

PT BANK SINARMAS Tbk (BSIM)

Corporate rating *ir*A/Stable

Rated Issues -

"Obligor with *ir*A rating has a high level of certainty to honor its financial obligations, but it can be affected by adverse changes in business and economic conditions, relative to Obligor with a higher rating."

Rating Period

October 29, 2021 – November 1, 2022

Kredit Rating Indonesia (KRI) assigns a Corporate Rating of '*ir*A' for PT Bank Sinarmas Tbk (BSIM or the Company) with "stable" outlook. The rating reflects BSIM's improved asset quality and capitalization. However, the Company's less diversified loan distribution is also considered in ratings assigned.

PT Bank Sinarmas Tbk was established on 1989 and acquired by PT Sinar Mas Multiartha, Tbk (SMMA/*ir*AA) on 2005 under the name of Bank Shinta. As of 1H21, BSIM contributed of 39.3% to the total assets of SMMA. Throughout 9M2021, SMMA injected additional capital to the company from the conversion of Series III 2021 warrants of IDR1.05 trillion.

As of 9M21, BSIM owned 435 offices across Indonesia to support their business activities. The company has also improved IT infrastructure and human resource to deliver better quality of services with digitalization.

The Company has relatively small market share as of 1H21, with only 0.3% lending market share and 0.5% third party fund market share. Considering the current business environment, the bank is focusing on maintaining their portfolio. The bank always maintains CASA Ratio above 50% (1H2021:71%, 1H2020: 63%).

The quality of BSIM's assets has improved in 2020, with NPL ratio of 4.75% at the end of 2020 from 7.83% at the end of 2019. The company managed to maintain its credit quality with an NPL ratio of 4.69% as of September 2021, higher than the industry average. BSIM's CAR has improved from 17.10% in 2020 to 27.79% in 3Q2021 due to additional capital from warrant conversion.

BSIM has adequate liquidity with Loan to Deposit Ratio (LDR) at 49.25% as of 9M21 (FY2020: 56.97%). Such number is aligned with industry's LDR which has gradually decreased since the COVID-19 pandemic (8M2020: 85.38%, 7M2021: 80.39%). The management of BSIM has tightened its loan distribution during current economic situation.

KRI is of the view that BSIM has less diversified loan distribution. As of 9M2021, BSIM has disbursed 36% of total loan to wholesale & retail sector, much higher than other sectors (manufacturing: 14%, agriculture, hunting and forestry: 10%). The Company also has disbursed 31% of its total loan to its top 10 debtors.

Downward rating pressures can come from a material decrease of its capitalization and weaken asset quality, which eroding the Company's ability to generate profitability.

BSIM Financial Results Highlights

As of/For the year ended	Sep 2021 (Unaudited)	Dec 2020 (Audited)	Dec 2019 (Audited)	Dec 2018 (Audited)	Dec 2017 (Audited)
Total asset (IDR, bn)	46,796.05	44,612.05	36,559.56	30,748.74	30,404.08
Total gross loans (IDR, bn)	19,027.96	20,940.44	23,125.28	20,468.42	19,034.73
Total equity (IDR, bn)	7,318.60	6,056.84	6,074.46	4,856.42	4,844.18
Total cust. deposit (IDR, bn)	38,637.06	36,756.56	28,219.86	24,298.43	23,606.52
Net interest revenue (IDR, bn)	1,727.40	2,188.20	2,210.50	2,165.94	1,925.21
Net Income (IDR, bn)	104.89	118.52	6.75	50.47	318.92
ROA (%)	0.38	0.30	0.23	0.25	1.26
NPL gross (%)	4.69	4.75	7.83	4.74	3.79
Loan loss reserve/NPL (%)	178.55	154.40	67.82	68.62	60.73
CAR (%)	27.79	17.10	17.32	17.60	18.31
LDR (%)	49.25	56.97	81.95	84.24	80.57

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