Bank BJB’s rating stays at “idAA-” with “negative” outlook

PEFINDO has affirmed its “idAA-” ratings of PT Bank Pembangunan Daerah Jawa Barat dan Banten Tbk (BJBR) and its outstanding Bonds VII/2011. Outlook of the corporate rating remains “negative” driven by BJBR’s weak asset quality and weakening profitability indicators, reflected by high non-performing loans (NPL) and low operating efficiency, respectively. 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 improve profitability by more conservative pricing strategy. However the result of these initiatives to the Bank’s overall risk profile needs to be seen, especially with BJBR’s limited management personnel at the moment and tight competition in the industry.

The rating could be lowered if BJBR experiences prolonged process in the establishment of the new management team which may lead to inability to recover its asset quality and profitability profiles. PEFINDO may revise the outlook to “stable” if the Bank is able to strengthen its financial profile by substantially lowering its non-performing loans ratio and improving operating efficiency indicators on sustainable basis.

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 September 30, 2014 (3Q2014), it was 75.0% owned by the provincial and municipal governments in West Java and Banten, and 25.0% by the public. BJBR’s business activities are supported by 6,838 employees and 1 head office, 4 regional offices, 62 branch offices, 312 sub-branches, 303 cash offices, and 115 payment points.

DISCLAIMER
PT Pemeringkat Efek Indonesia (PEFINDO) does not guarantee the accuracy, completeness, timeliness or availability of the contents in this report or publication. PEFINDO cannot be held liable for its use, its partial use, lack of use, in combination with other products or used solely, nor can it be held responsible for the result from its use or lack of its use in any investment or other kinds of financial decision making on which this report or publication is based. In no event shall PEFINDO be held liable for any direct, indirect, incidental, exemplary, compensatory, punitive, special or consequential damages, costs, expenses, legal fees, or losses including but not limited to lost profits and opportunity costs in connection with any use of the contents of this report or publication. Credit analyses, including ratings, and statements in this report or publication are statements of opinion as of the date they are expressed and not statements of fact or recommendations to purchase, hold or sell any securities or to make any investment decision. The contents cannot be a substitute for the skill, judgment and experience of its users, its management employees and/or clients in making investment or other business decisions. PEFINDO also assumes no obligation to update the content following publication in any form. PEFINDO does not act as fiduciary or an investment advisor. While PEFINDO has obtained information from sources it believes to be reliable, PEFINDO does not perform an audit and does not undertake due diligence or independent verification of any information used as the base of and presented in this report or publication. PEFINDO keeps the activities of its analytical units separate from its business units to preserve independence and objectivity of its analytical processes and products. As a result, certain units of PEFINDO may have information that is not available to other units. PEFINDO has established policies and procedures to maintain the confidentiality of certain non-public information received in connection with each analytical process. PEFINDO may receive compensation for its ratings and other analytical work, normally from issuers of securities. PEFINDO reserves the right to disseminate its opinions and analyses. PEFINDO public ratings and analyses are made available on its Website, http://www.pefindo.com (free of charge) and through other subscription-based services, and may be distributed through other means, including via PEFINDO publications and third party redistributors. Information in PEFINDO’s website and its use fall under the restrictions and disclaimer stated above. Reproduction of the content of this report, in full or in part, is subject to written approval from PEFINDO.