

PRESS RELEASE

**OJK OFFERS INCENTIVE TO BANKS
TO PUSH FOR LOWER INTEREST RATES**

Jakarta, April 28, 2016 — The Financial Services Authority (OJK) will soon issue a regulation on requirements for opening branch offices by lowering the minimum amount of core capital allocation for banks that can increase their efficiency.

The regulation will be issued as an OJK Circular (SEOJK) on the Opening of Commercial Banks Networks based on Core Capital, an update of Bank Indonesia Circular No. 15/7/DPNP dated March 8, 2013 concerning the same matter.

The regulatory change is expected to boost the banks' efficiency, which in turn will lead to lower interest rates for loans and at the end will increase the banks' competitiveness towards the Asean Economic Community era.

“Thus, the public will enjoy more access to loans that are offered with lower interest rates,” Chairman of OJK’s Board of Commissioners Muliaman D. Hadad said.

The incentive is expected to motivate efficient banks to expand their loans distribution as now, with the same amount of core capital, banks can have more branches.

Provisions of this regulation are as follows:

1. Threshold of the BOPO (Operating Expenses against Operational Income) ratio that qualifies for incentives :
 - a. less than 75 percent, for banks under BUKU (Commercial Banks Based on Business Activities) 3 and BUKU 4 categories.
 - b. less than 85 percent, for banks under BUKU 1 and BUKU 2 categories.
2. In terms of the net interest margin (NIM) ratio threshold, banks that qualify for incentives are those that have NIM ratios under 4.5 percent, for all BUKU categories.
3. The lower BOPO ratios and/or the lower NIM ratios, the bigger discounts that banks will receive for the minimum amount of core capital allocation required for opening new branches.



Bank Indonesia Circular No. 15/7/DPNP dated March 8, 2013, states that banks shall calculate their core capital allocation according to locations and types of branches for existing branches and for the new branches to be opened. The core capital allocation shall be calculated by multiplying the coefficient of the zone in which a branch will be opened by the amount of investment needed to open the branch, in compliance with the branch types for respective BUKU categories.

For more information:

Mulya E. Siregar, Deputy Commissioner for Banking Supervision I
Tel: +62 21 2960 0000 Email: msiregar@ojk.go.id