

Islamic Business Case *Series*

The Conversion of Regional Development Bank to Islamic Bank: Case of Bank Aceh Syariah and Bank NTB Syariah

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The Conversion of Regional Development Bank to Islamic Bank: Case of Bank Aceh Syariah and Bank NTB Syariah

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Introduction

Indonesia has seen an expansion of the Islamic or *syariah* finance sector since the end of the New Order regime in 1998. That expansion has been overseen by the financial regulatory authority under successive administrations in the democratic era. At present, the Financial Services Authority (*Otoritas Jasa Keuangan/OJK*) oversees the prudential and commercial aspects of Syariah banking while the National Syariah Board of the Ulama Council of Indonesia (*Dewan Syariah Nasional Majelis Ulama Indonesia/DSN-MUI*) oversees the religious aspects through the Syariah Supervisory Boards (*Dewan Pengawas Syariah/DPS*) in each financial institution.

In essence, with these laws and procedures, the government has integrated Islamic or *syariah* banking into the government bureaucratic system for the management of banking. Bank Muamalat, the first fully-fledged official Syariah bank opened in 1991. In the following year, Law No. 7 of 1992 on Banking (*Undang-Undang Nomor 7 Tahun 1992 tentang Perbankan*) was passed. The law provided the legislative basis for Islamic finance in Indonesia. The main categories of financial institutions that make up the *syariah* banking system are the General Syariah Banks (*Bank Umum Syariah/BUS*), *syariah* business units (*Unit Usaha Syariah/UUS*) and Islamic Rural Banks (*Bank Pembiayaan Rakyat Syariah/BPRS*). The Law No. 7 of 1992 also defines a 'General Syariah Bank' (*Bank Umum Syariah/BUS*) as a commercial bank operating under '*syariah* principles'. The 'Syariah Business Unit' (*Unit Usaha Syariah/UUS*) is a division of a conventional commercial bank that is operated under '*syariah* principles'. Meanwhile, 'Islamic Rural Bank' (*Bank Pembiayaan Rakyat Syariah/BPRS*) are rural financing bank operating under *syariah* principles.

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The conversion of commercial banks to Islamic (*syariah*) banks is a key area in which the government expects the expansion of Islamic banks will take place. Bank Indonesia's Regulation (*Peraturan Bank Indonesia/PBI*) No 11/15/PBI/2009 on the Conversion of Business Activities from Commercial Bank to Syariah Bank establishes the procedure for converting a commercial bank to an Islamic (*syariah*) Bank. The procedure includes an overall plan for conversion, as well as:

1. 'Mission and Vision' statement relating to conversion of business activities to become an Islamic Bank.
2. Draft amendments for articles of association.
3. Details of candidate controlling shareholders, candidate members of Board of Commissioners, candidate members of Board of Directors and candidate members of the proposed Syariah Supervisor Board (*Dewan Pengawas Syariah/DPS*).
4. Business plan.
5. Feasibility study on market opportunity and economic potential; and
6. Plan for settlement of existing customer rights and obligations.

Thus, the conversion process can be illustrated by the successful cases of (a) The conversion of Bank BPD Aceh to Bank Aceh Syariah and (b) The conversion of Bank BPD NTB to Bank NTB Syariah.

Transformation and Conversion of Bank Aceh to *Syariah* Bank

Upon receiving principle approval from the Financial Services Authority (*Otoritas Jasa Keuangan/OJK*) to convert Bank Aceh into Bank Aceh Syariah, on 6th of August 2016, the management of Bank Aceh proceeded with preparations to convert its conventional banking operations into Islamic or *syariah* banking. On 1st of September 2016, Bank Aceh received the operational approval from OJK to convert, and Bank BPD Aceh formally converted into a *syariah* bank on 16th of September 2016. Since the conversion, Bank BPD Aceh has been able to sustain, at a healthy pace, its growth in total assets, funding, financing, profits and number of accounts (table 1).

Development of *Syariah* Banking Unit in Bank Aceh

Bank Aceh was established in 1957 (at that time known as *NV Bank Kesejahteraan Atjeh*) operating as a conventional bank. The bank was principally owned by the provincial and regency government. After going through various changes, it became *PD Bank Pembangunan Daerah Istimewa Aceh* on 6th of August 1973. Due to the economic crisis in 1998, the bank went through a recapitalization process and became PT Bank BPD Aceh.

From its inception, Bank BPD Aceh operated as a conventional regional development bank. However, the Provincial government and the legislative body of the province of Aceh felt that Bank BPD Aceh would better serve its stakeholders if it were to operate as Islamic (*syariah*) banking unit (*Unit Usaha Syariah/UUS*). Bank Aceh officially opened its Islamic banking unit in 2004. Through the early years, it experienced a healthy growth in its total assets, third party funds, and financing.

The establishment of the Islamic Banking Unit was temporary in nature, as Law Number 21 of 2008 on Syariah Banking required that the Syariah Business Unit should be spun-off as a separate corporate entity (*Badan Umum Syariah/BUS*) at the latest by the year 2023, 15 years after the enactment of Law No. 21, 2008. With that in consideration, Bank Aceh started its preparation to spin off the Islamic Banking Unit. In an interview with the former Division Head of Bank Aceh Syariah Banking Unit, Mr. Ridha Zalmi, the original intention was, in fact, to spin off the *Syariah* Banking Unit into a separate full pledge Islamic Bank (*Bank Umum Syariah/BUS*).

The spin-off of the *syariah* banking unit (*Unit Usaha Syariah/UUS*) into BUS (*Bank Umum Syariah/BUS*) was included in the bank's corporate plan in 2012, with a target to establish the BUS by 2016. This plan was fully supported by the Aceh Provincial government with the issuance of *Qanun* No.16/2013 (Aceh province regional law regulation), which decreed that the provincial government would inject additional capital to Bank Aceh in the amount of IDR 1 trillion, and IDR 500 billion for Bank Aceh Syariah. To further solidify the province's intention to set up a *syariah* bank, the Provincial Government and the legislative body (*Dewan Pertimbangan Rakyat Daerah/DPRA*) issued *Qanun* No.9/2014 regarding the establishment of Bank Aceh Syariah. Meanwhile, the *syariah* banking unit's spin-off was a daunting task for the management, especially the financial aspect. The regulation specifies among others the following:

1. The *syariah* unit can spin off from its parent company when its total assets of the *Syariah* Division reach 50% of its conventional banking.
2. The *syariah* unit must spin off by 2023,
3. Minimum capital requirement is Rp500 billion for the *syariah* bank, and Rp2.5 trillion for the parent bank.

Given the minimum capital requirements for both the *syariah* bank and the parent bank, financially this was a difficult proposition for the shareholders. After further deliberations by both Bank BPD Aceh's management and the provincial government, and in consideration of the following:

1. Law No.11/2006 regarding the governance of Aceh, which meant that financial.
2. Law No.21/2008 regarding *syariah* banking.
3. Extraordinary Shareholders' Meeting of Bank Aceh on 25 May 2015 regarding shareholders' resolution to convert Bank Aceh into Bank Aceh Syariah, and
4. In anticipation of the application of Syariah Law in all aspects of provincial governance, including Syariah based economics [*Qanun* Aceh (regional law) No. 11, 2018].

Therefore, the management of Bank BPD Aceh and the provincial government of Aceh decided to convert the whole bank (Bank BPD Aceh) into an Islamic or *syariah* bank (Bank Aceh Syariah).

Islamic (syariah) Banking Conversion Process

With the approval of the shareholders resolution on 25 May 2015 to convert to *syariah* bank, management proceeded to prepare the road map and the corporate plan for the conversion to *syariah* bank. The goal was to complete the conversion process in August 2016. In undertaking this conversion project, there were no precedents to help guide Bank BPD Aceh in converting to a Syariah bank. Bank BPD Aceh would be the first bank to fully convert from a conventional commercial bank, into a Syariah bank.

The initial step was for Bank BPD Aceh to set up the project governance and organization. The project organization consisted of an external project team and an internal project team. The external project team, established by the Provincial Government of Aceh, which functioned as a governing body and steering committee was coordinated by the Regional Secretary of Aceh and chaired by a Special Assistant from the Regional Secretariat. The Governor of Aceh functioned as an Advisor and Governing Board.

Table 1: Bank BPD Aceh Syariah's Project Governance Team

<div> <div> External Project Team (Governing Board / Steering Committee) <i>Based on official Appointment Letter by the Governor of Aceh</i> </div> <div>  </div> </div>		
	Name / Position	Function
1	Governor of Aceh	Governing Board
2	Syariah Banking Expert	Member of Governing Board
3	Special Advisor to the Governor	Member of Governing Board
4	Aceh Regional Secretary	Coordinator
5	Assistant to the Regional Secretary on Aceh Special Region, Development and Economy	Chairman Steering Committee
6	Special Staff	Vice Chairman
7	Expert Staff to the Governor on Legal and Political Matters.	Secretary
8	Bureau Chief on Economics, Regional Secretariat of Aceh	Deputy Secretary

Bank Aceh set up its own internal project team, with the President Director as the project owner. The Board of Commissioners and The Syariah Supervisory Board functioned as the advisor to the project. The Internal project management team was chaired by the Director of Syariah Banking, with the Director of Operations and Director of Business functioning as Vice Chairman 1 and Vice Chairman 2 respectively. The governance of the internal project management team required that the project team routinely report to the external project team, and on a weekly basis report to the Financial Service Authority (*Otoritas Jasa Keuangan/OJK*).

Table 2: Bank Aceh Syariah's Internal Project Team

Internal Project Team (Project Management Team)		
<small>Appointment by the Board of Directors</small>		
Name	Position	Function
1 Board of Commissioners PT. Bank Aceh		Advisor
2 Syariah Supervisory Board PT. Bank Aceh		Advisor
3 Director Syariah Banking		Chairman
4 Director of Operations		Vice Chairman I
5 Director of Business		Vice Chairman II
6 Syariah Banking Division Head		Secretary
7 Head of Public Relations		Deputy Secretary

The conversion project was then divided into 8 work streams as follows:

1. Licensing and regulatory approvals.
2. Business process mapping and SOP conversion.
3. Socialization, Human Resources, Organization and Training.
4. Strategic Plan.
5. IT Infrastructure.
6. Accounting and Regulatory Reporting
7. Preparation of the Syariah Banking SOP.
8. Legal aspects of Corporate and Product.

The Director of Business chaired Project Workstream 1 and 2, Director of Syariah Banking chaired Workstream 3 and 4, Director of Operations chaired Workstream 5 and 6, and Director of Compliance chaired Workstream 7 and 8.

During the initial stages of the conversion project, Bank Aceh conducted a survey on its clients. The result of the survey indicated that 97% of clients of Bank Aceh would stay with Bank Aceh when it converts to an Islamic or *syariah* Bank. During the span of the project timeline, Bank Aceh conducted a socialization program both internal and external. Internal socializations were conducted through training programs and regular briefing with the staff. External socializations were conducted through social media, printed media, seminars, workshop, customer gatherings, and through other direct interactions with the communities.

To assist in the conversion project, Bank Aceh selected and appointed a renowned consulting firm, *Karim Consulting*, to guide in the preparation of the project plan and framework, preparation training and socialization programs, development of the corporate plan and standard operating procedures (SOP), determining of the milestones, and lead the activities of other related consultants. Training was considered to be very crucial in the conversion project. Although Bank BPD Aceh has a *syariah* banking unit, the rest of the organization practically had no in-depth knowledge, skills and competencies in *syariah* banking, beyond the basic knowledge. The project training workstream, chaired by the *Syariah* Banking Division Head, set up a comprehensive training program on *Syariah* Banking, assisted by the *Karim Consulting*. The training program approach was to utilize the existing staff from the *Syariah* unit, provide them with the comprehensive *syariah* Banking training (training of the trainer) and subsequently have this team conduct the training throughout the organization.

