

CIRCULAR OF THE FINANCIAL SERVICES AUTHORITY OF THE REPUBLIC OF INDONESIA**NUMBER 2/SEOJK.03/2025 OF 2025****ON****MINIMUM CAPITAL ADEQUACY REQUIREMENTS AND FULFILLMENT OF MINIMUM CORE CAPITAL FOR RURAL BANKS**

In relation to Regulation of the Financial Services Authority Number 5/POJK.03/2015 on the Minimum Capital Adequacy Requirements and Fulfillment of Minimum Core Capital for Rural Bank (State Gazette of the Republic of Indonesia of 2015 Number 73, Supplement to the State Gazette of the Republic of Indonesia Number 5686), from this point onward is referred to as POJK on KPMM BPR, and improvements to the provisions, among others, related to allowing BPR to own securities issued by Bank Indonesia, Government, and Regional Governments as well as capital participation, the consequences of foreclosed collateral and abandoned properties, the application of impairment loss in accordance with financial accounting standards, and changes to the capital deposit mechanism, it has been deemed necessary to replace provisions on the implementation of POJK on KPMM BPR as regulated under Circular of the Financial Services Authority Number 8/SEOJK.03/2016 on the Minimum Capital Adequacy Requirements and Fulfillment of Minimum Core Capital for Rural Bank as amended by Circular of the Financial Services Authority Number 24/SEOJK.03/2019 on the Amendment to Circular of the Financial Services Authority Number 8/SEOJK.03/2016 on the Minimum Capital Adequacy Requirements and Fulfillment of Minimum Core Capital for Rural Bank, in a Circular of the Financial Services Authority as follows:

I. GENERAL PROVISIONS

1. Capital is one of the important factors for BPR in order to develop business and absorb possible risk of loss.
2. The minimum capital adequacy requirement (kewajiban penyediaan modal minimum) for BPR, from this point onward is referred to as KPMM, is determined based on the risk contained in the assets of the statement of financial position. Technically, KPMM is measured based on a certain percentage of Risk-Weighted Assets (Aset Tertimbang Menurut Risiko/ATMR).
3. The assessment of KPMM fulfillment is based on a quantitative calculation of core capital and supplementary capital compared to an assessment of BPR assets that are weighted according to the level of risk inherent in each asset item in accordance with the provisions.
4. Core capital is the capital component that has the strongest and most stable characteristics to absorb risk. BPR must have strong capital in order to operate economically and meet minimum standards related to organizational structure and adequate facilities and infrastructure so that it can develop optimally and improve services to the community while still based on prudential principles. Thus, BPR must provide minimum core capital in accordance with POJK on KPMM BPR.
5. Supplementary capital is a capital component that has the characteristics of capital so that it can be categorized as one of the capital components but does not have a cash value or can be repaid by fulfilling the requirements and approval in accordance with POJK on KPMM BPR.
6. Considering that capital is an important factor for BPR in order to develop a sound business and absorb the risk of loss, BPR must always monitor the condition of BPR's capital by calculating its own capital adequacy at least for a monthly period by using the minimum capital requirement calculation format as set out in Appendix I to this Circular of the Financial Services Authority.

II. CAPITA

1. Components of Capital

- a. Capital shall consist of core capital and supplementary capital.
- b. Core Capital shall include:
 - 1) Core Primary Capital, including:
 - a) paid-up capital
 - b) additional capital reserves:
 - i. agio;
 - ii. capital deposit fund;
 - iii. contributed capital;
 - iv. general reserve;
 - v. purpose reserve;
 - vi. profit of past years;
 - vii. profit for the year; and
 - viii. the difference between the Allowance for Impairment Losses (Cadangan Kerugian Penurunan Nilai/CKPN) and the Allowance for Asset Quality Assessment (Penyisihan Penilaian Kualitas Aset/PPKA).
 - 2) Additional Core Capital.
- c. Supplementary Capital shall include:
 - 1) Capital components that meet certain requirements;
 - 2) Fixed asset revaluation surplus; and
 - 3) General PPKA at a maximum of 1.25% (one point twenty-five percent) of ATMR.

2. Capital Deposit Funds, Contributed Capital in the Form of Other Assets, and Additional Core Capital Components and Complementary Capital Components

- a. Capital Deposit Fund
 - 1) Capital Deposit Funds (Dana setoran modal/DSM) are funds that have been paid in real terms with the aim of increasing capital but have not been supported by the requirements to be classified as paid-up capital, namely the RUPS and the ratification of the articles of association by the authorized agency.
 - 2) DSM shall be calculated as core capital if it has been recorded as DSM Equity.
 - 3) DSM shall be placed in the form of deposits:
 - a) at a Commercial Bank in Indonesia by stating the name of "Board of Commissioners of the Financial Services Authority q.q. (name of BPR)" and including information on the name of the additional capital depositor; and/or
 - b) in the relevant BPR by stating the name of "Board of Commissioners of the Financial Services Authority q.q. (name of depositary shareholders)"as well as including a statement that the disbursement may only be conducted after

obtaining written approval from the Financial Services Authority.

