

ATTACHMENT III

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CONCERNING

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

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ATTACHMENT III.1

Matrix of Composite Bank Rating

Rating	Explanation
CR 1	It reflects Bank's condition that is in general extremely sound as to be assessed of being extremely capable of withstanding significant negative influences from changes in business condition and other external factors as reflected in the rating of assessment factors, among others Risk profile, implementation of Good Corporate Governance principles, earnings, and capital that are in general extremely good. If weaknesses exist, they are in general not significant .
CR 2	It reflects Bank's condition that is in general sound as to be assessed of being capable of withstanding significant negative influences from changes in business condition and other external factors as reflected in the rating of assessment factors, among others Risk profile, implementation of Good Corporate Governance principles, earnings, and capital that are in general good. If weaknesses exist, they are in general less significant .
CR 3	It reflects Bank's condition that is in general adequately sound as to be assessed of being adequately capable of withstanding significant negative influences from changes in business condition and other external factors as reflected in the rating of assessment factors, among others Risk profile, implementation of Good Corporate Governance principles, earnings, and capital that are in general adequately good. If weaknesses exist, they are in general sufficiently significant and if they are not successfully resolved by management they can disrupt the sustainability of Bank's business.
CR 4	It reflects Bank's condition that is in general less sound as to be assessed of being less capable of withstanding significant negative influences from changes in business condition and other external factors as reflected in the rating of assessment factors, among others Risk profile, implementation of Good Corporate Governance principles, earnings, and capital that are in general not so good. There are weaknesses that are in general significant and cannot be well resolved by management and are disrupting the sustainability of Bank's business.
CR 5	It reflects Bank's condition that is in general not sound as to be assessed of being incapable of withstanding significant negative influences from changes in business condition and other external factors as reflected in the

	rating of assessment factors, among others Risk profile, implementation of Good Corporate Governance principles, earnings, and capital that are in general not so good. There are weaknesses that are in general extremely significant so that their resolutions require funding support from the shareholders or fund sources from other parties to strengthen Bank's financial condition.
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*) Applicable for assessment of risk-based Bank rating in individual and consolidated manner.

ATTACHMENT III.2

Matrix of Rating of Risk Profile Factor

Rating	Definitions
1	<p>Bank's Risk Profile that is included in this rating in general has characteristics such as the following:</p> <ul style="list-style-type: none"> • Taking into consideration business activities conducted by Bank, the possibility of losses that face Bank from composite inherent Risk is considered very low during certain period of time in the future. • The composite of Risk Management quality is extremely adequate. There are minor weaknesses that can be ignored.
2	<p>Bank's Risk Profile that is included in this rating in general has characteristics such as the following:</p> <ul style="list-style-type: none"> • Taking into consideration business activities conducted by Bank, the possibility of losses that face Bank from composite inherent Risk is considered low during certain period of time in the future. • The composite of Risk Management quality is adequate. There are minor weaknesses that need to get management's attention.
3	<p>Bank's Risk Profile that is included in this rating in general has characteristics such as the following:</p> <ul style="list-style-type: none"> • Taking into consideration business activities conducted by Bank, the possibility of losses that face Bank from composite inherent Risk is considered sufficiently high during certain period of time in the future. • The composite of Risk Management quality is sufficiently adequate. Despite fulfillment of minimum requirements, there are a number of weaknesses that require management's attention and improvements.
4	<p>Bank's Risk Profile that is included in this rating in general has characteristics such as the following:</p> <ul style="list-style-type: none"> • Taking into consideration business activities conducted by Bank, the possibility of losses that face Bank from composite inherent Risk is considered high during certain period of time in the future. • The composite of Risk Management quality is less adequate. There

	are significant weaknesses in various aspects of Risk Management that require immediate improvements.
5	<p>Bank's Risk Profile that is included in this rating in general has characteristics such as the following:</p> <ul style="list-style-type: none">• Taking into consideration business activities conducted by Bank, the possibility of losses that face Bank from composite inherent Risk is considered extremely high during certain period of time in the future.• The composite of Risk Management quality is not adequate. There are significant weaknesses in various aspects of Risk Management which resolution actions are beyond the management's capability.

ATTACHMENT III.2.1**Matrix of Determination of Risk Rating**

Risk Rating is the last conclusions on Bank's Risks after taking into consideration mitigations that have been made through the implementation of Risk management. To determine the Risk rating, Bank can refer to the following matrix of Risk Rating. The matrix basically maps Risk rating that are produced through a combination of inherent Risks and of Risk Management quality.

