across all categories. However, this raises the question of how long this trend can continue for small to medium banks. If the credit recovery is uneven, they may continue to prefer bonds over credit into 2026 to sustain profitability.

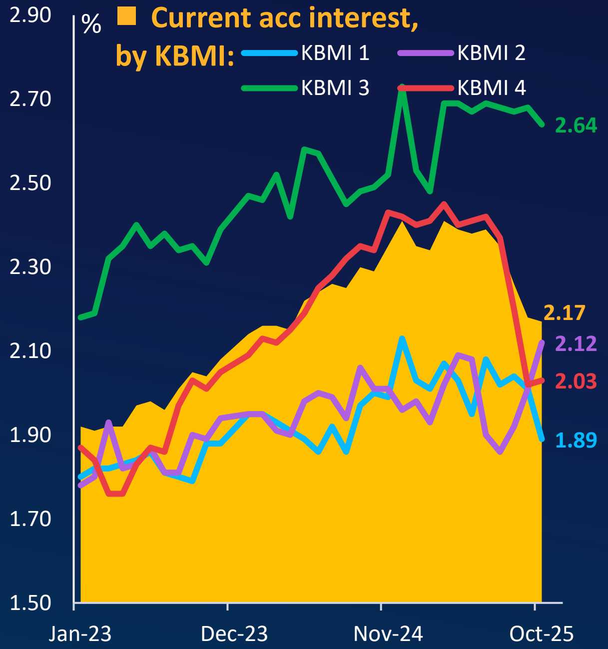


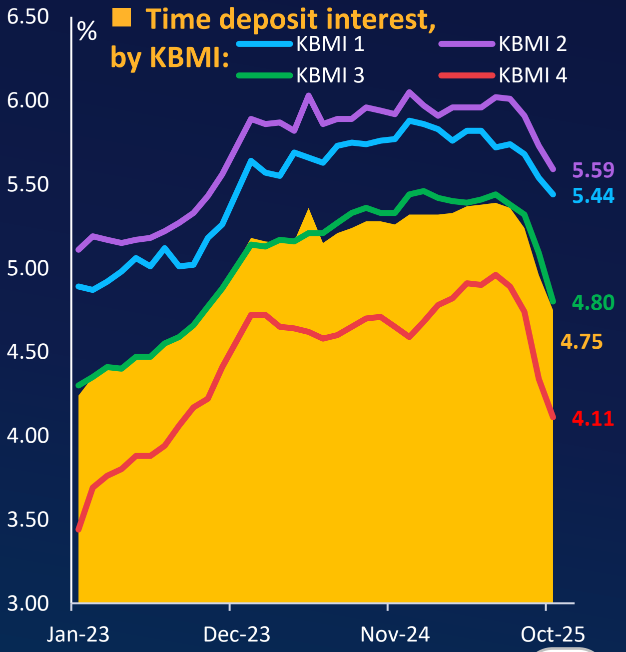


Some are still making extra efforts to attract deposits

Exhibit 4.6 Overall, interest rates for deposits have dropped sharply, especially since Aug-25 (due to government liquidity injections), and this trend is expected to continue alongside declining policy rates. However, in detail, KBMI 3 still appears to be maintaining interest rates for current accounts (CA) (while KBMI 1 and 2 remain relatively stagnant for CA), indicating that some medium-sized banks are still offering higher rates to attract deposits. The reason they can maintain profitability under these conditions suggests that their income-generating assets (bonds and loans) are still sufficient to offset the interest costs, often referred to as special rates, that are being offered. This also indicates where liquidity is currently concentrated within a limited population, namely in corporations (current account holders).



