

ATTACHMENT 1

FINANCIAL SERVICES AUTHORITY CIRCULAR LETTER
NUMBER 10/SEOJK.03/2014

CONCERNING

RISK-BASED BANK RATING FOR ISLAMIC COMMERCIAL BANKS AND ISLAMIC BUSINESS UNITS

MATRIX OF PARAMETERS/INDICATORS OF RISK-BASED BANK RATING

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ATTACHMENT I.1

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RISK-BASED BANK RATING FOR ISLAMIC COMMERCIAL BANKS AND ISLAMIC BUSINESS UNITS

ASSESSMENT OF RISK PROFILE FACTOR

Matrix of Parameters/Indicators of Credit Risk Assessment

A. Inherent Risk *)				
Number	Parameter		Indicator	Explanation
1.	Composition of Asset Portfolios, including types of contracts (akad) used and Level of Concentration	a.	$\frac{\text{Financing to Core Debtors}}{\text{Total Financing}}$	<p>1) Financing to Core Debtors covers financing to non-Bank third parties, both individual debtors as well as non-related groups with the following criteria:</p> <p>a) for Bank with total asset of less than or equal to Rp1 trillion, it covers financing to 10 large debtors</p> <p>b) for Bank with total asset of larger than Rp1 trillion but smaller or equal to Rp10 trillion, it covers financing to 15 large debtors/groups</p> <p>c) for Bank with total asset of larger than Rp10 trillion, it covers financing to 25 large debtors/groups</p> <p>2) Total Financing is financing to non-Bank third parties.</p>
		b.	$\frac{\text{Financing per Economic Sector}}{\text{Total Financing}}$	1) Financing per Economic Sector is financing to Banks and non-Bank third parties per economic sector category as provided in prevailing regulation

				<p>concerning Monthly Report on Monetary Stability and Financial System of Islamic Commercial Banks and Islamic Business Units.</p> <p>2) Total Financing is financing to Banks and non-Bank third parties.</p>
		c.	<p><u>Financing per Portfolio Category</u> Total Financing</p>	<p>1) Financing per Portfolio Category is financing to Banks and non-Bank third parties based on portfolio categories as provided in prevailing regulation concerning Monthly Report on Monetary Stability and Financial System of Islamic Commercial Banks and Islamic Business Units.</p> <p>2) Total Financing is financing to Banks and non-Bank third parties.</p>
		d.	<p><u>Financing per Contract (Akad) Category (Debts and Profit Sharing)</u> Total Financing</p>	<p>1) Financing per Category of Debt-Receiveable Contracts is financing to non-Bank third parties using Sale-Purchase (murabahah, istishna, and salam) contracts, Loan (qardh) contract, and Leasing (ijarah) contract.</p> <p>2) Financing per Category of Profit sharing Contracts is financing to non-Bank third parties using profit sharing (mudharabah and musyarakah including</p>

				<p>mudharabah mutanaqisah) contracts.</p> <p>3) Total Financing is financing to Banks and non-Bank third parties.</p>
2.	Quality of Fund Provision and Adequacy of Reserve	a.	<p>Low Quality Assets and off balance sheet transactions</p> <hr/> <p>Total Gross Assets and off balance sheet transactions</p>	<p>1) Low Quality Assets are all Bank's assets, both earning and non-earning, which have quality statuses of special mention, sub standard, doubtful, and loss in accordance with prevailing regulation concerning Asset Quality, including financing for restructuring of current assets, current Foreclosed collateral, current abandoned properties, and current temporary capital participation.</p> <p>2) Off balance sheet transactions comprising irrevocable LCs, Bank guarantees, and line facility (commitment).</p> <p>3) Low Quality Off balance sheet transactions are Off balance sheet transactions that have the quality statuses of special mention, sub standard, doubtful, and loss in accordance with prevailing regulation concerning Asset Quality Assessment for Islamic Commercial Banks and Islamic Business Units.</p> <p>4) Total Gross Assets is total gross assets that</p>