Inherent Risk	Risk Management Quality				
	Strong	Satisfactory	Fair	Marginal	Unsatisfactory
Low	1	1	2	3	3
Low to Moderate	1	2	2	3	4
Moderate	2	2	3	4	4
Moderate to High	2	3	4	4	5
High	3	3	4	5	5

ATTACHMENT III.2.2.a

Matrix of Rating Determination of Inherent Risk for Credit Risk

Rating	Definition of Rating
Low (1)	<p>By taking into consideration business activities conducted by Bank, the possibility of losses that face the Bank from Credit Risk is considered to be very low during certain period of time in the future.</p> <p>Sample characteristics of banks included in this rating are among others:</p> <ul style="list-style-type: none"> • Fund placement portfolios are dominated by very low credit/financing exposure. • Fund placement exposure is very well diversified. • Fund placement has very good quality. • Bank's strategy for fund placement or business model is considered stable. • Fund placement portfolios are relatively not influenced by changes in external factors.
Low to Moderate (2)	<p>By taking into consideration business activities conducted by Bank, the possibility of losses that face the Bank from Credit Risk is considered to be low during certain period of time in the future.</p> <p>Sample characteristics of banks included in this rating are among others:</p> <ul style="list-style-type: none"> • Fund placement portfolios are dominated by low credit/financing exposure. • Fund placement exposure is well diversified. • Fund placement has good quality. • Strategy for fund placement or business model is relatively stable. • Fund placement portfolios are less influenced by changes in external factors.
Moderate (3)	<p>By taking into consideration business activities conducted by Bank, the possibility of losses that face the Bank from Credit Risk is considered to be sufficiently high during certain period of time in the future.</p> <p>Sample characteristics of banks included in this rating are among</p>

	<p>others:</p> <ul style="list-style-type: none"> • Fund placement portfolios are dominated by moderate credit/financing exposure. • There is sufficiently significant concentration in fund placement. • Fund placement has adequately good quality. • Strategy for fund placement or business model is in general adequately stable. • Fund placement portfolios are sufficiently influenced by changes in external factors.
<p>Moderate to High (4)</p>	<p>By taking into consideration business activities conducted by Bank, the possibility of losses that face the Bank from Credit Risk is considered to be high during certain period of time in the future.</p> <p>Sample characteristics of banks included in this rating are among others:</p> <ul style="list-style-type: none"> • Fund placement portfolios are dominated by high credit/financing exposure. • There is significant concentration in fund placement. • Fund placement has less good quality. • There has been a significant change in strategy for fund placement or business model. • Fund placement portfolios are influenced by changes in external factors.
<p>High (5)</p>	<p>By taking into consideration business activities conducted by Bank, the possibility of losses that face the Bank from Credit Risk is considered to be extremely high during certain period of time in the future.</p> <p>Sample characteristics of banks included in this rating are among others:</p> <ul style="list-style-type: none"> • Fund placement portfolios are dominated by extremely high credit/financing exposure. • There is extremely significant concentration in fund placement. • Fund placement has bad quality. • There has been an extremely significant change in strategy for fund placement or business model.

	<ul style="list-style-type: none">• Fund placement portfolios are significantly influenced by changes in external factors.
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ATTACHMENT III.2.2.b

**Matrix of Rating Determination of Risk Management Quality
for Credit Risk**

Rating	Definition of Rating
Strong (1)	<p>Credit Risk Management quality is extremely adequate. Although there are minor weaknesses, but these weaknesses are not significant and therefore can be ignored.</p> <p>Sample characteristics of banks included in this rating are among others:</p> <ul style="list-style-type: none"> • Formulation of Risk appetite and Risk tolerance is extremely adequate and is already in line with Bank's overall strategic targets and business strategy. • Board of Commissioners and Board of Directors have extremely good awareness and understanding of Credit Risk management. • Credit Risk management culture is extremely strong and has been very well internalized at all organizational levels. • Overall implementation of the tasks of Board of Commissioners and Board of Directors is extremely adequate. • Independent Credit Risk management function has clear tasks and responsibilities and has been operating extremely well. • Delegations of authorities are controlled and periodically monitored and have been operating extremely well. • Credit strategy is extremely good and very much in line with Risk appetite and Credit Risk tolerance. • Credit Risk policies, procedures, and limits are extremely adequate and available for all areas of Credit Risk management, in line with the implementation, and well understood by the employees. • The process of Credit Risk management is extremely adequate in terms of the identification, measuring, monitoring, and control of Credit Risk. • The process of fund placement is in general extremely adequate, starting from the underwriting process up to problem asset handling.