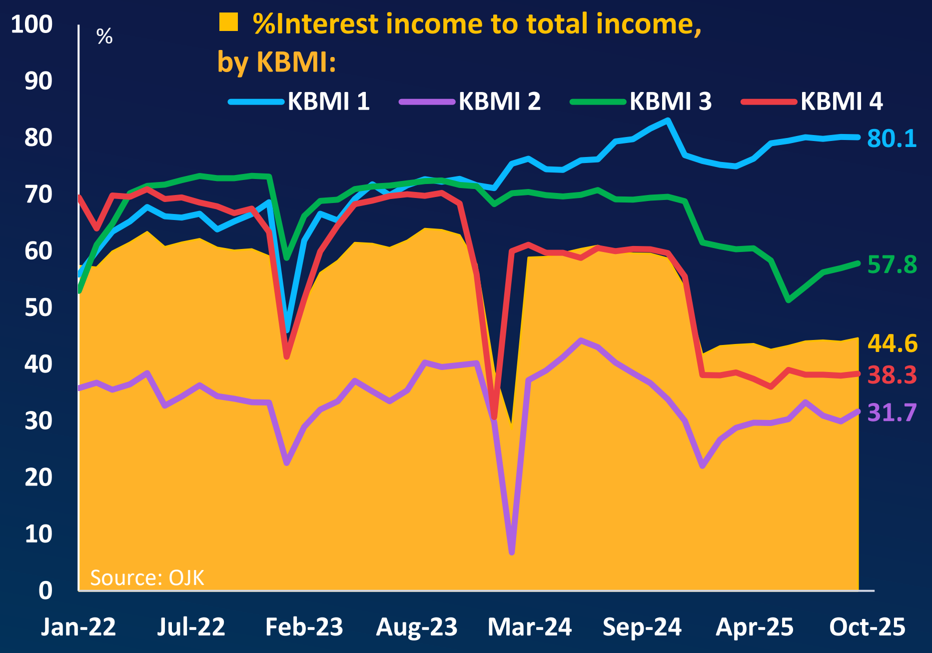


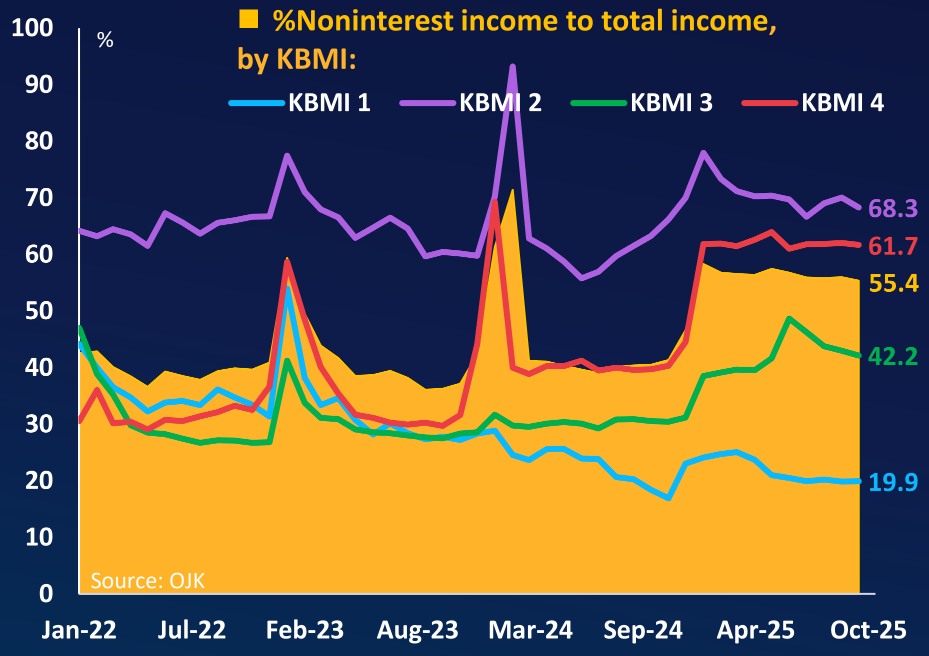


Source: OJK

Income diversification

Exhibit 4.7 In an era of declining interest rates, which is likely to continue into 2026, banks' interest income is becoming limited. The increase in non-interest income in 2025 (the sharpest in KBMI 4) may be attributed to two factors: (1) rising asset prices such as securities (which have an inverse correlation with falling interest rates) and (2) income from services like wealth management or digital products. With the trend of declining global policy rates expected to persist into 2027, it is essential for banks to maintain profitability through increased transaction volumes. This implies that investment in digitalization may also rise, particularly for banks with substantial capital, or through acquisitions to expand their market.





