PT Bank Maybank Indonesia Tbk

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CREDIT PROFILE

Corporate Rating *idAAA/Stable*

Rated Issues

Shelf Reg. Bond I/2011	*idAAA*
Shelf Reg. Sukuk Mudharabah I/2014	*idAAA(sy)*
Sub Debt I/2011	*idAA+*
Shelf Reg. Sub Debt I/2011	*idAA+*
Shelf Reg. Sub Debt II/2014	*idAA*

Rating Period

April 11, 2016 – April 1, 2017

Rating History

APR 2015	*idAAA/Stable*
APR 2014	*idAAA/Stable*
SEP 2013	*idAAA/Stable*
NOV 2012	*idAAA/Stable*
AUG 2012	*idAA+/Stable*

FINANCIAL HIGHLIGHTS

As of/for the year ended	Dec-2015 *Audited*	Dec-2014 *Audited*	Dec-2013 *Audited*	Dec-2012 *Audited*
Total assets [IDR bn]	157,619.0	143,365.2	140,600.9	115,904.3
Total equity [IDR bn] (1	15,505.7	14,292.9	12,042.6	9,095.0
Total gross loans [IDR bn] (2	112,528.8	106,301.6	102,029.6	80,948.7
Total cust. deposits [IDR bn]	115,486.4	101,864.0	107,239.6	85,946.6
Net interest revenue [IDR bn]	6,488.2	5,931.7	5,514.9	5,120.5
Net income [IDR bn] (3	1,143.6	722.1	1,595.5	1,230.6
NIR/average earning assets [%]	4.5	4.4	4.5	5.1
Operating expense/income [%]	91.2	93.6	82.66	85.4
ROAA [%] (3	0.8	0.5	1.2	1.2
NPL (3-5)/gross loans [%] (2	3.6	2.2	2.1	1.7
Loan loss reserve/NPL (3-5) [%] (2	51.0	60.5	49.9	82.4
Risk weighted CAR [%]	15.2	15.8	12.7	12.8
Gross loans/total deposits [%] (4	89.1	95.9	88.9	88.5
USD exchange rate [USD/IDR]	13,785	12,385	12,170	9,638

(1 total equity attributable to equity holders of the parent company (3 including non-controlling interest
(2 including consumer financing receivables (4 parent bank only
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.

RATIONALE

PEFINDO has affirmed its "**idAAA**" ratings for PT Bank Maybank Indonesia Tbk (BNII) and its Shelf Registered Bond I/2011. PEFINDO has also affirmed its "**idAAA(sy)**" ratings for the Bank's Shelf Registered Sukuk Mudharabah I/2014, its "**idAA+**" ratings for the Bank's Subordinated Bond I/2011 and Shelf Registered Subordinated Bond I/2011, and its "**idAA**" rating for its Shelf Registered Subordinated Bond II/2014. The outlook for the corporate rating is "**stable**". The ratings reflect BNII's very strong support from the Maybank Group (Maybank or the Parent, rated "A-/Stable" by Standard & Poor's), its strong market position, strong liquidity profile, and sound capitalization. These strengths are partly offset by its moderate profitability and below average asset quality profile, mainly in corporate loan segment.

BNII is engaged in conventional and sharia banking services. The Bank also holds a 68.55% interest in PT Wahana Ottomitra Multiartha Tbk (WOMF), a motorcycle financing company, and a 99.99% ownership of PT Maybank Indonesia Finance, a car financing company. Its major shareholders are Sorak Financial Holdings Pte Ltd (45.02%) and Maybank Offshore Corporate Services (Labuan) Sdn Bhd (33.96%), which are both subsidiaries of Maybank. UBS AG, London branch owns 18.31% and the remaining 2.71% are held by the public. As of FY2015, it had 682 branches and 11,295 employees (including subsidiaries).