Syariah banking required a different set of IT system infrastructure as the products and business process were different from the existing systems used for conventional banking. The respective project workstream therefore had to perform a comprehensive business process mapping and prepare the *Syariah* banking SOP's. Based on the recommendation of the Project team, Bank BPD Aceh decided to outsource the *syariah* banking system to *PT. Collega Inti Pratama*, using *Online Integrated Banking System* (OLIBS) 724. This system was a proven system, as it is used also by other *syariah* banks.

The Internal Project Team identified 5 key issues that required to be properly addressed and handled:

1. Organization

The conversion team had to ensure that the proper approval licensing were obtain from OJK, ensure the that the article association was revised to reflect the nature of *syariah* banking, and the organization structure should be align with the new business focus of *Syariah* Banking.

2. Customer accounts

It was important to ensure that services to the existing clients were not disrupted with the conversion process, thereby it was decided that there would be no change in client account numbering.

3. IT system

The project team recommended to outsource the *Syariah* Banking system to *PT. Collega Inti Pratama*, using "OLIBS 724". A comprehensive risk analysis was undertaken on this vendor, to ensure that having the server in Jakarta and processing the transactions using OLIBS 724 software met with the strictest security and service level agreement.

4. Brand name

It was considered important to maintain brand recognition of the bank, as the clients were more familiar with the brand "Bank Aceh". Although OJK officially recognizes the post conversion bank as "Bank Aceh Syariah", OJK would not object to the use of the brand "Bank Aceh" after the conversion took place.

5. External auditor

Management also felt that it was important to maintain continuity and to minimize and hurdles in the conversion process, therefore it was decided not to change the external auditor, as they are already familiar with bank. This is in line with existing regulations.

Bank BPD Aceh obtain the “principal approval” to convert, from OJK on 6th of August 2016. Even though the original goal was to launch the Syariah bank on the anniversary of Bank Aceh (every 6th of August), the launching had to be postponed to September 2016. The operating license from OJK was officially received on 1st of September 2016. With the receipt of the operating license, the conversion project team scheduled the cut-off of the conventional system at end of day, Friday, 16th of September 2016 and proceeded with the data migration during the weekend. The data migration was successfully completed on 18th of September 2016, and by Monday, 19th of September 2016, the Syariah banking IT system went live throughout the Bank Aceh Syariah’s network. With the successful conversion, Bank Aceh Syariah held its grand launching on 3rd of October 2016 (Figure 1).

Illustration 1

Syariah Banking Conversion Milestones 2015 - 2016

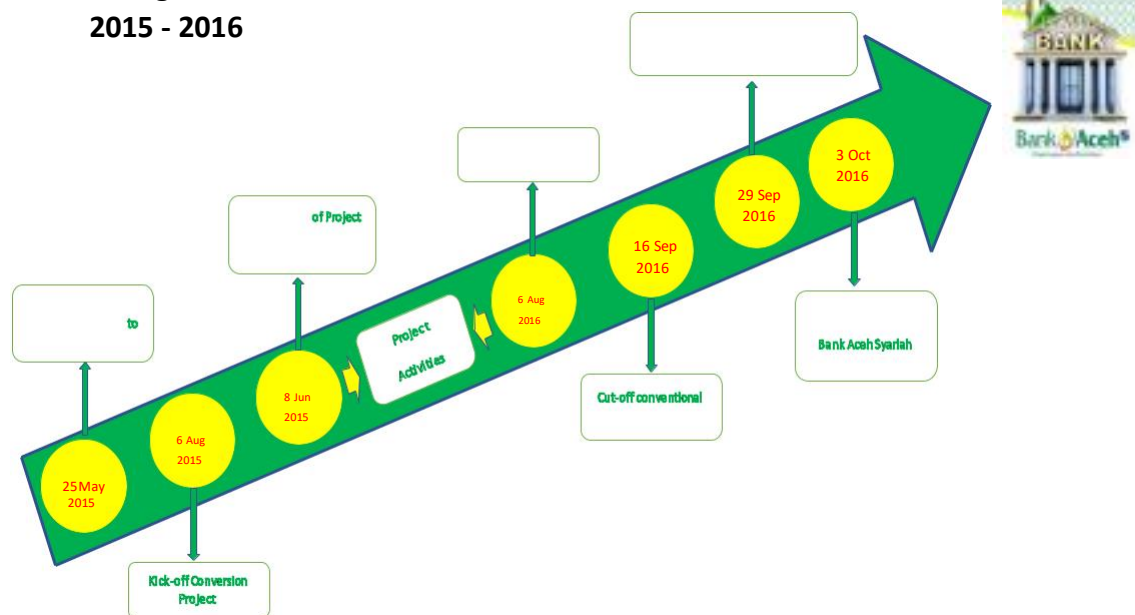


Figure 1: Bank Aceh’s Conversion Milestone (2015-2016)

Pre-Conversion Financial Performance

Bank Aceh started its Syariah banking activities on November 2004. In conducting its Syariah banking unit (*Unit Usaha Syariah/UUS*), management has abided with the Syariah banking principles and developed its UUS in accordance with prudential banking principles and good corporate governance.

In reviewing its financial performance of Bank Aceh UUS from 2007 to 2015, we see that the Syariah banking unit has been growing its Total Assets, Syariah Financing, Syariah Funding and Net Profit steadily at a compounded annual growth rate (CAGR) of 30.57%, 44.68%, 34.10%, and 45.83% respectively (see Table 3). This indicates a healthy growth rate for the past eight years.

Table 3: Bank BPD Aceh's Syariah Business Unit Financial Performance (2007-2015)

Table 1

Bank Aceh

Syariah Business Unit (UUS)

2007 - 2015

	2007	2008	2009	2010	2011	2012	2013	2014	2015
Total Assets	293,040	607,165	816,001	1,150,117	1,315,081	1,520,883	1,677,719	2,069,942	2,475,234
Syariah Financing	88,132	266,428	426,916	719,606	970,813	1,043,953	1,261,043	1,548,307	1,692,344
Syariah Funding (Third Party Funds)	199,776	303,839	468,855	497,515	671,968	771,820	1,104,593	1,363,507	2,089,180
Profit	3,372	5,865	28,127	42,307	38,343	48,322	60,674	55,906	68,985

Source Bank Aceh Syariah Annual Report

Profitability wise, the Syariah banking unit has been able to earn a healthy return on assets as indicated in the table below. The last 5 years, the ROA of the Syariah unit has been on par or slightly below than Bank Aceh's conventional banks returns.

With regards to FDR (financing to deposit ratio), the ratio from 2010 to 2014 (144.6%, 144.5%, 135.3%, 114.2% and 113.6% respectively) has been above the threshold as stipulated by OJK, however in 2015, the ratio has been reduced to an acceptable level of 81%. Meanwhile, the non-performing financing (NPF) from 2010 to 2014 (0.70%, 0.32%, 0.29%, 0.38%, and 0.24% respectively) has been held at a very low level, which is significantly lower than the ratios for the conventional banking activities.

Table 4: Bank BPD Aceh's Syariah Business Unit Financial Performance (2007-2015)

Table 2

Bank Aceh (Syariah Banking Unit)

Key Financial Performance Indicators

2007 - 2015

	ROA	FDR	NPF
2007	1.15%	44.12%	NA
2008	0.97%	87.69%	NA
2009	3.45%	91.06%	NA
2010	3.68%	144.64%	0.70%
2011	2.92%	144.47%	0.32%
2012	3.18%	135.26%	0.29%
2013	3.62%	114.16%	0.38%
2014	2.70%	113.55%	0.24%
2015	2.79%	81.01%	NA

Source Bank Aceh Syariah Annual Report

ROA: Return On Assets

FDR: Financing to Deposit Ratio

NPF: Non performing Financing

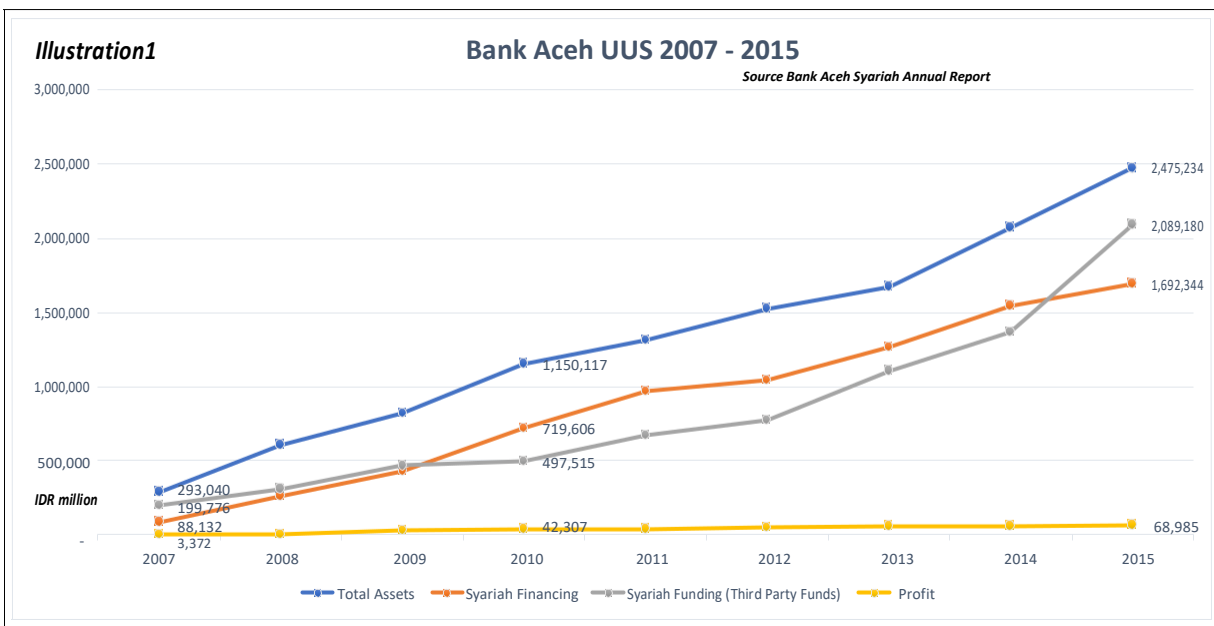


Figure 2: Bank BPD Aceh Syariah Business Unit's Asset, Financing and Funding (2007-2015)

Post Conversion Financial Performance

The conversion process to Bank Aceh Syariah was completed on 19th of September 2016. The data migration was completed successfully during the weekend of 16th - 18th of September 2016 and commenced to go live on 19th of September 2016. The official grand launching was held on 3rd of October 2016.

During the final quarter of 2016, Bank Aceh Syariah operated as a full-fledged Islamic or *syariah* bank. In this period, although the amount of financing remained relatively stable at Rp12.2 trillion, the total assets and the third-party funds experience a slight drop in volume (see table below). Meanwhile, total assets decreased by 6,9% while third party funds decreased by 16,7%. Thus, when comparing the consolidated financial results of 2016 (pre and post conversion), with the financial results of 2015 (pre-conversion with Syariah banking unit), we can see the following:

- a) Total assets increased from Rp18.6 Trillion in 2015 to Rp18.8 trillion in 2016, a 1.1% increase.
- b) Third party funds increased from Rp14.2 trillion in 2015 to Rp14.4 trillion in 2016, a 1.4% increase. Even though total liabilities also experienced a slight increase, however, immediate liabilities and other bank deposits experienced a substantial decline of 63% and 79% respectively, amounting to Rp1.3 trillion. These decline in certain liabilities were compensated with the issuance of commercial papers amounting to Rp1.2 trillion. The reason for the decline as stated in the 2016 annual report, are due to the differences in banking principles (Syariah banking), which limits access to certain types of funds.
- c) Syariah financing increased from Rp11.9 trillion in 2015 to Rp12.2 trillion in 2016, an increase of 2.5%.
- d) Placements with BI (*Bank Indonesia*) and other banks also experienced a substantial decrease from Rp3.7 trillion to Rp2.5 trillion, a decrease of 31.8%

These slight decreases were temporary in nature as in 2017, growth in total assets, third party funds and financing rebounded, and experienced a growth of 20,21%, 28,47% and 5,74% respectively. Growth in the Syariah banking business continued to grow at a healthy pace during 2017 and remain relatively stable in fiscal year 2018.