				<p>comprises of total assets, total Allowance for Impairment losses (CKPN), and Allowance for non-earning asset losses (PPA non productive).</p> <p>5) Calculations of CKPN and PPA non productive refer to prevailing regulations and accounting standards.</p>
		b.	<p>Problem Assets and off balance sheet transactions</p> <hr/> <p>Low Quality (Total Gross Assets and off balance sheet transactions)</p>	<p>1) Problem Assets are all Bank's assets, both earning and non-earning, which have quality statuses of sub standard, doubtful, and loss in accordance with prevailing regulation concerning Asset Quality.</p> <p>2) Problem off balance sheet transactions are off balance sheet transactions that have the quality statuses of sub standard, doubtful, and loss according to prevailing regulation concerning Asset Quality Assessment for Islamic Commercial Banks and Islamic Business Units.</p> <p>3) Total Low Quality Gross Assets is total gross assets that comprises of total assets, total Allowance for Impairment losses (CKPN), and Allowance for non-earning asset losses (PPA non productive) that have the quality statuses of special mention, sub standard,</p>

				<p>doubtful, and non-performing, including financing for restructuring of current assets, current Foreclosed collateral, current abandoned properties, and current temporary capital participation.</p> <p>4) Low Quality off balance sheet transactions are off balance sheet transactions that have the quality statuses of special mention, sub standard, doubtful, and loss in accordance with prevailing regulation concerning Asset Quality Assessment for Islamic Commercial Banks and Islamic Business Units.</p>
		c.	$\frac{\text{Low Quality Financing}}{\text{Total Financing}}$	<p>1) Low Quality Financing is all financing to non-Bank third parties that have the quality statuses of special mention, sub standard, doubtful, and non-performing, including financing for restructuring of current financing.</p> <p>2) Total Financing is financing to non-Bank third parties.</p>
		d.	$\frac{\text{Problem Financing}}{\text{Total Financing}}$	<p>1) Problem Financing is financing to non-Bank third</p> <p>2) parties that have the quality statuses of sub standard, doubtful, and non-performing</p> <p>3) Total Financing is financing to non-Bank third</p>

				parties.
		e.	$\frac{\text{Problem Financing minus CKPN for Problem Financing}}{\text{Total Financing after deducted by CKPN}}$	<ol style="list-style-type: none"> 1) Problem Financing is financing to non-Bank third parties that have the quality statuses of sub standard, doubtful, and non-performing. 2) CKPN for Problem Financing is Reserve for Loss from Value Impairment for financing that have the quality statuses of sub standard, doubtful, and non-performing. 3) Calculation of CKPN refers to prevailing regulations and accounting standards. 4) Total Financing is financing to non-Bank third parties.
		f.	$\frac{\text{Problem Financing per Economic Sector}}{\text{Total Problem Financing}}$	<ol style="list-style-type: none"> 1) Problem Financing per Economic Sector is financing to non-Bank third parties per economic sector category, as provided in prevailing regulation concerning Monthly Report on Monetary Stability and Financial System of Islamic Commercial Banks and Islamic Business Units, that have the quality statuses of sub standard, doubtful, and non-performing per economic sector. 2) Total Problem Financing is financing to non-Bank

				third parties that have the quality statuses of sub standard, doubtful, and non-performing per economic sector.
		g.	$\frac{\text{Total Restructured Financing}}{\text{Total Financing}}$	<p>1) Total Restructured Financing is total financing to non-Bank third parties that is restructured, including financing that have the quality statuses of current and special mentionspecial mention as provided in prevailing regulation concerning restructuring.</p> <p>2) Total Financing is financing to non-Bank third parties.</p>
		h.	$\frac{\text{Restructured Financing with Quality Statuses of Current and Special mention}}{\text{Total Restructured Financing}}$	<p>1) Total Restructured Financing with Quality Statuses of Current and Special mention is total financing to non-Bank third parties that is restructured with quality statuses of current and special mention as provided in prevailing regulation concerning restructuring.</p> <p>2) Total Restructured Financing is financing to non-Bank third parties that is restructured.</p>
		i.	$\frac{\text{Foreclosed collateral}}{\text{Total Assets}}$	<p>1) Foreclosed collateral refer to prevailing provision concerning Asset Quality.</p> <p>2) Total Assets is total assets in the Financial Position</p>

