PEFINDO revised Bank BJB’s ratings outlook to “negative” from “stable”

PEFINDO has revised the rating outlook for PT Bank Pembangunan Daerah Jawa Barat dan Banten Tbk (BJBR) and its outstanding Bonds VII/2011 to “negative” from “stable”, while the ratings of the Bank and its outstanding bonds are affirmed at “idAA-”. The revision was mainly driven by BJBR’s weakening asset quality and profitability indicators, reflected by higher non-performing loans (NPL) and lower operating efficiency. Less favorable economic condition has resulted in deterioration of its debtors’ credit quality mainly in micro and commercial segments. In addition, high interest rate environment has affected the Bank’s funding mix and put its profitability ratios under pressure. The Bank has made efforts to reduce NPL by more selective loan disbursement in micro and commercial segments and less aggressive deposit taking activities. However, the result of these initiatives to the Bank’s overall condition has resulted in deterioration of its debtors’ credit quality mainly in micro and commercial segments. In indicators, reflected by higher non-performing loans (NPL) and lower operating efficiency. Less favorable economic profitability, as this could lead to a weaker assessment of its financial risk position. PEFINDO may revise the The rating could be lowered if we were to see any further meaningful deterioration in the Bank's asset quality and profitability, as this could lead to a weaker assessment of its financial risk position. PEFINDO may revise the outlook to “stable” if the Company is able to improve financial risk profile by recovering its asset quality and profitability figures, or strengthening its capitalization profile.

The “idAA-” ratings reflect the Bank’s strong market position in the banking industry, its captive market in West Java and Banten provinces, and its strong capitalization. However, the ratings are constrained by its high non-performing loans from the productive segment and high concentration of its funding resources. BJBR was established in 1961 as a regional development bank (Bank Pembangunan Daerah or BPD), focusing on banking activities in West Java and Banten provinces. BJBR went public in 2010 and as of June 30, 2014 (1H2014), it was 61.9% owned by the West Java provincial and municipal governments, 13.1% by the Banten provincial and municipal governments, and 25.0% by the public. BJBR’s business activities are supported by 6,655 employees and 1 head office, 4 regional offices, 62 branch offices, 312 sub-branches, 291 cash offices, and 108 payment points.

Rating Period: August 26, 2014 – November 1, 2014
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