	<ul style="list-style-type: none"> • Credit risk grading system is extremely good, applied consistently, and well understood by employees. There is an independent financing review function that operates well. • Credit Risk Management Information System is extremely good that it produces comprehensive and integrated Credit Risk reports for Board of Commissioners and Board of Directors. • In general, human resources at the Credit Risk management function are extremely adequate in terms of quantity as well as competency. • Internal control system is extremely effective in supporting the implementation of Credit Risk management. • Implementations of independent reviews by internal audit working unit and by the function that undertakes independent reviews are extremely adequate in terms of methodology, frequency, as well as reporting to Board of Commissioners and Board of Directors. • In general, there are no significant weaknesses based on results of independent reviews. • Follow ups on independent reviews have been executed in extremely adequate manner.
<p>Satisfactory (2)</p>	<p>Credit Risk Management quality is adequate. Although there are a number of minor weaknesses, but these weaknesses can be resolved in normal business activities.</p> <p>Sample characteristics of banks included in this rating are among others:</p> <ul style="list-style-type: none"> • Formulation of Credit Risk appetite and Risk tolerance is adequate and is already in line with Bank's overall strategic targets and business strategy. • Board of Commissioners and Board of Directors have good awareness and understanding of Credit Risk management. • Credit Risk Management Culture is strong and has been very well internalized at all organizational levels. • Overall implementation of the tasks of Board of Commissioners and Board of Directors is adequate. There are several weaknesses but are not significant and can be improved immediately.

	<ul style="list-style-type: none">• Independent Credit Risk Management function has clear tasks and responsibilities and has been operating well. There are minor weaknesses but they can be resolved in normal business activities.• Delegations of authorities are controlled and periodically monitored and have been operating well.• Credit strategy is good and in line with Risk appetite and Credit Risk tolerance.• Credit Risk policies, procedures, and limits are adequate and available for all areas of Credit Risk management, in line with the implementation, and well understood by the employees.• The process of Credit Risk management is adequate in terms of the identification, measuring, monitoring, and control of Credit Risk.• The process of fund placement is good. There are minor weaknesses in one or more aspects of fund placement but can be improved easily.• Credit risk grading system is good, applied consistently, and understood by the employees. There is an independent financing review function. There are minor weaknesses that do not disrupt the overall process.• Credit Risk Management Information System is good including the reporting to Board of Commissioners and Board of Directors. There are minor weaknesses but can be improved easily.• Human resources at the Credit Risk management function are adequate in terms of quantity as well as competency.• Internal control system is effective in supporting the implementation of Credit Risk management.• Implementations of independent reviews by internal audit working unit and by the function that undertakes independent reviews are adequate in terms of methodology, frequency, as well as reporting to Board of Commissioners and Board of Directors.• There are weaknesses but they are not significant based on results of independent reviews.• Follow ups on independent reviews have been adequately executed.
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<p>Fair (3)</p>	<p>Credit Risk Management quality is sufficiently adequate. Although minimum requirements are fulfilled, there are several weaknesses that require management's attention.</p> <p>Sample characteristics of banks included in this rating are among others:</p> <ul style="list-style-type: none"> • Formulation of Risk appetite and Risk tolerance is sufficiently adequate but is not always in line with Bank's overall strategic targets and business strategy. • Board of Commissioners and Board of Directors have sufficiently good awareness and understanding of Credit Risk management. • Credit Risk management culture is sufficiently strong and has been sufficiently well internalized but has not always been implemented consistently. • Overall implementation of the tasks of Board of Commissioners and Board of Directors is sufficiently adequate. There are a number of weaknesses in several aspects of assessment that require management's attention. • Credit Risk Management function has been operating sufficiently well, but there are a number of sufficiently significant weaknesses that require immediate resolutions by management. • Delegations of authorities are sufficiently good, but the control and monitoring have not always been well executed. • Credit strategy is adequately in line with Risk appetite and Credit Risk tolerance. • Credit Risk policies, procedures, and limits are sufficiently adequate but have not always been in line with the implementation, and/or have not been well understood by the employees. • The process of Credit Risk management is sufficiently adequate in terms of the identification, measuring, monitoring, and control of Credit Risk. • The process of fund placement is sufficiently good. There are weaknesses in one or more aspects of fund placement that require management's attention.
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	<ul style="list-style-type: none"> • Credit risk grading system and financing review function are adequately good, but there are a number of weaknesses that require management's attention. • Credit Risk Management Information System meets minimum expectation but there are several weaknesses including the reporting to Board of Commissioners and Board of Directors that require management's attention. • Human resources at the Credit Risk management function are sufficiently adequate in terms of quantity as well as competency. • Internal control system is sufficiently effective in supporting the implementation of Credit Risk management. • Implementations of independent reviews by internal audit working unit and by the function that undertakes independent reviews are sufficiently adequate. There are several weaknesses in terms of methodology, frequency, and/or reporting to Board of Commissioners and Board of Directors that require management's attention. • There are sufficiently significant weaknesses based on results of independent reviews. • Follow ups on independent reviews have been executed in sufficiently adequate manner.
Marginal (4)	<p>Credit Risk Management quality is less adequate. There are significant weaknesses on various aspects of Credit Risk management that require immediate improvements.</p> <p>Sample characteristics of banks included in this rating are among others:</p> <ul style="list-style-type: none"> • Formulation of Risk appetite and Risk tolerance is less adequate and is not in line with Bank's overall strategic targets and business strategy. • Board of Commissioners and Board of Directors have significant weaknesses in awareness and understanding of Credit Risk management. • Credit Risk management culture is not so strong and has not been internalized at each working unit level. • Overall implementation of the tasks of Board of Commissioners and

