

PT Bank Kesejahteraan Ekonomi

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CREDIT PROFILE		FINANCIAL HIGHLIGHTS				
		As of/for the year ended				
		Jun-2018	Dec-2017	Dec-2016	Dec-2015	
		(Unaudited)	(Audited)	(Audited)	(Audited)	
Corporate Rating	<i>idBBB+/Negative</i>	Total assets [IDR bn]	4,097.4	4,121.9	3,164.8	2,395.6
Rated Issues		Total equity [IDR bn]	349.7	374.6	363.9	323.8
<i>Subordinated bond I/2016</i>	<i>idBBB-</i>	Total gross loans [IDR bn]	3,238.9	3,058.0	2,276.2	1,703.9
Rating Period		Total customer deposits [IDR bn]	3,294.2	3,435.3	2,469.4	1,884.8
<i>September 12, 2018 – September 1, 2019</i>		Net interest revenue [IDR bn]	106.5	195.3	185.7	131.7
Rating History		Net income (loss) [IDR bn]	8.8	14.3	42.1	14.3
<i>SEP 2017</i>	<i>idBBB+/Stable</i>	NIR/average earning assets [%]	*5.4	5.5	6.9	5.5
<i>SEP 2016</i>	<i>idBBB+/Stable</i>	BOPO [%]	95.3	95.8	85.2	93.19
		ROAA [%]	*0.4	0.4	1.5	0.6
		NPL (3-5)/gross loans [%]	3.9	3.6	2.1	2.7
		Loan loss reserve/NPL (3-5) [%]	53.0	46.8	77.6	69.4
		Risk weighted CAR [%]	12.3	14.8	22.2	16.1
		Gross loans/total deposits [%]	98.3	89.0	92.2	90.4
		USD exchange rate [IDR/USD]	14,404	13,548	13,473	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.

PT Bank Kesejahteraan Ekonomi rated "idBBB+", outlook revised to "negative"

PEFINDO has revised the rating outlook of PT Bank Kesejahteraan Ekonomi (BBKE) to "negative" from "stable", reflecting our concerns regarding the deterioration in the Bank's asset quality and profitability figures, combined with risks related to its impending rights issue. In addition, a new capital injection and initial public offering plan in 2019 may reduce the shares held by PT Dana Tabungan dan Asuransi Pegawai Negeri (Persero) (TASPEN) and remove its special rights, which may be not adequately substituted by a shareholder with the same level of support capability. PEFINDO has also affirmed the ratings of BBKE at "idBBB+" and its outstanding Subordinated Bond I/2016 at "idBBB-". The subordinated bond's rating is two notches down below BBKE's corporate rating due to the existence of a non-viability clause, reflecting the risk of the obligation being written down or converted into equity under regulation No. 15/12/PBI/2013.

PEFINDO may lower the rating if the Bank fails to improve its key business and financial indicators consistently over the near term. A rating downgrade may also occur if the upcoming rights issue fails to materialize in a timely manner, which could push the Bank's capitalization profile below the regulatory threshold. In addition, the rating may be under pressure if PEFINDO views that the possibility of extraordinary support from TASPEN will no longer exist as a result of a diluted ownership, and cannot be replaced by a shareholder at the same level of capability and support. We may change the outlook to stable if the Bank significantly strengthens its business position, particularly in the pension and cooperative businesses, as well as its financial indicators in the near to medium term despite the decline in TASPEN's shares, combined with the presence of shareholder which in our view would be able to provide extraordinary support to the Bank during financial distress.

An obligor rated idBBB has an adequate capacity to meet its long-term financial commitments relative to that of other Indonesian obligors. However, adverse economic conditions or changing circumstances are more likely to weaken its capacity to meet its financial commitments. The plus (+) sign indicates that the rating is relatively strong within the respective rating category.

A debt security rated idBBB denotes adequate protection parameters relative to other Indonesian debt securities. However, adverse economic conditions or changing circumstances are more likely to weaken the capacity of the obligor to meet its long-term financial commitments on the debt security. The minus (-) sign indicates that the rating is relatively weak within the respective rating category.

The corporate rating reflects BBKE's strong support from TASPEN, the growth potential from its niche market, and its moderate capitalization. However, the rating is constrained by the Bank's concentrated funding profile, high operational expenses, and the tight competition in non-cooperative segments.

BBKE's main business is providing loans to civil servant cooperatives (KPRI), which then channel them to their members. As of 30 June 2018, its shareholders were Ikatan Koperasi Pegawai Republik Indonesia (IKPRI, 25.4%), PT Danadipa Artha Indonesia (21.0%), PT Reliance Securities Tbk (20.6%), PT Recapital Advisors (19.7%), TASPEN (9.9%), PT Jasa Raharja Pension Fund (1.4%), PT Asuransi Jasa Indonesia Pension Fund (1.2%), and Bank Kesejahteraan Employee Cooperative (0.7%).

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