

PT Bank Pembangunan Daerah Nusa Tenggara Timur

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CREDIT PROFILE		FINANCIAL HIGHLIGHTS				
		As of/for the year ended	Jun-2021	Dec-2020	Dec-2019	Dec-2018
			<i>Unaudited</i>	<i>Audited</i>	<i>Audited</i>	<i>Audited</i>
Corporate Rating	<i>idA-/Stable</i>	Total assets [IDR bn]	17,193.2	14,720.4	14,520.4	11,216.0
Rated Issues		Total equity [IDR bn]	2,113.6	2,066.0	1,993.4	1,938.8
<i>Continuous Bonds I/2018</i>	<i>idA-</i>	Total gross loans [IDR bn]	11,048.9	10,722.1	10,207.3	8,769.6
		Total cust. dep.+ ST funding [IDR bn]	13,443.1	10,292.6	10,879.7	7,607.4
Rating Period		Net interest revenue [IDR bn]	470.4	924.5	1,024.1	1,011.5
<i>September 8, 2021 – September 1, 2022</i>		Net income (loss) [IDR bn]	148.5	236.3	236.5	250.8
		NIR/average earning assets [%]	*6.3	6.8	8.5	10.0
Rating History		Operating expense/operating income [%]	85.2	80.3	79.3	75.8
<i>SEP 2020</i>	<i>idA-/Stable</i>	ROAA [%]	*1.9	1.6	1.8	2.3
<i>SEP 2019</i>	<i>idA-/Stable</i>	NPL (3-5)/gross loans [%]	2.6	4.5	4.0	2.5
<i>SEP 2018</i>	<i>idA/Negative</i>	Loan loss reserves/NPL (3-5) [%]	62.7	61.3	63.9	59.4
<i>APR 2018</i>	<i>idA/Stable</i>	Risk-weighted CAR [%]	21.0	21.5	21.0	21.6
<i>APR 2017</i>	<i>idA/Stable</i>	Gross loans/total deposits (LDR) [%]	82.2	104.2	93.8	115.3
<i>APR 2016</i>	<i>idA/Stable</i>	USD exchange rate [USD/IDR]	14,496	14,105	13,901	14,481
<i>APR 2015</i>	<i>idA-/Stable</i>					
<i>APR 2014</i>	<i>idA-/Stable</i>					

**) annualized*

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 NTT rated "idA-" with stable outlook

PEFINDO has affirmed the "idA-" ratings for PT Bank Pembangunan Daerah Nusa Tenggara Timur (Bank NTT) and its outstanding Continuous Bonds I/2018. The Bank's readiness to pay the maturing Continuous Bonds I Phase I Year 2018 Series B of IDR115 billion maturing on December 21, 2021 is supported by its cash and placement in central bank amounting to IDR1.4 trillion as of July 31, 2021. 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 corporate rating reflects Bank NTT's captive market in the region, very strong capitalization, and above average liquidity. The rating is constrained by its modest profitability, concentrated funding profile, and tightening competition in productive loan segment.

The rating may be raised if Bank NTT significantly strengthens its business position and funding structure, while improving its asset quality and profitability profile. On the other hand, the rating may be lowered if PEFINDO views a significant decline in its market position or if there is a material deterioration in its financial indicators, especially asset quality and profitability figures.

We are of the view that the Covid-19 pandemic has raised the overall risk profile of the banking industry, impacting a substantial business downturn in all sectors resulting in subdued demand for loans and other banking services. In addition, the business slowdown has weakened debtors' repayment capacity, leading to asset quality deterioration, subsequently exerting additional pressure on banks' profitability and liquidity. Accordingly, we expect the pandemic to have a manageable impact on Bank NTT's credit profile, supported by its core product of regional civil servant (*pegawai negeri sipil*, PNS) consumer loans, accounting for around 50-55% of its total loans. We are of the view that the loans to regional civil servants are less impacted by the pandemic as there are no layoffs for civil servants and debt repayments are directly deducted from their salaries. This segment should support the Bank's revenue stream and cash flow amid the pandemic and serves as a cushion for potential asset quality deterioration in the productive loan segment, particularly from sectors such as hotels and restaurants, transportation, real estate, construction, mining, as well as manufacturing and trading activities affected by the pandemic.

Established in 1962, Bank NTT is a regional development bank (BPD) that caters primarily to the government and employees of East Nusa Tenggara Province (Nusa Tenggara Timur or NTT). As of June 30, 2021, it was 26.59% owned by the provincial government of NTT, 73.35% by the district and municipal governments in NTT, and the remaining shares by individuals.

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.