	<p>Board of Directors is less adequate. There are a number of weaknesses in several aspects of assessment that require immediate improvements.</p> <ul style="list-style-type: none"> • Credit Risk management function has significant weaknesses that require immediate improvements. • Delegations of authorities are weak and are not well controlled or monitored. • Credit strategy is not adequately in line with Risk appetite and Credit Risk tolerance. • There are significant weaknesses in Credit Risk policies, procedures, and limits. • The process of Credit Risk management is less adequate in terms of the identification, measuring, monitoring, and control of Credit Risk. • The process of fund placement is not so good. There are weaknesses in one or more aspects of fund placement that require immediate improvements. • Credit risk grading system and financing review function are not so good. There are several weaknesses that require immediate improvements. • Credit Risk Management Information System has significant weaknesses, including the reporting to Board of Commissioners and Board of Directors, which require immediate improvements. • Human resources at the Credit Risk management function are less adequate in terms of quantity as well as competency. • Internal control system is less effective in supporting the implementation of Credit Risk management. • Implementations of independent reviews by internal audit working unit and by the function that undertakes independent reviews are less adequate. There are several weaknesses in terms of methodology, frequency, and/or reporting to Board of Commissioners and Board of Directors that require immediate improvements. • There are significant weaknesses based on results of independent reviews that require immediate improvements.
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	<ul style="list-style-type: none"> • Follow ups on independent reviews have been executed in less adequate manner.
<p>Unsatisfactory (5)</p>	<p>Credit Risk Management quality is not adequate. There are significant weaknesses on various aspects of Credit Risk management, which resolution actions are beyond management's capability.</p> <p>Sample characteristics of banks included in this rating are among others:</p> <ul style="list-style-type: none"> • Formulation of Risk appetite and Risk tolerance is not adequate and is not in line with Bank's overall strategic targets and business strategy. • Board of Commissioners and Board of Directors have extremely weak awareness and understanding of Credit Risk management. • Credit Risk management culture is not strong and has not been internalized at each working unit level. • Overall implementation of the tasks of Board of Commissioners and Board of Directors is not adequate. There are a number of weaknesses in several aspects of assessment that require immediate improvements. • Credit Risk Management function has significant weaknesses that require immediate improvements. • Delegations of authorities are weak and are not well controlled or monitored. • Credit strategy is not in line with Risk appetite and Credit Risk tolerance. • There are significant weaknesses in Credit Risk policies, procedures, and limits. • The process of Credit Risk management is not adequate in terms of the identification, measuring, monitoring, and control of Credit Risk. • The process of fund placement is not good. There are weaknesses in one or more aspects of fund placement that require immediate improvements. • Credit risk grading system and financing review function are not good, but there are several weaknesses that require immediate improvements. • Credit Risk Management Information System has significant

	<p>weaknesses, including the Risk reporting to Board of Commissioners and Board of Directors, which require immediate improvements.</p> <ul style="list-style-type: none">• Human resources at the Credit Risk management function are not adequate in terms of quantity as well as competency.• Internal control system is not effective in supporting the implementation of Credit Risk management.• Implementations of independent reviews by internal audit working unit and by the function that undertakes independent reviews are not adequate. There are several weaknesses in terms of methodology, frequency, and/or reporting to Board of Commissioners and Board of Directors that require immediate improvements.• There are significant weaknesses based on results of independent reviews that require immediate improvements.• Follow ups on independent reviews have been executed inadequately.
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ATTACHMENT III.2.3.a

