

PT Bank Pembangunan Daerah Kalimantan Selatan

Analysts: Handhayu Kusumowinahyu/Adrian Noer

Phone/Fax/E-mail: (62-21) 50968469 / 50968468 / handhayu.kusumowinahyu@pefindo.co.id / adrian.noer@pefindo.co.id

CREDIT PROFILE		FINANCIAL HIGHLIGHTS			
		As of/for the year ended			
		Dec-2020	Dec-2019	Dec-2018	Dec-2017
		(Unaudited)	(Audited)	(Audited)	(Audited)
Corporate Rating	idA-/Stable	14,912.4	13,954.8	13,182.4	11,881.8
Rated Issues		1,929.5	1,894.8	1,771.4	1,771.6
-		11,193.5	10,447.6	8,971.6	8,381.2
Rating Period		12,017.0	10,967.8	9,998.7	8,067.5
December 16, 2020 – December 1, 2021		936.0	869.7	769.1	787.7
Rating History		234.4	159.7	102.8	159.5
DEC 2019	idA-/Stable	7.0	6.8	6.6	7.1
		80.3	87.3	87.8	83.5
		1.6	1.2	0.8	1.3
		3.6	4.1	4.1	5.6
		106.6	98.9	74.7	47.3
		22.3	23.3	25.6	19.8
		93.1	95.3	89.7	103.9
		14,105	13,958	14,560	13,555

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.

Bank Kalsel rated "idA-" with stable outlook

PEFINDO has assigned the rating of PT Bank Pembangunan Daerah Kalimantan Selatan (Bank Kalsel) at "idA-". The outlook for the corporate rating is "stable".

An obligor rated idA has a strong capacity to meet its long-term financial commitments relative to that of other Indonesian obligors. However, the obligor is somewhat more susceptible to the adverse effects of changes in circumstances and economic conditions than higher-rated obligors. The minus (-) sign indicates that the rating is relatively weak within the respective rating category.

The rating reflects Bank Kalsel's captive market in South Kalimantan, very strong capitalization, and above average liquidity profile. The rating is constrained by its below average asset quality, moderate profitability, and tight competition in the productive loan segment.

The rating may be raised if Bank Kalsel manages to significantly strengthen its business position and makes significant and sustainable improvements in its asset quality profile and profitability. However, the rating is subject to a downgrade if its asset quality and profitability profile continue to deteriorate, or its business position weakens substantially.

We are of the view that the COVID-19 outbreak has heightened the overall risk profile of the banking industry, impacting a substantial business downturn in almost all sectors, resulting in subdued demand for loans and other banking services. In addition, the business slowdown has weakened debtors' repayment capacity and led to asset quality deterioration, subsequently exacerbating further pressure on banks' profitability and liquidity. Nevertheless, we expect the pandemic to bring about a manageable impact on Bank Kalsel's credit profile, given its core product of regional civil servant (*pegawai negeri sipil*/PNS) consumer loans accounted for 51.7% of its total loans portfolio as of December 31, 2020 (FY2020). We are of the view that the loans to regional civil servants are less vulnerable to the pandemic, as the loans bear low risk due to the salary deduction scheme. This segment will sustain the Bank's revenue stream and cash flow in the midst of the pandemic, and provide a cushion against potential asset quality deterioration in the productive loan segment, particularly sectors heavily affected by the pandemic, such as construction, trading, manufacturing, transportation, and mining. PEFINDO will continue to remain vigilant on the impact of the pandemic on the Bank's performance and its overall credit profile.

Bank Kalsel was established in 1964 as a regional development bank (BPD) focusing its business in South Kalimantan province. As of FY2020, it was 26.5% owned by the South Kalimantan provincial government, and the remaining 73.5% by the cities and regencies in the province. Its business activities are supported by 1,285 employees and a network of 17 branches, 45 sub-branches, and 128 cash offices and payment points.

DISCLAIMER

The rating contained in this report or publication is the opinion of PT Pemeringkat Efek Indonesia (PEFINDO) given based on the rating result on the date the rating was made. The rating is a forward-looking opinion regarding the rated party's capability to meet its financial obligations fully and on time, based on assumptions made at the time of rating. The rating is not a recommendation for investors to make investment decisions (whether the decision is to buy, sell, or hold any debt securities based on or related to the rating or other investment decisions) and/or an opinion on the fairness value of debt securities and/or the value of the entity assigned a rating by PEFINDO. All the data and information needed in the rating process are obtained from the party requesting the rating, which are considered reliable in conveying the accuracy and correctness of the data and information, as well as from other sources deemed reliable. PEFINDO does not conduct audits, due diligence, or independent verifications of every information and data received and used as basis in the rating process. PEFINDO does not take any responsibility for the truth, completeness, timeliness, and accuracy of the information and data referred to. The accuracy and correctness of the information and data are fully the responsibility of the parties providing them. PEFINDO and every of its member of the Board of Directors, Commissioners, Shareholders and Employees are not responsible to any party for losses, costs and expenses suffered or that arise as a result of the use of the contents and/or information in this rating report or publication, either directly or indirectly. PEFINDO generally receives fees for its rating services from parties who request the ratings, and PEFINDO discloses its rating fees prior to the rating assignment. PEFINDO has a commitment in the form of policies and procedures to maintain objectivity, integrity, and independence in the rating process. PEFINDO also has a "Code of Conduct" to avoid conflicts of interest in the rating process. Ratings may change in the future due to events that were not anticipated at the time they were first assigned. PEFINDO has the right to withdraw ratings if the data and information received are determined to be inadequate and/or the rated company does not fulfill its obligations to PEFINDO. For ratings that received approval for publication from the rated party, PEFINDO has the right to publish the ratings and analysis in its reports or publication, and publish the results of the review of the published ratings, both periodically and specifically in case there are material facts or important events that could affect the previous ratings. Reproduction of the contents of this publication, in full or in part, requires written approval from PEFINDO. PEFINDO is not responsible for publications by other parties of contents related to the ratings given by PEFINDO.