PEFINDO
CREDIT RATING AGENCY

Press Release
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PT Bank Victoria International Tbk

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CREDIT PROFILE

Corporate Rating $_{id}$A-/Negative

Rated Issues

Shelf.Reg Bond II/2019	*$_{id}$A-*
Shelf.Reg Sub-Debt II/2019	*$_{id}$BBB*
Shelf.Reg Bond I/2017	*$_{id}$A-*
Shelf.Reg Sub-Debt I/2017	*$_{id}$BBB*
Sub-Debt III/2013	*$_{id}$BBB+*

Rating Period
April 13, 2020 – April 1, 2021

Sub-Debt III/2013
April 13, 2020 – June 27, 2020

Rating History

APR 2019	*$_{id}$A-/Stable*
APR 2018	*$_{id}$A-/Stable*
APR 2017	*$_{id}$A-/Stable*
APR 2016	*$_{id}$A-/Negative*
APR 2015	*$_{id}$A-/Stable*

FINANCIAL HIGHLIGHTS

As of/for the year ended	**Dec-2019**	**Dec-2018**	**Dec-2017**	**Dec-2016**
	Unaudited	Audited	Audited	Audited
Total Asset [in IDR Bn]	30,526.1	30,172.3	28,825.6	26,000.0
Total Equity [in IDR Bn]	3,020.4	2,806.0	2,846.3	2,626.3
Total Gross Loan [in IDR Bn]	17,440.1	16,393.6	15,831.3	14,537.9
Total Cust. Dep.+ ST Funding [in IDR Bn]	23,297.6	22,086.4	22,248.7	20,691.8
Net Interest Revenue [in IDR Bn]	269.1	459.3	457.7	303.6
Net Income (Loss) [in IDR Bn]	18.2	79.1	136.1	100.4
NIR/Average Earning Asset [%]	1.0	1.7	1.8	1.3
Operating expense/operating income [%]	98.9	100.2	94.9	96.6
ROAA [%]	0.1	0.3	0.5	0.4
NPL (3-5)/Gross Loans [%]	5.8	3.5	3.2	4.2
Loan Loss Reserves/NPL (3-5) [%]	30.1	50.4	50.6	45.7
Risk-Weighted CAR [%]	17.2	16.8	18.4	25.4
Gross Loans/Total Deposits (LDR) [%]	74.9	74.2	71.2	70.3
USD Exchange Rate [IDR/USD]	13,883	14,380	13,568	13,436

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 Victoria's rating affirmed at "$_{id}$A-", outlook revised to "negative"

PEFINDO has affirmed its **"$_{id}$A-"** ratings for PT Bank Victoria International Tbk (Bank Victoria or the Bank), its outstanding Shelf Registration Bond I Year 2017 and Shelf Registration Bond II Year 2019, while affirmed its **"$_{id}$BBB+"** rating for the Bank's outstanding Subordinated Bond III/2013. PEFINDO has also affirmed the ratings of its Shelf Registration Subordinated Bond I Year 2017 and Shelf Registration Subordinated Bond II Year 2019 at **"$_{id}$BBB"**. The Subordinated Bonds are rated two notches below the Bank's corporate rating to incorporate the risk of the debt instrument being written down in the event of non-viability, as stated under central bank regulation 15/12/PBI/2013. The outlook for the corporate rating is revised to **"negative"** from **"stable"**.

The outlook revision was driven by PEFINDO's concern on the unfavorable impact of COVID-19 outbreak which could result in BVIC's weakening overall credit profile due to a worsened asset quality and profitability profiles. As of end of December 2019 (FY2019), Bank Victoria has high loan concentration in sectors that are substantially impacted by the outbreak, consists of real estate (21.4% to total loan portfolio), trading, restaurant, and hotel (21.0%), finance companies (18.6%), and manufacturing industry (10.6%). 99.4% of its financing portfolio is generated from Java, areas that are significantly affected by the outbreak. Debtor's weakening capability may create disruption in its asset quality and profitability profiles as well as its incoming cash flow from operations. The Bank's non-performing loans (NPL) ratio was 5.8% in FY2019, up from 3.5% in FY2018 and weaker than banking industry average of 2.5% as of FY2019. It also recorded high special mention loans (SML) ratio of 9.0% in FY2019 and 9.4% as of FY2018, compared to banking industry average of 5.1% as of FY2019. Higher portion of non-current and restructured loans may cause lower cash flow generation from its banking activities, affecting its liquidity position.

The rating may be lowered if there is no meaningful improvement in its asset quality or profitability profiles in the near to medium term. Rating downgrade may also be triggered if there is any deterioration in its liquidity or capitalization profile. PEFINDO may revise the outlook to "stable" if the impact of COVID-19 has been subsided, and the Company is able to substantially improve its asset quality and profitability profiles on a consistent basis while maintaining its capitalization and liquidity profiles.

Bank Victoria's Subordinated Bond III/2013 of IDR300 billion will mature on June 27, 2020. Its readiness to repay the maturing bond is supported by cash and placement in Bank Indonesia of IDR1.3 trillion as of February 29, 2020.

An obligor rated $_{id}$A 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.

Debt security rated $_{id}$BBB denotes adequate protection parameters relative to other Indonesian debt securities. However, adverse economic conditions or changing circumstances are more likely to lead to a weakened capacity on the part of the obligor to meet its long-term financial commitments on the debt security. The Plus (+) sign indicates that the rating is relatively strong within the respective rating category.

The corporate rating reflects Bank Victoria's strong capitalization and adequate liquidity, but is constrained by its weak asset quality, weak profitability indicators, and exposure to concentration risk.

Bank Victoria is a commercial bank targeting affluent and mass affluent customers. As of December 31, 2019, its shareholders were PT Victoria Investama Tbk (46.29%), Suzanna Tanojo (17.18%), *Deutsche Investitions-und Entwicklungsgesellschaft* (8.72%), PT Nata Patindo (4.42%), and the public (23.40%).