Increasing number of potential markets

Exhibit 4.8 Aside from DKI Jakarta, several other provinces have shown solid performance for banking. This is partly due to tourism, government programs (such as downstreaming), and other commodities.

Provinces	Loan (%YoY)	Third Party Funds (%YoY)	NPL (%)	GDP Region (%YoY)
Aceh	8,2	1,3	2,1	7,5
Bali	6,9	9,3	1,2	8,6
Bangka Belitung	-0,1	1,6	2,4	7,5
Banten	4,1	2,4	3,2	6,6
Bengkulu	5,1	2,9	1,6	7,2
D.I Yogyakarta	5,5	5,0	3,5	8,0
DKI Jakarta	9,8	18,2	1,6	6,3
Gorontalo	1,8	0,1	3,6	8,2
Jambi	5,3	9,2	1,8	7,7
West Java	3,0	5,6	3,8	7,2
Central Java	-0,5	1,2	4,6	6,9
East Java	2,6	4,5	3,2	7,3
West Kalimantan	3,0	5,4	2,0	9,1
South Kalimantan	6,9	6,8	2,6	5,4
Central Kalimantan	7,1	12,0	2,2	7,8
East Kalimantan	17,4	-6,3	2,0	1,9
North Kalimantan	4,7	-6,2	4,5	5,2
Riau Islands	14,0	10,8	3,2	9,0

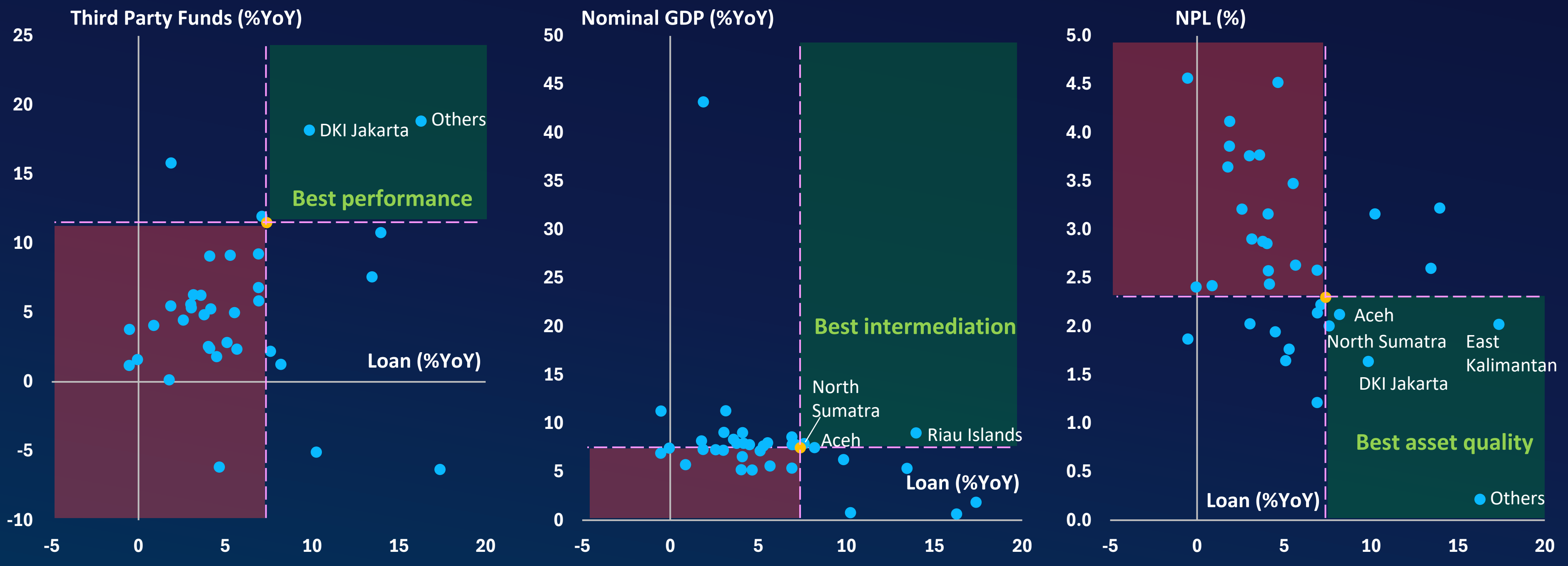
Provinces	Loan (%YoY)	Third Party Funds (%YoY)	NPL (%)	GDP Region (%YoY)
Others	16,3	18,9	0,2	0,6
Lampung	3,8	4,8	2,9	8,0
Maluku	4,0	2,6	2,9	5,2
North Maluku	1,9	15,8	4,1	43,2
West Nusa Tenggara	13,5	7,6	2,6	5,4
East Nusa Tenggara	1,9	5,5	3,9	7,3
Papua	5,7	2,4	2,6	5,6
West Papua	10,2	-5,1	3,2	0,8
Riau	6,9	5,9	2,1	7,8
West Sulawesi	3,2	6,3	2,9	11,3
South Sulawesi	3,6	6,3	3,8	8,4
Central Sulawesi	-0,5	3,8	1,9	11,3
Southeast Sulawesi	4,5	1,8	1,9	7,8
North Sulawesi	4,1	9,1	2,6	9,0
West Sumatra	0,9	4,1	2,4	5,7
South Sumatra	4,2	5,3	2,4	7,9
North Sumatra	7,6	2,2	2,0	7,9
Indonesia	7,4	11,5	2,3	7,5

