



PRESS RELEASE

Bank Loans: Performance in 2011 and Expectation for 2012

Jakarta, 21 March 2012. PT ICRA Indonesia (ICRA Indonesia) today has released a commentary on the banking sector loan performance in 2011 and its expectation for 2012.

- Bank loans grew by 24.6% in FY2011 -- reaching Rp 2,200tn -- as against 22.8% in FY2010, which was above ICRA Indonesia's estimate of 23.5%. The growth was, among others, supported by a significant increase in foreign currency (FC) loans.
- The banks have responded positively to the new reserve requirement (RR) stipulated by the central bank, as evident in the increase in the loan-to-deposit ratio (LDR) to 79.0% in FY2011 from 75.5% in FY2010.
- The overall credit quality of the banks was strong in FY2011 and ICRA Indonesia expects it to remain intact in FY2012. We expect the potential impact of unfavorable macroeconomic conditions to be managed by a more conservative approach to lending.
- FY2012 seems to be a challenging year for banks due to the unfavorable global economic scenario. In Indonesia, we expect the plan to increase fuel prices in 2Q2012 and electricity tariff in the near future to result in higher inflation. The central bank has also imposed the regulation on the loan to value (LTV) ratio which could restrict vehicle and housing loans.
- ICRA Indonesia thus expects total bank loans to grow by 20%-23% in FY2012 due to less favorable macroeconomic conditions and a relatively higher LDR than in FY2011, especially with regard to FC loans.

The full commentary is available at www.icraindonesia.com.

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