



PRESS RELEASE

**Performance of banks loans in 2010 and expectation for 2011**

**Jakarta, 27 April 2011.** PT ICRA Indonesia (ICRA Indonesia) has released a commentary on the banking sector loans performance in 2010, loans growth expectation in 2011 and how it will affect the overall credit quality of the sector.

- On growth, loans expanded stronger than ICRA Indonesia expectation in 2010, but from the liquidity point of view, remained below the banks' potential to lend.
- Despite better macroeconomic expectations, we do not expect loans growth in 2011 to significantly differ from the 2010 level, as banks would be concerned more with overall credit quality than mere growth.
- ICRA Indonesia also expects overall credit quality to remain strong going into 2011, as the indicators improved in 2010 vis-à-vis 2009. Further, considering the stronger macroeconomic expectations, we do not see any significant threat of deterioration in banks' credit quality in 2011.
- However, ICRA Indonesia see some challenges that the banking sector might face in 2011, including the increasing threat of higher inflation coming from the persistently high world oil price, and the high percentage of undisbursed loans to total loans outstanding which may show that demands for loans are not as strong as what the banks expected. Lack of progress in high-profile infrastructure projects could also undermine any expected significant growth in loans.

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