Others: South Papua, Central Papua, Highland Papua, Southwest Papua
Data by Oct 2025; GDP Region uses Nominal GDP Region Q3-2025

Source: OJK

But there is still a widening performance gap

Exhibit 4.9 The yellow dots on the charts indicate the overall industry performance, which is certainly most influenced by the larger provinces. The increasing number of points in the red area (below industry performance) indicates a growing gap. If not addressed correctly by government and private sector cooperation, this gap could widen further because banks (considering risk and demand) typically only follow the money.



Data by Oct 2025; Nominal GDP uses Nominal GDP Region Q3-2025

Source: OJK

Appendix 1. Macroprudential Liquidity Incentive Policy

Regulation of Member of Board Governors Number 27 of 2025 on Regulations for Macroprudential Liquidity Policy

The KLM amount is set at a maximum of 5.5% with details:

- The amount of KLM derived from the distribution of Credit or Financing to certain sectors is capped at a maximum of 4.5%
- The amount of KLM derived from the determination of the credit interest rate is capped at a maximum of 1.0%

Sectors	Loan growth (%YoY)	KLM Incentives (%)	
Loan share (%)		**≤ 10**	**> 10**
Agricultural, industrial and downstream	≤ 0	0	1.3
	> 0 – 3	1.3	1.4
	> 3 – 7	1.4	1.5
	> 7	1.5	1.5+
Loan share (%)		**≤ 2**	**> 2**
Service, include creative economy	≤ 0	0	0.4
	> 0 – 6	0.4	0.5
	> 6 – 12	0.5	0.6
	> 12	0.6	0.6+

Sectors	Loan growth (%YoY)	KLM Incentives (%)	
Loan share (%)		**≤ 2**	**> 2**
Construction, real estate, property	≤ 0	0	1.2
	> 0 – 3	1.2	1.3
	> 3 – 7	1.3	1.4
	> 7	1.4	1.4+
Loan share (%)		**≤ 1**	**> 1**
MSME, cooperative, inclusion and sustainable sectors	≤ 0	0	1.2
	> 0 – 4	1.4	1.5
	> 4	1.5	1.5+