				Report as stated in the Monthly Report on Monetary Stability and Financial System of Islamic Commercial Banks and Islamic Business Units
		j.	<p>CKPN for On balance sheet's Earning Assets +</p> <p><u>PPA non productive for off balance sheet transactions' Earning Assets</u></p> <p>Obligatory PPA non productive on On balance sheet's Earning Assets and off balance sheet transactions</p>	<p>1) Calculation of CKPN refers to prevailing regulations and accounting standards.</p> <p>2) Calculation of obligatory PPA non productive on on balance sheet's earning assets and off balance sheet transactions refer to prevailing regulation concerning Asset Quality.</p>
		k.	<p><u>All CKPN and PPA non productive that have been established</u></p> <p>Low Quality Assets and off balance sheet transactions</p>	<p>1) Calculation of CKPN refers to prevailing regulations and accounting standards.</p> <p>2) Calculation of obligatory PPA non productive refers to prevailing regulation concerning Asset Quality.</p> <p>3) Low Quality Assets are all Bank's assets, both earning and non-earning, which have quality statuses of special mention, sub standard, doubtful, and loss in accordance with prevailing regulation concerning Asset Quality, including financing for restructuring of current assets, current Foreclosed collateral, current abandoned properties, and current</p>

				<p>temporary capital participation.</p> <p>4) Low Quality are off balance sheet transactions that have the quality statuses of special mention, sub standard, doubtful, and loss in accordance with prevailing regulation concerning Asset Quality Assessment for Islamic Commercial Banks and Islamic Business Units.</p>
		1.	<p>All CKPN and PPA non productive that have been established</p> <hr/> <p>Low Quality On balance sheet's Earning Assets, off balance sheet transactions' Earning Assets, Non- Earning Assets</p>	<p>1) Calculation of CKPN refers to prevailing regulations and accounting standards.</p> <p>2) Calculations of obligatory PPA non productive on on balance sheet's and off balance sheet transactions' earning assets refer to prevailing regulation concerning Asset Quality.</p> <p>3) Low Quality On balance sheet's Earning Assets, off balance sheet transactions' Earning Assets and Non-Earning Assets are on balance sheet's earning assets, off balance sheet transactions' earning assets and non-earning assets that have the quality statuses of special mention, sub standard, doubtful, and loss according to prevailing regulation concerning Asset Quality.</p>

		m.	$\frac{\text{CKPN on Financing}}{\text{Total Financing}}$	<p>1) CKPN on Financing is CKPN established on financing extended to non-Bank third parties.</p> <p>2) Total Financing is financing to non-Bank third parties.</p>
		n.	$\frac{\text{Low Quality Earning Assets (Earning Assets at Risk)}}{\text{Earning Assets}}$	<p>1) Low Quality Earning Assets are earning assets that are grouped based on their qualities and are weighted with certain percentage value (Multiplication weight: Current = 5%; Sub standard = 15%; Doubtful = 50% and Loss = 100%).</p> <p>2) Earning Assets are as referred to in the prevailing regulation concerning Assessment of Asset Quality for Islamic Commercial Banks and Islamic Business Units.</p>
3.	Strategy for Fund Provision and Sources of Fund Provision	a.	Process of fund provision, level of competition, and level of asset growth	-
		b.	New strategy and products	In this regard, new strategy and products are changes in Bank's strategy for fund provision or new product marketing that has the potential for increasing Credit Risk exposure at Bank.
		c.	Significance of fund provision	Fund provision conducted indirectly by Bank covers

			indirectly conducted by Bank	among others fund provision by cooperating with third parties or purchase of financing from other Bank/ financial institutions.
4.	External Factor		Changes in economic condition, technology, or regulations that influence the rate of return, exchange rate, business cycle of a debtor, which have an impact on the debtors' ability to repay his/her obligation.	Self explanatory.
B. Risk Management quality				
1	Risk Governance covers evaluation of: (i) formulation of Risk appetite and Risk tolerance and (ii) adequacy of active oversight by Board of Commissioners and Board of Directors, including implementation of the authorities and responsibilities of Board of Commissioners and Board of Directors.			
2	Risk Management Framework covers evaluation of: (i) Risk Management strategy that is in line with Risk appetite and Risk tolerance; (ii) adequacy of organizational instruments to support effective implementation of Risk Management, including clarity in authorities and responsibilities; and (iii) adequacy of policies, procedures and limit setting.			
3	Risk Management Process, Information System, and Human Resources cover evaluation of: (i) Risk identification process, measurement, monitoring, and control; (ii) adequacy of Risk Management Information system; and (iii) adequacy of human resource quantity and quality to support the effectiveness of Risk management process.			
4	Risk Control System covers evaluation of: (i) adequacy of Internal Control System and (ii) adequacy of independent reviews from inside the Bank, both by Risk Management Working unit as well as Internal Audit Working unit.			