Matrix of Rating Determination of Inherent Risk for Market Risk

Rating	Definition of Rating
Low (1)	<p>By taking into consideration business activities conducted by Bank, the possibility of losses that face the Bank from Market Risk is considered to be very low during certain period of time in the future.</p> <p>Sample characteristics of banks included in this rating are among others:</p> <ul style="list-style-type: none"> • Market Risk exposure from trading is not significant. • Most trading book positions offset one another with minimal repricing Risk. • All foreign currency positions offset one another (completely matched or hedged). • Bank's asset and liability structures are not sensitive to changes in benchmark interest rates, which are reflected in repricing gaps of assets and liabilities that have very minimal impacts on bank's income from financing or on capital. • Bank's portfolios are dominated by less complex financial instruments. • In general, trading activities are to meet customers' needs (customer accommodation).
Low to Moderate (2)	<p>By taking into consideration business activities conducted by Bank, the possibility of losses that face the Bank from Market Risk is considered to be low during certain period of time in the future.</p> <p>Sample characteristics of banks included in this rating are among others:</p> <ul style="list-style-type: none"> • Market Risk exposure from trading is less significant. • There are mismatches in trading book positions but are less significant. • Most foreign currency positions can offset one another or are hedged. • Bank's asset and liability structures are less sensitive to changes in benchmark interest rates, which are reflected in repricing gaps of

	<p>assets and liabilities that have minimal impacts on bank's income from financing or on capital.</p> <ul style="list-style-type: none"> • Bank's portfolios are dominated by sufficiently complex financial instruments. • In general, trading activities are to meet customers' needs (customer accommodation).
Moderate (3)	<p>By taking into consideration business activities conducted by Bank, the possibility of losses that face the Bank from Market Risk is considered to be sufficiently high during certain period of time in the future.</p> <p>Sample characteristics of banks included in this rating are among others:</p> <ul style="list-style-type: none"> • Market Risk exposure from trading is sufficiently significant. • There are mismatches in trading book positions in sufficiently significant amounts. • There is foreign currency exposure in sufficiently significant amount. • Bank's asset and liability structures are sufficiently sensitive to changes in benchmark interest rates, which are reflected in repricing gaps of assets and liabilities that have sufficiently significant impacts on bank's income from financing or on capital. • Bank's portfolios are dominated by sufficiently complex financial instruments. • There are trading activities for own accounts (proprietary trading) or market making but not significant.
Moderate to High (4)	<p>By taking into consideration business activities conducted by Bank, the possibility of losses that face the Bank from Market Risk is considered to be high during certain period of time in the future.</p> <p>Sample characteristics of banks included in this rating are among others:</p> <ul style="list-style-type: none"> • Market Risk exposure from trading is significant. • There are mismatches in trading book positions in significant amounts. • Foreign currency exposure is significant. • Bank's asset and liability structures are sensitive to changes in

	<p>benchmark interest rates, which are reflected in repricing gaps of assets and liabilities that have significant impacts on bank's income from financing channeling or on capital.</p> <ul style="list-style-type: none"> • Bank's portfolios are dominated by complex financial instruments. • There are trading activities for own accounts (proprietary trading) or market making that are sufficiently significant.
High (5)	<p>By taking into consideration business activities conducted by Bank, the possibility of losses that face the Bank from Market Risk is considered to be extremely high during certain period of time in the future.</p> <p>Sample characteristics of banks included in this rating are among others:</p> <ul style="list-style-type: none"> • Market Risk exposure from trading is extremely significant. • There are mismatches in trading book positions in extremely significant amounts. • Foreign currency exposure is extremely significant. • Bank's asset and liability structures are sensitive to changes in benchmark interest rates, which are reflected in extremely significant repricing gaps of assets and liabilities when compared to bank's income from financing or on capital capacity to absorb potential losses. • Bank's portfolios are dominated by extremely complex financial instruments. • There are trading activities for own accounts (proprietary trading) or market making that are extremely significant.