Table 5: Bank Aceh's Financial Performance (as of June 2019)

Bank Aceh

Financial Performance

(IDR trillion)

Table 3

Total Assets	20.10	18.80	22.60	23.10	22.25
Third Party Funds	16.80	14.40	18.50	18.40	19.08
Financing	12.10	12.20	12.90	13.20	13.61
Profit after Tax	0.247	0.348	0.434	0.439	0.303
Number of Accounts (million)	1.52	1.56	1.67	1.75	1.80*

Source; Bank Aceh Syariah

* As of June 2019

Profitability

Profit before taxes for 2016 (consolidated 9 months of commercial banking and 3 months of syariah banking) experienced a decline of 8,95%, from Rp555.3 billion in 2015 to Rp505.7 billion in 2016. Revenue increased slightly by 1.6%, from Rp1.98 trillion in 2015, to Rp2.01 trillion in 2016. Funding cost also decline by 6.95%, from Rp697 billion in 2015, to Rp649 billion in 2016. The significant increase in provision for impairment (an increase from Rp43 billion in 2015 to Rp404.5 billion in 2016, an increase of 838%) and in other operating expenses (an increase from Rp884.2 billion in 2015, to Rp1,127.6 billion in 2016, an increase of 27.5%) resulted in the decrease in profit before tax for 2016. Profitability improved in the subsequent years of 2017 and 2018. The business results of the first three quarters of 2019, Bank Aceh Syariah have generated a profit before tax of Rp303 billion. Based on these results, the projected profit before tax at the end of

Bank Aceh Syariah

Table 4

2019 will not exceed the previous year unless there is a significant change in its business results.

Business Results 2014 - 2018

Table 6: Bank Aceh Syariah Business Result (2016-2019)

(in million Rupiah)

Business Result 2014-2018 (in million Rupiah)											
No.	Description	2018	2017	Years 2016			Years		Growth %		
				Consolidated 31 Dec	17 Sept - 31 Dec	1 Jan - 16 Sept	2015	2014	2018	2017	2016
1	Income From Fund Managed	2,191,888	2,050,567	2,012,733	584,435	1,428,298	1,980,596	1,697,886	6.89	1.88	1.62
2	Fund Expenses	(560,945)	(541,060)	(648,874)	(143,767)	(505,108)	(697,308)	(494,999)	3.68	(16.62)	(6.95)
3	Nett Operating Income	1,630,943	1,509,507	1,363,858	440,668	923,189	1,283,288	1,202,887	8.04	10.68	6.28
4	Other Operating Income	335,600	183,021	613,398	432,777	180,622	159,125	135,975	83.37	(70.16)	285.48
5	Provision for Impairment Losses	(252,154)	(77,833)	(404,467)	(365,779)	(38,688)	(43,120)	(70,879)	223.97	(80.76)	838.00
6	Other Operating Expenses	(1,185,921)	(1,123,271)	(1,127,624)	(451,028)	(676,596)	(884,232)	(778,892)	5.58	(0.39)	27.53
7	Operating Income	528,467	491,424	445,165	56,638	388,526	515,061	489,091	7.54	10.39	(13.57)
8	Non Operating Revenues and Expense	11,814	41,263	60,482	47,749	12,733	40,271	46,740	(71.37)	(31.78)	50.19
9	Income Before Tax	540,281	532,687	505,646	104,387	401,259	555,332	535,831	1.43	5.35	(8.95)
10	Income Tax	100,848	99,110	157,238	2,568	154,670	132,094	138,259	1.75	(36.97)	19.03
11	Current Year Income Nett	439,433	433,577	348,408	101,818	246,589	423,238	397,572	1.35	24.45	(17.68)
12	(Expenses) Other Comprehensive Income	(108,625)	(49,883)	(56,912)	7,463	(64,375)	(19,188)	28,319	117.76	(12.35)	196.60
13	Comprehensive Income for the Current Year	330,808	383,694	291,496	109,281	182,214	404,050	425,891	(13.78)	31.63	(27.86)

Source: Bank Aceh Syariah Annual Report

Financial Ratios

Post conversion to Islamic (*syariah* banking), the Bank Aceh Syariah's overall ratios are healthy. Non-performing financing (gross and net NPF) ratios have decreased compared to pre-conversion. Return on assets are slightly lower than pre conversion ratios but still are at a very good level. ROE of 23.29% in 2018 is slightly higher than the previous year, but still below the ratio of 24.24 in pre conversion year of 2015. Operating expenses to income ratio (BOPO) is slightly higher than pre conversion ratio but is gradually improving. Financing to Deposits Ratio (FDR) have improved significantly from 84.05% in 2015, to 79.09% in 2018. Overall, one can conclude that the financial ratios of Bank Aceh Syariah are at a healthy level. What might be a worrying trend is that market share of Bank Aceh Syariah on three indicators (Asset; 3rd Fund; and Financing) has been declining (table 8).

Table 7: Bank Aceh's Financial Ratio (2014-2018)

Bank Aceh Syariah
Financial Ratios
2014- 2018

Table 5

No.	Description	2018	2017	2016	2015	2014
1	Banks Capital Adequacy Ratio (CAR)	19.67	21.50	20.74	19.44	19.93
2	NPF (Gross), Non Performing Financing	1.04	1.38	1.39	2.30	2.58
3	NPF (Net), Non Performing Financing	0.04	0.04	0.07	0.81	0.82
4	ROA	2.38	2.51	2.48	2.83	3.22
5	ROE	23.29	23.11	19.78	24.24	23.62
6	NI (Net Yield)	7.72	7.61	7.47	7.27	7.64
7	BOPO (Op Exp to Op Inc ratio)	79.09	78.00	83.05	76.07	73.32
8	FDR (Financing to Deposit Ratio)	71.98	69.44	84.59	84.05	92.38

Source: Bank Aceh Syariah Annual Report

Table 8: Bank Aceh Syariah's Market Share (2017-2018)

Table 6

Bank Aceh Syariah
Market Share Aceh Province
2017 - 2018

	2017	2018
Total Asset	44%	42%
Third Party Fund	48%	46%
Syariah Financing	39%	37%

Source: Bank Aceh Syariah Annual Report

The Road Ahead

With the completion of the conversion process to Islamic or *syariah* banking and having operated as a *syariah* bank for more than 3 years, Bank Aceh Syariah still faces existing challenges and new challenges in order to sustain its growth and profitability and at the same time contribute to the continued development of Aceh Province. Furthermore, several challenges that Bank Aceh Syariah must face, among others are:

- a) Continued development of the competencies of human capital to sustain the development of the *syariah* organization.
- b) The need to expand the bank's network of offices and ATM.
- c) The need to develop a digital platform such as mobile banking so that the bank can keep up with the technological development in the banking sector
- d) Reduce reliance on funding and financing in government sector.
- e) Sustaining market share.
- f) Challenge of developing a market where there is still a low level of understanding on the products and services of *syariah* banking.

In addition to the above, Bank Aceh Syariah must deal with challenges in developing Islamic (*syariah*) banking in general such as:

- 1. Islamic Banks (*Bank Umum Syariah/BUS*) in general are still relatively small, with limited network, but with a cost of funds that are higher than conventional banks.
- 2. The relative attractiveness of Islamic banks (*Bank Umum Syariah/BUS*) as an investment/placement opportunity for clients
- 3. Limited availability of *syariah* liquidity and hedging instruments makes *syariah* bank less efficient in managing its liquidity and riskier in managing its market risk.
- 4. Lack of variety in its product offering such as overdraft facilities and other fee-based products.
- 5. Technological enhancement in the delivery of Syariah banking products and services.

Key Factors for a Successful Conversion Project

1. The financial condition of Bank Aceh Syariah was very healthy and ready to undertake a massive conversion project.
2. Support from the Governor of Aceh, provincial Government and the respective Regencies.
3. In undertaking the project, the bank conducted a survey on its clients and employees.
4. The bank prepared a very detailed project plan with clear milestones and targeted completion date.
5. To ensure the success of the conversion, the Bank commissioned expert consultant to assist and guide the conversion process.
6. The appointment of an expert IT vendor to handle the IT infrastructure and software namely *PT. Collega Inti Pratama*
 - IT vendor
 - SaaS (Software as a Service) vendor
 - Core Banking System
7. Total commitment and support from Financial Service Authority (OJK), Shareholders, Board of Commissioners, Syariah Banking Supervisory Board (DPS), Board of Directors (BOD), and all staff and employees.

Transformation and Conversion of Bank BPD NTB into *Syariah* Bank

On 13 September 2018, Bank Pembangunan Daerah (BPD) NTB officially converted to Bank NTB Syariah and began operating as a Syariah bank from 24 September 2018. The decision to convert PT Bank BPD NTB to PT Bank NTB Syariah was made during the “Extraordinary Shareholders Meeting” held on 31 October 2016. The shareholders resolution also set a goal of achieving the conversion to Syariah banking by August 2018. Although the decision to convert was made in October 2016, the transformation process of PT Bank BPD NTB to PT Bank NTB Syariah was a decade in the making, beginning in 2008, with the appointment of the new Governor of NTB Dr. TGB. M Zainul Majdi.

Transformation of Bank BPD NTB

At the start of Dr. TGB. M Zainul Majdi’s tenure as the new Governor of NTB in 2008, several of the top management of Bank BPD NTB were facing legal action from the state authorities for corruption. As a result, the bank came under intense negative media attention. Because the major shareholder of the bank was the regional government, the new governor was deeply concerned and initiated steps to repair the negative image of the bank and restore public trust. He appointed a professional banker as the new President Director of the bank, Komari Subakir a former Senior Executive from Bank Mandiri. There was resistance to the appointment as Komari was not a native of Nusa Tenggara Barat (NTB) but the Governor was not swayed and kept to his decision.

With the appointment of the new Management Team, Bank NTB Planned and Implemented a 4-year transformation plan which was broken down into 3-time horizons:

1. First Horizon (Nov 2009 – Feb 2010) The first 100 days: Fixing and Strengthening the Foundation
 - Forging a culture change
 - Increasing market share
 - Follow up and closing of Bank Indonesia audit findings
 - Better understanding and implementation of “Good Corporate Governance”
2. Second Horizon (March 2010 – December 2010): Consolidation and Building Momentum.
 - Building the organization and performance-based culture
 - Strengthening risk management and banking operations
 - Increase business growth
 - Improving synergy to support the provincial development programs.
3. Third Horizon (Jan 2011 – December 2013): Improvement and Growth
 - Focus on profitability and ROE
 - Increasing capital
 - Review of corporate vision, mission, culture and re-branding

During the period of transformation and continuous improvement, the bank was able to upgrade its status as a “BUKU (*Bank Umum Kegiatan Usaha*/Commercial Bank Business Activities) 2” bank

(category of bank with equity of between Rp 1 trillion to Rp 5 trillion) as a result of its increases of its core capital to above Rp 1 trillion (2016). The bank was also able to improve its service quality and added new products and services such as cash management system for KASDA (*Kas Daerah*/Local Government Treasury) and Corporate clients, in addition to its mobile banking for its retail clients.

