PEFINDO
CREDIT RATING AGENCY

Press Release
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PT Bank Pan Indonesia Tbk

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CREDIT PROFILE

Corporate Rating *idAA/Stable*

Rated Issues

Continuous Bond III	*idAA*
Continuous Bond II	*idAA*
Continuous Sub-Debt III	*idA+*
Continuous Sub-Debt II	*idA+*

Rating Period
April 1, 2021– April 1, 2022

Continuous Bond II Phase I/2016
April 1, 2021– June 28, 2021

Rating History

APR 2020	*idAA/Stable*
APR 2019	*idAA/Stable*
APR 2018	*idAA/Stable*
MAR 2018	*idAA/Stable*
APR 2017	*idAA/Stable*

FINANCIAL HIGHLIGHTS

As of/for the year ended	Dec-2020	Dec-2019	Dec-2018	Dec-2017
	Audited	*Audited*	*Audited*	*Audited*
Total assets [IDR bn]	218,067.1	211,287.4	207,204.4	213,541.8
Total equity [IDR bn]	44,223.4	41,374.6	37,746.1	33,981.9
Total gross loans [IDR bn]	121,633.5	140,682.8	141,232.3	131,954.4
Total cust. deposits [IDR bn]	143,029.2	131,402.9	137,694.3	145,670.6
Net interest revenue [IDR bn]	8,807.0	8,968.9	8,964.5	8,651.0
Net income [IDR bn]	3,103.2	3,316.8	3,112.6	2,412.5
NIR/average earning assets [%]	4.5	4.6	4.6	4.5
Operating expense/income [%]	79.8	77.5	76.8	84.2
ROAA [%]	1.4	1.6	1.5	1.2
NPL (3-5)/gross loans [%]	3.0	3.1	3.1	2.8
Loan loss reserve/NPL (3-5) [%]	152.0	91.7	88.7	88.7
Risk weighted CAR [%]	29.6	23.4	23.3	22.0
Gross loans/total deposits [%]	85.0	107.1	102.6	90.6
USD exchange rate [USD/IDR]	14,050	13,883	14,380	13,568

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.

Panin Bank rated "idAA" with stable outlook

PEFINDO has affirmed its "id**AA**" ratings for PT Bank Pan Indonesia Tbk (Panin Bank) and its outstanding Continuous Bonds II and Continuous Bonds III. PEFINDO has also affirmed the "id**A+**" ratings for the Bank's outstanding Continuous Subordinated Bonds II and Continuous Subordinated Bonds III. The subordinated bonds are rated two notches below Panin Bank's corporate rating to incorporate the risk of the debt instrument being written down in the event of non-viability. The Bank's readiness to pay the maturing Continuous Bond II Phase I Year 2016 amounting to IDR2.0 trillion that will mature on June 28, 2021 is supported by its placement in central bank amounting to IDR3.1 trillion as of February 28, 2021. 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. Debt security rated idA indicates that the obligor's capacity to meet its long-term financial commitments on the debt security, relative to other Indonesian obligors, is strong, however, the debt security is somewhat more susceptible to adverse effects of changes in circumstances and economic conditions than higher-rated debt. The Plus (+) sign indicates that the rating is relatively strong within the respective rating category.

The rating reflects Panin Bank's very strong capitalization, strong market position, and the strong likelihood of support from ANZ Banking Group (ANZ, AA-/negative by S&P) as one of the Bank's controlling shareholders. These strengths are partly offset by its moderate asset quality.

Panin Bank's rating may be raised if it substantially strengthens its business position in the banking industry, combined with sustainable improvement in its financial indicators, particularly its asset quality and profitability. On the other hand, the rating may come under pressure if the Bank's financial indicators deteriorate substantially, or it fails to maintain its strong business presence in the banking industry, indicated by a significant decline in its market share. It may also come under pressure if ANZ's divestment plan in Panin Bank materializes and the new shareholder is deemed to have limited capability in providing extraordinary support to the Bank when needed.

We are of the view that the pandemic has heightened the overall banking industry's risk profile arising from a marked business downturn in almost all sectors, resulting in subdued demand for loans and other banking services. The business slowdown has also weakened the borrowers' repayment capacity. While the fundamental asset quality problems can be solved through a restructuring process as stipulated in the POJK 48/2020, further deterioration will aggravate the pressure on the banks' profitability and liquidity indicators. Overall, we are of the view that the impact of the pandemic is manageable, underpinned by active asset-liability management and adequate liquidity cushions, including additional liquidity derived from the reduction of the statutory reserve requirement (GWM) rate, despite the potentially low risk prompted by the banks' third-party funds withdrawal. We are of the view the impact of COVID-19 on Panin Bank's overall credit profile will remain manageable, buttressed by the factors mentioned above. The Bank has around 60% exposure of its total loan portfolio to sectors affected by COVID-19, such as trading, construction, financial services, transportation, real estate, restaurant & hotel, and mining, as of December 31, 2020. Loan delinquency risk from these sectors will potentially affect the Bank's asset quality and profitability. To anticipate and cope with this issue, the Bank has continuously employed relatively stringent underwriting and loan monitoring policy, and also set aside a loan loss provision to non-performing loans amply at 152.0% as of December 31, 2020. PEFINDO will continue to closely monitor the impact of the pandemic on its performance and overall credit profile.

Panin Bank provides commercial banking services through 506 offices across Indonesia. As of December 31, 2020, its shareholders were PT Panin Financial Tbk (46.04%), Votraint No. 1103 PTY Ltd (38.82%), ultimately owned by ANZ, and the public (15.14%).