ATTACHMENT III.2.3.b

**Matrix of Rating Determination of Risk Management Quality
for Market Risk**

Rating	Definition of Rating
Strong (1)	<p>Market Risk Management quality is extremely adequate. Although there are minor weaknesses, but these weaknesses are not significant and therefore can be ignored.</p> <p>Sample characteristics of banks included in this rating are among others:</p> <ul style="list-style-type: none"> • Board of Commissioners and Board of Directors have extremely good awareness and understanding of Market Risk management. • Formulation of Risk appetite and Risk tolerance is extremely adequate and is already in line with Bank's overall strategic targets and business strategy. • Market Risk management culture is extremely strong and has been very well internalized at all organizational levels. • Overall implementation of the tasks of Board of Commissioners and Board of Directors is extremely adequate. • Market Risk management function, including related independent Committee, has clear tasks and responsibilities and has been operating extremely well. • Delegations of authorities are controlled and periodically monitored and have been operating extremely well. • Market Risk strategy, including trading strategy and management of banking book positions, is extremely adequate. • Market Risk policies, procedures, and limits are extremely adequate and available for all areas of Market Risk management, in line with the implementation, and well understood by the employees. • The process of Market Risk management is extremely adequate in terms of the identification, measuring, monitoring, and control of Market Risk. • Market Risk Management Information System is extremely good that

	<p>it produces comprehensive and integrated Market Risk reports for Board of Commissioners and Board of Directors.</p> <ul style="list-style-type: none"> • In general, human resources at the Market Risk management function are extremely adequate in terms of quantity as well as competency. • Internal control system is extremely effective in supporting the implementation of Market Risk management. • Implementations of independent reviews by internal audit working unit and by the function that undertakes independent reviews are extremely adequate in terms of methodology, frequency, as well as reporting to Board of Commissioners and Board of Directors. • In general, there are no significant weaknesses based on results of independent reviews.
<p>Satisfactory (2)</p>	<p>Market Risk management quality is adequate. Although there are a number of minor weaknesses, but these weaknesses can be resolved in normal business activities.</p> <p>Sample characteristics of banks included in this rating are among others:</p> <ul style="list-style-type: none"> • Board of Commissioners and Board of Directors have good awareness and understanding of Market Risk management. • Formulation of Risk appetite and Risk tolerance is adequate and is already in line with Bank's overall strategic targets and business strategy. • Market Risk management culture is strong and has been very well internalized at all organizational levels. • Overall implementation of the tasks of Board of Commissioners and Board of Directors is adequate. There are several weaknesses but the weaknesses are not significant and can be immediately improved. • Market Risk management function, including related independent Committee, has clear tasks and responsibilities and has been operating well. There are a number of minor weaknesses, but the weaknesses can be resolved in normal business activities. • Delegations of authorities are controlled and periodically monitored and have been operating well.

	<ul style="list-style-type: none"> • Market Risk strategy, including trading strategy and management of banking book positions, is adequate. • Market Risk policies, procedures, and limits are adequate and available for all areas of Market Risk management, in line with the implementation, and well understood by the employees. • The process of Market Risk management is adequate in terms of the identification, measuring, monitoring, and control of Market Risk. • Market Risk Management Information System is good that it produces comprehensive and integrated Market Risk reports for Board of Commissioners and Board of Directors. • In general, human resources at the Market Risk management function are adequate in terms of quantity as well as competency. • Internal control system is effective in supporting the implementation of Market Risk management. • Implementations of independent reviews by internal audit working unit and by the function that undertakes independent reviews are adequate in terms of methodology, frequency, as well as reporting to Board of Commissioners and Board of Directors. • There are weaknesses but these are not significant based on results of independent reviews. • Follow ups on independent reviews have been adequately executed.
<p>Fair (3)</p>	<p>Market Risk management quality is sufficiently adequate. Although minimum requirements are fulfilled, there are several weaknesses that require management's attention.</p> <p>Sample characteristics of banks included in this rating are among others:</p> <ul style="list-style-type: none"> • Board of Commissioners and Board of Directors have sufficient awareness and understanding of Market Risk management. • Formulation of Risk appetite and Risk tolerance is sufficiently adequate and is already in line with Bank's overall strategic targets and business strategy. • Market Risk management culture is sufficiently strong and has been well internalized at all organizational levels.

