### ILLUSTRATIVE EXAMPLES ON PREPARATION OF IFRS 9 IMPLEMENTATION

Bank 123 Ltd.

The following table is an illustrative example. The bank prepares a roadmap in accordance with conditions of each bank’s circumstances, with key attention to deadlines of each stage so that the implementation target of January 1st, 2020 can be achieved.

<table>
<thead>
<tr>
<th>Stage</th>
<th>Initial Preparation (no later than Q4/2017)</th>
<th>Gap Analysis on classification and measurement</th>
<th>Gap Analysis on Impairment</th>
<th>Gap Analysis on Hedge Accounting (Optional)</th>
<th>Development on Classification and Measurement</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>Discussions with Board of Commissioners, Directors, Audit Committees, and related Working units</td>
<td>1. Results of Quantitative and Qualitative Studies on Classification and Measurement of Financial Instruments</td>
<td>1. Identify a potentially impaired financial asset</td>
<td>1. Results of Quantitative and Qualitative Studies on Hedge Accounting (Optional)</td>
<td>1. The policy draft on the classification of financial instruments, as well as contract, if required</td>
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<tr>
<td>2.</td>
<td>Training and socialization of the application of PSAK 71 to related work units</td>
<td>3. Solely Payment of Principal and Interest test (SPPI test)</td>
<td>2. Mapping internal ratings with indicators of impairment requirements under PSAK 71</td>
<td>2. Reviewing the existence of risk management and compare with hedge accounting in accordance to PSAK 71</td>
<td>5. The development of contract (if required)</td>
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<tr>
<td>3.</td>
<td>Setting up the Task Force and work programs in detail including timeline and targets</td>
<td>3. Setting up the Task Force</td>
<td>3. The adequacy of resources (i.e. human, funds, infrastructure, policies and procedures)</td>
<td>3. Notice at the need to change existing hedge accounting (in accordance with PSAK 55) with hedge accounting under PSAK 71</td>
<td>6. Approval of changes on MIS and User requirement</td>
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<tr>
<td>4.</td>
<td>Preparation of RBB (Bank Business Plan) that taking into account additional costs for IFRS 9 implementation</td>
<td>4. RBB (Bank Business Plan)</td>
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<td>4. Notice at the need to change existing hedge accounting (in accordance with PSAK 55) with hedge accounting under PSAK 71</td>
<td>7. Providing data/information required for disclosures in accordance to PSAK 71</td>
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</tbody>
</table>

### Documents Attached

#### Stage I: Initial Preparation (no later than Q4/2017)
- Minutes of Meeting
- Training schedule and realization
- Board's Decree and action plan details
- Adjustment, if any

#### Stage II: Gap analysis (no later than Q1/2018)
1. Solely Payment of Principal and Interest test (SPPI test)
2. Business Model Review
3. The adequacy of resources (i.e. human, funds, infrastructure, policies and procedures)

#### Stage III: Development (no later than Q2/2018)
1. The development of contract (if required)
2. Change in policies and procedures
3. Adjustment on MIS for financial instruments, if required
4. Providing data/information required for disclosures in accordance to PSAK 71

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**The following table is an illustrative example.** The Bank prepares a roadmap in accordance with conditions of each bank’s circumstances, with key attention to deadlines of each stage so that the implementation target of January 1st, 2020 can be achieved.

| Bank 123 Ltd. | | | | | |
|---------------|---------------|---------------|---------------|---------------|

1) Results of Quantitative and Qualitative Studies on Classification and Measurement of Financial Instruments;
2) Improvements proposal on the business-model and resources

1) Results of Quantitative and Qualitative Studies on Impairment of Financial Instruments;
2) Improvements proposal on credit risk indicators (i.e. internal ratings and impairment indicators) as well as resources

1) Results of Quantitative and Qualitative Studies on Hedge Accounting (for banks that are not actively involve on hedging, the analysis can be simplified);
2) Improvement proposal on market risk management and resources

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**The policy draft on the classification of financial instruments, as well as contract, if required**
### Development on Impairment

1. Building a model:
   - a. Probability of Default (PD)
   - b. Loss Given Default (LGD)
   - c. Exposure at Default (EAD)
2. The development of a supporting system for the calculation of impairment:
   - a. Preparation of system design
   - b. Procurement system
3. System testing
4. Adjustment on policies regarding IFRS 9 implementation including medium and long-term contracts with third parties as well as off-balance sheet elements
5. The development on resources (i.e. human, fund infrastructure, policies and procedures)
   - 1) Draft of Policies, 2) Training realization
6. Providing data/information required for disclosure under PSAK 71

### Development on Hedge Accounting (Optional)

1. The development of risk management strategy and risk management objective (people, tools, and policies) in accordance to PSAK 71
2. The development of accounting for risk management activity in accordance to PSAK 71
3. The development of hedge effective test (include economic relationship, credit risk does not dominate dan hedge ratio) in accordance to PSAK 71
4. Adjustment on MIS (if required)
5. Providing data/information required for disclosure under PSAK 71

### Tahap IV: Final Preparation dan parallel run (at least in 6 months)

1. Finalization (MIS PSAK 71)
2. Approval of changes on Policies and Procedures as well as related Business Process (i.e. Accounting, Credit, Treasury, Risk Management)
3. Parallel run

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<thead>
<tr>
<th>Date/Period</th>
<th>1</th>
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<th>Total</th>
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<tbody>
<tr>
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