

PT Bank Muamalat Indonesia Tbk

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CREDIT PROFILE		FINANCIAL HIGHLIGHTS				
Corporate Rating	idA/C.W. Negative	As of/for the year ended	Dec-2017	Dec-2016	Dec-2015	Dec-2014
			(Unaudited)	(Audited)	(Audited)	(Audited)
Rated Issues		Total assets [in IDR bn]	61,783.6	55,786.4	57,140.6	62,410.2
MTN Syariah I/ 2017	idA(sy)	Total equity [in IDR bn]	5,401.9	3,618.7	3,518.6	3,896.4
Subordinated MTN Syariah I/ 2017	idA(sy)	Total gross financing [in IDR bn] ¹⁾	41,331.8	40,010.5	40,706.2	43,115.5
	idBBB+(sy)	Total deposits [in IDR bn] ²⁾	48,886.3	41,919.9	45,077.7	51,206.3
Shelf Registration Subordinated Sukuk I Phase II/2013	idA-(sy)	Net operating margin [in IDR bn]	1,210.0	1,492.9	2,075.8	1,835.0
		Net income (loss) [in IDR bn]	50.3	80.5	74.5	58.9
		Net margin/average earning assets [%]	2.4	3.0	3.8	3.4
Rating Period		Operating expense/operating income [%]	98.6	97.4	98.3	98.0
March 8, 2018 – March 1, 2019		ROAA [%]	0.1	0.1	0.1	0.1
		NPF (3-5)/gross financing [%]	4.4	4.8 ³⁾	7.1	6.5
Rating History		Financing loss reserves/NPF (3-5) [%]	64.5	77.0 ³⁾	57.8	44.6
JAN 2018	idA/C.W. Negative	CAR [%]	13.1	12.7	12.4	14.1
OCT 2017	idA/C.W. Negative	Gross financing/total deposits [%]	84.5	95.4	90.3	84.2
APR 2017	idA/Stable	USD exchange rate [USD / IDR]	13,568	13,436	13,785	12,385
APR 2016	idA/Stable					
SEP 2015	idA+/Negative					
APR 2015	idA+/Stable					

¹⁾Including ijarah assets ²⁾Including Giro wadiah
³⁾Adjusted by PEFINDO

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.

PEFINDO maintains Bank Muamalat's rating on "Credit Watch with Negative Implication"

PEFINDO has maintained PT Bank Muamalat Indonesia Tbk (BBMI)'s ratings on "Credit Watch with Negative Implication", upon our expectation the rights issue transaction will be finalized in the near term. Meanwhile, PEFINDO maintains the ratings of BBMI and its outstanding Medium-Term Notes (MTN) I/2017 at "idA", its outstanding Shelf Registration Subordinated Sukuk Mudharabah I Phase II/2013 at "idA-(sy)", and its outstanding Subordinated MTN Syariah I/2017 at "idBBB+(sy)".

The Credit Watch with Negative Implication status reflects the potential of significant changes to the shareholder structure of the Bank upon its rights issue plan. As BBMI's corporate rating factored in the strong level of support from Islamic Development Bank (IDB, rated AAA/stable by S&P), a weaker profile of the new shareholder may result in lower support capabilities, resulting in potential downward rating pressure.

PEFINDO may lower the rating if the rights issue transaction or any other efforts to strengthen its weak capitalization could not materialize by the end of June 2018 as planned. We would expect to take the rating off Credit Watch and affirm the rating if the rights issue plan materializes and PEFINDO views the new key shareholder has strong capability and willingness to support the Bank. At the same time, we will need to see significant improvement in its asset quality profile.

BBMI will exercise its Shelf Registration Subordinated Sukuk Mudharabah I Phase II/2013 with a call option date of March 29, 2018. The Bank's readiness to pay its Shelf Registration Subordinated Sukuk Mudharabah I Phase II/2013 of IDR700.0 billion is supported by its liquid assets in the form of marketable securities, which at end of December 2017 amounted to IDR3.8 trillion.

An obligor rated idA 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.

A syariah based financing instrument rated idA(sy) indicates that the issuer's capacity to meet its long-term financial commitments under the syariah financing contract, relative to other Indonesian issuers, is strong. However, it is somewhat more susceptible to adverse effects of changes in circumstances and economic conditions than higher-rated instruments. The minus (-) sign indicates that the rating is relatively weak within the respective rating category.

A syariah based financing instrument rated idBBB(sy) denotes issuer's adequate protection parameters. However, adverse economic conditions or changing circumstances are more likely to lead to a weakened capacity of the issuer to meet its long-term financial commitments under the syariah financing contract, relative to other Indonesian issuers. The plus (+) sign indicates that the rating is relatively strong within the respective rating category.

The ratings reflect BBMI's strong support from its controlling shareholder, strong market position in the sharia banking segment, and adequate liquidity profile. However, the ratings are constrained by its weak capitalization, asset quality, and profitability profile.

BBMI was the first bank in Indonesia to operate under Islamic principles. As of December 31, 2017, it was the second largest sharia bank in Indonesia in terms of assets. It is 32.7% owned by the IDB; Boubyan Bank, Kuwait (22.0%); Atwill Holding Limited, Saudi Arabia (17.9%); the National Bank of Kuwait (8.5%, rated A+/stable by S&P); and several other entities and individuals. Boubyan Bank is a subsidiary of the National Bank of Kuwait.

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