- Overall implementation of the tasks of Board of Commissioners and Board of Directors is sufficiently adequate. There are a number of weaknesses in several aspects of assessment that require management's attention.
- Market Risk management function, including related independent Committee, has clear tasks and responsibilities and has been operating sufficiently well, but there are several weaknesses require management's attention.
- Delegations of authorities are sufficiently good but have not always been well controlled and monitored.
- Market Risk management strategy, including trading strategy and management of banking book positions, is sufficiently adequate.
- Market Risk policies, procedures, and limits are sufficiently adequate and available for all areas of Market Risk management, in line with the implementation, and well understood by the employees.
- The process of Market Risk management is sufficiently adequate in terms of the identification, measuring, monitoring, and control of Market Risk.
- Market Risk Management Information System meets minimum expectation but there are a number of weaknesses including the reporting to Board of Commissioners and Board of Directors that require management's attention.
- In general, human resources at the Market Risk management function are sufficiently adequate in terms of quantity as well as competency.
- Internal control system is sufficiently effective in supporting the implementation of Market Risk management.
- Implementations of independent reviews by internal audit working unit and by the function that undertakes independent reviews are sufficiently adequate. There are several weaknesses in terms of methodology, frequency, as well as reporting to Board of Commissioners and Board of Directors that require management's attention.
- There are weaknesses that are sufficiently significant based on results

	<p>of independent reviews.</p> <ul style="list-style-type: none"> • Follow ups on independent reviews have been executed in sufficiently adequate manner.
Marginal (4)	<p>Market Risk management quality is less adequate. There are significant weaknesses on various aspects of Market Risk management that require immediate improvements.</p> <p>Sample characteristics of banks included in this rating are among others:</p> <ul style="list-style-type: none"> • Board of Commissioners and Board of Directors have significant weaknesses in awareness and understanding of Market Risk management. • Formulation of Risk appetite and Risk tolerance is less adequate and is not in line with Bank's overall strategic targets and business strategy. • Market Risk management culture is less strong and has not been well internalized at all organizational levels. • Overall implementation of the tasks of Board of Commissioners and Board of Directors is less adequate. There are a number of weaknesses in several aspects of assessment that require management's attention. • Market Risk management function has significant weaknesses that require immediate improvements. • Delegations of authorities are weak and are not well controlled. • Market Risk management strategy is less adequate. There are a number of weaknesses in several aspects of assessment that require immediate improvements. • There are significant weaknesses in Market Risk policies, procedures, and limits. • The process of Market Risk management is less adequate in terms of the identification, measuring, monitoring, and control of Market Risk. • Market Risk Management Information System has significant weaknesses including the reporting to Board of Commissioners and Board of Directors that require immediate improvements. • Human resources at the Market Risk management function are less

	<p>adequate in terms of quantity as well as competency.</p> <ul style="list-style-type: none"> • There are significant weaknesses based on results of independent reviews that require immediate improvements. • Follow ups on independent reviews have been executed less adequately.
<p>Unsatisfactory (5)</p>	<p>Market Risk management quality is inadequate. There are significant weaknesses on various aspects of Market Risk management which resolution actions are beyond the management's capability.</p> <p>Sample characteristics of banks included in this rating are among others:</p> <ul style="list-style-type: none"> • Board of Commissioners and Board of Directors have extremely significant weaknesses in awareness and understanding of Market Risk management. • Formulation of Risk appetite and Risk tolerance is inadequate and is not in line with Bank's overall strategic targets and business strategy. • Market Risk management culture is not strong or non-existence. • Implementation of the tasks of Board of Commissioners and Board of Directors is inadequate. There are weaknesses in almost all aspects of assessment which resolution actions are beyond the management's capability. • Market Risk management function has significant weaknesses that require fundamental improvements. • Delegations of authorities are weak or non-existence. • Market Risk management strategy is inadequate. There are weaknesses in almost all aspects of assessment that require immediate improvements. • There are extremely significant weaknesses in Market Risk policies, procedures, and limits. • The process of Market Risk management is inadequate in terms of the identification, measuring, monitoring, and control of Market Risk. • Market Risk Management Information System has fundamental weaknesses. Reporting of Market Risk to Board of Commissioners and Board of Directors is inadequate.

	<ul style="list-style-type: none">• Human resources at the Market Risk management function are inadequate in terms of quantity as well as competency.• Internal control system is not effective in supporting the implementation of Market Risk management.• Implementations of independent reviews by internal audit working unit and by the function that undertakes independent reviews are inadequate. There are extremely significant weaknesses in terms of methodology, frequency, as well as reporting to Board of Commissioners and Board of Directors that require fundamental improvements.• There are extremely significant weaknesses based on results of independent reviews which resolution actions are beyond the management's capability.• Follow ups on independent reviews have been executed inadequately.
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ATTACHMENT III.2.4.a