The Next Leap Forward

In 2016, Bank Aceh had converted successfully into Syariah banking. With that conversion as a model, Bank NTB also considered converting into Syariah bank, in line with the vision of the Governor of NTB to provide financial services under Syariah law. With the support of the Provincial Government, the management of Bank NTB held an extraordinary shareholders meeting (RUPS-LB) on 31 October 2016 to approve the shareholders' resolution to convert Bank NTB, a conventional commercial bank, into Bank NTB Syariah. The resolution also set a target date for completing the conversion by August 2018.

The conversion, according to the NTB Province Governor, was in accordance with the conscientious practice of religion by the people of NTB. Religion as a core value was the key driver to the conversion of Bank NTB. The conversion was expected to bring more benefit for the people by strengthening the economy and social justice. In his interview with local media, the Governor said: "Our challenge in NTB as being part of the Republic of Indonesia is to create an equitable distribution of the economy and promote social justice. We need financial instruments to be able to achieve this. One of these instruments is Syariah economics." He further clarified that the choice to convert to Syariah Bank was a rational policy decision to create differentiation that would further develop the regional economy (Suara NTB, 16 November 2017).

The Conversion Process

The conversion process began with the commissioning of the consulting company, Markplus Inc., to conduct a comprehensive study. The conclusions and recommendation of the comprehensive study were as follows:

1. The brand equity of Bank NTB was high being well recognized by the people of NTB.
2. On awareness, Bank NTB was ranked 4th, below the 3 state owned banks operating in NTB. Under the Syariah banking group, Bank NTB was in the top 5.
3. The conversion process risk needed to be minimized. The conversion project needs to be completed within the targeted timeframe, measurable and comprehensively fulfil the Good Corporate Governance principles.
4. The timing of the conversion was favorable as Bank NTB was in a sound financial condition.
5. The study also indicated that all staff and employees were prepared and ready to conduct the conversion process.

The conversion plan for Bank NTB identified 14 steps in the conversion proses.

1. Establishment of the Project Management Team.
2. Establishment of the Steering Committee.
3. Conducting a comprehensive business study.
4. Hiring of consultants to assist in the conversion process.
5. Preparation of the IT system
6. Appointment of an independent consultant in the field of Human Capital.
7. Appointment of a training partner to undertake customized training.
8. Arrange assistance and cooperation with Islamic Corporation for the Development of the Private Sector (ICD)
9. Cooperation with Bank Syariah Mandiri (BSM)
10. Preparation of the Corporate Plan of Bank NTB Syariah.
11. Coordinating meetings between the Project Management with the various consultants.
12. Finalizing of work plan and milestones.
13. Consultation and assistance with Financial Services Authority (OJK)
14. Socialization and Education

During the implementation phase, several additional steps were identified and undertaken including:

1. Preparation and issuance of the Provincial Law (*Peraturan Daerah/Perda*) regarding the conversion of Bank NTB into Bank NTB Syariah. The Law was issued 26 March 2018.
2. Submission of request letter to convert to OJK on 29 March 2018.
3. Coordination with Bank Indonesia and Ministry of Finance on 16 and 17 April 2018.
4. Evaluation of the controlling shareholder (Governor of NTB) 9 May 2018.
5. Evaluation of the candidates of the Board of Commissioner and Board of Director 12 – 18 July 2018.
6. Extraordinary shareholders' meeting on 21 August 2018 to approve the new Bank NTB Syariah corporate charter and appointment of the new Board of Commissioners, Board of Syariah Supervisor (DPS) and Board of Directors.
7. Received Approval to convert to Syariah banking by OJK.
8. Inauguration of Bank NTB Syariah on 13 September 2018, followed by migration of the core banking system to *OLIBS 724* on 21 September 2018, and with the Bank NTB Syariah taking effect on 24 September 2018.

Financial Performance: Pre-Conversion

Prior to the conversion, Bank NTB went through a long process of transforming its organization. Bank NTB during this period achieved an award for "The Best Service Excellence for 2010, 2011, 2012 and 2016, an award bestowed by *Infobank* and *MRI*. The bank was also rated "Very Good" in terms of financial performance in the category of Regional banks, by *Infobank* (see Appendix 7

for a complete list of these awards and recognition). Since 2010 the financial result of the bank had been steadily growing. As seen in the Table 9, the CAGR of Total Assets, Third Party Funds, Financing, and Equity was good, 18.13%, 20.2%, 15.4% and 17.4% respectively. The only setback in the performance was on profitability, as the net profit declined by 35.8% in 2017. The decline in the profits were partly due to the increase cost of funds of 16.2%, increase in operational expenses of 13.1%, and an increase in impairments of 137.5% as compared to the previous year.

Table 1**Table 9: Bank NTB Syariah Financial Performance (2010-2017)****Bank NTB Syariah****Growth (IDR million)**

Year	Total Asset	Growth	Third Party Funds	Growth	Financing	Growth	Equity	Growth	Net Profit	Growth
2010	2,761,260		1,979,793		2,023,907		413,921		123,719	
2011	3,469,105	25.63%	2,672,389	34.98%	2,711,056	33.95%	478,058	15.49%	141,424	14.31%
2012	4,118,202	18.71%	2,834,754	6.08%	3,073,227	13.36%	585,688	22.51%	170,840	20.80%
2013	4,319,265	4.88%	3,156,745	11.36%	3,332,159	8.43%	693,851	18.47%	164,773	-3.55%
2014	5,816,761	34.67%	4,097,985	29.82%	4,088,897	22.71%	834,186	20.23%	195,673	18.75%
2015	6,110,898	5.06%	4,561,202	11.30%	4,600,821	12.52%	1,076,561	29.06%	225,115	15.05%
2016	7,649,037	25.17%	5,211,416	14.26%	5,089,087	10.61%	1,257,528	16.81%	228,252	1.39%
2017	8,864,392	15.89%	7,190,683	37.98%	5,397,446	6.06%	1,273,169	1.24%	146,514	-35.81%
Avg Annual Growth Rate (AAGR)										
		18.57%		20.82%		15.38%		17.69%		4.42%
Compounded Annual Growth Rate (CAGR)										
		18.13%		20.23%		15.04%		17.41%		2.45%

From key financial ratios perspective, the performance of Bank NTB was also good. For 2017, CAR of 18.4% was above the minimum requirement. Nonperforming financing (NPF) gross of 1.35% and net 0.25% was well below the threshold as set by the regulators. In terms of profitability the ROA and ROE of 2.45% and 11.82% had declined slightly but was still quite good. From 2014 to 2016, in general these ratios had been excellent (see Table 9).

Financial Performance: Post Conversion

The conversion process to Bank NTB Syariah was completed on 24 September 2018, as the migration of the data to OLIBS 724 was completed successfully and the bank went live with the new system. For the 3 months remaining in 2018, the conversion had a slight negative short-term impact on the business. Business volume in terms of Total Assets, Third Party funds, and Financing has experienced a decline of 31.9%, 31.6% and 9.8% respectively by the end of 2018 (see Table 11). The drop-in volume was understandable, as the clients of the bank still had to adjust to the different product offering in terms of financing and deposits. In an interview, the President Director of Bank NTB Syariah, H. Kukuh Rahardjo, described the challenge in expanding the banking

business under Syariah. A different approach to marketing the bank's product and services had to be undertaken. Clients and potential customers still required additional education and socialization on Islamic (*syariah*) banking. The decline of the third-party funding as compared to the previous year was a result of a policy of the bank to phase out the high cost funding to a more sustainable and cost-efficient funding.

Table 2

Table 10: Bank NTB Syariah Key Financial Performance Indicators (2014-2018)

Bank NTB Syariah

Key Financial Performance Indicators

2014 - 2018

No.	Description	2014	2015	2016	2017	2018
1	Banks Capital Adequacy Ratio (CAR)	18.36	27.12	31.17	30.67	34.42
2	NPF (Gross)	1.46	1.31	1.20	1.35	1.63
3	NPF (Net)	0.38	0.47	0.41	0.25	0.57
4	ROA	4.65	4.27	3.95	2.45	1.92
5	ROE	28.59	26.48	20.76	11.82	8.92
6	Net Margin	8.80	7.98	7.79	6.31	6.61
7	BOPO	65.79	67.19	68.69	78.10	86.86
8	FDR	99.78	100.87	97.66	75.07	98.93

Source: Bank NTB Syariah

In analyzing the key financial ratios for 2018, CAR of 34.42% indicated that the bank had a solid capital base (see Table 10). There was a drop in profitability ratios, with ROA and ROE at a lower level than the previous year. There was a slight increase in non-performing financing, although it was still below the threshold of 2%. Both BOPO (ratio of operating expenses compared with operating revenues) and funding to deposit ratio (FDR) had also increased compared to the previous year.

The business development for 2019 was improved as the Total Assets, Third Party Funds and Financing had rebounded (see Table 11). During the first three quarters of 2019, there was a growth of Total Assets by 54%, Third Party Funds by 53% and Financing by 10%. These were encouraging signs that business was developing well. Meanwhile, based on the Financial Performance on 31st of December 2018, the Total Net Profit of IDR151,9 billion is comprised of Bank BPD Aceh's net profit of IDR 74,6 billion (1st of January 2018- 23th of September 2018) and Bank Aceh Syariah's net profit of IDR 38,4 billion (24th of September 2018- 31st of December 2018).

Table 3

Table 11: Bank NTB Syariah Financial Performance (2014- Sept'2019)

Bank NTB Syariah

Financial Performance (IDR million)

	31-Dec-14	31-Dec-15	31-Dec-16	31-Dec-17	31-Dec-18	30-Sep-19
Total Assets	5,816,761	6,110,898	7,649,037	8,864,392	6,038,648	9,293,616
Third Party Funds	4,097,985	4,561,202	5,211,416	7,190,683	4,921,382	7,542,001
Financing	4,088,897	4,600,821	5,089,087	5,397,446	4,868,515	5,350,236
Equity	834,186	1,076,561	1,257,528	1,273,169	1,335,445	1,335,492
Net Profit	195,673	225,115	228,252	146,514	151,904	105,782

Source: Bank NTB Syariah

Challenges for the Future

With the completion of the conversion process to Syariah banking. Bank NTB Syariah still faced existing challenges and new challenges in moving forward to achieving its goals as set in their corporate plan. Several challenges as highlighted in the Bank NTB Syariah's latest annual report among others were:

- Development of the competencies of human capital to sustain the development of the Syariah organization.
- Need to expand the bank's network of offices and ATM.
- Reduce reliance on funding and financing in government sector, as outlined in the corporate strategic plan.
- Expectation that competition among Syariah banks would be more intense as more banks would spin off their Syariah banking units or convert into Syariah banks.
- Challenge of developing a market where there is still a low level of understanding on the products and services of Syariah banking.