*) Constitutes minimum parameters/indicators and Bank can add other parameters/indicators in accordance with the characteristics and complexity of Bank's business. Assessment is performed per position and trend of the last 12 months for quantitative parameters/indicators.

Assessment of Bank Rating in Consolidated manner can use parameters/indicators of individual assessment of Bank Rating, which should be adjusted to the scale, characteristics and complexity of Subsidiary Company's business.

Matrix of Parameters/Indicators of Market Risk Assessment

A. Inherent Risk *)				
Num-ber	Parameter		Indicator	Explanation
1.	Assessment of Portfolio Volume and Composition	a.	$\frac{\text{Trading Assets and Forward Claims}}{\text{Total Assets}}$	<p>1) Trading Assets are marketable securities owned with measurement category of being traded.</p> <p>2) Forward Claims are claims obtained from Mark to Market (MTM) profits from forward transactions.</p> <p>3) Total Assets is total assets in the Financial Position Report as stated in the Monthly Report on Monetary Stability and Financial System of Islamic Commercial Banks and Islamic Business Units.</p>
		b.	$\frac{\text{Trading Liabilities and Forward liabilities}}{\text{Total Liabilities and Equity}}$	<p>1) Trading Liabilities are marketable securities issued with measurement category of being traded.</p> <p>2) Forward liabilities are liabilities arising from Mark to Market (MTM) losses from forward transactions.</p> <p>3) Total Liabilities and Equity are bank's liabilities and equity in the Financial Position Report as stated in the Monthly Report on Monetary Stability and Financial System of Islamic Commercial Banks and Islamic Business Units.</p>

		c.	<p>Potential Profits/Losses from Trading Assets and Forward Claims</p> <hr/> <p>Operational Income</p>	<p>1) Potential Profits/Losses from financial assets are potential profits/losses (net) from:</p> <ul style="list-style-type: none"> a) increases/decreases in marketable security fair values (MTM); b) increases/decreases in other financial assets' fair values; c) decreases/increases in financial liabilities' fair values (MTM); and d) changes in the fair values (MTM) of forward and others. <p>2) Operational Income is all income obtained by Bank from its operational activities.</p>
		d.	<p>Potential Profits/Losses from Forward Assets</p> <hr/> <p>Operational Income</p>	<p>1) Potential Profits/Losses from financial assets are potential profits/losses (net) from:</p> <ul style="list-style-type: none"> a) increases/decreases in marketable security fair values (MTM); b) increases/decreases in other financial assetd' fair values; c) decreases/increases in financial liabilities' fair values (MTM); and d) changes in the fair values (MTM) of forward

				and others. 2) Operational Income is all income obtained by Bank from its operational activities.
		e.	$\frac{\text{Total Forward}}{\text{Total Assets}}$	1) Total Forward is all forward transactions owned by Bank. 2) Total Assets is total assets in the Financial Position Report as stated in the Monthly Report on Monetary Stability and Financial System of Islamic Commercial Banks and Islamic Business Units.
		f.	$\frac{\text{Net Open Position (foreign exchange)}}{\text{Total Capital}}$	1) Net Foreign Currency Position is a number that constitutes the sum of absolute values of the total of: a) net difference between assets and liabilities in the on balance sheet for each foreign currency; and b) net difference between claims and liabilities, both commitments as well as contingencies in the off balance sheet, for each foreign currency which are all stated in rupiah and in accordance with the prevailing regulation concerning Net Open Position (foreign exchange).