Matrix of Rating Determination of Inherent Risk for Liquidity Risk

Rating	Definition of Rating
Low (1)	<p>By taking into consideration business activities conducted by Bank, the possibility of losses that face the Bank from Liquidity Risk is considered to be very low during certain period of time in the future.</p> <p>Sample characteristics of banks included in this rating are among others:</p> <ul style="list-style-type: none"> • Bank has high quality liquid assets that are extremely adequate for covering liabilities that come due. • Funding source in the form of unstable (volatile) funds is not significant. • Off balance sheet's volume and/or intra-group funding commitments are not significant. • Concentration on unstable (volatile) funding source is not significant. • Bank is extremely capable of meeting its liabilities and cash flow need in normal condition as well as in crisis scenario. • Cash flow originating from assets and liabilities can cover each other extremely well. • Access to funding sources is extremely adequate as proven by Bank's reputation that is extremely good, stand-by financing that is extremely adequate and there is liquidity commitment/support from the parent/intra-group company.
Low to Moderate (2)	<p>By taking into consideration business activities conducted by Bank, the possibility of losses that face the Bank from Liquidity Risk is considered to be low during certain period of time in the future.</p> <p>Sample characteristics of banks included in this rating are among others:</p> <ul style="list-style-type: none"> • Bank has high quality liquid assets that are adequate for covering liabilities that come due. • Funding source in the form of unstable (volatile) funds is less significant.

	<ul style="list-style-type: none"> • Off balace sheet’s volume and/or intra-group funding commitment are less significant. • Concentration on unstable (volatile) funding source is less significant. • Bank is capable of meeting its liabilities and cash flow need in normal condition as well as in crisis scenario. • Cash flow originating from assets and liabilities can cover each other well. • Access to funding sources is adequate as proven by Bank’s reputation that is good, stand-by financing that is adequate and there is liquidity commitment/support from the parent/intra-group company.
Moderate (3)	<p>By taking into consideration business activities conducted by Bank, the possibility of losses that face the Bank from Liquidity Risk is considered to be sufficiently high during certain period of time in the future.</p> <p>Sample characteristics of banks included in this rating are among others:</p> <ul style="list-style-type: none"> • Bank’s liquid assets are sufficiently adequate for covering liabilities that come due. • Funding source in the form of unstable (volatile) funds is sufficiently significant. • Off balace sheet’s volume and/or intra-group funding commitment are sufficiently significant. • Concentration on unstable (volatile) funding source is sufficiently significant. • Bank is sufficiently capable of meeting its liabilities and cash flow need in normal condition as well as in crisis scenario. • Cash flow originating from assets and liabilities can cover each other sufficiently well. • Access to funding sources is sufficiently adequate as proven by Bank’s reputation that is sufficiently good, stand-by financing that is sufficiently adequate and there is liquidity commitment/support from the parent/intra-group company.
Moderate to	<p>By taking into consideration business activities conducted by Bank, the possibility of losses that face the Bank from Liquidity Risk is considered</p>

<p>High (4)</p>	<p>to be high during certain period of time in the future.</p> <p>Sample characteristics of banks included in this rating are among others:</p> <ul style="list-style-type: none"> • There are concerns over the quality of Bank's liquid assets and Bank's capability to cover liabilities that come due. • Funding source in the form of unstable (volatile) funds is significant. • Off balace sheet's volume and/or intra-group funding commitment are significant. • Concentration on unstable (volatile) funding source is significant. • Bank is less capable of meeting its liabilities and cash flow need in normal condition as well as in crisis scenario. • Significant cash flow gaps (mismatches) occur at various scale of time. • Access to funding sources is less adequate as proven by Bank's reputation that is not so good, stand-by financing that is limited and there is no liquidity commitment/support from the parent/intra-group company.
<p>High (5)</p>	<p>By taking into consideration business activities conducted by Bank, the possibility of losses that face the Bank from Liquidity Risk is considered to be extremely high during certain period of time in the future.</p> <p>Sample characteristics of banks included in this rating are among others:</p> <ul style="list-style-type: none"> • Quality of Bank's liquid assets is bad and volume of liquid assets is extremely inadequate to cover liabilities that come due. • Funding source in the form of unstable (volatile) funds is extremely significant. • Off balace sheet's volume and/or intra-group funding commitment are extremely significant. • Concentration on unstable (volatile) funding source is extremely significant. • Bank is incapable of meeting its liabilities and cash flow need in normal condition as well as in crisis scenario. • Cash flows cannot cover one another at almost all scales of time.

	<ul style="list-style-type: none">• Access to funding sources is less adequate because Bank's reputation is worsening, stand-by financing is not available and there is no liquidity commitment/support from the parent/intra-group company.
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