

PT Bank Pembangunan Daerah Papua

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CREDIT PROFILE		FINANCIAL HIGHLIGHTS				
		As of/for the year ended				
		Jun-2020	Dec-2019	Dec-2018	Dec-2017	
		(Unaudited)	(Audited)	(Audited)	(Audited)	
Corporate Rating	<i>idA-/Stable</i>	25,964.2	28,183.7	22,456.8	20,400.8	
Rated Issues		3,297.6	3,438.1	3,170.9	2,675.0	
-		16,344.0	16,060.7	14,147.2	13,270.9	
Rating Period		21,955.6	22,844.9	17,929.1	16,563.8	
October 16, 2020 – October 1, 2021		758.4	1,582.1	1,541.0	1,683.7	
Rating History		220.6	250.0	218.6	113.3	
<i>OCT 2015</i>	<i>idA-/Stable</i>	NIR/average earning assets [%]	*6.0	6.7	7.8	9.0
<i>JUN 2015</i>	<i>idA/Negative</i>	Operating expense/op. income [%]	81.6	86.7	93.1	94.5
<i>NOV 2014</i>	<i>idA/Stable</i>	ROAA [%]	*1.6	1.0	1.0	0.6
<i>JUL 2013</i>	<i>idA/Stable</i>	NPL (3-5)/gross loans [%]	5.9	5.1	7.5	14.7
		Loan loss reserve/NPL (3-5) [%]	111.6	70.0	70.2	77.2
		Risk weighted CAR [%]	21.7	21.4	22.2	18.0
		Gross loans/total deposits [%]	74.4	70.3	78.9	80.1
		USD exchange rate [USD/IDR]	14,255	13,883	14,380	13,568

*Annualized

Net income and ROAA figures before tax in Jun-2020 and after tax in Dec-2017 to Dec-2019

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 Papua rated "*idA-*" with "stable" outlook

PEFINDO has assigned its "*idA-*" rating to PT Bank Pembangunan Daerah Papua (Bank Papua). 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, it 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 its category.

The rating reflects Bank Papua's captive market in the Papua and West Papua provinces, very strong capitalization, and above average liquidity profile. The rating is constrained by its weak asset quality, modest profitability and tight competition in the productive loan segment.

The rating may be raised if Bank Papua significantly strengthens its business position and improves its asset quality and profitability profiles sustainably. The rating may be lowered if there is a considerable deterioration in its business position, or if it suffers a significant deterioration in any of its financial profiles such as liquidity, asset quality, or profitability.

We are of the view that COVID-19 has increased 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. The business slowdown has also weakened debtor repayment capabilities, with asset quality deterioration subsequently putting additional pressure on banks' profitability and liquidity. We are of the view that the impact of COVID-19 on Bank Papua's overall credit profile remains moderate, supported by its core product of civil servant (PNS) consumer loans, which contributed 49.0% of its loan portfolio. The PNS loans are less impacted by the pandemic, as installment payments are deducted directly from civil servant salaries. This segment should support the Bank's revenue and cash flow generation amid the pandemic, and act as a cushion for potential deterioration in asset quality, as 51% of its loan portfolio is from the non-PNS loans segment, mostly from sectors affected by COVID-19 such as households, construction, trading, and real estate. PEFINDO will continue to monitor the impact of the pandemic on its performance and overall credit profile.

Bank Papua is a regional development bank operating in Papua and West Papua provinces, focusing on both the corporate and consumer segments. As of June 30, 2020, it was 21.3% owned by the Papua provincial government, 17.1% by the West Papua provincial government, 59.4% by the city and district governments in Papua and West Papua, and 2.2% by Koperasi Serba Usaha Bank Papua Berdikari. Its business activities are supported by 2,669 employees and a network of 36 branches, 63 sub-branches, and 163 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.