Supporting factors for the above ratings are:

- ***Very strong support from Maybank.*** PEFINDO views BNII to be a core subsidiary of Maybank, as shown by the Parent's strong control through a 79.0% share ownership and the representation of key Maybank personnel in the Bank's management. It is also reflected by the Parent's willingness to share its reputation with the Bank through the sharing of its name and logo, as well as by providing technical assistance, particularly in IT and risk management. Maybank, in our view, has an interest in maintaining the Bank's viability given the latter's strategic position as part of the Parent's regional portfolio. PEFINDO expects that Maybank will continue to support the Bank, not only during periods of business expansion, but also in the event of financial difficulties.
- ***Strong market position.*** BNII's strong market position is reflected by its standing as the 10th largest commercial bank in Indonesia and its steady market share in terms of assets, loans, and deposits of 2.5%-3.0% during the years under review. In 2015, its total assets increased by 9.9%, slightly above the industry growth of 9.2%. This was mainly driven by a 21.9% growth in non-loan earning assets, compensating a moderate loan growth of 5.9% in line with the Bank's more conservative lending strategy. The Bank has gradually shifted its loan exposure by increasing its business banking and retail banking segments at the expense of its global banking segment, which was reduced to 19% of total loan portfolio at FY2015 from 23% at FY2014. BNII's third-party funds have grown by 13.4% to IDR115.5 trillion as of FY2015, well above industry's growth of 7.3%. This was supported by strong deposit growth in the business banking segment of 15.5%. In the medium term, PEFINDO expects BNII to maintain its strong market position by focusing on regional penetration in business banking and retail banking segments.
- ***Strong liquidity.*** PEFINDO views BNII's liquidity profile as strong, reflected by a high liquid assets ratio of 32.1% at FY2015, up from 28.7% at FY2014. The Bank's non-loan earning assets are mostly placed in low risk and liquid instruments such as placements in Bank Indonesia, BI certificates and government bonds. PEFINDO is of the view that BNII should be able to fulfill its short-term liabilities. Combined with an adequate portion of low-cost third party deposits (current account and saving account or CASA) at around 36% at FY2015 and a moderate deposit concentration profile, PEFINDO is of the view that the Bank's liquidity profile should be sufficient to cover its liquidity needs and to support further asset growth.
- ***Sound capitalization.*** BNII's sound capitalization is reflected by its capital adequacy ratio (CAR), which reached 15.2% as of FY2015. Although this is down from 15.8% at FY2014 and lower than industry average of 19.0% at FY2015, PEFINDO views the Bank's CAR level to be more than adequate to provide a cushion for the Bank's expansion in the medium term and well above the minimum CAR requirement of 10.0%. The Bank's sound capitalization profile is due to profit accumulation without any dividend payments to shareholders. PEFINDO is of the view that in the medium term the Bank has the flexibility to raise capital through several corporate actions, including rights issuances, subordinated debt issuance, or fixed assets revaluation. With moderate lending growth, the Bank will be able to maintain its strong capitalization profile, with a CAR above 15%.

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These strengths are partly offset by the Bank's:

- ***Moderate profitability.*** PEFINDO views the Bank's profitability profile as moderate compared to its peers in the banking industry. Its operating expense to operating income ratio (BOPO) remained high at 91.2% at FY2015, weaker than the industry average of 81.5%. BNII's operational efficiency was still burdened by higher provision expenses, which rose substantially by 28.3% to IDR2.3 trillion in FY2015 from IDR1.8 trillion in FY2014. Its return on average assets (ROAA) remained low at 0.8% at FY2015 despite improving from 0.5% at FY2014. Given the increased competition in the industry and continuing pressure on its asset quality, we expect BNII's profitability profile to remain moderate in the medium term.
- ***Below average asset quality profile, mainly in the corporate loan segment.*** BNII's asset quality profile weakened in FY2015, marked by its non-performing loans (NPL) ratio worsening to 3.6% from as low as 2.2% in FY2014. The ratio was weaker than the banking industry average of 2.5%. BNII suffered higher non-performing loans due to several corporate debtors being affected by the prolonged pressure on commodity prices. Although mitigated by sufficient collaterals, PEFINDO is of the view that the current unfavorable macroeconomic conditions may limit the Bank's effort to maximize its recovery from delinquent loans. Combined with its modest loan growth projection, BNII's asset quality profile in the medium term will remain below the industry average.

OUTLOOK

A **"stable"** outlook is assigned to the corporate rating. The rating could be lowered if the Bank's capital and level of support from its Parent deteriorate significantly, which may be reflected by a substantial decline in share ownership or lower contribution to the Parent.