Table 12: Strategic Goals of Bank NTB Syariah

	Existing 2016	Target 2022
Assets	Rp. 7.65 trillion	Rp. 29.4 trillion
Asset CAGR	16%	25%
Productive Financing	15.54%	35%
Consumer Financing	84.4%	65%
TPF Retail	47.05%	60%
Network	36% of Total district	55% of Total district
Performance management	NA	2018
Status as s Foreign Exchange Bank	NA	2020
Risk Based Bank Rating	NA	2

Source: Pondasi Kokoh Bank NTB Menuju Bank Syariah (2018)

Key Factors for Bank NTB Syariah Successful Conversion Project

1. The financial condition of Bank BPD NTB was very healthy and ready to undertake a massive conversion project.
2. Bank NTB Syariah was able to learn from the experience of Bank BPD Aceh's conversion to Bank Aceh Syariah in 2016.
3. Support from the Governor of Nusa Tenggara Barat, *TGH M.Zainul Majdi*.
4. Before undertaking the project, the bank conducted a comprehensive business analysis on Syariah Banking, conducted by Markplus Inc.
5. The bank prepared a very detailed project plan with clear milestones and targeted completion date.
6. To ensure the success of the conversion, the Bank commissioned expert consultant to assist and guide the conversion process.
 - a. *PT Batasa Tazkia Consulting* advising on the following:
 - i. Strategic planning
 - ii. Accounting and Reporting
 - iii. License
 - iv. Training
 - v. Information technology infrastructure
 - vi. Policies and Standard Operating Procedure (SOP)
 - vii. Legal
 - viii. Risk Management
 - b. The Islamic Corporation for the Development of the Private Sector (ICD)
 - i. Business and organizational development
 - ii. Information technology
 - c. *Lembaga Pengembangan Perbankan Indonesia (LPPI)*
7. Design the customized training program
8. Development of Bank NTB Syariah's Corporate Plan
 - a. *PT. Dunamis Human Capital*
 - Revitalization of the vision mission statement and corporate values.
 - Employee survey.
 - Advised on the preparation of the blueprint for manpower planning.
 - Advised on the strategy to development human capital competencies.
 - b. *PT. Collega Inti Pratama*
 - Information Technology (IT) vendor
 - SaaS (Software as a Service) vendor
 - Core Banking System
9. Total Support from Shareholders, BOC, DPS, BOD and all staff and employees.

Final Notes on Case Study of Bank Aceh Syariah and Bank NTB Syariah

Indonesia's oldest Islamic bank, *Bank Muamalat*, almost collapsed in early 2019 because of falling profits and rise in the bank's non-performing financing (NPF). The troubles of *Bank Muamalat* indicates that, despite Indonesia being a country of 220 million Muslims, the Islamic (*syariah*) bank's sector, comprising only about 6.01% of the total banking sector (OJK, 2019), is still facing challenges in the future. These challenges include the need to improve the quality of product offerings, digital service, marketing, and human resources.

Of the two banks described in this case study, Bank Aceh Syariah is better placed to succeed as the Nanggroe Aceh Darussalam province has required all banks in the province to comply with the *Qanun* rules (*syariah* law) for all financial institutions in the region. This means that there will no longer be competition from bigger conventional banks. Consequently, Bank Aceh Syariah must also face fierce competition from the state-owned Islamic banks such as *Bank Mandiri Syariah*, *Bank BNI Syariah*, *Bank BRI Syariah*, *Bank BTN Syariah* as well as other commercial Islamic Banks that already open their branch in the province. More importantly, they have to offer competitive unique selling points to attract more customers from other market segments, outside the existing spiritual customer, namely the rational customer and non-Muslim segment in the province. On the other hand, Bank NTB Syariah still faces stiff competition from other larger non-Islamic commercial banks in NTB. Bank NTB Syariah must be more creative and innovative in approaching its potential customers particularly in exploring NTB's micro, small and medium entrepreneurs. In terms of digital banking features, Bank NTB Syariah is one more step ahead of Bank Aceh Syariah as they already offer the online banking application. Thus, it will save the operational costs and accelerate the customer's process.

Nevertheless, the successful conversions experienced by Bank Aceh Syariah and Bank NTB Syariah have encouraged others to follow suit. These include *Bank Nagari* in West Sumatra Province and *Bank Riau Kepri* in Kepulauan Riau Province. Conversion from conventional bank into Islamic bank means it will open a new market potential not only to the existing mass-segment market but also to the religious segment market in this case Muslim segment market which is a majority in both provinces.

Appendix

Appendix 1: Bank Aceh Financial Highlight

Bank Aceh Financial Highlights 2014 - 2018

Attachment 1

Source: Bank Aceh Syariah

No.	Description	2018	2017	2016	2015	2014
FINANCIAL DATA (in million rupiahs)						
1	Cash	1,322,563	1,100,268	1,042,207	674,060	542,705
2	Current Account With Bank Indonesia	1,305,347	1,507,437	1,333,056	1,570,628	1,152,215
3	Current Account With Other Bank	8,531	4,558	11,035	5,053	13,151
4	Placement in Bank Indonesia and Other Banks	2,150,400	2,001,100	2,510,599	3,680,000	2,938,455
5	Marketable Securities	4,073,054	4,707,186	1,361,729	344,311	378,495
6	Securities Purchased under Agreements To Re	465,659	-	-	-	-
7	Financing	13,236,773	12,846,657	12,206,001	11,893,857	11,113,592
8	Allowance for Impairment Losses	(139,475)	(178,154)	(168,783)	(301,089)	(311,870)
9	Equity Investments	-	-	329	329	329
10	Fixed Assets	528,639	426,520	397,301	365,802	368,655
11	Accumulated Depreciation	(259,921)	(230,227)	(207,845)	(184,595)	(197,576)
12	Prepaid Tax	-	-	8,654	71,167	51,757
13	Deffered Tax Assets	166,353	135,110	81,871	83,632	27,594
14	Other Assets	237,235	291,551	183,039	386,859	307,658
	Total Assets	23,095,158	22,612,006	18,759,193	18,590,014	16,385,160

Appendix 2: Bank BPD Aceh and Bank Aceh Syariah Financial Highlight

Bank Aceh

Attachment 2

Financial Highlights

2014 - 2018

Source: Bank Aceh Syariah

No.	Description	2018	2017	2016	2015	2014
FINANCIAL DATA (in million rupiahs)						
1	Current Liabilities	408,113	270,019	190,695	515,539	428,328
2	Undistributed third parties share on return of temporary syirkah fund and wadiah bonus	9,858	12,279	12,749	-	-
3	Deposits from Other Banks	25,428	142,747	254,091	1,228,582	1,719,422
4	Deposits from Customers	966,098	915,549	704,408	14,151,719	12,030,241
	- Current Account	888,601	845,641	638,370	4,287,138	3,873,539
	- Savings	77,497	69,907	66,038	5,571,312	4,860,972
	- Deposits	-	-	-	4,293,268	3,295,730
5	Borrowings	14,755	12,000	15,000	15,723	15,818
6	Securities Issued	1,400,000	850,000	1,235,000	-	-
7	Taxed Payables	17,154	14,943	9,151	104,661	5,558
8	Other Liabilities	611,957	641,469	539,681	620,947	439,706
	Total Liabilities	3,453,363	2,859,006	2,960,775	16,637,171	14,639,073
1	Mudharabah Current Accounts	4,419,188	3,667,523	2,613,391	-	-
2	Mudharabah Savings Account	7,729,111	7,461,280	6,232,170	-	-
3	Mudharabah Time Deposits	5,275,551	6,454,717	4,879,278	-	-
	Total Temporary Syirkah Fund	17,423,850	17,583,520	13,724,839	-	-
1	Share Capital	1,042,295	1,026,260	1,007,286	1,007,286	895,881
2	Deposits for Future Stock Subscription	19,500	16,035	18,974	-	-
3	Additional Paid in Capital	4,439	4,439	4,439	-	-
4	Comprehensive Income	(215,420)	(106,795)	(56,912)	(8,704)	10,484
5	Reserve	805,545	673,811	608,482	531,025	442,148
6	Profits Balance	561,587	555,731	491,310	423,238	397,572
	Total Equity	2,217,946	2,169,481	2,073,579	1,952,845	1,746,085
	Total Liabilities, Temporary Syirkah Fund & Equity	23,095,159	22,612,007	18,759,193	18,590,016	16,385,158

Bank Aceh
Financial Highlights
2014 - 2018

Attachment 3

Source: Bank Aceh Syariah

No.	Description	2018	2017	2016	2015	2014
1	Banks Capital Adequacy Ratio (CAR)	19.67	21.50	20.74	19.44	19.93
2	Fixed Assets to Capital	25.74	19.49	19.16	18.59	23.28
3	Non Performing Earning	0.62	0.81	0.93	1.64	1.75
4	NPF (Gross)	1.04	1.38	1.39	2.30	2.58
5	NPF (Net)	0.04	0.04	0.07	0.81	0.82
6	Allowance for Impairment Losses on Productive Assets	0.66	0.85	0.97	1.89	2.18
7	ROA	2.38	2.51	2.48	2.83	3.22
8	ROE	23.29	23.11	19.78	24.24	23.62
9	NI	7.72	7.61	7.47	7.27	7.64
10	NOM	0.91	1.56	(2.13)	-	-
11	BOPO	79.09	78.00	83.05	76.07	73.32
12	FDR	71.98	69.44	84.59	84.05	92.38
13	GWM Indonesian Rupiah	6.50	7.21	7.77	9.84	8.88
14	Legal Lending Limit Violation	-	-	-	-	-
15	Legal Lending Limit Excess	-	-	-	-	-