4) Recognition of DSM Equity derived from:

- a) Capital deposits in the form of deposits in Commercial Banks for additional paid-up capital resulting in changes in Controlling Shareholders (Pemegang Saham Pengendali/PSP)
 - i. BPR shall first record DSM in the form of deposits in Commercial Banks under the DSM Liability item.
 - ii. After obtaining approval from the Financial Services Authority, the BPR shall recognize the capital deposits that have been placed in the form of deposits in Commercial Banks into DSM Equity by reclassifying the records from the DSM Liability item into the DSM Equity item.
- b) Capital deposits in the form of deposits in the relevant BPR for additional paid-up capital resulting in changes in PSP
 - i. The BPR shall first record the capital deposit in the relevant BPR under the savings – deposits item.
 - ii. After obtaining approval from the Financial Services Authority, the BPR shall recognize the capital deposit as DSM Equity by reclassifying the recordation from the savings item to the DSM Equity item. Capital deposits recorded as DSM Equity are not treated as savings.

5) BPR must complete the DSM administration no later than 90 (ninety) business days from the date of approval by the Financial Services Authority for capital deposit funds that result in a change in PSP.

6) DSM that is not completed with administrative completeness as referred to in number 5) may not be calculated as a component of core capital but is still recorded in the DSM Equity item.

b. Contributed Capital in the Form of Other Assets

- 1) Application for approval of contributed capital must be submitted to the Financial Services Authority accompanied by documents of:
 - a) statement letter from the party making the delivery of deposited capital either from a shareholder or an external party that the land and buildings handed over to BPR shall be free from claims or disputes;
 - b) results of the appraisal of land and buildings by an independent appraisal institution containing information, among others, on the value/price, type/kind, status, and location of land and buildings;
 - c) approval of RUPS; and
 - d) evidence of announcement of the land and building submitted as contributed capital in 2 (two) daily newspapers.
- 2) After obtaining approval from the Financial Services Authority, BPR shall process the transfer of the name of assets in the form of land and building into the name of BPR.

c. Additional Core Capital Components and Supplementary Capital Components

- 1) Capital additions in the form of additional core capital components and complementary capital components can be conducted by shareholders or outside parties.

- 2) Submission of additional core capital components and complementary capital components shall be conducted by BPR to the Financial Services Authority by submitting an agreement document that includes requirements in accordance with the POJK on KPMM BPR.
- 3) Recognition as additional core capital and supplementary capital components in the KPMM calculation shall be conducted after obtaining approval from the Financial Services Authority.
- 4) Repayment or settlement of the additional core capital and supplementary capital components may be conducted after obtaining approval from the Financial Services Authority.

III. ATMR CALCULATION

1. In the calculation of ATMR, asset items recorded in the BPR's statement of financial position shall be multiplied by the risk weight in the form of a certain percentage.
2. Asset items as referred to in number 1 are the net value and/or charge of assets recorded in the statement of financial position, including interest income to be received (if any) after deducting CKPN in accordance with financial accounting standards for assets other than those with current quality.
3. The risk weight as referred to in number 1 shall be based on the risk inherent in the type and characteristics of the assets, debtor group, guarantor, nature, and grouping of past due receivables.
4. The excess of the general PPKA that must be formed, which has been calculated as a complementary capital component, shall be calculated as a deduction factor for the calculation of ATMR.
5. By taking the principles as referred to in number 1 into account, the details of the risk weights are as follows:

0%	:	<ol style="list-style-type: none"> a. Cash. b. Securities issued by Bank Indonesia. c. Securities issued by the Government. d. Credit granted with cash collateral in accordance with Regulation of the Financial Services Authority on Asset Quality of Rural Banks (POJK on KA BPR), amounting to the lowest value between collateral and debt balance. e. Foreclosed Collateral (Agunan Yang Diambil Alih/AYDA) that has exceeded 1 (one) year from the date of foreclosing. f. Abandoned property that has exceeded 1 (one) year after it is designated as Abandoned Property.
15%	:	Credit granted with collateral in the form of gold jewelry
20%	:	<ol style="list-style-type: none"> a. Securities issued by Regional Governments with a rating of AAA+ to AA. b. Placement with other banks in the form of demand deposits, deposits,