				2) Total Capital is total capital in accordance with prevailing regulation concerning Net Open Position (foreign exchange).
		g.	$\frac{\text{Net Open Position (foreign exchange) in Main Currency (USD)}}{\text{Total Capital}}$	<p>1) Net Open Position (foreign exchange) in main currency is a number that constitutes the sum of absolute values of the total of:</p> <p>a) net difference between assets and liabilities in the on balance sheet for each foreign currency; and</p> <p>b) net difference between claims and obligations, both commitments as well as contingencies in the off balance sheet, for each foreign currency which are all stated in the main currency (USD) in accordance with the prevailing regulation concerning Net Open Position (foreign exchange).</p> <p>2) Total Capital is total capital in accordance with prevailing regulation concerning Net Open Position (foreign exchange).</p>
		h.	$\frac{\text{Equity of AFS Category}}{\text{Total Capital}}$	1) Equity of Available for Sale (AFS) category is participations with the criteria for participation method measured at the fair value through equity,

				<p>the objective of participation in the framework of restructuring and others, issuer group other than insurance company, and part of participation is less than 50%.</p> <p>2) Total Capital is total capital in accordance with prevailing regulation concerning Net Open Position (foreign exchange).</p>
		i.	<p>Equity in the Framework of Financing <hr/> Restructuring <hr/> Total Capital</p>	<p>1) Equity in the Framework of Financing Restructuring is participation intended to be participation in the framework of financing restructuring.</p> <p>2) Total Capital is total capital in accordance with prevailing regulation concerning Net Open Position (foreign exchange).</p>
		j.	<p>Long-Term Financial Liabilities with <hr/> Fixed Rate of Return <hr/> Long-Term Financial Assets with Fixed Rate of Return</p>	<p>1) Long-Term Financial Liabilities with Fixed Rate of Return are financial liabilities with long-term fixed rate of return (remaining time to maturity is one year or more).</p> <p>2) Long-Term Financial Assets with Fixed Rate of Return are financial assets with long-term fixed rate of return (remaining time to maturity is one year or</p>

				more).
2.	Unrealized (Potential) Loss from Benchmark Interest Rate Risk in Banking Book (BRBB)		BRBB Exposure based on Gap Report (Earnings perspective and Economic Value perspective)	<p>Gap report is a report that presents asset and liability accounts, and off balance sheet that are sensitive to changes in benchmark interest rates to be mapped into a certain time scale.</p> <p>Mapping is made based on remaining time to maturity for instruments with fixed rate of return contracts and based on remaining time until the next adjustment to the rate of return for instruments with volatile rate of return contracts. Format of the gap report prepared by Bank is both based on contracts or by taking into account the behavioural aspect from adjustments to the rate of return of Bank's asset as well as obligation. The gap report can be used by Bank to measure BRBB exposure, from the earnings perspective as well as economic value perspective. Furthermore, Bank should ensure that profit sharing income as well as the capital it owned are able to absorb unrealized loss from BRBB exposure.</p>
			Unrealized Loss of Marketable Security of AFS category	1) Unrealized Loss of Marketable Security of Available for Sale (AFS) portfolio category;

			Total Capital	2) Total Capital is total capital in accordance with prevailing regulation concerning Net Open Position (foreign exchange).
3.	Business Strategy and Policies			
3.1	Trading Strategy	a.	Trading Characteristics	Bank's trading activities in general can be differentiated between activities of transactions for own interest (proprietary trading), in the framework of establishing a market (market making), or at the request of customers as well as brokering activities, which have a different inherent Risk level.
		b.	Bank's Market Position in the Industry	Bank's position in the market can be differentiated between large or active player (market player/market maker), or small player (niche player).
		c.	Complexity of Trading Products/Instruments	Analysis of the complexity of products owned by Bank currently or that are planned to be issued, to determine whether they are categorized as complex or simple (plain vanilla) instruments such as fixed income securities.
		d.	Characteristics of Customers	Analysis whether Bank's main customers are large companies, whether they are Banks, or individual customers in relation to sensitivity to changes in market

