Bank BJB’s Bond rated “μAA−”, Subordinated Bond rated “μA”

PEFINDO has assigned its “μAA−” rating to PT Bank Pembangunan Daerah Jawa Barat dan Banten Tbk (Bank BJB)’s proposed Shelf Registration Bond I/2017 with a maximum amount of IDR3.5 trillion, as well as its “μA” rating to the proposed Subordinated Bond I/2017 with a maximum amount of IDR1.0 trillion. PEFINDO has also affirmed its “μAA−” ratings to the Bank BJB’s corporate rating as well as its outstanding Bond VII/2011 and Medium-Term Notes (MTN) II/2016. The outlook for the corporate rating is “stable”.

An obligor rated μA 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 other Indonesian obligors. The minus (-) sign indicates that the rating is relatively weak within the respective rating category.

A debt security rated μA 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, it is somewhat more susceptible to the adverse effects of changes in circumstances and economic conditions than higher-rated debt.

The ratings reflect Bank BJB’s very strong market position in the banking industry, its captive market in West Java and Banten provinces, and its strong capitalization profile. The ratings are constrained by its high non-performing loans (NPLs) from the productive loan segment and its moderate profitability indicators.

The rating could be raised if Bank BJB substantially strengthens its business profile, and at the same time improves its asset quality and profitability indicators on a consistent basis. The rating may be lowered if its market presence falls considerably, or if its financial indicators experience significant deterioration, particularly its profitability and asset quality profiles.

Bank BJB was established in 1961 as a regional development bank (BPD), focusing on West Java and Banten provinces. As of June 30, 2017 it was 75.0% owned by the provincial and municipal governments in West Java and Banten, and 25.0% by the public.

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