Note:

- (+) is an additional KLM amount of a maximum of 0.3% for each specific sector group, provided that the Bank's KLM amount derived from the distribution of loan to a specific sector has not yet reached 4.5%
- The adjustments to the KLM amount will take effect in February 2026

Source: Bank Indonesia

Appendix 2. Macroprudential Liquidity Incentive Policy

Regulation of Member of Board Governors Number 27 of 2025 on Regulations for Macroprudential Liquidity Policy

The KLM amount is set at a maximum of 5.5% with details:

- The amount of KLM derived from the distribution of Credit or Financing to certain sectors is capped at a maximum of 4.5%
- The amount of KLM derived from the determination of the credit interest rate is capped at a maximum of 1.0%

Incentives are provided to banks based on the speed of adjustment in new loan interest rates or financing returns relative to the BI policy rate adjustment. This aims to accelerate the transmission of monetary policy through faster reductions in banking interest rates

Elasticity of new loan interest rate return (%) against BI rate	Incentive (%)
< 0.3	0
≥ 0.3 - < 0.6	0.4
≥ 0.6	0.5

Source: Bank Indonesia

Appendix 3. Commercial Banks

OJK Regulation Number 12 of 2021

	Regulation
Bank Establishment	
Minimum capital (digital and conventional bank)	Rp 10 trillion in cash
Digital Bank	
Business plan	Has adopted a business model utilising innovative and safe technology to serve its customers
	Has the ability to manage a prudent and sustainable digital banking business
	Has a proper risk management capability
	Has implemented a structure to ensure good corporate governance, which includes a board of directors with competence in the information technology sector and other competencies in accordance to the requirements set by the OJK under the fit and proper test for the main parties in a financial services institution
	Will maintain the security of customer data
	Agrees to contribute to developing a digital finance ecosystem and/or financial inclusion
Bank Grouping	
KBMI 1	< Rp 6 trillion
KBMI 2	Rp 6 trillion - Rp 14 trillion
KBMI 3	Rp 14 trillion - Rp 70 trillion
KBMI 4	> Rp 70 trillion

Appendix 4. Commercial Banks Performance

OJK Regulation Number 11 of 2016 on Minimum CAR

Risk Profile	Minimum CAR
Rating 1 (Very healthy condition)	8%
Rating 2 (Healthy condition)	9% - 10%
Rating 3 (Quite healthy condition)	10% - 11%
Rating 4 (Unhealthy condition)	11% - 14%
Rating 5 (Unhealthy condition)	

Regulation of Bank Indonesia Number 15 of 2013 on Statutory Reserves

	LDR Target
Lower limit	78%
Upper limit	92%

Regulation of Bank Indonesia Number 11 of 2024 on Monetary Control

Banks	GWM in Rupiah	GWM in foreign exchange
Conventional banks	9%	2%
Sharia banks	7.5%	1%

Appendix 5. Other new policies or products

Corporate bonds can serve as underlying assets for repo

BI has begun accepting corporate bonds as the underlying assets for repurchase agreement (repo) transactions in BI's monetary operations. This policy initiated with SMF as the underlying repo, has the potential to increase liquidity and the market attractiveness of certain corporate bonds by reducing liquidity premiums and yields.

Remuneration on bank placements in excess reserves

Providing remuneration on bank placements in excess reserves to increase flexibility in the banking industry in terms of utilizing excess liquidity to extend loans/financing to the real sector. The remuneration on excess reserves is capped at 25 bps below the Deposit Facility rate, namely 3.50%, while the remuneration on Reserve Requirements (RR) remains at 1.50%

Accelerating money market and foreign exchange market

Strengthening the effectiveness of BI-FRN (Floating-Rate Notes) issuances and developing Overnight Index Swaps (OIS) for non-overnight tenors to create an efficient transaction-based interest rate structure in the money market

OJK redefines bank tiers

OJK has issued an advisory letter to banks in the KBMI 1 group to move up to a higher group or consolidate. This regulatory stance, which is positively for the national banking industry, is expected to trigger several potential scenarios including merger or acquisition, increase capital organically/inorganically, or in the worst-case scenario, bank may end up changing their business model or shutting down operations.