		<p>certificates of deposit, savings, and other receivables from other banks.</p> <p>c. Credit to or part of credit guaranteed by guaranteed by other banks or Regional Governments.</p> <p>d. Part of credit guaranteed by State-Owned Enterprises (Badan Usaha Milik Negara/BUMN)/Regionally-Owned Enterprises (Badan Usaha Milik Daerah/BUMD) that conduct business as credit guarantors. BUMN/BUMD doing business as credit guarantors must fulfill all of the following criteria:</p>
		<p>1) The guarantee scheme meets the following requirements:</p> <p>a) the credit guarantee period is at least equal to the credit period; and</p> <p>b) the credit guarantee is unconditional and irrevocable.</p> <p>These requirements must be included in the agreement between the BPR and the credit guarantee agency; and</p> <p>2) BUMN/BUMD guaranteeing the credit must comply with the provisions of laws and regulations on credit guarantor institutions.</p>
30%	:	Credit with collateral in the form of land and/or buildings that have certificates encumbered by mortgage or fiduciary rights
0%	:	<p>a. Securities issued by Regional Governments with a rating of A+ to A-, rating of BBB+ to BBB-, and without rating.</p> <p>b. Credit to BUMN/BUMD or part of credit guaranteed by BUMN/BUMD that conducts credit guarantee business but does not meet the requirements to be given a risk weight of 20% (twenty percent).</p> <p>c. Part of credit guaranteed with credit insurance by a private insurance company that has a rating of at least investment rate from a rating agency recognized by the Financial Services Authority in accordance with Circular of the Financial Services Authority on rating agencies and the ratings recognized by the Financial Services Authority that has the following criteria:</p> <p>1) has a business license from the Financial Services Authority;</p> <p>2) the latest financial statements have been audited by a public accountant and meet the minimum solvency level provisions in accordance with the provisions of laws and regulations; and</p> <p>3) is not a party related to BPR.</p> <p>d. Credit to employees or pensioners by fulfilling the following requirements:</p> <p>1) employees or pensioners of Civil Servants (Pegawai Negeri Sipil/PNS), members of the TNI/POLRI, employees of state</p>

		<p>institutions, or employees of BUMN/BUMD;</p> <p>2) the total financing ceiling for each employee or pensioner is Rp200,000,000.00 (two hundred million rupiah) or a maximum monthly credit installment of 30% (thirty percent) of the amount of the remaining monthly wage or salary after deducting all applicable normal deductions (take home pay) and after deducting loan installments at banks or other institutions;</p> <p>3) employees or pensioners are guaranteed with life insurance that has the following criteria:</p> <p>a) has a business license from the Financial Services Authority;</p> <p>b) the latest financial statements have been audited by a public accountant and meet the minimum solvency level provisions in accordance with the provisions of laws and regulations; and</p> <p>c) is not a party related to BPR;</p> <p>4) payment of installments or settlement of credit shall be sourced from salary or pension benefits based on a power of attorney to deduct salary or pension benefits from employees or pensioners to BPR;</p> <p>5) BPR shall document a photocopy of written proof of the power of attorney to deduct salary or pension benefits from the debtor to a commercial bank or business entity that organizes posts (standing instruction) to debit the debtor's account or transfer funds in a certain amount to pay credit installments to the BPR periodically in accordance to the installment schedule until the credit is settled; and</p> <p>6) BPR shall keep:</p> <p>a) original employee appointment letter or pension decision letter; or</p> <p>b) a copy of the Master Pension Registration Card (Kartu Registrasi Induk Pensiun/KARIP); and</p> <p>c) original insurance coverage policy of the debtor.</p> <p>e. Credit with collateral in the form of land and/or buildings that have certificates but are not encumbered with mortgage or fiduciary rights.</p>
0%	:	<p>a. Credit granted to micro- and small-scale enterprises that meet all of the following criteria:</p> <p>1) fulfill the criteria as micro- and small-scale enterprises as referred to in Regulation of the Government on the facility, protection, and empowerment of cooperatives and micro-, small-, and medium-scale enterprises.</p>

		2)	the financing ceiling to the debtor is a maximum of Rp500,000,000.00 (five hundred million rupiah); and
		3)	do not meet the criteria as credit with collateral in the form of land and/or buildings.
		b.	Credit with collateral in the form of motorized vehicles, motorized ships or boats, heavy equipment, and/or machinery that become an integral part of the land accompanied by proof of ownership and have been bound by a mortgage or fiduciary in accordance with the provisions of laws and regulations.
0%	:	a.	Other receivables or credits that do not meet the above risk weight criteria.
		b.	Receivables or credits that are past due or those with bad quality.
		c.	Securities issued by Regional Governments with a rating of BB+ to B-.
		d.	Fixed assets, inventory, and intangible assets.
		e.	AYDA that has not exceeded 1 (one) year from the date of acquisition.
		f.	Abandoned Property that has not exceeded 1 (one) year after it is designated as Abandoned Property.
		g.	Capital participation.
		h.	Other assets other than those mentioned above.
150%	:		Securities issued by Regional Governments with a rating of less than B-.

