PT Bank Permata Tbk

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CREDIT PROFILE

Corporate Rating *$_{id}$AAA/Stable*

Rated Issues

Continuous Bonds I/2013	*$_{id}$AAA*
Subordinated Bonds II/2011	*$_{id}$AA+*
Cont. Sub-Bonds I/2012	*$_{id}$AA+*
Cont. Sub-Bonds II Phase I/2013	*$_{id}$AA+*
Cont. Sub-Bonds II Phase II/2014	*$_{id}$AA*

Rating Period

September 3, 2015 – September 1, 2016

Rating History

SEP 2014	*$_{id}$AAA/Stable*
OCT 2013	*$_{id}$AA+/Stable*
APR 2013	*$_{id}$AA+/Stable*
APR 2012	*$_{id}$AA/Stable*
MAR 2012	*$_{id}$AA/Stable*
FEB 2012	*$_{id}$AA/Stable*
APR 2011	*$_{id}$AA/Stable*
OCT 2010	*$_{id}$AA/Stable*

FINANCIAL HIGHLIGHTS

As of/for the year ended	**Jun-2015** (Unaudited)	**Dec-2014** (Audited)	**Dec-2013** (Audited)	**Dec-2012** (Audited)
Total assets [IDR bn]	186,576.9	185,353.7	165,838.0	131,798.6
Total equity [IDR bn]	17,738.7	17,083.1	14,114.4	12,495.5
Total gross loans [IDR bn]	131,331.8	133,394.0	119,771.5	95,055.5
Total customer deposits [IDR bn]	144,247.9	148,005.6	133,074.9	104,914.5
Net interest revenue [IDR bn]	2,979.3	5,429.5	5,135.6	4,690.3
Net income (loss) [IDR bn]	837.3	1,587.0	1,725.9	1,368.1
NIR/average earning assets [%]	3.4	3.2	3.6	4.2
BOPO [%]	88.3	88.2	82.8	82.8
ROAA [%]	0.9	0.9	1.2	1.2
NPL (3-5)/gross loans [%]	2.2	1.7	1.0	1.4
Loan loss reserve/NPL (3-5) [%]	76.5	86.5	114.6	104.5
Risk weighted CAR [%]	14.2	13.8	14.5	16.7
Gross loans/total deposits [%]	91.1	90.1	90.0	90.6
USD exchange rate [IDR/USD]	13,333	12,385	12,170	9,638

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.

RATIONALE

PEFINDO has affirmed the corporate credit rating for PT Bank Permata Tbk (BNLI) and the rating of its Continuous Bonds I/2013 at **"$_{id}$AAA"**. At the same time PEFINDO has also affirmed the ratings for its outstanding Subordinated Bonds II/2011, Continuous Subordinated Bonds I/2012, and Continuous Subordinated Bonds II Phase I/2013 at **"$_{id}$AA+"**. The rating of its Continuous Subordinated Bonds II Phase II/2014, which is subject to potential write-down in the event of non-viability, was affirmed at **"$_{id}$AA"**. The outlook for the corporate rating is **"stable"**. The ratings reflect very strong support from its shareholders, its favorable market position and strong asset quality. However, these strengths are partly offset by its moderate profitability.

Bank Permata is the seventh largest commercial bank in Indonesia in terms of assets. It is 89.12% owned by a consortium of PT Astra International Tbk (AI, rated "BBB-/Positive" by Standard & Poor's) and Standard Chartered Bank (SCB, rated "A+/Negative" by Standard & Poor's), and 10.88% by the public. As of June 30, 2015 (1H2015), it had 7,826 employees to deliver its products and services to customers through 330 branches, 22 mobile branches and 1,007 self-owned ATMs connected online to a joint ATM network of over 80,000 units.