Appendix 4: Bank Aceh Syariah Financial Highlight

Bank Aceh Syariah
Business Results
2014 - 2018

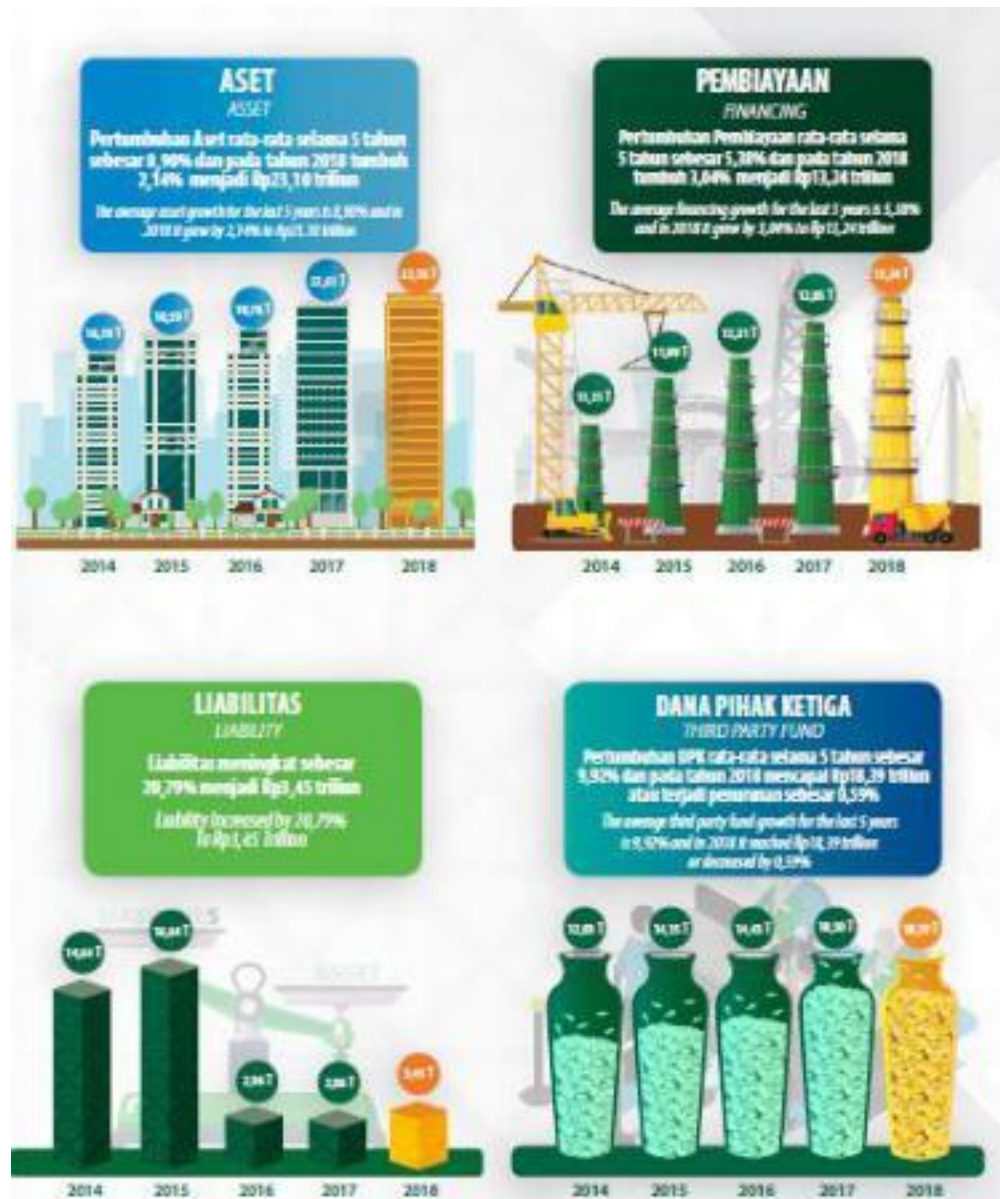
Attachment 4

Source: Bank Aceh Syariah

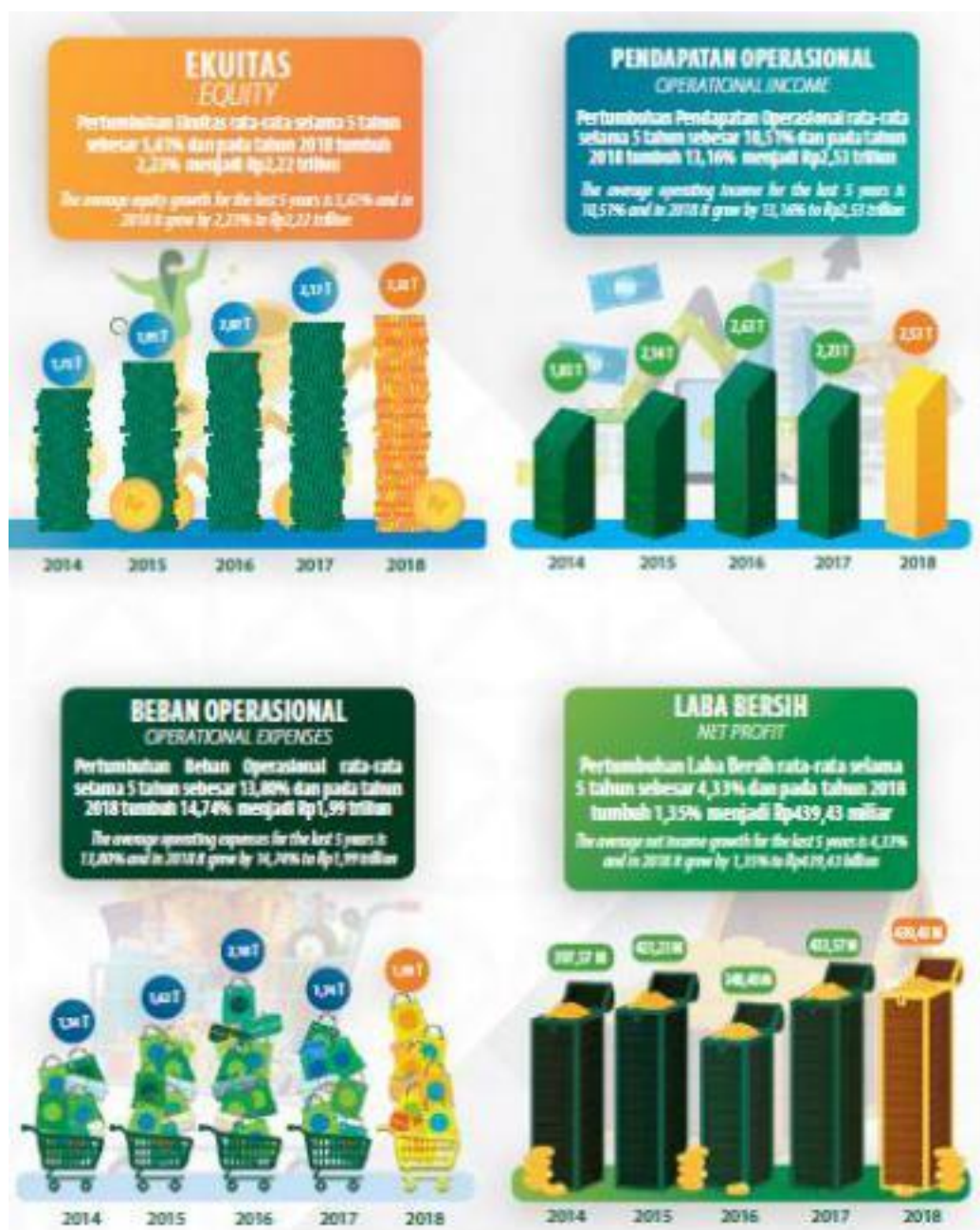
(in million rupiah)

No.	Description	2018	2017	Years 2016			Years	
				Consolidated 31 Des	17 Sept - 31 Des	1 Jan - 16 Sept	2015	2014
1	Revenue From Fund	2,191,888	2,050,567	2,012,733	584,435	1,428,298	1,980,596	1,697,886
2	Operating Income	528,467	491,424	445,164	56,638	388,526	515,061	489,091
3	Income Before Tax	540,281	532,687	505,646	104,387	401,259	555,332	535,831
4	Income After Tax	439,433	433,577	348,408	101,818	246,589	423,238	397,572
	- Attributed to Owner of the Parent Company	268,044	268,605	219,916	64,268	155,647	257,148	251,822
	- Attributed to Non-Controlling Interest	171,389	164,973	128,494	37,550	90,942	149,013	145,750
5	Comprehensive Income for the Year	330,808	383,694	291,496	109,281	182,214	404,050	425,891
	- Attributed to Owner of the Parent Company	201,785	237,701	183,993	68,979	115,014	255,037	269,759
	- Attributed to Non-Controlling Interest	129,023	145,993	107,505	40,303	67,201	149,013	156,132
6	Earnings per Share	5,184	5,191	3,620	1,036	2,584	4,742	4,439

Appendix 5: Bank Aceh Syariah Financial Highlight



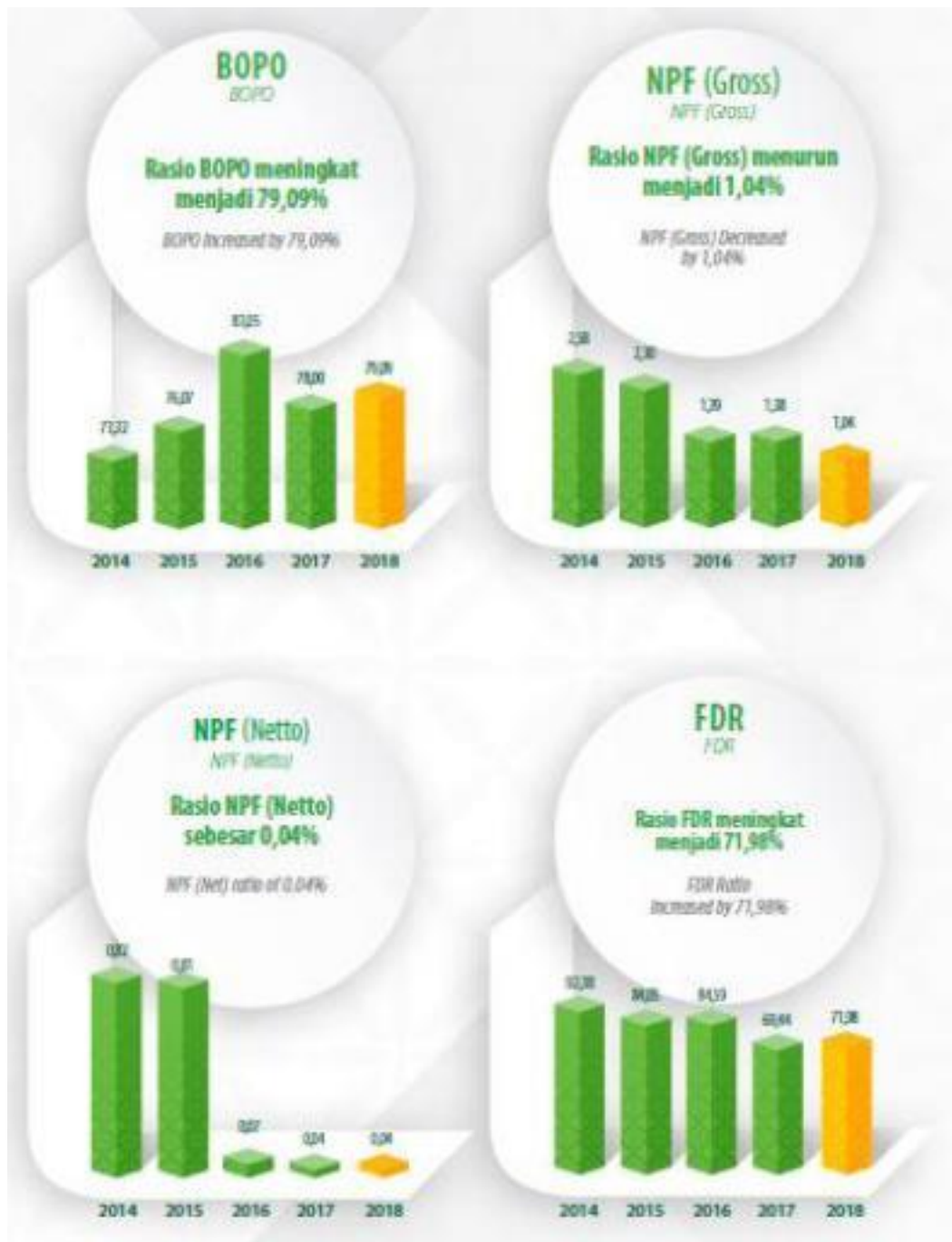
Appendix 6: Bank Aceh Syariah Financial Highlight



Appendix 7: Bank Aceh Syariah Financial Highlight



Appendix 8: Bank Aceh Syariah Financial Highlight



Appendix 9: Syariah Funding Products

Deposits	Products	Syariah (contract type)
Transactional Deposits	Current Account	<ul style="list-style-type: none"> • Wadiah • Mudharabah
	Savings Account	<ul style="list-style-type: none"> • Wadiah • Mudharabah
Investment type deposits	General investment account	• Mudharabah/Tawarruq
	Special investment account	• Mudharabah/Tawaruq
	Specific investment account	• Mudharabah/Tawaruq
Money Market Deposit	Negotiable Islamic Debt Certificate (NIDC)	Bai' Bithaman Ajil (deferred payment sale)
	Islamic Negotiable Instrument of Deposit (INID)	Mudharabah (profit sharing)
	Mudharabah Interbank Deposit	Mudharabah (profit sharing)

Source: "Introduction to Islamic Banking Products (Deposit & Financing)", Burhan Saiti, Istanbul Zabihattin Zaim University (2017)

Appendix 10: Syariah Financing Products

Products	Syariah (contract type)
Home Financing	BBA, Tawaruq, Musaharakah, Muntaqanisa, (diminishing partnership) Istina
Auto-Financing	Al-Ijarah Thumma Al-bay / Murabahah
Personal Financing	Tawarruq, Murabahah, Wakalah
Working Capital Financing	Murabahah / BBA / Tawarruq
Trade Financing	Wakalah Letter of Credit Murabahah Letter of Credit Kafalah Letter of Guarantee
Credit Card	BBA / Tawarruq