6. Guarantee is unconditional and irrevocable in accordance with the provisions of the Financial Services Authority on the maximum limit of the granting of credits to rural banks and the maximum limit of the distribution of funds for sharia rural banks.
7. Part of the credit that is not guaranteed by collateral or guarantees of Regional Governments or other banks or BUMN/BUMD as referred to in number 5 shall be subject to a higher risk weight according to the asset criteria.
8. In the event that the collateral as referred to in the ATMR calculation is proven to be in dispute and/or multiple ownership, part of the credit shall be subject to a risk weight of 100% (one hundred percent).
9. The format of ATMR calculation is set out in Appendix II which constitutes an integral part of this Circular of the Financial Services Authority.

IV. PROCEDURES FOR THE CALCULATION OF KPMM RATIO AND MINIMUM CORE CAPITAL

The calculation of the KPMM ratio and minimum core capital of BPR shall be conducted as follows:

1. Conduct ATMR calculation by:
 - a. multiplying the nominal value of each asset item with the risk weight as referred to in number

- III number 5.
- b. the nominal value of the asset items as referred to in letter a, namely:
- 1) securities, at the recordation value in accordance with the accounting guidelines applicable to BPR;
 - 2) placement with other banks, at the book value, namely the balance of each type of placement;
 - 3) credit, at the debit balance;
 - 4) capital participation, at the amount of capital participation in the reporting month;
 - 5) other financial assets, at the nominal value of the reporting month;
 - 6) cash, at the value recorded in the bookkeeping;
 - 7) fixed assets, inventory, intangible assets, and other assets, at the book value by reducing the acquisition price with the depreciation that has been conducted;
 - 8) AYDA and abandoned property, at the recording value in accordance with the accounting guidelines applicable to BPR;
- c. For the asset items as referred to in letter b number 1) to letter b number 4) with quality other than current and the asset items as referred to in letter b number 5), in the ATMR calculation, the nominal value shall be reduced by CKPN;
- d. summarize the ATMR of each asset item;
- e. if there is an excess between the general PPKA that must be calculated and the general PPKA limit that may be calculated as supplementary capital, the excess of general PPKA shall be calculated as a deduction factor for the ATMR calculation.
2. Calculate core capital by adding up the core primary capital with additional core capital and taking into account deduction factors in the form of the calculation of deferred tax, goodwill, disagio, AYDA that has exceeded a period of 1 (one) year from the takeover, and abandoned property that has exceeded a period of 1 (one) year after it is designated as abandoned property at the value as recorded in the BPR's statement of financial position, past years' losses, current year's losses, and/or the difference between CKPN and PPKA if CKPN is greater than CKPN.
3. Calculate total capital by summing core capital with supplementary capital.
4. Calculate the KPMM ratio and minimum core capital by:
- a. The KPMM ratio is to compare the total capital of the BPR in number 3 with ATMR in number 1.
 - b. The minimum core capital ratio is to compare the total core capital of BPR in number 2 with ATMR in number 1.
5. The calculation format of minimum capital adequacy and minimum core capital of BPR is set out in Appendix I which constitutes an integral part of this Circular of the Financial Services Authority.

V. FULFILLMENT OF MINIMUM CORE CAPITAL

1. After the expiry of the time limit as referred to in Article 13 of POJK on KPMM BPR, BPR shall maintain a minimum core capital of at least Rp6,000,000,000.00 (six billion rupiah).
2. BPR that experiences a decrease in core capital to less than Rp6,000,000,000.00 (six billion rupiah)

after the time limit as referred to in Article 13 of POJK on KPMM shall increase its core capital to at least Rp6,000,000,000.00 (six billion rupiah) no later than 6 (six) months from:

- a. the monthly report submitted to the Financial Services Authority showing core capital below Rp6,000,000,000.00 (six billion rupiah):

Example:

BPR A has met the minimum core capital of Rp6,000,000,000.00 (six billion rupiah) as of 31 December 2024. Based on the monthly report as of 30 June 2025, it is known that BPR A's core capital has decreased to Rp5,000,000,000.00 (five billion rupiah). In relation to this condition, BPR A must increase its core capital to at least Rp6,000,000,000.00 (six billion rupiah) by 31 December 2025 or on the first business day thereafter if 31 December 2025 is a holiday; or

- b. the date of the minutes of the examination results of the Financial Services Authority which shows that the core capital is below Rp6,000,000,000.00 (six billion rupiah), whether conducted through a general examination or a special examination.

