

PT Bank Pembangunan Daerah Nusa Tenggara Timur

Analysts: Handhayu Kusumowinahyu / Hendro Utomo

Phone/Fax/E-mail: (62-21) 72782380 / 72782370 / handhayu.kusumowinahyu@pefindo.co.id / hendro.utomo@pefindo.co.id

CREDIT PROFILE		FINANCIAL HIGHLIGHTS				
		As of/for the year ended	Jun-2018	Dec-2017	Dec-2016	Dec-2015
			<i>Audited</i>	<i>Audited</i>	<i>Audited</i>	<i>Audited</i>
Corporate Rating	<i>idA/Negative</i>	Total assets [IDR bn]	13,601.9	10,379.2	9,597.9	9,551.2
Rated Issues		Total equity [IDR bn]	1,738.8	1,809.5	1,669.0	1,494.8
<i>Continuous Bonds I/2018 (NEW)</i>	<i>idA</i>	Total gross loans [IDR bn]	8,056.2	7,995.4	7,297.4	6,559.6
Rating Period		Total cust. dep. + ST funding [IDR bn]	10,856.3	7,013.0	6,795.3	7,281.4
<i>September 28, 2018 – September 1, 2019</i>		Net interest revenue [IDR bn]	455.7	956.3	956.0	890.5
Rating History		Net income (loss) [IDR bn]	93.5	246.2	233.8	258.2
<i>APR 2018</i>	<i>idA/Stable</i>	NIR/average earning assets [%]	*8.0	10.2	10.5	10.5
<i>APR 2017</i>	<i>idA/Stable</i>	Operating expense/operating income [%]	81.5	74.1	75.4	69.2
<i>APR 2016</i>	<i>idA/Stable</i>	ROAA [%]	*1.6	2.5	2.4	2.9
<i>APR 2015</i>	<i>idA-/Stable</i>	NPL (3-5)/gross loans [%]	3.6	3.2	2.3	2.2
<i>APR 2014</i>	<i>idA-/Stable</i>	Loan loss reserves/NPL (3-5) [%]	72.9	61.7	74.7	62.4
<i>APR 2013</i>	<i>idA-/Stable</i>	Risk-weighted CAR [%]	20.2	22.7	23.6	21.9
<i>MAR 2012</i>	<i>idA-/Stable</i>	Gross loans/total deposits (LDR) [%]	74.2	114.0	107.4	90.1
<i>MAR 2011</i>	<i>idA-/Stable</i>	USD exchange rate [IDR/USD]	14,404	13,548	13,436	13,785

**) 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's Continuous Bonds I/2018 rated "idA"

PEFINDO has assigned its "idA" rating for PT Bank Pembangunan Daerah Nusa Tenggara Timur (Bank NTT)'s proposed Continuous Bonds I/2018 with a maximum amount of IDR1.0 trillion. At the same time, PEFINDO has affirmed the Bank's rating at "idA" with "negative" outlook. The negative outlook reflects our concerns on the Bank's weakening non-performing loans (NPL) ratio over the past few years, particularly contributed by productive loan segment. This has resulted in increasing provision expenses, which – combined with ongoing margin pressure due to competition – has squeezed its profitability indicators. In our view, the Bank's prolonged incomplete management personnel situation may also constrain efforts to strengthen its business position and minimize the impact of weakening asset quality and profitability profiles.

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

The corporate rating reflects Bank NTT's strong market position supported by a captive market, very strong capitalization, and high margin business from the consumer loan segment. The rating is constrained by the Bank's high NPL ratio from the productive segment, its limited capacity to access retail funds, and tightening competition in productive loan segment.

The rating could be lowered if the Bank fails to improve its asset quality and profitability figures substantially in the near to medium term, or if it fails to complete its board of management roster, which may hinder efforts to strengthen its business and financial profiles. The outlook could be revised back to stable if the Bank strengthens its business position substantially and consistently by expanding its market share and improving funding diversity. The revision can also be triggered by a strong and stable improvement in its asset quality and profitability figures.

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). It has 1,582 employees and supported by a network of 24 branches, 39 sub-branches, and 131 other offices. As of June 30, 2018, it was 31.54% owned by the provincial government of NTT, 6.39% by City of Kupang, 62.02% by the district and municipal governments in NTT, and the remaining shares were owned by individuals.

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