Source: "Introduction to Islamic Banking Products (Deposit & Financing)", Burhan Saiti, Istanbul Zabihattin Zaim University (2017)

Appendix 11: Bank Aceh Syariah' Product and Services Pre-Conversion to Syariah Banking



Penghimpunan Dana *Fund Raising*

Konvensional | Conventional

1. Giro | Current Account
2. Deposito | Deposit
3. Simpanan Pembangunan Daerah (SIMPEDA) | Simpanan Pembangunan Daerah (Simpeda)
4. Tabungan Aneka Guna (TAG) | Aneka Guna Savings
5. Tabungan Haji Akbar | Haji Akbar Saving
6. Tabungan Seulaeng | Seulaeng Saving
7. TabunganKu | TabunganKu

Syariah | Sharia

1. Giro Amanah IB | IB Amanah Current Account
2. Deposito Sejahtera IB | Deposito Sejahtera
3. Tabungan Firdaus IB | IB Firdaus Saving
4. Tabungan Sahara IB | IB Sahara Saving
5. TabunganKu IB | TabunganKu IB

Penyaluran Dana *Funds Distribution*

Konvensional | Conventional

1. Kredit Modal Kerja | Work Capital Loan
2. Kredit Investasi | Investment Credit
3. Kredit Konsumtif | Consumer Credit
4. Kredit Program (Kredit Pemukiman Nangggroe, Disakap, SUP-005, SBFIC, Yamida, ADB, Linkage Program) | Kredit Program (Kredit Pemukiman Nangggroe, Disakap, SUP-005, SBFIC, YAMIDA, ADB, Linkage Program)

Syariah | Sharia

1. Pembiayaan Konsumen IB | Consumer Financing
2. Pembiayaan Usaha IB | Business Financing
3. Pembiayaan Sewa IB | Rental Financing
4. Pembiayaan Qardh Beragun Emas IB | Qardh Gold mortgage-backed Financing

Layanan & Jasa | Service Providers

Konvensional | Conventional

1. Transfer | Transfer
2. RTGS | RTGS
3. Inkaso | Collection
4. Klining | Clearing
5. Penerimaan BPH/SG/CH/AT | BPH/SG/CH/AT Acceptance
6. Penerimaan Pajak | Tax Receipt
7. Jaminan Pelaksana | Performance Bonds
8. Jaminan Penawaran | Bid Bonds
9. Jaminan Uang Muka | Advance Payment Bonds
10. Referensi Bank | Bank References
11. Garansi Bank | Bank Guarantee
12. Dukungan Bank | Bank Support
13. Layanan ATM | ATM Service
14. Layanan ATM Bersama | ATM Bersama Service
15. Layanan CMS | CMS Service
16. Pembayaran Listrik, Telepon, Ponsel | Payment of Electricity, Telephone, Mobile
17. Pengisian Pulsa Ponsel | Top Up Mobile Payment
18. Pembayaran Pensiun | Payment of Retirement
19. Fasilitas SMS Banking | SMS Banking Facility
20. Pembayaran SAMSAT Online | Payment of SAMSAT Online
21. Kartu Kredit | Credit Card
22. Pembayaran Zakat dan Infaq | Payment of Zakat and Infaq

Syariah | Sharia

1. Bank Garansi IB Bank Aceh Syariah | Bank Guarantee IB Bank Aceh Sharia
2. Dukungan Bank IB Bank Aceh Syariah | Bank Support IB Bank Aceh Sharia
3. Referensi Bank IB Bank Aceh Syariah | Bank Reference IB Bank Aceh Sharia
4. ATM IB Bank Aceh Syariah | ATM IB Bank Aceh Sharia
5. Transfer IB Bank Aceh Syariah | Remittance IB Bank Aceh Sharia
6. SMS Banking IB Bank Aceh Syariah | SMS Banking IB Bank Aceh Sharia
7. Pengelolaan Dana Rezeki | Benevolent Fund Management

Appendix 12: Bank Aceh Syariah Product and Services Pre-Conversion to Syariah Banking



Penghimpunan Dana *Fund Raising*

1. Tabungan Aneka Guna iB | *Aneka Guna Savings*
2. Tabungan Simpeda iB | *Simpeda Savings*
3. Tabungan Seulanga iB | *Seulanga Savings*
4. Tabungan Haji Akbar iB | *Haji Akbar Savings*
5. Tabungan Sahara iB | *Sahara Saving*
6. Tabungan Firdaus iB | *Firdaus Saving*
7. Tabunganku iB | *Tabunganku*
8. Deposito Sejahtera iB | *Deposits Sejahtera*
9. Giro Amanah iB | *Giro Amanah iB*
10. Kartu Kredit Co-Branding | *Credit card Co-Branding*

Penyaluran Dana *Funds Distribution*

<ol style="list-style-type: none"> 1. Pembiayaan Modal Kerja 2. Pembiayaan Investasi 3. Pembiayaan Konsumer 4. Pembiayaan Program (SUP 005, Dakap, Linkage Program, Komida) 5. Pembiayaan Qard beragun emas 	<ol style="list-style-type: none"> 1. <i>The working capital financing</i> 2. <i>The financing of Investment</i> 3. <i>Consumer financing</i> 4. <i>Financing Programme (SUP 005, Dakap, Linkage Program, Komida)</i> 5. <i>Financing the Qard gold-backed securities</i>
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Layanan & Jasa | Service Providers

<ol style="list-style-type: none"> 1. Transfer <i>Transfer</i> 2. RTGS <i>RTGS</i> 3. Inkaso <i>Collection</i> 4. Kliring <i>Clearing</i> 5. Penerimaan BPIH/SISKOHAT <i>BPIH/SISKOHAT Acceptance</i> 6. Penerimaan PBB dan Pajak lainnya <i>Tax Receipts</i> 7. Jaminan Pelaksanaan <i>Performance Bonds</i> 8. Jaminan Penawaran <i>Bid Bonds</i> 9. Jaminan Uang Muka <i>Advance Payment Bonds</i> 10. Jaminan Pembayaran dan lainnya <i>Transfer</i> 11. Referensi Bank <i>Bank References</i> 12. Dukungan Bank <i>Bank Support</i> 13. Layanan ATM Bank Aceh <i>ATM Bank Aceh Service</i> 	<ol style="list-style-type: none"> 14. Layanan ATM Bersama <i>ATM Bersama Service</i> 15. Layanan ATM MEPS <i>ATM MEPS Service</i> 16. Layanan Cash Management System (CMS) <i>CMS Service</i> 17. Pembayaran Listrik, Telkom, Telkomsel dan Indosat <i>Payment of Electricity, Telephone, mobile</i> 18. Pengisian Pulsa Ponsel (Telkomsel dan Indosat) <i>Top Up Mobile Payment</i> 19. Pembayaran Pensiun <i>Payment of Retirement</i> 20. Pengelolaan Dana Kebajikan <i>Fund Management of Virtue</i> 21. Fasilitas SMS Banking <i>SMS Banking Facility</i> 22. Pembayaran SAMSAT Online <i>Payment of SAMSAT Online</i> 23. Kartu Kredit Co Branding <i>Credit Card</i> 24. Pembayaran Zakat dan Infaq <i>Payment of Zakat and Infaq</i>
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Appendix 13: Bank BPD NTB and Bank NTB Syariah Financial Highlight

Bank NTB Syariah

Financial Highlights

2014 - 2018

No.	Description	2018	2017	2016	2015	2014
FINANCIAL POSITION (in million rupiahs)						
ASSETS						
1	Cash	279,215	244,873	226,507	161,315	127,367
2	Current Account With Bank Indonesia	1,342,533	768,808	332,450	455,420	368,070
3	Current Account With Other Bank	37	13,663	1,690	1,958	372
4	Placement with Bank Indonesia and Other Ban	100,000	1,981,459	1,650,389	528,693	943,778
5	Marketable Securities	325,000	287,170	93,768	249,765	166,517
6	Reverse Repo	-	53,490	127,900	-	23,598
7	Loans	4,868,515	5,397,446	5,089,087	4,600,821	4,088,897
8	Reserves for Impairment Losses	(61,906)	(77,813)	(51,539)	(46,388)	(51,002)
9	Equity Contribution	2,109	1,906	1,906	1,693	1,693
10	Ijarah Assets	178	396	271	-	-
11	Fixed Assets	146,078	140,178	133,955	122,944	125,092
12	Fixed Assets Depreciation Agreement	(44,685)	(37,888)	(43,552)	(38,462)	(39,859)
13	Intangible Assets	3,861	3,861	3,861	3,565	325
14	Intangible Assets Depreciation Agreement	(1,521)	(1,038)	(556)	(109)	(27)
15	Prepaid Tax	8,142	-	-	-	-
16	Deffered Tax Assets	13,278	24,428	21,416	15,117	13,577
17	Other Assets	57,814	63,453	61,484	54,566	48,363
	Total Assets	7,038,647	8,864,392	7,649,037	6,110,898	5,816,759

Source: Bank NTB Syariah

The Conversion of Regional Development Bank to Islamic Bank:

Case of Bank Aceh Syariah and Bank NTB Syariah

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Appendix 14: Bank BPD NTB and Bank NTB Syariah Financial Highlight

Bank NTB Syariah

Financial Highlights

2014 - 2018

No.	Description	2018	2017	2016	2015	2014
LIABILITIES & TEMPORARY SYIRKAH FUND						
1	Current Liabilities	53,457	47,163	48,570	19,131	14,265
2	Profit sharing funds that have not been shared	4,791	-	-	-	-
3	Deposits from Other Banks	522,799	62,018	938,772	290,927	707,352
4	Customers Savings					
	- Current Account	835,301	1,209,454	1,550,847	997,875	843,325
	- Savings	2,391,379	2,191,543	1,805,612	1,682,535	1,349,455
	- Deposits	1,694,702	3,789,686	1,854,957	1,880,792	1,905,205
5	Borrowings	107,518	136,875	43,277	38,220	38,120
6	Marketable Securities Issued	-	-	-	-	-
7	Tax Debt	7,402	8,562	9,488	10,734	9,091
8	Employee Benefits Liability	43,715	67,357	48,864	30,478	39,085
9	Other Liabilities	42,138	78,565	91,121	83,645	76,676
	Total Liabilities & Temporary Syirkah Funds	5,703,202	7,591,223	6,391,509	5,034,337	4,982,573
EQUITY						
1	Capital Stock	742,550	688,050	547,402	547,402	338,828
2	Capital Contribution	542	542	542	542	542
3	Actuarial Profit/Loss Defined Benefit Program	(51,442)	(65,757)	(45,287)	(19,956)	-
4	Other Paid Up Capital	15,120	54,520	148,648	38,697	100,116
5	Retain Earning:					
	- Its use has been determined	-	251,840	180,511	147,302	118,392
	- Not Specified Usage	628,675	343,974	425,712	362,574	276,309
	Total Equity	1,335,445	1,273,169	1,257,528	1,076,561	834,186
	Total Liabilities, Temporary Syirkah Fund & Equity	7,038,647	8,864,392	7,649,037	6,110,898	5,816,759

