

PT Bank Pembangunan Daerah Nusa Tenggara Timur

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CREDIT PROFILE		FINANCIAL HIGHLIGHTS				
		As of/for the year ended	Jun-2020	Dec-2019	Dec-2018	Dec-2017
			<i>Undaudited</i>	<i>Audited</i>	<i>Audited</i>	<i>Audited</i>
Corporate Rating	<i>idA-/Stable</i>	Total assets [IDR bn]	16,465.9	14,520.4	11,216.0	10,379.2
Rated Issues		Total equity [IDR bn]	2,025.1	1,993.4	1,938.8	1,809.5
<i>Continuous Bonds I/2018</i>	<i>idA-</i>	Total gross loans [IDR bn]	10,237.8	10,207.3	8,769.6	7,995.4
		Total cust. dep.+ ST funding [IDR bn]	12,742.6	10,879.7	7,607.4	7,013.0
Rating Period		Net interest revenue [IDR bn]	459.8	1,024.1	1,011.5	981.1
<i>September 9, 2020 – September 1, 2021</i>		Net income (loss) [IDR bn]	113.5	236.5	250.8	246.2
		NIR/average earning assets [%]	*6.3	8.5	10.0	10.5
Rating History		Operating expense/operating income [%]	87.6	79.3	75.8	74.1
<i>SEP 2019</i>	<i>idA-/Stable</i>	ROAA [%]	*1.5	1.8	2.3	2.5
<i>SEP 2018</i>	<i>idA/Negative</i>	NPL (3-5)/gross loans [%]	4.1	4.0	2.5	3.2
<i>APR 2018</i>	<i>idA/Stable</i>	Loan loss reserves/NPL (3-5) [%]	66.7	63.9	59.4	61.7
<i>APR 2017</i>	<i>idA/Stable</i>	Risk-weighted CAR [%]	20.4	21.0	21.6	22.7
<i>APR 2016</i>	<i>idA/Stable</i>	Gross loans/total deposits (LDR) [%]	80.3	93.8	115.3	114.0
<i>APR 2015</i>	<i>idA-/Stable</i>	USD exchange rate [IDR/USD]	14,302	13,901	14,481	13,548
<i>APR 2014</i>	<i>idA-/Stable</i>					
<i>APR 2013</i>	<i>idA-/Stable</i>					
<i>MAR 2012</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's rating affirmed at "idA-" with stable outlook

PEFINDO has affirmed the "idA-" ratings for PT Bank Pembangunan Daerah Nusa Tenggara Timur (BNTT) and its outstanding Continuous Bonds I/2018. 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 strong market position supported by a captive market, very strong capitalization, and above average liquidity. The rating is constrained by its weak asset quality, modest profitability, and concentrated funding profile.

The rating may be raised should Bank NTT consistently improve its business position and funding diversification, while improving its asset quality and profitability profile. The rating could be lowered if PEFINDO sees a further deterioration in its financial profiles, especially asset quality and profitability figures, which may hinder efforts to strengthen its business.

We are of the view that the COVID-19 outbreak may increase the overall risk profile of the banking industry, by causing a substantial business downturn in almost all sectors resulting in lower demand for loans and other banking services. In addition, the business slowdown will weaken debtors' repayment capabilities, and asset quality deterioration will subsequently put additional pressure on banks' profitability and liquidity. We are of the view that the impact of COVID-19 on Bank NTT's overall credit profile remains moderate, supported by its core product of civil servant (PNS) consumer loans, which contribute around 70% of its loan portfolio. We are of the view that demand for the PNS loans segment and its asset quality profile will be least impacted by the pandemic, as the loans bear low risk due to the salary deduction scheme. This segment should support its revenue and cash flow generation amid the pandemic, and act as a cushion for a potential deterioration in asset quality in the productive loan segment, particularly industries heavily affected by COVID-19 such as hotels and restaurants, transportation, and real estate. PEFINDO will continue to monitor closely the impact of the pandemic on the Bank's performance and its overall credit profile.

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 1,667 employees and a network of 24 branches, 42 sub-branches, and 153 other offices. As of June 30, 2020, it was 29.05% owned by the provincial government of NTT, 70.90% by the district and municipal governments in NTT, and the remaining shares were owned 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.