ABSTRACT

The performance of the risk profile, apart from functioning as a tool to mitigate the possibility of undesirable things, can also be used as a benchmark for banking performance. An unsatisfactory risk profile value will make customers and investors think twice before using the bank's services.

The risk profile is divided into 8 different types of risk. This study aims to analyze the effect of 3 types of risk profiles that have the greatest impact, namely credit risk, market risk, and liquidity risk on the soundness of banking in ASEAN. The method used is limited dependent variable regression with estimates using Tobit.

The results of the study show that the variables Probability of Default and Cash Ratio, as a proxy for credit risk and liquidity risk, respectively, have a significant effect on the soundness of banking in ASEAN. Meanwhile, the variable Economic Value of Equity as a proxy for market risk has no significant effect on the soundness of banking in ASEAN. Based on these results, it can be concluded that only credit risk and liquidity risk have a significant influence and are in line with the theory put forward by the Bank for International Settlements (BIS).

Keywords: Risk profile, Probability of Default, Economic Value of Equity, Cash Ratio, and banking performance.

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