				factor.
3.2	Business Strategy in relation to Benchmark Interest Rate Risk in Banking Book	a.	Characteristics of business activities that have impacts on benchmark interest rate risk in banking book and characteristics of Bank's main customers.	Analysis of main business, products with option feature, funding structure, and significance of profit sharing income that is sensitive to changes in interest rates.
		b.	Bank's market position in the industry	Analysis of Bank's market position, particularly in relation to competition for cheap funds (savings deposits and demand deposits).
		c.	Customer characteristics	Analysis of main customer characteristics of Bank and their sensitivity to changes in interest rates.
B. Risk Management quality				
1	Risk Governance covers evaluation of: (i) formulation of Risk appetite and Risk tolerance and (ii) adequacy of active oversight by Board of Commissioners and Board of Directors, including implementation of the authorities and responsibilities of Board of Commissioners and Board of Directors.			
2	Risk Management Framework covers evaluation of: (i) Risk Management strategy that is in line with Risk appetite and Risk tolerance; (ii) adequacy of organizational instruments to support effective implementation of Risk Management, including clarity in authorities and responsibilities; and (iii) adequacy of policies, procedures and limit setting.			
3	Risk Management Process, Information System, and Human Resources cover evaluation of: (i) Risk identification process, measurement, monitoring, and control; (ii) adequacy of Risk Management Information system; and (iii) adequacy of human resource quantity and quality to support the effectiveness of Risk management process.			

4	Risk Control System covers evaluation of: (i) adequacy of Internal Control System and (ii) adequacy of independent reviews from inside the Bank, both by Risk Management Working unit as well as Internal Audit Working unit.
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*) Constitutes minimum parameters/indicators and Bank can add other parameters/indicators in accordance with the characteristics and complexity of Bank's business. Assessment is performed per position and trend of the last 12 months for quantitative parameters/indicators.

Assessment of Bank Rating in Consolidated manner can use parameters/indicators of individual assessment of Bank Rating, which should be adjusted to the scale, characteristics and complexity of Subsidiary Company's business.

Matrix of Parameters/Indicators of Liquidity Risk Assessment

B. Inherent Risk *)				
Num-ber	Parameter	Indicator		Explanation
1.	Composition of Assets, Liabilities and Off balance sheet Transactions	a.	$\frac{\text{Total Liquid Assets}}{\text{Total Assets}}$	<p>1) Total Liquid Assets is Total Primary Liquid Assets and Total Secondary Liquid Assets</p> <p>2) Primary Liquid Assets are assets that are extremely liquid to meet liquidity need of third-party fund withdrawals and matured liabilities, comprising:</p> <ul style="list-style-type: none"> a) Cash b) Placements at Bank Indonesia; c) Placements at other banks; d) Marketable securities of the Available for Sale/AFS or trading categories; and e) All government marketable securities (government sukuk) of high quality trading and AFS categories, which are traded in active markets, and have remaining time to maturity of 1 year or less. <p>3) Secondary Liquid Assets are a number of liquid assets with lower quality to meet liquidity need of</p>

				<p>third-party fund withdrawals and matured liabilities, comprising:</p> <p>a) government marketable securities (government sukuk) of good quality trading and AFS categories, which are traded in active markets, and have remaining time to maturity more than 1 year but less than 5 years.</p> <p>b) government marketable securities (government sukuk) of Held-to-Maturity (HTM) category and have remaining time to maturity of up to 1 year; and</p> <p>c) government marketable securities (government sukuk) of trading and AFS categories, which have remaining time to maturity more than 5 years, with haircut value of 25%.</p> <p>4) Total Assets is total assets in the Financial Position Report as stated in the Monthly Report on Monetary Stability and Financial System of Islamic Commercial Banks and Islamic Business Units.</p>
		b.	$\frac{\text{Total Liquid Assets}}{\text{Short-Term Funding}}$	1) Total Liquid Assets is Total Primary Liquid Assets and Total Secondary Liquid Assets

				2) Short-Term Funding is all third-party funds that do not have maturity dates and/or third-party funds that have maturity dates of 1 year or less.
		c.	$\frac{\text{Short-Term Assets}}{\text{Short-Term Liabilities}}$	<p>1) Short-Term Assets are liquid assets of less than 3 months, other than cash, placements at BI (Sertifikat Bank Indonesia Syariah/SBIS) and Surat Berharga Syariah Negara (SBSN) in the maturity profile report as referred to in Islamic Commercial Bank Periodic Report.</p> <p>2) Short-Term Liabilities are liquid liabilities of less than 3 months other than cash, placements at BI (Sertifikat Bank Indonesia Syariah/SBIS) and Surat Berharga Syariah Negara (SBSN) in the maturity profile report as referred to in Islamic Commercial Bank Periodic Report.</p>
		d.	$\frac{\text{Total Liquid Assets}}{\text{Non Core Funding}}$	<p>1) Total Liquid Assets is Total Primary Liquid Assets and Total Secondary Liquid Assets.</p> <p>2) Non Core Funding is funding that is, according to Bank, relatively not stable or tends not to be deposited in Bank in normal as well as critical situations, covering:</p>