Source: Bank NTB Syariah

Appendix 15

Bank NTB Syariah Financial Highlights 2014 - 2018

No.	Description	PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME						
		2018			2017	2016	2015	2014
		31 Des Consolidated	22 Sep - 31 Des	1 Jan - 21 Sep				
1	Fund Revenue	829,683	218,554	611,129	950,507	912,723	843,590	714,929
2	Fund Expenses	(358,231)	(80,388)	(277,843)	(409,443)	(352,308)	(336,235)	(260,554)
3	Net Fund Revenue	471,452	138,166	333,286	541,064	560,415	507,355	454,375
4	Other Operating Income	117,039	94,846	22,193	39,467	38,563	37,616	35,892
5	Allowance for Impairment Losses	(94,224)	(83,796)	(10,427)	(37,959)	(15,514)	(3,066)	(1,490)
6	Other Operating Expenses	(273,423)	(95,308)	(178,115)	(319,121)	(282,327)	(249,249)	(227,868)
7	Operational Earnings	220,844	53,908	166,936	223,451	301,137	292,656	260,909
8	Non Operational Income and Expenses	(8,132)	(548)	(7,584)	2,676	7,128	1,494	3,213
9	Earning Before Income Tax	212,712	53,360	159,352	226,127	308,265	294,150	264,122
10	Income Tax Expense	(60,808)	(14,941)	(45,867)	(79,613)	(80,013)	(69,035)	(68,449)
11	Earning After Tax	151,904	38,419	113,485	146,514	228,252	225,115	195,673
12	(Expenses) Other Comprehensive Income	14,315	4,807	9,508	(20,470)	(25,330)	5,140	(15,049)
13	Comprehensive Profit for the Year	166,219	43,226	122,993	126,044	202,922	230,255	180,624

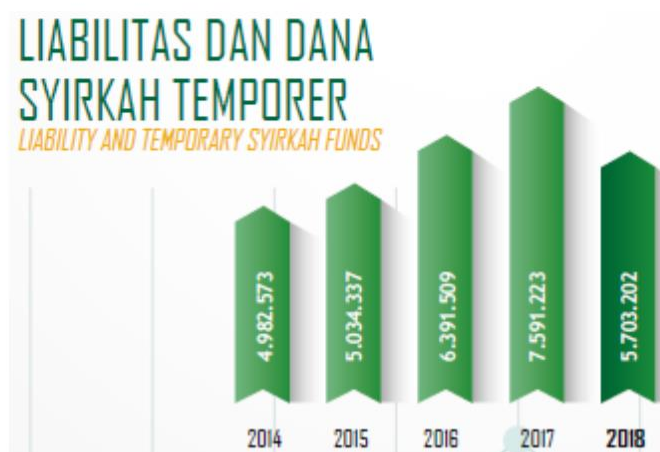
Source: Bank NTB Syariah

Appendix 16

Bank NTB Syariah Financial Ratios 2014 - 2018

No.	Description	FINANCIAL RATIO (%)					
		2018		2017	2016	2015	2014
		22 Sept - 31 Des	1 Jan - 31 Sept				
1	Minimum Capital Adequacy Ratio (CAR)	35.42%	31.69%	30.87%	31.17%	27.12%	18.36%
2	Non Performing Earning and Non Performing Non Earning Assets Ratio	1.27%	1.61%	1.22%	1.15%	1.23%	1.18%
3	Non Performing Earning Assets Ratio	1.26%	1.58%	1.19%	1.11%	1.19%	1.14%
4	Allowance for Possible Losses on Earning Assets Ratio	0.98%	1.62%	1.27%	0.93%	0.92%	0.98%
5	Gross NPF/NPL	1.63%	1.76%	1.35%	1.20%	1.31%	1.46%
6	Nett NPF/NPL	0.57%	0.46%	0.25%	0.41%	0.47%	0.38%
7	ROA	1.92%	2.34%	2.45%	3.95%	4.27%	4.65%
8	ROE	8.92%	11.92%	11.82%	20.76%	26.48%	28.59%
9	Nett Rewards (NI)/NIM	6.61%	5.26%	6.31%	7.79%	7.98%	8.80%
10	NOM	2.20%	-	-	-	-	-
11	BOPO	86.86%	74.66%	78.10%	68.69%	67.19%	65.79%
12	Financing Profit Sharing Against Total Financing	10.70%	-	-	-	-	-
13	FDR	98.93%	80.66%	75.07%	97.66%	100.87%	99.78%
	Compliance						
14	Percentage of BMPD Infringement	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
15	Percentage of Exceeding BMPD	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
16	Statutory Reserves (GWM)	5.00%	34.59%	8.42%	6.74%	8.94%	9.14%
17	Overall Nett Open Position	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Source: Bank NTB Syariah							

Appendix 17: Financial Highlight Bank NTB Syariah



Appendix 18: Project Management Team in Bank NTB Syariah

Pembentukan Tim *Project Management* (TPM) Konversi PT Bank NTB menjadi PT Bank NTB Syariah

Surat Keputusan Direksi Nomor: SK/01.12/64/408/2016 tanggal 10 November 2016.

Susunan TPM Sebagai Berikut:



Appendix 19

Pembentukan TIM PENGARAH KONVERSI (*STEERING COMMITTEE*) PT BANK NTB MENJADI PT BANK NTB SYARIAH

Telah dibentuk sesuai Surat Keputusan Gubernur Nusa Tenggara Barat No. 584-1033 Tahun 2016 tanggal 6 Desember 2016 tentang Tim Pengarah Konversi PT Bank NTB menjadi PT Bank NTB Syariah.

Susunan Tim Sebagai Berikut:



Appendix 20: List of Awards, Achievements and Recognition Bank NTB Syariah

List of Awards, Achievements and Recognition

- Best Supervisor Role for Provincially Owned Enterprise (BUMD) 2017, awarded to Governor of NTB, TGB M Zainul Majdi from APKSI
- Best CEO of BUMD, in field of Partnership Spirit 2017
- Best BPD Buku 2
- The Best Service Excellence for 2010, 2011, 2012 and 2016 (Infobank and MRI).
- Most Efficient Bank 2015, for BPD category, awarded by Infobank and MRI.
- Most Reliable Bank 2015, for BPD category, awarded by Infobank and MRI.
- Best Financial Performance 2013 – 2014 (Excellent, for BPD category), Infobank.
- The Best Bank 2013, under the category of Bank with Asset under Rp 10 trillion.
- The Best Improved Regional Bank 2013.
- Finance, GCG & Corporate Communication 2013. Anugerah Perbankan Indonesia.

Glossary of Terms

A

Akad - Written agreement between the bank and another party which includes rights and responsibility of both parties according to the sharia principle.

Akad Wadiah: Wadiah Contract - A contract between the owner of the goods (the money) and the custodian for safekeeping.

Akad Mudharabah: Mudharaba Contract - A contract between a capital provider and an entrepreneur or a fund manager, whereby the entrepreneur or fund manager can mobilize the funds of the former for its business activity within the Sharia guidelines. Profits made are shared between the parties according to a mutually agreed ratio.

Akad Musyarakah: Musharaka Contract - A contract between two parties whereby both parties provide capital and both may be active in managing the venture. Losses are shared on the basis of how much capital has been contributed. Profits are shared in any way the partners decide.

Akad Murabahah: Murabaha Contract - The sale of goods at a price, which includes a profit margin agreed to by both parties. The purchase and selling price, other costs, and the profit margin must be clearly stated by the seller at the time of the sale agreement.

Akad Salam: Salam Contract- A contract in which the seller undertakes to supply some specific goods to the buyer on a future date at a mutually agreed price fully paid at the time of contract.

Akad Istishna' : Istishna' Contract- A contract in which the seller undertakes to supply some specific goods to the buyer on a future date at a mutually agreed price and method of payment.

Akad Ijarah: Ijara Contract - The selling of benefit or use or service for a fixed price or wage.

Akad Qardh: Qardh Contract - A loan in which the debtor is only required to repay the amount borrowed.

B

Bai Bithaman Ajil: The sale of goods on a deferred payment basis. Equipment or goods requested by the client are bought by the bank which subsequently sells the goods to the client an agreed price which includes the bank's mark-up (profit). The client may be allowed to settle payment by installments within a pre-agreed period, or in a lump sum. Similar to a Murabaha contract, but with payment on a deferred basis.

BOPO : Biaya Operasional terhadap Pendapatan Operasional - The ratio of Operational Expenses to Operational Revenue

BPD : Bank Pembangunan Daerah - Regional Government Bank

BPRS : Bank Pembiayaan Rakyat Syariah - Sharia Rural Bank

BUKU : Bank Umum Kegiatan Usaha - Commercial Bank Business Activities, category of banks based on amount of equity owned.

BUS : Bank Umum Syariah - Sharia Commercial Bank

D

DPK : Dana Pihak Ketiga - Depositor Funds

DSN: Dewan Syariah Nasional – National Sharia Board under the Indonesian Council of Ulama (MUI)

DPS: Dewan Pengawas Syariah – Sharia Supervisory Board

F

FDR : Financing to Deposit Ratio,

I

IDR : Indonesian Rupiah

Ijarah : A rent transaction for a good and /or service between the owner, including the rights of use of the goods/services, with the renter to receive an incentive for the goods or service rented.

Istisna (Progressive Financing): A contract of acquisition of goods by specification or order where the price is paid progressively in accordance with the progress of a job.

K

Kafalah : Guarantee

M

MUI : Majelis Ulama Indonesia – Indonesian Council of Ulama

Mudharabah : Investment transaction from the fund owner (shahibul mal) to the fund managers (mudharib) to do business activities in accordance with the sharia principle. The profit division between the two parties is according to the nisbah (portion) agreed.

Murabahah : Purchase transaction for a good valued as the initial price of the good added with the margin that is agreed by both parties, where the seller informs the initial price to the buyer.

Musarakah : Cooperation between two or more fund and/or goods owners to run certain businesses following the sharia principle with profit division according to the amount of ownership of each party's capital or the agreed nisbah (portion).

Musarakah Mutanaqisah : Cooperation between two or more fund and/or goods owners to run certain businesses following the sharia principle with profit division according to the amount of ownership of each party's capital or the agreed nisbah (portion). In addition one party buys in instalments the capital of the other party. In the end of the cooperation period, one party will own 100% of the capital.

N

Nisbah : The portion of profit shared between the bank and customer for funding and financing transactions with a written agreement (mudharabah and musarakah).

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NPF : Non Performing Financing

O

Olibs : OnLine Integrated Banking System

P

PT : Perseroan Terbatas - Limited Liability Company

PPAP : Penyisihan Penghapusan Aktiva Produktif - Allowances for Earning Assets Losses

PUAS : Pasar Uang Antar Bank berdasarkan prinsip Syariah- Interbank Sharia Money Market

PYD : Pembiayaan yang Diberikan - Financing

Q

Qanun (from an Arabic word meaning "law" or "rules"): Aceh regional regulations in light of the special autonomy granted to Aceh from the Indonesian central government.

R

Riba : interest based transactions where owner of the capital gets return without making any effort and therefore not allowed under Sharia

ROA : Return on Assets - the ratio of annualized earnings before taxes to average assets

ROE : Return on Equity

S

SBIS : Sertifikat Bank Indonesia Syariah - Sharia Certificate of Bank Indonesia

Sharia Board of Supervisors : A committee of Islamic scholars available to an Islamic financial institution for guidance and supervision in the development of Shariah compliant products.

Sharia Principle : Principles of the Islamic law for banking activities determined by institutions deemed to have authority to provide sharia advice.

SWBI : Sertifikat Wadiah Bank Indonesia - Wadiah Sharia Certificate of Bank Indonesia

Tawarruq : Commodity

U

UKM : Usaha Kecil dan Menengah - Small and Medium Scale Enterprise

Ulama - Scholars.

The Conversion of Regional Development Bank to Islamic Bank:

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UUS : Unit Usaha Syariah - Sharia Business Unit of a Conventional Bank

W

Wadiah - Transaction to keep funds or goods from the owner in care of the caretaker. The caretaker has the obligation to the owner to return the funds or goods anytime or with an agreement.

Wakalah - A portion representation from one party to another. Wakalah is usually implemented to make a Letter of Credit to purchase goods outside of the country (L/C Import) or forwarding a request.

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