**List of Amendments on Manuscript (For Author)**

**Title : Board of Directors and credit risk: an empirical study of Indonesian Islamic banks**

Please ensure that you fill in ALL amendments with your reply as it is unlikely that any further changes will be possible.

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| No. | Comments & Recommendations  (From Reviewer) | Pages (Before) | Amendments  (From Author) | Pages (After) |
| 1. | In the text it is said “Profit and loss sharing (PLS) financing has the higher credit risk compared to other types of financing due to the moral hazard of borrowers who have incentive to share loss with banks (El-hawary et al., 2007). The previous study conducted by Ahmed and Khan (2005) also state that profit and loss sharing (PLS) modes of financing and mark-up financing (salam and istishna) are riskier than murabaha and ijara”. Therefore, the author should incorporate the statements above into the statistical model. By doing so the study will reflect better the fact that this study of risk is on islamic banking, not on conventional banking. For example, there might be another test to see if the majority of the financing of the bank is PLS then that bank will have higher risk. | 5 | We added the figure and explanation to support the argument by previous references | 5-6 |
| 2. | .All the hypotheses are directional ones. Given all the signs are as expected then the correct one for that situation is that all the p-values (Prob.) on Table 2 must be devided by 2. By doing so, the author will find that not only LogMeet is significant at 1% level but also LogSize is now significant at the 5% level. | 12 | We have added the explanation below the table 2 and also adjusted the discussion about the result of board size | 12 -13 |
| 3. | Add a new section before the Conclussion section for Robustness test. The first robustness test is using the same model and run the data using pooled regression and the fixed- effect model (are the results the same?). For the second robustness test the authors should change the dependent variabel from NPF to NPF/ROA. It is well known that islamic banking has cheaper source of funding and gets higher returns when provide financing. Using NPF/ROA is a cleaner measurement of risk because it controls for risk-return trade off. | 15 | We have added the section of robustness test following the suggestion from the reviewer | 15 |