

PT Bank Syariah Mandiri

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CREDIT PROFILE		FINANCIAL HIGHLIGHTS			
		As of/for the year ended			
		Sep-2020	Dec-2019	Dec-2018	Dec-2017
		(Unaudited)	(Audited)	(Audited)	(Audited)
Corporate Rating	<i>idAA+/Positive</i>	119,427.3	112,291.9	98,341.1	87,915.0
Rated Issues		10,323.2	9,245.8	8,039.2	7,314.2
Sukuk Subordinated Mudharabah 2016		79,000.3	75,175.3	67,502.9	60,694.9
	<i>idAA-(sy)</i>	106,117.3	99,809.7	87,471.8	77,903.1
Rating Period		4,870.8	5,307.4	4,964.8	4,678.9
November 6, 2020 – November 1, 2021		1,069.9	1,275.0	605.2	365.2
Rating History		*5.8	5.3	5.6	5.9
NOV 2019	<i>idAA+/Stable</i>	82.3	82.0	90.7	94.1
NOV 2018	<i>idAA+/Stable</i>	ROAA [%]	1.2	1.2	0.6
NOV 2017	<i>idAA+/Stable</i>	NPF (3-5)/gross financing [%]	2.7	2.4	3.3
NOV 2016	<i>idAA+/Stable</i>	Financing loss reserve/NPF (3-5) [%]	141.3	107.4	101.3
SEP 2016	<i>idAA+/Stable</i>	Risk weighted CAR [%]	17.7	16.1	16.3
SEP 2015	<i>idAA+/Stable</i>	Gross financing/total deposits [%]	74.4	75.3	77.2
SEP 2014	<i>idAA+/Stable</i>	USD exchange rate [USD/IDR]	14,880	13,883	14,380
SEP 2013	<i>idAA+/Stable</i>				13,548

*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 Syariah Mandiri's rating affirmed at "idAA+", outlook revised to "positive"

PEFINDO has affirmed its "idAA+" rating to PT Bank Syariah Mandiri (BSM) and its "idAA-(sy)" to BSM's outstanding Sukuk Subordinasi Mudharabah year 2016. The outlook of the corporate rating has been revised to "positive" from "stable". The outlook revision reflects our view that the merger transaction of PT Bank BRI Syariah Tbk (BRI Syariah), PT Bank BNI Syariah, and PT Bank Syariah Mandiri would enhance the combined bank's credit profile given the merger would create the largest sharia bank in Indonesia owned by state-owned banks. The merger will result in a single sharia bank with total assets exceeding IDR214.7 trillion or equal to around 40.4% of the sharia banking industry and 2.4% of the banking industry as of June 2020, which would make it the 7th largest bank in the banking industry. In the long term, the merger will improve the combined bank's business profile by leveraging the network of the Parents' Group, better financing diversification and funding structure, and stronger financial indicators. Referring to the official timetable, the merger is scheduled to conclude in February 2021, and we view that there is a very strong likelihood for this plan to realize. BRI Syariah will be the surviving entity of the merged banks and the shares will be proportionally owned by the previous shareholders of the merged banks, including PT Bank Mandiri (Persero) Tbk (Bank Mandiri, rated idAAA/stable), PT Bank Negara Indonesia (Persero) Tbk (rated idAAA/stable), and PT Bank Rakyat Indonesia (Persero) Tbk (BBRI, rated idAAA/stable), and public. At the time of the merger, we may resolve BSM's positive outlook and then withdraw the rating, considering that the BSM entity as a non-surviving entity will merge into BRI Syariah, which is the surviving entity of this business merger, including debt securities issued by BSM.

An obligor rated idAA differs from the highest rated obligors only to a small degree, and has a very strong capacity to meet its long-term financial commitments relative to that of other Indonesian obligors. The plus (+) sign in a particular rating indicates that it is relatively strong within its rating category.

A debt security rated idAA differs from the highest-rated debt only to a small degree. The issuer's capacity to meet its long-term financial commitments on the debt security, relative to other Indonesian issuers, is very strong. The minus (-) sign indicates that the rating is relatively weak within its category. The suffix (sy) means the rating mandates compliance with Islamic principles.

The rating reflects BSM's very strong support from PT Bank Mandiri (Persero) Tbk (Bank Mandiri, rated idAAA/stable), very strong position in the sharia banking segment, and strong liquidity and financial flexibility. The rating is constrained by its moderate asset quality.

The rating may be raised if the acquisition process has been materialized as planned. The rating outlook could be revised back to stable if the acquisition process is cancelled or delayed without clear timetable.

We are of the view that the COVID-19 pandemic has a moderate impact to the sharia banking industry's risk profile, given that substantial business downturn in almost all sectors will result in lower demand for financing and other banking services. In addition, a business slowdown will weaken borrowers' repayment capabilities, and asset quality deterioration will subsequently put additional pressure on banks' profitability and liquidity indicators. The industry's sound capitalization profile and adequate liquidity position should partially mitigate those risks. At the moment, we are of the view that the impact of COVID-19 on BSM's overall credit profile will remain manageable, supported by its strong capitalization profile, a very strong presence in the sharia banking industry, and strong liquidity position with a high portion of low-cost funding. This also supported by its low concentration of top depositors, reducing the risk of sudden and substantial deposit withdrawal. However, we acknowledge the Bank's substantial exposure to sectors affected by COVID-19 such as hotels and restaurants, households, transportation, real estate, and trading, which together represent more than 50% of the Bank's financing portfolio as of the end of September 2020. PEFINDO will continue to closely monitor the impact of the COVID-19 pandemic on BSM's performance and overall credit profile.

BSM became a sharia bank and started its business in 1999. Bank Mandiri holds 99.99% of its shares, with the rest held by PT Mandiri Sekuritas, also a subsidiary of Bank Mandiri.

DISCLAIMER

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