Government tightens export foreign exchange (DHE) controls

The new regulation obliges exporters to retain 100% of their DHE in state-owned banks, with a maximum conversion into rupiah of 50%, down from the previous 100%. Under current rules, exporters must hold proceeds from commodities such as coal, palm oil, and nickel (including private lenders) for a minimum of one year.

Projections of Indonesian economic indicators

	2019	2020	2021	2022	2023	2024	2025E	2026E
Real GDP growth (% YoY)	5.0	-2.1	3.7	5.3	5.0	5.0	5.0	5.1
Nominal GDP growth (% YoY)	6.7	-2.5	9.9	15.4	6.7	6.0	7.2	7.9
GDP per capita (USD)	4175	3912	4350	4784	4920	4960	5014	5362
CPI inflation (% YoY)	2.7	1.7	1.9	5.5	2.6	1.6	2.8	2.5
BI Rate (%)	5.00	3.75	3.50	5.50	6.00	6.00	4.75	4.00
SBN 10Y yield (%)	7.04	5.86	6.36	6.92	6.45	6.97	6.32	6.50
USD/IDR exchange rate (average)	14,141	14,529	14,297	14,874	15,248	15,841	16,461	16,784
USD/IDR exchange rate (end of year)	13,866	14,050	14,262	15,568	15,397	16,102	16,625	16,842
Trade balance (USD Bn)	-3.2	21.7	35.3	54.5	37.0	31.0	40.0	33.8
Current account balance (% of GDP)	-2.7	-0.4	0.3	1.0	-0.1	-0.6	0.0	-0.4

Notes:

USD/IDR exchange rate projections reflect our expectation of the fundamental value; market values may diverge significantly at any moment in time

BCA Economic and Industry Research Division

David E.Sumual
Chief Economist
david_sumual@bca.co.id
+6221 2358 8000 Ext:1051352

Agus Salim Hardjodinoto
Head of Industry and Regional Research
agus_lim@bca.co.id
+6221 2358 8000 Ext: 1005314

Victor George Petrus Matindas
Head of Banking Research and Analytics
victor_matindas@bca.co.id
+6221 2358 8000 Ext: 1058408

Gabriella Yolivia
Industry Analyst
gabriella_yolivia@bca.co.id
+6221 2358 8000 Ext: 1063933

Lazuardin Thariq Hamzah
Economist / Analyst
lazuardin_hamzah@bca.co.id
+6221 2358 8000 Ext: 1071724

Elbert Timothy Lasiman
Economist / Analyst
Elbert_lasiman@bca.co.id
+6221 2358 8000 Ext: 1007431

Thierris Nora Kusuma
Economist / Analyst
thierris_kusuma@bca.co.id
+6221 2358 8000 Ext: 1071930

Nicholas Husni
Economist / Analyst
nicholas_husni@bca.co.id
+6221 2358 8000 Ext: 1079839

Samuel Theophilus Artha
Economist / Analyst
samuel_artha@bca.co.id
+6221 2358 8000 Ext: 1080373

Jennifer Calysta Farrell
Economist / Analyst
jennifer_farrell@bca.co.id
+6221 2358 8000 Ext: 1082423

Arif Agung Wibowo
Economist / Analyst
arif_agung@bca.co.id
+6221 2358 8000 Ext: -

PT Bank Central Asia Tbk

Economic, Banking & Industry Research of BCA Group

20th Grand Indonesia, Menara BCA
Jl. M.H Thamrin No. 1, Jakarta 10310, Indonesia
Ph : (62-21) 2358-8000   Fax : (62-21) 2358-8343

Economic and
Industry Research
Division