

PT Bank Kesejahteraan Ekonomi

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CREDIT PROFILE		FINANCIAL HIGHLIGHTS				
		As of/for the year ended	Jun-2018 (Unaudited)	Dec-2017 (Audited)	Dec-2016 (Audited)	Dec-2015 (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 concern regarding the risk of realization of impending rights issue, which is expected to be concluded at the end of September 2018, deterioration of asset quality and profitability figures, and risk of changes in shareholder composition in 2019 in which the decline of PT Dana Tabungan dan Asuransi Pegawai Negeri (Persero) (TASPEN)'s shares and removal of its special rights are not adequately substituted by shareholder at the same level. Those three issues above may significantly impact the Bank's business and financial profile going forward. 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 upcoming right issue could not materialize at the timely manner, which would further hamper the Bank's key financial indicators such as capitalization, asset quality, and profitability, as of which already slightly worsened as of 1H2018. Further deterioration of key ratios above may lead to rating downgrade. In addition, the downward rating pressure may come if TASPEN's exit from the Bank, as well as removal of its special privileges, materialize without having a replacement shareholder at the same level of capability and support, as we view that it may negatively impact the Bank's pensioners loan business, a significant part of its business strategy. We may change the outlook to stable if the Bank can significantly strengthen its business position, particularly in pension and cooperative businesses as well as its financial indicators in the near to medium term in spite of declining TASPEN's shares.

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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