				<ul style="list-style-type: none"> a) third-party funds amounting more than Rp 2 billion; b) all inter-Bank transactions; and c) all borrowings but excluding subordinated loans that are included as capital component.
		e.	<p style="text-align: center;"><u>Primary Liquid Assets</u> Short-Term Non Core Funding</p>	<ul style="list-style-type: none"> 1) Primary Liquid Assets are assets that are extremely liquid to meet liquidity need of third-party fund withdrawals and matured liabilities, comprising: <ul style="list-style-type: none"> a) Cash b) Placements at Bank Indonesia; c) Placements at other banks; d) Marketable securities of the Available for Sale/AFS or trading categories; and 2) All government marketable securities (government sukuk) of high quality trading and AFS categories, which are traded in active markets, and have remaining time to maturity of 1 year or less. 3) Short-Term Non Core Funding is funding that is, according to Bank, relatively not stable or tends not to be deposited in Bank in normal as well as crisis situations, covering:

				<p>a) third-party funds amounting more than Rp 2 billion;</p> <p>b) all inter-Bank transactions; and</p> <p>c) all borrowings but excluding subordinated loans that are included as capital component. for time period of less than 1 year.</p>
		f.	$\frac{\text{Non Core Funding}}{\text{Total Funding}}$	<p>1) Non Core Funding is funding that is, according to Bank, relatively not stable or tends not to be deposited in Bank in normal as well as crisis situations, covering:</p> <p>a) third-party funds amounting more than Rp 2 billion;</p> <p>b) all inter-Bank transactions; and</p> <p>c) all borrowings but excluding subordinated loans that are included as capital component.</p> <p>2) Total Funding is all fund sources obtained by Bank in the forms of all third-party funds as well as borrowings received.</p>
		g.	$\frac{\text{Non Core Funding} - \text{Total Liquid Assets}}{\text{Total Assets} - \text{Liquid Assets}}$	<p>1) Non Core Funding is funding that is, according to Bank, relatively not stable or tends not to be deposited in Bank in normal as well as crisis</p>

				<p>situations, covering:</p> <ol style="list-style-type: none"> a) third-party funds amounting more than Rp 2 billion; b) all inter-Bank transactions; and c) all borrowings but excluding subordinated loans that are included as capital component. <p>2) Total Liquid Assets is Total Primary Liquid Assets and Total Secondary Liquid Assets.</p> <p>3) Total Assets is total assets in the Financial Position Report as stated in the Monthly Report on Monetary Stability and Financial System of Islamic Commercial Banks and Islamic Business Units.</p> <p>Ratio is used to assess Bank's dependency on Non-Core Funding.</p>
		h.	<p><u>Third-Party Funds guaranteed by IDIC</u> Third-Party Funds</p>	<ol style="list-style-type: none"> 1) Third-Party Funds guaranteed by Indonesia Deposit Insurance Corporation (IDIC) are third-party funds which respective nominal value is less than Rp2 billion and are guaranteed by the IDIC. 2) Third-Party Funds is all third-party funds.
		i.	<p>Significant Administrative Account Transactions (commitment and</p>	<p>Commitment and contingency liabilities are commitment and contingency liabilities recorded in</p>

			contingency liabilities)	Administrative Account Transactions as provided in the regulation concerning Monthly Report on Monetary Stability and Financial System of Islamic Commercial Banks and Islamic Business Units.
2.	Concentration of assets and liabilities	a.	Asset concentration	Concentration of certain assets or fund placement in sectors not controlled by Bank can disrupt liquidity position when defaults occur.
		b.	Liability concentration	Concentration on fund sources that tend to be sensitive to changes in rate of return which can create problems in Bank's liquidity position when large amount withdrawals occur.
3.	Susceptibility to Funding Needs	Bank's susceptibility to funding needs and Bank's ability to meet those funding needs.		Indicator of assessment of Bank's funding needs in normal as well as critical situations and Bank's ability to meet those funding needs are determined among others through analysis of report on maturity profile, cash flow projections, and stress test.
4.	Access to Sources of Funds	Bank's ability to obtain funding sources in normal as well as critical conditions.		Assessment is among others focused on Bank's reputation in maintaining sources of funds, conditions of financing lines, performance on access to sources of funds, and support from parent or intra group company.
B. Risk Management quality				

