

## PT KB Finansia Multi Finance

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### CREDIT PROFILE

Corporate Rating *idAA-/Stable*

#### Rated Issues

MTN IV Phase I 2017 *idAA-*  
MTN IV Phase II 2018 *idAA-*

#### Rating Period

July 3, 2020 – September 1, 2020

#### Rating History

JAN 2020 *idBBB+/Positive*  
SEP 2019 *idBBB+/Stable*  
SEP 2018 *idBBB+/Stable*  
DES 2017 *idBBB+/Stable*  
SEP 2017 *idBBB+/Stable*  
NOV 2016 *idBBB+/Stable*  
NOV 2015 *idBBB+/Stable*  
NOV 2014 *idBBB+/Stable*

### FINANCIAL HIGHLIGHTS

#### As of/for the year ended

	Mar-2020 (Unaudited)	Dec-2019 (Audited)	Dec-2018 (Audited)	Dec-2017 (Audited)
Total assets [IDR bn]	3,476.6	3,494.0	3,320.9	2,609.9
Net receivables [IDR bn]	2,919.9	2,961.1	2,737.3	2,027.1
Net service assets [IDR bn]	3,512.3	3,502.1	3,004.0	2,948.7
Total equity [IDR bn]	520.9	583.8	550.0	522.3
Net interest revenue [IDR bn]	260.0	1,016.8	954.4	960.3
Net income [IDR bn]	(4.2)	45.5	2.1	108.8
Cost to income [%]	72.0	70.5	69.3	62.2
Operating profit margin [%]	(3.0)	4.8	0.5	12.0
ROAA [%]	*(0.4)	1.2	0.1	3.4
NPR-balance/NSA [%]	12.6	10.4	10.2	9.0
Reserves/NSA [%]	3.1	1.3	1.0	1.0
Equity/NSA [%]	14.8	16.7	18.3	17.7
Total debt/equity [x]	5.4	4.7	4.8	3.7
Short-term liquidity ratio [%]	103.2	114.5	122.4	199.8
USD exchange rate [USD/IDR]	16,387	13,901	14,481	13,548

\* annualized

ROAA=return on average assets (including JF) NPR=non-performing receivables

NPR-balance=overdue > 30 days, outstanding receivables

Short-term liquidity ratio=gross receivables, <12 months / ST funding

The above ratios have been computed based on information from the company and published accounts. Where applicable, some items have been reclassified according to PEFINDO's definitions.

### PT KB Finansia Multi Finance's rating raised to "AA-" following KB Kookmin Card's acquisition

PEFINDO has raised the ratings of PT KB Finansia Multi Finance (KBFMF) and its Medium-Term Notes (MTN) IV Phase I 2017 and MTN IV Phase II 2018 to "*idAA-*" from "*idBBB+*", following the completion of its 80% share ownership acquisition by KB Kookmin Card Co. Ltd. (Kookmin Card). PEFINDO is of the view that Kookmin Card has a superior capability and strong willingness to provide extraordinary support. Kookmin Card has also expressed support to widen KBFMF's product diversity, and also to improve the funding flexibility that should benefit KBFMF in terms of competitive cost of fund. The outlook for the corporate rating is "**stable**".

An obligor rated *idAA* differs from the highest rated obligors only to a small degree, and has a very strong capacity to meet its long-term financial commitments relative to that of other Indonesian obligors. The Minus (-) sign indicates that the rating is relatively weak within the respective rating category.

The rating reflects KBFMF's very strong likelihood of support from Kookmin Card, above average financial flexibility, and above average capitalization. However, the rating is constrained by its below average asset quality profile and high operating expenses.

The rating may be raised if PEFINDO views an even stronger degree of support likelihood from Kookmin Card, which may include improvement of integration in branding, business operations, and funding stability. This should be accompanied by improvement in KBFMF's business position and financial performance as well. On the other hand, PEFINDO may lower the rating if there is material reduction of support and commitment to KBFMF from Kookmin Card. Such downside pressure may also arise if KBFMF faces a significant deterioration in its financial indicators, without any strong indication of funding support from Kookmin Card.

PEFINDO is of the view that the COVID-19 outbreak will have a significant impact on the financing industry in terms of growth, asset quality, and profitability, particularly from the economic sectors that are directly impacted such as hotels, tourism, restaurants, and transportation. Manufacturing and commodity-based trading sectors may also be affected to a lesser degree, as people's access to work sites are limited. Borrowers from these sectors may be significantly affected, resulting in a lower ability to repay their financial obligations, thus affecting the financial profiles of the finance companies. Although the newly released POJK 14/POJK.05/2020 allows finance companies to restructure the accounts impacted by COVID-19 to maintain manageable asset quality ratios, the implementation also carries a moral hazard risk, in a sense that a non-affected borrower may be tempted to stop paying their installments.

We expect the COVID-19 outbreak to have a manageable impact on KBFMF's credit profile, given the Company's strong competitive edge due to shareholding links with Kookmin Card, which provides stable funding access by providing guarantee to KBFMF's bank partners. KBFMF is also applying stronger underwriting criteria and intensifying its collection efforts, as supported by its strong IT infrastructure. This should offset concerns of a potential business downturn, given that 57.3% of its financing portfolio is generated from Java, which is significantly impacted by the outbreak. PEFINDO will continue to closely monitor how the impact of COVID-19 is developing, and should there be material differences we will conduct the necessary rating actions.

Established in 1994, KBFMF is a finance company covering used cars and motorcycles, and white goods (electronics, furniture, home appliances). Besides Kookmin Card, the other shareholder is PT Finansia Pacifica Raya (with 20% ownership).

**DISCLAIMER**

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