Example:

Based on the monthly report of the examination position on 30 June 2025, the core capital of BPR B is Rp6,100,000,000,000.00 (six billion one hundred million rupiah) but based on the minutes of the results of the general examination by the Financial Services Authority on 7 August 2025, it is known that the core capital of BPR B is Rp5,000,000,000.00 (five billion rupiah). In relation to this condition, BPR B must increase its core capital to at least Rp6,000,000,000.00 (six billion rupiah) no later than Saturday, 7 February 2026. Given that 7 February 2026 is a Saturday (holiday), the deadline for the fulfillment of core capital shall be conducted on the first business day after 7 February 2026.

3. Considering Article 15 paragraph (2) of POJK on KPMM BPR, BPR shall be prohibited from distributing profits if:
 - a. profit distribution results in a decrease in core capital to less than Rp6,000,000,000.00 (six billion rupiah); or
 - b. BPR has not met the minimum core capital of Rp6,000,000,000.00 (six billion rupiah).

Profit distribution includes dividend payments to shareholders, bonus payments to management, and incentive payments that are non-operational in nature.

4. The prohibition of profit distribution as referred to in number 3 does not include operational incentive payments, namely incentives to members of the board of directors and members of the board of commissioners that are linked to performance and have been budgeted and calculated as costs by BPR in the current year.
5. Incentive payments as referred to in number 4 may be conducted provided that they have been included in the BPR business plan.
6. The amount of incentive payment as referred to in number 4 is at most equal to the excess of profit in the current year over the projected profit set aside in the relevant year in order to fulfill the minimum core capital as set out in the BPR action plan.
7. The incentive payment as referred to in number 4 does not result in the BPR's capital condition not reaching the capital ratio as stipulated in Article 2 and Article 4 of POJK on KPMM BPR.

VI. PROCEDURES FOR THE APPLICATION OF APPROVAL AND SUBMISSION OF REPORT

1. Applications for approval of additional capital deposits including capital deposits in the form of land and buildings, applications for approval of additional core capital components, applications for approval of complementary capital components, and applications for approval of contributed capital shall be submitted to the Financial Services Authority with a procedure in accordance with Regulation of the Financial Services Authority on rural banks and sharia rural banks and POJK on KPMM BPR.
2. Report on the use of fixed assets and/or other assets originating from capital deposits or contributed capital
 - a. Taking into account Article 7 paragraph (2) and Article 8 paragraph (3) of POJK on KPMM BPR, BPR shall submit a report on the use of fixed assets and/or other assets to the Financial Services Authority accompanied by:
 - 1) proof of the use of buildings, rooms, and supporting infrastructure; and
 - 2) administrative documents that prove the purpose of using assets for BPR operations, including the decision of the Board of Directors on the use of assets.
 - b. The report on the use of fixed assets and/or other assets as referred to in letter a shall be submitted online through the Financial Services Authority Online Reporting Application (Aplikasi Pelaporan Online Otoritas Jasa Keuangan/APOLO) in the BPR Incidental Report channel.

VII. CLOSING PROVISIONS

1. Upon the effective enforcement of this Circular of the Financial Services Authority:
 - a. Circular of the Financial Services Authority Number 8/SEOJK.03/2016 on the Minimum Capital Adequacy Requirements and Fulfillment of Minimum Core Capital for Rural Banks; and
 - b. Circular of the Financial Services Authority Number 24/SEOJK.03/2019 on the Amendment to Circular of the Financial Services Authority Number 8/SEOJK.03/2016 on the Minimum Capital Adequacy Requirements and Fulfillment of Minimum Core Capital for Rural Banks,are repealed and declared invalid.
2. The calculation of the KPMM ratio and minimum core capital ratio in accordance with the provisions of this Circular of the Financial Services Authority shall first apply for the position of March 2025.
3. The provisions of this Circular of the Financial Services Authority shall come into force on the date of its establishment.

Established in Jakarta
on 11 March 2025

THE CHIEF EXECUTIVE OF BANKING SUPERVISION OF THE FINANCIAL SERVICES AUTHORITY OF THE
REPUBLIC OF INDONESIA,

Signed.

DIAN EDIANA RAE

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