Supporting factors for the above ratings are:

- ***Very strong support from its shareholders.*** PEFINDO views BNLI as a strategically important subsidiary of SCB and AI, which have strong commitments to support the Bank. Both shareholders have placed experienced commissioners and professional bankers on BNLI's board, who are expected to transfer knowledge in terms of good corporate governance and risk management. Besides their contributions to business strategy, both shareholders, in our view, have a strong capability to support the Bank. Capital support has been provided in the past, such as the rights issues which raised IDR1.5 trillion in December 2013 and IDR2.0 trillion in December 2012. PEFINDO expects the shareholders to maintain their controlling ownership when conducting future rights issues. PEFINDO expects that SCB and AI will continue to support the Bank, not only during periods of business expansion, but also in the event of financial difficulties.
- ***Favorable market position.*** BNLI's favorable market position is reflected by its strong growth in market share in terms of assets, loans and deposits during the years under review. At 1H2015, its market share in each category was in excess of 3%, following a number of years of above industry average growth. Since FY2013, the Bank has grown more in line with the industry and its total assets increased by 0.7% during 1H2015, compared to growth in the banking industry of 3.2% in the same period. The key driving factors for the strengthening market position were its innovative products and marketing programs, and improved IT infrastructure, including electronic channels to support and boost its transactional banking activities and maintain excellent quality of service. In addition, the presence of SCB and AI as the majority shareholders creates business synergies for BNLI. The Astra Group offers in-depth knowledge of the local industry as well as an extensive network to support business growth, while SCB brings international banking practices and knowledge transfer. PEFINDO believes the Bank will maintain its favorable market position by continuing to leverage on the Astra Group's network throughout its value chain.
- ***Strong asset quality.*** Though its non-performing loan (NPL) ratio increased to 2.2% at 1H2015, BNLI's asset quality remains strong and compares favorably to the industry average of 2.6%. The ratio deteriorated from 1.7% at FY2014 as a result of more challenging economic conditions, which also led to a significant increase in the portion of its loans in special mention status to 9.6%, from 4.7% at FY2014. BNLI's highest sectoral NPL ratios came from the manufacturing and mining sectors at 3.8% and 3.0% respectively, which together accounted for 53.9% of its total NPL. Nonetheless PEFINDO notes that its exposure to the mining sector remains modest at 4.4% of its total portfolio, with NPLs from manufacturing spread across a variety of industries, reflecting its well-diversified loan portfolio. PEFINDO is of the view that its asset quality profile should

remain strong in the short to medium term due to its strong credit and risk management, and as its main focus, the SME and retail sectors, historically have good asset quality.

These strengths are partly offset by:

- ***Moderate profitability.*** While PEFINDO views the Bank's profitability profile as satisfactory, it remains moderate compared to its peers in the banking industry. Its net interest margin (NIM) of 3.4% at 1H2015 was significantly lower than the industry average of 5.3% (as of May 31, 2015). Furthermore, its operating expense to operating income ratio (BOPO) of 88.3% in 1H2015, was considerably higher than the industry average of 80.4%. The lower NIM reflects its higher exposure in business banking (75.9% of BNLI's loans at 1H2015 were to the corporate, middle-market and SME segments), which typically generates lower margins than retail banking, and higher cost of funds than its peer group average. The higher cost of funds primarily reflects its lower proportion of deposits from current and savings accounts (CASA) than its peers. Its CASA ratio at 1H2015 of 35.4%, up from 34.5% at FY2014, was the lowest of the ten-largest banks in the industry, which had an average CASA ratio of 50.4% at 1H2015. This gap is continuously being addressed by BNLI, with continued investment in infrastructure, reporting, IT systems to support transactional banking, and excellent quality of service expected to boost CASA levels over time. However, PEFINDO expects that it will take some time for it to achieve substantial improvement in its deposit structure, and thus we expect its cost of funds to remain at a higher level than that of its peers in the medium term. Largely as a consequence of this, BNLI's profitability profile is expected to remain more modest than that of its peers over the same period.

OUTLOOK

A **"stable"** outlook is assigned to the corporate rating. The rating could be lowered if we view that support from its shareholders is declining or the Bank suffers a considerable decline in its asset quality.