1	Risk Governance covers evaluation of: (i) formulation of Risk appetite and Risk tolerance and (ii) adequacy of active oversight by Board of Commissioners and Board of Directors, including implementation of the authorities and responsibilities of Board of Commissioners and Board of Directors.
2	Risk Management Framework covers evaluation of: (i) Risk Management strategy that is in line with Risk appetite and Risk tolerance; (ii) adequacy of organizational instruments to support effective implementation of Risk Management, including clarity in authorities and responsibilities; and (iii) adequacy of policies, procedures and limit setting.
3	Risk Management Process, Information System, and Human Resources cover evaluation of: (i) Risk identification process, measurement, monitoring, and control; (ii) adequacy of Risk Management Information system; and (iii) adequacy of human resource quantity and quality to support the effectiveness of Risk management process.
4	Risk Control System covers evaluation of: (i) adequacy of Internal Control System and (ii) adequacy of independent reviews from inside the Bank, both by Risk Management Working unit as well as Internal Audit Working unit.

*) Constitutes minimum parameters/indicators and Bank can add other parameters/indicators in accordance with the characteristics and complexity of Bank's business. Assessment is performed per position and trend of the last 12 months for quantitative parameters/indicators.

Assessment of Bank Rating in Consolidated manner can use parameters/indicators of individual assessment of Bank Rating, which should be adjusted to the scale, characteristics and complexity of Subsidiary Company's business.

Matrix of Parameters/Indicators of Operational Risk Assessment

A. Inherent Risk *)			
Num-ber	Parameter	Indicator	Explanation
1.	Business Characteristics and Complexity	<ul style="list-style-type: none"> a. Business scale and organization structure of Bank b. Complexity of business processes and diversity of products/services. c. Corporate action and new business development d. Outsourcing 	High level business complexity and high level product diversity of Bank will create complications and varied work processes, both manual as well as automated, and as such have the potential to create operational disruptions/losses.
2.	Human Resources	<ul style="list-style-type: none"> a. Implementation of Human Resource Management b. Human Error 	Ineffective human resource management can potentially create disruptions/losses to Bank's operation.
3.	Information Technology and Supporting Infrastructure	<ul style="list-style-type: none"> a. Complexity of Information Technology (IT) b. Changes in IT System c. Susceptibility of IT System to IT threats and attacks d. Maturity of IT System e. Failure of IT System 	Information technology that is no longer adequate or is less supportive to Bank's operational activities and/or ineffective and inefficient management of IT can cause losses to Bank.

		f. Reliability of Supporting Infrastructure	
4.	Frauds	a. Internal Fraud b. External Fraud	Assessment of frauds is undertaken on the frequency/materiality of frauds that have occurred during the previous assessment period, including potential frauds that might arise from weaknesses in the aspects of business, human resources, information technology and external events.
5.	External Events	Frequency and materiality of external events that have impacts on Bank's operational activities.	Examples of external events are terrorism, criminality, pandemic and natural disasters affecting the location and geographical condition of Bank.
B. Risk Management quality			
1	Risk Governance covers evaluation of: (i) formulation of Risk appetite and Risk tolerance and (ii) adequacy of active oversight by Board of Commissioners and Board of Directors, including implementation of the authorities and responsibilities of Board of Commissioners and Board of Directors.		
2	Risk Management Framework covers evaluation of: (i) Risk Management strategy that is in line with Risk appetite and Risk tolerance; (ii) adequacy of organizational instruments to support effective implementation of Risk Management, including clarity in authorities and responsibilities; and (iii) adequacy of policies, procedures and limit setting.		
3	Risk Management Process, Information System, and Human Resources cover evaluation of: (i) Risk identification process, measurement, monitoring, and control; (ii) adequacy of Risk Management Information system; and (iii) adequacy of human resource quantity and quality to support the effectiveness of Risk management process.		
4	Risk Control System covers evaluation of: (i) adequacy of Internal Control System and (ii) adequacy of independent reviews from		

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